

3QFY11 RESULTS UPDATE

1 March 2011

QL Resources Berhad

Price : RM3.03

Market Capitalization : RM2,521.0m

Market : Main Market

Sector : Consumer

Recommendation : Buy

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

QL: 3QFY11 results

FYE Mar (RM m)	Quarter-on-Quarter			Year-on-Year		Cumulative		
	Dec 10	Sep 10	% chg	Dec 09	% chg	9MFY11	9MFY10	% chg
Turnover	450.9	438.7	2.8%	370.1	21.8%	1,274.2	1,063.6	19.8%
Operating profit	60.6	58.3	4.0%	53.5	13.2%	166.0	139.8	18.8%
Pre-tax profit	44.4	42.8	3.7%	40.0	11.0%	120.4	101.3	18.9%
Tax	(8.6)	(6.4)		(6.3)		(20.0)	(14.6)	
MI	(2.6)	(3.4)		(2.3)		(7.4)	(6.9)	
Net profit	33.1	33.0	0.4%	31.4	5.6%	92.9	79.8	16.5%
EPS (sen) - basic	8.4	8.4	0.4%	8.0	5.0%	23.7	20.4	16.4%
EBIT margin	13.4%	13.3%		14.5%		13.0%	13.1%	
Pre-tax margin	9.8%	9.8%		10.8%		9.4%	9.5%	
Net profit margin	7.3%	7.5%		8.5%		7.3%	7.5%	
NTA/share (RM)	1.47							

3QFY11 Results Review

- QL's 3QFY11 results were within our expectations with 9MFY11 net profit of RM92.9 mln reaching 76% of our full-year forecast.
- 3QFY11 revenue jumped 21.8% y-o-y to RM450.9 mln on improved contributions from all business divisions – Marine Products Manufacturing (MPM), Palm Oil Activities (POA) and Integrated Livestock Farming (ILF). 3QFY11 net profit, however, rose by a smaller magnitude of 5.6% y-o-y to RM33.1 mln, affected by lower crop size and oil extraction rate at the POA division; as well as higher interest expense and effective tax rate.
- On similar account, 9MFY11 revenue was 19.8% higher y-o-y at RM1.27 bln, accompanied by a 16.5% y-o-y growth in net profit to RM92.9 mln.

	Y-o-Y			Year to date		
	3QFY11	3QFY10	% Change	9MFY11	9MFY10	% Change
Revenue						
MPM	117.1	91.2	28.4%	338.3	263.1	28.6%
POA	87.1	72.7	19.8%	229.2	180.5	27.0%
ILF	246.8	206.3	19.6%	706.7	620.1	14.0%
Group	450.9	370.1	21.8%	1,274.2	1,063.6	19.8%
PBT						
MPM	17.8	16.1	10.6%	53.0	42.6	24.5%
POA	0.8	3.3	-75.4%	3.0	5.5	-46.5%
ILF	25.8	20.7	24.9%	64.5	53.2	21.2%
Group	44.4	40.0	11.0%	120.4	101.3	18.9%
PBT Margin						
MPM	15.2%	17.6%		15.7%	16.2%	
POA	0.9%	4.5%		1.3%	3.1%	
ILF	10.5%	10.0%		9.1%	8.6%	
Group	9.8%	10.8%		9.4%	9.5%	

- From the segmental breakdown, we note that cumulative revenue and PBT of both MPM and ILF recorded double-digit growth, reflecting a commendable performance by the Group. Nevertheless, the POA division suffered margin squeeze despite higher revenue recorded due to reasons mentioned earlier.
- Looking ahead, we expect MPM and ILF to maintain as the key earnings drivers over the immediate next few quarters. Contribution from POA would remain small at less than 10% of Group PBT until the its plantation foray in Indonesia bears fruits. With results in line with our expectations, we maintain our existing FY11 and FY12 net profit projections at RM122.6 mln and RM145.8 .mln respectively.
- No dividend was declared for the quarter under review.

Recommendation

We maintain our **Buy** recommendation on QL with an unchanged fair value of **RM3.60**, derived from ascribing a target EV/EBITDA multiple of 14x, which is benchmarked against QL's peer from Thailand, Thai Union Frozen Products PCL (TUF).

We continue to QL for its i) highly capable management who has led the Group's outstanding double-digit revenue and net profit growth over the last decade; ii) improving profitability margin; iii) healthy fundamentals; iv) clear growth prospects; and v) potential upside surprise from its biogas and palm pellet projects.

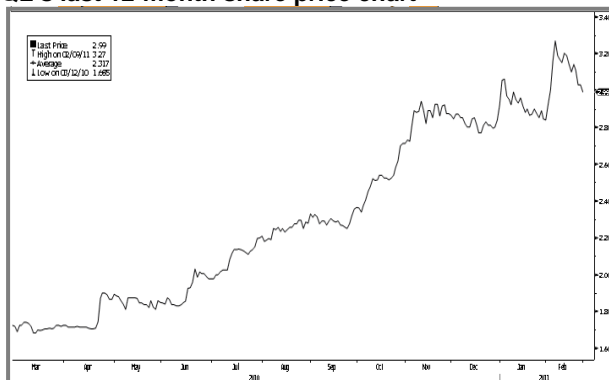
Per Share Data

FYE Mar	FY09	FY10	FY11f
Book Value (RM)	0.53	0.64	0.74
Cash Flow (sen)	15.7	18.7	20.7
Earnings (sen)	23.0	13.7	15.4
Net Dividend (sen)	2.9	3.8	4.2
Payout Ratio (%)	25.6%	27.5%	27.0%
PER (x)	13.2	22.2	19.7
P/Cash Flow (x)	19.3	16.2	14.6
P/Book Value (x)	5.7	4.7	4.1
Dividend Yield (%)	1.0%	1.2%	1.4%
ROE (%)	21.4%	21.3%	20.7%
Net gearing (x)	0.7	0.6	0.5

P&L Summary (RM mil)

FYE Mar (RM mln)	FY09	FY10	FY11f	FY12f
Revenue	1,397.9	1,476.4	1,630.8	1,836.9
EBITDA	159.6	187.9	213.0	248.2
Depreciation	(34.2)	(39.4)	(42.4)	(47.8)
Net Int Exp	(16.0)	(12.9)	(15.8)	(16.4)
Pre-tax Profit	109.9	136.0	155.3	184.6
Eff. Tax Rate	12.0%	15.4%	15.0%	15.0%
Net Profit	89.3	106.9	122.6	145.8
EBITDA Margin (%)	11.4%	12.7%	13.1%	13.5%
Pre-tax Margin (%)	7.9%	9.2%	9.5%	10.0%
Net Margin (%)	6.4%	7.2%	7.5%	7.9%

QL's last 12-month share price chart



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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

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