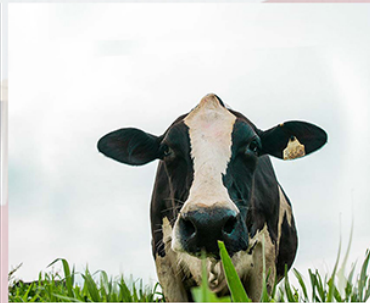




## Farm Fresh Berhad Extraordinary General Meeting

- (I) Proposed acquisition of The Inside Scoop Sdn Bhd (“The Inside Scoop”)
- (II) Proposed subscription of new ordinary shares in The Inside Scoop

**10 May 2023**



# Background

- FFB is seeking its shareholders' approval for the following:
  - (i) Proposed acquisition by Farm Fresh Berhad ("**FFB**" or "**Company**") of 462,739 existing ordinary shares in The Inside Scoop ("**The Inside Scoop Shares**"), representing 53.0% of the enlarged issued The Inside Scoop Shares after the completion of the Proposals (as defined below), for a total purchase consideration of approximately RM68.4 million ("**Purchase Consideration**"), subject to adjustments, to be satisfied in the following manners:
    - RM20.0 million to be satisfied via issuance of 13,158,000 new ordinary shares in FFB ("**FFB Shares**") ("**Consideration Shares**") at an issue price of RM1.52 per Consideration Share; and
    - RM48.4 million to be satisfied in cash ("**Cash Consideration**"),together with the grant of a put option by FFB in favour of Edmund Tan Jun Hua over the remaining The Inside Scoop Shares held by him at any point in time after the completion of the Proposals ("**Put Option Shares**") ("**Put Option**"); and
  - (ii) Proposed subscription by FFB of 104,771 new The Inside Scoop Shares ("**Subscription Shares**"), representing 12.0% of the enlarged issued The Inside Scoop Shares after the completion of the Proposals, for a total subscription consideration of approximately RM15.5 million ("**Subscription Consideration**") at a subscription price of RM147.86 per Subscription Share to be satisfied entirely in cash

(collectively referred to as "**Proposals**")

- The Inside Scoop was established in 2013 and has since become one of the fastest growing artisanal ice-creameries and the largest home-grown ice-cream chain in Malaysia. As at 31 March 2023, The Inside Scoop and its subsidiaries ("**The Inside Scoop Group**") operates 36 outlets scattered across Malaysia



# Basis and Justification of the Total Consideration

- The Purchase Consideration and the Subscription Consideration (collectively, the “**Total Consideration**”) was arrived at on a willing-buyer willing-seller basis based on the equity value of The Inside Scoop which was derived from the agreed enterprise value (“**EV**”) of The Inside Scoop Group of RM102.2 million (“**Agreed EV**”) as follows:

	<u>RM million</u>
Agreed EV <sup>(1)</sup>	102.2
Add: Net cash of The Inside Scoop Group as at 31 December 2022	6.9
Add: Incremental cash arising from the repayment of net outstanding intercompany balances	4.5
Add: Subscription Consideration	15.5
<b>Equity value</b>	<u><b>129.1</b></u>

**Equity value represented by 65.0% of the enlarged issued The Inside Scoop Shares comprises the following:**

- Purchase Consideration	
➤ Consideration Shares	20.0
➤ Cash	48.4
- Subscription Consideration	
➤ Cash	15.5

Note:

- (1) Based on an agreed EV to earnings before interest, tax, depreciation and amortisation (“**EBITDA**”) multiple (“**EV/EBITDA Multiple**”) of 9.5 times

# Basis and Justification of the Total Consideration (*cont'd*)

- **Adjustment to the Purchase Consideration**

- The Purchase Consideration will be adjusted if the audited EBITDA for the financial year ended (“**FYE**”) 31 December 2022 (“**Audited FY2022 EBITDA**”) exceeds or is less than the unaudited EBITDA for the FYE 31 December 2022 and amount of such difference exceeds 10% of the Audited FY2022 EBITDA
- Any adjustment required to be made to the Purchase Consideration will be made to the Cash Consideration

- **Working capital adjustment**

- If the actual net working capital of The Inside Scoop Group as at the completion date of the Proposals (“**Completion WC**”) is higher than RM13.747 million, being the amount which was agreed by FFB and the vendors after taking into consideration the working capital requirements of The Inside Scoop Group and the historical net working capital of The Inside Scoop Group (“**WC Peg**”), and the amount of such difference exceeds 10% of the WC Peg, FFB shall pay to the Vendors an amount equivalent to such difference
- If the WC Peg is higher than the Completion WC and the amount of such difference exceeds 10% of the WC Peg, the vendors shall pay to FFB an amount equivalent to such difference

# Basis and Justification of the Total Consideration (cont'd)

The management of FFB has performed an internal assessment based on common valuation methodologies as follows:

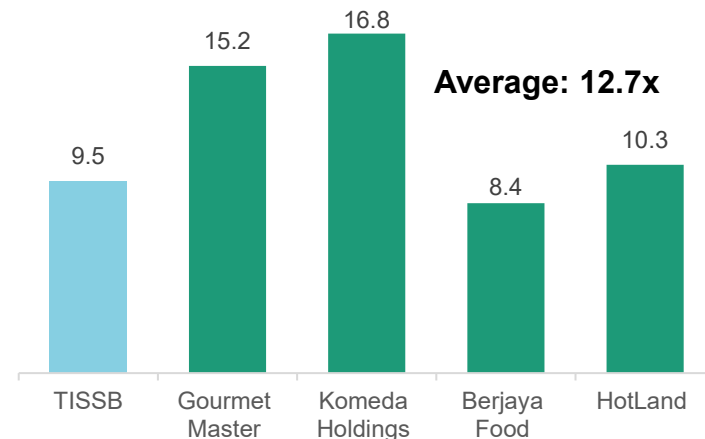
## 1. Comparable trading multiple analysis

Comparable companies were selected based on their respective principal activities in the F&B industry with specialised product lines such as coffee and/or tea ("**Specialised F&B Business**").

The Agreed EV/EBITDA Multiple of 9.5 times falls:

- within the range of EV/EBITDA multiples of companies comparable to The Inside Scoop Group ("**Comparable Companies**") of between 8.4 times and 16.8 times
- below the average EV/EBITDA multiples of the Comparable Companies of 12.7 times

EV / EBITDA Multiple (times)



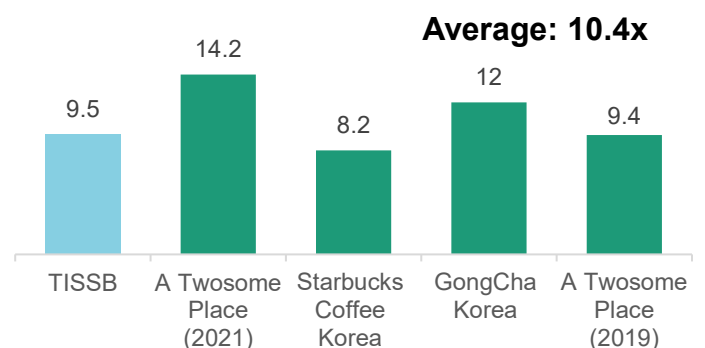
## 2. Comparable transaction analysis

Comparable transactions were selected based on the acquisition of companies involved in the Specialised F&B Business in Asia Pacific for the past 5 years up to and including 8 February 2023.

The Agreed EV/EBITDA Multiple of 9.5 times falls:

- within the range of EV/EBITDA multiples of comparable transactions of between 8.2 times and 14.2 times
- below the average EV/EBITDA multiples of comparable transactions of 10.4 times

EV / EBITDA Multiple (times)



# Put Option

- Pursuant to a shareholders' agreement to be entered into between FFB and Edmund Tan upon completion of the Proposals ("**SHA**"), FFB will grant the Put Option
- The Put Option may be exercised upon the occurrence of certain triggering events and during the relevant periods during which Edmund Tan can exercise the Put Option commencing from the date of the SHA until Edmund Tan ceases to be a shareholder of The Inside Scoop.
- The exercise price for the Put Option is mainly reliant on the Put Option EV/EBITDA Multiple which is dependent on the compound annual growth rate ("**CAGR**") of The Inside Scoop Group's EBITDA ("**Applicable EBITDA CAGR**") ("**Put Option EV/EBITDA Multiple**") as set out below:
- The range of the Put Option EV/EBITDA Multiples of between 9.5 times to 11.0 times was arrived at after taking into consideration the following:
  - (i) Agreed EV/EBITDA Multiple used to arrive at the Total Consideration of 9.5 times
  - (ii) prospects of The Inside Scoop Group
  - (iii) incentivising Edmund Tan to further grow the business of The Inside Scoop Group
- The range of the Put Option EV/EBITDA Multiples falls within the range of EV/EBITDA Multiples of:
  - (i) the Comparable Companies of between 8.4 times and 16.8 times
  - (ii) comparable transactions of between 8.2 times and 14.2 times

Applicable EBITDA CAGR (Z) (%)	Put Option EV/EBITDA Multiple (times)
$Z \leq 25.0$	9.5
$25.0 < Z < 35.0$	10.0
$Z \geq 35.0$	11.0

# Rationale and Benefits of the Proposals

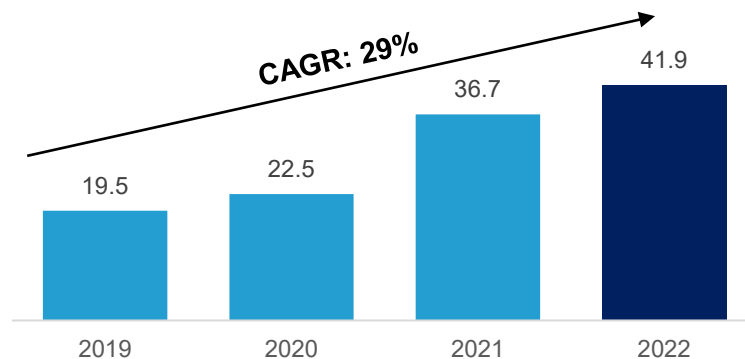
## WHY?



- Pave the way for FFB's entry and ownership in one of the fastest growing artisanal local ice creameries and the largest home-grown ice-cream chain in Malaysia
- Allow FFB and its subsidiaries ("**Group**") to expand their revenue base and income stream through the acquisition of The Inside Scoop Group
- Leverage on the competency and experience of the founders of The Inside Scoop who will spearhead FFB's ice cream division and lead the FFB Group's foray into the lucrative consumer package goods ice cream market
- Serve as an opportunity to mitigate the FFB Group's concentration risk on the FFB Group's core business of rearing dairy cows and the production and marketing and sale of dairy milk products
- Similarities between the business ethos of the FFB Group and The Inside Scoop Group

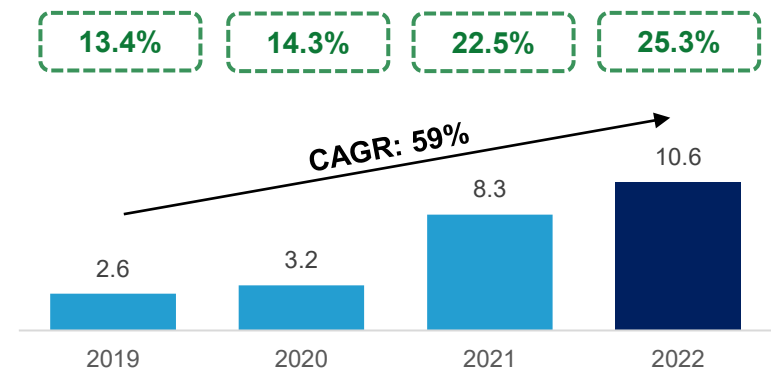
RM million

### Revenue



RM million

### Profit Before Tax ("PBT")



PBT Margin %

Note:

2022 - Based on The Inside Scoop's unaudited consolidated financial statements for the FYE 31 December 2022

# Future Plans

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- The Proposals are expected to be **completed in May 2023**

## **WHAT'S NEXT?**

- **Retail**
  - Target to open 1 store a month for the next 3 years
  - Evaluate the potential expansion of The Inside Scoop Group's business into neighbouring countries with large populations (e.g. Philippines and Indonesia)
- **Consumer Packaged Goods Ice Cream**
  - Launch CPG Ice Cream products approximately 1 year from the completion date of the Proposals
  - Capture 5% to 10% market share in the Malaysian CPG Ice Cream market in the medium term
  - Export the CPG Ice Cream products to neighbouring countries within Southeast Asia





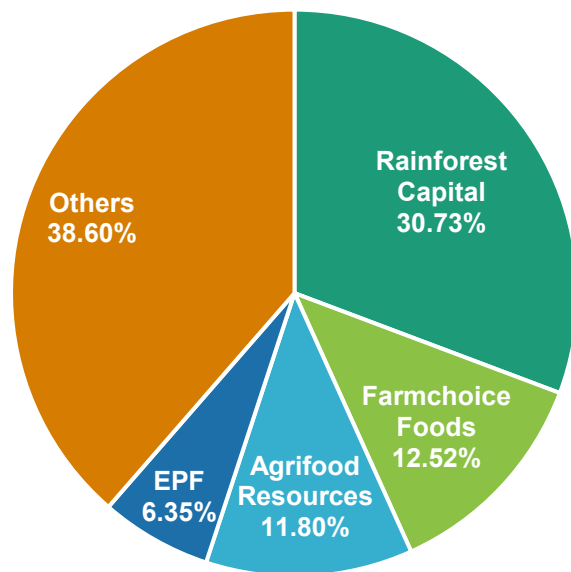
# Effects of the Proposals

## Issued share capital

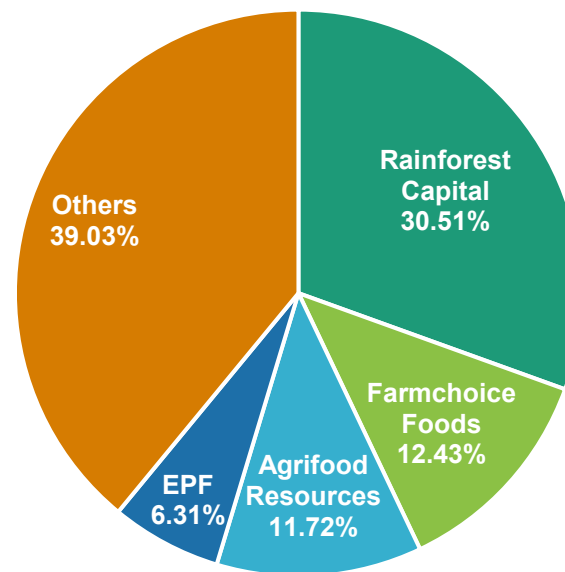
	No. of FFB Shares	RM
As at 31 March 2023	1,858,239,237	380,991,383
Consideration Shares to be issued to the vendors	13,158,000	20,000,160
<b>Enlarged issued FFB Shares and share capital</b>	<b>1,871,397,237</b>	<b>400,991,543</b>

## Substantial shareholders' shareholding

As at 31 March 2023

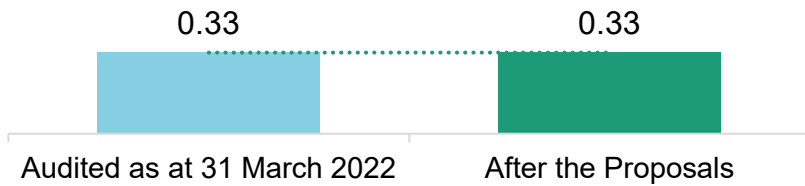


After the Proposals

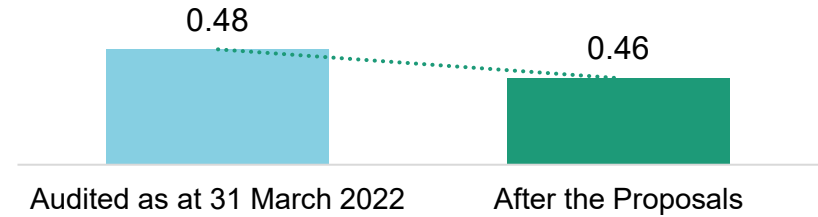


# Effects of the Proposals (cont'd)

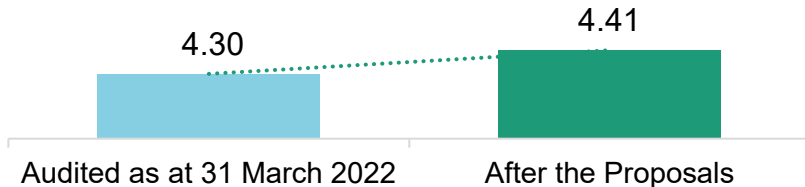
Net assets per FFB Share  
(RM)



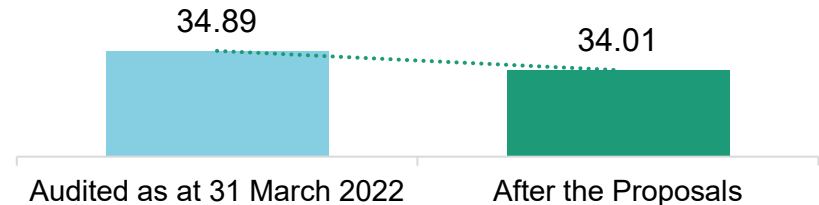
Gearing  
(times)



Basic earnings per FFB Share  
(sen)



Price-to-earnings multiple of FFB Shares  
(times)



# Approvals required and conditionality of the Proposals

## Approval required

- Shareholders' approval for the Proposals (including the issuance of the Consideration Shares and granting of the Put Option)

## Conditionality of the Proposals

- The Proposed Acquisition and the Proposed Subscription are inter-conditional
- Save for the above, the Proposals are not conditional upon any other corporate proposal/scheme of FFB

*Thank You*