



LEONG HUP INTERNATIONAL BERHAD INITIAL PUBLIC OFFERING

CORPORATE PRESENTATION

25 April 2019

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Investing in the shares of the Company involves certain risks. Investors shall obtain and review the relevant information carefully before investing.

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OFFERING SUMMARY




Listing Sought	Main Market of Bursa Malaysia Securities Berhad			
Principal Adviser				
Joint Global Coordinators	  			
Joint Bookrunners	    			
Joint Underwriters <i>Note: Maybank Investment Berhad is the Managing Underwriter</i>	    			
Offer Structure	Offering up to 937,500,000 IPO shares comprising an offer for sale of up to 687,500,000 existing shares and public issue of 250,000,000 new shares: <ul style="list-style-type: none"> ▪ 419,750,000 IPO shares for Bumiputera investors approved by the MITI; (representing 11.50% of enlarged share capital) ▪ Up to 419,750,000 IPO shares for institutional investors (representing 11.50% of enlarged issued share capital) ▪ 98,000,000 IPO shares offered retail investors (representing 2.68% enlarged share capital) 			
Issue Price	RM 1.10			
Market Capitalisation	RM 4,015 million			
Capital Structure		No. of shares	Share capital (RM)	
	Existing share capital	3,400,000,000	1,230,131,992	
	Public issue	250,000,000	275,000,000	
	Enlarged share capital	3,650,000,000	1,505,131,992	
Use of Proceeds	Proposed utilisation	RM'000	%	Estimate time frame
	Capital expenditure	207,733	75.5	Within 24 months
	Working capital	32,959	12.0	Within 6 months
	Defray fees and IPO expenses	34,308	12.5	Within 3 months
	TOTAL	275,000	100.0	-

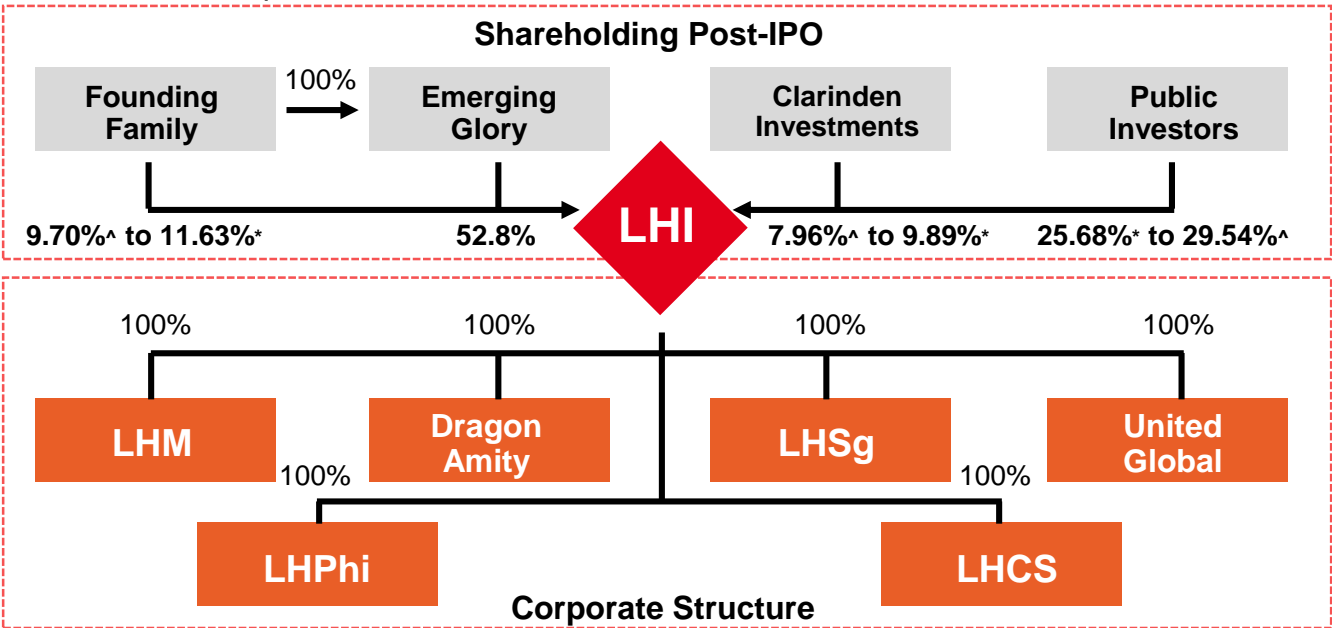
Event	Date
Opening of the institutional offering	25 April 2019
Issuance of prospectus/opening of the retail offering	25 April 2019
Closing of the retail offering	3 May 2019
Closing of the institutional offering	3 May 2019
Price determination date	6 May 2019
Balloting of applications for our IPO shares under the retail offering	7 May 2019
Allotment/transfer of our IPO shares to successful applicants	15 May 2019
Listing	16 May 2019



CORPORATE INFORMATION

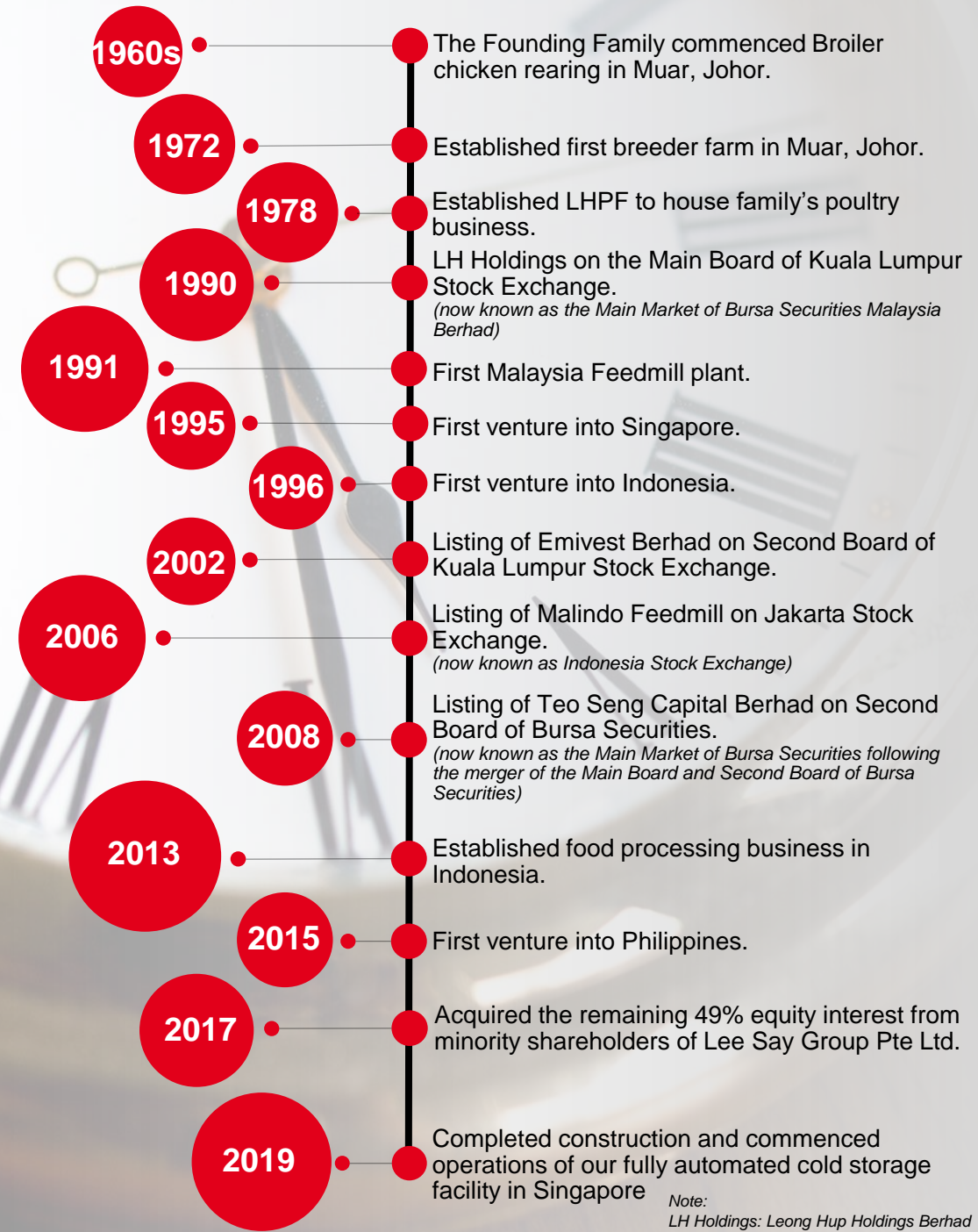
SNAPSHOT of the Group

-  **One of the largest fully integrated producers** of poultry, eggs and livestock feeds in Southeast Asia.
-  **Operating in fast-growing ASEAN consumer markets** with rising poultry consumption.
-  **Pure-play poultry producer**, with a singular focus on the production of poultry and with sufficient size to achieve meaningful economies of scale in our production processes and raw material procurement.



Note:
 LHI: Leong Hup International Berhad LHPhi: Leong Hup (Philippines), Inc LHCS: Leong Hup Corporate Services Sdn Bhd
 LHM: Leong Hup (Malaysia) Sdn Bhd LHSg: Leong Hup Singapore Pte Ltd Emerging Glory: Emerging Glory Sdn Bhd
 Clarinden Investments: Clarinden Investments Pte Ltd
 Dragon Amity: Dragon Amity Pte Ltd
 United Global: United Global Resources Limited

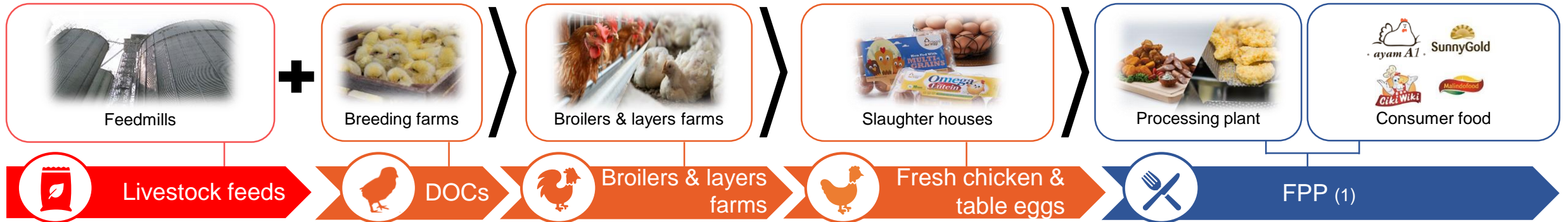
^{*} Assuming the Over-allotment Option is not exercised.
[^] Assuming the Over-allotment Option is fully exercised.



Note:
 LH Holdings: Leong Hup Holdings Berhad
 LHPF: Leong Hup Poultry Farm Sdn Bhd

BUSINESS

Operations *“One of the Largest Fully Integrated Producers of Poultry, Eggs and Livestock Feeds in Southeast Asia.”*



Note:
(1) Further processed products, including ready-to-eat and ready-to-cook items.



FEEDMILL BUSINESS

- We produce feeds for Grandparent Stocks (“GPS”), Parent Stocks (“PS”), Broiler chickens, Layer chickens, Broiler ducks, swine, quail, aquatic animals and certain domestic pets. Our livestock feeds have high nutritional values, tailored to the type of livestock and rearing stage.
- Our Feedmill Business provides almost all of the livestock feeds required for our Livestock Business in Malaysia, Indonesia and Vietnam.

LIVESTOCK BUSINESS

- Our Livestock Business has two principal business operations:
 - **Chicken production:** the production of Parent Stock day-old-chicks (“PS DOCs”), Broiler day-old-chicks (“Broiler DOCs”) and Broiler chickens, the slaughtering of Broiler chickens and further food processing; and
 - **Egg production:** the production of Layer DOCs and table eggs.
- As at 31 October 2018, we operate **241 farms** and hatcheries and have **656 contract farms** across four countries (Malaysia, Indonesia, Vietnam and the Philippines) and six slaughtering plants across three countries (Malaysia, Indonesia and Singapore).



FEEDMILL Operations

- We own and operate **five** feedmills in **Malaysia**, **five** feedmills in **Indonesia** and **three** feedmills in **Vietnam**, and our fourth feedmill in Dong Nai, Vietnam, has commenced operations in January 2019. As at 31 October 2018, our total annual production capacity was **2,602,902 MT**.
- In 2017, our market share was approximately **10.5%** in **Malaysia**, **5.5%** in **Indonesia** and **4.0%** in **Vietnam**, by annual production of livestock feeds.

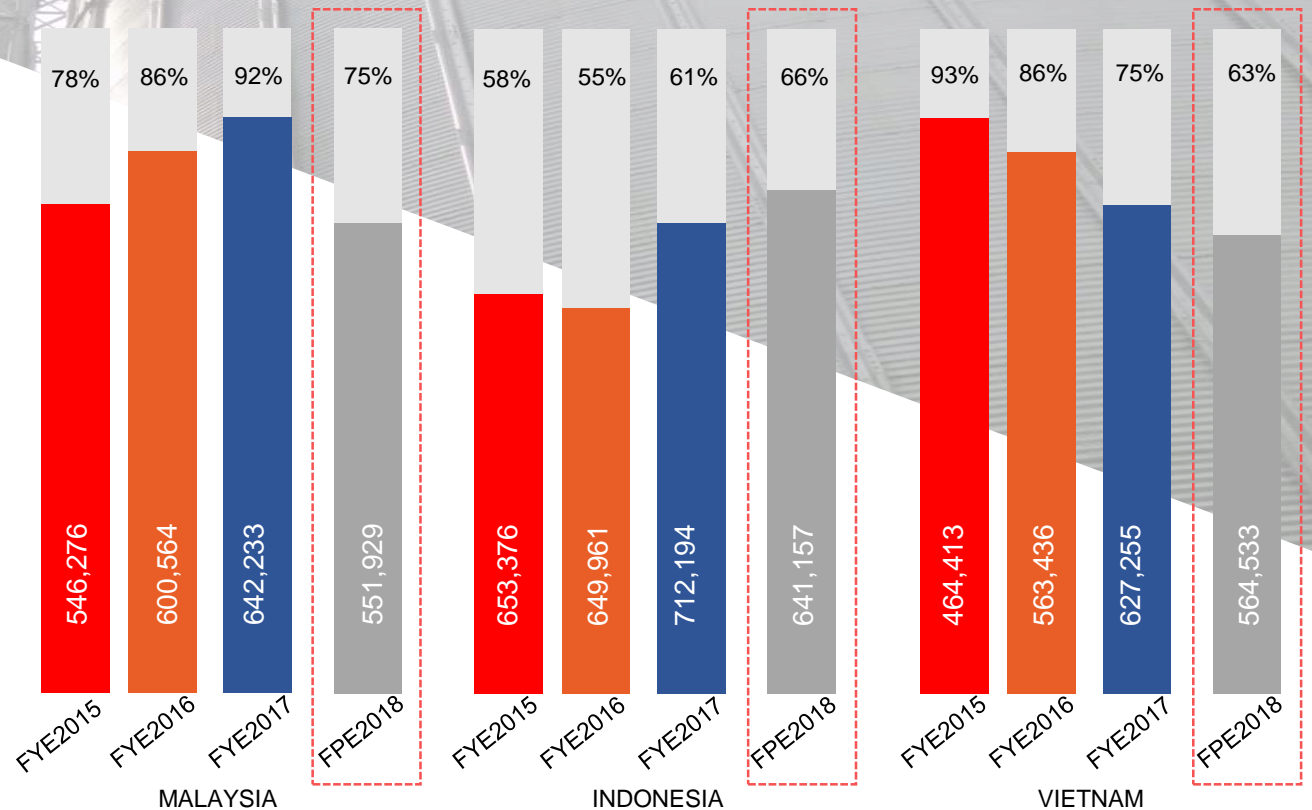


57% Livestock feeds sold to third parties. (As at 31 October 2018)

Raw materials purchased (MT)				
	FYE2015	FYE2016	FYE2017	FPE2018
Corn	823,265	743,718	765,029	756,657
Soybean meal	368,453	404,534	418,821	396,576
Others	59,352	345,071	374,256	279,893

- We use mostly imported corn from South America, except in Indonesia, where we use domestically produced corn. We import all our soybean meal from South America.

ACTUAL PRODUCTION (MT) / UTILISATION RATE (%)



Note:
FPE 2018 represents financial period ended 31 October 2018.

LIVESTOCK Operations

Malaysia

- Largest integrated poultry producer by annual sales of DOC in 2017
- **6 GPS DOC farms**
- **19 PS DOC farms**
- **44 Broiler chicken farms**
- **3 Layer DOC farms**
- **25 Layer chicken farms**
- **11 PS DOD and Broiler duck farms**
- **8 Hatcheries**
- **1 Slaughtering plant**
- **19 Contract farms**

As at 31 October 2018 ('mil)

Number of DOCs supplied	170
Number of Broiler chickens supplied	50
Eggs sold	1,115

Indonesia

- Malindo Feedmill, a 57.8% subsidiary of LHI is the third largest integrated poultry operator in Indonesia *(as at 31 March 2019)*
- **4 GPS DOC farms**
- **24 PS DOC farms**
- **29 Broiler chicken farms**
- **2 Layer DOC farms**
- **1 Layer chicken farm**
- **1 PS DOD and Broiler duck farm**
- **18 Hatcheries**
- **1 Slaughtering plant**
- **326 Contract farms**

As at 31 October 2018 ('mil)

Number of DOCs supplied	188
Number of Broiler chickens supplied	20
Eggs sold	42



Livestock housing capacity ('000)

	Malaysia	Indonesia	Vietnam	Singapore	Philippines
Broiler chickens	10,378	5,741	8,077	2,224	675
GPS DOC	126	96			
PS DOC	1,944	2,819	407	328	146
Layer chickens	6,840	288	2,177		
Layer DOCs	314	172	40		
PS DODs	22	12			
Broiler ducks	292	395			

Note: Figures as at 31 October 2018.

Vietnam

- Producer of livestock feeds and engaged in poultry breeding and broiler farming
- **4 PS DOC farms**
- **1 Layer DOC farm**
- **3 Layer chicken farms**
- **1 Hatchery**
- **303 Contract farms**

As at 31 October 2018 ('mil)

Number of DOCs supplied	31
Number of Broiler chickens supplied	20
Eggs sold	234

Philippines

- Engaged in farming of broiler DOC and live broiler
- **2 PS DOC farms**
- **2 Broiler chicken farms**
- **1 Hatchery**
- **7 Contract farms**

As at 31 October 2018 ('mil)

Number of DOCs supplied	8
Number of Broiler chickens supplied	3
Eggs sold	-

Singapore

- Importer, wholesaler and distributor of various food products
- **4 PS DOC farms**
- **26 Broiler chicken farms**
- **2 Hatcheries**
- **4 Slaughtering plants**
- **1 Contract farm**

As at 31 October 2018 ('mil)

Number of DOCs supplied	25
Number of Broiler chickens supplied	8
Eggs sold	-



KEY MERITS

KEY INVESTMENT

Highlights

01

A leading “pure-play” poultry producer, with strong economies of scale and a leading market share in most of our product segments.

02

Industry with significant barriers to entry, such as industry know-how and regulatory restrictions, providing us with a sustained competitive advantage.

03

Scalable platform of operations, providing enhanced value creation across geographies and segments.

04

Fully integrated business model, providing operating flexibility, synergies and resilience through the economic cycle.

05

Robust historical financial growth, underpinned by strong track record and established brand.

06

Experienced senior management, supported by seasoned country managers and a prominent investor.

07

Operating in fast-growing ASEAN consumer markets with rising poultry consumption.

KEY INVESTMENT

Highlights (cont'd)

1 A LEADING “PURE-PLAY” POULTRY PRODUCER

Annual production output as at FYE2017



Largest integrated poultry producer in Malaysia and the top three integrated poultry producers in Indonesia and Vietnam.



496 million DOCs



99.1 million of Broiler chickens

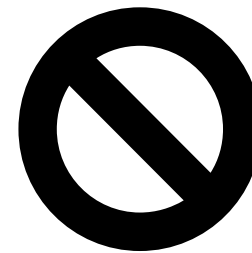


Almost **2.0 million MT** of livestock feeds



More than **1.7 billion** eggs

2 SIGNIFICANT BARRIERS TO ENTRY



Our size, experience and scalable platform are difficult for smaller competitors or new market entrants to replicate, and **significant barriers to entry** in the Southeast Asian poultry markets make it difficult for other poultry companies to penetrate these markets.



Our facilities are **certified** according to **international standards**, such as ISO FSMS, HACCP and Food Safety Partners, and our poultry meat has the requisite **Halal certification** wherever required, which is a key element in markets such as Malaysia and Indonesia.

KEY INVESTMENT

Highlights (cont'd)



3

SCALABLE PLATFORM OF OPERATIONS



We are well diversified geographically, with operations in five different countries in Southeast Asia.

As at 31 October 2018, our network of facilities consists of 241 operated and 656 contracted farms and hatcheries in four countries as well as 13 feedmills in three countries.

4

FULLY INTEGRATED BUSINESS MODEL



Our operations are fully integrated, in terms of both value chain and geographic spread across Southeast Asia. In addition, our vertical integration enables us to maintain complete control over our production process and product quality and to ensure traceability across the value chain.

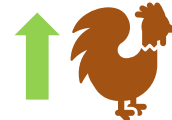
5

ROBUST HISTORICAL FINANCIAL GROWTH

We have established a strong track record of robust operational and financial growth. In the last three years from FYE 31 December 2015 to FYE 31 December 2017, we have grown our operations as follows:



Number of DOCs supplied increased from 453 mil per annum to 488 mil per annum.



Number of Broiler chickens supplied increased from 103 mil per annum to 107 mil per annum.



Number of eggs supplied increased from 1.6 bil per annum to over 1.7 bil per annum.



Amount of livestock feed supplied increased from 1.7 mil MT per annum to almost 2.0 mil MT per annum.



KEY INVESTMENT

Highlights (cont'd)

6 EXPERIENCED SENIOR MANAGEMENT

Our management team has driven a strong track record of growth, both organically and through timely acquisitions and is well positioned to steer our Company through our long-term growth plans. The professional know-how of our senior and middle management teams includes back-end operations.

Tan Sri Lau Tuang Nguang

Executive Director/ Group Chief
Executive Officer/President Director
of Malindo Feedmill

- Over 35 years of experience and expertise in integrated livestock industry.
- He oversees the entire business operations of the Group covering Malaysia, Singapore, Indonesia, Vietnam and Philippines.

Lau Chia Nguang

Executive Chairman/President
Commissioner of Malindo Feedmill

- Over 40 years of experience in integrated livestock industry.
- He led the expansion of LH Holdings' poultry business to Jakarta in 1996.
- He founded Malindo Feedmill in 1997 as the vehicle for expanding the Group's poultry business in Indonesia.

Dato Lau Eng Guang

Executive Director/Group's
Business Strategist

- Over 40 years of experience in integrated livestock industry.
- He is responsible for the Group's business strategies and risk management and has been involved in various aspects of the Group's operations.

Lau Joo Hong

Executive Director/Chief
Executive Officer of Vietnam
operations

- He began his career in the family poultry business in 1991.
- He led Vietnam operations as Deputy Chief Executive Officer until his promotion to Chief Executive Officer in 2014. He also led the expansion of Vietnam operations since its incorporation.

Lau Joo Han

Executive Director/ Chief
Executive Officer of
Malaysia operations

- Over 19 years of experience and expertise in the livestock industry.
- He is in-charge of overseeing the business and full operations of LH Malaysia.

Note:

Malindo Feedmill: PT Malindo Feedmill TBK

KEY INVESTMENT

Highlights (cont'd)

6 EXPERIENCED SENIOR MANAGEMENT (cont'd)

Lau Joo Keat

Executive Director/Country
Head of Indonesia operations

- He began his career in 2002 as production manager in Malindo Feedmill.
- He has served as a director of Malindo Feedmill since 2015 and has been the Country Head of the Group's Indonesian business since 2017.

Lau Jui Peng

Group Breeder Chief Executive
Officer

- 19 years of experience and expertise in production processes and management of poultry companies.
- He was in charge of the production, operations and administration of LHPF.

Lau Joo Heng

Chief Executive Officer of
Philippines operations

- 15 years of experience in operational activities of integrated livestock industry and exposure in retail and export businesses.
- He began his career in 1998 when he joined Arab-Malaysian Merchant Bank Berhad as Risk Management Officer until he left to join the family business.

Lau Joo Hwa

Chief Executive Officer of
Singapore operations.

- 16 years of experience in operational activities of integrated livestock industry and exposure in retail and export businesses.
- He began his career in 2002 as a marketing manager and subsequently promoted to Chief Executive Officer of the Group's Singapore operations since 2017.

Chew Eng Loke

Chief Financial Officer

- Over 25 years of experience in management and financial roles at numerous companies.
- He was previously with Ayamas Food Corporation Berhad, Universal Nutribeverage (M) Sdn Bhd, Green Spot Beverage (M) Sdn Bhd, Texchem Resources Berhad, Seapack Food Sdn Bhd, Ogawa World Berhad and AirAsia X Berhad.

KEY INVESTMENT

Highlights (cont'd)

7 OPERATING IN FAST-GROWING ASEAN CONSUMER MARKETS

1. Poised in a fast growing ASEAN consumer markets

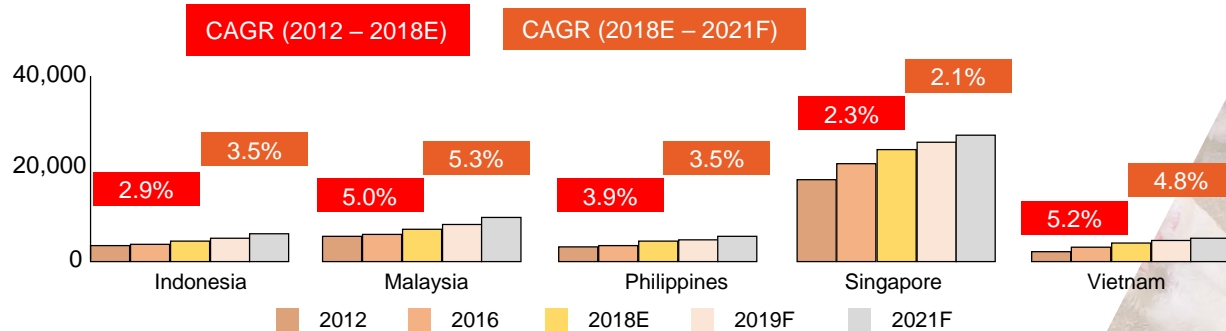
Population and Average Age in Selected ASEAN Countries, 2018E – 2021F

	Indonesia	Malaysia	Philippines	Singapore	Vietnam
Population (Millions) (2018E)	265.3	32.4	107.0	5.7	94.6
CAGR (2018E -2021F)	1.3%	1.3%	2.0%	0.9%	1.0%
Average age (2018E)	30.5	28.7	23.7	34.9	30.1

Source: IMF, World Economic Outlook (WEO) October 2018, Central Intelligence Agency (CIA)

2. Growing disposable income per Capita in selected ASEAN Countries

Disposable income per capita (USD)



Source: Independent Market Research Report ("IMR") on Integrated Poultry Industry in Key ASEAN Countries issued by Frost & Sullivan GIC Malaysia Sdn Bhd.

3. Poultry is the preferred animal-based protein with Southeast Asian consumers



Chicken is estimated **3x** to **4x** more affordable than beef in Indonesia, Malaysia, Singapore and Vietnam, based on cost price index.

Religiously, chicken is the most widely accepted type of meat globally. This is particularly important in our two largest markets, Indonesia and Malaysia, which have large Muslim populations.

QSR outlets will increase across the region due to growth in disposable income and changes in lifestyle.



Note:
QSR: Quick-service restaurant



FUTURE
PLANS

GROWTH Drivers



01. Consolidate and expand leadership position in Malaysia and Singapore by driving efficiencies and continuing to grow capacity.

02. Increase use of our own broiler farms in Malaysia, in order to control quality and increase efficiency, with a view to replicating this approach in Indonesia and Vietnam.

03. Continue to grow our integrated business model in our newer markets, with a focus on expanding our upstream operations.

04. Invest in processes, technology, people and facilities to meet customer requirements while maintaining low-cost structure.

GROWTH

Drivers (cont'd)



01

■ CONSOLIDATE AND EXPAND LEADERSHIP POSITION IN MALAYSIA AND SINGAPORE

We intend to **build** on our **leading market positions** in **Malaysia** and **Singapore** by **continuing** to **expand** our **operations** and **strengthening** our existing competitive advantages.

Future plans and strategic initiatives include the following:

- Leverage on existing expertise to continuously improve feedmills efficiencies.**
- Takeover smaller farms to grow our market share and replacing remaining open-house farms with closed-house farms.**
- Continue to integrate our downstream food processing operations between Malaysia and Singapore.**
- Explore acquisitions of other poultry producers or feedmills on an opportunistic basis.**

GROWTH

Drivers (cont'd)

02. INCREASE USE OF OUR OWN BROILER FARMS IN MALAYSIA



Reduce our reliance on contract farms by investing in increasing the capacity and efficiency.

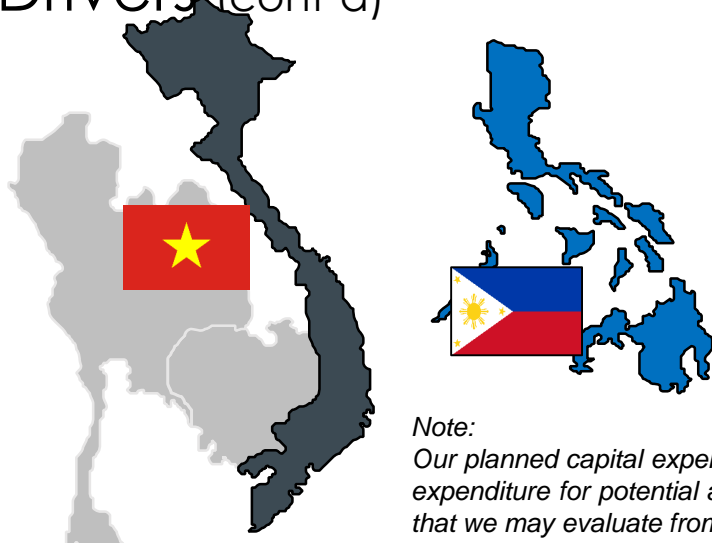


Enable to provide us with greater control over quality of the entire poultry value chain.

Capture more margins along the entire value chain of chicken production

GROWTH

Drivers (cont'd)



Note:
Our planned capital expenditures do not include any expenditure for potential acquisitions or investments that we may evaluate from time to time.

The following table sets out our planned capital expenditure by geographical location.

Countries	FYE 31 December 2018 (RM'000)	FYE 31 December 2019 (RM'000)
Malaysia	129,237	117,686
Indonesia	89,887	121,722
Singapore	71,122	33,067
Vietnam	77,773	80,184
Philippines	36,112	84,307
Total	404,131	436,966

03. CONTINUE TO GROW OUR INTEGRATED BUSINESS MODEL IN OUR NEWER MARKETS

In Vietnam, we intend to expand our operations through the upstream business. Approximately **RM47 million** of the proceeds from the public issue is to be allocated for our Vietnam's operations.

Future plans for construction, expansion and improvement of plant, property and equipment

- **New aquaculture feedmill plant** with estimated annual production capacity of **77,760 MT** upon completion.
- To **construct an animal medicine injection line** in the medicine plant located at Bau Bang and install automatic bagging and a robotic pelletiser in both Bau Bang and Tien Giang feedmills in Vietnam.
- Dong Nai has begun its operation since January 2019.
- We have plans to **expand our Dong Nai feedmill** which include construction of one silo and soybean meal flat warehouse discharging system, construction of third pelleting line and construction of a spent grain drying facility.
- The expansion of this feedmill will increase our annual production capacity from **1,069,200 MT** in 2018 to **1,496,880 MT** per annum in 2020.

In the Philippines, we entered the market with poultry production and intend to ramp up our livestock feeds production gradually in the near term. A total of **RM120 million** of the proceeds from the public issue is to be allocated for Philippines' operations.

New feedmill plant

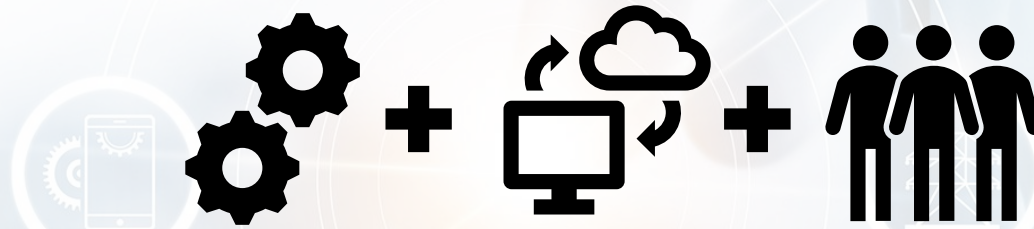
- **First feedmill** in that market, with an initial annual production capacity of **144,000 MT**.
- Subsequently, upgrade annual production capacity to **240,000 MT**.
- The estimated construction cost of the feedmill plant is approximately RM59.2 million.
- Construction is expected to commence in the third quarter of 2019 and is expected to complete in the fourth quarter of 2020.
- Feedmill expansion is to support the growth of our livestock business in Philippines.

GROWTH

Drivers (cont'd)

04.

INVEST IN PROCESSES, TECHNOLOGY, PEOPLE AND FACILITIES



We seek to invest in **processes**, **technology** and **people**. We are currently implementing **automation**, and information technology systems that enable us to **monitor** our **livestock** nearly in real time.

Schedule more efficient delivery to customers



FINANCIAL OVERVIEW

FINANCIAL Highlights

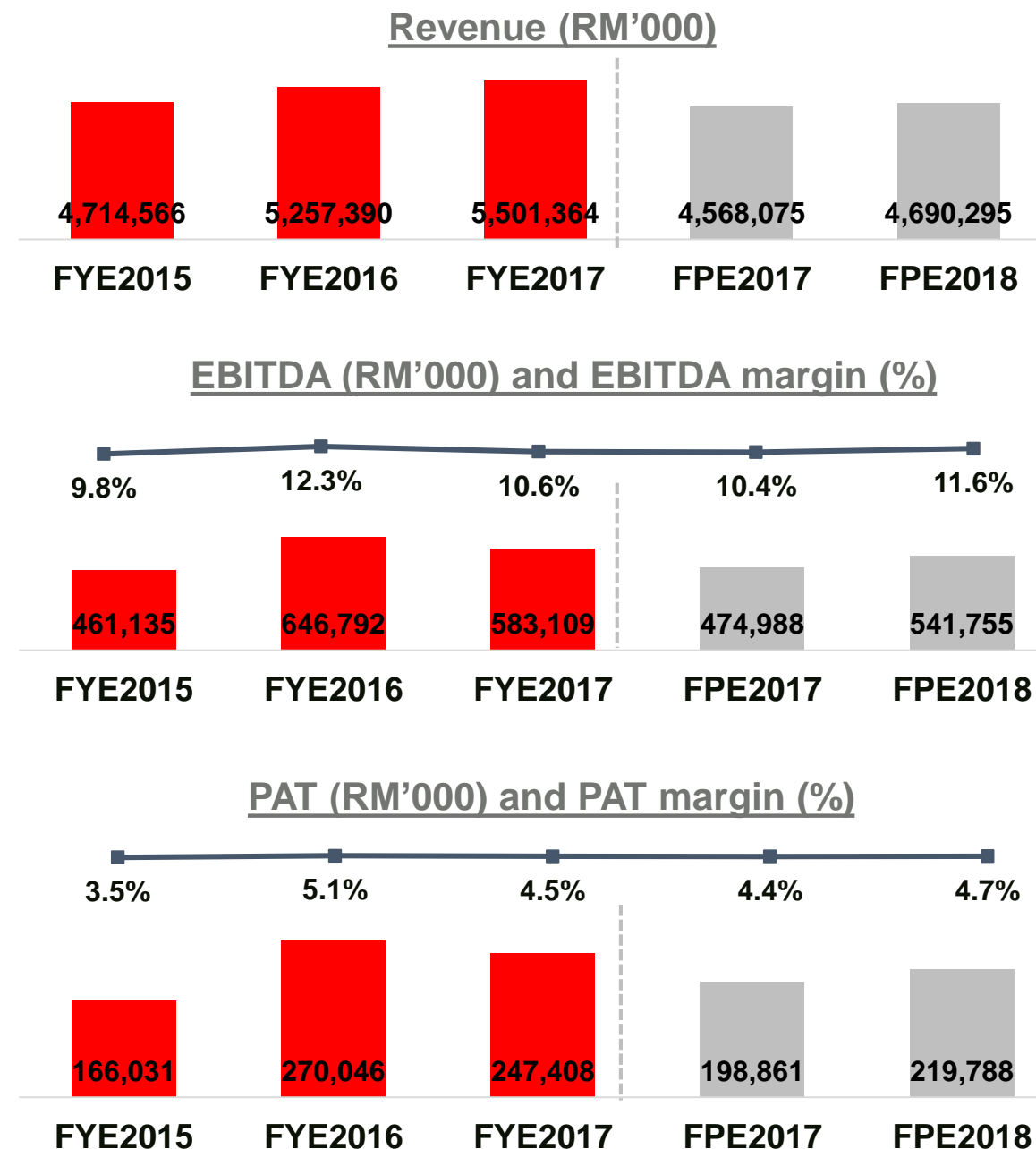
RM'000	FYE2015	FYE2016	FYE2017	FPE2017 ⁽²⁾	FPE2018 ⁽³⁾
Revenue	4,714,566	5,257,390	5,501,364	4,568,075	4,690,295
Gross profit ("GP")	775,001	1,053,456	912,556	747,270	828,751
GP margin (%)	16.4	20.0	16.6⁽¹⁾	16.4	17.7
EBITDA	461,135	646,792	583,109	474,988	541,755
EBITDA margin (%)	9.8	12.3	10.6	10.4	11.6
PBT	216,599	347,306	292,267	230,814	291,283
PAT	166,031	270,046	247,408	198,861	219,788
PAT margin (%)	3.5	5.1	4.5	4.4	4.7
Basic and diluted EPS (sen)	3.2	5.4	5.7	4.7	5.1

Note:

(1) Recorded a lower margin due to higher cost of sales which increase in cost of raw materials as Indonesia government stopped issuing import permits for corn used in feedmills.

(2) FPE 2017 represents financial period ended 31 October 2017.

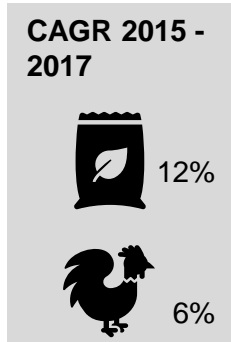
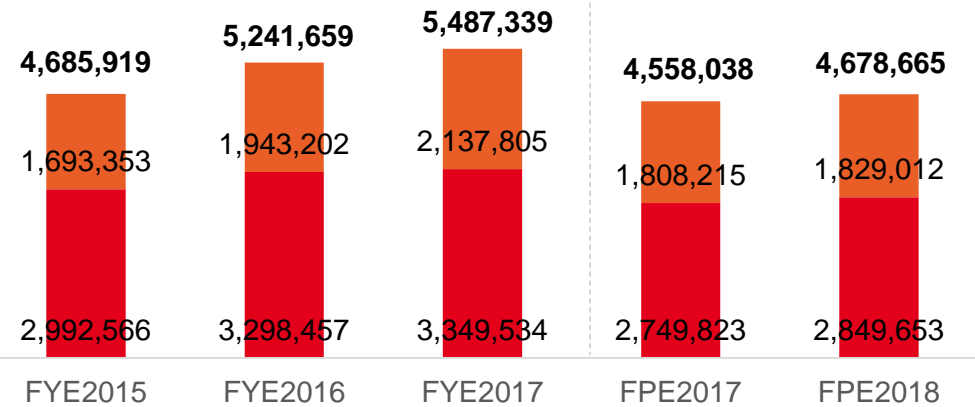
(3) FPE 2018 represents financial period ended 31 October 2018.



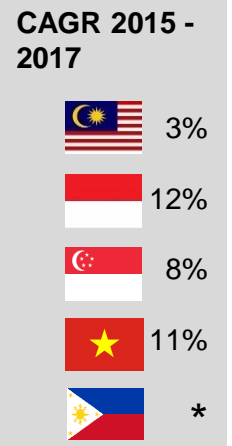
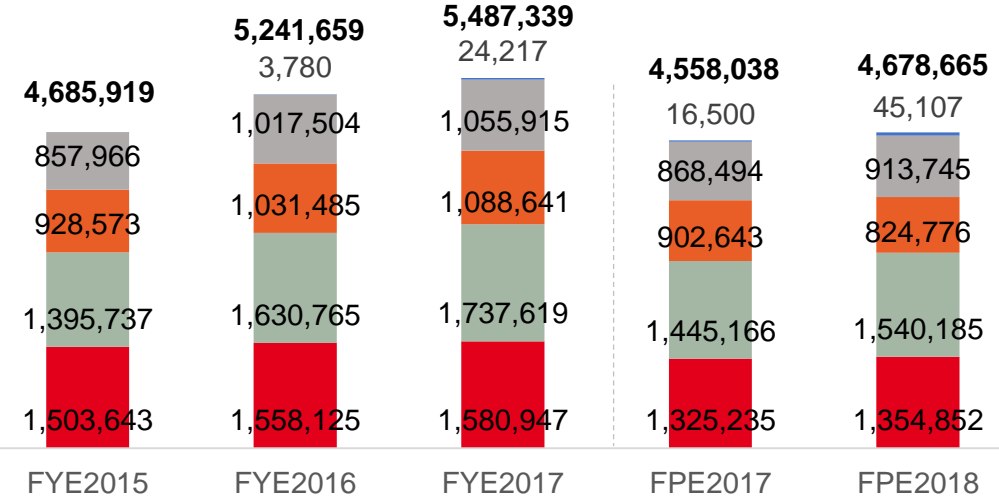
FINANCIAL

Highlights (cont'd)

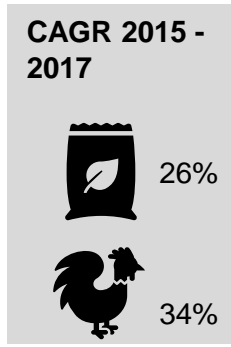
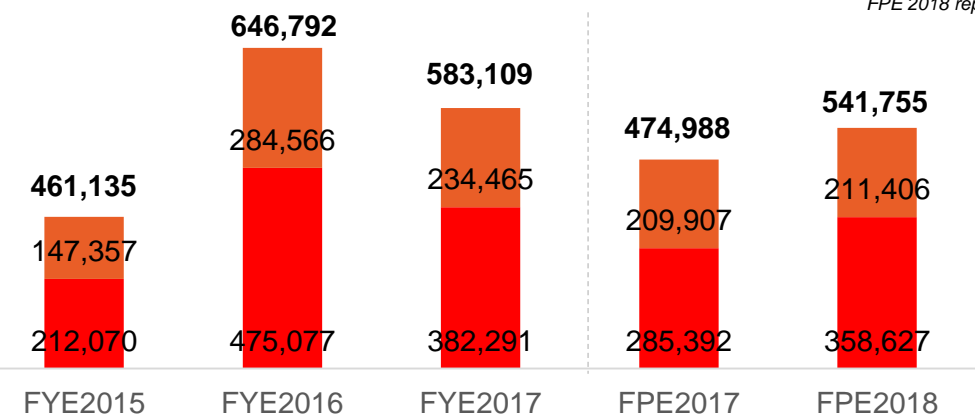
Segmental revenue contribution (RM'000) ⁽¹⁾



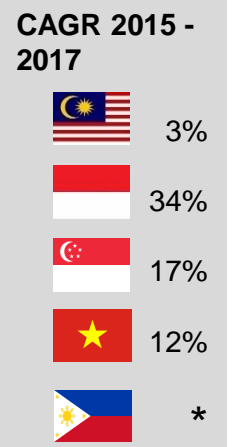
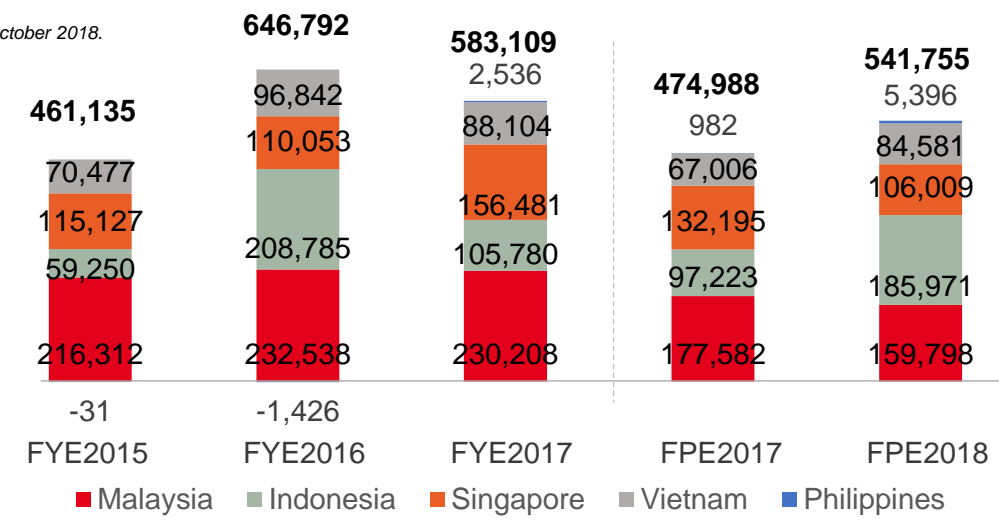
Revenue by geographical market (RM'000) ⁽¹⁾



Segmental EBITDA contribution (RM'000) ⁽²⁾



EBITDA by geographical market (RM'000) ⁽²⁾



Notes
 (1) Excluding revenue from other sources
 (2) Including inter-segment eliminations
 *We commenced operations in Philippines in 2015, and CAGR >100%
 FPE 2018 represents financial period ended 31 October 2018.

FINANCIAL

Highlights (cont'd)

RM'000	FYE2015	FYE2016	FYE2017	FPE2018 ⁽¹⁾
Current assets	1,878,891	1,989,536	2,066,573	2,267,304
Non-current assets	2,156,360	2,311,580	2,410,904	2,451,513
TOTAL ASSETS	4,035,251	4,301,116	4,477,477	4,718,817
Current liabilities	1,709,545	1,747,123	1,940,323	1,941,183
Non-current liabilities	631,135	563,608	895,132	1,063,376
TOTAL LIABILITIES	2,340,680	2,310,731	2,835,455	3,004,559
SHAREHOLDERS EQUITY	1,694,571	1,990,385	1,642,022	1,714,258

Key Ratios

Average trade receivable turnover period (days)	34.9	35.1	36.2	37.2
Average trade payable turnover period (days)	32.1	28.2	23.9	23.7
Current ratio (times)	1.1	1.1	1.1	1.2
Gearing ratio (times) ^{(2) (3)}	1.0	0.8	1.3	1.3

Note

(1) FPE 2018 represents financial period ended 31 October 2018.

(2) Computed as total borrowings (including finance lease liabilities) over total equity.

(3) Gearing ratio to be 1.15 times post IPO based on the Pro Forma Consolidated Statements of Financial Position.



THANK YOU

Stay in touch with us

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