

**Results Update**

25 August 2008

**Leader Universal Holdings Bhd**
**BUY**
**FV (maintained) : RM1.33 per share**

<b>Price (22 Aug 08)</b>	<b>RM0.595</b>
<b>KLCI</b>	<b>1,085.60</b>

**Stock Data**

Bursa / Bloomberg code	4529 / LUH MK
Board / Sector	Main / Ind. Products
Syariah Compliant status	Yes
Issued shares (m)	436.46
Par Value (RM)	1.00
Market cap. (RM m)	259.69
Price / NTA	0.55x
52-week price Range	RM0.545 – RM1.23
Beta (against KLCI)	1.57
3-m Average Daily Volume	1.12m
3-m Average Daily Value*	RM0.67m

\* based on the last closing price

**Share Performance (as at 22 Aug 08)**

	1m	3m	12m
Absolute (%)	7.2	-33.9	-42.2
Relative (%-pts)	9.4	-18.9	-28.7

**Price-Earnings Band**

	FY - 2	FY - 1	FY
Upper	7.8	9.1	8.3
Lower	3.8	3.4	3.4

**Financial Forecast (Year End Dec 31)**

(RMm)	06A	07E	08F	09F
Revenue	2,365.0	2,821.7	2,900.1	3,111.8
Op. profit	91.5	123.9	134.8	140.8
Pretax profit	65.8	94.5	116.8	125.2
Net profit	35.3	66.0	64.8	70.1
EPS (sen)	8.1	15.1	14.9	16.1
PER (X)	7.4	3.9	4.0	3.7
Gross DPS (sen)	1.5	3.0	3.0	4.5
Gross Yield (%)	2.5	5.0	5.0	7.6
Payout Ratio(%)	13.5	14.5	14.9	21.0
Book Value(RM)	0.85	0.99	1.12	1.25
ROE (%)	9.5	16.8	14.4	13.6

**Important Balance Sheet Items (as at 30 Jun 08)**

NTA / share (RM)	1.08
Total Receivables (RM m)	505.1
Total Payables (RM m)	336.2
Total Inventories (RM m)	280.3
Total Assets (RM m)	1,382.7
Net Cash/(Debt) (RM m)	(308.3)

**Leader announced net profit of RM18.1m in 2Q08 and RM33.6m in 1H08, the latter represents 51.8% of our full year forecast. The group also announced securing new orders, estimated at RM700m, to be delivered over the next 6 months. Although this would improve top and bottom line performance, we maintain our forecast earnings in view of the challenging time ahead and retain our fair valuation of RM1.33 per share based on sum-of-part method.**

**Results Highlights**

- Leader announced a 1.2% q-o-q drop but a 7.0% y-o-y increase in pretax profit to RM27.5m in 2Q08 on the back of a 6.0% q-o-q increase but a 4.4% y-o-y drop in revenue to RM678.1m. Net profit rose 16.4% q-o-q and 13.9% y-o-y to RM18.1m, translating into an EPS of 4.14 sen.
- For the 1H08, pretax profit shot up 26.8% to RM55.4m despite revenue rising only by 1.8%. Net profit increased by 19.5% to RM33.6m, translating into an EPS of 7.69 sen.
- Revenue from the cable & wire division in 2Q08 grew 5.4% q-o-q but dropped 6.2% y-o-y to RM622.2m. The lower y-o-y revenue is due to the disposal of LS Magnet Wire S/B, which contributed RM42.2m revenue in 2Q07, effective 1 July 07. Operating profit in 2Q08 rose 8.9% q-o-q and 10.2% y-o-y to RM24.1m, with its margin improving to 3.87% from 3.74% in 1Q08 and 3.29% in 2Q07. Exports sales accounted for about 30% of total revenue for this division.
- 2Q08 power generation division revenue rose 10.4% q-o-q and 31.4% y-o-y to RM50.5m. However, operating profit dropped 29.7% q-o-q and 16.6% y-o-y to RM8.4m, with margin eroding to 16.6% from 26.0% in 1Q08 and 26.1% in 2Q07 due to high energy costs.

**Dividend**

- No dividend was announced.

**Outlook**

- Management warned of a continued challenging business environment in 2H08 as a consequence of high energy cost and slow down in the global and domestic economies. Nevertheless, its strong export and stable income from power generation business will cushion the impact.
- It announced securing circa RM700m new orders for the cable & wire division, to be delivered over the next 6 months. The group also expects local demand to pick up either by year-end or next year on 9MP infrastructure spending and the proposed Bakun undersea cable project.
- The 200MW power plant in Sihanoukville is scheduled for completion by 2012.

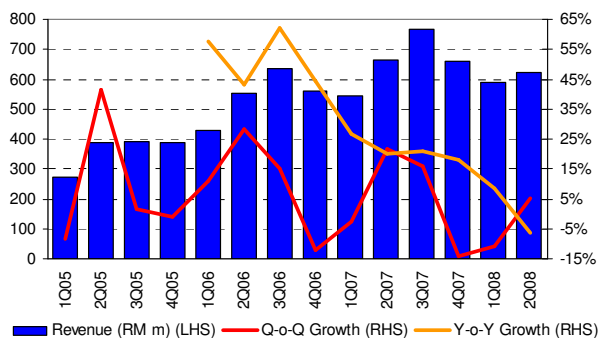
**Valuation & Recommendation**

We maintain our forecast and continue to fair value Leader Universal at RM1.33 per share based on sum-of-part (SOP) method, representing a 123% upside potential. We value the two power generation plants at 41 sen (@ WACC of 12%), hence the residual 18.5 sen translates to an undemanding PER of 1.7x for the cable & wire operations. **Buy**

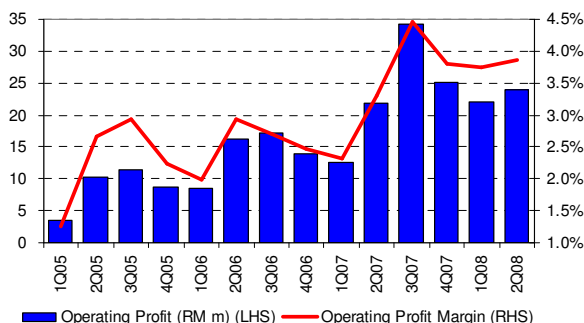
**RESULTS SUMMARY**

Year Ending Dec 31	2Q08	1Q08	2Q07	QoQ	YoY	1H08	1H07	chg
Revenue (RM m)	678.07	639.90	709.14	6.0%	-4.4%	1,317.97	1,294.92	1.8%
Operating Profit (RM m)	33.74	32.41	32.01	4.1%	5.4%	66.15	57.71	14.6%
Profit before Taxation (RM m)	27.54	27.88	25.75	-1.2%	7.0%	55.41	43.69	26.8%
Net Profit (RM m)	18.06	15.51	15.85	16.4%	13.9%	33.57	28.10	19.5%
EPS (sen)	4.14	3.55	3.63	16.4%	14.0%	7.69	6.44	19.4%

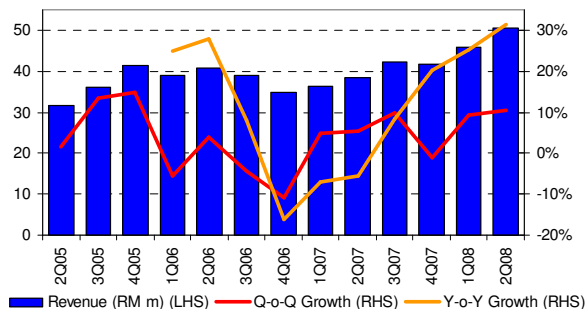
**Chart 1 : Cable & Wire – Quarterly Revenue & Growth**



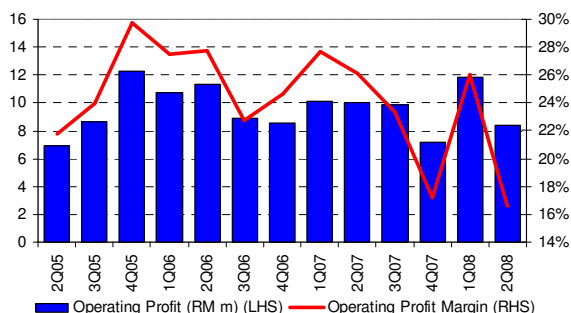
**Chart 2 : Cable & Wire – Quarterly Operating Profit & Operating Profit Margin**



**Chart 3 : Power Generation – Quarterly Revenue & Growth**



**Chart 4 : Power Generation – Quarterly Operating Profit & Operating Profit Margin**



**Table 1 : Historical Quarterly Revenue**

RMm \ Dec 31	1Q08	4Q07	1Q07
Cable & Wire	622.2	590.5	663.1
Power Generation	50.5	45.7	38.4
Others	5.4	3.7	7.7
Total	678.1	639.9	709.1

**Table 2 : Historical Quarterly Operating Profit**

RMm \ Dec 31	1Q08	4Q07	1Q07
Cable & Wire	24.1	22.1	21.8
Power Generation	8.4	11.9	10.0
Others	1.3	-1.6	0.1
Total	33.7	32.4	32.0

**Table 3 : Revenue Projection**

RMm \ Dec 31	2006	2007	2008F	2009F
Cable & Wire	2,178.0	2,638.4	2,715.2	2,932.5
Power Generation	153.6	158.9	173.7	173.7
Others	33.5	24.4	11.2	5.6
Total Revenue	2,365.0	2,821.7	2,900.1	3,111.8

**Table 4 : Operating Profit Projection**

RMm \ Dec 31	2006	2007	2008F	2009F
Cable & Wire	55.7	93.9	101.4	110.6
Power Generation	39.5	37.2	33.4	30.2
Others	(3.6)	(7.3)	-	-
Total	91.5	123.9	134.8	140.8

**Table 5 : SOP Valuation for Leader**

	NP FY08F (RMm)	PE rating (x)	Valuation (RMm)
Cable & Wire	47.2	8.5	401.4
		<b>WACC</b>	
PG Cambodia – 35MW		12%	36.7
PG Cambodia – 200MW *		12%	142.0
Total			580.1
No of Shares (m)			436.5
<b>Fair Value / share (RM)</b>			<b>1.33</b>

NP = Net profit ; PG = Power Generation

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### JF APEX SECURITIES - RESEARCH RECOMMENDATION FRAMEWORK

#### STOCK RECOMMENDATIONS

OUTPERFORM:	The stock's total returns* are expected to exceed KLCI's total return by 10% or more in the next 12 months.
MARKETPERFORM:	The stock's total returns* are expected to be within +10% or -10% of KLCI's total return.
UNDERPERFORM :	The stock's total returns* are expected to be below KLCI's total return by 10% or more in the next 12 months.
BUY:	The stock's total returns* are expected to be 15% or higher within the next 12 months.
SELL:	The stock's total returns* are expected to be -15% or worse within the next 12 months.

#### SECTOR RECOMMENDATIONS

OVERWEIGHT:	The industry as defined by the analyst is expected to outperform the KLCI over the 12 months.
MARKETWEIGHT:	The industry as defined by the analyst is expected to perform in line with KLCI over the 12 months.
UNDERWEIGHT	The industry as defined by the analyst is expected to underperform the KLCI over the next 12 months.

\*capital gain + dividend yield

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