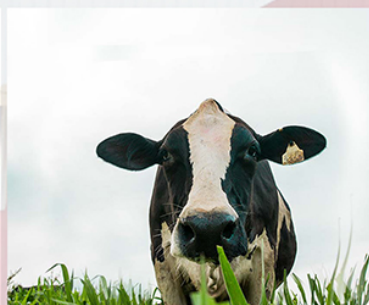




Farm Fresh Berhad

Q2 FY23 Results Briefing

23 November 2022



01

Financial
Results

02

Outlook and
Prospects



Key Highlights: 1H FY2023 vs 1H FY2022

Revenue:



RM306.2 million



19% RM257.2 million

Profit before tax:



RM27.3 million



22% RM35.2 million

Gross profit:



RM77.4 million



18% RM65.5 million

Normalized PATAMI:



RM32.2 million



5% RM34.0 million

Gross Profit margin:

25.3%



25.5%



Key narratives

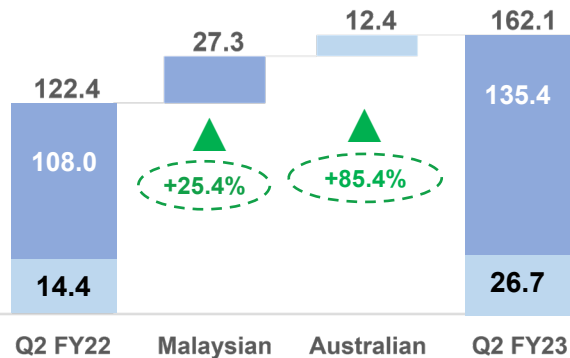
- Strong sales growth of 19% driven by positive Ramadhan & Raya seasonal sales, accompanied by increasing Australia's external sales from GVC, and sales under school milk program
- Despite escalating input costs in the 1H FY2023, especially on raw milk and whole milk powder prices, Group Margin has dropped only slightly from corresponding period
- Capacity constraints during the first half of the financial year for portion packs due to school milk project delivery commitments, easing with new line in Muadzam Shah and planned new UHT processing line by January 2023.

Key Financial Highlights

Revenue (RM mil)

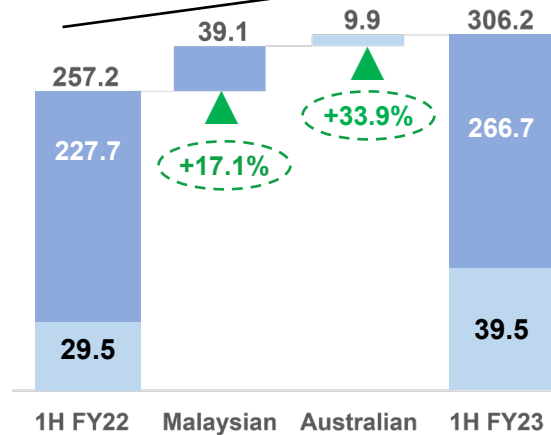
Corresponding Quarter

+32.4%



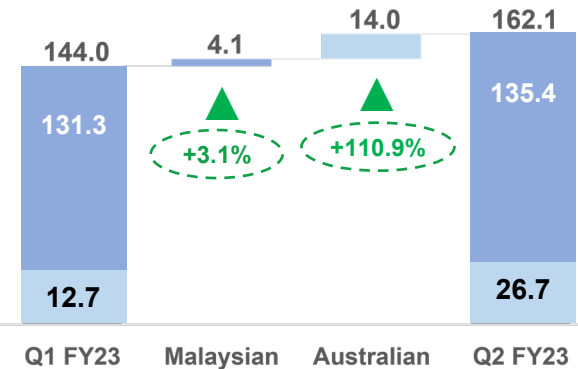
6 months ended



+19.0%







Preceding Quarter

+12.6%



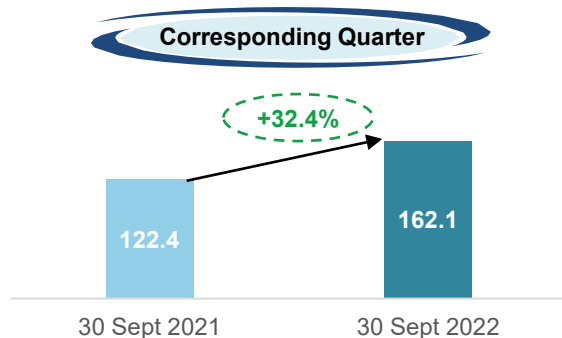
Revenue (RM'mil)			Total
Q2 FY2023	135.4	26.7	162.1
Q2 FY2022	108.0	14.4	122.4

Revenue (RM'mil)			Total
1H FY2023	266.7	39.5	306.2
1H FY2022	227.7	29.5	257.2

Revenue (RM'mil)			Total
Q2 FY2023	135.4	26.7	162.1
Q1 FY2023	131.3	12.7	144.0

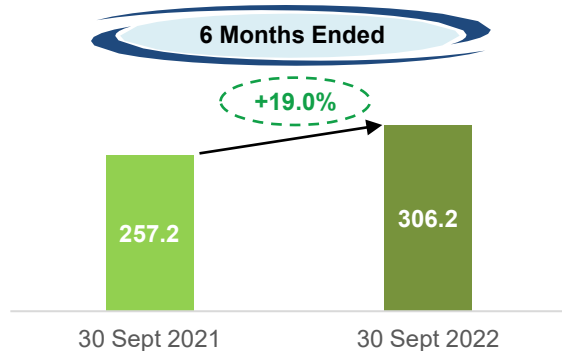
Key Financial Highlights (*cont'd*)

Revenue(RM mil)



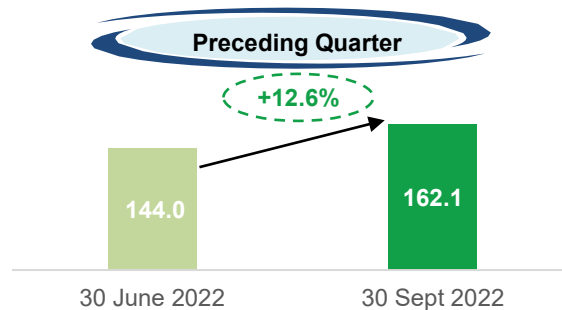
Revenue growth due to :

- increase in Malaysian revenue by 25.4% or RM27.3 million driven by higher sales under school milk program;
- increase in Australian revenue by 85.4% or RM12.4 million underpinned by external milk sales from GVC.



Revenue growth due to :

- increase in Malaysian revenue by 17.1% or RM39.1 million driven by positive Ramadhan & Raya seasonal sales, and sales under school milk program;
- Increase in Australian revenue by 33.9% or RM9.9 million driven by higher external sales due to external milk sales from GVC and 1 month sales contribution of RM 1.9 million by newly acquired Australian subsidiary, St David Dairy Pty Ltd on 31 August 2022.

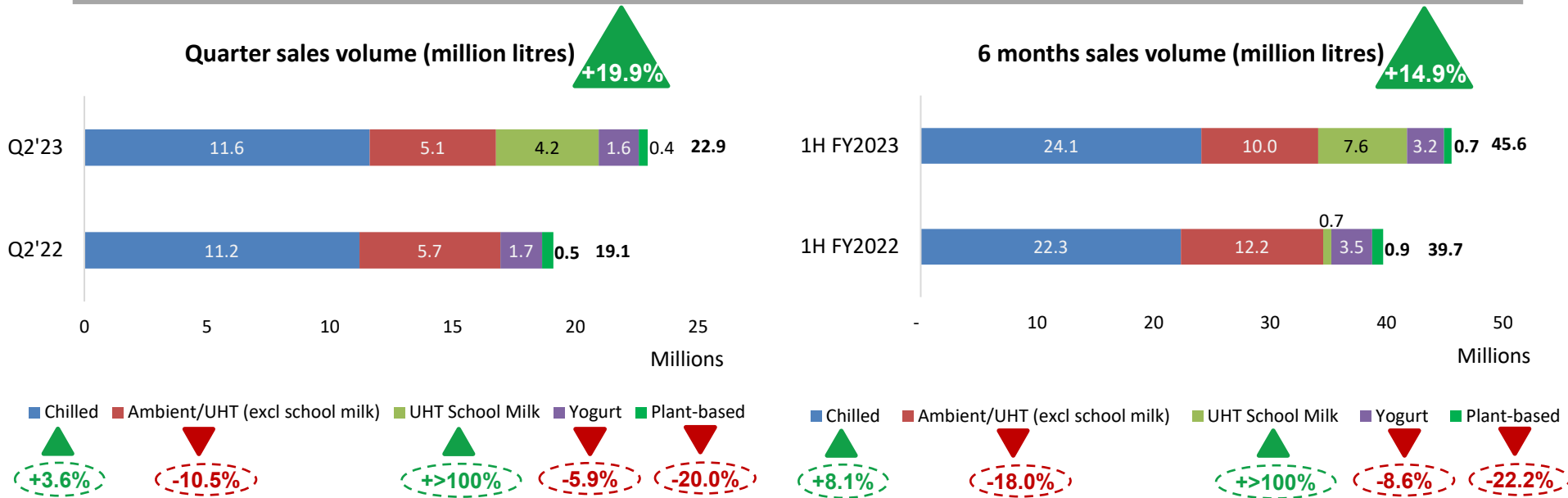


Revenue growth due to :

- increase in Australian revenue of RM14.0 million driven by higher external sales from Goulburn Valley Creamery Pty Ltd;
- increase in Malaysian revenue by RM4.1 million due to positive results from launching of new products accompanied with higher school milk sales.

Key Financial Highlights (cont'd)

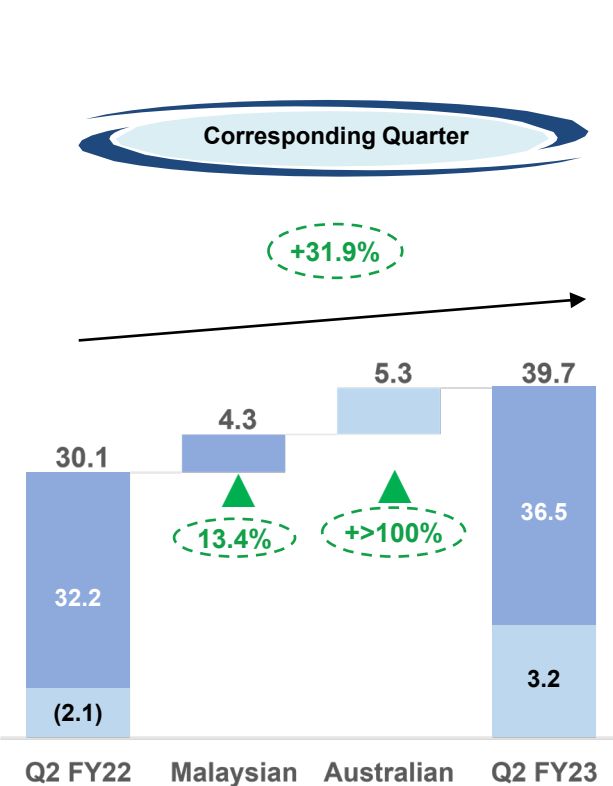
Sales Volume



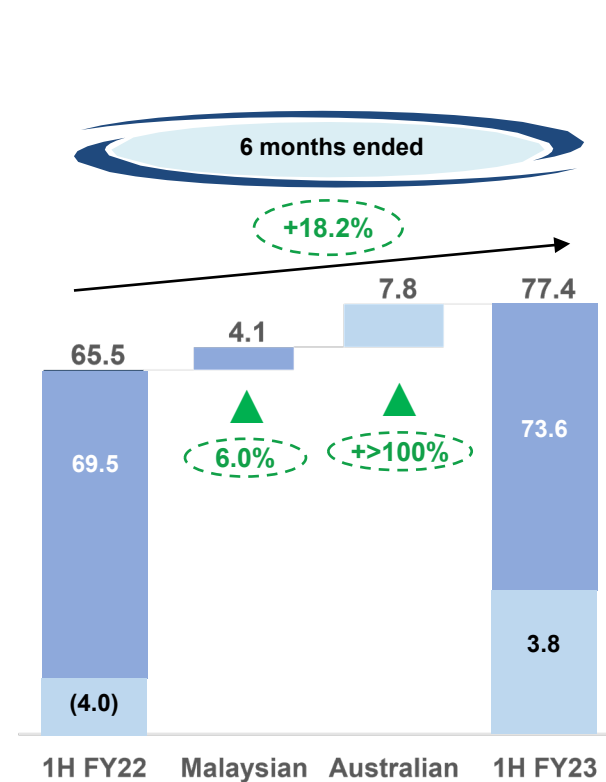
- Overall volume growth in the current quarter and first half of FY23 of 20% and 15% compared to preceding quarter and 6 months ended 30 Sep 2021 respectively.
- Sales volume for chilled category has shown an increase of 3.6% from the corresponding quarter and an increase 8.1% from the 6 months ended 30 Sept 2021, driven by higher HORECA sales.
- Sales volume in ambient/UHT category (excluding school milk) has decreased by 10.5% from the corresponding quarter and decreased by 18% from the 6 months ended 30 Sept 2021 due to 200ml portion pack capacity constraints resulting from the school milk delivery commitments. Similar decreases for Yogurt and Plant-based due to the same reason.
- Including the school milk, ambient/UHT volume in the current quarter and first half of FY23 has increased 63% and 36% compared to preceding quarter and 6 months ended 30 Sep 2021 respectively.

Key Financial Highlights (cont'd)

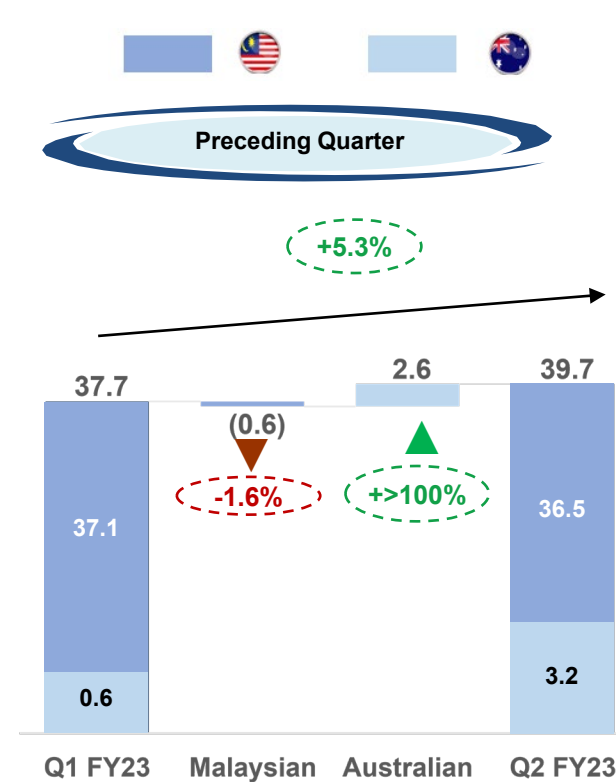
Gross profit (RM mil)



Gross Profit Margin (%)			Total
Q2 FY2023	27.0	11.8	24.5
Q2 FY2022	29.9	(14.7)	24.6



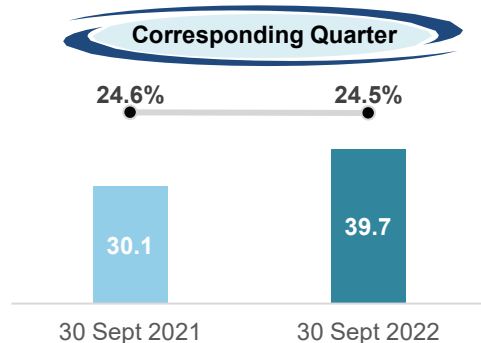
Gross Profit Margin (%)			Total
1H FY2023	27.6	9.6	25.3
1H FY2022	30.5	(13.5)	25.5



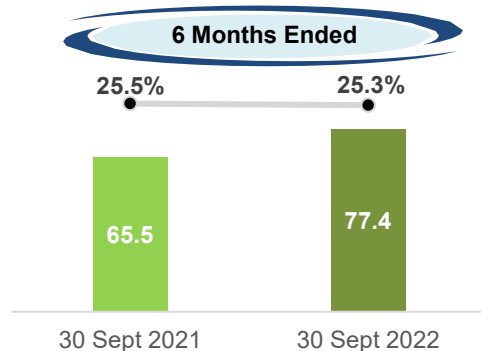
Gross Profit Margin (%)			Total
Q2 FY2023	27.0	11.8	24.5
Q1 FY2023	28.2	4.8	26.2

Key Financial Highlights (*cont'd*)

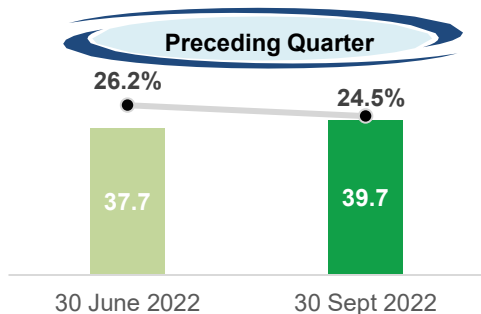
Gross Profit (RM mil) & Margins



- Malaysian GP margin declined from 29.9% in the corresponding quarter to 27.0% in the current quarter due to high input costs i.e. raw milk, animal feeds, fuel and freight costs.
- This was partially offset by turnaround in Australian entities (FY23'Q2 : GP margin: 11.8%; FY22'Q2: Gross loss margin: -14.7%) following the rationalization plan and increasing Australia's external sales from GVC.
- As a result, the group GP margin remained constant.



- Similar to the aforementioned, the Malaysian GP margin declined from 30.5% in 1H FY2022 to 27.6% in 1H FY202, mainly attributable to soaring input costs suffered during the first two financial quarters.
- This was partially offset with positive gross profit growth contributed by Australian entities (FY23'1H : Gross profit: RM3.8mil ; FY22'1H : Gross loss: -RM4.0mil)
- As a result, the group GP margin remained constant.

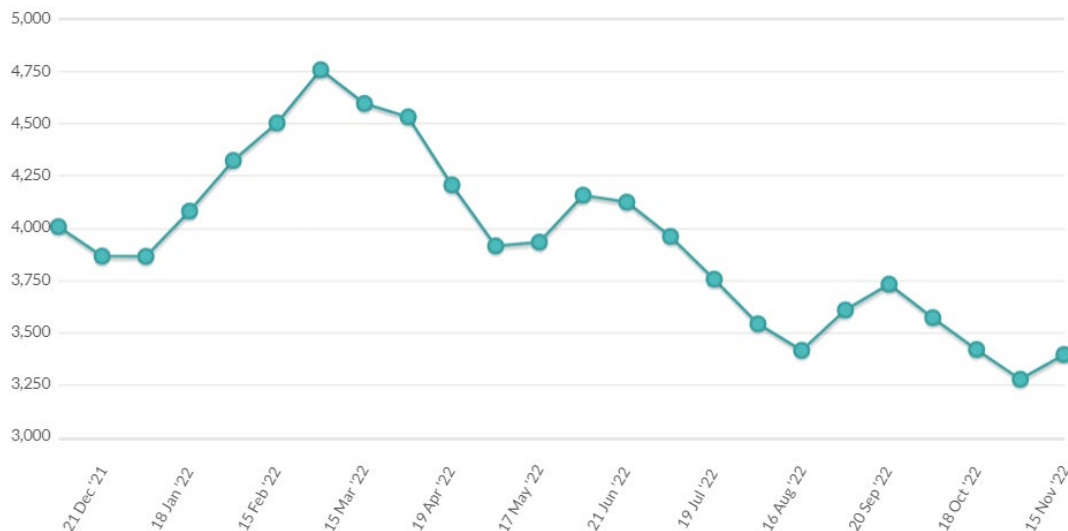


Despite the strong increase in revenue by 12.6%, the Group's gross profit only increased by 5.3% or RM2.0 million, as the Group's revenue are increasingly contributed by its Australian operation (RM26.7 million in current quarter vs RM12.7 million in preceding quarter) which carries lower margins.

Key Financial Highlight (cont'd)

Input cost pressures persists causing margin compression

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

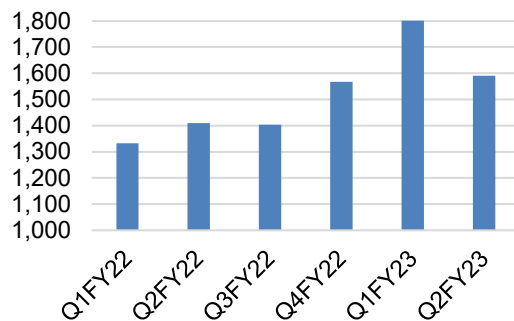


WMP used for our School Milk Project, OEM products and certain Yarra products. GDT prices surged in Feb and March 2022 (Ukraine invasion)

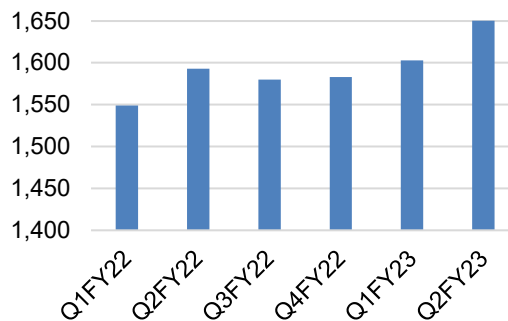
Affected prices for delivery in Q1 and Q2 FY23

Price trending lower, down to USD3,250 per MT on 1 Nov before slightly increasing to USD3,397 per MT on 15 Nov

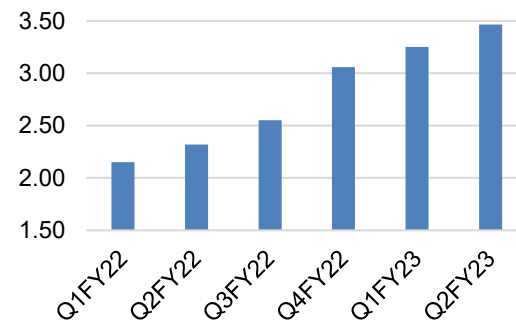
Maize (Quarterly average RM per MT)



Alfalfa (Quarterly average RM per MT)



Diesel (Quarterly average RM per litre)

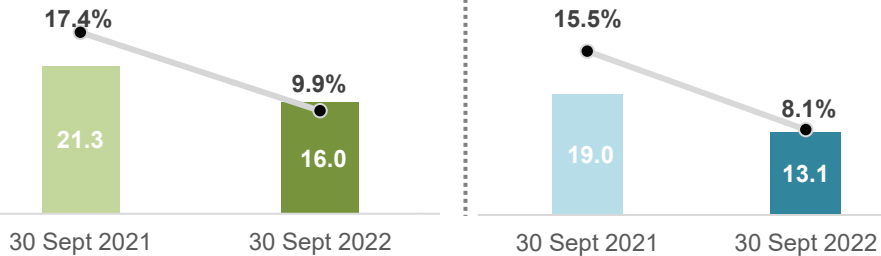


Key Financial Highlights (cont'd)

Operating Profit (RM mil)

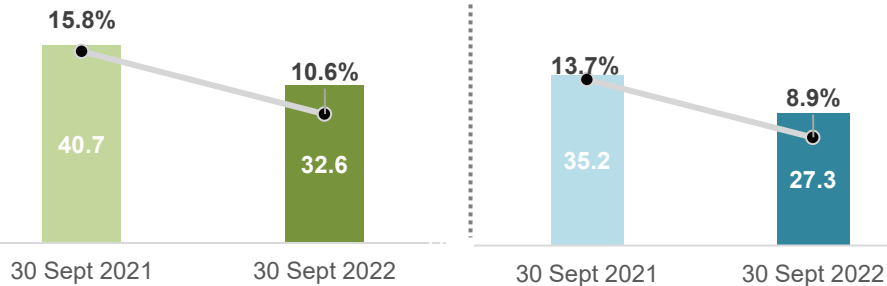
Profit Before Tax (RM mil)

Corresponding Quarter



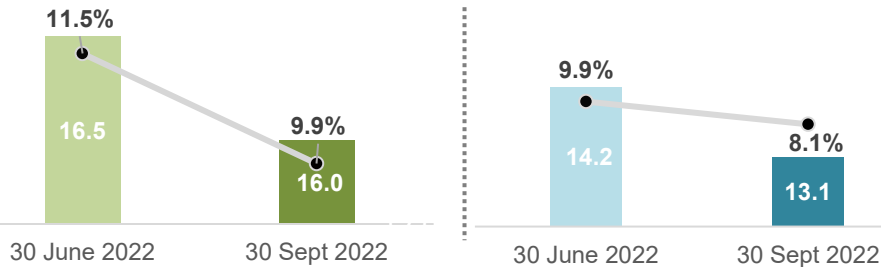
- Primarily due to significantly lower fair value gain on valuation of biological assets (Q2 FY2023 : RM0.2m; Q2 FY2022: RM10.5m);
- higher selling and distribution cost which in line with the higher sales as well as the higher distribution cost for School Milk Program which is performed by the stockists and home dealers (Q2 FY2023 : RM2.9m; Q2 FY2022: RM NIL);
- Employees' Share Option Scheme ("ESOS") expenses of RM2.1m which was first recognized during the period upon the grant of share option to employees of the Group.

6 Months Ended



- Primarily due to significantly lower fair value gain on valuation of biological assets (1H FY2023 : RM0.4m; 1H FY2022: RM10.2m);
- (ii) higher selling and distribution cost which in line with the higher sales as well as higher distribution cost for School Milk Program which is performed by the stockists and home dealers (1H FY2023 : RM5.3m; 1H FY2022: RM NIL);
- (iii) Employees' Share Option Scheme ("ESOS") expenses of RM4.3m which was first recognized during the period upon the grant of share option to employees of the Group.

Preceding Quarter



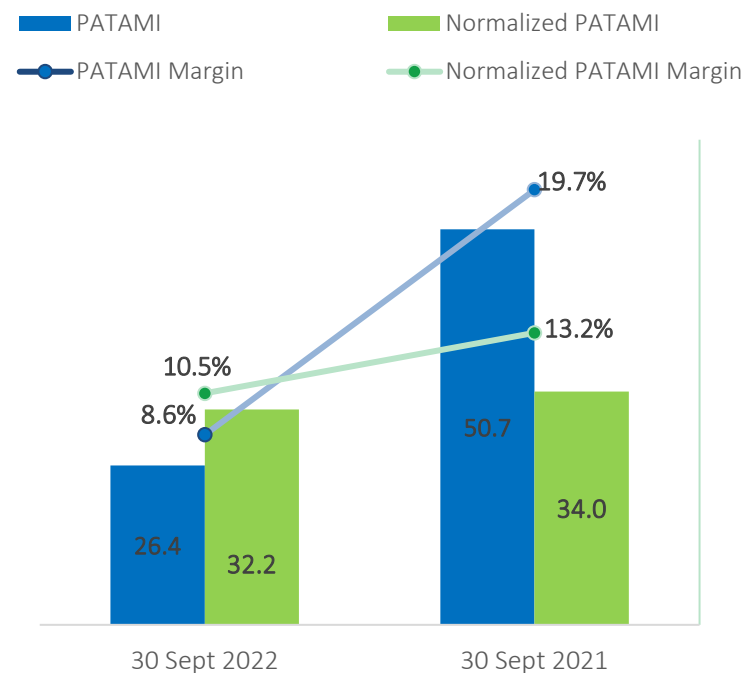
- Mainly due to decrease in gross margin as mentioned on page 12.

Statement of profit or loss and other comprehensive income

	Individual Quarter (3M ended)					FPE 30 Sept (6M ended)				
	30-Sep-22		30-Sep-21		Variance	30-Sep-22		30-Sep-21		Variance
	RM'000	% of Revenue	RM'000	% of Revenue		RM'000	% of Revenue	RM'000	% of Revenue	
Revenue	162,140		122,403			306,161		257,187		
Cost of goods sold	(122,447)		(92,257)			(228,762)		(191,731)		
Gross profit	39,692	24.5%	30,146	24.6%	31.7%	77,400	25.3%	65,456	25.5%	18.2%
Other income	1,982	1.2%	11,208	9.2%	-82.3%	4,978	1.6%	11,665	4.5%	-57.3%
Other income	189	0.1%	532	0.4%	-64.4%	1,679	0.5%	1,231	0.5%	36.4%
Int.income from other investments	1,050	0.6%	165	0.1%	>100%	2,119	0.7%	210	0.1%	>100%
FV gain - Other investments	518	0.3%	-	0.0%		730	0.2%	-	0.0%	
FV gain - Biological assets	224	0.1%	10,511	8.6%	-97.9%	450	0.1%	10,224	4.0%	-95.6%
Distribution expenses	(14,329)	-8.8%	(5,319)	-4.3%	>100%	(26,711)	-8.7%	(14,730)	-5.7%	81.3%
Transportation & logistic	(9,809)	-6.0%	(5,190)	-4.2%	89.0%	(19,740)	-6.4%	(11,569)	-4.5%	70.6%
Advertisement & promotion	(4,520)	-2.8%	(129)	-0.1%	>100%	(6,972)	-2.3%	(3,161)	-1.2%	>100%
Administrative expenses	(8,699)	-5.4%	(8,919)	-7.3%	-2.5%	(16,688)	-5.5%	(15,719)	-6.1%	6.2%
Other expenses	(2,615)	-1.6%	(6,057)	-4.9%	-56.8%	(6,417)	-2.1%	(6,210)	-2.4%	3.3%
Other expenses	(194)	-0.1%	(506)	-0.4%	-61.6%	(319)	-0.1%	(652)	-0.3%	-51.1%
ESOS expenses	(2,144)	-1.3%	-			(4,270)	-1.4%	-		
Redundancy costs	-		(4,923)	-4.0%		-		(4,930)	-1.9%	
Reversal of govern.grant income	-		(628)	-0.5%		-		(628)	-0.2%	
FV loss - derivative	(276)	-0.2%	-			(1,828)	-0.6%	-		
Result from operating activities	16,030	9.9%	21,060	17.2%	-23.9%	32,562	10.6%	40,462	15.7%	-19.5%
Net finance costs	(2,904)	-1.8%	(2,033)	-1.7%	42.9%	(5,253)	-1.7%	(5,255)	-2.0%	0.0%
Profit before tax	13,126	8.1%	19,027	15.5%	-31.0%	27,309	8.9%	35,207	13.7%	-22.4%
Tax (expense)/ income	(1,754)	-1.1%	11,398	9.3%	>100%	(625)	-0.2%	14,279	5.6%	>100%
Current tax (expense)	(280)	-0.2%	(431)	-0.4%	-35.0%	(407)	-0.1%	(859)	-0.3%	-35.0%
Deferred tax (expense)/ income	(1,474)	-0.9%	1,339	1.1%	>100%	(218)	-0.1%	4,648	1.8%	>100%
Reversal of over-provision of tax	-		10,490	8.6%		-		10,490	4.1%	
Profit for the period	11,372	7.0%	30,425	24.9%	-62.6%	26,684	8.7%	49,485	19.2%	-46.1%

Normalized PATAMI

	Cumulative quarter	
	6 months ended	6 months ended
	30.09.2022	30.09.2021
	RM	RM
Reconciliation of PATAMI to Normalized PATAMI		
As reported PATAMI	26,422,036	50,742,660
Add/(Less):		
(Reallocation of tax reversal)	--	(10,490,033)
Gross losses from Henry Jones Foods	171,513	3,650,643
Redundancy costs - IXL fruit jam business	--	3,943,901
Impairment loss on property, plant and equipment	--	64,103
IPO expenses	--	1,734,628
Sukuk expenses	--	164,868
Claw back of government grant income		363,155
Fair value gain on valuation of biological assets	(373,848)	(9,824,926)
Fair value loss on derivatives	1,828,161	--
Share option scheme expenses (ESOS)	4,139,712	--
Normalized PATAMI	32,187,574	40,348,999
Deferred tax income in relation with losses incurred on IXL fruit jam business	--	(6,310,335)
Normalized PATAMI (excluding net impact of IXL fruit jam business)	32,187,574	34,038,664



Statement of financial position

	30 Sept 2022 RM	31 March 2022 RM	% change
NON-CURRENT ASSETS			
Property, plant and equipment	336,774,913	339,570,028	8.0
Right-of-use assets	13,678,972	14,820,525	(7.7)
Biological assets	98,986,358	95,709,674	3.4
Intangible assets	19,707,063	20,001,224	(1.5)
Trade and other receivables	867,335	740,429	17.1
Deferred tax assets	9,067,678	9,469,156	(4.2)
CURRENT ASSETS			
Inventories	163,768,434	118,844,819	37.8
Trade and other receivables	115,930,171	100,248,170	15.6
Derivative financial assets	880,453	1,518,875	(42.0)
Current tax assets	1,175,648	393,813	>100
Cash and cash equivalents	20,144,858	28,103,066	(28.3)
Other investments	253,943,745	280,594,613	(9.5)
TOTAL ASSETS	1,064,925,648	1,010,014,392	5.4
NON-CURRENT LIABILITIES			
Loans and borrowings	244,024,977	232,316,928	5.0
Lease liabilities	5,666,096	5,919,368	(4.3)
Deferred income	6,361,381	6,496,730	(2.1)
Deferred tax liabilities	7,914,483	7,711,483	2.6
CURRENT LIABILITIES			
Loans and borrowings	92,978,505	52,300,841	77.8
Trade and other payables	90,376,942	93,075,548	(2.9)
Lease liabilities	560,393	959,930	(41.6)
Deferred income	270,697	270,697	-
Derivative financial liabilities	1,045,339	-	-
TOTAL LIABILITIES	449,198,813	399,051,525	12.6
TOTAL EQUITY	615,726,835	610,962,867	0.1
TOTAL EQUITY AND LIABILITIES	1,064,925,648	1,010,041,392	5.4

- 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 : RM11.7m
 - A&P expenses : RM3.5m
 - IPO expenses : RM4.8m

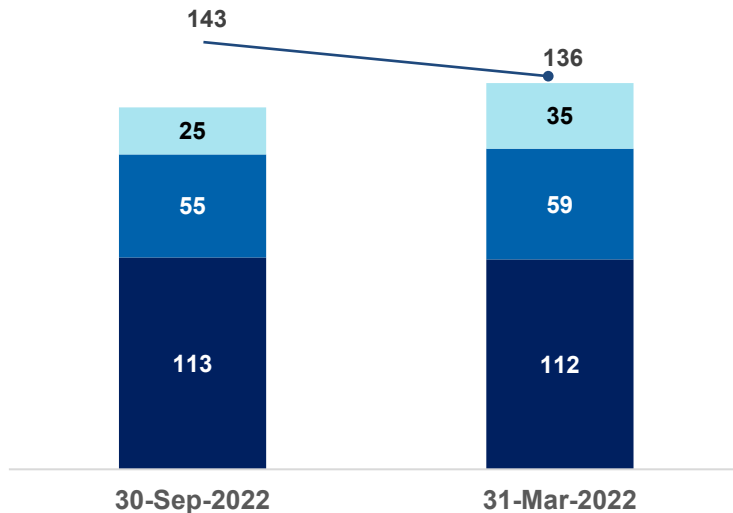
- Increase in loans and borrowings is primarily due to drawdown of new term loan of AUD3.5mil to finance the acquisition of a farm property in Kyabram, Australia.

- Increase is primarily due to increase utilization of trade financing and revolving credit for working capital.

- Increase in retained earning arising from the profitability of the Group during the period, partially offset by equity-settled ESOS expenses and dividend paid of RM19.9million.

Balance sheet ratios

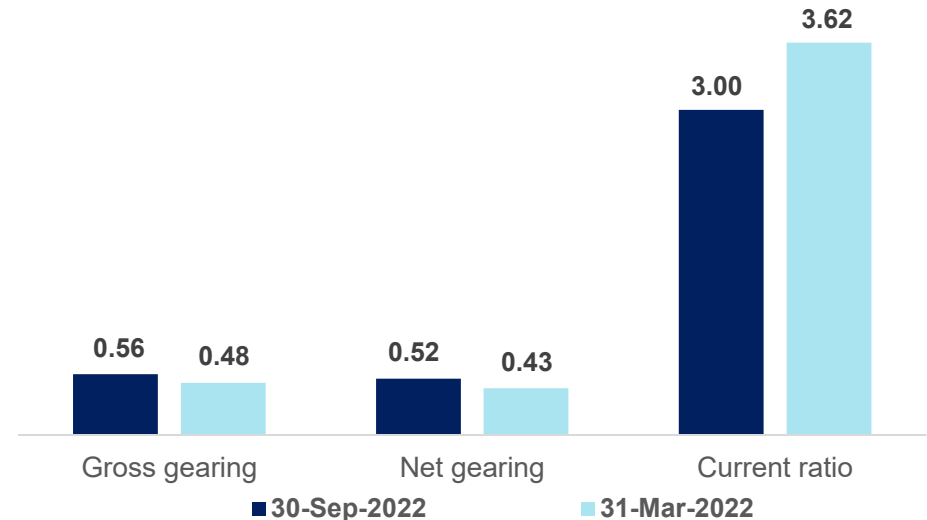
Cash Conversion Cycle (Days)



- 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 25 days due to higher repayment of current trade payables during the period.

Key Ratios (Times)



- Current ratio decreased from 3.62 times to 3.00 times due to higher utilization of short-term trade financing and revolving credit during the period (As at Sept'22 : RM83.7m; Sept'21 : RM41.9m).
- Gross and net gearing ratio increased due to (i) drawdown of AUD3.5mil term loan by an Australian subsidiary, (ii) higher utilization of trade financing and revolving credit for working capital and (iii) distribution of RM19.9m dividend during the period.

01

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Prospects

Outlook & Prospects

1 Margin improvement expected for second half of FY2023. Increase in prices implemented for its chilled RTD products in Malaysia effective August 2022. Continuing current trend of lower whole milk powder prices also expected to improve results.

2 Stronger Malaysia revenue growth expected with launch of FF Grow in October 2022 and Yarra by Farm Fresh in November 2022

3 Launch of our Yarra by Farm Fresh in November which will be made from full cream milk powder and compete in pricing with other reconstituted or recombined milk from skimmed milk powder

4 Launch of the growing up milk based on a fortified fresh milk formula in October 2022. Encouraging numbers from focus study with children and initial sales. Focusing now on penetration within pre-schools and multiple distribution channels, including 99Speedmart, Jaya Grocer and home dealers

8 Pursuit of ESG agenda underway with recently signed contract to develop a **biogas plant** in the Muadzam Shah farm, expected to be operational by end of 2023 and to contribute to an estimated reduction of 9,800 total carbon dioxide (tCO2) per annum and an estimated displacement or reduction of diesel usage of 670,000 litres per annum. Also pioneered fresh milk sold in reusable glass bottles beginning in September 2022 with our **Milk on Tap** initiative in collaboration with Jaya Grocer – rolling out to another 6 more Jaya Grocer outlets by January 2023



7 Philippines expansion underway with securing of site located one hour from Manila. Slated to be operational in the second quarter of 2023.

6 Capacity expansion plans Taiping completion by December 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.

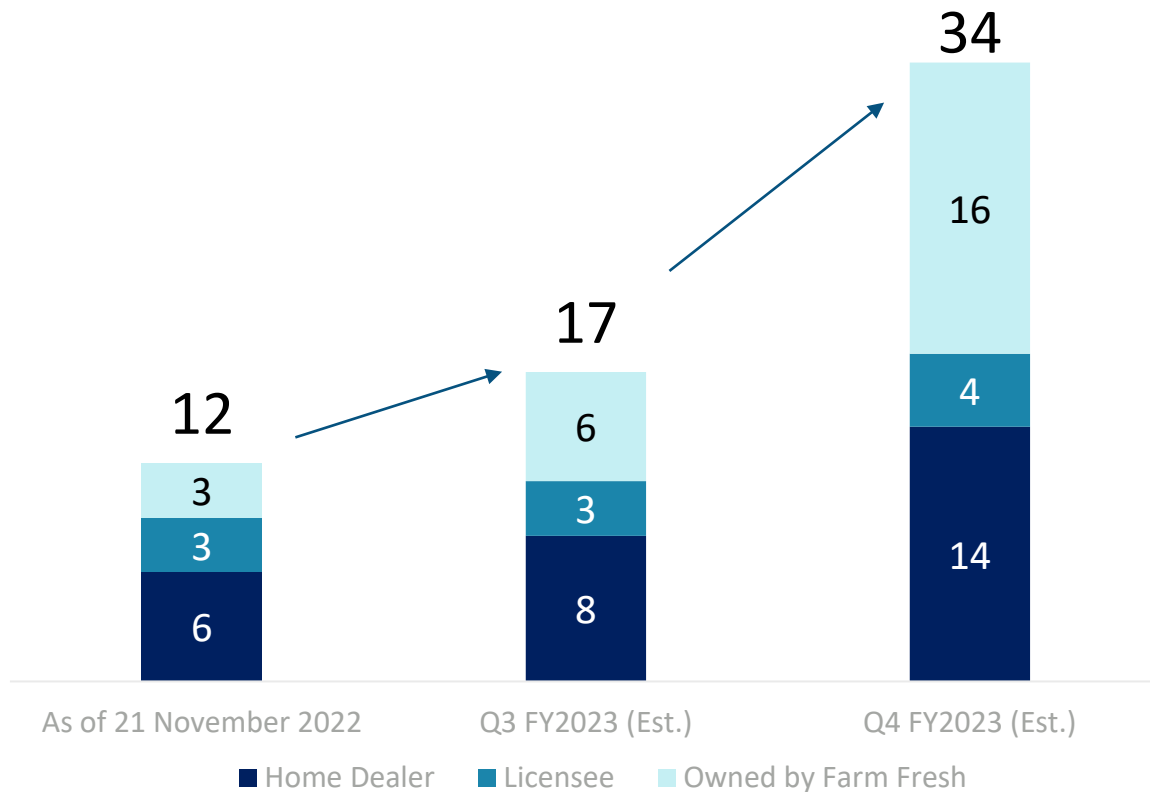
Manufacturing hub at Enstek – planning works underway

Product launches



Jom Cha by Farm Fresh Progress Update

Projected growth in number of outlets



Q&A

Thank You