Corporate Update

Leong Hup International Berhad

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

ESG 1 Star

2QFY26 Results Review
Feed Costs Clip Margins

Maintain **BUY**

Revised Target Price **RM1.03**
(from RM1.07)

Maintain BUY with lower TP of RM1.03. Leong Hup International's 2QFY26 results were softer than expected, mainly due to weaker margin delivery across both Livestock & Poultry and Feedmill and sequential earnings normalisation. That said, we maintain our **BUY** call, as LHI remains a defensive affordable-protein proxy with a diversified ASEAN footprint and resilient demand base. We cut our FY26/27/28 earnings forecasts by -11%/-20%/-22% and lower our **TP** to **RM1.03** from RM1.07, based on an unchanged 7.3x PER pegged to revised FY26F EPS of 14.05 sen.

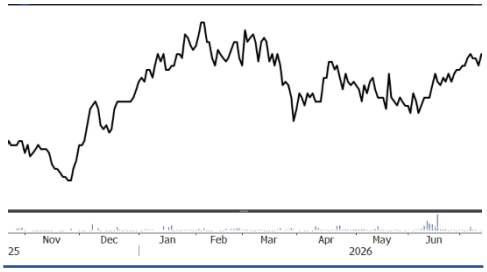
Below our expectation. LHI posted 2QFY26 revenue of RM2.21b (+3.5%yoy; -2.5%qoq) and core PATANCI of RM99.3m (+5.1%yoy; -14.7%qoq). For 1HFY26, revenue rose +2.9%yoy to RM4.47b, while core PATANCI increased +11.5%yoy to RM215.8m, accounting for 40% of our full-year forecast but within consensus expectations at 45%. The negative deviation was mainly due to softer-than-expected margin delivery, particularly in Feedmill, where higher input/raw material costs weighed on profitability despite stronger revenue, while Livestock & Poultry margins also normalised sequentially from a stronger 1QFY26 base. LHI declared a 1.5 sen/share interim DPS, bringing 1HFY26 DPS to 1.5 sen/share.

Revenue supported by Feedmill growth. 2QFY26 revenue growth was mainly driven by Feedmill revenue of RM904.2m (+8.7%yoy; +1.6%qoq), while Livestock & Poultry revenue was broadly flat at RM1.30b (+0.2%yoy; -5.2%qoq). Livestock & Poultry performance was supported by better broiler DOC performance in Malaysia and Indonesia, higher fresh chicken sales in Singapore, and stronger broiler chicken volume in Vietnam, although this was partly offset by adverse FX translation in Vietnam and weaker dressed chicken performance in the Philippines. For 1HFY26, Livestock & Poultry revenue rose +1.9%yoy to RM2.67b, while Feedmill revenue increased +4.6%yoy to RM1.79b.

Margins softer despite positive core earnings growth. Group EBITDA declined -2.9%yoy to RM249.8m, with EBITDA margin contracting -0.7ppts yoy and -1.2ppts qoq to 11.3%. Livestock & Poultry EBITDA rose +2.7%yoy to RM120.4m, although margin was only marginally higher at 9.3% (+0.2ppts yoy; -2.0ppts qoq). Feedmill EBITDA declined -7.3%yoy to RM129.3m, with margin compressing to 14.3% (-2.5ppts yoy; flattish qoq), as higher input/raw material costs weighed on profitability despite stronger revenue. Consequently, PBT fell -6.9%yoy to RM145.2m, while core PATANCI rose +5.1%yoy to RM99.3m, supported by lower non-controlling interest. Core PATANCI margin was broadly stable year-on-year at 4.5% but declined -0.6ppts qoq from the stronger 1QFY26 base.

RETURN STATISTICS	
Price @ 26th Aug 2026 (RM)	0.785
Expected share price return (%)	+30.62
Expected dividend yield (%)	+3.58
Expected total return (%)	+34.19

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.9	-0.8
3 months	3.3	5.9
12 months	22.7	10.9

INVESTMENT STATISTICS

FYE DEC (RM'm)	2026F	2027F	2028F
Revenue	9,155.9	9,521.9	9,905.4
EBITDA	1,159.8	1,174.2	1,181.1
PBT	727.6	723.1	709.9
Core PATANCI	476.1	469.2	457.1
Core EPS (sen)	14.0	13.8	13.5
DPS (sen)	2.8	2.8	2.7
Dividend Yield (%)	3.6	3.5	3.4

KEY STATISTICS

FBM KLCI	1,748.54
Issued shares (m)	3447.45
Estimated free float (%)	23.30
Market Capitalisation (RM'm)	2,595.19
52-wk price range	RM0.6 - RM0.83
3-mth average daily volume (m)	1.97
3-mth average daily value (RM'm)	1.50
Top Shareholders (%)	
Emerging Glory Sdn Bhd	58.29
Amanah Saham Nasional Bhd	6.77
Lau Joo Han	2.93

Analyst
MBSB Research
research@mbsb.com

Outlook. We remain constructive on LHI's longer-term prospects, supported by resilient demand for affordable protein, improving poultry and egg consumption across ASEAN markets, and the group's regional scale. The poultry segment is underpinned by robust domestic fundamentals across the region, and management noted that the direct impact of elevated input cost pressure on feed prices is expected to remain relatively contained. Nevertheless, we remain watchful of Feedmill margin pressure, ASP trends, raw material costs, and FX movements. Barring unforeseen circumstances, we expect LHI to deliver a satisfactory FY26 performance, though at a lower earnings base. Maintain **BUY** with a lower **TP** of **RM1.03**.

Leong Hup International: 2QFY26 Results Summary

FYE Dec (RM'm)	Quarterly results					Cumulative results		
	2QFY26	1QFY26	2QFY25	YoY (%)	QoQ (%)	1HFY26	1HFY25	YoY (%)
Revenue	**2,207.9**	**2,264.5**	**2,133.5**	**3.5**	**(2.5)**	**4,472.4**	**4,344.4**	**2.9**
Other income	18.6	12.6	51.8	(64.2)	47.2	31.2	97.1	(67.9)
Operating expenses	(2,055.0)	(2,071.1)	(2,004.5)	2.5	(0.8)	(4,126.1)	(4,076.1)	1.2
Operating profit (EBIT)	**171.5**	**206.0**	**180.8**	**(5.1)**	**(16.7)**	**377.5**	**365.5**	**3.3**
Net finance income/(cost)	(26.5)	(23.6)	(25.0)	6.2	12.6	(50.1)	(51.3)	(2.4)
Profit before Associates & JV	**145.0**	**182.4**	**155.8**	**(7.0)**	**(20.5)**	**327.4**	**314.1**	**4.2**
Profit before tax (PBT)	**145.2**	**182.5**	**156.0**	**(6.9)**	**(20.4)**	**327.7**	**314.4**	**4.3**
Tax expense	(41.0)	(40.9)	(37.3)	9.8	0.2	(81.9)	(55.0)	48.8
Profit After tax (PAT)	**104.2**	**141.6**	**118.6**	**(12.1)**	**(26.4)**	**245.8**	**259.3**	**(5.2)**
PATANCI	101.7	115.0	90.3	12.6	(11.6)	216.7	192.1	12.8
Core PATANCI	**99.3**	**116.4**	**94.5**	**5.1**	**(14.7)**	**215.8**	**193.6**	**11.5**
Core EPS (sen)	2.9	3.4	2.6	11.9	(13.6)	6.3	5.4	18.2
DPS (sen)	1.5	0.0	0.0	n.m.	n.m.	1.5	1.0	50.0
Growth & Margin (%)				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Operating Profit Margin	7.8	9.1	8.5	(0.7)	(1.3)	8.4	8.4	0.0
PBT Margin	6.6	8.1	7.3	(0.7)	(1.5)	7.3	7.2	0.1
Core PATANCI Margin	4.5	5.1	4.4	0.1	(0.6)	4.8	4.5	0.4
Ratios & Valuation				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Effective tax rate (%)	28.2	22.4	23.9	4.3	5.8	25.0	17.5	7.5

Source: Company, MBSBR

Leong Hup International: Breakdown by operating segment

FYE Dec (RM'm)	Quarterly results					Cumulative results		
	2QFY26	1QFY26	2QFY25	YoY (%)	QoQ (%)	1HFY26	1HFY25	YoY (%)
Revenue (External):								
Livestock and poultry	1,300.6	1,371.6	1,298.1	0.2	(5.2)	2,672.3	2,622.8	1.9
Feedmill	904.2	889.5	832.0	8.7	1.6	1,793.7	1,714.7	4.6
Others	3.1	3.3	3.4	(7.1)	(5.7)	6.5	6.8	(5.2)
Total	**2,207.9**	**2,264.5**	**2,133.5**	**3.5**	**(2.5)**	**4,472.4**	**4,344.4**	**2.9**
EBITDA:								
Livestock and poultry	120.4	154.4	117.2	2.7	(22.0)	274.8	230.8	19.1
Feedmill	129.3	128.1	139.5	(7.3)	0.9	257.4	287.7	(10.5)
Others	0.1	(0.1)	0.6	(87.0)	(200.0)	0.0	(0.1)	(100.0)
Total	**249.8**	**282.4**	**257.3**	**(2.9)**	**(11.5)**	**532.2**	**518.4**	**2.7**
EBITDA margin:								
Livestock and poultry	9.3	11.3	9.0	0.2	(2.0)	10.3	8.8	1.5
Feedmill	14.3	14.4	16.8	(2.5)	(0.1)	14.4	16.8	(2.4)
Others	2.6	(2.4)	18.4	(15.8)	5.0	0.0	(1.8)	1.8
Total	**11.3**	**12.5**	**12.1**	**(0.7)**	**(1.2)**	**11.9**	**11.9**	**(0.0)**

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026F	2027F	2028F
Revenue	9,309.5	8,829.2	9,155.9	9,521.9	9,905.4
Gross Profit	3,033.0	2,993.1	3,124.2	3,232.7	3,363.3
EBITDA	1,214.6	1,199.6	1,159.8	1,174.2	1,181.1
EBIT	874.2	899.8	832.9	834.1	827.0
PBT	760.5	823.4	727.6	723.1	709.9
Taxation	(129.7)	(161.5)	(181.9)	(180.8)	(177.5)
PAT	630.8	661.9	545.7	542.3	532.4
Core PATANCI	462.8	500.0	476.1	469.2	457.1
Core EPS (sen)	12.7	14.0	14.0	13.8	13.5
PER (x)	6.0	5.4	5.4	5.5	5.6
DPS (sen)	2.8	2.0	2.8	2.8	2.7
Dividend Yield (%)	3.6	2.6	3.7	3.7	3.6

Cash Flow (RM'm)	2024A	2025A	2026F	2027F	2028F
PBT	760.5	823.4	727.6	723.1	709.9
Operating cash flow	1,126.7	1,016.2	(372.1)	231.9	230.6
Investing cash flow	(331.8)	(550.2)	(112.2)	(112.4)	(112.5)
Financing cash flow	(719.6)	(320.8)	369.7	(105.5)	(103.6)
Net cash flow	75.3	145.3	(114.6)	14.0	14.4
Beginning cash flow	627.3	678.7	842.5	727.9	741.9
Ending cash flow	678.7	842.5	727.9	741.9	756.3

Growth (%)	2024A	2025A	2026F	2027F	2028F
Revenue Growth	(2.4)	(5.2)	3.7	4.0	4.0
Gross Profit Growth	17.8	(1.3)	4.4	3.5	4.0
EBITDA Growth	15.5	(1.2)	(3.3)	1.2	0.6
Core PATANCI Growth	42.4	8.0	(4.8)	(1.5)	(2.6)

Profitability Ratios (%)	2024A	2025A	2026F	2027F	2028F
Gross Profit Margin (%)	32.6	33.9	34.1	33.9	34.0
EBITDA Margin (%)	13.0	13.6	12.7	12.3	11.9
EBIT Margin (%)	9.4	10.2	9.1	8.8	8.3
Core PATANCI Margin (%)	5.0	5.7	5.2	4.9	4.6

Balance Sheet (RM''m)	2024A	2025A	2026F	2027F	2028F
PPE	2,683.3	2,756.1	2,331.3	2,134.1	1,921.9
Intangible assets	91.2	89.4	89.7	93.3	97.1
Non-current assets	3,308.9	3,347.4	2,923.9	2,722.5	2,508.0
Inventories	968.6	736.0	931.8	969.1	1,008.1
ST Trade receivables	788.3	810.6	775.3	806.2	838.7
Cash and cash equivalents	770.7	1,011.6	727.9	741.9	756.3
Current assets	3,135.4	3,191.7	3,020.6	3,126.2	3,236.7
Total Assets	6,444.3	6,539.1	5,944.5	5,848.7	5,744.7
Total Equity	3,327.4	3,564.8	2,373.7	2,111.3	1,832.4
LT Loans	575.9	655.5	715.7	751.5	789.1
Non-current liabilities	917.4	994.4	1,053.5	1,102.0	1,152.8
ST Trade payables	718.5	678.2	691.2	718.9	747.8
ST Loans	1,418.8	1,227.8	1,763.1	1,851.2	1,943.8
Current Liabilities	2,199.4	1,979.8	2,517.2	2,635.4	2,759.4
Total Liabilities	3,116.9	2,974.2	3,570.8	3,737.4	3,912.3

Source: Bloomberg, MBSBR

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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