



LEONG HUP INTERNATIONAL BERHAD

**RESULTS PRESENTATION FOR
3rd QUARTER 2021 (3Q21)**

24 NOVEMBER 2021

DISCLAIMER

This presentation is for information purposes only. The past performance of Leong Hup International Berhad (“LHI” or the “Company”) and its subsidiaries (the “Group”) is not indicative of the future performance of LHI and/or the Group. Reliance should not be placed on the information and opinion contained herein or on its completeness. Such information may be subject to change without prior notice, its accuracy is not guaranteed and it may not contain all material information concerning the Group.

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You are advised to refer to LHI’s quarterly financial report announcement and press release on Bursa Malaysia Securities Berhad dated 23 November 2021 as your official source of reference in respect of financial information released by LHI.

Due to rounding, numbers presented throughout this presentation may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Note: *Unless otherwise stated, all figures stated herein are for the third (3rd) quarter ended 30 September 2021, i.e. between 1 July 2021 and 30 September 2021 (“3Q21”) and the third (3rd) quarter ended 30 September 2020, i.e. between 1 July 2020 and 30 September 2020 (“3Q20”), as extracted from LHI’s unaudited consolidated financial results for the financial period ended 30 September 2021, as announced by LHI on 23 November 2021.*

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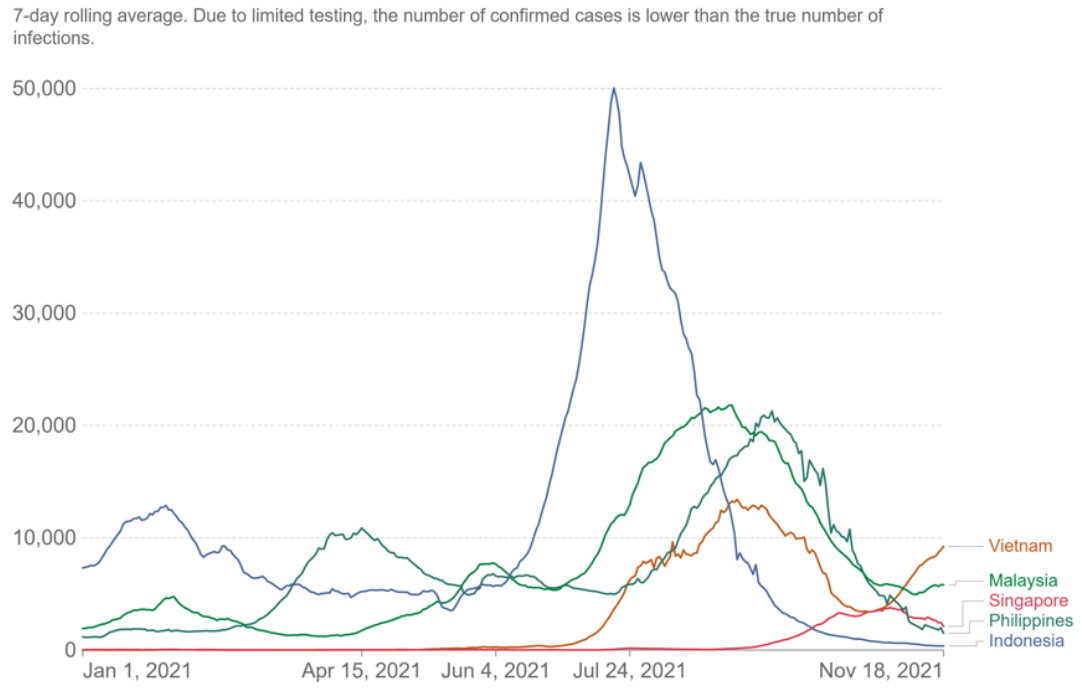
Website: <https://www.leonghupinternational.com>

Covid-19 – Snapshot on Southeast Asia

- Southeast Asia hit by Covid-19 resurgence during 3Q21, as most countries struggled to roll out vaccines swiftly
- Movement restrictions remained in place, daily activities across the region severely restricted as people stayed at home
- Recovery prospects capped amid containment measures by governments to control the Delta variant outbreak

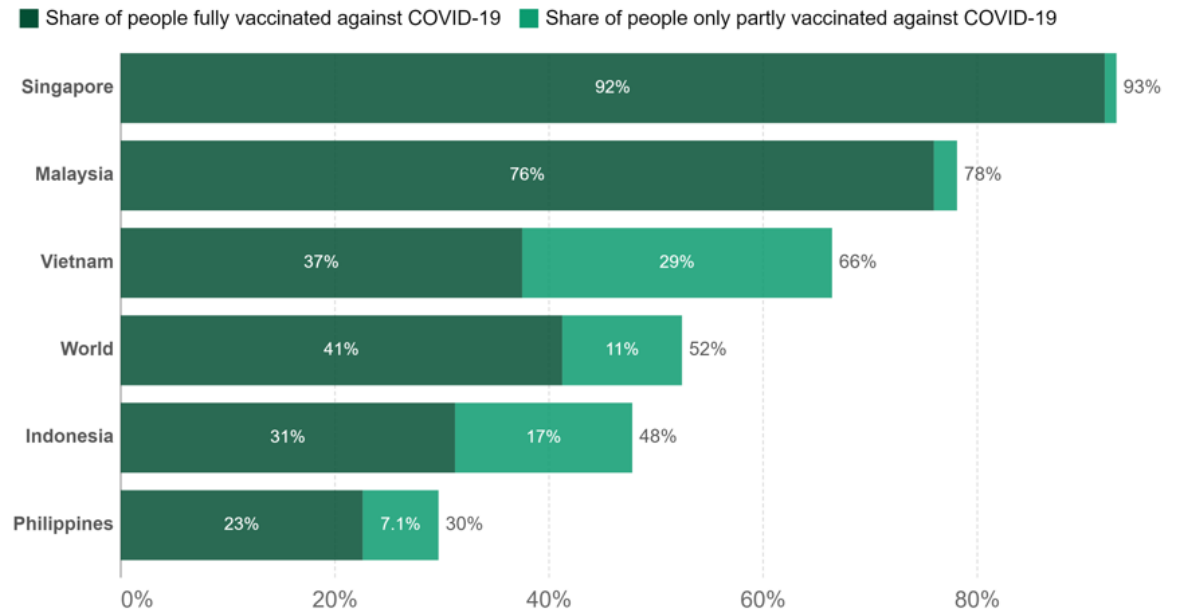
Tough lockdown measures in LHI's operating markets during 3Q21 amid a huge spike in Covid-19 case numbers ...

Daily new Covid-19 cases (as at 18 Nov 2021)



As vaccination rates have risen, lockdowns continue to ease although not all countries are equal – Singapore and Malaysia have achieved > 75% full vaccination of their total populations, while other markets are seeing good momentum ...

Share of people vaccinated against Covid-19 (as at 18 Nov 2021)



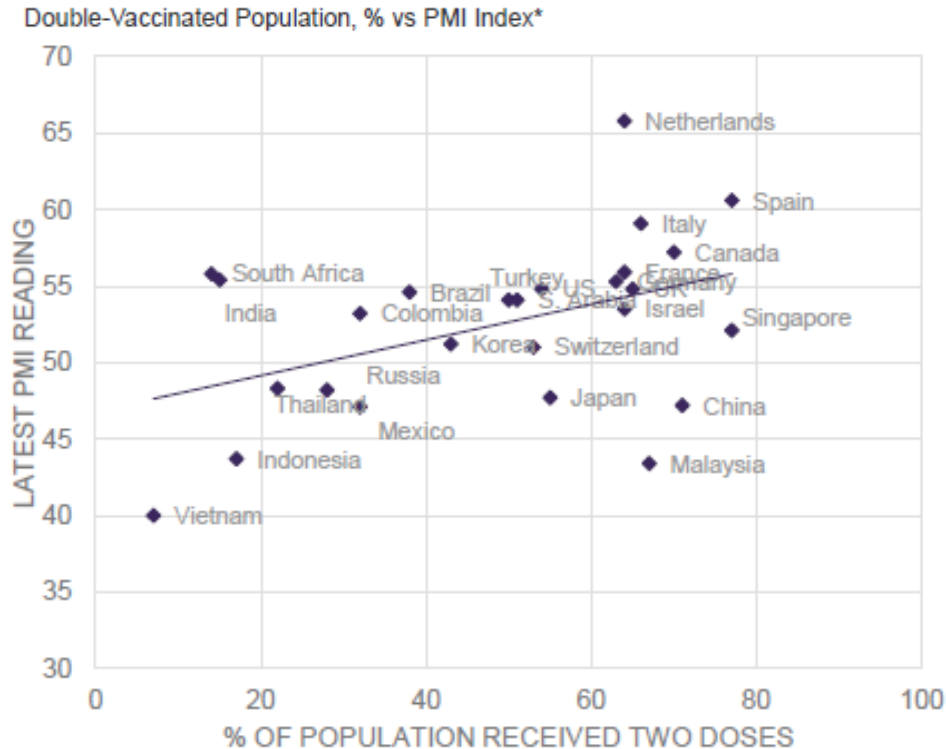
Sources: Johns Hopkins University, Our World in Data.

Sources: Public official sources, Our World in Data.

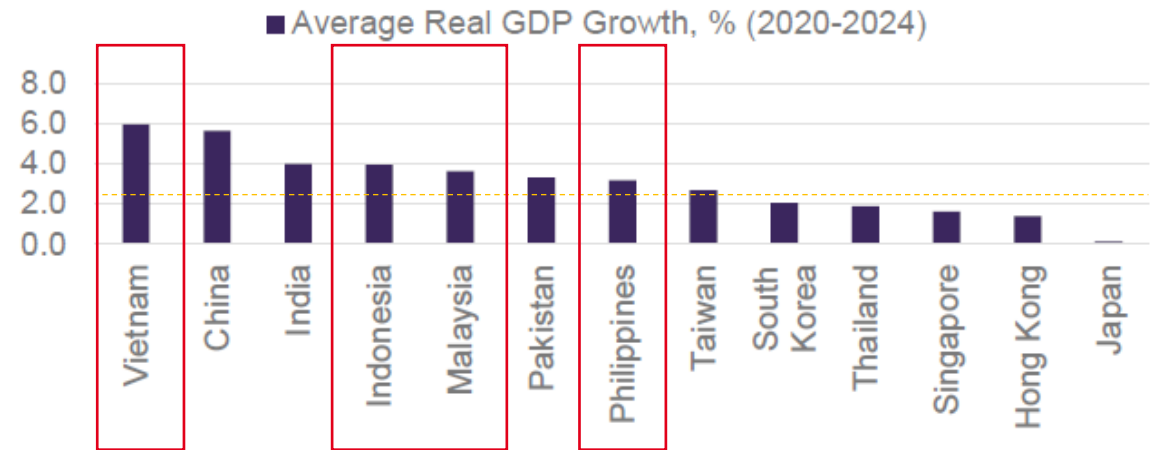
Impact on LHI amid Covid-19

- Broad-based lockdowns during 3Q21 adversely impacted domestic demand in LHI's operating markets
- LHI maintained normal operating capacity; sales volume weaker amid tight mobility controls and slower demand
- Feed average selling price ("ASP") rose in tandem with higher raw material costs; increase in live poultry ASP curbed by pandemic-induced demand weakness
- Business-to-consumer channel continued to provide margin stability, expansion trajectory in line with group strategy

Higher vaccination rates point to higher PMI* readings, i.e. economic expansion ...



As economies recover, some will bounce back faster than others. 4 out of 5 LHI's operating markets are projected to grow faster than the average economies ...



- Poultry consumption is positively correlated with GDP per capita and is still growing from a low base in developing Southeast Asia
- Poultry remains the region's most affordable, widely-consumed meat protein
- LHI is a proxy to the vaccine-led recovery and resumption of Southeast Asia's consumption growth story

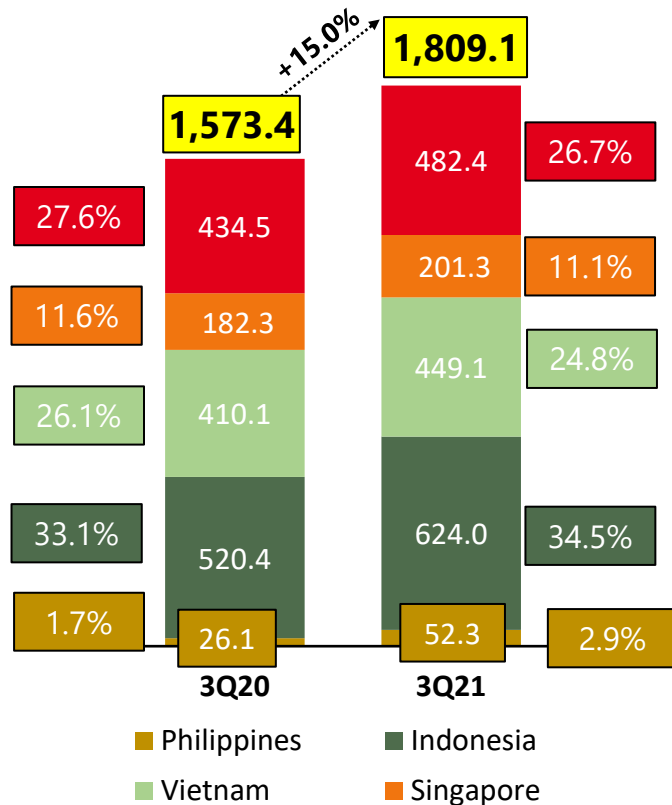
Note: * PMI Index refers to Purchasing Managers' Index
Source: Fitch Solutions Country Risk and Industry Research (September 2021).

Source: Fitch Solutions Country Risk and Industry Research (October 2021); Frost & Sullivan.

Financial Highlights: Revenue

- Revenue grew YoY marked by a general improvement in ASP of products in Malaysia, Indonesia and Philippines; stronger feed ASP in Vietnam
- Indonesia's ASP of day-old-chicks ("DOC"), broiler chickens increased, aided by higher sales volume of broiler chicken; Malaysia benefitted from better ASP of eggs and robust business-to-consumer channel expansion
- Higher feed sales volume in Indonesia, as well as increased feed ASP in Indonesia and Vietnam

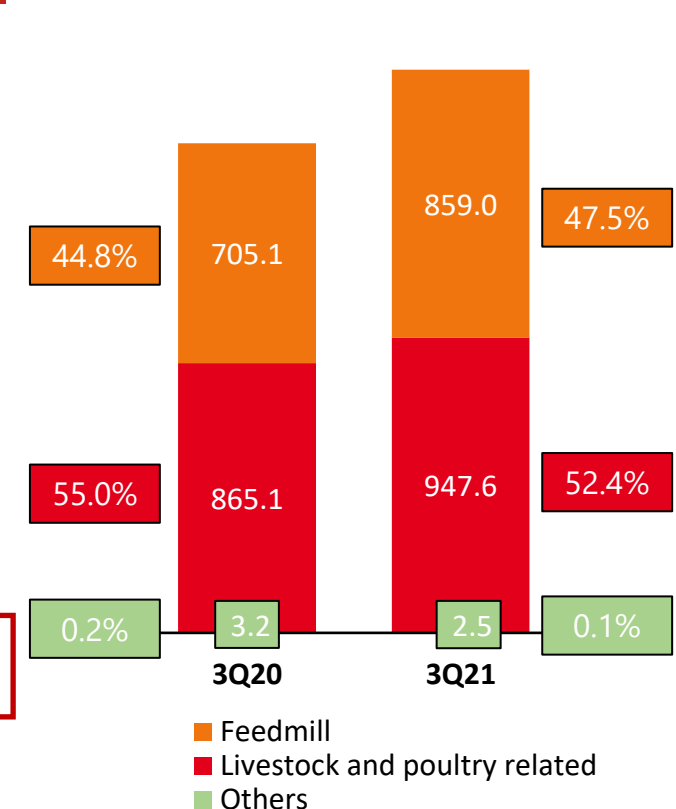
Revenue⁽¹⁾ by Country
(RM million)



Revenue⁽¹⁾ by Country
(RM million)

Country	3Q20 (RM million)	3Q21 (RM million)	Variance (%)
Malaysia	434.5	482.4	+11.0%
Singapore	182.3	201.3	+10.4%
Vietnam	410.1	449.1	+9.5%
Indonesia	520.4	624.0	+19.9%
Philippines	26.1	52.3	+100.4%
LHI Group	1,573.4	1,809.1	+15.0%

Revenue⁽¹⁾ by Segment
(RM million)



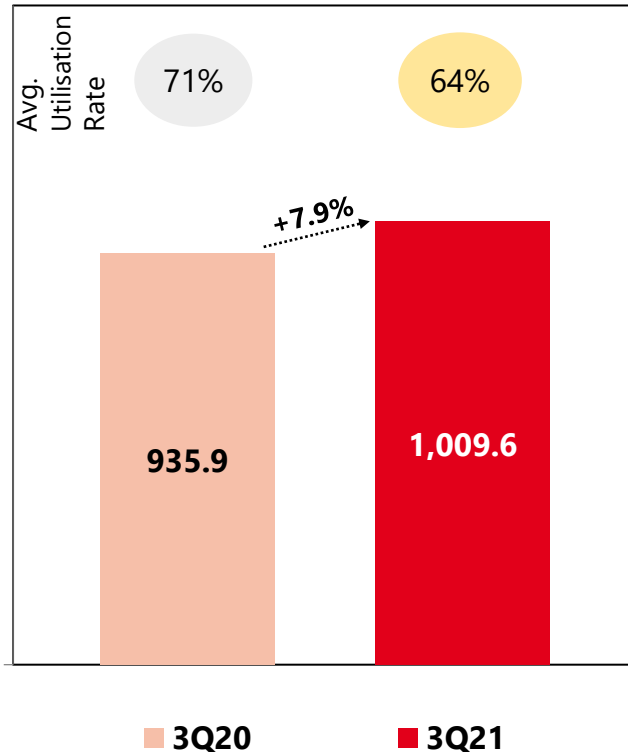
Notes:

(1) Including revenue from other sources.

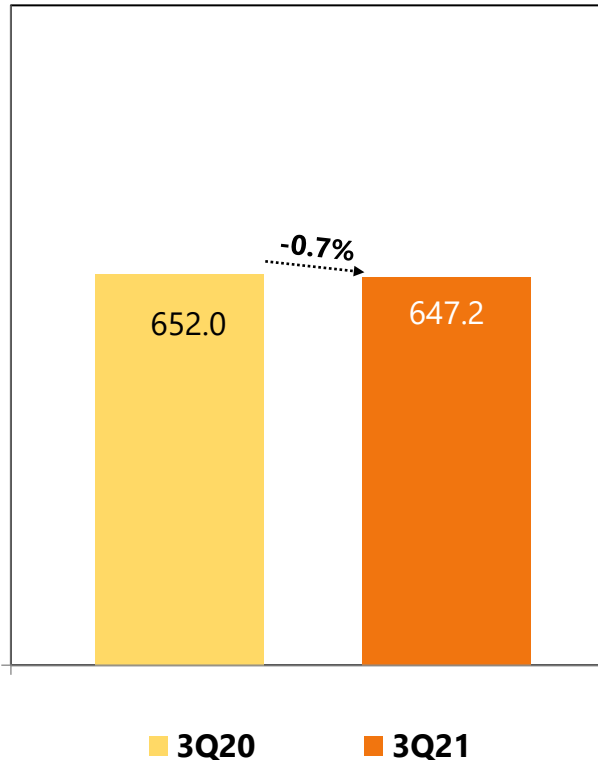
(2) Total may not add up due to rounding.

Operating Highlights: Feedmill

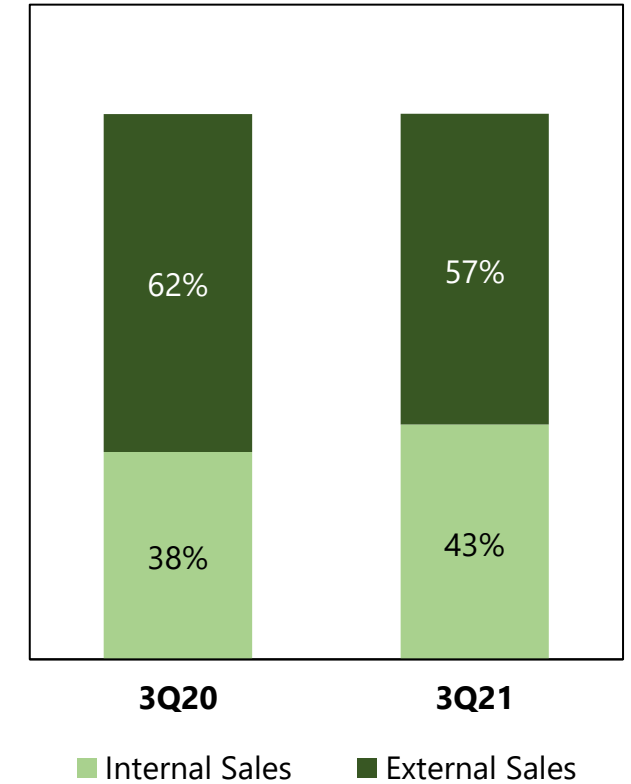
Group Production Capacity (‘000 MT)



Group Feed Sales Volume⁽¹⁾ (‘000 MT)



Sales Split

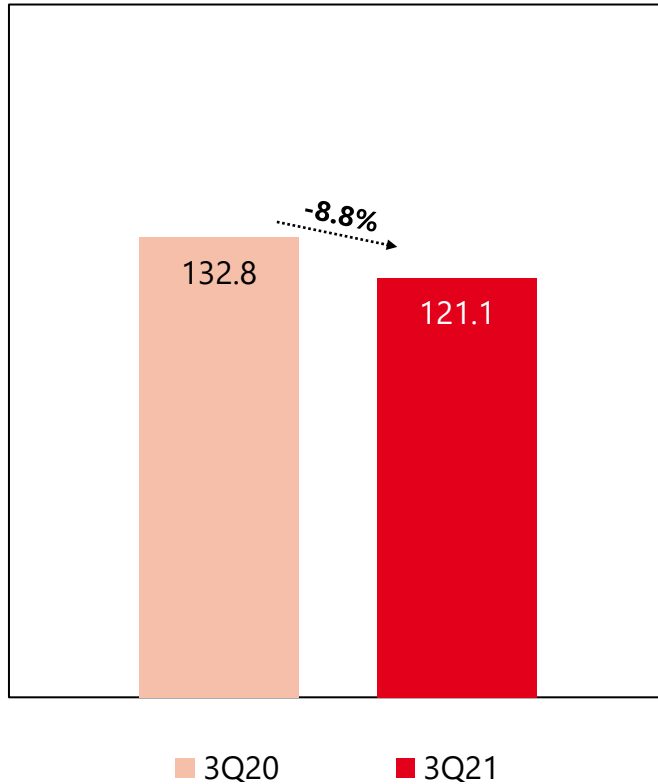


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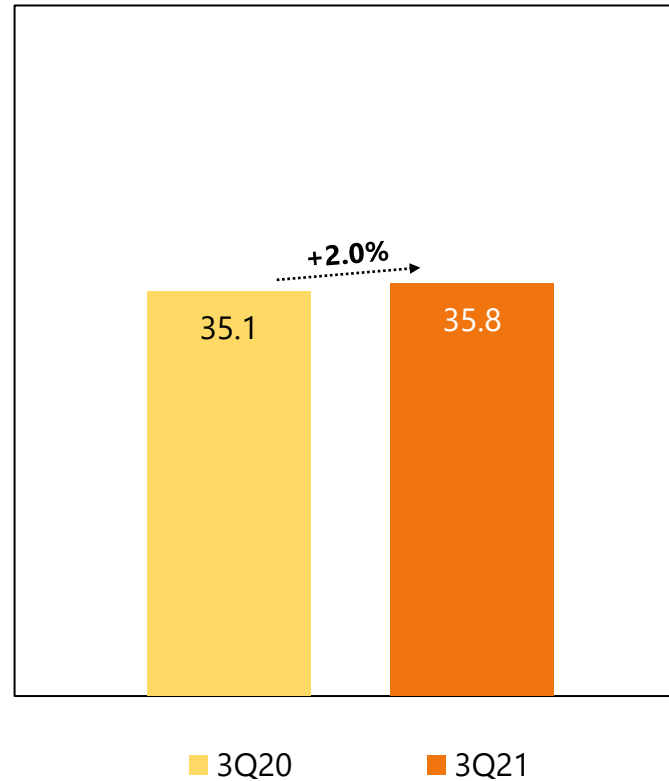
(1) Feed sales volume include both internal and external sales.

Operating Highlights: Livestock

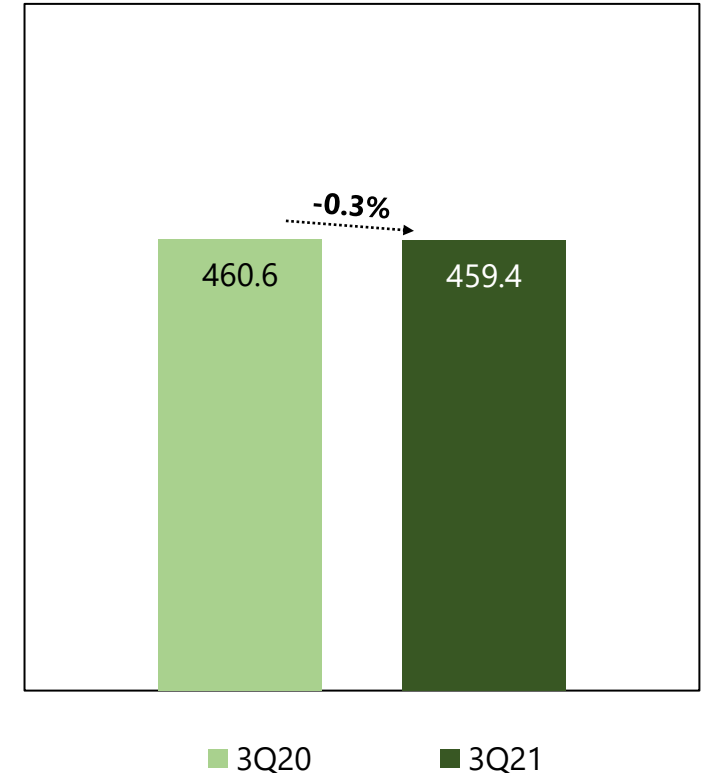
**Group Broiler DOC
Sales Volume⁽¹⁾
(million chicks)**



**Group Broiler
Sales Volume⁽¹⁾
(million birds)**



**Group Eggs
Sales Volume⁽²⁾
(million eggs)**



Notes:

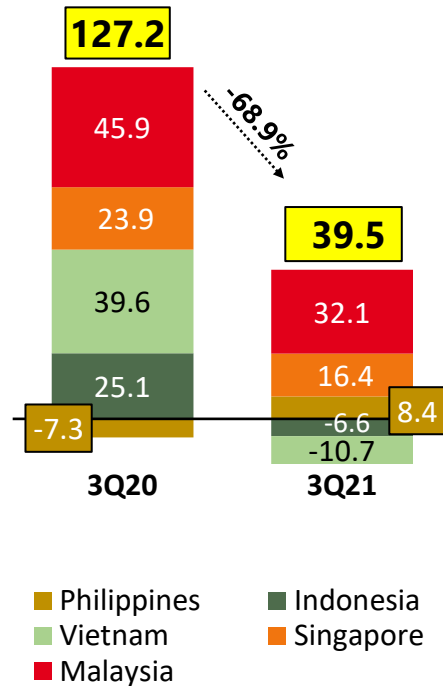
(1) Broiler day-old chicks ("DOC") and broiler chickens sales volume include both internal and external sales.

(2) All eggs are sold to third parties.

Financial Highlights: EBITDA

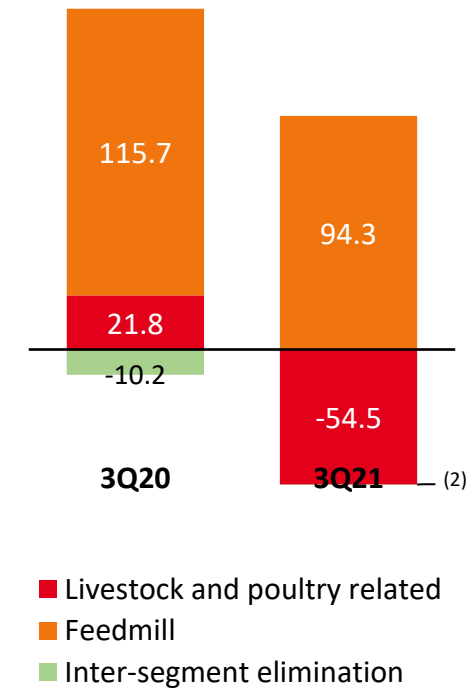
- Reduction in EBITDA due mainly to underperformance in livestock segment amid weak demand conditions
- ASP of broiler chickens in Vietnam declined substantially in 3Q21; livestock margin compression due to challenges in transmitting higher feed input cost to the ASP of live poultry in Vietnam, Malaysia and Indonesia
- Feed raw material costs increase outpaced improvement in ASP; sequential margins improved marginally for feedmill

EBITDA by Country (RM million)



EBITDA by Country	3Q20 (RM million)	3Q21 (RM million)	Variance
Malaysia	45.9	32.1	-30.1%
Singapore	23.9	16.4	-31.4%
Vietnam	39.6	-10.7	-127.0%
Indonesia	25.1	-6.6	-126.3%
Philippines	-7.3	8.4	+216.1%
LHI Group	127.2	39.5	-68.9%

EBITDA by Segment (RM million)

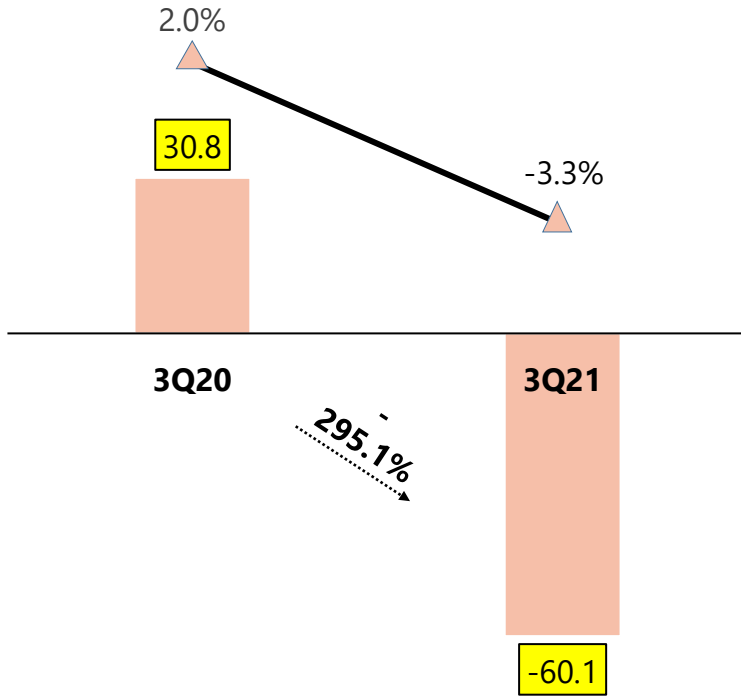


Notes:

- (1) Inter-segment elimination amount negligible in 3Q21.
- (2) Total may not add up due to rounding.

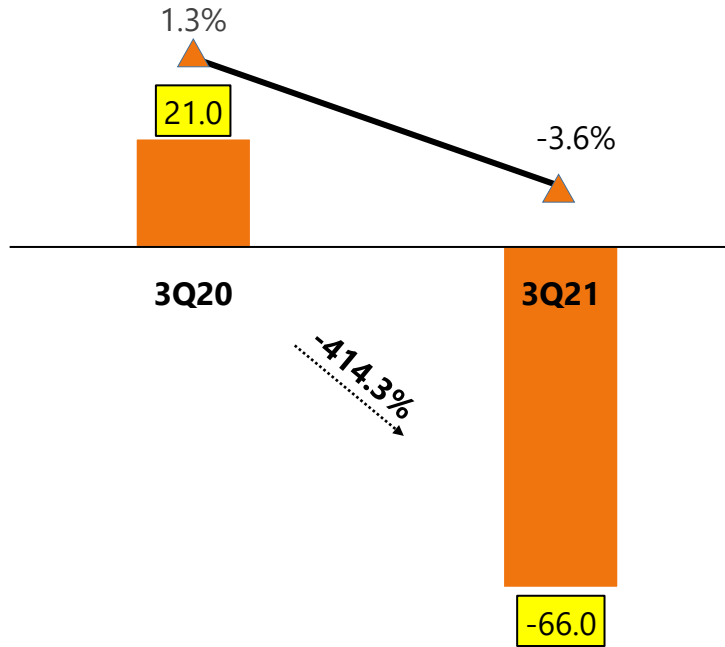
Financial Highlights: Earnings

Profit/Loss Before Tax (RM million)



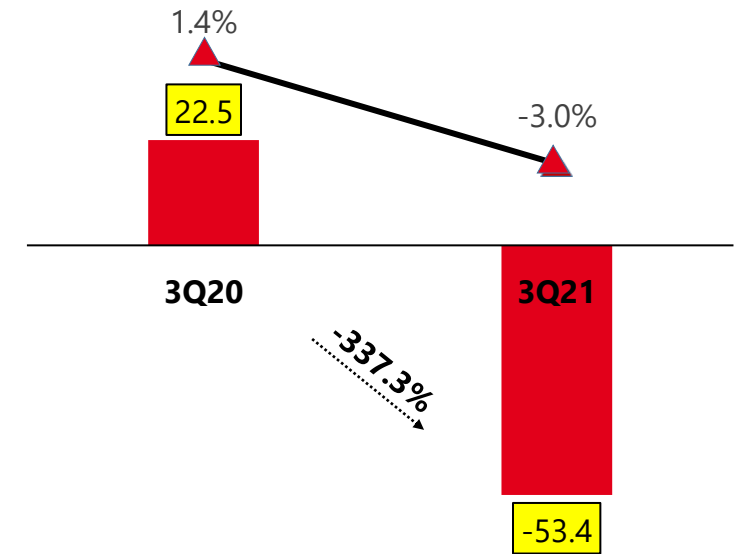
■ PBT/LBT ▲ PBT/LBT Margin

Profit/Loss After Tax (RM million)



■ PAT/LAT ▲ PAT/LAT Margin

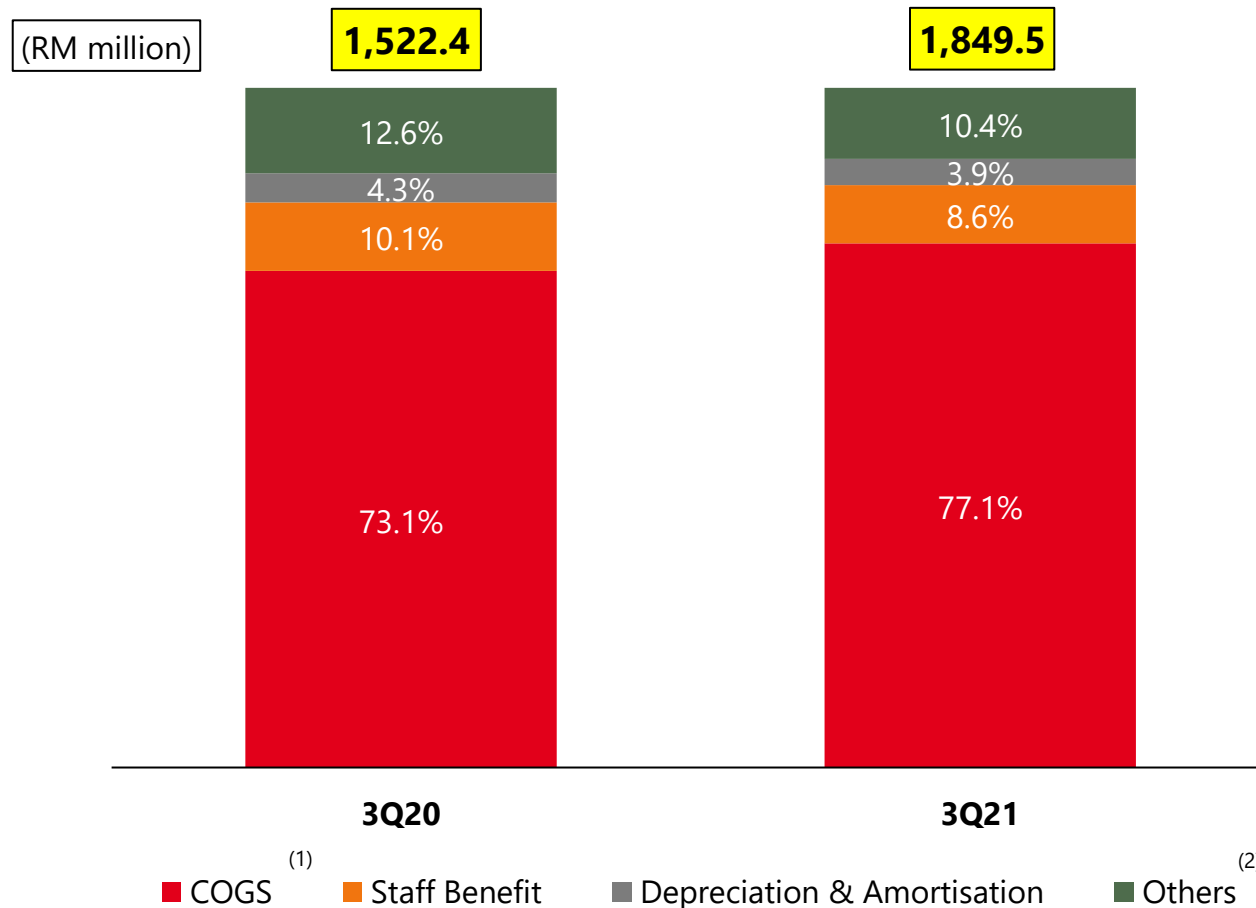
Profit/Loss After Tax and Minority Interest (PATMI) (RM million)



■ PATMI/LATMI ▲ PATMI/LATMI Margin

Operating Expenses

- Higher COGS due primarily to commodity-driven price pressure on raw material costs
- Expect further margin recovery for feedmill and sequential realignment of livestock ASP in tandem with input cost pressure, notwithstanding timing difference
- Other opex generally stable amid business expansion



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>	<i>3Q20 (RM million)</i>	<i>3Q21 (RM million)</i>	<i>Variance</i>
Revenue	1,573.4	▲ 1,809.1	+15.0%
EBITDA	127.2	▼ 39.5	-68.9%
Depreciation and amortisation	65.5	▲ 71.3	+8.9%
Finance cost	31.0	▼ 28.5	-8.1%
Profit/(loss) before tax	30.8	▼ (60.1)	-295.1%
Profit/(loss) after tax and minority interest	22.5	▼ (53.4)	-337.3%
Earnings/(loss) per share (sen)	0.62	▼ (1.46)	-2.08 sen
EBITDA margin (%)	2.2	▼ 8.1	-5.9% pts

Balance Sheet: Summary

	<i>As at 31 December 2020 (RM million)</i>	<i>As at 30 September 2021 (RM million)</i>
Assets		
Non-current assets	3,228.4	3,328.6
Biological assets and inventories	1,086.5	1,387.3
Trade receivables	489.6	620.6
Other receivables	132.5	256.0
Cash and bank balances	757.8	672.8
Total Assets	5,694.8	6,265.3
Equity and Liabilities		
Total equity	2,248.6	2,308.5
Trade payables	229.4	293.8
Other payables and liabilities	421.4	439.9
Short term borrowings ⁽¹⁾	1,783.8	2,164.0
Long term borrowings ⁽¹⁾	1,011.6	1,059.1
Total Equity and Liabilities	5,694.8	6,265.3

Note:

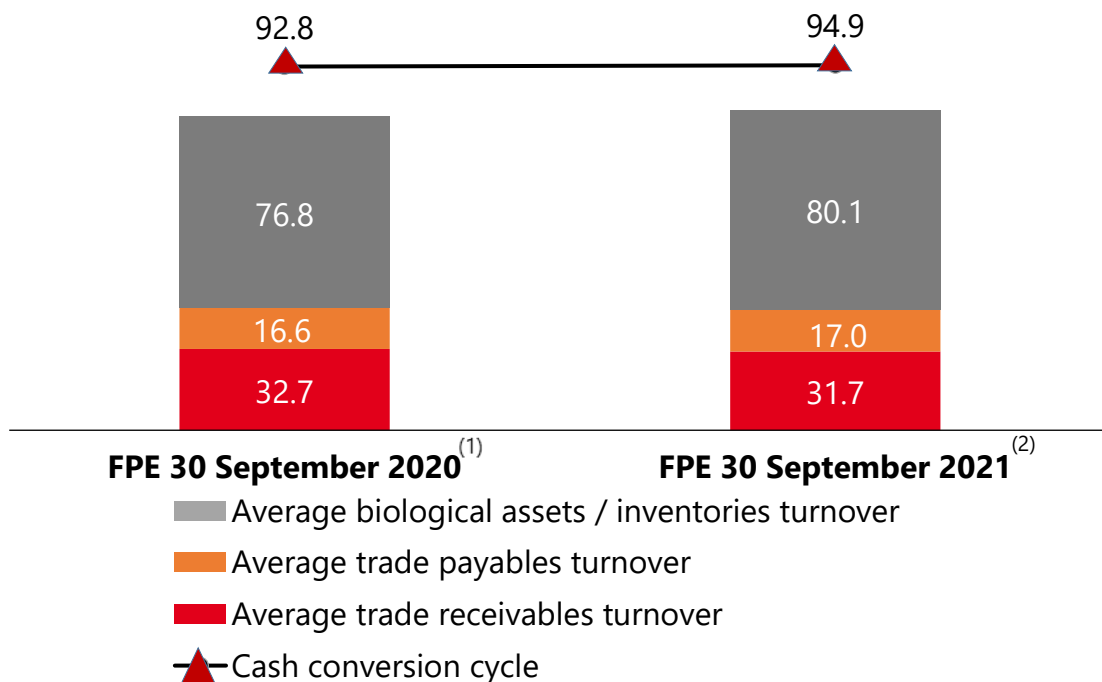
(1) Including lease liabilities for MFRS 16.

Working Capital Management

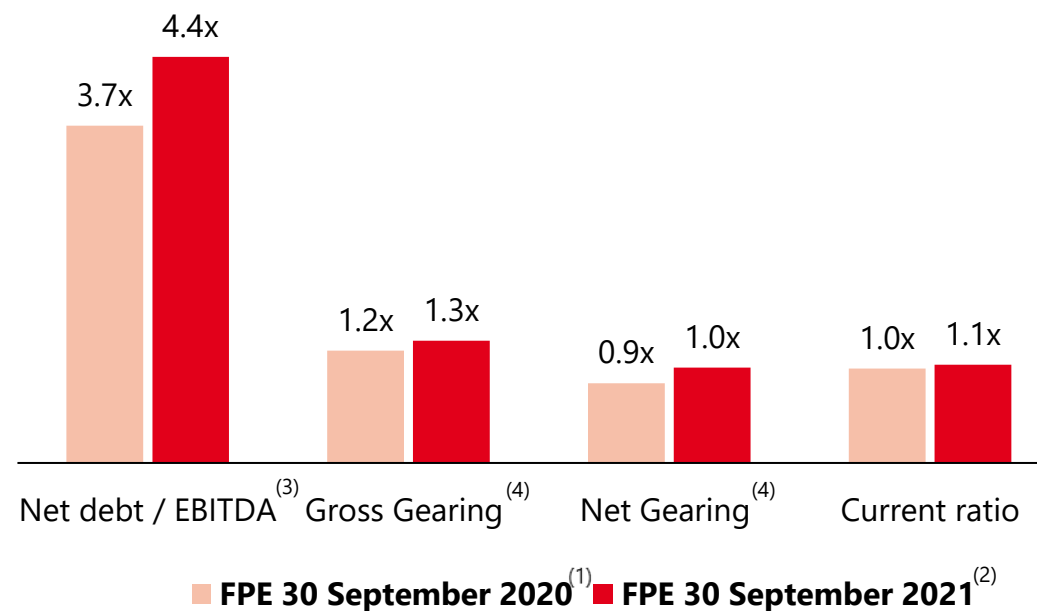
- Underlying strength in balance sheet provides sufficient buffer against short-term pandemic challenges
- Group liquidity remains sound, backed by continuous cash-generating ability and prudent cashflow management
- Uptick in gearing level to ensure sufficiency in working capital in light of operating environment headwinds

Cash Conversion Cycle

(days)



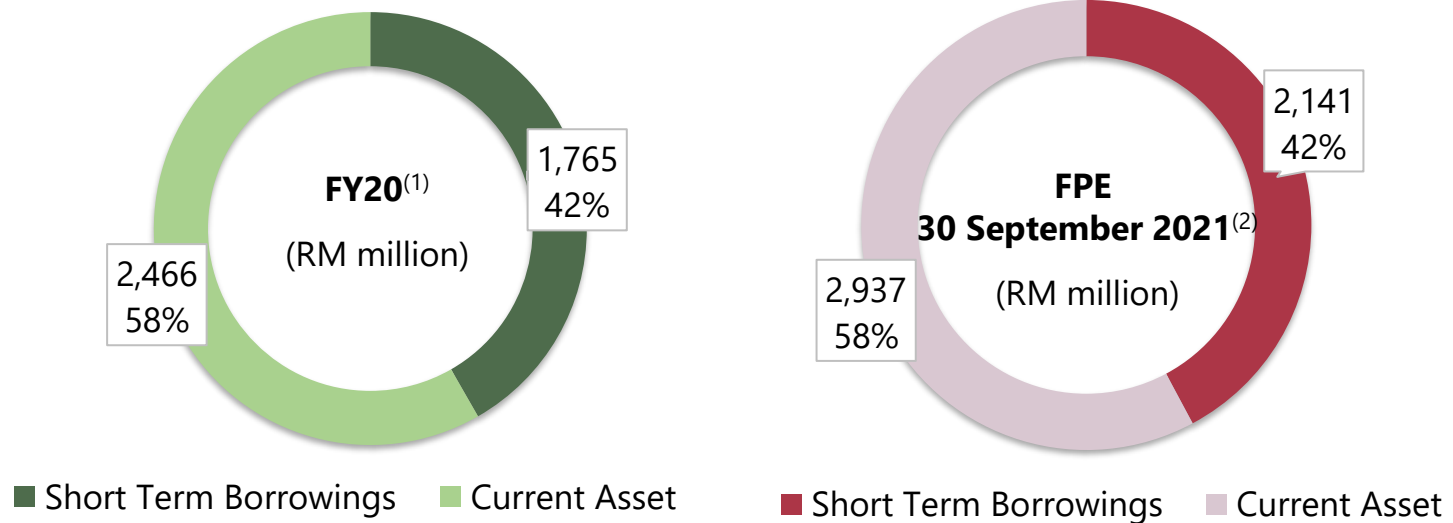
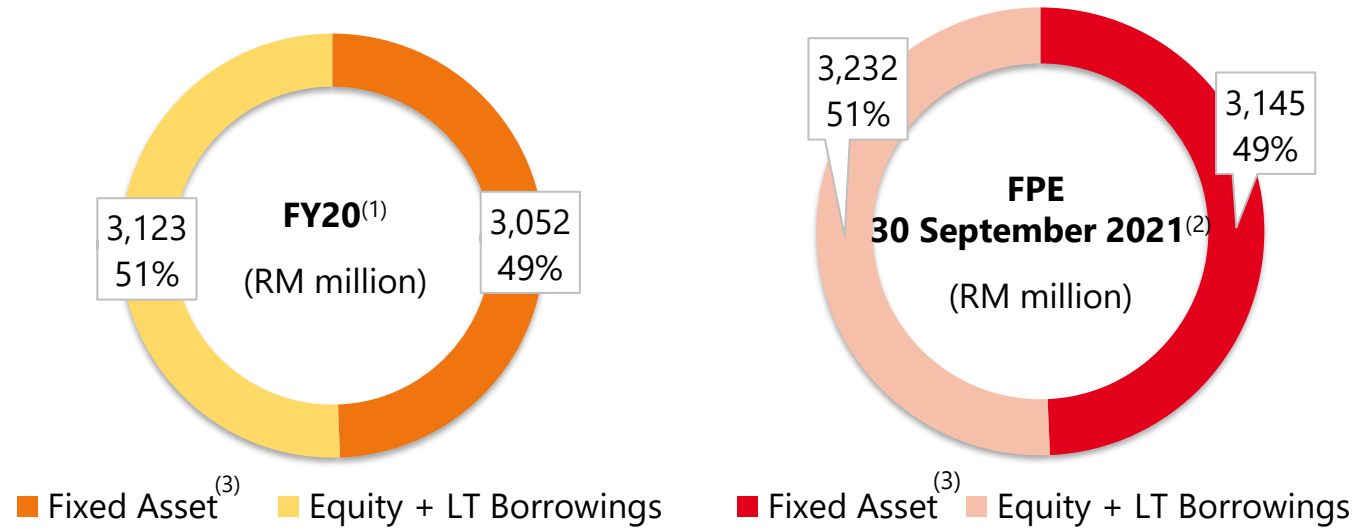
Key Ratios



Notes:

- (1) For the 9-month financial period ended 30 September 2020, included for comparison purposes.
 (2) For the 9-month financial period ended 30 September 2021.
 (3) Rolling 12-month EBITDA.
 (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 2020.

(2) For the 9-month financial period ended 30 September 2021.

(3) Fixed assets inclusive of investment properties and right-of-used assets.

Utilisation of IPO Proceeds

- Remaining IPO proceeds for capex purposes utilised as at 30 September 2021

Purposes	Revised proposed utilisation	⁽¹⁾Actual utilisation	%	⁽¹⁾Balance unutilised	Revised timeframe for utilisation from listing date⁽²⁾
	(RM million)	(RM million)		(RM million)	
Capital expenditure	142.7	(142.7)	⁽³⁾ 100.0	-	within 42 months
Working capital	98.0	(98.0)	⁽³⁾ 100.0	-	within 30 months
Defray fees and expenses for IPO and Listing	34.3	(34.3)	100.0	-	
Total	275.0	(275.0)	100.0	-	

Notes:

(1) As at 30 September 2021.

(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 and announcement dated 20 May 2021 on the variation and extension of timeframe for the IPO proceeds utilisation.

Capex Updates

- RM104.2 million in capex successfully executed post-IPO, as LHI expanded capacity in its growth markets

(1) Completed projects⁽¹⁾:

Location	Segment	Project	Total investment
Philippines	Feedmill	Construction of first feedmill plant in Central Luzon	RM59.2 million
Philippines	Livestock	Construction of 2 new broiler farms in Central Luzon	RM14.0 million
Philippines	Livestock	Construction of new GPS farm in South Luzon	RM6.4 million
Vietnam	Feedmill	Installation of automatic bagging & robotic pelletiser in Tien Giang and Bau Bang feedmill	RM4.6 million
Vietnam	Livestock	Construction of additional 3 parent stock ("PS") closed-house farms and machinery in Dong Nai farm	RM0.9 million
Vietnam	Feedmill	Additional pelleting line in Dong Nai feedmill	RM2.6 million
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

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)

- On-going upgrades in Vietnam's feedmill expected to complete by end of 2022; maintaining flexibility to further adjust timing of capex as market evolves
- Re-prioritisation of non-critical capex projects necessary due to market uncertainty and short-term challenges arising from the pandemic

(2) On-going projects⁽¹⁾:

Location	Segment	Project	Commencement date	Targeted completion date	Total investment
Vietnam	Livestock	Installation and fitting of equipment in new Layer farms to be rented in Southern Vietnam	1Q2020	2Q2022	RM20.5 million
Vietnam	Feedmill	Silo expansion and construction of a soybean meal flat warehouse discharging system in Dong Nai feedmill	1Q2021	3Q2022	RM5.1 million
Vietnam	Feedmill	Construction of centralised premix machineries in Dong Nai feedmill	1Q2021	4Q2022	RM6.8 million

(3) Delayed projects:

Location	Segment	Project	Postponed until	Total investment
Malaysia	Livestock	Expansion of closed-house broiler farms	FY22	RM46.1 million ⁽²⁾
Vietnam	Feedmill	Construction of animal medicine injection line in Bau Bang	FY22	RM4.9 million ⁽¹⁾
Philippines	Livestock	Construction of new PS farm in Central Luzon	FY22	RM19.2 million ⁽¹⁾

Notes:

(1) Funded via IPO proceeds.

(2) Represents balance investment amount not incurred as at 30 September 2021, to be funded by internal funds and/or bank borrowings.

Capex Updates: Indonesia

- *Construction of additional storage facility to augment supply of raw material for feedmill production*
- *Continue to develop downstream segment with an upcoming new poultry processing plant in West Java*



Upcoming raw material drying / storage facility + planned new feedmill in Lampung

- *Estimated investment costs: RM80.3 million (two-staged), to be funded by bank borrowings and internally-generated funds*
- *Stage 1 (RM19.0 million capex) involves the construction of an additional raw material drying and storage facility, tentatively targeted for completion by early FY22*
- *Upon completion, the new facility is expected to be able to dry-process and store corn up to 15,500 MT/month*
- *Planning for the construction of a new feedmill under Stage 2 (RM61.3 million capex) currently under way, pending assessment of market conditions*



Upcoming poultry processing plant in West Java

- *Estimated investment costs: RM28.5 million, to be funded by bank borrowings and internally-generated funds*
- *Construction expected to commence by 3Q21, tentatively targeting completion by early-FY22*
- *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*

Capex Updates: Malaysia

- Post-acquisition since 1H20, Malaysia's B2C channel contribution has cushioned fluctuation in broiler chickens' ASP
- Emerging revenue stream infuses Group with earnings stability in FY21
- Growth trajectory remains intact, backed by popular demand from convenience driven and budget conscious consumers
- Favourable growth drivers for quick-service restaurants ("QSR") and ready-to-eat ("RTE") concepts amid new normal



Expansion of Baker's Cottage outlets in Malaysia

- Modern QSR concept retailing roast chicken and set meals as well as signature bakery products including cakes and ice cream cakes, egg tarts and sausages, buns and pastries
- New products launched in 3Q21 include chicken wings set and popcorn chicken bites; more poultry-based RTE products in the pipeline
- Capex per outlet at approximately RM600,000
- 168 active outlets to-date*; 12 more upcoming outlets expected by end-FY21



Note: * As at 19 November 2021.

Strategic Focus

Outlook and strategies

- Business conditions remain challenging, demand remains below pre-Covid-19 levels
- Vaccine-led recovery to bode well for LHI's growth markets in Southeast Asia
- "Farm-to-Plate" strategy as core pillar of growth, driven by excellence in execution and proven track record
- LHI remains committed in our geographical footprints, via volume expansion and deepening of poultry chain integration with emphasis on downstream expansion (i.e. further processing and B2C channels)
- LHI's strong fundamentals, execution strategies and FY21/22 priorities to drive long-term value creation



FY21/22 Priorities

1. Ensure business and operational continuity amid pandemic challenges
2. Drive cost leadership and recalibrate capex priorities in response to short-term shocks
3. Manage balance sheet capacity in line with business needs and price environment
4. Leverage full value chain integration to stabilise margins, extract further incremental margins and deliver shareholders' value



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THANK YOU

