

HLIB Research

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Chye Wen Feiwfchye@hlib.hongleong.com.my

(603) 2083 1712

BUY (Maintain)**Target Price:****RM0.82****Previously:****RM0.82****Current Price:****RM0.64**

Capital upside	28.1%
Dividend yield	2.0%
Expected total return	30.1%

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	6.7	-0.8	6.7
Relative	3.4	-3.7	10.5

Stock information

Bloomberg ticker	LHIB MK
Bursa code	6633
Issued shares (m)	3,563.8
Market capitalisation (RM m)	2,281
3-mth average volume ('000)	2,741
SC Shariah compliant	No
F4GBM Index member	No
ESG rating	★ ★

Major shareholders

Emerging Glory	54.1%
Amanah Saham Nasional	7.1%
Clarinden	5.0%

Earnings summary

	FY24	FY25F	FY26F
FYE Dec			
PATMI - core (RM m)	464.9	375.6	380.4
EPS - core (sen)	12.7	10.3	10.4
P/E (x)	5.0	6.2	6.1

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Broadly within

1H25 core net profit of RM192.5m (+22.2%) came in broadly within expectations, at 51.3-52.0% our and consensus full-year estimates. Maintain core net profit forecasts, TP of RM0.82 based on 8x FY25 core EPS of 10.3 sen. We continue to like LHI for its (i) attractive valuation (at FY25-27 P/E of 6.2x, 6.1x, and 6.0x, respectively), and (ii) healthy balance sheet (net gearing of 0.32x as at 30 Jun 2025).

Broadly within expectations. 2Q25 core net profit of RM90.2m (-11.8% QoQ; -7.3% YoY) took 1H25's total sum to RM192.5m (+22.2%). The results came in broadly within expectations, at 51.3-52.0% our and consensus full-year estimates. Core net profit of RM192.5m in 1H25 was arrived after adjusting for RM1.5m disposal gain and RM2.0m PPE written off.

QoQ. 2Q25 core net profit fell -11.8% to RM90.2m, as improved contribution from Malaysia (resulting from higher subsidies recognised, higher ASP and sales volumes of DOC, and higher broiler sales volume) and Singapore were more than weighed down by lower sales volume and ASP for feed and DOC, alongside lower broiler ASP.

YoY. 2Q25 core net profit fell -7.3% to RM90.2m, dragged mainly by lower feed prices, reduced ASP and sales volumes of DOC, and lower broiler ASP in the Indonesian market. These were, however, partly mitigated by improved contributions from Malaysia (resulting mainly from higher ASP and sales volumes of DOC and higher broiler sales volume) and the Philippines (resulting mainly from higher ASP and sales volumes of dressed chicken and broiler).

YTD. 1H25 core net profit rose 22.2% to RM192.5m, lifted mainly by higher subsidies recognised in Malaysia and higher feed sales volume, as well as higher ASP and sales volumes of dressed chicken in Philippines.

Outlook. Despite uncertainties from the US tariff announcements, management remains cautiously optimistic, underpinned by resilient demand growth for chicken and eggs across LHI's markets and stable feed costs, particularly corn and soybean meal.

Forecast. Maintain.

Maintain BUY with unchanged TP of RM0.82. Maintain BUY rating on LHI with an unchanged TP of RM0.82 based on unchanged 8x FY25 core EPS of 10.3 sen. We continue to like LHI for its (i) attractive valuation (at FY25-27 P/E of 6.2x, 6.1x, and 6.0x, respectively), and (ii) healthy balance sheet (net gearing of 0.32x as at 30 Jun 2025).

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec	FY23A	FY24A	FY25F	FY26F	FY27F
Cash	699.5	770.7	1,138.0	1,507.0	1,882.4
Receivables	892.4	801.3	998.3	1,050.1	1,105.1
Inventories	978.8	968.6	978.3	1,029.7	1,084.4
PPE	2,730.3	2,683.3	2,684.9	2,686.4	2,687.8
Others	1,225.6	1,220.5	1,199.2	1,228.3	1,259.2
Assets	6,526.6	6,444.3	6,998.6	7,501.5	8,018.8
Payables	682.1	718.5	819.5	862.6	908.3
Debt	2,458.1	1,994.7	1,994.7	1,994.7	1,994.7
Others	430.2	403.0	403.0	403.0	403.0
Liabilities	3,571.5	3,116.9	3,217.8	3,260.9	3,306.7
Shareholders' equity	2,236.7	2,448.6	2,776.8	3,109.8	3,451.6
Non-controlling interests	718.4	878.8	1,004.0	1,130.8	1,260.6
Equity	2,955.1	3,327.4	3,780.8	4,240.6	4,712.2

Cash Flow Statement

FYE Dec	FY23A	FY24A	FY25F	FY26F	FY27F
Profit before tax	554.7	760.5	659.0	667.4	682.9
D&A	276.4	269.3	298.7	298.8	299.0
Working capital	15.3	-16.5	-84.3	-89.1	-94.6
Tax paid	-80.5	-86.7	-158.2	-160.2	-163.9
Others	173.6	149.0	131.4	131.4	131.4
CFO	992.5	1,126.7	846.6	848.3	854.7
Capex	-219.6	-347.7	-300.0	-300.0	-300.0
Others	55.8	15.9	0.0	0.0	0.0
CFI	-163.8	-331.8	-300.0	-300.0	-300.0
Changes in debt	-526.4	-400.4	0.0	0.0	0.0
Shares issued	0.0	0.0	0.0	0.0	0.0
Dividends	-65.7	-144.2	-47.5	-47.5	-47.5
Others	-181.2	-175.0	-131.9	-131.9	-131.9
CFF	-773.3	-719.6	-179.3	-179.3	-179.3
Net cash flow	55.3	75.3	367.3	369.0	375.4
Beginning cash	556.1	627.3	678.7	1,046.0	1,415.0
Forex	15.9	-23.9	0.0	0.0	0.0
Ending cash	627.3	678.7	1,046.0	1,415.0	1,790.4

Income Statement

FYE Dec	FY23A	FY24A	FY25F	FY26F	FY27F
Revenue	9,539.5	9,309.5	8,804.5	9,267.5	9,759.3
EBITDA	1,043.4	1,203.7	1,089.0	1,097.6	1,113.2
EBIT	724.0	890.8	790.3	798.8	814.2
Finance cost	-169.6	-130.6	-131.9	-131.9	-131.9
Associates	0.3	0.4	0.5	0.5	0.5
Profit before tax	554.7	760.5	659.0	667.4	682.9
Tax	-124.9	-129.7	-158.2	-160.2	-163.9
PAT	429.8	630.8	500.8	507.3	519.0
Non-controlling interests	-128.1	-201.9	-125.2	-126.8	-129.7
Reported PATMI	301.7	428.9	375.6	380.4	389.2
Exceptionals	19.6	36.0	0.0	0.0	0.0
Core PATMI	321.4	464.9	375.6	380.4	389.2
Consensus core PATMI			370.3	371.5	374.8
HLIB/ Consensus			101.5%	102.4%	103.9%

Ratios

FYE Dec	FY23A	FY24A	FY25F	FY26F	FY27F
Core EPS (sen)	8.8	12.7	10.3	10.4	10.7
P/E (x)	7.3	5.0	6.2	6.1	6.0
EV/EBITDA (x)	3.8	3.3	3.6	3.6	3.6
DPS (sen)	3.0	2.8	1.3	1.3	1.3
Dividend yield	4.7%	4.3%	2.0%	2.0%	2.0%
BVPS (RM)	0.6	0.7	0.8	0.9	0.9
P/B (x)	1.0	1.0	0.8	0.8	0.7
EBITDA margin	20.2%	22.3%	27.2%	26.5%	26.0%
EBIT margin	6.4%	8.2%	7.2%	7.0%	6.8%
PBT margin	4.9%	7.0%	6.0%	5.8%	5.7%
Net margin	2.8%	4.3%	3.4%	3.3%	3.2%
ROE	15.2%	19.8%	14.4%	12.9%	11.9%
ROA	4.9%	7.2%	5.6%	5.2%	5.0%
Net gearing	59.5%	36.8%	22.7%	11.5%	2.4%

Assumptions

FYE Dec	FY25F	FY26F	FY27F
Feedmill			
- Production volume ('000 mt)	3,150.1	3,329.4	3,520.1
- Utilisation rate	89%	94%	99%
Livestock			
- Broiler DOC supplied (m chicks)	208.2	214.5	220.9
- Broiler supplied (m birds)	169.4	174.5	179.7
- Eggs supplied (m eggs)	2,055.1	2,109.7	2,166.0

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Figure #1 Quarterly results comparison

FYE Dec (RMm)	2Q24	1Q25	2Q25	QoQ (%)	YoY (%)	1H24	1H25	YoY (%)
Revenue	2,355.1	2,210.9	2,133.5	-3.5	-9.4	4,766.0	4,344.4	-8.8
- Livestock & poultry related products	1,368.0	1,324.7	1,298.1	-2.0	-5.1	2,683.8	2,622.8	-2.3
- Feedmill	984.2	882.7	832.0	-5.7	-15.5	2,076.5	1,714.7	-17.4
- Others	2.9	3.5	3.4	-2.1	16.9	5.8	6.8	17.4
EBITDA	290.7	261.1	257.3	-1.4	-11.5	537.1	518.4	-3.5
- Livestock & poultry related products	145.3	113.6	117.2	3.2	-19.3	224.3	230.8	2.9
- Feedmill	151.9	148.2	139.5	-5.9	-8.2	316.5	287.7	-9.1
- Others	-6.5	-0.7	0.6	>100	>100	-3.7	-0.1	NM
Profit from operations	218.7	184.6	180.8	-2.1	-17.3	379.8	365.5	-3.8
- Livestock & poultry related products	84.4	55.4	58.2	5.0	-31.1	101.0	113.5	12.5
- Feedmill	134.5	131.1	123.1	-6.1	-8.5	281.4	254.1	-9.7
- Others	-6.0	-1.8	-0.4	NM	NM	-2.6	-2.2	NM
Finance costs	-34.2	-26.4	-25.0	-5.3	-26.9	-70.4	-51.3	-27.0
Associates	0.0	0.1	0.1	-5.2	>100	0.1	0.2	>100
PBT	184.6	158.4	156.0	-1.5	-15.5	309.5	314.4	1.6
Tax expense	-40.4	-17.7	-37.3	>100	-7.6	-70.4	-55.0	-21.8
PAT	144.1	140.7	118.6	-15.7	-17.7	239.1	259.3	8.5
Non-controlling interests	-47.7	-38.9	-28.3	-	-	-86.0	-67.2	-
Reported net profit	96.5	101.8	90.3	-11.3	-6.4	153.1	192.1	25.5
Core net profit	97.4	102.3	90.2	-11.8	-7.3	157.6	192.5	22.2
Core EPS (sen)	2.7	2.8	2.5	-11.8	-7.3	4.3	5.3	22.2
				<u>%-pts</u>	<u>%-pts</u>			<u>%-pts</u>
EBITDA margin (%)	12.3	11.8	12.1	0.3	-0.3	11.3	11.9	0.7
Operating margin (%)	9.3	8.4	8.5	0.1	-0.8	8.0	8.4	0.4
PBT margin (%)	7.8	7.2	7.3	0.1	-0.5	6.5	7.2	0.7
Net margin (%)	4.1	4.6	4.2	-0.4	0.1	3.3	4.4	1.1

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Figure #2 Geographical breakdown on revenue and EBITDA

FYE Dec (RMm)	2Q24	1Q25	2Q25	QoQ (%)	YoY (%)	1H24	1H25	YoY (%)
Revenue	2,352.2	2,207.4	2,130.1	-3.5	-9.4	4,760.2	4,337.6	-8.9
- Malaysia	571.6	561.7	588.2	4.7	2.9	1,155.8	1,149.9	-0.5
- Singapore	204.3	205.5	198.8	-3.3	-2.7	414.3	404.2	-2.4
- Vietnam	467.2	401.4	390.0	-2.8	-16.5	938.9	791.4	-15.7
- Indonesia	942.7	856.7	762.4	-11.0	-19.1	1,917.6	1,619.1	-15.6
- Philippines	166.3	182.2	190.8	4.7	14.7	333.6	373.0	11.8
EBITDA	296.4	261.1	257.3	-1.4	-13.2	537.1	518.4	-3.5
- Malaysia	101.3	124.1	150.5	21.2	48.5	205.9	274.6	33.3
- Singapore	15.6	12.4	14.8	19.3	-5.5	35.4	27.1	-23.3
- Vietnam	43.8	47.6	45.8	-3.8	4.5	73.8	93.4	26.6
- Indonesia	108.6	45.1	12.1	-73.1	-88.8	174.5	57.2	-67.2
- Philippines	27.1	31.9	34.2	7.2	26.1	47.5	66.1	39.0

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ESG Snapshot

F4GBM Index member	:	-
FTSE Russell ESG rating	:	★ ★
MSCI ESG rating	:	-

The goal of this section is to provide an overview of LHI's ESG trends and developments. Information presented here is from the financial year FY24 and will only be updated when new data is available. Overall, we find the group has no glaring ESG issues.

Environmental (E) indicators

- Solar energy generation increased to 15,753 MWh in FY24 (from 9,570 MWh in FY23).
- GHG intensity of 56tCO2e/RMm in FY24
- Water intensity of 444m3/RMm

Comments: -

Social (S) indicators

- Composition of female board of directors stood at 27% in FY24 (same as FY23).
- Females accounted for 25% of the group's workforce in FY24 (same as FY23).
- Contributed RM1.4m to the community (in the form of money donations, food supplies, detergents, and essential consumer products) in FY24 (vs. RM1.1m in FY23).

Comments: -

Governance (G) indicators

- Board size of 11 directors in FY24, where 45% were independent (same as FY23).
- Independent directors formed 100% of audit and risk management committee in FY24 (same as FY23).

Comments: We deem most indicators fairly reasonable.

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Level 28, Menara Hong Leong,
No. 6, Jalan Damanlela,
Bukit Damansara,
50490 Kuala Lumpur
Tel: (603) 2083 1800
Fax: (603) 2083 1766

Stock rating guide

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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