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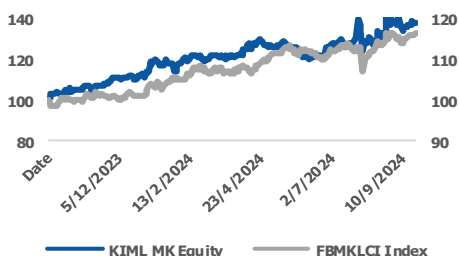
Recommendation:	HOLD
Current Price:	RM 2.44
Previous Target Price:	RM 2.35
Target Price:	↔ RM 2.35
Upside/Downside:	-3.7%

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)	975.6
Market Cap (RM' m)	2,380.5
52-Week Price Range (RM)	2.5-1.824
Beta (x)	0.7
Free float (%)	24.8
3M Average Volume (m)	0.2
3M Average Value (RM' m)	0.5

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 (%)	-2.0	10.9	34.5
Relative (%)	-0.9	6.2	15.4

Kim Loong Resources Berhad

Dragged by milling operation

Summary










- **KMLOONG** recorded **CNP** of **RM39.5m** (-3.8% yoy, -27.1% qoq) in **2QFY25**, bringing **1HFY25 CNP** to **RM93.7m** (+28.0% yoy), which was above ours and consensus' expectations, accounting for **60%** and **58%** of forecasts respectively, with actual **CPO ASP** in **6MFY25** was **+3.9%** higher than expectations.
- We make no change to our forecast as milling margins may remain under pressure due to the impact of El Nino on fruit yields.
- We keep our **HOLD** call with a target price of **RM2.35** by pegging **PE** multiple of **15.1x** to **FY25F EPS** of **RM0.16**.

Results Review

- **Results review.** KMLOONG's 2QFY25 core net earnings stood at RM39.5m, shed -27.1% qoq and -3.8% yoy. The decline in CNP was mainly dragged by shrinking milling margins to 7.0% (vs 9.1% in 2QFY24) as the division suffered from lower OER. However, revenue for the quarter increased +4.5% qoq and +5.3% yoy to RM405.9m.
- **Above expectations.** 1HFY25 CNP of RM93.7m was slightly above both our and consensus expectations by 60% and 58% respectively. This variance was driven by stronger-than-expected realised CPO price, holding steady around RM4,000, compared to our softer ASP forecast of RM3,850.
- **Operations Highlights.** Plantation segment EBIT contribution increased +16.5% yoy thanks to robust growth in FFB production and FFB ASP. Meanwhile, EBIT from palm oil milling was down -19.2% yoy as OER fell from 20.6% to 20.0% due to increased purchases of third-party FFB, which generally have lower fruit quality.
- **Declared dividend of 5 sen per share.** We expect another dividend of 10 sen per share to be declared in 2HFY25. As such, total dividend for FY25 could end up at 15 sen per share, which translates into a dividend yield of 6% based on current share price of RM2.44.
- **Outlook.** No change to management guidance on FFB growth target of 350,000 mt with FFB intake under milling operation at 1.6m. The Group has achieved 53.9% and 48.4% thus far for FFB production and FFB intake target respectively. Meanwhile, KMLOONG's replanting is well on track, with the Group having completed 600 ha of its 1,000 ha replanting target.
- **Valuation.** Although reported earnings came above expectations, we make no change to our forecast as we expect milling margins to remain under pressure due to the impact of El Nino on fruit yields. We maintain our **HOLD** call with a target price of **RM2.35**, based on **15.1x PER** at +1 std from 3-year forward average pegged to **FY25F EPS** of **RM0.16**.

- **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)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY24	1HFY25	YoY (%)	5 Quarters Trend	Comments
Revenue	405.9	385.6	5.3	388.4	4.5	712.3	794.3	11.5		Lifted by increase in sales volume and ASP
EBITDA	61.4	65.1	(5.6)	83.6	(26.6)	125.7	145.1	15.4		
Pre-tax profit	52.3	55.4	(5.6)	74.3	(29.6)	106.1	126.7	19.4		
Net profit	37.7	39.8	(5.3)	56.7	(33.4)	78.5	94.4	20.2		
Core net profit	39.5	41.1	(3.8)	54.2	(27.1)	73.2	93.7	28.0		Milling margin dragged by lower OER
Core EPS (sen)	4.1	4.2	(3.8)	5.6	(27.1)	7.6	9.7	28.0		
EBITDA margin (%)	15.1	16.9		21.5		17.6	18.3			
PBT margin (%)	12.9	14.4		19.1		14.9	15.9			
Core PATMI margin (%)	9.7	10.7		14.0		10.3	11.8			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	1908.3	1526.1	1589.5	1560.9	1564.5
Operating Profit	246.4	221.2	245.1	239.6	239.5
EBITDA	287.9	270.1	294.0	288.8	289.0
Depreciation & Amortisation	39.8	43.6	43.4	43.6	43.8
EBIT	248.1	226.5	250.5	245.2	245.2
Net Finance Income/ (Cost)	-4.3	-5.8	-5.7	-2.8	-4.1
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	252.4	232.3	244.8	242.4	241.2
Tax	-52.8	-54.4	58.8	58.2	57.9
Profit After Tax	199.7	177.9	186.1	184.2	183.3
Minority Interest	37.4	30.1	30.1	30.1	30.1
Net Profit	162.3	147.8	156.0	154.1	153.2
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	162.3	147.8	156.0	154.1	153.2

Key Ratios

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EBITDA margin	15.1%	17.7%	18.5%	18.5%	18.5%
EBIT margin	13.0%	14.8%	15.8%	15.7%	15.7%
PBT margin	13.2%	15.2%	15.4%	15.5%	15.4%
PAT margin	10.5%	11.7%	11.7%	11.8%	11.7%
NP margin	8.5%	9.7%	9.8%	9.9%	9.8%
Core NP margin	8.5%	9.7%	9.8%	9.9%	9.8%
ROE	17.0%	15.1%	15.7%	15.5%	15.1%
ROA	12.8%	11.8%	11.7%	11.1%	10.4%
Net gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations	FY25F
Core EPS (RM)	0.16
P/E multiple (x)	15.1
Fair Value (RM)	2.35

Source: Company, Apex Securities

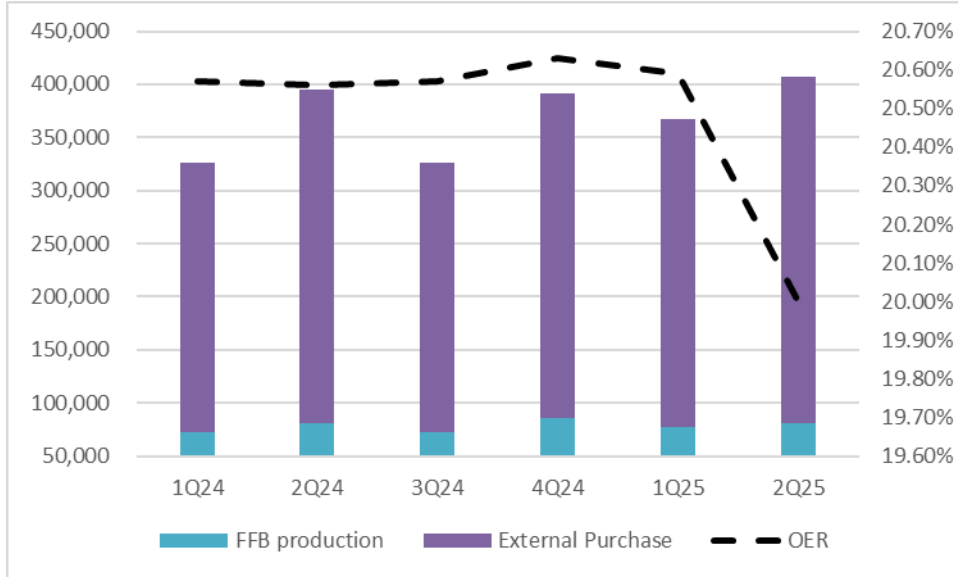
Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	235.0	175.5	240.6	305.2	378.9
Receivables	48.1	43.1	44.9	44.1	44.2
Inventories	58.2	43.0	44.8	44.0	44.1
Other current assets	174.8	252.0	252.0	252.0	252.0
Total Current Assets	516.0	513.6	582.3	645.3	719.1
Fixed Assets	603.3	600.7	603.6	605.4	607.3
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	144.3	142.2	142.2	142.2	142.2
Total Non-current assets	747.6	742.9	745.8	747.6	749.5
Short-term Debt	13.0	16.0	0.0	0.0	0.0
Payables	99.0	91.4	94.2	92.6	92.8
Other Current Liabilities	59.4	41.8	41.8	41.8	41.8
Total Current Liabilities	171.3	149.2	136.0	134.4	134.7
Long-term Debt	45.5	35.5	49.4	49.7	50.4
Other non-current liabilities	93.1	91.3	91.3	91.3	91.3
Total Non-current Liabilities	138.6	126.8	140.7	141.0	141.8
Shareholder's equity	834.4	865.0	875.6	881.6	896.1
Minority interest	19.3	15.5	15.5	15.5	15.5
Equity	953.7	980.4	991.1	997.0	1011.5

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	252.4	232.3	244.8	242.4	241.2
Depreciation & amortisation	39.8	43.6	43.4	43.6	43.8
Changes in working capital	-48.0	12.6	-0.8	0.0	0.1
Others	-31.2	-53.6	-28.7	-28.1	-27.8
Operating cash flow	213.0	234.9	258.8	258.0	257.2
Net capex	-63.8	-44.5	-46.3	-45.5	-45.6
Others	-54.0	-71.5	0.0	0.0	0.0
Investing cash flow	-117.8	-116.0	-46.3	-45.5	-45.6
Changes in borrowings	-8.0	-7.0	-2.0	0.3	0.7
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-135.3	-145.3	-145.3	-148.2	-138.7
Others	-25.5	-26.1	0.0	0.0	0.0
Financing cash flow	-168.8	-178.4	-147.4	-147.9	-138.0
Net cash flow	-73.6	-59.6	65.1	64.6	73.7
Forex	0.0	0.0	0.0	0.0	0.0
Others	1.1	1.1	1.1	1.1	1.1
Beginning cash	307.5	233.9	174.4	239.5	304.1
Ending cash	235.0	175.5	240.6	305.2	378.9

Quarterly FFB production (tonnes), external purchases (tonnes) and OER (%)



Source: Company, Apex Securities

Monthly FFB Production (Tonnes)



Source: Company, Apex Securities

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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

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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