

THIS REPORT IS STRICTLY FOR INTERNAL CIRCULATION ONLY\*

# Leong Hup International Bhd

**TP: RM0.67** (-6.3%)

*Improvement in FY23 Performance*
*Last Traded: RM0.715*
**Under Review (ESG: ★★★)**

Liew Yi Jiet

Tel: +603-2167 9602

yjliew@ta.com.my

www.taonline.com.my

## Review

- Leong Hup International Bhd's (LHI) FY23 core net profit of RM301.7mn (+37.8% YoY) met our expectations, at 105% and 102% of full-year estimates, respectively.
- No dividend was declared in this quarter.
- FY23 revenue grew by 5.5% YoY, driven by its livestock segment (+3.5% YoY) and feedmill segment (+7.9% YoY). The higher revenue was a result of higher ASP from an improved sales mix, better sales volume of eggs in Malaysia and higher sales volume in both Philippines (Dressed Chicken) and Indonesia (Broiler Chicken). Consequently, FY23's EBIT rose 57.4% YoY (Livestock +99.2% YoY & feedmill +54.1% YoY), underpinned by higher ASP of eggs, greater ASP of feedmill in Vietnam, Indonesia and Philippines coupled with easing in raw material costs.
- In 4QFY23, EBIT dropped by 18.6% QoQ in tandem with a 4.1% QoQ drop in revenue. The weaker performance was dragged by the negative variance in Indonesia's livestock segment, where both ASP (DOC & Broiler Chicken) and sales volume (DOC) decreased.

## Impact

- We maintain our earnings projections, pending an analyst briefing today.

## Outlook

- In 2024, the global prices of corn and soybean meal are expected to trend below the peak in 2022. We anticipate LHI's feedmill margins to sustain at c.14% bearing the global prices of corn and soybean meal are less volatile.
- Based on the available data in the market, the price of broiler chicken per kg is trading at c.RM10-RM16 after the cessation of chicken subsidy (Ceiling price stood at RM9.4/kg before price control lifted). As a result, we expect revenue growth in IHFY24 for the livestock segment due to higher ASP.

## Valuation

- We put our Buy recommendation under review with a TP of **RM0.67/share**, pending management guidance at the analyst briefing today.

## Share Information

Bloomberg Code	LHIB MK
Stock Code	6633
Listing	Main Market
Share Cap (mn)	3650.0
Market Cap (RMmn)	2609.8
52-wk Hi/Lo (RM)	0.745/0.475
12-mth Avg Daily Vol ('000 shrs)	3948.1
Estimated Free Float (%)	33.9
Beta	0.6
<b>Major Shareholders (%)</b>	
Emerging Glory	52.8%
Amanah Saham Nasional	7.1%
Clarinden Investment	6.2%

## Forecast Revision

	FY24	FY25
Forecast Revision (%)	0.0	0.0
Net profit (RMm)	271.0	293.6
Consensus	270.0	292.2
TA's / Consensus (%)	100.4	100.5
Previous Rating	Buy (Under Review)	
Consensus Target Price (RM)	0.78	

## Financial Indicators

	FY24	FY25
Net Debt / Equity (x)	0.6	0.5
ROE (%)	12.2	12.1
ROA (%)	4.1	4.4
NTA/Share (RM)	0.6	0.7
Price/NTA (x)	1.2	1.1

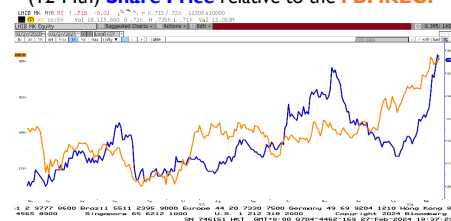
## Scorecard

	% of FY	
vs TA	105	Above
vs Consensus	102	Above

## Share Performance (%)

Price Change	LHI	FBM KLCI
1 m th	30.0	3.5
3 m th	2.9	7.6
6 m th	37.5	7.9
12 m th	47.4	7.1

## (12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

**Table 1: Earnings Summary (RM'mn)**

FYE December (RM mn)	2022	2023	2024F	2025F	2026F
Revenue	9,042.7	9,539.5	9,132.9	9,333.8	9,539.2
EBITDA	752.2	1,029.0	857.0	876.2	895.9
PBT	326.6	554.7	412.5	450.6	483.9
Reported Net Profit	218.9	301.7	271.0	293.6	315.3
Core Net Profit	218.9	301.7	271.0	293.6	315.3
Core EPS (sen)	6.0	8.3	7.4	8.0	8.6
Core PER (x)	12.0	8.7	9.7	8.9	8.3
DPS (sen)	0.0	3.0	2.2	2.4	2.6
Dividend Yield (%)	0.0	7.4	3.1	3.4	3.6

**Table 2: 4QFY23 Results Analysis (RM'mn)**

FYE 31 Dec	4QFY22	3QFY23	4QFY23	QoQ (%)	YoY (%)	FY22	FY23	YoY (%)
Revenue	2,321.9	2,516.4	2,413.0	(4.1)	3.9	9,042.7	9,539.5	5.5
Other Income	64.6	46.3	129.8	180.4	100.8	188.8	287.2	52.1
Operating Expenses	(2,195.6)	(2,292.7)	(2,323.0)	(1.3)	(5.8)	(8,767.5)	(9,102.7)	(3.8)
EBIT	187.2	266.7	216.0	(19.0)	15.4	450.9	709.6	57.4
Adj. EBIT	187.2	266.7	216.0	(19.0)	15.4	450.9	709.6	57.4
Net Interest	(36.7)	(39.2)	(32.9)	16.1	10.4	(124.8)	(155.2)	(24.3)
Associate	0.1	0.0	0.1	171.4	(8.1)	0.4	0.3	(24.3)
Profit before Tax	150.7	227.5	183.3	(19.5)	21.6	326.6	554.7	69.9
Adj. PBT	150.7	227.5	183.3	(19.5)	21.6	326.6	554.7	69.9
Taxation	(36.4)	(50.2)	(38.5)	23.2	(5.9)	(82.7)	(124.9)	(51.1)
Extraordinary Items	-	-	-	nm	nm	-	-	nm
Minority Interest	(23.5)	(44.4)	(63.1)	(42.2)	>-100	(25.0)	(128.1)	>-100
Net Profit	90.7	133.0	81.6	(38.6)	(10.0)	218.9	301.7	37.8
Adj. Net Profit	90.7	133.0	81.6	(38.6)	(10.0)	218.9	301.7	37.8
Basic EPS (sen)	2.5	3.6	2.2	(38.6)	(10.0)	6.0	8.3	37.8
DPS (sen)	-	1.2	-	(100.0)	nm	-	3.0	nm
				%-points	%-points			%-points
EBIT Margin (%)	8.1	10.6	9.0	(1.6)	0.9	5.0	7.4	2.5
PBT Margin (%)	6.5	9.0	7.6	(1.4)	1.1	3.6	5.8	2.2
Net Margin (%)	3.9	5.3	3.4	(1.9)	(0.5)	2.4	3.2	0.7
Adj. Net Margin (%)	3.9	5.3	3.4	(1.9)	(0.5)	2.4	3.2	0.7
Tax Rate (%)	24.2	22.1	21.0	(1.0)	(3.1)	25.3	22.5	(2.8)

**Table 3: 4QFY23 Results Analysis (RM'mn) – Segmental Breakdown**

FYE 31 Dec	4QFY22	3QFY23	4QFY23	QoQ (%)	YoY (%)	FY22	FY23	YoY (%)
<b>Revenue</b>	<b>2,321.9</b>	<b>2,516.4</b>	<b>2,413.0</b>	<b>(4.1)</b>	<b>3.9</b>	<b>9,042.7</b>	<b>9,539.5</b>	<b>5.5</b>
Livestock and Poultry Related	1,261.5	1,369.4	1,263.7	(7.7)	0.2	4,979.2	5,155.6	3.5
Feedmill	1,054.5	1,143.8	1,146.0	0.2	8.7	4,049.0	4,370.8	7.9
Others	6.0	3.2	3.4	6.3	(43.5)	14.5	13.1	(9.9)
<b>Segment EBIT</b>	<b>191.0</b>	<b>270.0</b>	<b>219.8</b>	<b>(18.6)</b>	<b>15.1</b>	<b>464.0</b>	<b>724.0</b>	<b>56.0</b>
Livestock and Poultry Related	42.5	101.0	19.0	(81.2)	(55.3)	47.8	95.3	99.2
Feedmill	141.7	171.1	211.8	23.8	49.5	415.9	640.8	54.1
Elimination	6.8	(2.1)	(11.0)	>-100	>-100	0.3	(12.1)	>-100
				%-points	%-points			%-points
<b>Segment EBIT Margin</b>	<b>8.2</b>	<b>10.7</b>	<b>9.1</b>	<b>(1.6)</b>	<b>0.9</b>	<b>5.1</b>	<b>7.6</b>	<b>2.5</b>
Livestock and Poultry Related	3.4	7.4	1.5	(5.9)	(1.9)	1.0	1.8	0.9
Feedmill	13.4	15.0	18.5	3.5	5.0	10.3	14.7	4.4

**Table 4: 4QFY23 Results Analysis (RM'mn) – Geographical Breakdown**

FYE 31 Dec	4QFY22	3QFY23	4QFY23	QoQ (%)	YoY (%)	FY22	FY23	YoY (%)
<b>Revenue</b>	<b>2,316.0</b>	<b>2,513.2</b>	<b>2,409.7</b>	<b>(4.1)</b>	<b>4.0</b>	<b>9,028.2</b>	<b>9,526.4</b>	<b>5.5</b>
Malaysia	634.1	617.2	587.3	(4.8)	(7.4)	2,357.7	2,386.1	1.2
Singapore	193.6	209.4	202.0	(3.6)	4.3	796.2	826.1	3.8
Vietnam	573.6	531.3	534.5	0.6	(6.8)	2,196.6	2,114.2	(3.8)
Indonesia	789.1	1,004.0	927.0	(7.7)	17.5	3,282.1	3,623.5	10.4
Philippines	125.6	151.4	158.9	5.0	26.6	395.7	576.6	45.7
<b>Segment EBITDA</b>	<b>268.2</b>	<b>348.9</b>	<b>303.4</b>	<b>(13.0)</b>	<b>13.1</b>	<b>765.3</b>	<b>1,043.4</b>	<b>36.3</b>
Malaysia	126.5	152.1	184.1	21.0	45.5	360.8	583.3	61.6
Singapore	20.8	12.7	20.6	62.2	(1.1)	60.1	81.6	35.8
Vietnam	43.6	51.6	43.7	(15.4)	0.3	145.4	141.1	(3.0)
Indonesia	59.7	114.3	35.1	(69.3)	(41.2)	138.3	171.7	24.1
Philippines	17.6	18.2	19.9	9.4	13.0	60.6	65.7	8.3
				<b>%-points</b>	<b>%-points</b>			<b>%-points</b>
<b>Segment EBITDA M</b>	<b>11.6</b>	<b>13.9</b>	<b>12.6</b>	<b>(1.3)</b>	<b>1.0</b>	<b>8.5</b>	<b>11.0</b>	<b>2.5</b>
Malaysia	19.9	24.6	31.3	6.7	11.4	15.3	24.4	9.1
Singapore	10.7	6.1	10.2	4.1	(0.6)	7.5	9.9	2.3
Vietnam	7.6	9.7	8.2	(1.5)	0.6	6.6	6.7	0.1
Indonesia	7.6	11.4	3.8	(7.6)	(3.8)	4.2	4.7	0.5
Philippines	14.1	12.0	12.5	0.5	(1.5)	15.3	11.4	(3.9)

### 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
<b>Scoring</b>	★★★	★★★	★★★	★★★
<b>Remark</b>	Compliant towards waste management on both hazardous and non-hazardous waste. However, score is muted owing to absence of quantifiable goal for near future.	Farming and trading of poultry-related products helps to meet protein needs and encourage balance diet.	The board has decent gender diversity though is short of 1 independent director to meet the 50% majority. Leong Hup has targeted dividend payout of 30%.	

- ★★★★★ (≥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.

### Disclaimer

The information in this report has been obtained from sources believed to be reliable. Its accuracy and/ or completeness is not guaranteed and opinions are subject to change without notice. This report is for information only and not to be construed as a solicitation for contracts. We accept no liability for any direct or indirect loss arising from the use of this document. We, our associates, directors, employees may have an interest in the securities and/or companies mentioned herein.

As of Wednesday, February 28, 2024, the analyst, Liew Yi Jiet, who prepared this report, has interest in the following securities covered in this report:  
(a) nil

**Kaladher Govindan – Head of Research**

TA SECURITIES HOLDINGS BERHAD 197301001467 (14948-M)  
A Participating Organisation of Bursa Malaysia Securities Berhad

Menara TA One | 22 Jalan P. Ramlee | 50250 Kuala Lumpur | Malaysia | Tel: 603 – 2072 1277 | Fax: 603 – 2032 5048  
www.ta.com.my