

30 May 2025

Agriculture | Agriculture

Leong Hup International (LHIB MK)

Buy (Maintained)

Promising Start To FY25; Maintain BUY

Target Price (Return): MYR0.98 (+61%)
 Price (Market Cap): MYR0.61 (USD519m)
 ESG score: 2.6 (out of 4)
 Avg Daily Turnover (MYR/USD) 3.34m/0.76m

- **Maintain BUY and MYR0.98 TP, 61% upside and c.5% yield.** Leong Hup International's 1Q25 earnings met expectations. Notwithstanding the forecasted negative earnings growth ahead, we believe the fundamental improvements in the poultry industry – driven by cost tailwinds and market consolidation – has yet to be priced in. Trading at -1.5SD from its 5-year mean, valuation is attractive for a player with an established regional presence to capture the resilient poultry consumption.
- **LHIB's 1Q25 results were within expectations.** Core net profit of MYR102m (+80% YoY) accounted for 27% and 26% of our and consensus forecasts. Post results, we make no changes to our earnings forecasts and DCF-derived TP of MYR0.98 (inclusive of an 8% ESG discount), which implies 10x FY25F P/E or on par with the stock's 5-year mean.
- **Results review.** YoY, 1Q25 revenue fell 8% to MYR2.2bn to generally reflect the declining ASP trend in tandem with the lower feed costs. Hence, all operating markets recorded lower revenues except for the Philippines. Notwithstanding, 1Q25 EBITDA grew 9% to MYR261m – thanks to higher contributions from Malaysia, Vietnam, and the Philippines markets, as margins expanded primarily from lower input costs. QoQ, 1Q25 EBITDA dipped 27% on the back of a softer topline (-5% QoQ) due to relatively softer seasonality, falling ASPs, and a reduction in government subsidies.
- **Outlook.** Essentially, we believe earnings and margins should normalise from the exceptional FY24 base, which was aided by the favourable FX and low effective tax rate or ETR. This is considering the lower tax credits moving forward, on top of the cyclical and volatile nature of the poultry industry particularly in Indonesia. That said, we believe the overall fundamental of the poultry industry has improved with the pandemic and commodity super-cycle phasing out the smaller and weaker players. This has led to industry consolidation that is favourable to the large industry players like LHIB. Coupled with a sturdier balance sheet (net gearing has shrunk to 0.45x in 1Q25 from 1.1x in FY22), we believe the group is well-positioned to capture more market share and improve on its efficiency level via capacity expansion.
- **Risks to our recommendation** include a sharp rise in input costs and unfavourable demand-supply industry dynamics.

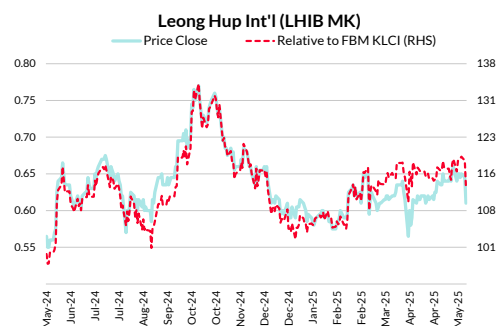
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	0.8	(0.8)	(6.2)	(4.7)	8.0
Relative	7.9	(1.9)	(2.4)	0.2	13.7
52-wk Price low/high (MYR)				0.55	-0.77



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	9,540	9,309	9,786	10,212	10,762
Recurring net profit (MYRm)	324	446	376	360	376
Recurring net profit growth (%)	59.3	37.6	(15.8)	(4.3)	4.7
Recurring P/E (x)	6.87	4.99	5.92	6.19	5.92
P/B (x)	1.0	0.9	0.8	0.8	0.7
P/CF (x)	2.56	2.25	3.99	3.60	3.55
Dividend Yield (%)	4.9	4.5	5.1	4.8	5.1
EV/EBITDA (x)	4.47	3.57	3.44	3.28	3.00
Return on average equity (%)	14.2	18.3	14.6	12.7	12.2
Net debt to equity (%)	59.5	36.8	31.4	25.0	18.9

Source: Company data, RHB

Overall ESG Score: 2.6 (out of 4)

E Score: 2.4 (GOOD)

S Score: 2.7 (GOOD)

G Score: 3.0 (GOOD)

Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis	Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
Started tracking emissions in FY24.	Scope 1	-	-	220,472	-
	Scope 2	-	-	298,518	-
	Scope 3	-	-	-	-
	Total emissions	na	na	518,990	na

Source: Company data, RHB

Latest ESG-Related Developments

The transition to rice husks, wood chips and palm kernel shells as renewable biomass energy sources to replace coal-powered boilers contributed to a material reduction of GHG emissions. Solar energy installation experienced an increase of 65%, rising from 9,570,070 kWh to 15,752,775 kWh in FY24.

Contributed more than MYR1.4m worth of monetary donations, food supplies, detergents, and essential consumer products to frontline hospital healthcare staff, firefighters, police officers and those in need.

Only 25% of LHI's procurement expenses were allocated to foreign suppliers for raw materials in FY24, underscoring the commitment to support the local economy.

ESG Unbundled

Overall ESG Score: 2.6 (out of 4)

Last Updated: 27 May 2025

E Score: 2.4 (GOOD)

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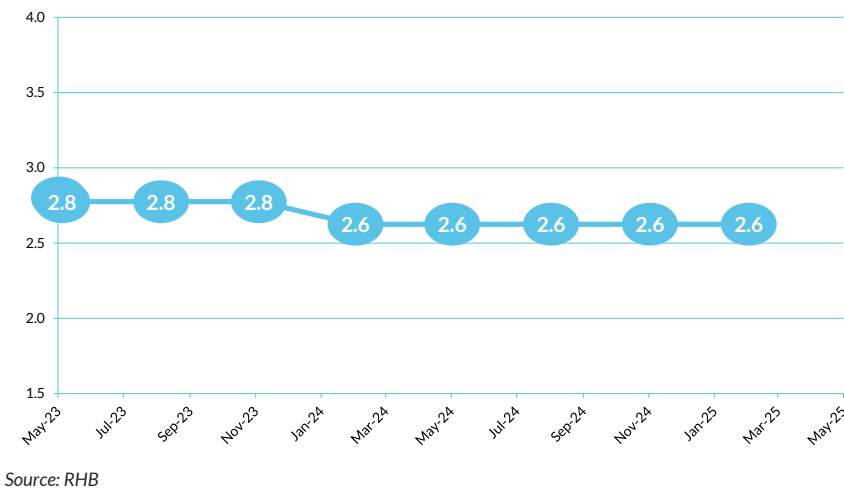
S Score: 2.7 (GOOD)

Good policy to enhance the awareness of health and safety amongst its stakeholders and putting in place a framework that ensure a safe and conducive working environment for its people. In addition, LHIB also practices good standard in ensuring the safety and quality of food products.

G Score: 3.0 (GOOD)

LHIB has applied and adopted the majority of the best practices of the Malaysian Code on Corporate Governance with independent directors comprising of almost 50% of the board with women making up 30% of it.

ESG Rating History



Financial Exhibits

Asia	Financial summary (MYR)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Malaysia	Recurring EPS	0.09	0.12	0.10	0.10	0.10
Agriculture	DPS	0.03	0.03	0.03	0.03	0.03
Leong Hup International	BVPS	0.61	0.67	0.74	0.81	0.88
LHIB MK	Return on average equity (%)	14.2	18.3	14.6	12.7	12.2
Buy						
	Valuation metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Valuation basis	Recurring P/E (x)	6.87	4.99	5.92	6.19	5.92
Discounted Cash Flow	P/B (x)	1.0	0.9	0.8	0.8	0.7
	FCF Yield (%)	29.0	29.9	9.4	12.0	5.7
Key drivers	Dividend Yield (%)	4.9	4.5	5.1	4.8	5.1
i. Regional expansion plan;	EV/EBITDA (x)	4.47	3.57	3.44	3.28	3.00
ii. Favourable product prices.	EV/EBIT (x)	6.44	4.83	4.84	4.72	4.35
Key risks	Income statement (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
i. Unfavourable change in regulatory policy;	Total turnover	9,540	9,309	9,786	10,212	10,762
ii. Unfavourable demand-supply dynamics.	Gross profit	1,484	1,549	1,625	1,674	1,754
	EBITDA	1,043	1,204	1,221	1,231	1,285
	Depreciation and amortisation	(319)	(313)	(353)	(377)	(400)
	Operating profit	724	891	867	854	884
	Net interest	(170)	(131)	(114)	(109)	(103)
	Pre-tax profit	555	761	754	746	782
	Taxation	(125)	(130)	(166)	(164)	(172)
	Reported net profit	302	429	376	360	376
	Recurring net profit	324	446	376	360	376
Company Profile	Cash flow (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Leong Hup International is on one of the largest fully-integrated producers of poultry, eggs, and livestock feeds in South-East Asia.	Change in working capital	(32)	69	(119)	(63)	(80)
	Cash flow from operations	868	989	559	618	628
	Capex	(221)	(324)	(350)	(350)	(500)
	Cash flow from investing activities	(140)	(345)	(350)	(350)	(500)
	Dividends paid	(77)	(100)	(113)	(108)	(113)
	Cash flow from financing activities	(773)	(720)	(322)	(316)	(316)
	Cash at beginning of period	840	700	771	773	839
	Net change in cash	(45)	(76)	(113)	(48)	(188)
	Ending balance cash	795	623	658	725	651
	Balance sheet (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
	Total cash and equivalents	700	771	773	839	923
	Tangible fixed assets	2,730	2,683	2,730	2,753	2,753
	Total investments	40	31	31	31	31
	Total assets	6,527	6,444	6,659	6,827	7,011
	Short-term debt	1,587	1,419	1,400	1,300	1,200
	Total long-term debt	871	576	500	500	500
	Total liabilities	3,571	3,117	3,068	2,985	2,905
	Total equity	2,955	3,327	3,591	3,842	4,106
	Total liabilities & equity	6,527	6,444	6,659	6,827	7,011
	Key metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
	Revenue growth (%)	5.5	(2.4)	5.1	4.3	5.4
	Recurrent EPS growth (%)	59.3	37.6	(15.8)	(4.3)	4.7
	Gross margin (%)	15.6	16.6	16.6	16.4	16.3
	Operating EBITDA margin (%)	10.9	12.9	12.5	12.1	11.9
	Net profit margin (%)	3.2	4.6	3.8	3.5	3.5
	Dividend payout ratio (%)	36.3	23.4	30.0	30.0	30.0
	Capex/sales (%)	2.3	3.5	3.6	3.4	4.6
	Interest cover (x)	4.27	6.82	7.59	7.87	8.61

Source: Company data, RHB

Results At a Glance

Figure 1: LHIB's results review

FYE Dec (MYRm)	1Q24	4Q24	1Q25	QoQ (%)	YoY (%)	Comments
Revenue	2,411.0	2,315.1	2,210.9	(4.5)	(8.3)	YoY decline in reflection of lower ASPs in tandem with falling feed costs.
EBITDA	240.7	357.4	261.1	(27.0)	8.5	YoY expansion as a result of input costs falling at a faster pace than ASPs.
EBITDA margin (%)	10.0	15.4	11.8	(3.6)	1.8	
EBIT	161.1	278.2	184.6	(33.6)	14.6	
EBIT Margin (%)	6.7	12.0	8.4	(3.7)	1.7	
Finance costs	(36.2)	(29.3)	(26.4)			
EI	0.0	27.3	0.0			
Profit before tax	124.9	249.2	158.4	(36.4)	26.8	
PBT Margin (%)	5.2	10.8	7.2	(3.6)	2.0	
Tax expense	(30.0)	(43.2)	(17.7)	(59.0)	(40.9)	
Effective tax rate (%)	(24.0)	(17.3)	(11.2)	6.1	12.8	
Minority interests	38.3	65.2	38.9			
PATAMI	56.6	140.8	101.8	(27.7)	79.9	
Core PATAMI	56.6	168.1	101.8	(39.5)	79.9	At 26-27% of the forecasts.
Net Margin (%)	2.3	7.3	4.6	(2.7)	2.3	Declared first DPS of 1 sen.

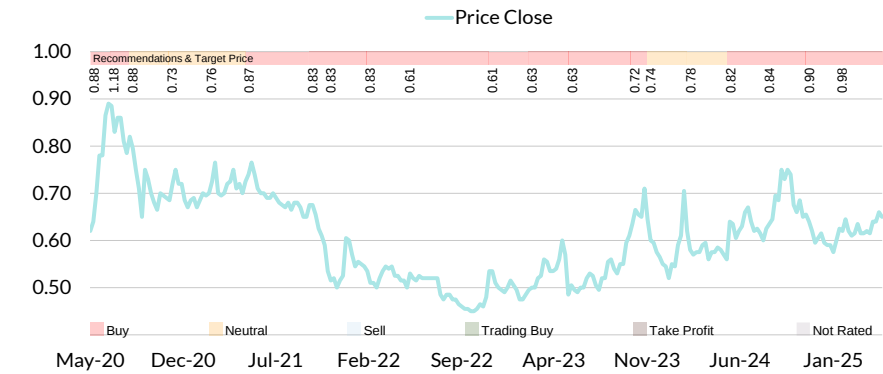
Source: Company data, RHB

Figure 2: LHIB's geographical breakdown

FYE Dec (MYRm)	1Q24	4Q24	1Q25	QoQ (%)	YoY (%)	Comments
Malaysia	584.2	576.4	561.7	(2.6)	(3.8)	Continues to deliver robust growth underpinned by expansion.
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	
Group revenue	2,408.0	2,312.3	2,207.4	(4.5)	(8.3)	
Malaysia	104.6	160.1	124.1	(22.5)	18.6	QoQ weakness due to low ASPs during the fasting month and lower subsidy recognised.
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	
Group EBITDA	240.6	357.4	261.1	(27.0)	8.5	
Malaysia	17.9	27.8	22.1	(5.7)	4.2	QoQ weakness due to low ASPs during the fasting month and lower subsidy recognised.
Singapore	9.4	5.6	6.0	0.5	(3.4)	
Vietnam	6.3	14.5	11.9	(2.7)	5.5	
Indonesia	6.8	9.8	5.3	(4.5)	(1.5)	
Philippines	12.2	16.6	17.5	0.9	5.3	
Group EBITDA margin (%)	10.0	15.5	11.8	(3.6)	1.8	

Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-02-26	Buy	0.98	0.63
2024-11-27	Buy	0.90	0.64
2024-08-27	Buy	0.84	0.59
2024-05-30	Buy	0.82	0.55
2024-02-28	Neutral	0.78	0.61
2023-11-29	Neutral	0.74	0.68
2023-10-22	Buy	0.72	0.61
2023-08-29	Buy	0.63	0.53
2023-06-01	Buy	0.63	0.51
2023-02-28	Buy	0.63	0.50
2022-11-29	Buy	0.61	0.49
2022-05-25	Buy	0.61	0.50
2022-02-23	Buy	0.83	0.56
2021-11-24	Buy	0.83	0.56
2021-10-13	Buy	0.83	0.66

Source: RHB, Bloomberg

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