

27 February 2026

## Farm Fresh

### Pouring Into New Categories

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FFB's 9MFY26 core net profit (+24% YoY) met expectations, mainly supported by stronger domestic sales and improved product mix. While 3QFY26 saw seasonal softness, underlying growth drivers remains intact, underpinned by resilient domestic demand, ongoing product rollouts and scaling regional contributions, with Cambodia sales gaining traction ahead of factory completion in mid-CY26. Its CPG ice cream strategy continued to broaden with Cone Hauz's launch and ongoing freezer expansion, while the upcoming Enstek plant, now guided for mid-2026, will not only lift ice cream capacity but also introduce a new PET bottling line to expand into plant-based beverage categories. We maintain our forecasts, TP of RM2.70 and MARKET PERFORM call.

**Within expectations.** FFB's 9MFY26 core net profit of RM100.1m (after excluding RM1.7m one-off gain from asset disposal, RM0.9m gain on divestment of subsidiary and RM1.0m net forex loss) met expectations, accounting for 71% and 70% of our full-year forecast and the street's estimate, respectively.

No dividend was declared this quarter, as FFB typically announces its final dividend during end-July or August. For the full financial year, we expect a total dividend of 2.6 sen, implying 35% pay-out ratio, in line with historical trends.

**YoY,** its 9MFY26 revenue climbed 14%, mainly driven by domestic sales (+21%) on stronger school milk sales and improved mini market traction, alongside increased contributions from the Philippines (4% of revenue) and exports to Cambodia starting in end-August. This was further supported by recent product launches such as Butter, AusFresh, Full Cream Milk Powder and Choco Malt Powder. Meanwhile, gross profit expanded by 17%, thanks to better cost absorption in Australian operations due to higher production volume, and a more favourable group sales mix, with greater contribution from higher-margin powder products. Consequently, core net profit grew 24% YoY.

**QoQ,** its 3QFY26 top line dipped 3% largely due to lower school milk deliveries during year-end holidays and seasonally weaker ice cream sales amid the rainy season, partly offset by stronger mini market sales and exports to Cambodia. Its bottom line, adjusted for one-off gains and net forex loss, fell 9% due to: (i) reduced contribution from higher-margin ice cream products, (ii) higher promotional claims related to year-end campaigns, and (ii) increased financed costs due to issuance of third tranche of Sukuk of RM125m.

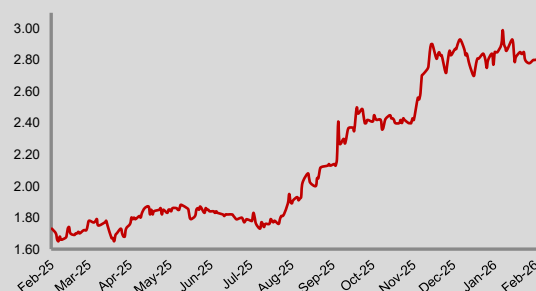
The key takeaways from its results briefing are as follows:

- Enstek commissioning deferred to mid-2026, PET line expansion and ice cream distribution scaling.** The Enstek plant is now guided to commence operations by mid-2026 (likely May), including Halal certification. While this represents a further delay from prior guidance of end-1QFY26, interim capacity has been ramped up at the Taiping plant to ~300k pieces/day to alleviate supply constraints, while Sin Wah currently supports ~150k pieces/day. Upon completion, part of the existing production is expected to be relocated to Enstek, which will support up to 1m pieces/day of consumer-packaged goods (CPG) ice cream at full ramp-up. In addition, management shared that the Enstek plant will house a new fully automated PET bottling line, broadening

## MARKET PERFORM ↔

Price: RM2.67  
Target Price: RM2.70 ↔

### Share Price Performance



KLCI	1,740.94
YTD KLCI chg	3.6%
YTD stock price chg	-6.0%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	FFB MK EQUITY
Market Cap (RM m)	5,031.2
Shares Outstanding	1,884.3
52-week range (H)	3.03
52-week range (L)	1.60
3-mth avg. daily vol.	7,060,501
Free Float	42%
Beta	0.7

### Major Shareholders

Rainforest Capital Sdn Bhd	27.0%
Employees Provident Fund Board	11.2%
FarmChoice Foods Sdn Bhd	10.4%

### Summary Earnings Table

FYE Mar (RM m)	2025A	2026F	2027F
Turnover	981.2	1204.5	1441.9
EBIT	131.8	169.2	200.4
PBT	115.2	152.8	183.9
<b>Net Profit</b>	<b>106.4</b>	<b>140.4</b>	<b>169.0</b>
<b>Core Net Profit</b>	<b>108.7</b>	<b>140.4</b>	<b>169.0</b>
Consensus (NP)	-	143.3	172.8
Earnings Revision	-	-	-
Core EPS (sen)	5.8	7.5	9.0
Core EPS Growth (%)	71.6	29.1	20.4
NDPS (sen)	2.0	2.6	3.2
BVPS (RM)	0.4	0.4	0.5
Core PER (x)	46.0	35.6	29.6
PBV (x)	7.2	6.4	5.6
Net Gearing (x)	0.5	0.5	0.5
Net Div. Yield (%)	0.7	1.0	1.2

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FFB's product portfolio into new beverage categories, particularly plant-based offerings like soy milk and high-protein drinks.

In the near term, the new ice cream brand line 'Cone Hauz' is slated for launch in mid-March, while current freezers stand at ~11.2k with a target to expand to ~13.5k by end-CY26, as distribution expansion remains key to scaling volumes across Malaysia, including Sabah and Sarawak.

- Cambodia sales surpass Singapore ahead of factory completion in mid-2026.** Cambodia's monthly sales have now exceeded exports to Singapore, reflecting strengthening demand and strong traction among consumers. The leased factory in Cambodia, remains on track to commence operations in mid-2026, with the pasteurised line to be installed first and UHT later next year. Local production should reduce shipping and inland clearing costs, improving cost efficiency in serving the Indochina market.
- Scaling herd size at Muadzam Shah to support volume growth.** The recent expansion at its Muadzam Shah (MZ) farm is progressing well, with seven barns and a calf pen completed and the rotary milking parlour expected to be operational by March 2026. The expansion effectively doubles the total farm capacity at MZ to about 6.5k-7k dairy cows. Current herd size at MZ2 stands at ~1k cows, with an additional ~2k cows expected to be brought in around Oct 2026. This should strengthen its raw milk supply capabilities, supporting medium-term growth alongside continued product line extensions and category expansion backed by improving brand traction.
- Whole Milk Powder (WMP) exposure hedged through 2HCY26 despite recent price uptick.** We observed that WMP prices have risen to ~USD3,700/MT; however, management indicated that it has secured supply at lower levels through 2HCY26, mitigating near-term cost volatility.

**Forecasts.** Maintained. While Enstek commissioning has been delayed by about two months, we believe this could be mitigated by the cone ice cream production at Taiping commencing next month, which was originally planned for Enstek. In addition, stronger contributions from higher-margin powder products and improving overseas traction including Cambodia and Philippines, should help cushion earnings impact in the near term.

**Valuations.** We also keep our TP of RM2.70 based on an unchanged 30x FY27F PER, which represents a slight premium to the peers' average historical forward PER of 29x, reflecting FFB's dominant position in RTD milk and venture into the ice cream segment, alongside expanding regional footprint. There is no adjustment to our TP based on ESG given a 3.5-star rating as appraised by us (page 4).

**Investment case.** We continue to 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. However, we believe its current valuations have fully reflected its fundamentals. Reiterate **MARKET PERFORM**.

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

### Results Highlights

FYE Mar (RM m)	3QFY26	2QFY26	QoQ Chg	3QFY25	YoY Chg	9MFY26	9MFY25	YoY Chg
Revenue	285.1	294.9	-3%	246.6	16%	840.6	737.5	14%
GP	93.8	99.0	-5%	81.0	16%	279.3	237.8	17%
EBIT	41.9	45.5	-8%	32.4	29%	127.5	98.5	29%
PBT	37.3	41.7	-11%	28.2	33%	115.1	85.8	34%
Taxation	-3.2	-3.9	-18%	-2.0	63%	-10.0	-6.1	62%
Minority Interest	-1.9	-1.1	66%	-0.3	494%	-3.4	-1.6	112%
<b>Net Profit</b>	<b>32.2</b>	<b>36.7</b>	<b>-12%</b>	<b>25.9</b>	<b>25%</b>	<b>101.7</b>	<b>78.0</b>	<b>30%</b>
<b>Core Net Profit</b>	<b>32.0</b>	<b>35.0</b>	<b>-9%</b>	<b>25.8</b>	<b>24%</b>	<b>100.1</b>	<b>80.5</b>	<b>24%</b>
Core EPS (sen)	1.70	1.86	-9%	1.37	24%	5.31	4.27	24%
DPS (sen)	0.00	0.00	N.A.	0.00	N.A.	0.00	1.00	-100%
GP Margin (%)	32.9	33.6		32.9		33.2	32.2	
EBIT Margin (%)	14.7	15.4		13.1		15.2	13.4	
PBT Margin (%)	13.1	14.1		11.4		13.7	11.6	
CNP Margin (%)	11.2	11.9		10.5		11.9	10.9	
Effective Tax Rate (%)	8.6	9.4		7.0		8.7	7.2	

Source: Company, 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	OP	1.28	1.40	9.4%	1,797.1	Y	12/2025	10.3	11.3	8.6%	9.0%	12.4	11.3	0.9	7.1%	5.0	3.9%
FARM FRESH BHD	MP	2.67	2.70	1.1%	5,031.2	Y	03/2026	7.5	9.0	29.2%	20.4%	35.7	29.7	6.1	18.2%	3.0	1.1%
FRASER & NEAVE HOLDINGS BHD	OP	33.50	37.70	12.5%	12,287.1	Y	09/2026	144.2	160.7	3.6%	11.4%	23.2	20.8	3.0	13.2%	70.0	2.1%
MR D.I.Y. GROUP (M) BHD	MP	1.76	1.95	10.8%	16,680.4	Y	12/2026	7.5	8.2	11.6%	9.0%	23.4	21.5	8.3	35.3%	8.0	4.5%
NESTLE (MALAYSIA) BHD	MP	110.80	106.00	-4.3%	25,982.6	Y	12/2026	256.9	284.7	20.2%	10.8%	43.1	38.9	44.7	104.1%	255.0	2.3%
PADINI HOLDINGS BHD	OP	2.00	2.20	10.0%	1,973.7	Y	06/2026	14.0	16.3	-15.0%	16.5%	14.3	12.3	1.6	11.1%	8.2	4.1%
POWER ROOT BHD	MP	1.18	1.08	-8.5%	496.9	Y	03/2026	5.6	7.2	-21.5%	28.3%	21.0	16.4	1.7	7.5%	5.0	4.2%
QL RESOURCES BHD	MP	4.00	4.26	6.5%	14,601.0	Y	03/2026	12.2	13.4	-2.0%	9.5%	32.7	29.9	4.1	14.1%	5.0	1.3%
KAREX BHD	MP	0.580	0.580	0.0%	611.0	Y	06/2026	1.0	2.3	5250.0%	126.2%	57.1	25.2	1.3	2.3%	1.5	2.6%
<b>SECTOR AGGREGATE</b>					<b>79,461.0</b>					<b>8.2%</b>	<b>11.5%</b>	<b>28.9</b>	<b>25.9</b>	<b>5.2</b>	<b>18.1%</b>		<b>2.9%</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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