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MALAYSIA EQUITY
Investment Research
Daily News

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Corporate News Flash

Leader Universal

Powering Cambodia

CABLE/POWER

BUY	
Target	RM1.160
Previous	RM1.160
Price	**RM0.895**

THE BUZZ

It was announced on Bursa yesterday that Leader's wholly-owned sub subsidiary, Cambodia Transmission Limited (CTL), had entered into a 25-year BOT Power Transmission Agreement (PTA) with Electricite Du Cambodge (EDC), a wholly state-owned limited liabillity company established under the Royal Decree of the Kingdom of Cambodia. The said project is slated to develop a 230-kilovolt power transmission system from Phnom Penh to Kampong Cham and comprises three stages. The entire project is estimated to cost about USD107m (~RM360m) and will be financed partly by internal generated funds and bank borrowings.

OUR TAKE

Powering Cambodia. At this juncture, we are unsure of the salient terms or rates for this PTA. However, we are certain though that this development for positive Leader as it marks the company's second major breakthrough in strengthening its power division's presence in Cambodia. Based on our understanding, the PTA could well provide an estimated IRR of around 11-14%. This stems from cost savings arising from parts sourced via Leader's cables and wires division and possible lucrative rates provided. The project is likely to be financed at a 70:30 debt-equity ratio.

No early impact. The project shall comprise 3 stages. Based on the Bursa announcement, the excerpts state that:

(i) The first stage of the project will be the new Kampong Cham Substation expected to be completed by July 2011;

(ii) The second stage will be the new North Phnom Penh Substation expected to be completed by March 2012; and

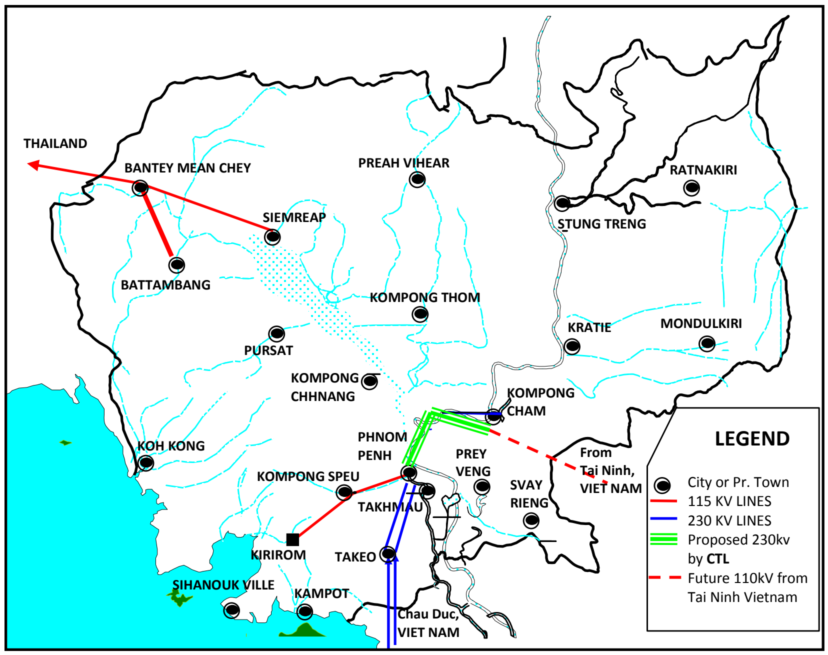
(iii) The completion of the entire Project with the commissioning of the approximately 110 km transmission line from North Phnom Penh Substation to Kampong Cham Substation, from whence the commercial operation date of the Project commences. This is expected by 31 Dec 2013.

Given that the project shall span 4 years to full completion, we reckon that the earnings shall stream marginally starting from 2011 only. Thus there is no impact on this year's earnings.

HIGHLIGHTS

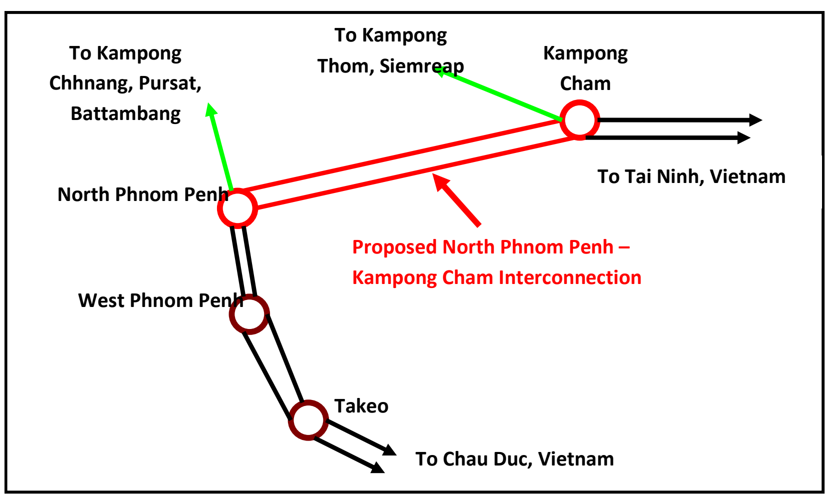
Prospects booming. There has been a slew of positive developments involving Leader, which is growing the presence of its power division in Cambodia. We see near-term catalysts for Leader's wire and cables business as cable and wire demand improves in the SCORE region. Pending more details on the PTA, we maintain our BUY recommendation for Leader at an unchanged target price of **RM1.16**. Thus we have not incorporated any RNAV stemming from this PTA into our valuation parameter. Nonetheless, our rough estimates are for a potential RNAV of around RM100m from this PTA.

Figure 1: The completed 115kV Transmission Lines, the 230kV Transmission Lines under construction and the 230kV lines proposed by CTL



Source: Leader Universal

Figure 2 : Phnom Penh – Kampong Cham Transmission Development after 2009



Source: Leader Universal

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 (NR): Stock is not within regular research coverage

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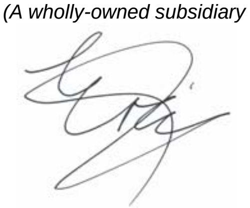

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