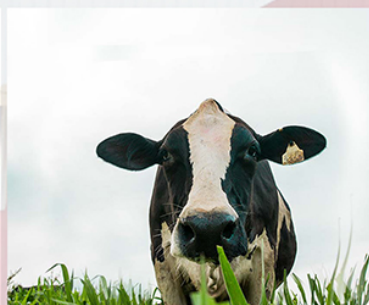




Farm Fresh Berhad

Q4 FY23 Results Briefing

30 May 2023



01

Financial
Results

02

Outlook and
Prospects



Key Highlights:



In RM' mil	<u>Comparative Quarter</u>			<u>Preceding Quarter</u>		<u>Year to Date 12 months</u>		
	Q4FY23	Q4FY22	% Change	Q3FY23	% Change	FY2023	FY2022	% Change
Revenue	161.4	128.1	↑ 26%	162.2	↓ 0.5%	629.7	501.9	↑ 26%
Gross Profit	32.8	36.7	↓ 11%	39.5	↓ 17%	149.7	136.3	↑ 10%
Profit before Tax	4.5	16.1	↓ 72%	20.4	↓ 78%	52.2	65.7	↓ 21%
PATAMI	4.9	17.7	↓ 72%	18.8	↓ 74%	50.1	79.9	↓ 37%

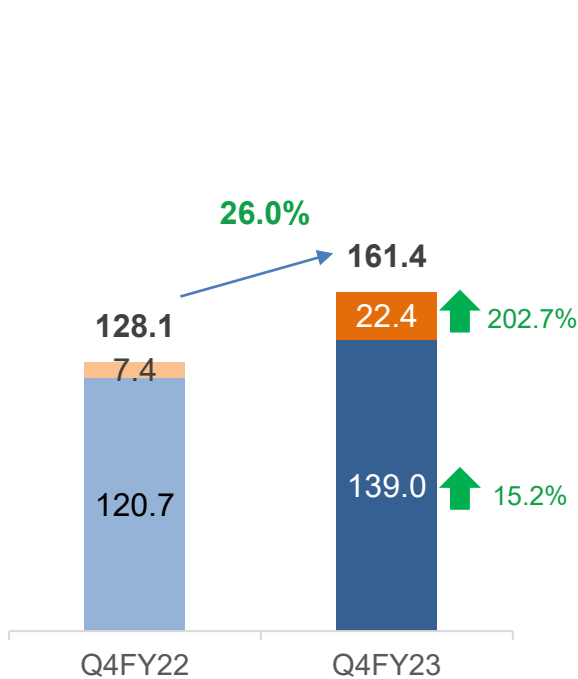
Key narratives

- Sales growth driven by volume growth in chilled and ambient categories, and new products contribution.
- Margin compression due to escalating costs of dairy raw materials, sales mix impact, as well as higher feed and labour costs, and unfavourable forex movements.
- We are seeing input cost pressures levelling off, which together with the 5% price increase in Jul '23 for MY chilled products will improve our GP margin going forward.

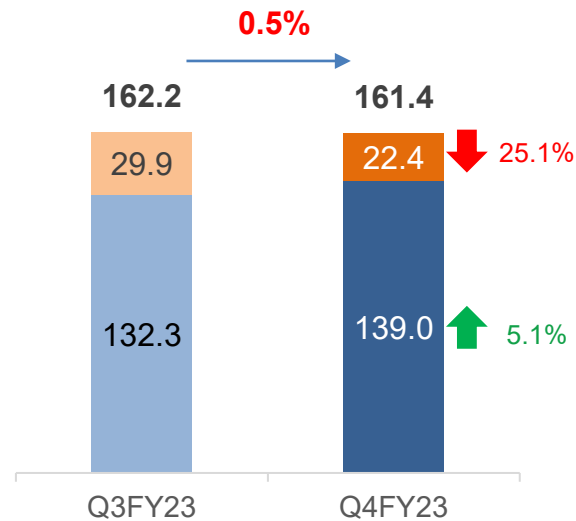
Financial Highlights

Revenue (RM mil)

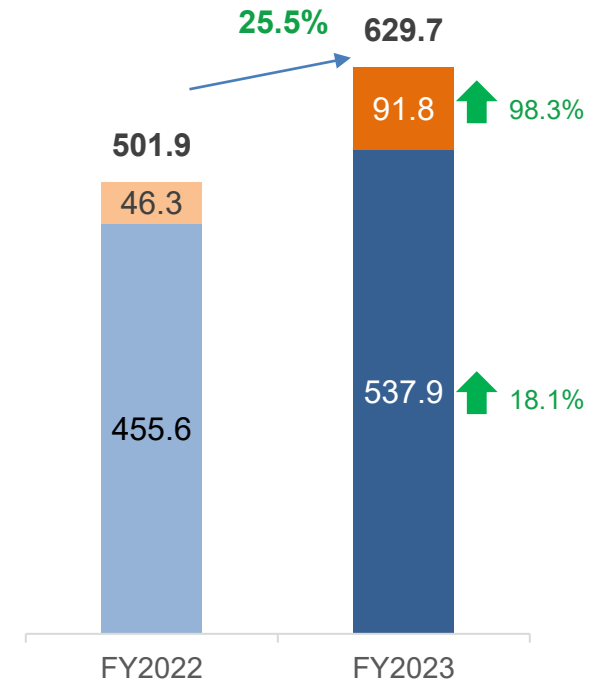
Against corresponding quarter
(Q4FY23 vs Q4FY22)



Against preceding quarter
(Q4FY23 vs Q3FY23)



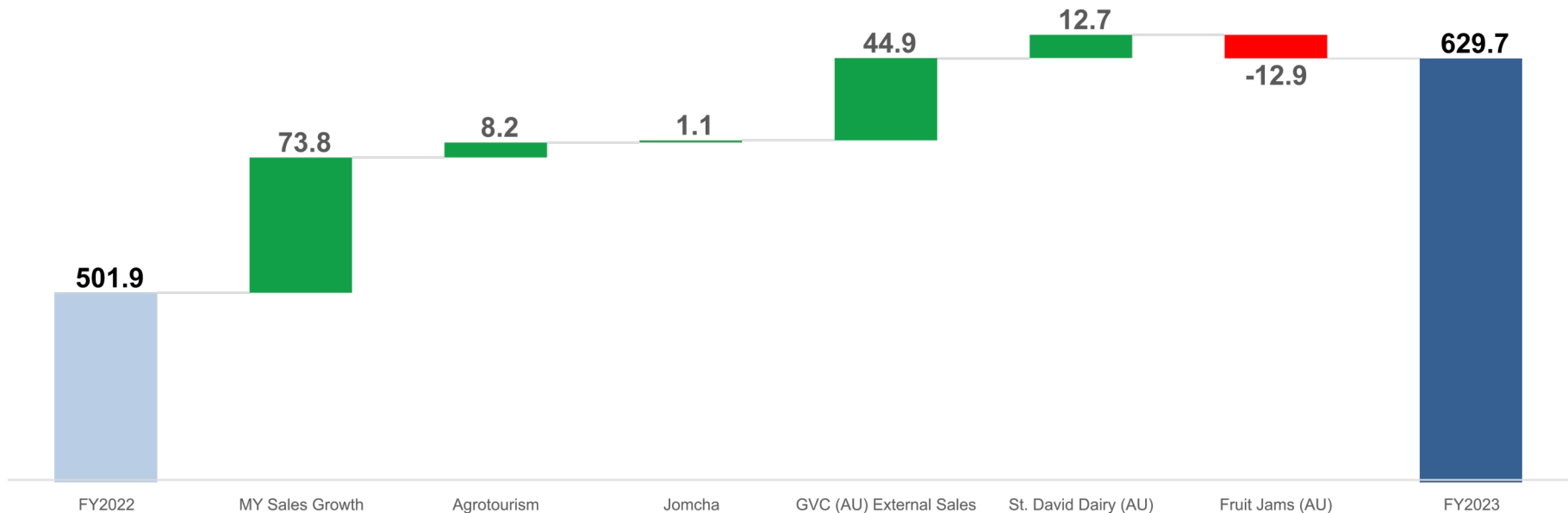
Against prior year
(FY23 vs FY22)



■ Malaysia ■ Australia

Financial Highlights

FY23 Revenue Growth (RM mil)



Malaysia

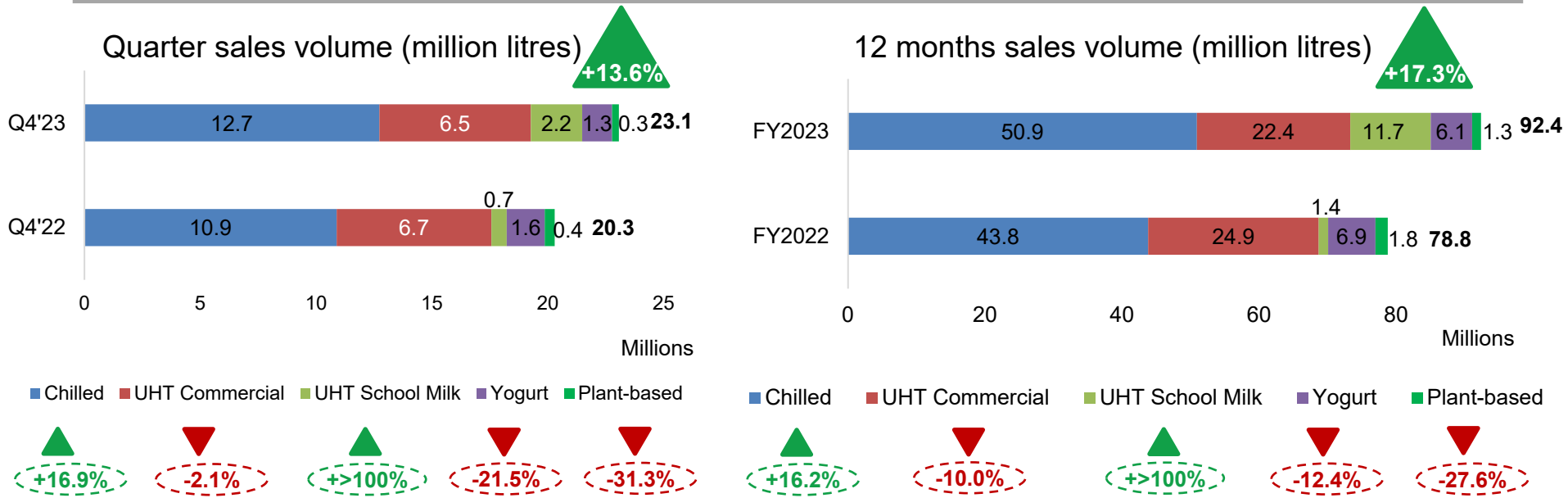
- Sales growth driven by volume growth in chilled and ambient categories, coupled with launching of new SKUs i.e. Hero DC series, Strawberry milk, Growing up milk (GUM), Yarra by Farm Fresh series which contributed to 26% of the sales growth.
- Commenced Agrotourism in May 2022 and Jomcha in October 2022.

Australia

- Sales growth driven by higher external sales from GVC with new recruitment of customers.
- Acquisition of St. David Dairy in end-August 2022.
- Downsizing of fruit jams business.

Financial Highlights

Sales Volume



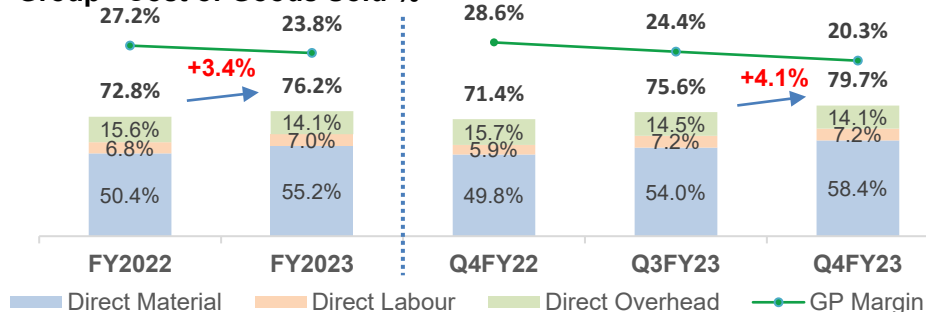
- Overall volume growth in the current quarter and FY2023 of 13.6% and 17.3% compared to preceding quarter and FY2022 respectively.
- Sales volume for chilled category has shown an increase of 16.9% from the corresponding quarter and an increase 16.2% from FY2022, driven by higher HORECA sales.
- Sales volume for UHT commercial category has decreased by 2.1% from the corresponding quarter and decreased by 10% from FY2022 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 UHT school milk, total UHT volume in the current quarter and FY2023 has increased 19% and 30% compared to preceding quarter and FY2022 respectively.

Financial Highlights

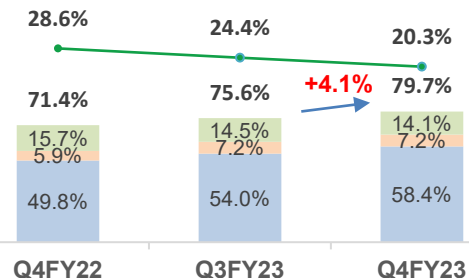
Gross Profit (RM mil)

Year to Date Performance

Group - Cost of Goods Sold %



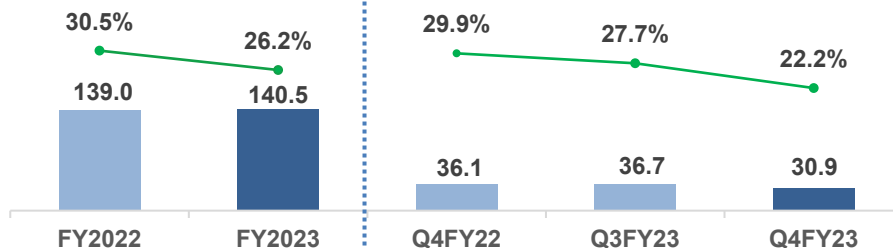
Quarterly Performance



Heightened input costs due to:

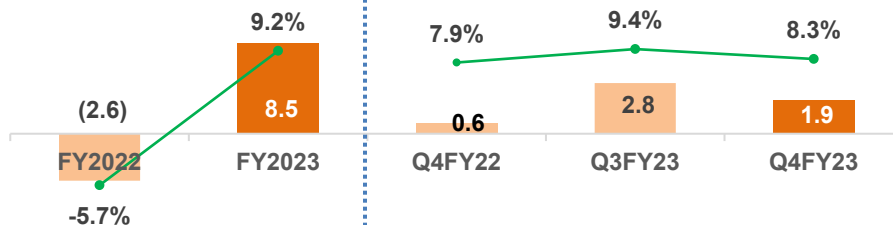
- **Escalating costs of dairy raw materials** - higher global milk powder and Australia farm gate prices
- **Higher farming costs** due to escalation of feed costs;
- **Higher labour costs** - hike in minimum wages by 25% from Q1'23 onwards and amendment of Employment Act 1965 on maximum working hours and overtime claims in Q4'23;
- **Foreign exchange fluctuations** escalation of with MYR depreciating against USD over the past year.

Malaysia - Gross Profit (RM mil) & Margin (%)



- Despite the improvement in revenue, **gross profit has been adversely affected** mainly attributable to the reasons mentioned above, accompanied with **change in sales mix** whereby:
- (i) lower commercial UHT sales which carries a higher margin; and
- (ii) higher sales from School Milk Program and HORECA sales channel which carries a relatively lower margin.

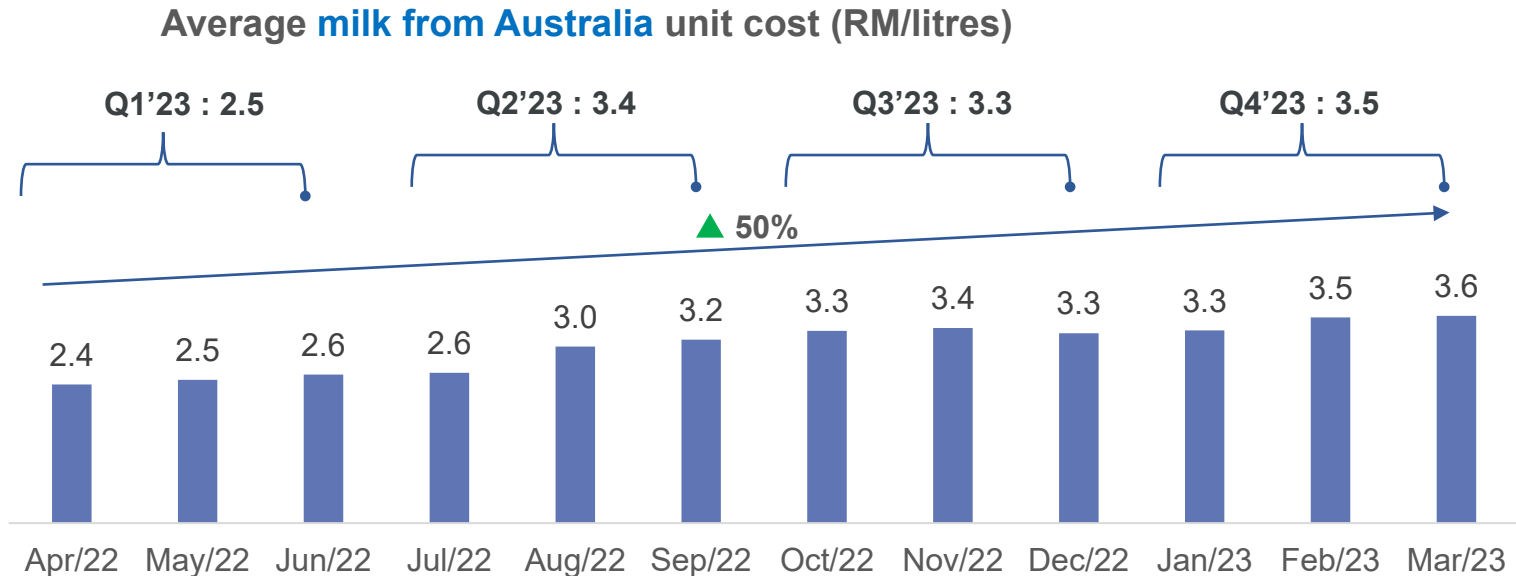
Australia - Gross Profit (RM mil) & Margin (%)



- Managed to **turnaround in Australian entities** following the downsize of IXL fruit jam business which took place in Q2'22.
- Gross margin decreased marginally in Q4'23 compared to Q3'23 due to low production volume during the quarter to deliberately deplete levels of inventories with higher milk cost as Australian average farmgate raw milk price is expected to drop by 14% for the new season beginning July 2023 to June 2024 due to an expected reduction in export prices and stabilization in raw milk production.

Financial Highlights

Australian milk prices at record high, expected to drop for new season



- Increase in GVC's ex-farmgate milk prices from AUD7.40/kg of milk solids to AUD7.85/kg which applied from April 2022 to June 2022. The prices further increased to AUD9.85/kg of milk solids effective from 1 July 2022 onwards buoyed by high global dairy prices at the start of the season and low levels of domestic milk production resulting in intense competition between processors who were looking to secure their raw milk supply for 2022–23.
- Indications are that the new season price (July 2023 – June 2024) will ease. The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), the science and economics research division of the Department of Agriculture, Fisheries and Forestry of Australia, has forecasted a reduction of farmgate milk price by 14% for the July 2023 – June 2024 season due to an expected reduction in export prices and stabilisation in milk production. The expected reduction in export prices is already reflected in the declining trend in milk powder prices at the Global Dairy Trade ("GDT") beginning the second half of 2022. In addition, the current rationalisation of processing facilities among milk processors in Australia is expected to contribute to a reduction in competition between processors.

Financial Highlights

Australian milk prices at record high, expected to drop for new season



Australian Government
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Fisheries and Forestry
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Wheat

Coarse Grains

Oilseeds

Dairy

Alistair Read

↓ 14%
to 62.5 Ac/L^k
in 2023-24

Dairy

Lower export prices to see the farmgate milk price fall from record highs.

^k Australian average farmgate milk price.

Farmgate Milk Price Outlook

by Freshagenda | May 17, 2023 | Australia, Forecast

Freshagenda has released a Southern Australia milk price outlook for the coming season.

The full season milk price paid to southern producers is expected to average \$8.50kgMS in 2023/24 based on projected commodity prices, average manufacturing conversion costs and the industry product mix. The \$A is expected to average US\$0.70. There is likely to be significant variation dependent on product mix across milk buyers. Despite easing milk price farm margins will be helped by falling feed and fertiliser costs.

Australian milk production is forecast to fall 3 to 5% in 2023/24 to between 7.6 and 7.8bn litres as El Nino conditions develop. With domestic product prices above international benchmarks, imports of butterfat and cheese are expected to increase.

Rabobank projects \$8.50 – \$9.00kgMS in 2023/24

by Freshagenda | May 10, 2023 | Australia, Forecast, Uncategorized

Rabobank is forecasting minimum opening milk price offers in the range of \$8.50kgMS – \$9.00kgMS for southern Australia from June 1. According to the Australian Dairy Seasonal Outlook domestic dairy market returns, a weak Aussie dollar and aggressive recruitment and retention strategies are driving the forecast prices for the 2023/24 season, which is above the medium-term average for southern Australia.

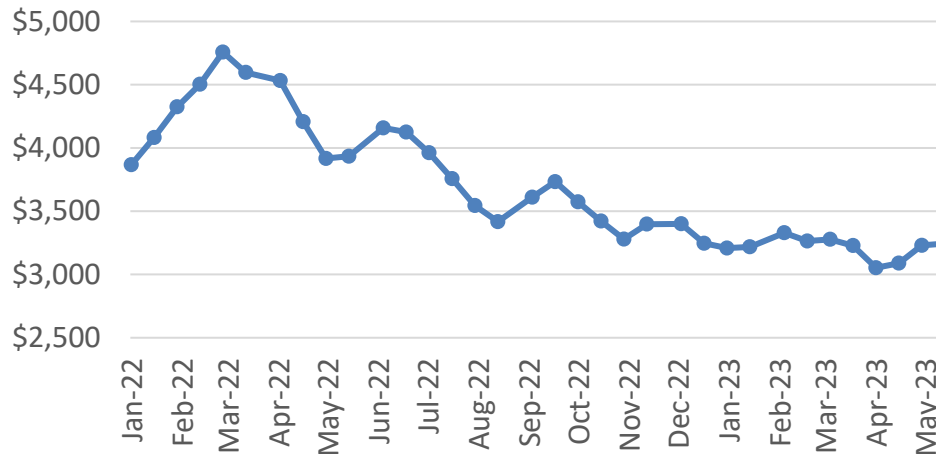
Rabobank analyst Michael Harvey says another season of historically elevated milk prices will support farmgate margins. The low end of the range (\$8.50kgMS) represents a 10% decrease from 2022/23, but even so this price will provide relief from a recent record-high cost base with lower prices for purchased feed and fertiliser flowing through balance sheets. Despite reaping the benefits of a significant correction in global fertiliser prices, the outlook warns of other cost headwinds on farm in 2023/24, including higher interest rates and labour shortages.

Rabobank expects downward pressure on global commodity prices to remain as milk production continues to grow in export regions and domestic demand remains soft. Chinese buyers are absent until the second half of the year.

Financial Highlights

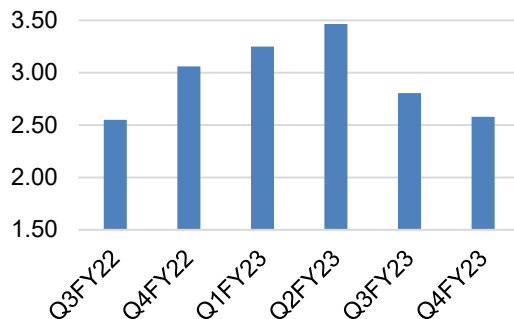
Milk powder and other key cost items easing from record high prices

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

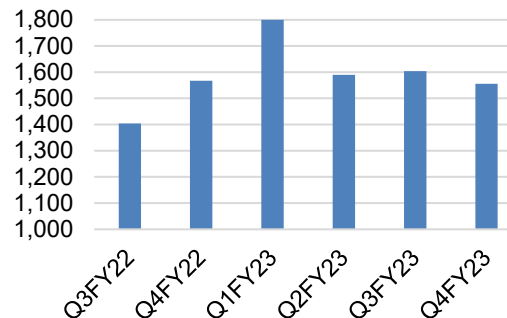


- WMP used for our School Milk Project, OEM products and certain Yarra products. GDT prices surged in Feb and March 2022 (Ukraine invasion)
- Affected prices for delivery in FY23
- Price trending lower, down to USD3,244 per MT on 16 May 2023

Diesel (Quarterly average RM per litre)



Maize (Quarterly average RM per MT)



Corn Forward Curve



Source: Company information

Source: Bloomberg as at 10 May 2023

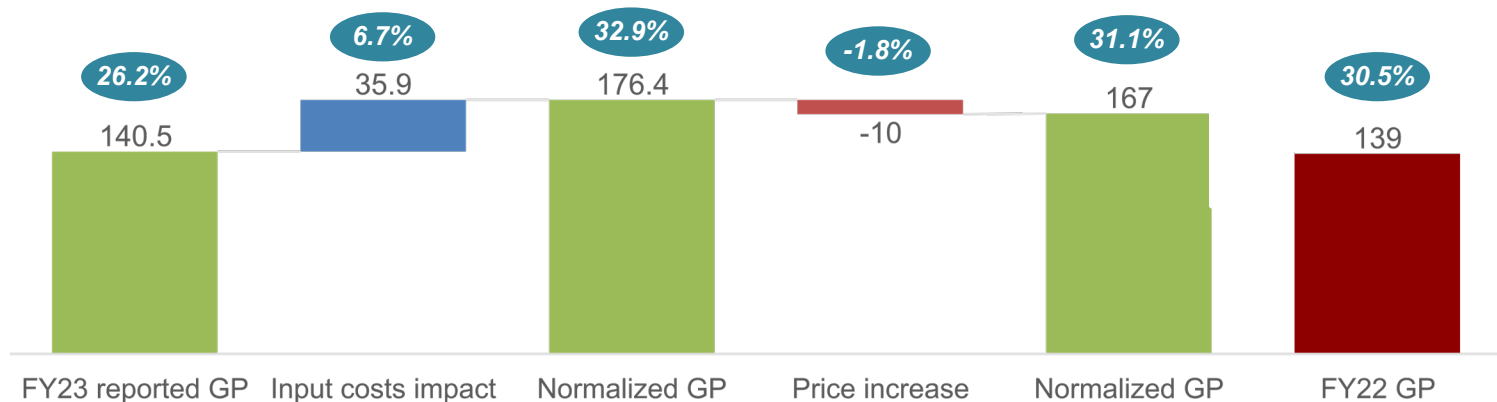
Financial Highlights

We have incurred RM35.9 million from price variances on key items

Item	Increase from FY22	RM mil impact
Australian Milk	31.4%	18.9
Whole Milk Powder	12.4%	13.3
Diesel	21.5%	1.9
Maize	12.8%	1.8
Total		35.9

- Our price increase affected in August 2022 has managed to allay about RM10 million of the cost increase.
- If we normalise the results the GP for Malaysia will be 31.1%, comparable to FY22 GP of 30.5%.

Gross Profit (GP) Malaysia



Operating Profit & Net Profit (RM mil) - Q4'23 vs Q4'22

	Current Quarter	Q4FY22	Changes
Gross profit	32,761	36,670	-3,909
Add: Other income	224	2,577	-2,353
<i>Other income</i>	<i>1,564</i>	<i>2,496</i>	<i>-931</i>
<i>FV (loss)/gain – Biological assets</i>	<i>(1,340)</i>	<i>81</i>	<i>-1,421</i>
Less: Distribution expenses	(12,870)	(9,224)	-3,646
<i>Transportation & logistics</i>	<i>(9,365)</i>	<i>(6,114)</i>	<i>-3,250</i>
<i>Advertisement & promotion</i>	<i>(3,505)</i>	<i>(3,110)</i>	<i>-394</i>
Less: Administrative expenses	(10,725)	(10,803)	+79
Less: Other expenses	(2,021)	(1,290)	-731
<i>Other expenses</i>	<i>13</i>	<i>(1,290)</i>	<i>1,303</i>
<i>ESOS expenses</i>	<i>(922)</i>	<i>-</i>	<i>-922</i>
<i>Annual fee to UPM</i>	<i>(1,112)</i>	<i>-</i>	<i>-1,112</i>
Operating Profit	7,369	17,930	-10,560
Net finance costs	(2,858)	(1,824)	-1,034
Profit before tax	4,511	16,106	-11,594
Tax	(23)	1,208	-1,231
Net Profit	4,489	17,314	-12,825

Operating profit and profit before tax decreased by RM10.6 million and RM11.6 million respectively, due to:

- Aforementioned lower gross profit;
- Decrease in other income where **higher forex loss** of RM0.7m in current quarter as opposed to RM0.03m forex loss in the corresponding quarter due to the weakening of MYR against AUD.
- **Fair value loss on valuation of biological assets** of RM1.3m as opposed to fair value gain of RM0.1m in the corresponding quarter;
- **Higher distribution costs** incurred for the School Milk Program which is performed by the stockists and home dealers;
- **ESOS expenses** of RM0.9 million which was first recognized during the current year upon the grant of share options to employees of the Group; and
- **Annual fee** of RM1.1m pursuant to Collaboration Agreement with **Universiti Putra Malaysia (“UPM”)** for the use of UPM site.

Operating Profit & Net Profit (RM mil) - Q4'23 vs Q3'23

	Current Quarter	Q3FY23	Changes
Gross profit	32,761	39,492	-6,732
Add: Other income	224	3,959	-3,735
<i>Other income</i>	2,236	2,201	36
<i>Forex gain/(loss)</i>	(672)	759	-1,431
<i>FV (loss)/gain – Biological assets</i>	(1,340)	1,000	-2,340
Less: Distribution expenses	(12,870)	(12,131)	-739
<i>Transportation & logistics</i>	(9,365)	(8,900)	-465
<i>Advertisement & promotion</i>	(3,505)	(3,231)	-274
Less: Administrative expenses	(10,725)	(8,459)	-2,265
<i>Salary expenses</i>	(6,421)	(5,557)	-864
<i>Corporate exercise expenses</i>	(1,604)	(850)	-754
<i>Others</i>	(2,699)	(2,052)	-647
Less: Other expenses	(2,021)	847	-2,868
<i>Other expenses</i>	13	(692)	705
<i>ESOS expenses</i>	(922)	1,539	-2,461
<i>Annual fee to UPM</i>	(1,112)	-	-1,112
Operating Profit	7,369	23,709	-16,340
<i>Net finance costs</i>	(2,858)	(3,355)	497
Profit before tax	4,511	20,354	-15,842
<i>Tax</i>	(23)	(1,592)	1,569
Net Profit	4,489	18,762	-14,273

Operating profit and profit before tax decreased by RM16.4 million and RM15.8 million respectively, due to:

- Aforementioned lower gross profit;
- **Higher forex loss** of RM0.4m in current quarter as opposed to RM0.7m forex gain in the preceding quarter due to the weakening of MYR against AUD.
- **Fair value loss on valuation of biological assets** of RM1.3 million in the current quarter as opposed to the fair value gain of RM1.0 million in the preceding quarter;
- Higher admin costs due to **higher salary expenses** in current quarter following the amendment of Employment Act on maximum working hours and overtime charges with effective from 1 January 2023 onwards and increase in headcount as well as the **higher corporate exercise expenses** due to acquisition of Inside Scoop ;
- Provision of RM0.9 million ESOS expenses in the current quarter as opposed to **a reversal of RM1.5 million ESOS expenses in the preceding quarter**;
- **Annual fee** of RM1.1m pursuant to Collaboration Agreement with **Universiti Putra Malaysia (“UPM”)** for the use of UPM site.

Operating Profit & Net Profit (RM mil) - FY23 vs FY22

	Current Year	FY2022	Changes
Gross profit	149,653	136,344	+13,308
Add: Other income	9,162	14,820	-5,658
<i>Other income</i>	9,052	4,870	4,181
<i>FV (loss)/gain – Biological assets</i>	110	9,950	-9,839
Less: Distribution expenses	(51,711)	(32,003)	-19,709
<i>Transportation & logistics</i>	(38,004)	(23,178)	-14,827
<i>Advertisement & promotion</i>	(13,707)	(8,825)	-4,882
Less: Administrative expenses	(35,872)	(35,997)	+125
<i>Salary expenses</i>	(20,554)	(14,417)	-6,137
<i>Corporate exercise expenses</i>	(5,888)	(12,952)	7,064
<i>Others</i>	(9,430)	(8,628)	-801
Less: Other expenses	(7,591)	(7,656)	+65
<i>Other expenses</i>	(348)	(2,602)	2,254
<i>Redundancy costs</i>	-	(4,851)	4,851
<i>ESOS expenses</i>	(3,653)	-	-3,653
<i>FV loss – Derivatives</i>	(2,478)	(203)	-2,275
<i>Annual fee to UPM</i>	(1,112)	-	-1,112
Operating Profit	63,641	75,509	-11,868
Net finance costs	(11,467)	(9,825)	-1,642
Profit before tax	52,174	65,684	-13,510
Tax	(2,240)	12,881	-15,121
Net Profit	49,934	78,565	-28,631

Year to date **operating profit decreased** due to:

- lower gross profit margin (FY2023: 23.8%; FY2022: 27.2%)
- **Significantly lower fair value gain on valuation of biological assets** (FY2023 : RM0.1m; FY2022 : RM9.9m) whereby the impact is softened by the **increase in interest income and fair value gain from other investment** (FY2023: RM6.2m; FY2022: RM0.8m);
- **Higher distribution costs** incurred for the School Milk Program which is performed by the stockists and home dealers and higher marketing spend for FF Grow product launch;
- Higher admin costs due to **higher salary expenses** hike in minimum wages by 25% with effective from Q1'23 onwards and amendment of Employment Act 1965 on maximum working hours and overtime claims with effective from Q4'23 onwards and increase in headcount, which is offset by the **lower corporate exercise expenses** with the IPO costs incurred in FY22.
- **ESOS expenses** of RM3.7 million which was first recognized during the current year upon the grant of share options to employees of the Group;
- **Unrealized derivative loss** of RM2.5 million arising from currency (AUD) forward exchange contract due to lower year end closing rate as compared to the average forward contracted rate; and
- **Annual fee** of RM1.1m pursuant to Collaboration Agreement with **Universiti Putra Malaysia (“UPM”)** for the use of UPM site.
- **Tax reversal** of RM10.5 million and recognition of **higher deferred tax income** in the corresponding financial year ended 31 March 2022; in line with the higher business losses incurred by Australian operation FY22.

Statement of financial position

	31 March 2022	31 March 2023	% change
	RM	RM	
NON-CURRENT ASSETS			
Property, plant and equipment	339,570,028	413,867,641	21.9
Right-of-use assets	14,820,525	20,191,229	36.2
Biological assets	95,709,674	115,193,886	20.4
Intangible assets	20,001,224	19,316,783	(3.4)
Trade and other receivables	740,429	758,651	2.5
Deferred tax assets	9,469,156	7,673,816	(19.0)
CURRENT ASSETS			
Inventories	118,844,819	173,674,616	46.1
Trade and other receivables	100,248,170	131,826,451	31.5
Derivative financial assets	1,518,875	685,111	(54.9)
Current tax assets	393,813	1,541,484	>100
Cash and cash equivalents	28,103,066	22,969,591	(18.3)
Other investments	280,594,613	155,789,952	(44.5)
TOTAL ASSETS	1,010,014,392	1,063,489,211	5.3
NON-CURRENT LIABILITIES			
Loans and borrowings	232,316,928	243,317,647	4.7
Lease liabilities	5,919,368	9,301,753	57.1
Deferred income	6,496,730	6,339,196	(2.4)
Deferred tax liabilities	7,711,483	7,731,483	0.3
CURRENT LIABILITIES			
Loans and borrowings	52,300,841	92,934,269	77.7
Trade and other payables	93,075,548	64,010,451	(31.2)
Lease liabilities	959,930	1,987,161	>100
Deferred income	270,697	270,697	-
Derivative financial liabilities	-	1,694,958	-
TOTAL LIABILITIES	399,051,525	427,587,615	7.2
TOTAL EQUITY	610,962,867	635,901,596	4.1
TOTAL EQUITY AND LIABILITIES	1,010,041,392	1,063,489,211	5.3

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

- Major utilization as follows:-
- Purchase of property, plant & equipment : RM93.4m
- Acquisition of industrial land at Enstek: RM18.2m
- Purchase of biological assets: RM11.1m
- IPO expenses : RM7.3m

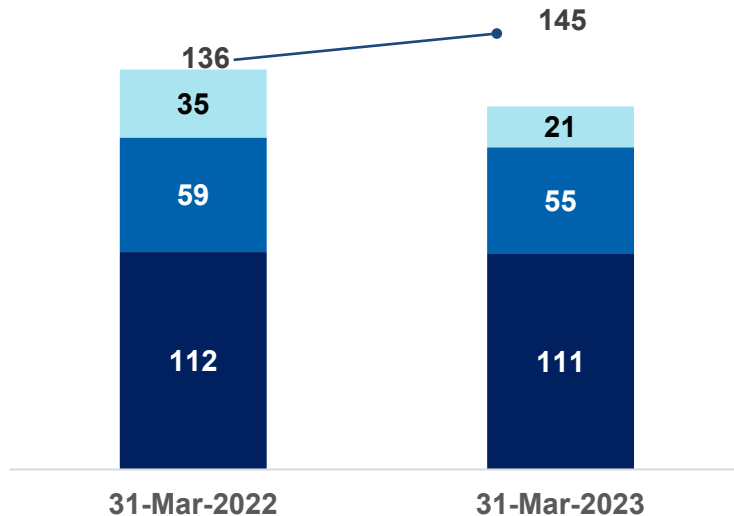
- Increase is primarily due to drawdown of new term loan of AUD4.5mil to finance the acquisition of a farm property in Kyabram, Australia and the acquisition of plant & equipment. The increase was partially offset by repayment of term loans during the year.

- 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

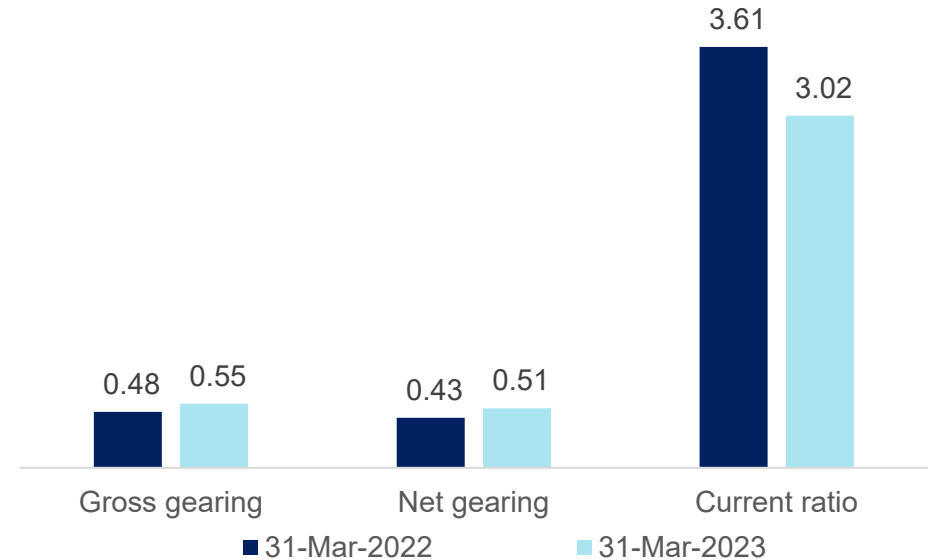
Cash Conversion Cycle (Days)



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

- Average inventories turnover days and average trade receivables remained constant.
- Average trade payables days decreased from 35 days to 21 days due to higher repayment of current trade payables during the year.

Key Ratios (Times)



- Current ratio decreased from 3.61 times to 3.02 times due to higher utilization of short-term financing i.e. banker acceptance, revolving credit and hire purchase facilities during the year (As at Mar'23 : RM90.0m; Mar'22 : RM48.1m).
- Gross and net gearing ratio increased due to (i) drawdown of AUD4.5mil 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 year.

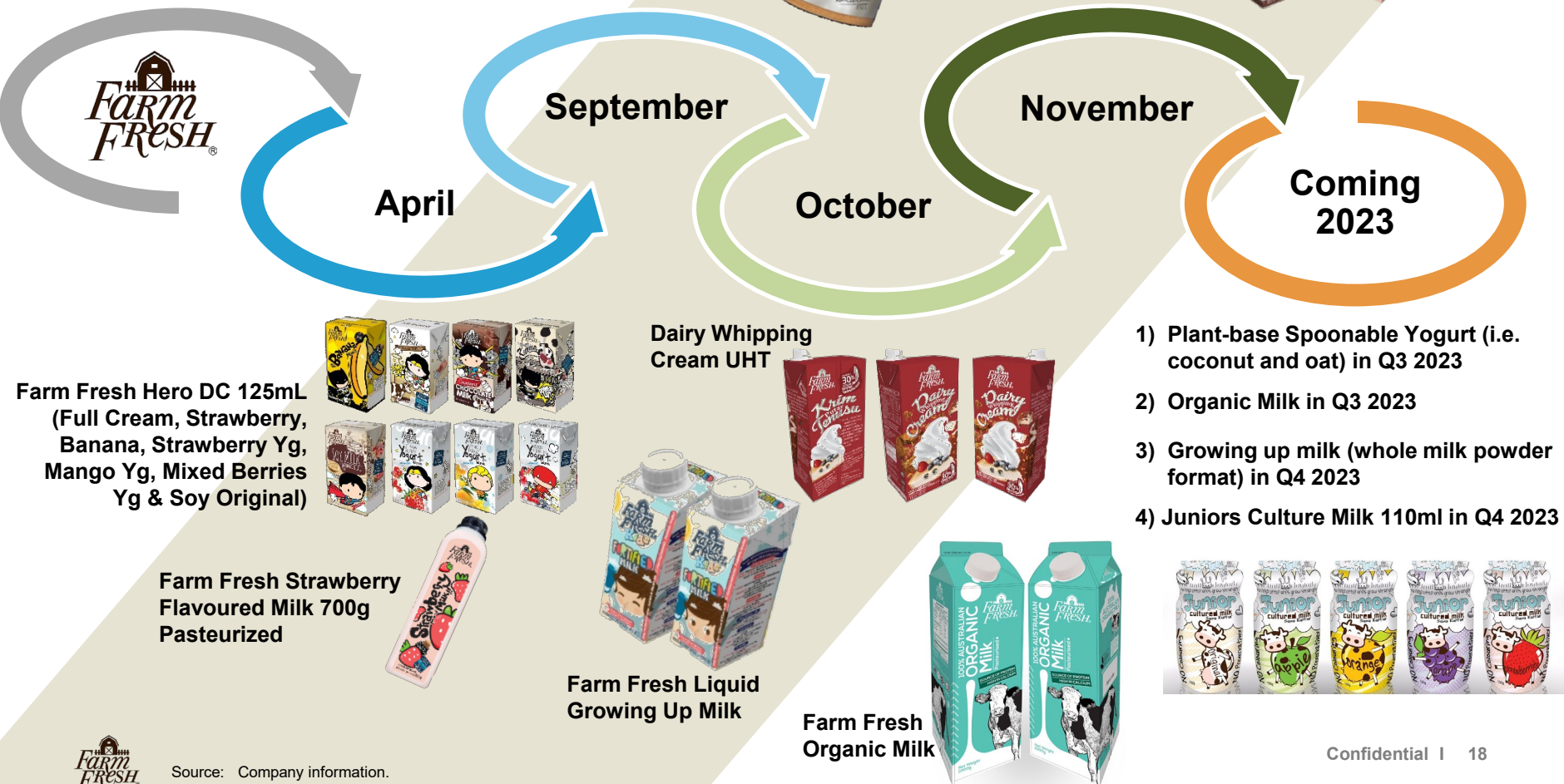
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Product launches



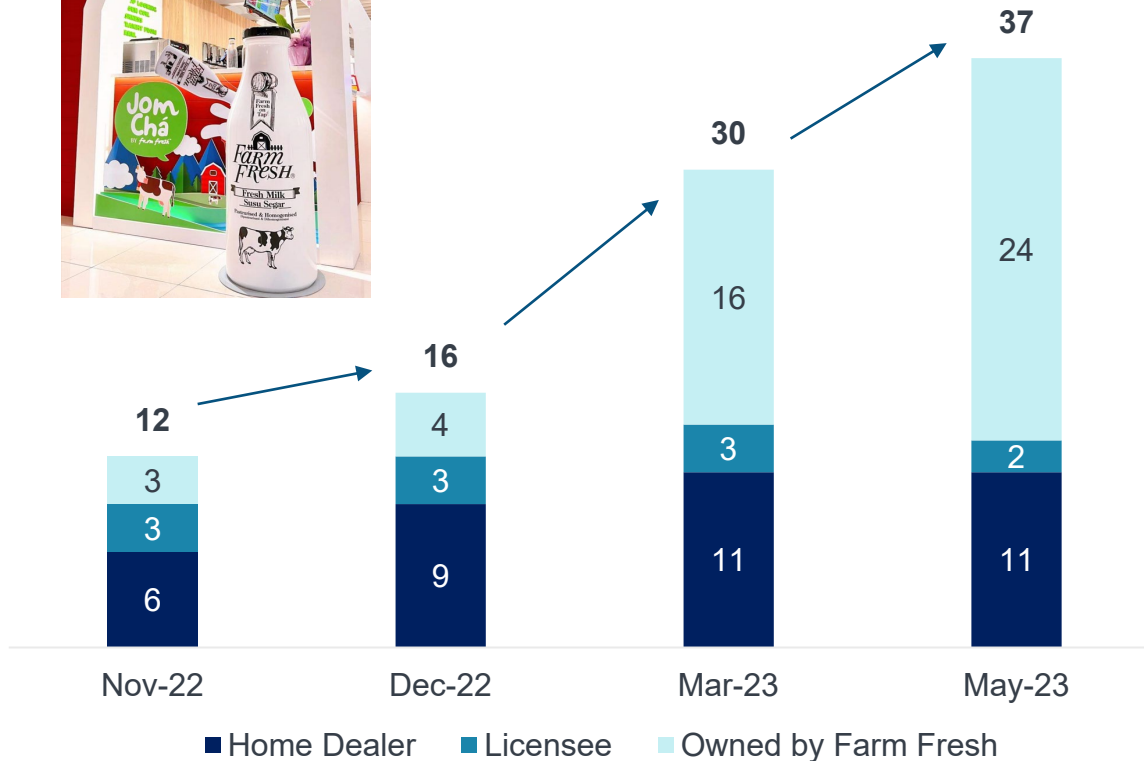
Jom Cha by Farm Fresh Progress Update

Growth in number of outlets



Own outlet performance: -

- Capex of RM250k-350k per outlet
- Average revenue of outlets more than one-month operations RM45k.
- Highest revenue in malls (RM60k) and UPM (RM80k)
- Average 77% GP margin (product cost)



Key takeaways

1

FY23 top-line growth of 25.5% YoY driven by volume-based growth in MY and AU external sales.

2

Unprecedented cost pressures impacting GP margin, esp. key dairy raw materials, which is expected to ease. 5% price increase in July 2023 for chilled products. Farmgate prices expected to drop in July contributing to a recovery of GP margin.

3

Net profits are down Y-o-Y and Q-o-Q due to GPM drop, FV derivative loss, unrealized derivative loss, ESOS and staff costs, and annual fee with UPM

4

Constrained production capabilities impacting our UHT sales. Additional UHT processing line in Apr '23 has improved throughput + Taiping factory operational in June '23 + new UHT 1-litre line in Aug '23

5

Exciting growth prospects for FY24 with Philippines (Aug '23) + Growing up milk power (Oct '23) + Ice cream (Inside Scoop completion Jun '23; CPG Jan '24)



Q&A

Thank You