

HLIB Research

PP 9484/12/2012 (031413)

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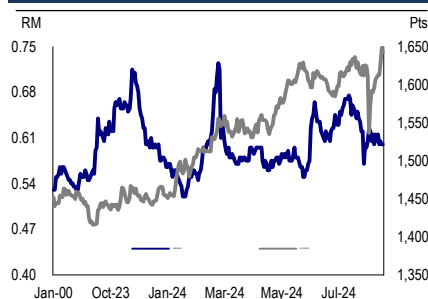
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BUY (Maintain)**Target Price:** **RM0.86****Previously:** **RM0.80****Current Price:** **RM0.66**

Capital upside	30.3%
Dividend yield	2.0%
Expected total return	32.3%

Sector coverage: Poultry

Company description: LHI offers breeding, egg production, broiler, and livestock feeding solutions, as well as manufactures chicken products in Malaysia, Singapore, Indonesia, Vietnam and Philippines.

Share price

Historical return (%)	1M	3M	12M
Absolute	-12.0	7.3	0.8
Relative	-9.4	10.3	-8.1

Stock information

Bloomberg ticker	LHIB MK
Bursa code	6633
Issued shares (m)	3,651.7
Market capitalisation (RM m)	2,410
3-mth average volume ('000)	9,796
SC Shariah compliant	No
F4GBM Index member	No
ESG rating	★★

Major shareholders

Emerging Glory	52.8%
Amanah Saham Nasional	7.1%
Clarinden	4.9%

Earnings summary

FYE Dec	FY23	FY24F	FY25F
PATMI - core (RM m)	321.4	320.0	322.1
EPS - core (sen)	8.8	8.8	8.8
P/E (x)	7.5	7.5	7.5

Leong Hup International

Another strong showing

9M24 core net profit of RM280.5m (+27.8%) beat expectations, accounting for 90.4-99.3% of consensus and our full-year estimates, due mainly to better-than-expected margin at feedmill segment. Declared 2nd interim DPS of 1.45 sen (going ex on 10 Dec 2024), bringing DPS YTD to 2.75 sen. We raise our FY24-26 core net profit forecasts by 13.2%/6.5%/6.9%, mainly to account for higher EBIT margin assumption at feedmill segment. Post earnings revision, we maintain our BUY rating on LHI with a higher TP of RM0.86 based on 9.7x revised FY25 core EPS of 8.8 sen. At RM0.66, valuations remain undemanding at FY24-26 P/E of 7.5x/7.5x/7.4x.

Beat expectations. 3Q24 core net profit of RM122.9m (+26.3% QoQ; -7.3% YoY) took 9M24's total sum to RM280.5m (+27.8%). The results beat expectations, accounting for 90.4-99.3% of consensus and our full-year estimates, due mainly to better-than-expected margin at feedmill segment. 9M24 core net profit of RM280.5m was arrived after adjusting for (i) RM2.2m impairment loss, (ii) RM6.5m disposal gain, and (iii) RM3.2m gain on termination of leases.

Dividend. Declared 2nd interim DPS of 1.45 sen (going ex on 10 Dec 2024), bringing DPS YTD to 2.75 sen.

QoQ. Core net profit surged 26.3% to RM122.9m in 3Q24, as lower selling prices for most products in Indonesia and lower feed prices in Vietnam were more than mitigated by higher government subsidies received (by its 54.7% subsidiary Teo Seng, we believe), lower finance costs and tax expense.

YoY. Core net profit fell -7.3% to RM122.9m, dragged mainly by lower DOC prices in Malaysia and Indonesia, and lower feed prices and sales volume in Indonesia, Vietnam and Malaysia.

YTD. 9M24 core net profit surged 27.8% to RM280.5m, boosted mainly by higher selling prices of broiler chickens and lower feedcosts in Vietnam and government subsidies received in Malaysia operations at livestock segment. This was however, partly weighed down by lower feed sales volume.

Outlook. While the recent reversal of foreign exchange rates will result in higher feedcost in 4Q24 (vis-à-vis 3Q24), management remains confident that FY24 performance will be better than prior year.

Forecast. We raise our FY24-26 core net profit forecasts by 13.2%/6.5%/6.9%, mainly to account for higher EBIT margin assumption at feedmill segment.

Maintain BUY with higher TP of RM0.86. Post earnings revision, we maintain our BUY rating on LHI with a higher TP of RM0.86 based on 9.7x revised FY25 core EPS of 8.8 sen. At RM0.66, valuations remain undemanding at FY24-26 P/E of 7.5x/7.5x/7.4x. Besides, we note that LHI's balance sheet continues to strengthen (evidenced by net gearing of 0.41x as at 30 Sep 2024 vs. 0.6x as at 31 Dec 2023).

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec	FY22A	FY23A	FY24F	FY25F	FY26F
Cash	840.3	699.5	1,157.5	1,458.3	1,756.8
Receivables	839.7	892.4	954.7	1,003.5	1,055.3
Inventories	1,025.9	978.8	929.9	978.3	1,029.7
PPE	2,784.5	2,730.3	2,727.2	2,724.5	2,722.1
Others	1,101.9	1,225.6	1,233.2	1,260.6	1,289.6
Assets	6,592.2	6,526.6	7,002.6	7,425.2	7,853.6
Payables	629.8	682.1	778.9	819.5	862.6
Debt	3,032.7	2,458.1	2,458.1	2,458.1	2,458.1
Others	338.8	430.2	430.2	430.2	430.2
Liabilities	4,002.6	3,571.5	3,668.2	3,708.8	3,751.9
Shareholders' equity	2,005.0	2,236.7	2,509.3	2,783.9	3,061.0
Non-controlling interests	584.5	718.4	825.1	932.5	1,040.6
Equity	2,589.6	2,955.1	3,334.3	3,716.4	4,101.7

Income Statement

FYE Dec	FY22A	FY23A	FY24F	FY25F	FY26F
Revenue	9,042.7	9,539.5	8,368.6	8,804.5	9,267.5
EBITDA	765.3	1,043.4	1,019.0	999.6	1,003.6
EBIT	464.0	724.0	715.6	696.5	700.7
Finance cost	-137.9	-169.6	-154.7	-131.9	-131.9
Associates	0.4	0.3	0.5	0.5	0.5
Profit before tax	326.6	554.7	561.4	565.1	569.4
Tax	-82.7	-124.9	-134.7	-135.6	-136.7
PAT	243.9	429.8	426.7	429.5	432.7
Non-controlling interests	-25.0	-128.1	-106.7	-107.4	-108.2
Reported PATMI	218.9	301.7	320.0	322.1	324.6
Exceptionals	26.4	19.6	0.0	0.0	0.0
Core PATMI	245.3	321.4	320.0	322.1	324.6
Consensus core PATMI			310.2	325.2	342.3
HLIB/ Consensus			103.2%	99.1%	94.8%

Cash Flow Statement

FYE Dec	FY22A	FY23A	FY24F	FY25F	FY26F
Profit before tax	326.6	554.7	561.4	565.1	569.4
D&A	260.4	276.4	303.4	303.1	302.9
Working capital	-58.2	15.3	75.9	-83.9	-89.1
Tax paid	-88.9	-80.5	-134.7	-135.6	-136.7
Others	144.5	173.6	154.2	131.4	131.4
CFO	620.9	992.5	960.2	780.1	777.9
Capex	-291.5	-219.6	-300.0	-300.0	-300.0
Others	13.9	55.8	0.0	0.0	0.0
CFI	-277.6	-163.8	-300.0	-300.0	-300.0
Changes in debt	-328.3	-526.4	0.0	0.0	0.0
Shares issued	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	-65.7	-47.5	-47.5	-47.5
Others	-133.8	-181.2	-154.7	-131.9	-131.9
CFF	-362.1	-773.3	-202.1	-179.3	-179.3
Net cash flow	-18.8	55.3	458.0	300.8	298.6
Beginning cash	575.1	556.1	627.3	1,085.3	1,386.1
Forex	-0.3	15.9	0.0	0.0	0.0
Ending cash	556.1	627.3	1,085.3	1,386.1	1,684.6

Ratios

FYE Dec	FY22A	FY23A	FY24F	FY25F	FY26F
Core EPS (sen)	6.7	8.8	8.8	8.8	8.9
P/E (x)	9.8	7.5	7.5	7.5	7.4
EV/EBITDA (x)	5.3	3.9	4.0	4.0	4.0
DPS (sen)	0.8	3.0	1.3	1.3	1.3
Dividend yield	1.2%	4.5%	2.0%	2.0%	2.0%
BVPS (RM)	0.5	0.6	0.7	0.8	0.8
P/B (x)	1.2	1.1	1.0	0.9	0.8
EBITDA margin	15.4%	20.2%	26.3%	24.9%	24.2%
EBIT margin	4.4%	6.4%	6.9%	6.4%	6.1%
PBT margin	3.1%	4.9%	5.4%	5.2%	5.0%
Net margin	2.3%	2.8%	3.1%	2.9%	2.8%
ROE	12.9%	15.2%	13.5%	12.2%	11.1%
ROA	3.8%	4.9%	4.7%	4.5%	4.2%
Net gearing	84.7%	59.5%	39.0%	26.9%	17.1%

Assumptions

FYE Dec	FY24F	FY25F	FY26F
Feedmill			
- Production volume ('000 mt)	2,981.6	3,150.1	3,329.4
- Utilisation rate	84%	89%	94%
Livestock			
- Broiler DOC supplied (m chicks)	202.1	208.2	214.5
- Broiler supplied (m birds)	164.4	169.4	174.5
- Eggs supplied (m eggs)	2,002.0	2,055.1	2,109.7

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Figure #1 Quarterly results comparison

FYE Dec (RMm)	3Q23	2Q24	3Q24	QoQ (%)	YoY (%)	9M23	9M24	YoY (%)
Revenue	2,516.4	2,355.1	2,228.3	-5.4	-11.4	7,126.5	6,994.3	-1.9
- Livestock & poultry related products	1,369.4	1,368.0	1,311.7	-4.1	-4.2	3,891.9	3,995.5	2.7
- Feedmill	1,143.8	984.2	913.8	-7.2	-20.1	3,224.8	2,990.2	-7.3
- Others	3.2	2.9	2.8	-3.6	-11.7	9.7	8.6	-11.2
EBITDA	348.9	290.7	309.3	6.4	-11.4	740.0	846.3	14.4
- Livestock & poultry related products	167.3	145.3	163.9	12.8	-2.1	258.0	388.1	50.4
- Feedmill	187.5	151.9	140.4	-7.6	-25.1	479.2	456.9	-4.7
- Others	-5.9	-6.5	5.0	>100	>100	2.8	1.3	-52.8
Profit from operations	270.0	218.7	232.8	6.5	-13.8	504.2	612.6	21.5
- Livestock & poultry related products	101.0	84.4	109.8	30.1	8.8	76.3	210.8	>100
- Feedmill	171.1	134.5	123.8	-8.0	-27.6	428.9	405.2	-5.5
- Others	-2.1	-6.0	-0.8	NM	NM	-1.1	-3.4	NM
Finance costs	-42.5	-34.2	-31.0	-9.2	-27.0	-132.9	-101.4	-23.7
Associates	0.0	0.0	0.0	-29.5	-26.2	0.2	0.1	-52.8
PBT	227.5	184.6	201.9	9.4	-11.3	371.5	511.3	37.7
Tax expense	-50.2	-40.4	-16.2	-60.0	-67.8	-86.4	-86.5	0.2
PAT	177.4	144.1	185.7	28.8	4.7	285.1	424.8	49.0
Non-controlling interests	-44.4	-47.7	-50.7	-	-	-65.0	-136.7	-
Reported net profit	133.0	96.5	135.0	39.9	1.5	220.1	288.1	30.9
Core net profit	132.6	97.4	122.9	26.3	-7.3	219.5	280.5	27.8
Core EPS (sen)	3.6	2.7	3.4	26.3	-7.3	6.0	7.7	27.8
				<u>%-pts</u>	<u>%-pts</u>			<u>%-pts</u>
EBITDA margin (%)	13.9	12.3	13.9	1.5	0.0	10.4	12.1	1.7
Operating margin (%)	10.7	9.3	10.4	1.2	-0.3	7.1	8.8	1.7
PBT margin (%)	9.0	7.8	9.1	1.2	0.0	5.2	7.3	2.1
Net margin (%)	5.3	4.1	5.5	1.4	0.2	3.1	4.0	0.9

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Figure #2 Geographical breakdown on revenue and EBITDA

FYE Dec (RMm)	3Q23	2Q24	3Q24	QoQ (%)	YoY (%)	9M23	9M24	YoY (%)
Revenue	2,513.2	2,352.2	2,225.5	-5.4	-11.4	7,116.8	6,985.7	-1.8
- Malaysia	617.2	571.6	567.2	-0.8	-8.1	1,798.8	1,723.1	-4.2
- Singapore	209.4	204.3	209.0	2.3	-0.2	624.2	623.4	-0.1
- Vietnam	531.3	467.2	451.2	-3.4	-15.1	1,579.7	1,390.1	-12.0
- Indonesia	1,004.0	942.7	816.7	-13.4	-18.7	2,696.4	2,734.3	1.4
- Philippines	151.4	166.3	181.3	9.0	19.8	417.7	514.9	23.3
EBITDA	348.9	296.4	309.3	4.3	-11.4	740.0	846.3	14.4
- Malaysia	152.1	101.3	141.8	40.0	-6.8	399.2	347.7	-12.9
- Singapore	12.7	15.6	13.5	-13.4	6.5	61.0	48.9	-19.9
- Vietnam	51.6	43.8	63.8	45.5	23.6	97.4	137.6	41.3
- Indonesia	114.3	108.6	46.2	-57.4	-59.5	136.6	220.7	61.6
- Philippines	18.2	27.1	43.9	62.0	>100	45.7	91.4	99.9

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Published & printed by:**Hong Leong Investment Bank Berhad (10209-W)**

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BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating guide

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

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