

# Farm Price Holdings Berhad (0304)



## Harvesting the future of fresh

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**HOLD** (Initiation)

**TP: RM 0.55 (+1%)**

**Current Share Price: RM 0.54**

**Growth**

Investment Horizon  
**12 months**

### Valuation

**Our target price is based on:**

DCF valuation with TG of 1.5% and WACC of 8.6%. We are projecting stronger earnings growth from its wholesales distribution segment.

### Expansion of capacity and floor space



The group is expanding aggressively as they are working towards increasing its the overall cold room capacity and floor space to 43,250 pallets annually and 154k sq ft in Peninsular Malaysia by end of 2025, which is 25% and 90% increase from the existing capacity. The expansion is needed as they are already operating at full capacity with a 90% utilization rate.

- 1) New cold room facility in Nilai and Cameron Highlands, adding 3,250 pallets annually by 4Q24.
- 2) Existing plant (P1) to expand floor space of 4k sqft by end 2024
- 3) The new plant (P2) with floor space and cold room capacity increased by 70k sqft and 10k pallets annually by 4Q2025

### Higher profit margin expectation



The increase in floor space is to cater new processing equipment with automation that enhances value-added services for its customers and reduce labour dependency, as there is higher demand for prepacked and fresh-cut vegetables. The new capacity also allows the company to increase its offering in Singapore, which currently constitutes 25% of total revenue; we expect the share pie shall grow to 30% as new customers come on board. Moreover, by leveraging management expertise in temperature-controlled vegetable assortment in cold room facility, the group aims to maximize the freshness of vegetables, increase SKUs to serve a broader customer base and achieve cost savings through bulk purchasing. Thus, we expect the profit margin to improve from 8% to 10% in FY25 and beyond.

### First baby step into East Malaysia

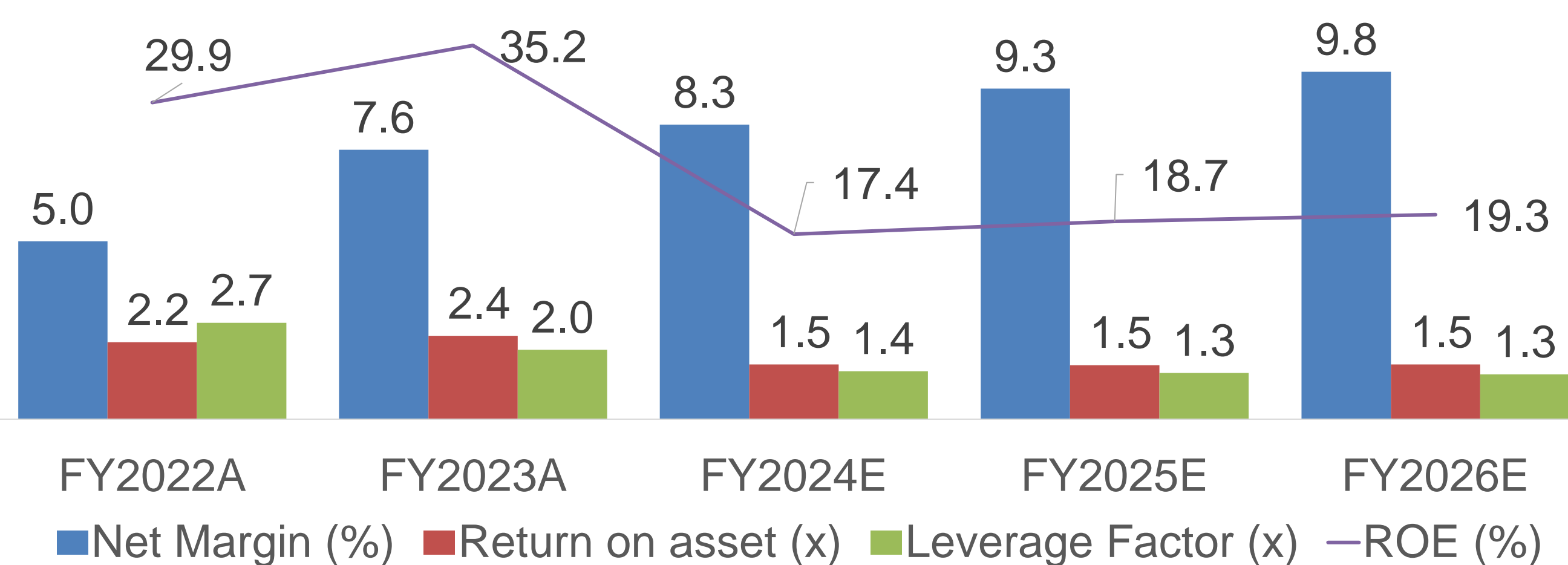


Through a strategic joint venture, the group is expanding its wholesale vegetable segment beyond Johor to Kota Kinabalu, Sabah. A new cold storage facility is underway and targeted for completion in Dec 2024. With the understanding of Sabah's locals, who strongly prefer locally-grown vegetables, position to leverage an extensive range of SKUs and a reliable supply chain, setting it apart from smaller competitors. This strategic entry is also expected to yield higher margins, benefiting from optimized pricing mechanisms and cost savings through bulk purchases. We anticipate this expansion will drive more robust earnings with new capacity of 2,400 pallets annually.

## Financial Exhibits

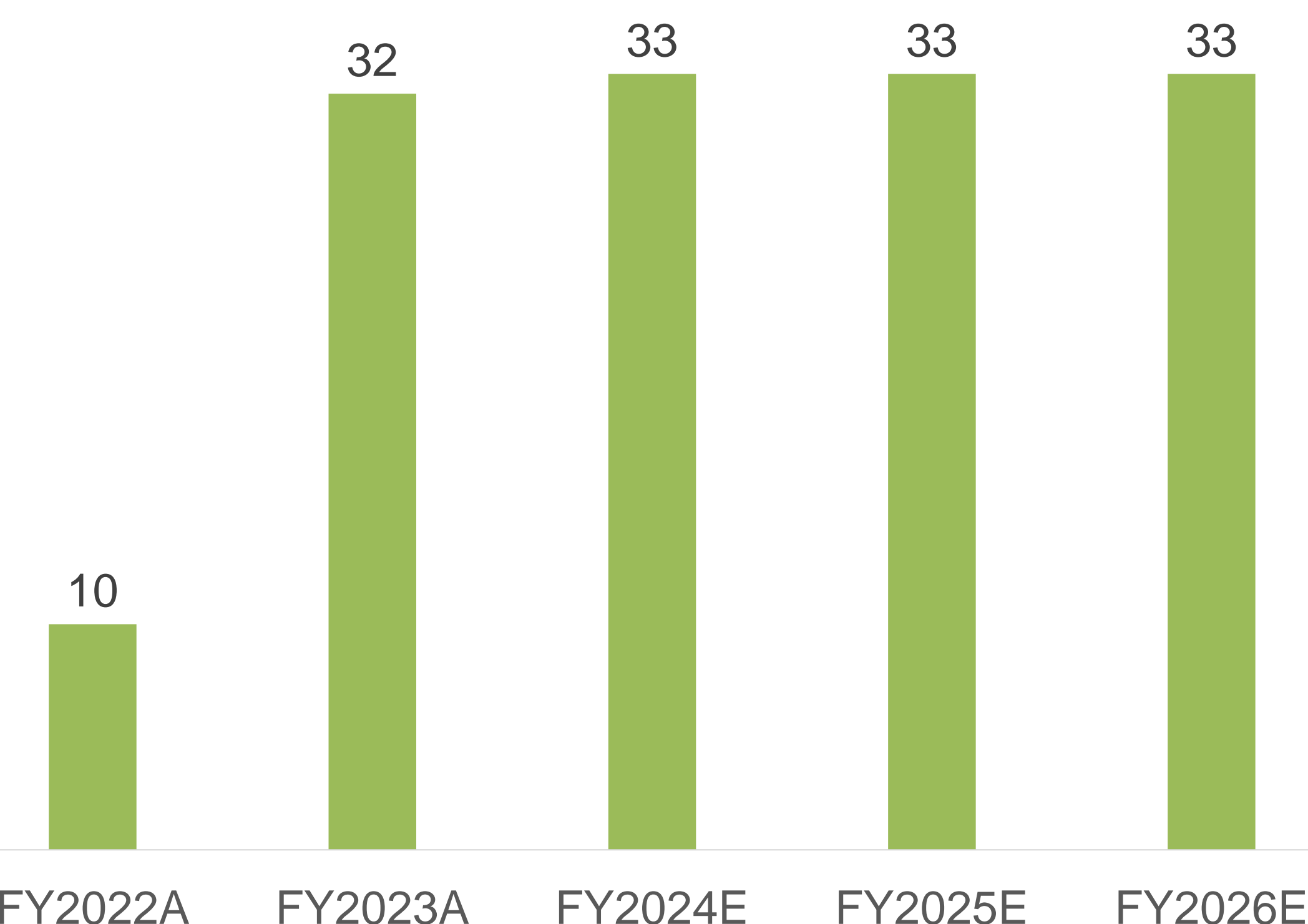
FYE 31 Dec	FY2022A	FY2023A	FY2024E	FY2025E	FY2026E
Revenue (RMm)	94.4	114.2	124.3	145.7	177.6
EBITDA (RMm)	7.2	12.0	14.4	17.1	22.2
Pretax profit (RMm)	6.1	11.8	14.0	18.4	23.6
Net profit (RMm)	4.7	8.7	10.4	13.6	17.5
EPS (sen)	1.36	2.50	2.30	3.03	3.88
PER (x)	39.6	21.6	23.5	17.8	13.9
Core net profit (RMm)	4.7	8.7	11.6	13.6	17.5
Core EPS (sen)	1.4	2.5	2.6	3.0	3.9
Core EPS growth (%)	52.4	83.3	2.9	17.6	28.1
Core PER (x)	39.6	21.6	21.0	17.8	13.9
Net DPS (sen)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	29.9	35.2	17.4	18.7	19.3
P/BV (x)	15.3	9.8	4.1	3.3	2.7

## Return of Equity

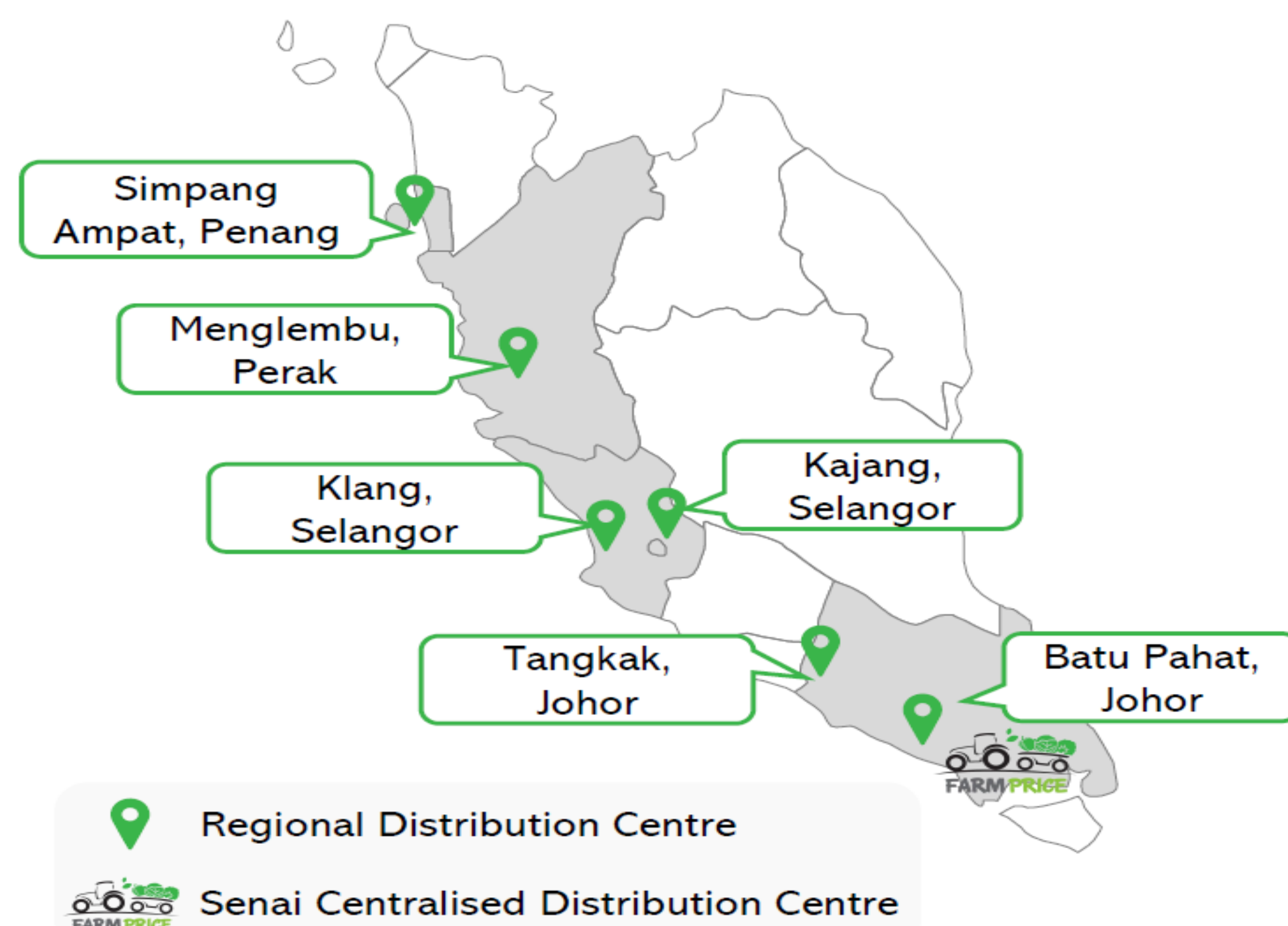


We project the ROE to improve as potentially growth and better profit margin coming from new plant and capacity. The dip in FY24 was due to an increase in shareholders' equity on the IPO exercise.

## Cash Conversion Cycle



## Regional Distribution Center



## Key Assumptions

	Revenue Growth	FY2024E	FY2025E	FY2026E
Wholesale Distribution Segment		9%	18%	23%
Retailing Segment		5%	5%	5%

## Company Background

Farm Price Group is a leading wholesale distributor specializing in fresh vegetables, including wholesale, prepacked, and fresh-cut varieties supplied to wholesalers, retailers, and food service operators across Malaysia and Singapore. In addition to vegetables, the Group distributes F&B products and groceries to retailers such as minimarkets and grocery stores. Their retail outlet, Mamaku, sells fresh vegetables to end customers. The Group operates in Malaysia, where its head office and Senai Centralised Distribution Centre are in Johor.

## SWOT Analysis

### Strengths

- Established brand and reputation
- Efficient supply chain with various suppliers
- Diverse product range
- Raw material wastage <1%

### Weakness

- Dependence on weather conditions
- Limited innovation
- Market dependency

### Opportunities

- Expanding to new markets in Malaysia and Singapore
- Strategic partnerships
- Leveraging technology to boost productivity

### Threat

- Climate change and environmental risk
- Fluctuating commodity prices
- Intense competition
- Supply chain disruption

## Investment Risk

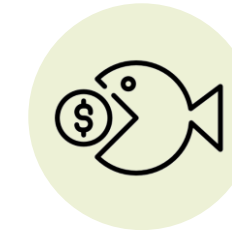
The following represent the greatest risks to our investment thesis:



**Regulatory and compliance risk**



**Weather Dependency**



**Commodity Price Fluctuations**



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