

## Leader Universal Holdings

Recommendation: **STRONG BUY**

Stock Code: 4529

Bloomberg: LUH MK

Price: MYR1.06

12-Month Target Price: MYR1.73

Date: November 23, 2007

Board: Main

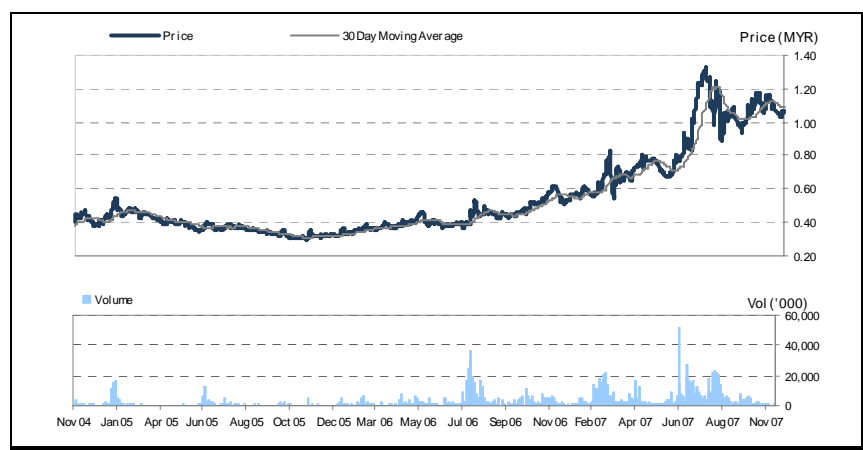
Sector: Industrial Products

GICS: Industrials/Electrical Components &amp; Equipment

Market Value - Total: MYR462.6 mln

**Summary:** Leader Universal Holdings (Leader) is an investment holding company, which, through its subsidiaries, is primarily engaged in the business of manufacturing and selling power and telecommunication cables and wires, power generation, and property development.

Analyst: Alexander Chia, ACA



## Results Review &amp; Earnings Outlook

- Leader's results for 3Q07 were well above our forecasts. Net profit for the quarter of MYR22.6 mln rose 132% YoY, taking 9M07 profit to MYR50.6 mln that was 86% of our previous 2007 forecasts.
- 3Q07 revenue of MYR815.9 mln was 18.5% higher YoY which management attributed to both price and volume increases. Selling prices were higher as a result of cost pass through from higher raw material prices. Operating margin rose sharply during the quarter to 5% from 4.5% in 1H07 as a result of an improved product mix, improved procurement policies and effective cost saving measures despite an estimated MYR2 mln non-recurring charge related to the termination of plans to develop a power plant in Pakistan.
- Finance costs and effective tax rates were within expectations.
- Leader declared a second interim gross DPS of 1.5 sen taking the total gross DPS to date for 2007 to 3 sen.
- We have raised our 2007 and 2008 net profit forecasts by 6.7% and 3.8% despite expectations that revenue and margins for 4Q07 will be temporarily affected by scheduled maintenance shutdown at a cable manufacturing line. The shut down is expected to be completed within 4Q07.

## Recommendation &amp; Investment Risks

- We reiterate our Strong Buy recommendation and lift our 12-month target price to MYR1.73 (from MYR1.61).
- Our valuation methodology and metric remains unchanged with the target price being calculated using the sum-of-parts method, by ascribing a 2008 PER of 10x (benchmarked to peers) to the cable and wire division's projected earnings, estimating the present value of earnings from its existing 60%-owned power plant and its 50% share in the proposed new plant (after ascribing a 60% discount to this value for country, execution and contract risks) and adding the net dividend of 2.2 sen. The key DCF assumptions used are a WACC of 9% and terminal value of 3% (all unchanged).
- Leader's plans to develop a 200MW power plant in Pakistan has been terminated due to excessive country risk. Negotiations on the proposed Cambodian power plant's power purchase agreement (PPA) remain in progress where an environmental impact assessment (EIA) is presently under way.
- Risks to our recommendation and target price include the weakening of the MYR against the US\$, a higher interest rate environment, an unexpected slowdown in orders for cables and wires and risks pertaining to the finalization of the new PPAs for its proposed new power plant.

## Key Stock Statistics

FY Dec.	2006	2007E
Reported EPS (sen)	8.1	14.4
PER (x)	13.1	7.4
Dividend/Share (sen)	1.5	3.0
NTA/Share (MYR)	0.85	0.97
Book Value/Share (MYR)	0.85	0.97
No. of Outstanding Shares (mln)	436.5	
52-week Share Price Range (MYR)	0.51 - 1.33	
Major Shareholders:	%	
Zun Holdings Sdn Bhd	11.7	
Employees Provident Fund	4.0	
Dato' Chung Chin Fu	5.4	

## Per Share Data

FY Dec.	2004	2005	2006	2007E
Book Value (MYR)	0.77	0.79	0.85	0.97
Cash Flow (sen)	11.6	12.6	15.0	19.9
Reported Earnings (sen)	3.5	5.0	8.1	14.4
Dividend (sen)	0.0	0.0	1.5	3.0
Payout Ratio (%)	0.0	0.0	13.4	15.0
PER (x)	30.5	21.2	13.1	7.4
P/Cash Flow (x)	9.1	8.4	7.1	5.3
P/Book Value (x)	1.4	1.3	1.2	1.1
Dividend Yield (%)	0.0	0.0	1.4	2.8
ROE (%)	4.5	6.4	9.8	15.8
Net Gearing (%)	128.8	123.7	108.8	86.2

All required disclosures and analyst certification appear on the last two pages of this report. Additional information is available upon request.

Redistribution or reproduction is prohibited without written permission. Copyright © 2007 The McGraw-Hill Companies, Inc.

Page 1 of 4

## Leader Universal Holdings

Recommendation: **STRONG BUY**

Stock Code: 4529

Bloomberg: LUH MK

Price: MYR1.06

12-Month Target Price: MYR1.73

Date: November 23, 2007

**Quarterly Performance**

FY Dec. / MYR mln	3Q07	3Q06	% Change
Reported Revenue	815.9	688.7	18.5
Reported Operating Profit	40.7	27.4	48.3
Depreciation & Amortization	NA	NA	NA
Net Interest Income / (Expense)	NA	NA	NA
Reported Pre-tax Profit	33.2	18.5	79.3
Reported Net Profit	22.6	9.7	>100
Reported Operating Margin (%)	5.0	4.0	-
Reported Pre-tax Margin (%)	4.1	2.7	-
Reported Net Margin (%)	2.8	1.4	-

Source: Company data

**Profit & Loss**

FY Dec. / MYR mln	2005	2006	2007E	2008E
Reported Revenue	1,602.7	2,365.0	2,801.0	3,314.4
Reported Operating Profit	74.8	100.0	128.3	149.4
Depreciation & Amortization	-33.1	-30.3	-23.9	-23.4
Net Interest Income / (Expense)	-27.9	-34.7	-31.6	-34.6
Reported Pre-tax Profit	47.0	67.1	98.1	116.1
Effective Tax Rate (%)	13.5	17.1	14.0	14.0
Reported Net Profit	21.9	35.3	62.9	74.1
Reported Operating Margin (%)	4.7	4.2	4.6	4.5
Reported Pre-tax Margin (%)	2.9	2.8	3.5	3.5
Reported Net Margin (%)	1.4	1.5	2.2	2.2

Source: Company data, S&amp;P Equity Research

**Standard & Poor's Equity Research Services**

Standard & Poor's Equity Research Services U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes Standard & Poor's LLC- London and Standard & Poor's AB (Sweden); Standard & Poor's Equity Research Services Asia includes Standard & Poor's LLC's offices in Hong Kong, Singapore and Tokyo, Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

**Glossary**

**Strong Buy:** Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

**Buy:** Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months, with shares rising in price on an absolute basis.

**Hold:** Total return is expected to closely approximate the total return of the KLCI or KL Emas Index respectively, over the coming 12 months with shares generally rising in price on an absolute basis.

**Sell:** Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months and share price is not anticipated to show a gain.

**Strong Sell:** Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months by a wide margin, with shares falling in price on an absolute basis.

**S&P 12 Month Target Price** – The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

**Required Disclosures**

All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Additional information is available upon request.

**Other Disclosures**

This report has been prepared and issued by Standard & Poor's and/or one of its affiliates. In the United States, research reports are prepared by Standard & Poor's Investment Advisory Services LLC ("SPIAS"). In the United States, research reports are issued by Standard & Poor's ("S&P"), in the United Kingdom by Standard & Poor's LLC ("S&P LLC"), which is authorized and regulated by the Financial Services Authority; in Hong Kong by Standard & Poor's LLC which is regulated by the Hong Kong Securities Futures Commission, in Singapore by Standard & Poor's LLC, which is regulated by the Monetary Authority of Singapore; in Japan by Standard & Poor's LLC, which is regulated by the Kanto Financial Bureau; in Sweden by Standard & Poor's AB ("S&P AB"), in Malaysia by Standard & Poor's Malaysia Sdn Bhd ("S&PM") which is regulated by the Securities Commission, in Australia by Standard & Poor's Information Services (Australia) Pty Ltd ("SPIS") which is regulated by the Australian Securities & Investments Commission and in Korea by SPIAS, which is also registered in Korea as a cross-border investment advisory company.

The research and analytical services performed by SPIAS, S&P LLC, S&P AB, S&PM, SPIS and SPIAS LLC (Korea) are each conducted separately from any other analytical activity of Standard & Poor's.

A reference to a particular investment or security by Standard & Poor's and/or one of its affiliates is not a recommendation to buy, sell, or hold such investment or security, nor is it considered to be investment advice.

Standard & Poor's and its affiliates provide a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.

**CMDF-Bursa Research Scheme ("CBRS")**

This report has been prepared by S&PM for purposes of CBRS administered by Bursa Malaysia Berhad, independent from any influence from CBRS or the subject company. S&P will receive total compensation of RM15,000 each year for each company covered by it under CBRS. For more information about CBRS, please visit Bursa Malaysia's website at: <http://www.bursamalaysia.com/website/bm/>

**Disclaimers**

This material is based upon information that we consider to be reliable, but neither S&P nor its affiliates warrant its completeness, accuracy or adequacy and it should not be relied upon as such. With respect to reports issued by S&P LLC-Japan and in the case of inconsistencies between the English and Japanese version of a report, the English version prevails. Neither S&P LLC nor S&P guarantees the accuracy of the translation. Assumptions, opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Neither S&P nor its affiliates are responsible for any errors or omissions or for results obtained from the use of this information. Past performance is not necessarily indicative of future results.

This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only correct as of the stated date of their issue. Prices, values, or income from any securities or investments mentioned in this report may fall against the interests of the investor and the investor may get back less than the amount invested. Where an investment is described as being likely to yield income, please note that the amount of income that the investor will receive from such an investment may fluctuate. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. This material is not intended for any specific investor and does not take into account your particular investment objectives, financial situations or needs and is not intended as a recommendation of particular securities, financial instruments or strategies to you. Before acting on any recommendation in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice.

For residents of the U.K. This report is only directed at and should only be relied on by persons outside of the United Kingdom or persons who are inside the United Kingdom and who have professional experience in matters relating to investments or who are high net worth persons, as defined in Article 19(5) or Article 49(2) (a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, respectively.

For residents of Malaysia. All queries in relation to this report should be referred to Alexander Chia, Desmond Ch'ng or Ching Wah Tam.

**Recommendation and Target Price History**

Date	Recommendation	Target Price
New	Strong Buy	1.73
28-Aug-07	Strong Buy	1.61
6-Jun-07	Strong Buy	1.20
9-Mar-07	Strong Buy	1.10
22-Feb-07	Strong Buy	1.05
14-Feb-07	Buy	0.71
22-Nov-06	Strong Buy	0.68
21-Aug-06	Buy	0.57
30-May-06	Buy	0.48
19-May-06	Buy	0.47
15-Feb-06	Buy	0.45
17-Nov-05	Strong Buy	0.37
17-Oct-05	Buy	0.37

