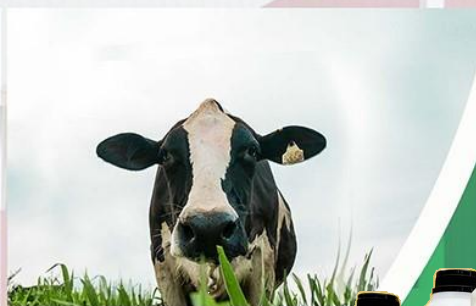




# Farm Fresh Berhad

## Q3 FY24 Results Briefing

28 February 2024



01

Financial  
Results

02

Outlook and  
Prospects



# Q3 FY24 key highlights:

In RM' mil	<u>Corresponding Quarter</u>			<u>Preceding Quarter</u>	
	Q3FY24	Q3FY23	% Change	Q2FY24	% Change
Revenue	211.6	162.2	↑ 30%	198.3	↑ 7%
Gross Profit	65.6	39.5	↑ 66%	52.2	↑ 26%
Profit before Tax	24.0	20.3	↑ 18%	14.3	↑ 68%
PATAMI	20.4	18.8	↑ 9%	12.8	↑ 59%

## Key narratives

- Sales growth driven by higher HORECA and commercial UHT sales, accompanied by revenue contribution from Inside Scoop and Sin Wah.
- Improved gross profit due to significant lower milk ingredients cost, increase in prices for chilled RTD products in Malaysia effective mid-July 2023, and contribution from Inside Scoop and Sin Wah.

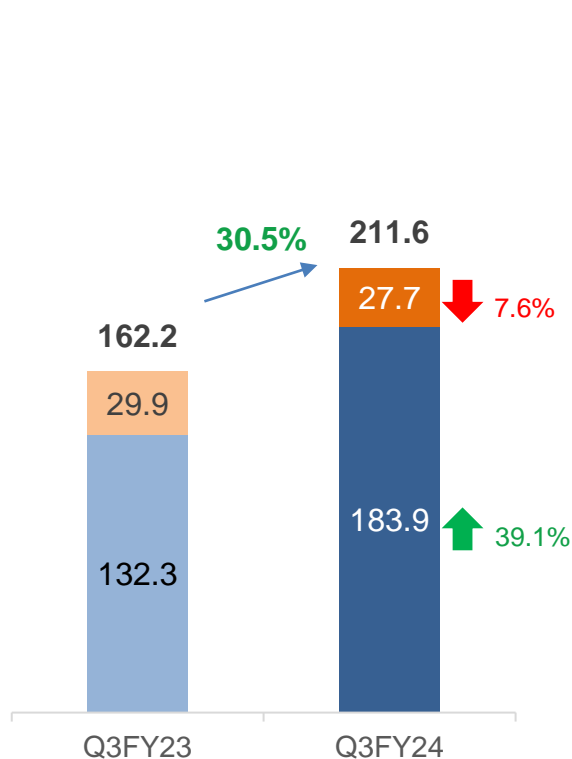




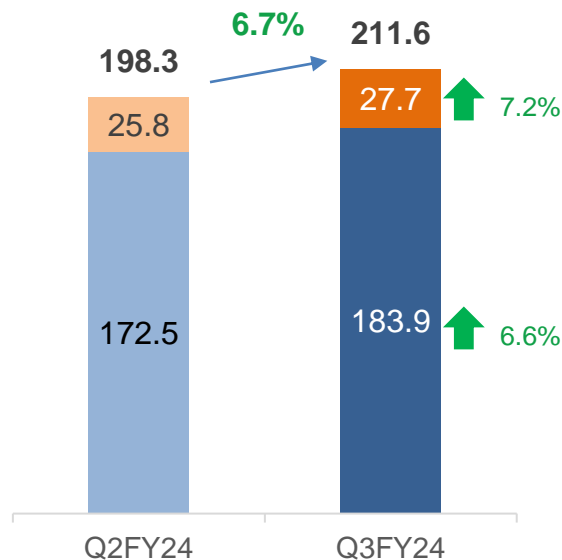
# Financial Highlights

## Revenue (RM mil)

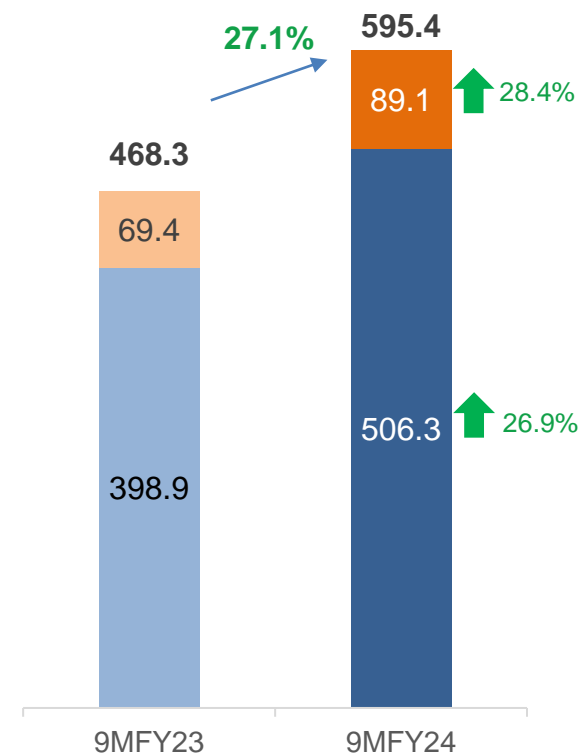
Against corresponding quarter  
(Q3FY24 vs Q3FY23)



Against preceding quarter  
(Q3FY24 vs Q2FY24)



Against corresponding half  
(9MFY24 vs 9MFY23)



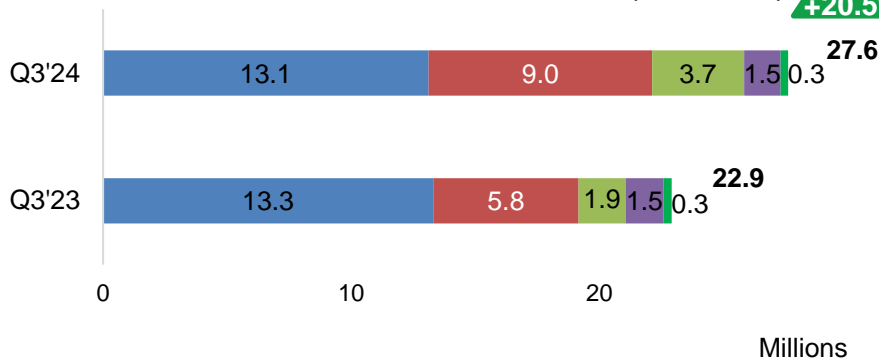
■ Malaysia ■ Australia

# Financial Highlights

## RTD Sales Volume

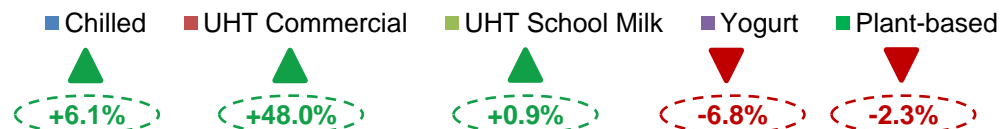
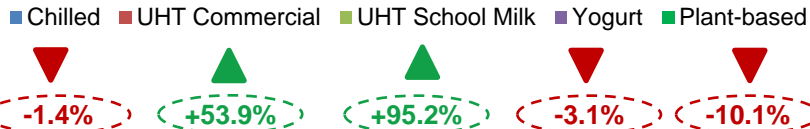
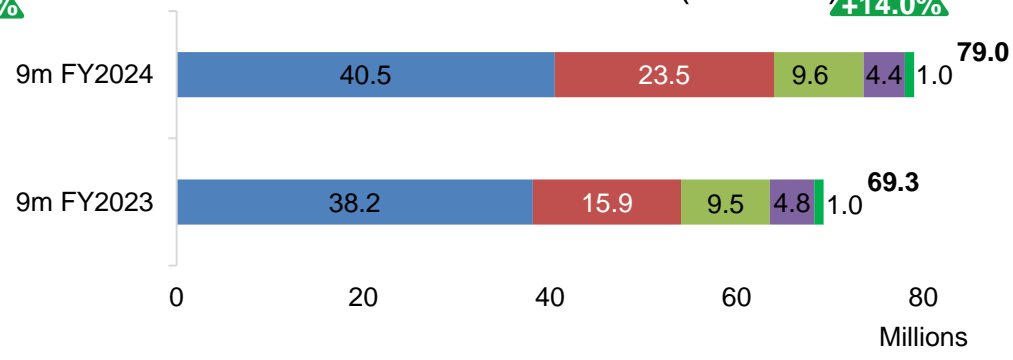
Q3'24 vs Q3'23 sales volume (mil litres)

+20.5%



9mFY'24 vs 9mFY'23 sales volume (mil litres)

+14.0%

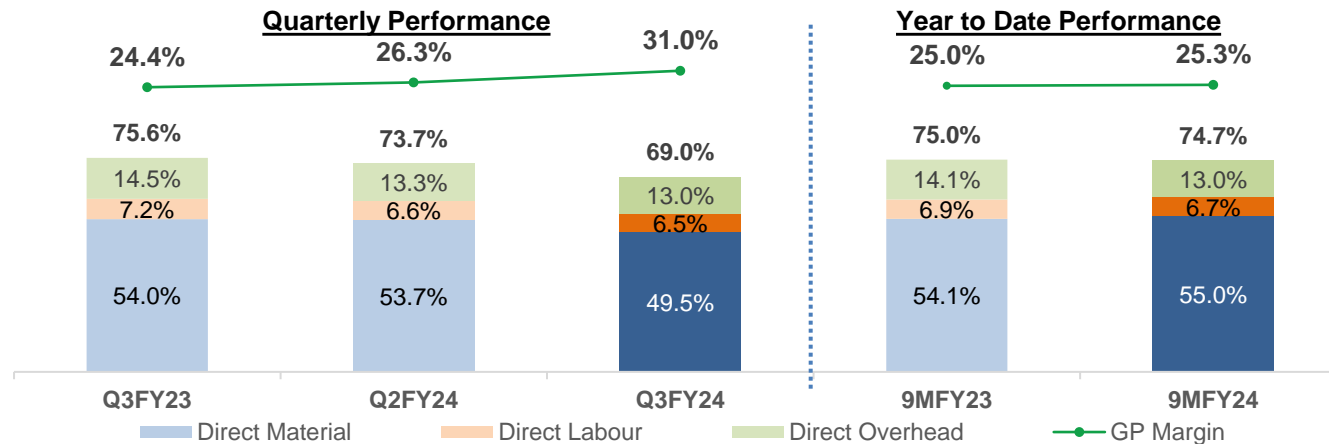


- Overall volume growth in the current quarter of 20.5% and 14.0% compared to the corresponding quarter and period respectively.
- Sales volume for UHT commercial category has increased by 53.9% and 48.0% from the corresponding quarter and period respectively due to the capacity constraints for 200ml portion pack has been relieved by installing an additional UHT processing line at Muadzam Shah facility in April 2023, coupled with higher HORECA sales.
- Total UHT volume in the current quarter has increased 64.1% and 30.3% compared to the corresponding quarter and period respectively.

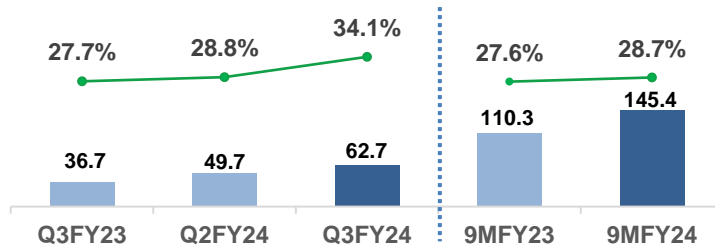
# Financial Highlights

## Gross Profit (RM mil)

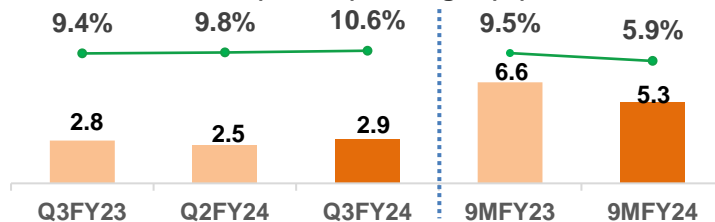
### Group - Cost of Goods Sold %



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



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



**Higher GP margin** during the quarter due to:

- **Significant lower cost** of whole milk powder and slightly lower farmgate milk prices.
- **Increase in prices** for chilled RTD products and certain UHT products in Malaysia effective mid-July 2023
- Gross profit contribution from **Sin Wah**

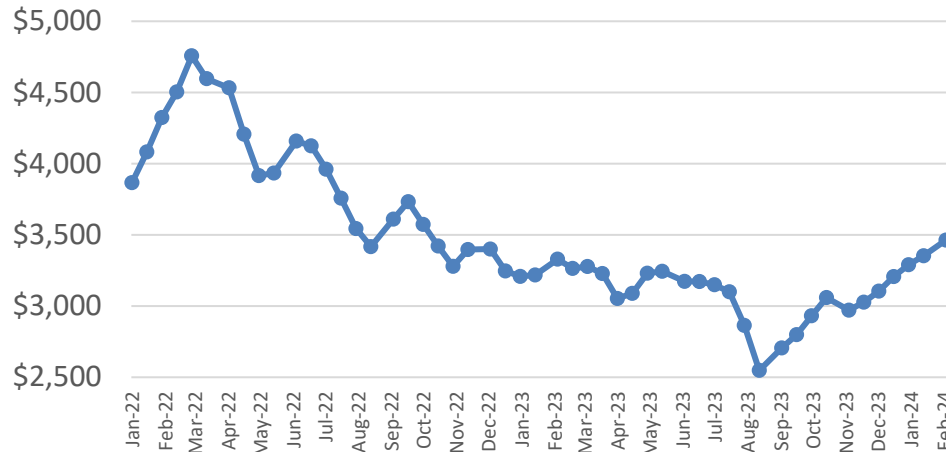
**Slight increase in YTD GP margin**, mainly attributable to the lower gross profit margin in Q1'24 due to the higher milk ingredients cost which has since tapered down from Q2 FY24.

- **Slightly increase in GP margin during the quarter**, however **YTD margin decreased** due to the adverse Q1'24 results in which production volumes were deliberately lowered in anticipation of lower milk prices.

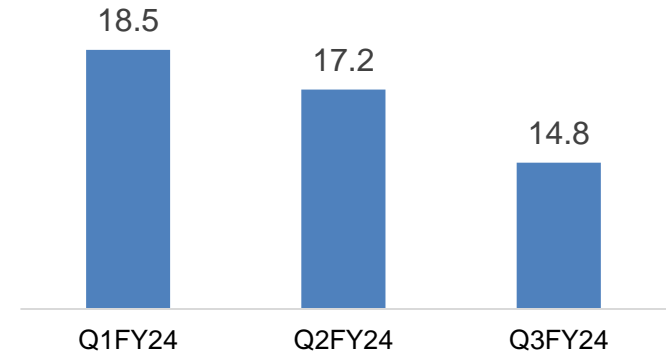
# Financial Highlights

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

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

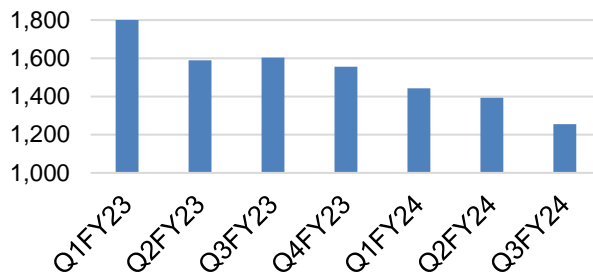


**Average whole milk powder consumption unit cost (RM/kg)**



- WMP used for our School Milk Project, Yarra by Farm Fresh as well as certain HORECA and OEM products. GDT prices surged in Feb and March 2022 (Ukraine war) affecting margins in FY23 but has since reduced, resulting in improved GP margin.
- We have secured from GDT purchases at an average price of ~USD3,169 per MT for deliveries until June 2024.

**Maize (Quarterly average RM per MT)**

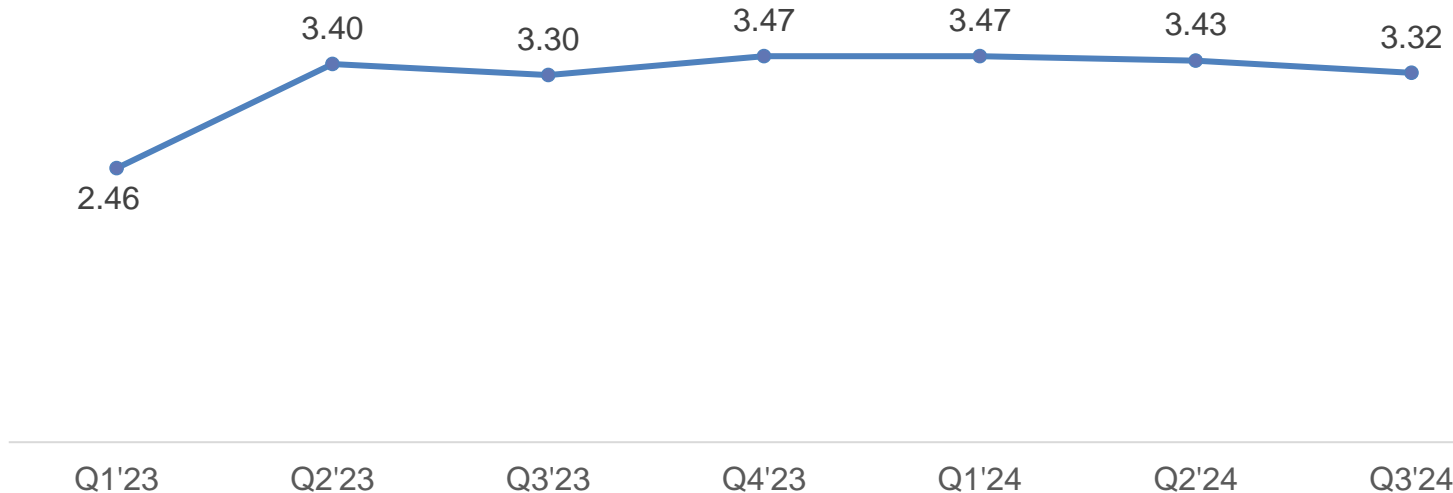


- Corn prices has tapered off from 10-year highs of 2022.
- Hedging about 50%-60% of our requirements with fixed-price delivery until November 2024.

# Financial Highlights

## Reduction in costs of key dairy raw materials

Average **cost of Australia milk** (RM/litres)



- Australia farmgate milk prices increased to AUD9.85/kg of milk solids effective from 1 July 2022 and it climbed even further to AUD10.12/kg in January 2023, 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.
- However, we have seen a reduction of the average Australian farmgate milk prices by 3.8% to AUD9.74/kg in July 2023, resulting in lowering of our milk costs starting mid-Q2 FY24 and full quarter benefit in Q3 FY24.



# Operating Profit & Net Profit (RM'000) – Q3'24 vs Q2'24

	Current Quarter	Q2FY24	Changes
<b>Gross profit</b>	<b>65,631</b>	<b>52,206</b>	<b>+13,425</b>
<b>Add: Other income</b>	<b>1,364</b>	<b>1,663</b>	<b>-299</b>
<i>FV (loss)/gain – Derivatives</i>	<i>(139)</i>	<i>254</i>	<i>-393</i>
<i>FV (loss)/gain – Biological assets</i>	<i>(546)</i>	<i>(1,203)</i>	<i>657</i>
<i>Forex (loss)/gain</i>	<i>21</i>	<i>(167)</i>	<i>188</i>
<i>Other income</i>	<i>2,028</i>	<i>2,779</i>	<i>-751</i>
<b>Less: Distribution expenses</b>	<b>(18,849)</b>	<b>(16,537)</b>	<b>-2,312</b>
<i>Transportation &amp; logistics</i>	<i>(12,319)</i>	<i>(11,458)</i>	<i>-861</i>
<i>Business development</i>	<i>(6,530)</i>	<i>(5,079)</i>	<i>-1,451</i>
<b>Less: Administrative expenses</b>	<b>(17,886)</b>	<b>(17,563)</b>	<b>-323</b>
<i>Salary expenses</i>	<i>(9,882)</i>	<i>(9,212)</i>	<i>-670</i>
<i>Office expenses</i>	<i>(2,482)</i>	<i>(3,021)</i>	<i>539</i>
<i>Depreciation and amortisation</i>	<i>(2,380)</i>	<i>(2,189)</i>	<i>-191</i>
<i>Others</i>	<i>(3,142)</i>	<i>(3,141)</i>	<i>-1</i>
<b>Less: Other expenses</b>	<b>(1,742)</b>	<b>(1,151)</b>	<b>-591</b>
<b>Operating Profit</b>	<b>28,518</b>	<b>18,618</b>	<b>+9,900</b>
Net finance costs	(4,485)	(4,299)	-186
<b>Profit before tax</b>	<b>24,033</b>	<b>14,319</b>	<b>+9,714</b>
Tax expense	(3,471)	(1,225)	-2,246
<b>Net Profit</b>	<b>20,562</b>	<b>13,094</b>	<b>+7,468</b>

**Operating profit and profit after tax increased** by RM9.9 million and RM7.5 million respectively, mainly due to:

- Aforementioned higher gross profit;

However, the profit was offset with the following:

- **Higher transportation & logistics expenses** in line with higher sales and accompanied by the transportation & logistics expenses incurred from Sin Wah.
- Higher business development expenses due to the **advertisement and promotion expenses** incurred as continuous brand-building investment and marketing spend on new product launching for FFG, Yarra by Farm Fresh, etc.
- **Higher admin expense** due to the increase in salary expenses and depreciation expenditure from Inside Scoop and Sin Wah.
- **Higher tax expense** contributed by Australia of RM0.5m as opposed to tax income of RM0.9m in Q2'24 (RM1.4m impact).

# Operating Profit & Net Profit (RM'000) – Q3'24 vs Q3'23

	Current Quarter	Q3FY23	Changes
<b>Gross profit</b>	<b>65,631</b>	<b>39,492</b>	<b>+26,139</b>
<b>Add: Other income</b>	<b>1,364</b>	<b>3,959</b>	<b>-2,595</b>
<i>FV (loss)/gain – Derivatives</i>	<i>(139)</i>	<i>--</i>	<i>-139</i>
<i>FV (loss)/gain – Biological assets</i>	<i>(546)</i>	<i>1,000</i>	<i>-1,546</i>
<i>Forex (loss)/gain</i>	<i>21</i>	<i>759</i>	<i>-738</i>
<i>Other income</i>	<i>2,028</i>	<i>2,200</i>	<i>-172</i>
<b>Less: Distribution expenses</b>	<b>(18,849)</b>	<b>(12,130)</b>	<b>-6,719</b>
<i>Transportation &amp; logistics</i>	<i>(12,319)</i>	<i>(8,900)</i>	<i>-3,419</i>
<i>Business development</i>	<i>(6,530)</i>	<i>(3,230)</i>	<i>-3,300</i>
<b>Less: Administrative expenses</b>	<b>(17,886)</b>	<b>(8,459)</b>	<b>-9,427</b>
<i>Salary expenses</i>	<i>(9,882)</i>	<i>(5,557)</i>	<i>-4,325</i>
<i>Office expenses</i>	<i>(2,482)</i>	<i>(963)</i>	<i>-1,519</i>
<i>Depreciation and amortisation</i>	<i>(2,380)</i>	<i>(596)</i>	<i>-1,784</i>
<i>Others</i>	<i>(3,142)</i>	<i>(1,343)</i>	<i>-1,799</i>
<b>Less: Other expenses</b>	<b>(1,742)</b>	<b>847</b>	<b>-2,589</b>
<i>ESOS expenses</i>	<i>(498)</i>	<i>1,539</i>	<i>-2,037</i>
<i>Other expenses</i>	<i>(1,244)</i>	<i>(692)</i>	<i>-552</i>
<b>Operating Profit</b>	<b>28,518</b>	<b>23,709</b>	<b>+4,809</b>
Net finance costs	(4,485)	(3,355)	-1,130
<b>Profit before tax</b>	<b>24,033</b>	<b>20,354</b>	<b>+3,679</b>
Tax expense	(3,471)	(1,592)	-1,879
<b>Net Profit</b>	<b>20,562</b>	<b>18,762</b>	<b>+1,800</b>

**Operating profit and profit after tax increased** by RM4.8 million and RM1.8 million respectively, mainly due to:

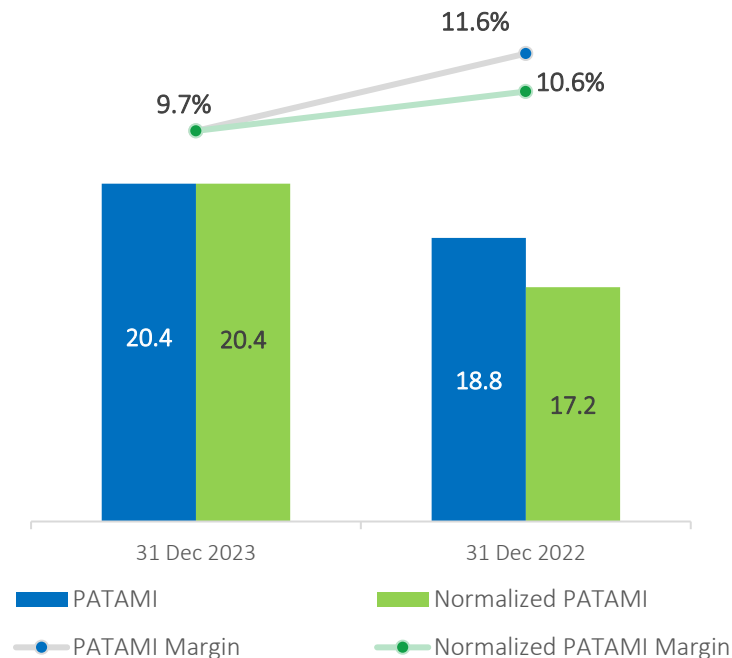
- Aforementioned higher gross profit;

However, the profit was offset with the following:

- **Fair value loss on valuation of biological assets** of RM0.5m in the current quarter as opposed to the fair value gain of RM1.0 million in the corresponding quarter;
- **Higher distribution expenses** incurred due to higher sales and higher marketing spend;
- **Higher admin expense** due to the increase in salary expenses, office expenses and depreciation expenditure from Inside Scoop and Sin Wah;
- **Higher ESOS expenses** due to one-off reversal of RM1.5m ESOS expenses in Q3'23, based on the latest number of acceptances of the ESOS offer and finalization of fair value of the option upon a review done and as advised by the ESOS consultant;
- **Higher finance cost** primarily due to issuance of 2nd tranche of Sukuk of RM100m on 27 June 2023;
- **Higher taxation** by Inside Scoop and Sin Wah which do not enjoy any tax incentives.

# Normalized Profit Attributable to the owners of the Company (“PATAMI”)

	Individual quarter		Change
	3 months ended		
	31.12.2023	31.12.2022	
	RM	RM	
Reconciliation of PATAMI to Normalized PATAMI			%
As reported PATAMI	20,441,220	18,768,233	↑ 8.9
Add/(Less):			
Reversal of Share option scheme expenses (ESOS)	--	(1,525,005)	
Normalized PATAMI	20,441,220	17,243,228	↑ 18.5



# Operating Profit & Net Profit (RM'000) – 9M'24 vs 9M'23

	9M FY24	9M FY23	Changes
<b>Gross profit</b>	<b>150,710</b>	<b>116,892</b>	<b>+33,818</b>
<b>Add: Other income</b>	<b>8,047</b>	<b>8,938</b>	<b>-891</b>
<i>FV (loss)/gain – Biological assets</i>	<i>(1,412)</i>	<i>1,450</i>	<i>-2,862</i>
<i>FV gain – Derivatives</i>	<i>2,351</i>	<i>--</i>	<i>2,351</i>
<i>Other income</i>	<i>7,108</i>	<i>7,488</i>	<i>-380</i>
<b>Less: Distribution expenses</b>	<b>(49,357)</b>	<b>(38,842)</b>	<b>-10,515</b>
<i>Transportation &amp; logistics</i>	<i>(33,652)</i>	<i>(28,639)</i>	<i>-5,013</i>
<i>Business development</i>	<i>(15,705)</i>	<i>(10,203)</i>	<i>-5,502</i>
<b>Less: Administrative expenses</b>	<b>(49,111)</b>	<b>(25,147)</b>	<b>-23,964</b>
<i>Salary expenses</i>	<i>(26,224)</i>	<i>(14,133)</i>	<i>-12,091</i>
<i>Office expenses</i>	<i>(7,262)</i>	<i>(2,440)</i>	<i>-4,822</i>
<i>Depreciation and amortisation</i>	<i>(5,987)</i>	<i>(1,610)</i>	<i>-4,377</i>
<i>Others</i>	<i>(9,638)</i>	<i>(6,964)</i>	<i>-2,674</i>
<b>Less: Other expenses</b>	<b>(3,878)</b>	<b>(5,570)</b>	<b>+1,692</b>
<i>ESOS expenses</i>	<i>(1,518)</i>	<i>(2,731)</i>	<i>1,213</i>
<i>FV loss – Derivatives</i>	<i>--</i>	<i>(2,290)</i>	<i>2,290</i>
<i>Other expenses</i>	<i>(2,360)</i>	<i>(549)</i>	<i>-1,811</i>
<b>Operating Profit</b>	<b>56,411</b>	<b>56,271</b>	<b>+140</b>
Net finance costs	(12,190)	(8,608)	-3,582
<b>Profit before tax</b>	<b>44,221</b>	<b>47,663</b>	<b>-3,442</b>
Tax expense	(4,955)	(2,217)	-2,738
<b>Net Profit</b>	<b>39,266</b>	<b>45,446</b>	<b>-6,180</b>

The 9-month results were dampened by the Q1 FY'24 results which was badly affected due to significant higher milk ingredients cost which has since tapered down from Q2 FY24. Notwithstanding, the **gross profit has increased significantly driven by Q3 FY'24 performance**, while **operating profit** saw only a marginal increase as generally **distribution and administrative expenses increased due to the following**:

- **Higher transportation charges** in line with the higher sales and acquisition of Sin Wah;
- **Higher advertisement and promotion expenses** incurred as continuous brand-building investment and marketing spend on new product launching (FFG, Yarra by Farm Fresh, etc.);
- **Higher admin expense** due to the increase in salary expenses, office expenses and depreciation expenditure from new subsidiaries (Inside Scoop and Sin Wah);

Other items affecting Operating profit are:

- **Fair value loss on valuation of biological assets** of RM1.4m in the current period as opposed to the fair value gain of RM1.5 million in the corresponding period;
- **Fair value gain on derivatives** of RM2.4m as opposed to fair value loss of RM2.3m in the corresponding period due to higher current period fair value gain in USD forward contract;
- **Lower ESOS expenses** due to a smaller number of ESOS for 2<sup>nd</sup> tranche being granted to employees and accompanied by higher ESOS expense for 1<sup>st</sup> tranche being committed in the prior year.

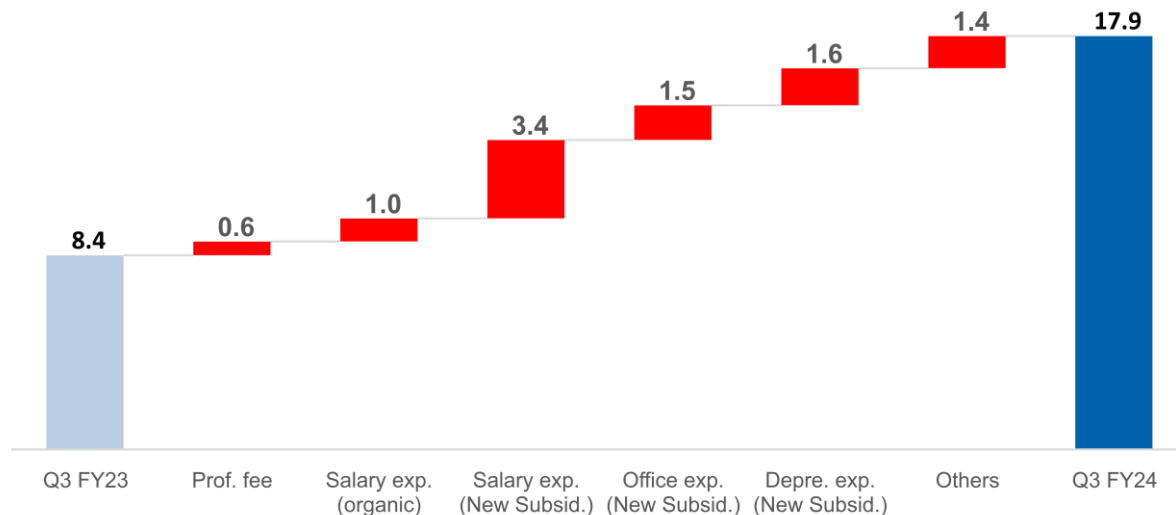
While Operating Profit is slightly higher by RM140k, **Net profit declined** by RM6.2 million due to:

- **Higher finance cost** as a result of the higher borrowings from RM351 million in 9MFY23 to RM419 million in 9MFY24;
- **Higher taxation** by Inside Scoop and Sin Wah which do not enjoy any tax incentives.

# Financial Highlights

## Administrative expenses analysis (RM mil)

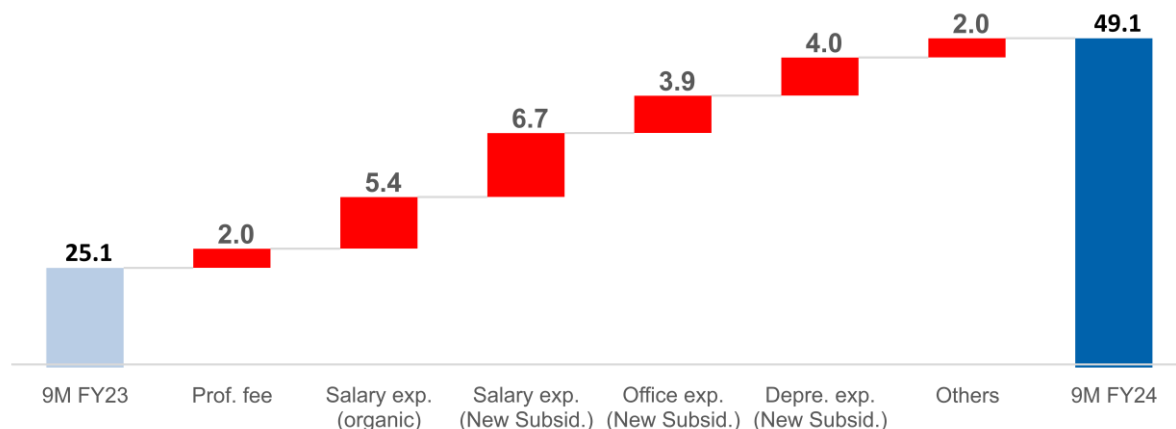
### Q3 FY2024 vs Q3 FY2023



**Higher admin expense** due to the:

- Professional fees incurred, mainly due to the acquisition of The Inside Scoop and Sin Wah Ice Cream.
- Increase in salary expenses due to increase in headcount and 9 months salary expenses as compared to 4 months for Jom Cha and St David Dairy.
- New subsidiaries (such as The Inside Scoop, Sin Wah Ice Cream), which has contributed to the overall admin expenses inclusive of the salary expenses, office expenses, depreciation and others (such as travelling expenditure).

### 9M FY2024 vs 9M FY2023



# Statement of financial position

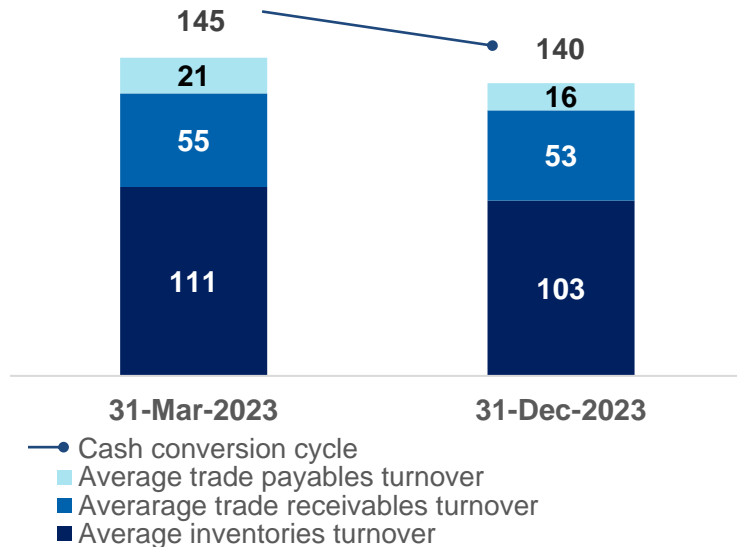
	31 Mar 2023 RM	31 Dec 2023 RM	% change
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	413,860,741	478,312,136	15.6
Right-of-use assets	19,378,412	34,674,435	78.9
Biological assets	115,193,886	124,917,199	8.4
Intangible assets	19,316,783	103,740,132	>100
Trade and other receivables	1,130,046	618,883	(45.2)
Deferred tax assets	7,673,816	8,093,278	5.5
<b>CURRENT ASSETS</b>			
Inventories	173,674,616	160,168,255	(7.8)
Trade and other receivables	131,421,456	170,810,082	30.0
Derivative financial assets	685,111	1,206,470	76.1
Current tax assets	1,541,484	3,427,406	>100
Cash and cash equivalents	22,969,591	45,873,087	99.7
Other investments	155,789,952	135,842,794	(12.8)
<b>TOTAL ASSETS</b>	<b>1,062,635,894</b>	<b>1,267,684,157</b>	<b>19.3</b>
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings	243,317,647	340,899,371	40.1
Lease liabilities	8,124,120	17,960,598	>100
Deferred income	6,226,033	6,023,010	(3.3)
Deferred tax liabilities	7,731,483	12,637,326	63.5
Put option liability	--	36,139,996	>100
<b>CURRENT LIABILITIES</b>			
Loans and borrowings	92,934,269	77,792,893	(16.3)
Trade and other payables	64,141,913	99,856,001	55.7
Lease liabilities	2,293,178	7,956,029	>100
Deferred income	270,697	270,697	--
Derivative financial liabilities	1,694,958	--	>100
Current tax liabilities	--	695,794	>100
<b>TOTAL LIABILITIES</b>	<b>426,734,298</b>	<b>600,231,715</b>	<b>40.7</b>
<b>TOTAL EQUITY</b>	<b>635,901,596</b>	<b>667,452,442</b>	<b>5.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,062,635,894</b>	<b>1,267,684,157</b>	<b>19.3</b>

- Increase in **ROU and lease liabilities** mainly due to MFRS 16 recognition on Inside Scoop outlets.
- Increase in **intangible asset** due to goodwill arising from the acquisition of Inside Scoop and Sin Wah of RM60m and RM23m respectively.
- Increase in **non-current loans and borrowings** primarily due to the drawdown of 2<sup>nd</sup> tranche of Sukuk of RM100m on 27 June 2023.
- Decrease in **current loans and borrowings** primarily due to repayment of revolving credit for working capital.
- Increase in **trade and other payables** mainly due to other payables for the capital expenditures for the expansion of Philippines.
- **Put option liability** due to MFRS132.25 recognition of the liability arising from the put option granted to pursuant to the acquisition of Inside Scoop.



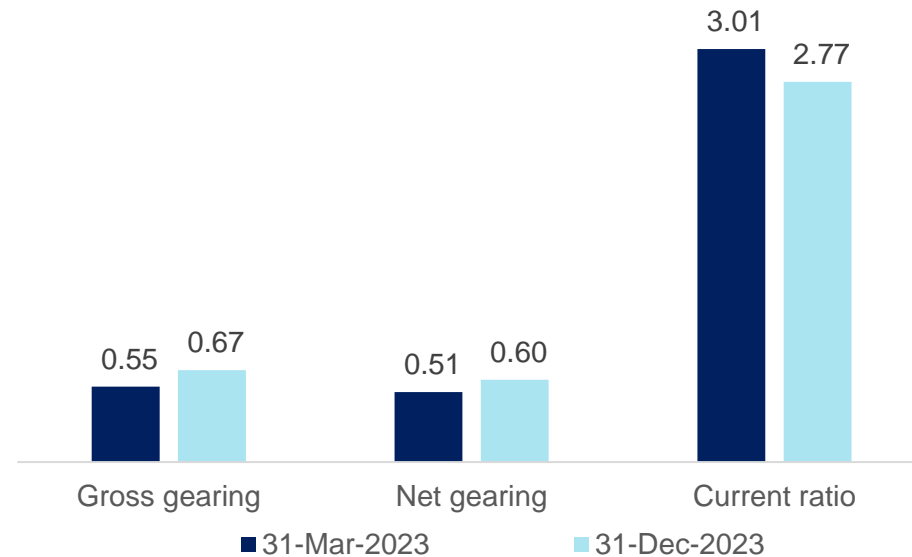
# Balance sheet ratios

Cash Conversion Cycle (Days)



- Average inventories turnover days decreased from 111 days to 103 days due to lesser purchases due to the expectation of a drop in the Australian average farmgate raw milk prices and whole milk powder prices.
- Average trade receivables days remained constant.
- Average trade payables days decreased from 21 days to 16 days due to higher repayment of current trade payables during the period.

Key Ratios (Times)



- Current ratio decreased from 3.01 times to 2.77 times due to higher repayment of current trade payable during the period.
- Gross and net gearing ratio increased due to (i) recognition of put option where it reduces the equity significantly, (ii) drawdown of RM100m Sukuk,, (iii) recognition of lease liabilities of Inside Scoop following the transition of accounting framework from MPERS to MFRS during the period.
- Gross and net gearing ratio was 0.63 times and 0.57 times respectively before the recognition of put option.

01

Financial  
Results

02

Outlook and  
Prospects

# New product launches



Farm Fresh 100% Australia Organic Milk



Growing up milk (whole milk powder format)



Farm Fresh Chocolate Mint Milk



- 1) Consumer package goods ice cream (1H 2024)
- 2) Juniors Cultured Milk (1H 2024)
- 3) Plant-based yoghurt (1Q 2024)
- 4) Butter - Butter (9g and 200g) (2H 2024)



Sep-23



Nov-23



Upcoming  
2024



# CPG Ice Cream Plans

## Consumer Packaged Goods Ice Cream

- Leveraging on artisanal experience and strong brand recognition of Inside Scoop,

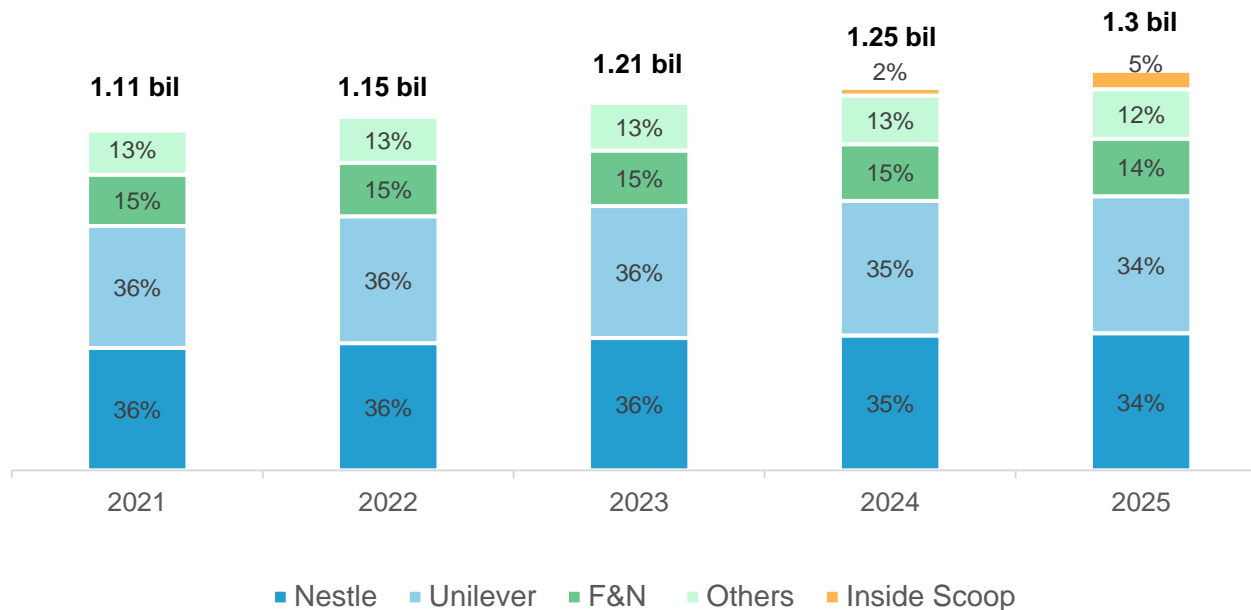
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Farm Fresh's manufacturing facility and distribution channel (facilitated by Sin Wah)

Target to roll out CPG ice cream **by June 2024**.

- Target to achieve 5% market share in 2 years, and it is expected to contribute approx. RM55mil – RM65mil sales to the Company

Market Size (RM)



# Acquisition of Sin Wah Ice Cream

**Completion acquisition of 70% stake in Sin Wah Ice Cream Sdn Bhd (“Sin Wah”) in October 2023.** Sin Wah is established in 1995, and has grown from a small local manufacturer of Ice Cream Potong in Kuala Lumpur to a large business with operations across Peninsular Malaysia.

To date, Sin Wah has a production capacity of 150,000 pieces of Ice Cream Potong a day 9 distribution warehouses and 22 distribution teams, serving over 2,000 outlets of 99 Speed Mart and 30 outlets of Hero Mart nationwide.

## WHY ACQUIRED?



### **> 6,000 drop points**

*Sin Wah owns ~2,300 units freezers in 99 Speed Mart; and its products are also distributed to ~4,000 units freezers by distributors across Peninsular Malaysia.*



**Extensive logistics capability with > 15 trucks** *and 45 trucks owned by distributors*



GP margin of **~40%**, net profit margin of **~17.0%**



# CPG Ice Cream Launch Plan

## Ice cream Expansion Timeline

Aim is to launch CPG ice cream in **June 2024** from **Taiping Plant** – enable **fast rollout** of new products and **market validation** + HORECA products.

Capacity of **~70,000 pcs/day**. Capex of **RM4 million**

### January 2024

- Testing of extrusion line in manufacturing plant

- Ordering of ice cream lines for Enstek

### May/June 2024

Extrusion line trial run in Taiping plant / launch of CPG ice cream

### End-2024

Enstek Structure completed

Delivery of ice cream lines

### 2025

Commissioning and production from Enstek

Enstek large-scale ice cream production in **April 2025**, with **capacity of ~720,000 pieces of ice cream per day**  
Capex of **RM25 million**



# CPG Ice Cream Launch Plan (cont'd)

## Enstek ice cream line

Ice Cream lines and capacity: -

Lines and products	Location	Capacity
Extruded Ice Cream 	Taiping	~70,000 pcs / day
Ice Cream "Potong" 	Enstek	~300,000 pcs / day
Moulded Sticks 	Enstek	~300,000 pcs / day
Cones 	Enstek	~120,000 pcs / day

# Key takeaways

1

**Strong quarter, with high revenue growth and significant increase in profitability.**

2

**We expect to continue performing well with high growth trajectory from both category expansion of our products and regional expansion, led by our Farm Fresh Grow powder format launched in December 2023, which is gaining traction among consumers.**

3

**Planned launch of our CPG ice cream by June 2024 from Taiping plant. Larger investment for CPG ice cream at Enstek plant materializing in 2025.**

4

**Philippines factory to be operational by May 2024. We are planning to have our chilled products, UHT products and growing up milk powder sold in the Philippines, focusing first on the Greater Manila market.**

5

**ESG efforts on-going – Biogas plant now under testing and commissioning, expect to commence operation in March 2024**



# Q&A

*Thank You*