

29 May 2026

QL Resources

Valuations Now More Appealing

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QL's FY26 results met expectations, with both revenue and earnings broadly flat YoY. While integrated livestock farming (ILF) and convenience store chain (CVS) segments recorded weaker performance, this was partially cushioned by improved palm oil and clean energy (POCE) contributions, reflecting the resilience of its diversified earnings base. Following the stock's c.26% correction over the past year and recent index exclusion-related selling pressure, valuations have de-rated to 2SD below the 5-year mean and now approaching 10-year low levels. We believe this already reflects much of the near-term headwinds. Meanwhile, management expects improving trends in the near term, supported by good fish landings, gradual recovery in overseas poultry operations and early signs of improving store sales from new product launches under CVS. As such, we see the risk-reward has become more favourable at current levels. We upgrade the stock to **OUTPERFORM** from **MARKET PERFORM** with an unchanged DCF-derived TP of RM4.05.

Within expectations. QL's FY26 net profit of RM450m met expectations at 101% of our forecast and 98% of the street's estimate. It declared a final dividend of 2.5 sen in 4QFY26, bringing the full-year dividend to 5.0 sen, unchanged YoY and within our expectation.

YoY, FY26 revenue was broadly flat as softer contributions from marine product manufacturing, *MPM* (-2%) and *ILF* (-1%) were offset by growth in *CVS* (+3%) and *POCE* (+4%), with *MPM* affected by subdued fishmeal and surimi demand and *ILF* dragged by weaker layer farming operations in Peninsular Malaysia. Net profit slipped marginally by 1%, due to margin erosion across: (i) *ILF* (-6%) following the removal of egg subsidies effective 1 Aug 2025, and (ii) *CVS* (-23%) amid higher opex, particularly SST-related rental costs. This was partly cushioned by improved *POCE* performance (+6%), driven by higher project delivery under BMGREEN's bio-energy and water treatment divisions.

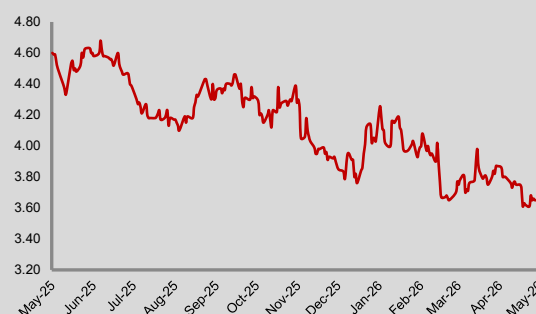
QoQ, 4QFY26 turnover was also flattish as seasonally weaker *MPM* sales (-9%) due to lower fishmeal and surimi volumes were offset by stronger *POCE* contributions (+13%) from higher project deliveries under BMGREEN. However, its bottom line eased 6% weighed mainly by *ILF* (-56%) amid lower egg price cycle that impacted layer farming margins in Malaysia and Vietnam, alongside *MPM* (-21%) from lower fishmeal and surimi contributions. This was partially mitigated by stronger *POCE* earnings (+108%) and improved *CVS* profitability (+82%) on better cost efficiency.

Outlook. The group's near-term prospects should be underpinned by more favourable *MPM* performance, thanks to encouraging fish landings, firmer fishmeal pricing and sustained demand for surimi and surimi-based products. *ILF* earnings should remain supported by resilient feed raw material trading, improved Indonesia operations, and gradual recovery in Vietnam, partly offsetting margin pressure on Peninsular Malaysia layer farming operations amid subdued egg prices. Meanwhile, management remains positive on *POCE*, backed by growing opportunities in clean energy and Battery Energy Storage Systems (BESS) projects. While *CVS* is likely to continue facing softer consumer sentiment and heightened competition in the F&B space, management has highlighted early signs of improving average store sales from new product launches alongside ongoing cost optimisation initiatives.

OUTPERFORM ↑

Price: **RM3.40**
Target Price: **RM4.05** ↔

Share Price Performance



KLCI	1,684.93
YTD KLCI chg	0.3%
YTD stock price chg	-10.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	QLG MK Equity
Market Cap (RM m)	12,410.9
Shares Outstanding	3,650.3
52-week range (H)	4.68
52-week range (L)	3.40
3-mth avg. daily vol.	2,632,122
Free Float	37%
Beta	0.5

Major Shareholders

Cbg L Pte Ltd	40.3%
Farsathy Holdings Sdn Bhd	11.6%
Employees Provident Fund Board	4.9%

Summary Earnings Table

FYE Mar (RM m)	2026A	2027F	2028F
Turnover	7,047	7,391	7,670
EBIT	672	703	732
PBT	640	698	732
Net Profit (NP)	450	476	501
Consensus (NP)	-	487	508
Earnings Revision	-	-	NEW
Core EPS (sen)	13.5	14.4	15.0
EPS Growth (%)	-1	7	5
NDPS (sen)	5.0	5.0	5.5
BVPS (RM)	1.0	1.0	1.1
Core PER (x)	25.2	23.7	22.6
PBV (x)	3.5	3.4	3.1
Net Gearing (x)	0.1	0.0	-0.1
Net Div. Yield (%)	1.5	1.5	1.6

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Forecasts. We keep our FY27F earnings forecasts largely unchanged while introducing our FY28F numbers.

Valuations. We maintain our DCF-derived TP of RM4.05, based on 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).

Investment case. We like QL due to: (i) the strong and consistent export demand for its marine products, (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. While we are mindful of index-related selling pressure following its exclusion from the FBM KLCI and MSCI Malaysia Index, we believe the current valuation already reflects much of the earnings headwinds following c.26% share price correction over the past one year, with risk-reward turning more favourable. Hence, we upgrade the stock to **OUTPERFORM** from **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)	4QFY26	3QFY26	QoQ Chg	4QFY25	YoY Chg	FY26	FY25	YoY Chg
Revenue	1,806.5	1,798.5	0%	1,735.6	4%	7,047.4	7,047.7	0%
EBIT	158.3	184.0	-14%	140.5	13%	671.7	710.3	-5%
Interest Expense	(7.9)	(7.6)	4%	(6.6)	20%	(32.1)	(44.4)	-28%
PBT	150.4	176.4	-15%	134.0	12%	639.6	665.9	-4%
Taxation	(25.0)	(44.6)	-44%	(29.9)	-16%	(147.9)	(168.8)	-12%
Minority Interest	(12.0)	(11.6)	3%	(10.7)	13%	(41.4)	(42.0)	-1%
Net Profit	113.3	120.2	-6%	93.4	21%	450.4	455.1	-1%
*EPS (sen)	3.1	3.3	-6%	2.6	21%	12.3	12.5	-1%
*DPS (sen)	2.5	2.5	0%	2.5	0%	5.0	5.0	0%
EBIT Margin (%)	8.8	10.2		8.1		9.5	10.1	
PBT Margin (%)	8.3	9.8		7.7		9.1	9.4	
NP Margin (%)	6.3	6.7		5.4		6.4	6.5	
Effective Tax Rate (%)	16.6	25.3		22.3		23.1	25.4	

*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)	4QFY26	3QFY26	QoQ Chg	4QFY25	YoY Chg	FY26	FY25	YoY Chg
Revenue								
Marine Product Manufacturing (MPM)	324.3	354.6	-9%	295.7	10%	1,353.3	1,375.9	-2%
Integrated Livestock Farming (ILF)	942.2	925.0	2%	911.1	3%	3,621.3	3,667.8	-1%
Convenience Store Chain (CVS)	299.8	305.8	-2%	295.0	2%	1,251.2	1,213.7	3%
Palm Oil and Clean Energy (POCE)	240.2	213.1	13%	233.8	3%	821.7	790.3	4%
Total	1,806.5	1,798.5	0%	1,735.6	4%	7,047.4	7,047.7	0%
Profit Before Tax (PBT)								
Marine Product Manufacturing (MPM)	56.7	72.0	-21%	43.6	30%	240.8	243.3	-1%
Integrated Livestock Farming (ILF)	33.0	74.4	-56%	47.6	-31%	249.6	264.1	-6%
Convenience Store Chain (CVS)	12.8	7.0	82%	12.9	-1%	47.7	62.3	-23%
Palm Oil and Clean Energy (POCE)	47.8	23.0	108%	29.9	60%	101.6	96.2	6%
Total	150.4	176.4	-15%	134.0	12%	639.6	665.9	-4%
PBT Margin								
Marine Product Manufacturing (MPM)	17.5%	20.3%		14.8%		17.8%	17.7%	
Integrated Livestock Farming (ILF)	3.5%	8.0%		5.2%		6.9%	7.2%	
Convenience Store Chain (CVS)	4.3%	2.3%		4.4%		3.8%	5.1%	
Palm Oil and Clean Energy (POCE)	19.9%	10.8%		12.8%		12.4%	12.2%	
Total	8.3%	9.8%		7.7%		9.1%	9.4%	

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)	Net Div. Yld.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
CONSUMER																	
AEON CO. (M) BHD	OP	1.12	1.40	25.0%	1,572.5	Y	12/2026	11.0	11.8	15.3%	7.6%	10.2	9.5	0.8	7.5%	5.0	4.5%
FARM FRESH BHD	MP	2.10	2.25	7.1%	3,957.3	Y	03/2027	8.0	9.4	17.6%	16.8%	26.2	22.5	4.3	17.2%	3.0	1.4%
FRASER & NEAVE HOLDINGS BHD	OP	28.40	37.40	31.7%	10,416.5	Y	09/2026	118.0	144.6	-15.2%	22.5%	24.1	19.6	2.6	11.0%	70.0	2.5%
MR D.I.Y. GROUP (M) BHD	OP	1.57	1.95	24.2%	14,879.6	Y	12/2026	7.5	8.2	11.6%	9.0%	20.9	19.2	7.4	35.3%	8.0	5.1%
NESTLE (MALAYSIA) BHD	MP	95.00	106.00	11.6%	22,277.5	Y	12/2026	256.9	284.7	20.2%	10.8%	37.0	33.4	38.3	104.1%	255.0	2.7%
PADINI HOLDINGS BHD	OP	1.44	1.75	21.5%	1,421.1	Y	06/2026	14.0	15.9	-15.0%	13.5%	10.3	9.1	1.1	11.1%	9.2	6.4%
POWER ROOT BHD	MP	1.15	1.08	-6.1%	481.3	Y	03/2027	5.6	7.2	-21.5%	28.3%	20.5	16.0	1.7	7.5%	5.0	4.3%
QL RESOURCES BHD	OP	3.40	4.05	19.1%	12,410.9	Y	03/2027	13.0	13.7	5.6%	5.3%	26.1	24.8	3.4	14.8%	5.0	1.5%
KAREX BHD	MP	0.460	0.530	15.2%	484.6	Y	06/2026	0.1	2.1	250.0%	3085.7%	692.0	21.7	1.1	0.2%	1.5	3.3%
SECTOR AGGREGATE					67,901.2					5.3%	12.5%	25.2	22.4	4.4	17.5%		3.5%

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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