

Farm Fresh

Greener Edge

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We recently organized a site visit to FFB's integrated farm and processing facility in Muadzam Shah, which highlighted its ability to scale volume, expand into higher-value products, and maintain industry-leading sustainability standards. The commissioning of a new high-speed UHT line (24k packs/hour), supported by a five-year RM600m school milk contract, secures near-term volume visibility and enables new launches such as the RM1 chocolate malt drink. ESG initiatives, including circular farming practices, humane farming certifications and renewable energy solutions such as biogas and solar PV, add a differentiated edge among its peers. We maintain our forecasts but raise TP by 12% to RM2.36 (from RM2.10), rolling forward our valuation base year to FY27F (from FY26F), with an unchanged targeted PER of 28x. Reiterate **OUTPERFORM**.

We recently visited FFB's farm and processing facility in Muadzam Shah, Pahang, its largest integrated dairy farm, and met with the management team to further understand its operations and sustainability initiatives, which reinforce its leadership in sustainability among dairy players in the region. The key highlights are as follows:

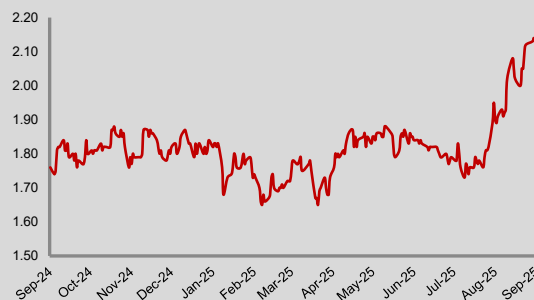
- Scaling herd size to support volume growth.** Management shared its plans to bring in another 900 new cows in early November, to be distributed across farms such as Muadzam Shah and Desaru. This follows the recent expansion of its Muadzam Shah farm, which has doubled capacity to 6,000 cows, strengthening its raw milk supply capabilities. Current milk yield stands at 18–21 litres/day, subject to weather, though the company aims to ultimately lift this into the high-20s; this would likely be an ongoing process which requires improvements in both herd management and feed quality.
- Boosting UHT capacity with new high-speed line.** On the processing side, the highlight was a new UHT line installed just two months ago, with a capacity of 24k packs/hour — a material step-up from the older 9k/hour lines. This investment was made supportable by FFB entering into a longer five-year contract, with the Ministry of Education under the School Milk Programme, which started this year and is worth >RM600m. Versus the previous year-or-year contract renewal, this provides improved visibility to scale production which commenced with c.86m packs in the first year (estimated >RM100m revenue for CY25). Beyond the school milk programme, Farm Fresh plans to leverage the new line to roll out a RM1 chocolate malt UHT drink made available through stockists selling into schools (to reach non-B20 students not covered by the government scheme).

The site we visited focused mainly on UHT and powder products, complementing its facility in Taiping (pasteurised milk, butter, ice cream) and Larkin (pasteurised milk, yogurt). The plant utilisation at Muadzam Shah currently stands at around 70% (ideal: 75%), ahead of Taiping (~50%) and Larkin (~50–60%), underscoring room for efficiency gains.

OUTPERFORM ↔

Price: **RM2.13**
Target Price: **RM2.36** ↑

Share Price Performance



KLCI	1,603.55
YTD KLCI chg	-2.4%
YTD stock price chg	14.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	FFB MK EQUITY
Market Cap (RM m)	3,999.1
Shares Outstanding	1,877.5
52-week range (H)	2.16
52-week range (L)	1.60
3-mth avg. daily vol.	5,925,243
Free Float	38%
Beta	0.8

Major Shareholders

Rainforest Capital SdnBhd	29.0%
FarmChoice Foods SdnBhd	11.1%
Kumpulan Wang PersaraanDiperbadankan	10.1%

Summary Earnings Table

FYE Mar (RM m)	2025A	2026F	2027F
Turnover	981.2	1204.5	1390.6
EBIT	131.8	169.2	189.1
PBT	115.2	152.8	172.6
Net Profit	106.4	140.4	158.6
Core Net Profit	108.7	140.4	158.6
Consensus (NP)	-	136.4	158.2
Earnings Revision	-	-	-
Core EPS (sen)	5.8	7.5	8.5
Core EPS Growth (%)	71.6	29.1	13.0
NDPS (sen)	2.0	2.6	3.0
BVPS (RM)	0.4	0.4	0.5
Core PER (x)	36.7	28.4	25.2
PBV (x)	5.7	5.0	4.5
Net Gearing (x)	0.5	0.5	0.5
Net Div. Yield (%)	0.9	1.2	1.4

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- **Broadening portfolio with cream innovations for HORECA market.** Additionally, management also outlined a healthy product pipeline, including cooking cream, whipping cream, and cook-and-whip products targeting the HORECA market, along with Sir David branded cultured butter (both salted and unsalted) and skim milk powder. This paints a positive picture of FFB's ability to scale both volumes and value-add offerings.

Beyond volumes and capacity, FFB complements its growth initiatives with a strong focus on ESG, embedding sustainability at the core of its operations.

- **Energy & emissions.** As part of its ongoing **transition to renewable energy**, Farm Fresh has installed a **biogas facility** and solar PVs in the Muadzam Shah farm. In operation since April 2024, the biogas facility is the first in Malaysia designed to process cow manure at scale, producing energy that supports thermal processes in milk sterilization and boiler systems. Operated under a zero-capex arrangement, the biogas plant is constructed using Green Lagoon Technology's In-Ground Bio Reactor (IGBR) system that has reduced diesel usage by an estimated 670,000 litres per year, avoiding 9,800 tonnes of CO₂ emissions, or equivalent to ~9% of Farm Fresh's CO₂ emissions.

Meanwhile, the **solar PV** systems now cover up to 65% of peak electricity demand across multiple farms, including Muadzam Shah (1,025.07kWp peak capacity), Larkin (689.02kWp), and Taiping (525.03kWp). While the group's emission intensity increased by 9% YoY in FY24, primarily due to greater fertilizer application and the energy load from new store openings, its operations are more efficient than that of its peers, with emissions per tonne of milk still 17% lower than the Asian average and 31% below Oceania benchmarks.

- **Animal welfare.** The farm is home to approximately 4,500 cows, primarily Australian tropical crossbreeds, optimized for heat tolerance and high-yield lactation. Each cow is milked twice a day, at 5am and 5pm, using an **automated rotatory milking parlour** that ensures consistent pressure and hygienic collection, with each rotation lasting around nine minutes and handling about 300–400 cows per hour. A previous trial of three daily milkings was discontinued after it caused signs of stress among the herd, reinforcing the group's animal-first approach. Importantly, Farm Fresh is the only dairy farm in Asia to be awarded the **Certified Humane® by the Humane Farm Animal Care (HFAC)**, a well-known US non-profit certification organization, while its UPM farm is certified Good Agricultural Practices by the Department of Veterinary Services. These certifications reflect Farm Fresh's commitment to ethical and welfare-centric farming practices across all Malaysian operations. Dairy cows' lifespan typically ranges from six to eight years after three to four calvings, with herds carefully managed to maintain consistent lactation cycles and milk production. Once they reach the end of their productive milking life, the cows are sold for meat, in compliance with HFAC's strict traceability requirements, and ensuring full utilization of the animal.
- **IVF breeding.** The group operates a **dedicated IVF lab on-site**, enabling selective breeding through egg retrieval from high-performing cows and embryo transfer into surrogate mothers. This approach supports **genetic optimization suited to tropical climates while reducing reliance on imported livestock**. The milking-to-dry cow ratio remains healthy at 75%–80%, with herd expansion managed in line with output efficiency. By increasing overall milk yield per cow, the IVF programme helps lower emissions intensity, as fewer cows are needed to produce the same volume of milk, reducing feed demand, manure output, and methane emissions per liter produced.
- **Circular farming.** Farm Fresh has been at the forefront of **regenerative agriculture** since 2014, embedding circular farming practices as a core part of its operations. In FY24 alone, the group successfully recycled 418.6m litres of farm effluent and 146,730 tonnes of solid waste, demonstrating its large-scale commitment to waste recovery. Organic by-products are further transformed through **vermiculture**, producing nutrient-rich wormcast that enhances soil health and reduces dependence on synthetic inputs. As a result, Farm Fresh eliminated 1.5m kg of synthetic fertilizer from its nutrient cycle in FY24, a notable achievement, even as it continues to scale, with only a modest reduction from 1.78m kg in the previous year. **Treated wastewater that is rich with nitrogen** is also used to irrigate fields where Farm Fresh is planting its own grass and corn that make up the cows' feedstock. These outcomes underscore the group's leadership in closing the loop between dairy production and sustainable land use.
- **Processing.** Milk is treated at approximately 80°C for pasteurized lines and 142°C for UHT, preserving nutritional value while ensuring food safety across batch volumes of up to 300 metric tons. The group maintains a **clean-label policy**, using no recombinant milk, maltodextrin, or preservatives supporting healthier consumer choices and reducing reliance on overly processed inputs. **Packaging is produced in-house**, giving Farm Fresh better oversight of material sourcing and waste reduction. Its use of its Tetra Pak packaging which are recyclable, increased by 29% YoY to RM271.4m in FY24, reflecting a growing commitment to recyclable, responsibly sourced materials. Meanwhile, its Milk on Tap initiative has eliminated more than 140,000 single-use plastic bottles since launch, contributing to circular consumption and reduced plastic dependency.
- **Local hiring.** Employing about **80% local Malaysians** at Muadzam Shah demonstrates Farm Fresh's commitment to inclusive hiring and rural employment. By filling most high-skilled roles with local talent, the group helps build long-term career pathways rather than relying on transient or outsourced labour. Beyond the farm, its **home dealer network**, which generated **RM47.2m in gross income** in FY24, empowers **rural micro-entrepreneurs (many of them women)** to participate in the formal economy, creating income-generating opportunities at the last mile. This model supports financial inclusion and builds local economic resilience. Additionally, Farm Fresh's investment in 92 student internships and training initiatives that reached over 4,500 students and educators reflects a proactive approach to education, skill development, and future workforce readiness, further reinforcing its positive social footprint across the communities it serves.

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- **Inputs & land.** Farm Fresh is expanding its in-house feed crop cultivation, supported by government grants aimed at reducing reliance on external inputs and improving traceability. **Treated manure is reapplied to pasture land** as organic fertilizer, enabling a closed-loop nutrient cycle across its farms. Rainwater harvesting and the use of tube wells reduced municipal water consumption to 623m litres in FY24, from 501m litres in FY23. At its Australian facility, all treated wastewater is now repurposed for agricultural use, further extending the group's circular water management practices.

Outlook. FFB is expected to remain on its growth trajectory, anchored by its expanding portfolio in growing-up milk, chocolate malt beverage and CPG ice cream, with new flavour launches in the pipeline. Ice cream capacity growth is on track – while the Enstek plant completion was pushed slightly to Jan 2026 (commissioning by end-1QCY26), management ramped up ice cream capacity at the Taiping plant by ~230k pieces/day, lifting current output to ~450k pieces/day. The Enstek facility will add another 550k pieces/day, bringing total capacity to ~1m pieces/day. Regionally, FFB has also moved swiftly into Cambodia with export shipments since end-Aug 2025, capitalising on the recent Thai-Cambodia border dispute and is close to securing a 3.5-hectare site for a potential Indochina hub.

The Muadzam Shah site visit substantiates Farm Fresh's disclosures and strengthens our conviction in its ESG execution. With embedded circular systems, local employment models, and continuous innovation, Farm Fresh offers scalable, long-term ESG-aligned growth. We reaffirm our 3.5-star ESG rating, with upside potential as disclosures around soil, water and emissions accounting continue to mature.

Forecasts. Maintained.

Valuations. We raise our TP by 12% to RM2.36 (from RM2.10) as we roll forward our valuation base year to FY27F (from FY26F), with an unchanged targeted PER of 28x. This remains at a premium to the peers' average historical forward PER of 26x to reflect FFB's dominant position in RTD milk and entry into the ice cream segment. There is no adjustment to our TP based on ESG given a 3.5-star rating as appraised by us (see page 4).

Investment case. We like FFB for: (i) its market leadership in RTD milk segment, underpinned by a vertically integrated "grass-to-glass" model, (ii) its strategic foray into high-margin categories like ice cream, and (iii) its innovation-driven product portfolio, including growing-up milk and chocolate malt, to tap into evolving family consumption trends. Reiterate **OUTPERFORM**.

Risks to our call include: (i) volatility in raw material prices, (ii) pricing competition amid new entrants, and (iii) unfavourable forex movements.

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Income Statement

FYE Mar (RM m)	2023A	2024A	2025A	2026F	2027F
Revenue	629.7	810.4	981.2	1,204.5	1,390.6
EBITDA	96.9	133.6	190.4	222.1	248.2
Depreciation	-33.2	-48.6	-58.5	-52.9	-59.1
Operating Profit	63.6	85.0	131.8	169.2	189.1
Interest Income	0.5	0.9	1.1	0.8	0.9
Interest Expense	-11.9	-16.9	-17.7	-17.3	-17.5
PBT	52.2	69.1	115.2	152.8	172.6
Taxation	-2.2	-5.8	-7.9	-12.2	-13.8
Minority Interest	0.1	0.2	-0.9	-0.2	-0.2
Net Profit	50.1	63.5	106.4	140.4	158.6
Core Net Profit	50.1	63.2	108.7	140.4	158.6

Balance Sheet

FYE Mar (RM m)	2023A	2024A	2025A	2026F	2027F
Fixed Assets	413.9	494.6	513.5	590.6	651.5
Intangible Assets	19.3	112.8	111.1	111.1	111.1
Other FA	143.4	175.9	151.6	242.6	244.9
Inventories	173.7	156.3	175.3	214.1	250.8
Receivables	131.4	176.4	206.7	228.5	266.5
Other CA	158.0	105.3	69.6	70.5	70.5
Cash	23.0	58.2	58.8	46.1	63.6
Total Assets	1,062.6	1,279.6	1,286.6	1,503.5	1,658.8

Payables	64.1	92.9	106.7	114.6	138.5
ST Borrowings	92.9	67.6	91.6	106.6	121.6
Other ST Liability	4.3	8.9	10.9	10.6	10.8
LT Borrowings	243.3	338.4	306.3	321.3	336.3
Other LT Liability	22.1	78.8	107.5	106.1	107.1
Minorities Int.	4.9	26.6	28.1	28.1	28.1
Net Assets	631.0	666.4	700.1	816.2	916.5
Share Capital	381.1	399.6	404.8	404.8	404.8
Reserves	249.9	266.9	295.3	386.5	489.6
Equity	631.0	666.4	700.1	791.4	894.4

Cashflow Statement

FYE Mar (RM m)	2023A	2024A	2025A	2026F	2027F
Operating CF	-19.9	135.0	156.1	140.8	167.1
Investing CF	1.6	-125.6	-83.4	-130.0	-120.0
Financing CF	15.3	24.3	-67.4	-23.5	-29.6

Financial Data & Ratios

FYE Mar	2023A	2024A	2025A	2026F	2027F
Growth (%)					
Turnover	25.5	28.7	21.1	22.8	15.5
EBITDA	-6.9	37.9	42.5	16.7	11.8
Operating Profit	-15.7	33.6	55.1	28.4	11.8
PBT	-20.6	32.4	66.8	32.6	13.0
Net Profit	-37.3	26.9	67.5	31.9	13.0
Core Net Profit	-27.8	26.2	72.0	29.1	13.0

Profitability (%)

EBITDA Margin	15.4	16.5	19.4	18.4	17.9
Operating Margin	10.1	10.5	13.4	14.1	13.6
PBT Margin	8.3	8.5	11.7	12.7	12.4
Core Net Margin	8.0	7.8	11.1	11.7	11.4
Effective Tax Rate	-4.3	-8.4	-6.9	-8.0	-8.0
ROA	4.7	4.9	8.4	9.3	9.6
ROE	7.9	9.5	15.5	17.2	17.3

DuPont Analysis

Net Margin (%)	8.0	7.8	11.1	11.7	11.4
Assets Turnover (x)	0.6	0.6	0.8	0.8	0.8
Leverage Factor (x)	1.7	1.9	1.8	1.9	1.9
ROE (%)	7.9	9.5	15.5	17.2	17.3

Leverage

Debt/Asset (x)	0.3	0.3	0.3	0.3	0.3
Debt/Equity (x)	0.5	0.6	0.6	0.5	0.5
Net (Cash)/Debt	323.7	372.6	368.1	408.9	422.0
Net Debt/Equity (x)	0.5	0.6	0.5	0.5	0.5

Valuations

Core EPS (sen)	2.7	3.4	5.8	7.5	8.5
NDPS (sen)	1.0	1.2	2.0	2.6	3.0
BVPS (RM)	0.3	0.4	0.4	0.4	0.5
Core PER (x)	79.0	63.0	36.7	28.4	25.2
Net Div. Yield (%)	0.5	0.6	0.9	1.2	1.4
P/BV (x)	5.0	6.3	6.0	5.7	5.0

Source: Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div. Yld.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
CONSUMER																	
AEON CO. (M) BHD	OP	1.24	1.55	25.0%	1,741.0	Y	12/2025	10.7	11.5	-0.7%	8.0%	11.6	10.8	0.9	7.6%	5.0	4.0%
FARM FRESH BHD	OP	2.13	2.36	10.8%	3,999.1	Y	03/2026	7.5	8.5	29.2%	13.0%	28.5	25.2	4.9	18.2%	3.0	1.4%
FRASER & NEAVE HOLDINGS BHD	OP	27.40	30.70	12.0%	10,049.7	Y	09/2025	135.5	159.0	-11.9%	17.3%	20.2	17.2	2.6	13.4%	75.0	2.7%
MR D.I.Y. GROUP (M) BHD	OP	1.58	2.04	29.1%	14,969.0	Y	12/2025	7.0	7.8	14.5%	12.4%	22.7	20.2	7.2	33.6%	5.8	3.7%
NESTLE (MALAYSIA) BHD	MP	96.60	85.10	-11.9%	22,652.7	Y	12/2025	210.5	240.6	23.4%	14.3%	45.9	40.2	32.9	72.6%	205.0	2.1%
PADINI HOLDINGS BHD	OP	1.96	2.35	19.9%	1,934.3	Y	06/2026	17.4	18.2	6.0%	4.5%	11.2	10.7	1.5	14.0%	9.1	4.6%
POWER ROOT BHD	MP	1.30	1.20	-7.7%	550.3	Y	03/2026	7.7	8.2	6.9%	5.6%	16.8	15.9	1.9	11.5%	7.0	5.4%
QL RESOURCES BHD	MP	4.40	4.52	2.7%	16,055.6	Y	03/2026	13.3	14.5	6.7%	8.7%	33.0	30.4	4.5	15.4%	5.0	1.1%
KAREX BHD	OP	0.835	0.850	1.8%	879.6	Y	06/2026	3.4	3.8	17650.0%	13.8%	24.8	21.8	1.8	7.5%	1.5	1.8%
SECTOR AGGREGATE					72,831.2					8.9%	12.2%	27.3	24.3	4.8	17.7%		3.0%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Community Investment	★	★	★	★	
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★	☆	
SPECIFIC	Product Quality & Safety	★	★	★	☆	
	Effluent & Waste Management	★	★	★	★	
	Digitalisation & Innovation	★	★	★	☆	
	Use of Biodegradable Materials	★	★	★	☆	
	Supply Chain Management	★	★	★		
	Energy Efficiency	★	★	★		
OVERALL		★	★	★	☆	

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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