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Recommendation:	BUY
Current Price:	RM 2.31
Previous Target Price:	RM 2.60
Target Price:	RM 2.50 ↓
Capital Upside/ Downside:	8.2%
Dividend Yield (%):	6.0%
Total Upside/ Downside:	14.2%

Stock information	
Board	MAIN
Sector	Plantation
Bursa/ Bloomberg Code	5027/ KIMLMK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	979.7
Market Cap (RM' m)	2,263.0
52-Week Price Range (RM)	2.649-2.06
Beta (x)	0.6
Free float (%)	25.0
3M Average Volume (m)	0.1
3M Average Value (RM' m)	0.3

Top 3 Shareholders (%)	
Sharikat Kim Loong Sdn Bhd	63.7
Teo Chuan Keng Sdn Bhd	2.1
Chellam Krishnan	1.6

Share Price Performance



	1M	3M	12M
Absolute (%)	-2.5	-8.0	8.5
Relative (%)	1.9	-1.3	9.4

Kim Loong Resources Berhad

Dented by Weaker Milling Margins

Executive Summary

- **KMLOONG** recorded CNP of RM22.6m (-15.1% yoy, -54.5% qoq) in 4QFY25, bringing 12MFY25 CNP to RM157.4m (+6.4% yoy), which came below ours and consensus' expectations, accounting for 89% and 87% of forecasts respectively.
- We slash our earnings forecast for FY26/FY27 by -10%/-11% respectively after adjusting our opex assumptions to align with the unit cost guidance for FY26.
- We keep our BUY recommendation with a lower target price of RM2.50 by pegging PE multiple of 15.2x to FY26 EPS of 16.2 sen and ascribed with three-star ESG rating.

Results below expectations. FY25 CNP of RM157.4m came below both our and consensus expectations by 89% and 87% respectively. The shortfall was mainly due to higher-than-expected operating expenses in 4QFY25, which weighed onto bottom-line margins.

YoY. 4QFY25 CNP came in at RM22.6m (-15.1% yoy), owing to the lackluster performance in milling division. Plantation EBIT increased by +31.6% yoy to RM36.2m in tandem with higher CPO and FFB prices. Conversely, milling EBIT shrank -29.3% yoy to RM13.m, dragged by weaker processing margins and a lower OER.

YTD. Cumulatively, CNP was up +6.4% yoy as both plantation and milling operations benefited from higher selling price for CPO and FFB. Notably, milling margins during the first three quarters expanded which helped to offset those weaknesses in production in the last quarter.

Outlook. While FFB output growth is set to increase by 5%-10% in FY26, CPO production will likely remain steady at 315k mt due to Kim Loong's reliance on third-party FFB intake. Unit costs are anticipated to remain largely unchanged at c.RM2,000/mt as the impact of higher production costs from the minimum wage revision is likely to be offset by increased FFB output. For replanting, the Group targets to replant approximately 300-500ha in FY26. Capex for the year is projected at c.RM45m, with 60% allocated to milling operations.

Earnings Revision. We slash our earnings forecast for FY26-28F by -10% and -11% respectively after adjusting our opex assumptions to align with the unit cost guidance for FY26F.

Valuation. We maintain our **BUY** call with a lower target price of **RM2.50 (previously RM2.60)**. 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 reflecting near-term 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)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	1526.1	1684.0	1685.6	1692.4	1695.9
EBITDA	270.1	293.3	271.7	275.7	279.1
Pre-tax profit	232.3	255.8	251.8	249.9	250.5
Net profit	177.9	194.9	191.4	189.9	190.4
Core net profit	147.9	157.4	158.2	156.7	157.2
Core EPS (sen)	15.2	16.1	16.2	16.1	16.1
P/E (x)	15.2	14.3	14.2	14.4	14.3
P/B (x)	2.3	2.3	2.3	2.3	2.2
EV/EBITDA (x)	8.3	7.8	8.6	8.5	8.5
Dividend Yield (%)	5.6%	6.5%	6.0%	5.9%	5.9%
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, Apex Securities

Results Comparison

FYE Jan (RM m)	4QFY25	4QFY24	yoy (%)	3QFY25	qoq (%)	12MFY25	12MFY24	yoy (%)	Comments
Revenue	443.3	365.2	21.4	446.4	(0.7)	1,684.0	1,526.1	10.3	Topline (yoy) buoyed by higher FFB and CPO ASP
EBITDA	50.0	51.2	(2.3)	85.7	(41.6)	293.3	270.3	8.5	
Pre-tax profit	39.9	41.9	(4.6)	76.6	(47.9)	255.8	232.3	10.1	
Net profit	22.8	24.8	(8.3)	50.0	(54.4)	161.8	147.7	9.5	
Core net profit	22.6	26.7	(15.1)	49.7	(54.5)	157.4	147.9	6.4	
Core EPS (sen)	2.3	2.7	(15.1)	5.1	(54.5)	16.1	15.2	6.4	Dragged by elevated 4Q25 opex
EBITDA margin (%)	11.3	14.0		19.2		17.4	17.7		
PBT margin (%)	9.0	11.5		17.2		15.2	15.2		
Core net profit margin (%)	5.1	7.3		11.1		9.3	9.7		

Source: Company, Apex Securities

Segmental Breakdown

FYE Jan (RM m)	4QFY25	4QFY24	yoy (%)	3QFY25	qoq (%)	12MFY25	12MFY24	yoy (%)	Comments
Gross revenue									
Plantation	68.2	59.9	13.9	65.5	4.2	255.9	234.7	9.0	
Miling	431.8	357.2	20.9	434.8	(0.7)	1,643.0	1,493.4	10.0	
Total	500.0	417.1	19.9	500.4	(0.1)	1,898.9	1,728.1	9.9	
Op Profit									
Plantation	36.2	27.5	31.6	37.3	(3.0)	141.2	117.1	20.6	Contraction in OER and FFB intake led to lower CPO
Miling	13.5	19.1	(29.3)	37.5	(64.0)	117.4	110.9	5.8	output in 4Q25
Total	49.7	46.6	6.6	74.8	(33.6)	258.6	228.0	13.4	
Op profit margin (%)									
Plantation	53.0%	45.9%		57.0%		55.2%	49.9%		
Miling	3.1%	5.3%		8.6%		7.1%	7.4%		
Aggregate Total	9.9%	11.2%		15.0%		13.6%	13.2%		

Source: Company, Apex Securities

Results Note

Thursday, 27 Mar, 2025

Financial Highlights

Income Statement

FYE Jan (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	1526.1	1684.0	1685.6	1692.4	1695.9
Gross Profit	275.8	298.5	298.7	299.9	300.6
EBITDA	270.1	293.3	271.7	275.7	279.1
Depreciation & Amortisation	43.6	43.2	20.8	23.4	25.9
EBIT	226.5	250.1	250.8	252.3	253.3
Net Finance Income/(Cost)	5.8	5.7	1.0	-2.4	-2.8
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	232.3	255.8	251.8	249.9	250.5
Tax	-54.4	-60.9	-60.4	-60.0	-60.1
Profit After Tax	177.9	194.9	191.4	189.9	190.4
Minority Interest	30.1	33.2	33.2	33.2	33.2
Net Profit	147.8	161.8	158.2	156.7	157.2
Exceptionals	0.2	-4.4	0.0	0.0	0.0
Core Profit	147.9	157.4	158.2	156.7	157.2

Key Ratios

FYE Jan (RM m)	FY24	FY25	FY26F	FY27F	FY28F
EPS (sen)	15.2	16.1	16.2	16.1	16.1
P/E (x)	15.2	14.3	14.2	14.4	14.3
P/B (x)	2.3	2.3	2.3	2.3	2.2
EV/EBITDA (x)	8.3	7.8	8.6	8.5	8.5
DPS (sen)	13.0	15.0	13.8	13.7	13.7
Dividend Yield (%)	5.6%	6.5%	6.0%	5.9%	5.9%
EBITDA margin (%)	17.7%	17.4%	16.1%	16.3%	16.5%
EBIT margin (%)	14.8%	14.9%	14.9%	14.9%	14.9%
PBT margin (%)	15.2%	15.2%	14.9%	14.8%	14.8%
PAT margin (%)	11.7%	11.6%	11.4%	11.2%	11.2%
NP margin (%)	9.7%	9.6%	9.4%	9.3%	9.3%
CNP margin (%)	9.7%	9.3%	9.4%	9.3%	9.3%
ROE (%)	15.1%	15.7%	16.1%	15.8%	15.6%
ROA (%)	11.8%	11.5%	11.8%	11.6%	11.4%
Gearing (%)	5.2%	16.0%	13.8%	13.8%	13.8%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations

	FY26F
Core EPS (RM)	0.162
P/E multiple (x)	15.2
Fair Value (RM)	2.50
ESG premium/discount	0.0%
Implied Fair Value (RM)	2.50

Source: Company, Apex Securities

Balance Sheet

FYE Jan (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash	175.5	248.9	177.2	157.0	150.3
Receivables	43.1	51.2	51.3	51.5	51.6
Inventories	43.0	38.6	38.6	38.7	38.8
Other current assets	252.0	284.4	284.4	284.4	284.4
Total Current Assets	513.6	623.1	551.4	531.7	525.1
Fixed Assets	600.7	289.4	325.6	359.4	390.9
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	142.2	459.7	459.7	459.7	459.7
Total Non-current assets	742.9	749.1	785.3	819.1	850.6
Short-term Debt	16.0	25.1	0.0	0.0	0.0
Payables	91.4	92.6	92.7	93.1	93.3
Other Current Liabilities	41.8	20.7	20.7	20.7	20.7
Total Current Liabilities	149.2	138.5	113.5	113.8	114.0
Long-term Debt	35.5	135.3	135.9	136.8	139.0
Other non-current liabilities	91.3	97.6	97.6	97.6	97.6
Total Non-current Liabilities	126.8	232.9	233.5	234.4	236.6
Shareholder's equity	865.0	882.4	865.0	871.5	887.6
Minority interest	115.5	118.4	118.4	118.4	118.4
Equity	980.4	1000.8	983.4	989.9	1006.0

Cash Flow

FYE Jan (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Pre-tax profit	232.3	255.8	251.8	249.9	250.5
Depreciation & amortisation	43.6	43.2	20.8	23.4	25.9
Changes in working capital	12.6	-2.5	0.0	0.0	0.0
Others	-53.6	-46.0	-27.3	-26.8	-27.0
Operating cash flow	234.9	250.5	245.4	246.5	249.4
Net capex	-44.5	-57.0	-57.0	-57.2	-57.4
Others	-71.5	-32.4	-60.0	-60.0	-60.0
Investing cash flow	-116.0	-89.3	-117.0	-117.2	-117.4
Changes in borrowings	-7.0	109.5	-24.6	0.9	2.2
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-145.3	-175.6	-175.6	-150.3	-141.1
Others	-26.1	-22.2	0.0	0.0	0.0
Financing cash flow	-178.4	-88.2	-200.1	-149.4	-138.8
Net cash flow	-59.6	73.0	-71.8	-20.1	-6.8
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	233.9	174.4	247.3	175.6	155.4
Ending cash	174.4	247.3	175.6	155.4	148.7

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 Thursday, 27 Mar, 2025, 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.