

Leong Hup International Bhd

TP: RM0.76 (+15.2%)

9MFY24 Beats Expectations

Last Traded: RM0.66

Buy (ESG: ★★★)

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Review

- Leong Hup International Bhd's (LHI) registered a commendable performance in 3QFY24. 9MFY24 core net profit of RM279.0mn surpassed both our and consensus' full-year earnings projections at 96% and 90%, respectively. The positive variance was primarily due to lower-than-expected feed costs, which resulted in reduced operating expenses.
- Despite a 1.9% YoY decline in revenue to RM7.0bn, core earnings surged 26.8% YoY to RM279.0mn, driven by stronger performance in the livestock and poultry-related segment, which offset weaker results in the feedmill segment.
- Livestock & Poultry Related Segment.** Segmental revenue rose by 2.7% YoY to RM4.0bn in 9MFY24, driven by higher average selling prices (ASP) and increased sales volumes of day-old chicks (DOC) and broiler chickens in both Indonesia (+1.4% YoY) and the Philippines (+23.3% YoY).
- Meanwhile, 9MFY24 EBIT more than doubled to RM210.8mn mainly driven by: i) higher ASP for broiler chickens in Indonesia, boosting EBITDA margin to 8.1% (+3.0%-pts YoY), ii) a 41.3% YoY increase in Vietnam's EBITDA to RM137.6mn due to lower feed costs, and iii) a 99.9% YoY rise in the Philippines' EBITDA to RM91.4mn, supported by increased demand and ASP for DOC and broiler chickens in 3QFY24
- Feedmill Segment.** 9MFY24 revenue dropped 7.3% YoY to RM3.0bn impacted by lower ASP and sales volumes in Vietnam (-12.0% YoY) and Malaysia (-4.2% YoY). Consequently, EBIT declined 5.5% YoY to RM405.2mn.
- The group declared a second-tier interim dividend of 1.45sen/share (3QFY23: 1.2/share), bringing its YTD dividend to 2.75sen/share (9MFY23: 3.0/share).

Impact

- We maintain our earnings projections at this juncture, pending an analyst briefing later today for further guidance.

Outlook

- Management remains optimistic about FY24, citing short-term margin expansion supported by lower feed costs and a stronger Ringgit. Notably, raw material prices have dropped YTD, with corn down 10.6% and soybean prices down 25.5%.

Valuation

- We maintain our target price 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)	3651.7
Market Cap (RMmn)	2410.1
52-wk Hi/Lo (RM)	0.775/0.51
12-mth Avg Daily Vol ('000 shrs)	8027.2
Estimated Free Float (%)	26.6
Beta	1.2

Major Shareholders (%)

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

Forecast Revision

	FY24	FY25
Forecast Revision (%)	0.0	0.0
Net profit (RMm)	289.3	308.6
Consensus	310.2	325.2
TA's / Consensus (%)	93.3	94.9
Previous Rating	Buy (Maintained)	
Consensus Target Price (RM)	0.83	

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)	1.0	0.9

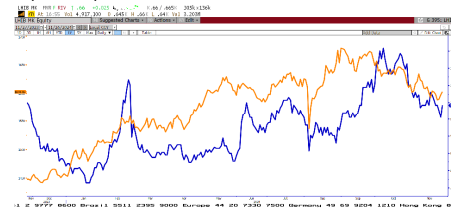
Scorecard

	% of FY	
vs TA	96	Above
vs Consensus	90	Above

Share Performance (%)

Price Change	LHI	FBM KLCI
1 mth	(10.8)	(0.9)
3 mth	10.0	(2.2)
6 mth	15.8	(1.0)
12 mth	(7.0)	10.3

(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)	11.0	8.0	8.3	7.8	7.3
DPS (sen)	0.0	3.0	2.4	2.5	2.7
Dividend Yield (%)	0.0	4.5	3.6	3.8	4.1

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

FYE 31 Dec	3QFY23	2QFY24	3QFY24	QoQ (%)	YoY (%)	9MFY23	9MFY24	YoY (%)
Revenue	2,516.4	2,355.1	2,228.3	(5.4)	(11.4)	7,126.5	6,994.3	(1.9)
Other Income	46.3	9.6	40.9	>100	(11.6)	157.4	74.2	(52.9)
Operating Expenses	(2,292.7)	(2,146.1)	(2,036.4)	5.1	11.2	(6,779.7)	(6,455.9)	4.8
EBIT	266.7	214.9	228.7	6.4	(14.2)	493.6	601.0	21.8
Adj. EBIT	266.7	214.9	219.7	2.2	(17.6)	493.6	592.0	19.9
Net Interest	(39.2)	(30.4)	(26.9)	11.5	31.3	(122.3)	(89.8)	26.6
Associate	0.0	0.0	0.0	(29.5)	(26.2)	0.2	0.1	(52.8)
Profit before Tax	227.5	184.6	201.9	9.4	(11.3)	371.5	511.3	37.7
Adj. PBT	227.5	184.6	192.8	4.5	(15.3)	371.5	502.3	35.2
Taxation	(50.2)	(40.4)	(16.2)	60.0	67.8	(86.4)	(86.5)	(0.2)
Extraordinary Items	-	-	9.1	nm	nm	-	9.1	nm
Minority Interest	(44.4)	(47.7)	(50.7)	(6.4)	(14.2)	(65.0)	(136.7)	>-100
Net Profit	133.0	96.5	135.0	39.9	1.5	220.1	288.1	30.9
Adj. Net Profit	133.0	96.5	126.0	30.5	(5.3)	220.1	279.0	26.8
Basic EPS (sen)	3.6	2.6	3.7	39.9	1.5	6.0	7.9	30.9
DPS (sen)	1.2	1.3	1.5	11.5	20.8	3.0	2.8	(8.3)
				%-points	%-points			%-points
EBIT Margin (%)	10.6	9.1	10.3	1.1	(0.3)	6.9	8.6	1.7
PBT Margin (%)	9.0	7.8	9.1	1.2	0.0	5.2	7.3	2.1
Net Margin (%)	5.3	4.1	6.1	2.0	0.8	3.1	4.1	1.0
Adj. Net Margin (%)	5.3	4.1	5.7	1.6	0.4	3.1	4.0	0.9
Tax Rate (%)	22.1	21.9	8.0	(13.9)	(14.1)	23.3	16.9	(6.3)

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

FYE 31 Dec	3QFY23	2QFY24	3QFY24	QoQ (%)	YoY (%)	9MFY23	9MFY24	YoY (%)
Revenue	2,516.4	2,355.1	2,228.3	(5.4)	(11.4)	7,126.5	6,994.3	(1.9)
Livestock and Poultry Related	1,369.4	1,368.0	1,311.7	(4.1)	(4.2)	3,891.9	3,995.5	2.7
Feedmill	1,143.8	984.2	913.8	(7.2)	(20.1)	3,224.8	2,990.2	(7.3)
Others	3.2	2.9	2.8	(3.6)	(11.7)	9.7	8.6	(11.2)
Segment EBIT	270.0	218.7	232.8	6.5	(13.8)	504.2	612.6	21.5
Livestock and Poultry Related	101.0	84.4	109.8	30.1	8.8	76.3	210.8	>100
Feedmill	171.1	134.5	123.8	(8.0)	(27.6)	428.9	405.2	(5.5)
Elimination	(2.1)	(0.3)	(0.8)	>-100	61.9	(1.1)	(3.4)	>-100
				%-points	%-points			%-points
Segment EBIT Margin	10.7	9.3	10.4	1.2	(0.3)	7.1	8.8	1.7
Livestock and Poultry Related	7.4	6.2	8.4	2.2	1.0	2.0	5.3	3.3
Feedmill	15.0	13.7	13.5	(0.1)	(1.4)	13.3	13.6	0.2

Table 4: 3QFY24 Results Analysis (RM'mn) – Geographical Breakdown

FYE 31 Dec	3QFY23	2QFY24	3QFY24	QoQ (%)	YoY (%)	9MFY23	9MFY24	YoY (%)
Revenue	2,513.2	2,352.2	2,225.5	(5.4)	(11.4)	7,116.8	6,985.7	(1.8)
Malaysia	617.2	571.6	567.2	(0.8)	(8.1)	1,798.8	1,723.1	(4.2)
Singapore	209.4	204.3	209.0	2.3	(0.2)	624.2	623.4	(0.1)
Vietnam	531.3	467.2	451.2	(3.4)	(15.1)	1,579.7	1,390.1	(12.0)
Indonesia	1,004.0	942.7	816.7	(13.4)	(18.7)	2,696.4	2,734.3	1.4
Philippines	151.4	166.3	181.3	9.0	19.8	417.7	514.9	23.3
Segment EBITDA	348.9	296.4	309.3	4.3	(11.4)	740.0	846.3	14.4
Malaysia	152.1	101.3	141.8	40.0	(6.8)	399.2	347.7	(12.9)
Singapore	12.7	15.6	13.5	(13.4)	6.5	61.0	48.9	(19.9)
Vietnam	51.6	43.8	63.8	45.5	23.6	97.4	137.6	41.3
Indonesia	114.3	108.6	46.2	(57.4)	(59.5)	136.6	220.7	61.6
Philippines	18.2	27.1	43.9	62.0	>100	45.7	91.4	99.9
				%-points	%-points			%-points
Segment EBITDA Margin	13.9	12.6	13.9	1.3	0.0	10.4	12.1	1.7
Malaysia	24.6	17.7	25.0	7.3	0.4	22.2	20.2	(2.0)
Singapore	6.1	7.6	6.5	(1.2)	0.4	9.8	7.8	(1.9)
Vietnam	9.7	9.4	14.1	4.8	4.4	6.2	9.9	3.7
Indonesia	11.4	11.5	5.7	(5.9)	(5.7)	5.1	8.1	3.0
Philippines	12.0	16.3	24.2	7.9	12.2	10.9	17.8	6.8

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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, November 27, 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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