

25 May 2026

Farm Fresh

Ice Cream Push Needs More Time

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FFB's slower-than-expected ice cream ramp-up amid the delayed Enstek commissioning, alongside its FY26 earnings miss (despite 18% YoY growth) prompted a sharp 5% share price decline last Friday, and we believe current valuations broadly reflect those near-term execution risks. Meanwhile, the group continues to strengthen its broader cold-chain and distribution network through initiatives such as the proposed acquisition of Amelia Ice Cream in Sabah and the upcoming Cambodia plant, both of which support its longer-term regional dairy expansion. Nonetheless, with the delayed Enstek commissioning deferring some near-term earnings upside, we trim our FY27F earnings by 7% and lower our TP to RM2.25 (from RM2.40). Reiterate MARKET PERFORM.

Below expectations. FFB's FY26 core net profit of RM128.3m (after excluding RM1.7m one-off gain from asset disposal, RM0.9m gain on divestment of subsidiary and RM1.3m net forex loss) came in below expectations at 91% of our forecast and 93% and the street's estimate. The key variance against our forecast came largely from weaker-than-expected sales of higher-margin ice cream products, which dragged earnings. No dividend was declared during the quarter, as FFB typically announces its final dividend during end-July or August, and we now expect FY26 DPS of 2.4 sen (from 2.6 sen previously), implying 35% pay-out ratio, in line with historical trends.

YoY, FY26 revenue rose 14%, largely driven by domestic sales (+20%) on stronger school milk sales and improved mini market traction, alongside higher contributions from the Philippines and Cambodia exports since end-August. This was further lifted by new product launches including Butter, AusFresh, Full Cream Milk Powder and Choco Malt Powder, in addition to stronger ice cream sales. Gross profit climbed 16%, thanks to improved cost efficiency in its Australia operation from higher production volume, and a more favourable group sales mix with greater contribution from higher-margin powder products and ice cream. Consequently, core net profit grew 18% YoY.

QoQ, 4QFY26 top line eased 3% mainly due to lower Australian export deliveries, the disposal of Henry Jones Taylor sauces business in the preceding quarter, and seasonally softer HORECA and consumer-packaged goods (CPG) ice cream demand during the fasting month. Its bottom line, adjusted for forex, declined 12% due to: (i) one-off cost adjustments in the Philippines operation, primarily from delayed material cost recognition and year-end A&P adjustments, (ii) reduced ice cream contribution, and (iii) increased finance costs following the fourth Sukuk tranche issuance amounting to RM200m.

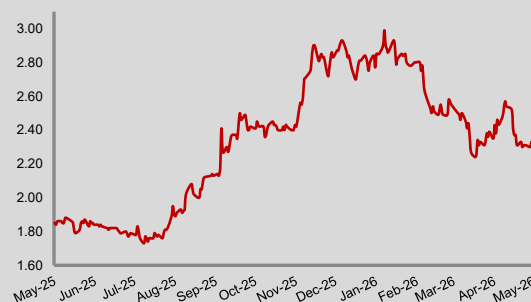
The key takeaways from its results briefing are as follows:

- Enstek commissioning rescheduled to July/August 2026.** The commissioning of its Enstek plant has been further extended from previous May-2026 guidance and is expected to lift total CPG ice cream capacity to ~1m pieces/day (from current ~450k pieces/day across Taiping and Sin Wah). Meanwhile, the group continues to focus on expanding its freezer network and broadening its SKU offerings, including Cone Hauz (May 2026) and upcoming Ice Potong (June 2026), to sustain sales momentum and improve freezer yield. Management also acknowledged potential near-term depreciation drag during the first 6-12 months of Enstek's ramp up, while noting that this could be partly mitigated by additional product launches such as fruit juice, as well export expansion to

MARKET PERFORM ↔

Price: RM2.14
Target Price: RM2.25 ↓

Share Price Performance



KLCI	1,712.67
YTD KLCI chg	1.9%
YTD stock price chg	-24.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	FFB MK Equity
Market Cap (RM m)	4,032.6
Shares Outstanding	1,884.4
52-week range (H)	2.99
52-week range (L)	1.73
3-mth avg. daily vol.	7,659,726
Free Float	42%
Beta	0.8

Major Shareholders

Rainforest Capital Sdn Bhd	27.0%
Employees Provident Fund Board	17.1%
FarmChoice Foods Sdn Bhd	10.4%

Summary Earnings Table

FYE Mar (RM m)	2026A	2027F	2028F
Turnover	1115.7	1291.2	1465.3
EBIT	161.0	185.3	212.5
PBT	142.9	166.9	194.9
Net Profit	129.6	150.9	176.2
Core Net Profit	128.3	150.9	176.2
Consensus (NP)	-	162.3	182.2
Earnings Revision	-	-7%	NEW
Core EPS (sen)	6.8	8.0	9.3
Core EPS Growth (%)	17.7	17.3	16.8
NDPS (sen)	2.4	2.8	3.3
BVPS (RM)	0.4	0.5	0.5
Core PER (x)	31.3	26.7	22.9
PBV (x)	5.1	4.5	4.0
Net Gearing (x)	0.7	0.6	0.5
Net Div. Yield (%)	1.1	1.3	1.5

25 May 2026

improve utilisation.

2. **Amelia acquisition to accelerate East Malaysia penetration.** Management highlighted that the proposed acquisition of Amelia Ice Cream in Sabah for ~RM35m, would provide immediate access to its distribution network, including >3,500 freezers across Kota Kinabalu, Tawau and Inanam, and 25 trucks, allowing FFB to fast-track expansion into Sabah, Sarawak and Brunei. Note that Amelia currently generates ~RM15m revenue with ~RM1.8m PAT, and the deal is expected to be completed by mid-July. Importantly, management sees meaningful untapped potential in East Malaysia, which still contributes only a small portion of group revenue, with plans to install a pasteurised milk line at Amelia's facility to strengthen its dairy presence, potentially within the next 7-10 months following deal completion. This is consistent with our Sabah trip channel checks last year ([link](#)), where we observed local brands continued to dominate shelf space, especially within the pasteurised milk segment.
3. **Price hikes and cost initiatives amid geopolitical headwinds.** Following higher plastic packaging costs arising from recent Middle East tensions, the group implemented targeted price hikes of about 3% on selected plastic bottle SKUs in Malaysia and broader adjustments of c.10% across most products in Singapore, effective early June 2026, which management expects to largely offset the higher resin costs. Separately, the group is accelerating energy cost optimisation initiatives, including shifting part of its operations from diesel to LNG and biomass solutions, with its Muadzam Shah farm expected to reduce diesel costs by ~50% over the next two months.
4. **Cambodia remains key regional growth market, with local factory targeted by early July 2026.** Management reiterated that Cambodia sales (3% of 4QFY26 revenue) continued to gain traction and have already surpassed Singapore in sales contribution. The upcoming local plant is expected to reduce logistics costs, free up capacity at its Larkin facility and support future localized pasteurized and UHT milk production for Cambodia and the wider Indochina market.

Forecasts. We cut our FY27F earnings by 7% mainly to account for the slower-than-expected ramp-up in ice cream volumes following the delayed commissioning of the Enstek plant to Jul/Aug, while introducing our FY28F numbers.

Valuations. Consequently, we lower our TP to RM2.25 (from RM2.40), while keeping an unchanged 28x FY27F PER. This remains broadly in line with the peers' average historical forward PER of 29x, reflecting FFB's dominant position in RTD milk and expansion into the ice cream segment, while factoring in the slower-than-expected commissioning of its new Enstek plant. 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 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)	4QFY26	3QFY26	QoQ Chg	4QFY25	YoY Chg	FY26	FY25	YoY Chg
Revenue	275.1	285.1	-3%	243.7	13%	1,115.7	981.2	14%
GP	86.8	93.8	-8%	77.5	12%	366.1	315.2	16%
EBIT	33.5	41.9	-20%	33.3	0%	161.0	131.8	22%
PBT	27.8	37.3	-26%	29.4	-6%	142.9	115.2	24%
Taxation	-3.1	-3.2	-3%	-1.8	76%	-13.1	-7.9	65%
Minority Interest	3.2	-1.9	-273%	0.7	362%	-0.2	-0.9	-77%
Net Profit	27.9	32.2	-13%	28.4	-2%	129.6	106.4	22%
Core Net Profit	28.2	32.0	-12%	28.2	0%	128.3	108.7	18%
Core EPS (sen)	1.50	1.70	-12%	1.50	0%	6.81	5.77	18%
DPS (sen)	0.00	0.00	#DIV/0!	1.00	-100%	0.00	2.00	-100%
GP Margin (%)	31.5	32.9		31.8		32.8	32.1	
EBIT Margin (%)	12.2	14.7		13.7		14.4	13.4	
PBT Margin (%)	10.1	13.1		12.1		12.8	11.7	
CNP Margin (%)	10.3	11.2		11.6		11.5	11.1	
Effective Tax Rate (%)	11.2	8.6		6.0		9.1	6.9	

Source: Company, Kenanga Research

25 May 2026

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	1.14	1.40	22.8%	1,600.6	Y	12/2026	11.0	11.8	15.3%	7.6%	10.4	9.6	0.8	7.5%	5.0	4.4%
FARM FRESH BHD	MP	2.14	2.25	5.1%	4,032.6	Y	03/2027	8.0	9.4	17.6%	16.8%	26.7	22.9	4.4	17.2%	3.0	1.4%
FRASER & NEAVE HOLDINGS BHD	OP	29.00	37.40	29.0%	10,636.6	Y	09/2026	118.0	144.6	-15.2%	22.5%	24.6	20.1	2.6	11.0%	70.0	2.4%
MR D.I.Y. GROUP (M) BHD	OP	1.61	1.95	21.1%	15,258.7	Y	12/2026	7.5	8.2	11.6%	9.0%	21.4	19.6	7.5	35.3%	8.0	5.0%
NESTLE (MALAYSIA) BHD	MP	95.60	106.00	10.9%	22,418.2	Y	12/2026	256.9	284.7	20.2%	10.8%	37.2	33.6	38.6	104.1%	255.0	2.7%
PADINI HOLDINGS BHD	MP	1.45	1.75	20.7%	1,431.0	Y	06/2026	14.0	15.9	-15.0%	13.5%	10.4	9.1	1.2	11.1%	8.2	5.7%
POWER ROOT BHD	MP	1.13	1.08	-4.4%	472.9	Y	03/2026	5.6	7.2	-21.5%	28.3%	20.2	15.7	1.6	7.5%	5.0	4.4%
QL RESOURCES BHD	MP	3.65	4.05	11.0%	13,323.4	Y	03/2026	12.2	13.4	-2.0%	9.5%	29.9	27.3	3.7	14.1%	5.0	1.4%
KAREX BHD	MP	0.485	0.580	19.6%	510.9	Y	06/2026	1.0	2.3	5250.0%	126.2%	47.7	21.1	1.1	2.3%	1.5	3.1%
SECTOR AGGREGATE					69,685.0					4.4%	12.9%	26.1	23.1	4.6	17.6%		3.4%

Source: Kenanga Research

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25 May 2026

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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