

Kim Loong Resources

(RM1.73 KIML MK)

Hold

Target Price: RM1.70

4QFY09 : Small cap dividend play

PLANTATION

- Below expectation due to inventory write downs**

12MFY09 results again came in below expectations by some 11% as the group was hit by inventory write downs in its milling operations. Milling margins for the year were 4.3% at EBIT level compared to 5.8% achieved in FY08 hence we estimate the quantum of write down to be roughly RM20-25m. Otherwise, Kim Loong turned in a good year given the run in CPO prices until mid last year. FFB production was up 10% and plantation operations saw a 14% rise in profits. No CPO price average was disclosed during the quarter but we believe the Group to have achieved MPOB average of some RM1,650 for the November to end January period.

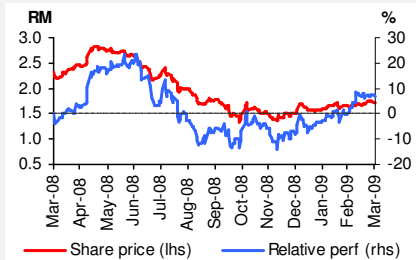
- No plantation growth expected but steady earnings nonetheless as CPO prices stable**

Given the group's fully matured plantation land bank and lack of young palms coming into maturity, FFB production should be y-o-y flattish in FY10 into FY11 assuming no acquisitions. We do expect the group to achieve lower costs this year as fertilizer prices have come off significantly. Also, milling margins should be steady as long as there are no sudden dips in CPO prices. CPO prices have been holding up strong so far this year close to the RM2,000 mark hence we leave our RM2,175 average for the year unchanged. We expect that exports of CPO will continue to be strong this year and little affected by the economic crisis given the basic food consumption profile of palm oil.

- Maintain Hold. TP: RM1.70**

We make no changes to our estimates and maintain our TP at RM1.70. The group has yet to announce final dividends for the year but has declared 10 sen for interim dividends in October last year. We do expect the group to announce another 5 sen gross bringing full year yield closer to a healthy 9%. Next year however we expect a smaller payout given softer earnings.

Share Price Chart



Source: Bloomberg

Price Performance

Price (RM)	1.73		
52-week Range (RM)	1.30 - 2.86		
Avg Daily Volume ('000)	87.9		
	1M	3M	6M
Absolute (%)	4.8	15.3	-25.2
Relative (%)	7.0	15.9	6.9

Key Data

Market Cap (RM m)	523
Issued Shares (m)	302

Major Shareholders

Sharikat Kim Loong	63.3%
--------------------	-------

Balance Sheet Highlights (RM m)

(@ 31.01.2010) (performance indicator's annualised)

Total Assets	549
Total Liabilities	115
Total Debt (Gross)	43
Shareholders' Equity	433
Return on Assets (%)	9.4
Return on Equity (%)	11.9
Net Cash / Share (RM)	0.31
Debt/Equity (x)	0.1
Interest Cover (x)	127

Team Coverage

research@ecmlibra.com
+603 2178 1209

FYE 31 Jan				%				
	RM m	4Q09	4Q08	3Q09	y-o-y chg	q-o-q chg	12M09	12M08
Revenue	591.7	495.2	614.0	19.5	-3.6	1,205.7	977.7	23.3
EBIT	43.0	82.3	48.1	-47.7	-10.5	91.1	154.6	-41.1
PBT	66.6	113.4	72.0	-41.3	-7.4	138.6	219.9	-37.0
Net profit	49.1	90.1	55.0	-45.6	-10.9	104.1	178.2	-41.6
Margin (%)								
EBIT	7.3	16.6	7.8	-9.4	-0.6	7.6	15.8	-8.3
Pretax profit	11.3	22.9	11.7	-11.6	-0.5	11.5	22.5	-11.0
Net profit	8.3	18.2	9.0	-9.9	-0.7	8.6	18.2	-9.6
Adj EPS (sen)	2.4	4.5	2.7	-45.4	-10.9	5.2	8.9	-41.6
Net DPS (sen)	-	-	3.0			3.0	9.3	
NTA (RM)	1.49	1.48	1.50			1.49	1.48	

KIM LOONG RESOURCES						Financial Summary					Share Price: RM		1.73			
Balance Sheet		2007	2008	2009	2010F	2011F	Income Statement					2007	2008	2009	2010F	2011F
FY 30 Jun (RM'mil)						FY 30 Jun (RM'mil)										
Fixed Assets	340	354	404	370	381	Revenue	263	470	507	478	525					
Intangible Assets	1	2	-	-	-	EBITDA	41	105	114	92	111					
Inventories	11	15	24	20	22	Dep/Amortisation	9	8	9	9	10					
Receivables	8	20	26	22	26	EBIT	32	97	105	83	101					
Other Asset	6	9	1	1	1	Other Operating Income	4	3	4	4	4					
Cash and ST Funds	40	102	76	136	171	Financing Cost	(1)	(1)	(1)	(1)	(1)					
Total Assets	406	502	532	549	600	Exceptional Item	-	-	-	-	-					
Payables	11	18	23	21	23	Pretax Profit	30	96	104	82	100					
ST Borrowings	9	10	9	6	6	Taxation	(8)	(24)	(23)	(18)	(23)					
Other ST Liability	7	14	3	7	34	Minority Interest	(0)	(13)	(16)	(13)	(13)					
LT Borrowings	20	20	36	37	34	Net Profit	22	59	65	51	64					
Other LT Liability	34	41	42	43	44	FY 30 Jun (RM'mil)										
Liabilities	82	103	114	115	141	Growth										
MI	10	15	28	28	28	Turnover	20.3	78.6	7.9	(5.8)	10.0					
Share Capital	171	210	302	302	302	EBITDA	37.4	153.7	8.5	(19.1)	21.0					
Reserves	142	174	89	103	129	Pretax Profit	113.6	215.5	8.6	(21.5)	22.5					
Shareholders' Fund	324	399	419	433	459	Net Profit	97.2	163.9	10.2	(22.0)	51.7					
Liabilities & Equities	406	502	532	549	600	EPS	97.2	163.9	10.2	(22.0)	51.7					
Cashflow Statement						Efficiency										
FY 30 Jun (RM'mil)						Inv. Processing (days)						16	13	19	15	15
Profit Before Tax	30	96	104	82	100	Rec. Collection (days)	9	11	17	17	18					
Dep/Amortisation	9	8	9	9	10	Pay. Payment (days)	14	15	20	20	20					
Financing Cost	1	1	1	1	1	Cash Conversion (days)	11	9	16	12	13					
Change in WC	6	(1)	8	(3)	(0)	Profitability										
Other Non-cash Items	(9)	(24)	(64)	(19)	(24)	EBITDA Margin	16%	22%	22%	19%	21%					
Tax Paid	8	24	23	18	23	Pretax Profit Margin	12%	20%	21%	17%	19%					
Operating Cashflow	46	103	81	89	110	Net Profit Margin	9%	13%	13%	11%	15%					
Capex	(19)	(30)	(50)	(20)	(20)	Return on Asset	6%	13%	13%	9%	13%					
Disposal	6	3	0	0	0	Return on Equity	7%	16%	16%	12%	19%					
Others	(1)	(1)	(1)	(1)	(0)	Leverage										
Investing Cashflow	(13)	(27)	(50)	(20)	(20)	Total debt/Total Asset(x)	0.1	0.1	0.1	0.1	0.1					
Equity Raised	1	39	-	-	-	Total debt/Equity (x)	0.1	0.1	0.1	0.1	0.3					
Borrowings	4	1	1	-	-	Net Gearing Ratio (%)	(0.0)	(0.2)	(0.1)	(0.2)	(0.3)					
Repayment	(12)	(5)	(30)	(3)	(3)	Valuations										
Dividends Paid	(9)	(32)	(45)	(36)	(51)	EPS (sen)	7.4	19.6	21.6	16.8	25.5					
Others	-	-	1	(1)	(1)	PER (x)	23.3	8.8	8.0	10.3	6.8					
Financing Cashflow	(17)	2	(74)	(40)	(55)	DPS (sen)	10.0	18.0	15.0	12.0	17.0					
Net Cashflow	14	77	(43)	29	35	Dividend Yield (%)	5.8	10.4	8.7	6.9	0.1					
Changes in Forex	-	-	-	-	-	NTA/Share	1.9	1.9	1.4	1.4	1.5					
Beginning Cash	58	72	150	107	136	P/NTA (x)	0.9	0.9	1.2	1.2	1.1					
Ending Cash	72	150	107	136	171											

Key to stock recommendations:

Buy = Share price is expected to appreciate by >10% over the next 12 months
Hold = Share price is expected to move by less than +/-10% over the next 12 months
Sell = Share price is expected to decline by >10% over the next 12 months

Key to sector recommendations:

Overweight = Industry expected to outperform the market over the next 12 months
Neutral = Industry expected to perform in-line with the market over the next 12 months
Underweight = Industry expected to underperform the market over the next 12 months

This report is for information purposes only and general in nature. The information contained in this report is based on data and obtained from sources believed to be reliable. However, the data and/or sources have not been independently verified and as such, no representation, express or implied, is made with respect to the accuracy, completeness or reliability of the information or opinions in this report. Accordingly, neither we nor any of our related companies and associates nor persons related to us accept any liability whatsoever for any direct, indirect or consequential losses (including loss of profits) or damages that may arise from the use of or reliance on the information or opinions in this publication. Any information, opinions or recommendations contained herein are subject to change at any time without prior notice.

It is not possible to have regard to the specific investment objectives, the financial situation and the particular needs of each person who may receive or read this report. As such, investors should seek financial, legal and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

Under no circumstances should this report be considered as an offer to sell or a solicitation of an offer to buy any securities referred to herein. This company and its related companies, their associates, directors, connected parties and/or employees may, from time to time, own, have positions or be materially interested in any securities mentioned herein or any securities related thereto, and may further deal with such securities and provide advisory, investment or other services for any company or entity mentioned in this report. In reviewing this report, investors should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflict of interests.