

3QFY15 RESULTS UPDATE

11 March 2015

QL Resources Berhad

Price : RM3.71

Market Capitalization : RM4,630.2 mln

Market : Main Market

Sector : Consumer

Recommendation : Hold

Bursa / Bloomberg Code: 2084 / QLG MK
Stock is Shariah-compliant.

QL: 3QFY15 results

FYE Mar (RM mln)	Quarter-on-Quarter			Year-on-Year		Cumulative		
	3QFY15	2QFY15	% chg	3QFY14	% chg	9MFY15	9MFY14	% chg
Turnover	732.8	656.5	11.6%	665.6	10.1%	2,042.9	1,850.3	10.4%
EBITDA	100.0	86.3	15.9%	84.8	17.9%	254.6	229.5	11.0%
Pre-tax profit	74.6	62.3	19.8%	59.5	25.5%	187.2	156.3	19.8%
Tax	(15.3)	(12.8)		(12.1)		(38.5)	(30.3)	
MI	(3.7)	(1.3)		(2.8)		(4.8)	(4.6)	
Net profit	55.6	48.2	15.5%	44.6	24.7%	148.7	125.9	18.0%
EPS (sen)	4.5	3.9	15.5%	3.9	14.7%	11.6	10.6	9.9%
EBITDA margin	13.6%	13.1%		12.7%		12.5%	12.4%	
Pre-tax margin	10.2%	9.5%		8.9%		9.2%	8.4%	
Net profit margin	7.6%	7.3%		6.7%		7.3%	6.8%	
Net Assets/share (RM)	1.10							

3QFY15 Results Review

- The agro-food giant reported another solid quarter of performance with 3QFY15 net profit rising 24.7% y-o-y to RM55.6 mln. The results were within our expectation with 9MFY15 net earnings of RM148.7 mln reaching 76% of our FY15 estimate.
- 9MFY15 PBT grew a commendable 19.8% y-o-y on the back of 10.4% y-o-y increase in turnover, having contributed by better performance across all business divisions.

	Y-o-Y			Year to date		
	3QFY15	3QFY14	% Chg	9MFY15	9MFY14	% Chg
Revenue						
MPM	197.3	169.9	16.1%	540.6	470.0	15.0%
POA	85.2	86.5	-1.6%	272.7	242.5	12.4%
ILF	450.4	409.2	10.1%	1,229.6	1,137.8	8.1%
Group	732.8	665.6	10.1%	2,042.9	1,850.3	10.4%
PBT						
MPM	39.8	34.0	17.1%	98.5	89.2	10.5%
POA	4.2	3.8	9.1%	13.8	2.8	401.2%
ILF	30.6	21.6	41.6%	74.9	64.3	16.4%
Group	74.6	59.5	25.5%	187.2	156.3	19.8%
PBT Margin						
MPM	20.2%	20.0%		18.2%	19.0%	
POA	4.9%	4.4%		5.1%	1.1%	
ILF	6.8%	5.3%		6.1%	5.7%	
Group	10.2%	8.9%		9.2%	8.4%	

- Its largest profit contributor, the Marine Products Manufacturing (MPM), continued to grow on the back of higher sales of fishmeal and surimi-based products; improved contribution from its Indonesian fishery operations as well as new earnings stream from the shrimp farming. Its PBT margin remains enviable at 18.2% in 9MFY15, albeit having dropped a little from 19.0% a year ago.

- The Palm Oil Activities (POA) continued to register a good turnaround with 9MFY15 PBT up 5-fold y-o-y to RM13.8 mln, lifted by significantly higher FFB processed from its Sabah CPO mill, higher contribution from its associate, Boilermech, as well as lower losses from its Indonesian operations. The results were however, dampened by the prevailing lackluster CPO price of approximately RM2,200/mt.
- Despite its high turnover base in excess of RM1 bln, the Integrated Livestock Farming (ILF) business remains a high growth segment for the Group with 9MFY15 PBT and turnover rising 16.4% and 8.1% y-o-y respectively. Strong sales growth of feed raw materials and better contributions from poultry operations in the Peninsular were the factors behind the rise, which also pushed PBT margin up to 6.1% from 5.7% a year ago.
- At this juncture, we retain our FY15 and FY16 earnings projections of RM189.6 mln and RM215.2 mln respectively. We maintain our positive outlook on QL and believe the Group would sustain its double-digit earnings growth over the next 2 years, underpinned by the sustained demand growth for its products as well as ongoing expansion plans at the MPM and ILF segments.
- No dividend was declared for the quarter under review.

Recommendation

While we really do like QL for its solid earnings delivery track record and growth prospects, we opine its valuation is somewhat rich at the current price point with the stock trading at prospective FY16 PER of 21.5x considering the macroeconomic uncertainties clouding the broader equity market. Net dividend yield, at 1.1%, is also not too attractive for now. As such, we retain our **Hold** recommendation. We have, however, lifted our fair value on QL to **RM3.79** (from RM3.57) after rolling over our valuation to FY16, pegged against the unchanged target PER multiple of 22x.

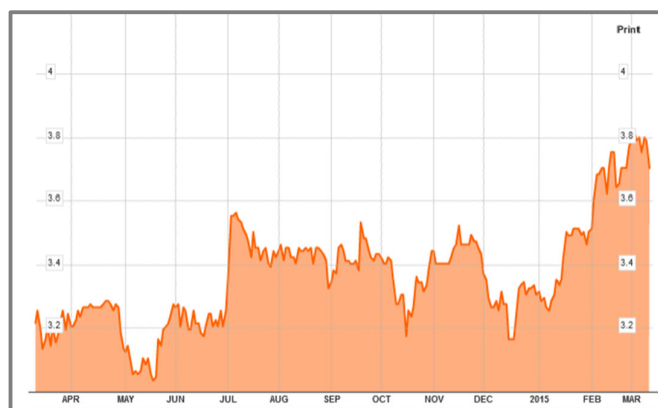
Per Share Data

FYE Mar	FY13	FY14	FY15e
Book Value (RM)	0.82	1.03	1.14
Cash Flow (sen)	18.3	20.5	21.9
Earnings (sen)	12.2	13.8	15.2
Net Dividend (sen)	3.5	3.5	4.0
Payout Ratio (%)	28.4%	27.3%	26.3%
PER (x)	30.5	26.9	24.4
P/Cash Flow (x)	20.3	18.1	16.9
P/Book Value (x)	4.5	3.6	3.2
Dividend Yield (%)	0.9%	0.9%	1.1%
ROE (%)	14.8%	13.4%	13.3%
Net gearing (x)	0.8	0.3	0.4

P&L Summary

FYE Mar (RM mln)	FY13	FY14	FY15e	FY16f
Revenue	2,146.3	2,457.2	2,840.5	3,253.5
EBITDA	258.0	299.6	341.6	384.0
Depreciation	(65.9)	(77.6)	(83.5)	(89.9)
Net Int Exp	(26.7)	(32.8)	(29.1)	(30.0)
Pre-tax Profit	172.7	203.8	241.4	276.5
Eff. Tax Rate	20.4%	18.2%	19.0%	20.0%
Net Profit	131.7	159.9	189.6	215.2
EBITDA Margin (%)	12.0%	12.2%	12.0%	11.8%
Pre-tax Margin (%)	8.0%	8.3%	8.5%	8.5%
Net Margin (%)	6.1%	6.5%	6.7%	6.6%

QL's last 12-month share price chart



Source: Bloomberg

Analyst: Nicole Tan Yoke Ping (nicole@zj.com.my)

RATING GUIDE

BUY	Price appreciation expected to exceed 10% within the next 12 months
SELL	Price depreciation expected to exceed 10% within the next 12 months
HOLD	Price movement expected to be between -10% and +10% over the next 12 months from current level

DISCLAIMER

This report is for information purposes only and has been prepared by ZJ Advisory based on sources believed to be reliable at the time of issue of this report. We however do not give any guarantee as to the accuracy or completeness of the information provided. Any opinions or estimates in this report are that of ZJ Advisory as of this date and are subject to change without notice. ZJ Advisory has no obligation to update its opinion or the information in this report beyond the scope of participation under the CMDF-Bursa Research Scheme.

ZJ Advisory and/or its directors and staff may have an interest in the securities mentioned herein. Furthermore, ZJ Advisory and its related companies may, from time to time, provide or seek to provide advisory and/or other services for the company(ies) mentioned in this report, and may be involved in share placement exercise involving securities mentioned herein. In reviewing this research report, investors should be aware that any or all of the foregoing, may among other things, give rise to real or potential conflicts of interest.

This report is under no circumstances to be construed as an offer to sell or a solicitation of an offer to buy any securities. Investors should seek financial advice regarding the appropriateness of investing in any securities discussed or opined in this report. Investors should understand that statements regarding future prospects may not materialize. This report may contain forward looking statement and forecasts, which are based on assumptions that are subject to uncertainties. Any deviation from the expectations may have adverse effect on the projections and prospects contained herein. ZJ Advisory accepts no liability for any direct, indirect or consequential loss arising from the use of this report.

This report has been prepared by ZJ Advisory for purposes of CMDF-Bursa Research Scheme ("CBRS") administered by Bursa Malaysia Berhad and has been compensated to undertake the scheme. ZJ Advisory has produced this report independent of any influence from CBRS or the subject company. For more information about CBRS and other research reports, please visit Bursa Malaysia's website at: <http://www.bursamalaysia.com/market/listed-companies/research-repository/cmdf-bursa-research-scheme-cbrs>.

ZJ Advisory Sdn Bhd (Co No: 645449-V)
(An investment adviser licensed by the Securities Commission)
Suite 22B, 22nd Floor, Sunway Tower,
No 86, Jalan Ampang, 50450 Kuala Lumpur
Tel (603) 2032 2328 Facsimile (603) 2032 1328
