Farm Fresh Berhad

Q4 FY24 Results Briefing

29 May 2024

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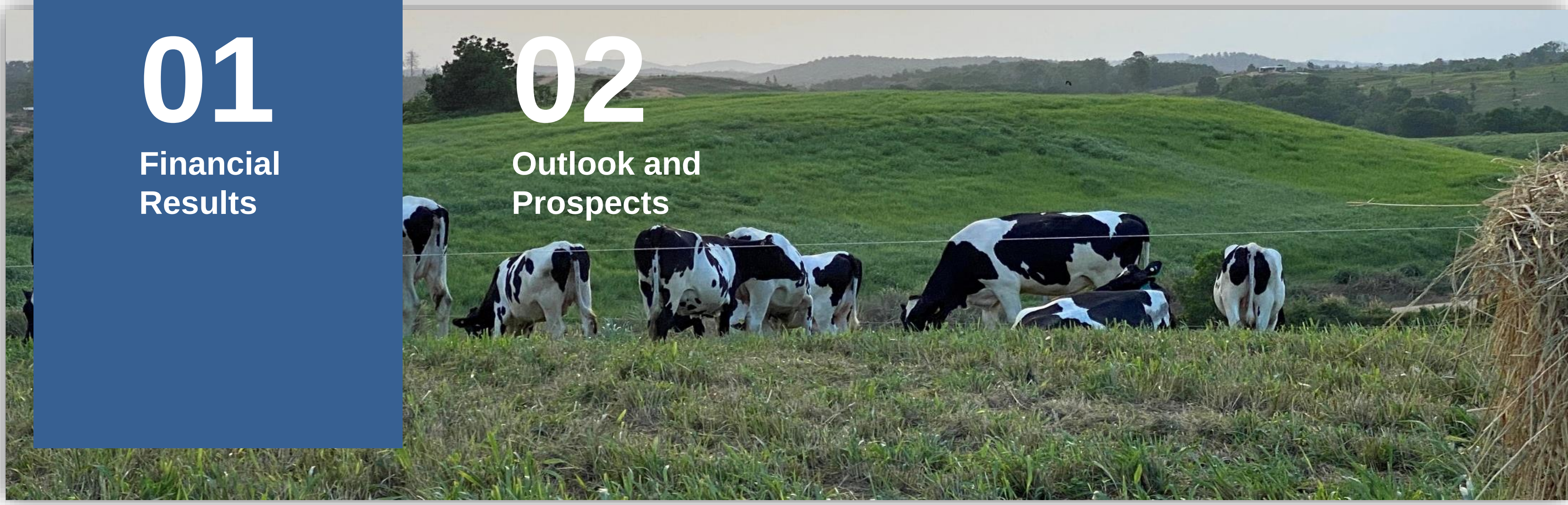
Financial Results

02
Outlook and Prospects



Q4 FY24 key highlights:

	Corresponding Quarter			Preceding Quarter		Year to Date 12 months		
In RM' mil	Q4FY24	Q4FY23	% Change	Q3FY24	% Change	FY24	FY23	% Change
Revenue	**215.0**	161.4	↑33%	211.6	↑2%	**810.4**	629.7	↑29%
Gross Profit	**65.3**	32.8	↑99%	65.6	--	**216.0**	149.7	↑44%
Profit before Tax	**24.8**	4.5	↑>100%	24.0	↑3%	**69.1**	52.2	↑32%
PATAMI	**23.9**	4.9	↑>100%	20.4	↑17%	**63.5**	50.1	↑27%

Key narratives

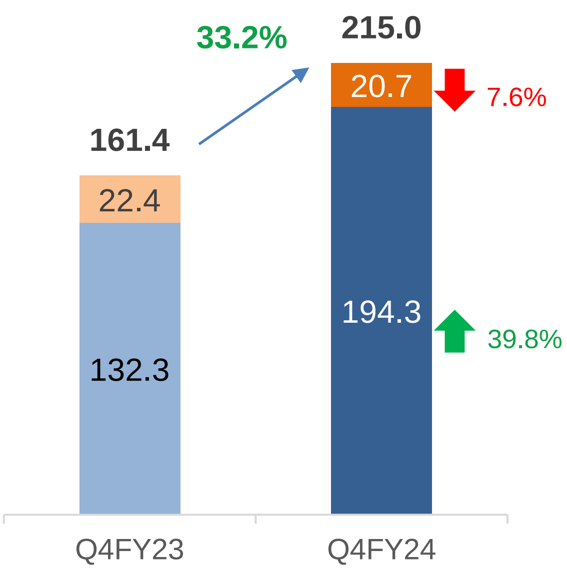
- Sales growth driven by higher HORECA and commercial UHT sales, positive impact from launching of new products (Yarra by Farm Fresh and Growing Up Milk) accompanied by revenue contribution from Inside Scoop and Sin Wah.
- Improved gross profit due to significantly lower milk ingredients cost, increase in prices for chilled RTD products in Malaysia effective mid-July 2023, and contribution from Inside Scoop and Sin Wah.

Source: Farm Fresh Berhad FY2024 Q4 financial results

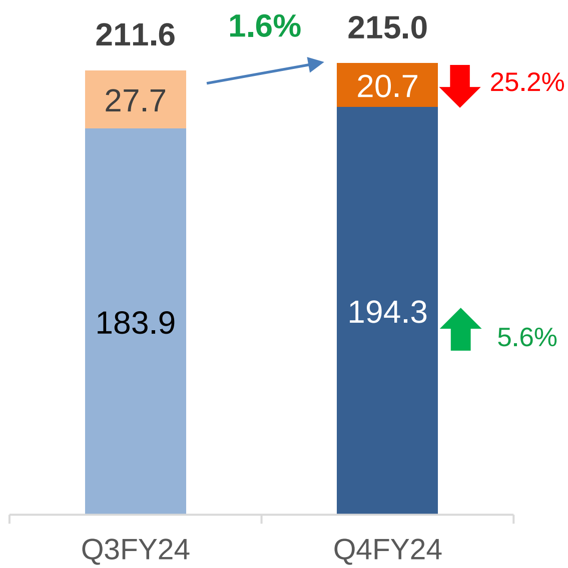
Financial Highlights

Revenue (RM mil)

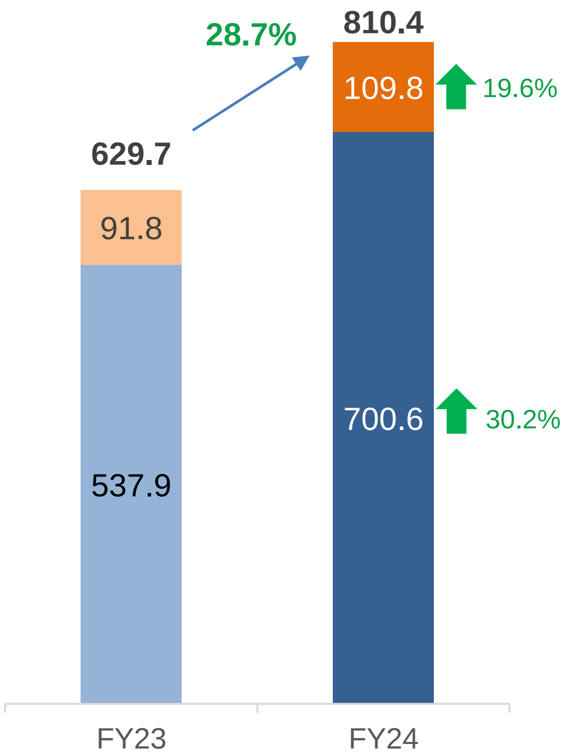
Against corresponding quarter (Q4FY24 vs Q4FY23)



Against preceding quarter (Q4FY24 vs Q3FY24)



Against corresponding year (FY24 vs FY23)



Malaysia Australia

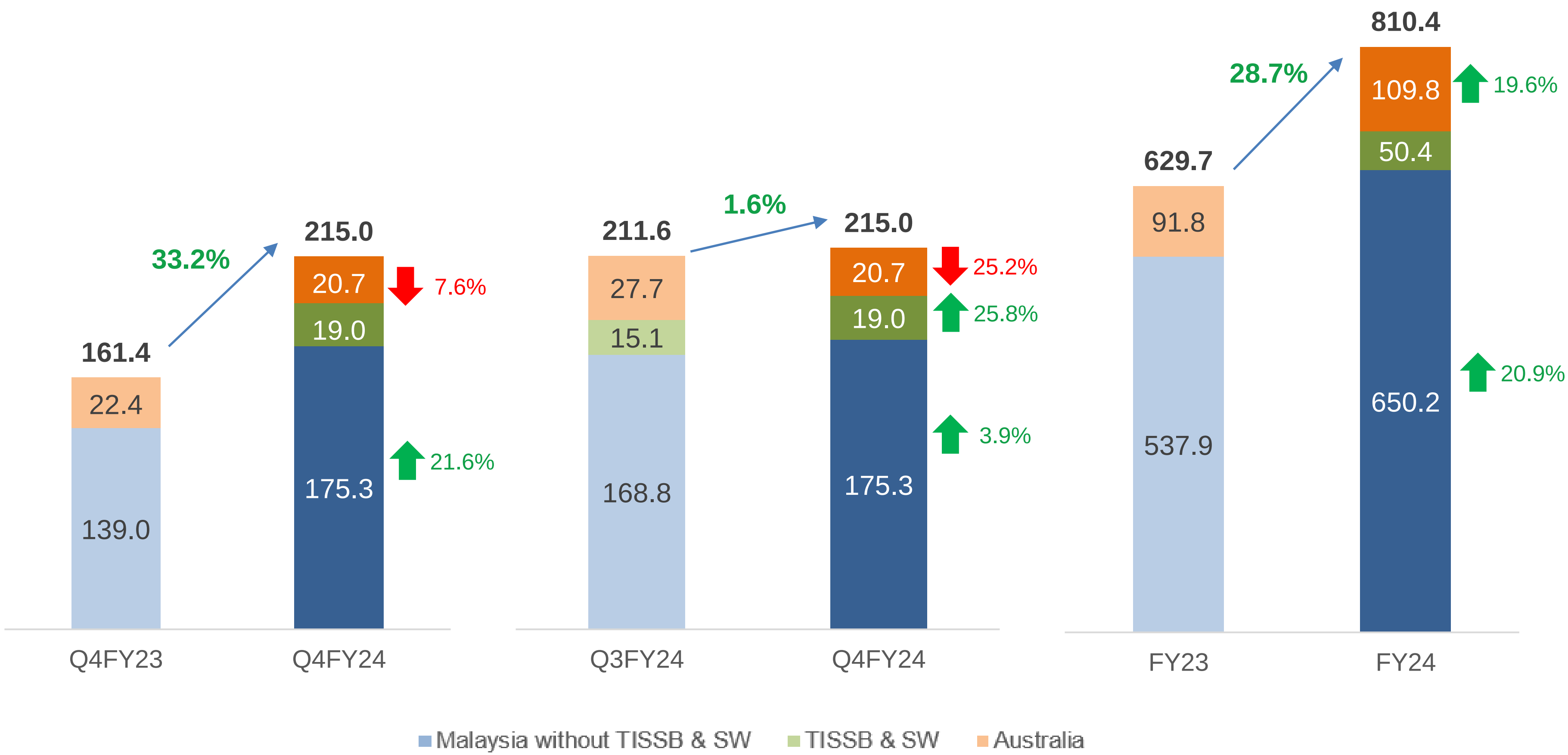
Financial Highlights

Revenue (RM mil)

Against corresponding quarter (Q4FY24 vs Q4FY23)

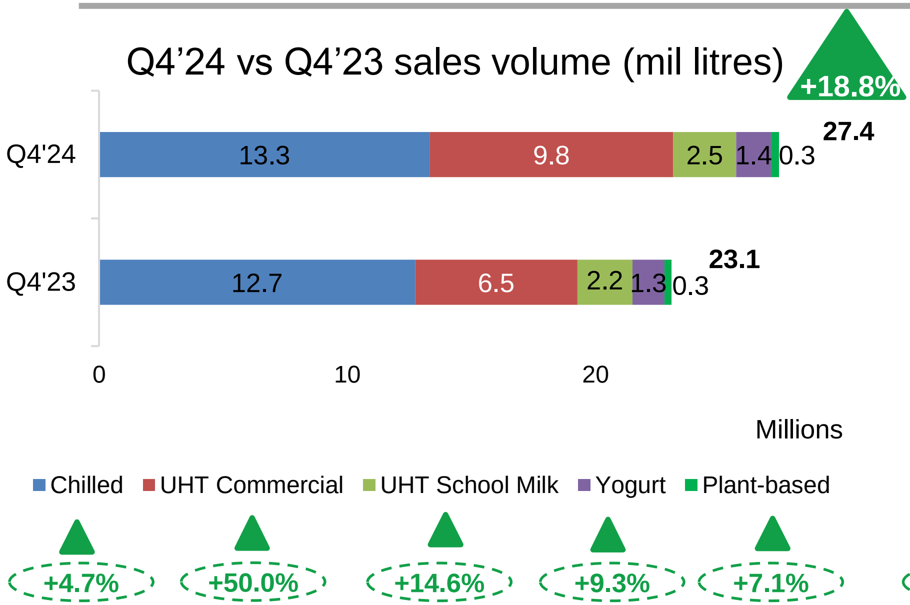
Against preceding quarter (Q4FY24 vs Q3FY24)

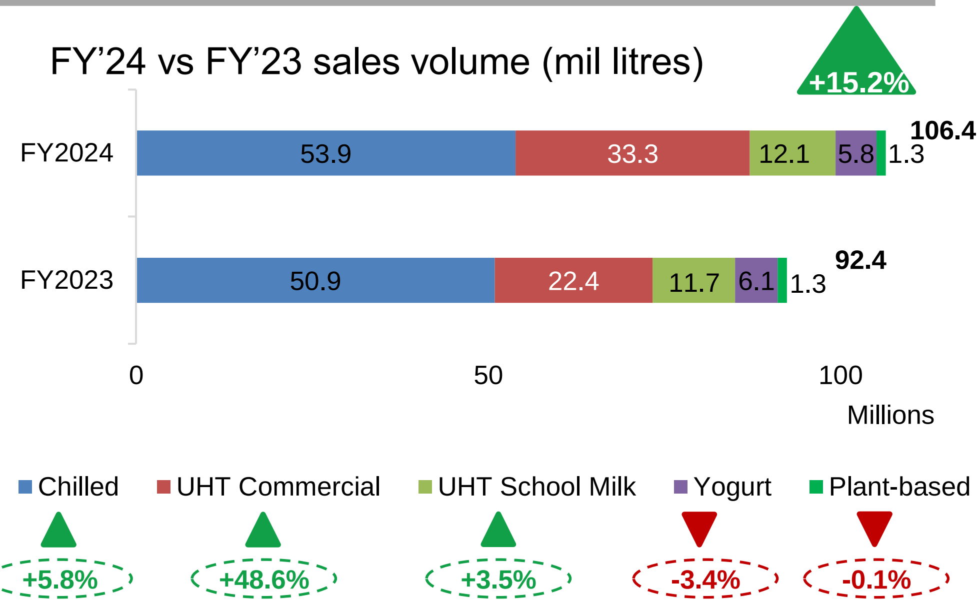
Against corresponding year (FY24 vs FY23)



Financial Highlights

RTD Sales Volume





- Overall volume growth in the current quarter of 18.8% and 15.2% compared to the corresponding quarter and year respectively.

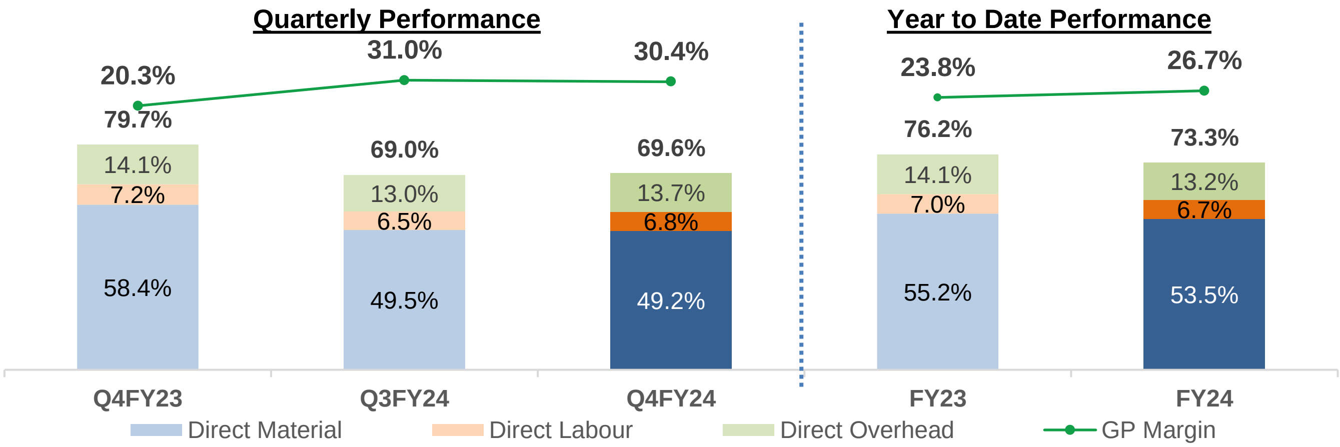
- Sales volume for UHT commercial category has increased by 50.0% and 48.6% from the corresponding quarter and year respectively due to the capacity constraints for 200ml portion pack has been relieved by installing an additional UHT processing line at Muadzam Shah facility in April 2023, coupled with higher HORECA, mini mart and online sales.

- Total UHT volume in the current quarter has increased 41.0% and 33.1% compared to the corresponding quarter and year respectively.

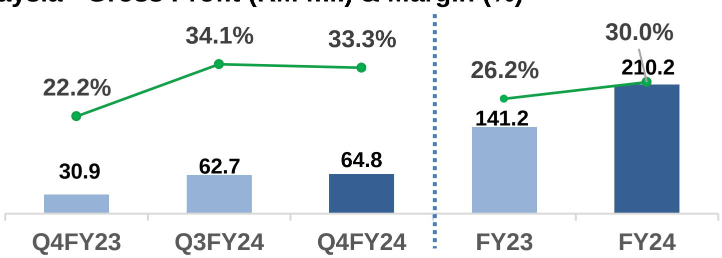
Financial Highlights

Gross Profit (RM mil)

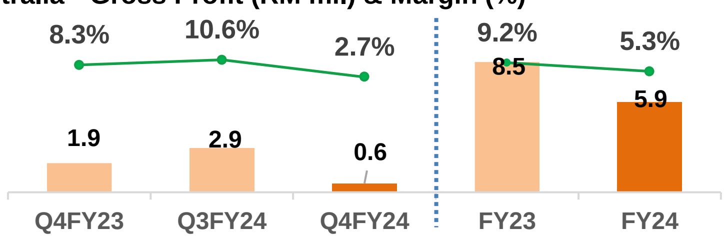
Group - Cost of Goods Sold %



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



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



Improved YTD GP margin, mainly attributable to the:

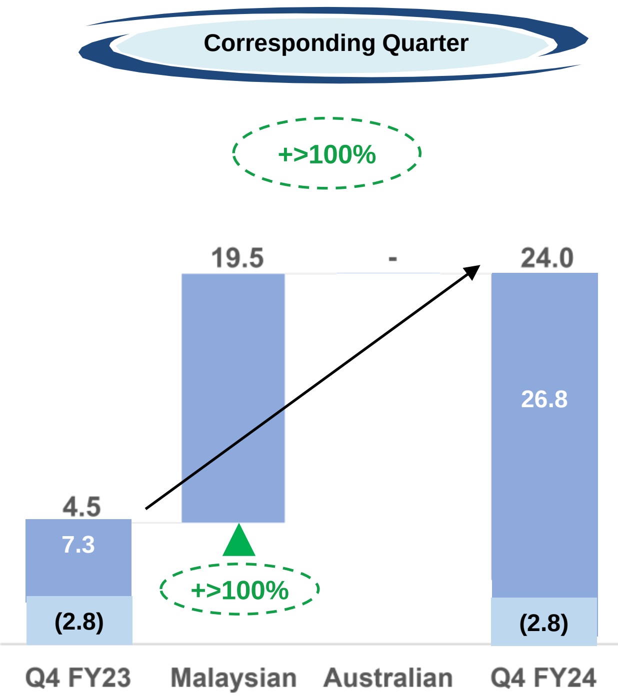
- **lower milk ingredients cost** which has since tapered down from Q2 FY24;
- **Increase in prices** for chilled RTD products and certain UHT products in Malaysia effective mid-July 2023;
- Gross profit contribution from **Inside Scoop and Sin Wah**

Slight decrease in GP margin during the quarter was due to **increase in farm cost** from higher feed cost, as the dry season resulted in reduction of grass harvested, which resulted in higher purchases of rice straw and corn grain.

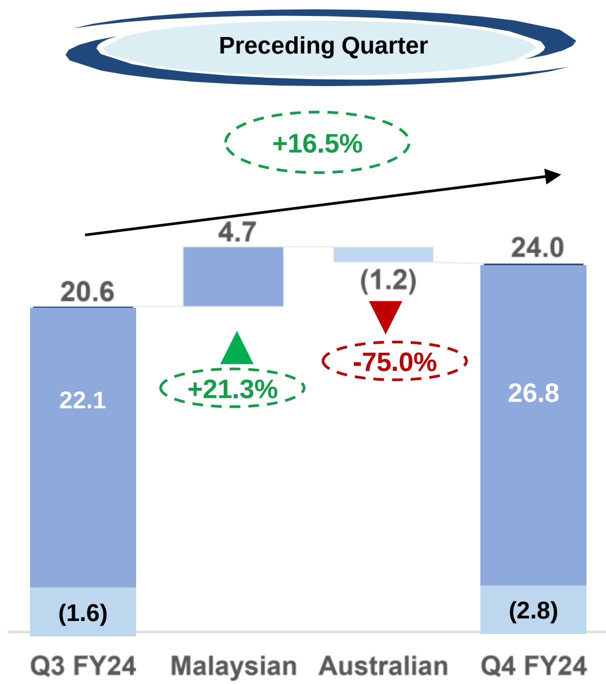
- **Decrease in GP margin during the quarter and YTD,** due to lower production volumes which leads to an increase in production cost.

Financial Highlights

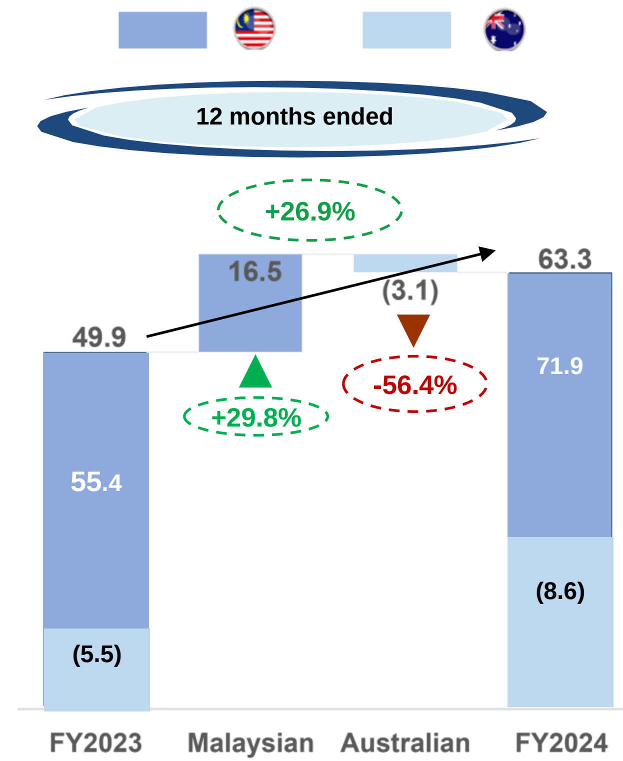
Net profit (RM mil)



Net Profit Margin (%)	Malaysian	Australian	Total
Q4 FY2024	13.8	-13.4	**11.2**
Q4 FY2023	5.2	-12.5	**2.8**



Net Profit Margin (%)	Malaysian	Australian	Total
Q4 FY2024	13.8	-13.4	**11.2**
Q3 FY2024	12.0	-5.7	**9.7**



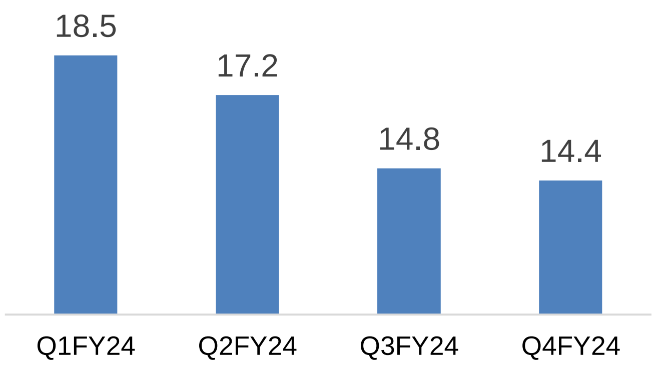
Net Profit Margin (%)	Malaysian	Australian	Total
FY2024	10.3	-7.8	**7.8**
FY2023	10.3	-6.0	**7.9**

Financial Highlights

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

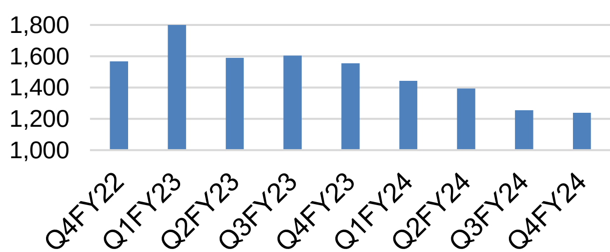
Global Dairy Trade (GDT) whole milk powder (WMP) prices (USD per MT)

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



- GDT prices surged in Feb and March 2022 (Ukraine war) affecting margins in FY23 but has since reduced, resulting in improved GP margin.
- Prices has since dropped significantly, with the average price for the deliveries in Q3'24 of USD3,182/MT and dipped further to an average of USD2,989/MT during the quarter.
- Additionally, took advantage of price drop in SGX-NZX WMP Futures in March and April 2024 to purchase 2,900 lots (MT) of futures contract for Jul-24 to Dec-24 at average price of USD3,064 per MT, which is very favourable to margin conservation and stability in input prices for the Group.

Maize (Quarterly average RM per MT)

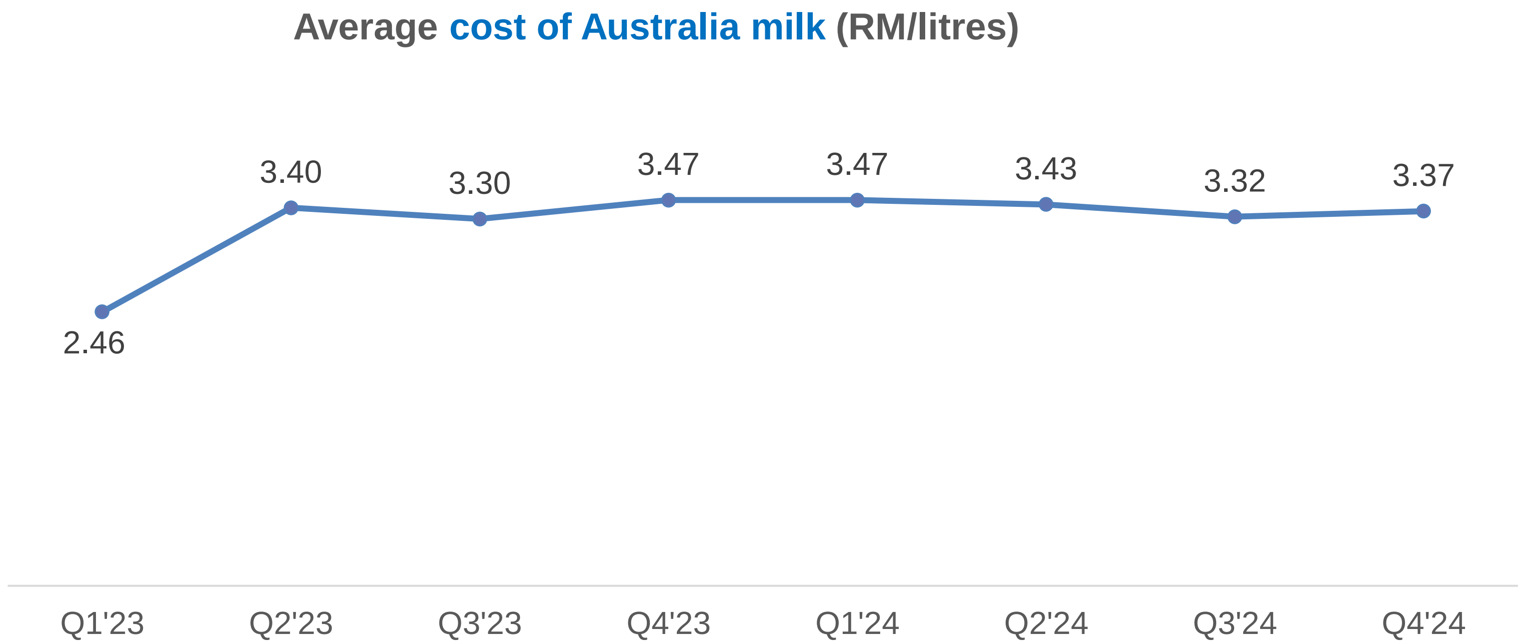


- Corn prices has tapered off from 10-year highs of 2022.
- Hedging about 50%-60% of our requirements with fixed-price delivery until November 2024.

Source: Company information

Financial Highlights

Reduction in costs of key dairy raw materials



- 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.
- Expected softening of farmgate milk prices in Australia for the next season (Jul’25 – Jun’26) based on milk price guidance by Australian research bodies and market players.

Operating Profit & Net Profit (RM'000)

	Current Quarter	Corresponding Quarter		Preceding Quarter	
	Q4FY24	Q4FY23	Change	Q3FY24	Change
Gross profit	**65,333**	**32,761**	**+32,572**	**65,631**	**-298**
Add: Other income	**4,285**	**224**	**+4,061**	**1,364**	**+2,921**
FV (loss)/gain – Biological assets	*1,913*	*(1,340)*	*3,253*	*(546)*	*2,459*
Forex (loss)/gain	*210*	*(672)*	*882*	*20*	*190*
Other income	*2,162*	*2,236*	*-74*	*1,890*	*272*
Less: Selling & Distribution	**(20,371)**	**(12,870)**	**-7,501**	**(18,849)**	**-1,522**
Transportation & logistics	*(11,630)*	*(9,365)*	*-2,265*	*(12,319)*	*689*
Selling expenses	*(8,741)*	*(3,505)*	*-5,236*	*(6,530)*	*-2,211*
Less: Administrative	**(18,314)**	**(10,725)**	**-7,589**	**(17,886)**	**-428**
Salary expenses	*(11,007)*	*(6,421)*	*-4,586*	*(9,882)*	*-1,125*
Office expenses	*(2,215)*	*(966)*	*-1,249*	*(2,482)*	*267*
Depreciation and amortisation	*(2,669)*	*(658)*	*-2,011*	*(2,380)*	*-289*
Others	*(2,423)*	*(2,680)*	*257*	*(3,142)*	*719*
Less: Other expenses	**(2,459)**	**(2,021)**	**-438**	**(1,742)**	**-717**
Operating Profit	**28,474**	**7,369**	**+21,105**	**28,518**	**-44**
Net finance costs	(3,630)	(2,858)	-772	(4,485)	855
Profit before tax	**24,844**	**4,511**	**+20,333**	**24,033**	**+811**
Tax expense	(829)	(23)	-806	(3,471)	2,642
Net Profit	**24,015**	**4,488**	**+19,527**	**20,562**	**+3,453**

Profit after tax increased significantly mainly due to:

- Aforementioned gross profit; coupled with;
- **Fair value gain on valuation of biological assets;**

The gross profit was offset with the following:

- **Higher selling and 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 finance cost in current quarter compared to corresponding quarter** primarily due to issuance of 2nd tranche of Sukuk of RM100m on 27 June 2023; whereby **lower finance cost as compared to preceding quarter** as a result of the capitalization of borrowing cost for Enstek land which is still under construction;
- **Higher tax expense in current quarter compared to corresponding quarter** attributable by Inside Scoop and Sin Wah which do not enjoy any tax incentives; while **lower tax compared to preceding quarter** due to **higher deferred tax income** in line with the higher business losses incurred by Australian operations in current quarter.

Source: Company Quarterly Financial Results

Operating Profit & Net Profit (RM'000) – FY24 vs FY23

	FY24	FY23	Changes
Gross profit	**216,043**	**149,653**	**+66,390**
Add: Other income	**12,331**	**9,162**	**+3,169**
FV gain – Derivatives	*2,171*	*--*	*2,171*
Other income	*10,160*	*9,162*	*998*
Less: Selling & Distribution	**(69,727)**	**(51,711)**	**-18,016**
Transportation & logistics	*(45,281)*	*(38,004)*	*-7,277*
Selling expenses	*(24,446)*	*(13,707)*	*-10,739*
Less: Administrative expenses	**(67,425)**	**(35,872)**	**-31,553**
Salary expenses	*(37,231)*	*(20,554)*	*-16,677*
Office expenses	*(9,477)*	*(3,407)*	*-6,070*
Depreciation and amortisation	*(8,656)*	*(2,268)*	*-6,388*
Others	*(12,061)*	*(9,643)*	*-2,418*
Less: Other expenses	**(6,337)**	**(7,591)**	**+1,254**
FV loss – Derivatives	*--*	*(2,478)*	*2,478*
Impairment loss of trade receivables	*(1,401)*	*(270)*	*(1,131)*
Other expenses	*(4,936)*	*(4,843)*	*(93)*
Operating Profit	**84,885**	**63,641**	**+21,244**
Net finance costs	(15,820)	(11,467)	-4,353
Profit before tax	**69,065**	**52,174**	**+16,891**
Tax expense	(5,784)	(2,240)	-3,544
Net Profit	**63,281**	**49,934**	**+13,347**

Operating profit and profit after tax increased significantly by RM21.2 million and RM13.3 million respectively driven by:

Aforementioned higher gross profit; accompanied with:

- **Fair value gain on derivatives** of RM2.2m as opposed to fair value loss of RM2.5m in the corresponding year due to higher current year fair value gain in USD forward contract.

However, the profit was offset with the following:

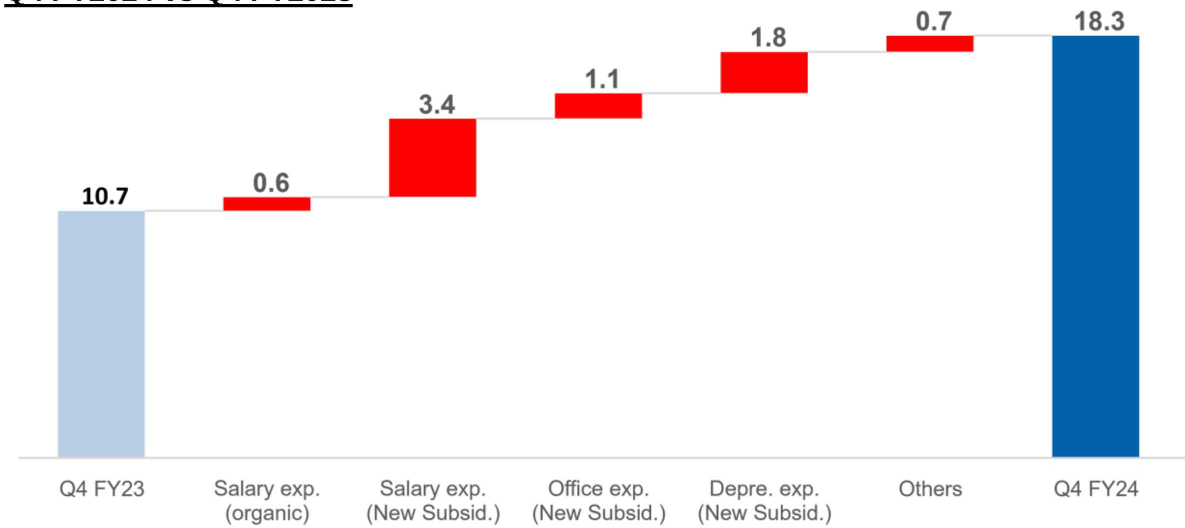
- **Higher transportation charges** in line with the higher sales;
- **Higher selling expenses** arising from **advertisement and promotion expenses** incurred as continuous brand-building investment and marketing spend on new product launching (FFG, Yarra by Farm Fresh, etc.);
- **Higher admin expense** due to the increase in salary expenses, office expenses and depreciation expenditure from new subsidiaries (Inside Scoop and Sin Wah);
- **Higher impairment loss of trade receivables** for outstanding balances more than a year;
- **Higher finance cost** as a result of the higher borrowings from RM336 million in FY23 to RM406 million in FY24;
- **Higher taxation** by Inside Scoop and Sin Wah which do not enjoy any tax incentives and Muadzam and Taiping's PPE addition.

Source: Company Quarterly Financial Results

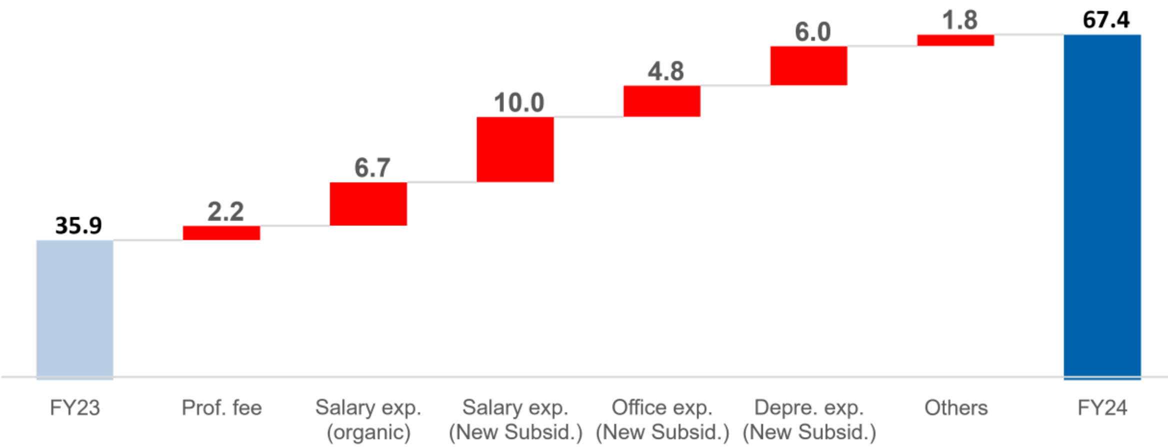
Financial Highlights

Administrative expenses analysis (RM mil)

<u>Q4 FY2024 vs Q4 FY2023</u>



<u>FY2024 vs FY2023</u>



Higher admin expense due to the:

- Increase in salary expenses due to increase in headcount and 12 months salary expenses as compared to 7 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).
- Professional fees incurred, mainly due to the acquisition of The Inside Scoop and Sin Wah Ice Cream.

Statement of financial position

	31 Mar 2023 RM	31 March 2024 RM	% change
NON-CURRENT ASSETS			
Property, plant and equipment	413,860,741	494,632,788	19.5
Right-of-use assets	19,378,412	33,123,873	**70.9**
Biological assets	115,193,886	133,284,033	15.7
Intangible assets	19,316,783	112,825,750	**>100**
Trade and other receivables	1,130,046	563,446	(50.1)
Deferred tax assets	7,673,816	8,926,225	16.3
CURRENT ASSETS			
Inventories	173,674,616	156,298,822	(10.0)
Trade and other receivables	131,421,456	176,433,690	34.3
Derivative financial assets	685,111	892,252	30.2
Current tax assets	1,541,484	4,508,916	>100
Cash and cash equivalents	22,969,591	58,167,342	>100
Other investments	155,789,952	99,944,170	(35.8)
TOTAL ASSETS	**1,062,635,894**	**1,279,601,307**	**20.4**
NON-CURRENT LIABILITIES			
Loans and borrowings	243,317,647	338,365,007	**39.1**
Lease liabilities	8,124,120	16,741,621	**>100**
Deferred income	6,226,033	5,955,335	(4.3)
Deferred tax liabilities	7,731,483	19,161,205	**>100**
Put option liability	--	36,955,282	**>100**
CURRENT LIABILITIES			
Loans and borrowings	92,934,269	67,648,256	**(27.2)**
Trade and other payables	64,141,913	92,874,680	**44.8**
Lease liabilities	2,293,178	8,010,006	**>100**
Deferred income	270,697	270,697	--
Derivative financial liabilities	1,694,958	--	>100
Current tax liabilities	--	648,294	>100
TOTAL LIABILITIES	**426,734,298**	**586,630,383**	**37.5**
TOTAL EQUITY	**635,901,596**	**692,970,924**	**9.0**
TOTAL EQUITY AND LIABILITIES	**1,062,635,894**	**1,279,601,307**	**20.4**

- 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 RM46m and RM23m respectively. Trademark of RM23m from the acquisition of TISSB has been allocated subsequent to the Purchase Price Allocation (PPA) exercise.
- Increase in **non-current loans and borrowings** primarily due to the drawdown of 2nd 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 (refer next page for breakdown).
- Increase in **deferred tax liabilities** mainly due to the tax effect of the trademark recognized from TISSB of RM5.6m.
- **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.
- Increase in **trade and other payables** mainly due to other payables for the capital expenditures for the expansion of Philippines.

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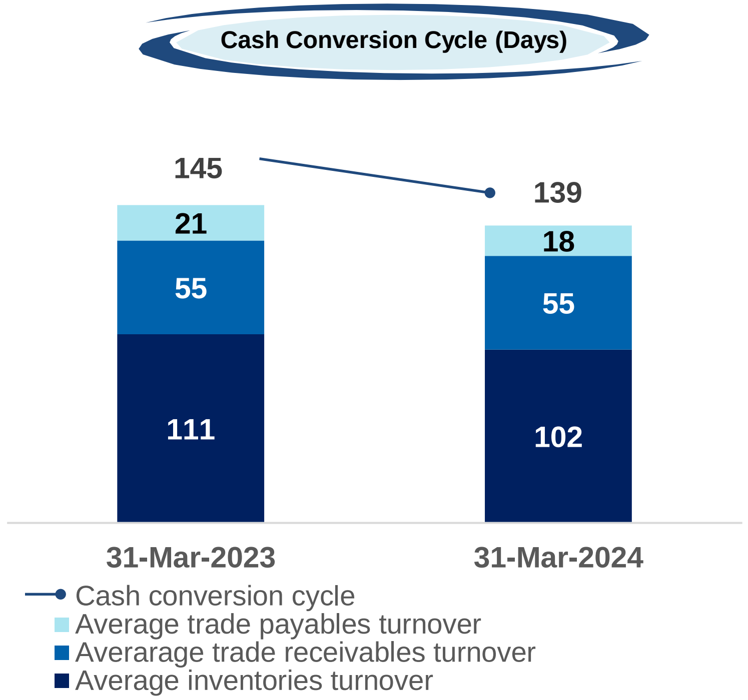
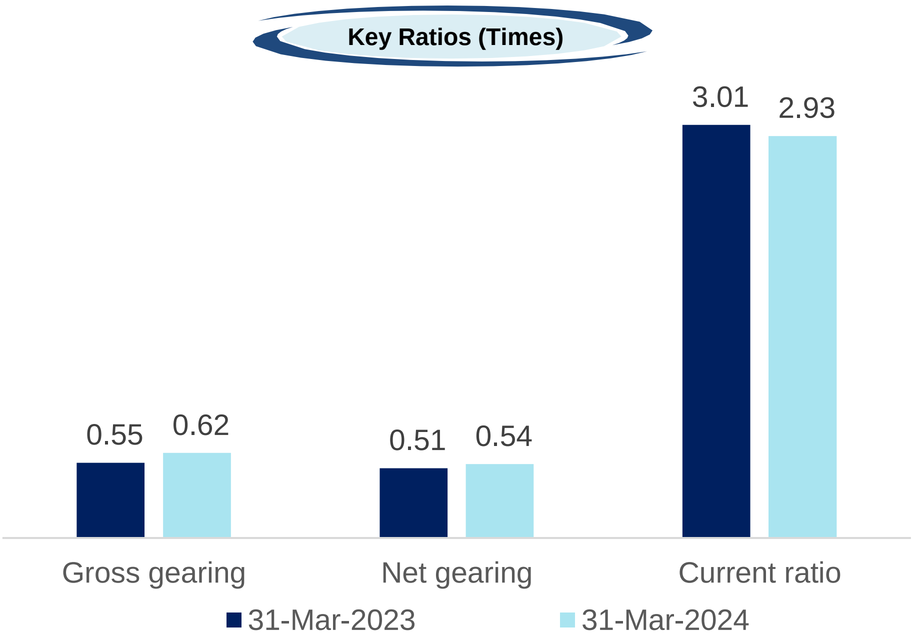
Balance sheet ratios

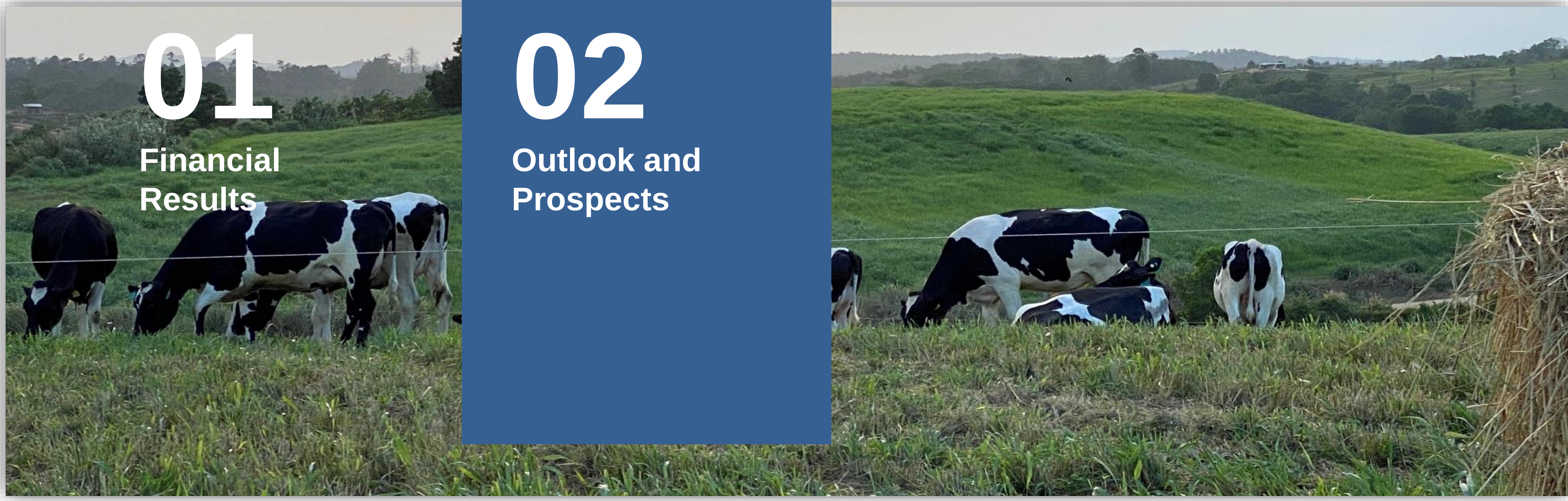




- Average inventories turnover days decreased from 111 days to 102 days due to lesser purchases with the expectation of a drop in the Australian average farmgate raw milk prices and whole milk powder prices.
- Average trade receivables days remained constant.
- Average trade payables days decreased from 21 days to 18 days due to higher repayment of current trade payables during the year.

- Current ratio decreased from 3.01 times to 2.93 times due to higher repayment of current trade payable during the year.
- 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 year.
- Gross and net gearing ratio was 0.59 times and 0.51 times respectively before the recognition of put option.

Source: Company Quarterly Financial Results



01

Financial Results

02

Outlook and Prospects

New product launches

Riceberry milk

Cooking cream

Apr-24

Mechamato series

Jun-24

1) Consumer package goods ice cream (August 2024)
2) Juniors Cultured Milk (Q3 2024)
3) Plant-based yoghurt (Q3 2024)
4) Butter - Butter (9g and 200g) (Q3 2024)

Upcoming

Source: Company information.

CPG Ice Cream Launch Plan

Ice cream Expansion Timeline

Aim is to launch CPG ice cream in **Aug 2024** from **Taiping Plant –** enable **fast rollout** of new products and **market validation** + HORECA products**.**
Capacity by end September of ~**300,000 pcs/day**.

January 2024

- Testing of extrusion line in manufacturing plant

- Ordering of ice cream lines

May/June 2024

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

End-2024

Enstek Structure completed

2025

Commissioning and production from Enstek

Enstek large-scale ice cream production in **April 2025,** with **capacity of ~700,000 pieces of ice cream per day**

CPG Ice Cream Launch Plan (cont'd)

<u>Enstek ice cream line</u>

Ice Cream lines and capacity: -

Lines and products		Location	Capacity
Extruded Ice Cream		Taiping	~70,000 pcs / day
Moulded Sticks		Taiping / Enstek	~180,000 / 300,000 pcs / day
Cones		Taiping / Enstek	~70,000 / 120,000 pcs / day
Ice Cream "Potong"		Enstek	~300,000 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, led by our Farm Fresh Grow powder format and later CPG ice cream, butter and cultured milk.

3. Planned launch of our CPG ice cream by Aug 2024 from Taiping plant.

4. Philippines factory to be operational by July 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 commissioned and operational in April 2024

Source: Company information.

Q&A

Thank You