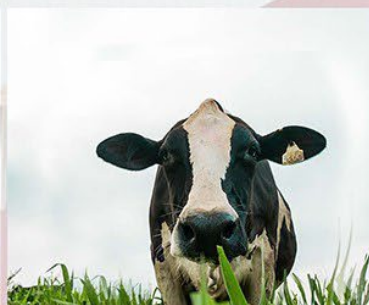




Farm Fresh Berhad

Q2 FY25 Results Briefing

28 November 2024



01

Financial
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02

Outlook and
Prospects



Q2 FY25 key highlights:



In RM' mil	Q2FY25	Corresponding Quarter		Preceding Quarter	
		Q2FY24	% Change	Q1FY25	% Change
Revenue	249.2	198.3	▲ 26%	241.7	▲ 3%
Gross Profit	83.8	52.2	▲ 60%	72.9	▲ 15%
EBITDA	47.7	30.7	▲ 55%	46.0	▲ 4%
Profit after tax	27.0	13.1	▲ 106%	26.5	▲ 2%
PATAMI	26.2	12.8	▲ 105%	26.0	▲ 1%

Key narratives

- Sales growth driven by higher HORECA and commercial UHT sales, sales contribution from new products i.e. Farm Fresh Grow, Farm Fresh Choco Malt and Cream Hauz consumer-packaged goods (CPG) ice cream, accompanied by revenue contribution from Inside Scoop and Sin Wah.
- Improved gross profit and profitability due to lower milk ingredients cost, contribution from Inside Scoop and Sin Wah, and turnaround of Australia results.

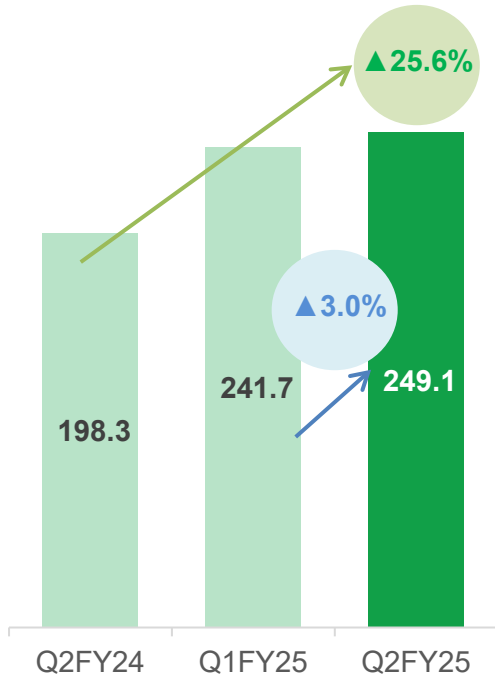


Financial Highlights

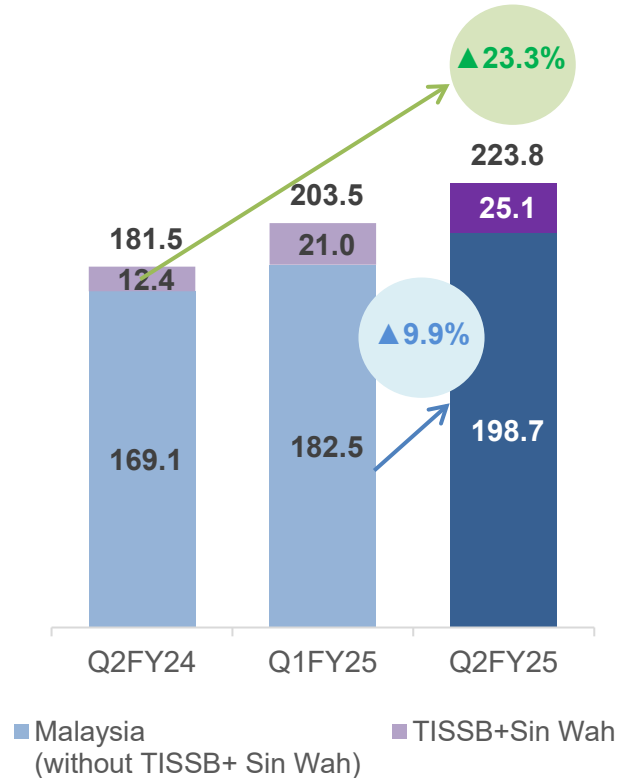


Revenue (RM mil)

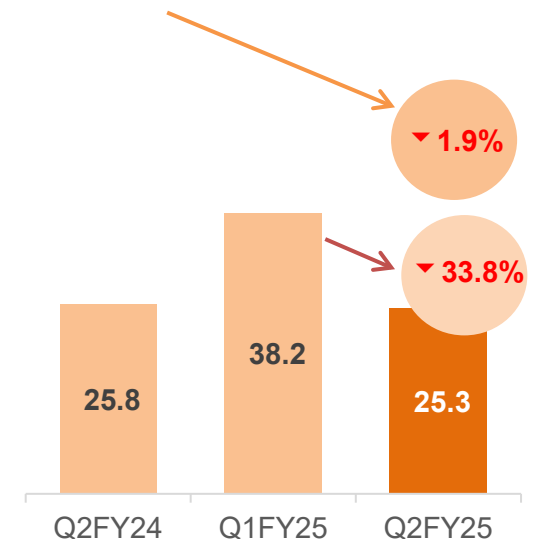
Group - RM mil



Malaysia - RM mil



Australia - RM mil

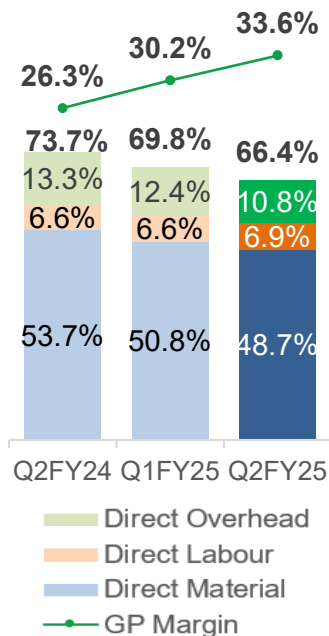


- Malaysia's sales growth driven by higher HORECA and commercial UHT sales, sales contribution from new products i.e. Farm Fresh Grow, Farm Fresh Choco Malt and Cream Hauz consumer-packaged goods (CPG) ice cream, accompanied by revenue contribution from Inside Scoop and Sin Wah.
- Australian revenue decreased due to lower external sales from Goulburn Valley Creamery Pty Ltd.

Financial Highlights

Gross Profit (RM mil)

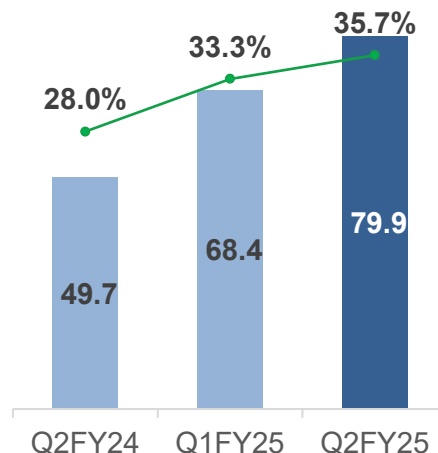
Group - Cost of Goods Sold
(% of revenue)



Group GP margin increased by 3.4% from preceding quarter due to realised gain on whole milk powder futures and also improving margins from Australian operation following the reduction in season farmgate prices by about 11% beginning July 2024.



Malaysia - RM mil, %

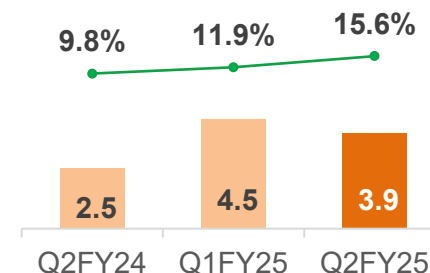


GP increased by 16.8% while **GP margin improved from 33.3% to 35.7%** as compared to preceding quarter, mainly attributable to the:

- **lower milk ingredients cost** which has since tapered down from Q2 FY24;
- **Realised gain from whole milk powder futures**;
- Gross profit contribution from **Inside Scoop and Sin Wah**.



Australia - RM mil, %

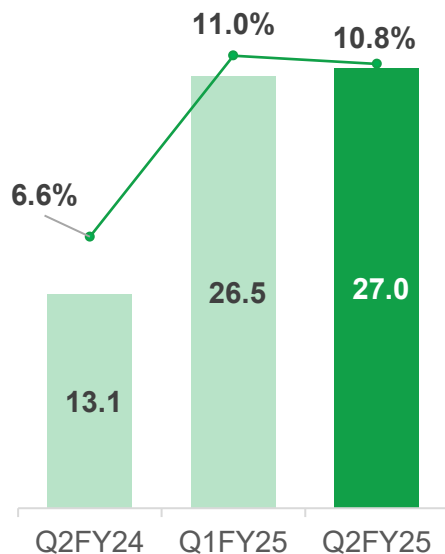


GP decreased by 13% as compared to preceding quarter mainly due to decrease in sales volume. However, gross profit margin improved from 11.9% to 15.6% as compared to preceding quarter following the reduction in season farmgate prices by about 11% beginning July 2024.

Financial Highlights

Profit after tax (RM mil)

Group - RM mil, PAT Margin %



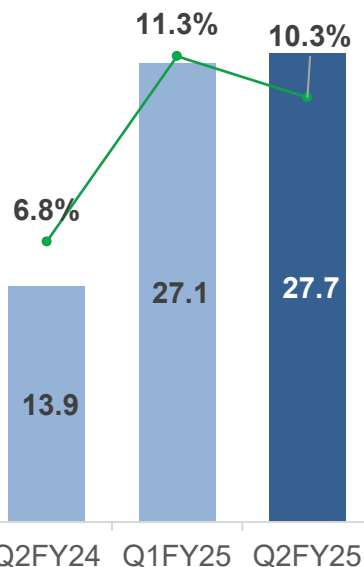
Growth % versus

Corresponding period : **▲ 106.0%**

Preceding period: **▲ 1.9%**



Malaysia - RM mil, % (Before intra-group adj)



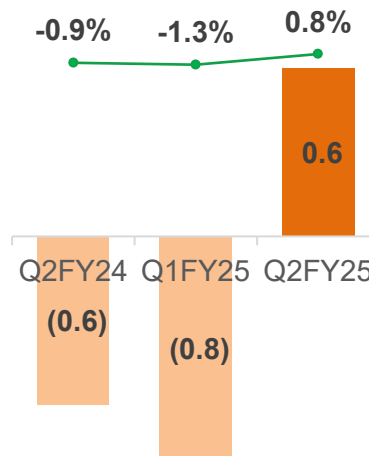
Growth % versus

Corresponding period : **▲ 99.3%**

Preceding period: **▲ 2.2%**



Australia - RM mil, % (Before intra-group adj)



Growth versus

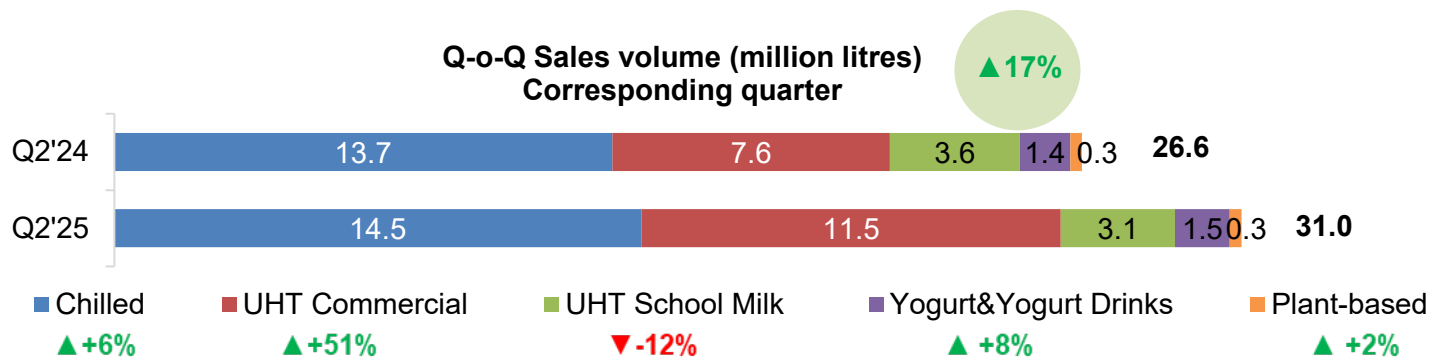
Corresponding period : **▲ 200%**

Preceding period: **▲ 175%**

Note: Group's PAT margin dropped slightly as compared to preceding quarter due to higher FV loss on valuation of biological assets of RM2.7mil in the current quarter (as compared to FV loss of RM0.6mil in the preceding quarter) and also unrealised foreign exchange loss of RM1.7m (unrealized gain of RM0.1m in the preceding quarter).

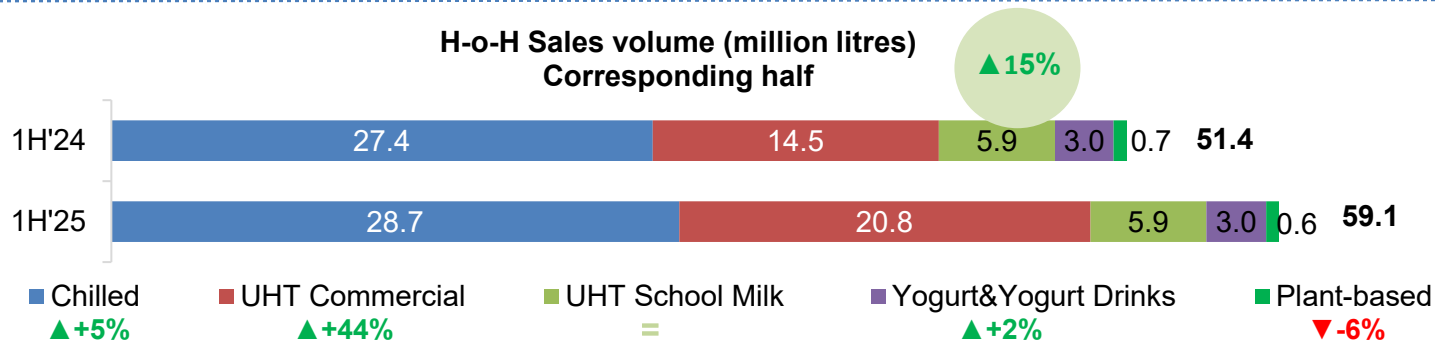
Excluding the FV impact and unrealised forex loss, the normalized PAT has in fact increased from RM27.0m (PAT%:11.2%) in Q1'25 to **RM30.3m** (PAT %: 12.2%) in Q2'25.

RTD Sales Volume (mil litres)



Corresponding quarter

Volume sold increased Q-o-Q by 17% in Q2'25, mainly attributable to recruitment of new HORECA customers, mini mart and online sales for UHT products such as Yarra by Farm Fresh, Yarra Master Barista series and Growing Up Milk which was partially offset by the slight decrease in school milk.



Corresponding half

Volume sold increased by 15% in 1H'25 compared to 1H'24, attributable to higher sales of UHT commercial products from the sales to HORECA customers, mini mart and online sales as mentioned above.

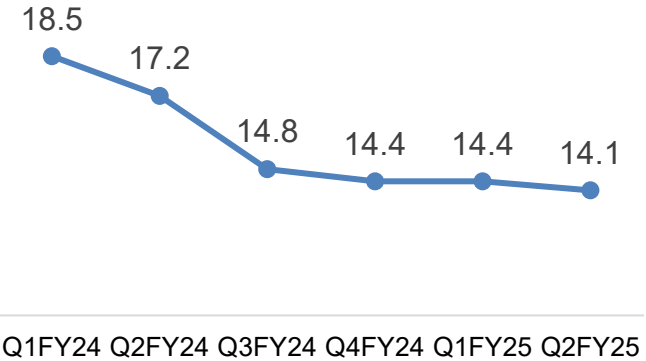
Milk powder and other key cost items easing from record high prices



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

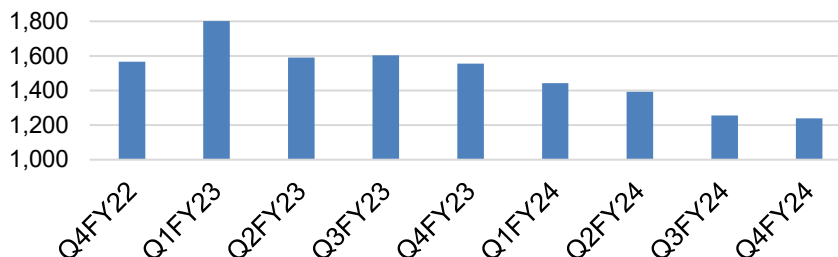


Average whole milk powder consumption unit cost (RM/kg)



- GDT prices surged and peaked at USD 4,757/MT in March 2022 (post-Ukraine invasion) and affected our purchase prices for delivery in FY23.
- Prices has since dropped significantly, with the average price for the deliveries in Q2'25 of USD3.3044/MT.
- High prices seen in recent months, but we have in fact secured our inventories up to May 2025.

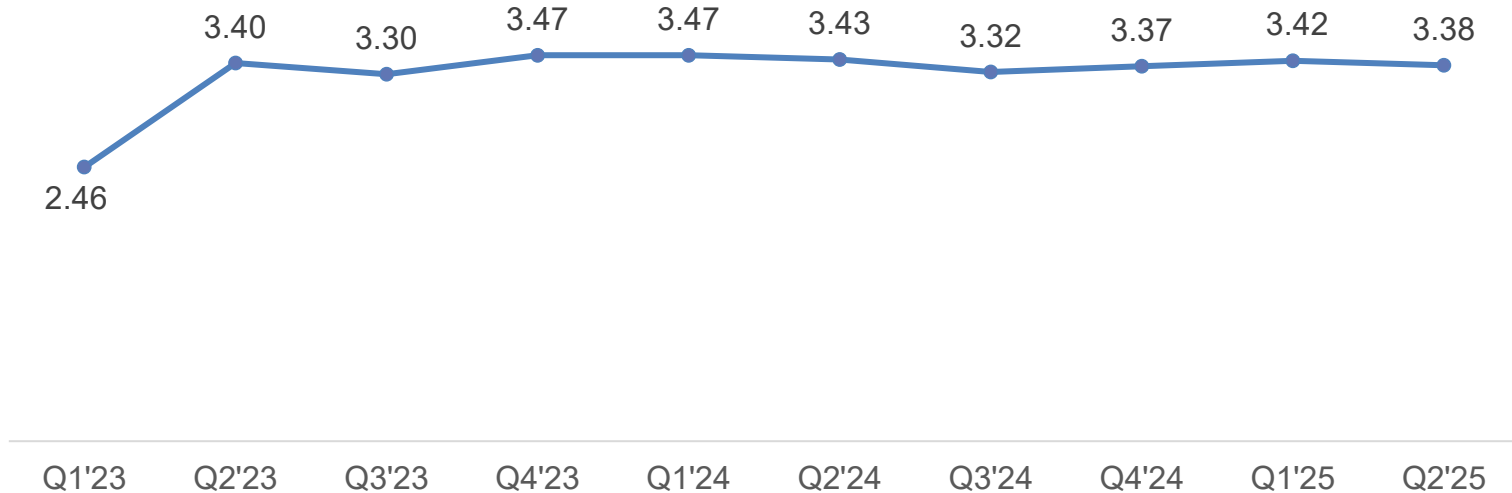
Maize (Quarterly average RM per MT)



- 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.

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.
- Prices has dropped by 3.8% to AUD9.74/kg in July 2023, resulting in lowering of our milk costs starting mid-Q2 FY24.
- In July 2024, the prices has dropped by more than 10% to AUD8.75 per kg, which will further reduce our milk costs beginning Q3 FY25.

Operating Profit & Net Profit (RM'000)



	Current Quarter		Preceding Quarter		Corresponding Quarter	
	Q2FY25	% of revenue	Q1FY25	% of revenue	Q2FY24	% of revenue
Gross profit	83,828	33.6%	72,946	30.2%	52,206	26.3%
Other income	2,040	0.8%	2,807	1.2%	2,866	1.4%
Selling & Distribution exp	(23,216)	(9.3)%	(21,318)	(8.8)%	(16,537)	(8.3)%
<i>Transportation & logistics</i>	<i>(14,556)</i>	<i>(5.8)%</i>	<i>(13,409)</i>	<i>(5.5)%</i>	<i>(11,458)</i>	<i>(5.8)%</i>
<i>A&P expenses</i>	<i>(5,814)</i>	<i>(2.3)%</i>	<i>(5,895)</i>	<i>(2.4)%</i>	<i>(4,239)</i>	<i>(2.1)%</i>
<i>Other selling expenses</i>	<i>(2,846)</i>	<i>(1.2)%</i>	<i>(2,014)</i>	<i>(0.9)%</i>	<i>(840)</i>	<i>(0.4)%</i>
Administrative expenses	(21,921)	(8.8)%	(20,229)	(8.4)%	(17,563)	(8.9)%
<i>Salary expenses</i>	<i>(12,627)</i>	<i>(5.1)%</i>	<i>(12,052)</i>	<i>(5.0)%</i>	<i>(9,824)</i>	<i>(5.0)%</i>
<i>Office expenses</i>	<i>(3,089)</i>	<i>(1.2)%</i>	<i>(2,869)</i>	<i>(1.2)%</i>	<i>(3,021)</i>	<i>(1.5)%</i>
<i>Depreciation & amortisation</i>	<i>(3,263)</i>	<i>(1.3)%</i>	<i>(3,017)</i>	<i>(1.3)%</i>	<i>(2,189)</i>	<i>(1.1)%</i>
<i>Others</i>	<i>(2,942)</i>	<i>(1.2)%</i>	<i>(2,291)</i>	<i>(0.9)%</i>	<i>(2,529)</i>	<i>(1.3)%</i>
Other expenses	(4,415)	(1.8)%	(1,156)	(0.5)%	(1,151)	(0.6)%
FV (loss)/gain on biological assets	(2,741)	(1.1)%	(550)	(0.2)%	(1,203)	(0.6)%
Operating profit	33,575	13.5%	32,500	13.4%	18,618	9.4%
Net finance costs	(4,264)		(4,156)		(4,298)	
Profit before tax	29,311	11.8%	28,344	11.7%	14,320	7.2%
Tax expense	(2,339)		(1,833)		(1,225)	
Profit after tax	26,972	10.8%	26,511	11.0%	13,095	6.6%

Gross profit increased from RM52.2mil to RM83.8mil, mainly driven by higher revenues and bolstered by lower milk ingredient costs.

The gross profit was offset with the following:

- **Higher selling expenses** due to higher marketing spend and e-commerce transaction fees;
- **Higher distribution expenses** incurred which in line with the higher sales;
- **Higher admin expense** due to the increase in salary expenses, office expenses and depreciation expenditure from Inside Scoop and Sin Wah;
- **Higher other expenses** due to **higher unrealized foreign exchange loss of RM1.7m in current quarter** mainly due to unfavourable foreign exchange translation on bank balances denominated in foreign currency, particularly USD.
- The Group also recorded higher Employees' Share Option Scheme ("ESOS") expenses of RM0.4 million upon the grant of third tranche share options to employees of the Group in July 2024;
- **Higher fair value loss on valuation of biological assets** of RM2.7mil as compared to RM1.2mil fair value loss in the corresponding quarter.

Adoption of hedge accounting



During the quarter, in consultation with our auditors, the Group **adopted hedge accounting** in accordance with MFRS 9: Finance Instruments.

The Group has exposure to variability in cash flows that is attribute to purchases that are primarily denominated in U.S. Dollars (“USD”) and Australian Dollars (“AUD”) against the functional currency of the Group.

Upon the adoption of hedge accounting, the effective portion of changes in fair value of the forward foreign contract designated as a **cashflow hedge** instrument at inception will be recognised in **other comprehensive income** until the hedging instrument’s maturity or settlement.

The adoption of hedge accounting **removes intra-quarter/period volatility from the profit or loss**, i.e. reported net income will not be affected by such movements in FV of the forward contracts which are not actual losses to the company, and importantly, will show the reader of the financial statements a fairer representation of the financial performance of the company for each reporting period.

Extract of FY25Q2 Interim Report :

Farm Fresh Berhad

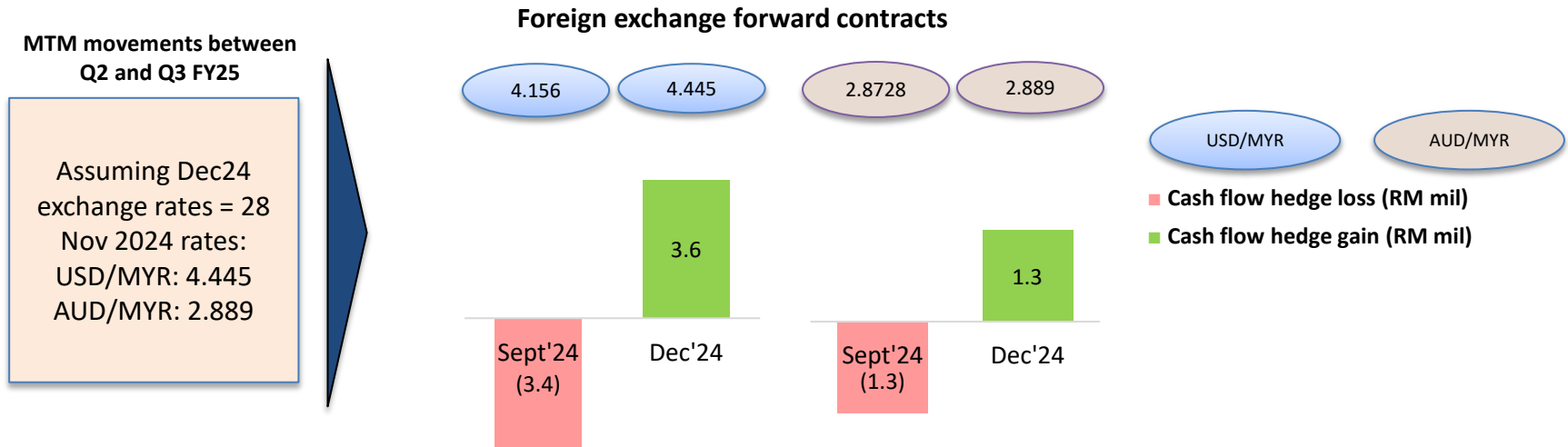
Registration Number: 201001010221 (894851-U)
(Incorporated in Malaysia)

Condensed consolidated statement of changes in equity for the second quarter ended 30 September 2024 (continued)

	Attributable to owners of the Company								
	Non-distributable			Distributable					
	Share capital RM'000	Translation reserve RM'000	Hedging reserve RM'000	Employee share-based reserve RM'000	Put option reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 April 2024	399,555	186	--	5,615	(36,955)	298,012	666,413	26,558	692,971
Foreign currency translation differences for foreign operations	--	(14,901)	--	--	--	--	(14,901)	(292)	(15,193)
Cash flow hedge	--	--	(4,689)	--	--	--	(4,689)	--	(4,689)
Total other comprehensive income for the period	--	(14,901)	(4,689)	--	--	--	(19,590)	(292)	(19,882)
Profit for the period	--	--	--	--	--	52,178	52,178	1,305	53,483
Total comprehensive income/(expense) for the period	--	(14,901)	(4,689)	--	--	52,178	32,588	1,013	33,601
Contributions by and distributions to owners of the Company									
Capital contribution by non-controlling interest	--	--	--	--	--	--	--	500	500
Dividend payable to owners of the Company	--	--	--	--	--	(22,480)	(22,480)	--	(22,480)
Issue of shares pursuant to ESOS	2,277	--	--	(391)	--	--	1,886	--	1,886
Share-based payment	--	--	--	862	--	--	862	--	862
Changes in put option liability	--	--	--	--	(1,708)	--	(1,708)	--	(1,708)
Change in ownership interests in a subsidiary	--	--	--	--	--	35	35	298	333
Total transactions with owners of the Company	2,277	--	--	471	(1,708)	(22,445)	(21,405)	798	(20,607)
At 30 September 2024	401,832	(14,715)	(4,689)	6,086	(38,663)	327,745	677,596	28,369	705,965

Adoption of hedge accounting

Illustration on the impact to OCI for the next quarter (using today's exchange rates)



- Unrealized FV loss totalling of RM4.7m in Q2 FY25, however with the settlement of a portion of the forward contracts and assuming the exchange rate as at 28 Nov, a larger RM4.9m gain is expected in Q3 FY25.
- The adoption of hedge accounting removes intra-quarter/period volatility from the profit or loss

Statement of financial position (RM'000)



	31 March 2024	30 Sept 2024	% change
	RM'000	RM'000	
NON-CURRENT ASSETS			
Property, plant and equipment	494,633	510,770	3.3
Right-of-use assets	33,124	34,041	2.8
Biological assets	133,284	135,076	1.3
Intangible assets	112,826	111,863	(0.9)
Trade and other receivables	563	481	(14.6)
Deferred tax assets	8,926	8,703	(2.5)
CURRENT ASSETS			
Inventories	156,299	174,465	11.6
Trade and other receivables	176,433	180,212	2.1
Current tax assets	4,509	4,438	(1.6)
Derivative financial assets	893	2,129	>100
Other investments	99,944	98,626	(1.3)
Cash and cash equivalents	58,167	96,845	66.5
TOTAL ASSETS	1,279,601	1,357,649	6.1
NON-CURRENT LIABILITIES			
Deferred tax liabilities	19,161	20,357	6.2
Deferred income	5,955	5,820	(2.3)
Loans and borrowings	338,365	332,082	(1.9)
Lease liabilities	16,742	18,102	8.1
Put option liability	36,955	38,663	4.6
CURRENT LIABILITIES			
Deferred income	271	271	--
Derivative financial liabilities	--	6,201	>100
Loans and borrowings	67,648	77,976	15.3
Lease liabilities	8,010	7,944	(0.8)
Trade and other payables	92,875	143,885	54.9
Current tax liabilities	648	383	(40.9)
TOTAL LIABILITIES	586,630	651,684	11.1
TOTAL EQUITY	692,971	705,965	1.9
TOTAL EQUITY AND LIABILITIES	1,279,601	1,357,649	6.1

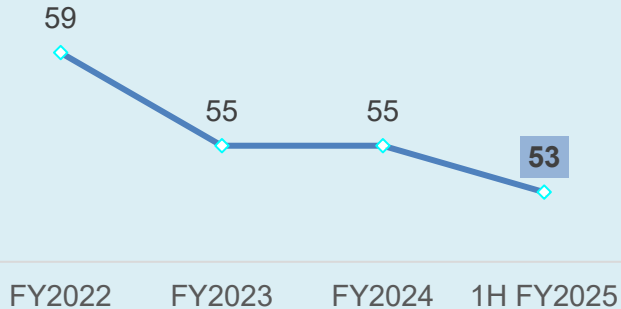
- Increase in **inventories** mainly due to higher raw material, eg: whole milk powder arising from more purchases during the period and finished goods arising from Philippines due to preparation of full scale operation.
- Increase in **derivative financial assets** mainly attributable to fair value gain of whole milk powder ("WMP") futures amounting to RM1.2m due to higher WMP market prices as of period end against contract prices .
- **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 **derivative financial liabilities** due to fair value loss of forward foreign exchange (USD and AUD) contracts of RM6.2m due to lower period end rates against contracted rate.
- Increase in **current loans and borrowings** primarily due to higher utilization of banker acceptances.
- Increase in **trade and other payables** mainly due to other payables for the capital expenditures for the expansion of Philippines and dividend payable on 10 Oct of RM22.5m.

Key Financial Ratios



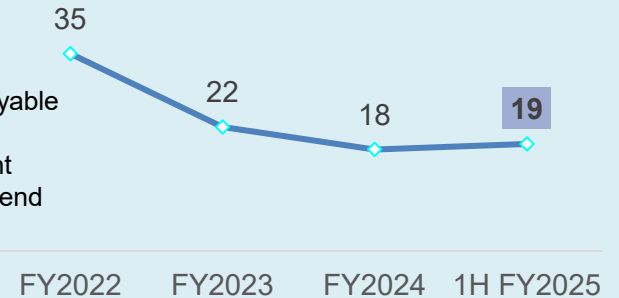
Trade receivable turnover (Days)

Average trade receivable turnover days remained constant versus prior year end as of Mar'24.



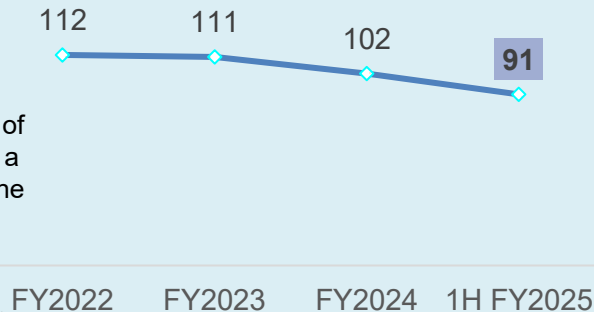
Trade payable turnover (Days)

Average trade payable turnover days remained constant versus prior year end as of Mar'24.

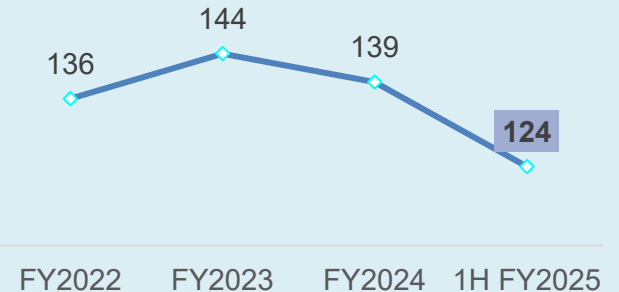


Inventory turnover (Days)

Inventory turnover days decreased to 91 days as during 1H FY25, the cost of sales increased at a higher pace than the inventory increase (in line with the increase in sales) resulting in a lower inventory turnover figure.



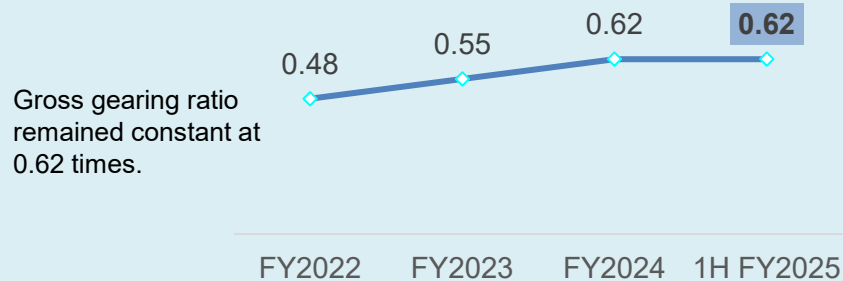
Cash conversion cycle (Days)



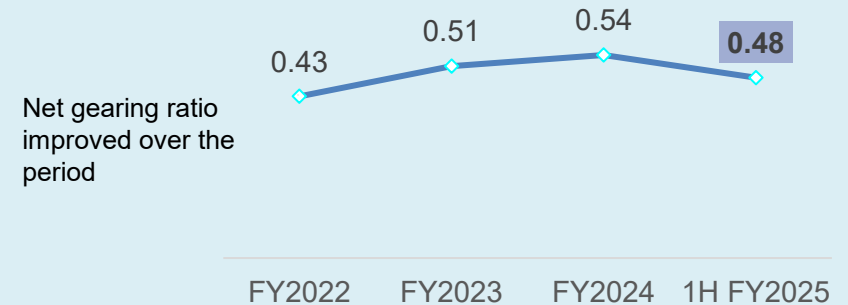
Key Financial Ratios



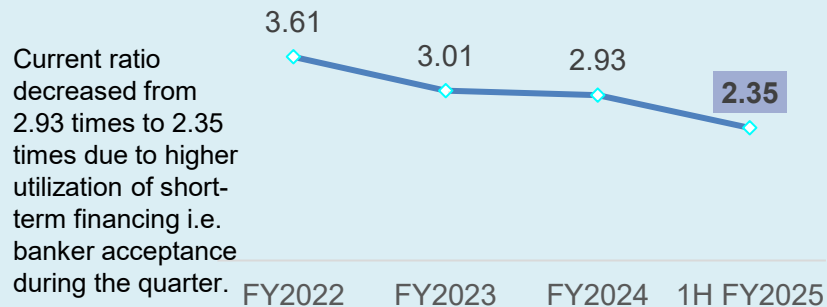
Gross gearing ratio (Times)



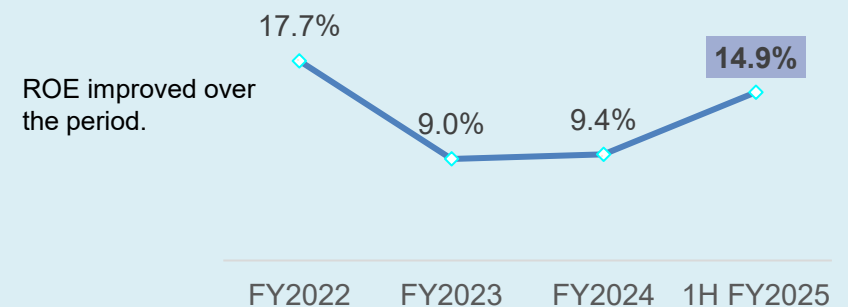
Net gearing ratio (Times)



Current ratio (Times)



Return on equity* (%)



Note: *Computed based on trailing 12 months (TTM) net profit divided by the total equity as at year/period end.

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New product launches



Mechamato series



Full Cream Milk Powder



Choco Malt sachet & Choco Malt Kaw



CPG Ice cream



Chocolate malt



CPG Ice cream



Choco Malt UHT



Butter (9g and 200g)



Farm fresh grow cultured milk

July

August

November

2025

CPG Ice cream Launch Plan



Ice cream Expansion Timeline

CPG ice cream launching in **August 2024** from **Taiping Plant** – enable **fast rollout** of new products and **market validation** + HORECA products.

Ice Cream production will be moved to **Enstek** once completed

Enstek large-scale ice cream production in **2H 2025**, with **capacity of ~700,000 pieces of ice cream per day**

January 2024

July 2024

1H 2025

2H 2025

- Testing of extrusion line in manufacturing plant
- Ordering of ice cream lines

- Extrusion line trial run in Taiping plant
- Launch of CPG ice cream

- Enstek structure completed
- Delivery of ice cream lines

- Commissioning and production from Enstek

CPG Ice cream Launch Plan (cont'd)

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 set of results, continuing momentum of higher revenue and profit margins since the previous few quarters.

2

High growth trajectory expected from both category expansion – Farm Fresh Grow, Choco Malt and CPG ice cream.

- FFG continuing to grow and will be augmented with our FFG cultured milk
- Great reception from our CPG ice cream since launched in August 2024 resulting in demand exceeding supply. More capacity being added in our Taiping plant and new SKUs to be launched ahead of Enstek completion in end-2025
- Chocolate malt product expected to gain a significant market share from the total market size of more than RM 1 billion, with the addition of 35g sachet format, as well as the 1kg and 2kg formats for modern trade / mini market and food services channel respectively

3

Overseas operations - Australia showing improving results and expected to improve further with reduction of farmgate milk prices by about 11% and incremental volume of Exports. Philippines has commenced its operations in end-September 2024. Currently working on expansion in Indonesia.



Q&A

Thank You