Leong Hup International Berhad

(6633|LHI MK) Main | Consumer Products & Services

ESG 1 Star

Maintain **BUY**

Unchanged Target Price **RM0.90**

Corporate Update

4QFY24 Results Review
Another Strong Showing

Maintain BUY with an unchanged TP of RM0.90. Leong Hup International (LHI) posted a strong FY24 performance, with core PATANCI exceeding expectations due to improved margins from lower feed costs and a favorable forex environment. We retain our earnings forecasts pending further insights from the upcoming analyst briefing. Our TP remains at RM0.90, based on an unchanged PER of 7.3x pegged to FY25F core EPS of 12.3sen. Given resilient poultry demand and cost efficiencies, we remain positive and maintain our BUY recommendation.

Above expectations. LHI chalked in 4QFY24 revenue of RM2.3b (+3.9qoq; -4.1%yoy) and core PATANCI of RM166.3m (+1.9%qoq, +18.8%yoy) which brought 12MFY24 core PATANCI to RM540.5m (+66.4%yoy). This came in above our full-year FY24 forecast and consensus at 123% and 144% of full-year expectations respectively. The variance against our forecast was largely due to the stronger than-expected margin resulting from the lower feed costs and weaken USD. No dividend was proposed in 4QFY24, with the total dividend for FY24 remaining at 2.8sen/share, translating to a dividend yield of 4.5%.

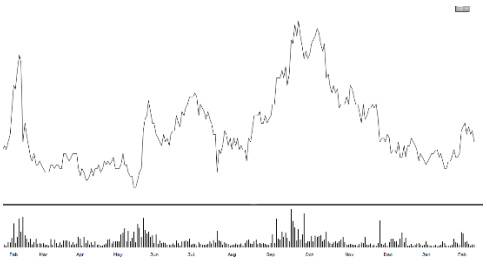
Solid revenue performance despite weaker feedmill sales. LHI recorded a revenue of RM2.3b in 4QFY24 (+3.9qoq; -4.1%yoy). The lower performance on yearly basis was primarily due to a -20.7%yoy drop in feedmill revenue, attributed to softer demand and lower selling prices in key markets. However, this was partially offset by a resilient livestock and poultry segment, which saw revenue increase by +11.1%yoy, driven by higher ASP and stronger demand, particularly in Indonesia and the Philippines. On a full-year basis, FY24 revenue came in at RM9.31b (-2.4%yoy), impacted by the feedmill segment's weaker performance (-10.8%yoy), though partially cushioned by a 4.7%yoy growth in the livestock and poultry division.

Stronger PATANCI on cost efficiencies. LHI's FY24 core PATANCI improved to RM540.5m, marking a significant 66.4%yoy improvement. This notable increase in profitability was driven by effective cost management and operational efficiencies, particularly in the livestock segment. Lower feed prices and favorable forex movements contributed to margin expansion, with core PATANCI margin rising to 5.8% (from 3.4% in FY23), while EBITDA margin expanded by 1.2 ppts to 12.1%.

Outlook. We remain positive on LHI's outlook, backed by resilient poultry demand and declining feed costs. Favorable market conditions in Indonesia, Vietnam, and the Philippines, coupled with a weaker USD, should further support margins. With these tailwinds, earnings momentum is expected to remain positive.

RETURN STATISTICS	
Price @ 25th Feb 2025 (RM)	0.61
Expected share price return (%)	+47.7
Expected dividend yield (%)	+2.5
Expected total return (%)	+51.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.4	3.8
3months	0.8	-2.1
12 months	-13.5	-14.5

INVESTMENT STATISTICS

FYE DEC (RM'm)	2025F	2026F	2027F
Revenue	10,198.9	10,607.8	11,036.2
EBITDA	1,205.9	1,254.4	1,292.4
PBT	727.8	760.5	787.5
Core PATANCI	450.4	476.5	491.6
Core EPS (sen)	12.3	13.1	13.5
DPS (sen)	2.5	2.6	2.7
Dividend Yield (%)	4.0	4.3	4.4

KEY STATISTICS

FBM KLCI	1,568.03
Issue shares (m)	3650.00
Estimated free float (%)	24.63
Market Capitalisation (RM'm)	2,210.20
52-wk price range	RM0.54 - RM0.77
3-mth average daily volume (m)	5.40
3-mth average daily value (RM'm)	3.30
Top Shareholders (%)	
Emerging Glory Sdn Bhd	53.19
Amanah Saham Nasional Bhd	7.12
CLARINDEN INV PTE	4.95

Analyst

Eunice Ng Qing Rong

Eunice.ng@midf.com.my

03-2173 8384

Leong Hup International: 4QFY24 Results Summary

FYE Dec (RM'm)	Quarterly results					Cumulative results		
	4QFY24	3QFY24	4QFY23	YoY (%)	QoQ (%)	12MFY24	12MFY23	YoY (%)
Revenue	**2,315.1**	**2,228.3**	**2,413.0**	**(4.1)**	**3.9**	**9,309.5**	**9,539.5**	**(2.4)**
Other income	65.7	40.9	129.8	(49.4)	60.5	139.9	287.2	(51.3)
Operating expenses	(2,102.6)	(2,036.4)	(2,323.0)	(9.5)	3.3	(8,558.5)	(9,102.7)	(6.0)
Operating profit (EBIT)	**278.2**	**232.8**	**219.8**	**26.6**	**19.5**	**890.8**	**724.0**	**23.0**
Net finance income/(cost)	(29.3)	(31.0)	(36.7)	(20.2)	(5.6)	(130.6)	(169.6)	(23.0)
Profit before Associates & JV	**248.9**	**201.8**	**183.2**	**35.9**	**23.3**	**760.2**	**554.4**	**37.1**
Profit before tax (PBT)	**249.2**	**201.9**	**183.3**	**36.0**	**23.5**	**760.5**	**554.7**	**37.1**
Tax expense	(43.2)	(16.2)	(38.5)	12.0	167.2	(129.7)	(124.9)	3.8
Profit After tax (PAT)	**206.0**	**185.7**	**144.7**	**42.4**	**10.9**	**630.8**	**429.8**	**46.8**
PATANCI	140.8	135.0	81.6	72.6	4.3	428.6	301.7	42.1
Core PATANCI	**166.3**	**163.1**	**140.0**	**18.8**	**1.9**	**540.5**	**324.9**	**66.4**
Core EPS (sen)	4.6	4.5	3.8	18.8	2.0	14.8	8.9	66.4
DPS (sen)	0.0	1.5	0.0	n.m.	(100.0)	2.8	3.0	(8.3)
Growth & Margin (%)				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Operating Profit Margin	12.0	10.4	9.1	2.9	1.6	9.6	7.6	2.0
PBT Margin	10.8	9.1	7.6	3.2	1.7	8.2	5.8	2.4
Core PATANCI Margin	7.2	7.3	5.8	1.4	(0.1)	5.8	3.4	2.4
Ratios & Valuation				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Net debt/total equity (%)	1.3	1.2	1.3	(0.0)	0.0	1.3	1.3	(0.0)
Effective tax rate (%)	17.3	8.0	21.0	(3.7)	9.3	17.1	22.5	(5.5)

Source: Company, MIDFR

Leong Hup International: Breakdown by operating segment

FYE Dec (RM'm)	Quarterly results					Cumulative results		
	4QFY24	3QFY24	4QFY23	YoY (%)	QoQ (%)	12MFY24	12MFY23	YoY (%)
Revenue (External):								
Livestock and poultry	1,403.5	1,311.7	1,263.7	11.1	7.0	5,399.0	5,155.6	4.7
Feedmill	908.8	913.8	1,146.0	(20.7)	(0.5)	3,899.0	4,370.8	(10.8)
Others	2.8	2.8	3.4	(15.9)	1.3	11.5	13.1	(12.4)
Total	**2,315.1**	**2,228.3**	**2,413.0**	**(4.1)**	**3.9**	**9,309.5**	**9,539.5**	**(2.4)**
EBITDA:								
Livestock and poultry	206.0	163.9	83.6	146.3	25.7	533.2	341.6	56.1
Feedmill	158.5	140.4	228.2	(30.5)	12.9	598.0	707.4	(15.5)
Others	(7.1)	5.0	(8.4)	(15.5)	(243.2)	(5.3)	(5.7)	(6.7)
Total	**357.4**	**309.3**	**303.4**	**17.8**	**15.6**	**1,126.0**	**1,043.4**	**7.9**
EBITDA margin:								
Livestock and poultry	14.7	12.5	6.6	8.1	2.2	9.9	6.6	3.2
Feedmill	17.4	15.4	19.9	(2.5)	2.1	15.3	16.2	(0.8)
Others	(251.2)	177.6	(250.2)	(1.0)	(428.8)	(46.1)	(43.3)	(2.8)
Total	**15.4**	**13.9**	**12.6**	**2.9**	**1.6**	**12.1**	**10.9**	**1.2**

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	9,539.5	9,309.5	10,198.9	10,607.8	11,036.2
Gross Profit	2,574.7	2,620.6	2,835.4	2,965.5	3,087.4
EBITDA	1,051.6	1,193.7	1,205.9	1,254.4	1,292.4
EBIT	709.5	890.8	887.6	922.3	945.4
PBT	554.7	760.5	727.8	760.5	787.5
Taxation	(124.9)	(129.7)	(160.1)	(167.3)	(173.2)
PAT	429.8	630.8	567.7	593.2	614.2
Core PATANCI	324.9	540.5	450.4	476.5	491.6
Core EPS (sen)	8.9	14.8	12.3	13.1	13.5
PER (x)	6.9	4.1	4.9	4.7	4.5
DPS (sen)	3.0	2.8	2.5	2.6	2.7
Dividend Yield (%)	4.9	4.5	4.0	4.3	4.4

Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
PBT	554.7	760.5	727.8	760.5	787.5
Operating cash flow	992.5	1,119.2	242.0	630.0	630.0
Investing cash flow	(163.8)	(324.9)	(288.6)	(289.2)	(289.8)
Financing cash flow	(773.3)	(720.4)	86.1	(327.0)	(325.9)
Net cash flow	55.3	73.9	39.6	13.9	14.3
Beginning cash flow	556.1	627.3	678.7	718.2	732.1
Ending cash flow	627.3	678.7	718.2	732.1	746.4

Growth (%)	2023A	2024A	2025F	2026F	2027F
Revenue Growth	5.5	(2.4)	9.6	4.0	4.0
Gross Profit Growth	16.2	1.8	8.2	4.6	4.1
EBITDA Growth	39.8	13.5	1.0	4.0	3.0
Core PATANCI Growth	35.0	66.4	(16.7)	5.8	3.2

Profitability Ratios (%)	2023A	2024A	2025F	2026F	2027F
Gross Profit Margin	27.0	28.1	27.8	28.0	28.0
EBITDA Margin	11.0	12.8	11.8	11.8	11.7
EBIT Margin	7.4	9.6	8.7	8.7	8.6
Core PATANCI Margin	3.4	5.8	4.4	4.5	4.5

Balance Sheet (RM''m)	2023A	2024A	2025F	2026F	2027F
PPE	2,730.3	2,683.3	2,700.4	2,671.6	2,628.6
Intangible assets	102.5	91.2	109.6	114.0	118.6
Non-current assets	3,399.5	3,305.6	3,475.6	3,567.9	3,739.4
Inventories	978.8	968.6	1,038.0	1,078.6	1,122.1
ST Trade receivables	874.2	791.6	939.7	977.4	1,016.9
Cash and cash equivalents	699.5	770.7	718.2	732.1	746.4
Current assets	3,127.1	3,138.7	3,305.8	3,421.7	3,544.7
Total Assets	6,526.6	6,444.3	6,781.4	6,989.6	7,284.1
Total Equity	2,955.1	3,327.4	3,228.4	3,431.8	3,716.1
LT Loans	870.8	575.9	836.3	819.6	803.2
Non-current liabilities	1,213.2	917.4	1,213.3	1,218.5	1,226.2
ST Trade payables	682.1	718.5	723.4	751.6	782.0
ST Loans	1,587.3	1,418.8	1,524.4	1,494.0	1,464.1
Current Liabilities	2,358.3	2,199.4	2,339.7	2,339.3	2,341.8
Total Liabilities	3,571.5	3,116.9	3,553.0	3,557.9	3,568.0

Liquidity Ratios (x)	2023A	2024A	2025F	2026F	2027F
Current ratio	1.3	1.4	1.4	1.5	1.5
Quick ratio	0.9	1.0	1.0	1.0	1.0

Leverage Ratios (x)	2023A	2024A	2025F	2026F	2027F
Total Debt to Equity	0.8	0.7	0.7	0.7	0.6
Total Debt to Assets	0.4	0.4	0.3	0.3	0.3
Net debt/total equity	0.6	0.5	0.5	0.5	0.4

Efficiency Ratios (days)	2023A	2024A	2025F	2026F	2027F
Inventories Turnover	52.3	52.6	49.4	50.1	50.1
Receivable Turnover	33.8	33.9	32.3	34.6	34.7
Payable Turnover	34.7	38.7	36.4	35.9	36.0
Cash Conversion Cycle	76.7	76.7	76.7	76.7	76.7

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology