

Farmer Bros Co. (\$2.34 as of 3/12/2025)

Farmer Bros Co (FARM), founded in 1912, is a U.S.-based coffee roasting company that markets coffee and related products through a wholesale direct store delivery (DSD) network. Serving over 30,000 customers, FARM roasts more than 20 million pounds of coffee annually. In 2024, the company reported \$341 million in revenue, with an enterprise value of \$73 million. This illiquid, micro-cap consumer staple presents a unique special situation.

Over the past 18 months, we have steadily built a position in FARM, culminating in a 13D filing on February 21. As of that date, our partners and clients hold 6.7% of outstanding shares.

FARM went public in 1952 and thrived as a profitable, family-run business until 2004, when the founder's son—who led the company for 50 years—passed away. Post-2004, aggressive acquisition-driven growth faltered, leading to persistent losses, eroded shareholder equity, and a 95% stock price drop from its 2004 peak to its 2023 low.

In 2022, activist shareholders secured a cooperation agreement with FARM's board, sparking a transformation. Since then, the company has overhauled its board, divested assets, reduced debt, and assembled a seasoned management team focused on profitability and growth. This team, led by a CEO with deep coffee industry expertise and a CFO skilled in DSD operations, is injecting innovation and fresh strategies into the business.

We view FARM as a deeply undervalued micro-cap turnaround story, with aligned interests among the board, management, and shareholders. The largest shareholder is the company's 401K plan, followed by a key party to the 2022 agreement.

Under CEO John Moore's leadership, FARM has held six earnings calls, showcasing steady progress in margin improvement, product rationalization, operational efficiency, and risk management. We believe the company is now primed for disciplined, profitable growth.