



## CABLE / METAL

Ng Sem Guan  
+60 (3) 9207 7678  
ng.semguan@osk.com.my

## FY08 Results Review

Private Circulation Only

# Leader Universal

<b>TRADING BUY</b>	<b>Maintain</b>
<b>Price</b>	<b>RM0.425</b>
<b>Target</b>	<b>RM0.68</b>

## Numbers Spot On

Although Leader's FY08 numbers came in almost spot on with our projection, we are downgrading our FY09 estimates by 11.4% and 0.9% for FY10 amid a challenging business environment. With the changes, our SOP valuation translates into a lower 12-month target price of RM0.68, which still offers a 58.8% upside potential, and thus maintain our TRADING BUY recommendation.

**In line.** Leader posted a full-year net profit of RM64.9m for FY08, which came in almost spot on with our original estimates despite its 4Q numbers having weakened by 17.8% y-o-y and 32.8% q-o-q. Amid the challenging outlook, particularly for 1H09, we are downgrading our projection by 11.4% for FY09 but by 0.9% for FY10.

**Tough going for cable and wire division.** The ripple effects of the financial crisis following the collapse of Lehman Brothers in September '08 has put the cable and wire division under pressure, with operating profit falling 55.3% q-o-q to RM10.7m in 4Q. While the outlook is cautious, the company's strong order book of RM800m offers some level of comfort to its bottom-line. In addition, the 5% and 35% drop in electricity and natural gas prices respectively from March 1, '09 also provide a buffer to its profit margin. We also see huge potential for Leader to ride on the potential demand from the Sarawak Corridor of Renewable Energy (SCORE) as well as other government projects arising from the stimulus packages but expect more apparent execution from 2HFY09.

**Consistent earnings from power division.** The company's Independent Power Plant (IPP) in Phnom Penh, Cambodia, contributed reasonable earnings despite posting an operating profit of RM14.2m in 4Q that was marginally lower by 11.1% q-o-q (refer to Figure 4). On the new IPP projects, the company has recently received approval from the Cambodia government to split the existing 200MW coal-fired power project into two equal parts. Given that Leader now has the full concession rights to develop 100MW compared with its existing 50% share, we do not expect any significant changes in its future earnings stream although we see a delay in commissioning from 2012 to 2013. As we had earlier removed our DCF valuation for the new IPP from our SOP target price, the new date may not impact on our valuation.

**Small but positive input from property division.** Leader recorded a minor operating profit of RM2m from residual sales in its property development division (see Figure 5). We do not expect to see any new launches in the immediate future.

### Stock Profile/Statistics

Bloomberg Ticker	LUH MK Equity
KLCI	889.71
Issued Share Capital (m)	436.46
Market Capitalisation (RMm)	185.49
52 week H   L Price (RM)	1.00   0.38
Average Volume (3m) '000	309.32
YTD Returns (%)	-0.02
Net gearing (x)	0.58
Altman Z-Score	2.83
ROCE/WACC	1.52
Beta (x)	1.55
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	-4.49	-4.42
3m	-3.48	-8.14
6m	-24.28	-12.37
12m	-55.15	-30.71

### 6-month Share Price Performance

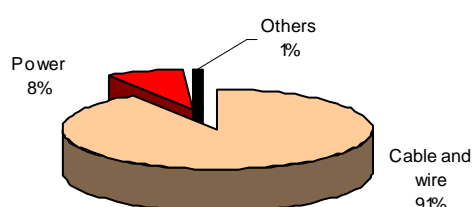


Leader is an integrated cable & wire manufacturer with subsidiaries involved in the Independent Power Plant and property businesses.

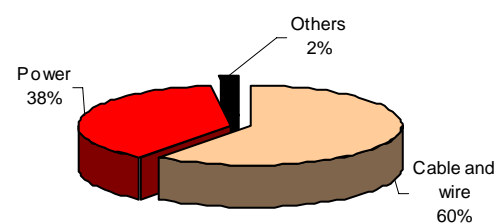
FYE Dec (RMm)	FY06	FY07	FY08	FY09f	FY10f
Total Revenue	2365.0	2821.7	2540.8	1942.9	2032.6
Net Profit	35.3	66.0	64.9	58.9	70.2
% chg YoY	61.4	86.8	(1.6)	(9.4)	19.2
Consensus EPS (sen)	-	-	-	-	-
EPS (sen)	8.1	15.1	14.9	13.5	16.1
Gross DPS (sen)	1.5	3.0	3.0	2.8	3.3
Gross Div. Yield (%)	3.5	7.1	7.1	6.6	7.9
PER (x)	5.3	2.8	2.9	3.2	2.6
P/BV (x)	0.5	0.4	0.4	0.3	0.3
EV/EBITDA (x)	4.9	3.2	2.6	2.0	1.3
ROE (%)	9.8	16.4	13.9	11.2	12.1
ROA (%)	2.7	4.9	4.9	4.5	5.3

**KEY HIGHLIGHTS**

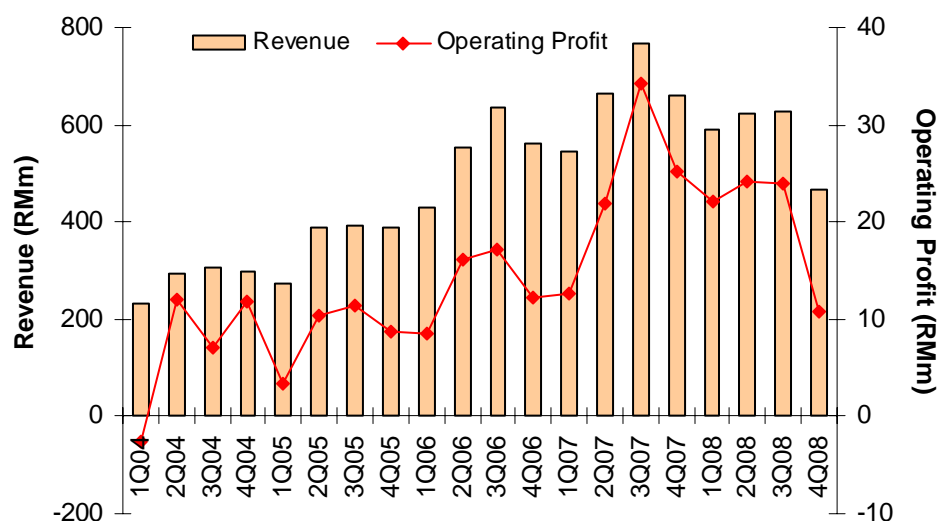
FYE Dec (RMm)	4QFY08	3QFY08	% chg	YTD FY08	YTD FY07	% chg
Turnover	519.8	703.1	-26.1%	2540.8	2821.7	-10.0%
EBITDA	34.4	48.3	-28.9%	163.9	153.6	6.7%
Depreciation	(7.5)	(7.5)	0.0%	(30.0)	(29.7)	1.0%
Net interest expense	(9.6)	(12.0)	-19.7%	(35.9)	(34.0)	5.5%
Associates	0.1	1.0	-90.3%	4.0	4.7	-13.8%
PBT	17.4	29.9	-41.9%	102.0	94.5	7.9%
Tax	0.5	(5.0)	-109.6%	(15.5)	(9.6)	60.8%
MI	(5.2)	(6.1)	-15.0%	(21.6)	(18.9)	14.2%
Net Profit	12.6	18.8	-32.8%	64.9	66.0	-1.6%
EPS (sen)	2.9	4.3		14.9	15.1	
Gross DPS (sen)	0.0	1.5		3.0	3.0	
EBITDA margin	6.6%	6.9%		6.4%	5.4%	
NTA/share (RM)	1.15	1.13		1.15	0.99	

**Figure1: Revenue Contribution for FY08**

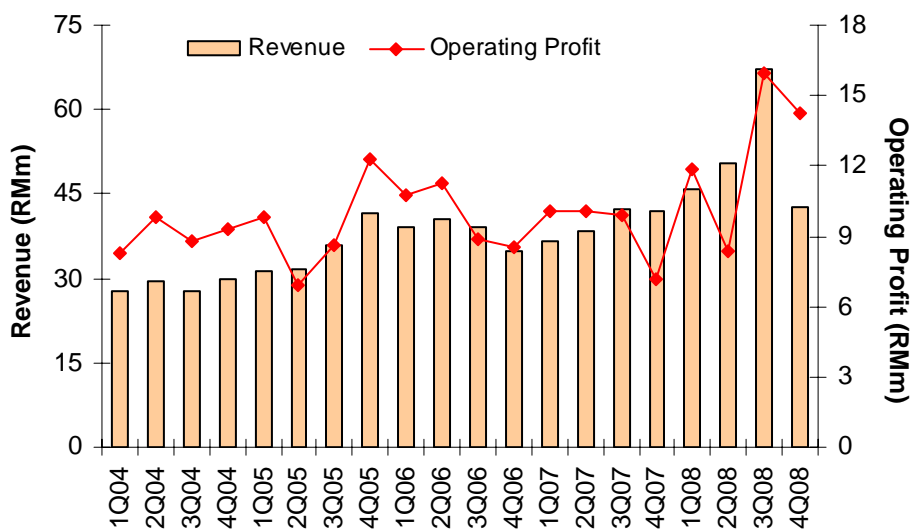
Source: Company Data

**Figure 2: Operating Profit Contribution for FY08**

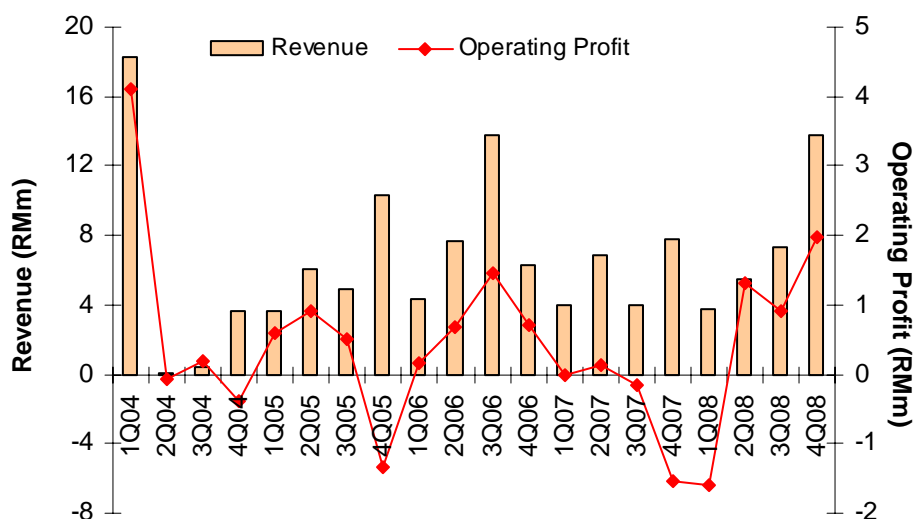
Source: Company Data

**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	37.0	5.0	185.1
Power (IPP @ DCF)			109.5
Total Sum Of Parts			294.6
No of Shares			436.5
<b>12-Months Targeted Price</b>		<b>RM</b>	<b>0.68</b>

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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Chris Eng

Kuala Lumpur	Hong Kong	Singapore	Jakarta	Shanghai
<b>Malaysia Research Office</b> OSK Research Sdn. Bhd. 6 <sup>th</sup> Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Malaysia Tel : +(60) 3 9207 7688 Fax : +(60) 3 2175 3202	<b>Hong Kong Office</b> OSK Securities Hong Kong Ltd. 1201-1203, 12/F, World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : + (852) 2525 1118 Fax : + (852) 2537 1332	<b>Singapore Office</b> DMG & Partners Securities Pte. Ltd. #22-01 Ocean Towers 20 Raffles Place Singapore 048620 Tel : +(65) 6438 8810 Fax : +(65) 6535 4809	<b>Jakarta Office</b> PT OSK Nusadana Securities Indonesia Plaza Lippo, 14 <sup>th</sup> Floor, Jl. Jend. Sudirman Kav. 25. Jakarta 12920 Indonesia Tel : + (6221) 520 4599 Fax : + (6221) 520 4505	<b>Shanghai Office</b> OSK (China) Investment Advisory Co. Ltd Room 6506, Plaza 66 No. 1266 West Nanjing Road 200040, Shanghai China Tel : +(8621) 6288 9611 Fax : + (8621) 6288 9633