

2QFY07 RESULTS UPDATE

24 Aug 2007

Leader Universal Holdings Berhad

Stock Code: 4529

Price : RM1.05

Market Capitalisation : RM458.28m

Board : Main Board

Sector : Industrial Products

Recommendation : Maintain BUY

FYE Dec RM m	Q-o-Q			Y-o-Y		Year to date		
	2QFY07	1QFY07	% Change	2QFY06	% Change	2QFY07	2QFY06	% Change
Revenue	709.1	585.8	21.1%	601.3	17.9%	1,294.9	1,075.2	20.4%
Operating Profit	32.0	25.7	24.6%	25.5	25.4%	57.7	48.0	20.1%
Int Exp	(7.9)	(8.9)		(8.3)		(16.9)	(17.0)	
Pre-tax Profit	25.7	17.9	43.4%	19.4	32.7%	43.7	34.6	26.1%
Eff Tax Rate	15.7%	11.6%		19.6%		0.2	14.0%	
Net Profit	15.9	12.2	29.4%	8.9	77.4%	28.1	16.9	66.1%
EPS (sen)	3.6	2.8	29.4%	2.0	77.4%	6.4	3.9	66.1%
Operating Margin	4.5%	4.4%		4.2%		4.5%	4.5%	
Pre-tax Margin	3.6%	3.1%		3.2%		3.4%	3.2%	
Net Margin	2.2%	2.1%		1.5%		2.2%	1.6%	
Net Assets/Share (RM)	0.90							

1. 2QFY07 Results – Above expectations

- For the quarter under review, 1HFY07 turnover and net profit came in at RM1,294.9m (+20.4% y-o-y) and RM28.1m (+66.1% y-o-y) respectively. The results are above our expectations and accounted for 67% of our FY07 full year forecasts. The higher revenue y-o-y was mainly attributed to a better performance in the Cable and wire division as both sales volume and metal prices increased. Copper prices have increased from the USD5,500 per mt region to USD6,500 per mt region y-o-y[^].
- Q-o-q, revenue increased to RM709.1m (+21.1%) while net profit increased to RM15.9m (+29.4%). Revenue increases were due to higher sales volumes whilst the better operating margins were due to improvements in the production process and operational efficiency.

Segmental Breakdown

FYE Dec	Q-o-Q			Y-o-Y		Year to date		
	2QFY07	1QFY07	% Change	2QFY06	% Change	2QFY07	2QFY06	% Change
Revenue								
Cable & wire	663.1	545.0	21.7%	552.6	20.0%	1,208.1	983.0	22.9%
Power	38.4	36.5	5.3%	40.7	-5.5%	74.9	79.8	-6.2%
Property development	6.9	4.0		7.7		10.9	11.9	
Others	0.8	0.3		0.4		1.1	0.5	
Total	709.1	585.8		601.3		1,294.9	1,075.2	
Operating Profit								
Cable & wire	21.8	12.6	73.0%	16.2	34.9%	34.5	24.7	39.4%
Power	10.0	10.1	-0.7%	11.3	-11.2%	20.1	22.0	-8.7%
Property development	0.1	(0.0)		0.7		0.1	0.8	
Others	0.0	3.0		(2.6)		3.0	0.5	
Total	32.0	25.7		25.5		57.7	48.0	
Op Profit Contribution								
Cable & wire	68.2%	49.1%		63.4%		59.7%	51.5%	
Property development	31.3%	39.3%		44.2%		34.9%	45.9%	
Power	0.4%	0.0%		2.6%		0.2%	1.7%	
Others	0.1%	11.6%		-10.2%		5.2%	0.9%	

- For 2QFY07, Leader's Cable and wire division contributed to 68.2% of the Group's operating profit by generating RM21.8m (+34.9% y-o-y, +73.0% q-o-q) operating profits on the back of a turnover of RM663.1m (+20.0% y-o-y, +21.7% q-o-q). Management has cited better product

[^]Source: Bloomberg

mix with higher margins and higher aluminium based product outputs as the main reason for the improvements in the margins. Revenues and operating profits from the Power division remains to be consistent, coming in at RM38.4m (-5.5% y-o-y, +5.3% q-o-q) and RM10.0m (-11.2% y-o-y, -0.7% q-o-q) respectively for the quarter under review.

2. Recent Developments

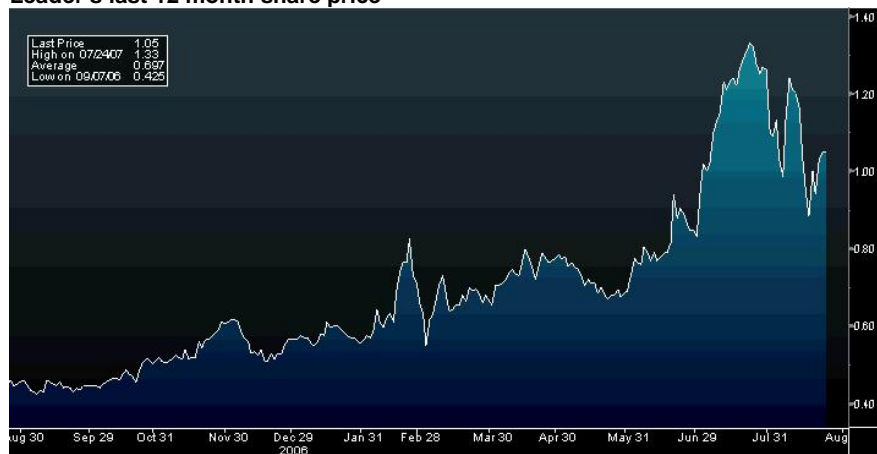
- **Power Project in Cambodia.** Recall that Leader has incorporated a JV company with MKCSS Holdings Co.Ltd. on a 50:50 basis, namely Power Snergy Corporation Co. Ltd (PSC), to undertake the development of the proposed 200MW Coal-fired power plant in Sihanoukville, Cambodia. Leader's announcement dated 21 August 2007 stated that PSC has appointed various consultants and advisers to undertake the project and is in the final stages of discussions and negotiations with the Cambodian Ministry on the Power Purchase Agreement and Implementation Agreements.

3. Recommendation

Based on the strong 1HFY07 results, we have revised upwards our FY07 forecasts to a net profit of RM52.0m, which translates to an EPS07f of 11.9 sen. Using the peers' average PER of 10x, we arrive at a fair value of RM1.19 for Leader. We have not factored in any contributions from its new foray into Cambodia as the project is still in its preliminary stage. Our fair value represents a potential 13.3% upside on its current price. Hence, we maintain our BUY call.

P&L Analysis (RMm)	FY05	FY06	FY07f	Key Stock Statistics	FY06	FY07f
FYE Dec				FYE Dec		
Revenue	1,602.8	2,365.0	2,601.5	EPS (sen)	8.1	11.9
EBIT	74.8	100.0	117.1	P/E (x)	13.0	8.8
Interest Expenses	(30.7)	(38.4)	(39.0)	Dividend/Share (sen)	1.5	
Share of assoc. profit	2.8	5.4	5.4	NTA/Share (RM)	0.90	
Pre-tax Profit / (loss)	47.0	67.1	83.5	Book Value/Share (RM)	0.90	
Effective Tax Rate	13.4%	17.1%	17.0%	Issued Capital (m shares)	436.5	
Net Profit / (Loss)	22.7	35.3	52.0	52-week Hi-Low (RM)	0.415 - 1.38	
Operating Margin	4.7%	4.2%	4.5%	Major Shareholders:	%	
Pre-tax Margin	2.9%	2.8%	3.2%	Zun Holdings Sdn Bhd	11.7	
Net-Margin	1.4%	1.5%	2.0%	EPF	6.3	

Leader's last 12 month share price



Source: Bloomberg

Analyst: Ng Kok Ken (kokken@zj.com.my)

RATING GUIDE

BUY	Price appreciation expected to exceed 10% within the next 12 months
SELL	Price depreciation expected to exceed 10% within the next 12 months
HOLD	Price movement expected to be between -10% and +10% over the next 12 months from current level

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ZJ Advisory Sdn Bhd (Co No: 645449-V)
(An investment adviser licensed by the Securities Commission)
Suite 22B, 22nd Floor, Wisma Denmark,
No 86, Jalan Ampang, 50450 Kuala Lumpur
Tel (603) 2032 2328 Facsimile (603) 2032 1328
