

Leong Hup International (LHIB MK)

4Q24 surpassed expectations

Raised TP to MYR0.80; BUY maintained

LHIB's 4Q24 results outperformed given higher-than-expected EBIT margins on reduced feed raw material costs. The group's overall poultry demand outlook for FY25E is expected to be resilient. Further, with steady poultry ASPs across its respective regions, we expect margins to maintain at elevated levels despite the recent uptrend in feed raw material costs. We lift FY25E-FY26E earnings estimates by +6% p.a. on adjustments to taxes and minority interest. Maintain BUY with a higher TP of MYR0.80 based on an unchanged 8x FY25E PER (mean).

FY24 made up 116% of our full-year estimates

LHIB's 4Q24 net profit of MYR141m (+73% YoY, +4% QoQ) brought FY24 net profit to MYR429m (+42% YoY), accounting for 116%/114% of ours/consensus full-year earnings estimates. The beat was mainly from stronger-than-expected group EBIT margins on lower feed raw material costs. Group revenue of MYR9.3b was however in-line with our FY24 revenue estimates at 103%.

Stronger livestock & feedmill EBITDA margins QoQ

Key takeaways from 4Q24 results: (i) group revenue grew +3% QoQ predominantly due to higher livestock segment sales (+7% QoQ) aided by stronger poultry (broiler & DOC [day-old-chicks]) ASPs and sales volume in Indonesia, Malaysia and Vietnam, but partially offset by softer feedmill segment sales (-1% QoQ), (ii) EBITDA increased by +16% QoQ (EBITDA margins: +1.6ppts QoQ) on margin expansion in both livestock (+2.2ppts QoQ) and feedmill segments (+2.1ppts QoQ) due to lower feed raw material costs.

Revising FY25E-FY26E earnings estimates

Factoring in the strong set of results, we raise our FY25E/FY26E earnings estimates by +6%/+6% on lower tax/minority interest revisions; we introduce F27E. Poultry demand across LHIB's respective countries of operations is expected to remain stable. Although corn and soybean ASPs has crept up recently, we believe it is still at manageable levels given our expectations for steady FY25E poultry ASPs in Indonesia, Malaysia and Vietnam.

FYE Dec (MYR m)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	9,540	9,309	9,257	9,471	9,704
EBITDA	1,043	1,204	1,107	1,081	1,101
Core net profit	302	429	367	375	373
Core EPS (sen)	8.3	11.8	10.1	10.3	10.2
Core EPS growth (%)	37.8	42.2	(14.3)	2.1	(0.7)
Net DPS (sen)	3.0	3.5	3.0	3.1	3.1
Core P/E (x)	6.8	5.1	6.1	5.9	6.0
P/BV (x)	0.9	0.9	0.8	0.7	0.7
Net dividend yield (%)	5.3	5.8	5.0	5.1	5.0
ROAE (%)	14.2	18.3	14.2	13.2	12.0
ROAA (%)	4.6	6.6	4.8	4.1	3.8
EV/EBITDA (x)	4.5	3.7	4.5	4.3	4.3
Net gearing (%) (incl perps)	65.6	42.1	47.5	33.1	29.9
Consensus net profit	-	-	362	371	na
MIBG vs. Consensus (%)	-	-	1.4	1.0	na

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BUY

Share Price	MYR 0.61
12m Price Target	MYR 0.80 (+37%)
Previous Price Target	MYR 0.75

Company Description

The company is an integrated poultry player with operations across Malaysia, Singapore, Indonesia, Vietnam and the Philippines

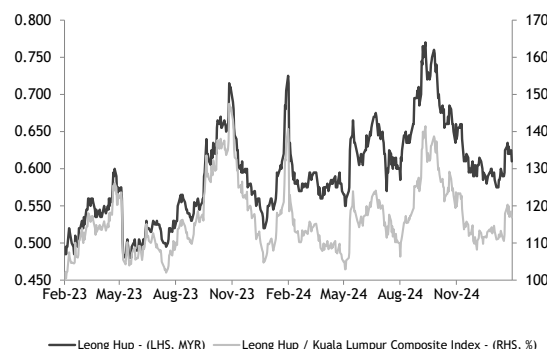
Statistics

52w high/low (MYR)	0.77/0.55
3m avg turnover (USDm)	0.7
Free float (%)	27.4
Issued shares (m)	3,650
Market capitalisation	MYR2.2B
	USD503M

Major shareholders:

Emerging Glory Sdn. Bhd.	52.8%
Concordant Investments Pte Ltd.	9.0%

Price Performance



	-1M	-3M	-12M
Absolute (%)	3	(4)	(13)
Relative to index (%)	4	(2)	(15)

Source: FactSet

Fig 1: Leong Hup International: Results Summary Table

FY Dec (MYR m)	Quarterly					Cumulative		
	4Q24	4Q23	% YoY	3Q24	% QoQ	12M24	12M23	% YoY
Revenue	2,315.1	2,413.0	(4.1)	2,228.3	3.9	9,309.5	9,539.5	(2.4)
EBITDA	357.4	303.4	17.8	309.3	15.6	1,203.7	1,043.4	15.4
Depreciation	(79.2)	(83.5)	(5.2)	(76.4)	3.7	(313.0)	(319.4)	(2.0)
EBIT	278.2	219.8	26.6	232.8	19.5	890.8	724.0	23.0
Interest expense	(29.3)	(36.7)	(20.2)	(31.0)	(5.6)	(130.6)	(169.6)	(23.0)
Associates	0.3	0.1	>100.0	0.0	>100.0	0.4	0.3	7.9
Pretax profit	249.2	183.3	36.0	201.9	23.5	760.5	554.7	37.1
Tax	(43.2)	(38.5)	12.0	(16.2)	>100.0	(129.7)	(124.9)	3.8
Minority interest	(65.2)	(63.1)	3.3	(50.7)	28.6	(201.9)	(128.1)	57.6
Net profit	140.8	81.6	72.6	135.0	4.3	428.9	301.7	42.2
Core net profit	140.8	81.6	72.6	135.0	4.3	428.9	301.7	42.2
			+/- p.ptsYoY		+/- p.ptsQoQ			+/- p.ptsYoY
<i>EBITDA margin (%)</i>	15.4	12.6	2.9	13.9	1.6	12.9	10.9	2.0
<i>EBIT margin (%)</i>	12.0	9.1	2.9	10.4	1.6	9.6	7.6	2.0
<i>Tax rate (%)</i>	(17.3)	(21.0)	3.7	(8.0)	(9.3)	(17.1)	(22.5)	5.5
Revenue:			% YoY		% QoQ			% YoY
Livestock	1,403.5	1,263.7	11.1	1,311.7	7.0	5,399.0	5,155.6	4.7
Feedmill	908.8	1,146.0	(20.7)	913.8	(0.5)	3,899.0	4,370.8	(10.8)
Others	2.8	3.4	(15.9)	2.8	1.3	11.5	13.1	(12.4)
Total	2,315.1	2,413.0	(4.1)	2,228.3	3.9	9,309.5	9,539.5	(2.4)
EBITDA:			% YoY		% QoQ			% YoY
Livestock	206.0	83.6	>100.0	163.9	25.7	594.1	341.6	73.9
Feedmill	158.5	228.2	(30.5)	140.4	12.9	615.4	707.4	(13.0)
Others	(7.1)	(8.4)	(15.5)	5.0	n.m.	(5.8)	(5.6)	3.8
Total	357.4	303.4	17.8	309.3	15.6	1,203.7	1,043.4	15.4
EBITDA margin (%):			+/- p.ptsYoY		+/- p.ptsQoQ			+/- p.ptsYoY
Livestock	14.7	6.6	8.1	12.5	2.2	11.0	6.6	4.4
Feedmill	17.4	19.9	(2.5)	15.4	2.1	15.8	16.2	(0.4)
Others	(251.2)	(250.2)	(1.0)	177.6	(428.8)	(50.7)	(42.8)	(7.9)
Total	15.4	12.6	2.9	13.9	1.6	12.9	10.9	2.0

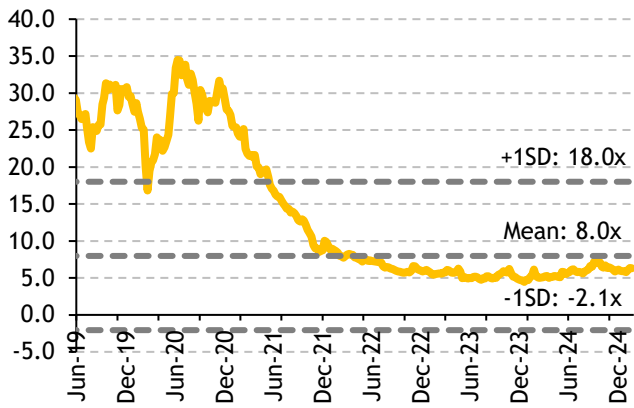
Source: Company

Fig 2: LHIB's earnings assumption changes

(MYRm)	Revised			Previous			% change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	9,257	9,471	9,704	9,259	9,473	9,704	0%	0%	0%
EBIT	771	735	745	722	745	744	7%	-1%	0%
EBIT margin	8.3%	7.8%	7.7%	7.8%	7.9%	7.7%	+0.5ppts	-0.1ppts	0.0%
PBT	595	546	544	545	556	542	9%	-2%	0%
Net profit	367	375	373	346	353	371	6%	6%	0%

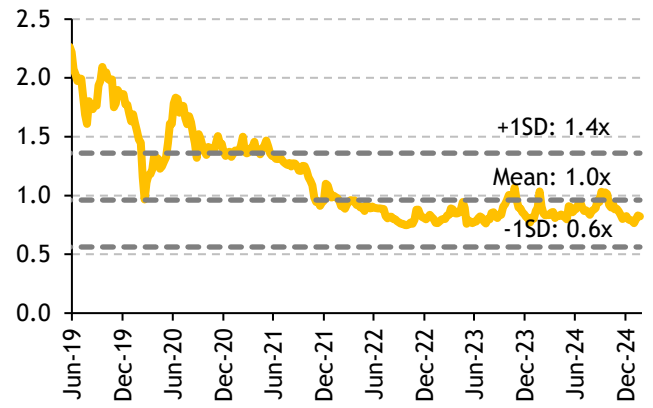
Source: Maybank IBG Research

Fig 3: Forward PER (x)



Source: Bloomberg, Maybank IBG Research

Fig 4: Forward PBV (x)



Source: Bloomberg, Maybank IBG Research

Risk statement

There are several risk factors to our earnings estimates, target price and rating for LHIB. The group is subject to market volatility in selling prices as well as demand-supply imbalances, both in feed and poultry. Moreover, poultry is vulnerable to disease and epidemic outbreaks that could further exacerbate demand-supply imbalances.

FYE 31 Dec	FY23A	FY24A	FY25E	FY26E	FY27E
Key Metrics					
P/E (reported) (x)	6.6	5.3	6.1	5.9	6.0
Core P/E (x)	6.8	5.1	6.1	5.9	6.0
P/BV (x)	0.9	0.9	0.8	0.7	0.7
P/NTA (x)	1.0	0.9	0.8	0.8	0.7
Net dividend yield (%)	5.3	5.8	5.0	5.1	5.0
FCF yield (%)	33.3	32.4	8.1	25.0	7.1
EV/EBITDA (x)	4.5	3.7	4.5	4.3	4.3
EV/EBIT (x)	6.5	5.0	6.5	6.3	6.3
INCOME STATEMENT (MYR m)					
Revenue	9,539.5	9,309.5	9,256.8	9,470.5	9,703.6
EBITDA	1,043.4	1,203.7	1,107.2	1,081.4	1,100.9
Depreciation	(276.2)	(269.3)	(292.5)	(302.6)	(311.8)
Amortisation	(43.2)	(43.6)	(43.9)	(43.9)	(43.9)
EBIT	724.0	890.8	770.9	734.9	745.2
Net interest income / (exp)	(169.6)	(130.6)	(176.5)	(189.1)	(201.7)
Associates & JV	0.3	0.4	0.4	0.4	0.4
Pretax profit	554.7	760.5	594.7	546.2	543.8
Income tax	(124.9)	(129.7)	(101.4)	(93.1)	(92.8)
Minorities	(128.1)	(201.9)	(125.9)	(77.8)	(78.5)
Reported net profit	301.7	428.9	367.4	375.2	372.5
Core net profit	301.7	428.9	367.4	375.2	372.5
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	699.5	770.7	2,474.7	3,182.1	3,492.4
Accounts receivable	729.4	623.2	818.7	656.5	855.0
Inventory	978.8	968.6	1,141.0	1,051.1	1,203.0
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	2,730.3	2,683.3	3,215.9	3,313.6	3,402.1
Intangible assets	102.5	91.2	90.9	90.6	90.3
Investment in Associates & JVs	1.7	1.8	1.8	1.8	1.8
Other assets	1,284.4	1,305.5	1,216.4	1,208.1	1,201.1
Total assets	6,526.6	6,444.3	8,959.4	9,503.8	10,245.9
ST interest bearing debt	1,615.3	1,449.5	2,430.1	2,597.7	2,765.3
Accounts payable	359.6	311.6	429.2	340.6	451.0
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	1,022.0	721.3	1,811.5	1,926.7	2,041.9
Other liabilities	575.0	634.0	570.0	579.0	589.0
Total Liabilities	3,571.5	3,116.9	5,240.4	5,444.3	5,847.1
Shareholders Equity	2,236.7	2,448.6	2,714.4	2,977.0	3,237.8
Minority Interest	718.4	878.8	1,004.7	1,082.5	1,161.0
Total shareholder equity	2,955.1	3,327.4	3,719.1	4,059.5	4,398.8
Total liabilities and equity	6,526.6	6,444.3	8,959.4	9,503.8	10,245.9
CASH FLOW (MYR m)					
Pretax profit	554.7	760.5	594.7	546.2	543.8
Depreciation & amortisation	319.4	313.0	336.4	346.5	355.7
Cash taxes paid	(124.9)	(129.7)	(101.4)	(93.1)	(92.8)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	902.8	1,006.6	579.3	957.0	559.0
Capex	(215.9)	(292.2)	(400.0)	(400.0)	(400.0)
Free cash flow	686.9	714.4	179.3	557.0	159.0
Dividends paid	(77.0)	(178.0)	(110.2)	(112.6)	(111.8)
Equity raised / (purchased)	0.0	(11.5)	4.4	0.0	0.0
Change in Debt	(696.3)	(530.8)	2,070.8	282.8	282.8
Other invest/financing cash flow	51.3	(32.8)	(15.2)	(19.4)	(19.4)
Net cash flow	(35.0)	(38.7)	2,129.1	707.8	310.6

FYE 31 Dec	FY23A	FY24A	FY25E	FY26E	FY27E
Key Ratios					
Growth ratios (%)					
Revenue growth	5.5	(2.4)	(0.6)	2.3	2.5
EBITDA growth	36.3	15.4	(8.0)	(2.3)	1.8
EBIT growth	56.0	23.0	(13.5)	(4.7)	1.4
Pretax growth	69.9	37.1	(21.8)	(8.2)	(0.4)
Reported net profit growth	37.8	42.2	(14.3)	2.1	(0.7)
Core net profit growth	37.8	42.2	(14.3)	2.1	(0.7)
Profitability ratios (%)					
EBITDA margin	10.9	12.9	12.0	11.4	11.3
EBIT margin	7.6	9.6	8.3	7.8	7.7
Pretax profit margin	5.8	8.2	6.4	5.8	5.6
Payout ratio	36.3	30.0	30.0	30.0	30.0
DuPont analysis					
Net profit margin (%)	3.2	4.6	4.0	4.0	3.8
Revenue/Assets (x)	1.5	1.4	1.0	1.0	0.9
Assets/Equity (x)	2.9	2.6	3.3	3.2	3.2
ROAE (%)	14.2	18.3	14.2	13.2	12.0
ROAA (%)	4.6	6.6	4.8	4.1	3.8
Liquidity & Efficiency					
Cash conversion cycle	56.9	56.8	60.0	60.0	60.0
Days receivable outstanding	26.0	26.2	28.0	28.0	28.0
Days inventory outstanding	48.2	46.7	49.2	49.2	49.2
Days payables outstanding	17.3	16.1	17.3	17.3	17.3
Dividend cover (x)	2.8	3.3	3.3	3.3	3.3
Current ratio (x)	1.3	1.4	1.6	1.7	1.7
Leverage & Expense Analysis					
Asset/Liability (x)	1.8	2.1	1.7	1.7	1.8
Net gearing (%) (incl perps)	65.6	42.1	47.5	33.1	29.9
Net gearing (%) (excl. perps)	65.6	42.1	47.5	33.1	29.9
Net interest cover (x)	4.3	6.8	4.4	3.9	3.7
Debt/EBITDA (x)	2.5	1.8	3.8	4.2	4.4
Capex/revenue (%)	2.3	3.1	4.3	4.2	4.1
Net debt/ (net cash)	1,937.8	1,400.1	1,767.0	1,342.3	1,314.8

Source: Company; Maybank IBG Research

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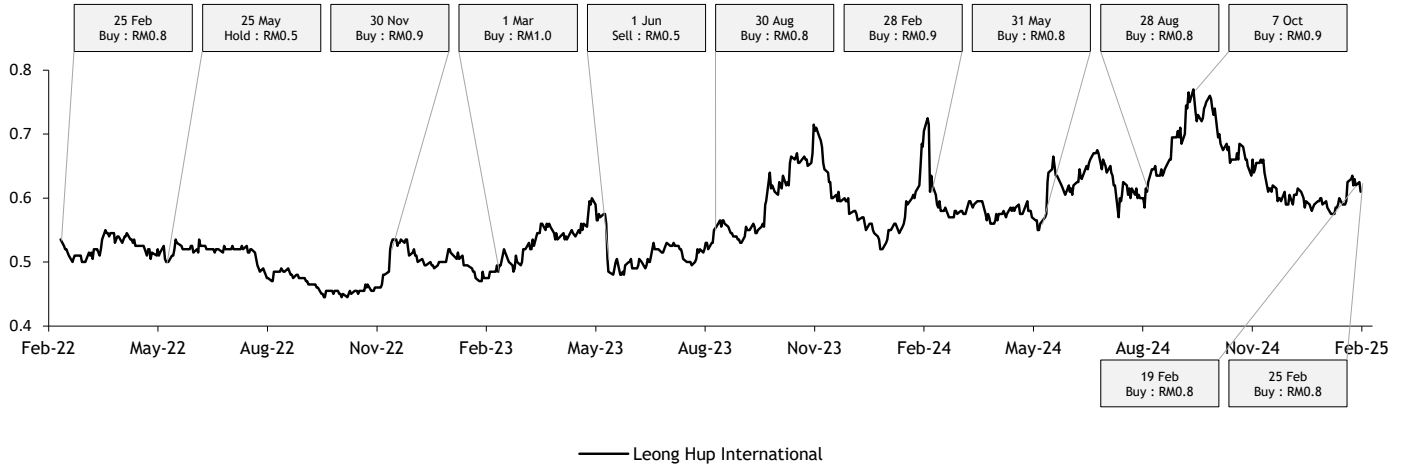
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