



# Farm Fresh Berhad

## Q1 FY23 Results Briefing

25 August 2022



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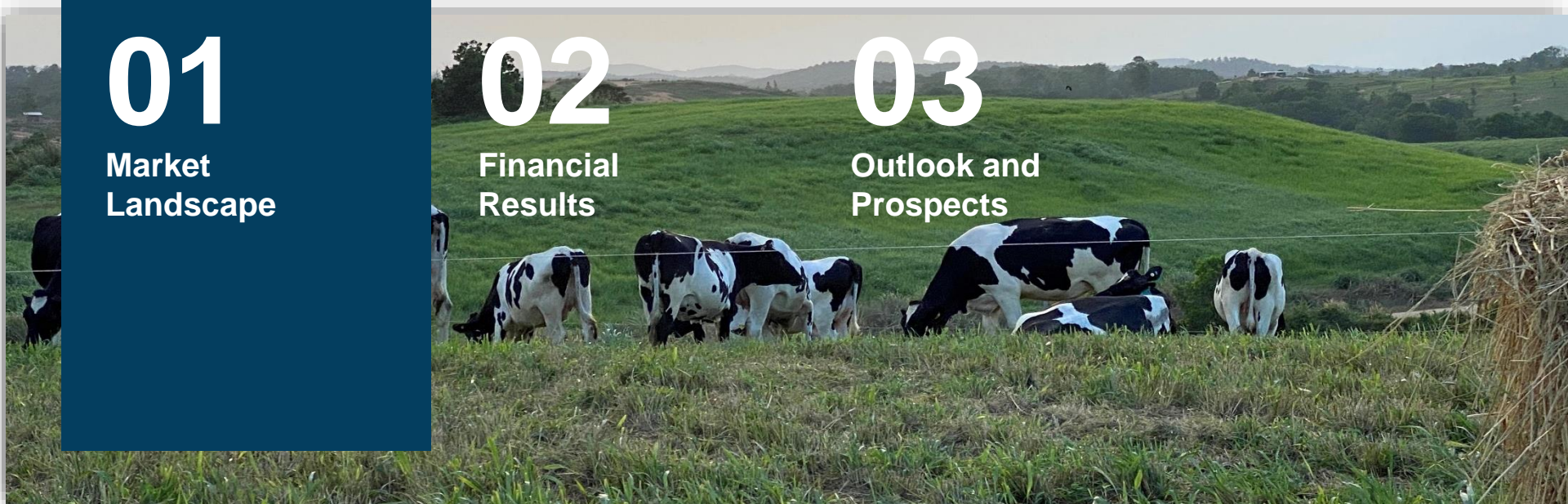
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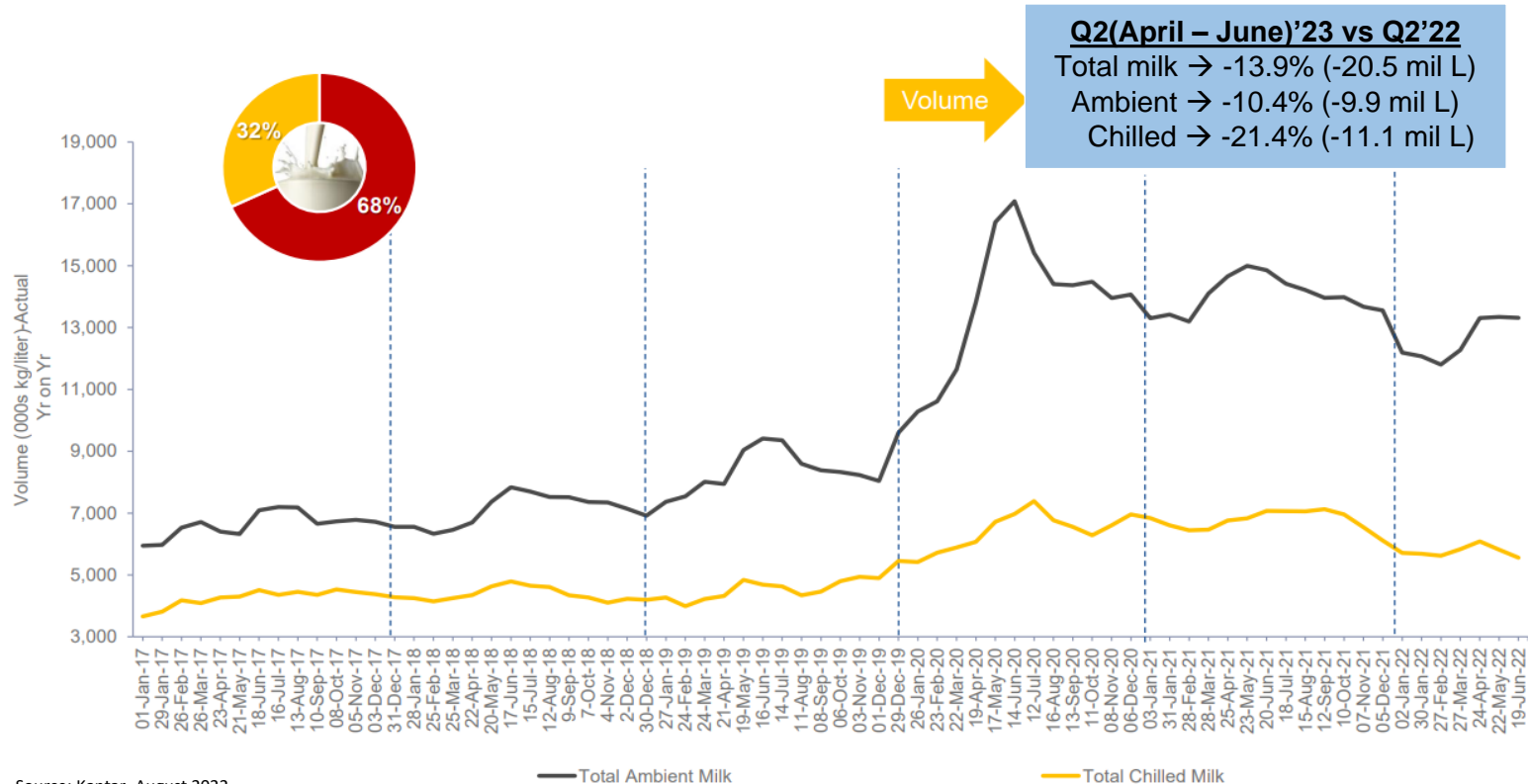
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# Market update

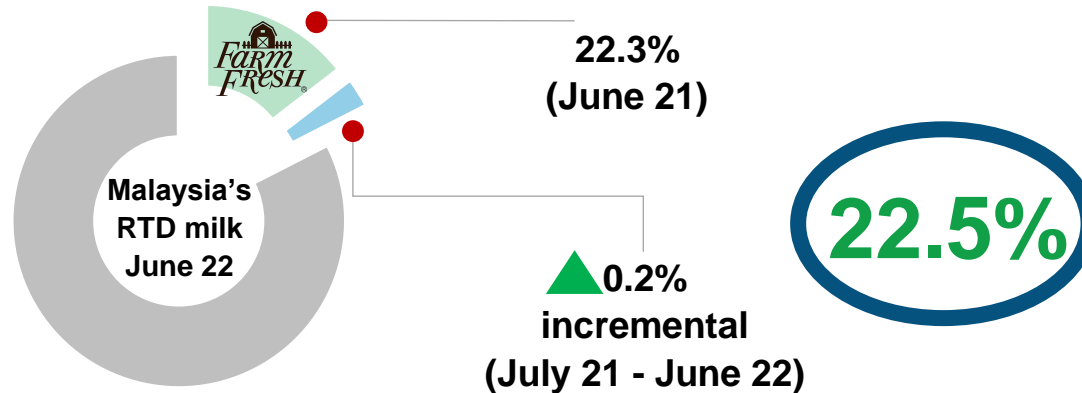
## Rebound beginning Feb 2022, slight tapering down after festive season



- Market volume declined overall due to high surge in end-March to end-June 2020 arising from panic buying and stocking up. Normalization of demand in CY2021 and CY2022 to-date, however still registering strong growth from CY2019
- Decline in Nov and Dec 2021 due to reduction in frequency of purchases for in-home consumption, a trend for RTD dairy (and FMCG overall) as Government relaxed restrictions.
- Rebound seen from February onwards coupled with festive season sales, with usual tapering off post-Raya

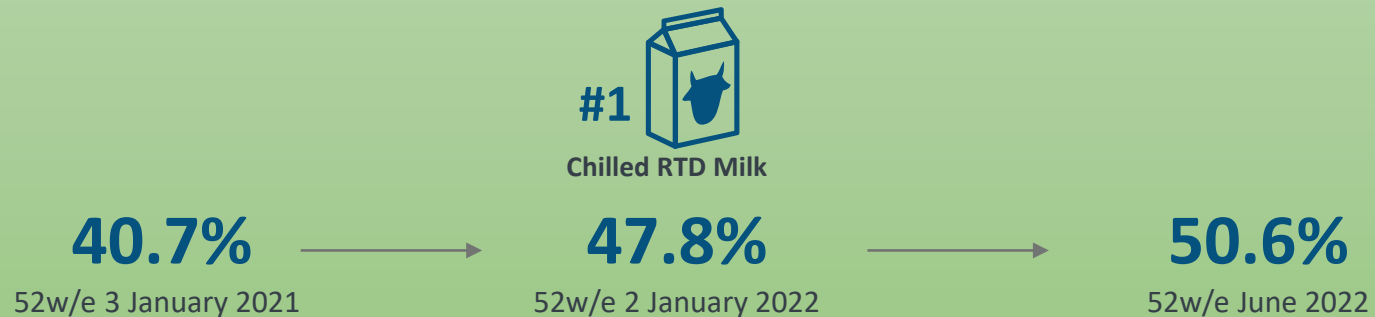
# Notwithstanding, we have shown resilience and growth

## Market share leadership



Source: Kantar

## Led by market share growth in Chilled RTD



Source: Kantar

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# Key Highlights

## Revenue:



**RM144.0 million**



RM134.8 million (Q1 FY2022)

## Profit before tax:



**RM14.2 million**



RM16.2 million (Q1 FY2022)

## Gross profit:



**RM37.7 million**



RM35.3 million (Q1 FY2022)

## Normalized PATAMI:



**RM19.0 million**



RM21.7 million (Q1 FY2022)

## Gross Profit margin:

**26.2%** (Q1 FY2023)



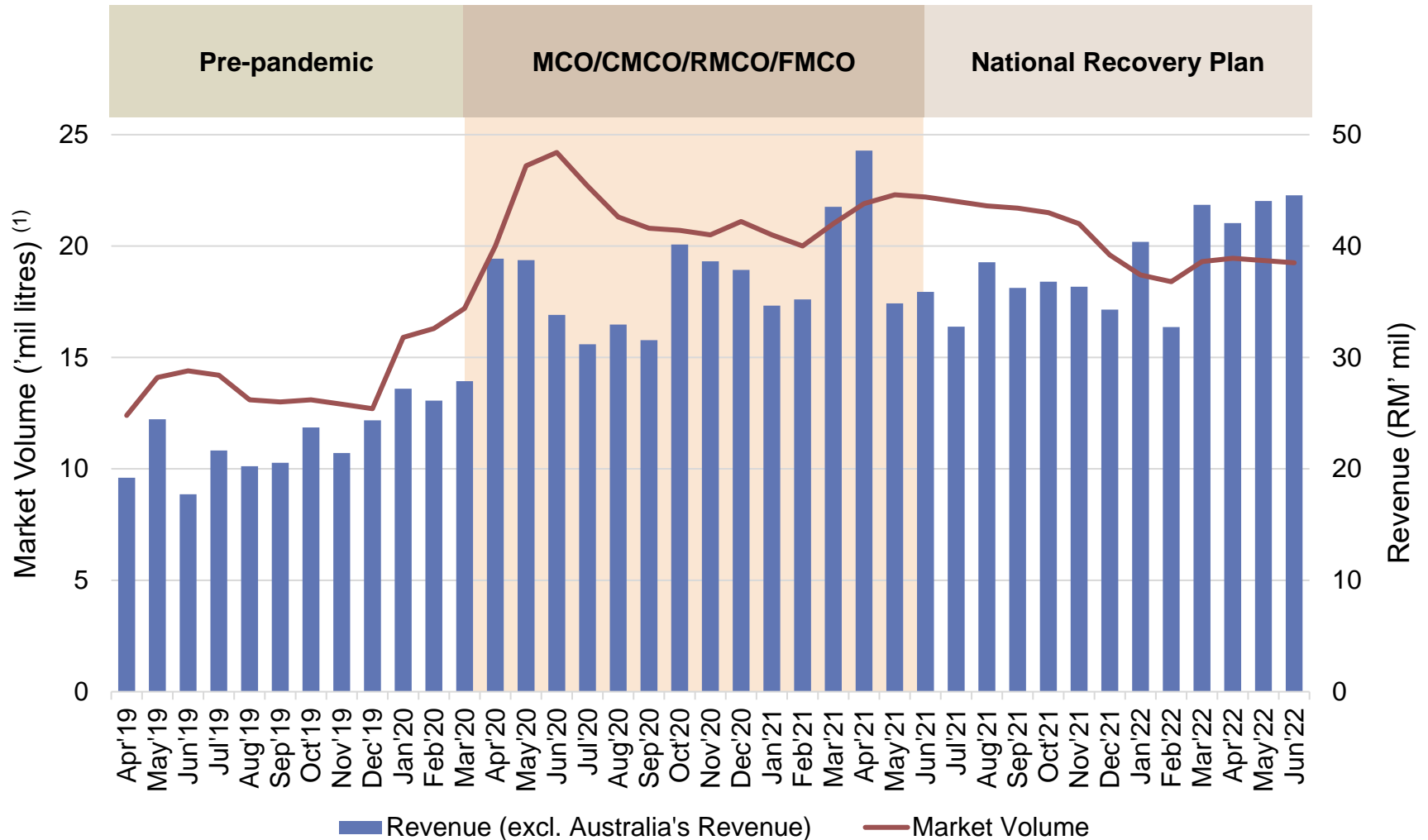
26.2% (Q1 FY2022)

## Key narratives

- Strong sales growth in MY (9.8% vs comparative; 8.8% vs preceding quarter)
- GP margin compression from previous quarter due to escalating input costs, especially on whole milk powder prices (which has since gone down)
- Capacity constraints during the quarter for 200ml portion packs due to school milk project delivery commitments, easing with new line in Muadzam Shah and planned new speed line by end of the year.



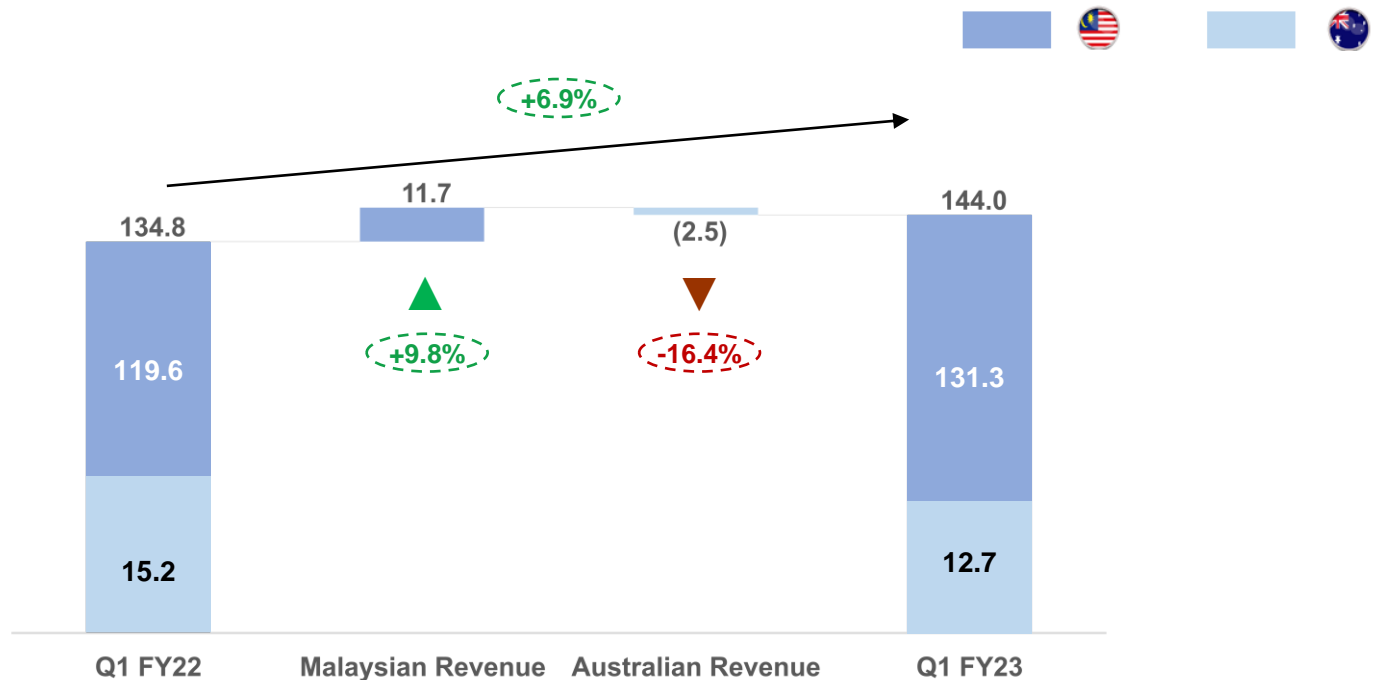
# Revenue growth over the years





Rebound from February onwards coupled with festive season sales, with usual tapering off post-Raya

# Topline growth amidst normalization

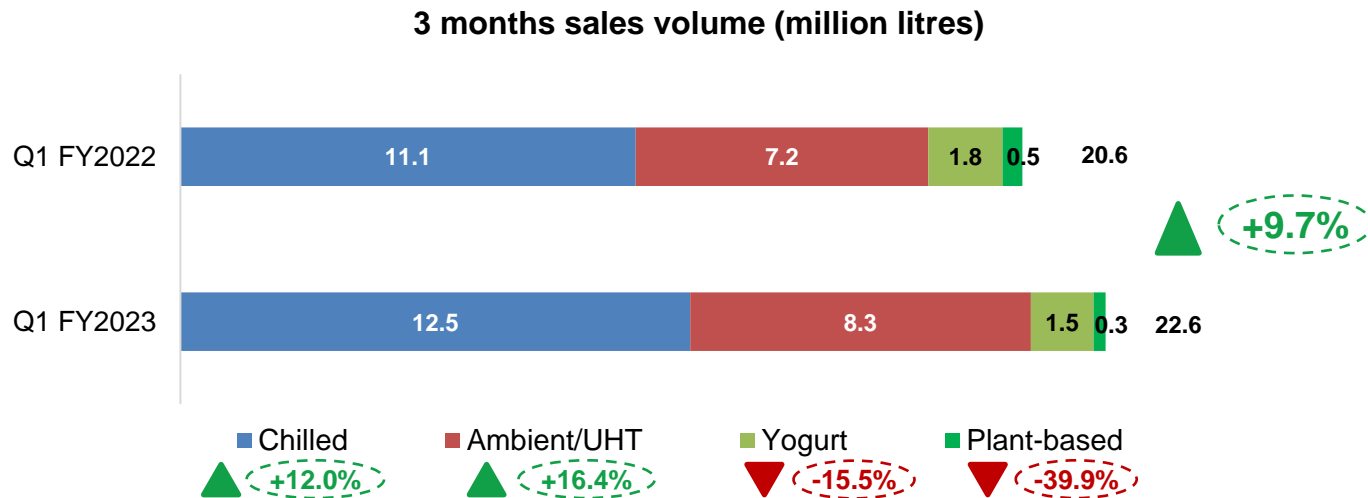
## Revenue (RM mil)



Revenue (RM'mil)			Total
Q1 FY2022	119.6	15.2	134.8
Q1 FY2023	131.3	12.7	144.0



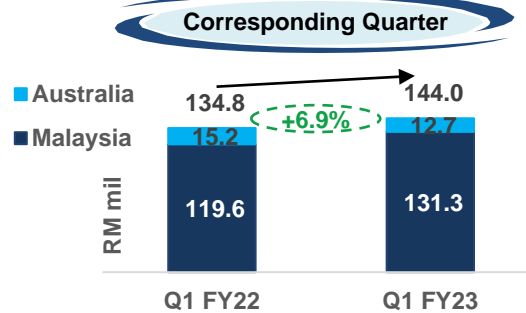
# Volume sold



- Volume sold has shown an increase Q-o-Q by 9.7%, driven by RTD milk category market share from 18.2% in June 2021 to 18.9% in June 2022 (Source: Kantar), attributable to higher recruitment of new customers, higher sales of our RTD milk products and launching of new products.
- Lower sales from Yogurt and Plant-based by X% and Y%. Lower production of those products due to our 200ml portion pack capacity constraints arising from the school milk project delivery commitments. The capacity issue is being addressed.

# Key Financial Highlights

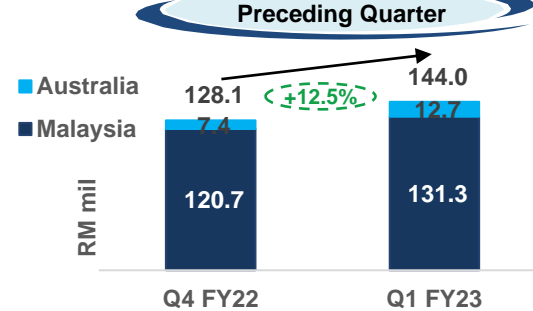
## Revenue (MYR mn)



Malaysian revenue grow by 9.8% or RM11.7 mil driven by:-  
 1) positive Ramadhan & Raya seasonal sales;  
 2) higher sales of products under School Milk Program; and  
 3) launching of new SKUs i.e. Strawberry Milk & HERO series UHT milk (Apr'22)

which partially offset by a reduction of Australian revenue by 16.4% or RM2.5 mil due to :

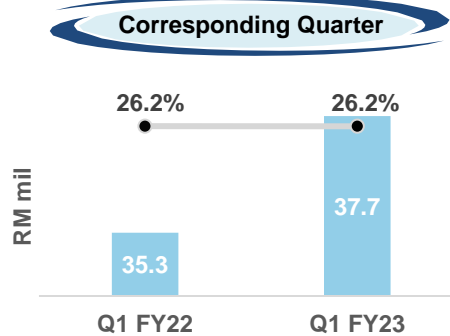
- 1) Ceasing of external raw milk sales by our Australian farms; and
- 2) Rationalisation of our Henry Jones IXL fruit jam business in Australia.



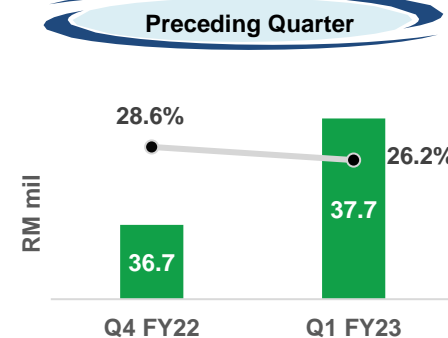
Malaysian revenue increased by 8.8% or RM10.6 mil driven by encouraging sales momentum amidst recovery of economic activities coupled with launching of new SKUs.

Australian revenue also increased by 71.9% or RM5.3 mil due to higher recruitment of new customers.

## Gross profit and margins (MYR mn)



Gross profit increased by 6.8% or RM2.2mil to RM37.7mil, in line with increase in revenue. GP margin remained constant at 26.2% in comparison to the corresponding period in financial year 2022.

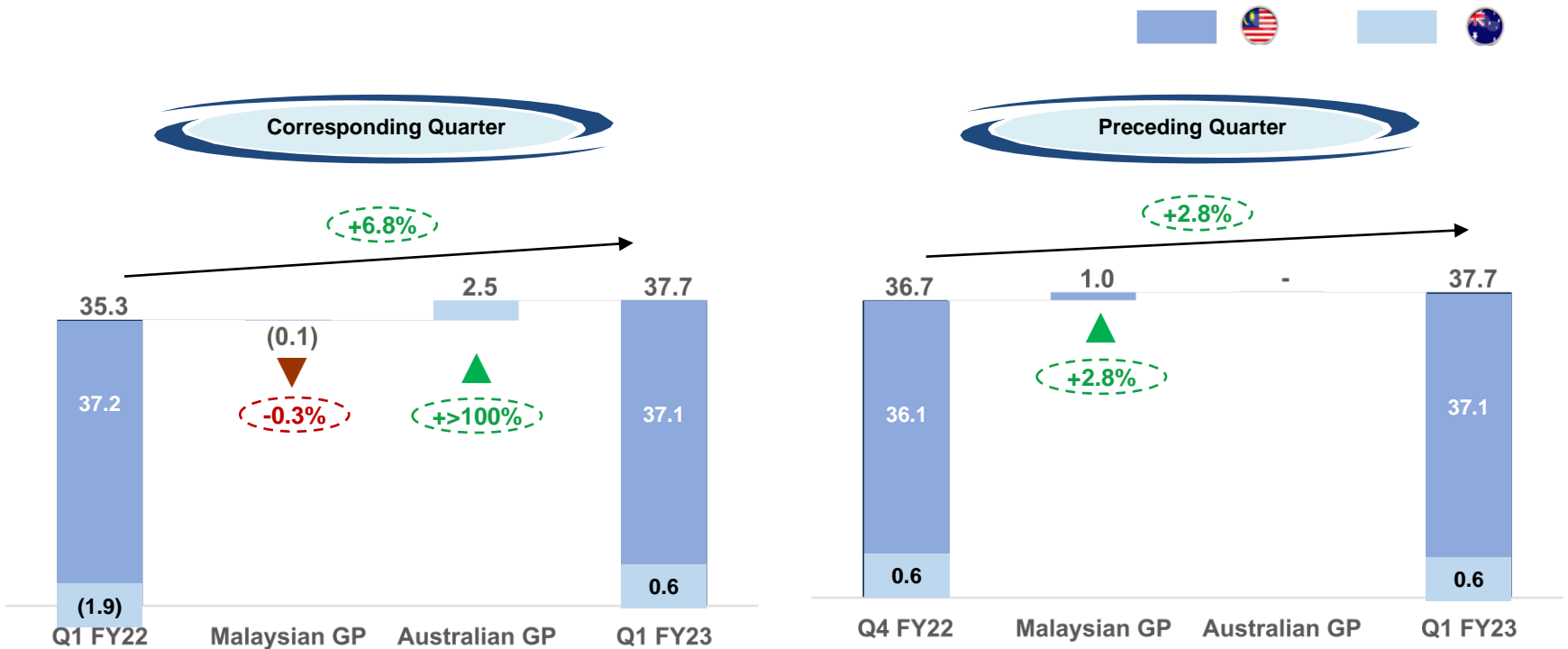




Gross profit margin declined from 28.6% in the preceding quarter to 26.2% in the current quarter, mainly attributable to :



- 1) soaring input costs as the war in Ukraine has directly resulted in major shock to commodity markets;
- 2) disrupted production and supply chain leading to soaring food prices.

# Key Financial Highlights (cont'd)

## Gross profit (RM mil)



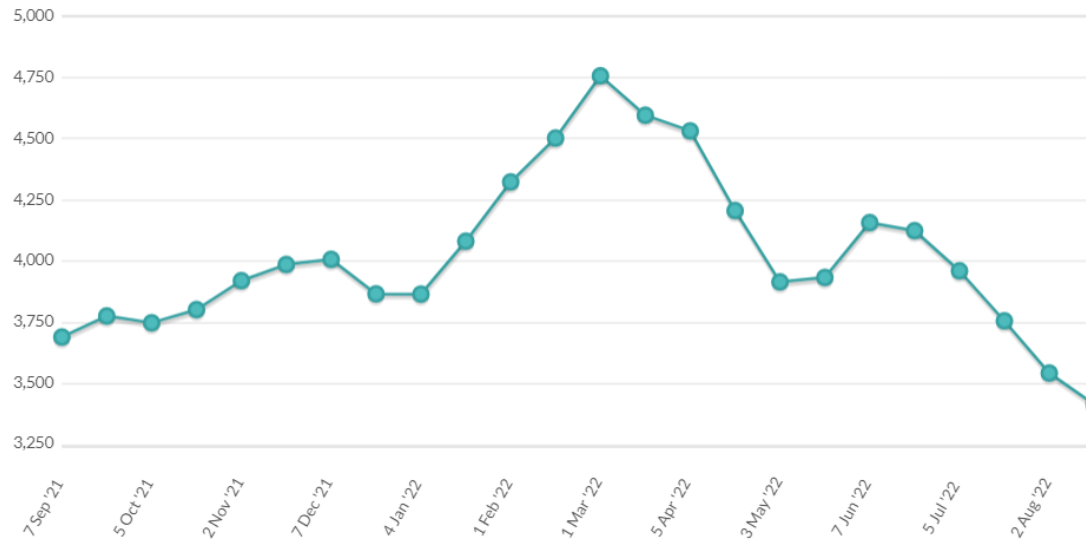
Gross Profit (RM'mil)			Total
Q1 FY2022	37.2	(1.9)	35.3
Q1 FY2023	37.1	0.6	37.7

Gross Profit (RM'mil)			Total
Q4 FY2022	36.1	0.6	36.7
Q1 FY2023	37.1	0.6	37.7

# Key Financial Highlight (*cont'd*)

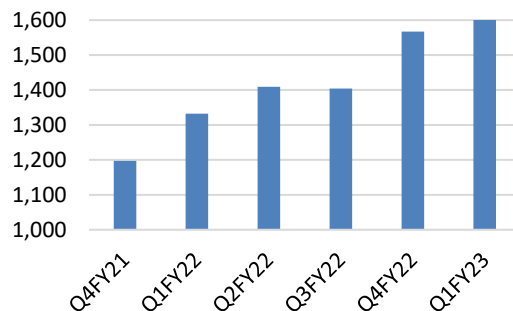
## Input cost pressures persists causing margin compression

Global Dairy Trade (GDT) Whole milk powder (WMP) prices (USD per MT)

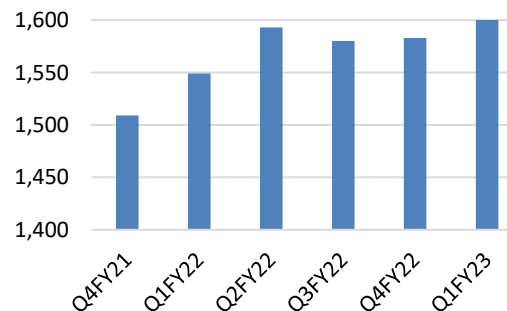


- WMP used for our Yarra line, OEM products and School Milk Project
- GDT prices surged in Feb (Ukraine invasion)
- Affected prices for delivery in Q1 FY23
- Has since tapered down and will improve our margins in following quarter

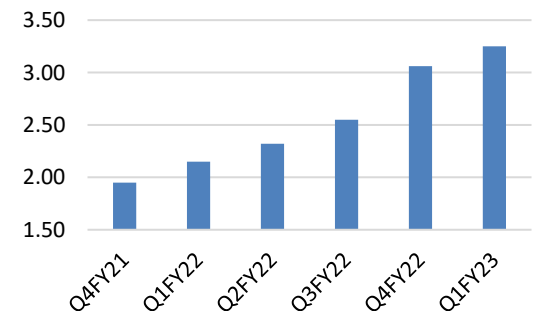
Maize (Quarterly average RM per MT)



Alfalfa (Quarterly average RM per MT)



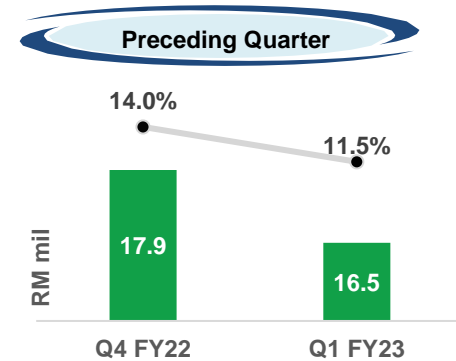
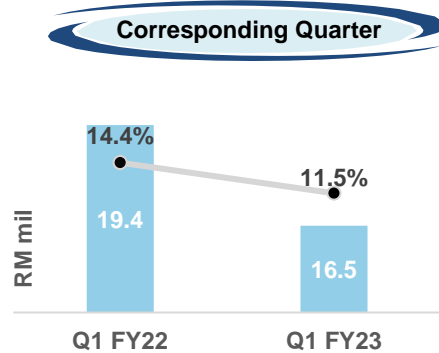
Diesel (Quarterly average RM per litre)





# Key Financial Highlights (cont'd)

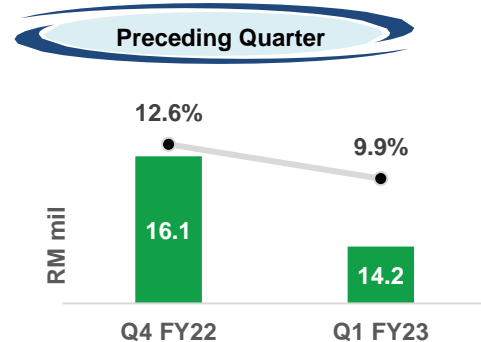
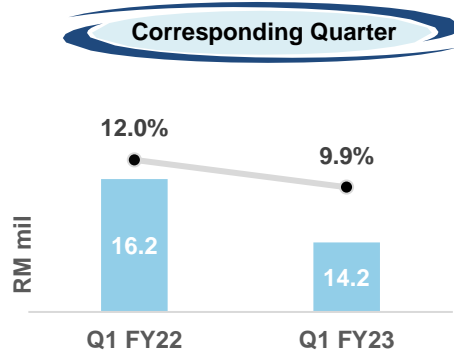
## Operating profit and margins (MYR mn)



Decrease mainly due to the

- 1) Employees' Share Option Scheme ("ESOS") expenses of RM2.1 million which was first recognized during the current quarter upon the grant of share options to employees of the Group; and
- 2) Derivative loss of RM1.6 million arising from AUD forward exchange contract due to relatively low period end closing rate of RM3.04/AUD (Contract nominal value: RM87.5mil, average book in rate: RM3.06/AUD).

## Profit before tax and margins (MYR mn)

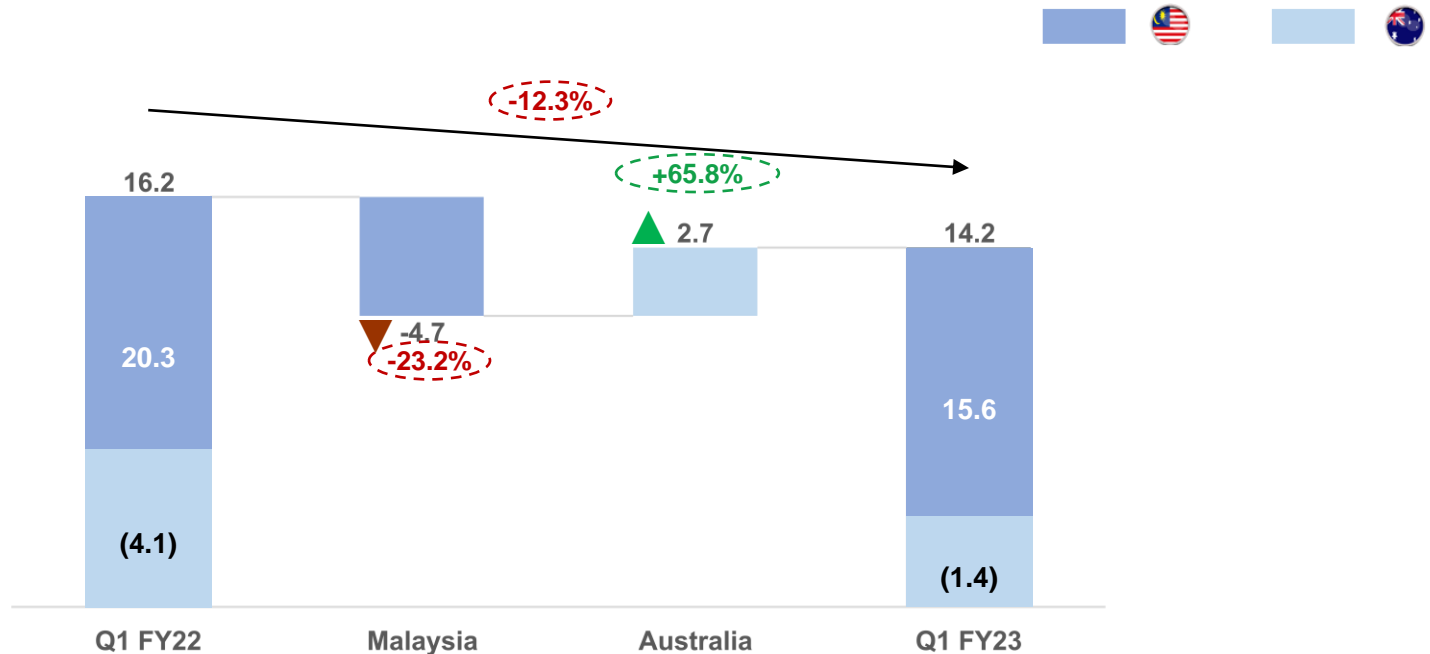




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# Key Financial Highlights (cont'd)

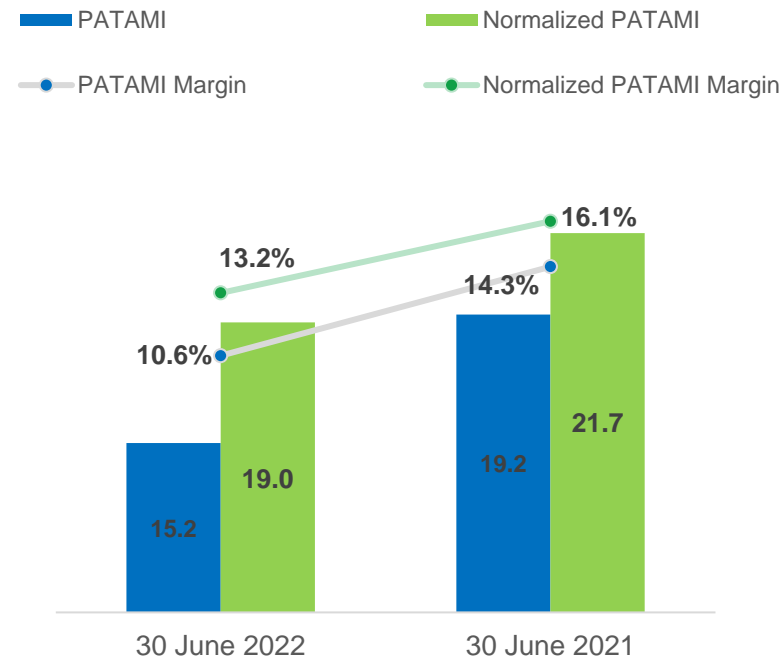
## Profit Before Tax (RM mil)



PBT/(LBT) (RM'mil)			Total
Q1 FY22	20.3	(4.1)	16.2
Q1 FY23	15.6	(1.4)	14.2

# Normalized PATAMI

	Cumulative quarter	
	3 months ended	3 months ended
	30.06.2022	30.06.2021
	RM	RM
<b>Reconciliation of PATAMI to Normalized PATAMI</b>		
<b>As reported PATAMI</b>	<b>15,236,437</b>	<b>19,208,842</b>
Add/(Less):		
Gross losses from Henry Jones Foods	171,513	1,949,548
Redundancy costs - IXL fruit jam business	--	5,683
IPO expenses	--	399,408
Sukuk expenses	--	161,900
Share option scheme expenses (ESOS)	2,060,501	--
Fair value loss on derivatives	1,496,821	--
<b>Normalized PATAMI</b>	<b>18,965,272</b>	<b>21,725,381</b>



# Statement of financial position

	30 June 2022 RM	31 March 2022 RM	% change
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	341,874,878	339,570,028	(0.7)
Right-of-use assets	14,051,287	14,820,525	(5.2)
Biological assets	96,869,158	95,709,674	1.2
Intangible assets	19,436,069	20,001,224	(2.8)
Trade and other receivables	656,731	740,429	(11.3)
Deferred tax assets	9,976,379	9,469,156	5.3
<b>CURRENT ASSETS</b>			
Inventories	136,136,120	118,844,819	<b>14.6</b>
Trade and other receivables	122,875,410	100,248,170	22.6
Derivative financial assets	930,237	1,518,875	(38.8)
Current tax assets	1,005,651	393,813	>100
Cash and cash equivalents	21,238,668	28,103,066	<b>(24.4)</b>
Other investments	257,375,820	280,594,613	<b>(8.2)</b>
<b>TOTAL ASSETS</b>	<b>1,022,426,408</b>	<b>1,010,014,392</b>	<b>1.2</b>
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings	245,140,037	232,316,928	<b>5.3</b>
Lease liabilities	5,670,365	5,919,368	(4.2)
Deferred income	6,429,056	6,496,730	(1.0)
Deferred tax liabilities	7,323,483	7,711,483	(5.0)
<b>CURRENT LIABILITIES</b>			
Loans and borrowings	53,439,043	52,300,841	<b>2.9</b>
Trade and other payables	79,826,800	93,075,548	<b>(14.2)</b>
Lease liabilities	682,021	959,930	(29.0)
Deferred income	270,697	270,697	-
Derivative financial liabilities	768,916	-	-
<b>TOTAL LIABILITIES</b>	<b>399,550,418</b>	<b>399,051,525</b>	<b>(0.6)</b>
<b>TOTAL EQUITY</b>	<b>622,875,990</b>	<b>610,962,867</b>	<b>2.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,022,426,408</b>	<b>1,010,041,392</b>	<b>1.2</b>

- Increase in inventories is primarily due to (i) higher proportion of ingredients kept as a buffer as due to the prolonged supply chain disruptions surrounding COVID-19; (ii) higher level of finished goods to cope with the increasing demand.

- Major utilization as follows:-
  - Purchase of milk : RM10.8m
  - Purchase of fixed & biological assets : RM3.2m
  - A&P expenses : RM3.5m
  - IPO expenses : RM4.0m

- Increase in loans and borrowings is primarily due to drawdown of new term loan of AUD3.5mil to finance the acquisition of a farm property in Kyabram, Australia.

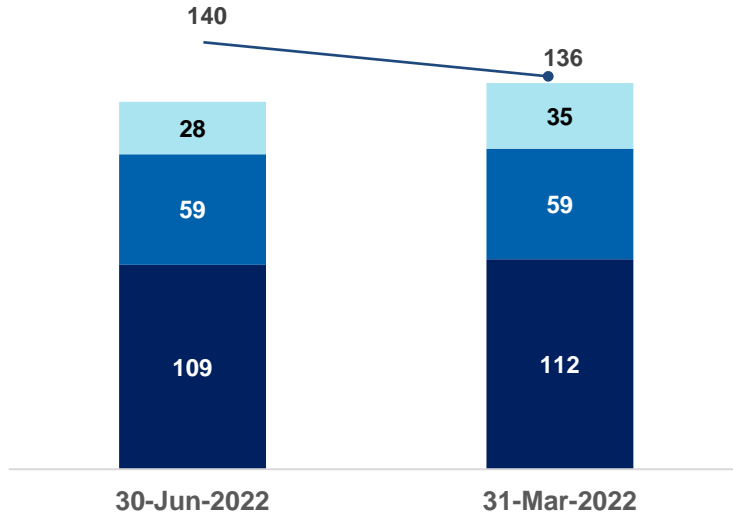
- Higher repayment of trade and other payables during the period.

- Increase in retained earning arising from the profitability of the Group during the period, partially offset by equity-settled ESOS expenses.



# Balance sheet ratios

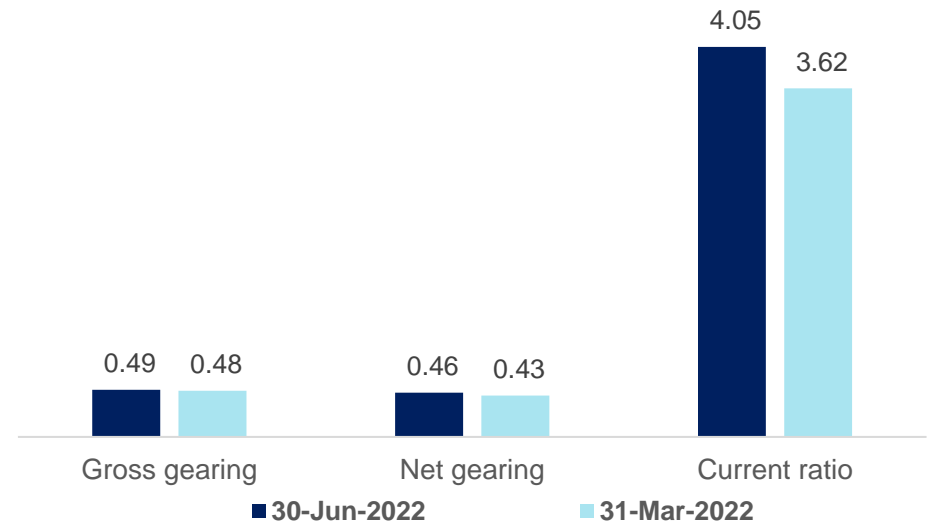
Cash Conversion Cycle (Days)



- Cash conversion cycle
- Average trade payables turnover
- Average trade receivables turnover
- Average inventories turnover

- Average inventories turnover days and average trade receivables days remained constant.
- Average trade payables days decreased from 35 days to 28 days due to higher repayment of current trade payables during the period.

Key Ratios (Times)



- Current ratio improved from 3.62 times to 4.05 times due to higher repayment of current trade payables during the period.
- Gross and net gearing ratio increased slightly due to drawdown of AUD3.5mil term loan by an Australian subsidiary.

# Statement of profit or loss and other comprehensive income

	Individual Quarter 3M Ended				
	30-Jun-22 MYR	% of Revenue	30-Jun-21 RM	% of Revenue	% growth
<b>Revenue</b>	144,021,819		134,783,406		
Cost of goods sold	(106,314,493)		(99,473,943)		
<b>Gross profit</b>	<b>37,707,326</b>	<b>26.2%</b>	<b>35,309,463</b>	<b>26.2%</b>	<b>6.8%</b>
Other income	2,996,848	2.1%	456,865	0.3%	556.0%
Distribution expenses	(12,381,810)	-8.6%	(9,411,291)	-7.0%	31.6%
Administrative expenses	(7,988,147)	-5.5%	(6,799,880)	-5.0%	17.5%
Other expenses	(3,801,940)	-2.6%	(153,146)	-0.1%	2382.6%
<b>Result from operating activities</b>	<b>16,532,277</b>	<b>11.5%</b>	<b>19,402,011</b>	<b>14.4%</b>	<b>-14.8%</b>
Finance income	210,302	0.1%	80,229	0.1%	162.1%
Finance costs	(2,559,635)	-1.8%	(3,302,434)	-2.5%	-22.5%
<b>Net finance costs</b>	<b>(2,349,333)</b>	<b>-1.6%</b>	<b>(2,612,253)</b>	<b>-1.9%</b>	<b>-10.1%</b>
<b>Profit before tax</b>	<b>14,182,944</b>	<b>9.8%</b>	<b>16,179,806</b>	<b>12.0%</b>	<b>-12.3%</b>
Tax income	1,129,680	0.8%	2,880,580	2.1%	
<b>Profit for the period</b>	<b>15,312,624</b>	<b>10.6%</b>	<b>19,060,386</b>	<b>14.1%</b>	<b>-19.7%</b>
<b>Normalised PATAMI</b>	<b>18,965,272</b>	<b>13.2%</b>	<b>21,725,381</b>	<b>16.1%</b>	<b>-12.7%</b>

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# Outlook & Prospects

## 1 Expansion mode for Australia

- Losses from Australia curtailed with completion of downsizing of fruit jams business
- Commencing Kyabram facility expansion;
- AUD30 mil investment to produce UHT and ESL products for exports

## 2 Stronger Malaysia revenue growth

expected, driven by strong Ramadhan and Raya sales, new SKUs, and improving consumer confidence

## 3 Launch of our Yarra by Farm Fresh

in September which will be made from full cream milk powder and compete in pricing with other reconstituted or recombined milk from skimmed milk powder

## 4 Capacity expansion plans

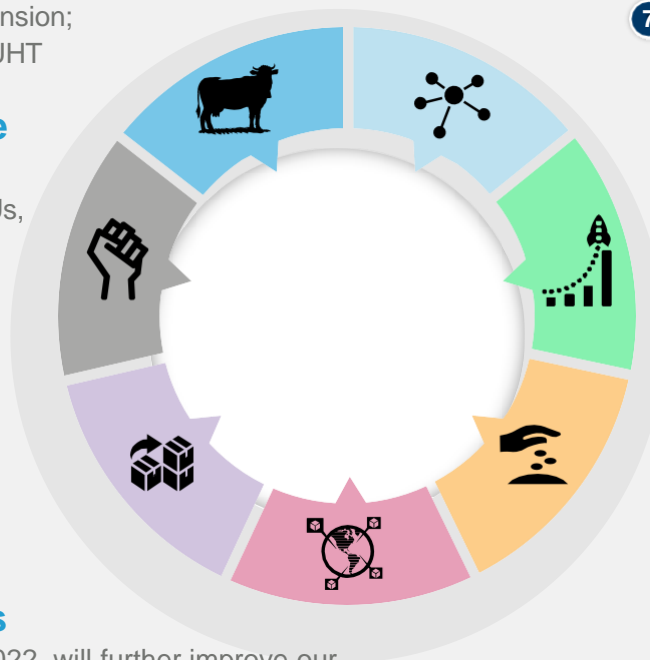
Taiping completion by November 2022, will further improve our upstream and mid-stream capacity and reduce logistics costs to supply chilled milk products to the northern states of Peninsular Malaysia, freeing up capacity at our Larkin to focus on exports to Singapore.

Purchase of Enstek land, currently starting planning permission works

Additional capacity planned for both Muadzam Shah and Larkin

8

**Economic uncertainty from in Ukraine** resulting in higher commodity prices globally, directly impacting our input costs. Addressed with price increase in July for MY and Aug for SG



## 7 Regional expansion with planned entry into Indonesia, Philippines and Hong Kong

underway with good progress made for both Hong Kong and Philippines. Philippines, in process of setting up company and processing facility, with aim to commence in April 2023

## 6 Launch of the growing up milk based on a fortified fresh milk formula,

in September 2022, a product without any sugar, maltodextrin, preservatives, artificial flavouring and colouring that will be much more beneficial to kids aged from 3 to 12 years old.

## 5 Contract award for School Milk Program (Program Susu Sekolah),

respectively, during the period from March 2022 to February 2023. Importantly, gives our HD Network access to school canteens and Parent-Teachers' Associations



# Milk sourcing – managing higher raw milk prices reflective of our integrated operations

(figures in Million litres)

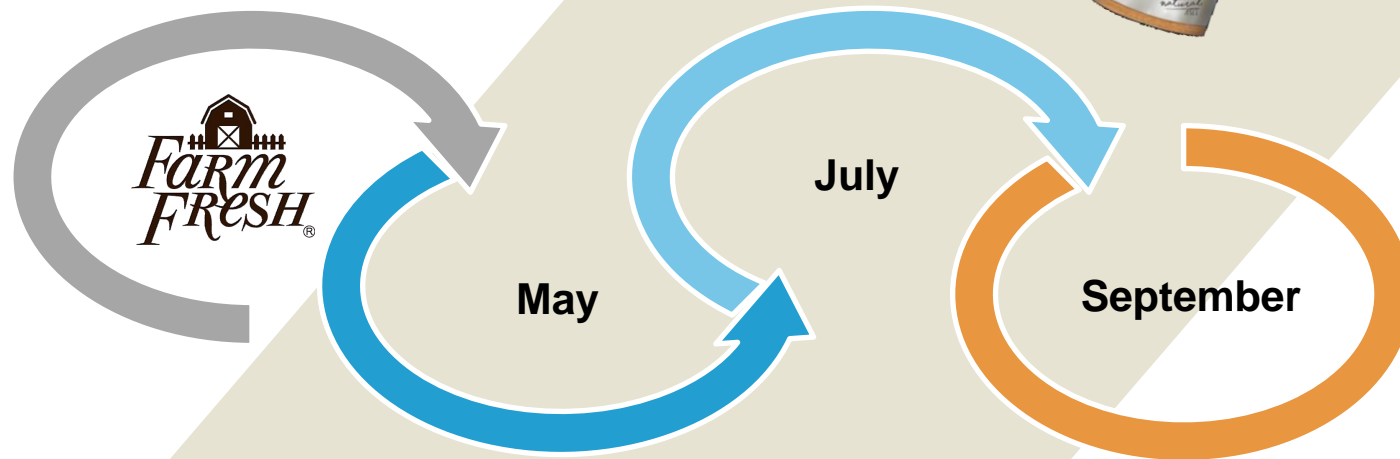
Milk source	FY23	FY22
MY		
- own farm	15	12
- 3rd party	0.2	1
AU		
- own farm	18	13
- 3rd party	22	41
<b>TOTAL (A)</b>	<b>55.2</b>	<b>67</b>

Milk source	FY23	FY22
- own farm	33	25
- 3rd party	22	41
<b>TOTAL</b>	<b>55</b>	<b>66</b>
<b>%</b>	<b>60%</b>	<b>38%</b>

<b>Milk powder (B)</b>	<b>28</b>	<b>8</b>
<b>Total litres (A+B)</b>	<b>83.2</b>	<b>75</b>

Australian Milk exposure	FY23	FY22
Mil litres	22	41
Price per kg MS	10.07	7.85
% milk solids	7.1%	7.1%
Total AU 3rd party milk cost (AUD mil)	15.73	22.85
Reduction in spend in FY23 (AUD mil)	- 7.12	

# Product launches



Farm Fresh  
Almond Barista  
200mL Helicap &  
1L Helicap



Farm Fresh Oat  
Barista 200mL  
Helicap & 1L Helicap



Farm Fresh Farm  
Yogurt Natural 470g



Farm Fresh Hero DC 125mL  
(Full Cream, Strawberry,  
Banana, Strawberry Yg,  
Mango Yg, Mixed Berries  
Yg & Soy Original)



Farm Fresh Strawberry  
Flavoured Milk 700g  
Pasteurized



Farm Fresh Liquid  
Growing Up Milk



Yarra by Farm Fresh Full Cream  
Milk, Chocolate & Strawberry  
Flavoured Milk 200mL UHT  
(Straw) & 1L Helicap



Dairy Whipping  
Cream UHT



# Q&A

*Thank You*