

Results Update

1 June 2009

Leader Universal Holdings Bhd

HOLD

Less severe q-o-q revenue declined of 14.4%

Target Price: RM0.625

Price (29 May 09)	RM0.64
KLCI	1044.11

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)	279.33
Price over NTA	0.54x
52-week price Range	RM0.38-0.86
Beta (against KLCI)	1.57
3-m Average Daily Volume	2.00m
3-m Average Daily Value ^a	RM1.16m
^a based on closing price	

Share Performance (as at 29 May 09)			
	1m	3m	12m
Absolute (%)	16.4	52.4	-24.7
Relative (%-pts)	7.8	27.0	-9.0

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 29 May 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%

LEADER posted significantly lower revenue of RM444.7m in Q109, down 30.5% as compared to Q108 revenue of RM639.9m. Comparing Q109 results with the corresponding quarter in FY2008, gross profit slipped 23.9% from RM49.8m to RM37.9m while its net profit decreased at a slower rate of 15.9% from RM20.5m to RM17.2m. In our opinion, the slower rate of decrease in net income is caused by the support from growth in the power generation sector. Besides that, LEADER declared its first interim dividend of 1.5 sen per share.

Highlights

Revenue down 30.5% y-o-y, or 14.4% q-o-q – Q109 revenue has dropped 30.5% from RM639.9m in Q108 to RM444.7m. Meanwhile on a q-o-q basis, revenue has dropped 14.4% from RM519.8m to RM444.7m. According to the management, the huge drop in revenue was caused by the sharp decline of 31% in the revenue contribution from cable and wire business due to a steep decline in commodity metal prices.

As shown in the chart below, it seemed that the quarter-on-quarter drop has been less severe this quarter (-14.4% vs -26.1%) as compared to last quarter. In our opinion, Q209 results will still decrease but the magnitude should be less than 10%, with improvement in Q309 onwards. Incorporating our assumption with the Q109 decrease, we have adjusted our FY2009 revenue forecast downwards to RM2.00b.

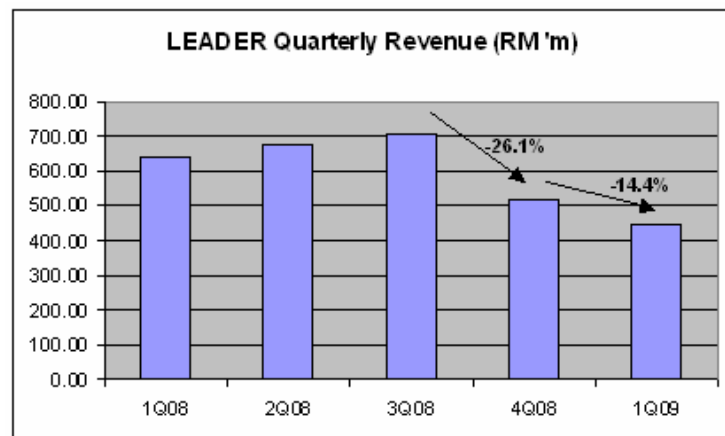


Chart 1: LEADER Quarterly Revenue

Net income decreased at a slower rate – LEADER's Q109 net income dropped 15.9% as compared to Q108. On a q-o-q basis, net income has dropped 3.4% from RM17.8m to RM17.2m. As shown in Chart 2, the net income has followed the revenue's trend as it has decreased at a less severe rate. In our opinion, the economic stimulus packages introduced by the Government and the possible improvement in global economy in second half of 2009 may create demand for cables and wires, in which the overall impact will be positive for Leader.

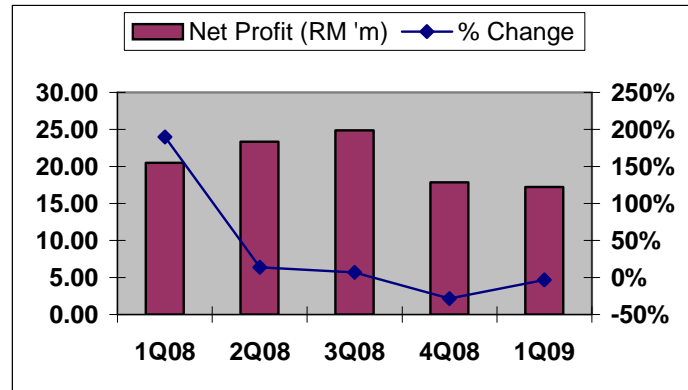


Chart 2: LEADER Quarterly Net Income

Power Generation business should remain stable – We expect the Power Generation business to provide steady revenue to Leader. Its 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.

Improvement in short term solvency ratio – We noticed that Leader's short term solvency ratio has increased with the cash ratio, quick ratio and current ratio has shown some improvement. As shown in Table 1, we view the higher short-term solvency ratio as a reflection that Leader is better positioned to survive should the economy turned worse.

	Q408	Q109
Cash Ratio	0.33	0.46
Quick Ratio	1.11	1.28
Current Ratio	1.59	1.73

Table 1: LEADER Short Term Solvency Ratio

Key points from the annual audited accounts – On 27 Apr 09, Leader has posted its annual audited accounts to Bursa Malaysia. In our opinion, there were several important key points to note in the annual audited accounts:

- i) Restatement of net income for FY2007 from RM84.90m to RM73.17m due to adoption of FRS112 (An accounting standard for Income Tax)
- ii) Reclassification of RM8.61m assets held-for-sale as PPE. According to the management, the Group has reclassified the assets held for sale located in Philippines to property, plant and equipment as the sale is not expected to qualify for recognition as a completed sale within one year as set out in FRS 5: Non-current Assets Held for Sale and Discontinued Operations.
- iii) LEADER has repaid several loans in 2008 which includes: Murabahah Medium Term Notes (RM30m), short term bank borrowings (RM80.37m) and term loan (RM20.84m).

HOLD with target price raised to 62.5 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 maintained our Discounted Dividend Model (DDM) to value Leader. Based on our assumption of required rate of return 5.54% and terminal growth rate of 0.5%, our valuation shows a target price of 62.5 sen. Since our last BUY call on 24-Feb-09, Leader has appreciated from 44.5 sen to 64 sen last Friday, exceeding our initial target of 54 sen. Comparing the market price with our estimated intrinsic value, we have changed our recommendation from BUY to HOLD.

Risk – Prolonged economy recession remains a risk as it might post a larger-than-expected contraction in the demand for Leader's cables.

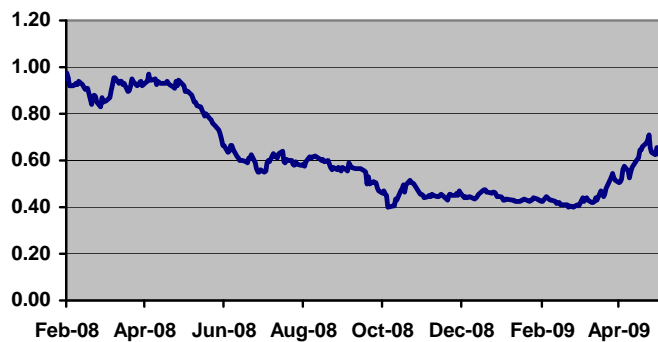


Chart 3: LEADER Historical Price Movement

RESULTS SUMMARY					
Financial Item/Quarter	1Q09	4Q08	1Q08	QoQ	YoY
Revenue (RM m)	444.7	519.8	639.9	-14.4%	-30.5%
Operating Profit (RM m)	26.2	26.9	32.4	-2.5%	-19.1%
Profit before Taxation (RM m)	21.4	17.4	27.3	+23.6%	-21.3%
Net Profit (RM m)	17.2	12.6	20.5	-3.4%	-15.9%
Operating margin (%)	5.9%	5.2%	5.1%	N.M.	N.M.

*N.M. = Not Meaningful

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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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