

News Update Reports

11 November 2009

Leader Universal Holdings Bhd

CEASING COVERAGE

Novation Agreement Signed

Target Price: RM0.77

Price (10 Nov 09)	RM0.81
KLCI	1274.08

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)	353.53
Price over NTA	0.68x
52-week price Range	RM0.40-0.86
Beta (against KLCI)	1.44
3-m Average Daily Volume	1.16m
3-m Average Daily Value [^]	RM0.93m
[^] based on closing price	

Share Performance (as at 10 Nov 09)			
	1m	3m	12m
Absolute (%)	-1.2	6.0	57.4
Relative (%-pts)	-4.3	-12.8	10.6

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 10 Nov 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%

Earlier on 17-Sep-09, LEADER has announced that it 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"). In the latest update, the Company has entered into a Novation Agreement with CEL and MIME. Based on the greater clarity of the Power Project and the improving economy outlook, we have upgraded our target price to 77 sen.

Highlights

Novation agreement signed – LEADER has entered into: i) a Novation Agreement with Electricite du Cambodge and Cambodian Energy Limited ("CEL") and a Novation Agreement with Ministry of Industry, Mines and Energy or "MIME" and CEL. Salient terms of the Novation Agreements are: i) CEL shall enjoy all the rights and perform all the obligations of the Company under the PPA and IA and ii) CEL agreed to be bound by the terms and conditions of the PPA and IA in the same way as if it had been a party named in the PPA and IA in lieu of the Company.

Comments

Ceasing coverage - 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 77 sen. Overall, we like LEADER's strategy that seems to have emphasized more on higher margin business in its "Power Generation" division.

We are ceasing research coverage of LEADER. Thus, investors should no longer depend on any of our recommendation for Leader Universal Holdings Bhd, nor infer any adverse opinion as a result of our decision to cease research coverage.

Chart 1: LEADER Historical Price Movement



JF APEX SECURITIES BERHAD – CONTACT LIST

JF APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
<p>Head Office: 6th Floor, Menara Apex Off Jalan Semenyih Bukit Mewah 43000 Kajang Selangor Darul Ehsan Malaysia</p> <p>General Line: (603) 8736 1118 Facsimile : (603) 8737 4532</p> <p>PJ Office: 15th Floor, Menara Choy Fook On No. 1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Malaysia</p> <p>General Line: (603) 7620 1118 Facsimile : (603) 7620 6388</p>	<p>Head Office: Valerie Gan Ai Lynn (ext 3238) Kong Ming Ming (ext 3237) Shirley Chang (ext 3211) Norisam Bojo (ext 3233) Derrick Ng Wei Yee (ext 3239) Edwin Loh Ming Hon (ext 3236) Wong Wing Haur, Alvin (ext 3226) Gan Huai Hsia (ext 3214)</p> <p>Institutional Dealing Team: Lim Teck Seng Sanusi Manso (ext 740) Edy Sukasma (ext 745) Fathul Rahman Buyong (ext 741) Ramlee Sulaiman (ext 742) Ahmad Mansor (ext 744) Lum Meng Chan (ext 743)</p> <p>PJ Office: Tengku Badrul Hisham (ext 363) Mohd Hanif Wan Said (ext 111) Elle Chan (ext 862)</p>	<p>PJ Office: Norhashmilaidi Hashim (ext 810) Ng Keat Yung (ext 823) Lim Seong Chun (ext 812) Phoon Thai Yoon (ext 825) Afif Termizi (ext 822) Chai San San (ext 837) Jason Tan</p>

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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