



## CABLE/METAL

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## 1HFY09 Results Review

Private Circulation Only

# Leader Universal

<b>BUY</b>	<b>Maintain</b>
<b>Price</b>	<b>RM0.755</b>
<b>Target</b>	<b>RM0.820</b>

## Weak, but Better Days Seen

On an annualised basis, Leader Universal's (Leader) earnings came in within our expectations, with YTD net profit accounting for about 44% of our FY projection. 2Q earnings fell 23% y-o-y largely due to lower revenue at its cable and wire division, which saw a steep decline in copper and aluminium prices. Nonetheless, we believe the company will see a revival in performance for FY10 as prices of copper and aluminium should rebound as demand picks up and sales improve spurred by demand from the Sarawak Corridor of Renewable Energy (SCORE) and other stimulus packages worldwide. We maintain our BUY call but with a higher TP of RM0.82 (previously RM0.79), pegged on its valuation as at FY10.

**Weakness expected.** Leader's 2Q09 performance was similar to its 1Q09. Revenue plunged 30% while net profits fell by 22.8% y-o-y. The drop in earnings was largely attributed to its cable and wire division, which experienced declines in copper and aluminium prices of 45% and 49.5% respectively (based of London Metal Exchange prices). Despite the fall in raw materials prices, the lower quantum of revenue decline compared with that in the price fall for raw materials suggest that sales have actually picked up. We believe sales will improve visibly in 2H09 as orders from the SCORE and the government's stimulus packages intensify.

**Prospects in sight.** Operating profit from its power division fell by 12.8% while its property division managed to break even from the losses chalked up (RM0.5m) in 1Q. There were no surprises from both divisions but we await developments from its power division, which is slated to participate in the joint development of a 700MW coal-fired power generation facility in Sihanoukville, Cambodia. This project will involve a JV between Leader and the Cambodia International Investment Development Group Co. Ltd (CIIDG).

**Things will get better.** We believe orders for its cable and wire division will pick up in FY10. Our previous sales growth at 5% had been based on a conservative assumption but we are now slightly more bullish on its sales and are thus making a growth assumption of 10%. This in turn warrants an upward revision in our FY10 revenue estimates by 4.4% and net profits by 3.5%. This translates into an upward revision of its TP to RM0.82 from 0.79. BUY recommendation maintained.

### Stock Profile/Statistics

Bloomberg Ticker	LUH MK
KLCI	1163.79
Issued Share Capital (m)	436.46
Market Capitalisation (RMm)	329.53
52 week H   L Price (RM)	0.86   0.38
Average Volume (3m) '000	2116.43
YTD Returns (%)	0.33
Net gearing (x)	0.41
Altman Z-Score	2.88
ROCE/WACC	2.14
Beta (x)	1.46
Book Value/share (RM)	1.15

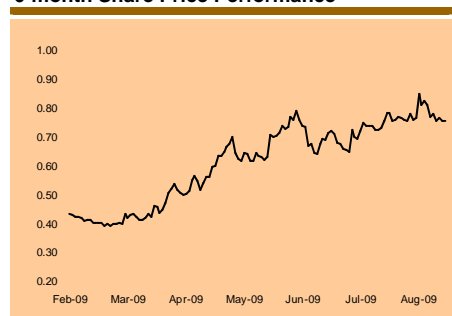
### Major Shareholders (%)

Zun Holdings	12.0
LTH	6.2
Gold Connection Assets	6.1

### Share Performance (%)

Month	Absolute	Relative
1m	4.14	-0.68
3m	23.09	8.50
6m	81.02	31.82
12m	38.26	18.37

### 6-month Share Price Performance

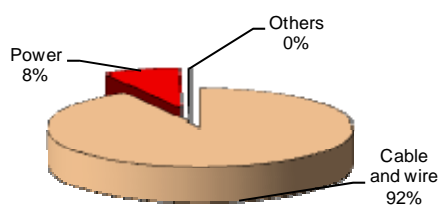


**Leader is an integrated cable & wire manufacturer with subsidiaries involved in the Independent Power Plant and property businesses.**

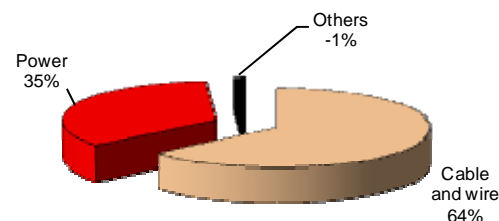
FYE Dec (RMm)	FY06	FY07	FY08	FY09f	FY10f
Total Revenue	2365.0	2821.7	2540.8	1942.9	2122.2
Net Profit	35.3	66.0	64.9	58.9	71.5
% chg YoY	61.4	86.8	(1.6)	(9.4)	21.4
Consensus NP	-	-	-	-	-
EPS (sen)	8.1	15.1	14.9	13.5	16.4
Gross DPS (sen)	1.5	3.0	3.0	2.8	3.4
Gross Div. Yield (%)	2.0	4.0	4.0	3.7	4.5
PER (x)	9.3	5.0	5.1	5.6	4.6
P/BV (x)	0.9	0.8	0.7	0.6	0.5
EV/EBITDA (x)	6.1	4.1	3.5	3.1	2.3
ROE (%)	9.8	16.4	13.9	11.2	12.3
ROA (%)	2.7	4.9	4.9	4.5	5.3

**EARNINGS REVIEW**

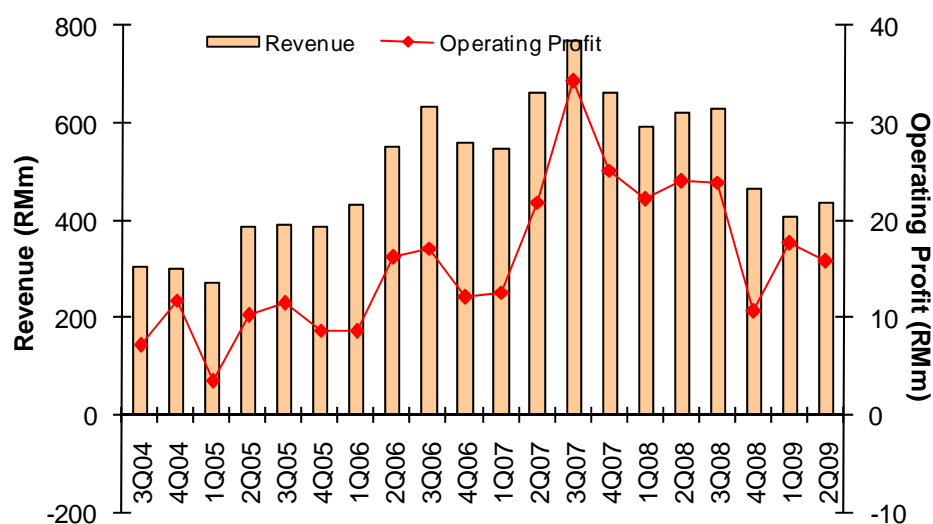
Quarterly Results Table FYE Dec (RMm)	2QFY09	1QFY08	% chg	YTD FY09	YTD FY08	% chg
Turnover	474.0	444.7	6.6%	918.8	1318.0	-30.3%
EBITDA	31.8	32.9	-3.5%	67.4	81.2	-16.9%
Depreciation	(8.3)	(8.3)	0.0%	(16.6)	(15.0)	10.4%
Net interest expense	(3.9)	(5.5)	-28.1%	(9.4)	(14.2)	-34.0%
Associates	0.3	0.3	-4.0%	0.6	2.9	-79.8%
PBT	20.6	21.4	-3.9%	42.0	54.8	-23.3%
Tax	(2.4)	(4.2)	-42.3%	(6.7)	(11.0)	-39.3%
MI	(4.2)	(5.0)	-15.1%	(9.2)	(10.2)	-10.4%
Net Profit	13.9	12.3	13.8%	26.2	33.6	-21.9%
EPS (sen)	3.2	2.8		6.0	7.7	
Gross DPS (sen)	1.5	0.0		1.5	1.5	
EBITDA margin	6.7%	7.4%		7.3%	6.2%	
NTA/share (RM)	1.19	1.19		1.19	1.08	

**Figure1: Revenue Contribution for 2QFY09**

Source: Company Data

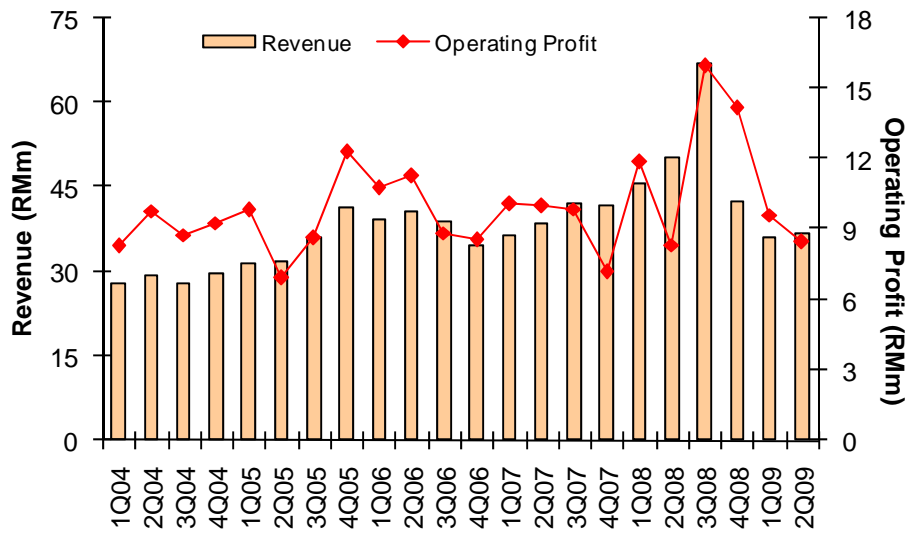
**Figure 2: Operating Profit Contribution for 2QFY09**

Source: Company Data

**Figure 3: Quarterly Performance for Cable & Wire Division**

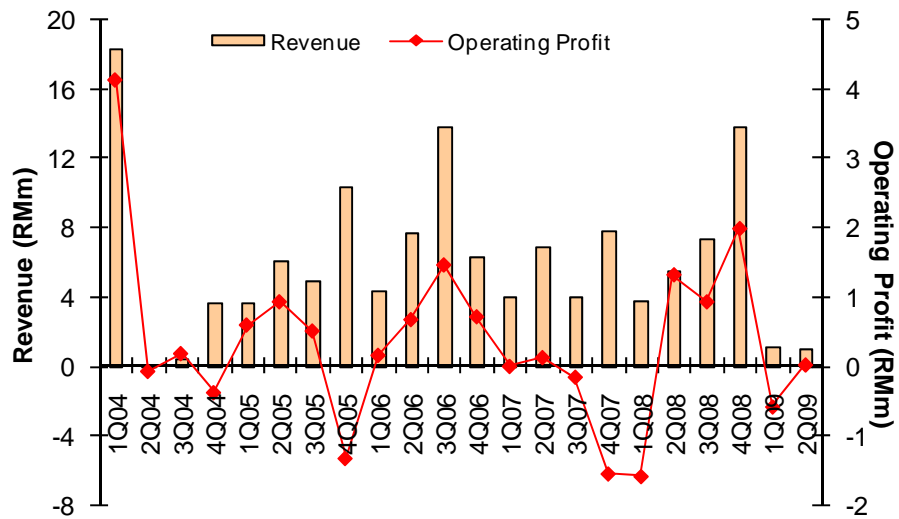
Source: Company Data

**Figure 4: Quarterly Performance for Power Division**



Source: Company Data

**Figure 5: Quarterly Performance for Property & Other Division**



Source: Company Data

**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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