KIM LOONG RESOURCES

(KIML MK EQUITY, KIML.KL)

BUY

(Maintained)

Price: RM2.50

Target Price (% return): RM3.55 (48%)

52-week High/Low: RM2.85/RM2.28

Plantation

Rationale for report: Company Update

Attractive dividend yields

Kim Loong Resources' (KLR) dividend yields are attractive, estimated at 6% for FY27F and 6.4% for FY28F. Free cash flows are envisaged to be healthy at 32 sen/share for FY27F and 35 sen/share for FY28F, underpinned by higher palm product prices and milling earnings. We forecast a gross DPS of 15 sen for FY27F (FY26: 14 sen) and 16 sen for FY28F, which imply payouts of 73% and 72% respectively. KLR is a Malaysian-based upstream company with zero exposure to Indonesia. We maintain BUY with a target price of RM3.55/share.

- **BUY with an unchanged TP of RM3.55/share.** Our TP of RM3.55/share is based on a CY27F PE of 16x, which is slightly below the five-year average of 18x. We applied a discount as KLR's long-term FFB yields may be affected by the group's large proportion of ageing oil palm trees.
- **KLR's milling profits are envisaged to expand by more than 20% to RM150mil in FY27F.** This is expected to be driven by higher processing charges and CPO price. We believe that KLR raised the milling processing charge by RM10/tonne in FY27F as the costs of transportation and compliance had risen by 5% to 10%.
- **Higher milling EBIT would compensate for a decline in plantation earnings.** We think that KLR's plantation EBIT would retreat by 11% to RM140mil in FY27F dragged mainly by a 7% fall in FFB production (8MFY27: -11.7% YoY). The ex-mill cost of CPO production is estimated to rise to RM2,100/tonne in FY27F from RM1,970/tonne in FY26.
- **Capex is anticipated to increase in FY27F.** KLR's palm oil mill in Sarawak is expected to be completed in FY28F. The palm oil mill, which commands a processing capacity of 60 tonnes/hour, is estimated to cost between RM90mil and RM100mil. We forecast KLR's capex to be RM60mil for KLR in FY27F (FY26: RM41.3mil) and RM50mil in FY28F. Despite the higher capex, KLR's free cash flows are envisaged to be positive supported by healthy milling earnings.

YE to Jan	FY26	FY27F	FY28F	FY29F
Revenue (RM mil)	1,823.9	2,200.8	2,401.9	2,418.0
Core net profit (RM mil)	168.5	200.9	219.6	220.8
FD Core EPS (sen)	17.2	20.4	22.3	22.4
FD Core EPS growth (%)	3.0	19.1	9.3	0.6
Consensus Net Profit (RM mil)		181.0	178.0	189.0
DPS (sen)	14.0	15.0	16.0	17.0
PE (x)	14.6	12.2	11.2	11.1
EV/EBITDA (x)	7.0	5.7	4.8	4.4
Div yield (%)	5.6	6.0	6.4	6.8
ROE (%)	18.5	20.8	21.5	20.5
Net Gearing (%)	na	na	na	na

Source: kim loong resources, AmInvestment Bank

Analyst (s)

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Key Changes

Target Price:	⇔
EPS	⇔

Stock and Financial Data

Shares Outstanding (million)	983.6
Market Cap (RMmil)	2,459.0
Book Value (RM/Share)	0.96
P/BV (x)	2.6
ROE (%)	18.5
Net Gearing (%)	na
Free Float	35.6
Avg Daily Value (RMmil)	0.3

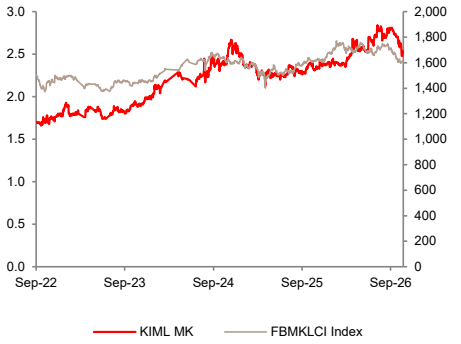
Major Shareholders

Sharikat Kim Loong Sdn Bhd	63.2%
Teo Chuan Keng Sdn Bhd	2.0%

Price performance	3mth	6mth	12mth
Absolute (%)	-0.3	-1.6	+10.5
Relative (%)	-3.9	+5.2	+10.7

Source: kim loong resources, AmInvestment Bank

Price Chart



Company profile

Kim Loong Resources (KLR) is involved in the milling and sale of CPO. The group also sells electricity generated from the biogas plants to Tenaga Nasional (TNB).

Plantation generated 56% of FY26 EBIT while milling (milling and sale of electricity) accounted for the balance 44%. KLR does not have downstream operations.

KLR's customers are TNB and palm refineries in Sabah and Johor.

KLR has planted areas of 15,908ha. About 82% of the landbank are located in Sabah. The balance are located in Sarawak and Johor. In Sabah, KLR's oil palm estates are in Keningau, Sandakan and Telupid

KLR has three palm oil mills with total milling capacity of 240 tonnes per hour. The mills are located in Keningau, Telupid and Kota Tinggi. KLR also has three biogas plants. They are located next to the group's palm oil mills in Sabah and Johor. Net export capacity of the biogas plants is 5.3MW.

KLR's competitive advantage lies in its pure exposure to CPO prices and recurring income from the sale of electricity to TNB. KLR's balance sheet is healthy. The group was in a net cash of RM453.5mil as at end-January 2026.

Investment thesis and catalysts

We have a BUY on KLR as being a pure planter, the group would benefit from rising CPO prices.

Share price kickers are stronger-than-expected earnings and acquisition of a plantation estate.

Valuation methodology

We applied a CY27F PE of 16x to arrive at KLR's fair value of RM3.55/share. The PE of 16x is below the five-year average of 18x. We applied a discount as long-term FFB yields may be affected by ageing oil palm trees.

Risk factors

Key risks are weaker-than-expected FFB production and a fall in CPO prices. We estimate that KLR's net profit will fall by 5% to 7% for every RM100/tonne decline in CPO price.

EXHIBIT 1. VALUATIONS

Target PE (x)	16
CY27F EPS (sen)	22.2
ESG premium	-
12-month target price	3.55

EXHIBIT 2. ESG MATRIX

	Environmental assessment	Parameters	Weightage	Rating					Rationale
1	RSPO certification	100% certification	33%	*	*				MSPO, ISCC and INS certified
2	Supply chain auditing	100% traceable	33%	*	*	*	*	*	Full traceability of FFB
3	GHG emissions	Net zero by 2050F	33%	*	*	*			Scope 1 GHG emissions rose to 198,987 tonnes in FY26 from 190,578 tonnes in FY25
	Weighted score for environmental assessment		**100%**	*	*	*			
	Social assessment								
1	Migrant workers welfare	Number of Workers grievances	40%	*	*				No disclosure
2	Work site safety	Zero fatalities	30%	*	*	*	*	*	Zero in FY26
3	Accident frequency rate for mil hours worked	Below 10	30%	*	*	*			14.7 in FY26 vs. 6.2 in FY25
	Weighted score for social assessment		**100%**	*	*	*			
	Governance assessment								
1	Related party transactions	Value of RPTs	40%	*	*	*			RM34mil in FY26 vs. RM21.9mil in FY25, mainly purchases of goods and services with holding company
2	% of women in workforce	% of women	30%	*	*	*			45% of executives were women in FY26, same as FY25
3	Remuneration to directors	Total value of remuneration or % of salary costs	30%	*	*	*			RM12.2mil in FY26 vs. RM10.7mil in FY25
	Weighted score for governance assessment		**100%**	*	*	*			

Source: Company, AmInvestment Bank Bhd

Income Statement (RMmil)

YE to Jan	FY25	FY26	FY27F	FY28F	FY29F
Revenue	1,684.0	1,823.9	2,200.8	2,401.9	2,418.0
EBITDA	267.8	287.6	342.2	377.7	384.9
Depreciation/Amortisation	(43.2)	(44.1)	(49.8)	(56.0)	(58.7)
Operating income (EBIT)	224.6	243.5	292.4	321.6	326.2
Other income & associates	25.1	25.5	24.0	24.0	24.0
Net interest	5.7	2.4	2.5	3.2	6.3
Exceptional items	0.0	0.0	0.0	0.0	0.0
Pretax profit	**255.3**	**271.4**	**318.9**	**348.9**	**356.5**
Taxation	(60.7)	(65.2)	(76.5)	(83.7)	(85.5)
Minorities/pref dividends	(33.2)	(37.7)	(41.4)	(45.6)	(50.1)
Net profit	**161.4**	**168.5**	**200.9**	**219.6**	**220.8**

Balance Sheet (RMmil)

YE to Jan	FY25	FY26	FY27F	FY28F	FY29F
Fixed assets	289.4	304.4	314.6	308.6	289.8
Intangible assets	-	-	-	-	-
Other long-term assets	459.5	461.0	461.0	461.0	461.0
Total non-current assets	**748.9**	**765.4**	**775.6**	**769.6**	**750.8**
Cash & equivalent	524.2	593.8	669.1	795.0	929.7
Stock	38.6	64.8	60.3	65.8	66.2
Trade debtors	51.2	52.8	60.3	65.8	66.2
Other current assets	9.3	8.3	8.3	8.3	8.3
Total current assets	**623.4**	**719.8**	**798.0**	**934.9**	**1,070.6**
Trade creditors	93.2	112.4	129.2	140.8	141.2
Short-term borrowings	25.1	35.3	35.3	35.3	35.3
Other current liabilities	20.6	56.2	26.1	26.1	26.1
Total current liabilities	**138.9**	**203.9**	**190.6**	**202.2**	**202.6**
Long-term borrowings	135.3	105.0	115.6	127.1	139.8
Other long-term liabilities	97.6	105.7	105.7	105.7	105.7
Total long-term liabilities	**232.9**	**210.8**	**221.3**	**232.8**	**245.5**
Shareholders' funds	**882.0**	**939.5**	**989.3**	**1,051.5**	**1,105.1**
Minority interests	118.4	131.1	172.5	218.0	268.2
BV/share (RM)	0.91	0.96	1.01	1.07	1.12

Cash Flow (RMmil)

YE to Jan	FY25	FY26	FY27F	FY28F	FY29F
Pretax profit	1,683.4	1,832.0	2,200.8	2,401.9	2,418.0
Depreciation/Amortisation	(1,390.0)	(1,517.3)	(1,804.4)	(1,967.0)	(1,973.8)
Net change in working capital	(2.2)	(8.4)	(3.0)	(3.0)	(3.0)
Others	(43.0)	(52.6)	(76.5)	(83.7)	(85.5)
Cash flow from operations	**248.2**	**253.7**	**316.8**	**348.1**	**355.7**
Capital expenditure	(54.6)	(41.3)	(60.0)	(50.0)	(40.0)
Net investments & sale of fixed assets	(23.4)	(45.0)	0.0	0.0	0.0
Others	(9.0)	(11.9)	(116.6)	(105.1)	(110.1)
Cash flow from investing	**(87.0)**	**(98.2)**	**(176.6)**	**(155.1)**	**(150.1)**
Debt raised/(repaid)	109.5	(20.1)	10.5	11.6	12.7
Equity raised/(repaid)	5.2	9.7	0.0	0.0	0.0
Dividends paid	(203.6)	(126.5)	(73.8)	(78.7)	(83.6)
Others	(0.7)	3.2	0.0	0.0	0.0
Cash flow from financing	**(89.7)**	**(133.8)**	**(63.3)**	**(67.1)**	**(70.9)**
Net cash flow	**71.5**	**21.7**	**76.9**	**125.9**	**134.7**
Net cash/(debt) b/f	**174.4**	**247.4**	**262.6**	**339.5**	**465.4**
Forex	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net cash/(debt) c/f	**245.9**	**269.0**	**339.5**	**465.4**	**600.2**

Key Ratios

YE to Jan	FY25	FY26	FY27F	FY28F	FY29F
Revenue growth (%)	10.3	8.3	20.7	9.1	0.7
EBITDA growth (%)	6.0	7.4	19.0	10.4	1.9
Pretax margin (%)	15.2	14.9	14.5	14.5	14.7
Net profit margin (%)	9.6	9.2	9.1	9.1	9.1
Interest cover (x)	na	na	na	na	na
Effective tax rate (%)	23.8	24.0	24.0	24.0	24.0

Dividend payout (%)	90.9	81.7	73.4	71.7	75.7
Debtors turnover (days)	11	11	10	10	10
Stock turnover (days)	8	13	10	10	10
Creditors turnover (days)	25	27	26	26	26

Source: Company, AmInvestment Bank

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