Corporate Update

QL Resources Berhad

(7084|QKG MK) Main | Consumer Products & Services

ESG 1 Star

SHARIAH Compliant

Maintain **NEUTRAL**

Revised Target Price **RM4.40** (from RM4.83)

3QFY25 Results Review

Steady Growth Despite Margin Erosion

Maintain NEUTRAL with lower TP of RM4.40. QL Resources' (QL) 3QFY25 performance was mixed, with POCE leading growth while MPM lagged due to margin erosion. Given margin erosion in MPM and higher operating expenses in CVS, we cut FY25-27F earnings by -12%/-19%/-23%. Correspondingly, our DCF derived TP drop to RM4.40 (from RM4.83). While QL's long-term fundamentals remain intact, near-term valuation upside is limited, as such we maintain a NEUTRAL stance.

Below Expectations. QL Resources chalked in 3QFY25 revenue of RM1.8b (-2.9%qoq; +6.2%yoy) and core PATANCI of RM126.0m (-1.8%qoq, +1.9%yoy) which brought 9MFY25 core PATANCI to RM361.7m (+6.7%yoy). This came in below our full-year FY25 forecast while met consensus forecast at 67% and 77% respectively. The group proposed a dividend of 2.5sen/ share.

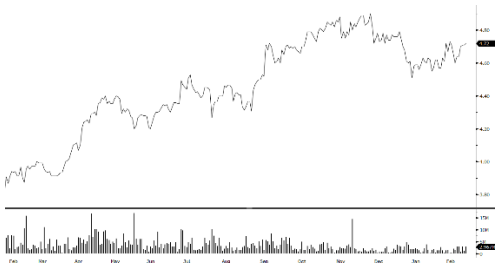
Revenue growth across segments. 9MFY25 revenue rose +6.2%yoy to RM5.3b, supported by growth across key segments. The CVS segment posted strong revenue growth of +12.8%yoy, underpinned by store network expansion and better average store sales during the festive season. The POCE segment outperformed, growing +9.1%yoy due to higher project progress and results consolidation of the newly acquired Plus Xnergy Holdings, despite lower fresh fruit bunch production. The ILF segment recorded a +5.8yoy increase, primarily driven by higher feed raw material trading volume and improved egg production in Malaysia. Meanwhile, the MPM segment recorded a marginal +0.7%yoy increase, supported by stable surimi-based product demand, although fishmeal sales were impacted by weak aquaculture activities.

Core PATANCI marginally higher. Core PATANCI improved +6.7%yoy to RM361.7m in 9MFY25, with strong contributions from POCE (+94.7%) and ILF (+15.6%). POCE benefited from higher project margins and favorable CPO prices, while ILF saw gains from stable margins in feed trading and improved layer operations from lower input costs. CVS also recorded a +9.4%yoy increase in earnings, supported by store expansions and better festive season sales. However, MPM's earnings declined -10.9%yoy due to lower fishmeal selling prices and weaker aquaculture demand. Overall, QL's operating profit margin increase 0.2ppts yoy to 10.0%, with core PATANCI margin maintained at 6.8%.

Outlook. We remain optimistic and 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 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.

RETURN STATISTICS	
Price @ 27th Feb 2025 (RM)	4.72
Expected share price return (%)	-6.8
Expected dividend yield (%)	+1.0
Expected total return (%)	-5.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.2	0.4
3months	-0.8	-1.0
12 months	19.0	16.9

INVESTMENT STATISTICS

FYE MAR (RM'm)	2025F	2026F	2027F
Revenue	7,230.4	7,797.8	8,467.2
EBITDA	972.8	1,012.2	1,087.1
PBT	634.4	661.5	721.7
Core PATANCI	479.3	499.8	545.3
Core EPS (sen)	13.1	13.7	14.9
DPS (sen)	4.7	4.9	5.4
Dividend Yield (%)	1.0	1.0	1.1

KEY STATISTICS	
FBM KLCI	1,586.60
Issue shares (m)	3650.49
Estimated free float (%)	22.71
Market Capitalisation (RM'm)	17,229.46
52-wk price range	RM3.85 - RM4.9
3-mth average daily volume (m)	1.70
3-mth average daily value (RM'm)	7.96
Top Shareholders (%)	
CBG L PTE LTD	40.25
PELITA GLOBAL SDN BHD	12.00
Farsathy Holdings Sdn Bhd	11.57

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QL Resources: 3QFY25 Results Summary

FYE Mar (RM'm)	Quarterly results					Cumulative results		
	3QFY25	2QFY25	3QFY24	YoY (%)	QoQ (%)	9MFY25	9MFY24	YoY (%)
Revenue	1,818.8	1,873.0	1,712.2	6.2	(2.9)	5,312.1	5,001.8	6.2
Operating Expenses	(1,549.3)	(1,600.4)	(1,452.9)	6.6	(3.2)	(4,538.6)	(4,270.7)	6.3
EBITDA	**269.5**	**272.5**	**259.3**	**3.9**	**(1.1)**	**773.5**	**731.1**	**5.8**
Depreciation & Amortisation	(69.6)	(68.8)	(66.7)	4.4	1.1	(203.7)	(193.8)	5.1
EBIT	**199.9**	**203.7**	**192.7**	**3.7**	**(1.9)**	**569.8**	**537.3**	**6.0**
Net finance income/(cost)	(13.1)	(12.8)	(15.4)	(15.4)	2.3	(38.9)	(47.4)	(18.0)
Profit before Associates & JV	186.8	190.9	177.2	5.4	(2.2)	530.9	489.9	8.4
Share of results of an associate	0.6	0.3	0.4	66.8	98.1	1.0	0.8	28.3
Profit before tax (PBT)	**187.4**	**191.2**	**177.6**	**5.5**	**(2.0)**	**531.9**	**490.7**	**8.4**
Tax expense	(47.7)	(51.5)	(43.1)	10.6	(7.5)	(138.9)	(123.3)	12.6
Profit After tax (PAT)	**139.8**	**139.7**	**134.5**	**3.9**	**0.0**	**393.0**	**367.4**	**7.0**
PATANCI	126.0	128.3	123.6	1.9	(1.8)	361.7	339.1	6.7
Core PATANCI	**126.0**	**128.3**	**123.6**	**1.9**	**(1.8)**	**361.7**	**339.1**	**6.7**
Core EPS (sen)	3.5	3.5	3.4	1.9	(1.8)	11.4	12.2	(7.0)
DPS (sen)	2.5	0.0	3.0	(16.7)	n.m.	2.5	3.0	(16.7)
Growth & Margin (%)				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
EBIT Margin	11.0	10.9	11.3	(0.3)	0.1	10.7	10.7	(0.0)
PBT Margin	10.3	10.2	10.4	(0.1)	0.1	10.0	9.8	0.2
Core PATANCI Margin	6.9	6.8	7.2	(0.3)	0.1	6.8	6.8	0.0
Ratios & Valuation				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Effective tax rate (%)	25.4	26.9	24.3	1.2	(1.5)	26.1	25.1	1.0

Source: Company, MIDFR

QL Resources: Breakdown by operating segment

FYE MAR (RM'm)	Quarterly results					Cumulative results		
	3QFY25	2QFY25	3QFY24	YoY (%)	QoQ (%)	9MFY25	9MFY24	YoY (%)
Revenue (External):								
MPM	353.6	391.5	361.7	(2.2)	(9.7)	1,080.2	1,072.3	0.7
ILF	945.8	993.2	911.3	3.8	(4.8)	2,756.7	2,605.3	5.8
CVS	307.4	301.4	284.7	8.0	2.0	918.7	814.4	12.8
POCS	211.9	186.9	154.6	37.1	13.4	556.4	509.8	9.1
Total	**1,818.7**	**1,873.0**	**1,712.2**	**6.2**	**(2.9)**	**5,312.1**	**5,001.8**	**6.2**
Operating Profit:								
MPM	70.4	71.4	88.7	(20.6)	(1.4)	199.7	224.1	(10.9)
ILF	76.5	79.5	63.6	20.2	(3.8)	216.6	187.4	15.6
CVS	12.9	16.0	16.5	(22.2)	(19.6)	49.4	45.1	9.4
POCS	27.7	24.4	8.8	216.5	13.7	66.3	34.1	94.7
Total	**187.4**	**191.2**	**177.6**	**5.5**	**(2.0)**	**531.9**	**490.7**	**8.4**
Operating profit margin:								
MPM	19.9	18.2	24.5	(4.6)	1.7	18.5	20.9	(2.4)
ILF	8.1	8.0	7.0	1.1	0.1	7.9	7.2	0.7
CVS	4.2	5.3	5.8	(1.6)	(1.1)	5.4	5.5	(0.2)
POCS	13.1	13.0	5.7	7.4	0.0	11.9	6.7	5.2
Total	**10.3**	**10.2**	**10.4**	**(0.1)**	**0.1**	**10.0**	**9.8**	**0.2**

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	7,230.4	7,797.8	8,467.2
Gross Profit	1,254.2	1,608.5	1,697.7	1,801.1	1,942.6
EBITDA	782.8	950.0	972.8	1,012.2	1,087.1
EBIT	536.3	689.6	696.9	719.7	777.0
PBT	480.8	626.6	634.4	661.5	721.7
Taxation	(118.9)	(153.2)	(155.0)	(161.7)	(176.4)
PAT	361.9	473.5	479.3	499.8	545.3
Core PATANCI	377.0	437.9	479.3	499.8	545.3
Core EPS (sen)	10.3	12.0	13.1	13.7	14.9
PER (x)	33.7	26.2	35.9	34.5	31.6
DPS (sen)	7.0	6.5	4.7	4.9	5.4
Dividend Yield (%)	1.5	1.4	1.0	1.0	1.1

Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
PBT	480.8	626.6	634.4	661.5	721.7
Operating cash flow	618.6	863.4	822.3	769.5	823.0
Investing cash flow	(231.4)	(348.7)	(408.8)	(435.0)	(465.1)
Financing cash flow	(515.8)	(544.7)	(296.1)	(298.4)	(315.3)
Net cash flow	(128.6)	(29.9)	117.4	36.1	42.6
Beginning cash flow	471.8	343.2	313.3	430.7	466.8
Ending cash flow	343.2	313.3	430.7	466.8	509.4

Growth (%)	2023A	2024A	2025F	2026F	2027F
Revenue Growth	19.2	7.0	8.3	7.8	8.6
Gross Profit Growth	39.0	28.2	5.5	6.1	7.9
EBITDA Growth	31.6	21.3	2.4	4.0	7.4
Core PATANCI Growth	77.5	16.2	9.5	4.3	9.1

Profitability Ratios (%)	2023A	2024A	2025F	2026F	2027F
Gross Profit Margin	20.1	24.1	23.5	23.1	22.9
EBITDA Margin	12.5	14.2	13.5	13.0	12.8
EBIT Margin	8.6	10.3	9.6	9.2	9.2
Core PATANCI Margin	6.0	6.6	6.6	6.4	6.4

Balance Sheet (RM''m)	2023A	2024A	2025F	2026F	2027F
PPE	2,209.9	2,381.8	2,393.6	2,411.4	2,438.3
Intangible assets	125.0	126.6	137.1	147.9	160.6
Non-current assets	2,926.9	3,117.3	3,155.2	3,201.3	3,263.5
Inventories	955.2	884.7	922.8	1,000.2	1,088.3
ST Trade receivables	616.4	732.0	801.9	864.9	939.1
Cash and cash equivalents	346.5	397.8	430.7	466.8	509.4
Current assets	2,358.2	2,362.1	2,539.6	2,747.7	2,988.9
Total Assets	5,285.1	5,479.4	5,694.8	5,949.0	6,252.4
Total Equity	2,887.5	3,197.8	3,427.4	3,612.2	3,828.3
LT Loans	237.9	71.4	69.3	67.2	65.2
Non-current liabilities	610.9	477.8	513.5	551.9	598.9
ST Trade payables	649.1	671.2	645.6	699.7	761.3
ST Loans	1,017.2	992.9	963.1	934.2	906.1
Current Liabilities	1,786.7	1,803.8	1,753.9	1,784.9	1,825.2
Total Liabilities	2,397.6	2,281.6	2,267.4	2,336.8	2,424.1

Liquidity Ratios (x)	2023A	2024A	2025F	2026F	2027F
Current ratio	1.3	1.3	1.4	1.5	1.6
Quick ratio	0.8	0.8	0.9	1.0	1.0

Leverage Ratios (x)	2023A	2024A	2025F	2026F	2027F
Total Debt to Equity	0.4	0.3	0.3	0.3	0.3
Total Debt to Assets	0.2	0.2	0.2	0.2	0.2
Net debt/total equity	0.3	0.2	0.2	0.1	0.1

Efficiency Ratios (days)	2023A	2024A	2025F	2026F	2027F
Inventories Turnover	60.0	66.6	59.6	58.5	58.4
Receivable Turnover	40.0	38.9	41.0	41.4	41.4
Payable Turnover	41.4	48.4	44.5	42.1	42.1
Cash Conversion Cycle	76.4	75.3	78.3	78.3	78.3

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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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