

HLIB Research

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Chye Wen Fei

wfchye@hlib.hongleong.com.my

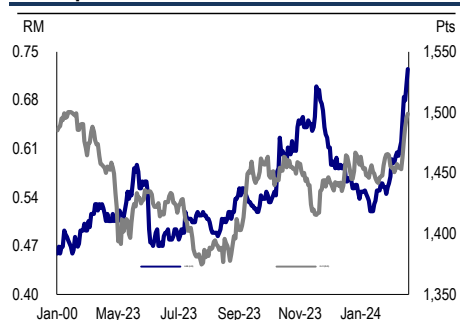
(603) 2083 1712

HOLD (Maintain)**Target Price:** RM0.74**Previously:** RM0.74**Current Price:** RM0.715

Capital upside	3.5%
Dividend yield	2.1%
Expected total return	5.6%

Sector coverage: Poultry

Company description: LHI offers breeding, egg production, broiler, and livestock feeding solutions, as well as manufactures chicken products in Malaysia, Singapore, Indonesia, Vietnam and Philippines.

Share price

Historical return (%)	1M	3M	12M
Absolute	28.3	-4.9	40.2
Relative	23.8	-10.4	32.8

Stock information

Bloomberg ticker	LHIB MK
Bursa code	6633
Issued shares (m)	3,650.0
Market capitalisation (RM m)	2,665
3-mth average volume ('000)	6,778
SC Shariah compliant	No
F4GBM Index member	No
ESG rating	★

Major shareholders

Emerging Glory	52.8%
Clarinden	7.1%
Amanah Saham Nasional	6.2%

Earnings summary

FYE Dec	FY23	FY24F	FY25F
PATMI - core (RM m)	321	217	223
EPS - core (sen)	8.8	5.9	6.1
P/E (x)	8.1	12.0	11.7

Leong Hup International

Lifted by subsidies and feedmill

FY23 core net profit of RM321.4m (+31.0%) beat expectations, accounting for 109.5-115.2% of consensus and our estimates, due mainly to better-than-expected margin at feedmill segment. We maintain our earnings forecasts, TP of RM0.74 (based on 12.5x FY24 core EPS of 6.0 sen) and HOLD rating.

Beat expectations. 4Q23 core net profit of RM101.9m (-23.2% QoQ; -10.4% YoY) took FY23's total sum to RM321.4m (+31.0% YoY). The results beat expectations, accounting for 109.5-115.2% of consensus and our estimates, due mainly to better-than-expected margin at feedmill segment.

Els in FY23. Core net profit of RM321.4m in FY23 was arrived after adjusting for (i) RM22.8m impairment loss, and (ii) RM3.1m gain on disposals.

QoQ. 4Q23 core net profit fell -23.2% to RM101.9m, dragged mainly by lower contribution from Indonesia (which was in turn affected by lower DOC prices) and Vietnam. These were however, partly mitigated by significantly higher subsidies received in Malaysia (RM103m in 4Q23 vs. RM14.5m in 3Q23).

YoY. 4Q23 core net profit fell -10.4% to RM101.9m, as higher subsidies received in Malaysia (RM103m in 4Q23 vs. RM24.9m in 4Q22) and margin expansion at feedmill segment (arising from lower raw material prices) were more than negated by weaker contribution from Indonesia.

YTD. FY23 core net profit expanded by 31.0% to RM321.4m, boosted mainly by margin expansion at feedmill segment (arising from higher ASP in Vietnam, Indonesia and Philippines, as well as low raw material prices), higher subsidies and DOC prices in Malaysia, higher sales volume of dressed chickens in Philippines, and higher sales volume of broiler chickens in Indonesia.

Outlook. While easing of feed input costs (particularly, corn and soybean meal) is positive for poultry players (including LHI), this is insufficient to mitigate the strong USD and weak poultry prices in major operating countries.

Forecast. Maintain for now, pending more details from the upcoming analyst briefing. In any case, we believe the strong FY23 performance will not be sustained into FY24, given the absence of subsidies and strong demand growth catalyst.

Maintain HOLD with unchanged TP of RM0.74. We maintain our **HOLD** rating on LHI with an unchanged TP of RM0.74 based on 12.5x FY24 core EPS of 6.0 sen. At RM0.715, LHI is trading at FY24-25 P/E of 12.0x and 11.7x, respectively.

Financial Forecast

FYE 30 Sep (RMm)	FY21A	FY22A	FY23A	FY24F	FY25F
Revenue	7,153.5	9,042.7	5,155.6	8,368.6	8,804.5
EBITDA	536.1	765.3	1,043.4	843.0	830.0
EBIT	252.3	464.0	724.0	535.1	522.9
PBT	140.3	326.6	554.7	380.9	391.6
PAT	95.9	243.9	429.8	289.5	297.6
Reported PATMI	85.4	218.9	301.7	217.1	223.2
Core PATMI	89.5	245.3	321.4	217.1	223.2
% change YoY - Core PATMI		174%	31%	-32%	3%
HLIB/ Consensus - Core PATMI				14.1%	14.2%
Core EPS (sen)	2.5	6.7	8.8	5.9	6.1
P/E (x)	29.2	10.6	8.1	12.0	11.7
DPS (sen)	1.8	0.8	3.0	1.0	1.0
Dividend yield	2.5%	1.1%	4.2%	1.4%	1.4%
BVPS (RM/share)	0.5	0.5	0.6	0.7	0.7
P/B (x)	1.4	1.3	1.2	1.1	1.0
ROE	5.1%	12.9%	14.4%	9.4%	8.9%
Net gearing	100.0%	84.7%	59.5%	49.9%	40.8%

Bursa Malaysia; HLIB Research

Figure #1 Quarterly results comparison

FYE Dec (RMm)	4Q22	3Q23	4Q23	QoQ (%)	YoY (%)	FY22	FY23	YoY (%)
Revenue	2,321.9	2,516.4	2,413.0	-4.1	3.9	9,042.7	9,539.5	5.5
- Livestock & poultry related products	1,261.5	1,369.4	1,263.7	-7.7	0.2	4,979.2	5,155.6	3.5
- Feedmill	1,054.5	1,143.8	1,146.0	0.2	8.7	4,049.0	4,370.8	7.9
- Others	6.0	3.2	3.4	6.3	-43.5	14.5	13.1	-9.9
EBITDA	268.2	348.9	303.4	-13.0	13.1	765.3	1,043.4	36.3
- Livestock & poultry related products	97.6	167.3	83.6	-50.0	-14.3	277.3	341.6	23.2
- Feedmill	162.2	187.5	228.2	21.7	40.7	483.2	707.4	46.4
- Others	8.5	-5.9	-8.4	NM	NM	4.7	-5.7	NM
Profit from operations	191.0	270.0	219.8	-18.6	15.1	464.0	724.0	56.0
- Livestock & poultry related products	42.5	101.0	167.3	65.6	>100	47.8	95.3	99.2
- Feedmill	141.7	171.1	456.3	>100	>100	415.9	640.8	54.1
- Others	6.8	-2.1	-16.8	NM	NM	0.3	-12.1	NM
Finance costs	-40.4	-42.5	-36.7	-13.7	-9.3	-137.9	-169.6	23.0
Associates	0.1	0.0	0.1	>100	-8.1	0.4	0.3	-24.3
PBT	150.7	227.5	183.3	-19.5	21.6	326.6	554.7	69.9
Tax expense	-36.4	-50.2	-38.5	-23.2	5.9	-82.7	-124.9	51.1
PAT	114.3	177.4	144.7	-18.4	26.7	243.9	429.8	76.2
Non-controlling interests	-23.5	-44.4	-63.1	-	-	-25.0	-128.1	-
Reported net profit	90.7	133.0	81.6	-38.6	-10.0	218.9	301.7	37.8
Core net profit	113.7	132.6	101.9	-23.2	-10.4	245.3	321.4	31.0
Core EPS (sen)	3.1	3.6	2.8	-23.2	-10.4	6.7	8.8	31.0
				%-pts	%-pts			%-pts
EBITDA margin (%)	11.6	13.9	12.6	-1.3	1.0	8.5	10.9	2.5
Operating margin (%)	8.2	10.7	9.1	-1.6	0.9	5.1	7.6	2.5
PBT margin (%)	6.5	9.0	7.6	-1.4	1.1	3.6	5.8	2.2
Net margin (%)	4.9	5.3	4.2	-1.0	-0.7	2.7	3.4	0.7

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Figure #2 Geographical breakdown on revenue and EBITDA

FYE Dec (RMm)	4Q22	3Q23	4Q23	QoQ (%)	YoY (%)	FY22	FY23	YoY (%)
Revenue	2,316.0	2,513.2	2,409.7	-4.1	4.0	9,028.2	9,526.4	5.5
- Malaysia	634.1	617.2	587.3	-4.8	-7.4	2,357.7	2,386.1	1.2
- Singapore	193.6	209.4	202.0	-3.6	4.3	796.2	826.1	3.8
- Vietnam	573.6	531.3	534.5	0.6	-6.8	2,196.6	2,114.2	-3.8
- Indonesia	789.1	1,004.0	927.0	-7.7	17.5	3,282.1	3,623.5	10.4
- Philippines	125.6	151.4	158.9	5.0	26.6	395.7	576.6	45.7
EBITDA	268.2	348.9	303.4	-13.0	13.1	765.3	1,043.4	36.3
- Malaysia	126.5	152.1	184.1	21.0	45.5	360.8	583.3	61.6
- Singapore	20.8	12.7	20.6	62.2	-1.1	60.1	81.6	35.8
- Vietnam	43.6	51.6	43.7	-15.4	0.3	145.4	141.1	-3.0
- Indonesia	59.7	114.3	35.1	-69.3	-41.2	138.3	171.7	24.1
- Philippines	17.6	18.2	19.9	9.4	13.0	60.6	65.7	8.3

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Level 28, Menara Hong Leong,

No. 6, Jalan Damanlela,

Bukit Damansara,

50490 Kuala Lumpur

Tel: (603) 2083 1800

Fax: (603) 2083 1766

Stock rating guide

BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating guide

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

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