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Recommendation:	BUY
Current Price:	RM 2.12
Previous Target Price:	RM 2.05
Target Price:	RM 2.34
Upside/Downside:	10.4%

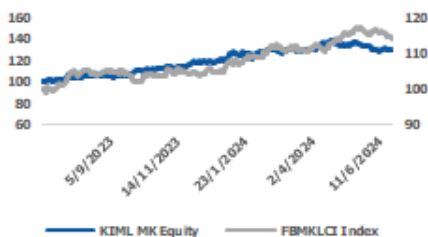
Stock information

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)	975.1
Market Cap (RM' m)	2,067.2
52-Week Price Range (RM)	1.735-2.32
Beta (x)	0.7
Free float (%)	24.8
3M Average Volume (m)	0.1
3M Average Value (RM' m)	0.3

Top 3 Shareholders (%)

Sharikat Kim Loong Sdn Bhd	64.0
TEO CHUAN KENG SDN BHD	2.1
CHELLAM KRISHNAN	1.6

Share Price Performance



	1M	3M	12M
Absolute (%)	-3.6	-2.8	21.5
Relative (%)	-1.8	-6.1	6.4

Kim Loong Resources Berhad

Off to a Great Start










Summary

- **KMLOONG's 1QFY25 core net profit at RM49.5m 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 RM3,800/mt in 2H24 as FFB production enters its peak season.**
- **We upgrade our recommendation to BUY with a target price of RM2.34 by pegging PE multiple of 15.2x to FY25f EPS of 15.4 sen.**

Results Review

- **Results review.** KMLOONG reported net profit of RM49.5m for 1QFY25. The quarterly net profit rose by 99.1% qoq and 57.1% yoy respectively. The outstanding performance was mainly due to the recovery FFB and CPO production coupled with higher CPO ASP. Similarly, revenue stood at RM388.4m which grew 6.4% qoq and 18.9% yoy.
- **Above expectations.** Core net profit exceeded both our and consensus expectations by 10% and 8% respectively. This variance can be attributed to higher-than-expected operating margin which led to improved bottom line.
- **Operations Highlights.** Plantation segment earnings contribution increased 8% yoy thanks to the recovery in both FFB production and FFB ASP. Subsequently, operating profit from palm oil milling surged 80% yoy from better processing margin.
- **Industry Highlights.** Moving forward, we anticipate CPO price to average at RM3,800/tonne in 2H24. This will be a slight dip against an average of RM3,960/tonne in 1H24, dragged by higher palm oil productions as we foresee inventory to further expand in 2H24 when the peak season starts.
- **Outlook.** We opine a FFB production growth target of 5% for FY25F. Furthermore, we anticipate higher profit contribution from the RE segment due to the commissioning of biogas plant at Telupid and Keningau.
- **Valuation.** Following the better-than-expected operating margins, we revised our earnings forecast for FY25F/FY26F by 7%/6%. We also upgrade our recommendation to **BUY** with higher target price of **RM2.34**, based on **15.2x PER FY25E** at +1 std from 2-year forward average.
- **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.

Figure 1: Results Comparison

FYE Dec (RM m)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)	3MFY24	3MFY25	YoY (%)	5 Quarters Trend	Comments
Revenue	388.4	326.7	18.9	365.2	6.4	326.7	388.4	18.9		Better FFB production and CPO ASP
EBITDA	85.6	60.6	41.3	51.3	67.0	60.6	85.6	41.3		
Pre-tax profit	76.3	50.6	50.7	41.9	82.0	50.6	76.3	50.7		
Net profit	58.7	38.7	51.7	31.2	88.3	38.7	58.7	51.7		
Core net profit	49.5	31.5	57.1	24.9	99.1	31.5	49.5	57.1		
Core EPS (sen)	4.6	2.9	57.1	2.3	99.1	2.9	4.6	57.1		Led by improved operating margin
EBITDA margin (%)	22.0	18.6		14.0		18.6	22.0			
PBT margin (%)	19.7	15.5		11.5		15.5	19.7			
Core PATMI margin (%)	12.7	9.6		6.8		9.6	12.7			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	1762.2	1480.3	1599.6	1786.5	1880.7
Gross Profit	267.2	299.5	240.4	273.6	288.1
EBITDA	242.7	288.0	227.4	269.0	284.4
Depreciation & Amortisation	35.9	39.8	43.5	44.5	45.7
EBIT	206.8	248.1	184.0	224.5	238.8
Net Finance Income/ (Cost)	3.5	4.3	3.7	1.8	0.2
Associates & JV	0.0	0.0	0.0	0.0	1.0
Pre-tax Profit	210.3	252.4	187.7	226.3	240.0
Tax	43.3	52.8	54.5	45.3	48.0
Profit After Tax	167.0	199.7	133.2	181.0	192.0
Minority Interest	30.5	37.4	30.2	31.5	33.4
Net Profit	136.6	162.3	103.0	149.5	158.6
Exceptionals	-3.0	-2.0	-1.0	0.0	1.0
Core Net Profit	139.6	164.3	104.0	149.5	157.6

Key Ratios

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
EBITDA margin	13.8%	19.5%	14.2%	15.1%	15.1%
EBIT margin	11.7%	16.8%	11.5%	12.6%	12.7%
PBT margin	11.9%	17.1%	11.7%	12.7%	12.8%
PAT margin	9.5%	13.5%	8.3%	10.1%	10.2%
NP margin	7.8%	11.0%	6.4%	8.4%	8.4%
Core NP margin	7.8%	11.0%	6.4%	8.4%	8.4%
ROE	14.9%	17.0%	10.5%	14.8%	13.5%
ROA	18.2%	21.7%	13.9%	19.5%	20.2%
Net gearing	-37.5%	-35.8%	-37.5%	-35.1%	-42.9%

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	3819	4000	4000	4000

Valuations

	FY25f
Core EPS (RM)	0.15
P/E multiple (x)	15.2
Fair Value (RM)	2.34

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash	410.8	399.9	418.8	391.4	536.4
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
Total Current Assets	513.6	516.0	513.6	497.2	647.7
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
Total Non-current assets	750.7	747.6	742.9	766.1	784.3
Short-term Debt	10.9	13.0	16.0	9.7	10.2
Payables	132.3	99.0	91.4	103.3	113.3
Other Current Liabilities	54.9	59.4	41.8	42.0	44.1
Total Current Liabilities	198.1	171.3	149.2	155.0	167.6
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	145.0
Total Non-current Liabilities	198.1	171.3	149.2	155.0	167.6
Shareholder's equity	809.8	834.4	865.0	897.7	1057.3
Minority interest	109.6	119.3	115.5	115.5	115.5
Equity	919.4	953.7	980.4	1013.2	1172.8

Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Pre-tax profit	210.3	252.4	187.7	226.3	240.0
Depreciation & amortisation	35.9	39.8	43.5	44.5	45.7
Changes in working capital	-37.6	6.2	-9.5	-8.9	-13.9
Others	17.1	-85.5	11.4	-33.5	-31.8
Operating cash flow	225.7	213.0	233.0	228.4	240.0
Net capex	-99.5	-63.8	-42.6	-53.6	-56.4
Others	8.4	-54.0	-71.6	0.5	0.5
Investing cash flow	-91.1	-117.8	-114.1	-53.1	-55.9
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
Financing cash flow	-57.4	-168.8	-178.4	-158.8	-161.6
Net cash flow	77.2	-73.6	-59.5	16.5	22.5
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	190.9
Ending cash	307.5	233.9	174.4	190.9	213.4

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
<p>Head Office: 5th Floor Menara UAC, 12, Jalan PJU 7/5, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7890 8899</p> <p>Petaling Jaya Office: 16th Floor, Menara Choy Fook Onn, No.1B Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7620 1118</p>	<p>Head Office: Kong Ming Ming (ext 2002) Lee Chen Ming (ext 2029) Shirley Chang (ext 2026) Ahmad Mujib (ext 2028) Azfar Bin Abdul Aziz (ext 2031) Aizzat Bin Mohd Daud (ext 2030)</p> <p>Institutional Dealing Team:</p> <p>PJ Office: General Line: (603) 7620 1118</p>	<p>Head Office: Kenneth Leong (ext 2093) Steven Chong (ext 2068) Jayden Tan (ext 2069) Chelsea Chew (ext 2070) Tan Sue Wen (ext 2095)</p>

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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