

HLIB Research

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BUY (Maintain)**Target Price:** **RM0.82****Previously:** **RM0.82****Current Price:** **RM0.61**

Capital upside	34.4%
Dividend yield	2.1%
Expected total return	36.5%

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	-0.8	-5.4	10.9
Relative	0.6	-2.0	17.1

Stock information

Bloomberg ticker	LHIB MK
Bursa code	6633
Issued shares (m)	3,604.8
Market capitalisation (RM m)	2,199
3-mth average volume ('000)	5,640
SC Shariah compliant	No
F4GBM Index member	No
ESG rating	★★

Major shareholders

Emerging Glory	53.5%
Amanah Saham Nasional	7.0%
Clarinden	5.0%

Earnings summary

	FY24	FY25F	FY26F
FYE Dec			
PATMI - core (RM m)	464.9	375.6	380.4
EPS - core (sen)	12.7	10.3	10.4
P/E (x)	4.8	5.9	5.9

Leong Hup International

A strong start

We deem 1Q25's core net profit of RM102.3m (-44.5% QoQ; +69.8% YoY) broadly within expectations, as we anticipate weaker showing in 2H (on the back of lower subsidies for eggs in Malaysia). Declared interim DPS of 1.0 sen (going ex on 13 Jun 2025). We tweak our FY25-27 core net profit forecasts marginally up, by 0.7%/0.6%/0.5%, as we recalibrated our earnings model. Maintain BUY rating on LHI with an unchanged TP of RM0.82, based on 8x FY25 core EPS of 10.3 sen.

Broadly within. 1Q25 core net profit of RM102.3m (-44.5% QoQ; +69.8% YoY), accounted for 26.5-27.4% of consensus and our full-year estimates. We deem the results broadly within expectations, as we anticipate weaker showing in 2H (on the back of lower subsidies for eggs in Malaysia). Core net profit of RM102.3m in 1Q25 was arrived at after adjusting for: (i) RM0.2m net reversal of impairment, (ii) RM0.4m disposal gain, and (iii) RM1.1m PPE written off.

Dividend. Declared interim DPS of 1.0 sen (going ex on 13 Jun 2025).

QoQ. Core net profit fell -44.5% to RM102.3m in 1Q25, dragged mainly by (i) lower ASP and sales volume across Malaysia, Vietnam and Philippines at the feedmill segment, and (ii) lower government subsidies in Malaysia and ASP for key products at the livestock segment.

YoY. Core net profit surged 69.8% to RM102.3m in 1Q25, mainly boosted by sharply higher contribution from livestock segment (which in turn was driven by lower feed prices and higher ASP). However, this was partly capped by margin erosion at the feedmill segment (in line with lower feed prices).

Outlook. While the recent tariff hikes by the new administration of US may affect consumer sentiment (in particularly the HORECA sector, which will in turn spill over the consumption of poultry products), this will likely be at least partly cushioned by high demand potential for chicken and egg per capita consumption in LHI's operating countries and easing input prices (in particularly, corn and soybean meal).

Forecast. We tweak our FY25-27 core net profit forecasts marginally up, by 0.7%/0.6%/0.5%, as we recalibrated our earnings model (following the recent release of FY24 annual report).

Maintain BUY with unchanged TP of RM0.82. We maintain our BUY rating on LHI with an unchanged TP of RM0.82, based on 8x FY25 core EPS of 10.3 sen. We continue to like LHI for its (i) attractive valuation (at FY25-27 P/E of 5.9x, 5.9x, and 5.7x, respectively), and (ii) healthy balance sheet (net gearing of 0.33x as at 31 Mar 2025).

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec	FY23A	FY24A	FY25F	FY26F	FY27F
Cash	699.5	770.7	1,138.0	1,507.0	1,882.4
Receivables	892.4	801.3	998.3	1,050.1	1,105.1
Inventories	978.8	968.6	978.3	1,029.7	1,084.4
PPE	2,730.3	2,683.3	2,684.9	2,686.4	2,687.8
Others	1,225.6	1,220.5	1,199.2	1,228.3	1,259.2
Assets	6,526.6	6,444.3	6,998.6	7,501.5	8,018.8
Payables	682.1	718.5	819.5	862.6	908.3
Debt	2,458.1	1,994.7	1,994.7	1,994.7	1,994.7
Others	430.2	403.0	403.0	403.0	403.0
Liabilities	3,571.5	3,116.9	3,217.8	3,260.9	3,306.7
Shareholders' equity	2,236.7	2,448.6	2,776.8	3,109.8	3,451.6
Non-controlling interests	718.4	878.8	1,004.0	1,130.8	1,260.6
Equity	2,955.1	3,327.4	3,780.8	4,240.6	4,712.2

Cash Flow Statement

FYE Dec	FY23A	FY24A	FY25F	FY26F	FY27F
Profit before tax	554.7	760.5	659.0	667.4	682.9
D&A	276.4	269.3	298.7	298.8	299.0
Working capital	15.3	-16.5	-84.3	-89.1	-94.6
Tax paid	-80.5	-86.7	-158.2	-160.2	-163.9
Others	173.6	149.0	131.4	131.4	131.4
CFO	992.5	1,126.7	846.6	848.3	854.7
Capex	-219.6	-347.7	-300.0	-300.0	-300.0
Others	55.8	15.9	0.0	0.0	0.0
CFI	-163.8	-331.8	-300.0	-300.0	-300.0
Changes in debt	-526.4	-400.4	0.0	0.0	0.0
Shares issued	0.0	0.0	0.0	0.0	0.0
Dividends	-65.7	-144.2	-47.5	-47.5	-47.5
Others	-181.2	-175.0	-131.9	-131.9	-131.9
CFF	-773.3	-719.6	-179.3	-179.3	-179.3
Net cash flow	55.3	75.3	367.3	369.0	375.4
Beginning cash	556.1	627.3	678.7	1,046.0	1,415.0
Forex	15.9	-23.9	0.0	0.0	0.0
Ending cash	627.3	678.7	1,046.0	1,415.0	1,790.4

Income Statement

FYE Dec	FY23A	FY24A	FY25F	FY26F	FY27F
Revenue	9,539.5	9,309.5	8,804.5	9,267.5	9,759.3
EBITDA	1,043.4	1,203.7	1,089.0	1,097.6	1,113.2
EBIT	724.0	890.8	790.3	798.8	814.2
Finance cost	-169.6	-130.6	-131.9	-131.9	-131.9
Associates	0.3	0.4	0.5	0.5	0.5
Profit before tax	554.7	760.5	659.0	667.4	682.9
Tax	-124.9	-129.7	-158.2	-160.2	-163.9
PAT	429.8	630.8	500.8	507.3	519.0
Non-controlling interests	-128.1	-201.9	-125.2	-126.8	-129.7
Reported PATMI	301.7	428.9	375.6	380.4	389.2
Exceptionals	19.6	36.0	0.0	0.0	0.0
Core PATMI	321.4	464.9	375.6	380.4	389.2
Consensus core PATMI			385.6	392.2	397.8
HLIB/ Consensus			97.4%	97.0%	97.8%

Ratios

FYE Dec	FY23A	FY24A	FY25F	FY26F	FY27F
Core EPS (sen)	8.8	12.7	10.3	10.4	10.7
P/E (x)	6.9	4.8	5.9	5.9	5.7
EV/EBITDA (x)	3.7	3.2	3.5	3.5	3.5
DPS (sen)	3.0	2.8	1.3	1.3	1.3
Dividend yield	4.9%	4.5%	2.1%	2.1%	2.1%
BVPS (RM)	0.6	0.7	0.8	0.9	0.9
P/B (x)	1.0	0.9	0.8	0.7	0.6
EBITDA margin	20.2%	22.3%	27.2%	26.5%	26.0%
EBIT margin	6.4%	8.2%	7.2%	7.0%	6.8%
PBT margin	4.9%	7.0%	6.0%	5.8%	5.7%
Net margin	2.8%	4.3%	3.4%	3.3%	3.2%
ROE	15.2%	19.8%	14.4%	12.9%	11.9%
ROA	4.9%	7.2%	5.6%	5.2%	5.0%
Net gearing	59.5%	36.8%	22.7%	11.5%	2.4%

Assumptions

FYE Dec	FY25F	FY26F	FY27F
Feedmill			
- Production volume ('000 mt)	3,150.1	3,329.4	3,520.1
- Utilisation rate	89%	94%	99%
Livestock			
- Broiler DOC supplied (m chicks)	208.2	214.5	220.9
- Broiler supplied (m birds)	169.4	174.5	179.7
- Eggs supplied (m eggs)	2,055.1	2,109.7	2,166.0

LHI; HLIB Research

Figure #1 Quarterly results comparison

FYE Dec (RMm)	1Q24	4Q24	1Q25	QoQ (%)	YoY (%)
Revenue	2,411.0	2,315.1	2,210.9	-4.5	-8.3
- Livestock & poultry related products	1,315.8	1,403.5	1,324.7	-5.6	0.7
- Feedmill	1,092.3	908.8	882.7	-2.9	-19.2
- Others	2.9	2.8	3.5	22.3	17.9
EBITDA	246.4	357.4	261.1	-27.0	6.0
- Livestock & poultry related products	78.9	206.0	113.6	-44.8	43.9
- Feedmill	164.6	158.5	148.2	-6.5	-9.9
- Others	2.9	-7.1	-0.7	NM	NM
Profit from operations	161.1	278.2	184.6	-33.6	14.6
- Livestock & poultry related products	16.6	146.1	55.4	-62.1	>100
- Feedmill	146.9	141.0	131.1	-7.0	-10.8
- Others	3.4	-8.9	-1.8	NM	NM
Finance costs	-36.2	-29.3	-26.4	-9.9	-27.2
Associates	0.0	0.3	0.1	-54.3	>100
PBT	124.9	249.2	158.4	-36.4	26.8
Tax expense	-30.0	-43.2	-17.7	-59.0	-40.9
PAT	94.9	206.0	140.7	-31.7	48.2
Non-controlling interests	-38.3	-65.2	-38.9	-	-
Reported net profit	56.6	140.8	101.8	-27.7	79.9
Core net profit	60.3	184.4	102.3	-44.5	69.8
Core EPS (sen)	1.7	5.1	2.8	-44.5	69.8
				%-pts	%-pts
EBITDA margin (%)	10.2	15.4	11.8	-3.6	1.6
Operating margin (%)	6.7	12.0	8.4	-3.7	1.7
PBT margin (%)	5.2	10.8	7.2	-3.6	2.0
Net margin (%)	2.5	8.0	4.6	-3.3	2.1

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Figure #2 Geographical breakdown on revenue and EBITDA

FYE Dec (RMm)	1Q24	4Q24	1Q25	QoQ (%)	YoY (%)
Revenue	2,408.0	2,312.3	2,207.4	-4.5	-8.3
- Malaysia	584.2	576.4	561.7	-2.6	-3.8
- Singapore	210.0	206.3	205.5	-0.4	-2.2
- Vietnam	471.7	478.0	401.4	-16.0	-14.9
- Indonesia	974.9	855.1	856.7	0.2	-12.1
- Philippines	167.3	196.4	182.2	-7.2	8.9
EBITDA	240.6	357.4	261.1	-27.0	8.5
- Malaysia	104.6	160.1	124.1	-22.5	18.6
- Singapore	19.7	11.5	12.4	7.7	-37.3
- Vietnam	29.9	69.4	47.6	-31.4	59.0
- Indonesia	65.9	83.8	45.1	-46.2	-31.6
- Philippines	20.4	32.6	31.9	-2.1	56.1

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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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