

Results Update

24 Aug 2009

Leader Universal Holdings Bhd

HOLD

Improved revenue q-o-q

Target Price: RM0.69

Price (21 Aug 09)	RM0.755
KLCI	1163.79

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)	329.53
Price over NTA	0.46x
52-week price Range	RM0.38-0.86
Beta (against KLCI)	1.46
3-m Average Daily Volume	2.12m
3-m Average Daily Value [^]	RM1.58m
[^] based on closing price	

Share Performance (as at 21 Aug 09)			
	1m	3m	12m
Absolute (%)	0.7	5.6	27.7
Relative (%-pts)	-0.6	8.6	18.5

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

Financial Forecast				
(RM 'm)	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
P/E	5.00	5.07	4.30	3.84
DPS (Sen)	3.00	3.00	3.30	3.30
Div Yield (%)	2.91	3.97	4.37	4.37

Important Balance Sheet Items (as at 21 Aug 09)	
NTA / share (RM)	1.64
Trade Receivables (RM m)	300.5
Total Payables (RM m)	218.0
Total Assets (RM m)	1166.5
Net Cash /(Debt) (RM m)	-101.53

Largest Shareholders	
ZUN HOLDINGS SDN BHD	11.96%
LEMBAGA TABUNG HAJI	6.17%
GOLD CONNECTION ASSETS LTD	6.12%

Leader Universal Holdings Berhad or "LEADER" posted a net profit of RM18.16m (up 5.4% q-o-q but down 22.2% y-o-y) in 2Q09 on the back of RM474.0m revenue (up 6.6% q-o-q but down 30.1% y-o-y). The 30.1% decline y-o-y was mainly caused by the steep decline in commodity metal prices. A dividend of 1.5 sen per share was declared for the quarter. Based on our multistage Discounted Dividend Model, we value LEADER at 69 sen. HOLD.

Highlights

o **Improved revenue q-o-q** – LEADER registered a revenue of RM474.0m (up 6.6% q-o-q but down 30.1% y-o-y) in 2Q09. The huge drop y-o-y of 30.1% was mainly caused by a 30% decline in revenue from cable and wire business from RM622.2m to RM436.1m resulting from steep decline in commodity metal prices.

o However, on a q-o-q basis, LEADER revenue grew 6.6%, most probably due to the improvement in copper and aluminium price. As seen in Chart 1, the price of copper has improved from its recent lowest price of US\$2809.50/MT on 24-Dec-08 to US\$6270.50/MT on 21-Aug-09. Besides that, the price of aluminium has appreciated from US\$1251.75/MT on 23-Feb-09 to US\$1894/MT on 21-Aug-09.

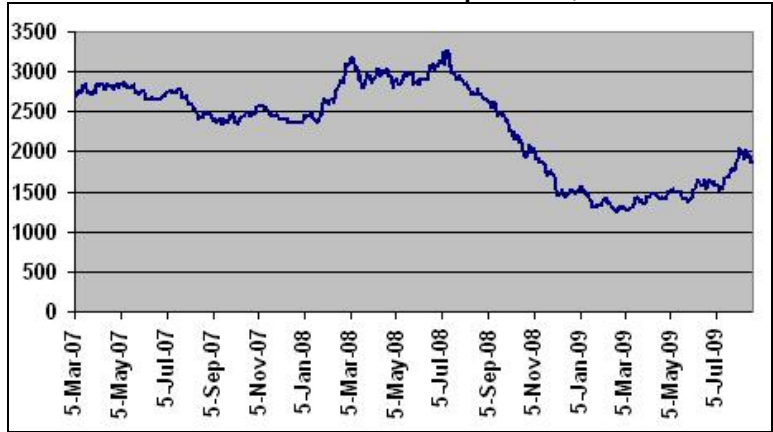
o **Operating profit and profit before tax decreased slightly** – Meanwhile, LEADER operating profit decreased slightly to RM24.2m (vs 1Q09: RM26.6m) while profit before tax shrink to RM20.6m (vs 1Q09: 21.4m). In our opinion, the decrease in PBT is caused by higher COGS (up 6.1% q-o-q). Based on our optimism in 2H09 economic condition, we have forecasted a slight improvement in 2H09 revenue (vs 1H09).

o **Local demand for cable and wire should increase** – The Phase 1 (2008-2015) of Sarawak Corridor of Renewable Energy Business or "SCORE" focuses on building the corridor foundation. Thus, LEADER should benefit from SCORE due to the expected increasing demand for cable and wire. Besides that, we are also expecting demand growth as the Government implements the stimulus package.

o **Power division should generate better cash flow in the future** – On 11 June 2009, LCL has entered into a 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. Assuming everything goes well, the power division will be a good cash generating division due to its higher margin as compared to cable and wire business.

○ **HOLD with target price of RM0.69** – While waiting for greater clarity of the expected revenue growth from the power division, we have applied a more conservative dividend expectation. Based on our multistage Discounted Dividend Model or “DDM”, we value LEADER at RM0.69. HOLD.

Chart 1: LME Aluminium Spot Price, US\$



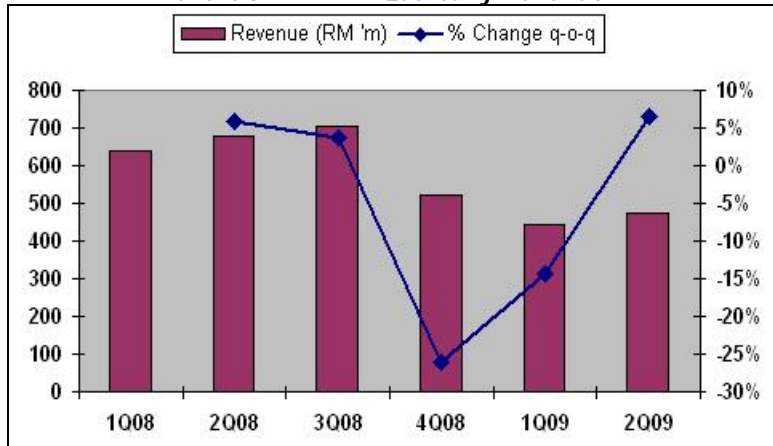
Source: Bloomberg

Chart 2: LME Copper Spot Price, US\$



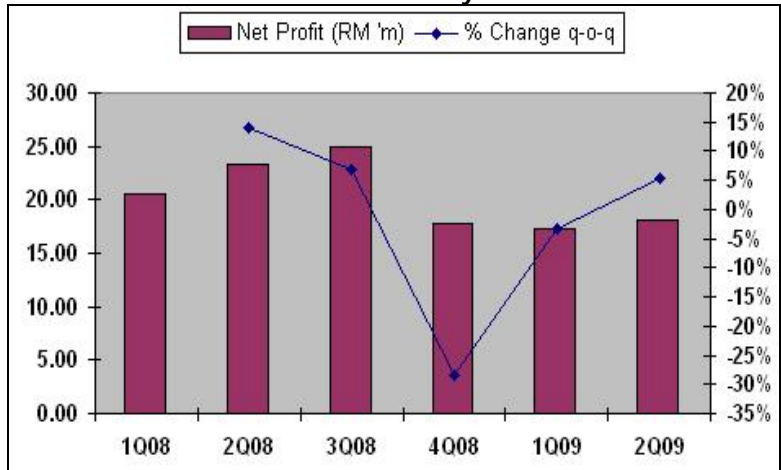
Source: Bloomberg

Chart 3: LEADER Quarterly Revenue



Source: Company

Chart 4: LEADER Quarterly Net Income



Source: Company

Chart 5: LEADER Historical Price



Source: Bloomberg

RESULTS SUMMARY					
Financial Item/Quarter	2Q09	1Q09	2Q08	QoQ	YoY
Revenue (RM m)	474.04	444.72	678.07	6.59%	-30.09%
Operating Profit (RM m)	24.25	26.62	33.74	-8.92%	-28.14%
Profit before Taxation (RM m)	20.60	21.45	27.54	-3.95%	-25.19%
Net Profit (RM m)	18.16	17.22	23.33	5.44%	-22.16%
Operating margin (%)	13.76%	14.08%	11.67%	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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