



STEEL

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FY07 Results Review

Private Circulation Only

Leader Universal

BUY	Maintain
Price Target	RM0.925
	RM1.90

Another Upside Surprise

With the astounding numbers from the cable & wire division plus the huge earnings potential from the power division, we getting more excited with Leader's prospects thus reiterate our BUY recommendation. We have revised up contribution from the cable & wire division that translate to a higher 12-month target price of RM1.90 derived from a conservative SOP valuation on FY08 numbers.

Well done! Leader's FY07 net profit of RM66m was 7% above our estimates. Nevertheless, 4Q net profit of RM15.3m was 32% lower q-o-q despite 76.7% higher y-o-y attribute mainly to seasonal factor. With another good set of numbers, we upgrade our earning forecasts by 5.7% and 5.4% for FY08 and FY09 respectively.

Stock Profile/Statistics

Bloomberg Ticker	LUH MK Equity
KLCI	1368.41
Issued Share Capital (m)	436.46
Market Capitalisation (RMm)	405.91
52 week H L Price (RM)	1.38 0.52
Average Volume (3m) '000	1450.34
YTD Returns (%)	-0.16
Net gearing (x)	0.83
Altman Z-Score	2.74
ROCE/WACC	0.83
Beta (x)	1.70
Book Value/share (RM)	0.85

Major Shareholders (%)

Zun Holdings SB	11.7
Employee Provident Fund Board	4.0

Share Performance (%)

Month	Absolute	Relative
1m	(7.00)	(1.18)
3m	(11.05)	(11.50)
6m	(11.88)	(16.38)
12m	31.72	14.59

6-month Share Price Performance



Cable & wire division – seasonal. Cable & wire division continued to record an inspiring performance with operating profit tagged at RM25.2m for FY07 or 73.8% higher y-o-y (refer Figure 3). Despite the scheduled major maintenance and festive season in 4Q drag down the contribution from this division q-o-q but Leader managed to record 107% growth y-o-y backed by newly commissioned aluminium furnace @ 20k tpy capacity in July 07 together with attractive margins from its power cables on better product mix. Outlook for cable business looks promising with more expected from the 9MP and other economic corridors. In addition, Leader proposed listing of its Sarawak based associate company lead us to believe more contribution from the state and recently launched Sarawak Corridor of Renewable Energy (SCORE) also suggest the sustainable huge demand for high voltage power cable moving forward.

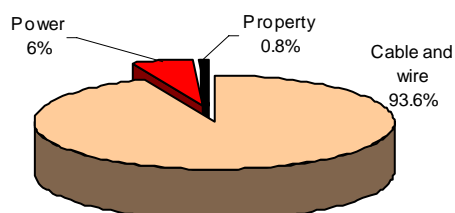
Power division – stable earnings. Existing power plant in Phnom Penh, Cambodia recorded a marginally drop in operating profit of RM7.2m in 4Q on the weakening of the US\$ and plant maintenance (refer Figure 4). On the new IPP projects, the company may ink the Power Purchase Agreement (PPA) with the Cambodian government anytime soon for the new 200MW coal-fired plant just north of Sihanoukville. Already the final draft of the PPA has been submitted to the Cambodian Ministry of Industry, Mines and Energy for approval. As we only apply a conservative DCF assumption of RM0.35/share for this project, possible future upgrade is high.

Property division – tail end. The company recoded a minor loss of RM1.6m from property development since sales are at residual level (refer Figure 5). For short future, we do not expect any new launching.

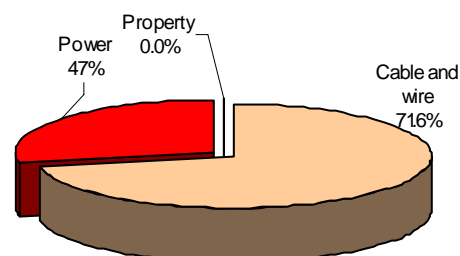
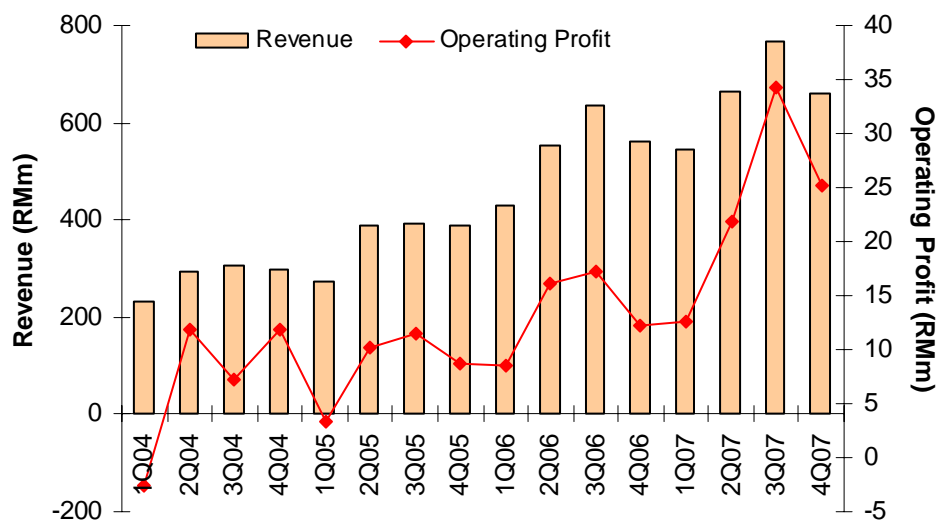
FYE Dec (RMm)	FY05	FY06	FY07	FY08f	FY09f
Total Revenue	1602.8	2365.0	2821.7	3025.0	3168.7
Net Profit	21.9	35.3	66.0	75.3	80.4
% chg YoY	44.3	61.4	86.8	14.1	6.7
Consensus EPS (sen)	-	-	-	-	-
EPS (sen)	5.0	8.1	15.1	17.3	18.4
Gross DPS (sen)	0.0	1.5	3.0	3.6	3.8
Gross Div. Yield (%)	0.0	1.6	3.2	3.9	4.1
PER (x)	18.4	11.4	6.1	5.4	5.0
P/BV (x)	1.2	1.1	0.9	0.8	0.7
EV/EBITDA (x)	7.9	6.7	4.6	4.8	4.1
ROE (%)	6.4	9.8	16.4	16.2	15.1
ROA (%)	1.8	2.7	4.9	5.3	5.3

KEY HIGHLIGHTS

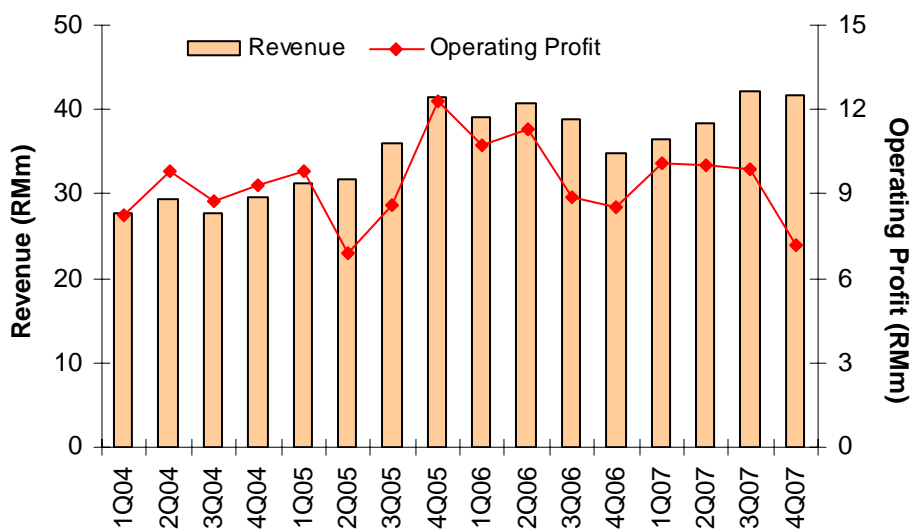
FYE Dec (RMm)	4QFY07	3QFY07	% chg	FY07	FY06	% chg
Turnover	710.9	815.9	-12.9%	2821.7	2365.0	19.3%
EBITDA	33.7	49.0	-31.1%	157.0	138.6	13.3%
Depreciation	(8.3)	(8.3)	0.0%	(33.1)	(33.1)	0.0%
Net interest expense	(8.3)	(8.8)	-5.4%	(34.0)	(38.3)	-11.3%
Associates	0.5	1.2	-56.7%	4.7	0.0	n.m
PBT	17.7	33.2	-46.7%	94.5	67.1	40.8%
Tax	1.1	(4.6)	-124.1%	(9.6)	(11.5)	-16.1%
MI	(3.5)	(6.0)	-42.1%	(18.9)	(20.3)	-7.0%
Net Profit	15.3	22.6	-32.0%	66.0	35.3	86.8%
EPS (sen)	3.5	5.2		15.1	8.1	
Gross DPS (sen)	0.0	1.5		3.0	1.5	
EBITDA margin	4.7%	6.0%		5.6%	5.9%	
NTA/share (RM)	0.99	0.87		0.99	0.85	

Figure1: Revenue Contribution for 9MFY07

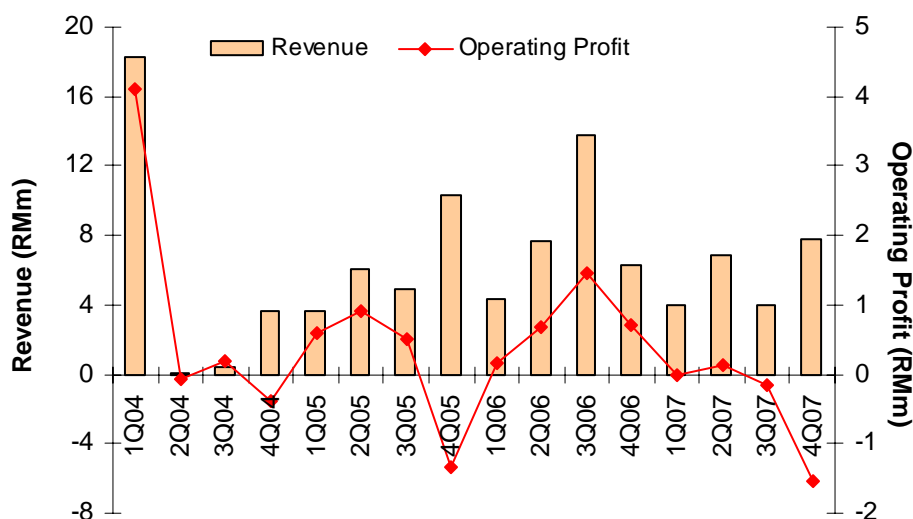
Source: Company Data

Figure 2: Operating Profit Contribution for 9MFY07**Figure 3: Quarterly Performance for Cable & Wire Division**

Source: Company Data

Figure 4: Quarterly Performance for Power Division

Source: Company Data

Figure 5: Quarterly Performance for Property Division

Source: Company Data

Figure 6: Sum of Valuation Composition for Leader Universal

Division	Net Profit After MI (FY08)	Peer PER	Total (RMm)
Cable & wire, others	53.5	10.0	534.5
Power (IPP @ DCF)			294.2
Total Sum Of Parts			828.8
No of Shares			436.5
12-Months Targeted Price		RM	1.90

Source: Bloomberg, OSK Research

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:** Stock is not within regular research coverage

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