



# LEONG HUP INTERNATIONAL BERHAD

**RESULTS PRESENTATION FOR  
4<sup>th</sup> QUARTER 2020 (4Q20)**

**24 FEBRUARY 2021**

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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 February 2021 as your official source of reference in respect of financial information released by LHI.

**Note:** Unless otherwise stated, all figures stated herein are for the fourth (4<sup>th</sup>) quarter ended 31 December 2020, i.e. between 1 October 2020 and 31 December 2020 (“4Q20”) and the fourth (4<sup>th</sup>) quarter ended 31 December 2019, i.e. between 1 October 2019 and 31 December 2019 (“4Q19”), as extracted from LHI’s unaudited consolidated financial results for the financial period ended 31 December 2020, as announced by LHI on 23 February 2021.

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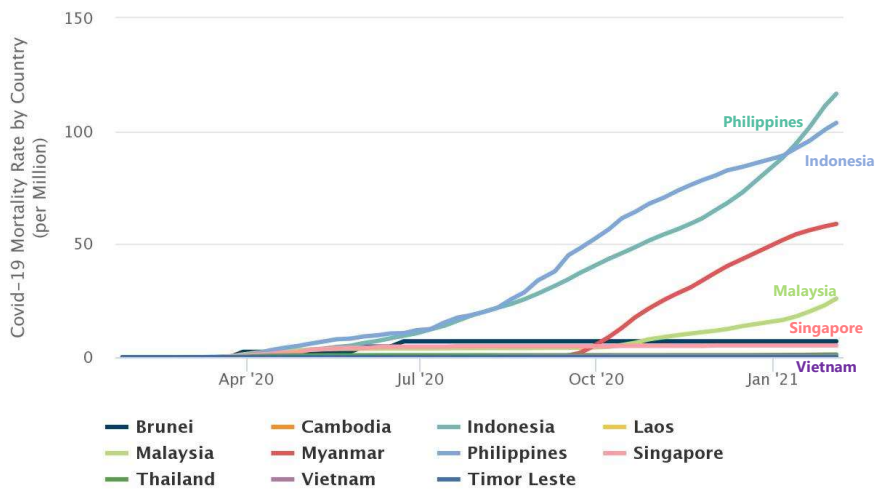
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# Covid-19 – Snapshot on Southeast Asia

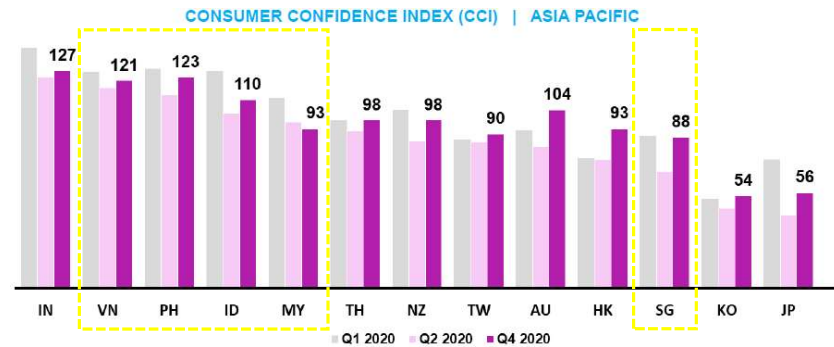
- Covid-19 continues to be rampant amid surging infections, new strain of the virus and difficulties in the rollout of vaccines globally
- ASEAN-5 economies forecasted to stage a recovery; global growth on course to rebound from 2020, notwithstanding transitory setbacks

Covid-19 Mortality Rate by Country in Southeast Asia



CSIS Southeast Asia Program | Source: Johns Hopkins University

Consumer sentiment improving in Vietnam, Philippines and Indonesia; continue to remain subdued in Malaysia and Singapore ...



Stronger-than-expected growth momentum in 2H20; global recovery scenario in 2021 hinges on massive Covid-19 vaccine rollout ...

	Estimate/Forecast		
Real GDP (Annual % change)	2019	2020	2021
World output	2.8	-3.5	5.5
ASEAN-5	4.9	-3.7	5.2

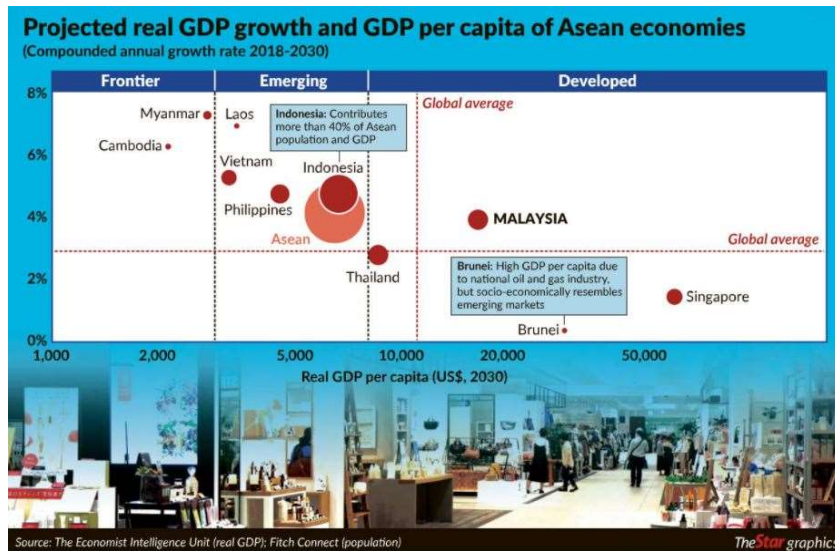
Note: ASEAN-5 comprises Indonesia, Malaysia, Philippines, Thailand and Vietnam.

Sources: (clockwise from left) Center for Strategic & International Studies (CSIS), John Hopkins University; The Conference Board Global Consumer Confidence Report, in collaboration with Nielsen Consumer LLC (Q4 2020); IMF's World Economic Outlook Update, January 2021. All information as at 3 February 2021.

# Impact on LHI amid Covid-19

- Market in 2H20 was more resilient than in 1H20 amid signs of recovery following the brief reopening of economies
- LHI registered growth across all key products in Feedmill and Livestock segments in FY20, with emerging contribution from new business focus in the business-to-consumer (“B2C”) channel
- Sequential recovery expected in LHI’s markets amid improving operating environment and vaccine narrative
- On track with “Farm-to-Plate” blueprint; further vertical integration across LHI’s markets remains a key agenda

Recovery in demand drivers expected to sustain in 2021, to be further uplifted by favourable and robust long-term economic fundamentals in LHI’s markets ...



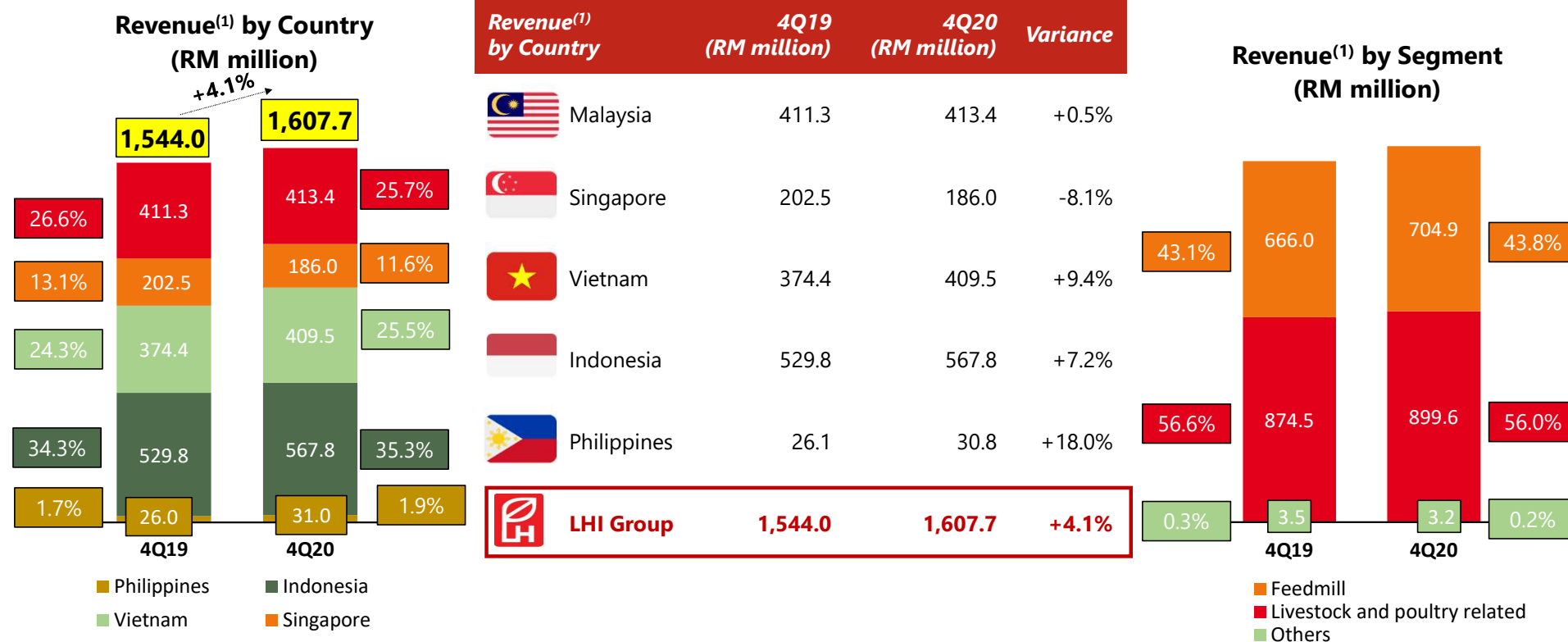
Volume sold	FY19	FY20	%
Livestock Feed (MT)	2,321,480	2,466,584	6.3
Broiler Day-Old-Chicks (chicks)	471,953,056	494,024,597	4.7
Broiler Chickens (birds)	129,936,793	135,027,579	3.9
Tables Eggs (million)	1,729.82	1,801.00	4.1

## FY21 execution will continue to be driven by ...

- 📌 *Operational excellence: Organic growth and capacity expansion to grow volume and market share*
- 📌 *Commercial excellence: Create strong price / risk management stability by enhancing integration along the poultry value chain*
- 📌 *Optimisation: Improve margins mix, drive cost leadership and diversify revenue base with greater B2C contribution*

# Financial Highlights: Revenue

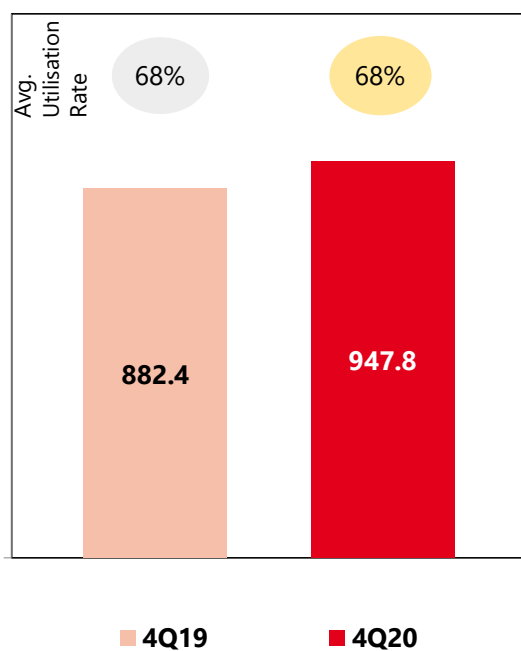
- Growth in group revenue (+4.1% Y-o-Y) amid recovery in operating environment, led by Indonesia
- Livestock segment lifted by stronger day-old-chicks ("DOC") contribution from Indonesia and eggs from Vietnam
- Sturdy contribution from Feedmill segment backed by volume expansion in Indonesia and Vietnam



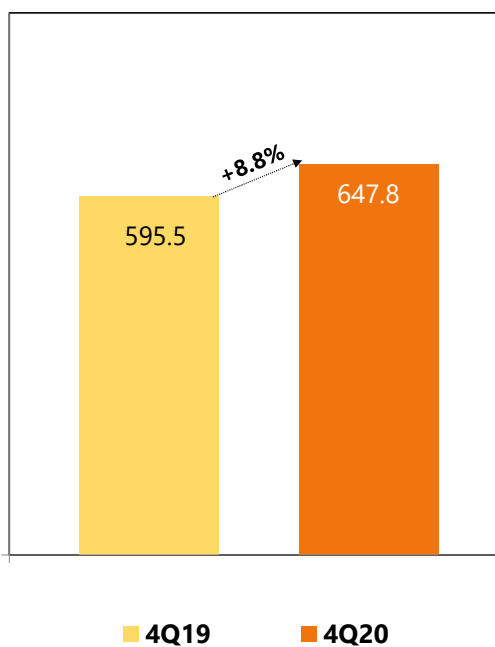
Note:  
(1) Including revenue from other sources.

# Operating Highlights: Feedmill

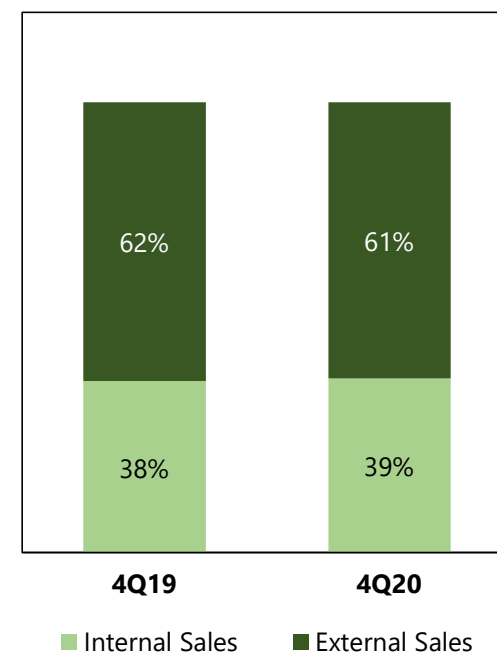
## Group Production Capacity ('000 MT)



## Group Feed Sales<sup>(1)</sup> ('000 MT)



## Sales Split

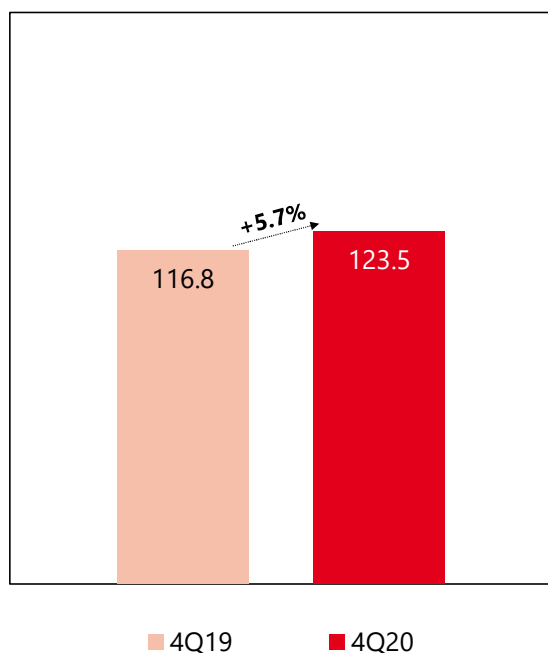


Note:

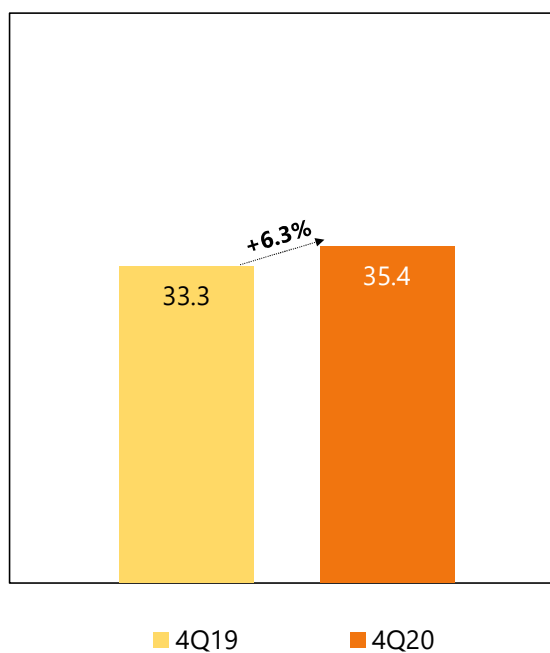
(1) Feed sales include both internal and external sales.

# Operating Highlights: Livestock

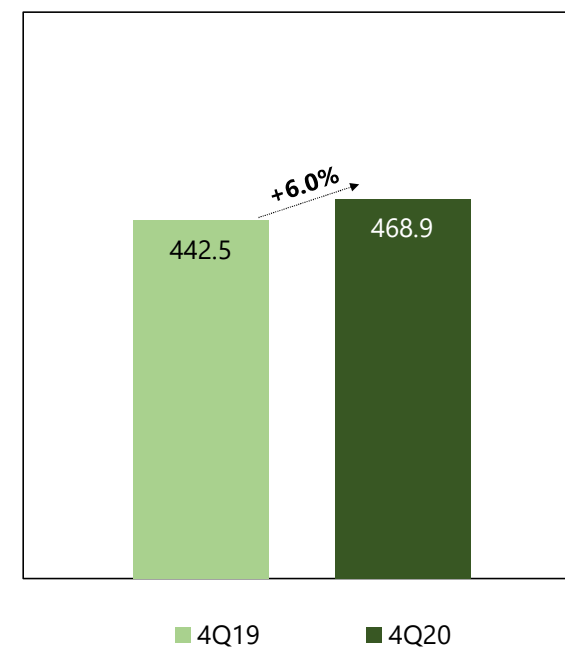
**Group Broiler DOC Sales<sup>(1)</sup>**  
(million chicks)



**Group Broiler Sales<sup>(1)</sup>**  
(million birds)



**Group Eggs Sales<sup>(2)</sup>**  
(million eggs)



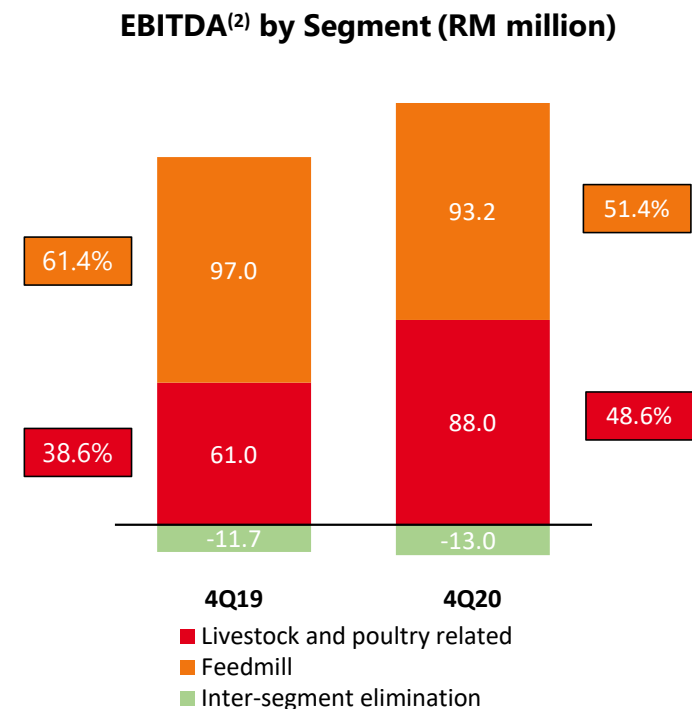
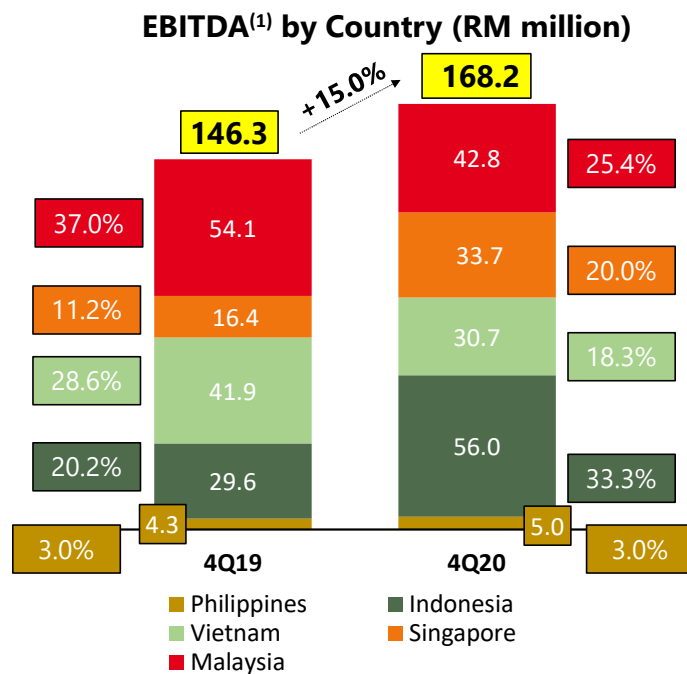
*Notes:*

(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

- Solid expansion in EBITDA (+15.0% Y-o-Y), underpinned by turnaround in Indonesia on the back of robust average selling price and stronger sales volume of DOC
- Feedmill segment margins normalised further in 4Q20 amid steady growth in sales volume in Indonesia and Vietnam
- Results set the stage for a sequential improvement in earnings arising from recovery in business conditions in markets



Notes:

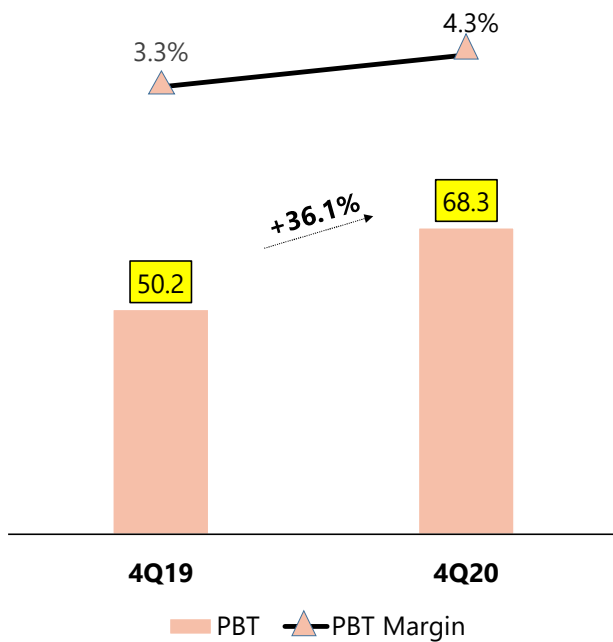
(1) Result for Myanmar in 4Q20 is negligible (4Q19 : nil).

(2) EBITDA contribution by segment (in percentage) computed based on gross EBITDA only (excluding inter-segment elimination).

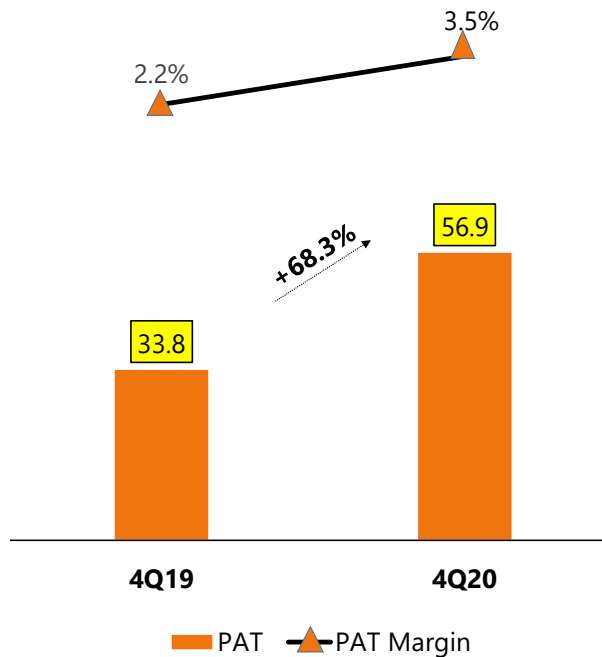


# Financial Highlights: Earnings

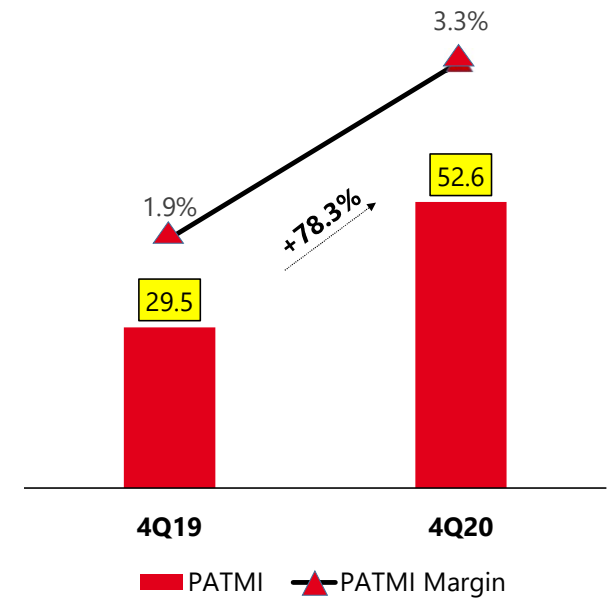
Profit Before Tax (RM million)



Profit After Tax (RM million)

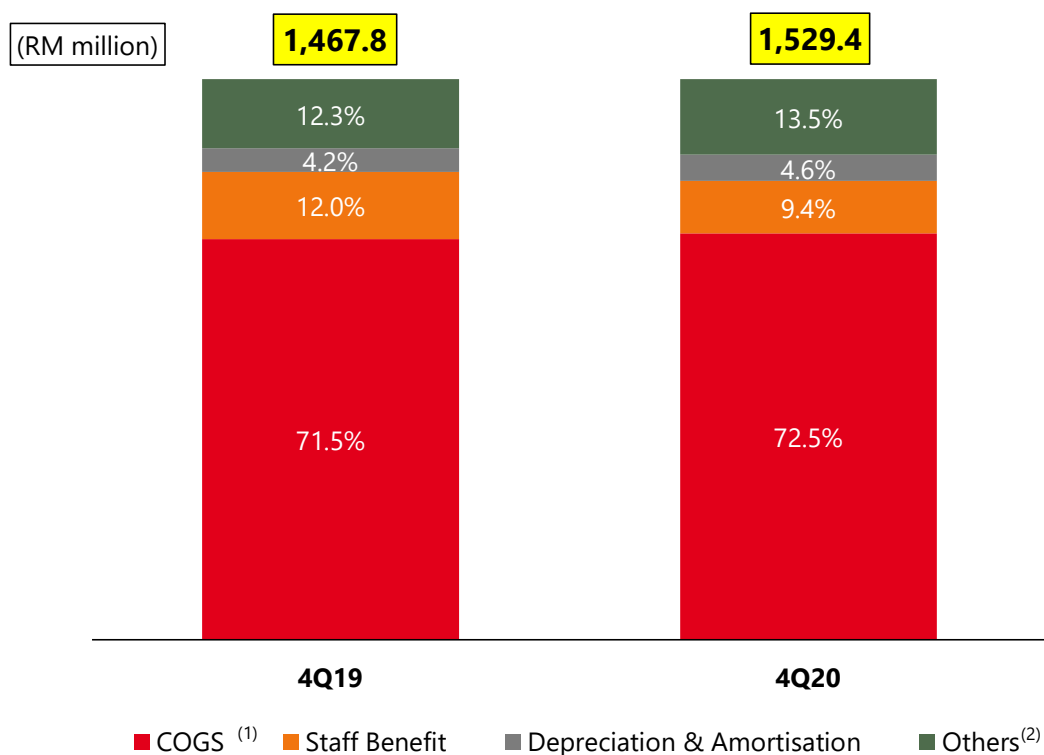


Profit After Tax and Minority Interest (PATMI) (RM million)



# Operating Expenses

- Slight uptick in raw material costs in Indonesia, other markets largely benign
- Opex remained stable notwithstanding business expansion in 4Q20



## 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>4Q20 (RM million)</i>	<i>4Q19 (RM million)</i>	<i>Variance</i>
Revenue	▲ 1,607.7	1,544.0	+4.1%
EBITDA	▲ 168.2	146.3	+15.0%
Depreciation and amortisation	▲ 71.0	62.1	+14.3%
Finance cost	▼ 29.2	34.2	-14.6%
Profit before tax	▲ 68.3	50.2	+36.1%
Profit after tax and minority interest	▲ 52.6	29.5	+78.3%
Earnings per share (sen)	▲ 1.44	0.81	+0.63 sen
EBITDA margin (%)	▲ 10.5	9.5	+1.0% pts

# Balance Sheet: Summary

	<i>As at 31 December 2020 (RM million)</i>	<i>As at 31 December 2019 (RM million)</i>
<b>Assets</b>		
Non-current assets	3,228.4	2,904.3
Biological assets and inventories	1,086.5	1,058.0
Trade receivables	489.6	499.3
Other receivables	132.5	182.7
Cash and bank balances	757.8	764.8
<b>Total Assets</b>	<b>5,694.8</b>	<b>5,409.1</b>
<b>Equity and Liabilities</b>		
Total equity	2,248.6	2,180.5
Trade payables	229.4	273.1
Other payables and liabilities	421.4	455.2
Short term borrowings (including leases <sup>(1)</sup> )	1,783.8	1,522.6
Long term borrowings (including leases <sup>(1)</sup> )	1,011.6	977.7
<b>Total Equity and Liabilities</b>	<b>5,694.8</b>	<b>5,409.1</b>

Note:

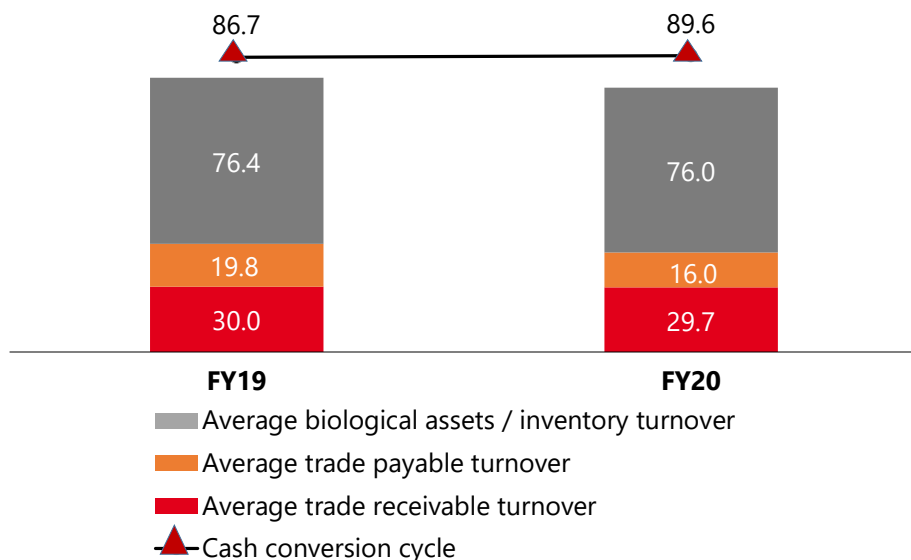
(1) Including finance lease and lease liabilities for MFRS 16.

# Working Capital Management

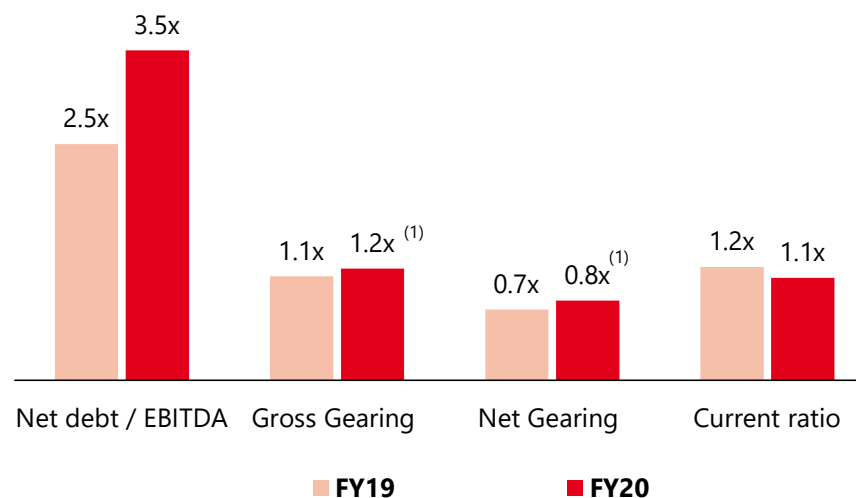
- Solid balance sheet underpinned by robust cash generating ability
- Group liquidity backed by responsible and prudent cashflow management and stable gearing level

## Cash Conversion Cycle

(days)



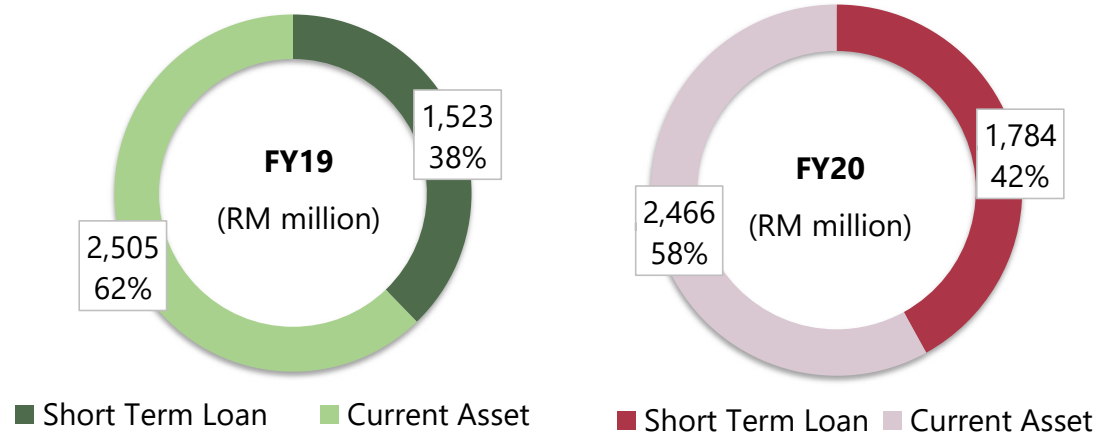
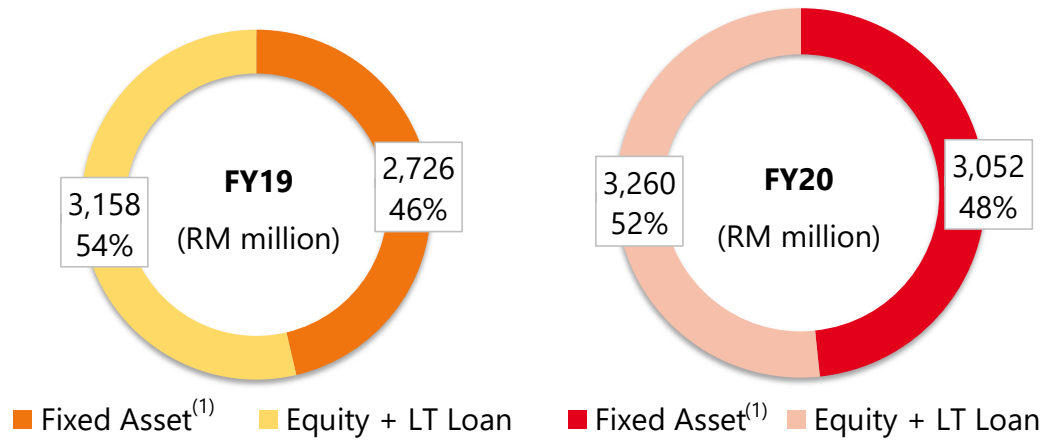
## Key Ratios



Note:

(1) Computed based on group borrowings excluding the effect of MFRS 16 on lease liabilities

# Snapshot of Liquidity Position



Note:  
 (1) Fixed assets inclusive of investment properties

# Utilisation of IPO Proceeds

- A total of RM173.3 million of IPO proceeds utilised as at 31 December 2020
- Balance of RM101.7 million to be incurred for capex purposes in Malaysia, Vietnam and Philippines
- Status of the company's utilisation of IPO proceeds as at 31 December 2020 as follows:

<i>Purposes</i>	<i>Proposed utilisation (RM million)</i>	<i><sup>(1)</sup>Actual utilisation (RM million)</i>	<i>%</i>	<i><sup>(1)</sup>Balance unutilised (RM million)</i>	<i><sup>(2)</sup>Intended timeframe for utilisation from listing date</i>
Capital expenditure	207.7	(106.0)	<sup>(3)</sup> 51.0	101.7	within 24 months
Working capital	33.0	(33.0)	100.0	-	
Defray fees and expenses for IPO and Listing	34.3	(34.3)	100.0	-	
<b>Total</b>	<b>275.0</b>	<b>(173.3)</b>	<b>63.0</b>	<b>101.7</b>	

Notes:

(1) As at 31 December 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 in line with capital allocation priorities
- Maintaining flexibility to further adjust timing and/or capex quantum as market evolves

## (1) Completed projects<sup>(1)</sup>:

Location	Segment	Project	Total investment
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

## (2) On-going projects<sup>(1)</sup>:

Location	Segment	Project	Commencement date	Targeted completion date	Total investment
Philippines	Livestock	Construction of new GPS farm in South Luzon	3Q2019	1Q2021	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
Vietnam	Feedmill	Silo expansion and construction of a soybean meal flat warehouse discharging system in Dong Nai feedmill	1Q2021	3Q2021	RM5.1 million
Vietnam	Feedmill	Construction of centralised premix machineries in Dong Nai feedmill	1Q2021	4Q2021	RM6.8 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:*

<b>Location</b>	<b>Segment</b>	<b>Project</b>	<b>Postponed until</b>	<b>Total investment</b>
Malaysia	Livestock	Expansion of closed-house broiler farms	FY21	RM63.2 million <sup>(1)</sup>
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
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 <sup>(1), (2)</sup>

Notes:

(1) Represents the balance unutilised amount allocated from the IPO proceeds as at 31 Dec 2020.

(2) As at 31 Dec 2020, construction for seven farm houses has yet to begin and shall commence at a later date to be determined.

# Capex Updates: Philippines

- *New GPS farm and upcoming feedmill to augment the Group's upstream capacities in Philippines*



## **New GPS farm in Central Luzon, Philippines**

- *Total investment costs: RM6.4 million*
- *Group's first GPS farm in Philippines kicked off operation in 4Q20, first batch of GP DOC entered in November 2020*
- *Housing capacity up to 39,000 DOC/annum upon full completion of the GPS farm*
- *Closed-house system featuring enhanced biosecurity and equipped with modern features enabling automated climate control and feeding system*



## **Upcoming feedmill in Central Luzon, Philippines**

- *Total investment costs: RM59.2 million*
- *Upon completion in 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*

# Capex Updates: Vietnam

- Further capacity and efficiency enhancements in feedmills, resultant efficiency gains expected to benefit bottom line
- Expansion in Dong Nai and Dong Thap feedmills came less than two years and one year, respectively, on the back of higher utilisation rate



## **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
- New poultry line to be installed and operational by end-1Q21 (additional capacity of 118,800 MT/annum from FY21)



## **Dong Nai feedmill: Further efficiency enhancement**

- Total investment costs: RM11.9 million
- Installation of additional equipment and machinery in Dong Nai feedmill to step up existing efficiency
- Piling works commenced in 1Q21 for silo expansion, warehouse discharging system and centralised premix machineries
- Completion expected by end-4Q21, to further enhance efficiency and cost savings in Dong Nai feedmill

# 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 expected to commence by 21Q2, 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

- Expansion of B2C channel in Malaysia via Baker's Cottage following rapid outlet expansion in FY20, with a total 103 outlets in operation to-date\* (vs 28 outlets on 1 January 2020)
- Growth trajectory remains optimistic with favourable growth drivers for quick-service restaurants ("QSR") amid new normal
- Emerging revenue stream infuses Group with earnings stability, expect meaningful earnings contribution to Group in FY21



## 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
- Outlet expansion focusing on semi-urban and secondary townships in Peninsular Malaysia
- Capex per outlet at approximately RM600,000
- Target total of 160 outlets by end-FY21



Note: \* As at 3 February 2021.

# Strategic Focus

## Outlook and strategies

- *Our markets are still growing, backed by strong growth drivers for the foreseeable future*
- *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 execution strategies and FY21 priorities to drive long-term value creation for all stakeholders*



### **FY21 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*

# Appendix

## Average selling prices

	FY2017	FY2018	FY2019	FY2020	% change FY2020 vs FY2019
<b>Malaysia (MYR)</b>					
Broiler DOC per chick	1.95	1.84	1.58	1.47	-7.3%
Broiler chickens per kg	4.75	4.37	4.17	4.22	1.2%
Per egg	0.26	0.29	0.31	0.27	-15.1%
Livestock feed per kg	1.93	1.99	1.82	1.93	5.8%
<b>Singapore (SGD)</b>					
Broiler DOC per chick	0.63	0.66	0.64	0.66	2.3%
Broiler chickens per kg	-	-	-	-	0.0%
Livestock feed per kg	0.51	0.55	0.53	0.54	2.2%
<b>Indonesia (IDR)</b>					
Broiler DOC per chick	4,431	5,980	5,767	4,973	-13.8%
Broiler chickens per kg	16,648	18,612	16,704	16,011	-4.1%
Per egg	1,120	1,241	1,210	1,211	0.1%
Livestock feed per kg	6,173	6,431	6,649	6,402	-3.7%
<b>Vietnam (VND)</b>					
Broiler DOC per chick	8,017	9,229	9,352	8,281	-11.4%
Broiler chickens per kg	24,932	25,339	25,678	22,885	-10.9%
Per egg	1,307	1,579	1,353	1,398	3.3%
Livestock feed per kg	7,920	8,620	8,879	9,002	1.4%
<b>Philippines (PHP)</b>					
Broiler DOC per chick	26.14	27.91	26.22	25.66	-2.1%
Broiler chickens per kg	76.71	77.64	87.99	71.07	-19.2%

# Appendix (Cont'd)

## Volume sold

	FY2017	FY2018	FY2019	FY2020	% change FY2020 vs FY2019
<b>Malaysia</b>					
Broiler DOC (chicks) <sup>(1)</sup>	155,134,977	185,403,026	189,055,419	185,757,522	-1.7%
Broiler chickens (birds) <sup>(1)</sup>	56,854,885	60,245,513	61,515,441	58,847,994	-4.3%
Egg (number of eggs)	1,287,800,000	1,359,245,000	1,440,567,851	1,438,081,375	-0.2%
Livestock feed (MT) <sup>(2)</sup>	638,273	661,610	670,809	668,542	-0.3%
<b>Singapore</b>					
Broiler DOC (chicks) <sup>(3)</sup>	30,685,145	14,421,779	8,608,258	12,236,148	42.1%
Broiler chickens (birds)	11,613,975	10,482,997	9,459,955	9,370,739	-0.9%
Livestock feed (MT) <sup>(4)</sup>	1,955	3,986	2,954	1,906	-35.5%
<b>Indonesia</b>					
Broiler DOC (chicks)	200,494,300	202,733,400	218,582,992	231,395,248	5.9%
Broiler chickens (birds)	16,309,087	24,307,523	27,180,595	30,786,837	13.3%
Egg (number of eggs)	53,433,872	50,944,816	56,512,786	57,772,494	2.2%
Livestock feed (MT)	704,459	770,540	871,485	848,640	-2.6%
<b>Vietnam</b>					
Broiler DOC (chicks)	33,290,402	33,275,806	37,104,972	41,558,827	12.0%
Broiler chickens (birds)	20,788,602	25,189,475	27,893,799	30,022,680	7.6%
Egg (number of eggs)	384,884,611	275,673,570	232,739,040	305,147,565	31.1%
Livestock feed (MT)	618,683	669,164	776,232	947,496	22.1%
<b>Philippines</b>					
Broiler DOC (chicks)	4,920,553	11,233,584	18,601,415	23,076,852	24.1%
Broiler chickens (birds)	1,396,158	3,282,843	3,887,003	5,999,329	54.3%
<b>LHI Group:</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	
DOC	424,525,377	447,067,595	471,953,056	494,024,597	4.7%
Broiler chickens	106,962,707	123,508,351	129,936,793	135,027,579	3.9%
Egg	1,726,118,483	1,685,863,386	1,729,819,677	1,801,001,434	4.1%
Livestock feed	1,963,370	2,105,301	2,321,480	2,466,584	6.3%

**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**



FROST & SULLIVAN

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