

Malaysia's leading agro-food player

QL RESOURCES BERHAD

ANNUAL GENERAL MEETING

29th AUGUST 2019



Contents

- Performance Review of FY 2019 vs FY 2018
- Past Financial Trend & Summary
- Operational highlights for FY2019
- Summary of 1st quarter earnings results:
 - Q1FY20 vs Q1FY19
- Overall outlook for FY2020

Performance Review : FY19 vs FY18

Summarised income statement			
RM'million	FY2019	FY2018 (Restated)	% change
Revenue	3,619	3,263	+10.9%
Profit before tax (PBT % margin)	272 (7.5%)	240 (7.4%)	+13.3%
Profit after tax (PAT % margin)	216 (5.9%)	194 (5.9%)	+11.3%

Marine Products Manufacturing

ASEAN's leading marine products manufacturer

- Sales - FY19: RM1006m vs FY18: RM902m (Up 11%)
- PBT - FY19: RM156m vs FY17: RM124m (Up 25%)
- During the year under review, turnover increased 11% and earnings increased 25% due to recovery of low fish catch cycle in Malaysia water as well as new surimi-based product plant in Hutan Melintang unit experiencing increasing overseas and domestic demand.



Integrated Livestock Farming



- Asean's leading poultry egg producer
- 5.7m eggs per day, 1.2 million mt of raw material feed per year
- Sales – FY19: RM2.31b vs FY18:RM1.97b (Up 16%)
- PBT – FY19: RM96m vs FY18: RM96m (Flat)
- For the year under review, the ILF division performance continue to be adversely affected by severe over supply of egg in Peninsular market.
- However, higher contribution from regional and East Malaysia farming operations as well as improved broiler farming efficiency in East Malaysia division help to improve ILF division performance

Palm Oil Activities



- Plantation, CPO Milling & Palm Biomass
- 16.2k HA plantation land, 10.2k HA planted 9.2k HA mature), remaining 5k mt to be planted subject to permit
- 2 CPO mills in Tawau, 1 CPO mill in Tarakan (all with 45MT/hour capacity)
- Sales – FY19:RM303m vs FY18:RM387m (Down 21%)
- PBT – FY19:RM20m vs FY18: RM20m (Flat)
- POA's sales decreased 21% mainly due to lower CPO price as well as lower volume FFB processed by Indonesian unit;
- Earnings remained flat due to the same reason.

Past Financial Trend & Summary

5 Years Summarised Financial Ratios



	YE 2015	YE 2016	YE 2017	YE 2018	YE 2019
Current Ratios	1.51	1.45	1.38	1.58	1.56
Debtors Day	34 days	36 days	37 days	35 days	30 days
Inventory Days	55 days	59 days	59 days	53 days	70 days
Long Term Debts to Equity	22%	18%	18.6%	28.9%	30%
Net Gearing (Total borrowings less cash to Total equity)- borrowings exclude BAs	15%	14%	10%	21%	32%
Dividend Payout rate	28%	28%	28%	35.6%	33.6%
Total Assets	RM2.58b	RM2.81b	RM3.2b	RM3.3b	RM3.6b
Market Capitalisation	A+ 31.3.2015 RM4.99b	A+ 31.3.2016 RM5.3b	A+ 31.3.2017 RM6.0b	A+ 31.3.2018 RM8.5b	A+ 31.3.2019 RM11b

- Marine Products Manufacturing activities
 - Overall, our MPM activities progressed as anticipated during the period under review. QL's Hutan Melintang marine unit saw its new RM100-million investment chilled surimi-based products and frozen products factories which were completed in March 2018, operating for one full year. The new plants with more automation, will increase productivity and quality. The expanded capacity provides room to cater to the increasing overseas and domestic demand.
 - Export sales of surimi-based products to North America remains strong. Our live frozen and cooked shrimps are widely accepted by overseas customers in particular in China.
 - A pilot frozen surimi-based products production line in Surabaya at a capex of RM5 million came online in the third quarter of FY2019. With an annual capacity of 3,000 metric tonnes, plans are in place to operate at larger capacity with full commercialisation depending on results of the pilot project.

- Integrated Livestock Farming Activities
 - In FY2019, QL continues to be a leading egg producer in Malaysia, laying a total of 5.7 million eggs per day across all ILF operations in Malaysia, Indonesia and Vietnam.
 - The lower prices of eggs in Peninsular Malaysia continued into the second half of the financial year due to oversupply. This situation was rebalanced by the dip in egg production due to unexpected poultry diseases such as Low Pathogenic Avian Flu (LPAI) and Newcastle Disease that hit many farms in Peninsular Malaysia.
 - Regional-wise, the Indonesian operations have been healthy with production of 700,000 eggs per day arising from effective vaccination programmes. It is targeted that production will reach 800,000 eggs per day in FY2020 with improvements to farm productivity. Likewise, the Vietnamese unit has also seen gradual increment in production to 850,000 eggs per day. Work has commenced to build a new layer farm facility in a new location to double production capacity.

- Palm Oil Activities

- The developments in this pillar in FY2019 were as anticipated in the previous annual report. The plantation in Indonesia is increasingly maturing and FFB production improved accordingly. FFB production in FY2019 increased by about 10% to 139,000 metric tonnes as compared to the 127,000 metric tonnes harvested in the previous FY. On the other hand, the Indonesian milling operations faced competition from new players, causing a reduction in FFB supply from surrounding plantation.
- In Tawau, palm trees are generally of older age and excessive rainfall caused reduced harvest, lower oil extraction rate (OER).
- The palm oil industry was severely challenged by CPO prices that dropped to RM2,100 per metric tonne in FY2019 from last year's average of RM2,600 per metric tonne.
- A bright spark in this business pillar is Boilermech Holdings Berhad, which has acquired a water treatment company. This investee company has since contributed positively to POA bottomline.

- FamilyMart Convenience Stores

- The signing of franchise agreement with FamilyMart in April 2016 is QL's strategic plan to expand into convenience-stores chain.
- In FY2017, we opened 6 stores, followed by another 33 stores in FY2018 and in FY2019, another 51 stores was opened giving a total stores count of 90 as at end of March 2019, surpassing our aim of 89 stores by the same date and in FY2020 we are targeting to open another 80 stores. We are gearing towards our target of 300 stores by FY2022.
- Average store performance is beyond expectation in terms of key stores operating KPIs such as gross margin, average ticket count and ticket size.

Bringing a lifestyle-
changing concept to
Malaysia



Summary of 1st quarter earnings results: Q1FY20 vs Q1FY19



RM'million	Qtr 30.6.2019	Qtr 30.6.2018	% change
Revenue	993	816	+22%
Results from operating activities	117	94	+24%
Profit before tax (PBT % margin)	62 (6.2%)	51 (6.2%)	+21%
Profit after tax after MI (PAT % margin)	51 (5.1%)	44 (5.4%)	+16%

For details review, please refer to our quarterly report

Overall outlook for FY2020

- After 3 years of flattish growth, we achieved respectable double digit growth in FY2019. Despite weaker worldwide, weaker domestic consumption sentiments and challenging business operating environment, we continue to be optimistic in FY2020 with budgeted respectable growth for Top line and bottom line.
- Sectors outlook :
 - MPM has upbeat outlook :
 - Weaker Ringgit may improve prospects for more export
 - We will continue to grow for QL's products through new capacity expansion, innovative new product range, new market, brand and price leadership
 - Recovery of Low fish catch cycle experience last year is anticipated to continue into FY2020.
 - ILF activities outlook is fair :
 - The prolonged poor egg price in Peninsular Malaysia is still showing sign of erratic recovery. The performance of this pillar will be balanced by the positive contribution of regional operations.
 - Volatility of commodity prices make it tough to anticipate movements, however this may be offset by lower feed cost.

- Palm Oil activities is expected to bearish in FY2020:
 - Indonesia plantation is projecting a higher FFB due to increasing maturity.
 - CPO price is expected to be range bound at a low level of between RM 1,900 to RM 2,200 per mt.
- Outlook for CVS
 - Outlook for FY2020 looks promising as we increase the number of stores.
- Overall for the Group, barring unforeseen events, we remain optimistic of another year of growth.

Thank you

Questions from MSWG

In the Interest of minority shareholders and all other stakeholders of the Company, we would like to raise the following issue at the 22nd Annual General Meeting of QL Resources Berhad

Q1.

On page 29 of Annual Report 2019 (AR2019), the capex for the coming financial year is projected to be higher in line with the Company's plans of investing into identified areas of efficiencies and growth.

What is the expected percentage increase in capex to be incurred for the financial year ending 2020.

Answer:

We expect about 30% increase in capex from RM300 million to RM400 million.

Q2.

QL commenced a pilot frozen surimi-based products production line in Surabaya which came online in the third quarter of FY2019 (Page 31 of AR2019)

To-date, what are the results of the pilot projects?

Answer:

We started commissioning in Q4FY2019 and actual production started in Q1FY2020.

We experience promising and increasing sales in the last 3 months ended 30.6.2019. The results were better than budgeted figures.

April19: 14,000 kg

May19:36,000 kg

June19: 66,000kg

Q3.

In relation to the integrated livestock Farming segment:

- a) What is the expected percentage of revenue growth contribution from Indonesia and Vietnam going forward..

Answer:

Vietnam revenue growth contribution is expected to be about 6%.

Indonesia revenue growth contribution is expected to be about 35%.

- b) Given the large Indonesian and Vietnamese population, what is the outlook of integrated livestock Farming in these two countries?

Answer:

Outlook for both countries look promising. We have already started work on doubling the egg productions in these 2 countries in next 3 to 5 years.

Q4.

We note that palm trees in Tawau are generally of older age (page 34 of AR2019).

a) What is the age profile of the palm trees in Tawau?

Answer

Between 17 to 25 years old.

(b) Is the Tawau plantation up for replanting any time soon?

Answer

We have started replanting about 68HA in 2015. Now about 4 years old.

We will replant another 123HA next year.

Q5.

How far is the FamilyMart convenience store business from breaking even?.

Answer:

It is already breaking even

Q6.

Under Note 22 (page 146) of AR 2019, the revenue contribution from the integrated Livestock Farming segment by other countries have increased significantly to RM94.9 million (2018: RM28.1 million).

(a) Why did revenue contribution from Integrated Livestock Farming segment by other countries increased significantly?

Answer:

The significant increase is due to additional increase export to China about RM10million, to Japan about RM19 million and new export to Singapore about RM38m.

(b) Who are these other countries that have contributed to the revenue increase?

Answer:

As mentioned above

(c) Does QL expect this positive trend to continue going forward?

Answer:

Barring unforeseen event, we anticipate it will continue going forward