

COMPANY RESULTS

Kim Loong Resources (KIML MK)

4QFY22: Results Below Expectations

KIML reported a net core profit of RM33m for 4QFY22, bringing total core net profit to RM150m. This is below our expectations due to lower-than-expected FFB production and higher-than-expected external FFB purchases (higher cost). We expect FFB production in FY23 to increase 15% yoy if the labour shortage does not worsen. We expect milling operation margin to be higher in 2Q-3QFY23 with lower raw material cost. Maintain HOLD with a target price of RM2.00.

4QFY22 RESULTS

Year to 31 Jan	4QFY22 (RMm)	qoq % chg	yoy % chg	FY2022 (RMm)	yoy % chg	Comments
Turnover	495.6	0.6	95.3	1,702	75.1	
EBIT	47.2	(34.9)	>100	216	80.2	
Plantation	35.9	69.3	46.2	120	69.1	
Milling	21.3	(45.1)	n.m	96	45.8	
Pre-tax Profit	48.7	(20.6)	>100	211	45.7	
Net Profit	31.6	(23.2)	>100	137	44.6	
Core Net Profit	33.1	(38.0)	>100	150	72.2	Below expectation

Margins (%)			+(-) bps	+(-) bps
Operating profit	9.5	(5.2)	4.0	12.7
Core net profit	6.7	(4.2)	2.4	8.8

Source: Kim Loong Resources, UOB Kay Hian

RESULTS

- Results below expectation.** Kim Loong Resources (KIML) reported 4QFY22 core net profit of RM33m (-38% qoq, >100% yoy), bringing total core net profit to RM150m (+72% yoy) for FY22. This accounted for about 85% of our full-year assumption. The variance was mainly due to the lower-than-expected internal fresh fruit bunch (FFB) production which has led to higher external FFB purchase to fill up the milling capacity. Malaysia's FFB production was low and millers need to offer better pricing in order to secure more external FFB to increase utilisation rate which resulted in lower milling margins as well in 4QFY22.
- Plantation segment remains healthy.** The plantation segment's earnings increased 69% qoq and >46% yoy in 4QFY22, mainly supported by the higher FFB ASP which increased 14% qoq and 30% yoy, despite lower internal FFB production in 4QFY22.

KEY FINANCIALS

Year to 31 Jan (RMm)	2020	2021	2022F	2023F	2024F
Net turnover	680	972	1,702	1,634	1,205
EBITDA	11	116	195	258	131
Operating profit	45	149	231	290	161
Net profit (rep./act.)	42	119	166	191	111
Net profit (adj.)	42	119	166	191	111
EPS (sen)	4.5	12.7	17.2	19.7	11.5
PE (x)	44.0	15.4	11.4	9.9	17.1
P/B (x)	2.5	2.4	2.3	2.1	2.0
EV/EBITDA (x)	149.1	14.4	8.5	6.4	12.7
Dividend yield (%)	3.1	5.1	5.6	6.0	3.5
Net margin (%)	6.1	12.2	9.8	11.7	9.2
Net debt/(cash) to equity (%)	(31.8)	(38.4)	(42.5)	(45.6)	(49.7)
ROE (%)	5.7	16.1	21.3	22.5	12.2
Consensus net profit	-	-	-	-	-
UOBKH/Consensus (x)	-	-	-	-	-

Source: Kim Loong Resources, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM1.96
Target Price	RM2.00
Upside	+2.0%

COMPANY DESCRIPTION

Kim Loong is a plantation company with milling and plantation operations.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	KIML MK
Shares issued (m):	966.7
Market cap (RMm):	1,894.6
Market cap (US\$m):	449.6
3-mth avg daily t'over (US\$m):	0.2

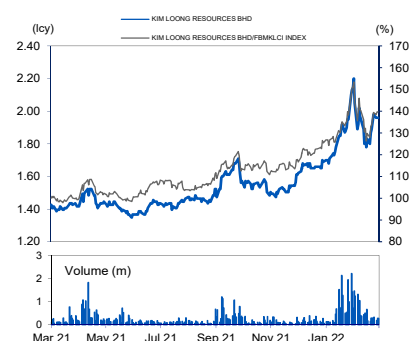
Price Performance (%)

52-week high/low	RM2.20/RM1.35			
1mth	3mth	6mth	1yr	YTD
(6.7)	21.7	28.7	35.6	20.9

Major Shareholders

	%
Sharikat Kim Loong Sdn Bhd	63.6
Teo Chuan Keng	2.1
Morisem Consolidated	2.0
FY22 NAV/Share (RM)	0.84
FY22 Net Cash/Share (RM)	0.36

PRICE CHART



Source: Bloomberg

ANALYST(S)

Jacquelyn Yow Hui Li
 +603 2147 1995
 jacquelyn@uobkayhian.com

Leow Huey Chuen
 +603 2147 1990
 hueychuen@uobkayhian.com

- **FFB production came in lower than expected in FY22.** KIML's FFB production for FY22 came in lower by 4% yoy, below our expectation. This was mainly dragged by its estates in Keningau, Sabah which have suffered a significant drop of 36,000 tonnes of FFB production due to a change of cropping pattern and high rainfall in Sabah and Sarawak that affected the harvesting and fruits evacuation. The replanting activity and newly-matured area are also contributing factors towards a lower productivity yield.

- **Lower milling operating margin in 4QFY22.** The milling segment's operating margin had dropped from 8.0% in 3QFY22 to 4.4% in 4QFY22 despite high CPO selling prices. This was mainly due to the lower FFB throughput and lower oil extraction rate in 4QFY22. In 4QFY22, the total FFB processed and CPO production had dropped by 12%, where we reckon that this was mainly due to the higher rainfall season in 4Q21.

STOCK IMPACT

- **Production in FY23.** Management guided for FFB production growth for FY23 to be at 15% higher yoy if the labour shortage does not worsen. In FY22, KIML's FFB production growth had dropped by 4% yoy, whereas the external FFB production growth had increased by 16% yoy. Hence, with higher internal FFB production growth in FY23, we expect FFB external purchase to drop by 5% yoy.

- **Total processing quantity for FY23.** Management expects a total processing quantity of about 1.5m tonnes of FFB production for FY23. We reckon that the milling operation margin would be higher only in 2Q-3QFY23 with lower raw material cost.

- **Expansion of power plants.** KIML is also expanding their biogas plants at Keningau and Telupid which are expected to commence operations to supply power to the grid by 2QFY23.

EARNINGS REVISION/RISK

- **Adjustment on earnings forecasts.** We had adjusted our earnings forecast by about 2% for FY23-24 after some housekeeping. Our net profit forecasts for FY23-25 are at RM191m, RM111m and RM137 respectively.

VALUATION/RECOMMENDATION

- **Maintain HOLD with target price of RM2.00** together with a FY23 dividend yield of about 5%. Our target price is based on 10x FY22F PE, -1SD from its five-year mean.

- **Declared final dividend of 5 sen**, which would be payable on 12 Aug 22. The total dividend for FY22 is 14sen, bringing total dividend yield to 7%. This is close to our assumption of a 15 sen dividend for FY22.

SHARE PRICE CATALYST

- Higher-than-expected production growth.
- Stronger-than-expected CPO prices.

KEY STATISTICS SUMMARY

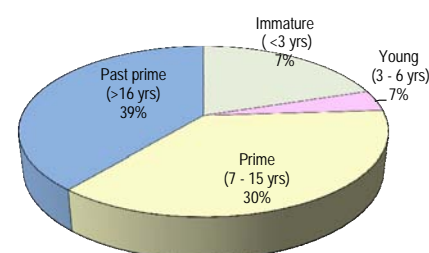
(tonne)	4QFY22	qoq % chg	yoy % chg	FY2022	yoy % chg	Comments
FFB Production	67,526	(4.0)	19.8	265,037	(4.2)	Below our expectation.
FFB Processed	372,299	(11.2)	38.6	1,482,045	11.7	
CPO Production	78,704	(12.1)	39.9	311,752	11.1	
CPO Sales Volume	77,963	(12.1)	28.7	312,134	6.9	
CPO Prices (RM/tonne)	5,118	10.5	47.7	4,488	62.9	
FFB yield (tonne/ha)	5.2	(2.3)	9.7	20.6	(8.1)	
OER (%)	21.1	(1.0)	0.9	21.0	(0.5)	

Source: KIML

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - All the plantations and mills under the group have passed the Malaysian Sustainable Palm Oil ("MSPO") audit and have obtained MSPO certification. - All three of their palm oil mills have methane capturing facilities to reduce greenhouse gas emission into the atmosphere.
<ul style="list-style-type: none"> • Social <ul style="list-style-type: none"> - Conducts social impact assessment.
<ul style="list-style-type: none"> • Governance <ul style="list-style-type: none"> - Transparent governance along with an Anti-Bribery and Anti-Corruption Policy.

AGE PROFILE



Source: KIML

UOBKH ASSUMPTION

	FY23F	FY24F
CPO Price (RM/tonne)	4,200	3,000
FFB production growth (%)	15.0	5.0

Source: UOBKH

PROFIT & LOSS

Year to 31 Jan (RMm)	2021	2022F	2023F	2024F
Net turnover	972	1,702	1,634	1,205
EBITDA	116	195	258	131
Deprec. & amort.	(33)	(36)	(31)	(31)
EBIT	149	231	290	161
Total other non-operating income	10	5	0	0
Associate contributions	0	0	0	0
Net interest income/(expense)	9	4	9	12
Pre-tax profit	168	240	299	174
Tax	(34)	(43)	(72)	(42)
Minorities	(16)	(31)	(36)	(21)
Net profit	119	166	191	111
Net profit (adj.)	119	166	191	111

BALANCE SHEET

Year to 31 Jan (RMm)	2021	2022F	2023F	2024F
Fixed assets	256	265	258	255
Other LT assets	408	483	443	451
Cash/ST investment	338	411	489	623
Other current assets	79	103	186	159
Total assets	1,087	1,265	1,377	1,485
ST debt	12	11	85	160
Other current liabilities	103	187	182	149
LT debt	38	55	0	1
Other LT liabilities	90	91	113	134
Shareholders' equity	751	810	887	931
Minority interest	95	110	110	110
Total liabilities & equity	1,087	1,265	1,377	1,485

CASH FLOW

Year to 31 Jan (RMm)	2021	2022F	2023F	2024F
Operating	158	226	251	154
Pre-tax profit	126	216	290	161
Tax	(27)	(40)	(72)	(42)
Deprec. & amort.	33	36	31	31
Working capital changes	4	40	(8)	(9)
Other operating cashflows	22	(26)	9	12
Investing	(64)	(91)	(29)	(28)
Capex (growth)	(55)	(99)	(29)	(28)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(9)	8	0	0
Financing	(10)	(57)	(40)	8
Dividend payments	(45)	(120)	(114)	(66)
Issue of shares	0	0	0	0
Proceeds from borrowings	40	75	75	75
Loan repayment	(4)	(12)	0	0
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	84	77	182	134
Beginning cash & cash equivalent	146	230	308	489
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	230	308	489	623

KEY METRICS

Year to 31 Jan (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	11.9	11.5	15.8	10.8
Pre-tax margin	17.3	14.1	18.3	14.4
Net margin	12.2	9.8	11.7	9.2
ROA	11.5	14.1	14.4	7.7
ROE	16.1	21.3	22.5	12.2
Growth				
Turnover	43.0	75.1	(4.0)	(26.2)
EBITDA	937.6	69.2	32.1	(49.4)
Pre-tax profit	176.8	42.4	24.6	(41.9)
Net profit	184.9	40.1	14.8	(41.9)
Net profit (adj.)	184.9	40.1	14.8	(41.9)
EPS	184.9	35.3	14.8	(41.9)
Leverage				
Debt to total capital	5.5	6.7	7.9	13.4
Debt to equity	6.6	8.2	9.6	17.3
Net debt/(cash) to equity	(38.4)	(42.5)	(45.6)	(49.7)

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK has provided investment banking services to YesAsia Holdings (2209 HK) and has received compensation for such services in the preceding 12 months. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2022, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W