



## Leader Universal Holdings Berhad

Tuesday, August 16, 2011

Impressive Topline from Wire & Cable Sales

**TP: RM1.20 (+50.9%)**

<b>Business Summary</b>	: Primarily involve in the manufacture of aluminium and copper cables and power producing in Cambodia	<b>Recommendation:</b>	Buy
<b>Major Shareholders (%)</b>	: Zun Holdings Sdn Bhd (12.6)	<b>Market Capitalisation (RMmn):</b>	RM346.98
	: Lembaga Tabung Haji (8.98)	<b>Current Price:</b>	RM0.795
	: Gold Connection Assets (7.7)	<b>Market/ Sector:</b>	Main Market/Industrial
<b>Company Website</b>	: www.leaderuniversal.com	<b>Stock Code:</b>	4529
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TA Research Team Coverage

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### Key Stock Statistics

		2011F	2012F
FYE Dec 31			
EPS	(sen)	12.3	14.8
PER	(x)	6.5	5.4
Gross div/ share	(sen)	3.0	3.5
NTA/share	(RM)	1.7	1.8
Book value/ share	(RM)	1.4	1.5
Issued capital	(mn shares)	436.5	436.5
52 weeks share price range	(RM)	0.79 - 0.95	

### Per Share Data

		2010	2011F	2012F
FYE Dec 31				
Book Value	(sen)	1.3	1.4	1.5
Cash Flow	(sen)	(0.5)	0.0	0.3
Earnings	(sen)	11.4	12.3	14.8
Dividend	(sen)	3.0	3.0	3.5
Payout Ratio	(%)	26.4	24.4	23.7
PER (x)	(x)	7.0	6.5	5.4
P/ Cash Flow	(x)	(1.7)	25.9	2.8
P/ Book Value	(x)	0.6	0.6	0.5
Dividend Yield	(%)	2.8	2.8	3.3
ROE	(%)	8.7	8.7	9.7
Net Gearing	(%)	0.5	0.6	0.4

### P&L Analysis (RMmn)

		2010	2011F	2012F
FYE Dec 31				
Revenue		2494.0	2591.3	2699.9
Operating Profit		74.8	125.2	144.0
Depreciation		(25.9)	(46.9)	(54.6)
Interest Expenses		(8.5)	(38.9)	(40.5)
Pre-tax Profit		67.0	87.1	104.2
Effective Tax Rate	(%)	(4.5)	18.0	17.5
Net Profit		49.7	53.6	64.5
Operating Margin	(%)	3.0	4.8	5.3
Pre-tax Margin	(%)	2.7	3.4	3.9
Net-Margin	(%)	2.8	2.8	3.2

### Results Review

- Leader Universal recorded a 2Q11 net profit of RM15.5mn, representing a YoY increase of 3.6%. Its 1H11 results came in within our expectations at 52% and 46% of ours and consensus full-year estimates.
- Apart from the increase in cable & wire sales coupled with the surge in metal prices in 2Q11, the group's 6M11 topline registered a massive YoY increase of 55.1% due to the adoption of the new accounting standard, ie: IC12. Its topline included the construction revenue of its ongoing power plant construction of RM107.8mn. Excluding this, 1H11 revenue would have come in at RM1.792bn.
- Segmental wise, operating profit for its cable & wire business marked a 2.6% decline YoY. But overall profit was supported by its higher operating profit from its power generation unit which registered an 8.9% increase YoY.
- This quarter saw a very modest QoQ PBT margin expansion of 0.1% to 2.5% although this is still lower than what the group achieved a year ago. We believe that the margin expansion was contributed by its cable & wire sales in new markets globally.

### Impact

- No changes in our earnings estimate.

### Outlook

- Demand remains robust, especially from Tenaga Nasional Berhad. Demand from TNB is expected to sustain till end FY11.
- New orders from the African regions, South America and the Middle East remain very encouraging.
- The group noted that the global demand for aluminium rods is expected to be exceptionally strong in 2H11 till FY12 due to the surge in demand (from cable manufacturers) and the shortage of supplies.

### Share Price relative to the FBM KLCI



Source: Bloomberg

- We believe that the demand for cabling and wiring would sustain given the government's bold plans in initiating mega projects nationwide. Mega projects such as the RM20bn KVMRT and the RM100bn Pengerang oil and gas hub by Petronas are expected to spur demand for electrical cables and wires.

### Valuation & Recommendation

We maintain our target price of RM1.20/share pegging a forward PER of 14x. We are bullish on the stock based on an impending strong demand for industrial cables & wires locally and also its expanding overseas markets. Maintain Buy on the stock.

### 2Q11 Results Analysis

FYE Dec (RMmn)	2Q10	1Q11	2Q11	QoQ (%)	YoY (%)	6M10	6M11
Revenue	678.9	901.1	998.4	10.8	47.1	1224.7	1899.5
COGS	(630.4)	(860.7)	(951.3)	10.5	50.9	(1140.5)	(1812.0)
GP	48.4	40.4	47.1	16.7	(2.8)	84.2	87.5
Operating Expenses	(22.2)	(20.5)	(22.8)	11.0	2.5	(39.0)	(43.3)
Other Income	0.7	2.5	3.2	27.8	337.3	1.5	5.8
Finance Cost	(3.5)	(2.8)	(5.6)	101.7	60.6	(6.4)	(8.4)
Share of profit/(loss) of associate company	(0.1)	1.6	2.6	57.2	(4859.3)	0.0	4.2
PBT	23.4	21.3	24.6	15.5	4.8	40.4	45.8
Tax	(2.6)	(4.1)	(2.9)	(29.0)	13.9	(3.7)	(7.1)
PAT	20.9	17.1	21.6	26.3	3.7	36.7	38.7
Attributable to:							
-Equity holders of the parent	15.0	12.4	15.5	25.7	3.6	25.1	27.9
-Minority interests	5.8	4.8	6.1	27.9	3.9	11.6	10.8
EPS (sen):							
-Basic	3.4	2.8	3.6	25.8	3.5	5.8	6.4
Segmental:							
-Cable & Wires	643.0	828.1	900.7	8.8	40.1	1158.8	1728.8
-Power Generation	32.1	72.6	96.5	33.0	200.8	61.6	169.1
-Others	3.7	0.4	1.2	163.3	(68.7)	4.3	1.6
-Total	678.9	901.1	998.4	10.8	47.1	1224.7	1899.5
Operating Profit/(loss):							
-Cable & Wires	21.5	14.0	21.0	50.1	(2.6)	33.0	35.0
-Power Generation	10.1	8.6	11.0	27.6	8.9	20.2	19.6
-Others	(4.7)	(1.8)	(2.7)	51.0	(41.2)	(6.5)	(4.6)
-Total	27.0	20.8	29.2	40.7	8.3	46.7	50.0

### Earnings Summary

Income Statement (RMmn)	2009	2010	2011F	2012F
Revenue	1949.8	2494.0	2591.3	2699.9
COGS	(1791.1)	(2340.2)	(2384.0)	(2470.4)
Gross Profit	158.7	153.8	207.3	229.5
Other Op Income	3.3	3.5	3.6	3.7
Other Op Expenses	(70.5)	(82.4)	(85.6)	(89.2)
Profit from Ops	93.7	74.8	125.2	144.0
Finance Costs	(18.4)	(8.5)	(38.9)	(40.5)
Share of Profits from Associates	1.6	0.7	0.7	0.7
PBT	76.8	67.0	87.1	104.2
Tax	(5.9)	3.0	(15.7)	(18.2)
MI	(17.5)	(20.3)	(17.9)	(21.5)
<b>PAT</b>	<b>53.4</b>	<b>49.7</b>	<b>53.6</b>	<b>64.5</b>

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