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INITIATE COVERAGE

FBMKLCI: 1,441.24
Friday, June 17, 2022
Sector: Plantation

THIS REPORT IS STRICTLY FOR INTERNAL CIRCULATION ONLY*

Kim Loong Resources Berhad

TP: RM2.16 (+31.7%)

A Yield-Play Story

Last Traded: RM1.64

BUY (ESG: ★★★)

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We initiate coverage on Kim Loong Resources Berhad (KIML) with a BUY rating and a target price of RM2.16, based on CY23 PER of 20x. We are positive on the long-term fundamentals of KIML and believe the group has a strong future growth in FFB production, underpinned by improving tree age profile. Besides, the group is well-positioned to build a M&A war chest to accelerate its revenue growth in the future thanks to its healthy balance sheet.

Investment Case

New Acquisition to Boost FFB Production. The recent acquisitions of four pieces of oil palm plantation lands in Sabah would increase the supply of FFB to the group's palm oil mill in Telupid, Sabah and this will contribute towards optimising utilisation of the mill's processing capacity as well as to reduce dependence on FFB supply from third parties especially during a seasonal low crop period. KIML has three palm oil mills with a total FFB processing capacity of 1.5mn tonnes per annum and the utilisation rate is about 95% in FY22. We gathered that around 85% of the FFB processed are sourced from the third parties.

Sustainable High Oil Yield. KIML has been able to sustain its high CPO extraction rate (OER) of more than 20%. The OER achieved over the last six years was higher than Malaysia's average. According to management, proper management with great efficiency, effectiveness and sufficient manuring input are key factors attributable to better yield performance.

Healthy Balance Sheet to Make Ready for Acquisition Opportunities. KIML has a healthy balance sheet with RM344.4mn net cash as at 31 Jan 2022. Thus, we believe the group is well-positioned to build a M&A war chest to accelerate its revenue growth in the future.

High Dividend Payout. KIML does not have a formal dividend policy. However, the group has been making substantial dividend payout of 68.7% to 107.5% over the past five years. We expect the group to pay DPS of 17sen/10sen/10sen for FY23/FY24/FY25, which is equivalent to a payout ratio of 90-95%. These dividends translate to a yield of 6% to 10%.

Forecast and Assumptions

We expect KIML's FY22 revenue to surpass the RM2bn mark while the net profit to increase to RM187.4mn (+38.4%). Subsequently, FY24 and FY25 revenues are projected to decrease to RM1.52bn and RM1.53bn, respectively. With this, F24 and FY25 net profit are expected to be RM98.6mn and RM98.8mn respectively, on the back of lower revenue.

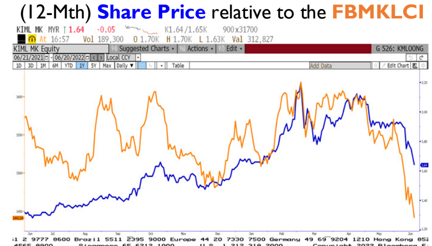
Share Information	
Bloomberg Code	KIML MK
Stock Code	5027
Listing	Main Market
Share Cap (mn)	967.8
Market Cap (RMmn)	1,587.1
52-wk Hi/Lo (RM)	2.23/1.348
12-mth Avg Daily Vol ('000 shrs)	298
Estimated Free Float (%)	24.3
Beta vs. FBMKLCI	1.2
Major Shareholders (%)	
Sharikat Kim Loong Sendirian Berhad - 64.6%	
Teo Chuan Keng - 2.1%	
Krishnan Chellam - 1.6%	

Forecast Revision	FY23	FY24
Forecast Revision (%)	-	-
Net profit (RMm)	187	99
Consensus	187	111
TA's / Consensus (%)	100	89
Previous Rating	N/A	

Financial Indicators	FY23	FY24
Net Debt / Equity (%)	Net Cash	Net Cash
CFPS (sen)	32.5	29.5
Price / CFPS (x)	5.0	5.6
ROA (%)	14.1	7.1
NTA/Share (RM)	1.0	1.1
Price/NTA (x)	1.6	1.5

Share Performance (%)		
Price Change	KIML	FBM KLCI
1 mth	(15.0)	(7.0)
3 mth	(10.4)	(9.4)
6 mth	9.1	(3.5)
12 mth	17.4	(9.3)

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

- FY23/FY24/FY25 FFB production growth of 16%/5%/3%.
- Average CPO price of RM5,500/RM4,000/4000 per tonne for CY23/CY24/CY25.

FYE March 31 (RMmn)		FY21	FY22	FY23F	FY24F	FY25F
Revenue		971.7	1,702.7	2,087.3	1,517.8	1,527.5
EBITDA		92.8	162.3	220.7	103.3	97.9
EBITDA margin	(%)	9.5	9.5	10.6	6.8	6.4
Pretax profit		144.6	210.3	281.0	177.1	186.6
Reported Net Profit		94.9	136.6	187.4	98.6	98.8
Core Net Profit		94.8	135.4	187.4	98.6	98.8
Reported EPS	(sen)	9.7	13.9	19.1	10.1	10.1
Core EPS (diluted)	(sen)	9.7	13.8	19.1	10.1	10.1
Core EPS growth	(%)	133.8	42.7	38.4	(47.4)	0.2
PER	(x)	18.1	12.7	9.2	17.4	17.4
GDPS	(sen)	10.0	14.0	17.0	10.0	10.0
Div yield	(%)	5.7	8.0	9.7	5.7	5.7
Core ROE	(%)	12.9	17.4	22.6	11.6	11.5

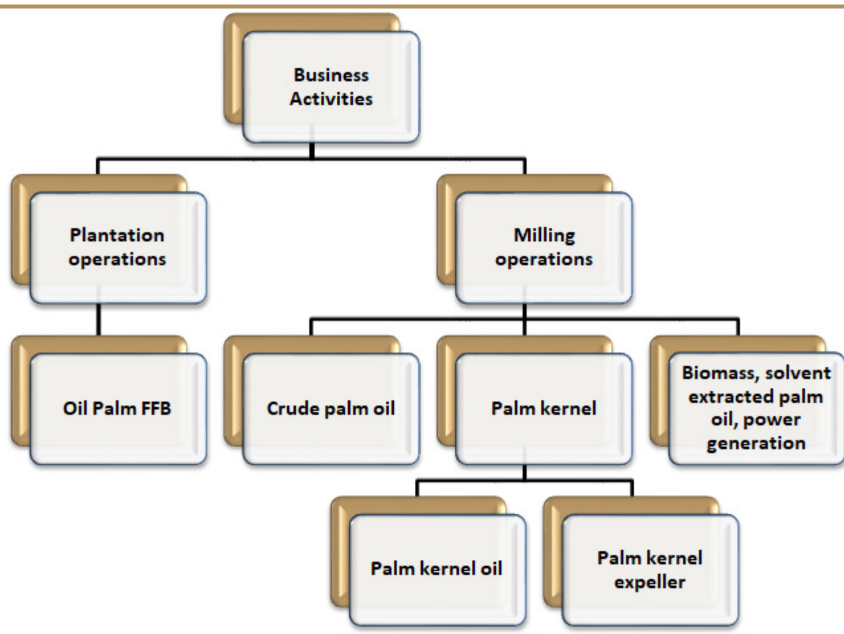
Business Overview

Kim Loong Resources Berhad (KIML) was founded by the late Mr. Gooi Liak Kuang and Madam Loo Geok Eng, in 1967 with a 1,000-acre old rubber plantation in Ulu Tiram, Johor. Subsequently, they converted the rubber plantations to oil palm in 1968. In 1981 they expanded into Sabah by acquiring 1,000 acres of land in Sandakan. Cocoa was first planted on the land followed by oil palm. The group was listed on the Main Board of Bursa Malaysia in 2000.

KIML's principal activities can be divided into two main segments, namely plantation operations and palm oil milling operations. Unlike other upstream players, KIML purchased a sizeable volume of FFB from third-party suppliers to be processed at its mills.

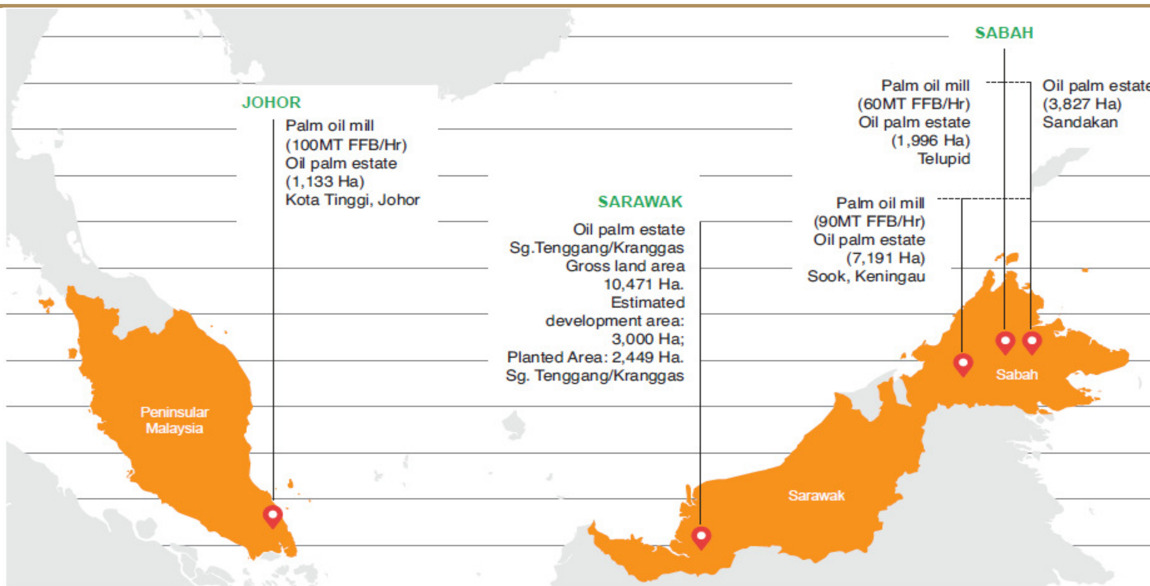
Today, KIML has a total plantation hectarage of 16,922ha of which 94% are fully planted with oil palms. KIML has 3 palm oil mills (Kota Tinggi, Johor and Keningau and Telupid, Sabah) with a total FFB processing capacity of 1.5mn tonnes per annum (Figure 2).

Figure 1: Principal Activities



Source: Company, TA Research

Figure 2: Location of Operations



Source: Company, TA Research

INVESTMENT CASE

i) Concentrating on Upstream Operations

KIML has been concentrating on upstream productions (FFB & CPO), which traditionally fetch higher margins than downstream productions. To grow its upstream business further, KIML has acquired four pieces of oil palm plantation lands in Sabah with a total net title area of 2,708 acres or 1,096 ha at the purchase price of RM32,500 per acre in FY22. According to KIML, the acquired plantation lands are strategically located nearby the group's estates in Sandakan, which can create synergies and benefits in terms of cost efficiency. These acquisitions will increase the FFB production by approximately 10%.

According to management, the acquisitions would also increase the supply of FFB to the group's palm oil mill in Telupid, Sabah and contribute towards optimising utilisation of the mill's processing capacity as well as to reduce dependence on FFB supply from third parties especially during the seasonal low-crop period. We gathered that around 85% of the total FFB processed are sourced from third parties in FY22. The palm oil mill in Telupid has a processing capacity of 60 tonnes per hour while Keningau and Kota Tinggi are 90 and 100 tonnes per hour, respectively. In FY22, the group processed a total FFB of 1.48mn tonnes, represents around 95% of the total utilisation rate. Currently, the milling utilisation rate is about 80% for 3 mills.

ii) To Set Up a Palm Oil Mill in Sarawak

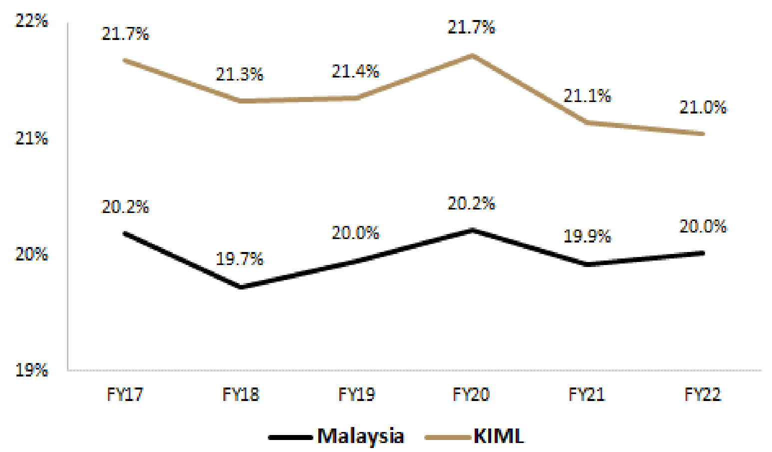
KIML does not has any palm oil mill in Sarawak. As such, the FFB produced from its estates in Sarawak has to be sold to third-party mill. To support its plantation operations in Sarawak, KIML is actively looking into the possibility of setting up a palm oil mill in Sarawak. We understand that the group is currently sourcing suitable land nearby it's estates. The mill is expected to have a milling capacity of about 60 tonnes per hour. This will increase the group's total milling capacity by 24% to 1.86mn tonnes per annum. With own palm oil mill, KIML's gross profit margin is expected to improve and contribute positively to the bottomline as building a new mill can be economical when more trees come to maturity.

iii) Sustainable High Oil Yield

KIML has been able to sustain its high CPO extraction rate of more than 20%. The OER achieved over the last six years was higher than Malaysia's average OER (Figure 3). Besides that, the FFB yields for the group are also higher than the national average. According to management, proper management with great efficiency, effectiveness and sufficient manuring input are key factors attributable to better yield performance.

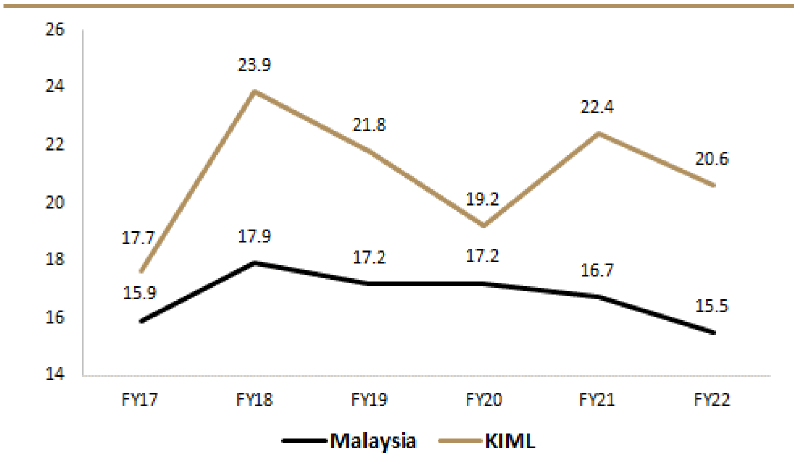
Note that for FY22, KIML achieved a CPO extraction rate of 21.0% with FFB yield of 20.59 tonnes/ha. The FFB yield was much higher than the average of 15.47 tonnes/ha in Malaysia (Figure 4). In FY20, the FFB yield declined to 19.2 tonnes/ha mainly attributable to the severe drop in production in Sabah's estates, especially in 4QFY20.

Figure 3: CPO Extraction Rates



Source: Company, TA Research

Figure 4: FFB Yield (tonne/ha)

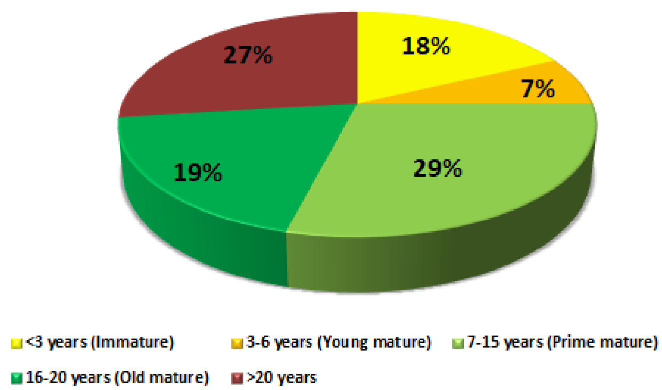


** The statistics for Malaysia are based on CY (Jan – Dec)*
Source: Company, TA Research

iv) Defers Replanting Activities to Maximise Profits

In view of current strong CPO price, KIML's management has re-adjusted its replanting programme especially on areas which continue to contribute reasonably good yield to ride along the strong price trend. It will resume major replanting activity from year 2024 onwards. To recap, the group has carried out replanting of about 1,100 ha in FY21. We are not surprised by this move as many planters would normally delay replanting activities in efforts to maximise their profits during high CPO prices. Approximately 75% of KIML's planted areas are mature with palm age above 6 years old, 7% are young mature below 6 years old while the remaining 18% are at an immature stage.

Figure 5: Age Profile of Palms



Source: Company, TA Research

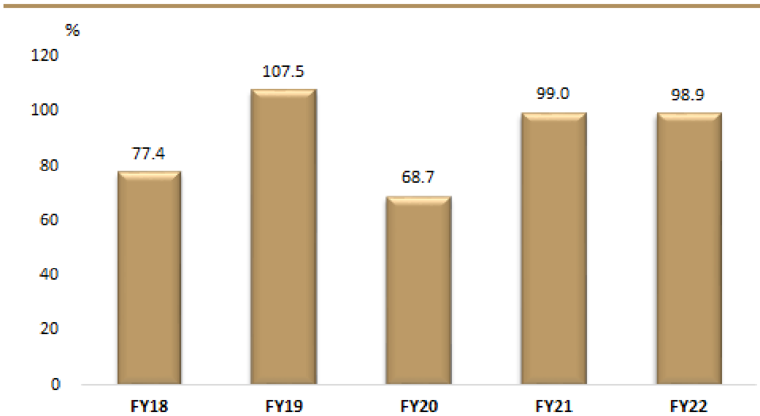
v) *Healthy Balance Sheet to Make Ready for Acquisition Opportunities*

KIML has a healthy balance sheet with RM344.4mn net cash as at 31 Jan 2022. As such, we believe the group is well-positioned to build a M&A war chest to accelerate its revenue growth in the future. The free cash flow is expected to increase further, swelling the war chest of the group for acquisitions, due to stable capex requirement. Management expects the capex for FY23 to be around RM42mn of which 65% is earmarked for milling operations. While for FY24, it could be in the range of merely RM20mn (excluding major replanting activity and capex for setting up palm oil mill in Sarawak).

vi) High Dividend Payout

KIML does not have a formal dividend policy. However, the group is committed to pay at least 30% of profit as dividend. The group has been making substantial dividend payout of 68.7% to 107.5% over the past five years. We expect the group to pay DPS of 17sen/10sen/10sen for FY23/FY24/FY25, which is equivalent to a payout ratio of 90-95%. These dividends translate to a yield of 6% to 10%.

Figure 6: Dividend Payout



Source: Company, TA Research

FINANCIAL HIGHLIGHTS

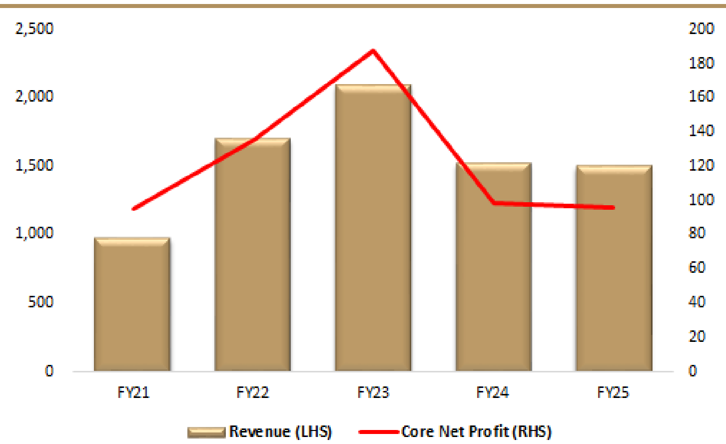
KIML achieved strong earnings growth in FY21 and FY22 mainly driven by high palm oil prices. For FY21, KIML's core net profit surged 2.3-fold to RM94.8mn, on the back of 43.0% growth in revenue. The commendable results were mainly attributable to high average selling prices (ASP) for FFB and CPO which increased by 33.0% and 30.1% to RM520/tonne and RM2,755/tonne, respectively. The FFB production also increased by 6.2% to 276.6k tonnes in FY21. While for FY22, the core net profit increased by 42.7% to RM135.4mn thanks to high FFB and CPO prices. The ASP for FFB and CPO for FY22 were RM832/tonne (+60.0% YoY) and RM4,488/tonne (+62.9% YoY), respectively. Despite lower FFB production (-4.2% YoY), the milling operations managed to increase CPO production by 11.1% to 311.8k tonnes due to higher FFB intake during the period.

We expect FY23 FFB harvest to increase by 15.7% YoY to 306.5k tonnes, driven by improve FFB yield and contribution from the acquisition of lands in Sabah. FFB production is expected to grow by 5.0% and 3.1% in FY24 and FY25, respectively. As far as CPO price is concerned, we expect the price to stay elevated in 1H22 and trend lower in 2H22 when FFB production starts to rise seasonally in 2H22. Specifically, we project CPO price to trade at average RM6,500/tonne in 1H and RM4,500/tonne in 2H. This average CPO price is estimated at RM5,500/tonne for 2022. For 2023 and 2024, we assume the average CPO price to reduce to RM4,000 per tonne to derive at our earnings forecasts.

The estate cost excludes mill (stated in per tonne of CPO) had declined by 12.3% YoY to RM1,350/tonne in FY21. The drop in production cost was mainly due to higher production as well as improvement in FFB production yield at plantations. However, it then increased by 23.7% YoY to RM1,670/tonne in FY22 due to decline FFB yield, higher labour cost and windfall profit levy absorbed by the group. Management guided that with the surge in fertiliser cost, high inflation rate and revised minimum wages, the CPO production cost (ex-mill) is expected to increase by approximately 20% as compared to FY22. The group is still facing a labour shortage of about 10% to 20% of the requirement.

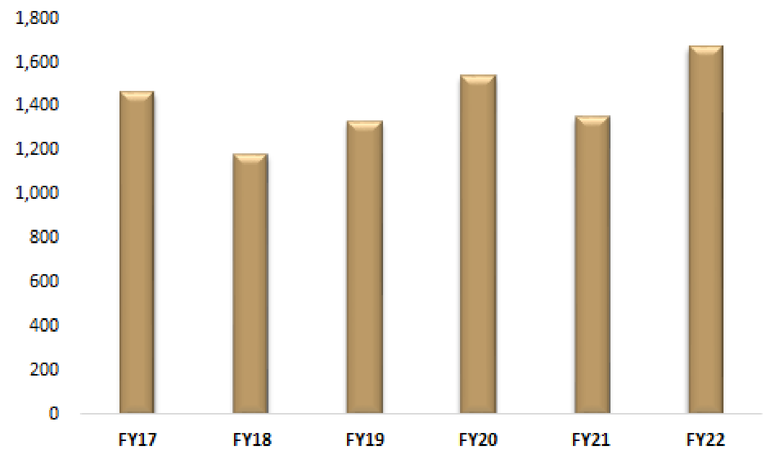
Factoring in all above-mentioned variables, we expect KIML's FY22 revenue to surpass the RM2bn mark while the net profit to increase to RM187.4mn (+38.4%). Subsequently, FY24 and FY25 revenues are projected to decrease to RM1.52bn and RM1.53bn, respectively. With this, F24 and FY25 net profit are expected to be RM98.6mn and RM98.8mn on the back of lower revenue.

Figure 7: Revenue vs. Core Net Profit (RMmn)



Source: Company, TA Research

Figure 8: Production Costs (RM/tonne) (ex-mill)

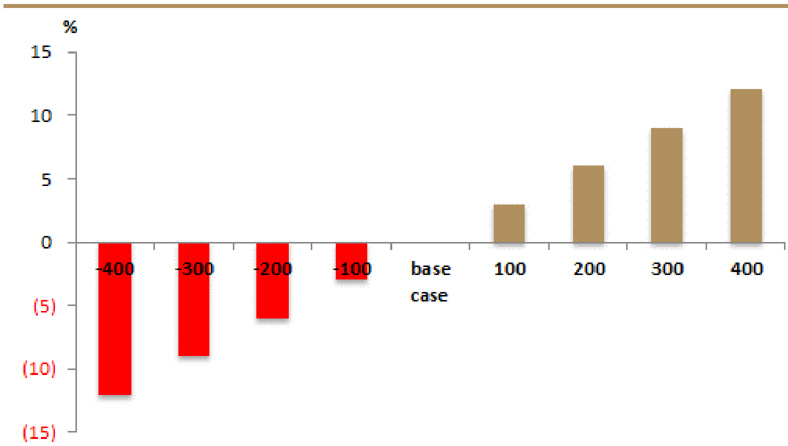


Source: Company, TA Research

Highly Sensitive to CPO Prices

As a pure upstream player, KIML's earnings are sensitive to changes in CPO price. Our sensitivity analysis indicates a RM100 change in CPO price will impact KIML's bottom-line by 3%. This is expected given that KIML is a pure upstream player. We observed that KIML's realised CPO selling prices are very close to market spot price. According to management, their palm oil products are mostly tied up in long term contracts based on monthly average Malaysian Palm Oil Board (MPOB) prices.

Figure 9: Earnings sensitivity to RM100/tonne change in CPO price



Source: Company, TA Research

INVESTMENT RISK

Unpredictable Weather Pattern

Upstream business is highly sensitive to weather conditions as it is one of the factors that affect FFB production for both near-term and long-term. Drought season will decrease FFB yield while extremely wet condition will affect the application of fertilizer, thus lowering fruit quality and impact OER.

Highly Volatile CPO and Palm Product Prices

KIML's earnings are highly sensitive to fluctuations in CPO and FFB prices. A sustained depressed CPO price will adversely affect the bottom line. Note that CPO closely correlates with soybean and crude oil price, which expose CPO to other factors such as extreme climate change (in the US, Brazil and Argentina) and to a lesser extent, OPEC's decisions on crude oil production.

Increase in Operation Cost

Production could increase due to soaring fertiliser costs and long-standing labour shortages. The increase in minimum wages as well as recruitment cost for foreign workers may result in higher production cost for KIML.

Change in Government Policy and Regulations

Import tariffs, taxes and other import restrictions imposed by importing countries can affect the demand for CPO and palm products and can encourage the demand for other substitutes (Soybean).

Foreign Labour Shortage

The palm oil industry is heavily dependent on the supply of foreign labour, especially from Indonesia. Government restrictions on the work permits may cause the shortage of foreign labours and adversely affect the operations.

Liquidity Risk

We see a trading liquidity risk as Sharikat Kim Loong Sendirian Berhad (the private vehicle of the Gooi brothers) already owned 64.68% of KIML's shares.

ESG CONSIDERATION

The sustainable performance of listed companies in accordance with Environmental, Social, and Governance (ESG) criteria has gradually become an important dimension for institutional investors when measuring corporate value. KIML has developed a Sustainability Policy to strategically position sustainable business practices at the core of its operations.

Environment

KIML has practiced a policy of zero burning in both new planting and replanting of oil palm for a long time. All of its plantations and mills have achieved Malaysian Sustainable Palm Oil (MSPO) certification. The group has also installed proper treatment systems as well as biogas plants to treat the highly polluting effluent (POME) generated by the milling process and capture the methane produced at its three palm oil mills. Besides, the group has implemented some of the Good Agriculture Practices (GAP) and recognises the importance of managing various types of soil in plantations as it is a key contributor to crop productivity.

Social

As palm oil is a labour-intensive sector, it raises risks of issues such as poor working conditions, child labour, forced labour and trafficking of migrant workers. KIML has invested to alleviate the living conditions of employees and is committed to ensure the dignity and rights of workers are respected in line with legal regulations and the United Nations' guiding principles on human rights.

Governance

The Board is committed towards adherence to the principles, intended outcomes and best practices set out in the Malaysian Code on Corporate Governance (MCCG) issued by the Securities Commission Malaysia. Currently, the group has 2 Independent Directors out of 7 Directors. A board comprising majority of Independent Directors allows for more effective oversight of management. However, the group does not have any female representation on the board.

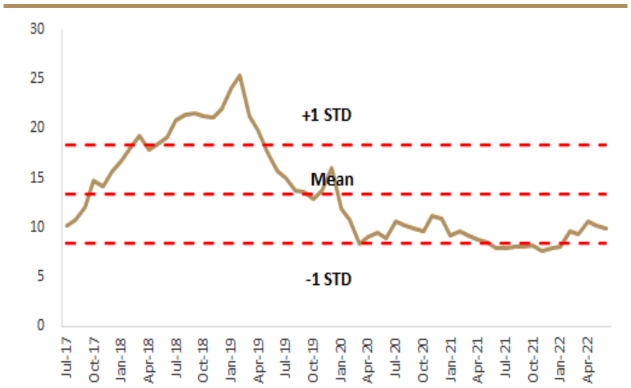
The palm oil industry has faced scrutiny over the years with NGOs blaming palm oil players for vast deforestation and exploitative labour practices. We assigned KIML a ESG score of three stars ★★★.

VALUATION

KIML is currently trading below its 5-year average rolling forward PER of 13.4x. In terms of P/BV, the stock is trading at 1.5x, which is higher than its 5-year average rolling forward P/B of 1.4x. We derive a target price of **RM2.16** per share for KIML, based on CY23 PER of 20x, which is 2x multiple lower than our sector target PER of 22x after taking into consideration KIML's smaller market cap.

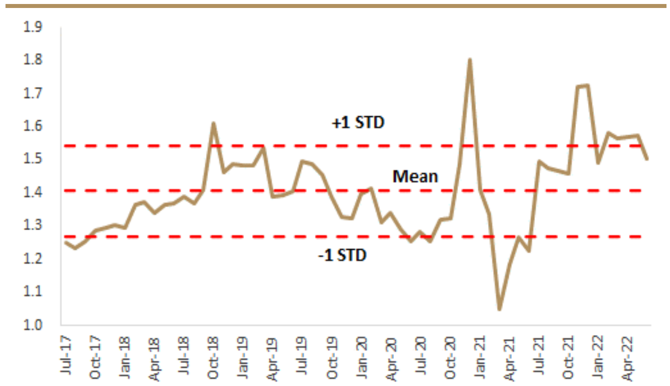
We are positive on the long-term fundamentals of KIML and believe the group has a strong future growth in FFB production, underpinned by improving tree age profile. Besides, we view that the group is well-positioned to build a M&A war chest to accelerate its revenue growth in the future thanks to its healthy balance sheet and net cash position. In a nutshell, we like KIML for its future growth potential. We initiate coverage of KIML with a **BUY** recommendation.

Figure 10: 5-Year Rolling Forward PE Band



Source: Company, TA Research

Figure 11: 5-Year Rolling Forward P/B Band



Source: Company, TA Research

Figure 12: Peers Comparison

Company	Call	ESG	Price	TP	PER (x)		P/BV (X)		Dividend Yield (%)		ROE (%)	
					CY22	CY23	CY22	CY23	CY22	CY23	CY22	CY23
Malaysia (RM)												
SIMEPLT	Buy	★★★★	5.48	6.03	10.5	21.8	2.3	2.3	6.6	3.1	23.0	10.5
IOICORP	Buy	★★★★	3.93	5.55	13.5	15.6	2.1	2.0	3.5	3.1	16.3	13.1
KLK	Buy	★★★★	23.38	29.45	11.2	17.5	1.9	1.8	4.4	2.8	17.5	10.5
FGV	Buy	★★★	1.56	1.85	4.2	10.7	0.9	0.8	5.1	5.1	21.0	7.9
TSH	Buy	★★★	1.10	1.67	8.1	13.1	0.8	0.7	2.7	1.8	11.0	6.3
UMCCA	Buy	★★★★	5.48	6.84	10.3	16.0	0.8	0.8	3.5	2.3	8.0	4.9
KIML	Buy	★★★	1.64	2.16	8.8	15.2	1.6	1.5	10.2	6.5	22.2	12.5
Singapore (SGD)												
Wilmar	Buy	★★★★	4.14	6.49	12.7	13.7	1.3	1.2	3.1	2.8	10.2	8.9

Source: Company, TA Research

Earnings Summary

P&L

FYE Mar 31 (RMmn)		FY21	FY22	FY23F	FY24F	FY25F
Revenue		972	1,703	2,087	1,518	1,528
EBITDA		104	171	228	114	112
Dep. & amortisation		33	36	49	60	73
Net finance cost		7	4	4	3	2
Associate + JV		0	0	0	0	0
Forex & EI		0	1	0	0	0
PBT		145	210	281	177	186
Taxation		(34)	(43)	(58)	(36)	(38)
MI		(16)	(30)	(36)	(42)	(49)
Net profit		95	137	187	99	99
Core net profit		95	135	187	99	99
Reported EPS (diluted)	(sen)	9.7	13.9	19.1	10.1	10.1
Core EPS (diluted)	(sen)	9.7	13.8	19.1	10.1	10.1
GDPS	(sen)	10.0	14.0	17.0	10.0	10.0

RATIOS

FYE Mar 31 (RMmn)		FY21	FY22	FY23F	FY24F	FY25F
Valuations						
Reported PER	(x)	16.9	11.8	8.6	16.3	16.3
Core PER	(x)	17.0	11.9	8.6	16.3	16.3
Div. Yield	(%)	6.1	8.5	10.4	6.1	6.1
P/BV		1.9	1.7	1.6	1.5	1.5
EV/EBITDA	(x)	16.4	9.1	6.9	15.1	16.3
EV/EBIT	(x)	12.1	7.4	5.6	9.6	9.6
EV/Sales	(x)	1.6	0.9	0.7	1.1	1.1
FCF yield	(%)	4.4	9.0	15.1	6.7	7.5
Profitability ratios						
Core ROAE	(%)	12.9	17.4	22.6	11.6	11.5
Core ROAA	(%)	9.2	11.5	14.1	7.1	6.8
EBITDA margin	(%)	10.7	10.0	10.9	7.5	7.3
PBT margin	(%)	14.9	12.4	13.5	11.7	12.2
Liquidity ratios						
Current ratio	(x)	3.6	2.6	2.4	2.6	2.4
Quick ratio	(x)	3.5	2.4	2.2	2.4	2.2
Net current assets	(RMmn)	301.9	315.5	314.0	295.1	270.8
Leverage ratios						
Equity/total liabilities	(x)	1.3	1.4	1.4	1.4	1.3
Net debt / equity	(x)	(0.2)	(0.3)	(0.2)	(0.2)	(0.1)
Int. coverage ratio	(x)	125.1	102.2	107.4	54.0	48.4
Growth ratios						
Sales	(%)	43.0	75.2	22.6	(27.3)	0.6
Pretax	(%)	139.4	45.5	33.6	(37.0)	5.3
Core earnings	(%)	133.8	42.7	38.4	(47.4)	0.2
Total assets	(%)	11.4	16.4	9.7	1.4	5.1

BALANCE SHEET

FYE Mar 31 (RMmn)	FY21	FY22	FY23F	FY24F	FY25F
Fixed assets	347	398	489	569	662
Associates + JV	0	0	0	0	0
Others	323	353	353	353	353
LT assets	670	751	842	922	1,015
Inventories	20	33	41	30	30
Trade receivables	49	58	71	52	52
Cash	232	309	319	289	268
Others	115	113	113	113	113
Current assets	417	514	545	484	464
Assets held for sale	0	0	0	0	0
Total Assets	**1,086**	**1,264**	**1,387**	**1,406**	**1,478**
Trade payables	69	132	162	118	119
ST borrowings	12	11	14	16	19
Others	33	55	55	55	55
Current liabilities	115	198	231	189	193
LT borrowings	38	55	70	84	98
MI	0	0	0	0	0
Others	90	91	91	91	91
LT liabilities	128	147	161	175	190
Liab. Held for sale	0	0	0	0	0
Share capital	318	369	390	390	390
Reserves	526	550	605	652	706
Total Equity	844	919	995	1,042	1,096
Total Liabilities	**1,086**	**1,264**	**1,387**	**1,406**	**1,478**

CASH FLOW

FYE Mar 31 (RMmn)	FY21	FY22	FY23F	FY24F	FY25F
PBT	145	210	281	177	186
Dep. & amortisation	(33)	(36)	(49)	(60)	(73)
Net interest	(7)	(4)	(4)	(3)	(2)
Other non-cash	51	16	(3)	(3)	(4)
Changes in WC	4	40	9	(14)	0
Tax paid & others	(1)	(2)	(58)	(36)	(38)
Operational cash flow	**158**	**226**	**177**	**61**	**70**
Capex	(55)	(100)	(42)	(20)	(20)
Others	(9)	8	6	6	6
Investing cash flow	**(64)**	**(91)**	**(36)**	**(14)**	**(14)**
New share issue	3	45	21	0	0
Dividend paid	(45)	(120)	(169)	(94)	(94)
Net change in debts	36	18	17	17	17
Others	(3)	0	0	0	0
Financial cash flow	**(10)**	**(57)**	**(131)**	**(77)**	**(77)**
Net cash flow	**84**	**77**	**11**	**(30)**	**(21)**
Opening cash flow	146	230	309	319	289
Forex & others	2	1	0	0	0
Closing cash flow	**232**	**309**	**319**	**289**	**268**

KEY MANAGEMENT PROFILE

Mr Gooi Seong Chneh, Age 67, is an Executive Director of KIML. He was appointed to the Board of KIML on 28 February 1990. He graduated with a Bachelor of Science degree from the University of Toronto, Canada in 1975 and obtained a Bachelor's degree in Civil Engineering from the University of Ottawa, Canada in 1980. He was formerly a consultant with Campbell Engineering and Associates, Calgary, Canada for three (3) years from 1981 to 1983. He has extensive experience in construction site management and property development. His experience also includes oil palm and cocoa estate management. From 1976, he has been a Director of SKL, a company which owns a controlling stake in KIML and Crescendo Corporation Berhad (CCB). He has been responsible for the development and management of oil palm and cocoa estates in Johor, Sabah and Sarawak since 1985. He is also a director of CCB and several other private companies.

Mr Gooi Seong Gum, Age 66, is an Executive Director of KIML. He was appointed to the Board of KIML on 28 February 1990. He graduated with a Bachelor's degree in Civil Engineering from the University of Ottawa, Canada in 1980. He was an engineering consultant for Bobrowski & Partners, Calgary, Canada for one (1) year from 1982 to 1983. His experience covers oil palm and rubber estate management, property development and construction site management. From 1980, he has been a Director of SKL, a company which owns a controlling stake in KIML and CCB. Since 1983, he has been a director of KLPO Group which is involved in palm oil milling. He also sits on the Board of CCB and several other private companies.

Mr Gooi Chuen Kang, Age 36, is the Plantation Director of KIML. He was appointed to the Board of KIML as Alternate Director to Mr Gooi Seong Heen on 31 March 2016. He graduated with a Bachelor of Engineering (Chemical and Biomolecular Engineering) from the University of Melbourne in 2008. He worked as an analyst attached with Accenture Kuala Lumpur from 2010 to 2014. Since then, he has been involved in the business operations of KIML Group.

Mr Gooi Khai Chien, Age 30, is the Investor Relations Director of KIML. He was appointed to the Board of KIML as Alternate Director to Mr Gooi Seong Lim on 31 March 2016. He graduated with a Bachelor's Degree in Chemical Engineering in 2014 and a Master's Degree in Investments and Wealth Management in 2015. He started his career as an Investment analyst with Target Asset Management in Singapore from 2016 to 2019, during which he led the technology portfolio and a team of junior analysts. Since then, he has been involved in the business operations of KIML Group.

Mr Chow Kok Hiang, Age 55, is the Finance Director of KIML. He has vast experience in the Audit and Business Advisory Services, having served as Assistant Manager of Price Waterhouse (Currently known as PricewaterhouseCoopers) before joining CCB in 1997 as Group Accountant. He was transferred to KIML in 1999 to head the Finance Department of KIML Group. Mr Chow is a Chartered Accountant with the Malaysian Institute of Accountants and a member of the Malaysian Institute of Certified Public Accountants. He also sits on the board of several private companies involved in property development, construction, educational services, trading and manufacturing.

Mr Gooi Chuen Howe, Age 38, is the Marketing & Mill Director of KIML. Was appointed as Marketing Director in March 2019 and is currently the Marketing & Mill Director of KIML. He holds a Master of Business Administration from London Business School and a Master of Science degree in Applied Finance from the Singapore Management University. He started his career as an investment analyst in asset management companies from 2008 to 2009. Subsequently, he worked as an investment manager in Primevest Holdings Private Limited from 2010 to 2015. He has been the alternate director to Mr Gooi Seong Heen in CCB since 31 March 2016.

Stock Recommendation Guideline

BUY : Total return within the next 12 months exceeds required rate of return by 5%-point.
HOLD : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.
SELL : Total return is lower than the required rate of return.
Not Rated: The company is not under coverage. The report is for information only.

Total Return is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.
Required Rate of Return of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

ESG Scoring & Guideline

	Environmental	Social	Governance	Average
Scoring	★★★	★★★	★★	★★★
Remark	Non-RSPO Member. No Deforestation, No Peat and No Exploitation (NDPE) policy compliance. Lack of available traceability information.	The company commits to human rights in line with legal regulations and the United Nations' guiding principles on human rights.	The group has 2 Independent Directors out of 7 Directors. A Board comprising a majority of Independent Directors allows for more effective oversight of management. No female representation on the board.	

★★★★★ **(≥80%)** : Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions.
★★★★ **(60-79%)** : Above adequate integration of ESG factors into most aspects of operations, management and future directions.
★★★ **(40-59%)** : Adequate integration of ESG factors into operations, management and future directions.
★★ **(20-39%)** : Have some integration of ESG factors in operations and management but are insufficient.
★ **(<20%)** : Minimal or no integration of ESG factors in operations and management.

Kaladher Govindan – Head of Research

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