

News Update Reports

23 September 2009

Leader Universal Holdings Bhd

HOLD

Cambodia 100MW Power Project PPA and IA Signed

Target Price: RM0.72

Price (18 Sep 09)	RM0.78
KLCI	1221.20

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)	340.44
Price over NTA	0.63x
52-week price Range	RM0.38-0.86
Beta (against KLCI)	1.45
3-m Average Daily Volume	1.60m
3-m Average Daily Value [^]	RM1.20m
[^] based on closing price	

Share Performance (as at 18 Sep 09)			
	1m	3m	12m
Absolute (%)	2.0	6.9	38.7
Relative (%-pts)	-3.0	4.2	16.3

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	2009	2216
Operating profit	110.0	133.9	110.8	124.1
Pretax profit	94.5	102.0	90.0	98.6
Net profit	66.0	64.9	76.5	85.7
EPS (sen)	15.1	14.9	17.54	19.63
PER (X)	4.24	4.30	4.45	3.97
DPS (sen)	3.00	3.00	3.30	3.30
Div Yield (%)	4.69	4.69	4.23	4.23

Important Balance Sheet Items (as at 18 Sep 09)	
NTA / share (RM)	1.19
Total Receivables (RM '000)	300.5
Total Payables (RM '000)	218.0
Total Assets (RM '000)	1166.5
Net Cash / (Debt) (RM '000)	-101.53

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, the Company has signed the Power Purchase Agreement or "PPA" and Implementation Agreement or "IA" with the related parties for the 100 MW coal-fired power plant project in Sihanoukville, Cambodia ("the Power Project"). Based on the increasing electricity demand outlook in Sihanoukville and the improving economy outlook, we have upgraded our target price to 72 sen but maintained our HOLD call.

Highlights

EDC to purchase minimum 86% of dependable capacity per annum – LEADER has entered into PPA with the Electricite du Cambodge or "EDC", which undertakes to purchase from LEADER on a minimum take basis of 86% of dependable capacity per annum. Other important terms and conditions are: i) the PPA is valid for a period of 30 years from the commercial operation date of the Power Project, ii) the base tariff for the electricity payments shall be USD 0.07212 per kilowatt hours with indexation and iii) any fluctuation in the fuel price shall be a pass-through and the base tariff shall be adjusted accordingly. LEADER will novate to Cambodia Energy Limited or "CEL" (which is 80% owned by LEADER via Leader (Cambodia) Limited) to implement the Power Project.

Comments

HOLD with target price raised to 72 sen - With the population of 199,902 and a growth of more than 2% in 2008 (Source: National Institute of Statistics, Cambodia), we believe that Sihanoukville's demand for electricity will likely to increase in the future. In our opinion, the recent development will contribute positively to LEADER revenue growth. In 2008, LEADER's revenue consists of 91% contribution from "Cable and Wires" business and 8% from "Power Generation" business. In the future, the increased contribution from the "Power Generation" business should increase in tandem with the contribution from this new revenue stream.

We have incorporated a higher assumption of dividend growth in our multiple-stage discounted dividend model or "DDM" to arrive at a higher target price of 72 sen. Overall, we like LEADER's strategy that seems to have emphasized more on higher margin business in its "Power Generation" division. Nevertheless, we maintain our HOLD call as we believe that most of the good news has been reflected in LEADER's market price.

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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