



HEINEKEN MALAYSIA BERHAD

60th ANNUAL GENERAL MEETING

16 May 2024

PRE-MEETING QUESTIONS FROM SHAREHOLDERS

BUSINESS PERFORMANCE & OUTLOOK

1. In 2022, 23% of revenue is packaging, raw material, distribution and marketing costs versus 25% in 2023. In value wise, it is 0.3% / RM2 million increase. News reporting that the Company is raising prices of its products. Raising price is always sensitive. Thus, would like the Company to share the thinking behind these price increases.

CM Teo

- Management regularly reviews the pricing of its products, taking into considerations internal and external market factors.
- Whilst the specific mechanics of pricing are commercially sensitive, the Group takes the affordability of its products as an important aspect in determining its pricing.
- The Group also takes into consideration its cost base, inflationary pressures and currency valuations.
- We also ensure that it adheres to the Price Control and Anti Profiteering Act when determining pricing.
- As part of revenue management initiatives, we have implemented a price adjustment in selected products in the April 2024 which is aimed at mitigating the impact of escalating operating cost from higher input costs, increased in logistic costs, currency devaluations and other inflationary increases, including labour and utilities.

2. Can we get more colour into the 8% revenue drop? Your competitor is able to provide more data such as premium and mass category decline % comparing 2023 and 2022 in their annual report. Are we able to get the same data as well?

CM Teo

- There are two main contributors to the revenue decline of 8% vs previous year. First, we have a very strong comparison against 2022 baseline as the economy reopened at the end of COVID pandemic to meet pent up demands and building the distribution pipelines.
- After a strong rebound in 2022, the Group views its 2023 performance as a form of market correction. Market sentiments throughout 2023 was weak and below the optimum level following various macroeconomic concerns with increasing cost of living, devaluations of currencies and geopolitical tensions resulting in more cautious discretionary spending.
- Despite the reduction vs 2022, our PAT in 2023 was still 23% above pre-pandemic levels of 2019 that give us the confident to continue focus on the delivery of our strategic initiative based on our EverGreen Strategy.

3. How do early or late Chinese New Year affect the first quarter and the previous year fourth quarter revenue and expenses? What are the impact (in % term) for every 1 week of late / early CNY?

YCEe

- Indeed, longer CNY selling period in a particular calendar year results in higher sales.
- In 2023, we have in total 2 weeks less Chinese new year sales. We have 1 week less at the beginning of the year and another 1 week less at the end of 2023.
- If you take a medium to longer term view as investor, all these effects will more or less compensate each year. Example, we have shorter CNY in 2023 but this year we have a longer CNY in 2024.
- Sorry we are not able to divulge into specific % for every week as it depends on various market dynamics like pricings and discounts as well.

4. Does tourism contribute up to a mid-single digit of revenue? To what extent that major sport events like Olympics or World Cup contribute towards Heineken sales?

YCEe

- Malaysia received 29 million tourists in 2023 or 11% better than pre-pandemic level. Tourism does play some roles in driving incremental volume growth however we are unable to accurately pinpoint the total contribution in percentages. It also depends on the types of tourism that Malaysia attracts.
- Most tourist also go for local hero brands like Tiger while premium tourist goes for premium brands like Heineken and Guinness. We believe we are well poised to capture the tourism opportunities.
- Relating to sports events, some sports with more viewing parties results in sales uplift and we continue to work with various regions and outlet owners to run our activation campaign for mutual benefits.

5. What are the challenges expected in 2024? How does 2024 compare to 2023?

YCEe

- Coming out of a challenging year 2023, we have an encouraging start to 2024 as we reported favourable performance for Q1FY2024 supported by effective execution of our CNY campaign and strategic commercial initiatives. Whilst our Q1 performance was positive, we approach 2024 with a cautious outlook, in view of the volatile trading environment and macroeconomic concerns which may continue to impact sentiments and demand.
- We will continue to build on this momentum by focusing on our EverGreen priorities, emphasising superior growth, consumer-centricity, cost efficiency, sustainability, digitalisation and reinforcing a high-performance culture. We will continue to stay agile in navigating the external challenges to deliver a commendable performance for year 2024.

FINANCIAL

6. Page 21 of the Annual Report mentioned that the Company entered into factoring agreement to improve capital efficiency. This is expected to increase interest / finance charges, but company is able to get cash from their account receivables immediately.

What is the financial and operational impact of this factoring arrangement, any numbers can be shared in terms of increase in interest charges and decrease in trade receivable cycle / bad debts provisioning?

CM Teo

- The Group has improved its working capital efficiency through a factoring arrangement. Under this arrangement, the Group will transfer the relevant trade receivables to a bank in exchange for cash with no recourse to the Group subsequent to the transfer.
- We are unable to share the numbers specifically related to factoring arrangement due to sensitivity.
- We are pleased to announce overall working capital improvement, subsequently positively impacted Free Operating Cash Flow. This allowed us to propose 100% net profit dividends payout to shareholders.

7. After many years of increase, the administrative expenses have for the first time reduced to RM106 mil in FY23 from RM121 mil in FY22. What are the factors contributing to the reduction and what is the future trends of admin expenses?

YC Ee

- Administrative expenses decreased by 12% in FY2023 vs FY2022 is part of effective cost management mitigating the impact of inflationary rate and rising cost in fixed overhead.
- We achieve cost effectiveness and efficiency through cost optimisation across the organisation as we drive superior growth and embody our EverGreen strategy to continuously future-proof our business.

8. Refer to Note 10, what are the definition and examples of movable plant?

YC Ee

- The Group's property, plant and equipment consists of land, buildings and plant and machinery of which the majority is part of our SWB brewery, Furthermore, we have movable plant which mainly consist of returnable packaging materials, and commercial assets like draught beer equipment and fridges.

CAPEX

9. **What are the major investments planned after the recent brewery upgrade and the estimated investment amount? Without capacity expansion, what is the typical annual CAPEX necessary to keep the operations in good condition?**

YC Ee

- In 2022, our CAPEX was invested mainly for production facilities upgrading and expansion to meet business needs.
- Management strategically assesses the requirements of the Group's business and its CAPEX needs and will commit to the expenditure as needed.
- We are unable to share our future investment plan and budget as this is commercially sensitive.

DIVIDEND POLICY

10. **Will the Company implement quarterly payment of dividend instead of the present half yearly basis and can payment period be shortened, says within 2 months from date of announcement?**

SY Cha

- The capacity and frequency to pay dividends are assessed based on the Group's financial performance and its working capital requirements as well as cashflow positions from time to time.
- All dividends or distributions are to be paid within one month from the books closure date and in any event, not later than three months from the date of declaration or the date on which approval is obtained in a general meeting.
- Currently, there is no plan to change our dividend practices that we are confident have served the business needs and long-term investors need very well over the years.

11. **What is your current dividend policy, how much will you pay for next dividend?**

LT Lee

- Our target dividend payout is between 90% - 95% of net profit. The Group remains committed in distributing dividends to shareholders from earnings in excess of our business requirements to optimise shareholders returns. In deciding any dividend payment, the Board will take into consideration the overall financial performance including the cash flow positions and the future investment plans of the Group.
- For FY2023, the Group has declared a total dividend of 128 sen per stock unit (40 sen interim dividend, 88 sen final dividend) which is equivalent to about 100% of the Group net profit.

BREWERY UPGRADE

12. What are the improvements resulting from the brewery upgrade in FY22 and FY23? What are the additional capacity and operational efficiency achieved?

YC Ee

- The investments incurred in the last 2 years were focused on upgrading the brewery by improving operational efficiency as well as the sustainability performance.
- Post upgrade, production productivity is expected to increase whilst water and energy consumption are expected to decrease supporting both our fund the growth and sustainability agenda.
- With the finalization of our brewery upgrade, we expect to have sufficient capacity in the years to come to deliver our superior growth ambitions.

13. Before the brewery upgrade in FY22, did the Board consider the merits of relocating the brewery? What were the reason that the Group decided to stay in current location.?

YC Ee

- Indeed, prior to our brewery upgrades and expansions, we have reviewed various options including business cases, future growth as well as regulatory approvals. We conclude that current location upgrade still offers the optimum options in the mid-term.
- Yes, we continue to evaluate the demand and supply economics/options not only for Malaysia but for the region in the long term.

BREWERY TOUR

14. Any plant visit for shareholders?

YM Loo / CL Lim / GK Lee / LH Wong

- Thank you for your interest.
- Following brewery upgrade, we have accepted very selectively some request for brewery tour that drives meaningful brand experiences, loyalty and driving home the message “When You Drive, Never Drink”, this is also to support the very stringent drink driving rule in our country.
- Our team will put up a notice on our website when the brewery is ready for external visitors in the near future.

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