

Leong Hup International Berhad

(6633 | LHIB MK) | Consumer Products & Services | Agricultural Products

Maintain BUY

Poultry Prices Expected to Hold Well

Unchanged Target Price: RM0.92


KEY INVESTMENT HIGHLIGHTS

- **Supply-demand for poultry products should be more balanced compared to last year**
- **Hike in raw material prices likely manageable**
- **Earnings for FY21 revised up by +5.9% to RM178.4m**
- **Maintain BUY with an unchanged TP of RM0.92**

Supply-demand for poultry products should be more balanced compared to last year. We came back from Leong Hup International's (LHI) briefing with more clarity on its prospects for the coming quarters. Despite the new wave of Covid-19 infection in some countries it operates in such as Malaysia, Vietnam and Singapore, consumers have adapted to the new norm, which is likely to result in a much more balanced supply-demand for poultry products. As such, we expect the average selling prices (ASP) for poultry products to hold up better compared to last year. That said, we do not rule out in fluctuation of consumer sentiment throughout the year, which may tilt prices. However, LHI's geographical diversity is likely to help cushion any weakness in certain markets.

Hike in raw material prices likely manageable. We understand that LHI was able to lock in some agricultural commodities at favourable pricing previously. On top of that, it will be passing on the higher feedmill costs to its customers. More importantly, we think that the more resilient ASP of poultry prices will offset the higher input costs.

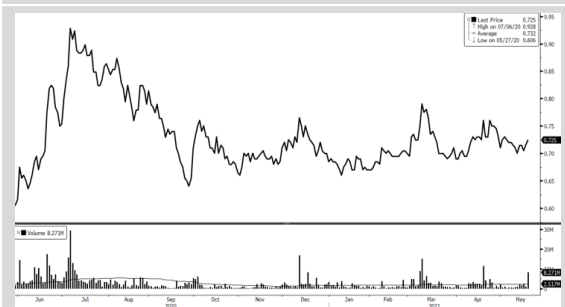
Earnings for FY21 revised by +5.9% to RM178.4m as we factor in higher ASP for its poultry segment. Although 1QFY21 results had come in strongly, we are cautious on 3QFY21 due to the lack of festivity in the major markets it operates in. We think that 2QFY21 may still turn out to be a decent quarter due to the Hari Raya celebration in Malaysia and Indonesia but that may be offset by the spike of Covid-19 cases in Vietnam and Malaysia towards the end of the quarter. All in all, we think that FY21 will be a good year for the company. On the other hand, our earnings estimate for FY22 is maintained.

Maintain BUY with an unchanged TP of RM0.92. Our TP is based on unchanged FY22F EPS of 5.3 sen pegged to PER of 17.3x, which is premised on the median PER of LHI's regional peers. We continue to like LHI due to its: (i) economies of scale; (ii) vertical integration; and (iii) geographical diversification. 

RETURN STATISTICS

Price @ 21 st May 2021 (RM)	0.725
Expected share price return (%)	+26.8
Expected dividend yield (%)	+2.3
Expected total return (%)	+29.1

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-3.3	-0.5
3 months	5.1	3.3
12 months	20.8	11.1

KEY STATISTICS

FBM KLCI	1,562.17
Syariah compliant	No
Issue shares (m)	3650.00
F4BGM Index	No
ESG Grading Band (Star rating)	☆
Estimated free float (%)	15.56
Market Capitalisation (RM'm)	2,646.25
52-wk price range	RM0.59 - RM0.96
Beta vs FBM KLCI (x)	1.07
Monthly volatility (%)	0.00
3-mth average daily volume (m)	2.47
3-mth average daily value (RM'm)	1.82
Top Shareholders (%)	
Emerging Glory Sdn Bhd	52.8
CLARINDEN INV PTE	9.01
Amanah Saham Nasional Bhd	5.73

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INVESTMENT STATISTICS

Financial year ending 31st Dec (in RM'm, unless otherwise stated)	FY2019	FY2020	FY2021E	FY2022F	FY2023F
Revenue	6,054.7	6,040.7	6,325.5	6,613.3	6,811.7
Core EBITDA	650.5	542.0	697.8	740.0	786.5
Depreciation & amortisation	(225.5)	(259.4)	(234.1)	(245.2)	(256.0)
Core EBIT	425.0	282.6	463.7	494.7	530.4
Finance costs	(136.6)	0.4	(139.2)	(145.5)	(149.9)
Share of profits of associates	0.4	0.6	0.6	0.7	0.7
PBT	288.8	157.1	325.2	349.9	381.3
PAT	213.0	117.5	243.9	263.8	287.4
PATANCI	150.6	113.1	178.4	194.0	215.6
EPS (sen)	4.2	3.1	4.9	5.3	5.9
EPS growth (%)	(17.1)	(26.7)	57.6	8.8	11.1
Net Dividend (sen)	1.6	0.6	2.0	2.0	0.0
EBITDA margin (%)	10.7	9.0	11.0	11.2	11.5
PATANCI margin (%)	2.5	1.9	2.8	2.9	3.2
Dividend yield (%)	2.5	1.2	2.3	2.4	0.0
PER (x)	17.1	23.4	14.8	13.6	12.3

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
HOLD	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology