

Leong Hup International Bhd

TP: RM0.81 (+26.6%)

Solid 1H Earnings Growth

Last Traded: RM0.64

BUY (ESG: ★★★)

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Review

- Leong Hup International Bhd (LHI)'s 2Q results came in within expectations. Its 1H FY25 core net profit of RM192.1mn accounted for 53% of our full-year estimate and 52% of consensus.
- Revenue contracted by 8.8% YoY to RM4.3bn in 1H FY25, mainly due to weaker sales across both the Feedmill and Livestock & Poultry Related segments. However, core earnings rose 25.5% YoY, supported by: i) improved margins in the Livestock & Poultry Related segment on the back of lower feed input costs, ii) higher recognition of government subsidies amounting to RM69.1mn (vs. RM9.2mn in 1H FY24), and iii) lower interest expenses.
- Livestock & Poultry Related Segment.** In 2Q FY25, EBIT declined 31.1% YoY to RM58.2mn, driven by a 5.1% YoY drop in revenue to RM1.3bn. The weakness was mainly attributable to the Indonesia operations, where EBITDA plunged 88.8% YoY to RM12.1mn, reflecting lower average selling prices (ASP) for both Day-Old Chicks (DOC) and broilers, as well as reduced DOC sales volume. However, on a cumulative basis, 1H FY25 EBIT improved by 12.5% YoY to RM113.5mn, supported by margin expansion in core markets (Malaysia, Vietnam, and the Philippines), underpinned by higher ASP and lower feed costs.
- Feedmill Segment.** Segmental revenue contracted by 15.5% YoY to RM832.0mn in 2Q FY25, weighed down by weaker ASP in Indonesia and both lower ASP and volumes in Vietnam and Malaysia. Despite the revenue contraction, EBIT declined at a more moderate pace of 8.5% YoY to RM123.1mn, supported by easing input costs. For 1H FY25, revenue dropped by 17.4% YoY to RM1.7bn while EBIT eased by 9.7% YoY to RM254.1mn.
- No dividend was declared for the quarter under review.

Impact

- Maintain our FY25-27F earnings projections.

Outlook

- Management noted that egg prices declined in 2Q FY25, following the removal of subsidies and price ceilings. Consequently, the cost savings passed on to consumers are expected to support volume growth in 2H, underpinned by improved pricing competitiveness. Notably, table egg sales volume increased in 2Q.

Valuation

- We reiterate our **BUY** call with an unchanged TP of **RM0.81/share**, based on 8x CY26 EPS.

Share Information

Bloomberg Code	LHIB MK
Stock Code	6633
Listing	Main Market
Share Cap (mn)	3563.8
Market Cap (RMmn)	2280.8
52-wk Hi/Lo (RM)	0.775/0.56
12-mth Avg Daily Vol ('000 shrs)	6090.0
Estimated Free Float (%)	19.7
Beta	1.1
Major Shareholders (%)	
Emerging Glory	54.0%
Amanah Saham Nasional	7.1%
Clarinden Investment	5.0%

Forecast Revision

	FY25	FY26
Forecast Revision (%)	0.0	0.0
Net profit (RMm)	362.4	371.4
Consensus	370.3	371.5
TA's / Consensus (%)	97.9	100.0
Previous Rating	Buy (Maintained)	
Consensus Target Price (RM)	0.86	

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

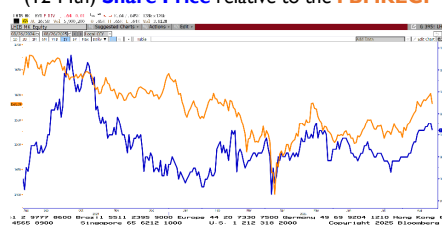
Scorecard

	% of FY	
vs TA	53	Within
vs Consensus	52	Within

Share Performance (%)

Price Change	LHI	FBM KLCI
1 mth	6.7	3.1
3 mth	(0.8)	3.1
6 mth	1.6	(0.4)
12 mth	6.7	(3.5)

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Table 1: Earnings Summary (RM'mn)

FYE December (RM mn)		2023	2024	2025E	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)	7.7	5.4	6.4	6.3	6.5
DPS	(sen)	3.0	2.8	3.0	3.1	3.0
Dividend Yield	(%)	4.7	4.3	4.7	4.8	4.6

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

Table 2: FYE 2024-25 Results Analysis (R1 FY25)									
FYE 31 Dec		2QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)	1H FY24	1H FY25	YoY (%)
Revenue		2,355.1	2,210.9	2,133.5	(3.5)	(9.4)	4,766.0	4,344.4	(8.8)
Other Income		9.6	45.3	51.8	14.5	>100	33.3	97.1	>100
Operating Expenses		(2,146.1)	(2,071.5)	(2,004.5)	3.2	6.6	(4,419.6)	(4,076.1)	7.8
EBIT		214.9	179.3	176.1	(1.8)	(18.1)	372.3	355.3	(4.5)
Adj. EBIT		214.9	179.3	176.1	(1.8)	(18.1)	372.3	355.3	(4.5)
Net Interest		(30.4)	(21.0)	(20.2)	3.5	33.4	(62.9)	(41.2)	34.4
Associate		0.0	0.1	0.1	(5.2)	>100	0.1	0.2	>100
Profit before Tax		184.6	158.4	156.0	(1.5)	(15.5)	309.5	314.4	1.6
Adj. PBT		184.6	158.4	156.0	(1.5)	(15.5)	309.5	314.4	1.6
Taxation		(40.4)	(17.7)	(37.3)	>-100	7.6	(70.4)	(55.0)	21.8
Minority Interest		(47.7)	(38.9)	(28.3)	27.1	40.5	(86.0)	(67.2)	21.8
Net Profit		96.5	101.8	90.3	(11.3)	(6.4)	153.1	192.1	25.5
Adj. Net Profit		96.5	101.8	90.3	(11.3)	(6.4)	153.1	192.1	25.5
Basic EPS	(sen)	2.6	2.8	2.5	(10.8)	(5.2)	4.2	5.3	26.8
DPS	(sen)	1.3	1.0	-	nm	nm	1.3	1.0	(23.1)
					%-points	%-points			%-points
EBIT Margin	(%)	9.1	8.1	8.3	0.1	(0.9)	7.8	8.2	0.4
PBT Margin	(%)	7.8	7.2	7.3	0.1	(0.5)	6.5	7.2	0.7
Net Margin	(%)	4.1	4.6	4.2	(0.4)	0.1	3.2	4.4	1.2
Adj. Net Margin	(%)	4.1	4.6	4.2	(0.4)	0.1	3.2	4.4	1.2
Tax Rate	(%)	21.9	11.2	23.9	12.8	2.0	22.7	17.5	(5.2)

Table 3: 2QFY25 Results Analysis (RM'mn) – Segmental Breakdown

FYE 31 Dec	2QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)	1H FY24	1H FY25	YoY (%)
Revenue	2,355.1	2,210.9	2,133.5	(3.5)	(9.4)	4,766.0	4,344.4	(8.8)
Livestock and Poultry Related	1,368.0	1,324.7	1,298.1	(2.0)	(5.1)	2,683.8	2,622.8	(2.3)
Feedmill	984.2	882.7	832.0	(5.7)	(15.5)	2,076.5	1,714.7	(17.4)
Others	2.9	3.5	3.4	(2.1)	16.9	5.8	6.8	17.4
Segment EBIT	218.7	184.6	180.8	(2.1)	(17.3)	379.8	365.5	(3.8)
Livestock and Poultry Related	84.4	55.4	58.2	5.0	(31.1)	101.0	113.5	12.5
Feedmill	134.5	131.1	123.1	(6.1)	(8.5)	281.4	254.1	(9.7)
Elimination	(0.3)	(1.8)	(0.4)	78.3	(59.2)	(2.6)	(2.2)	14.2
				%-points	%-points			%-points
Segment EBIT Margin	9.3	8.4	8.5	0.1	(0.8)	8.0	8.4	0.4
Livestock and Poultry Related	6.2	4.2	4.5	0.3	(1.7)	3.8	4.3	0.6
Feedmill	13.7	14.9	14.8	(0.1)	1.1	13.6	14.8	1.3

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

Disclaimer

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As of Wednesday, August 27, 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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