QL Resources Berhad

(7084 | QLG MK) Main | Consumer Products & Services | Agriculture & Products

Steady Growth

***Maintain* NEUTRAL**

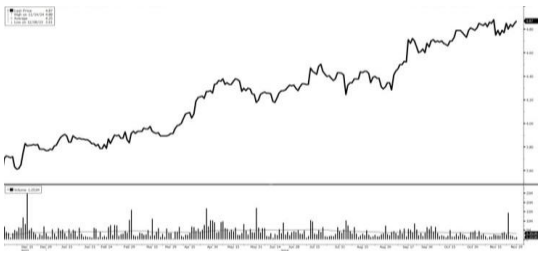
***Unchanged* Target Price: RM4.83**

KEY INVESTMENT HIGHLIGHTS

- **Within expectations**
- **Revenue growth across segments**
- **Core PATANCI marginally higher**
- **Maintain NEUTRAL with unchanged TP of RM4.83**

RETURN STATISTICS	
Price @ 29th Nov 2024 (RM)	4.87
Expected share price return (%)	-0.8
Expected dividend yield (%)	+1.1
Expected total return (%)	+0.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.2	2.6
3 months	4.1	17.1
12 months	35.0	22.5

INVESTMENT STATISTICS

FYE Mar	2025F	2026F	2027F
Revenue	7,266.0	7,880.2	8,601.4
EBITDA	1,055.4	1,171.5	1,303.8
Profit before tax (PBT)	717.0	820.9	938.7
Core PATANCI	541.7	620.3	709.2
Core EPS (sen)	14.8	17.0	19.4
DPS (sen)	5.4	6.1	7.0
Dividend Yield (%)	1.1	1.3	1.4

KEY STATISTICS	
FBM KLCI	1,594.29
Issued shares (m)	3650.49
Estimated free float (%)	21.26
Market Capitalisation (RM'm)	17,777.01
52-wk price range	RM3.59 - RM4.9
3-mth average daily volume (m)	3.42
3-mth average daily value (RM'm)	15.96
Top Shareholders (%)	
CBG L PTE LTD	40.25
PELITA GLOBAL SDN BHD	12.00
Farsathy Holdings Sdn Bhd	11.57

Within expectations. QL Resources chalked in 2QFY25 revenue of RM1.9b (+15.6%qoq; +10.8%yoy) and core PATANCI of RM128.3m (+19.4%qoq, +4.6%yoy) which brought 1HFY25 core PATANCI to RM235.7m (+9.4%yoy). This met our full-year FY25 forecast and consensus at 44% and 50% of full-year expectations respectively. This performance aligns with expectations due to the seasonal nature of its businesses.

Revenue growth across segments. QL's 1HFY25 revenue rose +6%yoy to RM3.49b, supported by growth across segments. The Integrated Livestock Farming (ILF) segment led the growth, with revenue increasing +6.9%yoy, primarily supported by higher egg sales and improved performance in feed raw materials. Similarly, the Convenience Store Chain (CVS) segment posted a strong revenue growth of +15.4%yoy, underpinned by better average sales per store and an expanded store network. The Marine Product Manufacturing (MPM) segment contributed a steady revenue increase of +2.2%yoy, reflecting consistent demand for surimi-based products despite challenges in fishmeal activities. However, the Palm Oil and Clean Energy (POCE) segment saw a slight decline in revenue by -3.0%yoy, impacted by slower project progress in its solar business.

Core PATANCI marginally higher. QL recorded a 1HFY25 core PATANCI of RM235.7m, representing a growth of +9.4%yoy. The ILF segment contributed significantly to earnings, with its earnings rising +13.2%yoy during the period, driven by improved margins in feed raw material trading and stronger farming operations across Malaysia, Indonesia, and Vietnam. The CVS segment posted an impressive +27.7%yoy growth in earnings, supported by network expansion and stronger average store sales. Meanwhile, the POCE segment delivered a +52.5%yoy increase in earnings, reflecting higher margins from solar projects at BM Greentech despite reduced fresh fruit bunch processing. The MPM segment, however, saw a slight decline in operating profit by -4.6%yoy, due to under performance of fishing & aquaculture activity, as well as export margin erosion from weakening of USD. Overall, the group's operating profit margin expanded by +0.4 ppts to 9.9%, with core PATANCI margin rising +0.2 ppts to 6.7%.

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Strategic developments. BM Greentech Berhad, a subsidiary of QL Green Resources, completed the acquisition of Plus Xnergy Holdings Sdn. Bhd. (PXH) on 25 October 2024 for RM110m, satisfied via share issuance. A special issuance was concurrently executed to maintain QL Green Resources' 52.57% stake, alongside a bonus issue of up to 171.95m warrants priced at RM1.88 per warrant, with listing on 16 December 2024. This acquisition strengthens QL's clean energy capabilities, aligning with its long-term sustainability goals.

Maintain NEUTRAL with unchanged TP of RM4.83. Given that the 1HFY25 core PATANCI came in within our expectations, we make no changes to our earnings forecast. We maintain our **NEUTRAL** call with an unchanged target price of **RM4.83**, derived from a 10-year multi-stage DCF model with a 3.5% growth rate and 7% WACC. While we remain positive on the developments in QL, we believe the positives have been more than priced in.

Outlook. We remain optimistic that QL Resources is poised for continued growth in 2HFY25. We opine that the ILF & MPM segment will benefit from stable demand, lower input costs, and government cost subsidies for farm produce. CVS is expected to gain from seasonal festive demand and improved consumer sentiment, spurred by civil servant wage reforms. POCE is well-positioned to capitalize on strong solar project pipelines and favorable CPO price trends, bolstered by its strategic acquisition of Plus Xnergy. Despite global uncertainties, including geopolitical tensions and fluctuating forex rates, QL's diversified business model and strategic focus on renewable energy offer resilience and growth opportunities, sustaining our cautiously positive outlook.

Potential downside risks are: (i) increase in operating cost which will overspill to consumers and squeeze margins in MPM, ILF and CVS, (ii) rough weather conditions in tandem with the expected onset of La Nina in the end-year, (iii) strengthening of MYR against USD which will negatively impact export revenues, and (iv) weaker-than-expected consumer sentiment.

QL Resources: 2QFY25 Results Summary

FYE MAR (RM'm)	Quarterly results					Cumulative results		
	2QFY25	1QFY25	2QFY24	YoY (%)	QoQ (%)	1HFY25	1HFY24	YoY (%)
Revenue	1,873.0	1,620.3	1,690.2	10.8	15.6	3,493.3	3,289.6	6.2
Operating Expenses	(1,600.4)	(1,388.8)	(1,435.0)	11.5	15.2	(2,989.3)	(2,817.8)	6.1
EBITDA	**272.5**	**231.5**	**255.1**	**6.8**	**17.7**	**504.0**	**471.8**	**6.8**
Depreciation & Amortisation	(68.8)	(65.3)	(62.9)	9.5	5.4	(134.2)	(127.1)	5.5
EBIT	**203.7**	**166.2**	**192.3**	**5.9**	**22.6**	**369.9**	**344.7**	**7.3**
Net finance income/(cost)	(12.8)	(13.0)	(15.6)	(18.3)	(2.1)	(25.8)	(32.0)	(19.2)
Profit before Associates & JV	190.9	153.1	176.7	8.1	24.7	344.1	312.7	10.0
Share of results of an associate	0.3	0.1	0.1	265.1	375.8	0.4	0.4	(6.9)
Profit before tax (PBT)	**191.2**	**153.2**	**176.7**	**8.2**	**24.8**	**344.4**	**313.1**	**10.0**
Tax expense	(51.5)	(39.7)	(43.8)	17.7	29.8	(91.2)	(80.2)	13.7
Profit After tax (PAT)	**139.7**	**113.5**	**133.0**	**5.1**	**23.1**	**253.2**	**232.9**	**8.7**
PATANCI	**128.3**	**107.4**	**122.6**	**4.6**	**19.4**	**235.7**	**215.5**	**9.4**
Core PATANCI	**128.3**	**107.4**	**122.6**	**4.6**	**19.4**	**235.7**	**215.5**	**9.4**
Core EPS (sen)	3.5	4.4	5.0	(30.2)	(20.4)	7.9	8.9	(10.4)
DPS (sen)	0.0	0.0	0.0	n.m.	n.m.	0.0	0.0	n.m.
Growth & Margin (%)				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
EBIT Margin	10.9	10.3	11.4	(0.5)	0.6	10.6	10.5	0.1
PBT Margin	10.2	9.5	10.5	(0.2)	0.8	9.9	9.5	0.3
Core PATANCI Margin	6.8	6.6	7.3	(0.4)	0.2	6.7	6.5	0.2
Ratios & Valuation				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Net debt/total equity (%)	0.3	0.3	0.3	(0.1)	(0.0)	0.3	0.3	(0.1)
Effective tax rate (%)	26.9	25.9	24.8	2.2	1.0	26.5	25.6	0.9

Source: Company, MIDFR

QL Resources: Breakdown by operating segment

FYE MAR (RM'm)	Quarterly results					Cumulative results		
	2QFY25	1QFY25	2QFY24	YoY (%)	QoQ (%)	1HFY25	1HFY24	YoY (%)
Revenue (External):								
MPM	391.5	335.1	363.6	7.7	16.8	726.6	710.6	2.2
ILF	993.2	817.8	871.8	13.9	21.5	1,810.9	1,694.0	6.9
CVS	301.4	309.8	274.9	9.7	(2.7)	611.2	529.7	15.4
POCS	186.9	157.7	179.9	3.9	18.5	344.5	355.2	(3.0)
Total	**1,873.0**	**1,620.3**	**1,690.2**	**10.8**	**15.6**	**3,493.3**	**3,289.6**	**6.2**
Operating Profit:								
MPM	71.4	57.9	78.4	(8.9)	23.4	129.3	135.5	(4.6)
ILF	79.5	60.6	67.4	17.8	31.0	140.1	123.8	13.2
CVS	16.0	20.5	17.0	(5.8)	(22.0)	36.5	28.6	27.7
POCS	24.4	14.2	13.9	75.2	71.6	38.6	25.3	52.5
Total	**191.2**	**153.2**	**176.7**	**8.2**	**24.8**	**344.4**	**313.1**	**10.0**
Operating profit margin:								
MPM	18.2	17.3	21.6	(3.3)	1.0	17.8	19.1	(1.3)
ILF	8.0	7.4	7.7	0.3	0.6	7.7	7.3	0.4
CVS	5.3	6.6	6.2	(0.9)	(1.3)	6.0	5.4	0.6
POCS	13.0	9.0	7.7	5.3	4.0	11.2	7.1	4.1
Total	**10.2**	**9.5**	**10.5**	**(0.2)**	**0.8**	**9.9**	**9.5**	**0.3**

Source: Company, MIDFR

***Marine Product Manufacturing (MPM)*

***Palm Oil and Clean Energy (POCE)*

***Integrated Livestock Farming (ILF)*

***Convenience store chain (CVS).*

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	**6,242.6**	**6,677.8**	**7,266.0**	**7,880.2**	**8,601.4**
Cost of Sales	(4,988.4)	(5,069.3)	(5,488.2)	(5,922.4)	(6,445.1)
Gross Profit	**1,254.2**	**1,608.5**	**1,777.7**	**1,957.8**	**2,156.3**
Other Income	38.5	45.2	49.2	53.3	58.2
Adminsitrative expenses	(367.0)	(318.3)	(339.4)	(360.8)	(385.9)
Distribution Costs	(322.2)	(337.7)	(380.4)	(422.8)	(463.8)
Other operating expenses	(67.2)	(47.6)	(51.7)	(56.0)	(61.0)
EBITDA	**782.8**	**950.0**	**1,055.4**	**1,171.5**	**1,303.8**
EBIT	536.3	689.6	779.4	879.0	993.7
Profit before tax (PBT)	**480.8**	**626.6**	**717.0**	**820.9**	**938.7**
Profit After tax (PAT)	361.9	473.5	541.7	620.3	709.2
Core PATANCI	**377.0**	**437.9**	**541.7**	**620.3**	**709.2**
Core EPS (sen)	10.3	12.0	14.8	17.0	19.4
DPS (sen)	7.0	6.5	5.4	6.1	7.0

Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F
Property,plant and equipment	2,209.9	2,381.8	2,395.0	2,416.1	2,448.4
Intangible assets	125.0	126.6	137.8	149.4	163.1
Total Non-current assets	**2,926.9**	**3,117.3**	**3,158.2**	**3,210.3**	**3,281.5**
Biological Assets	251.9	246.7	272.6	294.2	320.2
Inventories	955.2	884.7	915.4	987.8	1,075.0
ST - Trade and other receivables	616.4	732.0	805.9	874.0	954.0
Cash and cash equivalents	346.5	397.8	432.8	471.7	517.5
Total current assets	**2,358.2**	**2,362.1**	**2,536.6**	**2,746.9**	**2,996.7**
Total Assets	**5,285.1**	**5,479.4**	**5,694.8**	**5,957.2**	**6,278.2**
Total Equity	**2,887.5**	**3,197.8**	**3,430.2**	**3,623.4**	**3,854.2**
LT Loans and borrowings	237.9	71.4	69.3	67.2	65.2
Total Non-current liabilities	**610.9**	**477.8**	**515.6**	**556.7**	**606.7**
ST Trade and other payables	649.1	671.2	640.4	691.0	752.0
ST Loans and borrowings	1,017.2	992.9	963.1	934.2	906.1
Total Current Liabilities	**1,786.7**	**1,803.8**	**1,749.1**	**1,777.0**	**1,817.3**
Total Liabilities	**2,397.6**	**2,281.6**	**2,264.6**	**2,333.8**	**2,424.0**

Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
Pretax profit	480.8	626.6	717.0	820.9	938.7
Cash flow from operations	618.6	863.4	850.2	822.0	894.5
Cash flow from investing	(231.4)	(348.7)	(410.8)	(439.6)	(472.5)
Cash flow from financing	(515.8)	(544.7)	(319.8)	(343.5)	(376.3)
Net cash flow	**(128.6)**	**(29.9)**	**119.6**	**38.9**	**45.8**
(+/-) Adjustments	0.0	0.0	0.0	0.0	0.0
Net cash/(debt) b/f	**471.8**	**343.2**	**313.3**	**432.8**	**471.7**
Net cash/(debt) c/f	**343.2**	**313.3**	**432.8**	**471.7**	**517.5**

Key Metrics	2023A	2024A	2025F	2026F	2027F
Effective tax rate (%)	24.7	24.4	24.4	24.4	24.4
Dividend Yield (%)	1.4	1.3	1.1	1.3	1.4
PER (x)	34.8	27.1	32.8	28.7	25.1
Biological Assets (Days)	17.8	18.0	18.1	18.1	18.1
Inventories (Days)	60.0	66.6	60.9	60.9	60.9

Profitability Margins	2023A	2024A	2025E	2026F	2027F
Gross Profit Margin (%)	20.1	24.1	24.5	24.8	25.1
EBITDA Margin (%)	12.5	14.2	14.5	14.9	15.2
EBIT Margin (%)	8.6	10.3	10.7	11.2	11.6
Core PATANCI Margin (%)	6.0	6.6	7.5	7.9	8.2

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology