

QL Resources Berhad

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

CVS Hits Billion-Revenue; Momentum Still Building

KEY INVESTMENT HIGHLIGHTS

- **Within Expectations**
- **Positive 12MFY24 performances across all segments with the CVS segment achieving billion-ringgit revenue**
- **Repayment of borrowings to reduce finance costs**
- **Raised FY25-26F earnings forecast and introduced FY27F**
- **Upgrade to BUY (previously NEUTRAL) with a higher TP of RM7.25 (previously RM6.50)**

Within Expectations. QL Resources reported FY24 core PATANCI of RM437.9m, in line with our projections (102.3%) and consensus' estimates (101.5%).

Lower dividend. The group proposed a final single-tier dividend of 3.5sen/share, subject to shareholder approval at the upcoming AGM. This brings the total dividend for FY24 to 6.5sen/share, down from 7sen/share in FY23.

Stronger revenue from ILF and CVS segments in 4QFY24. On a yearly basis, revenue rose +13.7%yoy to RM1.67b, driven by (1) robust fishmeal and surimi sales, (2) higher clean-energy project progress from BM Greentech, (3) increased raw material trading volume, greater egg production from Vietnam and Malaysia, and (4) stronger average sales per CVS store combined with additional 38 new FM stores and 32 FM Mini stores during the quarter. Core PATANCI surged +34.8%yoy to RM98.8m in 4QFY24, attributed to higher revenue together with better margins for fishmeal, surimi products, and clean energy projects.

Seasonally low quarter for MPM and CVS segments. On a quarterly basis, core PATANCI dropped -20.1%qoq to RM98.8m, in tandem with reduced revenue of RM1.68b (-2.1%qoq). This was largely due to (1) halted fishing activities due to the monsoon, (2) margin compression in fishmeal, surimi, and aquaculture activities, (3) lower CVS store sales during CNY celebrations and Ramadhan, and (4) margin erosion in feed raw material trading and weaker Vietnam farming operations.

Positive FY24 performances across all segments with the CVS segment achieving billion-ringgit revenue. Cumulatively, revenue grew +6.6%yoy to RM6.7b in FY24. This was mainly driven by higher average store sales and more stores under the CVS segment (+25.7%yoy), as well as greater clean energy projects under the POCE segment (+12.5%yoy). Meanwhile, the MPM and ILF segments recorded stable revenue growth of 2.6%yoy/2.3%yoy, respectively. Core PATANCI surged +26.3%yoy to a record high profit of RM437.9m, thanks to higher revenue along with the (1) strong turnaround in POCE margins, (2) better margins for fishing, fishmeal, and surimi-based products, and (3) contributions from a newly acquired layer farm in Malaysia, government subsidies for eggs in Malaysia, and recovery of Indonesia ILF operations.

Upgrade to BUY

(Previously NEUTRAL)

Revised Target Price: RM7.25

(Previously RM6.50)

RETURN STATISTICS

Price @ 30 th May 2024 (RM)	6.40
Expected share price return (%)	+13.3
Expected dividend yield (%)	+1.3
Expected total return (%)	+14.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.5	-2.5
3 months	8.3	6.1
12 months	14.9	-0.2

INVESTMENT STATISTICS

FYE Mar	2025F	2026F	2027F
Revenue	7,266.0	7,880.2	8,601.4
EBITDA	1,055.4	1,171.5	1,303.8
Profit before tax (PBT)	717.0	820.9	938.7
Core PATANCI	541.7	620.3	709.2
Core EPS (sen)	22.3	25.5	29.1
DPS (sen)	8.0	9.2	10.5
Dividend Yield (%)	1.3	1.4	1.6

KEY STATISTICS

FBM KLCI	1,604.26
Issue shares (m)	2433.66
Estimated free float (%)	22.59
Market Capitalization (RM'm)	15,551.07
52-wk price range	RM5.23-RM6.64
3-mth average daily volume (m)	3.41
3-mth average daily value (RM'm)	21.35
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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Repayment of borrowings to reduce finance costs. Total borrowings dropped 13.7%yoy to RM1.06b in FY24, mainly due to the repayment of long-term borrowings. The net gearing ratio improved from 0.3x in FY23 to 0.2x in FY24.

Raised FY25-26F earnings forecast and introduced FY27F forecast. We revised our FY25-26F earnings forecast higher by +13.2%/ +16.1% respectively and introduced the FY27F projection. This reflects expectations of: (1) higher CVS store counts and average sales, (2) higher clean energy projects with high margins, (3) higher MPM revenue from a new plant at PT Hasil Laut, and (4) lower finance costs due to borrowings repayment and a favourable interest rate outlook.

Upgrade to BUY (previously NEUTRAL) with a higher TP of RM7.25 (previously RM6.50). Our TP is based on a 10-year multi-stage DCF model with an unchanged growth rate of 3.5% and a revised WACC of 7% (from 6.7%). We like QL Resources' diversified revenue base, which operates across 4 divisions and geographical regions and thus offers protection against potential downside risks. Moving forward, we are optimistic about the CVS segment's revenue growth momentum, driven by new outlet openings and better consumer sentiment (supported by an improving job market and progressive wage hikes). We also expect more clean energy projects from BM Greentech under the POCE segment, aligned with government renewable energy initiatives and global energy transitions. The MPM and ILF segments are expected to remain strong underpinned by sustained demand for poultry products and soaring demand for seafood products. Hence, we upgrade QL Resources to **BUY** from NEUTRAL.

Potential downside risks are (1) a sharp increase in operating costs, which could erode margins in the MPM, ILF, and CVS divisions, (2) lower-than-expected clean energy projects, and (3) weaker-than-expected consumer sentiment. 

QL Resources: 4QFY24 Results Summary

FYE MAR (RM'm)	Quarterly results					Cumulative results		
	4QFY24	3QFY24	4QFY23	YoY (%)	QoQ (%)	12MFY24	12MFY23	YoY (%)
Revenue	1,676.0	1,712.2	1,474.6	13.7	(2.1)	6,677.8	6,263.8	6.6
Operating Expenses	(1,457.1)	(1,452.9)	(1,284.0)	13.5	0.3	(5,727.8)	(5,482.2)	4.5
EBITDA	218.9	259.3	190.6	14.8	(15.6)	950.0	781.5	21.6
Depreciation & Amortisation	(66.6)	(66.7)	(62.8)	6.1	(0.1)	(260.4)	(245.2)	6.2
EBIT	152.3	192.7	127.9	19.1	(21.0)	689.6	536.4	28.6
Net finance income/(cost)	(16.4)	(15.4)	(15.7)	4.3	6.4	(63.8)	(56.7)	12.5
Profit before Associates & JV	135.8	177.2	112.1	21.1	(23.3)	625.8	479.6	30.5
Share of results of an associate	0.0	0.4	0.4	(88.3)	(88.2)	0.8	1.2	(32.2)
Profit before tax (PBT)	135.9	177.6	112.5	20.8	(23.5)	626.6	480.8	30.3
Tax expense	(29.8)	(43.1)	(34.6)	(13.9)	(30.8)	(153.2)	(118.9)	28.8
Profit After tax (PAT)	106.1	134.5	77.9	36.2	(21.1)	473.5	361.9	30.8
PATANCI	98.8	123.6	73.3	34.8	(20.1)	437.9	346.8	26.3
Core PATANCI	98.8	123.6	73.3	34.8	(20.1)	437.9	346.8	26.3
Core EPS (sen)	4.1	5.1	3.0	34.8	(20.1)	18.0	14.3	26.3
DPS (sen)	3.5	3.0	3.5	0.0	16.7	6.5	7.0	(7.1)
Growth & Margin (%)				+ / (-) ppts	+ / (-) ppts			+ / (-) ppts
EBIT Margin	9.1	11.3	8.7	0.4	(2.2)	10.3	8.6	1.8
PBT Margin	8.1	10.4	7.6	0.5	(2.3)	9.4	7.7	1.7
Core PATANCI Margin	5.9	7.2	5.0	0.9	(1.3)	6.6	5.5	1.0
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 (%)	21.9	24.3	30.8	(8.8)	(2.3)	24.4	24.7	(0.3)

Source: Company, MIDFR

QL Resources: Breakdown by operating segment

FYE MAR (RM'm)	Quarterly results					Cumulative results		
	4QFY24	3QFY24	4QFY23	YoY (%)	QoQ (%)	12MFY24	12MFY23	YoY (%)
Revenue (External):								
MPM	318.3	361.7	307.1	3.6	(12.0)	1,390.6	1,355.0	2.6
ILF	918.4	911.3	778.8	17.9	0.8	3,523.7	3,443.0	2.3
CVS	272.8	284.7	221.4	23.2	(4.2)	1,087.2	864.8	25.7
POCS	166.5	154.6	167.3	(0.5)	7.7	676.3	601.0	12.5
Total	1,676.0	1,712.2	1,474.6	13.7	(2.1)	6,677.8	6,263.8	6.6
Operating Profit:								
MPM	51.7	88.7	41.2	25.4	(41.8)	275.8	242.2	13.9
ILF	40.0	63.6	49.5	(19.3)	(37.1)	227.4	183.1	24.2
CVS	13.9	16.5	7.4	87.3	(16.2)	59.0	43.7	34.8
POCS	30.3	8.8	14.4	110.8	245.8	64.3	11.7	448.2
Total	135.8	177.6	112.5	20.7	(23.5)	626.5	480.8	30.3
Operating profit margin:								
MPM	16.2	24.5	13.4	2.8	(8.3)	19.8	17.9	2.0
ILF	4.4	7.0	6.4	(2.0)	(2.6)	6.5	5.3	1.1
CVS	5.1	5.8	3.3	1.7	(0.7)	5.4	5.1	0.4
POCS	18.2	5.7	8.6	9.6	12.5	9.5	2.0	7.6
Total	8.1	10.4	7.6	0.5	(2.3)	9.4	7.7	1.7

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)	2023A	2024E	2025F	2026F	2027F
Revenue	6,242.6	6,677.8	7,266.0	7,880.2	8,601.4
Cost of Sales	(4,988.4)	(5,069.3)	(5,488.2)	(5,922.4)	(6,445.1)
Gross Profit	1,254.2	1,608.5	1,777.7	1,957.8	2,156.3
Other Income	38.5	45.2	49.2	53.3	58.2
Administrative expenses	(367.0)	(318.3)	(339.4)	(360.8)	(385.9)
Distribution Costs	(322.2)	(337.7)	(380.4)	(422.8)	(463.8)
Other operating expenses	(67.2)	(47.6)	(51.7)	(56.0)	(61.0)
EBITDA	782.8	950.0	1,055.4	1,171.5	1,303.8
EBIT	536.3	689.6	779.4	879.0	993.7
Profit before tax (PBT)	480.8	626.6	717.0	820.9	938.7
Profit After tax (PAT)	361.9	473.5	541.7	620.3	709.2
Core PATANCI	377.0	437.9	541.7	620.3	709.2
Core EPS (sen)	15.5	18.0	22.3	25.5	29.1
DPS (sen)	7.0	6.5	8.0	9.2	10.5
Balance Sheet (RM'm)	2023A	2024E	2025F	2026F	2027F
Property, plant and equipment	2,209.9	2,381.8	2,395.0	2,416.1	2,448.4
Intangible assets	125.0	126.6	137.8	149.4	163.1
Total Non-current assets	2,926.9	3,117.3	3,158.2	3,210.3	3,281.5
Biological Assets	251.9	246.7	272.6	294.2	320.2
Inventories	955.2	884.7	915.4	987.8	1,075.0
ST - Trade and other receivables	616.4	732.0	805.9	874.0	954.0
Cash and cash equivalents	346.5	397.8	432.8	471.7	517.5
Total current assets	2,358.2	2,362.1	2,536.6	2,746.9	2,996.7
Total Assets	5,285.1	5,479.4	5,694.8	5,957.2	6,278.2
Total Equity	2,887.5	3,197.8	3,430.2	3,623.4	3,854.2
LT Loans and borrowings	237.9	71.4	69.3	67.2	65.2
Total Non-current liabilities	610.9	477.8	515.6	556.7	606.7
ST Trade and other payables	649.1	671.2	640.4	691.0	752.0
ST Loans and borrowings	1,017.2	992.9	963.1	934.2	906.1
Total Current Liabilities	1,786.7	1,803.8	1,749.1	1,777.0	1,817.3
Total Liabilities	2,397.6	2,281.6	2,264.6	2,333.8	2,424.0
Cash Flow (RM'm)	2023A	2024E	2025F	2026F	2027F
Pretax profit	480.8	626.6	717.0	820.9	938.7
Cash flow from operations	618.6	863.4	771.1	822.0	894.5
Cash flow from investing	(231.4)	(348.7)	(410.8)	(439.6)	(472.5)
Cash flow from financing	(515.8)	(465.6)	(319.8)	(343.5)	(376.3)
Net cash flow	(128.6)	49.2	40.5	38.9	45.8
(+/-) Adjustments	0.0	0.0	0.0	0.0	0.0
Net cash/(debt) b/f	471.8	343.2	392.3	432.8	471.7
Net cash/(debt) c/f	343.2	392.3	432.8	471.7	517.5
Key Metrics	2023A	2024E	2025F	2026F	2027F
Effective tax rate (%)	24.7	24.4	24.4	24.4	24.4
Dividend Yield (%)	1.1	1.0	1.3	1.4	1.6
PER (x)	45.7	35.6	28.8	25.1	22.0
Biological Assets (Days)	17.8	18.0	18.1	18.1	18.1
Inventories (Days)	60.0	66.6	60.9	60.9	60.9
Profitability Margins	2023A	2024E	2025F	2026F	2027F
Gross Profit Margin (%)	20.1	24.1	24.5	24.8	25.1
EBITDA Margin (%)	12.5	14.2	14.5	14.9	15.2
EBIT Margin (%)	8.6	10.3	10.7	11.2	11.6
Core PATANCI Margin (%)	6.0	6.6	7.5	7.9	8.2

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