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BUY

Fair Value

RM1.20

Previous

RM1.20

Price

RM0.825

**BUILDING MATERIALS**

Leader is an integrated cable and wire manufacturer with subsidiaries involved in the Independent power plant and property businesses.

**Stock Statistics**

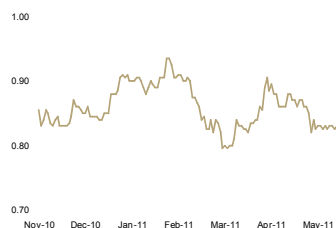
Bloomberg Ticker	LUH MK
Share Capital (m)	436.5
Market Cap (RMm)	360.1
52 week H L Price (RM)	0.95   0.79
3mth Avg Vol ('000)	411.0
YTD Returns	-2.9
Beta (x)	1.39

**Major Shareholders (%)**

Zun Holdings SB	12.2
LTH	9.0
Gold Connection Assets	7.5

**Share Performance (%)**

Month	Absolute	Relative
1m	-3.5	-7.0
3m	-8.3	-10.4
6m	-1.2	-4.2
12m	-5.6	-21.7

**6-month Share Price Performance****1Q FY11 Results Review****Leader Universal****Bottom line within Expectations**

Profits came within expectations despite revenues soaring significantly beyond estimates. Higher revenues which were mainly driven by higher steel prices were also matched by costs which increase by a similar quantum. Thus there were no major improvements in profits except from higher volume sales seen for its export and domestic markets. Keeping our bottom line forecast unchanged but raising our top line assumptions, we maintain our FV for Leader at RM1.20 with its BUY recommendation intact.

**Within estimates.** Y-o-y revenue growth beat our estimates soaring by 65.1% as high steel prices coupled with better volume sales for Leader's cables and wires division drove top lines. Despite the significant increase, Leader net profits came in within expectations as its higher selling prices were matched by costs which rose in tandem, hence a fixed selling margin. Therefore, mainly on higher volume sales, profits for leader marked a 22.6% growth, accounting for 18% of our full year forecast vis a vis last year at 20% which is within ours and consensus estimates.

**Better quarters ahead.** We anticipate subsequent quarter's earnings to be driven by Leader's cables and wires division. 1Q sales were led by increased sales to the export market and to a certain extent more projects awarded by Tenaga Nasional Berhad and these factors are expected to carry through the year. Domestic markets especially could reap some gains during the 2H as government infrastructure projects under the Economic Transformation Programme move into the implementation phase. To-date, 50% of Leader's cables and wires division revenues came from export markets. Earnings from Leader's power division have been flattish so far. Higher contributions from its power division are only expected to be seen next year as the company is scheduled to commence its 100MW power plant in Cambodia by then.

**No major changes.** Although we raise our revenue forecast by approximately 40% to reflect the higher steel prices, we make no change to our bottom line estimates as selling margins remain intact on higher cost levels as well. We keep our earnings estimates largely intact with Leader's FV at RM1.20. We retain our BUY recommendation for the stock.

FYE Dec (RMm)	FY08	FY09	FY10	FY11f	FY12f
Revenue	2540.8	1949.8	2494.0	3676.4	3890.3
Net Profit	64.9	53.4	49.7	68.7	76.5
% chg y-o-y	-1.6	-17.7	-7.0	38.4	11.2
Consensus	-	-	-	67.8	-
EPS (sen)	14.9	12.2	11.4	15.8	17.5
DPS (sen)	3.0	3.0	2.0	2.9	3.2
Dividend yield (%)	3.6	3.6	2.4	3.5	3.9
ROE (%)	13.9	10.3	8.9	11.5	11.6
ROA (%)	4.9	4.2	3.8	4.7	4.6
PER (x)	5.5	6.7	7.2	5.2	4.7
BV/share (RM)	1.15	1.24	1.30	1.44	0.00
P/BV (x)	0.7	0.7	0.6	0.6	0.5
EV/ EBITDA (x)	3.6	3.3	6.1	4.1	2.8

**Results Table (RMm)**

FYE Dec	1Q11	4Q10	Q-o-Q chg	YTD FY11	YTD FY10	Y-o-Y chg	Comments
Revenue	901.1	624.3	44.3%	901.1	545.9	65.1%	Higher y-o-y revenues on rising steel prices
EBIT	20.8	7.9	162.1%	20.8	13.2	56.9%	
Net interest expense	-2.8	-0.6	349.8%	-2.8	2.9	-196.7%	
Associates	1.6	0.0	n.m	1.6	0.1	n.m	
PBT	21.3	7.3	191.1%	21.3	16.9	25.5%	
Tax	-4.1	5.2	-179.3%	-4.1	-1.1	269.0%	
MI	-4.8	-4.4	7.4%	-4.8	-5.7	-17.0%	
Net profit	12.4	8.1	52.7%	12.4	10.1	22.6%	Profits mark some growth on higher volume sales
EPS (sen)	2.8	1.9		2.8	2.3		
DPS (sen)	0.0	0.0		0.0	1.5		
EBIT margin	2.3%	1.3%		2.3%	2.4%		
NTA/share (RM)	1.33	1.30		1.33	1.23		

**EARNINGS FORECAST**

FYE Dec (RMm)	FY08	FY09	FY10	FY11f	FY12f
Turnover	2540.8	1949.8	2494.0	3676.4	3890.3
EBITDA	158.5	122.6	105.2	137.0	145.4
PBT	102.0	76.8	67.0	96.9	106.1
Net Profit	64.9	53.4	49.7	68.7	76.5
EPS (sen)	14.9	12.2	11.4	15.8	17.5
DPS (sen)	3.0	3.0	2.0	2.9	3.2
Margin					
EBITDA (%)	6.2	6.3	4.2	3.7	3.7
PBT (%)	4.0	3.9	2.7	2.6	2.7
Net Profit (%)	2.6	2.7	2.0	1.9	2.0
ROE (%)	13.9	10.3	8.9	11.5	11.6
ROA (%)	4.9	4.2	3.8	4.7	4.6
Balance Sheet					
Fixed Assets	423.0	464.3	603.9	360.8	342.4
Current Assets	864.4	788.2	775.6	1173.4	1475.2
Total Assets	1287.5	1252.5	1379.5	1534.2	1817.7
Current Liabilities	542.6	534.4	533.5	625.6	850.8
Net Current Assets	321.8	253.8	242.1	547.9	624.4
LT Liabilities	139.7	47.7	175.3	157.6	127.8
Shareholders Funds	499.8	541.4	569.0	628.7	695.1
Net Gearing (%)	-43.3	-8.4	-49.1	-32.9	-7.4

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