

HLIB Research

PP 9484/12/2012 (031413)

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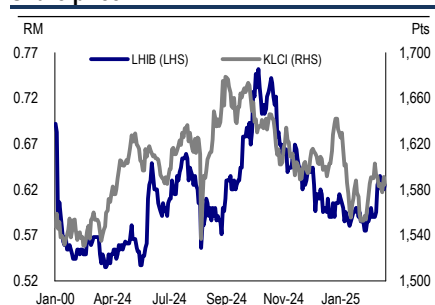
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BUY (Maintain)**Target Price:** **RM0.82****Previously:** **RM0.86****Current Price:** **RM0.61**

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	3.4	-3.9	-13.5
Relative	3.6	-2.3	-14.7

Stock information

Bloomberg ticker	LHIB MK
Bursa code	6633
Issued shares (m)	3,623.3
Market capitalisation (RM m)	2,210
3-mth average volume ('000)	5,401
SC Shariah compliant	No
F4GBM Index member	No
ESG rating	★★

Major shareholders

Emerging Glory	53.2%
Amanah Saham Nasional	7.1%
Clarinden	5.0%

Earnings summary

FYE Dec	FY24	FY25F	FY26F
PATMI - core (RM m)	465	373	378
EPS - core (sen)	12.7	10.2	10.4
P/E (x)	4.8	6.0	5.9

Leong Hup International**Ending FY24 on a strong note**

FY24 core net profit of RM464.9m surpassed expectations, making up 123.7-145.3% of consensus and our estimates, primarily due to better-than-expected margins at both livestock and feedmill segments. We raise our FY25-27 core net profit forecasts by 15.8%/16.5%/9.7%, mainly to account for higher EBITDA margin assumptions at both livestock and feedmill segments. Post earnings revision, we maintain our BUY rating on LHI but with a lower TP of RM0.82 (vs. RM0.86 earlier), based on revised 8x FY25 core EPS of 10.2 sen (following an update on its historical P/E trend).

Beat expectations. 4Q24 core net profit of RM184.4m (+50.0% QoQ; +81.0% YoY) brought FY24's total sum to RM464.9m (+44.7%). The results exceeded expectations, making up 123.7-145.3% of consensus and our estimates, primarily due to better-than-expected margins at both livestock and feedmill segments. FY24 core net profit of RM464.9m was arrived at after adjusting for (i) RM36.9m impairment losses, (ii) RM7.4m disposal gain, (iii) gain on termination of leases, and (iv) RM6.6m PPE written off.

QoQ. Core net profit surged 50.0% to RM184.4m in 4Q24, boosted by (i) higher selling prices and sales volume of broiler in Indonesia and Malaysia, and higher broiler prices in Vietnam, (ii) improved margin at feedmill segment, and (iii) lower finance cost.

YoY. Core net profit surged 81.0% YoY in 4Q24, boosted mainly by higher DOC prices and higher broiler prices and sales volume in Indonesia, higher broiler prices in Vietnam, and higher subsidies for eggs in Malaysia. These were, however, partly weighed down by lower feed prices.

YTD. FY24 core net profit rose 44.7% to RM464.9m, lifted mainly by higher selling prices and sales volume in Indonesia and Philippines, coupled with higher broiler prices in Vietnam, but partly weighed down by lower contribution from feedmill segment (arising from lower selling prices and sales volume in Vietnam and Malaysia, as well as lower sales volume in Indonesia).

Forecast. We raise our FY25-27 core net profit forecasts by 15.8%/16.5%/9.7%, mainly to account for higher EBITDA margin assumptions at both livestock and feedmill segments.

Maintain BUY with lower TP of RM0.82. Post earnings revision, we maintain our BUY rating on LHI but with a lower TP of RM0.82 (vs. RM0.86 earlier), based on revised 8x FY25 core EPS of 10.2 sen (following an update on its historical P/E trend). We continue to like LHI for its undemanding valuations (at FY25-27 P/E of 6.0x/5.9x/5.8x) and healthy balance sheet (net gearing of 0.37x as at 31 Dec 2024).

Financial Forecast

FYE 31 Dec (RMm)	FY23A	FY24A	FY25F	FY26F	FY27F
Revenue	9,539.5	5,399.0	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	785.9	794.8	810.6
PBT	554.7	760.5	654.5	663.4	679.3
PAT	429.8	630.8	497.4	504.2	516.2
Reported PATMI	301.7	428.9	373.1	378.1	387.2
Core PATMI	321.4	464.9	373.1	378.1	387.2
% change YoY - Core PATMI	31.0%	45%	-20%	1%	2%
HLIB/ Consensus - Core PATMI			102.1%	102.0%	N/A
Core EPS (sen)	8.8	12.7	10.2	10.4	10.6
P/E (x)	6.9	4.8	6.0	5.9	5.8
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/share)	0.6	0.7	0.8	0.9	1.0
P/B (x)	1.0	0.9	0.8	0.7	0.6
ROE	15.2%	19.0%	14.0%	12.6%	11.6%
Net gearing	59.5%	36.8%	24.6%	13.2%	3.9%

Bursa Malaysia; HLIB Research

Figure #1 Quarterly results comparison

FYE Dec (RMm)	4Q23	3Q24	4Q24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
Revenue	2,413.0	2,228.3	2,315.1	3.9	-4.1	9,539.5	9,309.5	-2.4
- Livestock & poultry related products	1,263.7	1,311.7	1,403.5	7.0	11.1	5,155.6	5,399.0	4.7
- Feedmill	1,146.0	913.8	908.8	-0.5	-20.7	4,370.8	3,899.0	-10.8
- Others	3.4	2.8	2.8	1.3	-15.9	13.1	11.5	-12.4
EBITDA	303.4	309.3	357.4	15.6	17.8	1,043.4	1,203.7	15.4
- Livestock & poultry related products	83.6	163.9	206.0	25.7	>100	341.6	594.1	73.9
- Feedmill	228.2	140.4	158.5	12.9	-30.5	707.4	615.4	-13.0
- Others	-8.4	5.0	-7.1	NM	NM	-5.7	-5.8	NM
Profit from operations	219.8	232.8	278.2	19.5	26.6	724.0	890.8	23.0
- Livestock & poultry related products	19.0	109.8	146.1	33.1	>100	95.3	357.0	>100
- Feedmill	211.8	123.8	141.0	13.9	-33.5	640.8	546.1	-14.8
- Others	-11.0	-0.8	-8.9	NM	NM	-12.1	-12.3	NM
Finance costs	-36.7	-31.0	-29.3	-5.6	-20.2	-169.6	-130.6	-23.0
Associates	0.1	0.0	0.3	>100	>100	0.3	0.4	7.9
PBT	183.3	201.9	249.2	23.5	36.0	554.7	760.5	37.1
Tax expense	-38.5	-16.2	-43.2	>100	12.0	-124.9	-129.7	3.8
PAT	144.7	185.7	206.0	10.9	42.4	429.8	630.8	46.8
Non-controlling interests	-63.1	-50.7	-65.2	-	-	-128.1	-201.9	-
Reported net profit	81.6	135.0	140.8	4.3	72.6	301.7	428.9	42.2
Core net profit	101.9	122.9	184.4	50.0	81.0	321.4	464.9	44.7
Core EPS (sen)	2.8	3.4	5.1	50.0	81.0	8.8	12.7	44.7
				%-pts	%-pts			%-pts
EBITDA margin (%)	12.6	13.9	15.4	1.6	2.9	10.9	12.9	2.0
Operating margin (%)	9.1	10.4	12.0	1.6	2.9	7.6	9.6	2.0
PBT margin (%)	7.6	9.1	10.8	1.7	3.2	5.8	8.2	2.4
Net margin (%)	4.2	5.5	8.0	2.4	3.7	3.4	5.0	1.6

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Figure #2 Geographical breakdown on revenue and EBITDA

FYE Dec (RMm)	4Q23	3Q24	4Q24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
Revenue	2,409.7	2,225.5	2,312.3	3.9	-4.0	9,526.4	9,298.0	-2.4
- Malaysia	587.3	567.2	576.4	1.6	-1.8	2,386.1	2,299.5	-3.6
- Singapore	202.0	209.0	206.3	-1.3	2.2	826.1	829.7	0.4
- Vietnam	534.5	451.2	478.0	5.9	-10.6	2,114.2	1,868.1	-11.6
- Indonesia	927.0	816.7	855.1	4.7	-7.8	3,623.5	3,589.4	-0.9
- Philippines	158.9	181.3	196.4	8.3	23.6	576.6	711.3	23.4
EBITDA	303.4	309.3	357.4	15.6	17.8	1,043.4	1,203.7	15.4
- Malaysia	184.1	141.8	160.1	12.9	-13.0	583.3	507.9	-12.9
- Singapore	20.6	13.5	11.5	-15.0	-44.2	81.6	60.4	-26.0
- Vietnam	43.7	63.8	69.4	8.8	58.8	141.1	207.0	46.7
- Indonesia	35.1	46.2	83.8	81.4	>100	171.7	304.5	77.3
- Philippines	19.9	43.9	32.6	-25.9	63.3	65.7	124.0	88.8

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Published & printed by:**Hong Leong Investment Bank Berhad (10209-W)**

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Stock rating guide

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.

The stock rating guide as stipulated above serves as a guiding principle to stock ratings. However, apart from the abovementioned quantitative definitions, other qualitative measures and situational aspects will also be considered when arriving at the final stock rating. Stock rating may also be affected by the market capitalisation of the individual stock under review.