

News Update Reports

9 July 2009

Leader Universal Holdings Bhd

HOLD

Saudi Arabia Joint Venture

Fair Value: RM0.625

Price (8 Jul 09)	RM0.65
KLCI	1065.47

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)	298.97
Price over NTA	0.55x
52-week price Range	RM0.38-0.82
Beta (against KLCI)	1.58
3-m Average Daily Volume	2.62m
3-m Average Daily Value [^]	RM1.70m
[^] based on closing price	

Share Performance (as at 8 Jul 09)			
	1m	3m	12m
Absolute (%)	-8.1	-4.9	12.3
Relative (%-pts)	-7.0	30.4	20.7

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)	4.24	4.30	3.72	3.34
DPS (sen)	3.00	3.00	3.00	3.00
Div Yield (%)	4.69	4.69	4.69	4.69

Important Balance Sheet Items (as at 8 Jul 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	6.12%

According to LEADER's announcement with Bursa Malaysia yesterday, the Company's wholly owned subsidiary Leader Universal (Labuan) Limited has entered into a Joint Venture with Al-Ghazalah Development Co. and Suasana Daya Sdn Bhd to set up a joint venture company to be known as Leader Universal (Saudi Arabia) Limited in the Kingdom of Saudi Arabia ("KSA") subject to the approval by the relevant authorities in KSA.

Highlights

Expansion of both its business segment – Quoting from LEADER's filing with Bursa Malaysia, the joint venture is a setup to bid for and undertake:

- Supply of cables and related accessories and equipment to customers in KSA
- Installation of cables and turnkey projects in KSA
- Supply and/or construction of power transmission, distribution, substation and related projects in KSA
- Development and operation of power generation, transmission and distribution projects in KSA

Joint venture structure – According to LEADER, the joint venture company shall have an authorized share capital amounting to SR 4m (SR refers to Saudi Riyals). Besides that, the paid up capital will be SR 1m, divided into 10,000 shares of SR 100 each.

Company	Ownership	Value Of Shares
Leader Universal (Labuan) Ltd	51%	RM484,500
Al-Ghazalah Development Co.	30%	RM285,000
Suasana Daya Sdn. Bhd.	19%	RM180,500

Table 1: LEADER's Saudi Arabia JV Structure

Comments

HOLD with fair value of 62.5 sen - In our opinion, the Saudi Arabia joint venture will contribute positively to LEADER's future revenue growth. In 2008, LEADER's revenue consists of 91% contribution from "Cable and Wires" business and 8% from "Power Generation" business. However, we maintain our previous forecast of earnings due to lack of details on the expected amount of revenue increment. In terms of valuation, we maintain our target price of 62.5 sen based on the Discounted Dividend Model with required rate of 5.54% and terminal growth rate of 0.5%.

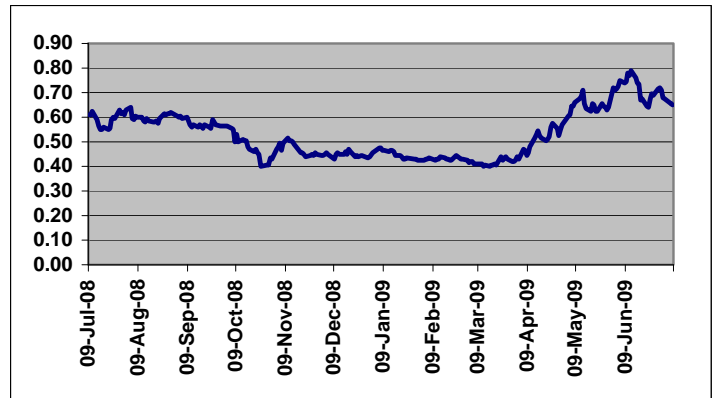


Chart 1: LEADER Historical Price Movement

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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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Published & Printed By:

JF Apex Securities Berhad (47680-X)
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