



LEONG HUP INTERNATIONAL BERHAD

RESULTS PRESENTATION FOR 1st QUARTER 2020 (1Q20)

20 MAY 2020

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Note: *Unless otherwise stated, all figures stated herein are for the first (1st) quarter ended 31 March 2020, i.e. between 1 January 2020 and 31 March 2020 (“1Q20”) and the first (1st) quarter ended 31 March 2019, i.e. between 1 January 2019 and 31 March 2019 (“1Q19”), as extracted from LHI’s audited consolidated financial results for the financial period ended 31 March 2019.*

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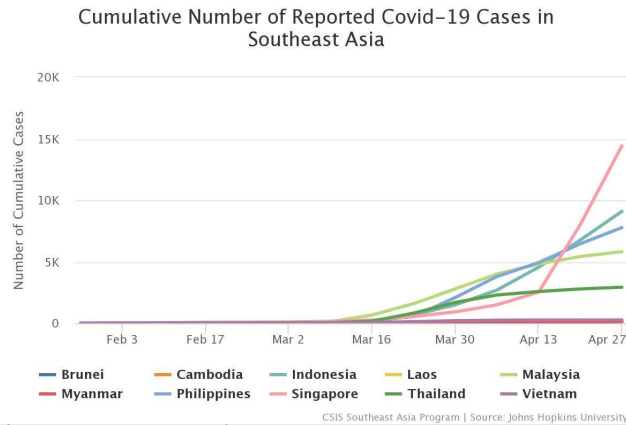
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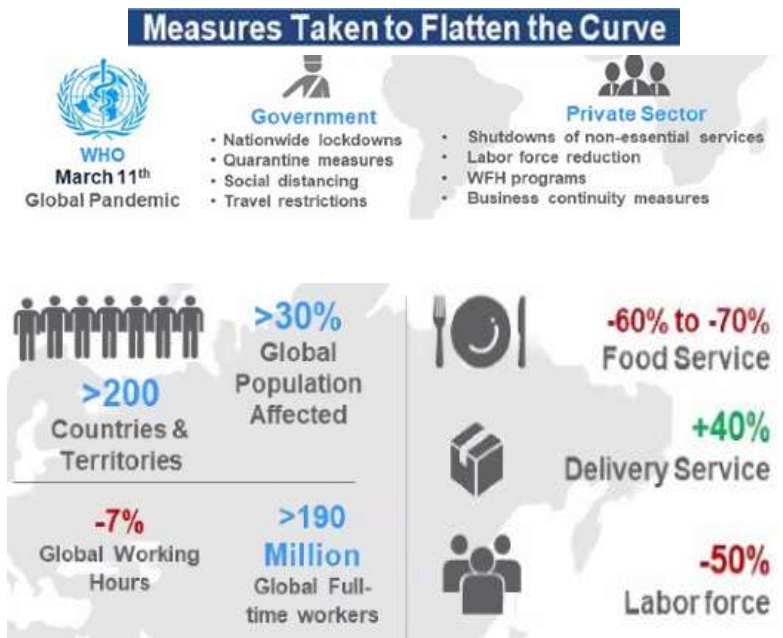
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Covid-19 – Snapshot on Southeast Asia

- Southeast Asia continue to see a rise in Covid-19 case count, amid widespread movement curbs and border restrictions
- Coordinated but drastic containment measures undertaken by governments to curb the pandemic spread have resulted in major upheaval in the real economy as well as mounting health and socio-economic costs



Country	Measure	Restriction
Indonesia	Large-scale social restrictions	Wide-scale restrictions in Jakarta and other large cities. Travel ban imposed in Jakarta and affected cities until 31 May.
Malaysia	Movement control order	Closure of all non-essential business. Inter-state travel ban until 9 June; gradual resumption of businesses from 4 May.
Philippines	Community quarantine	Lockdown on Luzon island and Cebu, cessation of all non-essential business, through 15 May.
Singapore	Circuit breaker	Closure of non-essential business until 1 June.
Vietnam	Movement restriction	Closure of all non-essential business, movement restricted. Substantially relaxed since 23 April.

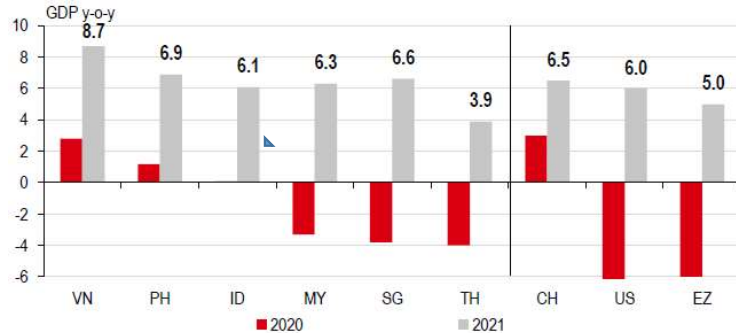


Sources: WHO, UN, ILO, IFDA, Worldometer, Frost & Sullivan. All information as at 30 April 2020.

Impact on LHI amid Covid-19

- Recession is widely anticipated in 2020, expect negative growth in key markets including Malaysia and Singapore
- Significant decline in household expenditure for all income levels; weak prognosis of private consumption
- Shift in shopping pattern: stocking up of shelf-stable food; shift from in-store dining to simple, at-home meals
- Per capita protein consumption in Southeast Asia will be negatively impacted

Economic growth to falter in 2020, as recovery may only be seen in 2021 ...

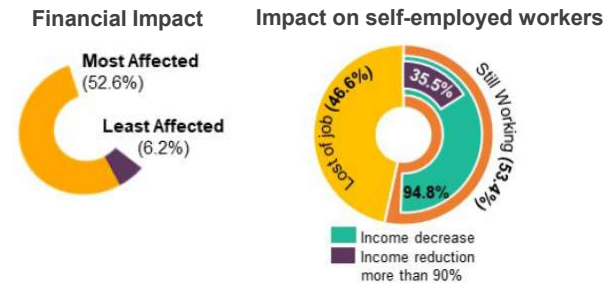


2020 forecast on protein consumption changes in Southeast Asia	Δ y-o-y %
Beef	-9% to -13%
Swine	-4% to -17%
Fish	-6% to -11%
Poultry ⁽¹⁾	-1% to -4%

Note: (1) Refers to Indonesia, Malaysia, Thailand and the Philippines. Vietnam's poultry consumption is expected to grow 4% y-o-y in 2020.

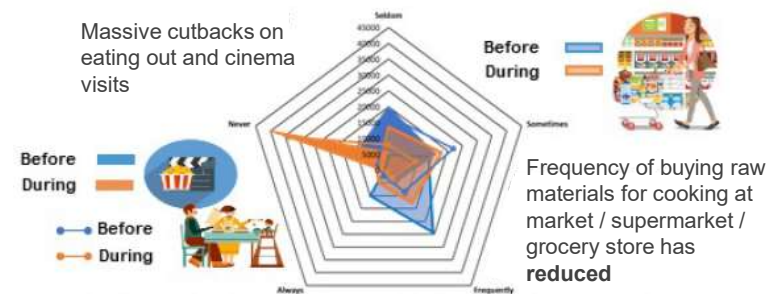
Sources: (top left) CEIC; (bottom left) Rabobank, feednavigator.com. All information as at 30 April 2020.

... with lower disposable income and increasing consciousness on expenditure



* SHOPPING PATTERN

Changes in shopping pattern are significant before and during Covid-19

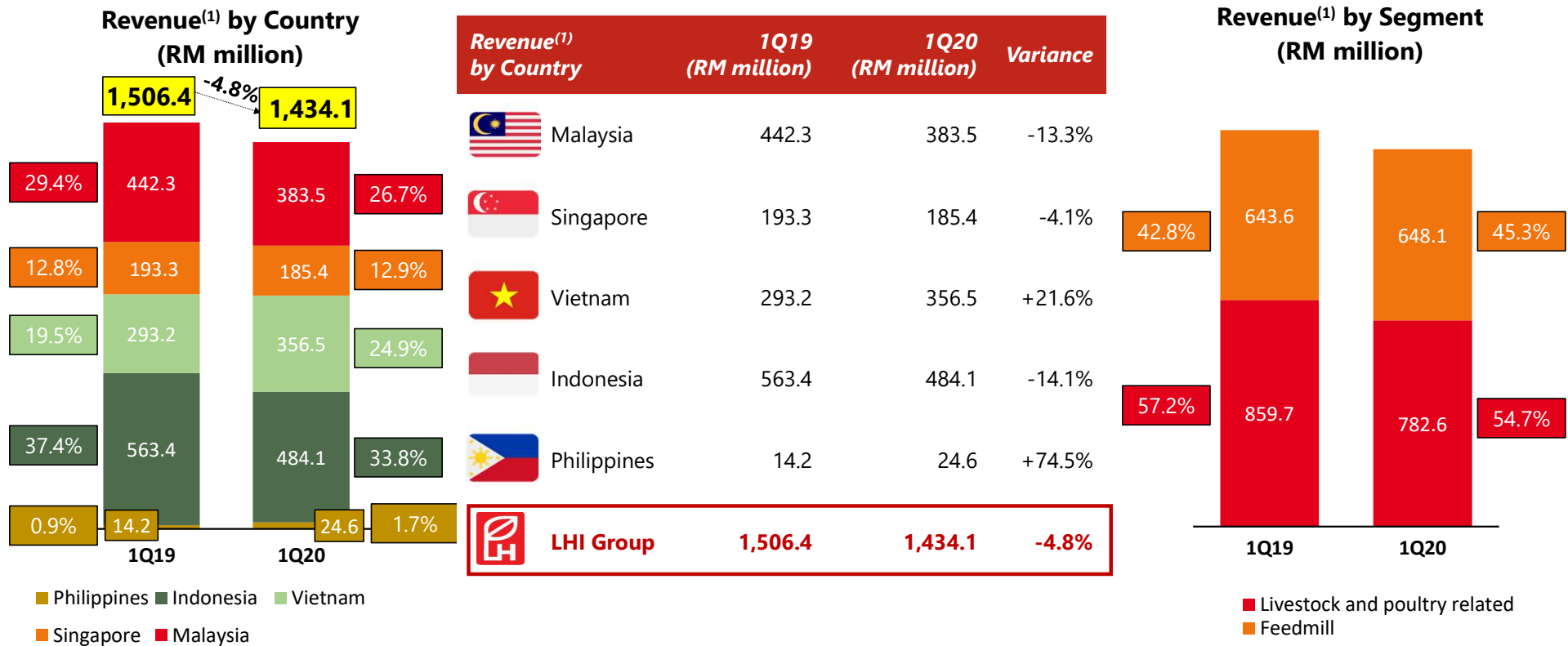


Note: * Excludes civil servants

Source: Department of Statistics Malaysia's Special Survey on 'Effects of Covid-19 on the Economy and Individual' - Round 1, for the period 23 - 31 March 2020. All information as at 30 April 2020.

Financial Highlights: Revenue

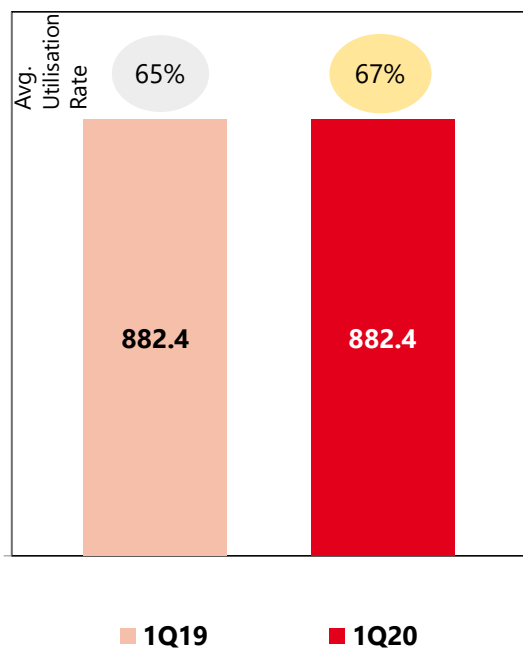
- Overall group revenue decreased by 4.8% during 1Q20
- Vietnam and Philippines recorded quarter-on-quarter revenue growth whilst revenue in other markets fell.



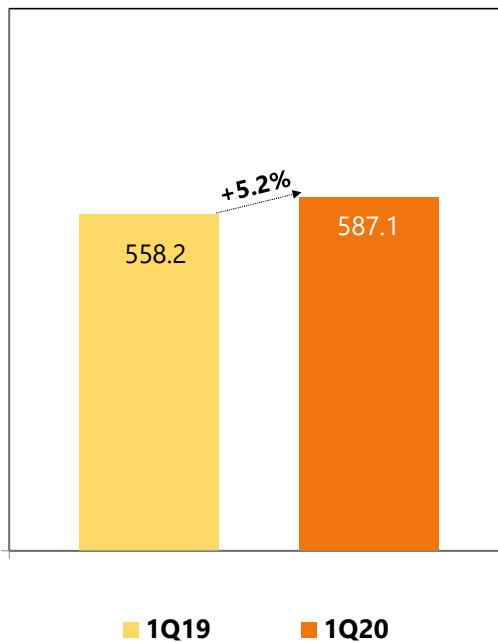
Note:
 1) Excluding revenue from other sources.

Operating Highlights: Feedmill

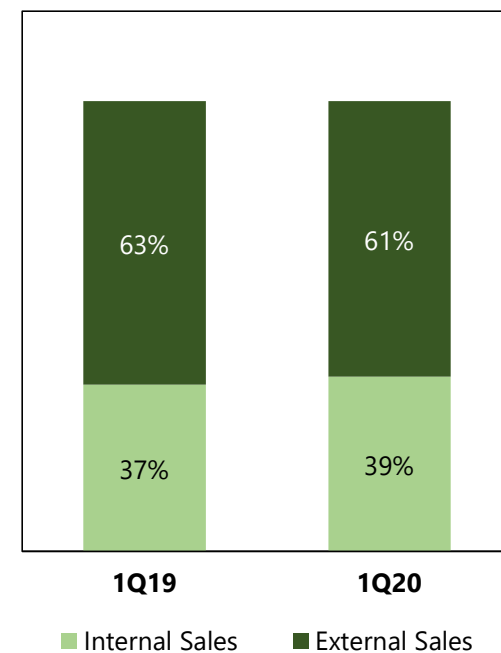
Group Production Capacity ('000 MT)



Group Feed Sales⁽¹⁾ ('000 MT)



Sales Split

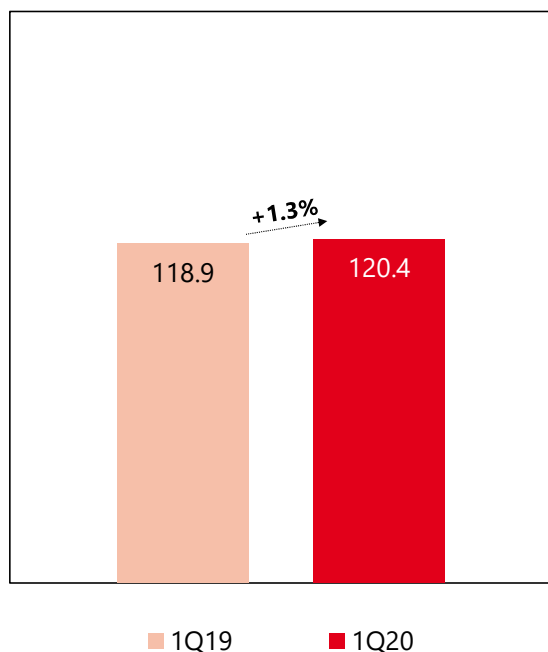


Note:

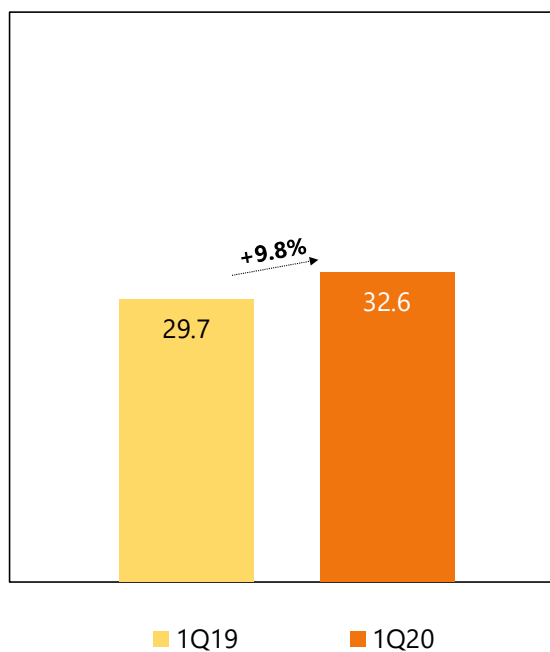
1) Feed sales include both internal and external sales.

Operating Highlights: Livestock

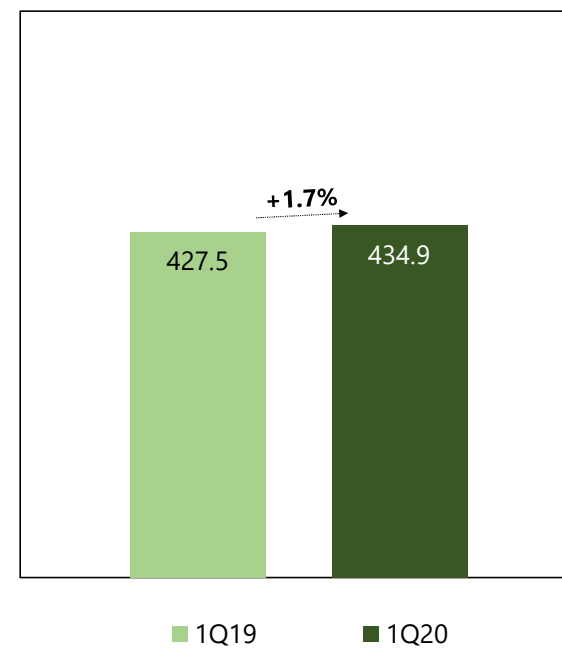
Group Broiler DOC Sales⁽¹⁾
(million chicks)



Group Broiler Sales⁽¹⁾
(million birds)



Group Eggs Sales⁽²⁾
(million eggs)



Notes:

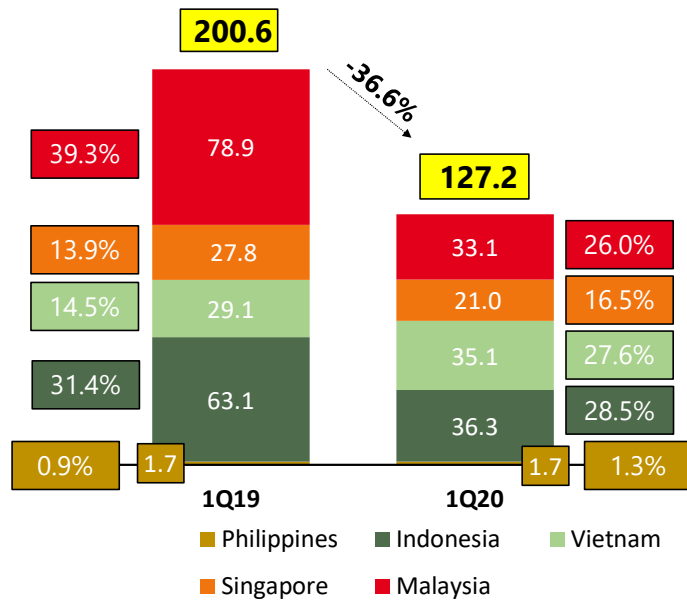
1) Broiler DOC and broiler chickens sales include both internal and external sales.

2) All eggs are sold to third parties.

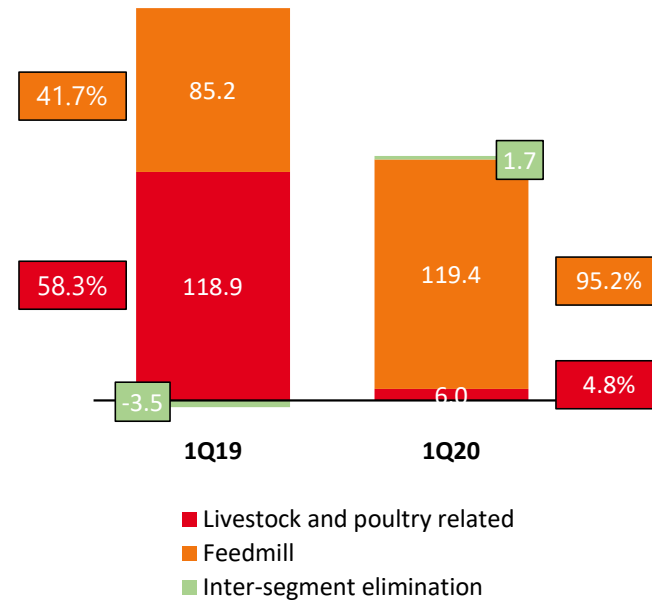
Financial Highlights: EBITDA

- EBITDA decreased by 36.6% year-on-year; margin compression in Malaysia and Indonesia due mainly to underperformance of average selling prices (“ASP”) of poultry products in Malaysia and DOC in Indonesia.
- Weakness in livestock sector partially mitigated by stellar performance in feedmill (+40.2% Y-o-Y), driven by Vietnam’s contribution.

EBITDA by Country (RM million)

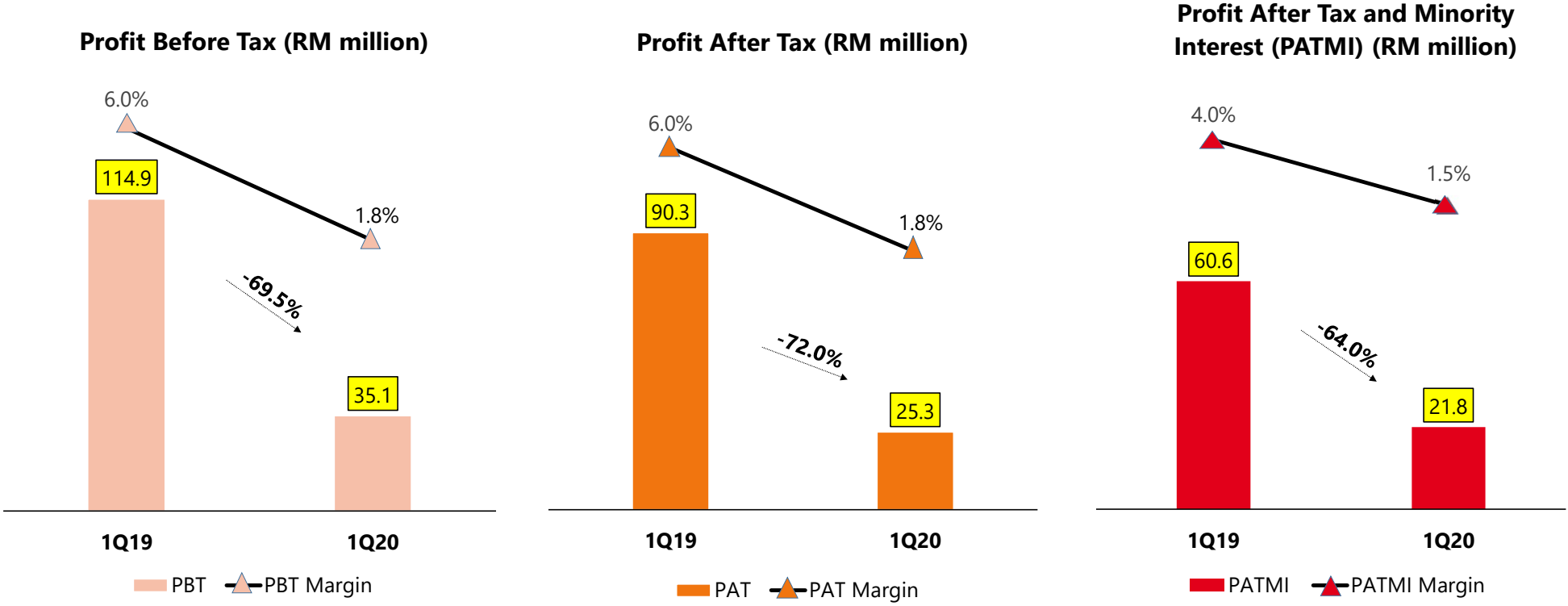


EBITDA⁽¹⁾ by Segment (RM million)



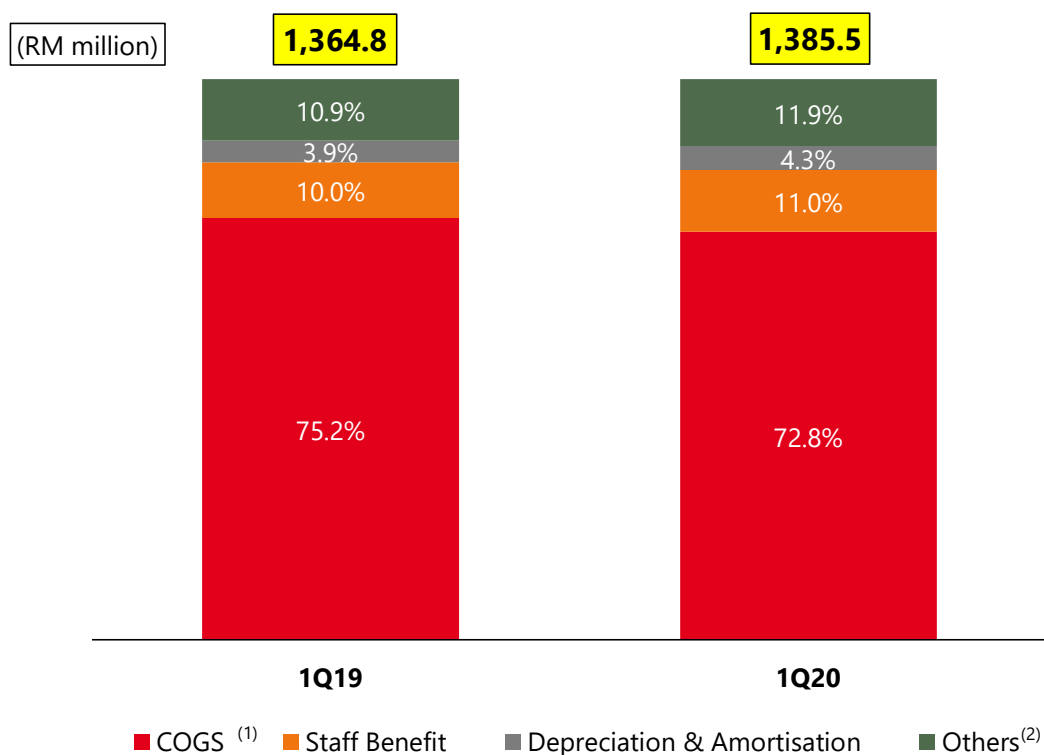
Note: 1) EBITDA contribution by segment (in percentage) computed based on gross EBITDA only.

Financial Highlights: Earnings



Operating Expenses

- Group operating expenses remained relatively stable despite challenging market conditions



Notes:

(1) COGS refers to cost of goods sold which is inclusive of purchases and net changes of inventories and biological assets.

(2) Others inclusive of below components:
 (a) Gain/(loss) on disposal of assets & liabilities
 (b) Utilities costs
 (c) Repair and maintenance
 (d) Transportation expenses
 (e) Other operating expenses
 (f) Upkeep of motor vehicle
 (g) Packaging material
 (h) Foreign worker levy

Income Statement: Summary

<i>Financial quarter ended</i>		1Q20 <i>(RM million)</i>	1Q19 <i>(RM million)</i>	Variance
Revenue	▼	1,434.1	1,506.4	-4.8%
EBITDA	▼	127.2	200.6	-36.6%
Depreciation and amortisation	▲	59.5	52.9	+12.5%
Finance cost	▼	32.6	32.9	-0.9%
Profit before tax	▼	35.1	114.9	-69.5%
Profit after tax and minority interest	▼	21.8	60.6	-64.0%
Earnings per share (sen)	▼	0.60	1.78	-1.18 sen
EBITDA margin	▼	8.9%	13.3%	-4.4% pts

Balance Sheet: Summary

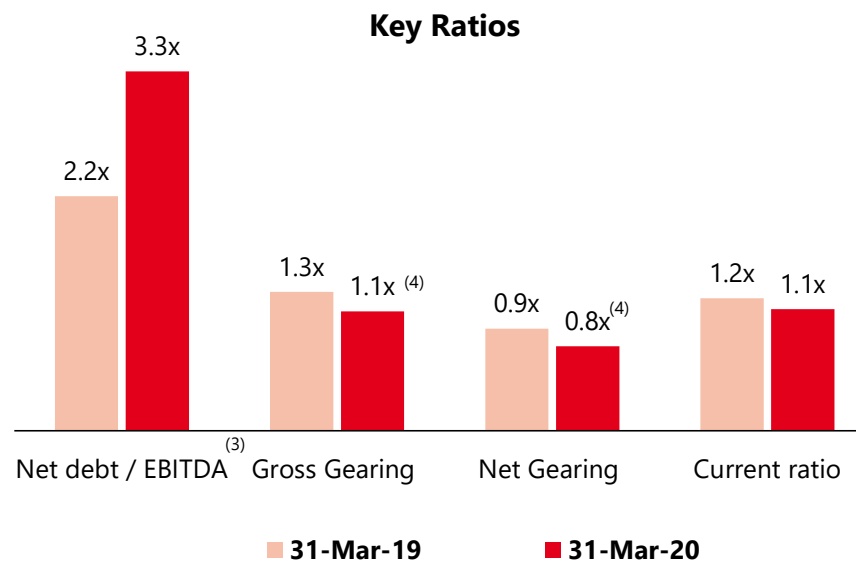
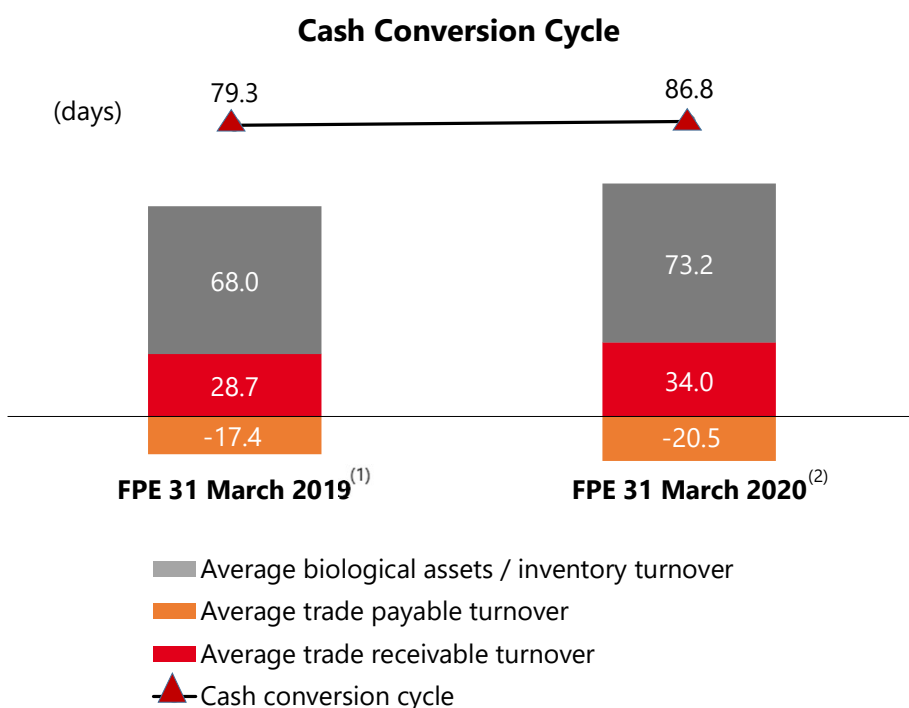
	<i>As at 31 March 2020 (RM million)</i>	<i>As at 31 December 2019 (RM million)</i>
Assets		
Non-current assets	2,883.0	2,904.3
Biological assets and inventories	995.8	1,058.0
Trade receivables	536.0	499.3
Other receivables	243.6	182.7
Cash and bank balances	696.8	764.8
Total Assets	5,355.2	5,409.1
Equity and Liabilities		
Total equity	2,165.3	2,180.5
Trade payables	278.2	273.1
Other payables and liabilities	413.0	455.2
Short term borrowings (including leases ⁽¹⁾)	1,662.0	1,522.6
Long term borrowings (including leases ⁽¹⁾)	836.7	977.7
Total Equity and Liabilities	5,355.2	5,409.1

Note:

(1) Including finance lease and lease liabilities for MFRS 16.

Working Capital Management

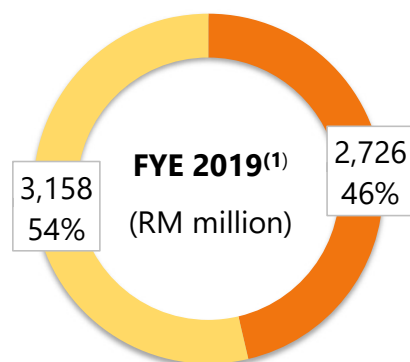
- Group liquidity backed by responsible and prudent cashflow management and stable gearing level



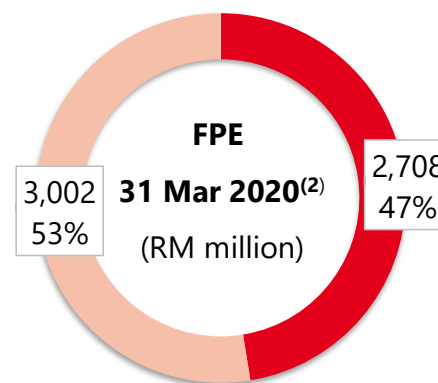
Notes:

- (1) For the 3-month financial period ended 31 March 2019, included for comparison purposes
- (2) For the 3-month financial period ended 31 March 2020
- (3) EBITDA annualized based on 3-month financial period ended 31 March 2019 and 31 March 2020's results
- (4) Computed based on group borrowings excluding the effect of MFRS 16 on lease liabilities

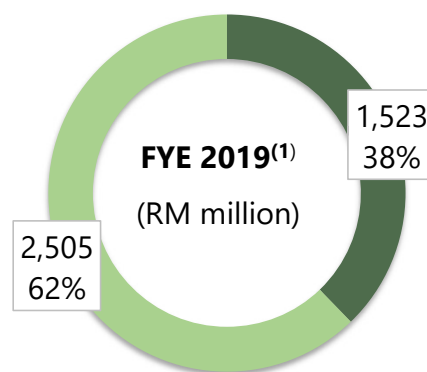
Snapshot of Liquidity Position



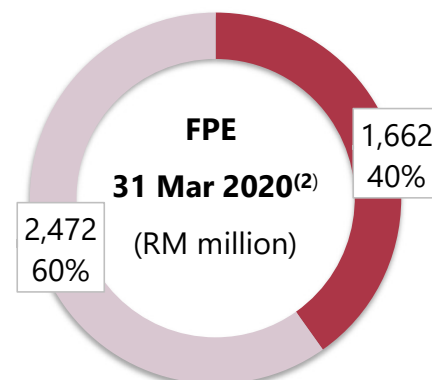
■ Fixed Asset⁽³⁾ ■ Equity + LT Loan



■ Fixed Asset⁽³⁾ ■ Equity + LT Loan



■ Short Term Loan ■ Current Asset



■ Short Term Loan ■ Current Asset

Notes:

(1) For the financial year ended 31 December 2019

(2) For the 3-month financial period ended 31 March 2020

(3) Fixed assets inclusive of investment properties

Utilisation of IPO Proceeds

- A total of RM275 million of primary proceeds were raised from the IPO, out of which RM207.7 million was earmarked for capex purposes in Malaysia, Vietnam and Philippines
- Status of the company's utilisation of IPO proceeds as at 31 March 2020 as follows:

<i>Purposes</i>	<i>Proposed utilisation (RM million)</i>	<i>Actual utilisation (as at 31 March 2020) (RM million)</i>	<i>%⁽¹⁾</i>	<i>Balance unutilised (RM million)</i>	<i>Intended timeframe for utilisation from the date of listing⁽²⁾</i>
Capital expenditure	207.7	(70.7)	34.0	137.0	within 24 months
Working capital	33.0	(33.0)	100.0	-	within 6 months
Defray fees and expenses for IPO and Listing	34.3	(34.3)	100.0	-	
Total	275.0	(138.0)	50.2	137.0	

Notes:

(1) As a proportion of the proposed utilization, details of which are set out in the Company's Prospectus dated 25 April 2019.

(2) LHI was listed on Main Market of Bursa Malaysia Securities Berhad on 16 May 2019.

Capex Updates

- Endeavour completion of ongoing projects which are under construction, where possible, according to schedule
- Expect some delays to expansion plan in FY20 and FY21, arising from suspension on certain construction due to lockdowns and a recalibration of group capex, deferment may stretch longer than one to two quarters

(1) Completed projects⁽¹⁾:

Location	Segment	Project	Total investment
Philippines	Livestock	Construction of new hatchery	RM8.5 million
Vietnam	Feedmill	Construction of a spent grain drying facility at Dong Nai feedmill	RM1.6 million
Philippines	General	Purchase of new ERP system	RM6.4 million

(2) On-going projects⁽¹⁾:

Location	Segment	Project	Commencement date	Targeted Completion Date	Total investment
Malaysia	Livestock	Expansion of closed-house broiler farms	1Q2019	4Q2020	RM86.8 million
Vietnam	Livestock	Construction of additional 3 parent stock ("PS") closed-house farms and machinery at Dong Nai farm	3Q2019	1Q2021	RM0.9 million
Vietnam	Feedmill	Additional pelleting line at Dong Nai feedmill	4Q2019	2Q2020	RM2.6 million
Vietnam	Livestock	Installation and fitting of equipment in new Layer farms to be rented in Southern Vietnam	1Q2020	4Q2020	RM20.5 million
Philippines	Feedmill	Construction of first feedmill plant at Central Luzon	3Q2019	4Q2020	RM59.2 million
Philippines	Livestock	Construction of 2 new broiler farms at Central Luzon	3Q2019	3Q2020	RM20.5 million
Philippines	Livestock	Construction of new GPS farm at South Luzon	3Q2019	4Q2020	RM6.4 million

Note:

(1) Funded via IPO proceeds, details of which are set out in the company's prospectus dated 25 April 2019.

Capex Updates (Cont'd)

- Certain feedmill projects in Vietnam and both livestock and feedmill projects in Philippines (see below) will be implemented, but at a later date, to ensure effective deployment and optimum use of such new capacity arising
- Project economics of these affected projects still intact

(3) Delayed projects:

Location	Segment	Project	Expected commencement date	Total investment
Vietnam	Feedmill	Installation of automatic bagging & robotic pelletiser at Tien Giang and Bau Bang feedmill	FY21	RM4.6 million
Vietnam	Feedmill	Construction of animal medicine injection line at Bau Bang	FY21	RM4.9 million
Vietnam	Feedmill	Dong Nai - Silo expansion and construction of a soybean meal flat warehouse discharging system	FY21	RM5.1 million
Vietnam	Feedmill	Construction of centralised premix machineries at Dong Nai feedmill	FY21	RM6.8 million
Philippines	Livestock	Construction of new PS farm at Central Luzon	FY21	RM19.2 million

Capex Updates (Cont'd)

- *New feedmill in Central Luzon, Philippines currently progressing at the pre-construction works stage*
- *Completion slated in early 2021*



Capex Updates (Cont'd)

- Vietnam's feedmill expansion in line with encouraging growth in demand for meat protein



Newly acquired 5th feedmill

- Total acquisition costs: RM67.0 million
- Producing asset with capacity to produce up to 118,800 MT aquatic feed per annum
- Further expansion in the pipeline, new poultry line to be installed and operational by end 4Q FY20 (additional capacity of 118,800 MT/annum from FY21)



Dong Nai feedmill: Additional pelleting line

- Construction cost: RM2.6 million
- Installation of additional pelleting line expected to be completed by 2Q FY20

Strategic Focus

Outlook and strategies

- Poultry meat is still the **cheapest source of meat protein** in Southeast Asia
- Slowdown in economies expected in FY20 but long-term fundamentals of LHI's 5 key high-growth countries within ASEAN remain intact
- Enhanced focus on LHI's key strategies to build greater resiliency to weather challenges amid the new normal



Livestock

- Concerted effort by producers to moderate broiler supply to the market to match demand and manage price volatility
- Strategic review of timing and progress of ongoing and future capex projects
- Ramp up production of popular roast chicken in Malaysia, via roll-out of The Baker's Cottage outlets
- Continuous cost optimisation to protect margins
- Expand RTE footprint via convenience chains in Singapore, aggressive B2C marketing on e-commerce platform

Feedmill

- Vietnam's newly-acquired feedmill's production to contribute from 2Q FY20; new poultry line slated to complete and be operational by 4Q FY20 (total combined capacity for aquatic and poultry feed lines: 237,600 MT/annum, from FY21)
- New feedmill in Philippines (240,000 MT/annum) target for completion by 1Q FY21
- Expect group capacity utilisation to be maintained at above 60% for FY20

Appendix

Average selling prices (for the financial year ended 31 December ("FYE") 2017 - 2019)

	FYE 2017	FYE 2018	FYE 2019
Malaysia (MYR)			
Broiler DOC per chick	1.95	1.84	1.58
Broiler chickens per kg	4.75	4.37	4.17
Per egg	0.26	0.29	0.31
Livestock feed per kg	1.93	1.99	1.82
Singapore (SGD)			
Broiler DOC per chick	0.63	0.66	0.64
Livestock feed per kg	0.51	0.55	0.53
Indonesia (IDR)			
Broiler DOC per chick	4,431	5,980	5,767
Broiler chickens per kg	16,648	18,612	16,704
Per egg	1,120	1,241	1,210
Livestock feed per kg	6,173	6,431	6,649
Vietnam (VND)			
Broiler DOC per chick	8,017	9,229	9,352
Broiler chickens per kg	24,932	25,339	25,678
Per egg	1,307	1,579	1,353
Livestock feed per kg	7,920	8,620	8,879
Philippines (PHP)			
Broiler DOC per chick	26.14	27.91	26.22
Broiler chickens per kg	76.71	77.64	87.99

Appendix (Cont'd)

Volume sold (for the FYE 2017 - 2019)

	FYE 2017	FYE 2018	FYE 2019	% change
				FYE 2019 vs FYE 2018
Malaysia				
Broiler DOC (chicks) ⁽¹⁾	155,134,977	185,403,026	189,055,419	2.0%
Broiler chickens (birds) ⁽¹⁾	56,854,885	60,245,513	61,515,441	2.1%
Egg (number of eggs)	1,287,800,000	1,359,245,000	1,440,567,851	6.0%
Livestock (MT) ⁽²⁾	638,273	661,610	670,809	1.4%
Singapore				
Broiler DOC (chicks) ⁽³⁾	30,685,145	14,421,779	8,614,507	-40.3%
Broiler chickens (birds)	11,613,975	10,482,997	9,459,955	-9.8%
Livestock (MT) ⁽⁴⁾	1,955	3,986	2,954	-25.9%
Indonesia				
Broiler DOC (chicks)	200,494,300	202,733,400	218,582,992	7.8%
Broiler chickens (birds)	16,309,087	24,307,523	27,180,595	11.8%
Egg (number of eggs)	53,433,872	50,944,816	56,512,786	10.9%
Livestock (MT)	704,459	770,540	871,485	13.1%
Vietnam				
Broiler DOC (chicks)	33,290,402	33,275,806	37,104,972	11.5%
Broiler chickens (birds)	20,788,602	25,189,475	27,893,799	10.7%
Egg (number of eggs)	384,884,611	275,673,570	232,739,040	-15.6%
Livestock (MT)	618,683	669,164	776,653	16.1%
Philippines				
Broiler DOC per chick	4,920,553	11,233,584	18,601,415	65.6%
Broiler chickens per kg	1,396,158	3,282,843	3,887,003	18.4%
GROUP TOTAL:				
Broiler DOC (chicks)	424,525,377	447,067,595	471,959,305	5.6%
Broiler chickens (birds)	106,962,707	123,508,351	129,936,793	5.2%
Egg (number of eggs)	1,726,118,483	1,685,863,386	1,729,819,677	2.6%
Livestock (MT)	1,963,370	2,105,301	2,321,900	10.3%

Notes:

- (1) Includes such number of purchases from LHI's farms that are part of LHI's Singaporean business (but located in Malaysia), which are then on-sold by the Malaysian business.
- (2) MT denotes metric tonnes.
- (3) Represents external sales only, after excluding such number of sales volume which are supplied to the Malaysian business (cross reference to Note (1)).
- (4) Represents purchases of livestock feed from both LHI's Malaysia Feedmill business and/or from external third parties, which are subsequently on-sold by the Singaporean business to external parties only.



Stay in touch with us

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THANK YOU