Leong Hup International Bhd

TP: RM0.81 (+32.8%)

Last Traded: RM0.61

BUY (ESG: ★★★)

A Normalised FY25

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Review

- Leong Hup International Bhd's (LHI) 1QFY25 core net earnings of RM101.7mn (+79.7% YoY) were in line with our expectation, accounting for 28% of our full-year estimate and 26% of consensus.
- The group declared a single-tier interim dividend of 1.0sen/share for the quarter under review.
- 1QFY25 revenue declined by 8.3% YoY to RM2.2bn, mainly dragged down by the feedmill segment (-19.2% YoY), which was partially cushioned by a marginal improvement in the livestock and poultry-related segment (+0.7% YoY). However, core net profit surged 79.7% YoY, primarily driven by i) better margins in the livestock segment, and ii) reduced tax expenses of RM17.7mn, resulting in a lower effective tax rate of 11.2% (vs. 24% in 1QFY24).
- **Livestock & Poultry Related Segment**. Segmental turnover rose slightly by 0.7% YoY to RM1.3bn, supported by higher ASP and increased sales volume of dressed chicken in the Philippines, which offset weaker sales in the Malaysia and Singapore markets. Segmental EBIT surged more than threefold YoY to RM55.4mn, largely attributed to higher ASP and lower input costs across operations in Malaysia, Vietnam, and the Philippines.
- **Feedmill Segment.** 1QFY25 sales plummeted by 19.2% YoY to RM882.7mn, while segmental EBIT declined by 10.8% YoY to RM131.1mn. The weaker performance was due to lower ASP across all countries, driven by cost savings being passed through as well as reduced sales volumes in Malaysia and Vietnam.
- On a QoQ basis, revenue slid by 4.5% due to lower ASP and sales volume across all segments and markets. Despite the marginal drop in revenue, core PBT contracted by 35.3% YoY, mainly driven by lower ASP for key products and a reduction in government subsidies recognised during the quarter (–35.4% QoQ to RM29.6mn).

Impact

- We made no changes to our earnings forecasts.

Outlook

- Following the full abolishment of egg subsidies and price controls in August 2025, we expect egg prices to remain rangebound, supported by i) a stable supply environment and ii) continued profitability among poultry players due to lower input costs. Over the long run, LHI has indicated that cost savings from cheaper raw materials are likely to be passed on to consumers to maintain competitiveness. As such, we project a normalised EBIT margin of 7.8% for FY25, compared to 9.5% in FY24.

Share Information	
Bloomberg Code	LHIB MK
Stock Code	6633
Listing	Main Market
Share Cap (mn)	3604.8
Market Cap (RMmn)	2198.9
52-wk Hi/Lo (RM)	0.775/0.545
12-mth Avg Daily Vol ('000 shrs)	7312.4
Estimated Free Float (%)	20.6
Beta	0.9
Major Shareholders (%)	
Emerging Glory	53.5%
Clarinden Investment	7.2%
Amanah Saham Nasional	5.0%

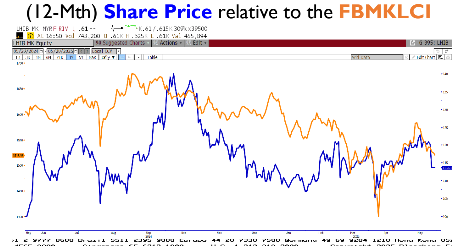
Forecast Revision	FY25	FY26
Forecast Revision (%)	0.0	0.0
Net profit (RMm)	362.4	371.4
Consensus	385.6	392.2
TA's / Consensus (%)	94.0	94.7
Previous Rating		Buy (Maintained)
Consensus Target Price (RM)	0.85	

Financial Indicators	FY25	FY26
Net Debt / Equity (x)	0.3	0.2
ROE (%)	14.1	13.1
ROA (%)	5.5	5.5
NTA/Share (RM)	0.7	0.8
Price/NTA (x)	0.9	0.8

Scorecard	% of FY	
vs TA	28	Within
vs Consensus	26	Within

Share Performance (%)		
Price Change	LHI	FBM KLCI
1 mth	(0.8)	0.2
3 mth	(5.4)	(3.5)
6 mth	(6.9)	(4.7)
12 mth	10.9	(5.4)

(12-Mth) **Share Price** relative to the **FBMKLCI**



Source: Bloomberg

Valuation

- After rolling forward our valuation base year to CY26, we arrive at a higher TP of **RM0.81**/share *(previously: RM0.79/share),* pegged at 8x CY26 EPS. Maintain our **Buy** recommendation.

Table 1: Earnings Summary (RM'mn)

FYE December (RM'mn)		2023	2024	2025F	2026F	2027F
Revenue		9,539.5	9,309.5	9,370.3	9,576.5	9,787.2
EBITDA		1,028.8	1,195.6	1,028.1	1,027.6	994.3
PBT		554.7	760.5	614.7	629.1	611.5
Reported Net Profit		301.7	428.9	362.4	371.4	360.9
Core Net Profit		301.7	428.9	362.4	371.4	360.9
Core EPS	(sen)	8.3	11.7	9.9	10.2	9.9
Core PER	(x)	7.4	5.2	6.1	6.0	6.2
DPS	(sen)	3.0	2.8	3.0	3.1	3.0
Dividend Yield	(%)	4.9	4.5	4.9	5.0	4.9

Table 2: 1QFY25 Results Analysis (RM'mn)

FYE 31 Dec		1QFY24	4QFY24	1QFY25	QoQ (%)	YoY (%)
Revenue		2,411.0	2,315.1	2,210.9	(4.5)	(8.3)
Other Income		23.6	65.7	45.3	(31.1)	91.6
Operating Expenses		(2,273.5)	(2,102.6)	(2,071.5)	1.5	8.9
EBIT		157.4	273.2	179.3	(34.4)	13.9
Adj. EBIT		157.4	268.6	179.1	(33.3)	13.8
Net Interest		(32.5)	(24.3)	(21.0)	13.6	35.4
Associate		0.0	0.3	0.1	(54.3)	>100
Profit before Tax		124.9	249.2	158.4	(36.4)	26.8
Adj. PBT		124.9	244.5	158.3	(35.3)	26.7
Taxation		(30.0)	(43.2)	(17.7)	59.0	40.9
Extraordinary Items		-	4.7	0.1	(97.0)	nm
Minority Interest		(38.3)	(65.2)	(38.9)	40.4	(1.4)
Net Profit		56.6	140.8	101.8	(27.7)	79.9
Adj. Net Profit		56.6	136.2	101.7	(25.3)	79.7
Basic EPS	(sen)	1.6	3.9	2.8	(27.2)	81.3
DPS	(sen)	-	-	1.0	nm	nm
					%-points	**%-points**
EBIT Margin	(%)	6.5	11.8	8.1	(3.7)	1.6
PBT Margin	(%)	5.2	10.8	7.2	(3.6)	2.0
Net Margin	(%)	2.3	6.1	4.6	(1.5)	2.3
Adj. Net Margin	(%)	2.3	5.9	4.6	(1.3)	2.3
Tax Rate	(%)	24.0	17.3	11.2	(6.1)	(12.8)

Table 3: 1QFY25 Results Analysis (RM'mn) – Segmental Breakdown

FYE 31 Dec	1QFY24	4QFY24	1QFY25	QoQ (%)	YoY (%)
Revenue	**2,411.0**	**2,315.1**	**2,210.9**	(4.5)	(8.3)
Livestock and Poultry Related	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
Segment EBIT	**157.4**	**273.2**	**179.3**	**(34.4)**	**13.9**
Livestock and Poultry Related	16.6	146.1	55.4	(62.1)	>100
Feedmill	146.9	141.0	131.1	(7.0)	(10.8)
Others	(6.1)	(13.9)	(7.2)	48.0	(18.7)
				%-points	**%-points**
Segment EBIT Margin	**6.5**	**11.8**	**8.1**	**(3.7)**	**1.6**
Livestock and Poultry Related	1.3	10.4	4.2	(6.2)	2.9
Feedmill	13.4	15.5	14.9	(0.7)	1.4

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% to12%.

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% to12%.
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 Friday, May 30, 2025, 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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