Consumer Sector

***Maintain* POSITIVE**

CAT Dismisses Feedmiller Appeals

DEVELOPMENT

- **CAT dismisses appeals, MyCC decision upheld.** The Competition Appeal Tribunal (CAT) unanimously dismissed the appeals by **Leong Hup International's (BUY, TP:RM0.90)** feedmill unit (LFM) and **PPB's (NEUTRAL, TP:RM10.89)** 80% owned FFM (among others), affirming MyCC's Aug-22 finding of coordinated chicken feed price increases and upholding all penalties/directions.
- **Both companies pursue further legal steps and seek stay.** LHI and FFM reiterated intention to challenge CAT's decision (likely via judicial review) and consult external counsel; LHI explicitly flagged applying for a stay to suspend payment pending further action.
- **In Aug-22** five feedmillers had been notified by MyCC that they had been provisionally determined to have violated section 4 of the Competition Act 2010, by entering into anti-competitive agreements and/or concerted practices in increasing the price quantum of poultry feed that contains soybean meal and maize as its main ingredients, between early CY20 and mid CY22**.**
- **In Dec-24**, the Competition Appeal Tribunal (CAT) dismissed an application from the feedmillers for a stay of the fine imposed by MyCC. The four feedmillers were challenging CAT's denying the stay at the High Court via the judicial review. The fifth feedmiller, a private company, has not appeared in this judicial review.
- **In Oct-25** the High Court of Kuala Lumpur approved four feedmillers' applications for a judicial review to stay the imposition of an RM367.0m fine by the Malaysia Competition Commission (MyCC).
- Out of the RM367.0m fine imposed, **Leong Hup International (BUY, TP: RM0.90)** would be liable for RM157.5m, while FFM Bhd would be liable for RM42.7m, of which the effective exposure to **PPB Group Berhad (NEUTRAL, TP: RM10.89)** shareholders is ~RM34.2m after accounting for minority interests.

OUR VIEW

- **We maintain core earnings forecasts unchanged.** Any penalty recognition would be treated as an exceptional/non-core item.
- **Worst case penalty:**
  - LFM: RM157.5m fine.
  - FFM: RM42.7m fine, translating to PPB share: RM34.2m (based on 80% ownership).
- **Scenario framework:**
  - **Base case:** Judicial review proceeds; stay application outcome/timeline determines when (or whether) the fine is expensed/paid.
  - **Bear case:** Stay not granted/payment accelerated - earlier exceptional charge and cash outflow.
  - **Bull case:** Stay granted and extend legal timeline/potential reduction - defers cash impact and may reduce ultimate hit.
- **Potential Earnings Impact (PATANCI/PATAMI):**
  - **LHI:** FY26: -25.7%, FY27: -25.3%.
  - **PPB:** FY26: -2.7%, FY27: -2.6%

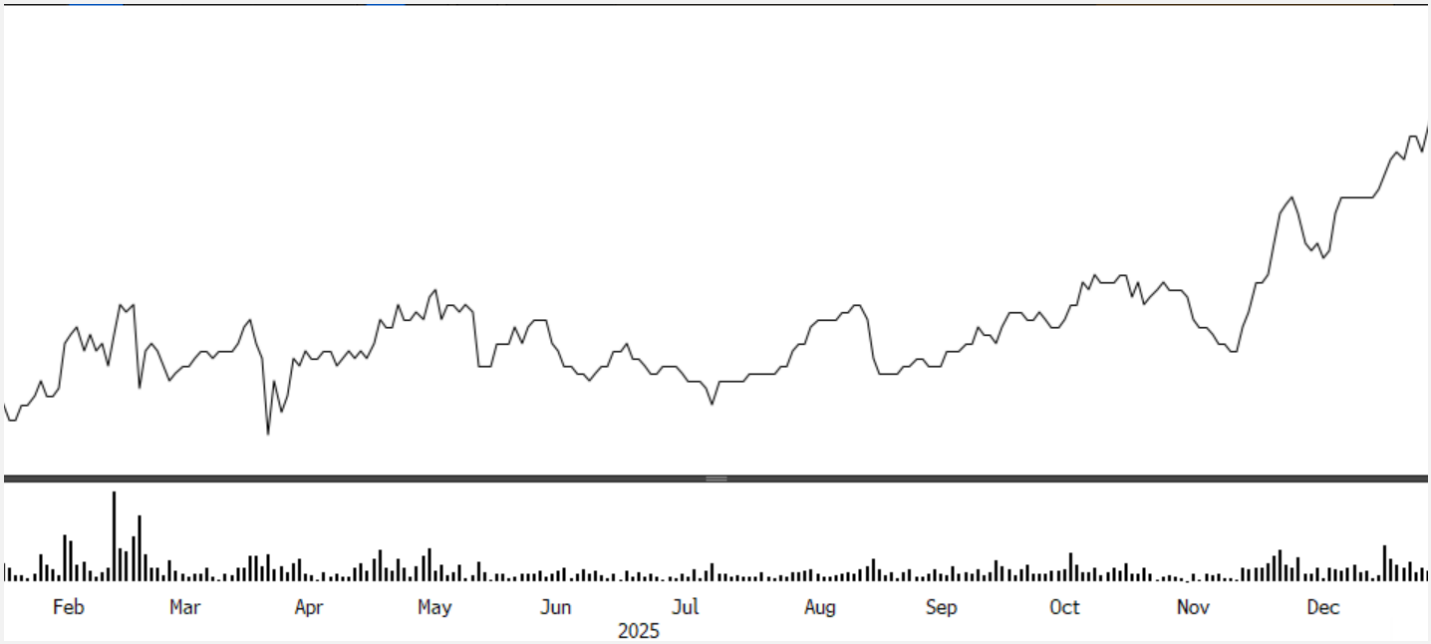
- **Key implication:** CAT affirmation raises the probability of eventual fine materialization versus prior updates.
- **Near-term catalysts:** headlines to watch are **(i)** whether a stay is filed/granted, **(ii)** whether the court admits the judicial review and sets a timetable, and **(iii)** any disclosure on payment deadlines and accounting treatment, which will determine the timing of any exceptional charge and cash outflow.
- **No change to core earnings at this stage.** CAT's dismissal doesn't change the fine quantum, next steps (possible further challenge/stay) mainly affect timing and should be treated as an exceptional item. With the overhang largely understood by the market, we maintain **BUY** on **LHI** and **NEUTRAL** on **PPB** with unchanged **TPs** of **RM0.90** and **RM10.89**, respectively.

INVESTMENT STATISTICS (Leong Hup International)

Annual Standardized Year-end December	2024A	2025A	2026F	2027F	2028F
Revenue	9,309.5	10,198.9	10,607.8	11,036.2	11,485.1
EBITDA	1,214.6	1,205.9	1,262.8	1,301.4	1,313.7
PBT	760.5	730.3	763.2	779.1	767.4
Core PATANCI	462.8	452.3	478.6	485.1	472.3
Core EPS (sen)	12.7	12.4	13.1	13.3	12.9
DPS (sen)	2.8	2.5	2.6	2.7	2.6
Dividend Yield (%)	3.6	3.2	3.4	3.5	3.4

Source: Company, MBSBR

SHARE PRICE CHART



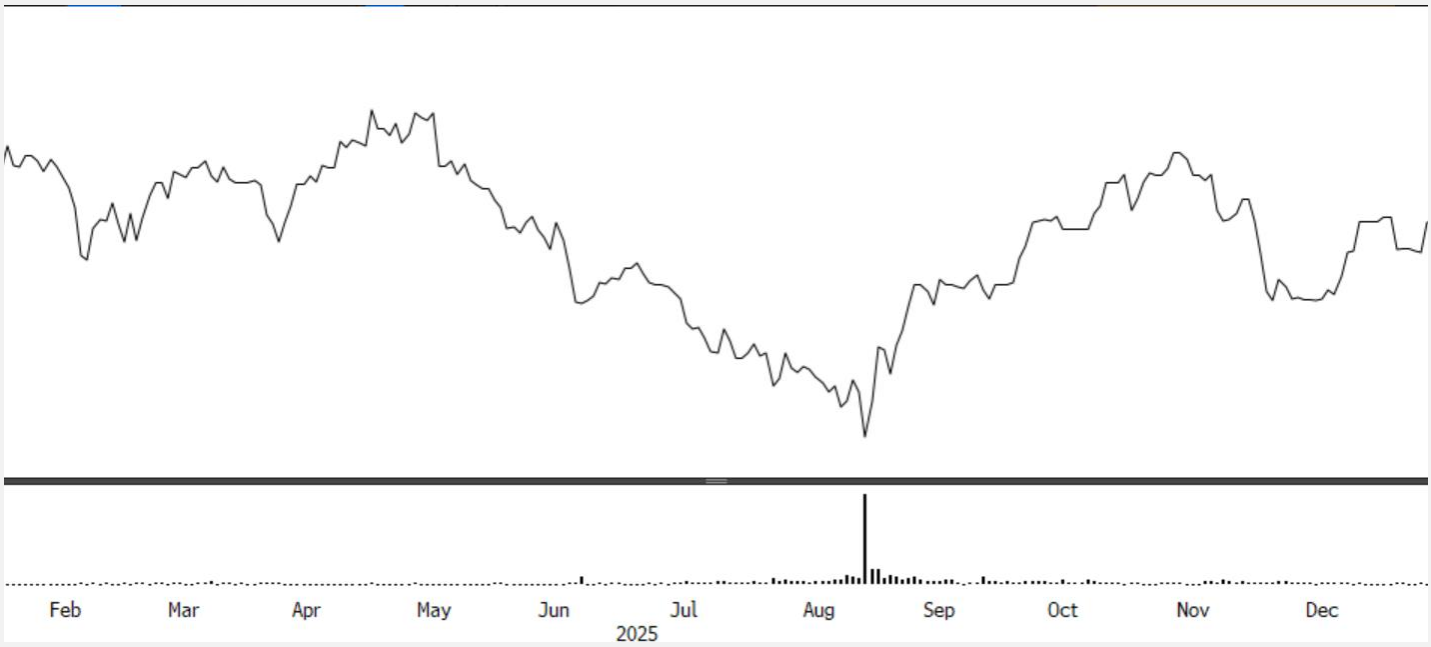
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INVESTMENT STATISTICS (PPB Group Berhad)

Annual Standardized Year-end December	2025F	2026F	2027F
Revenue	5,175.8	5,150.3	5,127.4
Operating profit	336.4	360.5	364.0
PBT	669.9	1,284.9	1,323.0
Core PATAMI	610.5	1,191.7	1,227.7
EPS (sen)	42.9	83.8	86.3
DPS (sen)	25.0	40.0	40.0
Dividend yield (%)	2.3%	3.6%	3.6%

Source: Company, MBSBR

SHARE PRICE CHART



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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