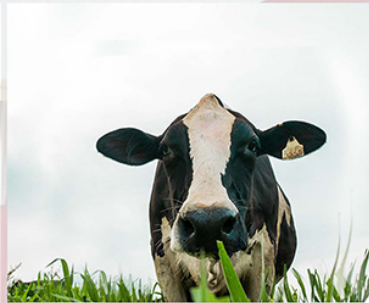




Farm Fresh Berhad

Q3 2022 Results Briefing

March 2022



01

Market
Landscape

02

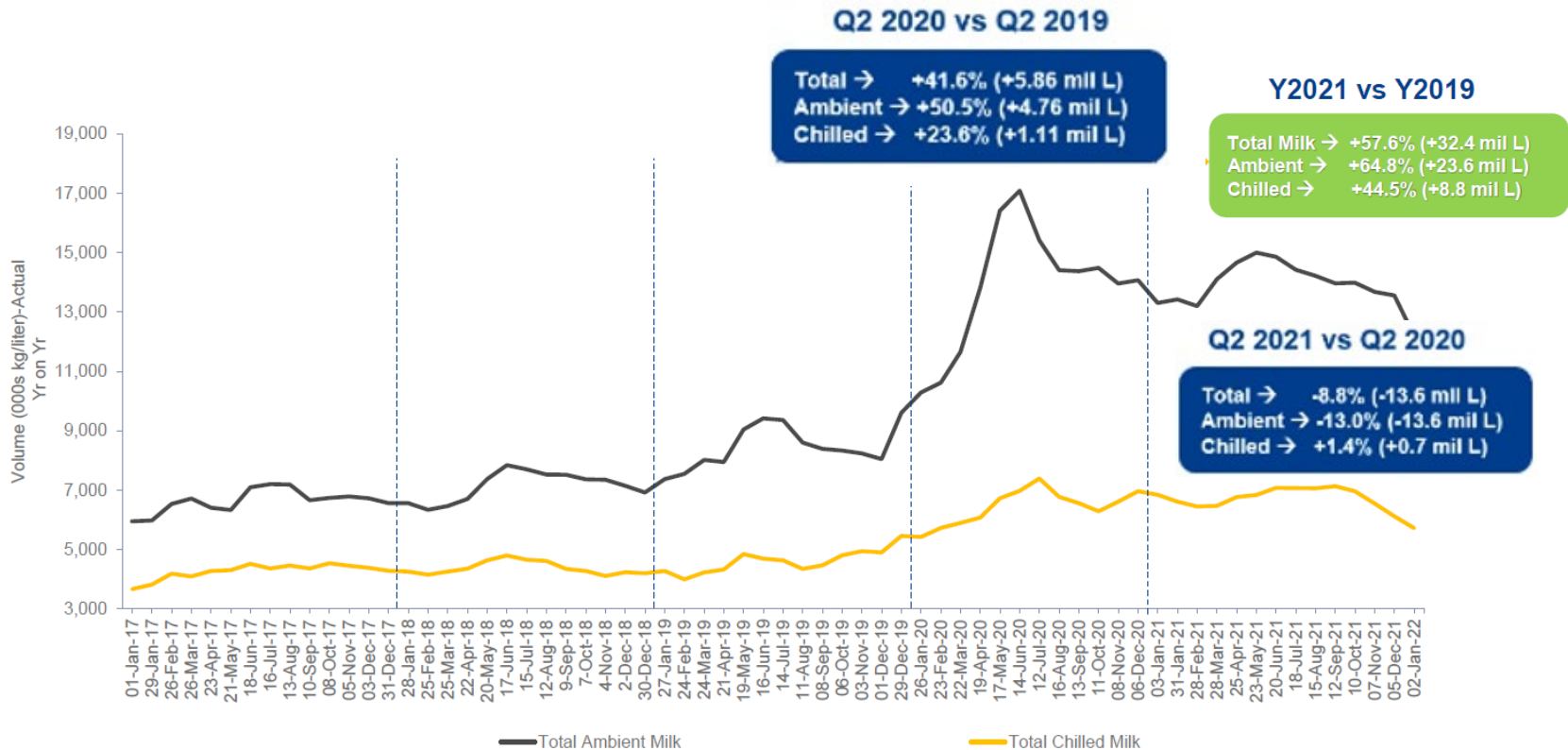
Financial
Results

03

Outlook and
Prospects



Dairy RTD Market has declined in FY2022..

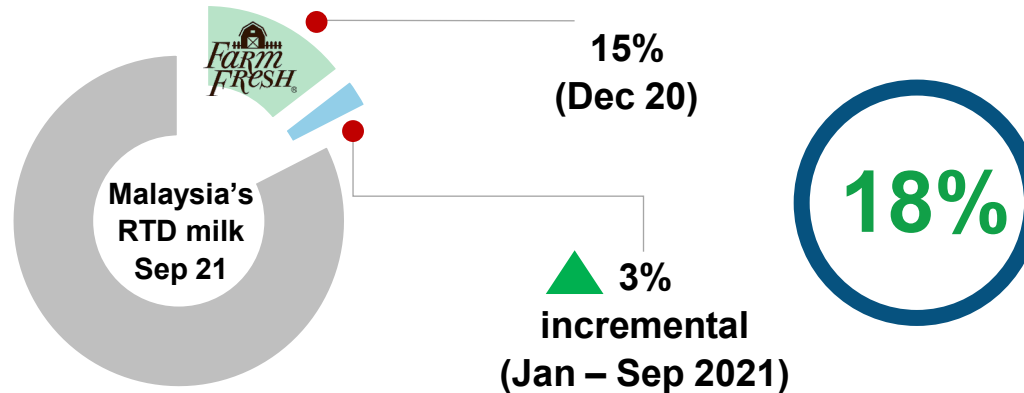


Source: Kantar

- Market volume declined in CY2021 due to high surge in end-March to end-June 2020 arising from panic buying and stocking up
- Normalization of demand when comparing CY2021 to CY2020, however still registering strong growth from CY2019
- Notwithstanding this decline, our market share and revenue has grown showing resilience and strong brand equity

Notwithstanding, we have shown resilience and growth

Market share leadership



Source: Frost & Sullivan

Led by market share growth in Chilled RTD



40.7%

52w/e 3 January 2021

47.8%

52w/e 2 January 2022

Source: Kantar

01

**Market
Landscape**

02

**Financial
Results**

03

**Outlook and
Prospects**



Key Highlights



Revenue:



RM373.9 million
▲ RM363.0 million (9M 2021)

Gross profit:



RM99.7 million
▼ RM105.6 million (9M 2021)

Gross Profit margin:
29.3% (3M Dec 2021)
▲ 24.6% (3M Sep 2021)

Profit before tax:



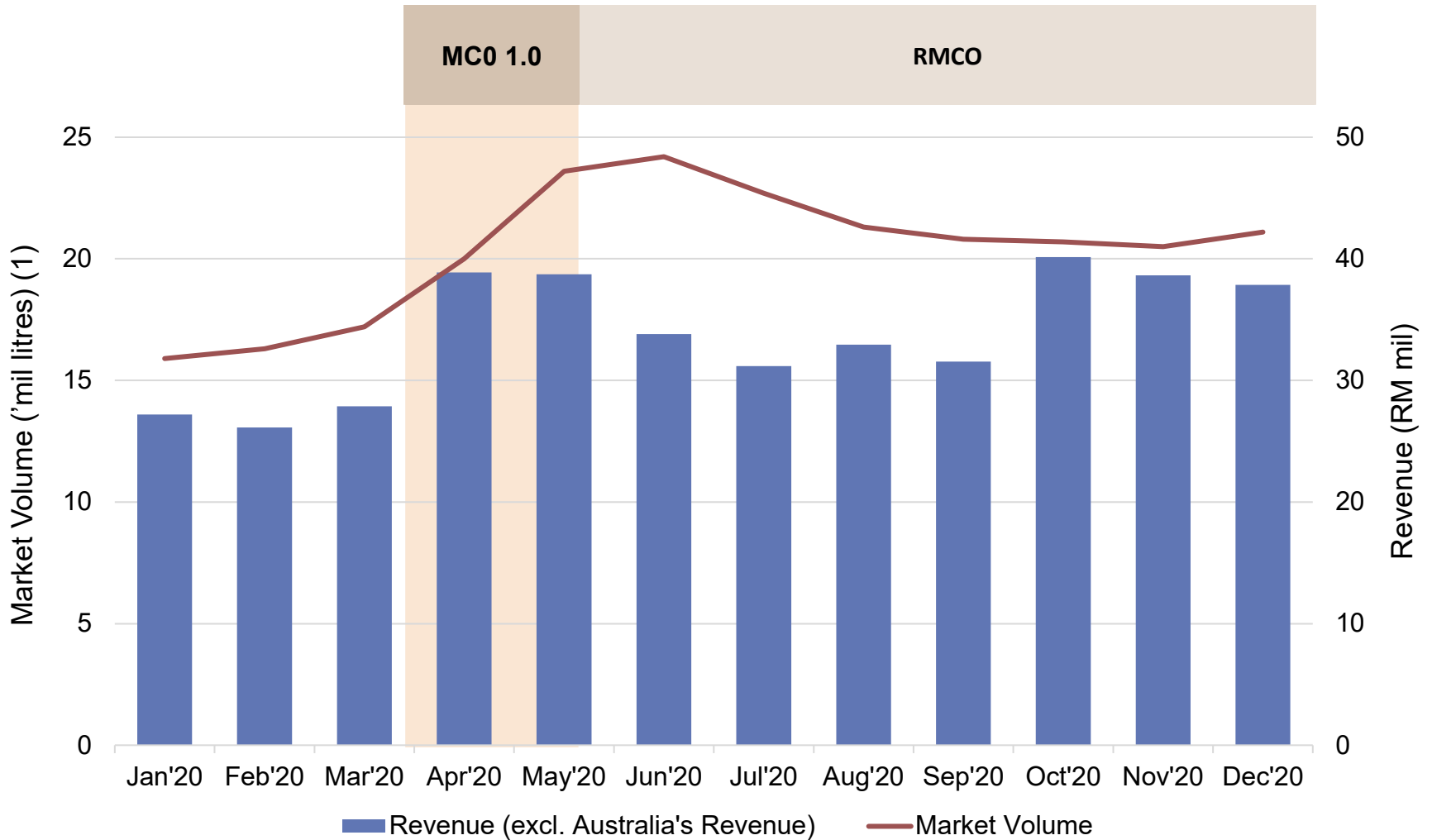
RM49.6 million
▼ RM53.8 million (9M 2021)

Normalized PATAMI:



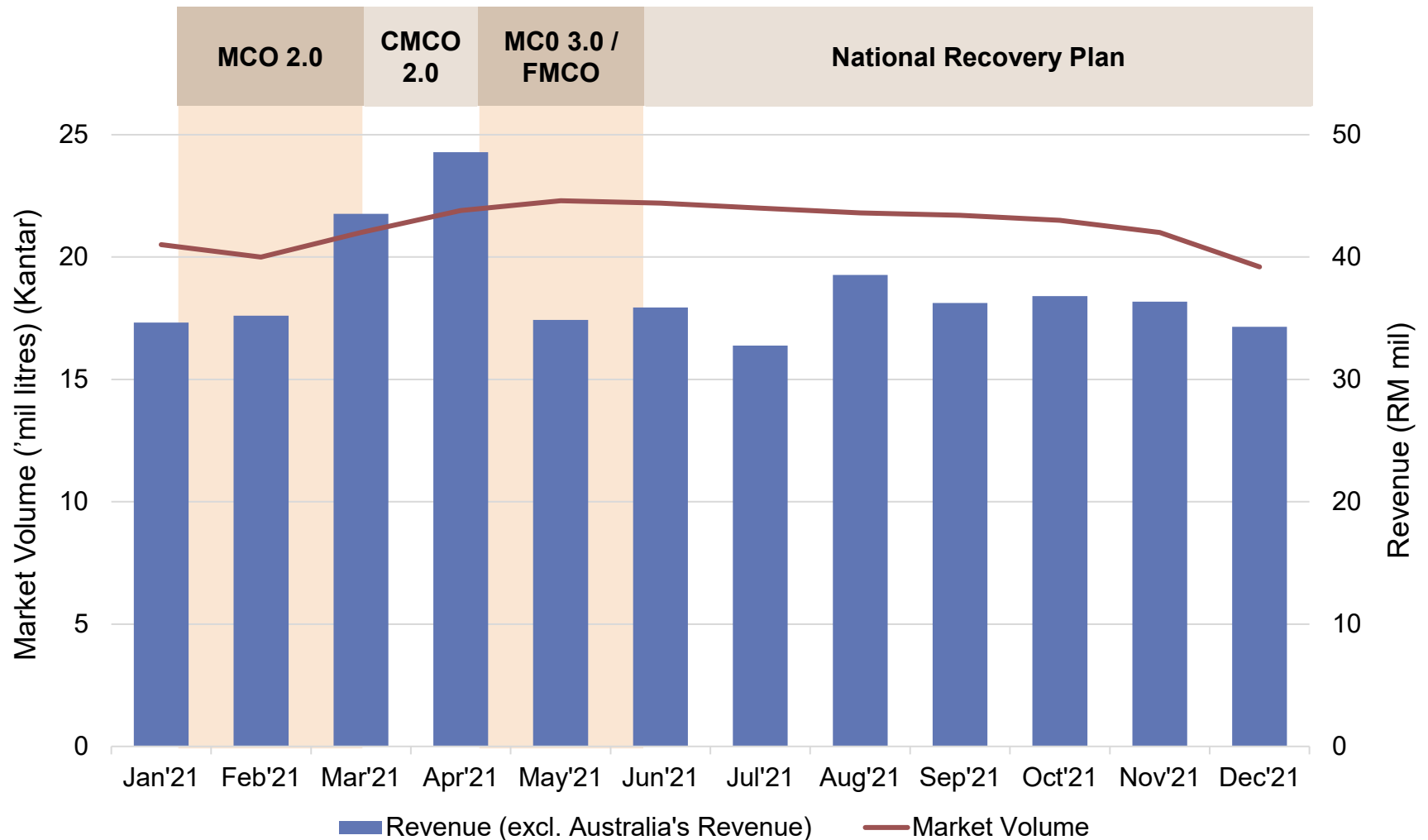
RM64.0 million
■ RM64.1 million (9M 2021)

Bumper year in FY21 - Panic buying and stocking up...



Source: Company Quarterly Financial Results
 (1) Combined Ambient and Chilled Volume (Source: Kantar)

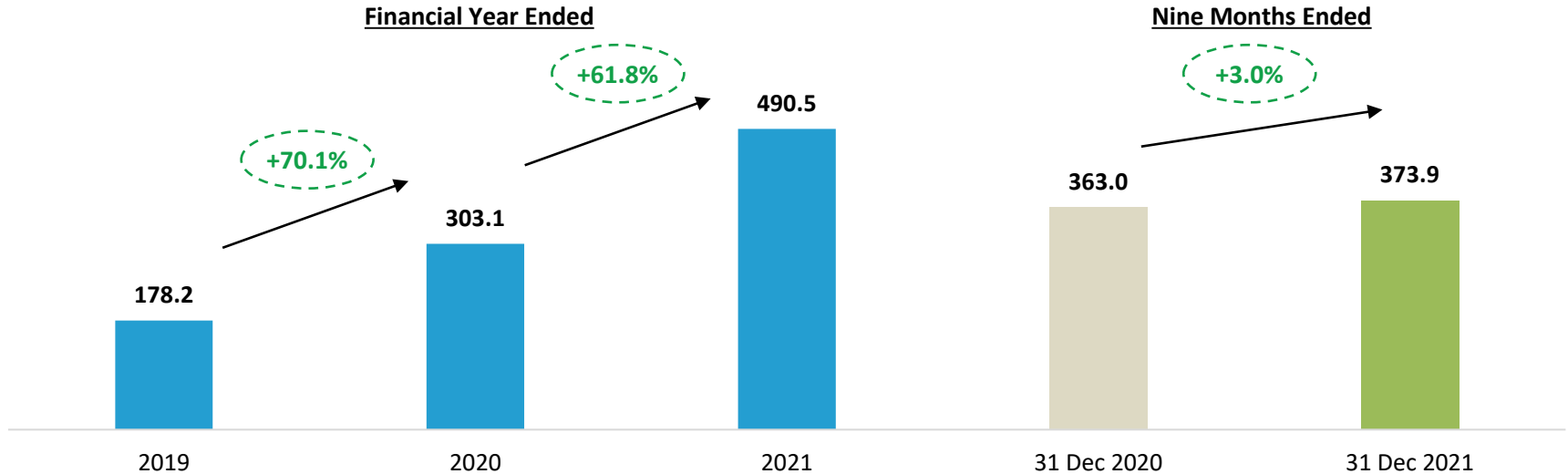
Followed by normalization in FY22, with dip at year-end



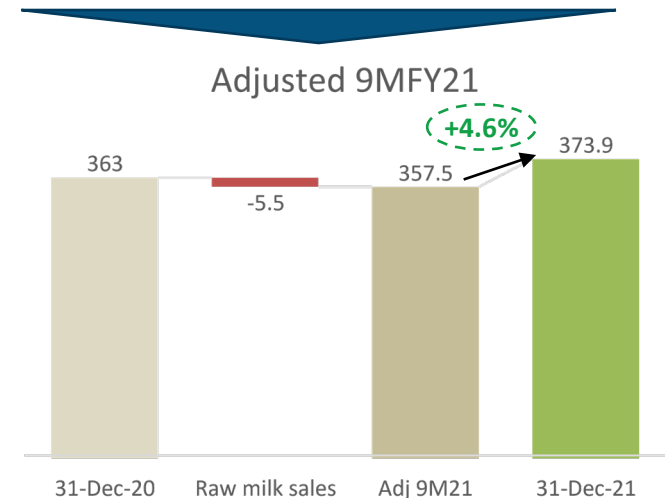
Decline in Nov and Dec 2021 due to reduction in frequency of purchases for in-home consumption, a trend for RTD dairy (and FMCG overall) as Government relaxed restrictions.

Topline growth amidst normalization

Revenue (RM mil)



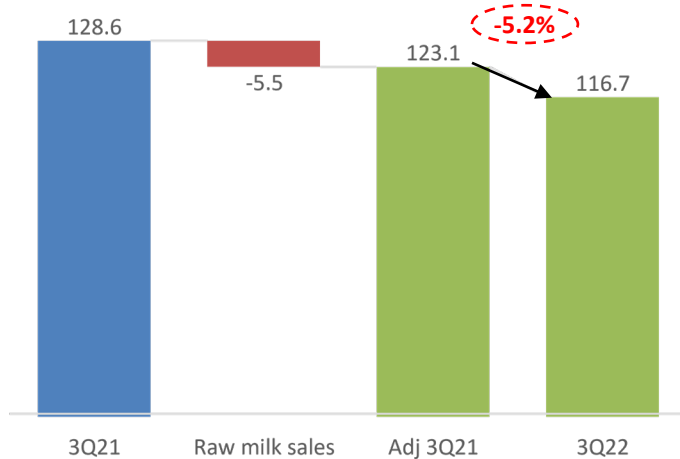
- Despite normalization and decline in overall market Y-O-Y, we have achieved a 3% revenue growth, with our current 9M revenue already being 23.4% higher than full year FY20's revenue.
- Taking out the impact of raw milk sales to 3rd party in Q3 FY21 of RM5.5 million (ceased beginning October 2021 upon completion of our Kyabram facility), revenue growth is in fact 4.6%.



Quarter revenue comparison

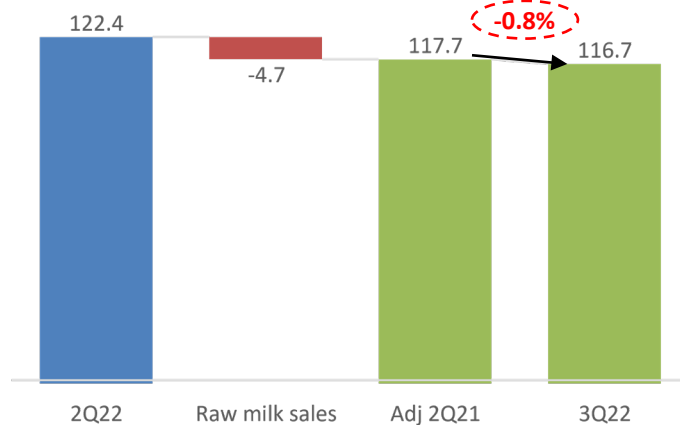
Revenue (RM mil)

Against Corresponding Quarter



- Instead of a decrease of 9.3% compared to corresponding quarter (RM116.7 mil vs RM128.6 mil), taking out the impact of raw milk sales in Q3 FY21 of RM5.5 million, revenue decline is in fact 5.2%, driven by the prolonged pandemic which resulted in dampened economic activity, consumer confidence and levels of household income in Malaysia.
- Also due to reduction in frequency of purchases for in-home consumption, a trend for liquid dairy (and FMCG overall) as Government relaxed restrictions

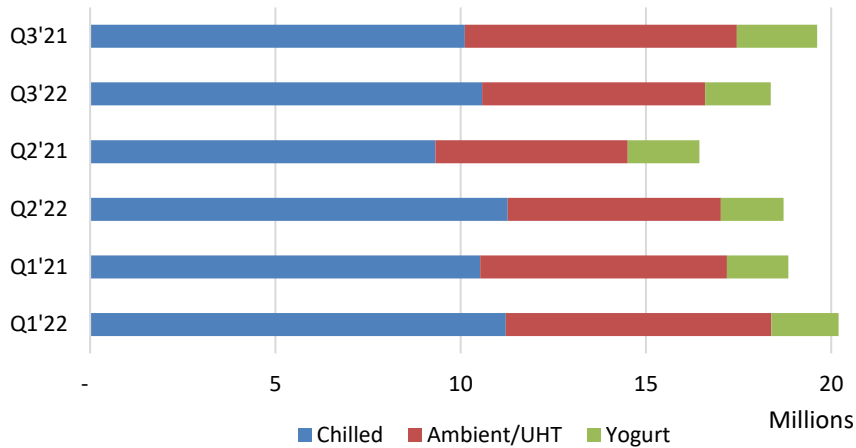
Against Preceding Quarter



- Instead of a decrease of 4.7% compared to corresponding quarter (RM116.7 mil vs RM122.4 mil), taking out the impact of raw milk sales in Q2 FY22 of RM4.7 million, revenue decline is in fact only 0.8%, driven by the prolonged pandemic as well as the fact that our year end-months of November and December are usually slower before picking up in January.
- Also due to reduction in frequency of purchases for in-home consumption, a trend for liquid dairy (and FMCG overall) as Government relaxed restrictions

Volume sold

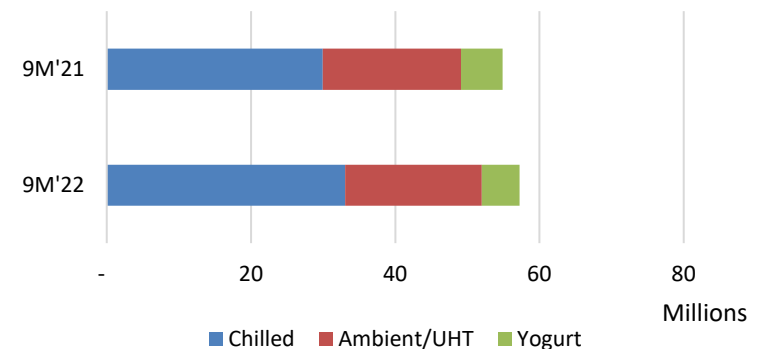
Q-o-Q Sales volume (million litres)



Volume sold has shown an increase Q-o-Q with the exception of Q3 due to the aforementioned reduction in frequency of purchases for in-home consumption.

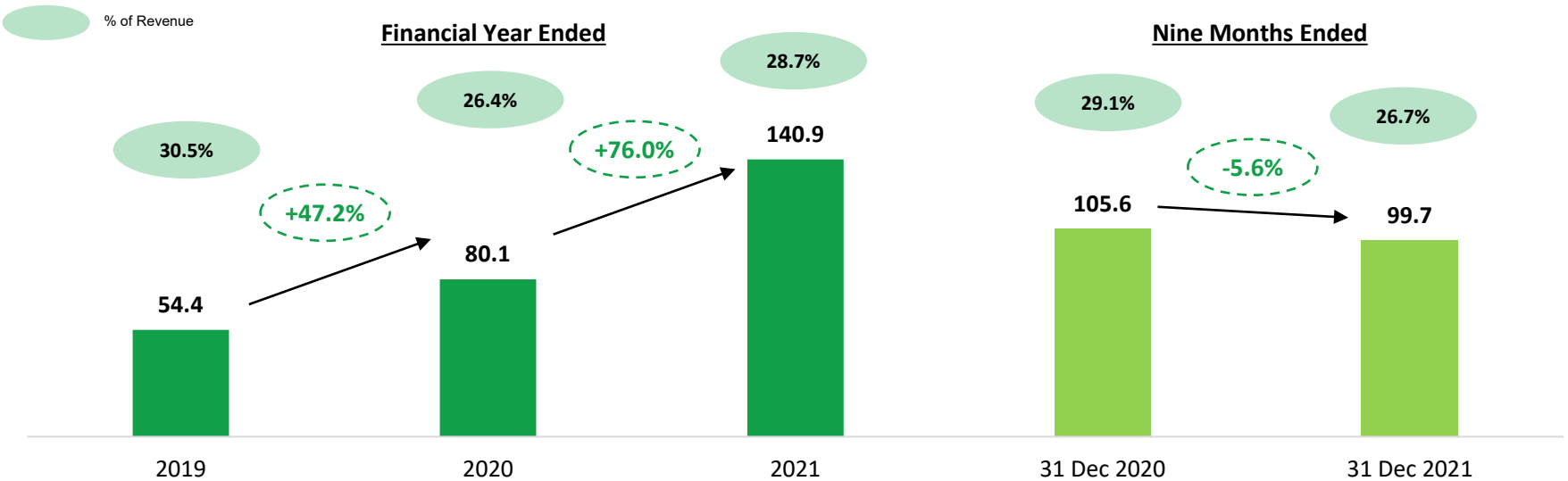
Nevertheless, volume sold for 9MFY22 has increased by 4.3%, driven by RTD milk category market share from 15% in December 2020 to 18% in September 2021 (Source: Frost & Sullivan), attributable to higher recruitment of new customers, higher sales of our RTD milk products and launching of new products

9M sales volume (million litres)

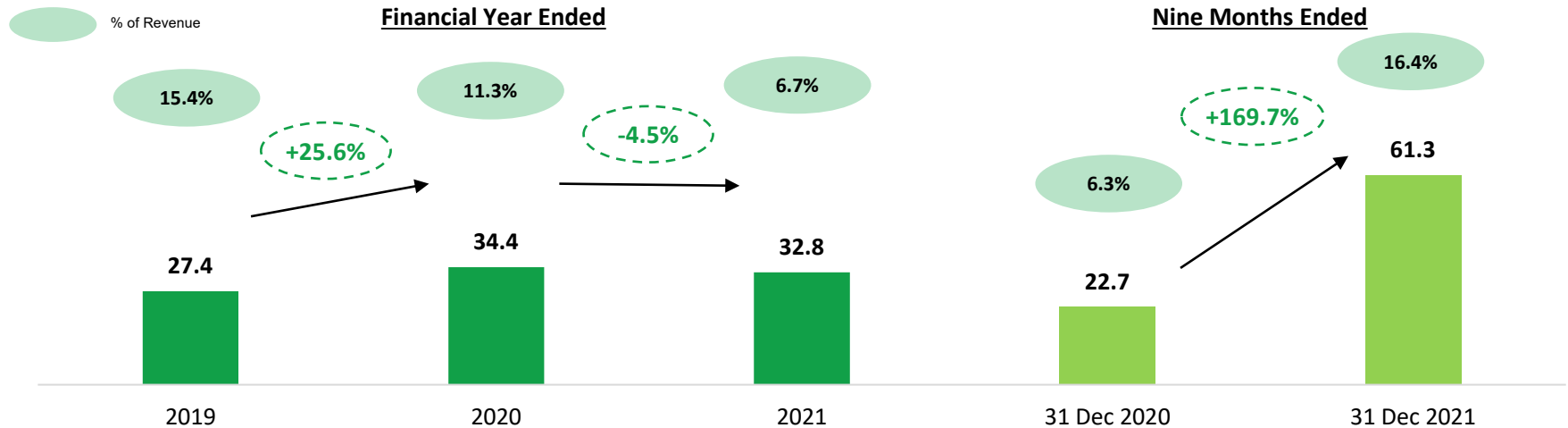


Gross Profit and PAT

Gross Profit (RM mil)

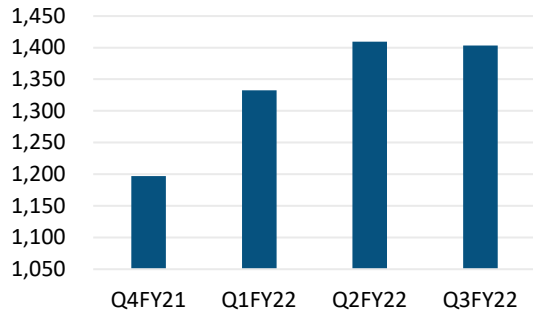


Profit after Tax (RM mil)

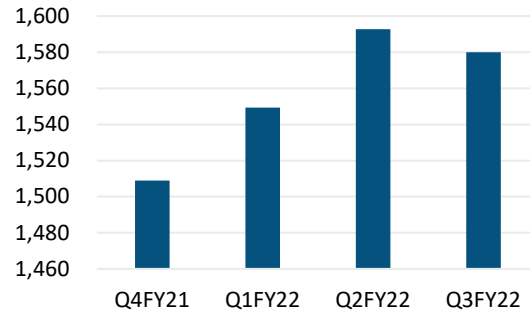


Input cost pressures causing margin compression

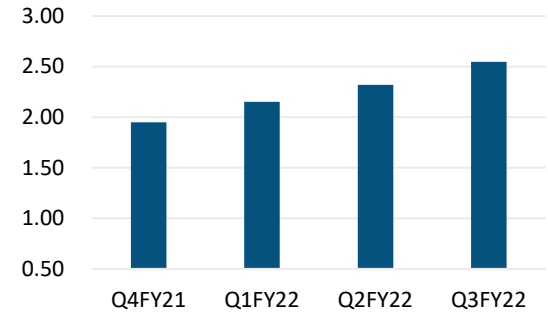
Maize (Quarterly average RM per MT)



Alfalfa (Quarterly average RM per bale)

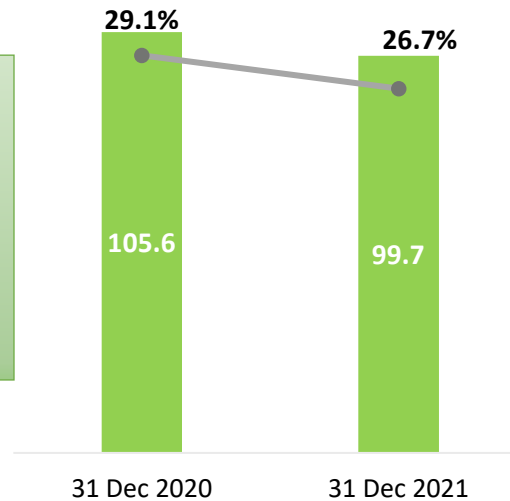


Diesel (Quarterly average RM per litre)

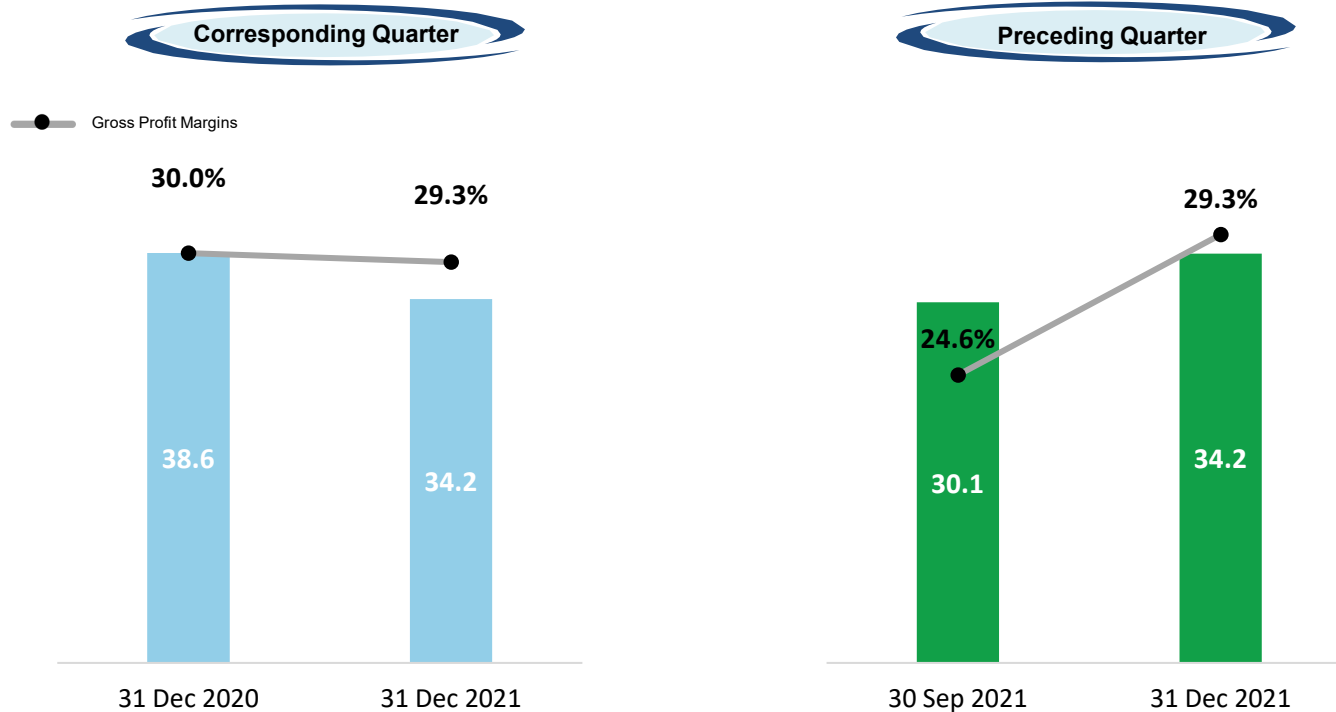


Freight cost >2x, Raw milk prices (AUD6.80 per kgMS → AUD7.40 per kgMS)

Margin improvement in Q3 from price increases of our chilled and ambient RTD products by an average of 5% in September and December 2021 respectively.



Gross margin improvement from price increases

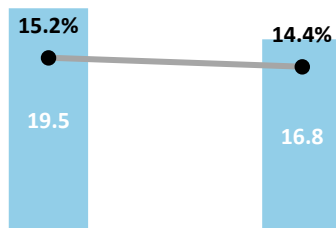


Increase in gross profit margin from the preceding quarter of FPE 30 Sep 2021 was due to margin improvement from price increase of our chilled RTD milk products and ambient RTD products by an average of 5% which were implemented in September and December 2021.

Key Financial Highlights (*cont'd*)

Operating Profit (RM mil) & Margins

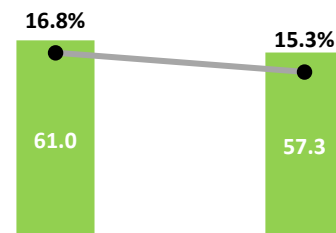
Corresponding Quarter



31 Dec 2020

31 Dec 2021

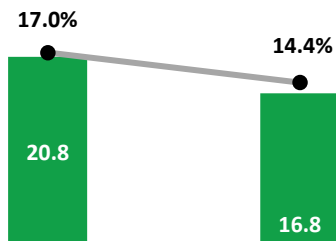
9 Months Ended



31 Dec 2020

31 Dec 2021

Preceding Quarter



30 Sep 2021

31 Dec 2021

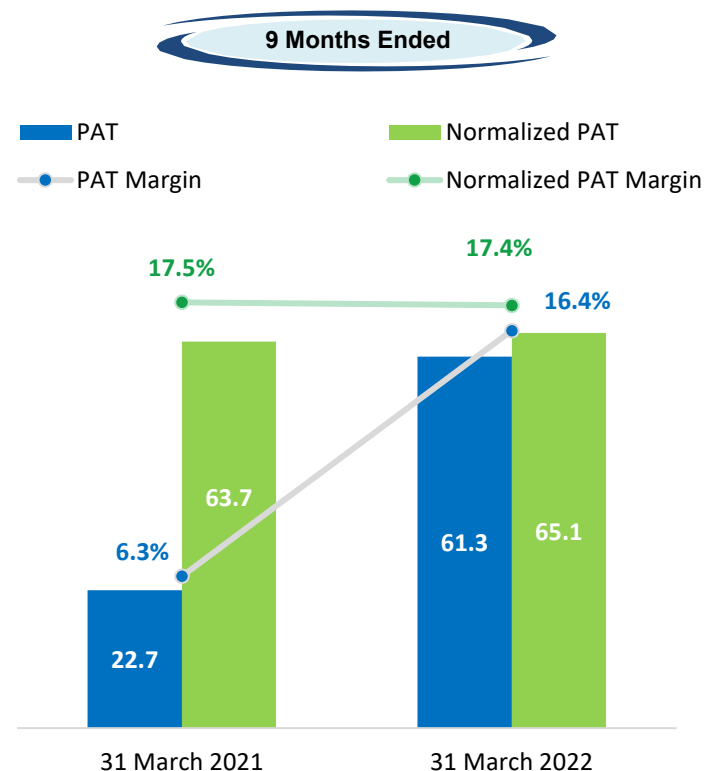
- Attributable to the lower revenues, higher animal feed cost and freight cost during the current quarter as compared to the corresponding quarter in 2020
- Other contributing factors are listing expenses relating to our IPO exercise and operating losses from our Australian subsidiary, Henry Jones Foods Pty Ltd's IXL fruit jam business, which has been downsized during the current financial year

- Mainly due to overall increase in our input costs such as raw materials, direct labour and overheads and animal feed and herd health cost
- Also due to gross losses and redundancy costs incurred by our Australia's IXL fruit jam operations during the period, and higher corporate professional fees incurred in connection with our IPO exercise

- Mainly due to the fair value gain of our dairy cows of RM10.2 million, contributed by the increase in prices of dairy cows in Australia, partially offset by a one-off redundancy cost amounting to RM4.9 million in the preceding quarter
- Excluding the fair value adjustment and redundancy cost in Q2'22, operating profit margin grew by 10.8%, mainly attributable to the aforementioned gross margin improvement.

Normalized PAT

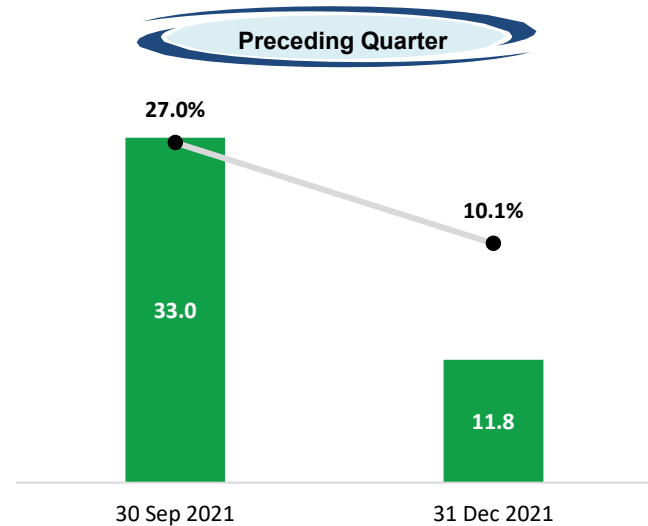
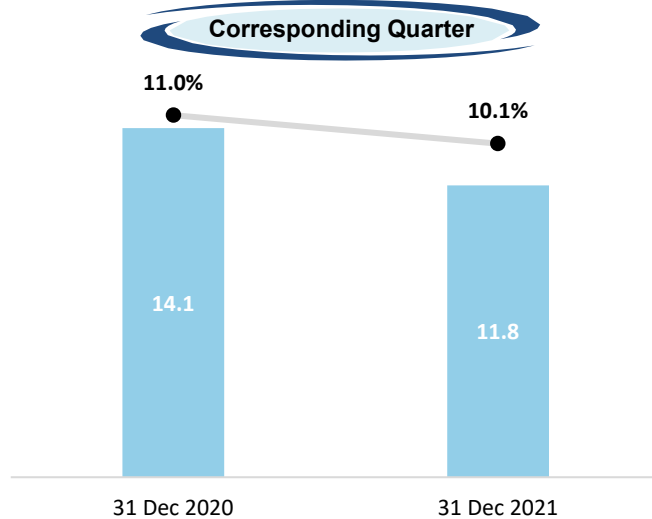
	Cumulative quarter	
	9 months ended	9 months ended
RM'mil	31.12.2021	31.12.2020
Reconciliation of PAT to Normalized PAT		
As reported PAT	61,251,485	22,710,908
Add/(Less):		
Reallocation of additional tax for prior years	-	25,708,582
Reallocation of tax reversal	(10,490,033)	8,231,517
Gross losses from IXL fruit jam business	4,660,309	5,205,429
Impairment loss on property, plant and equipment	79,397	4,141,670
Redundancy costs - IXL fruit jam business	4,897,843	-
IPO expenses	3,938,472	-
Sukuk expenses	164,868	-
Claw back of / (government grant income)	622,476	(2,305,472)
Normalized PAT	65,124,817	63,692,634



PAT and Margins

Profit after Tax (PAT) & Margins (MYR mn)

● PAT Margin



- Contributing to the lower PAT are higher animal feed costs and freight costs during Q3'22 as compared to the corresponding quarter in 2020
- Listing expenses relating to our IPO exercise and operating losses from our Australian subsidiary, Henry Jones Foods Pty Ltd's IXL fruit jam business, which has been downsized during the current financial year, also contributed to the lower PAT

- Fair value gain of our dairy cows of RM10.2 million, contributed by the increase in prices of dairy cows in Australia, partially offset by a one-off redundancy cost amounting to RM4.9 million in the preceding quarter.
- Tax reversal of RM10.49 million and recognition of RM4.6 million deferred tax income arising from the business losses incurred during the period by Australian subsidiaries in the preceding quarter. IPO costs in Q3'22 of RM2.2 million vs RM1.3 million in prior quarter

Balance Sheet

RM mil	31 December 2021	31 March 2021	% change
NON-CURRENT ASSETS			
Property, plant and equipment	324,092,319	307,068,897	5.5
Right-of-use assets	15,225,339	15,819,769	(3.8)
Biological assets	88,895,029	69,459,099	28.0
Intangible assets	19,336,103	19,894,919	(2.8)
Trade and other receivables	834,671	1,077,338	(22.5)
Deferred tax assets	10,080,255	3,352,750	>100
CURRENT ASSETS			
Inventories	106,610,545	105,034,639	1.5
Trade and other receivables	84,960,642	88,796,172	(4.3)
Current tax assets	2,976	31,070	(90.4)
Cash and cash equivalents	29,400,676	11,723,637	>100
TOTAL ASSETS	679,438,555	622,258,290	9.2
NON-CURRENT LIABILITIES			
Loans and borrowings	232,768,310	101,014,756	>100
Lease liabilities	5,974,415	6,159,799	(3.0)
Deferred income	6,564,404	6,768,263	(3.0)
Deferred tax liabilities	9,507,597	5,801,597	63.9
CURRENT LIABILITIES			
Loans and borrowings	50,001,176	140,927,921	(64.5)
Trade and other payables	76,889,848	82,852,645	(7.4)
Lease liabilities	1,056,096	854,653	23.6
Deferred income	270,697	269,861	0.3
Current tax liabilities	1,350,418	36,293,186	(96.3)
TOTAL LIABILITIES	384,382,961	381,228,332	0.8
TOTAL EQUITY	295,055,594	241,029,958	22.4
TOTAL EQUITY AND LIABILITIES	679,438,555	622,258,290	9.2

- Increase is mainly due to construction of new dairy farm and expansion of herd in Perak and fair value gain of our dairy cows of RM9.9 mil.

- Increase in inventories is primarily due to higher proportion of ingredients kept as a buffer as due to the global freight uncertainties which has resulted in delay in shipments globally.

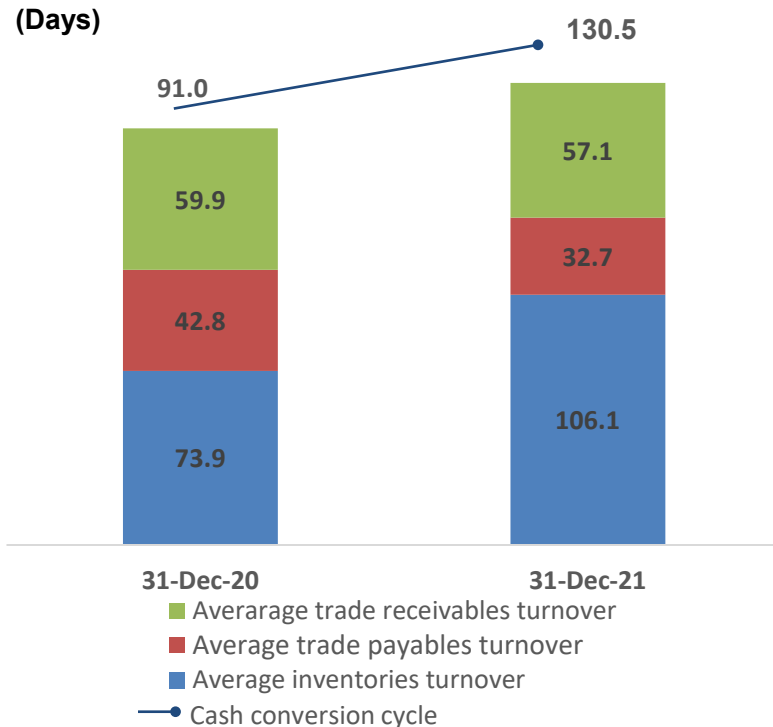
- Increase in cash and cash equivalents balance resulted from the issuance of RM200mil Sukuk Wakalah in May 2021, including the RM 15 mil placement in Aiman Money Market Fund.

- Increase in loans and borrowings is due to issuance of RM200mil Sukuk Wakalah on 28 May 2021, with a tenure of 5 years at 3.72% coupon rate per annum.

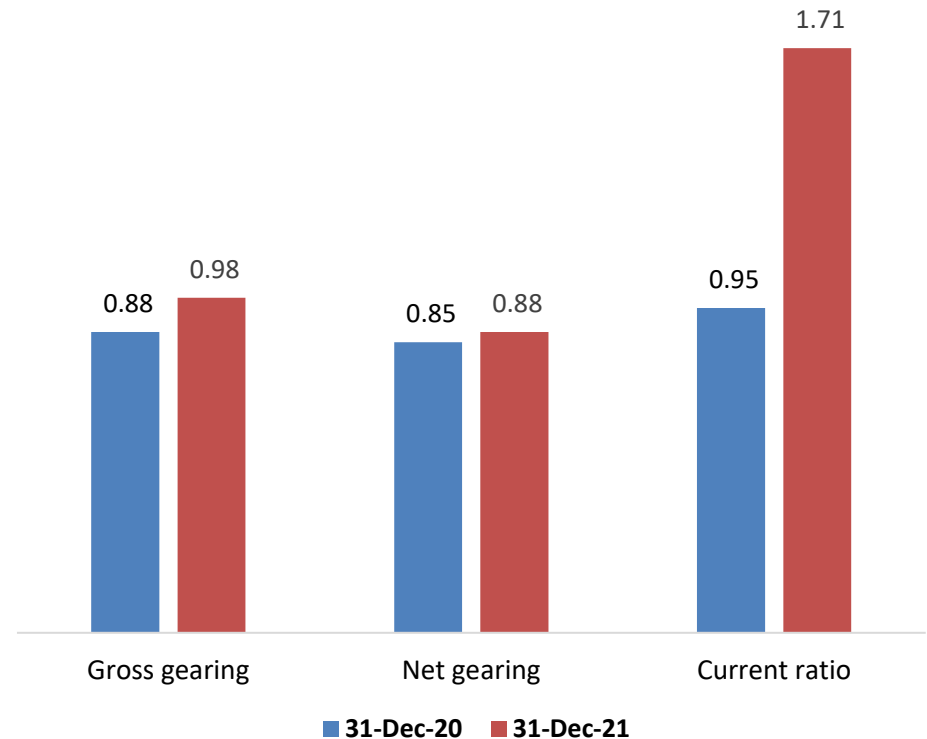
- With the Sukuk's proceeds, the Group also refinanced its outstanding borrowings of RM130mil (include Shareholder's loan of RM 34mil).

Balance sheet ratios

Cash Conversion Cycle



Key Ratios



Higher average inventory turnover due to:

- higher proportion of ingredients kept as a buffer due to the global freight uncertainties which has resulted in delays in shipments globally; and
- the lower opening inventory as at 1 April 2020 which in line with the lower sales during that period.

- Gross gearing higher due to Sukuk issuance increasing debt from issuance of Sukuk
- Current ratio increased from 0.95 times to 1.71 times due to refinancing of current shareholder loan, term loans and hire purchase liabilities with the Sukuk proceeds.

Processing Capacity and Utilisation

<u>Products</u>	<u>Larkin Processing Plant (Litres)</u>		<u>Muadzam Shah Processing Plant (Litres)</u>		<u>Total Malaysia Production Output (Litres)</u>	
	<u>9M Dec 20</u>	<u>9M Dec 21</u>	<u>9M Dec 20</u>	<u>9M Dec 21</u>	<u>9M Dec 20</u>	<u>9M Dec 21</u>
Chilled	27,571,751	29,180,556	5,811,069	7,584,595	33,382,820	36,765,151
UHT	-	-	18,206,186	15,929,629	18,206,186	15,929,629
Goat Milk	24,707	22,974	-	-	24,707	22,974
Plant Based	370,885	77,536	838,776	1,005,196	1,209,661	1,082,732
OEM	750,260	611,418	3,655,024	5,795,440	4,405,284	6,406,858
Total Production Output (Litres)	28,717,602	29,892,484	28,511,055	30,314,860	57,228,657	60,207,344
Production Capacity	39,415,572	47,070,072 ⁽¹⁾	39,512,813	53,120,813 ⁽²⁾	78,928,385	100,190,885
Capacity Utilisation %	72.9%	63.5%	72.2%	57.1%	72.5%	60.1%

Larkin addition

Installed additional filling and packaging line – AVE 5 in April 2021 with the annual production capacity of 10.2 mil litres.

Muadzam Shah addition

Installed two additional filling and packaging lines – Galdi and A3 Compact in January 2021 and August 2021 with the annual production capacity of 10.6mil litres and 6.8 mil litres respectively.

Statement of profit or loss and other comprehensive income

	Individual Quarter 3M Ended					FPE 31 Dec (9M Ended)				
	2021 MYR	% of Revenue	2020 MYR	% of Revenue	% growth	2021 MYR	% of Revenue	2020 MYR	% of Revenue	% growth
Revenue	116,667,013		128,569,137		-9.3%	373,853,536		362,992,431		3.0%
Cost of Sales	(82,447,842)	70.7%	(90,014,827)	70.0%	-8.4%	(274,178,734)	73.3%	(257,356,141)	70.9%	6.5%
Gross Profit	34,219,171		38,554,310		-11.2%	99,674,802		105,636,290		-5.6%
Gross Profit Margin	29.3%		30.0%			26.7%		29.1%		
Other income	264,227	0.2%	995,173	0.8%	-73.4%	11,929,051	3.2%	4,408,717	1.2%	170.6%
Selling and distribution expenses	(8,049,027)	6.9%	(9,483,921)	7.4%	-15.1%	(22,778,908)	6.1%	(28,222,667)	7.8%	-19.3%
Administrative expenses	(9,474,988)	8.1%	(5,363,854)	4.2%	76.6%	(25,193,660)	6.7%	(15,657,705)	4.3%	60.9%
Other expenses	(155,737)	0.1%	(5,171,786)	4.0%	-97.0%	(6,366,102)	1.7%	(5,211,541)	1.4%	22.2%
Results from operating activities	16,803,646	14.4%	19,529,922	15.2%	-14.0%	57,265,183	15.3%	60,953,094	16.8%	-6.1%
Operating Profit Margin	14.4%		15.2%			15.3%		16.8%		
Finance Income	513,863	0.4%	36,795	0.0%	1,296.6%	908,954	0.2%	178,395	0.0%	409.5%
Finance Costs	(2,945,589)	2.5%	(3,272,400)	2.5%	-10.0%	(8,595,696)	2.3%	(7,322,450)	2.0%	17.4%
Net Finance Costs	(2,431,726)	2.1%	(3,235,605)	2.5%	-24.8%	(7,686,742)	2.1%	(7,144,055)	2.0%	7.6%
Profit before tax	14,371,920		16,294,317		-11.8%	49,578,441		53,809,039		-7.9%
Profit before tax Margin	12.3%		12.7%			13.3%		14.8%		
Tax credit/(expense)										
- Current tax and deferred tax	(2,605,722)	2.2%	(2,213,526)	1.7%	17.7%	1,183,011	0.3%	(5,389,549)	1.5%	-122.0%
- Additional tax for prior years	-		-	0.0%		-		(25,708,582)	7.1%	
- Reversal of tax	-	0.0%	-			10,490,033	2.8%	-		
Total tax credit/(expense)	(2,605,722)	2.2%	(2,213,526)	1.7%	17.7%	11,673,044	3.1%	(31,098,131)	8.6%	-137.5%
Profit for the Period	11,766,198		14,080,791		-16.4%	61,251,485		22,710,908		169.7%
Net Income Margin	10.1%		11.0%			16.4%		6.3%		
Normalized PATAMI for the Period						64,024,252		64,061,105		-0.1%
Normalized PATAMI Margin						17.1%		17.6%		



01

**Market
Landscape**

02

**Financial
Results**

03

**Outlook and
Prospects**

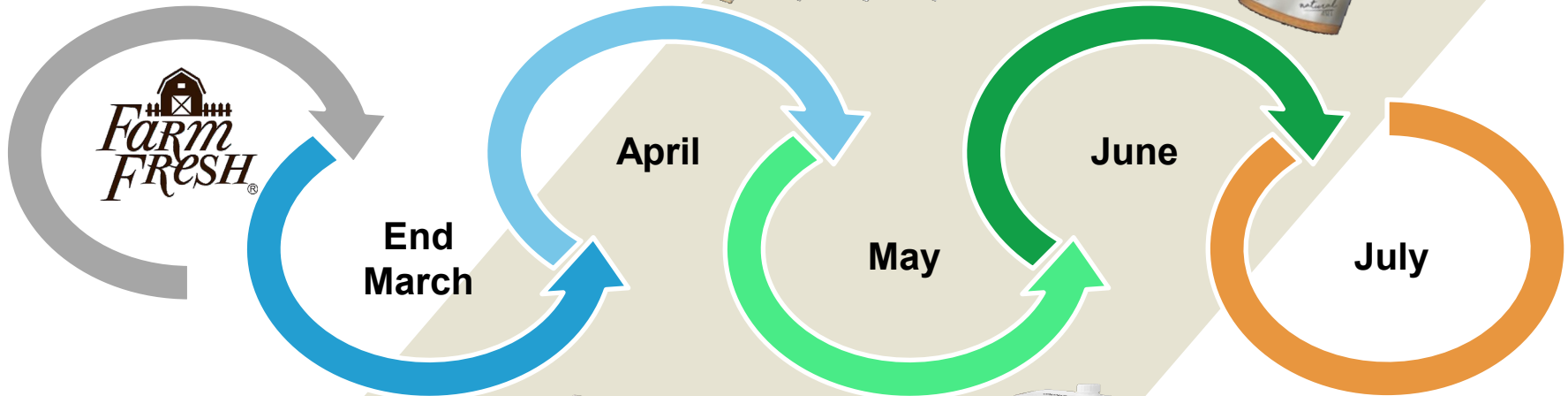


Upcoming Products

Farm Fresh Hero DC 125mL
(Full Cream, Strawberry,
Banana, Strawberry Yg,
Mango Yg, Mixed Berries
Yg & Soy Original)



Farm Fresh Farm
Yogurt Natural 470g



yarra farm

Yarra by Farm Fresh
Chocolate & Strawberry
Flavoured Milk 200mL
UHT (Straw)



yarra farm



Yarra by Farm Fresh Full
Cream Milk 200mL (Straw) &
1L Helicap

yarra farm

Farm Fresh Strawberry
Flavoured Milk 700g
Pasteurized



**Farm
FRESH**



Farm Fresh Hero DC
125mL Chocolate Milk

Source: Company information.

Farm Fresh
Almond Barista
200mL Helicap &
1L Helicap



Farm Fresh Oat
Barista 200mL
Helicap & 1L Helicap

Farm Fresh Liquid
Growing Up Milk



Outlook & Prospects

1 Losses in Australia contained

Rationalization completed in October 2021. Positive EBITDA since November 2021. Kyabram running at a good utilization, leading to cost-savings

2 **Revenue pick-up** in the March, ie month leading up to Ramadhan, and improving consumer confidence with Covid-19 concerns easing up

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

4 **Full completion of our Taiping farm and processing plant this year** will also 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 of our Larkin to focus on exports to Singapore

8 **Risk of escalating war in Ukraine** resulting in higher commodity prices globally, which may lead to further price increases

7 **Regional expansion with planned entry into Indonesia, Philippines and Hong Kong** underway with setting up of Company in Hong Kong and planned export into Indonesia with BPOM approval received.

6 **Launch of the growing up milk based on a fortified fresh milk formula**, a product without any sugar, maltodextrin, preservatives, artificial flavouring and colouring that will be much more beneficial to kids aged from 3 to 12 years old

5 **Contract award for School Milk Program (Program Susu Sekolah)** to provide at minimum 42 million packs of milk to 3,546 schools in the Northern, Eastern and Southern regions of Peninsular Malaysia, respectively, during the period from March 2022 to February 2023. Importantly, gives our HD Network access to school canteens and Parent-Teachers' Associations



Malaysian Rating Corp Bhd (MARC) rating



**RM1 billion IMTN
programme under the
Shariah principle of
Wakalah Bi Al-Istithmar**

MARC



AA-_{IS}

- Reflects Farm Fresh's **integrated dairy farming operations, growing sales track record**, and **strong domestic market position** in key dairy segments, underpinned by a **steadily improving financial performance**
- MARC noted that Farm Fresh remains a **leading player** in the domestic chilled RTD segment with its **42% market share** in the chilled (RTD) segment, and is ranked among the **top three** in the RTD (chilled and ambient) and yoghurt segments
- The IPO will **expand Farm Fresh's share capital** and **reduce the Group's leverage** to a moderate 0.48 times from 0.98 times.

Q&A

Thank You