



METAL / POWER

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1QFY07 Results Review

Private Circulation Only

Leader Universal

BUY **Maintain**
Price **RM0.685**
Target **RM0.800**

Stock Profile/Statistics

Bloomberg Ticker	LUH MK Equity
KLCI	1346.89
Issued Share Capital (m)	436.46
Market Capitalisation (RMm)	298.97
52 week H L Price (RM)	0.85 0.36
Average Volume (3m) '000	3566.43
YTD Returns (%)	0.12
Net gearing (x)	0.83
Altman Z-Score	2.32
ROCE/WACC	0.90
Beta (x)	1.58
Book Value/share (RM)	0.85

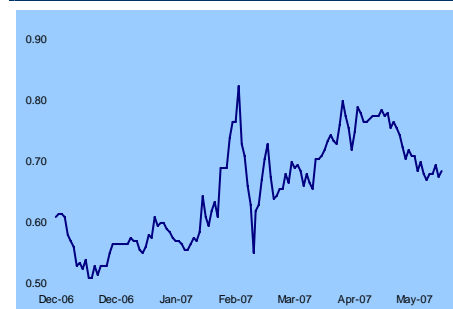
Major Shareholders (%)

Zun Holdings SB	11.7
Employee Provident Fund Board	4.0

Share Performance (%)

Month	Absolute	Relative
1m	-12.90	-13.40
3m	-4.93	-14.46
6m	11.57	-9.33
12m	68.99	19.23

6-month Share Price Performance



All "Wired" Up!

With the sharp turnaround of the cable & wire division plus the huge earnings potential from the 2 new IPPs, we are very upbeat on Leader's prospects going forward. We maintain our BUY recommendation with a 12-month target price tagged at RM0.80. The fair value is derived from a sum of part valuation on FY07 numbers. We are looking to upgrade our earning estimates upon our next meeting with the management, hence potential more upside in fair value.

Inspiring start. Leader's annualised 1Q net profit of RM12.2m was 15% above our estimate. However, we are maintaining our original projection at this juncture but likely to revise up upon our next meeting with the management.

Cable & wire division making a come back. Despite a festivity loaded 1Q, this segment saw a 47.7% and 3.9% jump y-o-y and q-o-q respectively in operating profit of RM12.6m. Ongoing strategic marketing plans, prudent raw materials procurement policies and effective cost saving measures have contributed to the Group's overall improved operations and profitability. Outlook for cable business looks positive as Leader has orders worth about RM700m with more expected from the 9MP i.e undersea cable project between Bakun and Peninsular Malaysia. Leader is also upgrading and installing new manufacturing facilities to alleviate current limited capacity in certain plants as well as improve product quality.

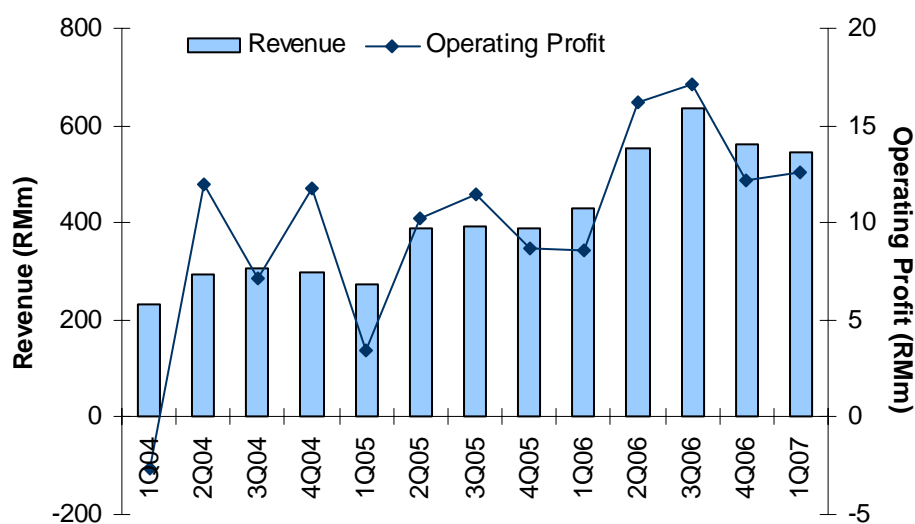
All eye on 2 new IPPs... Its 35MW power plant in Phnom Penh, Cambodia posted sales of RM36.5m and net profit of RM10.1m in 1Q (Figure2). Given the attractive IRR, this unit is expected to contribute net profit circa RM22m p.a. The Cambodian government had recently awarded Leader with another contract to develop a 200MW coal-fired plant just north of Sihanoukville on a 50:50 JV with Cambodia-based MKCSS Holdings. Also, the company has entered into a 49:51 JV on 8 March 2007 with Gulshan Spinning Mills Ltd to jointly develop, build, own, operate and maintain a 200MW heavy fuel oil fired diesel engine combined cycle power plant to be located in Gujranwala, Pakistan. As details are sketchy for both IPP, we have not factor in the earnings thus potential re-rating is high.

Property division – some left over. The company recoded a minor loss from this division since sales are at residual level. Moving forward, we do not expect any new launching and management is looking to liquidate its remaining 46.3ha land bank situated at Wellesley, Penang.

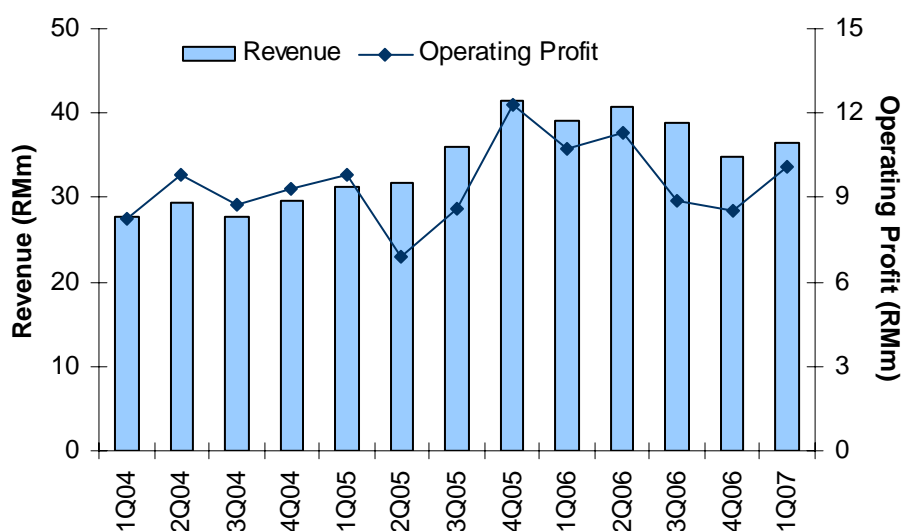
FYE Dec (RMm)	FY04	FY05	FY06	FY07f	FY08f
Total Revenue	1267.7	1602.8	2365.0	2538.2	2737.5
Net Profit	15.2	21.9	35.3	42.6	49.3
% chg YoY	115.4	44.3	61.4	20.6	15.7
Consensus EPS (sen)	-	-	-	-	-
EPS (sen)	3.5	5.0	8.1	9.8	11.3
Gross DPS (sen)	0.0	0.0	1.5	2.0	2.4
Gross Div. Yield (%)	0.0	0.0	2.2	3.0	3.4
PER (x)	19.7	13.7	8.5	7.0	6.1
P/BV (x)	0.9	0.9	0.8	0.7	0.7
EV/EBITDA (x)	9.2	6.9	5.8	6.0	5.7
ROE (%)	4.5	6.4	9.8	10.9	11.5
ROA (%)	1.3	1.8	2.7	3.2	3.6

KEY HIGHLIGHTS

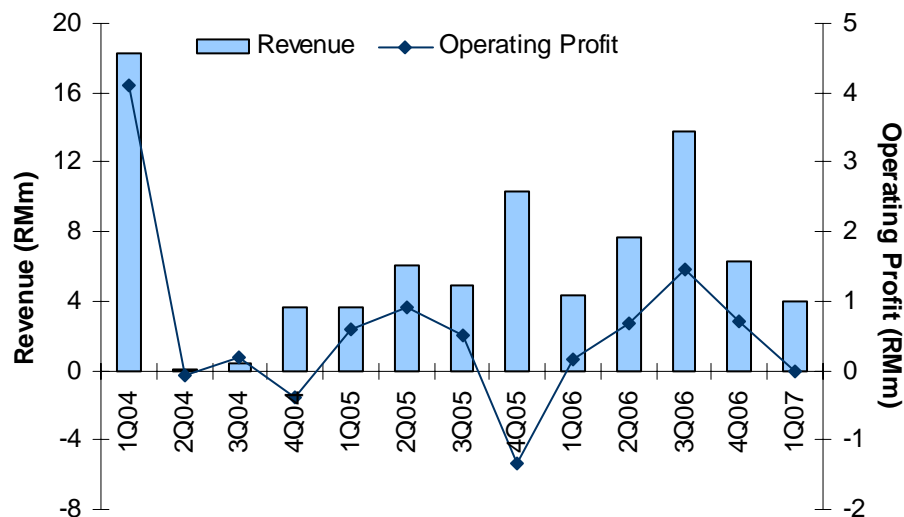
Quarter Results Table						
FYE Dec (RMm)	1QFY07	4QFY06	% chg	YTD FY07	YTD FY06	% chg
Turnover	587.8	601.1	-2.2%	587.8	473.9	24.0%
EBITDA	29.6	32.8	-9.8%	29.6	27.9	6.2%
Depreciation	(8.3)	(8.3)	0.0%	(8.3)	(8.3)	0.0%
Net interest expense	(8.9)	(10.5)	-15.0%	(8.9)	(8.7)	2.4%
Associates	0.0	0.0	0.0%	0.0	0.0	0.0%
PBT	17.9	14.0	28.2%	17.9	15.2	17.8%
Tax	(2.1)	(2.1)	0.3%	(2.1)	(2.5)	-15.5%
MI	(3.6)	(3.2)	11.4%	(3.6)	(4.8)	-24.6%
Net Profit	12.2	8.7	41.1%	12.2	8.0	53.5%
EPS (sen)	2.8	2.0		2.8	1.8	
Gross DPS (sen)	0.0	1.5		0.0	0.0	
EBITDA margin	5.0%	5.5%		5.0%	5.9%	
NTA/share (RM)	0.88	0.85		0.88	0.81	

Figure 1: Quarterly Performance for Cable & Wire Division

Source: Company Data

Figure 2: Quarterly Performance for Power Generation Division

Source: Company Data

Figure 3: Quarterly Performance for Property Division

Source: Company Data

Figure 4: Sum of Valuation Composition for Leader Universal

Division	Net Profit After MI (FY07)	Peer PER	Total (RMm)
Cable & wire, others	20.7	10.0	207.4
Power (IPP @ DCF)			142.1
Total Sum Of Parts			349.5
No of Shares			436.5
12-Months Targeted Price		RM	0.80

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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