FOOD EMPIRE | SGX: F03

1H26 results in-line;

Top-line beats, margin potential concern

BUY

Current Price:	$ 2.51
Target Price:	$ 2.74
Upside:	+ 9%

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Food Empire (FEH) delivered a clean-looking 1H26 — record half-year revenue and PAT swinging back to positive; [top-line beat riding on a margin miss vs RHTC FY26F]. Revenue tracks slightly ahead of the run-rate cf full-year forecast; profitability tracks behind it.

Revenue beat, but it is the only line that beat. [TOP-LINE ON TRACK]

1H26 revenue of US$315.1m (+15.0% YoY) reached 51% of RHTC's FY26F US$614m; with management reiterating no seasonality. However, portfolio growth is concentrating in the mature cash core, not the smaller blocs that we were expecting: Russia (+24.6%) and Central Asia (+33.6%) drove the growth [both far above our estimates at +10% and +5% forecast pace] while Southeast Asia grew only +2.4%, undershooting even RHTC's deliberately conservative +5% assumption.

Every margin line came in below forecast; the operating-leverage story did not show up in 1H.

Gross margin printed 33% vs FY26F 34.7%; EBITDA margin 18.7% vs 19.5%; net margin 11.2% vs 12.2%. This resulted in slightly weaker than expected bottom line: PBT US$93m and PAT US$71m track roughly 7% and 6% below the FY26F US$100m/US$75m. Selling & marketing (+29.7%) and net finance costs (+83.7%) both outgrew revenue. Our FY26F embeds a 610bp EBITDA-margin step-up over FY25; 1H26 delivered a far shallower path and it is our hope that FEH can reverse in 2H.

Headline PAT flatters; the S$2.74 target and EPS forecasts look ambitious on run-rate.

Reported PAT of US$35.3m vs a US$1.1m loss ("NM") is optical: it is the absence of 1H25's US$32.6m REN fair-value charge; against normalised 1H25 PAT of US$31.5m, growth is a solid but ordinary +12.2%. Annualised basic EPS of ~10.7 US cents is running below the ~11.4 US cents implied by RHTC's US$75m NPAT, making the +100.5% EPS growth in the model hard to hit. The 4.0 cents interim dividend (up from 3.0 cents) does support the ~60% payout / TSR framework, and the net-cash balance sheet is intact but cash fell US$30m as capex and borrowings rose. We reiterate our BUY recommendation and maintain our target price of S$2.74 (or potential +9% upside).

Mkt Cap: S$1.7bn
[S$2.51 12-Aug-26]

Intrinsic Value: S$2.74

30-day ADTV: 1.748mil

Singapore

Consumer Staples: Food, Beverage & Tobacco [3020]

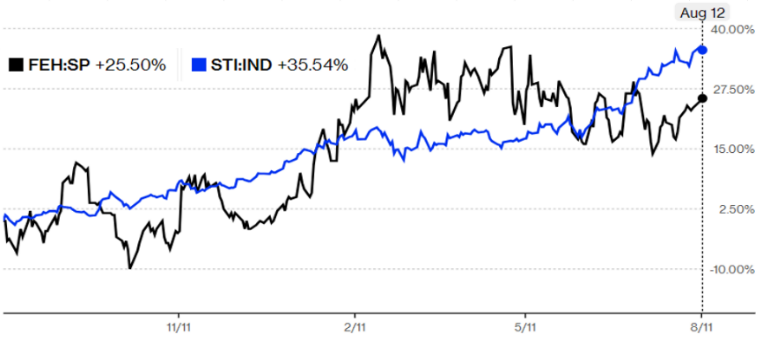
RHTC Forecast *US$ Mil*	2024	2025	2026F	2027F
Revenue	476.3	576.9	613.7	653.2
EBIT	66.0	62.7	105.6	112.7
Net Income	52.5	36.0	75.0	79.8
EPS (S$ cts)	11.1	7.3	14.6	15.6
P/E (x)	22.5	34.4	17.2	16.1
PEG (x)			3.3	
ROAE (%)	17.9	10.8	19.5	19.2
Div Yield (%)	2.7	4.0	3.5	3.7
FCF yield (%)	0.1	4.9	5.2	7.3
Gearing (D/E)	13.3	12.4	12.6	12.9
(D/TA)	8.6	8.1	8.4	8.3

Industry Valuation	PE	PEG	Beta	EV/EBITDA
FEH	17.2	3.3	0.85	10.6
STI	18.2	1.8	1.0	6.4-18.4
FEH premium to STI	-5.9%	82.3%		14.7%[1]

	PE	PEG	EV/Sales	EV/EBITDA
KUP	11.7	1.0	2.3	8.8
Nestle	18.2	1.6	2.5	14.9
FMCG Avg	14.9	1.3	2.4	11.8
FEH prem/FMCG	15.0%	147.7%	-8.9%	-10.7%

1: Calculated based on avg EV/EBITDA of 12.4x

Food Empire **BUY** Price $2.51 12-Aug-26



Ratios & Valuation

Dec yr-end	2024	2025	2026F	2027F
ex-cash PE	20.1	31.4	15.5	14.0
PE	22.5	34.4	17.2	16.1
consensus PE			20.0	17.8
PEG			3.3	
Intrinsic Value			**2.74**	**3.22**
(potential upside)			9%	28%
Div Yield	2.70%	4.0%	3.5%	3.7%
FCF yield	0.10%	4.90%	5.2%	7.3%
PB	4.0	3.30	3.2	3.0
EV/Sales			2.2	1.9
EV/EBITDA			10.6	9.9

Growth & Margins *(%)*

YoY (%)	**2024**	**2025**	**2026F**	**2027F**
Revenue	11.9	21.1	6.4	6.4
PBT	(10.1)	(8.5)	67.5	6.4
EPS	(7.3)	(34.5)	100.5	6.4
DPS	(20.0)	50.0	(12.2)	6.4
FCF	(96.4)	4,236	6.0	38.7
Asset	14.2	23.2	7.2	10.7
Margins (%)	**2024**	**2025**	**2026F**	**2027F**
Gross margins	30.3	33.5	34.7	34.5
EBITDA margin	16.3	13.0	19.5	19.6
EBIT margins	13.8	10.9	17.2	17.2
PBT margins	13.7	10.3	16.3	16.3
Net margins	11.1	11.9	12.2	12.2

Note FEH bonus issue 1:5 effective 4-Jun-26, prior years # adjusted to reflect this.
Source: Company data, RHTC estimates

Income Statement *($Mil)*

US$ mil Dec-yr end	**2024**	**2025**	**2026F**	**2027F**	**2028F**
Revenue	476	577	614	653	776
COGS	(332)	(383)	(401)	(428)	(511)
Gross Profit	144	194	213	225	265
Selling & Distribution	(36)	(49)	(51)	(54)	(44)
General & Admin exp	(45)	(51)	(54)	(57)	(49)
Other income	7	3	2	2	2
Other Opex	(4)	(34)	(4)	(4)	(5)
Net Finance costs	(0)	(5)	(6)	(7)	(5)
Associate cont	(1)	2	1	1	1
PBT	**65**	**60**	**100**	**106**	**164**
Tax	(12)	(24)	(25)	(27)	(38)
tax rate (%)	*18.9*	*39.7*	*25.0*	*25.0*	*23.0*
PAT	**53**	**36**	**75**	**80**	**127**
Minority Interests	0	(0.0)	**(0)**	**(0)**	**(0)**
Net Attributable Profit	**53**	**36**	**75**	**80**	**127**

Top shareholders *(Total Interest, AR2025)*

#	Beneficial Owner	Total Interests #shrs mil	Est % o/s
a	Tan Wang Cheow & Tan Guek Ming	115.8	21.1%
b	Sudeep Nair	71.30	13.0%
c	Anthoni Salim	132.1	24.1%

Balance Sheet *($Mil)*

$mil Dec-yr end	**2024**	**2025**	**2026F**	**2027F**
Cash & CE	131	182	199	241
Trade receivables	50	56	61	67
Inventories	111	127	114	128
Other CA	15	23	37	21
Current Assets	**306**	**387**	**411**	**457**
PPE	119	131	144	158
Right of Use assets	13	22	32	34
Intangible assets	10	11	12	13
Deferred Tax Assets	4	5	6	8
Investment in Associates	9	11	12	12
Non-current assets	**154**	**179**	**194**	**213**
Total Assets	**460**	**566**	**606**	**670**
Trade payables	56	71	79	106
Other payables	6	11	10	11
Lease liabilities	2	3	3	3
Interests loans	28	24	27	29
Current tax liabilities	6	6	5	6
Other CL	1	2	4	2
Current liabilities	**99**	**118**	**127**	**157**
Interest Loans & Borrow	12	22	24	26
Redeemable exchg notes	37	37	37	37
Lease liabilities	4	9	10	11
Deferred tax liabilities	8	7	8	7
Other LT Liabilities	4	3		
LT liabilities	**65**	**78**	**79**	**81**
Share capital	48	48	48	48
Treasury shares	-16	-4	-4	-4
Retained earnings	298	289	319	351
Reserve	-36	36	36	36
Minority Interests	2	2	2	2
Total Equity	**296**	**370**	**400**	**432**

Cash Flow *($Mil)*

US$mil	**2024**	**2025**	**2026F**	**2027F**
PBT	65	60	100	106
Depreciation	12	12	14	15
Working capital changes	(38)	(1)	0	23
Cash from operations	37	111	114	144
Tax paid	(12)	(24)	(19)	(20)
CF operating activities	**26**	**87**	**95**	**124**
Purchase PPE	(24)	(22)	(27)	(29)
Interest Income	4	4	4	5
CF from investing	**(18)**	**(22)**	**(24)**	**(26)**
Payment of lease liabilities	(2)	(3)	(3)	(3)
Borrowings repayment	(64)	(139)	5	5
Dividends paid	(39)	(45)	(45)	(48)
Interest paid	(4)	(6)	(6)	(7)
CF from financing	**(6)**	**(17)**	**(54)**	**(56)**
Net change in cash	**1**	**48**	**18**	**42**
FX	(2)	2		
Cash beg of period	131	131	181	199
Cash end of period	131	181	199	241

Earnings, Cash and the Target Price

The reported swing from a US$1.1m loss to US$35.3m PAT is almost entirely the absence of 1H25's US$32.6m non-cash REN fair-value charge; the "NM" growth headline is optical. On a like-for-like normalised basis, PAT grew a respectable but unremarkable +12.2%. Annualised basic EPS of ~10.7 US cents runs below the ~11.4 US cents implied by the US$75m NPAT forecast, making RHTC's +100.5% reported FY26F EPS growth look demanding — it leans on the low, one-off-depressed FY25 base rather than a clean doubling of underlying earnings.

The balance sheet remains a genuine strength: FEH stays in a net-cash position excluding the REN, and the 4.0-cent interim dividend (up from 3.0) is consistent with the ~60% payout and TSR framework that underpins the S$2.74 target. But cash fell ~US$30m over the half (to US$151.3m) as capex stepped up for the Vietnam and Kazakhstan facilities and gross borrowings rose to ~US$63.5m — the expansion thesis working as intended, but it tempers the "cash-accumulating, optionality-rich" framing and the glide-path to the ~US$260m FY27F net-cash position the initiation assumed.

Recommendation — maintain BUY and TP for now

We maintain BUY — the strategic case (entrenched Russia franchise, Kazakhstan ramp ahead of plan, capacity coming online, net-cash balance sheet, supportive dividend) is intact, and the stock still screens at a clear discount to global FMCG peers on EV/EBITDA and EV/Sales. But the 1H26 run-rate raises the bar for FY26F earnings, and the entire discount-to-peers argument depends on those earnings landing; on growth-adjusted multiples FEH is not cheap (PEG ~2x peers), and at S$2.74 the implied 18.7x FY26F P/E is a ~22% premium to peers.

Valuation Risks

Risks to RHT Capital views and intrinsic value/price target

1. Better/worse execution in pursuing new market shares that would pose an upside/downside risk to our estimates and valuation.
2. Faster/slower-than-expected organic growth would pose an upside/downside risk to our estimates and valuation.
3. A better/worse-than-expected macro/trade environment that may provide upside/downside risk to growth across business lines.

Valuation Method and Risk Statement

Investing in FEH entails above-average risk given its consumer-staples exposure to emerging and frontier markets: a high revenue concentration in Russia/CIS, sensitivity to green-coffee (Robusta) input costs, foreign-exchange translation and cash-repatriation risk across its operating currencies, and execution risk on its multi-country manufacturing capacity pipeline.

FEH price target based on 2026E FCF yield, Dividend yield, Share buy-back up to 10%. Risks include the macroeconomic environment, competition, raw material prices, product distribution, and delays in bringing potential manufacturing facilities on stream.

Growth would be curtailed by a slowdown in employment and consumer consumption given the general market's exposure to macroeconomic conditions.

Intrinsic Value is based on 2026E forecasts. We view the derived intrinsic value/target price as fair given macro and geopolitical uncertainty potentially fuel further downward estimate revisions.

Our Intrinsic Value/Price target is based on Total Shareholder Return framework with 1-year holding period premised on our FY26 estimates.

Risks

- Greater than expected macroeconomic slowdown impacting value chain
- Near term cessation of Ukraine hostilities and opening of Russian market
- Changes in consumption tastes and patterns

Appendix

A-1 SWOT Analysis

SWOTs	Description
Strengths	**Undisputed Niche Leadership:** Commands >60% share in the CIS 3-in-1 coffee segment and holds a dominant top-three position in Vietnam's high-growth instant market. **Vertical Integration:** Operates a geographically diversified, multi-country manufacturing platform (ten facilities across six countries) that shields margins and ensures supply reliability. **Cash Generation:** Maintains a robust balance sheet with a net cash position, supporting aggressive share buybacks, generous dividend payouts and self-funded capital expenditures.
Weaknesses	**Geographic Concentration Risk:** High exposure to volatile operating environments, with Russia and Ukraine historically accounting for approximately 37% of the group's total revenue. **Currency Sensitivity:** Highly susceptible to foreign exchange swings in emerging markets, with the Indian Rupee (INR) and Russian Ruble (RUB) presenting substantial translation risks to profit before tax.
Opportunities	**Capacity Monetization:** Major upstream expansion projects, including a new freeze-dried facility in Vietnam (FY2028) and expanded spray-dried capacity in India (FY2027), provide significant top-line growth levers. **Category Adjacencies:** High growth headroom to leverage existing distribution networks for brand extensions into the ready-to-drink (RTD) segment and snack categories. **Strategic M&A:** Potential to execute inorganic growth or serve as an attractive acquisition target for larger FMCG players (e.g., Tata Consumer) seeking immediate localised synergies in Eurasia and Asia.
Threats	**Raw Material Volatility:** Margins remain highly sensitive to sharp swings in global green coffee bean prices, which have recently spiked due to climate change impacts. **Geopolitical Escalation:** Operations in Eastern Europe carry ongoing sanctions risks, potential supply chain blockades and the threat of trapped cash if repatriation costs rise. **New Entrants:** Increasing capacity investments by regional players could temporarily dilute market share in Southeast Asia.

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