

Results Update

26 May 2008

Leader Universal Holdings Bhd

BUY

FV : RM1.33 per share

Price (23 May 08)	RM0.895
KLCI	1,274.78

<b>Stock Data</b>	
Bursa / Bloomberg code	4529 / LUH aMK
Board / Sector	Main / Ind. Products
Syariah Compliant status	Yes
Issued shares (m)	436.46
Par Value (RM)	1.00
Market cap. (RM m)	390.63
Price / NTA	0.87x
52-week price Range	RM0.665 – RM1.38
Beta (against KLCI)	1.54
3-m Average Daily Volume	1.04m
3-m Average Daily Value*	RM0.93m

\* based on the last closing price

<b>Share Performance</b> (as at 23 May 08)			
	1m	3m	12m
Absolute (%)	-7.7	-2.7	-14.8
Relative (%-pts)	-6.7	4.2	-8.9

<b>Price-Earnings Band</b>			
	FY - 2	FY - 1	FY
Upper	7.8	9.1	8.3
Lower	3.8	3.4	5.5

<b>Financial Forecast</b> (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)	11.0	5.9	6.0	5.6
Gross DPS (sen)	1.5	3.0	3.0	4.5
Gross Yield (%)	1.7	3.4	3.4	5.0
Payout Ratio(%)	5.2	4.5	5.3	5.4
Book Value(RM)	0.85	0.99	1.12	1.25
ROE (%)	9.5	16.8	14.4	13.6

<b>Important Balance Sheet Items</b> (as at 31 Mar 08)	
NTA / share (RM)	1.03
Total Receivables (RM m)	450.7
Total Payables (RM m)	277.8
Total Inventories (RM m)	240.7
Total Assets (RM m)	1,333.3
Net Cash /(Debt) (RM m)	(298.1)

**Leader announced a net profit of RM15.5m in 1Q08 which translates into a net EPS of 3.55 sen. While pretax profit of RM27.9m was in line with our forecast (23.9% of full year), net profit fell short (only 20.7%) due to higher effective tax rate and minority interests (MI). Forecast maintained at revenue and pretax levels but upward revision on both tax and MI items reduced EPS for FY08 and FY09 to 14.9 sen and 16.1 sen respectively.**

**Results Highlights**

- Earnings in 1Q08 were boosted by its power plant division which made RM11.9m in operating profit, up 17.7% y-o-y and 65.5% q-o-q. This was made on a 25.3% y-o-y and 9.3% q-o-q growth in revenue to RM45.7m.
- Revenue from the cable & wire division grew 8.3% y-o-y but was down 10.7% q-o-q to RM590.5m. In 1Q07, revenue also contracted 2.6% q-o-q. Operating profit was RM22.1m, up 75.1% y-o-y but dropped 12.2% q-o-q. Operating margin was 3.74%, slightly lower than 3.81% in 4Q07 but better than the 3.56% in FY07.
- Although pretax profit was up 55.3% y-o-y and 57.6% q-o-q, net profit rose at a lower rate of 26.7% y-o-y and 1.2% q-o-q due mainly to higher tax charge of 24.3% against 17.0% in 4Q07 and 11.6% in 1Q07.

**Dividend**

- It declared a gross div. of 1.5 sen on 23 Apr, paid on 22 May.

**Outlook**

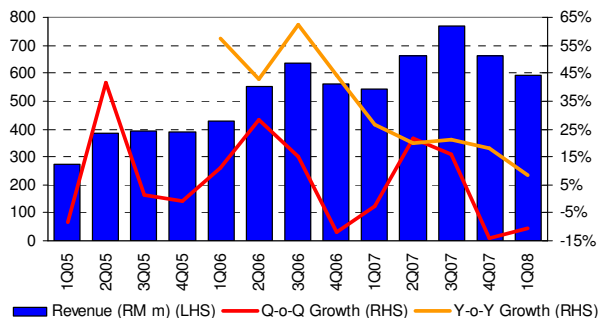
- Management expects the remaining part of the year to be challenging due to the prevailing global economic conditions. The stable earnings from the 35MW power plant will be able to cushion any fall in demand from its cable & wire division, in addition to the latter's improved operating margins.
- Discussions are currently still ongoing with the turnkey contractor on the engineering, procurement and construction works for the 200MW power plant in Sihanoukville. The financial advisor is also working and making the necessary arrangements on the project financing.

**Valuation & Recommendation**

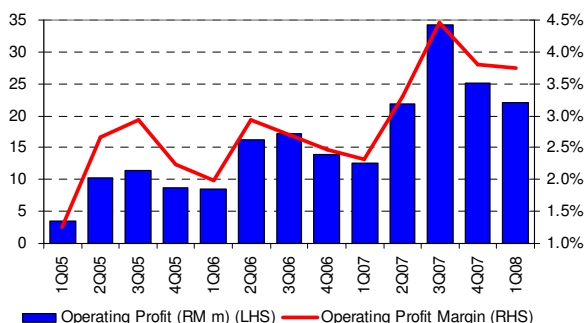
While we maintain the pretax profit projections for both FY08 & FY09, we have revised downward net profit forecast for both FYs as a result of higher tax and MI charges. Concurrently, we have revised downward our fair valuation for Leader Universal shares to RM1.33 per share (from RM1.53) based on sum-of-part (SOP) methodology. Despite this, the revised fair value represents a 48.6% upside potential from the current level. **Buy**

<b>RESULTS SUMMARY</b>					
Year Ending Dec 31	1Q08	4Q07	1Q07	QoQ	YoY
Revenue (RM m)	639.90	710.91	585.78	-10.0%	9.2%
Operating Profit (RM m)	32.41	25.45	25.70	27.3%	26.1%
Profit before Taxation (RM m)	27.88	17.69	17.95	57.6%	55.3%
Net Profit (RM m)	15.51	15.33	12.25	1.2%	26.7%
EPS (sen)	3.55	3.51	2.81	1.2%	26.5%

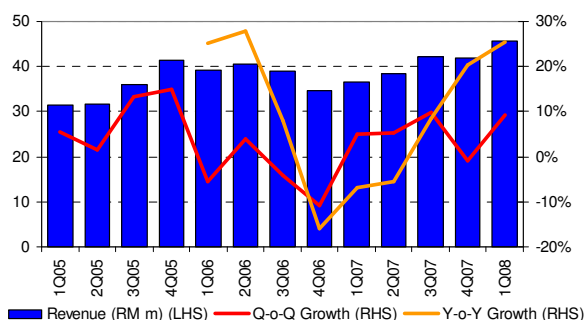
**Chart 1 : Cable & Wire – Quarterly Revenue & Growth**



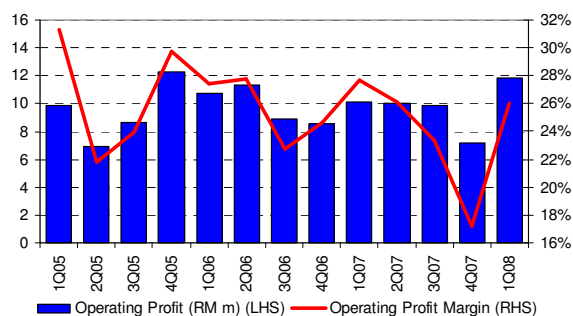
**Chart 2 : Cable & Wire – Quarterly Operating Profit & Operating Profit Margin**



**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	590.5	661.3	545.0
Power Generation	45.7	41.8	36.5
Others	3.7	7.8	4.3
Total	639.9	710.9	585.8

**Table 2 : Historical Quarterly Operating Profit**

RMm \ Dec 31	1Q08	4Q07	1Q07
Cable & Wire	22.1	25.2	12.6
Power Generation	11.9	7.2	10.1
Others	-1.6	-6.9	3.0
Total	32.4	25.5	25.7

**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	99.1	107.1
Power Generation	39.5	37.2	40.0	37.0
Others	(3.6)	(7.3)	(4.3)	(3.2)
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

\* Signing for the project was sealed with the Cambodian authorities on 27 Mar 08. Please refer to our update on Leader Universal dated 28 Mar.

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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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