

News Update Reports

29 June 2009

# Leader Universal Holdings Bhd

**HOLD**

*US\$150m Cambodia power plant project*

Target Price: RM0.66

Price (26 Jun 09)	<b>RM0.69</b>
KLCI	1075.77

Stock Data	
Bursa / Bloomberg code	4529 / LUH MK
Board / Sector	Main / Ind. Products
Syariah Compliant status	Yes
Issued shares (m)	436.46
Par Value (RM)	1.00
Market cap. (RM m)	301.16
Price over NTA	0.58x
52-week price Range	RM0.38-0.82
Beta (against KLCI)	1.62
3-m Average Daily Volume	2.65m
3-m Average Daily Value <sup>^</sup>	RM1.68m
<sup>^</sup> based on closing price	

Share Performance (as at 26 Jun 09)			
	1m	3m	12m
Absolute (%)	13.3	72.6	12.4
Relative (%-pts)	9.9	38.7	24.4

Historical PE			
	2006	2007	2008
Highest	12.57	17.06	9.90
Lowest	6.19	6.43	2.92

Financial Forecast				
(RM '000)	07A	08A	09F	10F
Revenue	2820	2541	2004	2216
Operating profit	110.0	133.9	114.5	126.9
Pretax profit	94.5	102.0	88.0	96.2
Net profit	66.0	64.9	75.1	83.6
EPS (sen)	15.1	14.9	17.2	19.1
PER (X)	4.57	4.63	4.01	3.61
DPS (sen)	3.00	3.00	3.00	3.00
Div Yield (%)	4.35	4.35	4.35	4.35

Important Balance Sheet Items (as at 26 Jun 09)	
NTA / share (RM)	1.19
Total Receivables (RM '000)	337.1
Total Payables (RM '000)	192.9
Total Assets (RM '000)	1219.5
Net Cash /(Debt) (RM '000)	-164.66

Largest Shareholders	
ZUN HOLDINGS SDN BHD	11.96%
LEMBAGA TABUNG HAJI	6.17%
GOLD CONNECTION ASSETS LTD	5.89%

**According to LEADER's announcement with Bursa Malaysia last Friday, Cambodia International Investment Development Group Co. Ltd. has been granted the rights by the relevant Cambodian authorities to plan and negotiate for the development of the 700MW coal-fired power generation facility in Sihanoukville, Cambodia. Leader (Cambodia) Limited shall assist to jointly plan and develop the said project. Besides that, there was a report saying that LEADER will invest US\$150m in new Cambodia power plant today.**

## Highlights

**LCL and CIIDG to carry out preliminary planning and feasibility studies** – According to its announcement, LEADER wholly-owned subsidiary Leader (Cambodia) Limited or “LCL” will carry on preliminary planning and feasibility studies with Cambodia International Investment Development Group Co Ltd or “CIIDG” for the future 700MW coal-fired power generation facility in Sihanoukville, Cambodia. However, it was also stated in the announcement that “the formal award of the project is subject to further negotiations and agreement with the relevant authorities”.

**LEADER to invest US\$150m** – According to the management, LEADER will invest US\$150m for the new 100MW power plant in Sihanoukville, Cambodia. Besides that, it is revealed that the 100MW power plant project is expected to commence operations in 2012. In Feb-2007, the Group (together with a Camdoain company named MKCSS Holdings) has announced its successful bid to develop 200MW coal-fired power plant in Sihanoukville, Cambodia. However on 1-Feb-2009, the Group announced that the Cambodian government has split the original 200MW into two projects of 100MW each, with LEADER getting the full concession rights to develop the one of the 100MW power plant.

**LCL has entered into JV with CIIDG on 11 June** – Earlier this month on 11 June 2009, LCL has entered into a 50% joint venture with CIIDG to build, own and operate LEADER's proposed 100MW coal-fired power plant project and for the planning and development of a future 700MW project in Cambodia.

**Re-iterate our view that power generation business should remain stable** – We believe that the Power Generation business will provide steady revenue to Leader. Its current Independent Power Plant in Phnom Penh, Cambodia should be able to contribute reasonable earnings to mitigate revenue loss from wire and cable business to certain extent. In the future, we expect that power generation business will make a larger contribution to LEADER's revenue assuming that its power plant project successfully commence in 2012.

**HOLD with target price raised to 66 sen** – As we noticed that Leader's dividend has started giving out dividend of 3 sen from FY07 onwards, coupled with the most recent interim dividend of 1.5 sen, we have used Discounted Dividend Model (DDM) to value Leader at 66sen. Some of the important assumptions used are required rate of return 5.54%, dividend to increase 10% in 2012 and 3% in 2015, and lastly the terminal growth rate of 0.5%.

**Risk** – As of 31-Mar-09, LEADER had a cash amount of RM211.98m. Based on the exchange rate of RM3.5325/USD, we expect that LEADER will need to finance this project fully via borrowing which should amount to around RM530m level. Comparing the huge borrowing that LEADER might need to incur with its total asset of RM1219.5m and total liability of RM590.7m, we foresee some risks that LEADER might not be able to secure financing for its power-plant project at reasonable interest rates.

Besides that, prolonged economy recession remains a risk as it might post a larger-than-expected contraction in the demand for Leader’s cables.

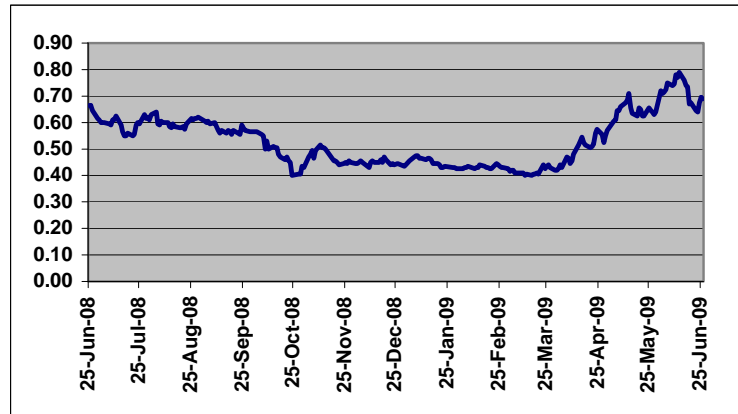


Chart 1: LEADER Historical Price Movement

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**JF APEX SECURITIES - RESEARCH RECOMMENDATION FRAMEWORK**
**STOCK RECOMMENDATIONS**

**BUY** : The stock's total returns\* are expected to exceed 10% within the next 12 months.

**HOLD** : The stock's total returns\* are expected to be within +10% to – 10% within the next 12 months.

**SELL** : The stock's total returns\* are expected to be below -10% within the next 12 months.

**TRADING BUY** : The stock's total returns\* are expected to exceed 10% within the next 3 months.

**TRADING SELL** : The stock's total returns\* are expected to be below -10% within the next 3 months.

**SECTOR RECOMMENDATIONS**

**OVERWEIGHT** : The industry as defined by the analyst is expected to exceed 10% within the next 12 months.

**MARKETWEIGHT** : The industry as defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

**UNDERWEIGHT** : The industry as defined by the analyst, is expected to be below -10% within the next 12 months.

\*capital gain + dividend yield

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