

28 February 2025

QL Resources

Steady Growth Remains Intact

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QL's 9MFY25 results met expectations. Its 9MFY25 net profit rose 7% fuelled by higher feed raw material trading and stronger Malaysia operations under ILF division, as well as expanding POCE contributions. The ILF segment remained resilient, supported by continued egg cost subsidies, while lower surimi input costs could benefit MPM. Its growth trajectory remains intact with strategic diversification, though CVS sales may soften seasonally in the upcoming quarter. We maintain our forecasts, TP of RM4.60 and MARKET PERFORM call.

Within expectations. Its 9MFY25 net profit of RM361.7m met expectations at 75% of our full-year forecast and 77% of the full-year consensus estimate. The interim dividend of 2.5 sen in 3QFY25 (3QFY24: 3.0 sen) was in line with our expectation, with the lower DPS due to the recent one-for-two bonus issue.

YoY, its 9MFY25 revenue climbed 6% fuelled primarily by both its integrated livestock farming (ILF) and convenience store chain (CVS) segments. The ILF division (+6% YoY) benefitted from substantially higher feed raw materials trading sales and increased egg sales volume, while CVS (+13% YoY) was supported by net addition of 46 stores, festive-driven spending and better consumer sentiment from the initial EPF Account 3 withdrawal in 1Q.

Similarly, its net profit rose 7% thanks to: (i) higher project margins and progress at BMGREEN (MP; TP: RM1.64), alongside stronger performance in palm oil activities under palm oil and clean energy (POCE) segment, and (ii) significantly higher feed raw material trading sales with sustained margins and stronger Malaysia layer operations, complemented by improving Indonesia operations under ILF.

QoQ, its 3QFY25 turnover fell 3% as weaker performance in marine product manufacturing (MPM) and ILF segments more than offset the higher POCE revenue from the consolidation of a newly acquired subsidiary (Plus Xnergy) by BMGREEN. Its net profit also edged down by 2% due to lower average store sales and higher operating costs in CVS, which partially offset the improved performance in POCE.

Outlook. QL's growth trajectory remains intact, supported by steady demand in the MPM and ILF segments, aided by continued cost subsidies and lower surimi input costs. The POCE segment is expected to drive growth through its focus on clean energy initiatives under **BMGREEN**. Additionally, the CVS division is expected to see seasonally lower average store sales in 4QFY25, impacted by shorter February month and the upcoming fasting month, as well as softer domestic consumer sentiment.

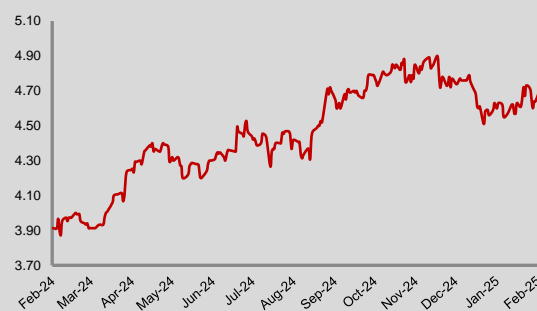
Forecasts. Maintained.

Valuations. We also keep our DCF-derived TP of RM4.60, based on an unchanged WACC of 5.8% and TG of 2%. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

MARKET PERFORM ↔

Price: RM4.72
Target Price: RM4.60 ↔

Share Price Performance



KLCI	1,586.60
YTD KLCI chg	-3.4%
YTD stock price chg	-0.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	QLG MK EQUITY
Market Cap (RM m)	17,229.5
Shares Outstanding	3,650.3
52-week range (H)	4.90
52-week range (L)	3.85
3-mth avg. daily vol.	1,697,825
Free Float	23%
Beta	0.7

Major Shareholders

Cbg L Pte Ltd	40.3%
Pelita Global Sdn Bhd	12.0%
Farsathy Holdings Sdn Bhd	11.6%

Summary Earnings Table

FYE Mar (RM m)	2024A	2025F	2026F
Turnover	6,652	7,116	7,472
EBIT	689	763	798
PBT	627	714	751
Net Profit (NP)	438	485	518
Consensus (NP)	-	468	494
Earnings Revision	-	-	-
Core EPS (sen)	13.0	14.4	15.4
EPS Growth (%)	31	11	7
NDPS (sen)	6.5	5.0	5.0
BVPS (RM)	0.8	1.1	1.0
Core PER (x)	36.3	32.8	30.6
PBV (x)	5.9	4.3	4.7
Net Gearing (x)	0.3	0.2	0.0
Net Div. Yield (%)	1.4	1.1	1.1

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Investment case. We like QL due to: (i) the strong and consistent export demand for its marine products, supported by robust fish landings and declining input costs, (ii) the high growth potential of its *FamilyMart* convenience store franchise, highlighted by its popular Japanese-themed products and continued expansion, including the new *FamilyMart Mini* outlets targeting petrol stations and highways, and (iii) its growing poultry business in Indonesia and Vietnam, driven by rising protein consumption as living standards improve. However, its current valuations have reflected its fundamentals. Maintain **MARKET PERFORM**.

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

Results Highlights

FYE Mar (RM m)	3QFY25	2QFY25	QoQ Chg	3QFY24	YoY Chg	9MFY25	9MFY24	YoY Chg
Revenue	1,818.8	1,873.0	-3%	1,712.2	6%	5,312.1	5,001.8	6%
EBIT	199.9	203.7	-2%	192.7	4%	569.8	537.3	6%
Interest Expense	(12.4)	(12.5)	0%	(15.1)	-17%	(37.9)	(46.6)	-19%
PBT	187.4	191.2	-2%	177.6	6%	531.9	490.7	8%
Taxation	(47.7)	(51.5)	-7%	(43.1)	11%	(138.9)	(123.3)	13%
Minority Interest	(13.8)	(11.4)	21%	(10.9)	27%	(31.3)	(28.3)	11%
Net Profit	126.0	128.3	-2%	123.6	2%	361.7	339.1	7%
*EPS (sen)	3.5	3.5	-2%	3.4	2%	9.9	9.3	7%
*DPS (sen)	2.5	0.0	N.A.	3.0	-17%	2.5	3.0	-17%
EBIT Margin (%)	11.0	10.9		11.3		10.7	10.7	
PBT Margin (%)	10.3	10.2		10.4		10.0	9.8	
NP Margin (%)	6.9	6.8		7.2		6.8	6.8	
Effective Tax Rate (%)	25.4	26.9		24.3		26.1	25.1	

*adjusted number of shares for the 1-for-2 Bonus Issue completed on 19 September 2024

Source: Company, Kenanga Research

Segment Breakdown

FYE Mar (RM m)	3QFY25	2QFY25	QoQ Chg	3QFY24	YoY Chg	9MFY25	9MFY24	YoY Chg
Revenue								
Marine Product Manufacturing (MPM)	353.6	391.5	-10%	361.7	-2%	1,080.2	1,072.3	1%
Integrated Livestock Farming (ILF)	945.8	993.2	-5%	911.3	4%	2,756.7	2,605.3	6%
Convenience Store Chain (CVS)	307.4	301.4	2%	284.7	8%	918.7	814.4	13%
Palm Oil and Clean Energy (POCE)	211.9	186.9	13%	154.6	37%	556.4	509.8	9%
Total	1,818.8	1,873.0	-3%	1,712.2	6%	5,312.1	5,001.8	6%
Profit Before Tax (PBT)								
Marine Product Manufacturing (MPM)	70.4	71.4	-1%	88.7	-21%	199.7	224.1	-11%
Integrated Livestock Farming (ILF)	76.5	79.5	-4%	63.6	20%	216.6	187.4	16%
Convenience Store Chain (CVS)	12.9	16.0	-20%	16.5	-22%	49.4	45.1	9%
Palm Oil and Clean Energy (POCE)	27.7	24.4	14%	8.8	217%	66.3	34.1	95%
Total	187.4	191.2	-2%	177.6	6%	531.9	490.7	8%
PBT Margin								
Marine Product Manufacturing (MPM)	19.9%	18.2%		24.5%		18.5%	20.9%	
Integrated Livestock Farming (ILF)	8.1%	8.0%		7.0%		7.9%	7.2%	
Convenience Store Chain (CVS)	4.2%	5.3%		5.8%		5.4%	5.5%	
Palm Oil and Clean Energy (POCE)	13.1%	13.0%		5.7%		11.9%	6.7%	
Total	10.3%	10.2%		10.4%		10.0%	9.8%	

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (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) 1-Yr. Fwd.	Net Div. Yld. 1-Yr. Fwd.	
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.					
CONSUMER																		
AEON CO. (M) BHD	MP	1.44	1.50	4.2%	2,021.8	Y	12/2025	10.2	11.1	-4.9%	8.9%	14.1	13.0	1.0	7.2%	4.0	2.8%	
FRASER & NEAVE HOLDINGS BHD	OP	26.14	34.40	31.6%	9,587.6	Y	09/2025	158.5	172.6	3.0%	8.9%	16.5	15.1	2.5	15.6%	75.0	2.9%	
MR D.I.Y. GROUP (M) BHD	OP	1.58	1.90	20.3%	14,955.3	Y	12/2024	7.0	7.8	14.5%	12.4%	22.7	20.2	7.2	33.6%	4.0	2.5%	
NESTLE (MALAYSIA) BHD	MP	88.00	93.90	6.7%	20,636.0	Y	12/2025	197.8	231.6	16.0%	17.1%	44.5	38.0	30.0	68.2%	190.0	2.2%	
PADINI HOLDINGS BHD	OP	1.91	2.10	9.9%	1,884.9	Y	06/2025	12.7	15.8	-15.1%	24.2%	15.0	12.1	1.7	10.8%	11.0	5.8%	
POWER ROOT BHD	MP	1.43	1.30	-9.1%	609.7	Y	03/2025	7.5	8.5	-15.9%	13.7%	19.1	16.8	1.9	10.0%	6.0	4.2%	
QL RESOURCES BHD	MP	4.72	4.60	-2.5%	17,229.5	Y	03/2025	13.3	14.2	10.8%	6.7%	35.5	33.3	5.2	16.9%	5.0	1.1%	
KAREX BHD	OP	0.970	1.07	10.3%	1,021.9	Y	06/2025	2.0	4.3	-12.0%	118.9%	49.6	22.6	2.1	4.2%	1.0	1.0%	
SECTOR AGGREGATE					67,946.6						7.4%	12.6%	27.0	24.0	4.9	18.0%		2.8%

Source: Kenanga Research

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Stock ESG Ratings:

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

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