



AmInvestment Bank

Company report

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KIM LOONG RESOURCES

(KIML MK, KIML.KL)

8 Aug 2024

Milling unit to perform well in FY25F

BUY

(Maintained)

Rationale for report: Company Update

Price	RM2.25
Fair Value	RM2.90
52-week High/Low	RM2.49/RM1.77

Key Changes

Fair value	↔
EPS	↔

YE to Jan	FY24	FY25F	FY26F	FY27F
Revenue (RMmil)	1,526.1	1,656.4	1,674.8	1,693.7
Net Profit (RMmil)	147.8	179.7	161.2	167.0
EPS (sen)	15.3	18.5	16.6	17.2
FD EPS (sen)	15.1	18.3	16.5	17.1
EPS growth (%)	(8.9)	21.6	(10.3)	3.6
Consensus net (RMmil)	-	160.7	157.3	167.0
DPS (sen)	13.0	14.0	15.0	16.0
PE (x)	14.8	12.1	13.5	13.1
FD PE (x)	14.9	12.3	13.7	13.2
EV/EBITDA (x)	7.2	5.6	5.8	5.3
Div yield (%)	5.8	6.2	6.7	7.1

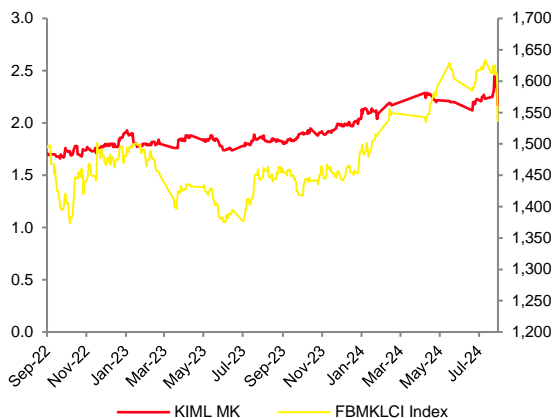
Stock and Financial Data

Shares Outstanding (million)	968.8
Market Cap (RM mil)	2,179.8
Book value (RM/share)	0.89
P/BV (x)	2.5
ROE (%)	17.4
Net Gearing (%)	na

Major Shareholders	Sharikat Kim Loong (64.4%) Teo Chuan Keng (2.1%)
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Free Float (%)	35.6
Avg Daily Value (RM mil)	0.4

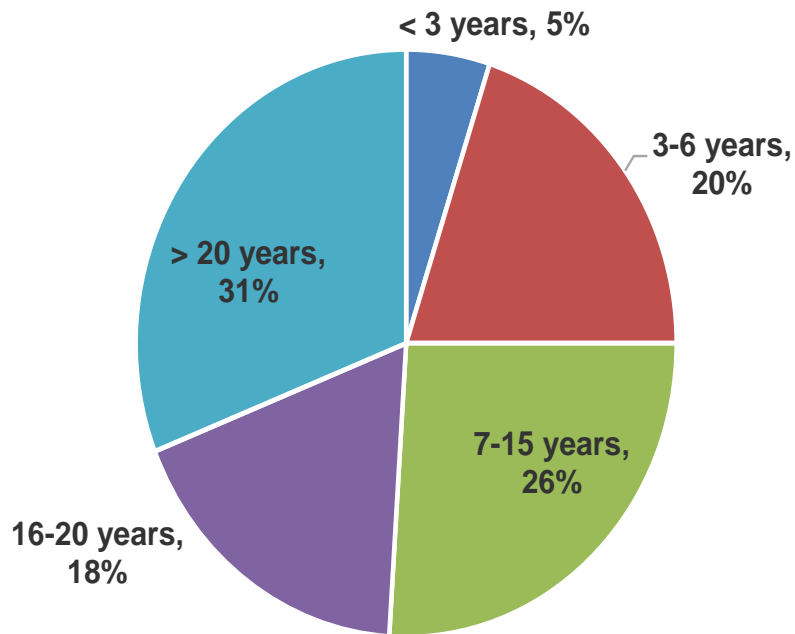
Price performance	3mth	6mth	12mth
Absolute (%)	+0.0	+5.2	+21.7
Relative (%)	+3.3	+1.5	+12.2



Investment Highlights

- We maintain BUY on Kim Loong Resources (KLR) with an unchanged fair value of RM2.90/share, based on FY25F fully diluted PE of 16x, which is slightly below the 5-year mean of 18x. We ascribe a neutral 3-star ESG rating to KLR.
- Recently, KLR completed the lodgement of its RM500mil MTN (medium term notes) with the Securities Commission. Proceeds from the MTN will be used for working capital and capex. KLR was in a net cash position of RM367.3mil as at end-January 2024.
- KLR plans to build a palm oil mill in Sarawak in the future. 15% or 2,449ha of the group's planted areas are in Sarawak. We think that a 60-tonne per hour palm oil mill would cost RM80mil.
- Also, we believe that there are investment opportunities in Sabah. Based on market transactions, we reckon that the price of a prime oil palm estate in Sabah ranges from RM80,000/ha to RM100,000/ha. Landbank with property development potential commands more than RM100,000/ha.
- KLR's milling division (milling and sale of electricity from biogas plants) is expected to perform well in FY25F, underpinned by higher processing charges and full commissioning of the 1.5MW Telupid biogas plant. Milling EBIT soared by 78.4% YoY to RM38.7mil in 1QFY25.
- We believe that milling processing charges have risen to RM80/tonne from a range of RM50/tonne to RM75/tonne. Due to higher compliance and diesel costs, KLR and other millers in Peninsular Malaysia have raised their processing charges.
- As for the plantation division, we have assumed a FFB output growth of 4.5% for FY25F (5MFY25: 3.4%) (FY24: 14.8%). The softer increase in FFB production in FY25F can be attributed to the replanting of 1,000ha of ageing oil palm trees.
- Also, we understand that there are no major issues with the weather in Johor. Although it is dry in Sabah, it is not a problem yet. In Sarawak, however, the weather is wet. We think that our FY25F FFB growth assumption of 4.5% is conservative enough to account for the effects of the wet weather in Sarawak for now.
- KLR is currently trading at a compelling FY25F fully diluted PE of 12x, significantly below its 5-year average of 18x.

EXHIBIT 1: AGE PROFILE OF OIL PALM TREES



Source: Company

EXHIBIT 2: ESG MATRIX

Environmental assessment		Parameters	Weightage	Rating					Rationale
1	RSPO certification	100% certification	33%	*	*	*	*	*	MSP0, ISCC and INS certified
2	Supply chain auditing	100% traceable	33%	*	*	*	*	*	Full traceability of FFB
3	GHG emissions	Netzero by 2050F	33%	*	*	*	*	*	Recorded 34mil cubic metres of GHG captured in FY24 (FY23: 35mil)
Weighted score for environmental assessment			100%	*	*	*	*	*	
Social assessment		Parameters	Weightage	Rating					Rationale
1	Migrant workers welfare	Number of Workers grievances	40%	*	*	*	*	*	No disclosure
2	Work site safety	Zero fatalities	30%	*	*	*	*	*	Zero in FY24
3	Accident frequency rate for mil hours worked	Below 10	30%	*	*	*	*	*	11.4 in FY24
Weighted score for social assessment			100%	*	*	*	*	*	
Governance assessment		Parameters	Weightage	Rating					Rationale
1	Related party transactions	Value of RPTs	40%	*	*	*	*	*	RM16.3mil in FY24, mainly purchases of goods and services with holding co
2	Women in the board of directors	% of women	30%	*	*	*	*	*	1 female director in FY24
3	Remuneration to directors	Total value of remuneration or % of salary costs	30%	*	*	*	*	*	RM9.7mil in FY24
Weighted score for governance assessment			100%	*	*	*	*	*	
Environmental score			50%	*	*	*	*	*	
Social score			30%	*	*	*	*	*	
Governance score			20%	*	*	*	*	*	
Overall ESG Score			100%	*	*	*	*	*	

Source: AmlInvestment Bank

EXHIBIT 3: PB BAND CHART

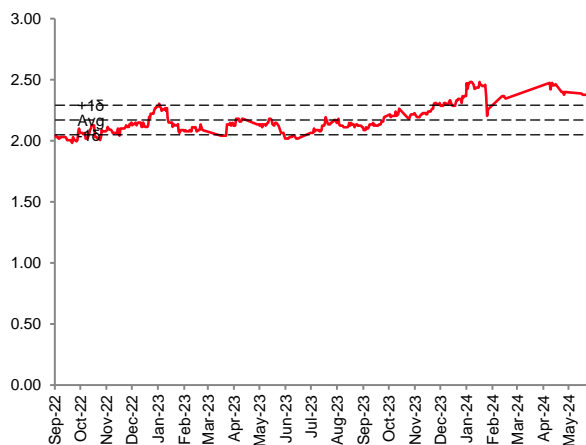


EXHIBIT 4: PE BAND CHART

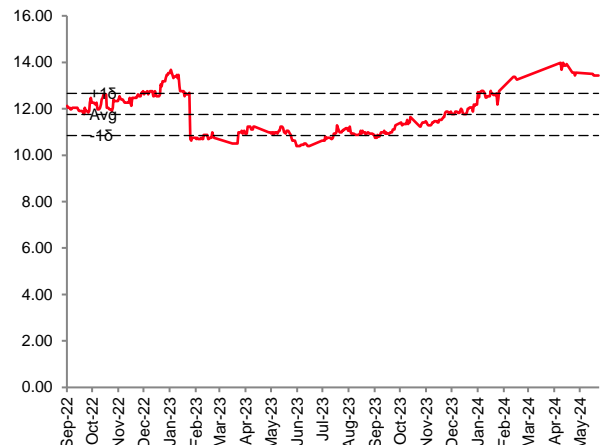


EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Jan)	2023	2024	2025F	2026F	2027F
Revenue	1,908.3	1,526.1	1,656.4	1,674.8	1,693.7
EBITDA	274.4	252.5	303.2	285.4	301.5
Depreciation	(39.8)	(43.6)	(42.2)	(47.0)	(51.8)
Operating income (EBIT)	234.6	208.9	261.0	238.4	249.7
Other income & associates	13.5	17.6	15.0	15.0	15.0
Net interest	4.3	5.8	1.8	3.3	4.2
Exceptional items	0.0	0.0	0.0	0.0	0.0
Pretax profit	252.4	232.3	277.8	256.7	268.9
Taxation	(52.8)	(54.4)	(65.0)	(59.0)	(61.8)
Minorities/pref dividends	(37.4)	(30.1)	(33.1)	(36.4)	(40.1)
Net profit	162.3	147.8	179.7	161.2	167.0
Balance Sheet (RMmil, YE 31 Jan)	2023	2024	2025G	2026F	2027F
Fixed assets	271.7	275.1	282.9	285.9	284.1
Intangible assets	-	-	-	-	-
Other long-term assets	475.9	468.0	468.0	468.0	468.0
Total non-current assets	747.6	743.1	750.9	753.9	752.1
Cash & equivalent	399.9	418.8	527.8	587.5	648.8
Stock	58.2	43.0	45.4	45.9	46.4
Debtors	48.1	43.1	45.4	45.9	46.4
Other current assets	9.9	8.7	8.7	8.7	8.7
Total current assets	516.0	513.6	627.2	688.0	750.2
Creditors	99.0	91.8	95.1	97.8	97.1
Short-term borrowings	13.0	16.0	16.0	16.0	16.0
Other current liabilities	59.4	41.8	80.4	85.2	90.1
Total current liabilities	171.3	149.5	191.5	199.0	203.2
Long-term borrowings	45.5	35.5	39.0	42.9	47.2
Other long-term liabilities	93.1	91.3	90.0	90.0	90.0
Total long-term liabilities	138.6	126.8	129.0	132.9	137.2
Shareholders' funds	834.7	864.9	909.0	924.9	936.8
Minority interests	119.3	115.5	148.6	185.0	225.1
BV/share (RM)	0.86	0.89	0.94	0.95	0.97
Cash Flow (RMmil, YE 31 Jan)	2023	2024	2025G	2026F	2027F
Receipts from customers	1,921.4	1,537.4	1,656.4	1,674.8	1,693.7
Payments to suppliers and employees	(1,656.1)	(1,249.4)	(1,366.8)	(1,437.0)	(1,447.2)
Interest paid	(2.4)	(2.5)	0.0	0.0	0.0
Income tax (paid)/refunded	(49.9)	(50.6)	(65.0)	(59.0)	(61.8)
Cash flow from operations	213.0	234.9	224.6	178.8	184.7
Capital expenditure	(63.8)	(44.5)	(50.0)	(50.0)	(50.0)
Net investments & sale of fixed assets	(53.9)	(71.5)	0.0	0.0	0.0
Others	(0.1)	0.0	(0.2)	(0.2)	(0.2)
Cash flow from investing	(117.8)	(116.0)	(50.2)	(50.2)	(50.2)
Debt raised/(repaid)	(8.0)	(7.0)	3.5	3.9	4.3
Equity raised/(repaid)	2.2	8.1	0.0	0.0	0.0
Dividends paid	(163.0)	(179.5)	(67.8)	(72.7)	(77.5)
Others	0.0	0.0	0.0	0.0	0.0
Cash flow from financing	(168.8)	(178.4)	(64.3)	(68.8)	(73.2)
Net cash flow	(73.6)	(59.5)	110.1	59.8	61.2
Net cash/(debt) b/f	307.5	233.9	174.4	284.4	344.2
Forex	0.0	0.0	0.0	0.0	0.0
Net cash/(debt) c/f	233.9	174.4	284.4	344.2	405.4
Key Ratios (YE 31 Jan)	2023	2024	2025G	2026F	2027F
Revenue growth (%)	12.1	-20.0	8.5	1.1	1.1
EBITDA growth (%)	19.4	-8.0	20.1	-5.9	5.6
Pretax margins (%)	13.2	15.2	16.8	15.3	15.9
Net profit margins (%)	8.5	9.7	10.8	9.6	9.9
Interest cover (x)	-66.3	-46.4	-170.6	-90.8	-74.9
Effective tax rate (%)	20.9	23.4	23.4	23.0	23.0
Net dividend payout (%)	89.4	85.6	75.5	90.1	92.8
Trade debtors turnover (days)	9	10	10	10	10
Stock turnover (days)	11	10	10	10	10
Trade creditors turnover (days)	22	27	26	26	26

Source: Company, AmlInvestment Bank estimates

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