

**Company Update**

28 November 2008

**Leader Universal Holdings Bhd**

**BUY**

**FV: RM0.70**

**Price ( 26-Nov-08 ) RM 0.45**  
**KLCI 856.37**

**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	0.40
52-week Price Range	RM 0.38 - 1.23
Beta (against KLCI)	1.60
3-m Avg Daily Volume	0.51 m
3-m Avg Daily Value*	RM 0.23 m
* based on closing price	

**Share Performance (as at 26-Nov-08)**

	1m	3m	12m
Absolute (%)	12.5	-20.4	-57.5
Relative (%-pts)	11.2	-10.1	-33.3

**Price-Earnings Band**

	FY - 2	FY - 1	FY
Upper	7.8	9.1	7.3
Lower	3.8	3.4	2.5

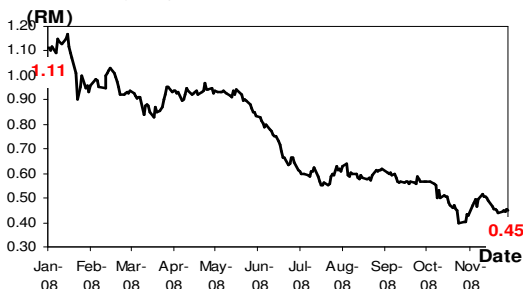
**Financial Summary**

(RM 'm)	FY06	FY07	FY08F	FY09F
Revenue	2,365.0	2,821.7	2,671.1	2,573.9
Operating Profit	91.5	125.7	132.7	129.6
Pretax Profit	65.8	94.5	106.84	102.96
Net Profit	35.3	66.0	63.79	64.53
EPS (sen)	8.1	15.1	14.5	13.8
PER (X)	5.56	2.98	3.10	3.26
Gross DPS (sen)	1.50	3.00	3.00	3.00
Dividend Yield (%)	3.33	6.67	6.67	6.67
Payout Ratio (%)	13.3	14.5	15.0	15.0
Book Value (RM)	0.85	0.99	1.11	1.23
ROE (%)	9.5	16.4	13.5	11.3

**Important Balance Sheet Items (as at 30-Sep-08)**

NTA / Share (RM)	1.13
Total Receivables (RM 'm)	431.99
Total Payables (RM 'm)	292.46
Total Assets (RM 'm)	1,382.70
Net Cash /(Debt) (RM 'm)	-270.92

Sources: Bloomberg, JF Apex Securities



**Leader recently announced lower revenues of RM703.1m in Q3FY08 compared to RM815.9m in Q3FY07. However, EBIT has improved slightly to RM40.8m of which this improvement was mainly contributed by the higher margins of the power generation business.**

**Results Highlight**

- **Lower revenues** – Leader announced a 13.8% decrease in revenue to RM703.1m in Q3FY08. This is mainly due to its lower volumes of the cable and wires business which was affected by the weakening economic outlook.
- **Higher EBIT margin** – Leader posted RM40.8m EBIT in Q3FY08, slightly higher than the previous corresponding quarter, even with a lower revenue. The EBIT in Q3FY08 was 4.8% of revenue, which recorded an improvement of 0.1 ppt q-o-q and 0.3 ppt y-o-y. This was contributed by the higher margin business of power generation.
- **Power generation business posted excellent results** – Revenue for the power generation segment in Q3FY08 increased by 60.4% y-o-y or 34.3% q-o-q to RM67.8m. With higher sales volume, the EBIT rose significantly by 91.3% y-o-y or 61.9% q-o-q.

**Dividend**

- Leader announced a second interim dividend of 1.5 sen for Q3FY08.

**Outlook**

- **Expansion in power business** – Leader intends to expand its power and transmission business for future growth.
- **Low commodities price hurt revenue** – The cable and wire business is expected to post lower revenue with the downward trend in aluminium and copper price.

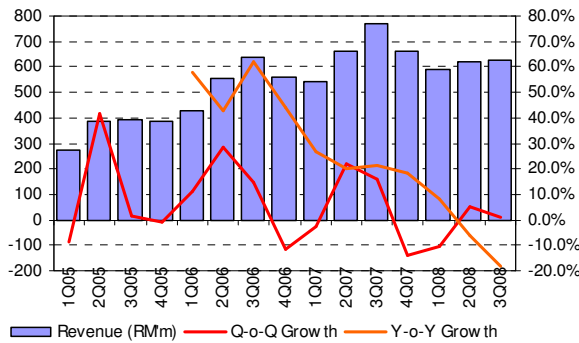
**Valuation & Recommendation**

- We have revised downward our net forecast for both FY (2008 and 2009) due to current low commodity prices and weakening economic outlook. Hence, we have revised our 12-month target price to RM0.70 (from RM1.33). Despite this, the revised target price represents a 55.6% upside potential from the current level. **Buy.**

**Results Summary**

<b>FY Ending Dec</b>	<b>Q3'08</b>	<b>Q2'08</b>	<b>Q3'07</b>	<b>QoQ</b>	<b>YoY</b>	<b>FY07</b>	<b>FY06</b>	<b>Chg</b>
Revenue (RM 'm)	703.1	678.1	815.9	3.7%	-13.8%	2,820.0	2,363.8	19.3%
EBIT (RM 'm)	40.8	33.7	40.7	21.1%	0.2%	110.0	91.9	19.7%
Profit before Taxation (RM 'm)	29.9	27.5	33.2	8.7%	-9.9%	94.5	65.8	43.6%
Net Profit (RM 'm)	18.8	18.1	22.6	3.9%	-16.8%	66.0	35.3	87.0%
EPS (sen)	4.3	4.1	5.2	4.9%	-17.3%	15.1	8.1	86.4%
EBIT margin (%)	4.8%	4.7%	4.5%			3.9%	3.9%	

**Chart 1: Cable & Wire - Quarterly Revenue & Growth**



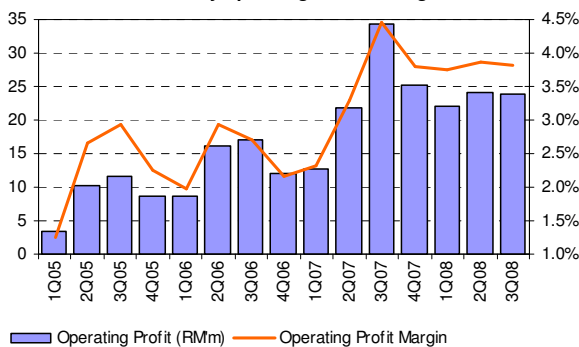
**Table 1: Historical Quarterly Revenue**

RM 'm	Q3FY08	Q2FY08	Q3FY07
Cable & Wire	627.7	622.2	769.0
Power Generation	67.8	50.5	42.2
Others	7.6	5.4	4.6
<b>Total</b>	<b>703.1</b>	<b>678.1</b>	<b>815.9</b>

**Table 2: Historical Quarterly Operating Profit**

RM 'm	Q3FY08	Q2FY08	Q3FY07
Cable & Wire	23.9	24.1	34.3
Power Generation	16.0	8.4	9.9
Others	0.9	1.3	-3.5
<b>Total</b>	<b>40.8</b>	<b>33.7</b>	<b>40.7</b>

**Chart 2: Cable & Wire - Quarterly Operating Profit & Margin**



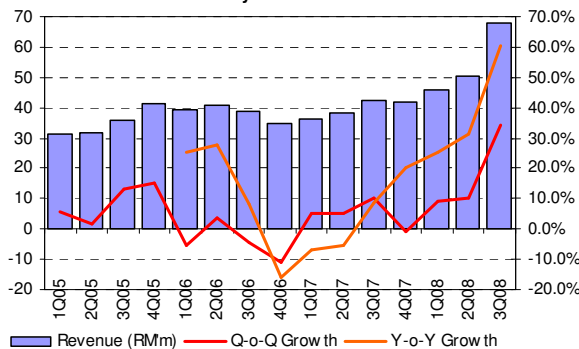
**Table 3: Revenue Projection**

RM 'm	2006	2007	2008E	2009F
Cable & Wire	2,178.0	2,638.4	2,435.6	2,297.5
Power Generation	153.6	158.9	211.8	251.9
Others	33.5	24.4	23.6	24.5
<b>Total</b>	<b>2,365.0</b>	<b>2,821.7</b>	<b>2,671.1</b>	<b>2,573.9</b>

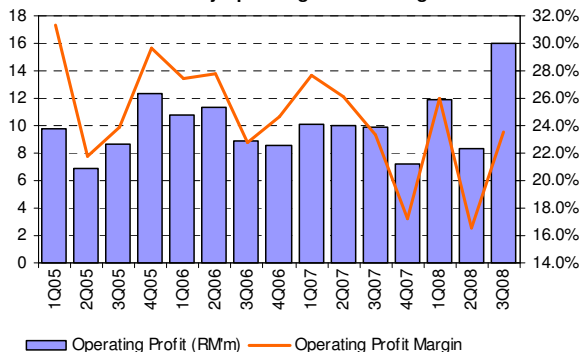
**Table 4: Operating Profit Projection**

RM 'm	2006	2007	2008E	2009F
Cable & Wire	55.7	93.9	89.0	83.6
Power Generation	39.5	37.2	43.1	46.0
Others	(3.6)	(7.3)	0.6	-
<b>Total</b>	<b>91.6</b>	<b>123.9</b>	<b>132.7</b>	<b>129.6</b>

**Chart 3: Power Generation - Quarterly Revenue & Growth**



**Chart 4: Power Generation - Quarterly Operating Profit & Margin**



### JF APEX SECURITIES BERHAD – CONTACT LIST

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### JF APEX SECURITIES - RESEARCH RECOMMENDATION FRAMEWORK

#### STOCK RECOMMENDATIONS

<b>OUTPERFORM</b>	: The stock's total returns* are expected to exceed KLCI's total return by 10% or more in the next 12 months.
<b>MARKETPERFORM</b>	: The stock's total returns* are expected to be within +10% or -10% of KLCI's total return.
<b>UNDERPERFORM</b>	: The stock's total returns* are expected to be below KLCI's total return by 10% or more in the next 12 months.
<b>BUY</b>	: The stock's total returns* are expected to be 15% or higher within the next 12 months.
<b>SELL</b>	: The stock's total returns* are expected to be -15% or worse within the next 12 months.

#### SECTOR RECOMMENDATIONS

<b>OVERWEIGHT</b>	: The industry as defined by the analyst is expected to outperform the KLCI over the 12 months.
<b>MARKETWEIGHT</b>	: The industry as defined by the analyst is expected to perform in line with KLCI over the 12 months.
<b>UNDERWEIGHT</b>	: The industry as defined by the analyst is expected to underperform the KLCI over the next 12 months.

\*capital gain + dividend yield

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