

CONVERSATION WITH GROUP FINANCE DIRECTOR

Stephen Gore discusses JC&C's value add to the success of portfolio companies.



Q THE PANDEMIC HAS CREATED UNPRECEDENTED CHALLENGES FOR BUSINESSES. HOW HAS JC&C BEEN SUPPORTING ITS REGIONAL BUSINESSES?

A In 2020, the management team has been executing our new strategy to create growth for Southeast Asia. What we have learnt from this pandemic is that in facing tough times, it is important to go back to basics.

We need to have a strong balance sheet, good liquidity and sound cashflow management. Having stress tested our businesses at the start of the

pandemic, we are reassured that they are in a strong financial position. We also introduced a range of measures to manage costs and preserve cash including reducing capital expenditure and managing working capital across the Group.

In addition to building financial resilience, we were able to take clear and decisive actions to progress the strategic priorities that we have set at the Group level, which will position us well to deliver long-term growth.

The pandemic also reinforced the importance of diversification across our portfolio. The contributions from Refrigeration Electrical Engineering Corporation and Siam City Cement in 2020 have increased. Overall, the underlying profit from our Other Strategic Interests were modestly down just 5%.

— “Our strength lies in adding value to our portfolio businesses to grow underlying earnings by working with them to develop long-term strategies, supported by our expertise, experience and network. The objective is clear; to create and maximise value for our stakeholders.”

Q WHAT IS THE GROUP’S CAPITAL ALLOCATION STRATEGY?

A As part of our continual assessment of our investments, we completed a review of our capital allocation strategy in 2020. The observations from this review have sharpened our focus on how we want to evolve our portfolio to achieve our objective of outperforming Southeast Asia’s growth rates.

Reviewing the portfolio based on geographical and sectoral exposure, growth and value potential, as well as cash flow and ESG-related considerations, we have a clear sense of the value each business brings to our portfolio.

There are some businesses where we have a strong appetite to increase our weighting and deploy more capital to support their growth and earnings potential, while other businesses have strong cash generative profiles and do not require further capital. In addition, the capital allocation review has highlighted a number of higher growth sectors in which we will seek opportunities to deploy capital.

Q FROM A FINANCIAL PERSPECTIVE, CAN YOU SHARE EXAMPLES OF HOW JC&C ACTIVELY CONTRIBUTES TO THE SUCCESS OF ITS PORTFOLIO COMPANIES?

A As part of the wider Jardines Group, our portfolio companies can leverage Group Treasury and gain access to capital through our banking relationships. This was particularly important when the pandemic started as debt levels and liquidity positions were carefully monitored and where appropriate, balance sheets were reinforced.

On a broader level, risk controls and management are key to strengthening our portfolio companies. We implement Group-wide comprehensive risk management frameworks to identify, evaluate and manage risks impacting our businesses. The process is supported by detailed methodologies and evaluation criteria to ensure clarity and consistency of application across the Group.

Q ARE THERE ANY NEW BUSINESS DEVELOPMENTS THAT JC&C IS LOOKING AT?

A Our strategy has been to build a diversified portfolio across Southeast Asia. Over the years, the Group has increased its exposure in Other Strategic Interests, which together with Direct Motor Interests, accounted for 30% of JC&C’s underlying profits in 2020.

On an ongoing basis, we are actively looking at opportunities that will deliver growth over the long-term. We are also interested in new technology businesses with adjacencies to our existing business segments where we can create value. For example, through Astra, we have invested in Gojek and they have been working closely and collaborating together.

Our strength lies in adding value to these businesses to grow underlying earnings by working with them to develop long-term strategies, supported by our expertise, experience and network. The objective is clear; to create and maximise value for our stakeholders.