

KHAZANAH-BACKED FARM FRESH SUBMITTED APPLICATION FOR MAIN MARKET LISTING

5 OCTOBER 2021

The following details are extracted from the draft prospectus exposure of Farm Fresh Berhad. The prospectus has not been registered with the Securities Commission under Section 232 of the Capital Market and Services Act 2007. Securities cannot be offered and application for securities cannot be accepted until its registration with the SC.

For more information, kindly read the draft prospectus exposure [here](#).



Offering details

- Initial public offering of up to **743,181,900 ordinary shares** (40% of enlarged issued share capital) comprising an offer for sale of up to 520,227,200 existing shares and a public issue of 222,954,700 new shares.
- CIMB Investment Bank Berhad as the sole principal adviser, together with Credit Suisse Securities (Malaysia) Sdn Bhd and Maybank Investment Bank Berhad as joint global coordinators and joint bookrunners.

History and business

- Incorporated on 24 March 2010 under the name of The Holstein Milk Company Sdn Bhd. Assumed its current name on 24 May 2021 and converted into a public company on 22 September 2021.
- A vertically integrated dairy group engaged in the business of farming, manufacturing and distribution of various dairy products and plant-based products.
- Upstream: five dairy farms in Malaysia and one dairy farm in Australia, across an aggregate of about **5,400 acres of land**, with a total herd size of around **9,000 dairy cows and bulls**.
- Midstream: own and operate two processing facilities in Malaysia, with the capacity to produce around **137.0 million litres** of finished goods annually, and one processing facility in Australia, with the capacity to produce around **84.0 million litres** of processed milk annually.
- Downstream: diverse product portfolio, with **134 stock keeping units (SKUs) spanning multiple product segments** such as chilled ready to drink (RTD) milk products, ultra-high temperature processing (UHT)/ambient RTD products, plant-based products, yoghurt products, fruit jam and sauces, and raw milk. Farm Fresh distributes its products across multi-channel distribution network.

Research and development

- **Develop prototype in-house** before carrying out commercial testing and trials externally at a third-party provider.
- Its Kurma RTD milk product is one such product developed, tested and launched through R&D process. Farm Fresh is the first local player to introduce Kurma (palm dates) RTD milk using pure

Kurma extract in Malaysia in 2016. The new product contributed 18.2% of revenue in FYE 31 March 2021.

- R&D effort in the area of animal health and welfare through collaboration with tertiary institutions and scientific research firms, with long term goals of lowering cost of medical care for its herd, shifting resources to preventive care and to improve yields through increased animal wellbeing and productivity.
- **In-house task force to conduct research on crossbreeding genetic technology**, with the aim of enhancing our Australian Friesian Sahiwal dairy breed (AFS) herd for higher milk yields in tropical climates.

Industry outlook and market share (extracted from the independent market research report by Frost and Sullivan)

- Retail sales of chilled RTD milk is projected to grow at a compound annual growth rate (CAGR) of 10.0% from 2021 to 2025, ambient RTD milk to grow by 8.3% for the same period.
- Retail sales of drinking yoghurt is projected to grow at a CAGR of 6.8% from 2021 to 2025, while edible yoghurt to grow at a CAGR of 7.0% for the same period.
- Plant-based RTD milk to grow at a CAGR of 5.5% from 2021 to 2025.

Table 4-1: Retail Sales of Selected Milk Products in Malaysia by Segments (RM Million), 2015–2025F

	RTD Milk		Yoghurt		RTD Milk
	Chilled	Ambient	Drinking	Edible	Plant-based
2015	317.2	797.2	155.3	158.4	252.2
2019	456.6	1,186.6	195.3	201.3	295.1
2020	539.5	1,547.0	210.6	228.3	315.1
2021F	552.2	1,568.2	212.9	228.5	321.4
2025F	808.7	2,155.1	276.7	299.3	397.9
CAGR 2015-2019	9.5%	10.5%	5.9%	6.2%	4.0%
CAGR 2021F-2025F	10.0%	8.3%	6.8%	7.0%	5.5%

Note: Retail sales value at current prices. Drinking yoghurt does not include cultured yoghurt drink²

- Market share in the chilled RTD milk segment **tripled from 12% in 2015 to 36% in 2020**.
- Market share in yoghurt segment **more than doubled from 5% in 2015 to 11% in 2020**.
- 8% market share in ambient RTD milk segment in 2020.

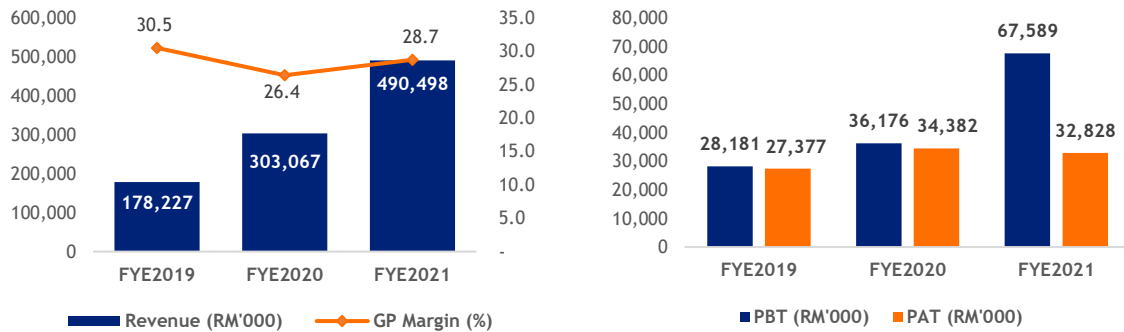
Table 5-1: Indicative Market Share of the Farm Fresh Berhad in the RTD Milk and Yoghurt Segments, Malaysia, 2015–2020 and June 2021

Product	Type	2015	2016	2017	2018	2019	2020	June 2021
RTD Milk	Chilled	12%	15%	21%	25%	29%	36%	40%
	Ambient	-	-	-	1%	5%	8%	10%
	Total (Chilled & Ambient)	3%	4%	6%	8%	12%	15%	18%
Yoghurt	Drinking	7%	9%	10%	11%	13%	16%	16%
	Edible	3%	3%	3%	5%	6%	6%	6%
	Total (Drinking & Edible)	5%	8%	6%	8%	9%	11%	11%

Future plans and strategies

- **Expansion across value chain in Malaysia** by expanding upstream capacity while improving operational efficiency and deepening distribution network.
- **Continue to develop and grow product portfolio** to enhance product offering.
- **Regional expansion outside of Malaysia** through the expansion of Kyabram Facility to further support operations in Malaysia and Singapore as well as serve as an export hub to expand into the adjacent markets in the Southeast Asia and Asia Pacific regions.

Financial highlights



Financial year ended 31 March. PAT margin dropped in FYE 2021 due to additional tax liability of RM25,708,582.

Selling Shareholders

- Sovereign wealth fund Khazanah which owns 30% stake through Agrifood Resources Holdings Sdn Bhd, will trim its stake to 13%.
- Loi Tuan Ee who owns 70% stake through Rainforest Capital and Farmchoice Foods, will trim his stake to 47%
- Loi Foon Kion who owns 46.67% stake through Rainforest Capital, will trim her stake to 31.33%.

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