AmInvestment Bank

Company report

KIM LOONG

(KIML MK, KIML.KL)

9 May 2025

Milling margins to recover

BUY

(Maintained)

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Rationale for report: Company Results

Price	**RM2.23**
Target price	**RM2.75**
52-week High/Low	RM2.65/RM2.06

Key Changes

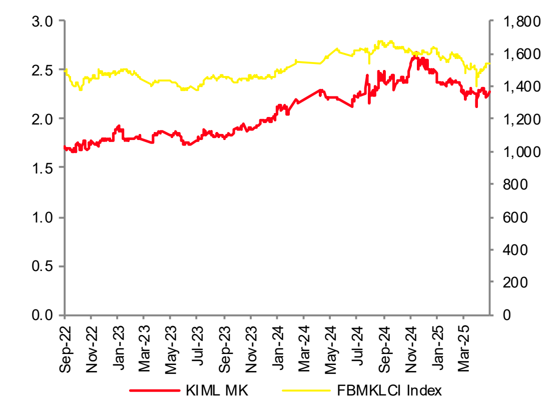
Target price	⇔
EPS	⇔

YE to Jan	FY25	FY26F	FY27F	FY28F
Revenue (RMmil)	1,684.0	1,740.7	1,759.7	1,770.5
Net Profit (RMmil)	161.8	168.2	172.9	183.8
FD EPS (sen)	16.7	17.1	17.6	18.7
EPS growth (%)	9.5	2.6	2.8	6.3
Consensus net (RMmil)		173.0	169.0	183.8
DPS (sen)	15.0	16.0	17.0	18.0
FD PE (x)	13.4	13.0	12.7	11.9
EV/EBITDA (x)	6.7	6.2	5.7	5.2
Div yield (%)	6.7	7.2	7.6	8.1
ROE (%)	18.5	18.9	19.3	20.4
Net gearing (%)	na	na	na	na

Stock and Financial Data

Shares Outstanding (million)	982.1
Market Cap (RM mil)	2,190.1
Book value (RM/share)	0.91
P/BV (x)	2.5
ROE (%)	18.5
Net Gearing (%)	Na
Major Shareholders	Sharikat Kim Loong (64.4%) Teo Chuan Keng (2.1%)
Free Float (%)	35.6
Avg Daily Value (RM mil)	0.3

Price performance	3mth	6mth	12mth
Absolute (%)	-0.1	-8.5	+5.6
Relative (%)	-0.7	-3.7	+10.0



Investment Highlights

We expect Kim Loong Resources' (KLR) net profit to improve QoQ but stagnate YoY in 1QFY26. The QoQ earnings recovery is envisaged to be underpinned by higher milling margins and a rebound in FFB supply. We believe that KLR would be raising its milling processing charge by RM15/tonne in 1QFY26 to account for an increase in sustainability compliance costs. On a yearly basis however, we think that KLR's net earnings would be flat in 1QFY26 as a small drop in FFB production is offset by stronger palm product prices. We expect FFB output to rise going forward as the trees enter the peak production period in 2HFY26. We maintain BUY on KLR for its decent dividend yield of more than 6% and pure exposure to CPO prices.

- **BUY with an unchanged TP of RM2.75/share.** Our TP is based on a CY26F PE of 16x, which is a tad below the five-year average of 18x. We applied a lower PE as KLR has a significant proportion of ageing oil palm trees, which would affect future FFB yields. About 31% of the group's oil palm trees are more than 20 years old.

- **Higher net profit in 1QFY26 vs. 4QFY25.** We think that milling EBIT would normalise to a range of RM20mil to RM30mil in 1QFY26 (4QFY25: RM13.5mil). The earnings recovery is anticipated to be driven by higher processing charges, a rebound in FFB supply and the re-commissioning of the biogas plant in Keningau, Sabah.

- **Net earnings may be flat YoY in 1QFY26.** We believe that KLR's plantation division would enjoy an average CPO price of RM4,400/tonne in 1QFY26, which is 5% stronger than RM4,180/tonne in 1QFY25. On the flip side, we think that the group's FFB production would ease by 2% to 4% YoY in 1QFY26. As for milling, we reckon that EBIT would be slightly higher YoY in 1QFY26 as a lower FFB supply is compensated by higher processing charges.

- **Flushed with cash from the conversion of warrants.** We expect KLR's net cash to increase to more than RM380mil from RM364mil presently due to the conversion of the warrants. KLR's 13.3mil warrants with an exercise price of RM1.40/share, expired on 10 April 2025. We estimate cash inflows from the conversion of the warrants to be RM18.6mil.

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 51% of FY24 EBIT while milling (milling and sale of electricity) accounted for the balance 49%. KLR does not have downstream operations.

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

KLR has planted areas of 16,596ha. About 78% of the landbank are located in Sabah. Another 7% are located in Kota Tinggi, Johor while the balance 15% are in Sarawak. 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 RM367.3mil as at end-January 2024.

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 CY26F PE of 16x to arrive at KLR's fair value of RM2.75/share. The PE of 16x is slightly below the five-year average of 18x. We applied a discount as future 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 would fall by 5% to 7% for every RM100/tonne decline in CPO price.

EXHIBIT 1: 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%	*	*	*			Recorded 34mil cubic metres of GHG captured in FY24 (FY23: 35mil)
	Weighted score for evironmental assessment		**100%**	*	*	*			
	Social assessment								
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								
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: AmInvestment Bank

EXHIBIT 2: VALUATIONS

Target PE (x)	16
CY26F EPS (sen)	17.6
ESG premium	-
12-month target price (RM)	2.75

EXHIBIT 3: FINANCIAL DATA

Income Statement (RMmil, YE 31 Jan)	2024	2025	2026F	2027F	2028F
Revenue	1,526.1	1,684.0	1,740.7	1,759.7	1,770.5
EBITDA	252.5	268.2	289.2	303.2	324.4
Depreciation	(43.6)	(43.2)	(45.7)	(50.9)	(56.1)
Operating income (EBIT)	208.9	225.0	243.5	252.3	268.3
Other income & associates	17.6	25.1	15.0	15.0	16.0
Net interest	5.8	5.7	7.4	9.4	11.8
Exceptional items	0.0	0.0	0.0	0.0	0.0
Pretax profit	**232.3**	**255.8**	**265.9**	**276.7**	**296.1**
Taxation	(54.4)	(60.9)	(61.2)	(63.6)	(68.1)
Minorities/pref dividends	(30.1)	(33.2)	(36.5)	(40.1)	(44.1)
Net profit	**147.8**	**161.8**	**168.2**	**172.9**	**183.8**

Balance Sheet (RMmil, YE 31 Jan)	2024	2025	2026F	2027F	2028F
Fixed assets	275.1	289.4	293.7	292.8	286.7
Intangible assets	-	-	-	-	-
Other long-term assets	468.0	459.7	459.7	459.7	459.7
Total non-current assets	**743.1**	**749.1**	**753.4**	**752.5**	**746.4**
Cash & equivalent	418.8	524.2	579.0	642.0	716.8
Stock	43.0	38.6	47.7	48.2	48.5
Debtors	43.1	51.2	47.7	48.2	48.5
Other current assets	8.7	9.1	9.1	9.1	9.1
Total current assets	**513.6**	**623.1**	**683.5**	**747.5**	**822.9**
Creditors	91.8	92.6	101.7	101.5	100.9
Short-term borrowings	16.0	25.1	25.1	25.1	25.1
Other current liabilities	41.8	20.7	20.7	20.7	20.7
Total current liabilities	**149.5**	**138.5**	**147.6**	**147.4**	**146.8**
Long-term borrowings	35.5	135.3	148.9	163.8	180.1
Other long-term liabilities	91.3	97.6	90.0	90.0	90.0
Total long-term liabilities	**126.8**	**232.9**	**238.9**	**253.8**	**270.1**
Shareholders' funds	**864.9**	**882.4**	**895.6**	**903.8**	**913.2**
Minority interests	115.5	118.4	154.9	195.0	239.2
BV/share (RM)	0.89	0.91	0.92	0.93	0.94

Cash Flow (RMmil, YE 31 Jan)	2024	2025	2026F	2027F	2028F
Receipts from customers	1,537.4	1,683.4	1,740.7	1,759.7	1,770.5
Payments to suppliers and employees	(1,249.4)	(1,387.6)	(1,509.0)	(1,515.5)	(1,506.5)
Interest paid	(2.5)	(2.2)	0.0	0.0	0.0
Income tax (paid)/refunded	(50.6)	(43.0)	(61.2)	(63.6)	(68.1)
Cash flow from operations	**234.9**	**250.5**	**170.6**	**180.7**	**195.9**
Capital expenditure	(44.5)	(57.0)	(50.0)	(50.0)	(50.0)
Net investments & sale of fixed assets	(71.5)	(23.4)	0.0	0.0	0.0
Others	0.0	(9.0)	(0.2)	(0.2)	(0.2)
Cash flow from investing	**(116.0)**	**(89.3)**	**(50.2)**	**(50.2)**	**(50.2)**
Debt raised/(repaid)	(7.0)	109.5	13.5	14.9	16.4
Equity raised/(repaid)	8.1	5.2	0.0	0.0	0.0
Dividends paid	(179.5)	(203.6)	(77.5)	(82.3)	(87.2)
Others	0.0	(0.7)	0.0	0.0	0.0
Cash flow from financing	**(178.4)**	**(89.7)**	**(64.0)**	**(67.5)**	**(70.8)**
Net cash flow	**(59.5)**	**71.5**	**56.4**	**62.9**	**74.9**
Net cash/(debt) b/f	**233.9**	**174.4**	**247.4**	**303.7**	**366.7**
Forex	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net cash/(debt) c/f	**174.4**	**245.9**	**303.7**	**366.7**	**441.5**

Key Ratios (YE 31 Jan)	2024	2025	2026F	2027F	2028F
Revenue growth (%)	-20.0	10.3	3.4	1.1	0.6
EBITDA growth (%)	-8.0	6.2	7.8	4.8	7.0
Pretax margins (%)	15.2	15.2	15.3	15.7	16.7
Net profit margins (%)	9.7	9.6	9.7	9.8	10.4
Interest cover (x)	na	na	na	na	na
Effective tax rate (%)	23.4	23.8	23.0	23.0	23.0
Net dividend payout (%)	85.6	89.8	92.1	95.3	94.9
Trade debtors turnover (days)	10	10	10	10	10
Stock turnover (days)	10	10	10	10	10
Trade creditors turnover (days)	27	26	26	26	26

Source: Company, AmInvestment Bank estimates

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