

Results Update

24 February 2009

Leader Universal Holdings Bhd

BUY

Positive Impact To FY09 Nett Income From Tariff Reduction

Target Price: RM0.54

Price (23 Feb 09) **RM0.445**
KLCI **887.83**

Leader posted lower revenue of RM2.54m, down 9.9% as compared to FY07. However, its net profit for FY 08 decreased at a slower rate of 1.7% to RM64.9m, supported by growth in other businesses such as Power Generation.

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) 194.22
Price over NTA 0.40x
52-week price Range RM0.38-0.99
Beta (against KLCI) 1.55
3-m Average Daily Volume 0.31m
3-m Average Daily Value^ RM0.14m
^ based on closing price

Highlights

- o **Net profit is better than our forecast** – FY08 net profit of RM64.9m is 1.1% better than our forecast of RM63.8m. The revenue pressure due to decline in Cable & Wire business has been offset by growth in Power Generation business.
- o **Lower revenues in Cable & Wire business**– We expect the revenue contribution from Cable & Wire business to decline in FY09, given the uncertain global economic condition. However, the economic stimulus packages introduced by the Government may create demand for cables and wires, in which the overall impact will be positive for Leader.
- o **Power Generation business will remain stable** – We expect the Power Generation business to provide steady revenue to Leader. Its Independent Power Plant in Phnom Penh, Cambodia will continue to contribute reasonable earnings.
- o **Current ratio has improved** – Compared to FY07, Leader's current ratio has improved from 1.47 to 1.59. Its cash ratio remains stable at 0.33, same as FY07. Higher current ratio reflects Leader's ability to pay off its current liabilities.
- o **BUY with target price lowered to 0.54** – As we noticed that Leader's dividend has started giving out dividend of 3 sen from FY07 onwards, we have changed our valuation method from SOP to Discounted Dividend Model (DDM). As Power Generation business continues to grow, we believe Leader has the capability to continue distributing dividend. Based on our assumption of required rate of return 5.54% and terminal growth rate 0.5%, our valuation shows a target price of RM 0.54, after discounting 10% due to bleak economy outlook. Nevertheless, it is still a 21.3% upside gain.
- o **Risk** – Prolonged economy recession remains a risk as it will post a larger-than-expected contraction in the demand for Leader's cables.

Share Performance (as at 23 Feb 09)

	1m	3m	12m
Absolute (%)	2.30	1.14	-51.63
Relative (%-pts)	0.55	-1.25	-25.39

Historical PE

	2006	2007	2008
Highest	12.57	17.06	8.13
Lowest	6.19	6.43	2.51

Financial Forecast

(RM '000)	07A	08A	09F	10F
Revenue	2820	2541	2205	2216
Operating profit	110.0	133.9	124.3	126.9
Pretax profit	94.5	102.0	94.2	96.2
Net profit	66.0	64.9	61.4	62.7
EPS (sen)	15.1	14.9	14.1	14.4
PER (X)	2.98	2.99	3.16	3.10
DPS (sen)	3.00	3.00	3.00	3.00
Div Yield (%)	6.67	6.74	6.74	6.74

Important Balance Sheet Items (as at 23 Feb 09)

NTA / share (RM)	1.15
Total Receivables (RM '000)	388.3
Total Payables (RM '000)	234.7
Total Assets (RM '000)	1287.5
Net Cash/(Debt) (RM '000)	-249.20

RESULTS SUMMARY

Financial Item/Quarter	4Q08	3Q08	4Q07	QoQ	YoY
Revenue (RM m)	519.8	703.1	710.9	-26.1%	-26.9%
Operating Profit (RM m)	26.9	40.8	25.5	-34.2%	5.6%
Profit before Taxation (RM m)	17.4	29.9	17.69	-42.0%	-1.9%
Net Profit (RM m)	12.6	18.8	3.6	-32.7%	250.3%
Operating margin (%)	5.2%	5.8%	3.6%	-11.0%	44.4%

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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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JF Apex Securities Berhad (47680-X)
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