Corporate Update

QL Resources Berhad

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

SHARIAH Compliant

ESG 4 Stars

Maintain NEUTRAL

Unchanged Target Price **RM4.28**

Settlement Clears Legal Overhang

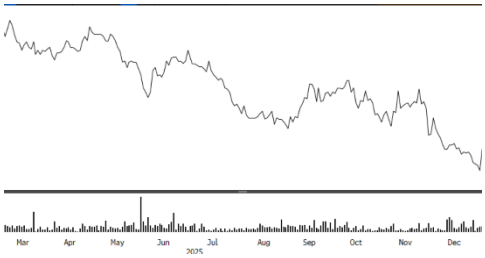
Maintain NEUTRAL with unchanged TP of RM4.28. QL Resources has entered into a settlement agreement to resolve a long-standing shareholder dispute relating to its Indonesian plantation subsidiary, PT Pipit Mutiara Indah (PMI). The settlement involves QL acquiring the remaining equity interests in the joint venture structure, effectively making PMI an indirectly wholly owned subsidiary. The transaction also terminates prior joint venture agreements and concludes arbitration and litigation proceedings that have persisted since CY21. While the settlement strengthens operational clarity and removes a legal overhang, the financial impact is not expected to be material. We maintain our **NEUTRAL** call and **TP** of **RM4.28**, based on our 10-year multi-stage DCF model and WACC of 7.2%.

Settlement resolves long-standing joint venture dispute. QL Oil Sdn Bhd (QLO), a wholly owned subsidiary of QL Resources, has entered into a settlement agreement with Hang Ting Pte Ltd (HT) and PT Pipit Citra Perkasa (PCP) to fully resolve disputes arising from the Indonesian plantation joint venture involving PT Pipit Mutiara Indah. The dispute, which began in CY21, involved arbitration proceedings and litigation relating to the operations of PMI and its governing joint venture agreements. Under the settlement terms, all parties mutually agree to terminate the Master Joint Venture Agreement, the Supplemental Agreement and the Share Subscription Agreement, while releasing each other from all claims without admission of liability. The settlement also requires all ongoing arbitration and legal proceedings to be withdrawn upon completion of the transaction.

Full ownership of PMI following settlement acquisition. As part of the settlement, QLO will acquire the remaining equity interests associated with the venture, including a 21.58% stake in QL Mutiara (S) Pte Ltd (QLM) from Hang Ting and a 5% direct stake in PMI from PCP for a total consideration of RM57.8m. Following completion, PMI will become an indirectly wholly owned subsidiary of QL Resources. The settlement also includes several financial reconciliations, including PMI paying RM20.7m in interest on shareholder advances and HT and PCP paying RM10.5m in compensation to QLO relating to land where plantation rights were not obtained under the original joint venture agreement. After netting off compensation payments, the effective amount payable by QLO is approximately RM47.4m. The transaction is expected to be completed within four weeks.

RETURN STATISTICS	
Price @ 6th Mar 2026 (RM)	3.95
Expected share price return (%)	+8.44
Expected dividend yield (%)	+1.35
Expected total return (%)	+9.79

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-4.8	-3.0
3 months	4.2	-7.0
12 months	-18.7	-26.8

INVESTMENT STATISTICS

FYE MAR (RM'm)	2026F	2027F	2028F
Revenue	7,575.5	8,265.8	8,971.1
EBITDA	953.1	1,059.3	1,149.7
PBT	649.8	693.2	768.5
Core PATANCI	484.8	517.1	573.3
Core EPS (sen)	13.3	14.2	15.7
DPS (sen)	5.3	5.7	6.3
Dividend Yield (%)	1.3	1.4	1.6

KEY STATISTICS

FBM KLCI	1,718.06
Issued shares (m)	3650.31
Estimated free float (%)	37.08
Market Capitalisation (RM'm)	14,418.50
52-wk price range	RM3.72 - RM4.9
3-mth average daily volume (m)	2.81
3-mth average daily value (RM'm)	11.15
Top Shareholders (%)	
CBG L PTE LTD	40.25
Farsathy Holdings Sdn Bhd	11.57
Employees Provident Fund Board	4.88

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Limited financial impact but removes legal overhang. The settlement will be funded through a combination of internally generated funds and borrowings. Importantly, QL indicated that the transaction is not expected to have any material impact on earnings, net assets or share capital, while no director or major shareholder has any interest in the settlement. From a strategic perspective, the agreement effectively removes a multi-year legal dispute and simplifies the ownership structure of the plantation business, allowing QL to exercise full operational control over PMI going forward. While the immediate financial contribution of the asset remains relatively small within the Group's broader earnings base, the resolution eliminates governance uncertainty and reduces litigation risk surrounding the venture.

Outlook. We maintain a measured view of QL's near-term prospects, supported by the diversified and defensive profile of its staple food portfolio. Within ILF, earnings should stabilise as feed cost trends remain manageable and egg prices gradually recover across Malaysia, Indonesia and Vietnam, partially cushioning the impact from subsidy removals. MPM is expected to benefit from firmer surimi and aquaculture contributions, while fishmeal margins may improve progressively alongside regional supply dynamics, albeit with ongoing input cost volatility. CVS performance should see gradual recovery from tourism-driven footfall and continued store expansion, though competitive intensity and cost pressures remain key headwinds. For POCE, palm oil earnings may improve on better FFB yields, while clean energy contributions are likely to normalise following the slowdown in new solar projects post-NEM 3.0, supported by existing bioenergy and water treatment backlogs. Over the longer term, the QL Innofood Park development enhances growth optionality by scaling value-added protein capacity and broadening product offerings, embedding automation and digitalisation to drive efficiency and strengthen earnings visibility.

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026F	2027F	2028F
Revenue	6,677.8	7,073.5	7,575.5	8,265.8	8,971.1
Gross Profit	1,608.5	1,660.8	1,749.7	1,896.4	2,058.3
EBITDA	950.0	989.5	953.1	1,059.3	1,149.7
EBIT	689.6	710.8	710.1	755.6	830.8
PBT	626.6	665.9	649.8	693.2	768.5
Taxation	(153.2)	(168.8)	(165.1)	(176.1)	(195.2)
PATANCI	473.5	497.1	484.8	517.1	573.3
Core PATANCI	437.9	497.1	484.8	517.1	573.3
Core EPS (sen)	12.0	13.6	13.3	14.2	15.7
PER (x)	33.4	32.1	30.1	28.2	25.5
DPS (sen)	6.5	5.0	5.3	5.7	6.3
Dividend yield (%)	1.6	1.3	1.3	1.4	1.6

Cash Flow (RM'm)	2024A	2025A	2026F	2027F	2028F
PBT	626.6	665.9	649.8	693.2	768.5
Operating cash flow	843.8	908.9	365.9	776.1	848.0
Investing cash flow	(326.6)	(289.5)	(425.7)	(456.7)	(488.3)
Financing cash flow	(468.0)	(347.8)	(179.9)	(247.6)	(314.7)
Net cash flow	49.2	271.6	(239.7)	71.7	45.0
Beginning cash flow	343.2	392.4	663.9	424.2	495.9
Ending cash flow	392.4	663.9	424.2	495.9	541.0

Growth (%)	2024A	2025A	2026F	2027F	2028F
Revenue Growth	7.0	5.9	7.1	9.1	8.5
Gross Profit Growth	28.2	3.3	5.4	8.4	8.5
EBITDA Growth	21.3	4.2	(3.7)	11.1	8.5
Core PATANCI Growth	16.2	13.5	(2.5)	6.7	10.9

Profitability Ratios (%)	2024A	2025A	2026F	2027F	2028F
Gross Profit Margin	24.1	23.5	23.1	22.9	22.9
EBITDA Margin	14.2	14.0	12.6	12.8	12.8
EBIT Margin	10.3	10.0	9.4	9.1	9.3
Core PATANCI Margin	6.6	7.0	6.4	6.3	6.4

Balance Sheet (RM'm)	2024A	2025A	2026F	2027F	2028F
PPE	2,340.6	2,377.8	2,479.7	2,504.7	2,542.6
Intangible assets	126.6	185.8	199.0	217.1	235.6
Non-current assets	3,109.5	3,223.4	3,340.6	3,400.1	3,480.8
Inventories	884.0	908.3	972.5	1,063.2	1,148.2
ST - Trade receivables	762.2	707.2	793.3	865.6	934.7
Cash	397.8	687.4	424.2	495.9	541.0
Current assets	2,367.3	2,680.1	2,595.7	2,868.0	3,103.4
Total Assets	5,476.8	5,903.5	5,936.3	6,268.1	6,584.2
Total Equity	3,197.8	3,551.0	3,417.7	3,578.2	3,769.5
LT Loans	70.8	130.5	143.5	150.7	152.2
Non-current liabilities	470.4	557.1	597.7	643.5	684.8
ST Trade payables	668.7	719.9	753.5	823.8	889.6
ST Loans	997.5	865.8	952.4	1,000.0	1,010.0
Current Liabilities	1,808.6	1,795.4	1,921.0	2,046.4	2,129.9
Total Liabilities	2,279.0	2,352.5	2,518.7	2,690.0	2,814.7

Source: Bloomberg, MBSBR

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MBSB INVESTMENT BANK (formerly known MIDF 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