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Leong Hup International Bhd

TP: RM0.79 (+29.5%)

Record Profit in FY24
Last Traded: RM0.61
BUY (ESG: ★★★)

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Review

- Leong Hup International Bhd (LHI) registered a record core profit of RM433.3mn in FY24, surpassing both our and consensus' full-year earnings estimates by 14% and 19%, respectively. The positive variance was primarily due to: i) lower-than-expected input costs, resulting in reduced operating expenses, and ii) a lower effective tax rate of 17.1% (-5.5%-pts YoY) in FY24.
- No dividend was declared for the quarter under review.
- Despite a weaker turnover of RM9.3bn in FY24 (-2.4% YoY), the core earnings experienced a notable increase of 43.6% YoY, reaching RM433.3mn. The strong results were primarily driven by improvements in the livestock and poultry-related segment, which helped offsetting weaker performance in the feedmill segment. Additionally, the group benefited from a lower tax rate of 17.1% in FY24, down from 22.5% the previous year. As a result, the group's core net margin rose by 1.5%-pts YoY to 4.7% in FY24.
- Livestock & Poultry Related Segment.** In FY24, segmental revenue grew by 4.7% YoY to RM5.4bn, mainly driven by: i) higher average selling prices (ASP) and increased sales volume of day-old chicks (DOC) and broiler chickens in both Indonesia and the Philippines, and ii) a rise in ASP for broiler chickens in Vietnam. With higher sales and reduced feed costs, EBIT surged more than 3-fold YoY to RM546.1mn. As a result, EBIT margin increased by 4.8%-pts YoY to 6.6% in FY24.
- Feedmill Segment.** FY24 EBIT fell by 14.8% YoY to RM546.1mn, in tandem with weaker sales of RM3.9bn (-10.8% YoY). The decline was primarily due to lower ASP and reduced sales volumes in Malaysia, Vietnam, and Indonesia.

Impact

- No change to our earnings projections.

Outlook

- Management indicated that LHI intends to pass on the savings from lower raw material costs to its customers to stay competitive in the market. As a result, we expect the net profit growth to normalise in FY25 due to this cost pass-through mechanism. Overall, we anticipate the FY25 EBIT margin normalising at 7.7%, compared to 9.4% in FY24.

Valuation

- Maintain **Buy** with an unchanged TP of RM **RM0.79/share**, based on CY25 PER of 9x.

Share Information

Bloomberg Code	LHIB MK
Stock Code	6633
Listing	Main Market
Share Cap (mn)	3652.0
Market Cap (RMmn)	2228.0
52-wk Hi/Lo (RM)	0.775/0.545
12-mth Avg Daily Vol ('000 shrs)	7728.5
Estimated Free Float (%)	24.6
Beta	1.2

Major Shareholders (%)

Emerging Glory	53.2%
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	365.4	370.8
TA's / Consensus (%)	99.2	100.2
Previous Rating	Buy (Maintained)	
Consensus Target Price (RM)	0.84	

Financial Indicators

	FY25	FY26
Net Debt / Equity (x)	0.3	0.2
ROE (%)	13.8	12.9
ROA (%)	5.3	5.3
NTA/Share (RM)	0.7	0.8
Price/NTA (x)	0.8	0.8

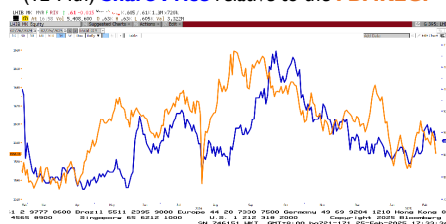
Scorecard

	% of FY	
vs TA	114	Above
vs Consensus	119	Above

Share Performance (%)

Price Change	LHI	FBM KLCI
1 mth	3.4	(0.4)
3 mth	(3.9)	(1.8)
6 mth	1.7	(4.1)
12 mth	(13.5)	1.2

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Table 1: Earnings Summary (RM'mn)

FYE December (RM mn)	2022	2023	2024	2025F	2026F	
Revenue	9,042.7	9,539.5	9,309.5	9,370.3	9,576.4	
EBITDA	752.2	1,043.4	1,203.7	1,028.1	1,027.6	
PBT	326.6	554.7	760.5	588.2	602.9	
Reported Net Profit	218.9	301.7	428.9	362.4	371.4	
Core Net Profit	218.9	301.7	433.3	362.4	371.4	
Core EPS	(sen)	6.0	8.3	12.0	9.9	10.2
Core PER	(x)	11.2	8.1	5.1	6.1	6.0
DPS	(sen)	0.0	3.0	2.8	3.0	3.1
Dividend Yield	(%)	0.0	4.9	4.5	4.9	5.0

Table 2: 4QFY24 Results Analysis (RM'mn)

FYE 31 Dec	4QFY23	3QFY24	4QFY24	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)	
Other Income	129.8	40.9	65.7	60.5	(49.4)	287.2	139.9	(51.3)	
Operating Expenses	(2,323.0)	(2,036.4)	(2,102.6)	(3.3)	9.5	(9,102.7)	(8,558.5)	6.0	
EBIT	216.0	228.7	273.2	19.4	26.5	709.6	874.2	23.2	
Adj. EBIT	216.0	237.8	268.6	12.9	24.3	709.6	878.6	23.8	
Net Interest	(32.9)	(26.9)	(24.3)	9.8	26.1	(155.2)	(114.1)	26.5	
Associate	0.1	0.0	0.3	>100	>100	0.3	0.4	7.9	
Profit before Tax	183.3	201.9	249.2	23.5	36.0	554.7	760.5	37.1	
Adj. PBT	183.3	210.9	244.5	15.9	33.4	554.7	764.9	37.9	
Taxation	(38.5)	(16.2)	(43.2)	>-100	(12.0)	(124.9)	(129.7)	(3.8)	
Extraordinary Items	-	(9.1)	4.7	nm	nm	-	(4.4)	nm	
Minority Interest	(63.1)	(50.7)	(65.2)	(28.6)	(3.3)	(128.1)	(201.9)	(57.6)	
Net Profit	81.6	135.0	140.8	4.3	72.6	301.7	428.9	42.2	
Adj. Net Profit	81.6	144.1	136.2	(5.5)	66.9	301.7	433.3	43.6	
Basic EPS	(sen)	2.2	3.7	3.9	4.3	72.6	8.3	11.8	42.2
DPS	(sen)	-	1.5	-	nm	-	3.0	2.8	(8.3)
				%-points	%-points			%-points	
EBIT Margin	(%)	9.0	10.3	11.8	1.5	2.8	7.4	9.4	2.0
PBT Margin	(%)	7.6	9.1	10.8	1.7	3.2	5.8	8.2	2.4
Net Margin	(%)	3.4	6.1	6.1	0.0	2.7	3.2	4.6	1.4
Adj. Net Margin	(%)	3.4	6.5	5.9	(0.6)	2.5	3.2	4.7	1.5
Tax Rate	(%)	21.0	8.0	17.3	9.3	(3.7)	22.5	17.1	(5.5)

Table 3: 4QFY24 Results Analysis (RM'mn) – Segmental Breakdown

FYE 31 Dec	4QFY23	3QFY24	4QFY24	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 and Poultry Related	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)
Segment EBIT	219.8	232.8	278.2	19.5	26.6	724.0	890.8	23.0
Livestock and Poultry Related	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)
Elimination	(11.0)	(0.8)	(8.9)	>-100	19.1	(12.1)	(12.3)	(1.9)
				%-points	%-points			%-points
Segment EBIT Margin	9.1	10.4	12.0	1.6	2.9	7.6	9.6	2.0
Livestock and Poultry Related	1.5	8.4	10.4	2.0	8.9	1.8	6.6	4.8
Feedmill	18.5	13.5	15.5	2.0	(3.0)	14.7	14.0	(0.7)

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

Scoring	Environmental	Social	Governance	Average
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, February 26, 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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