



LEONG HUP INTERNATIONAL BERHAD

RESULTS PRESENTATION FOR 2nd QUARTER 2020 (2Q20)

26 AUGUST 2020

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Note: Unless otherwise stated, all figures stated herein are for the second (2nd) quarter ended 30 June 2020, i.e. between 1 March 2020 and 30 June 2020 (“2Q20”) and the second (2nd) quarter ended 30 June 2019, i.e. between 1 March 2019 and 30 June 2019 (“2Q19”), as extracted from LHI’s unaudited consolidated financial results for the financial period ended 30 June 2019.

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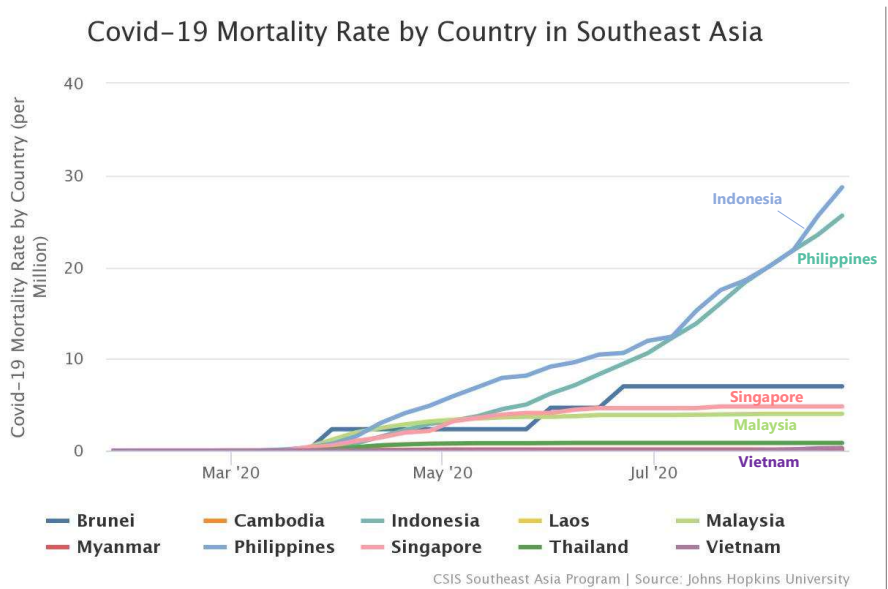
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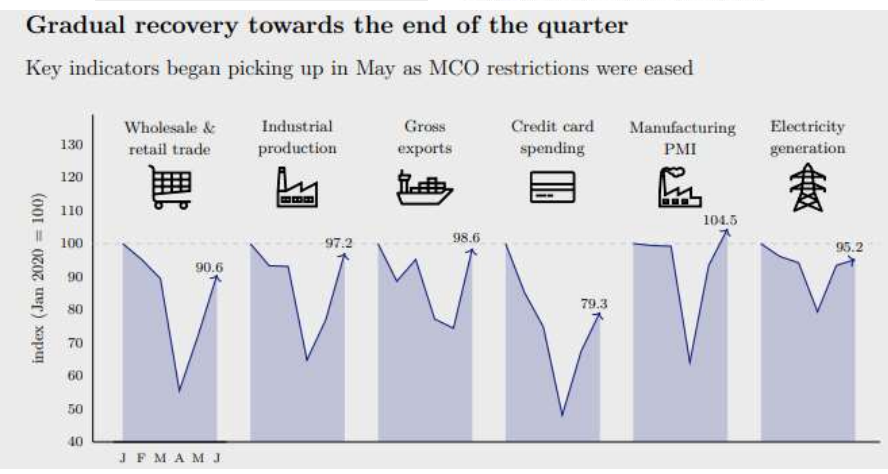
Covid-19 – Snapshot on Southeast Asia

- Lockdowns / movement control orders (“MCO”) came into force towards end-1Q20, shuttering all but essential parts of economies, crippling demand as people were forced to stay at home
- Sharp and unprecedented contraction in GDP during 2Q20, many countries entered into technical recession in 2020
- Significant flattening of the infection curve in certain markets; others battling surge in Covid-19 infections and mortality rate, as economies were allowed to gradually reopen by mid-2Q20



How did other countries perform in 2Q?

COUNTRY	Y-O-Y GDP GROWTH (%)
China	3.2
Indonesia	-5.3
Singapore	-12.6
Philippines	-16.5
US	-9.5
South Korea	-2.9
Germany	-11.7
Italy	-17.3
Mexico	-18.9
France	-19.0



Sources: (clockwise from left) Center for Strategic & International Studies (CSIS), John Hopkins University; Bank Negara Malaysia, Department of Statistics Malaysia; The Edge Malaysia. All information as at 24 August 2020.

Impact on LHI amid Covid-19

- Demand from hotels, restaurants and cafes (“HoReCa”) and certain other institutional channels severely impacted during lockdowns; post-lockdown demand remains well below pre-pandemic levels and will only gradually normalise
- Average selling prices (“ASP”) of poultry products have been subject to high level of volatility amid demand uncertainty and continuing short-term supply chain adjustments

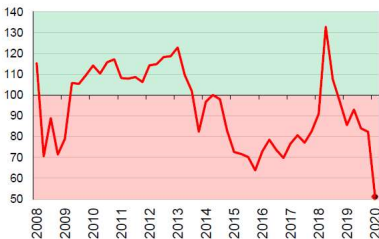
Business conditions slumped, private consumption dampened in 1H20; critical outlook for 2H20 amid continuing threat of Covid-19 resurgence ...

Impact on businesses

Indicators ⁽¹⁾	FMM – MIER Business Conditions Index Values							
	Current (Compared to 6 months ago)				Looking Forward (Next 6 months)			
	2H2018	1H2019	2H2019	1H2020	1H2019	2H2019	1H2020	2H2020
Business conditions	107	78	90	31	101	101	88	76
Local sales	93	77	84	34	94	101	86	71
Export sales	107	73	91	41	105	101	87	69
Production volume	111	82	96	35	110	105	93	78
Capacity utilisation	107	82	97	38	109	105	95	78
Capital investment	114	103	109	61	120	108	105	83
Number of employees	110	96	102	82	105	105	104	93
Cost of production	155	153	144	130	148	134	142	133

Impact on individuals

Consumer Sentiments Index (CSI)⁽¹⁾
Above 100= Optimism; Below 100 = Pessimism



Private consumption⁽¹⁾



Note: (1) Economic indicators for Malaysia's economy, as extracted from relevant sources.

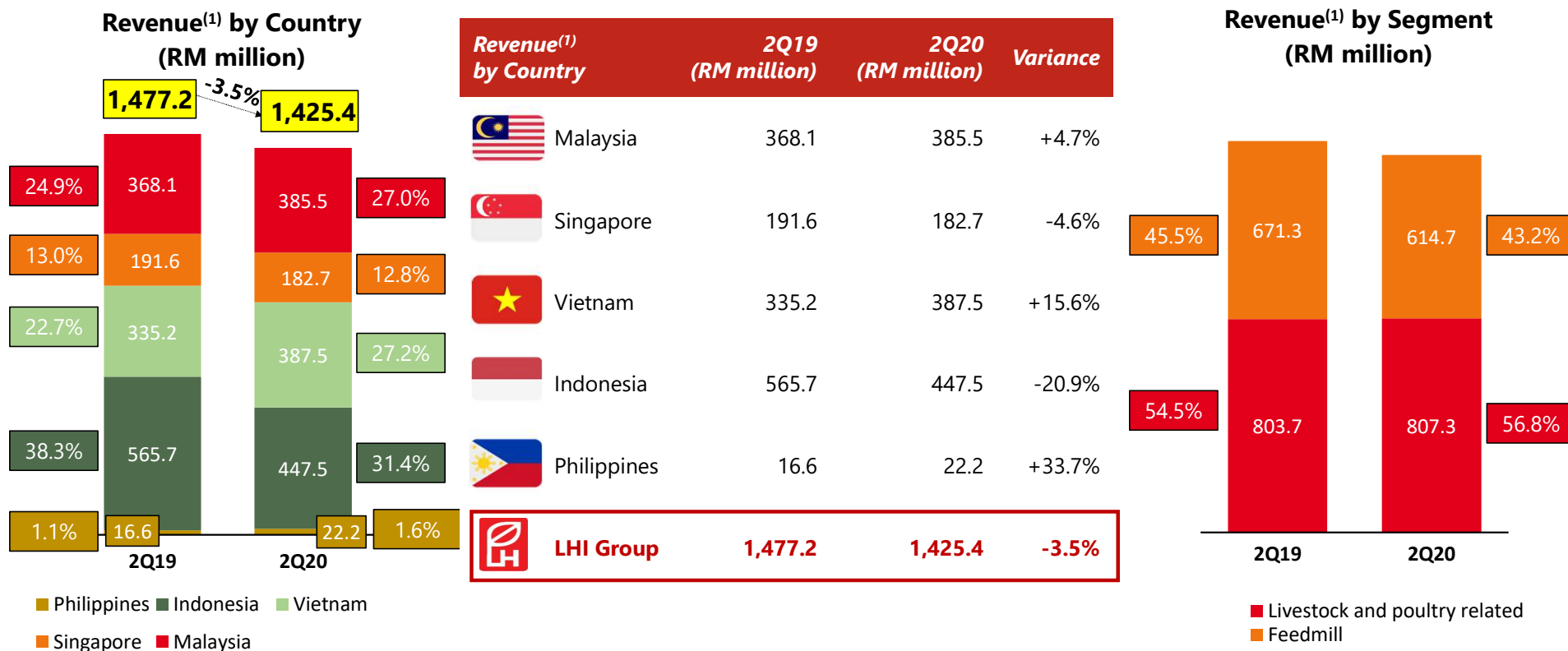
Sources: (clockwise from top) Federation of Malaysian Manufacturers (FMM)-Malaysian Institute of Economic Research (MIER) Business Conditions Survey 1H 2020; Starbiz, CEIC, AmBank Research; Socio-Economic Research Centre (SERC), MIER. All information as at 24 August 2020.

Decisive response by LHI to Covid-19 impact while preserving long-term value

- ☑ maintained continuity of group operations and generated overall positive EBITDA in a challenging environment
- ☑ optimised production in response to market conditions
- ☑ prudence in capital management and pacing capex
- ☑ ensured sufficient liquidity in line with business needs and price environment
- ☑ acquired The Baker's Cottage Sdn Bhd and galvanised downstream integration

Financial Highlights: Revenue

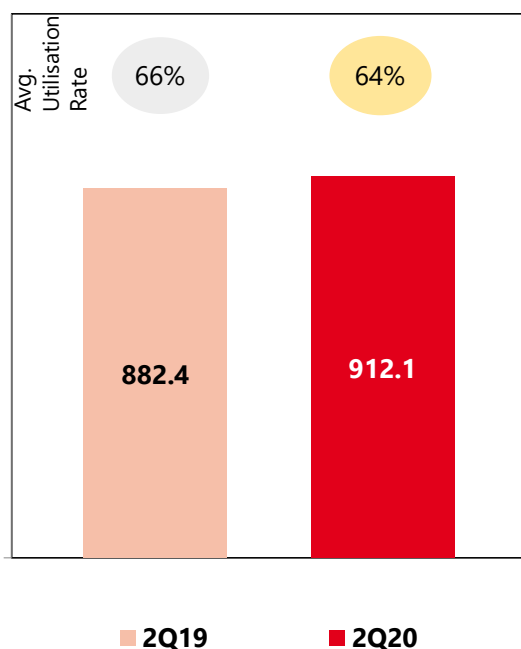
- Overall group revenue moderated by 3.5% during 2Q20, dragged by Indonesia
- Solid performance by Vietnam, modest gains in revenue by Malaysia and Philippines



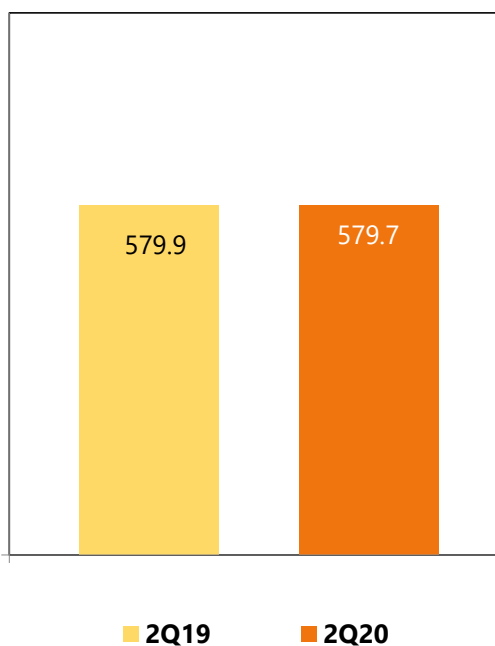
Note:
(1) Including revenue from other sources.

Operating Highlights: Feedmill

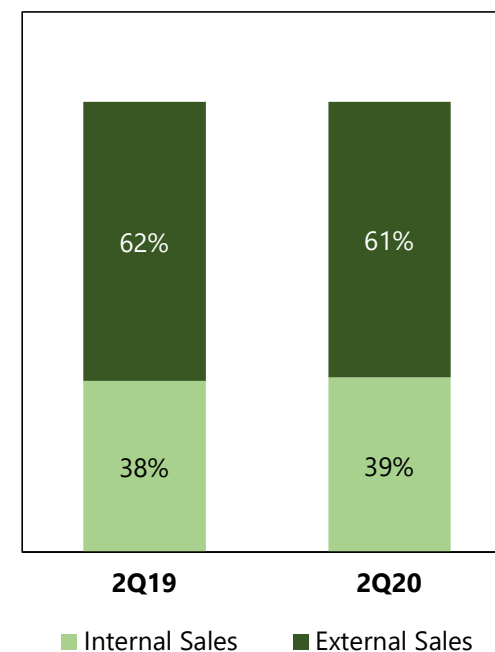
Group Production Capacity ('000 MT)



Group Feed Sales⁽¹⁾ ('000 MT)



Sales Split

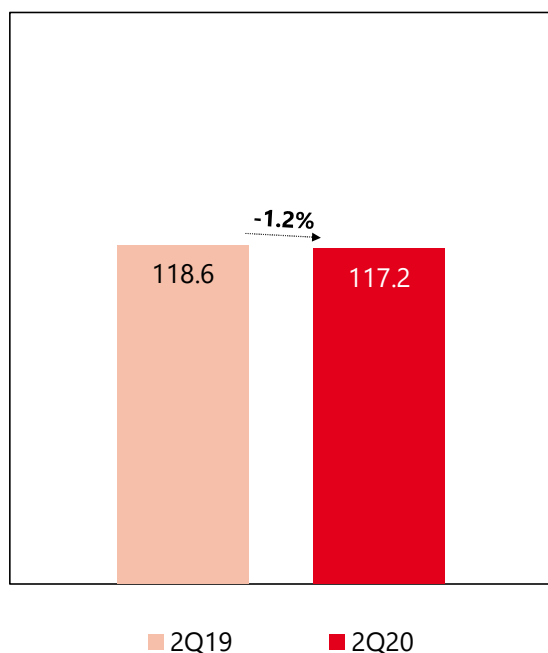


Note:

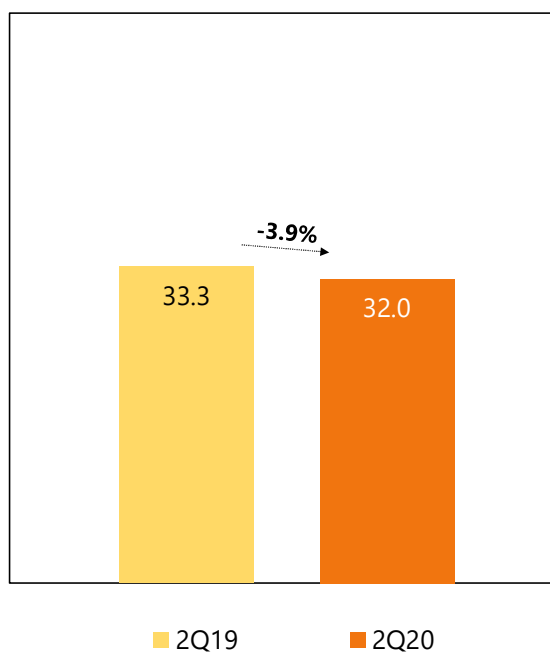
(1) Feed sales include both internal and external sales.

Operating Highlights: Livestock

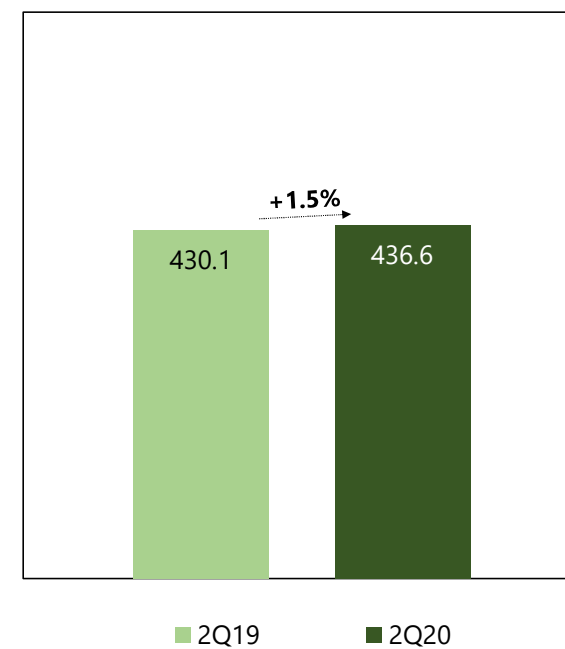
Group Broiler DOC Sales⁽¹⁾
(million chicks)



Group Broiler Sales⁽¹⁾
(million birds)



Group Eggs Sales⁽²⁾
(million eggs)



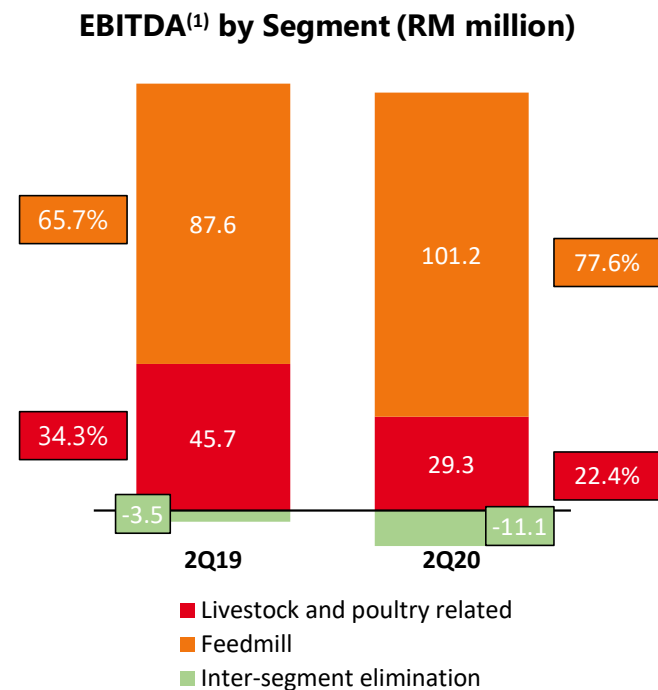
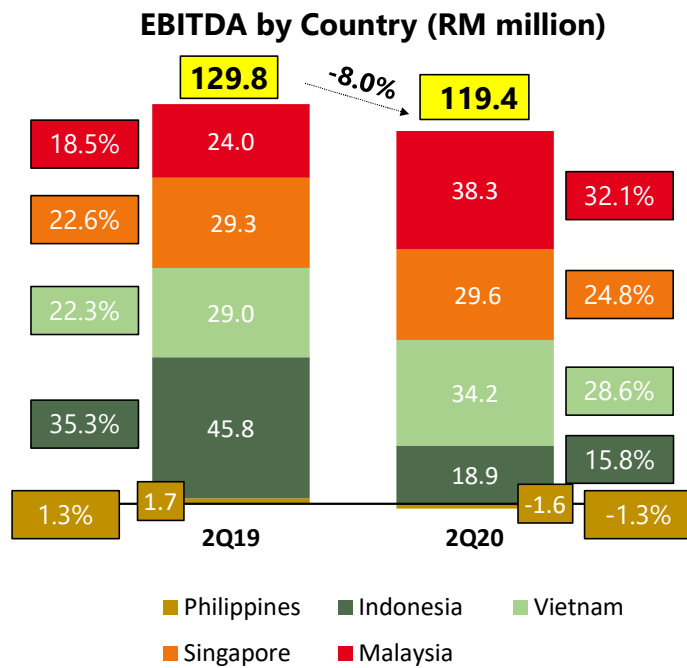
Notes:

(1) Broiler day-old chicks ("DOC") and broiler chickens sales include both internal and external sales.

(2) All eggs are sold to third parties.

Financial Highlights: EBITDA

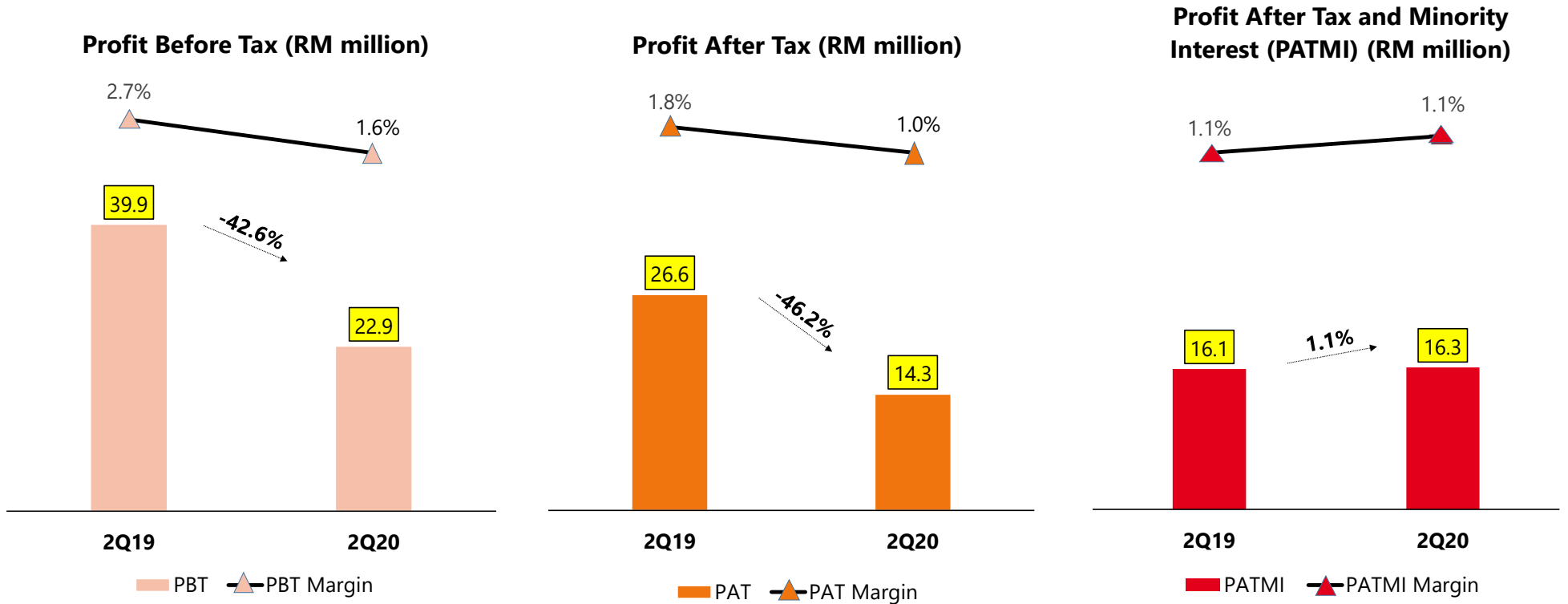
- EBITDA tumbled 8.0% YoY, as DOC sales volume and ASP fell in Indonesia, amid ongoing domestic headwinds
- Strong rebound in Malaysia due to recovery in ASP of DOC and broiler chickens, Singapore remained stable
- Vietnam continued to forge ahead with strong growth, driven by expansion in feed sales volume and higher feed ASP



Note:

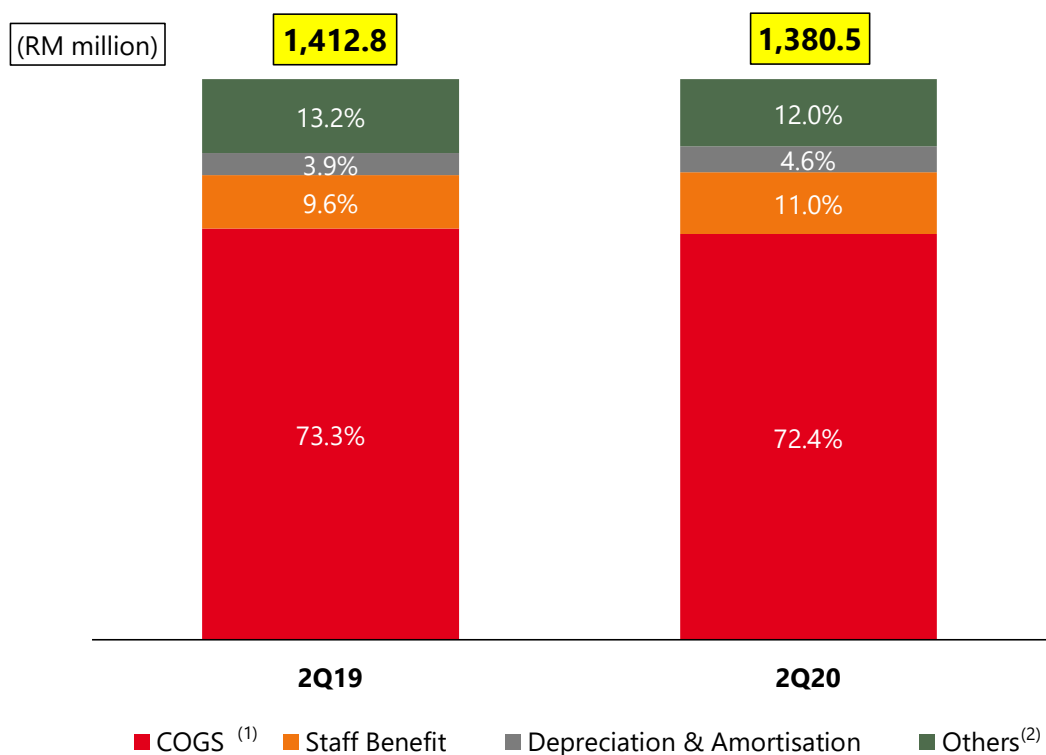
(1) EBITDA contribution by segment (in percentage) computed based on gross EBITDA only.

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>		2Q20 <i>(RM million)</i>	2Q19 <i>(RM million)</i>	Variance
Revenue	▼	1,425.4	1,477.2	-3.5%
EBITDA	▼	119.4	129.8	-8.0%
Depreciation and amortisation	▲	63.4	55.1	+15.1%
Finance cost	▼	33.1	35.0	-5.4%
Profit before tax	▼	22.9	39.9	-42.6%
Profit after tax and minority interest	▲	16.3	16.1	+1.2%
Earnings per share (sen)	▼	0.45	0.46	-0.01 sen
EBITDA margin	▼	8.4%	8.8%	-0.4% pts

- *Interim single tier dividend of 0.55 sen per ordinary share, or RM20.075 million declared.⁽¹⁾*

Note:

(1) *The entitlement date and payment date are 15 September 2020 and 30 September 2020 respectively.*

Balance Sheet: Summary

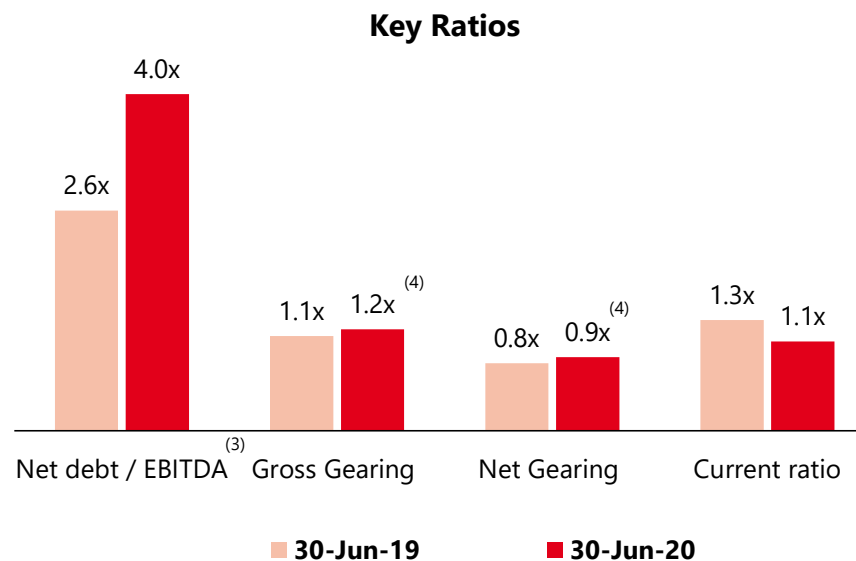
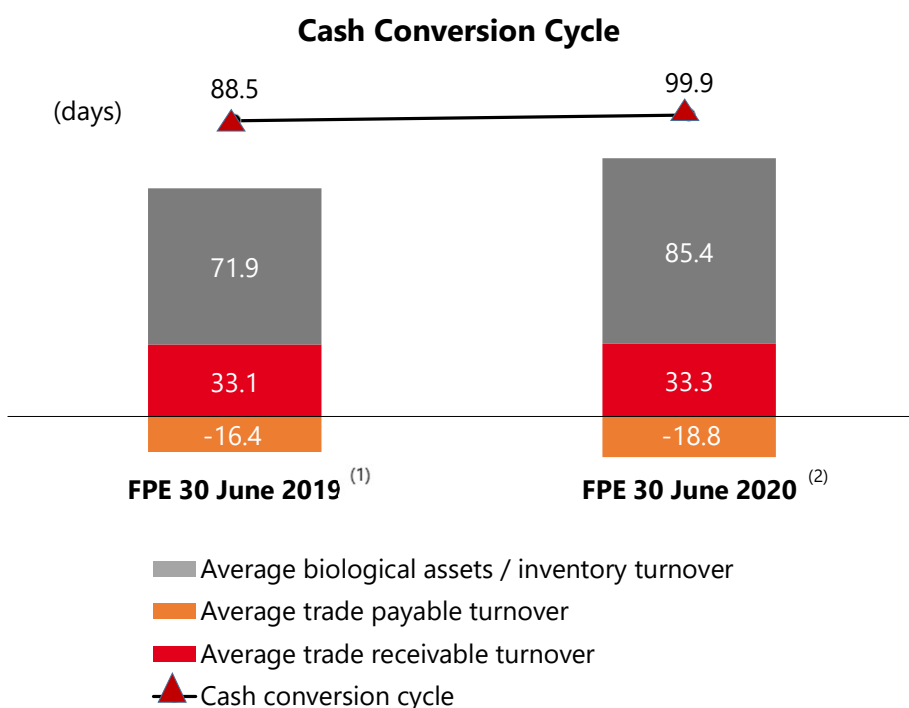
	<i>As at 30 June 2020 (RM million)</i>	<i>As at 31 December 2019 (RM million)</i>
Assets		
Non-current assets	3,094.2	2,904.3
Biological assets and inventories	1,164.8	1,058.0
Trade receivables	522.2	499.3
Other receivables	214.6	182.7
Cash and bank balances	767.1	764.8
Total Assets	5,762.9	5,409.1
Equity and Liabilities		
Total equity	2,257.2	2,180.5
Trade payables	256.3	273.1
Other payables and liabilities	419.0	455.2
Short term borrowings (including leases ⁽¹⁾)	1,997.1	1,522.6
Long term borrowings (including leases ⁽¹⁾)	833.3	977.7
Total Equity and Liabilities	5,762.9	5,409.1

Note:

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

Working Capital Management

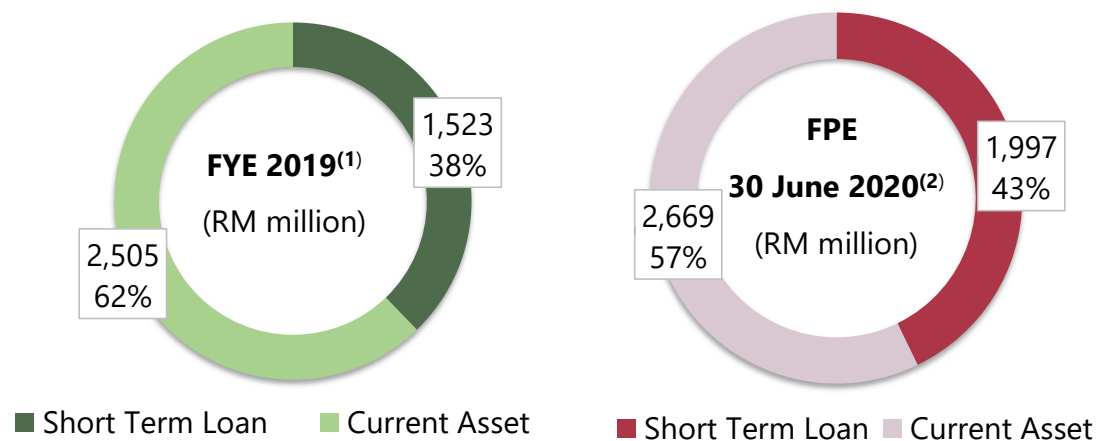
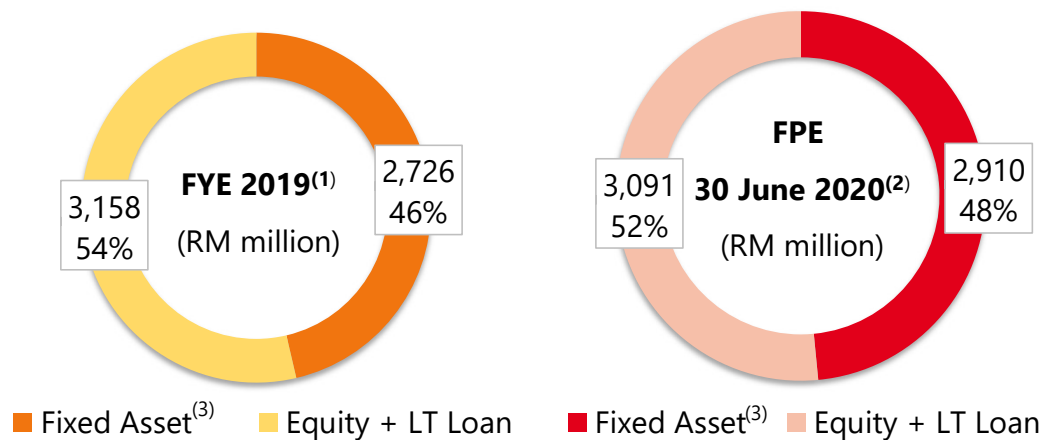
- Solid balance sheet through efficient receivables management, guided by tightening of doubtful debt provision
- Group liquidity backed by responsible and prudent cashflow management and stable gearing level



Notes:

- (1) For the 6-month financial period ended 30 June 2019, included for comparison purposes
 (2) For the 6-month financial period ended 30 June 2020
 (3) EBITDA annualized based on 3-month financial period ended 30 June 2019 and 30 June 2020's results
 (4) Computed based on group borrowings excluding the effect of MFRS 16 on lease liabilities

Snapshot of Liquidity Position



Notes:

(1) For the financial year ended 31 December 2019

(2) For the 6-month financial period ended 30 June 2020

(3) Fixed assets inclusive of investment properties

Utilisation of IPO Proceeds

- A total of RM154.4 million of IPO proceeds utilised as at 30 June 2020
- Balance of RM120.6 million to be incurred for capex purposes in Malaysia, Vietnam and Philippines
- Status of the company's utilisation of IPO proceeds as at 30 June 2020 as follows:

<i>Purposes</i>	<i>Proposed utilisation (RM million)</i>	<i>⁽¹⁾Actual utilisation (RM million)</i>	<i>%</i>	<i>⁽¹⁾Balance unutilised (RM million)</i>	<i>⁽²⁾Intended timeframe for utilisation from listing date</i>
Capital expenditure	207.7	(87.1)	⁽³⁾ 41.9	120.6	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	(154.4)	56.1	120.6	

Notes:

(1) As at 30 June 2020.

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

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

Capex Updates

- Continuous monitoring of ongoing capex projects and efficiently defer capex for certain projects, in line with capital allocation priorities
- Maintaining flexibility to further adjust timing and/or capex quantum as market evolves

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

- *Reprioritisation of non-critical capex projects necessary due to market uncertainty and short-term challenges arising from the pandemic*

(3) *Delayed projects:*

<i>Location</i>	<i>Segment</i>	<i>Project</i>	<i>Postponed until</i>	<i>Total investment</i>
Malaysia	Livestock	Expansion of closed-house broiler farms	FY21	RM63.2 million ⁽¹⁾
Vietnam	Feedmill	Installation of automatic bagging & robotic pelletiser in Tien Giang and Bau Bang feedmill	FY21	RM4.6 million
Vietnam	Feedmill	Construction of animal medicine injection line in Bau Bang	FY21	RM4.9 million
Vietnam	Feedmill	Silo expansion and construction of a soybean meal flat warehouse discharging system in Dong Nai feedmill	FY21	RM5.1 million
Vietnam	Feedmill	Construction of centralised premix machineries in Dong Nai feedmill	FY21	RM6.8 million
Philippines	Livestock	Construction of new PS farm in Central Luzon	FY21	RM19.2 million

Note:

(1) Represents the balance unutilised amount allocated from the IPO proceeds as at 30 June 2020.

Capex Updates: Philippines

- *New broiler farms in Central Luzon, Philippines, commencing operation in 3Q20*
- *Construction for Philippines' first feedmill progressing despite some setbacks from lockdown*



New broiler farms in Central Luzon, Philippines

- *Total investment costs: RM20.5 million*
- *Closed-house system equipped with modern features enabling automated climate control and feeding system, with capacity to contribute up to 3.36 million broiler chickens/annum*
- *First batch of DOC to be entered within 3Q20*



Upcoming feedmill in Central Luzon, Philippines

- *Total investment costs: RM59.2 million*
- *Upon completion, one production line will be commissioned with the capacity to produce up to 128,000 MT/annum*
- *Completion slated in early 2021*
- *Initial feed output expected to partially satisfy demand from internal farms, future expansion on the cards to meet external demand*
- *Full capacity to fetch up to 240,000 MT/annum, with two production lines on full swing*

Capex Updates: Vietnam

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



Dong Thap feedmill (Vietnam's 5th feedmill)

- Total acquisition costs: RM67.0 million
- Acquisition completed and began infusing additional production capacity in 2Q20
- 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 4Q20 (additional capacity of 118,800 MT/annum from FY21)



Dong Nai feedmill: Additional pelleting line

- Construction cost: RM2.6 million
- Feedmill expansion came less than two years upon commencement of production, to further boost Vietnam's capacity on the back of growing feed orders
- Additional pelleting line expected to commence production by 3Q20 (additional capacity of 142,560 MT/annum)

Capex Updates: Indonesia

- Continue to develop downstream segment with an upcoming new poultry processing plant in West Java



Upcoming poultry processing plant in West Java, Indonesia

- Estimated investment costs: RM28.5 million, to be funded by bank borrowings and internally-generated funds
- Construction to kick-off by end-FY20, tentatively targeting completion by end-FY21
- New poultry processing plant to have two separate lines for chicken and duck
- Estimated capacity for processing of chicken and duck at 600,000 birds/month and 300,000 birds/month, respectively



Note:

* Pictures shown are for illustration purposes only.

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
- LHI remains committed in our geographical footprints, long-term capital allocation priorities and strategies remain unchanged
- Enhanced focus on LHI's key strategies to build greater resiliency to weather challenges amid the new normal



FY20 Priorities

1. Ensure business and operational continuity amid ongoing challenges
2. Drive cost leadership and implement investment pacing plans
3. Balancing priorities in response to short-term shocks
4. Manage balance sheet capacity in line with business needs and price environment
5. Leverage full value chain integration to extract further incremental margins and deliver shareholders' value



Stay in touch with us

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THANK YOU