



CABLE / METAL

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1QFY09 Results Review

Private Circulation Only

Leader Universal

TRADING BUY	Maintain
Price	RM0.64
Target	RM0.79

A Low Season

Although Leader's 1Q numbers came within with our projection of a weaker year ahead, we believe that investors should focus on the company's potentially strong revival in FY10, for which we expect the numbers to be 17.4% higher y-o-y. With that, we are rolling over our valuation to FY10, which translates into a higher 12-month target price of RM0.79, implying a 23.8% upside potential.

No surprises. Leader's 1QFY09 net profit of RM12.3m was 16.7% below our estimates, having weakened by 21% y-o-y and 2.1% q-o-q. Nevertheless, since 1Q is traditionally a weaker quarter and our FY09 numbers, which were 9.4% lower y-o-y, have factored in a challenging year amid the global financial crisis, we are keeping our estimates.

Absolute margin for cable and wire healthy. The ripple effects of the financial crisis has resulted in a steep decline in commodity prices, including copper and aluminium, causing the average London Metal Exchange (LME) price in 1Q to plunge 56% and 50.4% y-o-y respectively. However, the 31% y-o-y decline in revenue from the cable & wire business to RM407.7m still suggests that sales volume was stable. This division's operating profit of RM17.6m, which was 64.6% higher q-o-q, also suggests that absolute margin per tonne was healthy despite signs of weakening compared with the same period last year. Going forward, the 5% and 35% drops in electricity and natural gas prices respectively from March 1, '09 may buffer profit margins. We also see huge demand for cables from the Sarawak Corridor of Renewable Energy (SCORE) and other stimulus packages worldwide but expect more apparent execution from 2HFY09.

Lower contribution from power and property division. The company's IPP in Phnom Penh, Cambodia, has been churning consistent earnings. However the revenue and operating profit in 1Q, which fell by double-digit percentage, prompts us to believe this was due to the Ringgit strengthening, which translated into lower proceeds on conversion. Meanwhile, development works on the new IPP project are still ongoing after the existing 200MW coal-fired power project was recently split into two equal parts. As Leader now has the full concession rights to develop 100MW, we do not expect any significant changes in its future earnings stream although we see a delay in commissioning from 2012 to 2013. As we had earlier removed our DCF valuation for the new IPP from our SOP target price, our valuation will not be affected. However, Leader's property division posted a minor operating loss of RM0.6m from residual sales and we do not expect any major developments in the near future.

Stock Profile/Statistics

Bloomberg Ticker	LUH MK Equity
KLCI	1044.11
Issued Share Capital (m)	436.46
Market Capitalisation (RMm)	279.33
52 week H L Price (RM)	0.86 0.38
Average Volume (3m) '000	2000.68
YTD Returns (%)	0.20
Net gearing (x)	0.41
Altman Z-Score	2.76
ROCE/WACC	1.79
Beta (x)	1.57
Book Value/share (RM)	1.15

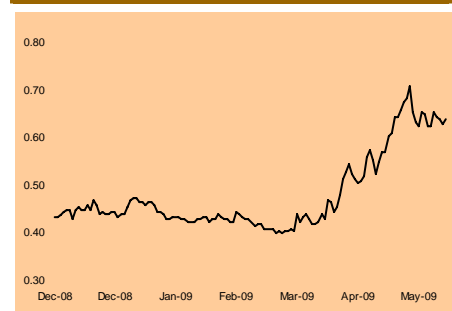
Major Shareholders (%)

Zun Holdings	12.0
LTH	6.2
Gold Connection Assets	5.9

Share Price Performance (%)

Month	Absolute	Relative
1m	20.00	7.82
3m	46.51	26.96
6m	44.67	17.98
12m	-23.41	-9.01

6-month Share Price Performance

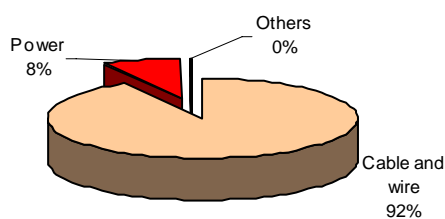


Leader is an integrated cable & wire manufacturer with subsidiaries involved in the Independent Power Plant and property businesses.

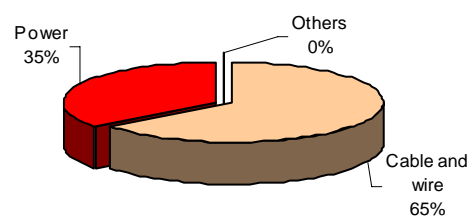
FYE Dec (RMm)	FY06	FY07	FY08	FY09f	FY10f
Total Revenue	2365.0	2821.7	2540.8	1942.9	2032.6
Net Profit	35.3	66.0	64.9	58.9	69.1
% chg YoY	61.4	86.8	(1.6)	(9.4)	17.4
Consensus EPS (sen)	-	-	-	-	-
EPS (sen)	8.1	15.1	14.9	13.5	15.8
Gross DPS (sen)	1.5	3.0	3.0	2.8	3.3
Gross Div. Yield (%)	2.3	4.7	4.7	4.4	5.2
PER (x)	7.9	4.2	4.3	4.7	4.0
P/BV (x)	0.8	0.6	0.6	0.5	0.5
EV/EBITDA (x)	5.6	3.8	3.2	2.7	1.9
ROE (%)	9.8	16.4	13.9	11.2	11.9
ROA (%)	2.7	4.9	4.9	4.5	5.2

KEY HIGHLIGHTS

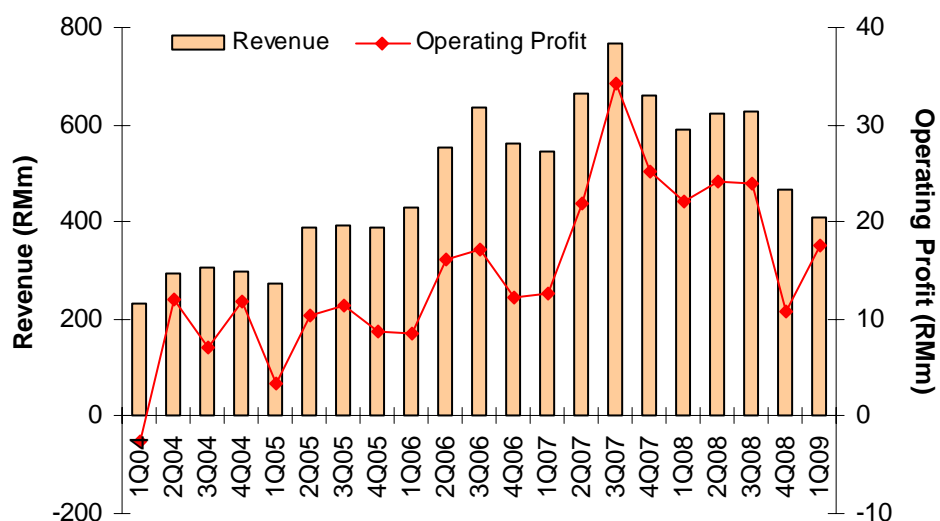
FYE Dec (RMm)	1QFY09	4QFY08	% chg	YTD FY09	YTD FY08	% chg
Turnover	444.7	519.8	-14.4%	444.7	639.9	-30.5%
EBITDA	32.9	34.4	-4.2%	32.9	38.3	-13.9%
Depreciation	(8.3)	(7.5)	10.4%	(8.3)	(7.5)	10.4%
Net interest expense	(5.5)	(9.6)	-43.1%	(5.5)	(6.2)	-11.6%
Associates	0.3	0.1	197.0%	0.3	1.0	-71.1%
PBT	21.4	17.4	23.6%	21.4	27.3	-21.3%
Tax	(4.2)	0.5	-981.4%	(4.2)	(6.8)	-37.6%
MI	(5.0)	(5.2)	-4.9%	(5.0)	(5.0)	-0.2%
Net Profit	12.3	12.6	-2.8%	12.3	15.5	-21.0%
EPS (sen)	2.8	2.9		2.8	3.6	
Gross DPS (sen)	0.0	0.0		0.0	0.0	
EBITDA margin	7.4%	6.6%		7.4%	6.0%	
NTA/share (RM)	1.19	1.15		1.19	1.03	

Figure1: Revenue Contribution for 1QFY09

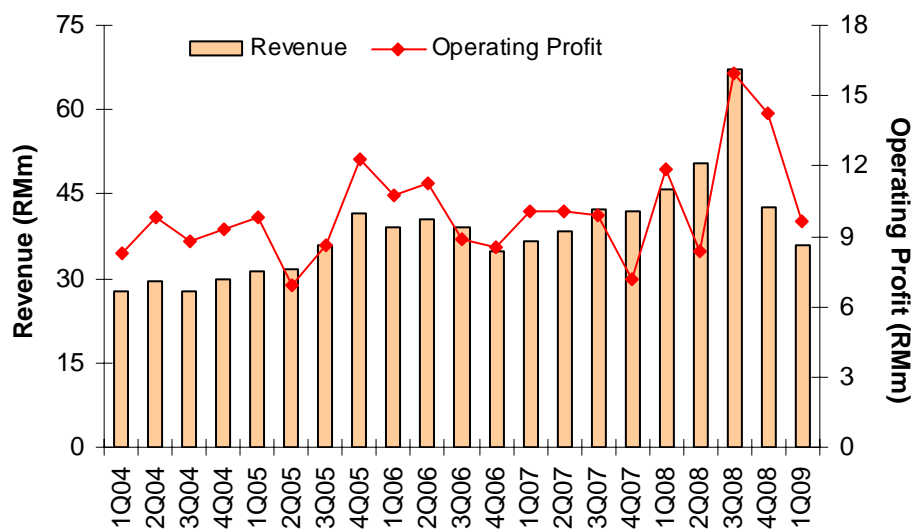
Source: Company Data

Figure 2: Operating Profit Contribution for 1QFY09

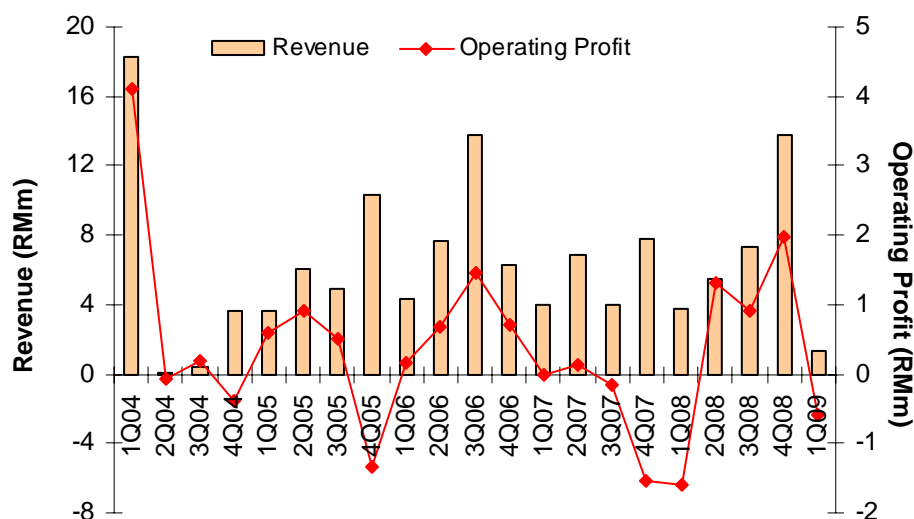
Source: Company Data

Figure 3: Quarterly Performance for Cable & Wire Division

Source: Company Data

Figure 4: Quarterly Performance for Power Division

Source: Company Data

Figure 5: Quarterly Performance for Property & Other Division

Source: Company Data

Figure 6: Sum of Valuation Composition for Leader Universal

Division	Net Profit After MI (FY10)	Peer PER	Total (RMm)
Cable & wire, others	47.2	5.0	236.2
Power (IPP @ DCF)			109.5
Total Sum Of Parts			345.7
No of Shares			436.5
12-Month Target Price		RM	0.79

Source: Bloomberg, OSK Research

OSK Research Guide to Investment Ratings**Buy:** Share price may exceed 10% over the next 12 months**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months**Take Profit:** Target price has been attained. Look to accumulate at lower levels**Sell:** Share price may fall by more than 10% over the next 12 months**Not Rated:** Stock is not within regular research coverage

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