

30 April 2025

## Farm Fresh

### Cream of the Crop

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Farm Fresh (FFB), one of the largest integrated producers of dairy products in Malaysia, is strategically positioned to capture long-term growth in Malaysia's evolving dairy and nutrition landscape, supported by its differentiated fresh milk proposition with its vertically integrated "grass-to-glass" model and dominant market share in RTD milk segment. FFB is scaling new adjacencies beyond milk, including its CPG ice cream business, as well as growing-up milk and chocolate malt categories, targeting health-conscious families seeking clean-label options. We initiate coverage on FFB with an **OUTPERFORM** call and TP of RM2.10.

**Dominant dairy leader with vertically integrated model and expanding capacity.** Unlike peers reliant on milk powder, FFB's fresh milk proposition, enabled by its vertically integrated "grass-to-glass" model, sets it apart in quality, taste, and health appeal. Its multi-channel strategy, including a distinctive home dealer network, ensures wide consumer reach from urban supermarkets to remote rural areas. With the addition of 1,000 cows in April 2025 to its existing herd of 12,692 (including 3,208 in Australia) and further expansion planned at its Muadzam Shah 2 farm, FFB is scaling upstream to support volume-led growth and rising demand for fresh dairy.

**New high-margin growth engine from scalable entry into RM1b ice cream market.** Via the acquisitions of Inside Scoop and Sin Wah, FFB has built a synergistic platform for CPG ice cream segment. Inside Scoop contributes artisanal branding and product innovation, while Sin Wah offers mass-scale production and distribution reach. With its new Enstek plant set to boost total daily capacity to >1.3m units by end-2025, FFB is well-positioned to compete in a market long dominated by multinationals. Ice cream contributes 11% of sales, with guidance of 20–25% over the next few years (forecast: FY25F 12%, FY26F 20%), supporting both margin uplift and revenue diversification beyond milk.

**Leveraging clean-label innovation to serve evolving family consumption.** FFB is capitalising on rising parental demand for clean-label children's nutrition through its Farm Fresh Grow range, targeting Malaysia's RM2b growing-up milk market, with formulations free from added sugar, vegetable oil and preservatives. Also, in July 2024, FFB entered the RM1b chocolate malt category with a low-sugar, high-protein powdered variant, with UHT version launch planned in 2025, broadening its functional beverage offering and target market.

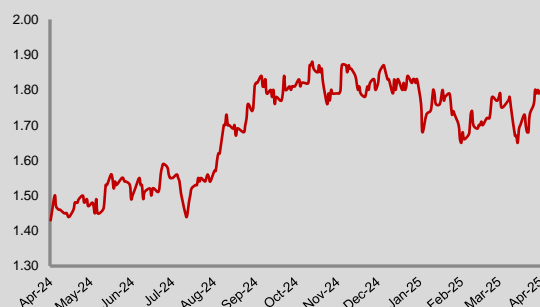
**Initiate coverage with an OUTPERFORM call.** We initiate coverage on FFB with a TP of **RM2.10**, on 28x FY26F PER, implying 0.5SD above its forward mean and c.8% premium to peer's forward mean (26x). While we are cognisant of growing competition in the milk market, a premium is still supported by FFB's strong earnings CAGR (~18% FY21–26F), dominant market share in RTD milk, vertically integrated model, and entry into high-margin ice cream business. It is also one of the few pure-play dairy names in ASEAN (see Exhibit 8 for local and regional peer comparisons). FFB has a 3.5-star ESG rating as appraised by us, i.e. no adjustment to our TP.

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

## OUTPERFORM

Price : **RM1.83**  
Target Price : **RM2.10**

### Share Price Performance



KLCI	1,540.22
YTD KLCI chg	-6.2%
YTD stock price chg	-1.6%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	FFB MK EQUITY
Market Cap (RM m)	3,432.1
Shares Outstanding	1,875.5
52-week range (H)	1.91
52-week range (L)	1.40
3-mth avg daily vol:	2,008,269
Free Float	62%
Beta	0.9

### Major Shareholders

Rainforest Capital Sdn Bhd	29.0%
Aberdeen Group PLC	14.2%
AgriFood Resources Holdings Sdn Bhd	11.7%

### Summary Earnings Table

FYE Mar (RM m)	2024A	2025F	2026F
Turnover	810.4	990.4	1204.5
EBIT	85.0	132.7	171.0
PBT	69.1	116.3	154.7
<b>Net Profit</b>	<b>63.5</b>	<b>105.0</b>	<b>140.3</b>
<b>Core Net Profit</b>	<b>63.5</b>	<b>105.0</b>	<b>140.3</b>
Consensus (CNP)	-	110.8	135.5
Earnings Revision	-	-	-
Core EPS (sen)	3.4	5.6	7.5
Core EPS Growth (%)	26.1	65.2	33.7
NDPS (sen)	1.2	2.0	2.6
BVPS (RM)	0.4	0.4	0.4
Core PER (x)	53.9	32.6	24.4
PBV (x)	5.1	4.7	4.2
Net Gearing (x)	0.6	0.5	0.5
Net Div. Yield (%)	0.7	1.1	1.4

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## COMPANY OVERVIEW

Established since 2010, FFB has grown into one of the largest and fastest growing integrated dairy producers in Malaysia, operating a vertically integrated “grass-to-glass” model across the entire value chain, from farming to distribution. As of FY24, FFB operates 7 dairy farms (5 in Malaysia, 2 in Australia) spanning 5,367 acres, with a total herd size of approximately 11,852 dairy cows. It also owns and operates 3 processing facilities in Malaysia, with the capacity to produce 193.7m litres of finished goods annually, and one in Australia, with the capacity to produce 84.0m litres of processed milk annually. Its downstream business or distribution is supported by multi-channel network, with key exposure to HORECA (32%), large-format retailers (28%) and stockists/dealers (24%) as of 9MFY25. Headquartered in Malaysia, its products are also currently sold in Singapore, Australia, and the Philippines.

In 2023, FFB expanded into the ice cream segment via acquisitions of The Inside Scoop Sdn Bhd (Inside Scoop) and Sin Wah Ice Cream Sdn Bhd (Sin Wah), followed by the launch of its consumer-packaged goods (CPG) ice cream in Aug 2024. As of 9MFY25, its key revenue contributors are driven by: (i) chilled RTD milk (38%), ambient/UHT milk (30%) and ice cream (11%), with other product offerings like yoghurt and yoghurt drinks, powder products and plant-based alternatives such as soy, almond and oat milk. Its current product portfolio includes a diverse range of well-established brands, such as Farm Fresh, Yarra Farm, Yarra by Farm Fresh, Master Barista, Henry Jones, Nubian Goat’s Milk, Jom Cha by Farm Fresh, St David Dairy (Australia), as well as newly acquired Inside Scoop and Sin Wah Ice Cream.

At the helm of the company are:

1. **Mr. Loi Tuan Ee (Co-Founder and Group Managing Director)** who has more than 18 years of experience in the dairy industry and has been instrumental in expanding FFB since its inception in 2010. He is primarily responsible for business development, strategic planning and overall operations management. Prior to FFB, he was Deputy Managing Director at Century Bond Bhd and founded Rainforest Capital in 2005 to venture into farming business. Under his leadership, FFB has received accolades, including the “Best Dairy Farm” by Asia Livestock (2015) and the ASEAN Inclusive Business Award (2020). He was also named an Endeavour Entrepreneur and EY Malaysia Entrepreneur of the Year nominee in 2016. As of FY24, he holds an indirect 40% stake in FFB, through Rainforest Capital Sdn Bhd and FarmChoice Foods Sdn Bhd.
2. **Mr. Mohd Khairul Mat Hassan (Group Chief Financial Officer)** who has over 20 years of experience in the field of accounting and finance. He holds an MBA from INSEAD Business School since 2012 and has been a member of Chartered Accountants Australia and New Zealand (CA-ANZ) since 2005 as well as the Malaysian Institute of Accountants since 2016. Prior to joining FFB in June 2020, his professional career included stints with NUR Power Group, A.T. Kearney, Inc. (MY) and PricewaterhouseCoopers (MY and Americas).

## INVESTMENT MERITS

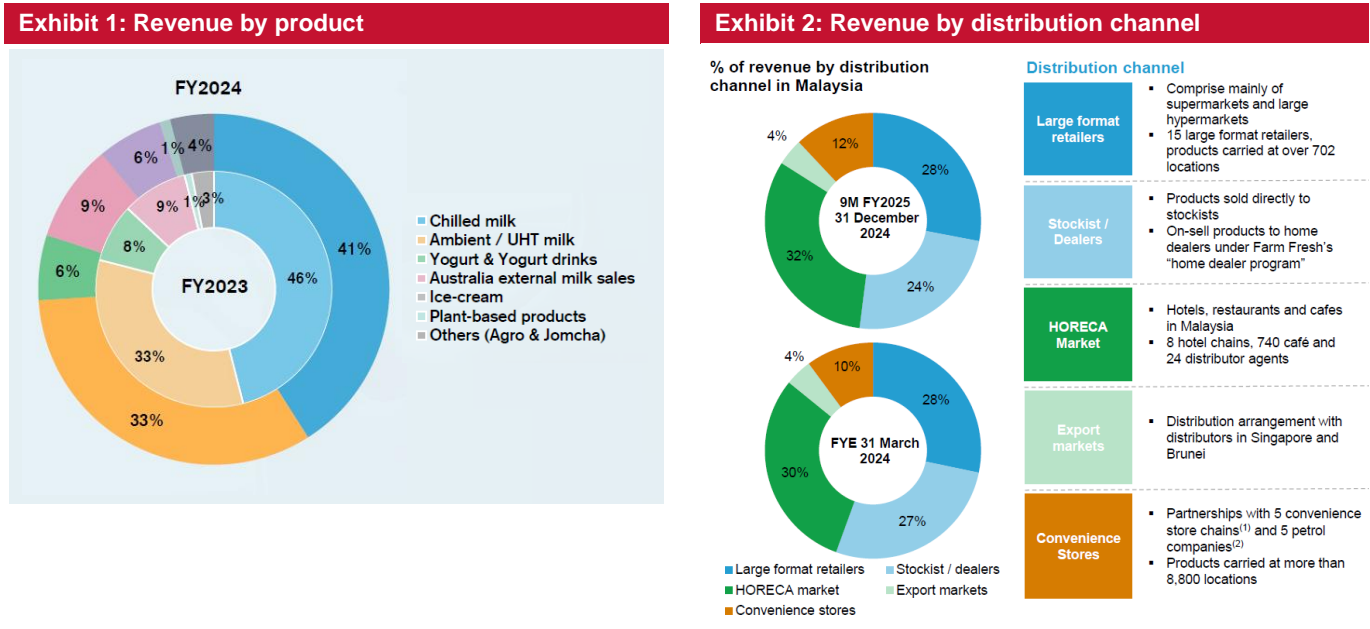
### 1. Being a vertically integrated dairy leader with strong market presence

**Dominant position in chilled milk.** FFB has firmly established itself as one of the largest and fastest growing integrated producers of dairy products in Malaysia, commanding a dominant 60% market share in chilled milk segment as of 2024 (up from 12% in 2015, according to Kantar). This segment remains FFB’s largest revenue contributor, accounting for 41% of FY24 revenue. Unlike many peers focused on ambient UHT milk, FFB positioned itself early as a premium-quality fresh milk brand. Its chilled or pasteurised milk, retaining more of the milk’s natural flavour and nutritional integrity, resonates with health-conscious consumers seeking less processed dairy. From our channel checks, we have observed that chilled milk commands a 10-15% premium on average selling prices compared to UHT milk. This strong brand differentiation, combined with its ability to offer fresh and nutrient-rich dairy products at affordable prices, has been a critical driver of its success. According to Frost & Sullivan, the chilled RTD milk market is projected to grow at a 10% CAGR from 2020 to 2025, faster than the 8% CAGR for ambient RTD milk and 7% for yoghurt, while Statista projects Malaysia’s overall milk market to grow at 8.96% CAGR between 2025 and 2030, supported by rising health awareness and affluence.

**Expanding mass market play.** Complementing its dominance in chilled milk, FFB has built a meaningful presence in the UHT segment, which accounted for 33% of FY24 revenue. Its UHT market share rose from 1% in 2018 to 10% in 2024, placing the company among the top three players in Malaysia. To capture greater share in the UHT segment, which is significantly larger than the chilled segment, FFB has expanded its competitively-priced offerings through the “Yarra by Farm Fresh” range, launched in late 2022. Targeted at price-sensitive consumers, Yarra products are made from pure whole milk powder, offering better taste and quality compared to typical UHT milk products that often use skimmed milk powder and vegetable oil — and have gained strong traction, particularly within the HORECA channel. This dual exposure to both chilled and ambient milk enables FFB to capture diverse consumption patterns across premium fresh milk consumers and mass-market ambient milk buyers. Importantly, FFB’s use of fresh milk for its RTD milk and yoghurt products allows it to differentiate further in a market still largely reliant on reconstituted or powdered milk. Specifically, efforts to grow its yoghurt segment, which accounted for 6% of FY24 revenue, is still yielding modest returns for now, charting flat or minimal growth.

**Vertically integrated model driving cost efficiency and reach.** Operating a fully integrated “grass-to-glass” model, FFB controls the entire dairy value chain, from farming to processing to distribution, reducing reliance on third-party suppliers, improving cost efficiency, and enhancing profitability. Its upstream herd capacity continues to expand, with an additional 1,000 cows expected by April 2025, bringing its Malaysian herd to over 10,000 heads. Muadzam Shah 2 farm, which can accommodate another 2,500

cows (equivalent to 20%+ capacity increase), will house the new additions, with further capacity available to support future volume growth. This upstream security ensures fresher, more flavourful milk for its products, while its Australian operations leveraging the heat-tolerant Friesian Sahiwal breed provide additional supply flexibility. FFB's multi-channel distribution network, spanning HORECA, large-format retailers, convenience stores, export markets and its unique stockist and home dealer network, ensures deep market penetration. While large retailers offer access to high-density urban centres, the stockist and home dealer model enables more effective penetration into rural and remote areas through "word-of-mouth" channels, complementing formal retail distribution. Our capex estimates for FY25 and FY26 stand at RM100m each year.



Source: Company

Source: Company





**2. Leveraging ice cream business synergies from acquisitions of Inside Scoop and Sin Wah**

**Strategic entry into Malaysia's RM1b ice cream market.** In 2023, FFB expanded into the ice cream category through the strategic acquisitions of Inside Scoop (65%) and Sin Wah (70%). Inside Scoop, the largest homegrown artisanal ice cream brand in Malaysia with over 36 outlets, brings strong brand recognition, product innovation expertise, and premium positioning—particularly appealing to affluent urban millennials and Gen Z consumers. Sin Wah, on the other hand, offers scale and manufacturing efficiency, with daily production capacity of 150k ice cream potong pieces and a wide frozen distribution network comprising over 6,000 drop points, 60 trucks (including 45 distributor-owned), and more than 6,000 drop points across Peninsular Malaysia. Together, these complementary profiles enable FFB to address both premium and affordable segments in the Malaysian CPG ice cream market, worth RM1b and historically dominated by multinational incumbents such as Nestlé and Wall's (Unilever) (see Exhibit 4), where FFB or Inside Scoop currently holds a market share of only <5%.

**Scaling the ice cream engine and gaining shelf space.** FFB launched its CPG ice cream line in August 2024 via its Taiping plant, with initial daily production capacity of 70k pieces, rising to 281k pieces/day by March 2025. To scale further, it is developing a new manufacturing facility in Enstek (Negeri Sembilan), equipped with automated storage and retrieval systems (ASRS), which is expected to add another 990k pieces/day in capacity upon commissioning in January 2026, bringing total installed CPG ice cream capacity to over 1.3m pieces/day. The expanded capacity will cover multiple product formats including extruded ice cream, moulded sticks, cones, and ice cream potong. The company has already secured retail shelf space across major outlets including 99 Speedmart, FamilyMart, and AEON BiG. As of 9MFY25, ice cream segment contributes 11% to group revenue, and management expects this to rise to 20-25% in the next few years, including contributions from CPG ice cream, Inside Scoop, and Sin Wah. FFB also aims for Inside Scoop to achieve c.5% market share of Malaysia's CPG ice cream market within two years of acquisition, contributing around RM55m-RM65m in annual sales.

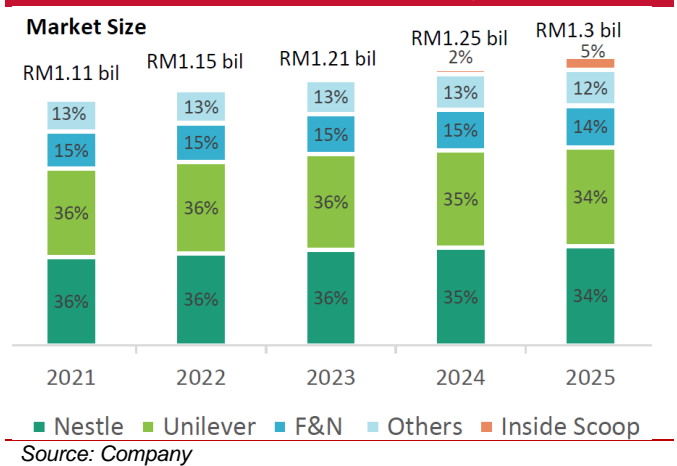
**Profitable foray into lifestyle-driven frozen dairy demand.** The dual-brand strategy enables FFB to cater to different consumer segments, offering a value range under the Farm Fresh label and a premium line under Inside Scoop. Financially, Inside Scoop recorded an estimated FY24 margin of 8% (acquired at ~22x PER), while Sin Wah reported a stronger 17% margin (acquired at ~7x PER). The synergy between premium branding and efficient mass-scale manufacturing provides margin upside as volume grows. Based on our assumption, the ice cream segment yields at least 11% net margin, which is at least 2 ppt higher than the rest of their business. This vertical integration into frozen dairy complements FFB's existing "grass-to-glass" model, diversifies its product mix beyond milk, and strengthens its platform for long-term growth. With the Malaysian ice cream market projected to grow at a 4-5% CAGR from 2021 to 2026 (according to Global Data), rising demand for affordable indulgence and lifestyle-led consumption presents a scalable opportunity. By combining Inside Scoop's brand appeal with Sin Wah's operating muscle, FFB is building a profitable, defensible position in one of the region's most attractive dairy adjacencies. x

**Exhibit 3: Ice cream lines and capacity by end-2025**

Lines and products	Location	Capacity (daily)	Capacity (hour)
Extruded Ice Cream 	Taiping Enstek	~180,000 pcs / day ~324,000 pcs / day	~18,000 pcs / hr ~10,000 pcs / hr
Moulded Sticks 	Taiping Enstek	~108,000 pcs / day ~216,000 pcs / day	~6,000 pcs / hr ~12,000 pcs / hr
Cones 	Enstek	~324,000 pcs / day	~18,000 pcs / hr
Ice Cream "Potong" 	Enstek	~162,000 pcs / day	~9,000 pcs / hr
<b>Total</b>		<b>~1,314,000 pcs/day</b>	<b>~73,000 pcs / hr</b>

Source: Company

**Exhibit 4: Ice cream market size in Malaysia**



**Exhibit 5: Comparison of regional ice cream players**

Company	Country	FYE	Market Cap (RM m)	Core Business	Revenue (RM m)	Net Margin (%)	3-yr Average Historical PER (x)
Vadilal Industries	India	Mar	2400.0	CPG ice cream and frozen food	629.9	13.0	28.3
B-R 31 Ice Cream	Japan	Dec	1201.0	Franchisee ice cream retail	927.1	5.0	38.2
Campina Ice Cream	Indonesia	Dec	316.9	CPG ice cream	334.2	8.4	16.3
Sheetal Cool Products	India	Mar	174.5	CPG ice cream and frozen food	197.9	5.9	29.4

Source: Bloomberg, Kenanga Research

### 3. Capitalising on the health-conscious consumption shift in children’s nutrition

**Gaining early traction with clean label growing up milk.** Growing awareness of childhood nutrition and clean-label ingredients is reshaping the RM2b children’s milk market in Malaysia. Against this backdrop, FFB is tapping this trend through Farm Fresh Grow, its growing-up milk range first launched in RTD format in 2022 and followed by a powder version in December 2023. Fortified with essential vitamins, minerals, and BB12® probiotics, the product is free from maltodextrin, vegetable oil, calcium carbonate and preservatives, which are common additives in conventional formulations. This clean-label approach appeals to increasingly discerning parents seeking safer, more natural options for their children. According to Market Research Future, the global growing up milk market is projected to grow at a 4.4% CAGR from 2025 to 2034, supported by rising household affluence and growing nutritional awareness among young parents.

By excluding ingredients like maltodextrin (a highly processed sugar substitute), vegetable oil (used to replace dairy fat in reconstituted milk), calcium carbonate (a low-cost calcium source derived from limestone) and preservatives, Farm Fresh Grow differentiates itself in a market facing greater scrutiny of sugar content and synthetic ingredients. The brand’s dual format offering in both RTD and powder caters to modern families across various consumption occasions, balancing convenience and nutrition transparency.

**Meeting lifestyle nutrition trends with choco malt.** Meanwhile, in July 2024, FFB expanded into the RM1b chocolate malt beverage category with a powdered formulation that is lower in sugar and fat, and higher in protein and fibre, aligning with rising demand for healthier indulgence. Available in sachets and bulk packs (1kg, 2kg), the product is already gaining early traction in modern retail channels. With plans to launch Farm Fresh Choco Malt in UHT version in 2025, FFB is extending its reach into adjacent lifestyle nutrition segments beyond core dairy, reinforcing its health-centric brand identity. This ongoing innovation pipeline positions the company to gain market share from legacy incumbents as Malaysian consumers increasingly prioritise health, function, and transparency.

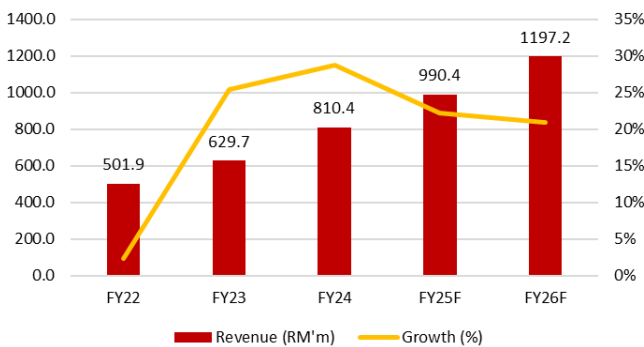
**FINANCIAL HIGHLIGHTS**

**Financial review.** In FY22, its earnings improved 12% driven by higher milking output and improved margins from better economies of scale. Thereafter, FY23 was the blip in the earnings trend, with net profit normalising lower despite a 25% topline increase, as FFB grappled with elevated raw material, feed and labour costs. Earnings momentum resumed in FY24 as core net profit recovered to RM63.5m, underpinned by stronger sales from increased HORECA and commercial UHT demand, new product launches, and maiden contributions from Inside Scoop and Sin Wah. With expanding operating margins, we expect that ROAs will surpass 2022 levels in FY25 at 7.8%.

**Financial forecast.** Moving forward, we project FY25F/FY26F earnings of RM105.0m/RM140.3m (implying +65%/+34% growth), driven by sustained growth momentum from herd expansion, growing UHT penetration, and higher contribution from ice cream and new product launches including growing up milk and chocolate malt. Margin support is expected from an improved product mix and scale-up of the Enstek ice cream plant by FY26, alongside new launches in butter and cultured milk. We expect the ice cream segment to contribute 12% of revenue in FY25 and 20% in FY26.

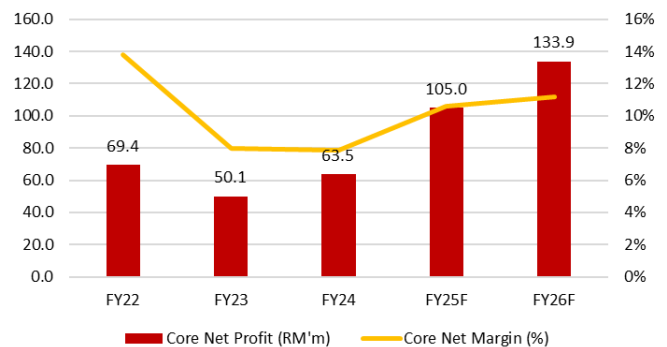
**Dividend policy.** FFB has a dividend policy targeting a payout ratio of 25% of PAT to shareholders. Historically, it declared dividend payout ratios of 25%/37%/35% for FY22/FY23/FY24. Assuming a 35% payout, we expect FFB to declare dividends of 1.96 sen and 2.63 sen per share for FY25 and FY26, translating into yields of 1.1-1.5% at current levels.

**Exhibit 6: Revenue and Growth**



Source: Company, Kenanga Research

**Exhibit 7: Net Profit and Margin**



Source: Company, Kenanga Research

**VALUATION**

We initiate coverage on FFB with an **OUTPERFORM** call at a TP of **RM2.10** based on 28x FY26F PER, representing +0.5SD above its forward mean and c.8% premium to peer’s forward mean of 26x. (see Exhibit 8). We believe the higher valuation is justified by FFB’s strong 5-year earnings CAGR of ~18% (2021–2026F), vertically integrated “grass-to-glass” model, and diversified product mix across chilled and ambient milk. With a dominant 60% market share in chilled RTD milk and growing UHT penetration, FFB is well-positioned to benefit from rising health-conscious consumption trends and shifting demand toward fresh dairy. This is complemented by its foray into high-margin adjacencies such as the CPG ice cream market, targeting both premium and mass-market consumers, creating a scalable new growth engine. As one of the few pure-play dairy companies listed in ASEAN, FFB offers scarcity value and regional expansion potential.

In arriving at our 28x multiple, we have also considered growing competition in the milk space locally and comparison with regional peers. While domestic peers like F&N (21x) and Dutch Lady (23x) trade at lower multiples, FFB’s brand strength, upstream control, and growth visibility support its valuation premium. Notably, F&N’s recent upstream dairy venture targeting 20,000 milking cows, with its first 2,500 Chilean Holsteins having arrived in April this year, highlights broader supply expansion in Malaysia. While we are mindful of a potentially more competitive pricing environment in the near term, FFB remains widely recognised as the preferred fresh milk brand, a key advantage as fresh milk self-sufficiency is currently estimated at just ~5%. Despite the premium, our TP still implies a significant discount to staples like Nestle (49x), while offering stronger earnings visibility and brand equity. Regionally, dairy players such as Vietnam Dairy Products (Vinamilk) and Ultrajaya trade at lower multiples due to slower growth and focus on mass-market products, whereas Cisarua Mountain Dairy (Cimory) commands a higher premium given its focus on premium dairy, and faster expansion and strong brand traction in Indonesia.

**Exhibit 8: Comparison of local and regional peers in the dairy industry**

Company	Country	FYE	Market Cap (RM m)	Revenue (RM m)	Net Margin (%)	5-yr Average Fwd PER (x)
<b>Malaysia</b>						
Nestle Malaysia	Malaysia	Dec	19,750	6224.8	6.7	48.8
Fraser & Neave	Malaysia	Sep	9,617	5245.6	10.4	21.0
Dutch Lady Milk	Malaysia	Dec	1,792	1445.1	6.7	23.3

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**Regional**

Vietnam Dairy Products	Vietnam	Dec	20,040	11278.5	15.2	18.3
Cisarua Mountain Dairy	Indonesia	Dec	9,716	2603.3	16.8	29.8*
Ultrajaya Milk	Indonesia	Dec	4,142	2559.6	12.8	15.4

Simple Average

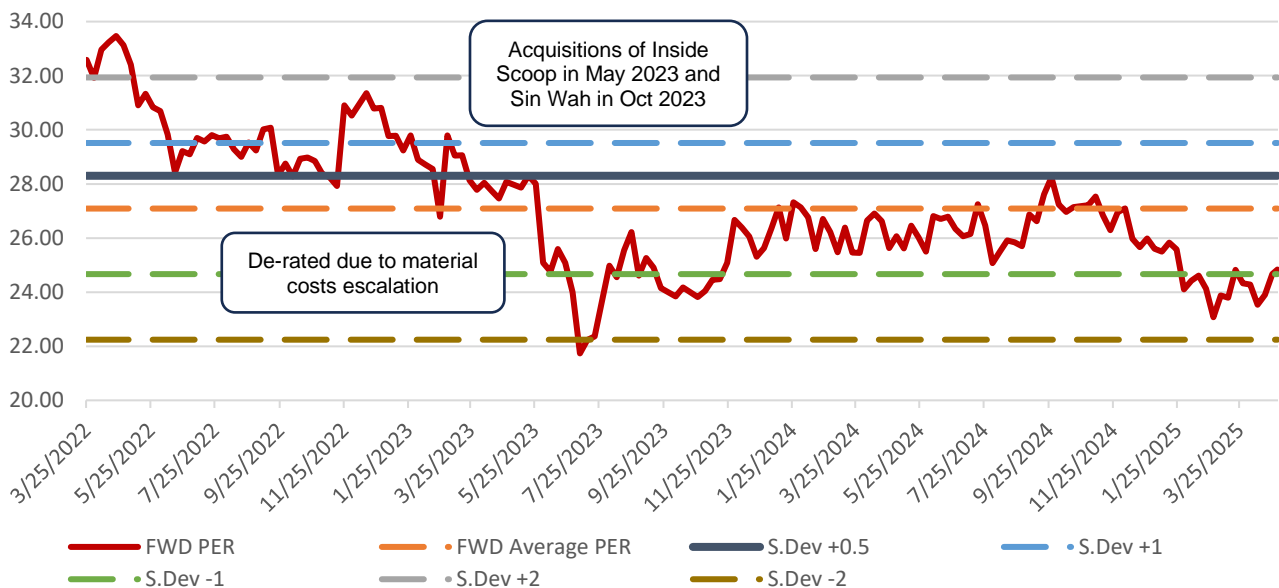
26.1

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\*based on 4-yr average fwd P/E; Farm Fresh listed in Mar 2022, Cisarua Mountain Dairy in Dec 2021

Source: Bloomberg, Kenanga Research

**Exhibit 9: FFB's PER band since its listing in March 2022**



Source: Company, Kenanga Research

**KEY RISKS**

- (i) **Fluctuation in raw material prices.** FFB's earnings are sensitive to changes in raw material costs, such as raw milk and whole milk, in which about 40% of COGS comes from dairy raw materials. Any unfavourable price movements could exert pressure on margins, especially if cost increases cannot be fully passed on to consumers.
- (ii) **Competition risk.** The dairy industry is highly competitive, especially in the rapidly developing liquid dairy segment. FFB faces heightened competition from large multinational companies, as well as regional and local players, particularly in the UHT and ice cream categories, potentially leading to price pressure or slower market share growth especially in mass-market segments.
- (iii) **Exposure to forex movements.** While >80% of FFB's revenue is denominated in MYR, a portion of its input costs are in AUD and USD. As such, a weaker MYR may inflate procurement costs; however, the group actively manages such exposures using derivate instruments such as forward contracts.

**ESG**

Farm Fresh takes a holistic approach in its sustainability practices, implementing initiatives that bring about significant change to the communities and reducing the environmental impact while expanding and improving its business operations. Here are the key highlights in the areas of community investment, emission management, product quality & safety, effluent & waste management, innovation and the use of biodegradable/recycled materials where we see noteworthy actions. Therefore, we accord an ESG score of 3.5 stars to Farm Fresh (see Page 10).

**Earnings Sustainability & Quality** – FFB's vertically integrated "grass-to-glass" model enhances earnings visibility by securing upstream milk supply and controlling production quality. Its diversification across multiple product categories, including chilled and UHT milk, ice cream, growing up milk and chocolate malt, reduces reliance on any single revenue stream while supporting margin resilience. The company continues to reinvest in herd expansion and manufacturing capacity (e.g., Enstek plant), which enables scalable growth with cost efficiency. Coupled with its strong brand equity and wide distribution network, these attributes position

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FFB to deliver consistent and sustainable earnings over the long term, with a five-year earnings CAGR of ~18% (FY21–26F) supporting long-term earnings visibility.

**Community Investment** – Farm Fresh’s programmes focus on raising the living standards of the communities that play a key role in ensuring the sustainability of its dairy business. Its home dealer network, started in 2016, now comprises 68 stockists, 756 home dealers and 813 agents, and contributed 27% revenue as at FYE March 2024. The network provides job opportunities to urban and rural communities while extending its Farm Fresh and Yarra Farm products reach to customers in areas without major grocery stores or supermarkets. In FY24, the stockists and dealers earned RM47.2m in gross income (RM45.4m in FY23). Farm Fresh's home dealer programme has been recognized by SME Corporation Malaysia and awarded the ASEAN Inclusive Business Award for nurturing micro entrepreneurs.

Underscoring its commitment to uplift the rural and underserved communities, Farm Fresh practises the “local first” policy, where 67% of Farm Fresh’s workforce across farms and processing facilities are these communities, including 14 Orang Asli individuals. In schools, the company has distributed over 65m packs of school milk, invested RM768,564 in various community programmes, including donations, sponsorships and scholarships, benefitting 4,500 students, teachers and parents. The company has also taken in 92 students from local universities and colleges under its internship programmes and set up 10 special community centres to provide training and upskilling to hardcore poor students.

**Emission Management** – The company has set a 5% reduction target in its emissions intensity each year. Nevertheless, emission intensity per tonne of milk (tCO<sub>2</sub>e) has increased by 9% from FY23 to FY24 due to new openings of corporate stores as well as higher usage of fertiliser. However, it is commendable that the emission intensity its farms are notably lower compared with that of the respective regions i.e. Malaysian farms’ intensity is 17% less than the Asian average while Australian farms’ recorded 31% lower intensity than the Oceania average.

To further cut its Scope 2 emission, which made up 29% of its total emission in FY4, Farm Fresh has installed rooftop solar photovoltaic (PV) panels at its Taiping farm while extending the use of solar power in Muadzam Shah (Pahang), Larkin (Johor) and Taiping with peak capacities of 1,025 kWp, 689 kWp and 525 kWp, respectively. The company’s biogas plant in Muadzam Shah is expected to reduce 9,800 tCO<sub>2</sub>e per annum and cut diesel usage by 670,000 litres a year. Its Enstek factory, currently under construction, will also be fitted with solar panels.

**Product Quality & Safety** – Ensuring top product quality is paramount and Farm Fresh’s certified-humane farming practices at its dairy farms plays a vital role in achieving high-yielding tropical dairy farming with its Australian Friesian Sahiwal (AFS) breed, including via continuous breed improvement utilising in vitro fertilisation (IVF). In June 2021, Farm Fresh obtained the Certified Humane® accreditation for all its Malaysian farm operations from Humane Farm Animal Care (HFAC), making it the first dairy company in Asia to achieve this globally recognized animal welfare certification programme. It provides an assurance to consumers that the animal welfare standards, demonstrating the company’s commitment to animal welfare and sustainability.

As for its Farm Fresh branded products, its ready-to-drink milk and yoghurt are made without using reconstituted / recombined milk or milk powder sources, preservatives and colourings. It has maintained a clean record in manufacturing safe, high-quality products, with zero product recalls due to safety concerns since 2014.

**Effluent & Waste Management** – Farm Fresh recycled all the waste its business operations with no hazardous waste. It has been carrying out regenerative agriculture processes since 2014 that treat solid and liquid animal waste for reuse in its own operations and aims to expand the adoption across all farms in the next three years. Sustainable farming practice that enables it to recycle animal waste for use as bio-fertiliser, cow bedding and irrigation for feed pastures are also part of its operations. In FY24, the company recycled and removed 418.56m litres of farm dairy effluent (336.7m litres in FY23) and 146,730 tonnes of solid waste (88,330 tonnes in FY23) from waste discharge. It also removed 1.49m kg of chemical fertiliser from its cycle (1.75m kg in FY23). Rainwater harvesting and tube well pumping are deployed in its facilities, reducing its use of municipal water by 623m litres in FY24 (501m litres in FY23).

In Australia, Farm Fresh has purchased a 300-acre farm, next to its processing facility in Kyabram, Victoria, and upgraded the facility so that it can absorb all treated wastewater from the Kyabram trade waste pond thus adding value for farming purposes.

**Use of Biodegradable/Recycled Materials** – As part of its effort to lessen the environmental impact of single-use plastics and packaging, Farm Fresh embarked on the “Milk on Tap” initiative in September 2022, where it sold fresh milk in reusable glass bottles. Collaborating with Jaya Grocer, 11 locations have been set up across Peninsular Malaysia, avoiding the use of over 140,000 plastic bottles, or more than 7,200 kg of plastics since September 2022.

Farm Fresh prioritizes sustainable packaging as it realises that the huge quantity of packaging used by its products can leave a serious impact on the environment and landfill waste. Since 2018, it has been sourcing packaging materials from sustainably managed forests. Comprising 75% paper, 20% plastic and 5% aluminium, this packaging from Tetra Pak is fully recyclable and is FSC® Forest Management certified. The company has partnered Tetra Pak since 2022, establishing a recycling education centre at its UPM farm to educate and raise awareness among consumers.

It is interesting to note that sales of finished goods utilising fully recyclable and FSC®-certified Tetra Pak packaging rose by 29% to RM271.4m in FY24 compared with RM209.9m in FY23.

**Innovation** – Innovation is key to staying competitive, ensuring good visibility and earnings sustainability with new offerings that fulfil the changing needs of consumers. Since its inception in 2009, the company has expanded its product portfolio aggressively, guided by its “grass-to-glass” model, reaching 192 SKUs currently. During FY24, Farm Fresh successfully commercialised 16 new

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products, including a powder variant of Farm Fresh Grow, Australian Organic Milk, Chocolate Mint Milk, Riceberry Milk and cooking cream. It recently launched its own butter called The Butter with more products in the pipeline including plant-based yoghurt.

Going forward, Farm Fresh is looking to introduce more new products, among them ice cream. Its Taiping plant is capable of producing 280,800 pieces a day while its Enstek plant has a capacity of 990,000 pieces daily when it begins operations in January 2026.

**Income Statement**

FYE Mar (RM m)	2022A	2023A	2024A	2025F	2026F
Revenue	501.9	629.7	810.4	990.4	1,204.5
EBITDA	104.1	96.9	133.1	180.8	232.1
Depreciation	-28.6	-33.2	-48.1	-48.0	-61.1
Operating Profit	75.5	63.6	85.0	132.7	171.0
Interest Income	1.3	0.5	0.9	0.9	0.8
Interest Expense	-11.1	-11.9	-16.9	-17.4	-17.1
PBT	65.7	52.2	69.1	116.3	154.7
Taxation	12.9	-2.2	-5.8	-9.3	-12.4
Minority Interest	1.3	0.1	0.2	-2.0	-2.0
Net Profit	79.9	50.1	63.5	105.0	140.3
Core Net Profit	69.4	50.1	63.5	105.0	140.3

**Balance Sheet**

FYE Mar (RM m)	2022A	2023A	2024A	2025F	2026F
Fixed Assets	339.6	413.9	494.6	546.6	585.5
Intangible Assets	20.0	19.3	112.8	112.8	112.8
Other FA	120.7	143.4	175.9	167.4	240.1
Inventories	118.8	173.7	156.3	199.4	238.1
Receivables	100.2	131.4	176.4	185.6	225.4
Other CA	282.5	158.0	105.3	80.5	80.5
Cash	28.1	23.0	58.2	57.2	73.5
Total Assets	1,010.0	1,062.6	1,279.6	1,349.5	1,555.9
Payables	93.1	64.1	92.9	99.6	113.8
ST Borrowings	52.3	92.9	67.6	82.6	97.6
Other ST Liability	1.2	4.3	8.9	9.1	9.3
LT Borrowings	232.3	243.3	338.4	353.4	368.4
Other LT Liability	20.1	22.1	78.8	79.5	80.3
Minorities Int.	5.0	4.9	26.6	26.6	26.6
<b>Net Assets</b>	<b>605.9</b>	<b>631.0</b>	<b>666.4</b>	<b>732.5</b>	<b>859.9</b>
Share Capital	380.6	381.1	399.6	399.6	399.6
Reserves	225.3	249.9	266.9	335.1	426.3
<b>Equity</b>	<b>605.9</b>	<b>631.0</b>	<b>666.4</b>	<b>734.6</b>	<b>825.8</b>

**Cashflow Statement**

FYE Mar (RM m)	2022A	2023A	2024A	2025F	2026F
Operating CF	49.2	-19.9	135.0	109.4	139.2
Investing CF	-356.8	1.6	-125.6	-100.0	-100.0
Financing CF	338.5	15.3	24.3	-10.4	-22.9

**Financial Data & Ratios**

FYE Mar	2022A	2023A	2024A	2025F	2026F
<b>Growth (%)</b>					
Turnover	2.3	25.5	28.7	22.2	21.6
EBITDA	5.4	-6.9	37.4	35.8	28.4
Operating Profit	-2.4	-15.7	33.6	56.1	28.9
PBT	-2.8	-20.6	32.4	68.3	33.1
Net Profit	120.5	-37.3	26.9	65.2	33.7
Core Net Profit	12.0	-27.8	26.9	65.2	33.7
<b>Profitability (%)</b>					
EBITDA Margin	20.7	15.4	16.4	18.3	19.3
Operating Margin	15.0	10.1	10.5	13.4	14.2
PBT Margin	13.1	8.3	8.5	11.7	12.8
Core Net Margin	13.8	8.0	7.8	10.6	11.6
Effective Tax Rate	19.6	-4.3	-8.4	-8.0	-8.0
ROA	6.9	4.7	5.0	7.8	9.0
ROE	11.5	7.9	9.5	14.3	16.3
<b>DuPont Analysis</b>					
Net Margin (%)	13.8	8.0	7.8	10.6	11.6
Assets Turnover (x)	0.5	0.6	0.6	0.7	0.8
Leverage Factor (x)	1.7	1.7	1.9	1.8	1.9
ROE (%)	11.5	7.9	9.5	14.3	16.3
<b>Leverage</b>					
Debt/Asset (x)	0.3	0.3	0.3	0.3	0.3
Debt/Equity (x)	0.5	0.5	0.6	0.6	0.6
Net (Cash)/Debt	263.4	323.7	372.6	403.9	418.1
Net Debt/Equity (x)	0.4	0.5	0.6	0.5	0.5
<b>Valuations</b>					
Core EPS (sen)	4.2	2.7	3.4	5.6	7.5
NDPS (sen)	1.1	1.0	1.2	2.0	2.6
BVPS (RM)	0.4	0.3	0.4	0.4	0.4
Core PER (x)	43.3	67.9	53.9	32.6	24.4
Net Div. Yield (%)	0.6	0.6	0.7	1.1	1.5
P/BV (x)	5.0	5.4	5.1	4.7	4.2

Source: Kenanga Research

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## 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.
<b>CONSUMER</b>																	
AEON CO. (M) BHD	MP	1.47	1.50	2.0%	2,063.9	Y	12/2025	10.2	11.1	-4.9%	8.9%	14.4	13.2	1.0	7.2%	4.0	2.7%
FARM FRESH BHD	OP	1.83	2.10	14.8%	3,432.1	Y	03/2025	5.6	7.5	65.4%	33.6%	32.7	24.5	4.5	14.7%	2.0	1.1%
FRASER & NEAVE HOLDINGS BHD	OP	27.00	29.80	10.4%	9,903.0	Y	09/2025	157.7	169.6	2.5%	7.5%	17.1	15.9	2.6	15.5%	75.0	2.8%
MR D.I.Y. GROUP (M) BHD	OP	1.68	1.80	7.1%	15,908.3	Y	12/2025	7.0	7.8	14.5%	12.4%	24.1	21.5	7.6	33.6%	4.0	2.4%
NESTLE (MALAYSIA) BHD	MP	87.00	79.10	-9.1%	20,401.5	Y	12/2025	197.8	231.6	16.0%	17.1%	44.0	37.6	29.6	68.2%	190.0	2.2%
PADINI HOLDINGS BHD	MP	2.09	2.10	0.5%	2,062.5	Y	06/2025	12.7	15.8	-15.1%	24.2%	16.4	13.2	1.8	10.8%	11.0	5.3%
POWER ROOT BHD	MP	1.40	1.30	-7.1%	593.8	Y	03/2025	7.5	8.5	-15.9%	13.7%	18.7	16.5	1.9	10.0%	6.0	4.3%
QL RESOURCES BHD	MP	4.80	4.60	-4.2%	17,521.5	Y	03/2025	13.3	14.2	10.8%	6.7%	36.1	33.9	5.3	16.9%	5.0	1.0%
KAREX BHD	OP	0.785	1.07	36.3%	827.0	Y	06/2025	2.0	4.3	-12.0%	118.9%	40.1	18.3	1.7	4.2%	1.0	1.3%
<b>SECTOR AGGREGATE</b>					<b>72,713.7</b>						<b>8.8%</b>	<b>13.2%</b>	<b>27.8</b>	<b>24.6</b>	<b>4.9</b>	<b>17.8%</b>	<b>2.6%</b>

Source: Kenanga Research

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**Stock ESG Ratings:**

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

☆ 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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