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MALAYSIA EQUITY
Investment Research
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FY09 Results Review

Leader Universal

Bottomline below

BUY

Target	RM1.130
Previous	RM1.160
Price	**RM0.905**

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)	436.5
Market Cap (RMm)	395.0
52 week H│L Price (RM)	0.97│ 0.40
3mth Avg Vol ('000)	1,594.9
YTD Returns	16.0
Beta (x)	1.51

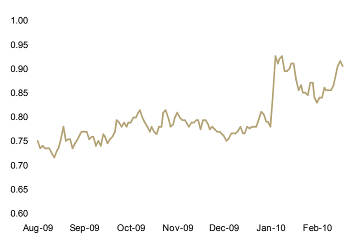
Major Shareholders (%)

Zun Holdings	12.0
Gold Connection Assets	6.4
LTH	6.2

Share Performance (%)

Month	Absolute	Relative
1m	-0.5	2.1
3m	16.8	13.6
6m	22.2	10.4
12m	111.3	45.2

6-month Share Price Performance



Leader's topline earnings were in line with our forecast, although higher than expected cost of sales, lower other income and associate contributions led to its bottomline earnings falling short of our estimates. Nonetheless, as we see Leader's prospects improving on better higher demand for its cables and wires division and further Cambodian power plant developments. Thus we are maintaining our BUY recommendation on the stock. We marginally adjust (>5%) our earnings estimates to account for slightly better sales but high operating cost. From this, we derive a SOP derive target of RM1.13 (RM1.16 previously).

Just as expected. Y-o-y earnings were weaker due to lackluster worldwide demand for cables and wire products in FY08. Coupled with weakening copper and aluminium prices, the group experienced a decline in revenue by 23.3%. At the bottom line level, net profits slumped 17.7% y-o-y. Despite that, due to improving developments and Government expenditure focusing on the SCORE region in Sarawak in 2010, we believe earnings for FY10 should improve.

A better outlook for FY10. We estimate Leader's FY10 revenue will improve 9.3% y-o-y sustained by orders from Sarawak's SCORE region and higher product selling prices. More orders are to come as additional transmission lines are installed in the future to cater to the developments of several hydroelectric dams in SCORE. This region aside, there have been positive developments revolving around the growing presence of Leader's power division in Cambodia, which has just secured a 25-year BOT Power Transmission Agreement (PTA) with Electricite Du Cambodge (EDC). Leader is also in the midst of discussion with the Cambodian authorities with regard to building and the commencement of a 700MW coal-fired power plant in that country.

BUY maintained. We hold our "bullish" view for Leader on the back of its two positive developments - its growing participation in SCORE and power ventures in Cambodia. For that, we maintain our BUY recommendation on the stock. However, upon making minor adjustments to its earnings, we derived a new TP of RM1.13 from RM1.16 previously.

FYE Dec (RMm)	FY07	FY08	FY09	FY10f	FY11f
Revenue	2821.7	2540.8	1949.8	2131.9	2231.0
Net Profit	66.0	64.9	53.4	69.2	77.9
% chg y-o-y	86.8	-1.6	-17.7	29.4	12.6
Consensus	-	-	-	65.0	n.a
EPS (sen)	15.1	14.9	12.2	15.9	17.9
DPS (sen)	3.0	3.0	3.0	3.7	4.4
Dividend yield (%)	3.3	3.3	3.3	4.1	4.8
ROE (%)	16.4	13.9	10.3	12.1	12.4
ROA (%)	4.9	4.9	4.2	5.5	6.1
PER (x)	6.0	6.1	7.4	5.7	5.1
BV/share (RM)	0.99	1.15	1.24	1.37	1.52
P/BV (x)	0.9	0.8	0.7	0.7	0.6
EV/ EBITDA (x)	4.5	3.9	3.6	3.9	3.2

Results Table (RMm)

FYE Dec	4Q09	3Q09	Q-o-Q chg	YTD FY09	YTD FY08	Y-o-Y chg	Comments
Revenue	521.3	509.8	2.3%	1949.8	2540.8	-23.3%	Weak selling volume and selling price y-o-y
EBITDA	27.7	31.7	-12.5%	126.8	161.5	-21.5%	
Net interest expense	-4.9	-4.2	16.8%	-18.4	-35.9	-48.6%	
Associates	0.1	0.9	-93.2%	1.6	4.0	-60.3%	
PBT	14.6	20.2	-27.5%	76.8	102.0	-24.7%	
Tax	0.9	-0.1	n.m	-5.9	-15.5	-62.1%	
MI	-4.1	-4.3	-3.9%	-17.5	-21.6	-18.9%	
Net profit	11.4	15.8	-27.9%	53.4	64.9	-17.7%	
EPS (sen)	2.6	3.6		12.2	14.9		
DPS (sen)	0.0	1.5		3.0	3.0		
EBITDA margin	5.3%	6.2%		6.5%	6.4%		
NTA/share (RM)	1.24	1.23		1.24	1.15		

EARNINGS FORECAST

FYE Dec (RMm)	FY07	FY08	FY09	FY10f	FY11f
Turnover	2821.7	2540.8	1949.8	2131.9	2231.0
EBITDA	150.7	158.5	123.5	132.8	136.4
PBT	94.5	102.0	76.8	88.7	99.9
Net Profit	66.0	64.9	53.4	68.5	77.1
EPS (sen)	15.1	14.9	12.2	15.7	17.7
DPS (sen)	3.0	3.0	3.0	3.7	4.3
Margin					
EBITDA (%)	5.3	6.2	6.3	6.2	6.1
PBT (%)	3.4	4.0	3.9	4.2	4.5
Net Profit (%)	2.3	2.6	2.7	3.2	3.5
ROE (%)	16.4	13.9	10.3	12.0	12.2
ROA (%)	4.9	4.9	4.2	5.5	6.0
Balance Sheet					
Fixed Assets	389.9	423.0	463.8	401.0	381.3
Current Assets	955.8	864.4	793.7	850.7	923.4
Total Assets	1345.7	1287.5	1257.5	1251.7	1304.6
Current Liabilities	649.9	542.6	489.4	422.1	413.8
Net Current Assets	305.8	321.8	304.3	428.7	509.5
LT Liabilities	163.9	139.7	97.7	92.8	79.0
Shareholders Funds	433.4	499.8	541.4	597.7	661.2
Net Gearing (%)	65.5	43.3	8.3	19.7	6.6

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 (NR): Stock is not within regular research coverage

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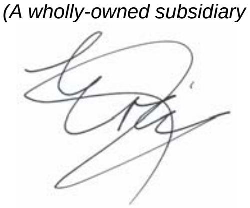

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