

Results Update

29 February 2008

Leader Universal Holdings Bhd

BUY

FV (maintained): RM1.57 per share

Price (28 Feb 08)	RM0.925
KLCI	1368.27

Stock Data	
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)	403.72
Price / NTA	0.93x
52-week price Range	RM0.52 – RM1.38
Beta (against KLCI)	1.70
3-m Average Daily Volume	1.38m
3-m Average Daily Value*	RM1.28m

* based on 28 Feb 08 closing price

Share Performance (as at 28 Feb 08)			
	1m	3m	12m
Absolute (%)	-2.6	-11.9	30.3
Relative (%-pts)	-1.7	-12.0	15.9

Price-Earnings Band			
	FY - 2	FY - 1	FY
Upper	7.8	9.1	7.7
Lower	3.8	3.4	5.2

Financial Forecast (Year End Dec 31)				
(RMm)	06A	07E	08F	09F
Revenue	2,365.0	2,821.7	3,063.0	3,295.3
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	74.7	80.0
EPS (sen)	8.1	15.1	17.1	18.3
PER (X)	11.4	6.1	5.4	5.0
Gross DPS (sen)	1.5	3.0	3.0	4.5
Gross Yield (%)	1.6	3.2	3.2	4.9

Important Balance Sheet Items (as at 31 Dec 07)	
NTA / share (RM)	0.993
Total Receivables (RM m)	450.3
Total Payables (RM m)	272.0
Total Inventories (RM m)	239.4
Total Assets (RM m)	1,345.7
Net Cash /(Debt) (RM m)	(303.6)

Leader announced a net profit of RM65.98m for FY07 which translates into a net EPS of 15.1 sen, slightly higher than our forecast of 14.9 sen. We are maintaining our EPS forecast for FY08 and FY09 of 17.1 sen and 18.3 sen respectively.

Results Highlights

- As expected, results for 4Q07 came in lower than the previous quarter with net profit easing by 32.0% to RM15.33m, but is still slightly higher than our forecast of RM14.55m. Revenue dropped 12.9% as a consequent to the several festive holidays during the quarter which pushed down wire & cable revenue by 14.0%.
- On y-o-y basis, 4Q07 net profit rose 76.6%. Revenue rose 18.3% due mainly to the group's wire & cable business which grew by 18.2%.

Dividend

- No final dividend was recommended.

Other Updates

- On its 50:50 JV to develop and construct the 200MW coal-fired power project in Cambodia, Leader announced that the final draft of the power purchase agreement and the implementation agreement had been submitted to the Cambodian Ministry of Industry, Mines and Energy for approval. Discussions are still ongoing with the turnkey contractor on the engineering, procurement and construction works and the financial advisor is working on the project financing with third parties.

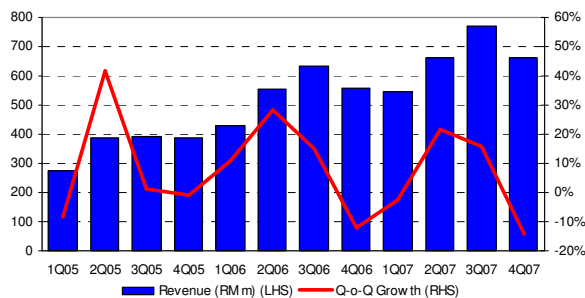
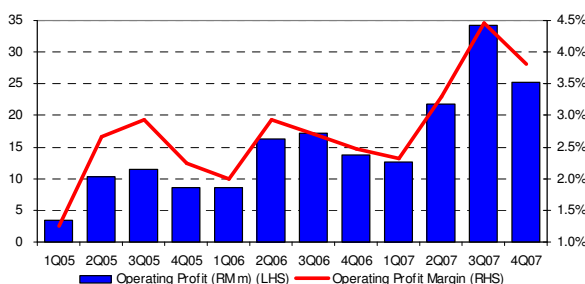
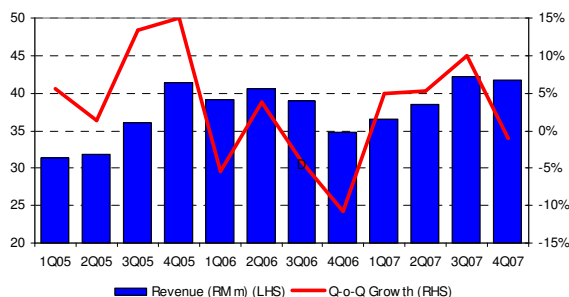
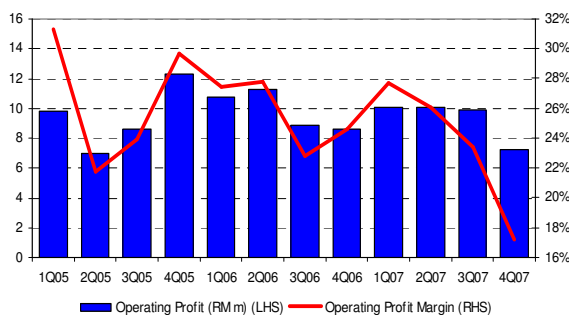
Outlook

- Operating margin for wire & cable has improved to 3.56% in FY07 from 2.56% in FY06, with margin in 4Q07 at 3.81%. With new of higher margin products being introduced from time to time, margin enhancement will be the EPS growth driver despite our forecast of only 11% revenue growth. Our forecast assumes a margin of 3.55% for this division.
- Earnings contribution from the 35MW power plant in Cambodia is expected to slow down as margins are now reduced due to the strengthening of the ringgit against USD and rising raw material costs.

Valuation & Recommendation

We are maintaining our fair valuation for Leader shares at RM1.57 per share based on sum-of-part (SOP) methodology which is 69.7% higher than its current price. Without the proposed 200MW Cambodian plant, Leader should be valued at RM1.21. **Buy**

RESULTS SUMMARY								
Year Ending Dec 31	4Q07	3Q07	4Q06	QoQ	YoY	FY07	FY06	chg
Revenue (RM m)	710.91	815.91	601.09	-12.9%	18.3%	2,821.74	2,365.02	19.3%
Operating Profit (RM m)	25.45	40.69	22.22	-37.5%	14.6%	123.86	91.54	35.3%
Profit before Taxation (RM m)	17.69	33.16	14.00	-46.7%	26.3%	94.53	65.76	43.7%
Net Profit (RM m)	15.33	22.55	8.68	-32.0%	76.6%	65.98	35.32	86.8%
EPS (sen)	3.51	5.17	1.99	-32.0%	76.5%	15.12	8.09	86.8%

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 5 : Historical Quarterly Revenue

RMm \ Dec 31	4Q07	3Q07	4Q06
Cable & Wire	661.3	769.0	559.7
Power Generation	41.8	42.2	34.8
Others	7.8	4.6	6.6
Total	710.9	815.9	601.1

Table 6 : Historical Quarterly Operating Profit

RMm \ Dec 31	3Q07	2Q07	3Q06
Cable & Wire	25.2	34.3	13.8
Power Generation	7.2	9.9	8.6
Others	-6.9	-3.5	-6.3
Total	25.5	40.7	16.1

Table 7 : Revenue Projection

RMm \ Dec 31	2006	2007	2008F	2009F
Cable & Wire	2,178.0	2,638.4	2,902.3	3,134.5
Power Generation	153.6	158.9	158.9	158.9
Others	33.5	24.4	1.8	1.9
Total Revenue	2,365.0	2,821.7	3,063.0	3,295.3

Table 8 : Operating Profit Projection

RMm \ Dec 31	2006	2007	2008F	2009F
Cable & Wire	55.7	93.9	103.0	111.3
Power Generation	39.5	37.2	31.8	29.6
Others	(3.6)	(7.3)	0.0	0.0
Total	91.5	123.9	134.8	140.8

Table 9 : SOP Valuation for Leader

	NP FY08F (RMm)	PE rating (x)	Valuation (RMm)
Cable & Wire	57.6	8.5	489.6
		WACC	
PG Cambodia – 35MW		12%	36.7
PG Cambodia – 200MW *		12%	160.7
Total			687.0
No of Shares (m)			436.5
Fair Value/share (RM)			1.57

NP = Net profit ; PG = Power Generation

* Please note that we have reduced fair valuation of the Cambodian plants by some 20% due to the strengthening of ringgit against the USD (as 90% of the revenue is in USD term) and rising raw material costs. In addition, any change in any of our assumptions (as per our report dated 20 Nov 07) on the proposed 200MW power plant in Cambodia will have a material impact on the current value of this venture, hence the fair value of Leader. Our fair valuation without this plant is pegged at RM1.21.

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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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