



LEONG HUP INTERNATIONAL BERHAD

**RESULTS PRESENTATION FOR
3rd QUARTER 2020 (3Q20)**

25 NOVEMBER 2020

DISCLAIMER

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Note: Unless otherwise stated, all figures stated herein are for the third (3rd) quarter ended 30 September 2020, i.e. between 1 July 2020 and 30 September 2020 (“3Q20”) and the third (3rd) quarter ended 30 September 2019, i.e. between 1 July 2019 and 30 September 2019 (“3Q19”), as extracted from LHI’s unaudited consolidated financial results for the financial period ended 30 September 2020.

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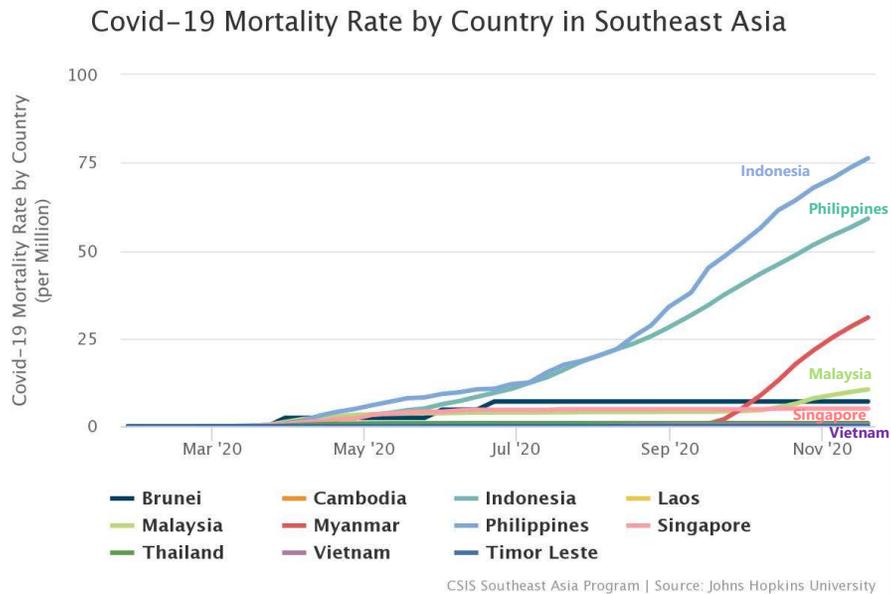
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Covid-19 – Snapshot on Southeast Asia

- Recent resurgence in new Covid-19 cases and the resultant renewed stay-at-home and movement control measures seen hampering re-opening of the economy in many countries while national borders remain closed
- This forced a slowdown in green shoots of recovery towards end of 2Q20
- Majority of businesses and hardest hit sectors - including tourism, hospitality and retail services - running at substantially subpar capacity



Major economies (ex China) undergoing recession in 2020; the IMF projects ASEAN-5 economies to outperform major economies (ex China) in 2020 and 2021 ...

		Projection		
Real GDP (Annual % change)		2019	2020	2021
	World output	2.8	-4.4	5.2
	US	2.2	-4.3	3.1
	Eurozone	1.3	-8.3	5.2
	United Kingdom	1.5	-9.8	5.9
	China	6.1	1.9	8.2
	India	4.2	-10.3	8.8
	ASEAN-5	4.9	-3.4	6.2

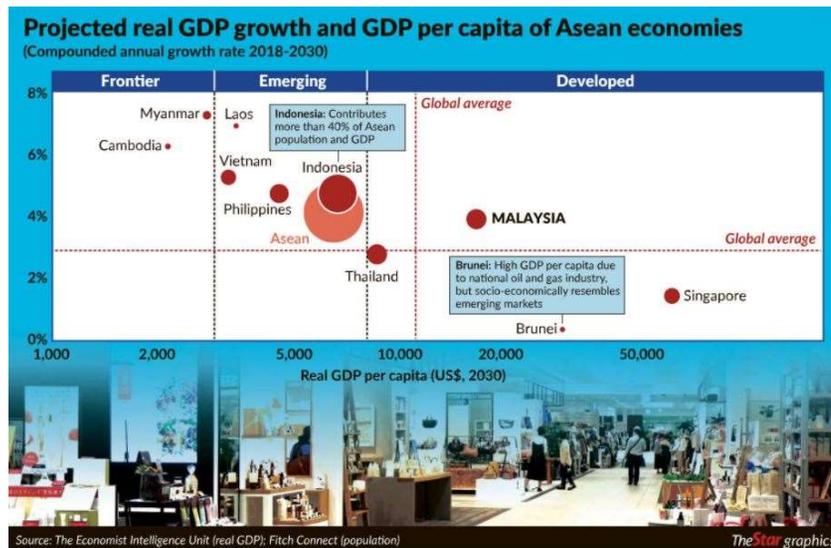
Sources: Center for Strategic & International Studies (CSIS), John Hopkins University; IMF's World Economic Outlook 2020, published October 2020. All information as at 23 November 2020.

Note: ASEAN-5 comprises Indonesia, Malaysia, Philippines, Thailand and Vietnam.

Impact on LHI amid Covid-19

- Subdued demand recovery from hotels, restaurants and cafes (“HoReCa”) and certain other institutional channels
- Average selling prices (“ASP”) of poultry products remained volatile amid demand uncertainty and continuing short-term supply chain adjustments
- LHI positioned to benefit from long-term industry growth drivers accelerated by pandemic, as group volume and market share continue to grow amid consolidation within the poultry industry

Long-term GDP growth of LHI's markets projected to remain well above global average; per capita income of developing markets to continue to grow at a robust rate albeit low base ...

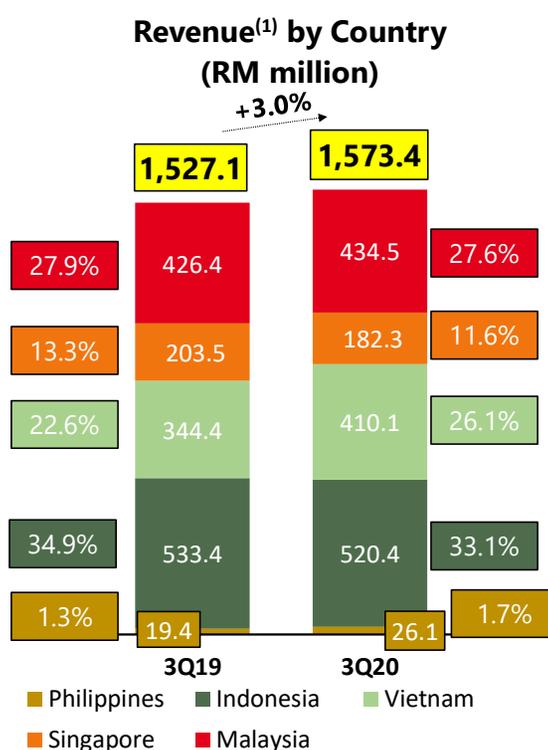


Decisive response by LHI to Covid-19 impact while preserving long-term value

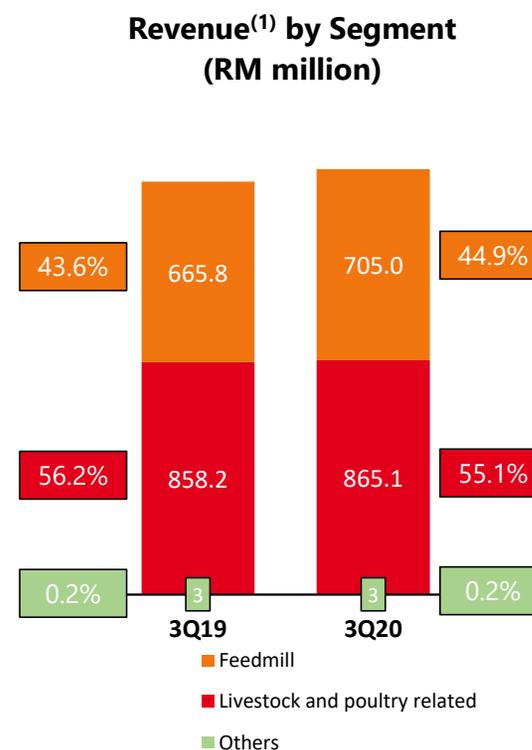
- ☑ maintained continuity of group operations and generated overall positive EBITDA in a challenging environment
- ☑ optimised production in response to market conditions
- ☑ prudence in capital management and pacing capex
- ☑ ensured sufficient liquidity in line with business needs and price environment
- ☑ accelerated expansion of business-to-consumers (“B2C”) channel via Baker’s Cottage and galvanised downstream integration

Financial Highlights: Revenue

- Group revenue up marginally by 3.0% during 3Q20, driven by overall growth in group sales volume amid an uneven economic recovery post-lockdown in Singapore and Indonesia
- Solid gains made by Vietnam's feedmill segment, coupled with continuing expansion in livestock segment
- Malaysia's downstream and B2C buffered slowdown in eggs and day-old-chicks ("DOC") while Philippines' posted modest improvement in broiler chicken sales



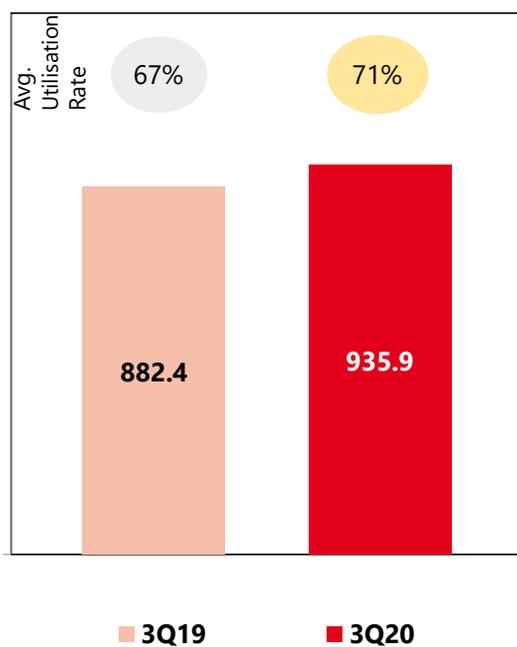
Revenue ⁽¹⁾ by Country	3Q19 (RM million)	3Q20 (RM million)	Variance
Malaysia	426.4	434.5	+1.9%
Singapore	203.5	182.3	-10.4%
Vietnam	344.4	410.1	+19.1%
Indonesia	533.4	520.4	-2.4%
Philippines	19.4	26.1	+34.5%
LHI Group	1,527.1	1,573.4	+3.0%



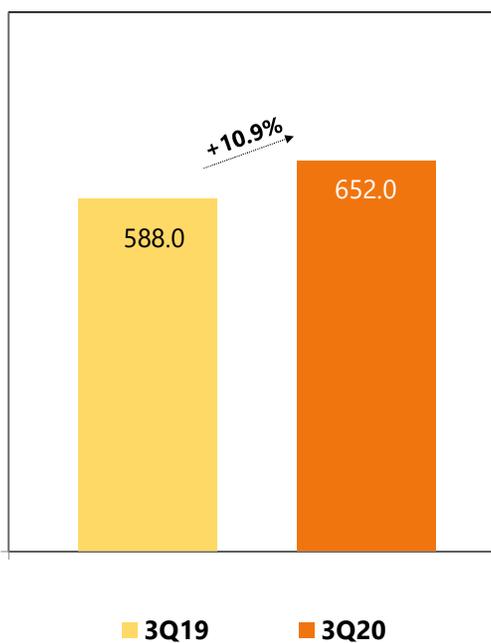
Note:
(1) Including revenue from other sources.

Operating Highlights: Feedmill

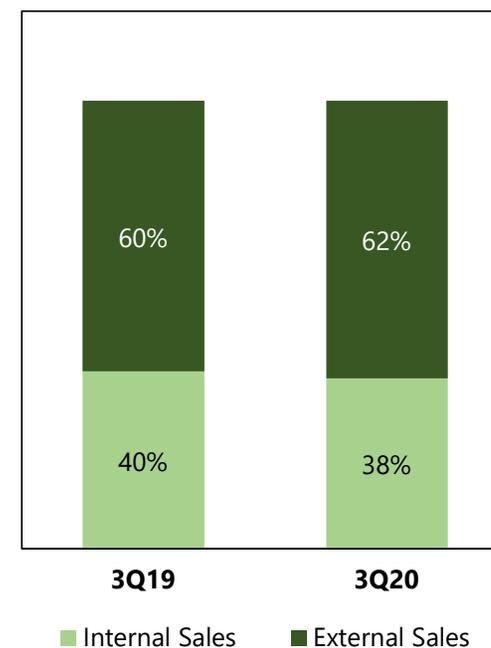
Group Production Capacity ('000 MT)



Group Feed Sales⁽¹⁾ ('000 MT)



Sales Split

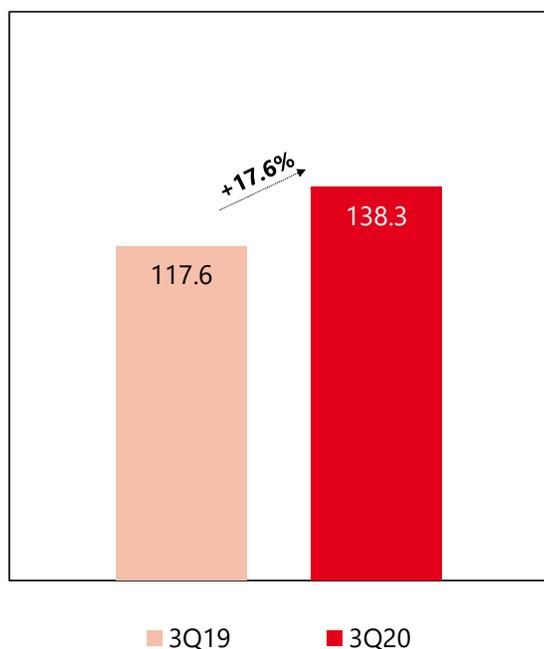


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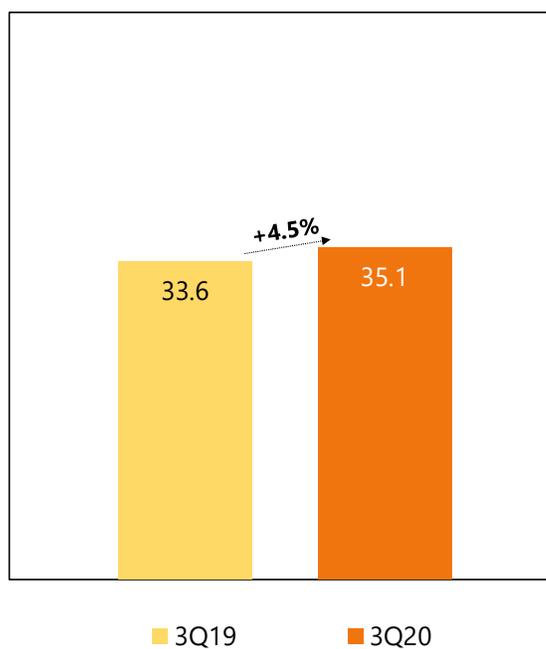
(1) Feed sales include both internal and external sales.

Operating Highlights: Livestock

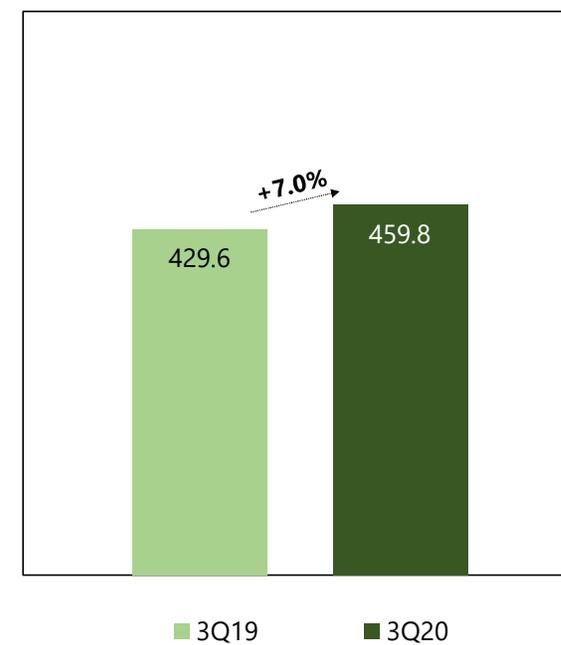
Group Broiler DOC Sales⁽¹⁾
(million chicks)



Group Broiler Sales⁽¹⁾
(million birds)



Group Eggs Sales⁽²⁾
(million eggs)



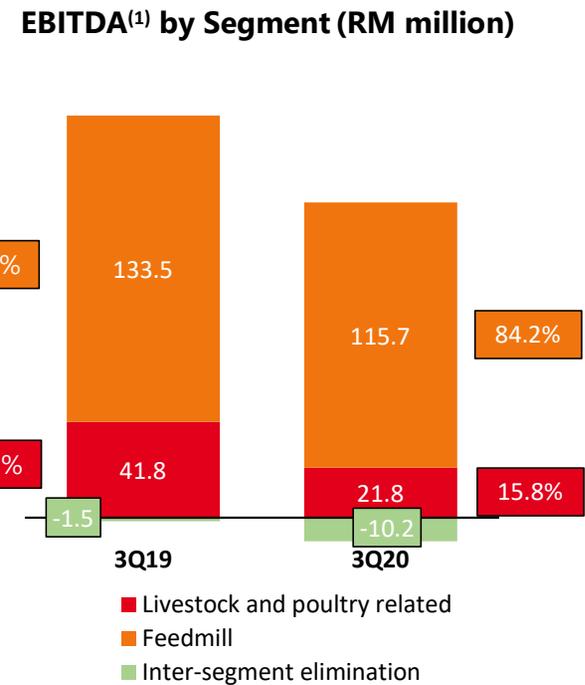
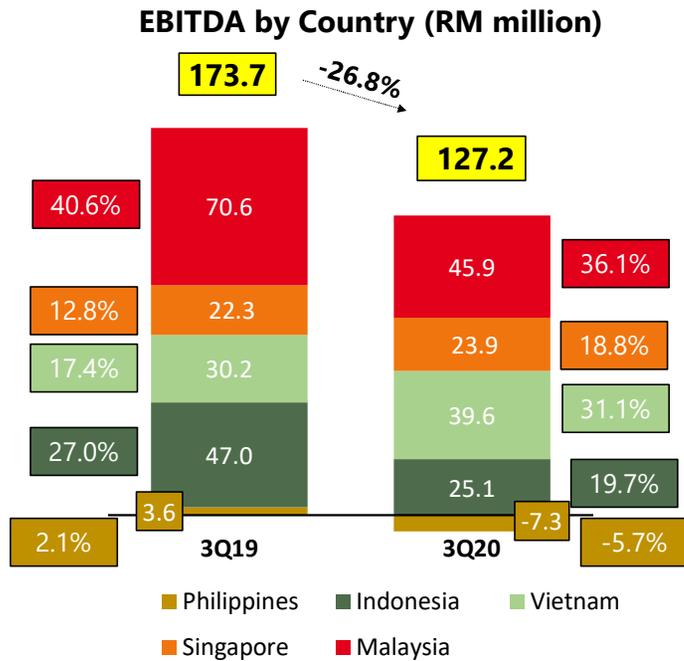
Notes:

(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 declined by 26.8%, affected by unfavourable ASP of eggs and lower DOC contribution in Malaysia; Indonesia's feedmill margins normalised
- Vietnam carried on its strong growth momentum, benefitting from higher feed sales volume and favourable feed ASP

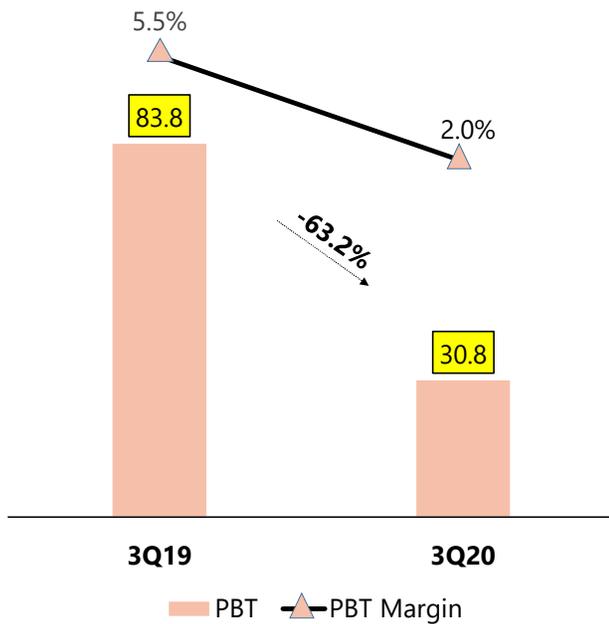


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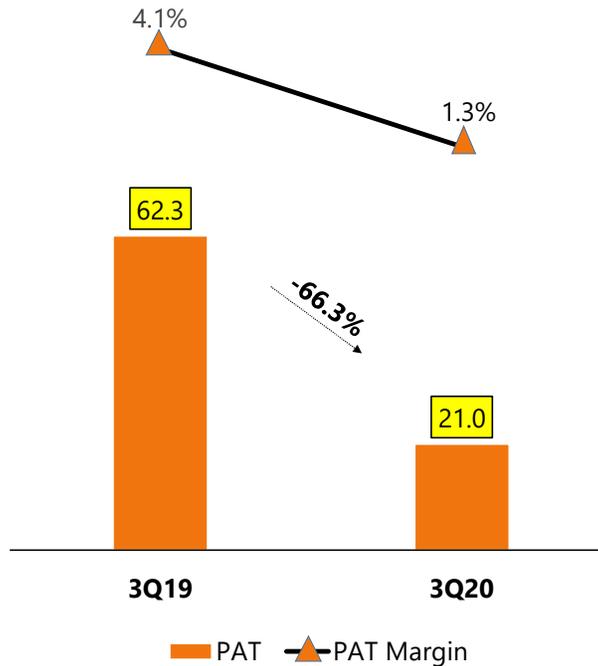
(1) EBITDA contribution by segment (in percentage) computed based on gross EBITDA only.

Financial Highlights: Earnings

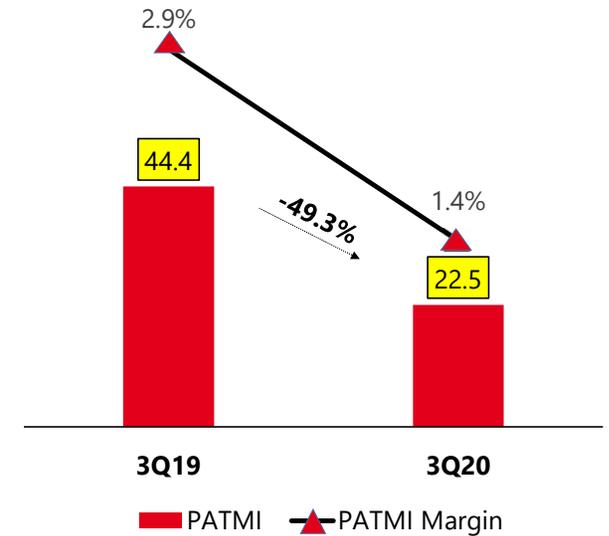
Profit Before Tax (RM million)



Profit After Tax (RM million)

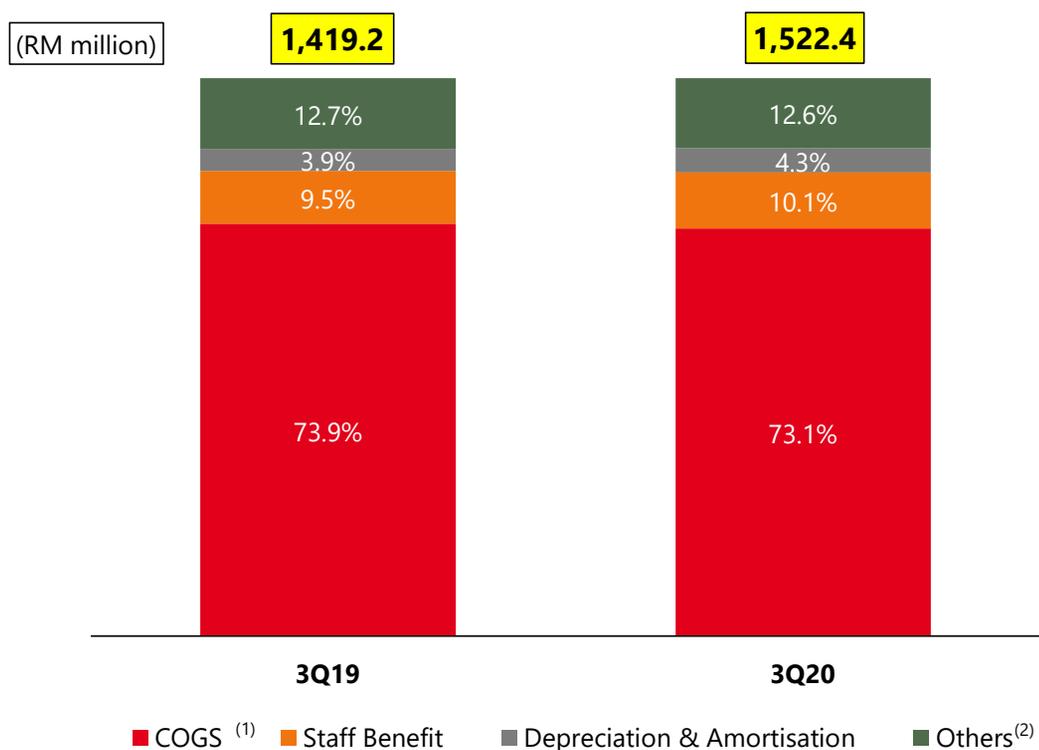


Profit After Tax and Minority Interest (PATMI) (RM million)



Operating Expenses

- Slight uptick in depreciation, staff benefit incidental to business expansion mainly attributable to Malaysia



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>		3Q20 <i>(RM million)</i>	3Q19 <i>(RM million)</i>	Variance
Revenue	▲	1,573.4	1,527.1	+3.0%
EBITDA	▼	127.2	173.7	-26.8%
Depreciation and amortisation	▲	65.5	55.4	+18.2%
Finance cost	▼	31.0	34.6	-10.4%
Profit before tax	▼	30.8	83.8	-63.2%
Profit after tax and minority interest	▼	22.5	44.4	-49.3%
Earnings per share (sen)	▼	0.62	1.22	-0.6 sen
EBITDA margin	▼	8.1%	11.4%	-3.3% pts

Balance Sheet: Summary

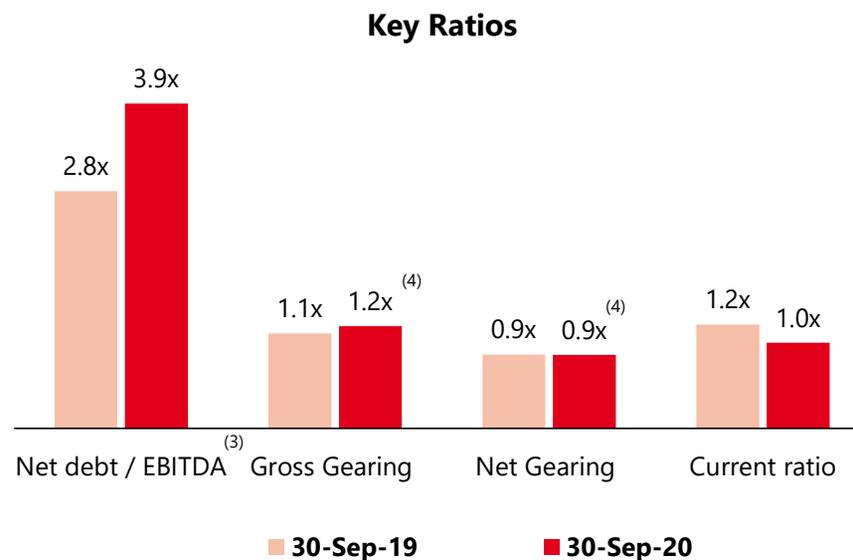
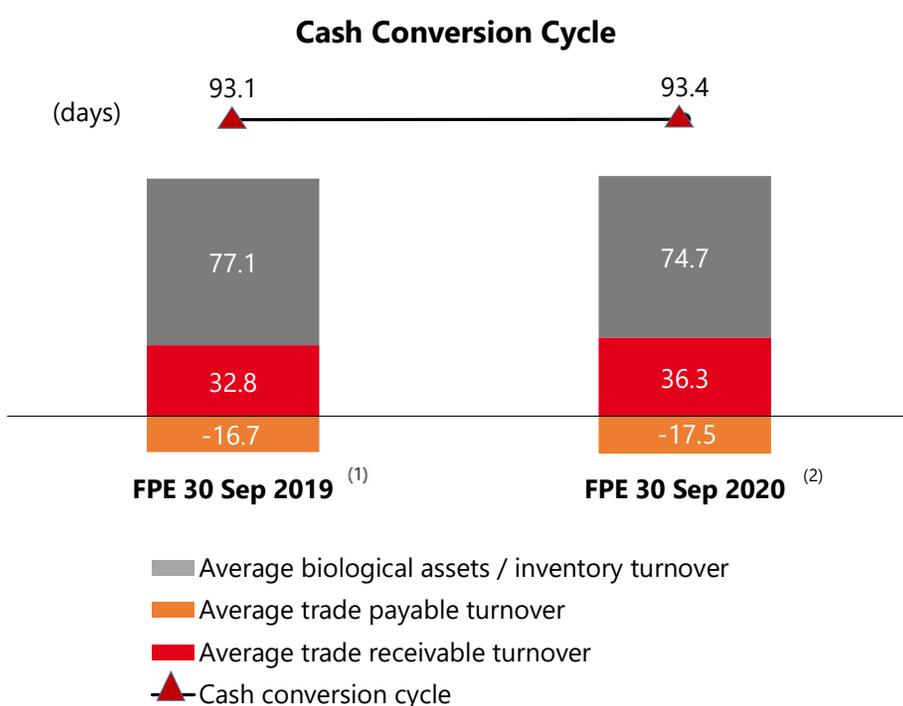
	<i>As at 30 September 2020 (RM million)</i>	<i>As at 31 December 2019 (RM million)</i>
Assets		
Non-current assets	3,091.4	2,904.3
Biological assets and inventories	1,084.2	1,058.0
Trade receivables	528.5	499.3
Other receivables	187.8	182.7
Cash and bank balances	776.2	764.8
Total Assets	5,668.1	5,409.1
Equity and Liabilities		
Total equity	2,201.7	2,180.5
Trade payables	234.9	273.1
Other payables and liabilities	427.3	455.2
Short term borrowings (including leases ⁽¹⁾)	2,012.5	1,522.6
Long term borrowings (including leases ⁽¹⁾)	791.7	977.7
Total Equity and Liabilities	5,668.1	5,409.1

Note:

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

Working Capital Management

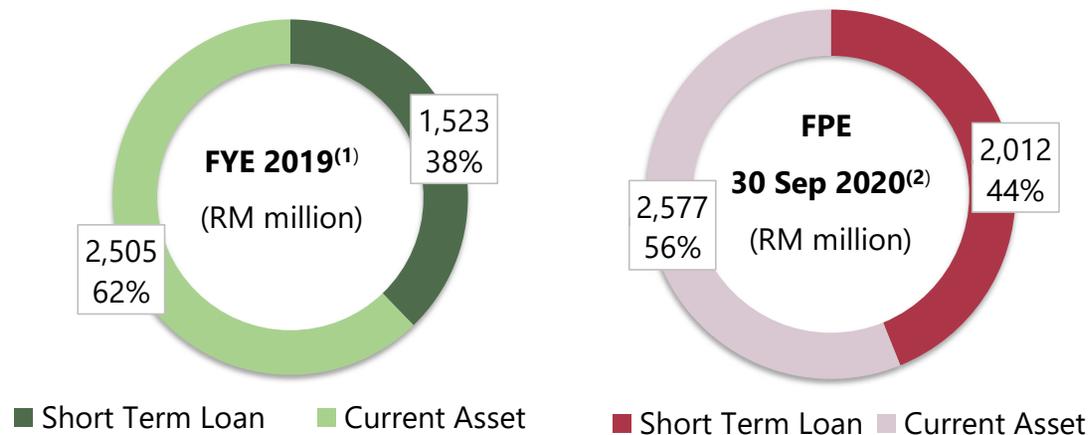
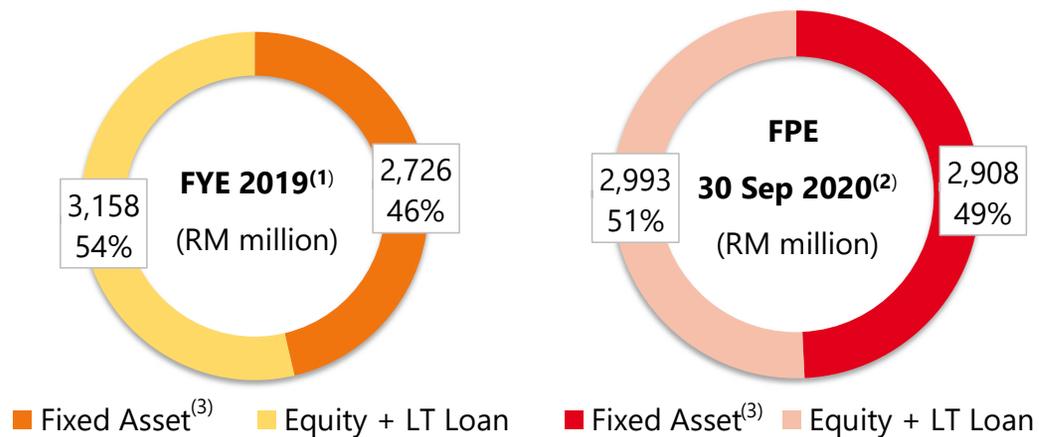
- Solid balance sheet through efficient receivables management, guided by tightening of doubtful debt provision
- Group liquidity backed by responsible and prudent cashflow management and stable gearing level



Notes:

- (1) For the 9-month financial period ended 30 September 2019, included for comparison purposes
- (2) For the 9-month financial period ended 30 September 2020
- (3) EBITDA annualized based on 3-month financial period ended 30 September 2019 and 30 September 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 RM167.3 million of IPO proceeds utilised as at 30 September 2020
- Balance of RM107.7 million to be incurred for capex purposes in Malaysia, Vietnam and Philippines
- Status of the company's utilisation of IPO proceeds as at 30 September 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	(100.0)	⁽³⁾ 48.1	107.7	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	(167.3)	60.8	107.7	

Notes:

(1) As at 30 September 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
Vietnam	Feedmill	Additional pelleting line in Dong Nai feedmill	RM2.6 million

(2) On-going projects⁽¹⁾:

Location	Segment	Project	Commencement date	Targeted completion date	Total investment
Vietnam	Livestock	Construction of additional 3 parent stock ("PS") closed-house farms and machinery in Dong Nai farm	3Q2019	4Q2020	RM0.9 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
Vietnam	Livestock	Installation and fitting of equipment in new Layer farms to be rented in Southern Vietnam	1Q2020	1Q2021	RM20.5 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-terms 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
Philippines	Livestock	Construction of 2 new broiler farms in Central Luzon	FY21	RM6.5 million ^{(1), (2)}

Notes:

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

(2) *As at 30 Sep 2020, construction for seven farm houses has yet to begin and shall commence at a later date to be determined.*

Capex Updates: Philippines

- Construction for Philippines' first feedmill progressing, slated for completion in 1Q21
- New broiler farms in Central Luzon, Philippines, commenced operation in 3Q20



Upcoming feedmill in Central Luzon, Philippines

- Total investment costs: RM59.2 million
- Upon completion (tentatively 1Q21), one production line will be commissioned with the capacity to produce up to 128,000 MT/annum
- 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



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
- Completed farm houses operational since end-2Q20, contributing up to 2.0 million broiler chickens/annum based on current housing capacity
- Possibility of future expansion, by scaling current capacity up to 3.36 million broiler chicken/annum, when market conditions allow

Capex Updates: Vietnam

- Vietnam's feedmill expansion in line with encouraging growth in demand for meat protein
- Dong Nai feedmill scaled up production capacity with recent commissioning of an additional pelleting line



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

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.

Capex Updates: Malaysia

- Realignment of capex priorities in Malaysia, focus on accelerating the group's downstream pivot into B2C channel
- Expansion of Baker's Cottage in FY20 have opened up new revenue streams, infusing stability to earnings in Malaysia



Expansion of Baker's Cottage outlets in Malaysia

- Completed acquisition of The Baker's Cottage Sdn Bhd and Baker's Cottage retail businesses in June 2020
- Product mix augments integration with group's poultry business model, emphasis on roast chicken meals, cakes and tarts as anchor products
- Quality at value-for-money product offerings targeting M40 and B40 income segments
- Outlet expansion in semi-urban and secondary townships in Malaysia; total number of outlets stood at 86 (pre-acquisition: 50)
- Positive trend* in roast chicken sales, total revenue and same-store sales growth
- Exceeded FY20 store target (80); expect total outlets of 150 by end-FY21



Tawaran Masa Terhad
Ayam Panggang
 (PERISA BARBEKUE / LADA HITAM)
RM 11.90 / seekor
 Harga biasa : RM16.85
 *Tersebut pada tempa dan tempam.

Salagi stok masih ada.

Kombo Hebat
RM 29.90 / SET

- 1 Seekor Ayam Panggang (Perisa Barbeque/Lada Hitam)
- 1 Sebotol Coca-Cola 1.5L
- 1 Manna-manna 3 biji saif / donat
- 4 biji Tart Telur Portugis
- 2 mangkuk kecil

Salagi stok masih ada.

Improved Recipe
Macau Egg Tart

Higher egg yolk content
 Richer premium cream
 Silikier smoother texture
 Less sugar

Tastier Tarts That Truly Satisfy
RM8.90/4pcs
RM15.90/8pcs
 (a'la carte RM2.85/pc)

Note:

* For year-to-30 September 2020.

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 downstream capabilities to build greater resiliency to weather challenges amid the new normal



FY20/21 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



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