

Kim Loong Resources Bhd

Weakness in CPO prices well cushioned

Summary

- Kim Loong Resources Bhd's (KMLOONG) near term outlook remain unexciting, owing to the weaker CPO prices and high production cost. The move may continue to limit recovery from the improved production.
- As of 1QFY24, KMLOONG total planted area stood at 15,940-ha (which has been relatively unchanged in recent quarters). Nevertheless, KIMLOONG maintained a healthy tree profile (Immature: 5%, Young Mature: 19%, Prime Mature: 26%, Old Mature: 19% and Pre-replanting: 31%).
- Looking ahead, we expect the younger palm trees to turn young mature and will eventually boost FFB production in FY24f. We have penciled in a production of 301,000MT, which represents 4.5% YoY improvement. Already, 1HFY24 production at 154,632MT makes up to 51.4% of our assumption.
- Although CPO prices hovered below our assumption of RM4,000/MT in 2023, we reckon that downside will be cushioned by the onset of the periodic dry weather phenomenon (El Nino) that threaten production. Reduction in edible oil prices may improve demand prospects with purchasers also taking this opportunity to stock up ahead of the Deepavali festive season. Already, India's total palm oil imports in June rose 55.5% MoM to 683,133MT.
- We gather that Malaysia palm oil stocks rose 0.7% MoM to 1.7m tonnes in July 2023, as the healthy increase in production is well absorbed by the exports market which rose 15.6% MoM to 1.4m tonnes. On a brighter note, fertiliser prices which accounts to majority of the production costs continues to normalise with China also no longer restricted the export of 29 types of fertilisers. This expects to provide some alleviation to planters' margins, moving forward.
- Still, we are ceasing coverage on KMLOONG due to reallocation of internal resources. Our last recommendation on KMLOONG was **HOLD** with a fair value at RM1.89. Our target price is derived by pegging a target PER of 15.0x to its FY24f EPS of 12.6 sen. The ascribed target PER is in line with the mid-sized planters average at around 13.5-15.5x.

Ceasing Coverage Note

Kenneth Leong
kennethleong@msec.com.my
(603) 2201 2100

HOLD

Share price	RM1.82
Target price	-
Previous TP	RM1.89
Capital upside	3.8%
Dividend return	6.6%
Total return	10.4%

Company profile

Cultivation of palm oil and processing and marketing of palm oil products

Stock information

Bursa Code	5027
Bloomberg ticker	KIML MK
Listing market	Main
Share issued (m)	968.9
Market Cap (m)	1,763.5
52W High/Low	1.91/1.62
Est. Free float	24.2%
Beta (x)	1.0
3-mth avg vol ('000)	104.6
Shariah compliant	Yes

Major shareholders

Sharikat Kim Loong SB	64.4
Teo Chuan Keng SB	2.1
Chellam Krishnan	1.6

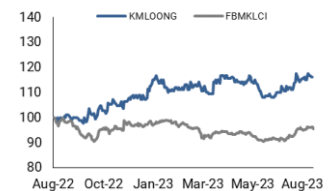
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	1.1	-1.6	10.0
Relative	-1.8	-3.2	15.3

Earnings snapshot

FYE (Dec)	FY23	FY24f	FY25f
PATMI (m)	162.3	121.8	119.4
EPS (sen)	16.7	12.6	12.3
P/E (x)	10.9	14.5	14.4

Relative performance chart



Financial Highlights

All items in (RM m) unless otherwise stated

Income Statement						Balance Sheet					
FYE Jan (RM m)	FY21	FY22	FY23	FY24f	FY25f	FYE Jan (RM m)	FY21	FY22	FY23	FY24f	FY25f
Revenue	971.7	1,762.2	1,908.3	1,710.7	1,668.6	Cash	338.0	410.8	399.9	339.5	338.3
EBITDA	169.4	240.8	285.6	228.2	226.7	Receivables	48.8	58.2	48.1	46.9	45.7
EBIT	136.1	204.9	245.7	187.4	184.8	Inventories	20.5	33.4	58.2	54.2	57.6
Net finance income/ (cost)	7.5	3.5	4.3	2.8	1.7	PPE	543.2	608.3	603.3	613.8	622.0
Associates & JV	-	-	-	-	-	Others	136.1	153.7	154.2	160.1	167.5
Profit before tax	144.6	210.3	252.4	192.2	188.4	Assets	1,086.5	1,264.3	1,263.6	1,214.4	1,231.0
Tax	(33.9)	(43.3)	(52.8)	(44.7)	(43.8)	Debts	49.3	66.4	58.4	38.8	35.3
Net profit	110.6	167.0	199.7	147.5	144.6	Payables	69.5	132.3	99.0	100.1	97.2
Minority interest	15.7	30.5	37.4	25.7	25.2	Others	123.5	146.2	152.5	115.7	135.7
Core earnings	94.9	136.6	162.3	121.8	119.4	Liabilities	242.3	344.9	309.9	254.6	268.2
Diluted core earnings	-	-	-	121.1	119.6	Shareholder's equity	749.3	809.8	834.4	839.9	843.1
Exceptional items	-	-	-	-	-	Minority interest	94.9	109.6	119.3	119.3	119.3
Reported earnings	94.9	136.6	162.3	121.8	119.4	Equity	844.2	919.4	953.7	959.3	962.4
Cash Flow Statement						Valuation & Ratios					
FYE Jan (RM m)	FY21	FY22	FY23	FY24f	FY25f	FYE Jan (RM m)	FY21	FY22	FY23	FY24f	FY25f
Profit before taxation	144.6	210.3	252.4	192.2	188.4	Core EPS (sen)	9.8	14.1	16.7	12.6	12.3
Depreciation & amortisation	33.4	35.9	39.8	40.8	41.9	Diluted Core EPS (sen)	-	-	-	12.3	12.2
Changes in working capital	(6.4)	(41.2)	43.8	(7.7)	5.3	P/E (x)	18.6	12.9	10.9	14.5	14.4
Share of JV profits	-	-	-	-	-	Diluted P/E (x)	-	-	-	14.8	14.9
Taxation	(26.7)	(40.2)	(49.9)	(44.7)	(43.8)	DPS (sen)	10.0	14.0	16.0	12.0	12.0
Others	-	-	-	-	-	Dividend yield	5.5%	7.7%	8.8%	6.6%	6.6%
Operating cash flow	157.9	225.7	213.0	208.2	203.3	BVPS (RM)	0.87	0.95	0.98	0.99	0.99
Net capex	(30.5)	1.4	(28.9)	-	-	P/B (x)	2.1	1.9	1.8	1.8	1.8
Others	-	-	-	-	-	EBITDA margin	17.4%	13.7%	15.0%	13.3%	13.6%
Investing cash flow	(22.1)	(25.0)	(25.0)	(25.0)	(25.0)	EBIT margin	14.0%	11.6%	12.9%	11.0%	11.1%
Changes in borrowings	35.0	17.1	(7.9)	(19.6)	(3.5)	PBT margin	14.9%	11.9%	13.2%	11.2%	11.3%
Issuance of shares	0.0	44.5	2.2	-	-	PAT margin	11.4%	9.5%	10.5%	8.6%	8.7%
Dividends paid	(37.3)	(104.8)	(135.3)	(116.3)	(116.3)	Core PAT margin	9.8%	7.8%	8.5%	7.1%	7.2%
Others	-	-	-	-	-	ROE	13.1%	18.2%	20.9%	15.4%	15.0%
Financing cash flow	(9.5)	(57.4)	(168.8)	(151.8)	(154.8)	ROA	10.2%	13.2%	15.8%	12.1%	11.7%
Net cash flow	84.3	77.2	(73.6)	5.6	(1.1)	Net gearing	-	-	-	-	-
Forex	0.1	-	-	-	-						
Others	-	-	-	-	-						
Beginning cash	145.9	230.3	307.5	233.9	239.5						
Ending cash	230.3	307.5	233.9	239.5	238.3						

Disclaimer

Research analyst(s) of MSSB whom produced this report hereby certifies that the views expressed in this report accurately reflect his/her personal opinions about all of the subject corporation(s) and securities in this report. He/She does not carry out, whether for himself/herself or on behalf of MSSB or any other persons did not receive and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. As of the report date, the analyst whom prepared this report does not have any interest in the following securities covered in this report, unless otherwise stated.

As of Friday, 18 Aug, 2023, the analyst(s), Kenneth Leong, whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.

Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned