

31 May 2024

QL Resources

Steady Growth

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QL's FY24 results met expectations. Its FY24 core net profit rose 26% YoY driven by improved performance across all segments. Its prospects will remain strong underpinned by growing demand for its marine and poultry products and expansion of its convenience store chain. We maintained our forecasts, TP of RM6.25 and MARKET PERFORM call.

Its FY24 net profit met both our forecast and the consensus estimate. It declared a dividend of 6.5 sen which missed our forecast of 9 sen.

YoY, its FY24 revenue rose 7% driven by robust performance in several key segments. The marine product manufacturing (MPM) segment climbed 3% thanks to better performance of fishmeal and surimi-based products contributed by higher export price. The palm oil and clean energy (POCE) segment grew 13% attributed to heightened project progress in BM GreenTech. Its convenient store chain (CVS) segment expanded 26% mainly due to the opening of 38 new stores (to 395), additional FM Mini set-up and intensified marketing efforts. Its integrated livestock farming (ILF) segment's turnover also improved by 2% thanks to higher sales volume albeit at a lower unit price.

Its net profit rose by a steeper 26% thanks to: (i) stronger margins in fishmeal and surimi-based products from a robust USD, (ii) higher sales and improved project margins in the POCE segment, (iii) better trading margins for feed raw materials and (iv) improved CVS segment's performance, thanks to higher sales and margin normalisation from store operational efficiency.

QoQ, its turnover eased 2% due to seasonally weaker sales at its MPM and CVS segments, partially cushioned by an addition of 10 stores and 13 FM Mini at the CVS segment and better showing from the POCE segment (due to higher project progress) and the ILF segment (improved farm produce selling prices in Indonesia).

Outlook. QL's growth trajectory remains stable, supported by various segments. The ILF and MPM segments are expected to sustain earnings through steady demand, cost subsidies, and lower surimi input costs. Additionally, the POCE segment's focus on clean energy initiatives via **BMGREEN (UP; TP: RM1.15)** will drive growth. Consumer confidence is expected to improve with the new civil servant wage structure. The group aims to open 60-90 new stores (in line with our 75 new store target) by the end of FY25, focusing on the East Coast region, and remains committed to the long-term target of 600 outlets by 2027.

Forecasts. We maintain our FY25F forecasts and introduce our FY26F numbers.

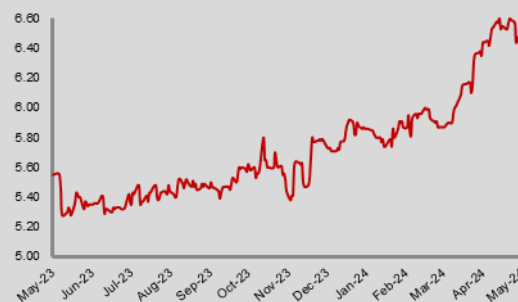
Valuations. We also keep our DCF-derived TP at RM6.25 (WACC: 5.8% and TG: 2%). There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

Investment case. We like QL for: (i) the consistent high export demand for its marine products, supported by robust fish landings and decreasing input costs, (ii) the high growth potential of its Family Mart convenience store franchise, highlighted by its popular Japanese-themed products and continued expansion, including the new *Family Mart Mini* outlets targeting petrol stations and highways, and (iii) its growing poultry business in Indonesia and Vietnam, driven by increasing protein consumption as living standards rise. Maintain **MARKET PERFORM** rating.

MARKET PERFORM ↔

Price: RM6.40
Target Price: RM6.25 ↔

Share Price Performance



KLCI	1,604.26
YTD KLCI chg	10.3%
YTD stock price chg	12.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	QLG MK EQUITY
Market Cap (RM m)	15,575.4
Shares Outstanding	2,433.7
52-week range (H)	6.64
52-week range (L)	5.23
3-mth avg. daily vol.	3,397,324
Free Float	23%
Beta	0.6

Major Shareholders

Cbg L Pte Ltd	40.3%
Pelita Global Sdn Bh	11.9%
Farsathy Holdings Sd	11.6%

Summary Earnings Table

FY Mar (RM m)	2024A	2025F	2026F
Turnover	6,678	7,128	7,484
EBIT	690	736	769
PBT	627	679	712
Net Profit	438	476	505
Consensus	-	451	481
Earnings Revision	-	-	NEW
EPS (sen)	19.5	20.7	21.9
EPS Growth (%)	31	7	6
NDPS (sen)	6.5	9.0	9.0
BVPS (RM)	1.21	1.33	1.46
Core PER (x)	32.9	30.9	29.2
Price/BV (x)	5.3	4.8	4.4
Net Gearing (x)	-0.3	-0.2	-0.1
Net Div. Yield (%)	1.0	1.4	1.4

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Risks to our call include: (i) inability to pass on cost inflation, (ii) rough aggressive monsoon seasons, (iii) changes in fishing regulations, and (iv) MYR strengthening against the USD.

Results Highlights

FYE Mar (RM m)	4Q24	3Q24	QoQ Chg	4Q23	YoY Chg	FY24	FY23	YoY Chg
Turnover	1,676.0	1,712.2	-2.1%	1,474.6	13.7%	6,677.8	6,263.8	6.6%
EBIT	152.3	192.7	-21.0%	127.9	19.1%	689.6	536.4	28.6%
Interest Exp.	(16.5)	(15.1)	9.3%	(15.4)	7.1%	(63.1)	(55.5)	13.6%
PBT/(LBT)	135.8	177.6	-23.5%	112.5	20.7%	626.5	480.8	30.3%
Taxation	(29.8)	(43.1)	-30.8%	(34.6)	-13.9%	(153.2)	(118.9)	28.8%
MI	(7.3)	(10.9)	-33.3%	(4.6)	59.4%	(35.6)	(15.1)	136.0%
Net Profit	98.7	123.6	-20.1%	73.3	34.6%	437.8	346.8	26.2%
EPS (sen)	4.4	5.5	-21.2%	3.2	36.1%	19.5	14.9	30.8%
DPS (sen)	6.5	0.0	NA	7.0	-7.1%	6.5	7.0	-7.1%
EBIT Margins	9.1%	11.3%		8.7%		10.3%	8.6%	
PBT Margins	8.1%	10.4%		7.6%		9.4%	7.7%	
NP margins	5.9%	7.2%		5.0%		6.6%	5.5%	
Effective tax rate	-22.0%	-24.3%		-30.8%		-24.4%	-24.7%	

Source: Company, Kenanga Research

Segmental Highlights

Revenue (RM m)	4Q24	3Q24	QoQ Chg	4Q23	YoY Chg	FY24	FY23	YoY Chg
Marine Products								
Manufacturing (MPM)	318.3	361.7	-12.0%	307.1	3.6%	1,390.6	1,355.0	2.6%
Palm Oil Activities (POCE)	166.5	154.6	7.7%	167.3	-0.5%	676.3	601.0	12.5%
Integrated Livestock								
Farming (ILF)	918.4	911.3	0.8%	778.8	17.9%	3,523.7	3,443.0	2.3%
Convenient Store Chain (CVS)	272.8	284.7	-4.2%	221.4	23.2%	1,087.2	864.8	25.7%
Total	1,676.0	1,712.2	-2.1%	1,474.6	13.7%	6,677.8	6,263.8	6.6%
Profit Before Tax (RM m)								
Marine Products								
Manufacturing (MPM)	51.7	88.7	-41.8%	41.2	25.4%	275.8	242.2	13.9%
Palm Oil Activities (POCE)	30.3	8.8	245.8%	14.4	110.8%	64.3	11.7	448.2%
Integrated Livestock								
Farming (ILF)	40.0	63.6	-37.1%	49.5	-19.3%	227.4	183.1	24.2%
Convenient Store Chain (CVS)	13.9	16.5	-16.2%	7.4	87.3%	59.0	43.7	34.9%
Total	135.8	177.6	-23.5%	112.5	20.7%	626.5	480.8	30.3%
PBT margin								
Marine Products								
Manufacturing (MPM)	16.2%	24.5%		13.4%		19.8%	17.9%	
Palm Oil Activities (POCE)	18.2%	5.7%		8.6%		9.5%	2.0%	
Integrated Livestock								
Farming (ILF)	4.4%	7.0%		6.4%		6.5%	5.3%	
Convenient Store Chain (CVS)	5.1%	5.8%		3.3%		5.4%	5.1%	
Total	8.1%	10.4%		7.6%		9.4%	7.7%	

Source: Company, Kenanga Research

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Peer Comparison

Name	Rating	Last Price at 30-May (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
CONSUMER																	
AEON CO. (M) BHD	MP	1.43	1.21	-15.4%	2,007.7	Y	12/2024	8.7	8.9	6.9%	2.1%	16.4	16.0	1.0	6.5%	4.0	2.8%
FRASER & NEAVE HOLDINGS BHD	OP	32.62	38.25	17.3%	11,964.3	Y	09/2024	167.6	176.4	26.9%	5.3%	19.5	18.5	3.3	17.7%	85.0	2.6%
MR D.I.Y. GROUP (M) BHD	OP	1.82	1.97	8.2%	17,199.2	Y	12/2024	7.0	7.9	18.2%	12.6%	26.0	23.0	8.6	35.4%	4.0	2.2%
NESTLE (MALAYSIA) BHD	UP	127.60	115.00	-9.9%	29,922.2	Y	12/2024	292.3	306.0	3.8%	4.7%	43.7	41.7	45.6	102.9%	300.0	2.4%
PADINI HOLDINGS BHD	MP	3.87	3.63	-6.2%	2,546.1	Y	06/2024	23.5	26.9	-30.4%	14.2%	16.4	14.4	2.3	14.3%	12.0	3.1%
POWER ROOT BHD	UP	1.70	1.40	-17.6%	782.5	Y	03/2025	9.1	9.8	2.6%	7.3%	18.6	17.4	2.2	12.2%	7.0	4.1%
QL RESOURCES BHD	MP	6.40	6.25	-2.3%	15,575.4	Y	03/2025	19.5	20.8	8.7%	6.2%	32.7	30.8	4.8	16.4%	9.0	1.4%
KAREX BHD	OP	0.830	1.10	32.5%	874.4	Y	06/2024	2.4	4.4	137.1%	85.1%	35.1	19.0	1.8	5.1%	1.0	1.2%
SECTOR AGGREGATE					80,871.8					9.9%	8.1%	29.0	26.9	6.0	20.7%		2.5%

Source: Bloomberg, Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Corporate Social Responsibility	★	★	★		
	Management/Workforce Diversity	★	★	★		
	Accessibility & Transparency	★	★	★	★	
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	★		
	OVERALL	★	★	★		
SPECIFIC	Occupational Health & Safety	★	★	★	★	
	Product Safety	★	★	★	☆	
	Sustainable Fishing	★	★	★		
	Waste Disposal/Pollution Control	★	★	★	★	
	Migrant Worker Welfare	★	★	☆		
	Energy Efficiency	★	★	☆		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★★ +5% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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