

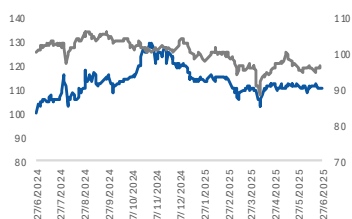
Steven Chong
(603) 7890 8888 (ext 2068)
stevenchong@apexsecurities.com.my

Recommendation:	HOLD
Current Price:	RM 2.24
Previous Target Price:	RM 2.10
Target Price:	↔ RM 2.10
Capital Upside/Downside:	-6.3%
Dividend Yield (%)	6.2%
Total Upside/Downside	-0.1%

Stock information	
Board	MAIN
Sector	Plantation
Bursa / Bloomberg Code	5027 / KIML MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	982.4
Market Cap (RM' m)	2,200.6
52-Week Price Range (RM)	2.649-2.06
Beta (x)	0.6
Free float (%)	25.9
3M Average Volume (m)	0.1
3M Average Value (RM' m)	0.2

Top 3 Shareholders	(%)
Sharikat Kim Loong Sdn Bhd	63.6
Teo Chuan Keng Sdn Bhd	2.0
Chellam Krishnan	1.0

Share Price Performance



	1M	3M	12M
Absolute (%)	-1.3	-0.9	7.7
Relative (%)	-2.6	-1.8	12.1

Earnings Summary	FY25	FY26F	FY27F
Revenue (RM'm)	1684	1691	1717
PATAMI (RM'm)	195	192	192
CNP (RM'm)	157	159	159
EPS - core (sen)	16.1	16.3	16.3
P/E(x)	13.9	13.8	13.8

Kim Loong Resources Berhad

An insipid start

- **KMLOONG** reported **CNP** of **RM39.9m** (-12.4% yoy, +76.2% qoq) in **1QFY26**, which came broadly in line with our expectations, representing 25.4% and 24.7% of our and consensus forecasts, respectively.
- **Modest FFB** output hitting **79.7k tonnes**, meeting our expectation at **25.1%**. We expect output to improve in the coming quarters, recovering from adverse weather conditions.
- Re-iterate our **HOLD** recommendation with unchanged target price of **RM2.10**, based on **13.1x P/E** multiple pegged to **FY26F EPS**.

Results within expectations. 1QFY26 CNP of RM39.9m (excluding FV gain on biological assets of RM16.7m and gain on derivatives of RM1.3m) came within expectations, accounting for 25.3%/24.7% of ours/ consensus CNP forecast.

YoY. 1QFY26 CNP fell -12.4% yoy, mainly due to weak performance in the milling division. We gather that plantation segment's EBIT rose +35.4% yoy to RM47.3m, supported by strong CPO and FFB prices. On the flip side, milling segment's EBIT declined -43.8% yoy to RM21.8m, as lower OER weighed on margins.

QoQ. CNP surged +76.2% qoq thanks to a solid rebound in FFB output following the low crop season. This helped reduce reliance on third-party supply and led to better milling margins. However, revenue slipped -7.1% qoq to RM411.7m, in line with the weaker CPO prices during the quarter.

Outlook. FFB output came in at 79.7k tonnes, making up just 25.1%/23.9% of ours and management estimate. We derived management's figure based on the midpoint of their guided FFB growth range of 5–10%. That said, we expect output to gain traction in the coming quarters as operations gradually recover from earlier weather-related disruptions. Meanwhile, CPO prices are likely to remain under pressure and may trend between between RM3,800 and RM4,000, as stockpiles are projected to build in 2QFY26 following a recovery in palm oil production.

Earnings Revision. Given that the reported earnings are deemed within expectations, we kept our forecast unchanged.

Valuation. Re-iterate our **HOLD** recommendation with unchanged target price of **RM2.10** by pegging 13.1x P/E multiple to FY26F EPS and 0% ESG factored premium/discount based on three-star ESG rating.

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.

Results Note

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Results Comparison

FYE Jan (RM m)	1QFY26	1QFY25	yoy (%)	4QFY25	qoq (%)	3MFY26	3MFY25	yoy (%)	Comments
Revenue	411.7	388.4	6.0	443.3	(7.1)	411.7	388.4	6.0	Topline (yoy) buoyed by higher FFB and CPOASF
EBITDA	79.5	85.6	(7.2)	50.0	58.9	79.5	85.6	(7.2)	
Pre-tax profit	69.0	76.3	(9.6)	39.9	72.8	69.0	76.3	(9.6)	
Net profit	41.9	49.5	(15.3)	22.8	83.9	41.9	49.5	(15.3)	
Core net profit	39.9	45.5	(12.4)	22.6	76.2	39.9	45.5	(12.4)	
Core EPS (sen)	4.1	4.7	(12.4)	2.3	76.2	4.1	4.7	(12.4)	
EBITDA margin (%)	19.3	22.0		11.3		19.3	22.0		
PBT margin (%)	16.8	19.7		9.0		16.8	19.7		
Core net profit margin (%)	9.7	11.7		5.1		9.7	11.7		

Source: Company, Apex Securities

Segmental Breakdown

FYE Jan (RM m)	1QFY26	1QFY25	yoy (%)	4QFY25	qoq (%)	3MFY26	3MFY25	yoy (%)	Comments
Gross revenue									
Plantation	72.2	60.8	18.7	68.2	5.8	72.2	60.8	18.7	
Miling	402.6	380.4	5.8	431.8	(6.8)	402.6	380.4	5.8	
Total	474.8	441.3	7.6	500.0	(5.0)	474.8	441.3	7.6	
Op Profit									
Plantation	47.3	34.9	35.4	36.2	30.6	47.3	34.9	35.4	
Miling	21.8	38.7	(43.8)	13.5	61.4	21.8	38.7	(43.8)	lower OER affects smilling margin
Total	69.0	73.7	(6.3)	49.7	39.0	69.0	73.7	(6.3)	
Op profit margin (%)									
Plantation	65.5%	57.4%		53.0%		65.5%	57.4%		
Miling	5.4%	10.2%		3.1%		5.4%	10.2%		
Aggregate Total	14.5%	16.7%		9.9%		14.5%	16.7%		

Source: Company, Apex Securities

Results Note

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Financial Highlights

Income Statement

FYE Jan (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	1526.1	1684.0	1690.7	1716.9	1720.3
Gross Profit	275.8	298.5	299.6	304.3	304.9
EBITDA	270.1	293.3	272.4	279.1	282.6
Depreciation & Amortisation	43.6	43.2	20.8	23.4	25.9
EBIT	226.5	250.1	251.5	255.7	256.7
Net Finance Income/ (Cost)	5.8	5.7	10	-2.4	-2.8
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	232.3	255.8	252.5	253.3	253.9
Tax	-54.4	-60.9	-60.6	-60.8	-60.9
Profit After Tax	177.9	194.9	191.9	192.5	193.0
Minority Interest	30.1	33.2	33.2	33.2	33.2
Net Profit	147.8	161.8	158.7	159.3	159.8
Exceptionals	0.2	-4.4	0.0	0.0	0.0
Core Profit	147.9	157.4	158.7	159.3	159.8

Key Ratios

FYE Jan (RM m)	FY24	FY25	FY26F	FY27F	FY28F
EPS (sen)	15.2	16.1	16.3	16.3	16.4
P/E (x)	14.8	13.9	13.8	13.8	13.7
P/B (x)	2.2	2.2	2.2	2.2	2.2
EV/EBITDA (x)	8.1	7.6	8.3	8.2	8.1
DPS (sen)	13.0	15.0	13.8	13.9	13.9
Dividend Yield (%)	5.8%	6.7%	6.1%	6.2%	6.2%
EBITDA margin (%)	17.7%	17.4%	16.1%	16.3%	16.4%
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%	16.1%	15.8%
ROA (%)	11.8%	11.5%	11.9%	11.8%	11.6%
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)	0.163
P/E multiple (x)	13.1
Fair Value (RM)	2.10
ESG premium/discount	0.0%
Implied Fair Value (RM)	2.10

Source: Company, Apex Securities

Balance Sheet

FYE Jan (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash	175.5	248.9	177.6	159.1	151.8
Receivables	43.1	512	514	52.2	52.3
Inventories	43.0	38.6	38.7	39.3	39.4
Other current assets	252.0	284.4	284.4	284.4	284.4
Total Current Assets	513.6	623.1	552.1	535.0	527.9
Fixed Assets	600.7	289.4	325.8	360.4	392.6
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	785.5	820.1	852.3
Short-term Debt	16.0	25.1	0.0	0.0	0.0
Payables	91.4	92.6	93.0	94.4	94.6
Other Current Liabilities	41.8	20.7	20.7	20.7	20.7
Total Current Liabilities	149.2	138.5	113.7	115.2	115.4
Long-term Debt	35.5	135.3	136.0	137.2	139.4
Other non-current liabilities	91.3	97.6	97.6	97.6	97.6
Total Non-current Liabilities	126.8	232.9	233.6	234.8	237.0
Shareholder's equity	865.0	882.4	865.6	874.1	890.5
Minority interest	115.5	118.4	118.4	118.4	118.4
Equity	980.4	1000.8	984.0	992.5	1008.9

Cash Flow

FYE Jan (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Pre-tax profit	232.3	255.8	252.5	253.3	253.9
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	-27.4	-27.6	-27.8
Operating cash flow	234.9	250.5	245.9	249.2	252.1
Net capex	-44.5	-57.0	-57.2	-58.1	-58.2
Others	-71.5	-32.4	-60.0	-60.0	-60.0
Investing cash flow	-116.0	-89.3	-117.2	-118.1	-118.2
Changes in borrowings	-7.0	109.5	-24.5	12	2.3
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-145.3	-175.6	-175.6	-160.8	-143.4
Others	-26.1	-22.2	0.0	0.0	0.0
Financing cash flow	-178.4	-88.2	-200.1	-149.6	-141.1
Net cash flow	-59.6	73.0	-71.3	-18.5	-7.2
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	233.9	174.4	247.3	176.0	157.5
Ending cash	174.4	247.3	176.0	157.5	150.2

Results Note

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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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(a) nil.