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## Kim Loong Resources Berhad

### Above expectations

<b>Recommendation:</b>	<b>HOLD</b>
<b>Current Price:</b>	<b>RM 2.16</b>
<b>Previous Target Price:</b>	<b>RM 1.84</b>
<b>Target Price:</b>	<b>RM 2.05</b>
<b>Upside/Downside:</b>	<b>-5.1%</b>

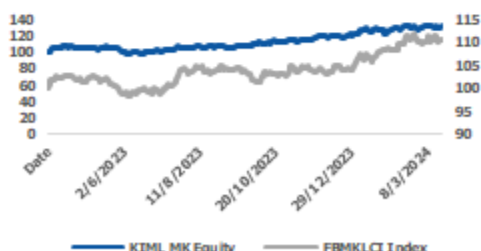
#### Stock information

Board	MAIN
Sector	Plantation
Bursa / Bloomberg Code	5027 / KIML MK
Syariah Compliant	Yes
FTSE4Good Index	No
FTSE ESG Rating	N/A
Bloomberg ESG Rating	N/A
Shares issued (m)	974.3
Market Cap (RM' m)	2,104.5
52-Week Price Range (RM)	1.706-2.22
Beta (x)	0.9
Free float (%)	24.5
3M Average Volume (m)	0.2
3M Average Value (RM' m)	0.4

#### Top 3 Shareholders

	(%)
Sharikat Kim Loong Sdn Bhd	64.1
TEO CHUAN KENG SDN BHD	2.1
CHELLAM KRISHNAN	1.6

#### Share Price Performance












	1M	3M	12M
Absolute (%)	-0.9	9.0	24.5
Relative (%)	0.8	3.5	13.5

### Summary

- **KMLOONG's FY24 core net profit at RM203.6m came above our expectations, driven by higher-than-expected CPO production and reduced operational costs which led to an increased net profit margin.**
- **Looking ahead, CPO prices are expected to average at RM4,000/mt backed by festive season consumption and heightened biodiesel demand.**
- **We maintain our HOLD recommendation with a target price of RM2.05 by pegging PE multiple of 14.2x to FY25f EPS of RM0.14.**

### Results Review

- **Results review.** KLK reported net profit of RM147.7m for FY24. The quarterly net profit fell by -32.1% qoq and -9.1% yoy respectively. This weaker yoy performance was mainly due to a sharp decline in ASP of both FFB and CPO. Similarly, revenue stood at RM1.9b down -15.4% qoq and -20.0% yoy.
- **Within expectations.** Core net profit exceeded our expectations by 12%, though it remained within consensus expectations. This variance can be attributed to higher-than-expected CPO production and reduced operational costs, leading to an increased net profit margin.
- **Operations Highlights.** Cumulatively, plantation segment contribution to earnings dropped -19% yoy as the decline in FFB ASP (-23% yoy) outpaced the recovery in FFB production (+15% yoy). In contrast, operating profit from palm oil milling remained unchanged, as demand for the Group's milling products remained stable.
- **Industry Highlights.** For CY24, we anticipate further strengthening of CPO prices averaging at RM4,000/mt as CPO production remains stagnant, while palm oil stocks are projected to drop significantly, falling below the 2m tonnes threshold. Fall in inventory is supported by increased demand for palm oil, fueled by festive season consumption and heightened biodiesel demand.
- **Outlook.** Management indicated that KMLOONG is projected to achieve a minimum of 5% higher FFB production for FY25. In addition to that, the Group anticipate a positive contribution to revenue and profit from the biogas plant at Telupid starting from the financial year 2025 onward.
- **Valuation.** We maintain our **HOLD** call for KMLOONG but with a revised target price of **RM2.05**, based on **14.2x PER FY25E** at +0.5 std from its 2-year average forward PE. Although we maintain a positive outlook on KMLOONG's earnings growth potential, especially with the contribution from its biogas plant offering stability amid the volatility in the plantation sector, we believe that KMLOONG is currently priced fairly.
- **Risk.** EU export ban and regulations, changing weather patterns affect FFB production, taxation and export ban in Indonesia threatens local CPO demand, shortage of labours and rising operational cost.

FYE Dec (RM m)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY23	FY24	YoY (%)	5 Quarters Trend	Comments
Revenue	365.2	431.8	(15.4)	431.8	(15.4)	1,908.3	1,526.1	(20.0)		Affected by lower CPO and PKASP
EBITDA	51.3	63.1	(18.7)	62.7	(18.2)	288.4	250.8	(13.0)		
Pre-tax profit	41.9	53.9	(22.3)	53.5	(21.7)	252.8	232.4	(8.1)		
Net profit	31.2	44.8	(30.4)	57.1	(45.4)	200.0	177.9	(11.1)		
Core net profit	24.9	36.9	(32.7)	36.6	(32.1)	162.6	147.7	(9.1)		
Core EPS (sen)	2.3	3.4	(32.7)	3.4	(32.1)	15.1	15.2	1.0		
EBITDA margin (%)	14.0	14.6		14.5		15.1	16.4			
PBT margin (%)	11.5	12.5		12.4		13.2	15.2			
Core PATMI margin (%)	6.8	8.6		8.5		8.5	9.7			

Source: Company, Apex Securities

**Financial Highlights**
**Income Statement**

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
<b>Revenue</b>	<b>1762.2</b>	<b>1908.3</b>	<b>1600.4</b>	<b>1786.1</b>	<b>1880.2</b>
<b>Gross Profit</b>	<b>267.2</b>	<b>299.5</b>	<b>240.4</b>	<b>273.6</b>	<b>288.1</b>
<b>EBITDA</b>	<b>242.7</b>	<b>288.0</b>	<b>227.4</b>	<b>263.2</b>	<b>279.8</b>
Depreciation & Amortisation	35.9	39.8	43.5	44.5	45.7
<b>EBIT</b>	<b>206.8</b>	<b>248.1</b>	<b>184.0</b>	<b>218.6</b>	<b>234.1</b>
Net Finance Income/ (Cost)	3.5	4.3	3.7	1.7	0.1
Associates & JV	0.0	0.0	0.0	0.0	1.0
<b>Pre-tax Profit</b>	<b>210.3</b>	<b>252.4</b>	<b>187.7</b>	<b>220.4</b>	<b>235.2</b>
Tax	43.3	52.8	54.5	51.2	54.1
<b>Profit After Tax</b>	<b>167.0</b>	<b>199.7</b>	<b>133.2</b>	<b>169.1</b>	<b>181.1</b>
Minority Interest	30.5	37.4	30.2	29.4	31.5
<b>Net Profit</b>	<b>136.6</b>	<b>162.3</b>	<b>103.0</b>	<b>139.7</b>	<b>149.6</b>
Exceptionals	-3.0	-2.0	-1.0	0.0	1.0
<b>Core Net Profit</b>	<b>139.6</b>	<b>164.3</b>	<b>104.0</b>	<b>139.7</b>	<b>148.6</b>

**Key Ratios**

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
EBITDA margin	13.8%	15.1%	14.2%	14.7%	14.9%
EBIT margin	11.7%	13.0%	11.5%	12.2%	12.5%
PBT margin	11.9%	13.2%	11.7%	12.3%	12.5%
PAT margin	9.5%	10.5%	8.3%	9.5%	9.6%
NP margin	7.8%	8.5%	6.4%	7.8%	8.0%
Core NP margin	7.8%	8.5%	6.4%	7.8%	8.0%
ROE	14.9%	17.0%	10.5%	13.9%	13.0%
ROA	18.2%	21.7%	13.9%	18.2%	19.1%
Net gearing	-37.5%	-35.8%	-37.5%	-34.9%	-42.6%

**Key Assumptions**

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Production ('000)	265037	286988	329597	346077	363381
FFB Yield	20.6	20.8	23.1	24.2	25.4
OER	19.1%	19.8%	21.8%	21.8%	21.8%
CPO (RM)	4488	4898	4000	4000	4000

**Valuations**

	FY25f
Core EPS (RM)	0.14
P/E multiple (x)	14.2
<b>Fair Value (RM)</b>	<b>2.05</b>

Source: Company, Apex Securities

**Balance Sheet**

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
<b>Cash</b>	<b>410.8</b>	<b>399.9</b>	<b>418.8</b>	<b>385.5</b>	<b>524.3</b>
Receivables	58.2	48.1	43.1	48.9	51.5
Inventories	33.4	58.2	43.0	47.9	50.4
Other current assets	11.2	9.9	8.7	8.9	9.4
<b>Total Current Assets</b>	<b>513.6</b>	<b>516.0</b>	<b>513.6</b>	<b>491.2</b>	<b>635.6</b>
Fixed Assets	608.3	603.3	600.7	616.9	627.6
Intangibles	-3.0	-2.0	-1.0	0.0	1.0
Other non-current assets	145.5	146.3	143.2	149.2	155.6
<b>Total Non-current assets</b>	<b>750.7</b>	<b>747.6</b>	<b>742.9</b>	<b>766.1</b>	<b>784.3</b>
Short-term Debt	10.9	13.0	16.0	9.7	10.2
Payables	132.3	99.0	91.4	103.3	113.2
Other Current Liabilities	54.9	59.4	41.8	42.0	44.1
<b>Total Current Liabilities</b>	<b>198.1</b>	<b>171.3</b>	<b>149.2</b>	<b>154.9</b>	<b>167.5</b>
Long-term Debt	55.5	45.5	35.5	25.6	22.6
Other non-current liabilities	142.6	125.8	113.7	129.3	144.9
<b>Total Non-current Liabilities</b>	<b>198.1</b>	<b>171.3</b>	<b>149.2</b>	<b>154.9</b>	<b>167.5</b>
Shareholder's equity	809.8	834.4	865.0	887.9	1038.5
Minority interest	109.6	119.3	115.5	115.5	115.5
<b>Equity</b>	<b>919.4</b>	<b>953.7</b>	<b>980.4</b>	<b>1003.4</b>	<b>1154.0</b>

**Cash Flow**

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
<b>Pre-tax profit</b>	<b>210.3</b>	<b>252.4</b>	<b>187.7</b>	<b>220.4</b>	<b>235.2</b>
Depreciation & amortisation	35.9	39.8	43.5	44.5	45.7
Changes in working capital	-37.6	6.2	-9.6	-8.9	-13.9
Others	17.1	-85.5	11.4	-33.6	-33.1
<b>Operating cash flow</b>	<b>225.7</b>	<b>213.0</b>	<b>233.0</b>	<b>222.5</b>	<b>233.9</b>
Net capex	-99.5	-63.8	-42.6	-53.6	-56.4
Others	8.4	-54.0	-71.6	0.5	0.5
<b>Investing cash flow</b>	<b>-91.1</b>	<b>-117.8</b>	<b>-114.1</b>	<b>-53.1</b>	<b>-55.9</b>
Changes in borrowings	0.0	0.0	0.0	0.0	0.0
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-104.8	-135.3	-145.3	-116.3	-116.3
Others	47.5	-33.5	-33.1	-42.6	-45.3
<b>Financing cash flow</b>	<b>-57.4</b>	<b>-168.8</b>	<b>-178.4</b>	<b>-158.8</b>	<b>-161.6</b>
<b>Net cash flow</b>	<b>77.2</b>	<b>-73.6</b>	<b>-59.5</b>	<b>10.5</b>	<b>16.4</b>
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	230.3	307.5	233.9	174.4	184.9
<b>Ending cash</b>	<b>307.5</b>	<b>233.9</b>	<b>174.4</b>	<b>184.9</b>	<b>201.3</b>

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**APEX SECURITIES BHD**

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**RESEARCH RECOMMENDATION FRAMEWORK**

**STOCK RECOMMENDATIONS**

**BUY:** Total returns\* are expected to exceed 10% within the next 12 months.

**HOLD:** Total returns\* are expected to be within +10% to – 10% within the next 12 months.

**SELL:** Total returns\* are expected to be below -10% within the next 12 months.

**TRADING BUY:** Total returns\* are expected to exceed 10% within the next 3 months.

**TRADING SELL:** Total returns\* are expected to be below -10% within the next 3 months.

\*Capital gain + dividend yield

**SECTOR RECOMMENDATIONS**

**OVERWEIGHT:** The industry defined by the analyst is expected to exceed 10% within the next 12 months.

**NEUTRAL:** The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

**UNDERWEIGHT:** The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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