

QL Resources Berhad

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

Improved Revenue and Profit in 1QFY24

KEY INVESTMENT HIGHLIGHTS

- **Meet estimations**
- **Better revenue and profit in 1QFY24**
- **Earnings forecast maintained**
- **Maintain BUY with an unchanged TP of RM6.75**

Meet estimations. QL Resources ("QL") reported a core PATANCI of RM92.8m in 1QFY24, which came in within both ours and consensus' full-year FY24F estimation. The earnings constitute 23% of our projections and 24% of the street's full-year FY24F estimate. As expected, no dividends were declared during the quarter, as the group typically announces dividend payouts in 4Q.

Better revenue and profit in 1QFY24. On quarterly basis, the group's revenue increased by +8.5%qoq to RM1.6b. driven mainly by robust sales across all four segments, Marine Product Manufacturing (MPM), Palm Oil and Clean Energy (POCE), Integrated Livestock Farming (ILF), and the Convenience store chain (CVS). Simultaneously, the EBITDA margin increased by +0.9%ppt qoq to 9.5% during the quarter. The higher margin was primarily supported by improved margins in the fishmeal sector, enhanced ILF performance in Indonesia, and increased margins in the CVS segment due to operational efficiency. As such, core PATANCI increased +26.6%qoq to RM92.8m in 1QFY24. On yearly basis, the core PATANCI grew +12.6%yoy to RM92.8m, which was in tandem with the higher revenue growth of +5.1%yoy to RM1.6b. The better performance was mainly due to improve margin from the MPM, ILF and POCE segments.

Maintain BUY with an unchanged TP of RM6.75. We make no adjustments to our earnings forecasts for FY24F-25F but have introduced earnings projections for FY26F. Our **TP of RM6.75** is based on a growth rate of 3.7% and a WACC of 6.6%. We remained optimistic about QL Resources' FY2F outlook, underpinned by: (1) its diversified revenue base, which operates across four divisions and thus offers protection against potential downside risks; as well as the (2) better performance for the MPM and ILF divisions ahead on the back of solid demand for their products. QL is currently trading at an FY24F PER of 33x, which is below its 2-year historical PE of 45x. **Downside risk** is a sharp increase in input costs, which will erode margins in the MPM, ILF, and Convenience value services (CVS) divisions.



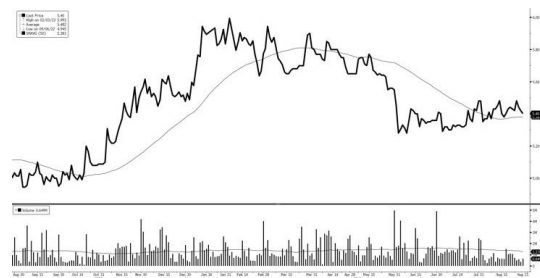
Maintain BUY

Unchanged Target Price: RM6.75

RETURN STATISTICS

Price @ 29 th Aug 2023 (RM)	5.40
Expected share price return (%)	+25.10
Expected dividend yield (%)	+1.6
Expected total return (%)	+26.64

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.4	-0.6
3 months	0.7	-6.7
12 months	6.5	10.7

INVESTMENT STATISTICS

FYE Mar	2024F	2025F	2026F
Revenue	6,793.3	7,290.5	7,765.7
EBITDA	852.5	971.3	1,034.7
Profit before tax (PBT)	553.9	665.3	717.6
Core PATANCI	410.0	491.8	530.5
Core EPS (sen)	16.8	20.2	21.8
DPS (sen)	8.4	10.1	10.9
Dividend Yield (%)	1.6	1.9	2.0

KEY STATISTICS

FBM KLCI	1,454.44
Issue shares (m)	2433.66
Estimated free float (%)	25.00
Market Capitalization (RM'm)	13,141.75
52-wk price range	RM4.96-RM6.09
3-mth average daily volume (m)	1.33
3-mth average daily value (RM'm)	7.17
Top Shareholders (%)	
CBG L PTE LTD	40.25
PELITA GLOBAL SDN BHD	11.93
Farsathy Holdings Sdn Bhd	11.57

Analyst(s)

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QL Resources: 1QFY24 Results Summary

FYE MAR (RM'm)	Quarterly results					Cumulative results		
	1QFY24	4QFY23	1QFY23	YoY (%)	QoQ (%)	3MFY24	3MFY23	YoY (%)
Revenue	1,599.4	1,474.6	1,521.8	5.1	8.5	1,599.4	1,521.8	5.1
Operating Expenses	(1,382.8)	(1,284.0)	(1,341.9)	3.0	7.7	(1,382.8)	(1,341.9)	3.0
EBITDA	216.7	190.6	180.0	20.4	13.6	216.7	180.0	20.4
Depreciation & Amortisation	(64.3)	(62.8)	(59.6)	7.8	2.4	(64.3)	(59.6)	7.8
EBIT	152.4	127.9	120.3	26.6	19.2	152.4	120.3	26.6
Net finance income/(cost)	(16.3)	(15.7)	(12.3)	32.4	3.7	(16.3)	(12.3)	32.4
Profit before Associates & JV	136.1	112.1	108.0	26.0	21.3	136.1	108.0	26.0
Share of results of an associate	0.3	0.4	0.1	212.6	(14.1)	0.3	0.1	212.6
Profit before tax (PBT)	136.4	112.5	108.1	26.2	21.2	136.4	108.1	26.2
Tax expense	(36.5)	(34.6)	(24.6)	48.0	5.3	(36.5)	(24.6)	48.0
Profit After tax (PAT)	99.9	77.9	83.5	19.7	28.3	99.9	83.5	19.7
Non-Controlling Interest (NCI)	7.1	4.6	1.0	586.0	56.0	7.1	1.0	586.0
PATANCI	92.8	73.3	82.4	12.6	26.6	92.8	82.4	12.6
Core PATANCI	92.8	73.3	82.4	12.6	26.6	92.8	82.4	12.6
Core EPS (sen)	3.8	3.0	3.4	12.6	26.6	3.8	3.4	12.6
DPS (sen)	0.0	3.5	0.0	n.m.	(100.0)	0.0	0.0	n.m.
Growth & Margin (%)				+ / (-) ppts	+ / (-) ppts			+ / (-) ppts
EBIT Margin	9.5	8.7	7.9	1.6	0.9	9.5	7.9	1.6
PBT Margin	8.5	7.6	7.1	1.4	0.9	8.5	7.1	1.4
Core PATANCI Margin	5.8	5.0	5.4	0.4	0.8	5.8	5.4	0.4
Ratios & Valuation				+ / (-) ppts	+ / (-) ppts			+ / (-) ppts
Net debt/total equity (%)	0.3	0.3	0.3	(0.1)	(0.0)	0.3	0.3	(0.1)
Effective tax rate (%)	26.7	30.8	22.8	3.9	(4.0)	26.7	22.8	3.9

Source: Company, MIDFR

QL Resources: Breakdown by operating segment

FYE MAR (RM'm)	Quarterly results					Cumulative results		
	1QFY24	4QFY23	1QFY23	YoY (%)	QoQ (%)	3MFY24	3MFY23	YoY (%)
Revenue (External):								
MPM	347.0	307.1	332.4	4.4	13.0	347.0	332.4	4.4
ILF	822.2	778.8	846.6	(2.9)	5.6	822.2	846.6	(2.9)
CVS	254.8	221.4	201.3	26.6	15.1	254.8	201.3	26.6
POCS	175.4	167.3	141.5	23.9	4.8	175.4	141.5	23.9
Total	1,599.4	1,474.6	1,521.8	5.1	8.5	1,599.4	1,521.8	5.1
Operating Profit:								
MPM	57.1	41.2	50.1	13.9	38.5	57.1	50.1	13.9
ILF	56.4	49.5	46.7	20.6	13.8	56.4	46.7	20.6
CVS	11.6	7.4	15.8	(26.9)	56.4	11.6	15.8	(26.9)
POCS	11.4	14.4	(4.6)	(349.4)	(20.8)	11.4	(4.6)	(349.4)
Total	136.4	112.5	108.1	26.2	21.2	136.4	108.1	26.2
Operating profit margin:								
MPM	16.4	13.4	15.1	1.4	3.0	16.4	15.1	1.4
ILF	6.9	6.4	5.5	1.3	0.5	6.9	5.5	1.3
CVS	4.5	3.3	7.9	(3.3)	1.2	4.5	7.9	(3.3)
POCS	6.5	8.6	(3.2)	9.7	(2.1)	6.5	(3.2)	9.7
Total	8.5	7.6	7.1	1.4	0.9	8.5	7.1	1.4

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)	2022A	2023A	2024F	2025F	2026F
Revenue	5,236.0	6,242.6	6,793.3	7,290.5	7,765.7
Cost of Sales	(4,333.6)	(4,988.3)	(5,442.2)	(5,782.1)	(6,152.8)
Gross Profit	902.5	1,254.4	1,351.1	1,508.4	1,612.9
Other Income	57.4	38.5	76.0	82.3	87.7
Administrative expenses	(325.6)	(367.0)	(329.8)	(351.9)	(382.3)
Distribution Costs	(240.5)	(322.2)	(217.4)	(232.1)	(246.0)
Other operating expenses	(29.1)	(67.2)	(27.4)	(35.3)	(37.5)
EBITDA	594.7	783.0	852.5	971.3	1,034.7
EBIT	364.6	536.5	606.3	718.9	772.5
Profit before tax (PBT)	321.2	481.0	553.9	665.3	717.6
Profit After tax (PAT)	235.5	362.0	410.0	491.8	530.5
Core PATANCI	212.3	377.1	410.0	491.8	530.5
Core EPS (sen)	8.7	15.5	16.8	20.2	21.8
DPS (sen)	3.5	7.0	8.4	10.1	10.9
Balance Sheet (RM'm)	2022A	2023A	2024F	2025F	2026F
Property, plant and equipment	2,187.3	2,209.9	2,212.8	2,226.3	2,252.8
Intangible assets	128.1	125.0	136.0	146.0	155.5
Total Non-current assets	2,856.3	2,926.9	2,994.7	3,063.4	3,170.4
Biological Assets	232.0	251.9	264.7	285.7	300.8
Inventories	679.3	955.2	894.1	929.4	1,003.5
ST - Trade and other receivables	679.3	616.4	707.0	814.8	828.1
Cash and cash equivalents	481.1	346.5	378.9	408.7	437.5
Total current assets	2,100.8	2,358.2	2,449.4	2,658.2	2,804.0
Total Assets	4,957.1	5,285.1	5,444.1	5,721.6	5,974.4
Total Equity	2,706.4	2,887.5	3,037.3	3,196.7	3,333.3
LT Loans and borrowings	436.3	237.9	245.0	252.4	260.0
Total Non-current liabilities	751.9	610.9	651.4	689.2	726.2
ST Trade and other payables	464.0	649.1	583.6	629.0	672.5
ST Loans and borrowings	924.1	1,017.2	1,047.7	1,079.1	1,111.5
Total Current Liabilities	1,498.8	1,786.7	1,755.5	1,835.7	1,914.9
Total Liabilities	2,250.6	2,397.6	2,406.8	2,524.9	2,641.1
Cash Flow (RM'm)	2022A	2023A	2024F	2025F	2026F
Pretax profit	321.2	481.0	553.9	665.3	717.6
Cash flow from operations	470.4	612.0	644.3	752.1	829.8
Cash flow from investing	(198.2)	(223.4)	(410.5)	(436.7)	(496.1)
Cash flow from financing	(280.9)	(469.3)	(245.9)	(285.6)	(304.9)
Net cash flow	(8.7)	(80.8)	(12.1)	29.8	28.8
(+/-) Adjustments	0.0	0.0	0.0	0.0	0.0
Net cash/(debt) b/f	480.5	471.8	391.0	378.9	408.7
Net cash/(debt) c/f	471.8	391.0	378.9	408.7	437.5
Key Metrics	2022A	2023A	2024F	2025F	2026F
Effective tax rate (%)	26.7	24.7	26.0	26.1	26.1
Dividend Yield (%)	0.6	1.3	1.6	1.9	2.0
PER (x)	41.5	38.6	32.1	26.7	24.8
Biological Assets (Days)	18.6	17.8	17.8	18.0	17.8
Inventories (Days)	56.1	60.0	60.0	58.7	59.5
Profitability Margins	2022A	2023A	2024F	2025F	2026F
Gross Profit Margin (%)	17.2	20.1	19.9	20.7	20.8
EBITDA Margin (%)	11.4	12.5	12.5	13.3	13.3
EBIT Margin (%)	7.0	8.6	8.9	9.9	9.9
Core PATANCI Margin (%)	4.1	6.0	6.0	6.7	6.8

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	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
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	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

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