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## 9MFY09 Results Review

# Leader Universal

### Within Expectations

Leader's annualised earnings were within our and consensus expectations. The YTD net profits accounted for 71.3% and 75.1% of our and consensus estimates. Although revenue was lower y-o-y due to weaker product selling prices for its cable and wire division, the higher sales volume q-o-q reinforces our view that the worst is over for Leader. We maintain our earnings estimates but raise our target price to RM0.93 from RM0.82 previously. The TP revision is premised on a higher peers P/E of 6x against 5x previously on Leader's cable and wire division in our Sum-of-Parts valuation. **BUY maintained.**

**Not so strong y-o-y.** Mainly due to a steep decline in aluminium and copper prices last year, Leader's YTD revenue plunged by 29.3% y-o-y. This however came as no surprise as we had imputed this into our earnings estimates as we envisaged the price decline to befall its cable and wire division. On a positive note, we gather that orders for Leader have picked up q-o-q. Higher sales volume arising from stronger global demand seen by its wire and cable division saw sales perk up by 9.8%. However, lower average selling prices led to operating profits dropping 11% q-o-q. The numbers at Leader's power division also improved as operating profits jumped 13.3% q-o-q amid lower revenue.

**Things looking better now.** In our 1HFY09 results review, we stated that we anticipate improving sentiment for Leader. Sure enough, the company chalked up higher sales in 3Q in tandem with a rise in global demand for cable and wire products. This is to a certain extent attributed to the implementation of the Government's stimulus packages early this year and firmer orders from SCORE. Another plus is prices for aluminium and copper are starting to gain ground and tick up going towards 4Q, which indicates a high likelihood of Leader posting better numbers in the next quarter. As for Leader's power division, we are awaiting the details with regard to its possible participation in the joint development of a 700MW coal-fired power generation facility in Sihanoukville, Cambodia. To date, there has been no update on the company's possible participation.

**Higher TP.** The gradual improvement in 3Q sales reinforces our view that Leader's FY10 earnings will improve. As such, we maintain our optimistic earnings forecast, which then prompts us to increase our target price on the stock to RM0.93 from RM0.82 previously upon applying a higher peers P/E of 6x from 5x previously, which we deem conservative, being between a peers P/E range of 6x to 8x. Leader has declared a second interim dividend of 1.5 sen, bringing its total dividend to 3 sen. This is within our previous estimate of 2.8 sen per share.

BUY ↔

Target **RM0.930**  
Previous **RM0.820**  
Price **RM0.785**

#### CABLE/METAL

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)	436.46
Market Cap (RMm)	342.62
52 week H   L Price (RM)	0.86   0.40
3mth Avg Vol ('000)	714.6
YTD Returns	78.4
Beta (x)	1.47

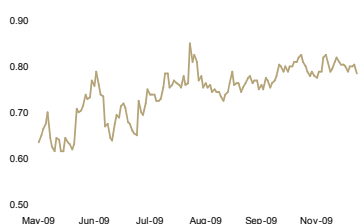
#### Major Shareholders (%)

Zun Holdings	12.0
LTH	6.2
Gold Connection Assets	6.1

#### Share Performance (%)

Month	Absolute	Relative
1m	-0.6	-0.5
3m	7.3	-1.5
6m	27.2	2.1
12m	90.5	20.5

#### 6-month Share Price Performance



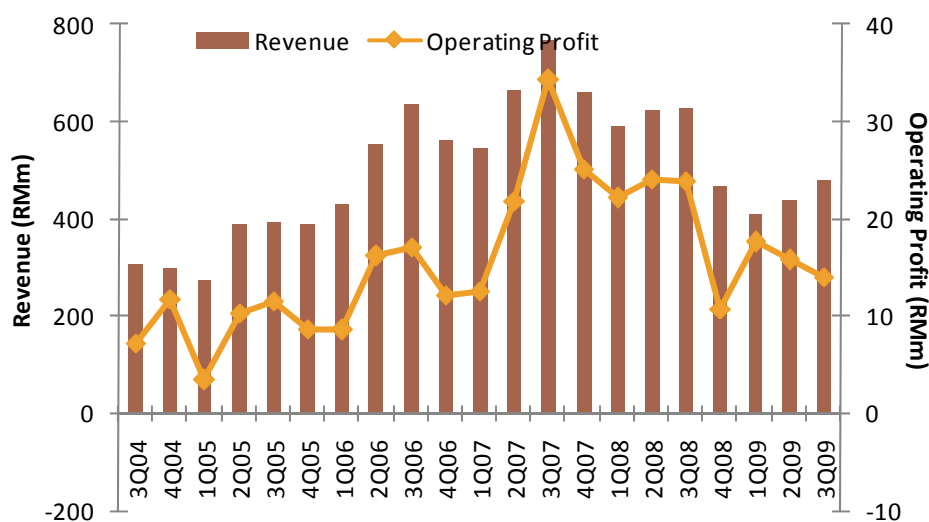
FYE Dec (RMm)	FY06	FY07	FY08	FY09f	FY10f
Revenue	2365.0	2821.7	2540.8	1942.9	2122.2
Net Profit	35.3	66.0	64.9	58.9	71.5
% chg y-o-y	61.4	86.8	-1.6	-9.4	21.4
Consensus	-	-	-	55.9	65.0
EPS (sen)	8.1	15.1	14.9	13.5	16.4
DPS (sen)	1.5	3.0	3.0	3.0	3.4
Dividend yield (%)	1.9	3.8	3.8	3.8	4.3
ROE (%)	9.8	16.4	13.9	11.2	12.3
ROA (%)	2.7	4.9	4.9	4.5	5.3
PER (x)	9.7	5.2	5.3	5.8	4.8
BV/share (RM)	0.9	1.0	1.1	1.3	1.4
P/BV (x)	0.9	0.8	0.7	0.6	0.6
EV/ EBITDA (x)	6.2	4.2	3.6	3.2	2.4

## Results Table (RMm)

FYE Dec	3Q09	2Q09	Q-o-Q chg	YTD FY09	YTD FY08	Y-o-Y chg	Comments
Revenue	509.8	474.0	7.5%	1428.5	2021.0	-29.3%	Q-o-q sales improvement on higher sales volume
EBITDA	31.7	31.8	-0.5%	99.1	129.5	-23.5%	
Net interest expense	-4.2	-3.9	5.7%	-13.6	-26.2	-48.3%	However, low prices still persisted in 3Q, hence a lower PBT. Expect selling prices to improve in 4Q. Lower tax rate of an overseas subsidiary company and tax incentives availability
Associates	0.9	0.3	232.6%	1.5	3.9	-60.9%	
PBT	20.2	20.6	-2.1%	62.2	84.7	-26.5%	
Tax	-0.1	-2.4	-96.5%	-6.7	-16.0	-57.7%	
MI	-4.3	-4.2	0.8%	-13.4	-16.4	-18.0%	
Net profit	15.8	13.9	13.5%	42.0	52.3	-19.7%	
EPS (sen)	3.6	3.2		9.6	12.0		
DPS (sen)	1.5	1.5		3.0	3.0		
EBITDA margin	6.2%	6.7%		6.9%	6.4%		
NTA/share (RM)	1.23	1.19		1.23	1.13		

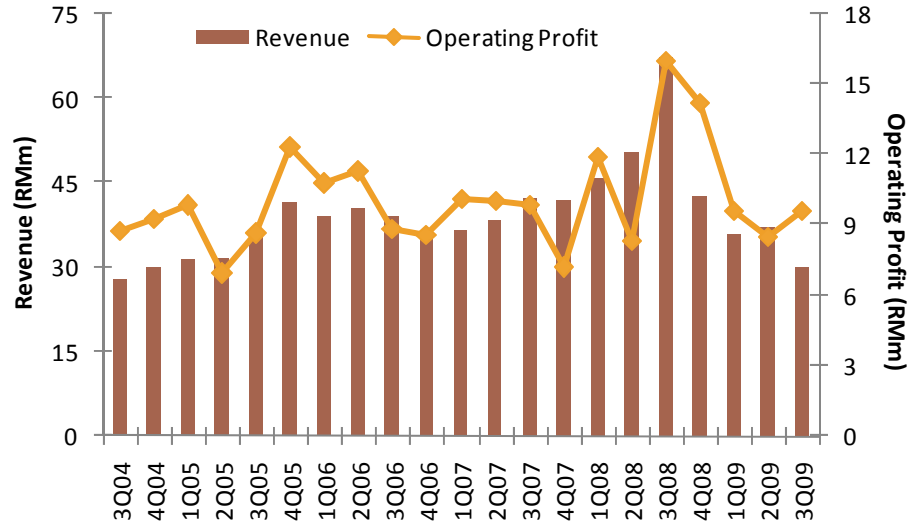
## HIGHLIGHTS

Figure 1: Quarterly performance for cable and wire division



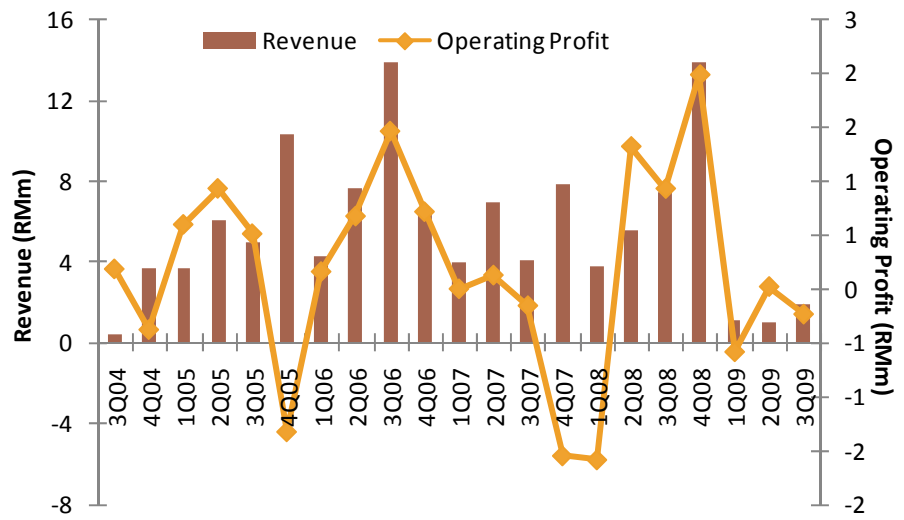
Source: OSK, Company

**Figure 2: Quarterly performance for power division**



Source: OSK, Company

**Figure 3: Quarterly performance for property and other division**



Source: OSK, Company

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