



Farm Fresh Berhad

Q1 FY25 Results Briefing

28 August 2024



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Results

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Outlook and
Prospects



Q1 FY25 key highlights:



In RM' mil	Q1FY25	Corresponding Quarter		Preceding Quarter	
		Q1FY24	% Change	Q4FY24	% Change
Revenue	241.7	185.5	▲ 30%	215.0	▲ 12%
Gross Profit	72.9	32.9	▲ 122%	65.3	▲ 12%
EBITDA	46.0	19.5	▲ 136%	42.0	▲ 10%
Profit after tax	26.5	5.6	▲ 373%	24.0	▲ 10%
PATAMI	26.0	6.4	▲ 308%	23.9	▲ 9%

Key narratives

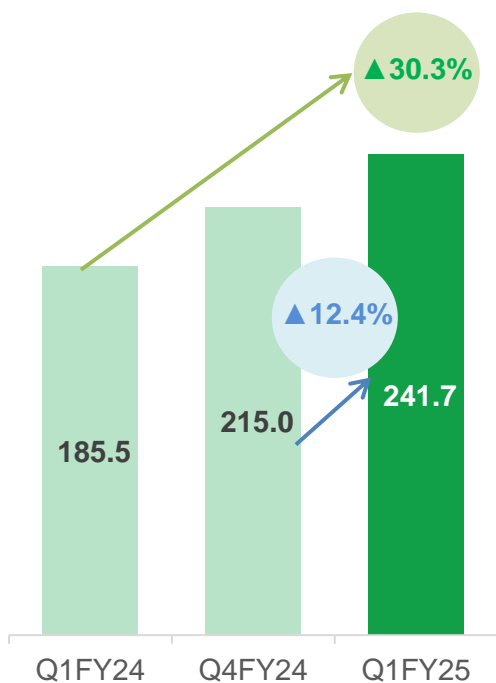
- Sales growth driven by higher HORECA and commercial UHT sales, sales contribution from new products, accompanied by revenue contribution from Inside Scoop and Sin Wah, and increase in Australia revenues.
- Improved gross profit and profitability due to lower milk ingredients cost, increase in prices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



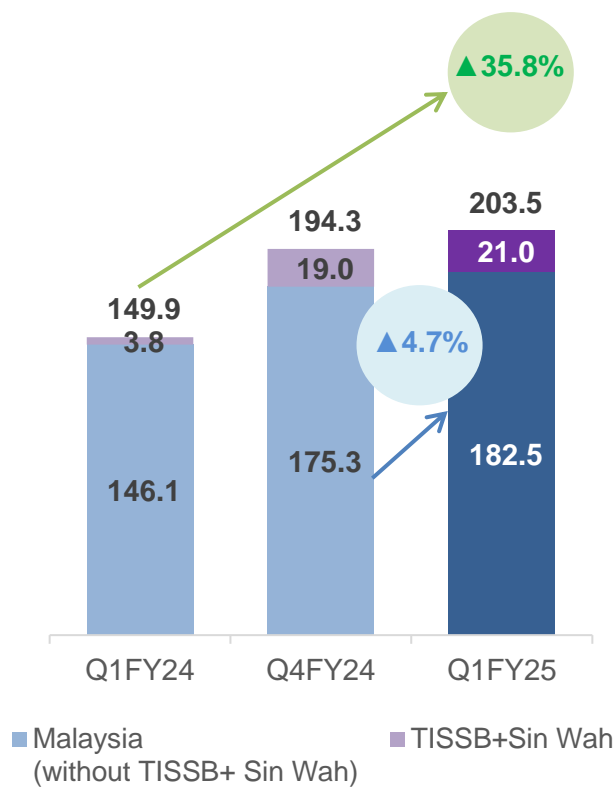
Financial Highlights

Revenue (RM mil)

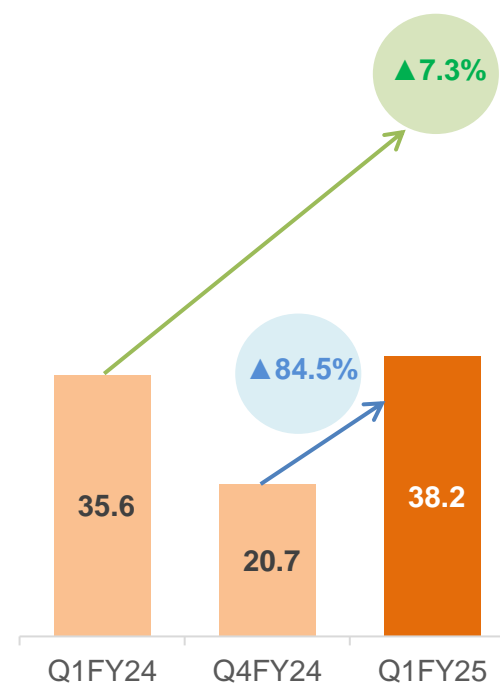
Group - RM mil



Malaysia - RM mil



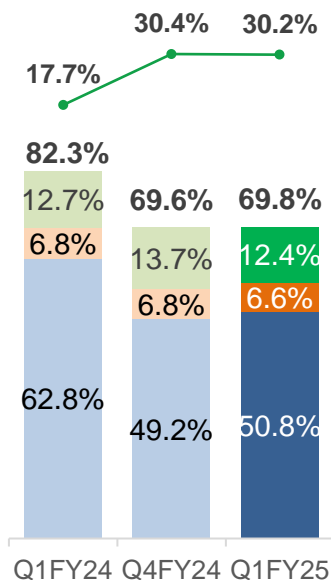
Australia - RM mil



Financial Highlights

Gross Profit (RM mil)

Group - Cost of Goods Sold
(% of revenue)

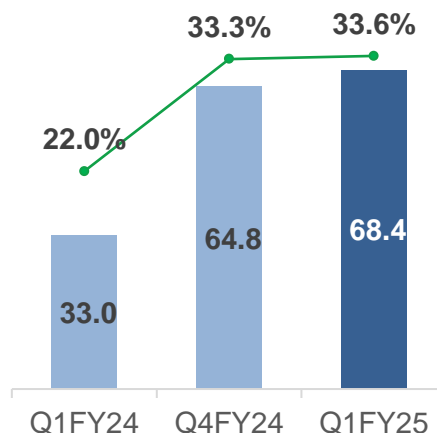


■ Direct Overhead
■ Direct Labour
■ Direct Material
—●— GP Margin

Group GP margin drop slightly from preceding quarter (even though MY and AU increased) due to the higher proportion of Australia revenue (Q1'25: RM38.2m, 15.8% of Group revenue), ; Q4'24: RM20.7m, 9.6% of Group revenue).



Malaysia - RM mil, %

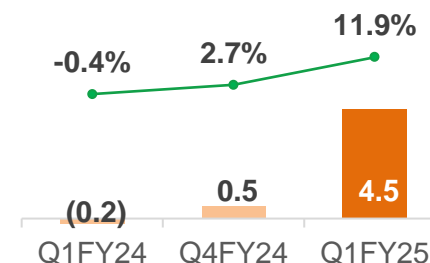


GP increased by more than two-fold while **GP margin improved from 22.0% to 33.6%**, mainly attributable to the:

- **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**.



Australia - RM mil, %

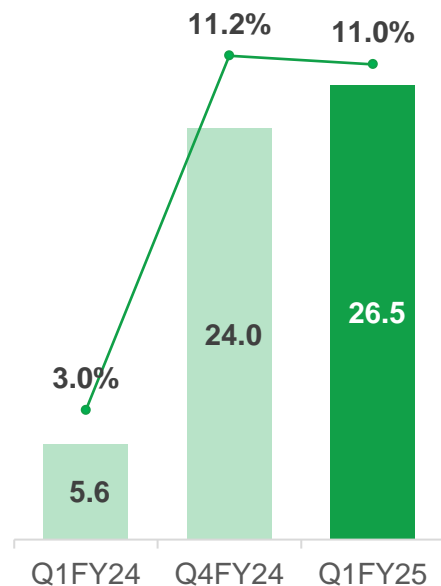


Turnaround from gross loss of RM0.2m to gross profit of RM4.5m while gross profit margin improved from -0.4% to 12%, due to higher production volume which leads to a decrease in production cost per litre as compared to low production volume in corresponding quarter to deliberately deplete levels of inventories with higher milk cost.

Financial Highlights

Profit after tax (RM mil)

Group - RM mil, PAT Margin %



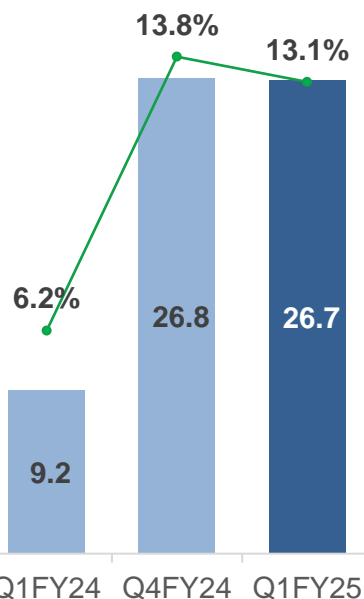
Growth % versus

Corresponding period : **▲373.2%**

Preceding period: **▲10.4%**



Malaysia - RM mil, %



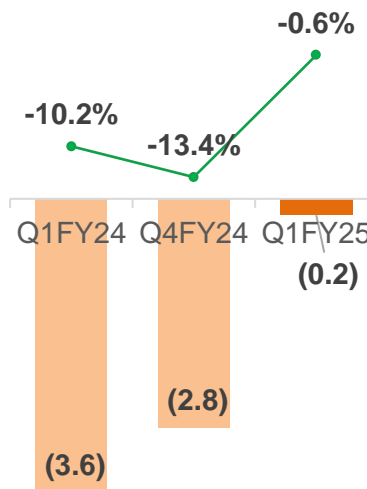
Growth % versus

Corresponding period : **▲190.2%**

Preceding period: **= 0.0%**



Australia - RM mil, %



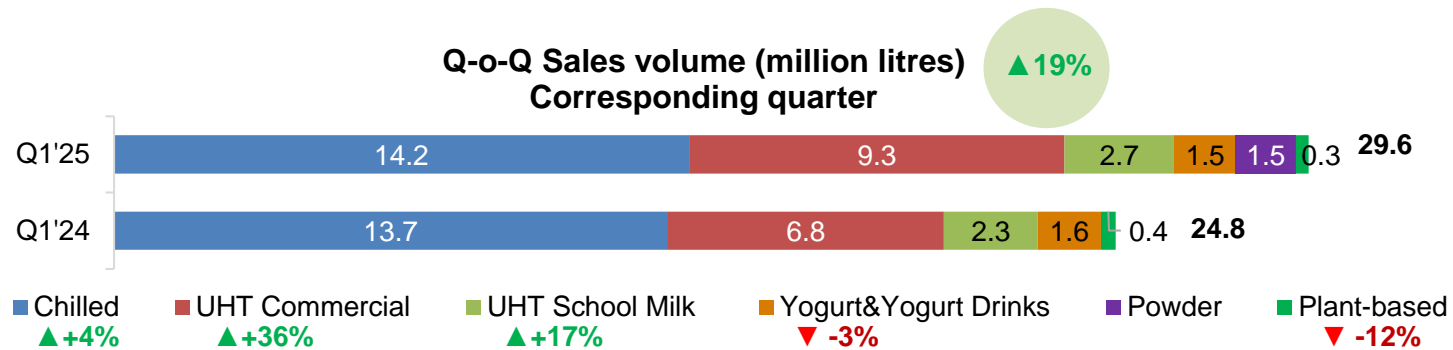
Growth versus

Corresponding period : **▲18-fold**

Preceding period: **▲14-fold**

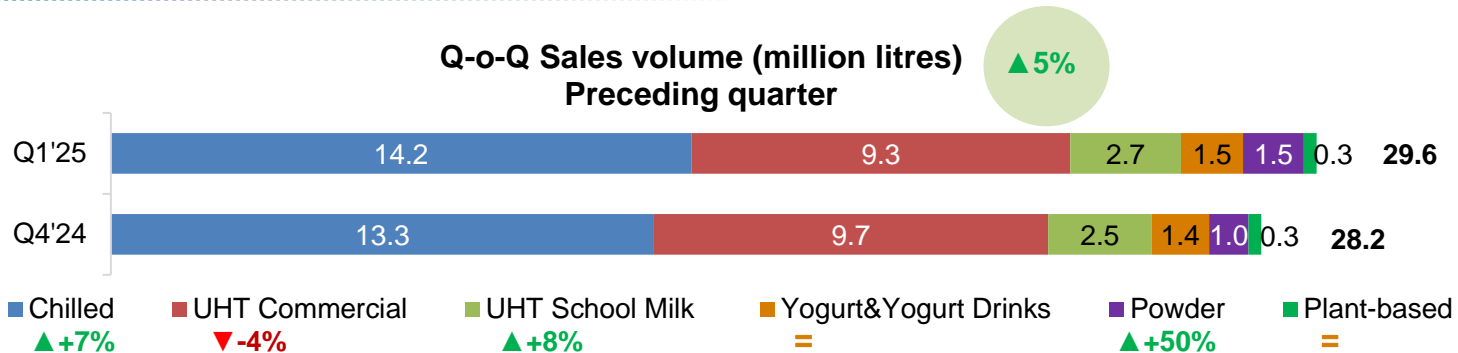
Note: Malaysia's PAT margin dropped slightly as compared to preceding quarter due to FV loss on valuation of biological assets of RM0.3mil in the current period as opposed to FV gain of RM1.4mil in the preceding period. Excluding the FV impact, the normalized PAT has in fact increased from RM25.4m (PAT%:13.0%) in Q4'24 to RM27.0m (PAT %: 13.3%) in Q1'25.

RTD Sales Volume (mil litres)



Corresponding quarter

Volume sold increased Q-o-Q by 19% in Q1'25, mainly attributable to recruitment of new HORECA customers, as well as higher mini mart and online sales for UHT products such as Yarra by Farm Fresh and Growing Up Milk both in liquid and powder format.



Preceding quarter

Volume sold increased by 5% in Q1'25 compared to Q4'24, attributable to higher sales of chilled milk products and Growing Up Milk in powder format which partially offset by slight decrease in UHT commercial products due to higher seasonal demand of UHT Kurma milk during Ramadhan in preceding quarter.

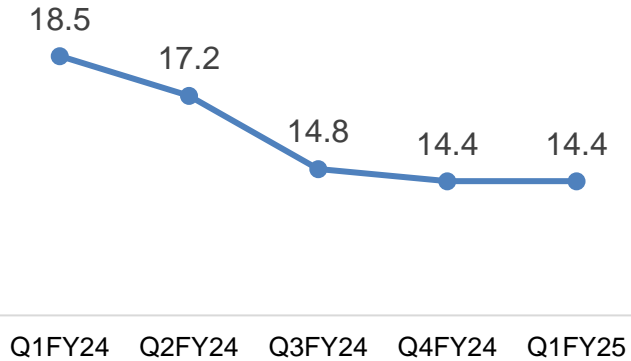
Milk powder and other key cost items easing from record high prices



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

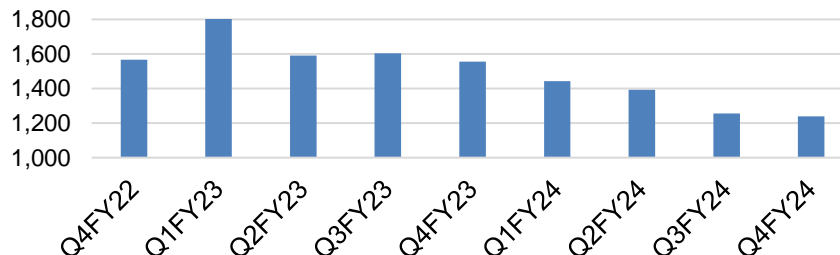


Average whole milk powder consumption unit cost (RM/kg)



- GDT prices surged in Feb and March 2022 (Ukraine war) affecting margins in FY23 but has since reduced, resulting in improved GP margin.
- We have secured from GDT purchases at an average price of ~USD3,248 per MT for deliveries until December 2024.
- 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.

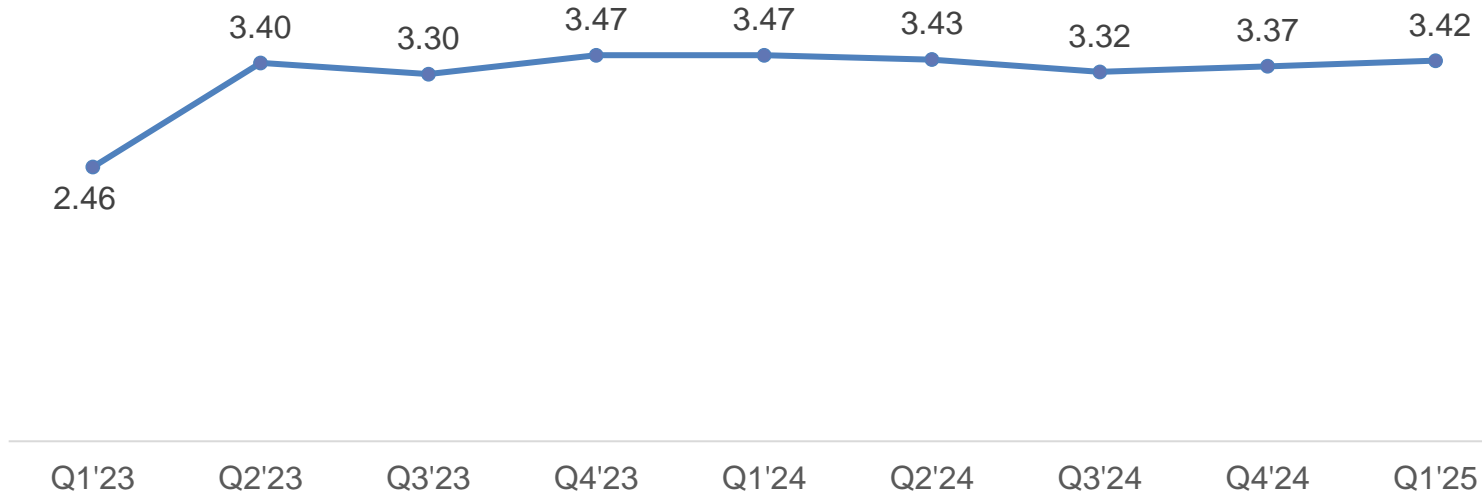
Maize (Quarterly average RM per MT)



- 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.
- 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.

Operating Profit & Net Profit (RM'000)



	Current Quarter		Preceding Quarter		Corresponding Quarter	
	Q1FY25	% of revenue	Q4FY24	% of revenue	Q1FY24	% of revenue
Gross profit	72,946	30.2%	65,333	30.4%	32,873	17.7%
Add: Other income	2,807	1.2%	4,285	2.0%	5,020	2.7%
<i>FV gain–Biological Assets</i>	--		1,913		338	
<i>FV gain–Derivatives</i>	1,231		(180)		2,236	
<i>Other income</i>	1,576		2,552		2,446	
Less: Selling & Distribution	(21,318)	-8.8%	(20,371)	-9.5%	(13,971)	-7.5%
<i>Transportation & logistics</i>	(13,409)	-5.5%	(11,630)	-5.4%	(9,875)	-5.3%
<i>A&P expenses</i>	(5,895)	-2.4%	(6,864)	-3.2%	(3,260)	-1.8%
<i>Other selling expenses</i>	(2,014)	-0.9%	(1,877)	-0.9%	(836)	-0.4%
Less: Administrative	(20,229)	-8.4%	(18,314)	-8.5%	(13,662)	-7.4%
<i>Salary expenses</i>	(12,052)	-5.0%	(11,007)	-5.1%	(7,737)	-4.2%
<i>Office expenses</i>	(2,869)	-1.2%	(2,215)	-1.0%	(1,759)	-0.9%
<i>Depreciation and amortisation</i>	(3,017)	-1.3%	(2,669)	-1.3%	(1,418)	-0.8%
<i>Others</i>	(2,291)	-0.9%	(2,423)	-1.1%	(2,748)	-1.5%
Less: Other expenses	(1,706)	-0.7%	(2,459)	-1.1%	(985)	-0.5%
<i>FV loss–Biological Assets</i>	(550)		--		--	
<i>Other expenses</i>	(1,156)		(2,459)		(985)	
Operating Profit	32,500	13.4%	28,474	13.3%	9,275	5.0%
Net finance costs	(4,156)		(3,630)		(3,406)	
Profit before tax	28,344	11.7%	24,844	11.6%	5,869	3.2%
Tax expense	(1,833)		(829)		(260)	
Profit after tax	26,511	11.0%	24,015	11.2%	5,609	3.0%

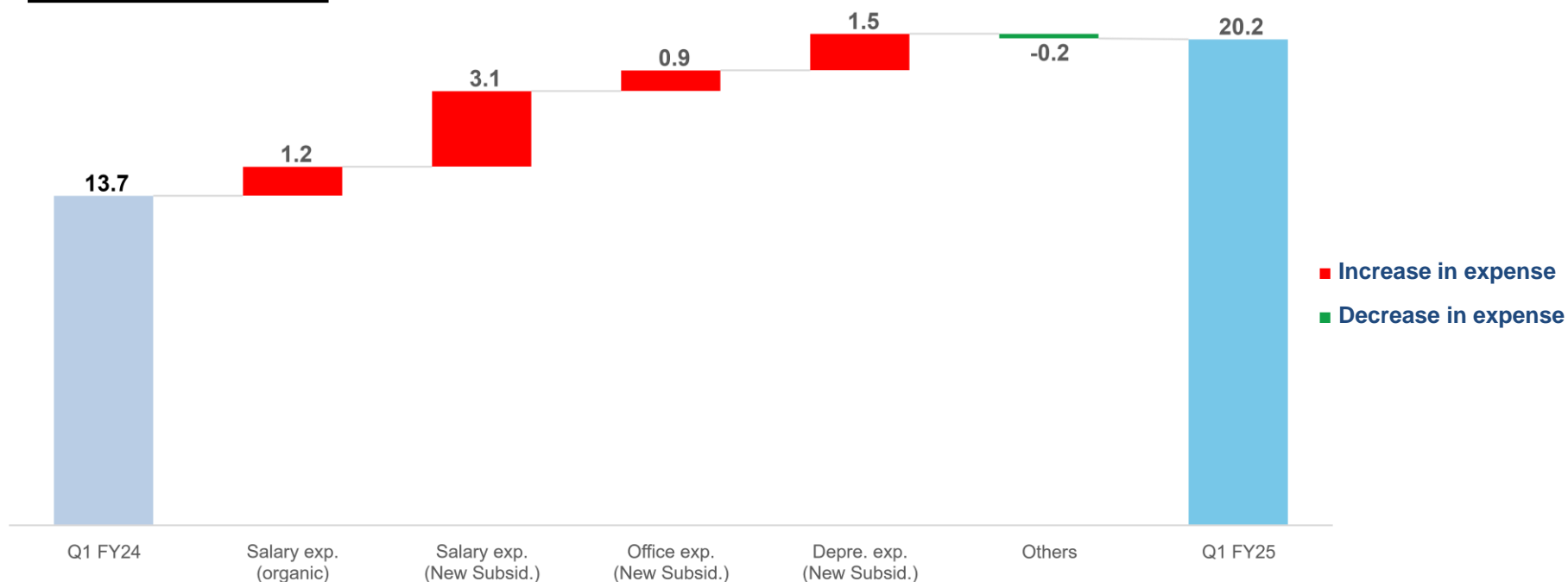
Gross profit increased by more than two-fold from RM32.9mil to RM72.9mil mainly due to aforementioned higher sales and lower costs.

The gross profit was offset with the following:

- **Higher selling expenses** due to higher marketing spend;
- **Higher distribution expenses** incurred which in line with the higher sales and also due to implementation of 6% service tax on logistic services starting from 1st March 2024 ;
- **Higher admin expense** due to the increase in salary expenses, office expenses and depreciation expenditure from Inside Scoop and Sin Wah;
- **Higher fair value loss on valuation of biological assets** of RM0.6mil as opposed to RM0.3mil fair value gain in the corresponding quarter;
- **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;
- **Higher tax expense in current quarter compared to corresponding quarter** attributable by Inside Scoop and Sin Wah which do not enjoy any tax incentives.

Administrative expenses breakdown (RM mil)

Q1 FY2025 vs Q1 FY2024



Higher admin expense due to the:

- Increase in salary expenses due to increase in headcount and managerial position;
- 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);

which was partially offset by:

- Lower professional fees incurred, mainly due to the acquisition of The Inside Scoop in the corresponding quarter.

Statement of financial position (RM'000)



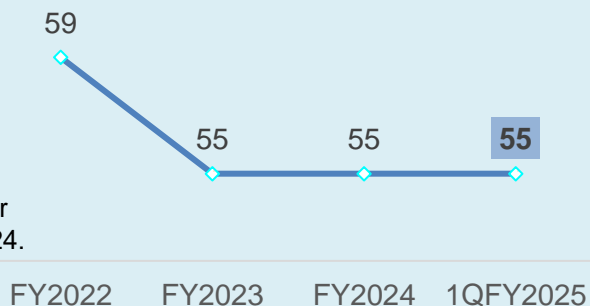
	31 March 2024 RM'000	30 June 2024 RM'000	% change
NON-CURRENT ASSETS			
Property, plant and equipment	494,633	512,664	3.6
Right-of-use assets	33,124	32,742	(1.2)
Biological assets	133,284	135,481	1.6
Intangible assets	112,826	113,057	0.2
Trade and other receivables	563	468	(16.9)
Deferred tax assets	8,926	8,858	(0.8)
CURRENT ASSETS			
Inventories	156,299	177,610	13.6
Trade and other receivables	176,433	183,594	3.1
Current tax assets	4,509	4,425	(1.9)
Derivative financial assets	893	2,105	>100
Other investments	99,944	116,934	17.0
Cash and cash equivalents	58,167	52,917	(9.0)
TOTAL ASSETS	1,279,601	1,340,855	4.6
NON-CURRENT LIABILITIES			
Accruals	--	32	--
Deferred tax liabilities	19,161	20,133	5.1
Deferred income	5,955	5,888	(1.1)
Loans and borrowings	338,365	337,074	(0.4)
Lease liabilities	16,742	16,891	0.9
Put option liability	36,955	37,770	2.2
CURRENT LIABILITIES			
Deferred income	271	271	--
Loans and borrowings	67,648	82,292	21.6
Lease liabilities	8,010	7,629	(4.8)
Trade and other payables	92,875	110,506	17.1
Current tax liabilities	648	688	6.2
TOTAL LIABILITIES	586,630	619,174	5.2
TOTAL EQUITY	692,971	721,681	4.1
TOTAL EQUITY AND LIABILITIES	1,279,601	1,340,855	4.6

- 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 .
- Increase in **current loans and borrowings** primarily due to higher utilization of banker acceptances.
- **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.

Key Financial Ratios

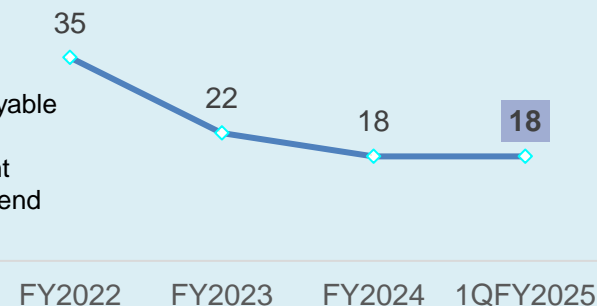
Trade receivable turnover (Days)

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



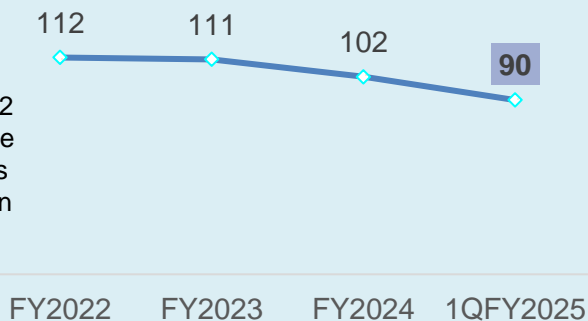
Trade payable turnover (Days)

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

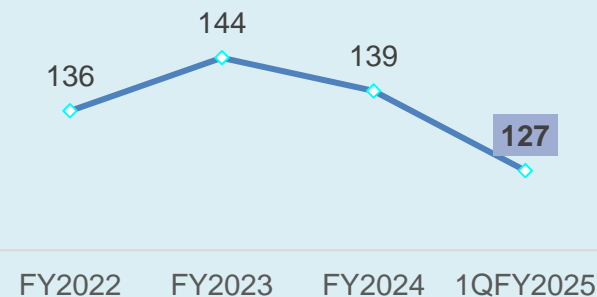


Inventory turnover (Days)

Average inventory turnover days decreased from 102 days to 90 days due to lesser purchases with the expectation of a drop in the Australian average farmgate raw milk prices and whole milk powder prices.



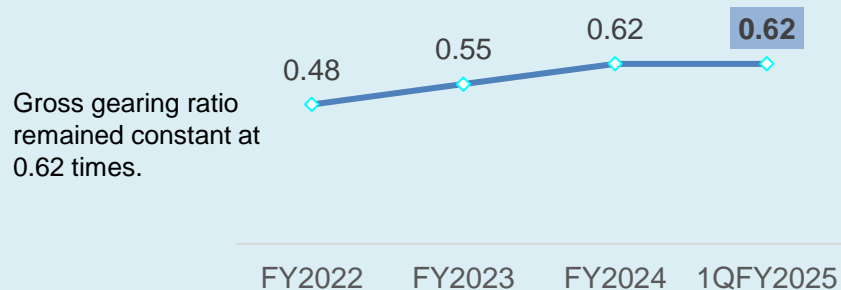
Cash conversion cycle (Days)



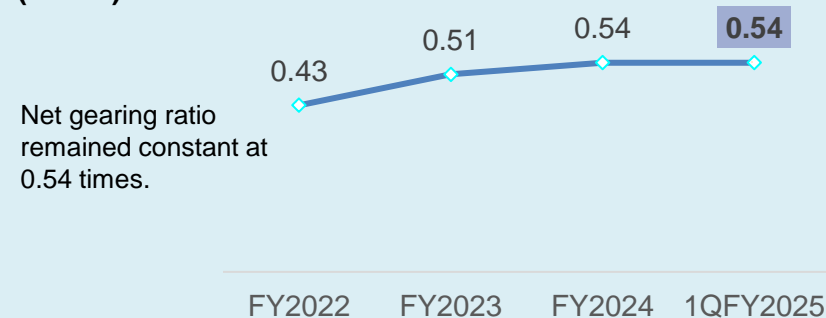
Key Financial Ratios



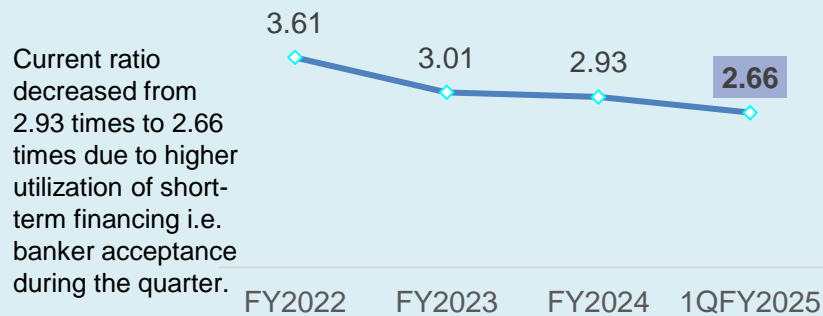
Gross gearing ratio (Times)



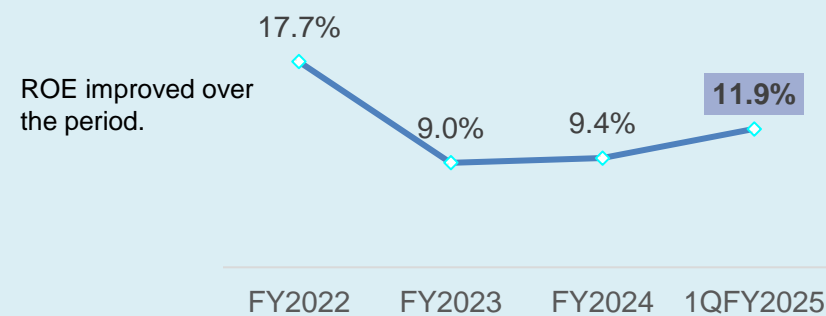
Net gearing ratio (Times)



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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Outlook and
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New product launches



Mechamato series



CPG Ice cream



Riceberry milk



Cooking cream



Chocolate malt



Butter (9g and 200g)



Farm fresh grow cultured milk

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 quarter, continuing trajectory of higher revenue and profit margins + turnaround of Australia results.

2

High growth trajectory expected from both category expansion of our products and regional expansion, continuing on from Yarra by Farm Fresh & Farm Fresh Grow.

3

Launched our CPG ice cream in August 2024 from Taiping plant. Larger investment for CPG ice cream at Enstek plant materializing in 2025.

4

Launched chocolate malt product in July 2024. New market segment, growing our total addressable market significantly. Less sugar and fat, higher protein and fibre content, to cater with the increasingly health-conscious market in Malaysia.

5

Philippines factory to be operational by end-August 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.



Q&A

Thank You