

Steven Chong

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Recommendation:	BUY
Current Price:	RM2.46
Previous Target Price:	RM2.80
Target Price:	↔ RM2.80
Capital Upside/ Downside:	13.8%
Dividend Yield (%):	5.9%
Total Upside/ Downside:	19.7%

Stock information

Board	MAIN
Sector	Plantation
Bursa/ Bloomberg Code	5027 / KIMLMK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	976.5
Market Cap (RM' m)	2,402.2
52-Week Price Range (RM)	2.649-1.915
Beta (x)	0.6
Free float (%)	24.9
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 (%)	-5.4	2.8	25.9
Relative (%)	-7.4	4.1	12.5

Kim Loong Resources Berhad

Better-than-expected CPO output lifted weaker FFB output

Executive Summary

- **KMLOONG** recorded CNP of RM50.0m (+4.1% yoy, +26.5% qoq) in 3QFY25, bringing 9MF24 CNP to RM147.7m (+28.0% yoy), which was above ours and consensus' expectations, accounting for 90% and 8% of forecasts respectively.
- Given that the reported earnings exceeded our expectations, we revised our forecast by 7% for FY25 after tweaking EBIT margin upwards by 2%.
- We keep our BUY recommendation with a target price of RM2.80 by pegging PE multiple of 15.2x to FY26F EPS of 18.3 sen, along with three-star ESG rating.

Results above expectations. 9MFY25 CNP of RM147.7m came above both ours and consensus expectations by 90% and 88% respectively. The variance was due to better-than-expected CPO production, which remained stable despite lower FFB output.

YoY. 3QFY25 CNP stood at RM50.0m (+4.1% yoy) stem from higher CPO realised price coupled with better milling margins. EBIT for plantation and milling operations rose +15.4% yoy and +4.0% yoy respectively. Despite recording lower FFB production (-6.5% yoy), rising palm oil and FFB prices fuelled growth in plantation segment. Moreover, EBIT margin in milling operations improved by 0.4 bps to 8.6%, driven by better milling efficiency, with OER rising from 20.7% to 20.8%.

QoQ. CNP climbed +26.5% qoq as both plantation and milling operations' 3QFY25 EBIT elevated +13.8% qoq and +35.6% qoq to RM37.3 and RM37.5m respectively. The strong qoq performance was buoyed by the uptrend in CPO ASP (+3.0% qoq at RM4,117/mt).

Outlook. For FY25F, the Group has slashed its FFB growth target by 3- 5% due to underwhelming production from its Sabah estate. Current FFB intake (1.6m MT) under milling operation remains unchanged, hence we kept our CPO output growth forecast at +3.8%/+1.7% for FY25-26.

Earnings Revision. As the reported earnings surpassed our expectations, we have raised our FY25F forecast upward by 7% after tweaking EBIT margin upwards by 2%, while keeping our FY26-27 projections unchanged. Our FY25 earnings forecast is based on FFB production of 319k MT and 1.6m MT intake under milling operation with CPO ASP of RM4,300.

Valuation. We maintain our **BUY** recommendation with an unchanged target price of **RM2.80**. We peg our valuation at 15.2x FY26 EPS and 0% ESG factored premium/discount based on three-star ESG rating. The PER assigned for valuation is at +1 standard deviation above its 3-year forward PE given the upcycle in palm oil price.

Risk. EU export ban and regulations, changing weather patterns, taxation and export duty in Indonesia affects global supply, shortage of labours and rising operational cost.

Earnings Summary

FYE Jan (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Revenue	1908.3	1526.1	1691.7	1724.6	1728.4
EBITDA	287.9	270.1	309.7	315.1	315.6
Pre-tax profit	252.4	232.3	272.0	273.2	273.3
Net profit	199.7	177.9	206.7	207.6	207.7
Core net profit	162.3	147.8	176.6	177.5	177.6
Core EPS (sen)	16.7	15.2	18.2	18.3	18.3
P/E (x)	14.7	16.1	13.5	13.4	13.4
P/B (x)	2.5	2.4	2.4	2.3	2.3
EV/EBITDA (x)	9.3	9.7	8.6	8.4	8.4
Dividend Yield (%)	6.1%	5.3%	5.9%	6.0%	6.0%
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, Apex Securities

Results Comparison

FYE Sep (RM m)	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9MFY25	9MFY24	yoy (%)	Comments
Revenue	446.4	448.7	(0.5)	405.9	10.0	1,240.7	1,161.0	6.9	Dragged by lower FFB production
EBITDA	74.8	71.9	4.1	61.4	21.8	219.9	197.6	11.3	
Pre-tax profit	76.6	73.2	4.6	63.0	21.7	224.6	190.4	17.9	
Net profit	57.5	57.1	0.8	48.3	19.0	173.2	146.7	18.1	CNP rose in tandem with rising palm oil price
Core net profit	50.0	48.0	4.1	39.5	26.5	147.7	122.8	20.2	
Core EPS (sen)	5.2	5.0	4.1	4.1	26.5	15.2	12.7	20.2	
EBITDA margin (%)	16.8	16.0		15.1		17.7	17.0		
PBT margin (%)	17.2	16.3		15.5		18.1	16.4		
Core net profit margin (%)	11.2	10.7		9.7		11.9	10.6		

Source: Company, Apex Securities

Segmental Breakdown

FYE Sep (RM m)	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9MFY25	9MFY24	yoy (%)	Comments
Revenue									
Plantation	65.5	60.8	7.7	61.3	6.9	187.6	174.8	7.3	yoy drop due to lower CPO sold during the quarter
Milling	434.8	439.2	(1.0)	396.0	9.8	1,211.3	1,136.2	6.6	
Total	500.4	500.0	0.1	457.3	9.4	1,398.9	1,311.0	6.7	
Profit before tax (PBT)									
Plantation	37.3	32.3	15.4	32.8	13.8	105.0	89.6	17.2	Led by better milling efficiency
Milling	37.5	36.1	4.0	27.7	35.6	103.9	91.8	13.1	
Total	74.8	68.4	9.4	60.5	23.8	208.9	181.5	15.2	
PBT margin (%)									
Plantation	57.0%	53.2%		53.5%		56.0%	51.3%		Led by better milling efficiency
Milling	8.6%	8.2%		7.0%		8.6%	8.1%		
Aggregate Total	15.0%	13.7%		13.2%		14.9%	13.8%		

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Jan (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	1908.3	1526.1	1691.7	1698.3	1701.7
Gross Profit	299.5	275.8	321.4	322.7	323.3
EBITDA	287.9	270.1	309.7	310.7	311.1
Depreciation & Amortisation	39.8	43.6	43.4	43.8	44.2
EBIT	248.1	226.5	266.3	266.8	266.8
Net Finance Income/ (Cost)	4.3	5.8	5.7	1.9	1.9
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	252.4	232.3	272.0	268.8	268.8
Tax	-52.8	-54.4	-65.3	-64.5	-64.5
Profit After Tax	199.7	177.9	206.7	204.3	204.3
Minority Interest	37.4	30.1	30.1	30.1	30.1
Net Profit	162.3	147.8	176.6	174.2	174.2
Exceptionals	2.9	0.2	0.0	0.0	0.0
Core Profit	165.2	147.9	176.6	174.2	174.2

Key Ratios

FYE Jan (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	17.0	15.3	18.2	18.0	18.0
P/E (x)	14.4	16.1	13.5	13.7	13.7
P/B (x)	2.5	2.4	2.4	2.3	2.3
EV/EBITDA (x)	9.3	9.7	8.6	8.5	8.6
DPS (sen)	15.0	13.0	14.6	14.4	14.4
Dividend Yield (%)	6.1%	5.3%	5.9%	5.8%	5.8%
EBITDA margin (%)	15.1%	17.7%	18.3%	18.3%	18.3%
EBIT margin (%)	13.0%	14.8%	15.7%	15.7%	15.7%
PBT margin (%)	13.2%	15.2%	16.1%	15.8%	15.8%
PAT margin (%)	10.5%	11.7%	12.2%	12.0%	12.0%
NP margin (%)	8.5%	9.7%	10.4%	10.3%	10.2%
CNP margin (%)	8.7%	9.7%	10.4%	10.3%	10.2%
ROE (%)	17.3%	15.1%	17.5%	17.1%	16.8%
ROA (%)	13.1%	11.8%	13.6%	13.4%	13.2%
Gearing (%)	6.1%	5.2%	5.0%	5.0%	5.0%
Net gearing (%)	Net Cash Net Cash Net Cash Net Cash Net Cash				

Valuations	26.00
Core EPS (RM)	0.180
P/E multiple (x)	15.2
Fair Value (RM)	2.80
ESG premium/discount	0.0%
Implied Fair Value (RM)	2.80

Source: Company, Apex Securities

Balance Sheet

FYE Jan (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	235.0	175.5	199.6	200.9	214.2
Receivables	48.1	43.1	47.8	47.9	48.0
Inventories	58.2	43.0	47.7	47.9	48.0
Other current assets	174.8	252.0	252.0	252.0	252.0
Total Current Assets	516.0	513.6	547.0	548.7	562.2
Fixed Assets	603.3	600.7	606.6	612.2	617.5
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	748.8	754.4	759.7
Short-term Debt	13.0	16.0	0.0	0.0	0.0
Payables	99.0	914	100.2	100.7	100.9
Other Current Liabilities	59.4	418	418	418	418
Total Current Liabilities	171.3	149.2	142.1	142.5	142.8
Long-term Debt	45.5	35.5	50.4	50.8	516
Other non-current liabilities	93.1	913	913	913	913
Total Non-current Liabilities	138.6	126.8	141.8	142.1	143.0
Shareholder's equity	834.4	865.0	896.3	902.6	920.1
Minority interest	119.3	115.5	115.5	115.5	115.5
Equity	953.7	980.4	1011.7	1018.1	1035.5

Cash Flow

FYE Jan (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	252.4	232.3	272.0	268.8	268.8
Depreciation & amortisation	39.8	43.6	43.4	43.8	44.2
Changes in working capital	-48.0	12.6	-0.5	0.1	0.1
Others	-31.2	-53.6	-35.2	-34.4	-34.4
Operating cash flow	213.0	234.9	279.7	278.3	278.7
Net capex	-63.8	-44.5	-49.3	-49.5	-49.6
Others	-54.0	-71.5	-60.0	-60.0	-60.0
Investing cash flow	-117.8	-116.0	-109.3	-109.5	-109.6
Changes in borrowings	-8.0	-7.0	-10	0.3	0.9
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-135.3	-145.3	-145.3	-167.8	-156.7
Others	-25.5	-26.1	0.0	0.0	0.0
Financing cash flow	-168.8	-178.4	-146.3	-167.5	-155.9
Net cash flow	-73.6	-59.6	24.1	1.3	13.2
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	307.5	233.9	174.4	198.5	199.8
Ending cash	233.9	174.4	198.5	199.8	213.0

Results Note

Monday, 30 Dec, 2024

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	The Group adheres strictly to the policy of zero burning in both new planting and replanting of oil palm.
Waste & Effluent	★★★	The waste produced from production processes include empty fruit bunches ("EFB"), mesocarp fibre, and palm kernel shells. These are recycled or re-used as energy or fuel and composed or mulched as organic fertiliser.
Energy	★★★	Renewable energy generated using biogas and biomass rose 35.4% yoy following successfully implemented 3 methane capture and power generation projects at its 3 mills.
Water	★★★	Water consumption stay relatively flat at 1.2m3 per MT of FFB processed in FY24. (vs 1.1m3 per MT of FFB processed).
Compliance	★★★	Compliance with MSPO certification.

Social

Diversity	★★★	Gender Equality Committee has been established in estates and mills to encourage female employees to raise their concerns or problems
Human Rights	★★★	In line with legal regulations and the United Nations' guiding principles on human rights.
Occupational Safety and Health	★★	Accident Rate (per 1,000 Employees) reduce to 22.36 from 46.58 in FY24.
Labour Practices	★★★	On-the-job training at site are carried out by staff and management on Safe Operating Procedures.

Governance

CSR Strategy	★★★	The Group has invested in school buses, vans or other suitable vehicles as a means of transportation to school-going children. The numbers of school-going children rose by 17.4% in FY24.
Management	★★	71% of board members age was above 60, 1/7 female board composition
Stakeholders	★★★	1x AGM per annum

Overall ESG Scoring: ★★★

Recommendation Framework:

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.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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As of **Monday, 30 Dec, 2024**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.