27 August 2025

Agriculture | Agriculture

Leong Hup International (LHIB MK)

Buy (Maintained)

Consistent Delivery Despite Indonesian Unit's Woes

Target Price (Return):	MYR0.98 (+53%)
Price (Market Cap):	MYR0.64 (USD542m)
ESG score:	2.6 (out of 4)
Avg Daily Turnover (MYR/USD)	1.67m/0.39m

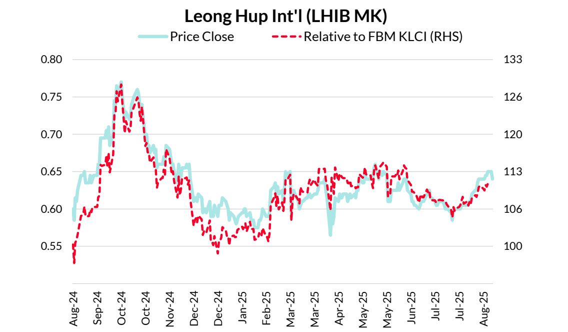
- **Maintain BUY and MYR0.98 TP, 53% upside with c.5% FY25F yield.** Leong Hup International's 1H25 results are in line, underpinned by robust growth in key markets like Malaysia, Vietnam and the Philippines. Notwithstanding the forecasted negative earnings growth ahead, we believe the fundamental improvement in the poultry industry – driven by cost tailwinds and market consolidation - has yet to be priced in. The stock is trading at -1.5SD below its 5-year mean, ie attractive, for a player with an established regional presence to capture the resilient consumption of poultry.
- **1H25 results are within expectations.** 1H25 net profit of MYR192m (+26% YoY) accounts for 51-52% of our and consensus full-year forecasts. Post-results, we make no changes to our earnings forecasts and DCF-derived TP of MYR0.98 (inclusive of an 8% ESG discount), which implies 10x FY25F P/E which is on par with the stock's 5-year mean.
- **Results review.** YoY, 1H25 revenue declined by 9% to MYR4.3bn, mainly due to a 17% drop in feedmill sales in reflection of lower commodity prices. In addition, the Indonesian market saw a decline of 16% due to challenging market conditions there, which led to lower ASPs. Meanwhile, 1H25 EBITDA eased 4% YoY to MYR518m as the robust growth in Malaysia, Vietnam and the Philippines markets were offset by the plunge in the Indonesia segment's contribution (-67%). QoQ, 2Q25 revenue and EBITDA fell 4% and 1% from the underwhelming Indonesia segment's performance, as demand slowed down post *Lebaran*.
- **Outlook.** Essentially, we believe LHIB's earnings and margins should normalise from the exceptional FY24 base, which was aided by the sharp depreciation of the USD and low ETR. This is considering the lower tax credits moving forward, on top of the cyclical and volatile nature of the poultry industry, particularly in Indonesia. That said, we believe the overall fundamental of the poultry industry has improved, with the pandemic and commodity supercycles phasing out the smaller and weaker players. This has led to an industry consolidation, which is favourable for large industry players like LHIB. This, on top of its sturdier balance sheet (net gearing fell to 0.43x in 2Q25 from 1.1x in FY22), leads us to believe that LHIB is well-positioned to capture more market share and improve on its efficiency level via capacity expansion.
- **Downside risks to our recommendation** include a sharp rise in input costs and unfavourable demand-supply industry dynamics.

Analyst

Soong Wei Siang
+603 2302 8130
soong.wei.siang@rhbgroup.com

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	5.8	6.7	(0.8)	1.6	6.7
Relative	8.2	2.2	(5.2)	0.7	8.9
52-wk Price low/high (MYR)					0.57 –0.77



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	9,540	9,309	9,786	10,212	10,762
Recurring net profit (MYRm)	324	446	376	360	376
Recurring net profit growth (%)	59.3	37.6	(15.8)	(4.3)	4.7
Recurring P/E (x)	7.21	5.23	6.22	6.50	6.21
P/B (x)	1.0	1.0	0.9	0.8	0.7
P/CF (x)	2.69	2.36	4.18	3.78	3.72
Dividend Yield (%)	4.7	4.3	4.8	4.6	4.8
EV/EBITDA (x)	4.57	3.66	3.53	3.37	3.08
Return on average equity (%)	14.2	18.3	14.6	12.7	12.2
Net debt to equity (%)	59.5	36.8	31.4	25.0	18.9

Source: Company data, RHB

Overall ESG Score: 2.6 (out of 4)

E Score: 2.4 (GOOD)
S Score: 2.7 (GOOD)
G Score: 3.0 (GOOD)
Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis

LHIB started tracking its emissions in FY24.

Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
Scope 1	-	-	220,472	-
Scope 2	-	-	298,518	-
Scope 3	-	-	-	-
Total emissions	na	na	518,990	na

Source: Company data, RHB

Latest ESG-Related Developments

The company's transition to using rice husks, wood chips and palm kernel shells as renewable biomass energy sources to replace coal-powered boilers contributed to a material reduction of in its greenhouse gas (GHG) emissions. Solar energy installations grew by 65%, from 9,570,070kWh in FY23 to 15,752,775kWh in FY24.

LHIB has given over MYR1.4m in monetary donations, food supplies, detergents, and essential consumer products to frontliners like hospital healthcare staff, firefighters, police officers and those in need.

Only 25% of its procurement expenses were allocated to foreign suppliers for raw materials in FY24, underscoring its commitment to support the local economy.

ESG Unbundled

Overall ESG Score: 2.6 (out of 4)

Last Updated: 27 May 2025

E Score: 2.4 (GOOD)

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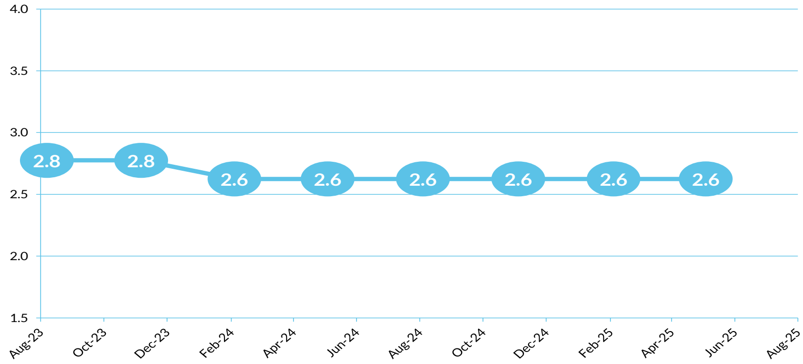
S Score: 2.7 (GOOD)

It has a solid policy to enhance health and safety awareness amongst stakeholders. LHI has also put in place a framework that ensures a safe and conducive working environment. It also adheres to high standards in ensuring the safety and quality of its food products.

G Score: 3.0 (GOOD)

The company has applied and adopted the majority of the best practices of the Malaysian Code on Corporate Governance. Independent directors make up almost 50% of the Board, while women account for 30% of its board members.

ESG Rating History



Source: RHB

Financial Exhibits

Asia
Malaysia
Agriculture
Leong Hup International
LHIB MK
Buy

Valuation basis

DCF

Key drivers

i. Regional expansion plan;
ii. Favourable product prices.

Key risks

i. Unfavourable change in regulatory policy;
ii. Unfavourable demand-supply dynamics.

Company Profile

Leong Hup International is one of the largest fully-integrated producers of poultry, eggs, and livestock feeds in South-East Asia.

Financial summary (MYR)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Recurring EPS	0.09	0.12	0.10	0.10	0.10
DPS	0.03	0.03	0.03	0.03	0.03
BVPS	0.61	0.67	0.74	0.81	0.88
Return on average equity (%)	14.2	18.3	14.6	12.7	12.2

Valuation metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Recurring P/E (x)	7.21	5.23	6.22	6.50	6.21
P/B (x)	1.0	1.0	0.9	0.8	0.7
FCF Yield (%)	27.7	28.5	8.9	11.5	5.5
Dividend Yield (%)	4.7	4.3	4.8	4.6	4.8
EV/EBITDA (x)	4.57	3.66	3.53	3.37	3.08
EV/EBIT (x)	6.59	4.95	4.97	4.85	4.48

Income statement (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover	9,540	9,309	9,786	10,212	10,762
Gross profit	1,484	1,549	1,625	1,674	1,754
EBITDA	1,043	1,204	1,221	1,231	1,285
Depreciation and amortisation	(319)	(313)	(353)	(377)	(400)
Operating profit	724	891	867	854	884
Net interest	(170)	(131)	(114)	(109)	(103)
Pre-tax profit	555	761	754	746	782
Taxation	(125)	(130)	(166)	(164)	(172)
Reported net profit	302	429	376	360	376
Recurring net profit	324	446	376	360	376

Cash flow (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Change in working capital	(32)	69	(119)	(63)	(80)
Cash flow from operations	868	989	559	618	628
Capex	(221)	(324)	(350)	(350)	(500)
Cash flow from investing activities	(140)	(345)	(350)	(350)	(500)
Dividends paid	(77)	(100)	(113)	(108)	(113)
Cash flow from financing activities	(773)	(720)	(322)	(316)	(316)
Cash at beginning of period	840	700	771	773	839
Net change in cash	(45)	(76)	(113)	(48)	(188)
Ending balance cash	795	623	658	725	651

Balance sheet (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total cash and equivalents	700	771	773	839	923
Tangible fixed assets	2,730	2,683	2,730	2,753	2,753
Total investments	40	31	31	31	31
Total assets	6,527	6,444	6,659	6,827	7,011
Short-term debt	1,587	1,419	1,400	1,300	1,200
Total long-term debt	871	576	500	500	500
Total liabilities	3,571	3,117	3,068	2,985	2,905
Total equity	2,955	3,327	3,591	3,842	4,106
Total liabilities & equity	6,527	6,444	6,659	6,827	7,011

Key metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Revenue growth (%)	5.5	(2.4)	5.1	4.3	5.4
Recurrent EPS growth (%)	59.3	37.6	(15.8)	(4.3)	4.7
Gross margin (%)	15.6	16.6	16.6	16.4	16.3
Operating EBITDA margin (%)	10.9	12.9	12.5	12.1	11.9
Net profit margin (%)	3.2	4.6	3.8	3.5	3.5
Dividend payout ratio (%)	36.3	23.4	30.0	30.0	30.0
Capex/sales (%)	2.3	3.5	3.6	3.4	4.6
Interest cover (x)	4.27	6.82	7.59	7.87	8.61

Source: Company data, RHB

Results At a Glance

Figure 1: LHIB's results review

FYE Dec (MYRm)	2Q24	1Q25	2Q25	QoQ (%)	YoY	1H24	1H25	YoY (%)	Comments
Revenue	**2,355.1**	**2,210.9**	**2,133.5**	**(3.5)**	**(9.4)**	**4,766.0**	**4,344.4**	**(8.8)**	YoY decline reflected the lower commodity/feed prices
EBITDA	**296.4**	**261.1**	**257.3**	**(1.4)**	**(13.2)**	**537.1**	**518.4**	**(3.5)**	
EBITDA margin (%)	*12.6*	*11.8*	*12.1*	0.3	(0.5)	*11.3*	*11.9*	0.7	Due to favourable feed costs and the weakening USD
EBIT	**218.7**	**184.6**	**180.8**	**(2.1)**	**(17.3)**	**379.8**	**365.5**	**(3.8)**	
EBIT Margin (%)	*9.3*	*8.4*	*8.5*	0.1	(0.8)	*8.0*	*8.4*	0.4	
Finance costs	(34.2)	(26.4)	(25.0)			(70.4)	(51.3)		
EI	0.0	0.0	0.0			0.0	0.0		
Profit before tax	**184.6**	**158.4**	**156.0**	**(1.5)**	**(15.5)**	**309.5**	**314.4**	**1.6**	
PBT Margin (%)	*7.8*	*7.2*	*7.3*	0.1	(0.5)	*6.5*	*7.2*	0.7	
Tax expense	(40.4)	(17.7)	(37.3)	110.7	(7.6)	(70.4)	(55.0)	(21.8)	
Effective tax rate (%)	*(21.9)*	*(11.2)*	*(23.9)*	(12.8)	(2.0)	*(22.7)*	*(17.5)*	5.2	
Minority interests	47.7	38.9	28.3			86.0	67.2		
PATAMI	**96.5**	**101.8**	**90.3**	**(11.3)**	**(6.4)**	**153.1**	**192.1**	**25.5**	
Core PATAMI	**96.5**	**101.8**	**90.3**	**(11.3)**	**(6.4)**	**153.1**	**192.1**	**25.5**	At 51-52% of full-year forecasts
Net Margin (%)	*4.1*	*4.6*	*4.2*	(0.4)	0.1	*3.2*	*4.4*	1.2	

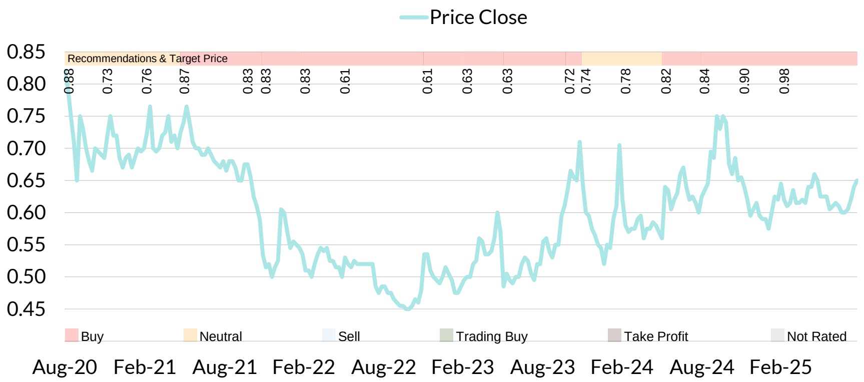
Source: Company data, RHB

Figure 2: Breakdown of performance by geography

FYE Dec (MYRm)	2Q24	1Q25	2Q25	QoQ (%)	YoY (%)	1H24	1H25	YoY (%)	Comments
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)	QoQ decline was due to slower demand post Lebaran
Philippines	166.3	182.2	190.8	4.7	14.7	333.6	373.0	11.8	Supported by capacity expansion
Group revenue	**2,352.2**	**2,207.4**	**2,130.1**	**(3.5)**	**(9.4)**	**4,760.2**	**4,337.6**	**(8.9)**	
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	
Group EBITDA	**296.4**	**261.1**	**257.3**	**(1.4)**	**(13.2)**	**537.1**	**518.4**	**(3.5)**	
Malaysia	17.7	22.1	25.6	3.5	7.9	17.8	23.9	6.1	
Singapore	7.6	6.0	7.4	1.4	(0.2)	8.5	6.7	(1.8)	
Vietnam	9.4	11.9	11.7	(0.1)	2.4	7.9	11.8	3.9	
Indonesia	11.5	5.3	1.6	(3.7)	(9.9)	9.1	3.5	(5.6)	
Philippines	16.3	17.5	17.9	0.4	1.6	14.2	17.7	3.5	
G.EBITDA margin (%)	**12.6**	**11.8**	**12.1**	**0.3**	**(0.5)**	**11.3**	**12.0**	**0.7**	

Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-05-30	Buy	0.98	0.63
2025-02-26	Buy	0.98	0.63
2024-11-27	Buy	0.90	0.64
2024-08-27	Buy	0.84	0.59
2024-05-30	Buy	0.82	0.55
2024-02-28	Neutral	0.78	0.61
2023-11-29	Neutral	0.74	0.68
2023-10-22	Buy	0.72	0.61
2023-08-29	Buy	0.63	0.53
2023-06-01	Buy	0.63	0.51
2023-02-28	Buy	0.63	0.50
2022-11-29	Buy	0.61	0.49
2022-05-25	Buy	0.61	0.50
2022-02-23	Buy	0.83	0.56
2021-11-24	Buy	0.83	0.56

Source: RHB, Bloomberg

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KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 2302 8100
Fax : +603 2302 8134

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 5093 9888
Fax : +6221 5093 9777

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531
Fax: +65 6509 0470