



CABLE / METAL

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9MFY08 Results Review

Private Circulation Only

Leader Universal

TRADING BUY	Maintain
Price	RM0.44
Target	RM0.76

Challenging Time Ahead

As gloomy economy outlook overshadows Leader's 9M figures, which was spot on to our projection, we downgrade our FY08 estimates by 3.2% and 9.1% for FY09. The spreading credit crunch also prompted us to remove our DCF valuation for the new IPP until visibility improves. With the changes, our SOP valuation translates to a lower 12-month target price of RM0.76 that still offers a 73% upside potential thus maintain our TRADING BUY recommendation.

Inline, but... While Leader 9MFY08 PAT of RM52.3m was spot on to our original estimates and its 3Q numbers improved 3.8% q-o-q, we are downgrading our projection by 3.2% for FY08 and 9.1% for FY09 amid challenging business environment ahead.

Cable and wire division outlook murky. Despite 3Q being seasonally stronger quarter, the flattish q-o-q performance by cable and wire division is disappointing (refer Figure 3). Although weaker Ramadan month in September was partly blamed but we believe this is an early sign of weakening demand across the globe on spreading credit crunch. Apart from that, the recent hike in electricity and natural gas price from July 1, '08, also squeezed margin particularly for existing orders. Nevertheless, we continue to see huge potential for Leader to ride on the potential demand from the Sarawak Corridor of Renewable Energy (SCORE) as well as other overseas projects as governments around the world pump prime their respective economy. As we expect more apparent execution only from 2HFY09, we decided to revise down contribution from this division.

Power division – life saver for 3Q. Independent Power Plant (IPP) in Phnom Penh, Cambodia doubled its operating profit of RM16m in 3Q as compare to preceding quarter (refer to Figure 4). Given the fact that IPP normally generate consistent earnings, we believe the spike is attributed to one off time lag in costs pass through hence is not recurring. Leader is still in negotiations with a turnkey contractor on EPCC works on new IPP projects, and taking the necessary measures with regards to the project financing after the signing of a PPA. Following the sub-prime crisis, as securing new financing become difficult and financing costs also escalates, we decided to remove our DCF valuation for the new IPP from our SOP target price until more clarity return to the market.

Little input from property division. Leader managed to record a minor operating profit of RM0.9m from residual sales in the property development division (see Figure 5). For the immediate future, we do not expect to see any new launches.

Stock Profile/Statistics

Bloomberg Ticker	LUH MK Equity
KLCI	866.88
Issued Share Capital (m)	436.46
Market Capitalisation (RMm)	192.04
52 week H L Price (RM)	1.23 0.38
Average Volume (3m) '000	487.42
YTD Returns (%)	-0.64
Net gearing (x)	0.58
Altman Z-Score	2.87
ROCE/WACC	1.35
Beta (x)	1.60
Book Value/share (RM)	0.99

Major Shareholders (%)

Zun Holdings SB	11.7
Employees Provident Fund Board	4.0

Share Price Performance (%)

Month	Absolute	Relative
1m	-6.38	9.01
3m	-23.48	-7.39
6m	-50.84	-27.71
12m	-57.64	-34.57

6-month Share Price Performance



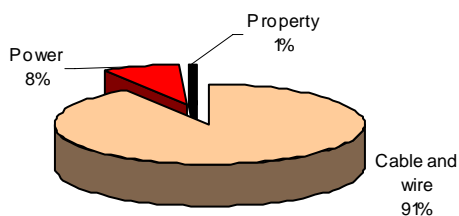
Leader is an integrated cable & wire manufacturer with subsidiary involve in Independent Power Plant (IPP) and property business.

FYE Dec (RMm)	FY05	FY06	FY07	FY08f	FY09f
Total Revenue	1602.8	2365.0	2821.7	2711.3	2327.1
Net Profit	21.9	35.3	66.0	66.2	66.5
% chg YoY	44.3	61.4	86.8	0.4	0.3
Consensus EPS (sen)	-	-	-	-	-
EPS (sen)	5.0	8.1	15.1	15.2	15.2
Gross DPS (sen)	0.0	1.5	3.0	3.2	3.2
Gross Div. Yield (%)	0.0	3.4	6.8	7.2	7.2
PER (x)	8.8	5.4	2.9	2.9	2.9
P/BV (x)	0.6	0.5	0.4	0.4	0.4
EV/EBITDA (x)	5.9	4.9	3.2	3.6	2.5
ROE (%)	6.4	9.8	16.4	14.4	12.8
ROA (%)	1.8	2.7	4.9	4.8	4.7

KEY HIGHLIGHTS

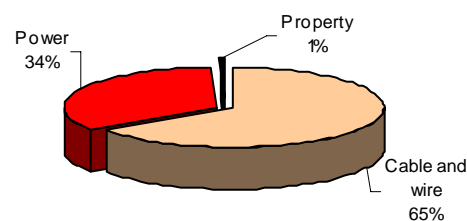
FYE Dec (RMm)	3QFY08	2QFY08	% chg	YTD FY08	YTD FY07	% chg
Turnover	703.1	678.1	3.7%	2021.0	2110.8	-4.3%
EBITDA	48.4	38.0	27.5%	129.6	120.7	7.4%
Depreciation	(7.5)	(7.5)	0.0%	(22.6)	(22.3)	1.4%
Net interest expense	(12.0)	(8.1)	48.8%	(26.2)	(25.7)	2.2%
Associates	1.0	1.9	-44.2%	3.9	4.1	-4.9%
PBT	29.9	27.5	8.5%	84.7	76.8	10.2%
Tax	(5.0)	(4.2)	18.7%	(16.0)	(10.7)	48.5%
MI	(6.1)	(5.3)	16.6%	(16.4)	(15.5)	6.0%
Net Profit	18.8	18.1	3.8%	52.3	50.6	3.3%
EPS (sen)	4.3	4.1		12.0	11.6	
Gross DPS (sen)	1.5	1.5		3.0	3.0	
EBITDA margin	6.9%	5.6%		6.4%	5.7%	
NTA/share (RM)	1.13	1.08		1.13	0.87	

Figure1: Revenue Contribution for 9MFY08



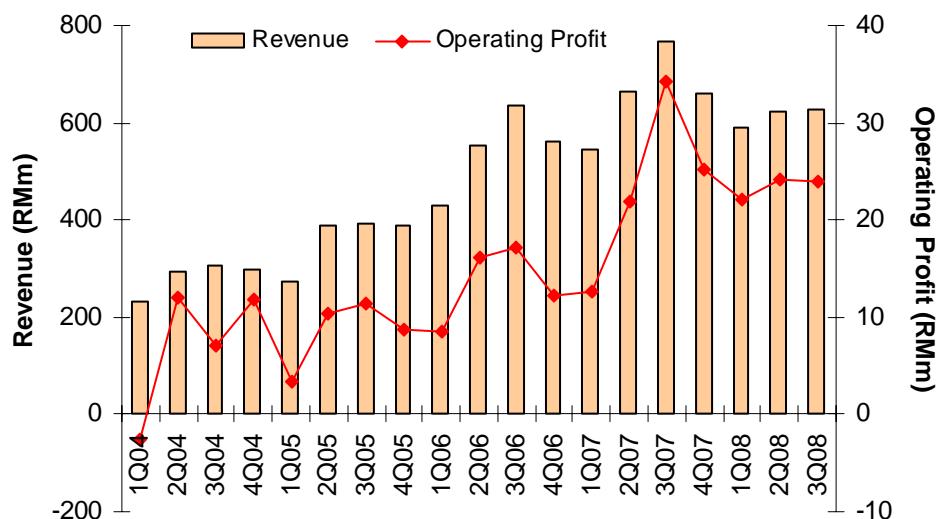
Source: Company Data

Figure 2: Operating Profit Contribution for 9MFY08

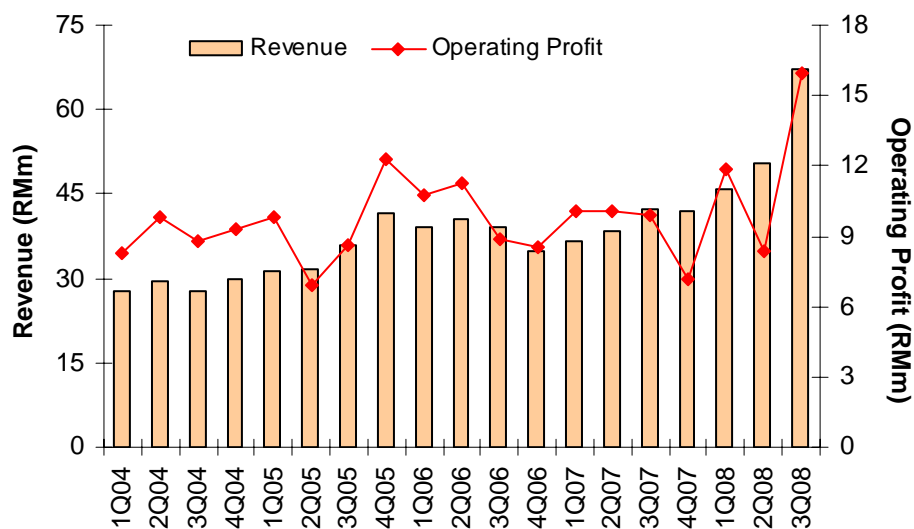


Source: Company Data

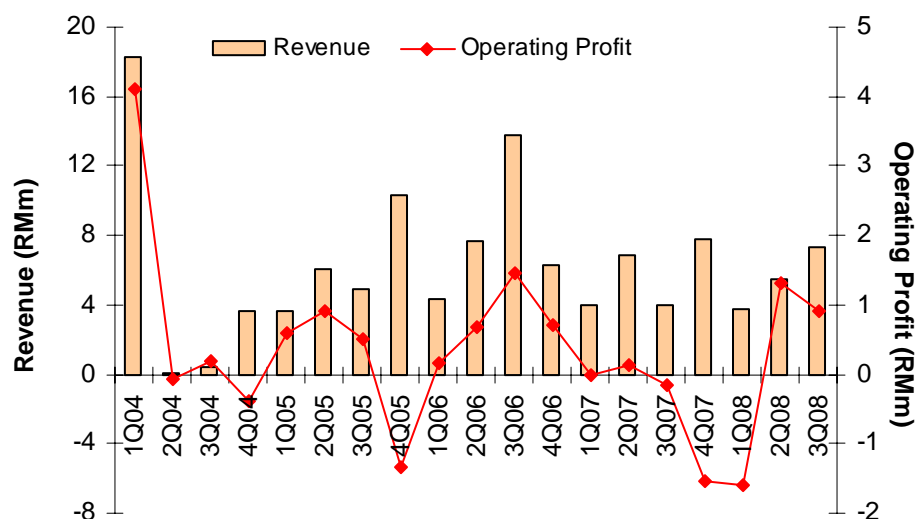
Figure 3: Quarterly Performance for Cable & Wire Division



Source: Company Data

Figure 4: Quarterly Performance for Power Division

Source: Company Data

Figure 5: Quarterly Performance for Property & Other Division

Source: Company Data

Figure 6: Sum of Valuation Composition for Leader Universal

Division	Net Profit After MI (FY09)	Peer PER	Total (RMm)
Cable & wire, others	44.6	5.0	223.2
Power (IPP @ DCF)			109.5
Total Sum Of Parts			332.7
No of Shares			436.5
12-Months Targeted Price		RM	0.76

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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Published and printed by :-

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