



TA SECURITIES

A MEMBER OF THE TA GROUP

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RESULTS UPDATE

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FBM KLCI: 1,433.17

Leader Universal Holdings Berhad

3Q saw Substantial Increase in Interest Cost

Thursday, November 24, 2011

TP: RM1.10 (+10.5%)

Business Summary	: Primarily involve in the manufacture of aluminium and copper cables and power producing in Cambodia	Recommendation: HOLD
Major Shareholders (%)	: Zun Holdings Sdn Bhd (12.6)	Market Capitalisation (RMmn): RM434.3
	: Lembaga Tabung Haji (8.98)	Current Price: RM0.995
	: Gold Connection Assets (7.7)	Market/ Sector: Main Market/Industrial
Company Website	: www.leaderuniversal.com	Stock Code: 4529
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Key Stock Statistics

FYE Dec 31		2011F	2012F
EPS	(sen)	12.3	14.8
PER	(x)	8.1	6.7
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)		

Per Share Data

FYE Dec 31		2010	2011F	2012F
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)	8.7	8.1	6.7
P/ Cash Flow	(x)	(2.2)	32.4	3.5
P/ Book Value	(x)	0.8	0.7	0.7
Dividend Yield	(%)	2.3	2.3	2.6
ROE	(%)	8.7	8.7	9.7
Net Gearing	(%)	0.5	0.6	0.4

P&L Analysis (RMmn)

FYE Dec 31		2010	2011F	2012F
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

Share Price relative to the FBM KLCI



Source: Bloomberg

Results Review

- Leader Universal's 9M11 net profit of RM38.7mn came in within our expectations at 72% of our full-year projections.
- YoY, the 9M net profit declined 7% despite a 48% increase in revenue. This was largely due to the surge in interest cost as the group has drawn down additional borrowings to finance the construction of a 100MW coal-fired power plant and also a 230kV power transmission system in Cambodia. Note that the surge in revenue was mainly due to the adoption of the new accounting standard, ie: IC12, which has included revenue from the construction of a power plant.
- QoQ, 3Q11 earnings dipped 30% due to lower contribution from all divisions, ie: cable & wire and power generation. Operating margin remained flat at 2% for cable & wire and 1.4% for power generation.

Impact

- No change to FY11-13 earnings estimates.

Outlook

- The Board of Leader Universal has resolved to accept HNG Capital's offer to acquire the group's assets and liabilities including all businesses and undertakings on 2 Nov. The disposal is now pending the fulfillment of other conditions precedent including shareholders' approval. We reiterate our view that the offer price of RM1.10/share is deemed fair for shareholders to exist the company in the midst of global economic slowdown.
- Meanwhile, electricity demand in Malaysia is expected to rise in tandem with increasing economic activities under the NKEA. This will translate into higher demand for cable and wire.
- As far as the power-related business in Cambodia is concerned, we continue to expect maiden contribution to flow in from FY13 onwards.

Valuation & Recommendation

We maintain our target price of RM1.10/share, which is at par with the offer price of HNG's proposal to acquire all the group's businesses and undertakings. Given the potential upside of 10.5%, we downgrade our recommendation to Hold from buy.

3Q11 Results Analysis

FYE Dec (RMmn)	3Q10	2Q11	3Q11	QoQ (%)	YoY (%)	9M10	9M11	YoY (%)
Revenue	645.0	998.4	875.1	(12.3)	35.7	1869.8	2774.6	48.4
COGS	(601.6)	(951.3)	(841.2)	(11.6)	39.8	(1742.1)	(2653.3)	52.3
GP	43.4	47.1	33.9	(28.1)	(22.0)	127.7	121.3	(5.0)
Operating Expenses	(23.7)	(22.8)	(5.4)	(76.2)	(77.2)	(62.7)	(48.7)	(22.4)
Other Income	1.0	3.2	4.1	26.4	328.6	2.4	9.9	307.8
Finance Cost	(1.6)	(5.6)	(16.1)	187.3	929.2	(7.9)	(24.4)	208.8
Share of profit/(loss) of associate company	0.2	2.6	1.9	(25.9)	828.8	0.3	6.1	2314.6
PBT	19.3	24.6	18.4	(25.1)	(4.6)	59.7	64.2	7.6
Tax	1.5	(2.9)	(2.0)	(31.1)	(237.6)	(2.2)	(9.1)	308.3
PAT	20.8	21.6	16.4	(24.2)	(21.2)	57.4	55.1	(4.0)
Attributable to:								
-Equity holders of the parent	16.5	15.5	10.8	(30.6)	(34.5)	41.6	38.7	(6.9)
-Minority interests	4.3	6.1	5.6	(8.0)	29.7	15.9	16.4	3.4
EPS (sen):								
-Basic	3.8	3.6	2.5	(30.6)	(34.7)	9.5	8.9	(7.0)
Segmental:								
-Cable & Wires	619.2	900.7	807.8	(10.3)	30.4	1778.0	2536.6	42.7
-Power Generation	25.3	96.5	66.2	(31.4)	161.7	86.9	235.3	170.8
-Others	0.5	1.2	1.1	(3.3)	137.6	4.8	2.7	(43.1)
-Total	645.0	998.4	875.1	(12.3)	35.7	1869.8	2774.6	48.4
Operating Profit/(loss):								
-Cable & Wires	16.2	21.0	17.2	(18.0)	5.9	49.3	52.2	5.9
-Power Generation	5.3	11.0	11.4	4.3	117.9	25.4	31.0	22.0
-Others	(0.8)	(2.7)	3.9	(242.9)	(566.5)	(7.4)	(0.6)	(91.3)
-Total	20.7	29.2	32.6	11.5	57.7	67.3	82.6	22.6

Earnings Summary

Income Statement (RMmn)	2009	2010	2011F	2012F	2013F
Revenue	1949.8	2494.0	2591.3	2699.9	2866.7
COGS	(1791.1)	(2340.2)	(2384.0)	(2470.4)	(2637.3)
Gross Profit	158.7	153.8	207.3	229.5	229.3
Other Op Income	3.3	3.5	3.6	3.7	4.0
Other Op Expenses	(70.5)	(82.4)	(85.6)	(89.2)	(94.7)
Profit from Ops	93.7	74.8	125.2	144.0	138.6
Finance Costs	(18.4)	(8.5)	(38.9)	(40.5)	(43.0)
Share of Profits from Associates	1.6	0.7	0.7	0.7	0.8
PBT	76.8	67.0	87.1	104.2	96.3
Tax	(5.9)	3.0	(15.7)	(18.2)	(14.5)
MI	(17.5)	(20.3)	(17.9)	(21.5)	(20.5)
PAT	53.4	49.7	53.6	64.5	61.4

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