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Leong Hup International Bhd

TP: RM0.76 (+29.9%)

FY24 Outlook Remains on Track
Last Traded: RM0.585
Buy (ESG: ★★★)

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Review

- Leong Hup International Bhd's (LHI) IHFY24 core net profit of RM153.1mn met both our and consensus' expectations, accounting for 53% of our full-year earnings projections.
- 2QFY24 core net profit rose 48.4% YoY to RM96.5mn driven by improved margins in Vietnam (+5.5%-pts YoY), Indonesia (+5.9%-pts YoY) and the Philippines (+6.9%-pts YoY). However, quarterly revenue remained flat at RM2.4bn, impacted by weakened demand in the feedmill segment.
- For IHFY24, revenue grew by 3.4% YoY to RM4.8bn, thanks to a increase in revenue (+6.4% YoY) from the livestock segment. Meanwhile, core earnings surged 75.6% YoY, benefiting from better margins in both segments.
- Livestock Segment:** Segmental EBIT reached RM101.0mn, a significant improvement from a loss of RM24.7mn, primarily due to improved margins in Indonesia driven by higher selling prices of DOC and broiler chickens. Revenue stood at RM2.7bn, fuelled by increased ASP and demand for DOC and broiler chickens in Indonesia.
- Feedmill Segment:** Segmental revenue remained flat at RM2.1bn, largely due to weaker performance in Vietnam, which offset higher sales in Indonesia and the Philippines. However, EBIT improved by 9.1% YoY to RM281.4mn, thanks to better margins across all countries amid lower input costs.
- The group declared a single tier dividend of 1.30sen/share (IHFY23: 1.8sen/share).

Impact

- We maintain our earnings projections.

Outlook

- Going forward, we expect the FY24 outlook to remain intact, underpinned by the robust performance in Indonesia, Vietnam and the Philippines. However, performance in Malaysia and Singapore is expected to normalise following the exceptional result in FY23.

Valuation

- We value LHI with a TP of **RM0.76/share**, based on CY25 PER of 9x. Reiterate **Buy**.

Share Information

Bloomberg Code	LHIB MK
Stock Code	6633
Listing	Main Market
Share Cap (mn)	3650.0
Market Cap (RMmn)	2135.3
52-wk Hi/Lo (RM)	0.745/0.51
12-mth Avg Daily Vol ('000 shrs)	6472.4
Estimated Free Float (%)	22.4
Beta	1.0

Major Shareholders (%)

Emerging Glory	52.8%
Clarinden Investment	4.9%
Amanah Saham Nasional	7.1%

Forecast Revision

	FY24	FY25
Forecast Revision (%)	0.0	0.0
Net profit (RMm)	289.3	308.6
Consensus	290.8	316.8
TA's / Consensus (%)	99.5	97.4
Previous Rating	Buy (Maintained)	
Consensus Target Price (RM)	0.78	

Financial Indicators

	FY24	FY25
Net Debt / Equity (x)	0.5	0.4
ROE (%)	12.4	12.1
ROA (%)	4.4	4.6
NTA/Share (RM)	0.6	0.7
Price/NTA (x)	0.9	0.8

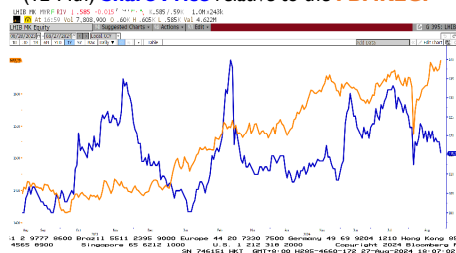
Scorecard

	% of FY	
vs TA	53	Within
vs Consensus	53	Within

Share Performance (%)

Price Change	LHI	FBM KLCI
1 mth	(8.6)	2.4
3 mth	3.5	2.1
6 mth	(18.2)	6.0
12 mth	12.5	14.4

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Table 1: Earnings Summary (RM'mn)

FYE December (RM'mn)	2022	2023	2024F	2025F	2026F
Revenue	9,042.7	9,539.5	9,643.5	9,836.4	9,934.8
EBITDA	752.2	1,028.8	919.6	937.4	941.2
PBT	326.6	554.7	482.6	511.8	529.4
Reported Net Profit	218.9	301.7	289.3	308.6	328.7
Core Net Profit	218.9	301.7	289.3	308.6	328.7
Core EPS (sen)	6.0	8.3	7.9	8.5	9.0
Core PER (x)	9.8	7.1	7.4	6.9	6.5
DPS (sen)	0.0	3.0	2.4	2.5	2.7
Dividend Yield (%)	0.0	5.1	4.1	4.3	4.6

Table 2: 2QFY24 Results Analysis (RM'mn)

FYE 31 Dec	2QFY23	1QFY24	2QFY24	QoQ (%)	YoY (%)	1HFY23	1HFY24	YoY (%)
Revenue	2,413.9	2,411.0	2,355.1	(2.3)	(2.4)	4,610.1	4,766.0	3.4
Other Income	48.5	23.6	9.6	(59.2)	(80.1)	111.1	33.3	(70.0)
Operating Expenses	(2,303.2)	(2,273.5)	(2,146.1)	5.6	6.8	(4,487.0)	(4,419.6)	1.5
EBIT	155.5	157.4	214.9	36.6	38.2	226.9	372.3	64.1
Adj. EBIT	155.5	157.4	214.9	36.6	38.2	226.9	372.3	64.1
Net Interest	(42.0)	(32.5)	(30.4)	6.4	27.5	(83.2)	(62.9)	24.4
Associate	0.1	0.0	0.0	-	(68.1)	0.2	0.1	(59.2)
Profit before Tax	113.6	124.9	184.6	47.7	62.4	143.9	309.5	>100
Adj. PBT	113.6	124.9	184.6	47.7	62.4	143.9	309.5	>100
Taxation	(22.9)	(30.0)	(40.4)	(34.7)	(76.7)	(36.2)	(70.4)	(94.5)
Extraordinary Items	-	-	-	nm	nm	-	-	nm
Minority Interest	(25.7)	(38.3)	(47.7)	(24.3)	(85.1)	(20.6)	(86.0)	>-100
Net Profit	65.0	56.6	96.5	70.5	48.4	87.2	153.1	75.6
Adj. Net Profit	65.0	56.6	96.5	70.5	48.4	87.2	153.1	75.6
Basic EPS (sen)	1.8	1.6	2.6	70.5	48.4	2.4	4.2	75.6
DPS (sen)	1.8	-	1.3	nm	(27.8)	1.8	1.3	(27.8)
				%-points	%-points			%-points
EBIT Margin (%)	6.4	6.5	9.1	2.6	2.7	4.9	7.8	2.9
PBT Margin (%)	4.7	5.2	7.8	2.7	3.1	3.1	6.5	3.4
Net Margin (%)	2.7	2.3	4.1	1.8	1.4	1.9	3.2	1.3
Adj. Net Margin (%)	2.7	2.3	4.1	1.8	1.4	1.9	3.2	1.3
Tax Rate (%)	20.1	24.0	21.9	(2.1)	1.8	25.1	22.7	(2.4)

Table 3: 2QFY24 Results Analysis (RM'mn) – Segmental Breakdown

FYE 31 Dec	2QFY23	1QFY24	2QFY24	QoQ (%)	YoY (%)	1HFY23	1HFY24	YoY (%)
Revenue	2,413.9	2,411.0	2,355.1	(2.3)	(2.4)	4,610.1	4,766.0	3.4
Livestock and Poultry Related	1,323.1	1,315.8	1,368.0	4.0	3.4	2,522.5	2,683.8	6.4
Feedmill	1,087.5	1,092.3	984.2	(9.9)	(9.5)	2,081.0	2,076.5	(0.2)
Others	3.2	2.9	2.9	(1.2)	(10.7)	6.5	5.8	(10.9)
Segment EBIT	159.2	161.1	218.7	35.7	37.3	234.2	379.8	62.2
Livestock and Poultry Related	28.8	16.6	84.4	>100	>100	(24.7)	101.0	nm
Feedmill	125.5	146.9	134.5	(8.4)	7.2	257.9	281.4	9.1
Elimination	5.0	(2.4)	(0.3)	89.4	>-100	1.0	(2.6)	nm
				%-points	%-points			%-points
Segment EBIT Margin	6.6	6.7	9.3	2.6	2.7	5.1	8.0	2.9
Livestock and Poultry Related	2.2	1.3	6.2	4.9	4.0	(1.0)	3.8	4.7
Feedmill	11.5	13.4	13.7	0.2	2.1	12.4	13.6	1.2

Table 4: 2QFY24 Results Analysis (RM'mn) – Geographical Breakdown

FYE 31 Dec	2QFY23	1QFY24	2QFY24	QoQ (%)	YoY (%)	1H FY23	1H FY24	YoY (%)
Revenue	2,410.6	2,408.0	2,352.2	(2.3)	(2.4)	4,603.5	4,760.2	3.4
Malaysia	587.4	584.2	571.6	(2.2)	(2.7)	1,181.6	1,155.8	(2.2)
Singapore	210.1	210.0	204.3	(2.7)	(2.8)	414.7	414.3	(0.1)
Vietnam	561.5	471.7	467.2	(1.0)	(16.8)	1,048.4	938.9	(10.4)
Indonesia	912.2	974.9	942.7	(3.3)	3.3	1,692.5	1,917.6	13.3
Philippines	139.4	167.3	166.3	(0.6)	19.3	266.3	333.6	25.3
Segment EBITDA	238.7	240.6	296.4	23.2	24.2	391.1	537.1	37.3
Malaysia	125.2	104.6	101.3	(3.2)	(19.1)	247.1	205.9	(16.7)
Singapore	27.4	19.7	15.6	(20.9)	(43.0)	48.4	35.4	(26.9)
Vietnam	21.7	29.9	43.8	46.5	>100	45.8	73.8	61.2
Indonesia	51.2	65.9	108.6	64.7	>100	22.3	174.5	>100
Philippines	13.1	20.4	27.1	32.7	>100	27.5	47.5	72.8
				%-points	%-points			%-points
Segment EBITDA Margin	9.9	10.0	12.6	2.6	2.7	8.5	11.3	2.8
Malaysia	21.3	17.9	17.7	(0.2)	(3.6)	20.9	17.8	(3.1)
Singapore	13.1	9.4	7.6	(1.8)	(5.4)	11.7	8.5	(3.1)
Vietnam	3.9	6.3	9.4	3.0	5.5	4.4	7.9	3.5
Indonesia	5.6	6.8	11.5	4.8	5.9	1.3	9.1	7.8
Philippines	9.4	12.2	16.3	4.1	6.9	10.3	14.2	3.9

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Sector Recommendation Guideline

OVERWEIGHT: The total return of the sector, as per our coverage universe, exceeds 12%.

NEUTRAL: The total return of the sector, as per our coverage universe, is within the range of 7% to 12%.

UNDERWEIGHT: The total return of the sector, as per our coverage universe, is lower than 7%.

Stock Recommendation Guideline

BUY : Total return of the stock exceeds 12%.

HOLD : Total return of the stock is within the range of 7% to 12%.

SELL : Total return of the stock is lower than 7%.

Not Rated: The company is not under coverage. The report is for information only.

Total Return of the stock includes expected share price appreciation, adjustment for ESG rating and gross dividend. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

Total Return of the sector is market capitalisation weighted average of total return of the stocks in the sector.

ESG Scoring & Guideline

	Environmental	Social	Governance	Average
Scoring	★★★	★★★	★★★	★★★
Remark	Compliant towards waste management on both hazardous and non-hazardous waste. However, score is muted owing to absence of quantifiable goal for near future.	Farming and trading of poultry-related products helps to meet protein needs and encourage balance diet.	The board has decent gender diversity though is short of 1 independent director to meet the 50% majority. Leong Hup has targeted dividend payout of 30%.	

★★★★★ (≥80%)	: Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions.	+5% premium to target price
★★★★ (60-79%)	: Above adequate integration of ESG factors into most aspects of operations, management and future directions.	+3% premium to target price
★★★ (40-59%)	: Adequate integration of ESG factors into operations, management and future directions.	No changes to target price
★★ (20-39%)	: Have some integration of ESG factors in operations and management but are insufficient.	-3% discount to target price
★ (<20%)	: Minimal or no integration of ESG factors in operations and management.	-5% discount to target price

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As of Wednesday, August 28, 2024, the analyst, Liew Yi Jiet, who prepared this report, has interest in the following securities covered in this report:
(a) nil

Kaladher Govindan – Head of Research

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