

*For Immediate Release*

19 May 2020

## **HEINEKEN MALAYSIA BERHAD**

### **2020 Q1 FINANCIAL PERFORMANCE & BUSINESS UPDATE ON COVID-19**

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Heineken Malaysia Berhad (“HEINEKEN Malaysia”) is today issuing an update on the following matters:

- (i) Group financial performance for the first quarter ended 31 March 2020 (“2020 Q1”); and
- (ii) Impact of the on-going Movement Control Order (“MCO”) implemented by the Government from 18 March 2020 to 9 June 2020 to curb the spread of Covid-19 infection in the country.

#### **2020 Q1 Financial Performance**

Group revenue declined by 1.8% compared to the same quarter in 2019, mainly due to lower sales in March 2020 which registered a 50% drop following the temporary suspension of operations of Sungei Way Brewery to comply with the MCO effective 18 March 2020.

However, Group profit before tax (“PBT”) grew 6.3% driven by effective Chinese New Year festive campaigns executed in January 2020 and February 2020, ahead of the price adjustment implemented on selected products effective 1 March 2020, as well as the more efficient commercial spend during the quarter.

Compared with the preceding quarter, Group revenue and PBT decreased by 24% and 37% respectively, principally due to:

- Higher sales in the previous quarter driven by a successful year-end festive season
- Early sell-in for Chinese New Year this year; and
- Lower sales in March 2020 due to the suspension of operations of the brewery effective 18 March 2020.

Net cash from operating activities as at 31 March 2020 dropped significantly, and reduced 44% to approximately RM53 million (2019 Q1: RM94 million) following the suspension of business operations to comply with the MCO.

Earnings per share and net assets per share remained resilient at 18.86 sen (2019 Q1: 17.48 sen) and RM1.49 (2019: RM1.30) respectively.

#### **Managing Director’s Comments**

HEINEKEN Malaysia Managing Director Roland Bala said: “Whilst we have reported a satisfactory Q1 performance on the back of a successful CNY campaign, the Covid-19 pandemic will continue to pose major challenges to our business. Our top 3 priorities are a) Ensuring the health, safety and wellbeing of our people, b) ensuring business continuity and c) preserving cash.

I am also pleased that HEINEKEN Malaysia has proactively reached out to support our local communities and trade partners. For example, we reached out to provide basic food items to more than 1,000 families from the B40 communities within the vicinity of our brewery when they lost their source of income. Through Tiger Beer, we launched the “Save Our Street Food” campaign with a RM1.5 million fund to support coffee shops, food courts and street food vendors who were most affected by the MCO. HEINEKEN Malaysia has also launched the “Raise Our Bars” campaigns with RM1 million in funds to help drive traffic into restaurants and bars during this difficult period. Despite the challenges, HEINEKEN Malaysia is doing what we can to support and we are confident that we will come out of this crisis stronger, together.”

### **Impact of Covid-19 Pandemic and Mitigating Measures**

The on-going Covid-19 pandemic and the containment measures, including the mandatory closure of non-essential business activities imposed by the Government and social distancing measures, continue to pose unprecedented challenges to on-trade businesses and consumers’ purchasing power. This, as well as the closure of the brewery from 18 March 2020 to 3 May 2020, resulted in a material decline in our revenue and the disruption from this is expected to persist and continue to have a significant adverse impact on the overall business performance of the Group for the financial year 2020.

The Board has stress-tested the Group’s balance sheet, profit and loss and cash flow across multiple scenarios. Notwithstanding, the strong balance sheet at the end of Q1, Group operating cash flow is expected to be significantly impacted in the second quarter and over the rest of the financial year given slower cash collections from the trade and weak demand particularly from the on-trade and tourism channels.

In order to mitigate the impact on the Group business, various initiatives have been implemented to accelerate business activities and improve operational efficiency to protect the Group profitability and preserve cash. These include:

- Aggressive cost saving measures which include revision of commercial and marketing spend.
- Optimising working capital management and utilising borrowing facilities to ensure the ongoing liquidity of the Group.
- Acceleration of e-commerce channel and digital campaigns.
- Continuing to support key stakeholders to restart their respective business.
- Actionable and pragmatic commercial initiatives to meet the new business conditions.

### **Outlook**

The Covid-19 crisis is expected to have far reaching impact on both health and the economy, with many uncertainties as the crisis continues to unfold. The Group remains committed to mitigate as much as possible the impacts on the business by continued implementation of safety and health standard operating procedures to prevent infection, ensuring the safety and well-being of our people, aligning our commercial strategies to adapt to the new reality, and keeping a very tight rein on our cost base. This should ensure that the Group is well placed when economic activities normalise and the industry recovers.



The Board will continue to navigate the challenges ahead supported by the strong fundamentals built at the company over many years. The Board would like to thank all colleagues for their hard work and dedication, as well as our stakeholders for their continued support through this challenging time.

The Group will continue to closely monitor the situation and will make the necessary announcement on any material developments relating to the above matter, as and when appropriate.

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#### About Heineken Malaysia Berhad

HEINEKEN Malaysia with its portfolio of iconic international brands is the leading brewer in the country. The Company brews, markets and distributes:

- The World's No. 1 international premium beer **Heineken**®
- The great taste of Heineken® with zero alcohol **Heineken® 0.0**
- The World-acclaimed iconic Asian beer **Tiger Beer**
- The crystal-cold filtered beer **Tiger Crystal**
- The World's No. 1 stout **Guinness**
- The World's No. 1 cider **Strongbow Apple Ciders**
- The New Zealand inspired cider **Apple Fox Cider**
- The all-time local favourite **Anchor Smooth**
- The premium Irish ale **Kilkenny**
- The real shandy **Anglia**

HEINEKEN Malaysia also produces the wholesome, premium quality non-alcoholic **Malta**. HEINEKEN Malaysia's brand portfolio also includes the No. 1 German wheat beer **Paulaner** and Japan's No. 1 100% malt beer **Kirin Ichiban**.

HEINEKEN Malaysia through its e-commerce platform, **Drinkies** now delivers chilled beers and ciders on demand, within 60 minutes or as scheduled. Drinkies also offers freshly tapped beer to cater for home parties and other events including weddings and corporate dinners. For enquiries, call 012-281 8888 or visit [www.drinkies.my](http://www.drinkies.my)

The Company continues to lead the responsible drinking agenda through its Drink Sensibly campaign. The corporate social responsibility arm of HEINEKEN Malaysia, **SPARK Foundation** was established in 2007 to grow with local communities in the areas of environmental conservation and education for a better tomorrow. Be the SPARK for change and visit [www.sparkfoundation.com.my](http://www.sparkfoundation.com.my) for more information.

Listed on the Main Market of Bursa Malaysia, HEINEKEN Malaysia's principal shareholder is GAPL Pte Ltd based in Singapore. GAPL Pte Ltd is 100% owned by Heineken N.V. For more information please visit: [www.heinekenmalaysia.com](http://www.heinekenmalaysia.com)

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