



MALAYSIA EQUITY
Investment Research
Daily News

STEEL

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1QFY08 Results Review

Private Circulation Only

Leader Universal

TRADING BUY	Downgrade
Price	RM0.925
Target	RM1.420

Seasonally Slower

Stock Profile/Statistics

Bloomberg Ticker	LUH MK Equity
KLCI	1274.78
Issued Share Capital (m)	436.46
Market Capitalisation (RMm)	390.63
52 week H L Price (RM)	1.38 0.66
Average Volume (3m) '000	1056.89
YTD Returns (%)	-0.18
Net gearing (x)	0.58
Altman Z-Score	2.99
ROCE/WACC	0.67
Beta (x)	1.53
Book Value/share (RM)	0.99

Major Shareholders (%)

Zun Holdings SB	11.7
Employee Provident Fund Board	4.0

Share Performance (%)

Month	Absolute	Relative
1m	-2.71	-6.76
3m	-0.60	4.51
6m	-12.53	-9.49
12m	35.07	39.90

6-month Share Price Performance



Despite a satisfactory 1Q figures coupled with positive outlook for the cable & wire division plus the huge earnings potential from the power division, we decided to tone down our 12-month target price to RM1.42 to reflect our concern on potential delay for certain cable projects amid the political transition. The fair value is derived from a newly revised SOP valuation of 6x FY08 EPS for cable division compare to previous 10x but retain our conservative DCF assumption for power division. Recommendation downgrade to TRADING BUY.

Seasonal factor. While Leader's 1QFY08 PAT of RM15.5m representing 20.6% of our full year estimate due to festivities, 1Q bottomline was 1.2% and 26.7% higher q-o-q and y-o-y respectively. Hence we maintain our original projection.

Cable & wire division – low season. Following the Chinese New Year celebration in 1Q, operating profit for the cable & wire division saw a mild decline to RM22.1m despite a 10.7% drop in sales q-o-q (Figure 3). Outlook for cable business looks promising especially for East Malaysia following the launch of Sarawak Corridor of Renewable Energy (SCORE) suggesting a sustainable demand for high voltage power cable moving forward. The company's exports to the Middle East and SEA region were less impacted by the US subprime event hence remained robust. Nonetheless, the aftermath of the recently concluded General Election may have some inclinations for certain 9MP projects and policies to be reviewed may see potential delay in tariff revision for Tenaga thus the huge cable CAPEX.

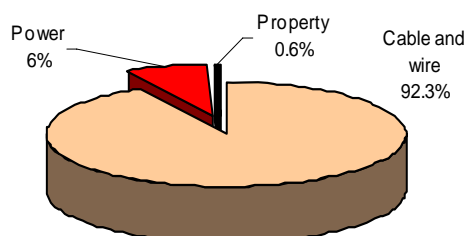
Power division – higher contribution. Existing power plant in Phnom Penh, Cambodia recorded a marginally higher operating profit of RM11.9m in 1Q after the completion of schedule maintenance in the preceding quarter (refer Figure 4). On new IPP projects, the company is currently in negotiation with the turnkey contractor on EPCC works and making the necessary arrangements on the project financing after the recent signing of PPA. Given our conservative DCF assumption of RM0.38/share for this project and the plant is well on track to be commissioned by 2012, possible future upgrade is high.

Property division – no surprise. The company continue to posted a minor operating loss of RM1.6m from property development since sales are at residual level (refer Figure 5). For the immediate future, we do not expect any new launching.

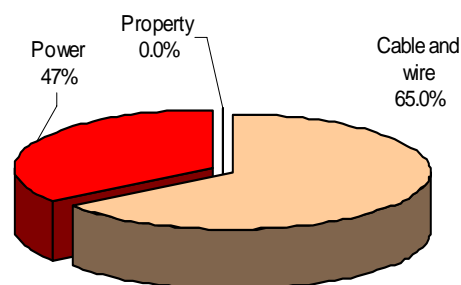
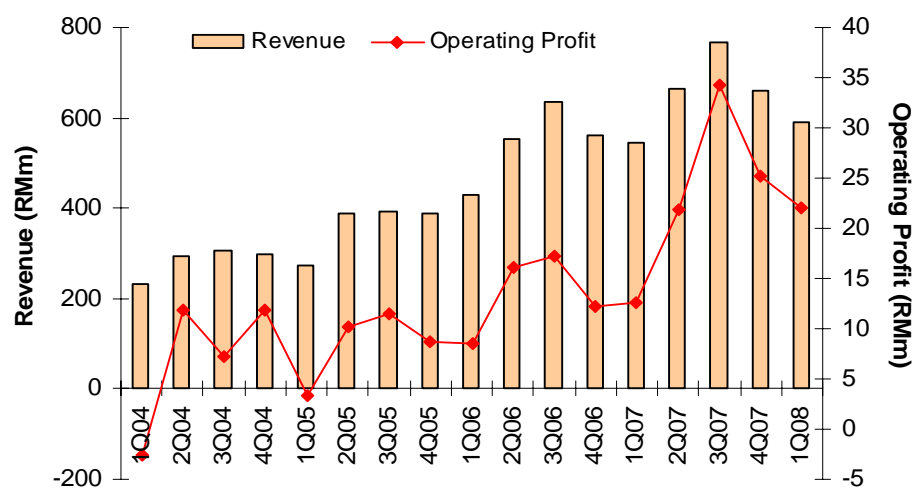
FYE Dec (RMm)	FY05	FY06	FY07	FY08f	FY09f
Total Revenue	1602.8	2365.0	2821.7	3025.0	3168.7
Net Profit	21.9	35.3	66.0	75.3	80.4
% chg YoY	44.3	61.4	86.8	14.1	6.7
Consensus EPS (sen)	-	-	-	-	-
EPS (sen)	5.0	8.1	15.1	17.3	18.4
Gross DPS (sen)	0.0	1.5	3.0	3.6	3.8
Gross Div. Yield (%)	0.0	1.7	3.4	4.0	4.3
PER (x)	17.9	11.1	5.9	5.2	4.9
P/BV (x)	1.1	1.1	0.9	0.8	0.7
EV/EBITDA (x)	7.7	6.6	4.5	4.7	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)	1QFY08	4QFY07	% chg	YTD FY08	YTD FY07	% chg
Turnover	639.9	710.9	-10.0%	639.9	587.8	8.9%
EBITDA	39.0	33.7	15.7%	39.0	29.6	31.9%
Depreciation	(8.3)	(8.3)	0.0%	(8.3)	(8.3)	0.0%
Net interest expense	(6.2)	(8.3)	-25.5%	(6.2)	(8.9)	-30.8%
Associates	1.0	0.5	90.4%	1.0	0.0	n.m.
PBT	27.3	17.7	54.1%	27.3	17.9	51.8%
Tax	(6.8)	1.1	-706.6%	(6.8)	(2.1)	224.1%
MI	(5.0)	(3.5)	43.5%	(5.0)	(3.6)	37.6%
Net Profit	15.5	15.3	1.2%	15.5	12.2	26.7%
EPS (sen)	3.6	3.5		3.6	2.8	
Gross DPS (sen)	0.0	0.0		0.0	0.0	
EBITDA margin	6.1%	4.7%		6.1%	5.0%	
NTA/share (RM)	1.03	0.99		1.03	0.88	

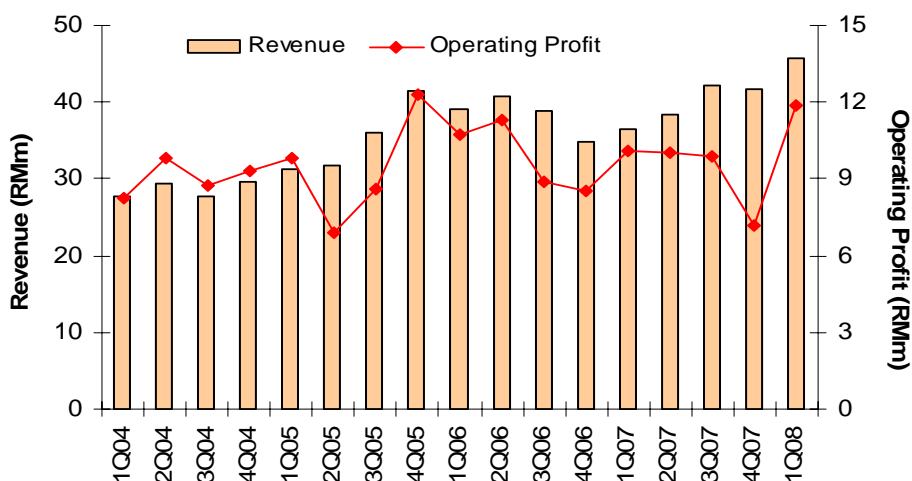
Figure1: Revenue Contribution for 9MFY07

Source: Company Data

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

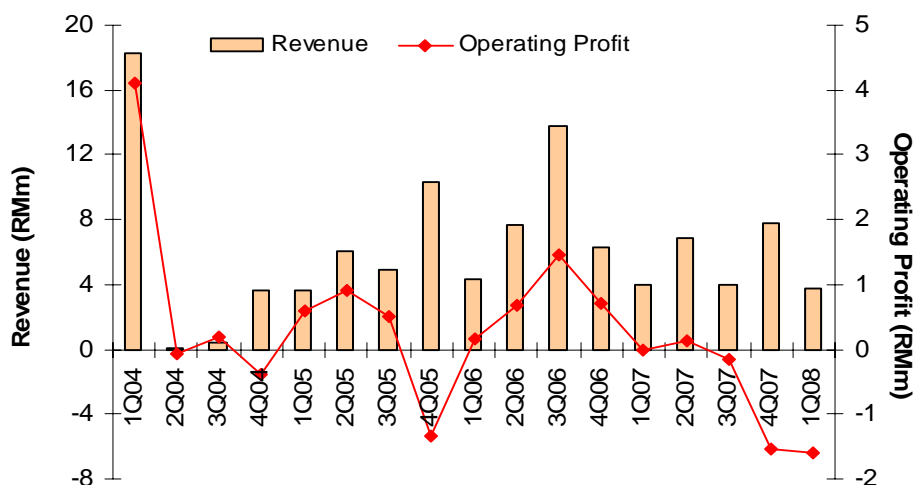
Source: Company Data

Figure 4: Quarterly Performance for Power Division



Source: Company Data

Figure 5: Quarterly Performance for Property & Other 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	6.0	320.7
Power (IPP @ DCF)			297.0
Total Sum Of Parts			617.7
No of Shares			436.5
12-Months Targeted Price		RM	1.42

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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