

## Univanich Palm Oil (UVAN)

## LONG-TERM BUY

### 3Q06 net earnings growth of 67% yoy in line with expectations

◆ **3Q06 net profit up 67% yoy**

UVAN announced 3Q06 net profit growth of 67% yoy to Bt71mn (EPS Bt0.76), in line with expectations. This came from the increase in fresh fruit production compared to the previous year, which was affected by drought. Sales grew by 26% yoy to Bt617mn as palm oil production increased 36.5% yoy and crude palm kernel oil rose 38.2% yoy. This increase was made possible by the new crushing mill capacity that began operation in 4Q05. Gross margins widened slightly to 17.9% from 17.5% last year.

◆ **Nine-month earnings increase 62% yoy to Bt268mn**

For 9M06, UVAN generated a net profit of Bt268mn (EPS Bt2.86), or growth of 62% yoy. The gross margin widened to 22.3% from 21.14% last year, as fresh fruit raw material prices declined faster than finished good crude palm oil prices.

◆ **Maintain net profit forecast of Bt340mn**

We are maintaining our full-year 2006 forecast net profit of Bt340mn (EPS Bt3.61), a jump of 70% from last year. For the fourth quarter, we expect to see strong earnings growth supported by 1) a recovering CPO price 2) greater fresh fruit production in UVAN-owned plantations and 3) a higher extraction rate.

◆ **Maintain LONG-TERM BUY rating**

We estimate the fair value at Bt39.50 or a 2006 PER of 11x. UVAN is currently trading on a 2006 PER of 9.4x. With a strong financial position, no debt and a high dividend yield of 8.8%, we rate UVAN as a **LONG-TERM BUY**.

#### Earnings summary

Year End Dec 31	2003	2004	2005	2006F	2007F
Sales (Btmn)	1,955	2,549	2,112	2,264	2,427
EBITDA (Btmn)	487	471	308	455	413
Normalised earnings (Btmn)	400	385	200	340	302
Earnings (Btmn)	400	385	200	340	302
EPS (Bt)	4.26	4.10	2.13	3.61	3.21
PER (x)	8.0	8.3	16.0	9.4	10.6
EV/EBITDA (x)	5.9	6.3	10.0	6.4	7.0
Free cash flow (Btmn)	325	148	180	359	272
CF/share (Bt)	4.5	4.7	3.6	4.7	3.7
BVPS (Bt)	11.2	12.5	11.6	13.2	13.4
P/BV (x)	3.0	2.7	2.9	2.6	2.5
DPS (Bt)	3.50	3.00	2.00	3.00	3.00
Dividend yield (%)	10.3%	8.8%	5.9%	8.8%	8.8%
Net debt/equity (X)	cash	cash	cash	cash	cash
ROA (%)	40%	30%	16%	26%	22%
ROE (%)	50%	35%	18%	29%	24%
Gross margin (%)	28%	21%	17%	23%	20%

Source : Company reports and KELIVE Research estimates.

#### Earnings Results

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<b>Price (Bt)</b>	<b>34.00</b>
<b>Target (Bt)</b>	<b>39.50</b>
<b>SET Index</b>	<b>740.42</b>

#### Historical Chart



#### Stock Information

<b>Paid up shares (mn)</b>	<b>94</b>
<b>Par value (Bt)</b>	<b>5.00</b>
<b>Free Float (%)</b>	<b>32.85</b>
<b>Market Capitalisation (Btmn)</b>	<b>3,196</b>
<b>Foreign Limit (%)</b>	<b>49.00</b>

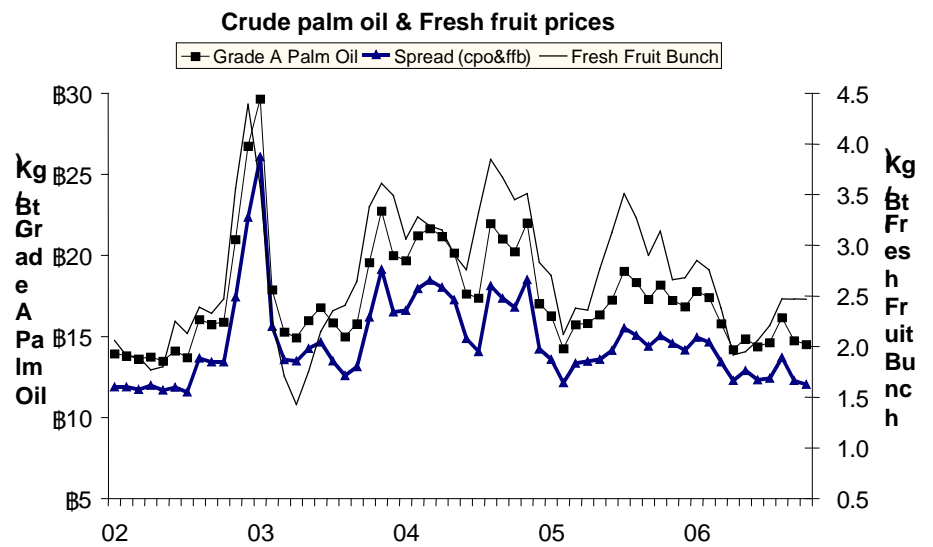
#### Major Shareholders

<b>Apirak Vanich (%)</b>	<b>18.71</b>
<b>Chantip Vanich (%)</b>	<b>9.69</b>
<b>Albouys Nominees (%)</b>	<b>9.52</b>

### UVAN Quarterly income statement

(Btmn)	3Q06	2Q06	QoQ	3Q05	YoY	9M06	2005	2006F
Sales	617	622	(1%)	488	26%	1,823	2,112	2,264
COGS	507	463	9%	403	26%	1,417	1,728	1,721
Gross margin (%)	17.9%	25.6%	N.A.	17.5%	N.A.	22.3%	18.2%	24.0%
SG&A	34	46	(26%)	38	(13%)	121	149	159
EBITDA	104	139	(26%)	72	44%	364	308	455
Interest expense	0.03	-	N.A.	0.02	106%	0.03	0.02	0.03
Normalised profit	71	108	(34%)	43	67%	268	200	340
Net profit	71	108	(34%)	43	67%	268	200	340
EPS (Bt)	0.76	1.14	(34%)	0.45	67%	2.86	2.13	3.61

Source: Company reports and KELIVE Research estimates.



Source: Department of Internal Trade

### Income statement

(Btmn)	2003	2004	2005	2006F	2007F
Sales	1,955	2,549	2,112	2,264	2,427
Other income	5	3	6	4	5
<b>Total revenues</b>	<b>1,959</b>	<b>2,552</b>	<b>2,118</b>	<b>2,269</b>	<b>2,432</b>
Cost of goods sold	1,338	1,929	1,655	1,650	1,844
Depreciation and amortization	71	77	99	101	98
SG&A and others expenses	135	153	154	164	175
<b>EBIT</b>	<b>416</b>	<b>394</b>	<b>209</b>	<b>354</b>	<b>315</b>
Interest expenses	1	-	0	-	-
<b>EBT</b>	<b>415</b>	<b>394</b>	<b>209</b>	<b>354</b>	<b>315</b>
Minority interest	-	-	-	-	-
Equity acc. + extraordinary gains	-	-	-	-	-
<b>Net profit</b>	<b>400</b>	<b>385</b>	<b>200</b>	<b>340</b>	<b>302</b>

Source : Company reports and KELIVE Research estimates.

### Balance sheet

(Btmn)	2003	2004	2005	2006F	2007F
<b>ASSETS</b>					
Cash & deposits	395	224	129	300	274
Accounts receivable	63	67	71	74	80
Inventory	104	146	61	103	115
Other current assets	2	1	1	1	2
<b>Total current assets</b>	<b>564</b>	<b>439</b>	<b>262</b>	<b>479</b>	<b>470</b>
Investments	-	-	-	-	-
Property, plant and equipment	515	729	787	766	748
Other assets	162	165	165	165	165
<b>Total Assets</b>	<b>1,241</b>	<b>1,333</b>	<b>1,214</b>	<b>1,410</b>	<b>1,383</b>
<b>LIABILITIES</b>					
OD + current portion of L-T debt	80	-	-	-	-
Account payable + trust receipt	16	57	16	57	25
Other current liabilities	49	60	60	63	65
<b>Total current liabilities</b>	<b>145</b>	<b>117</b>	<b>76</b>	<b>120</b>	<b>73</b>
Long term debts	45	44	48	48	48
<b>Total liabilities</b>	<b>190</b>	<b>160</b>	<b>124</b>	<b>167</b>	<b>121</b>
<b>SHAREHOLDERS' EQUITY</b>					
Shares + warrants	470	470	470	470	470
Premium on shares	268	268	268	268	268
Retained earnings + revaluation	313	435	353	505	525
<b>Total shareholders' equity</b>	<b>1,051</b>	<b>1,173</b>	<b>1,091</b>	<b>1,242</b>	<b>1,262</b>
<b>Total liabilities and equity</b>	<b>1,241</b>	<b>1,333</b>	<b>1,214</b>	<b>1,410</b>	<b>1,383</b>

Source : Company reports and KELIVE Research estimates.

### Statement of cash flow

(Btmn)	2003	2004	2005	2006F	2007F
Net profit	400	385	200	340	302
+ Depreciation & amortisation	71	77	99	101	98
- Sales of fixed assets	-	-	-	-	-
+ Decrease in working capital	(50)	5	41	(2)	(48)
+ Others	(3)	(26)	(4)	-	-
<b>Operating cash flows</b>	<b>418</b>	<b>441</b>	<b>337</b>	<b>439</b>	<b>352</b>
Purchase of fixed assets	(94)	(293)	(157)	(80)	(80)
Investment in affiliated	1	(0)	(1)	-	-
Other investing activities	3	32	8	-	-
<b>Investing cash flows</b>	<b>(90)</b>	<b>(262)</b>	<b>(150)</b>	<b>(80)</b>	<b>(80)</b>
Payment of dividend	(228)	(263)	(282)	(188)	(282)
Equity Increase	323	-	-	-	-
Other debt financing	(368)	170	-	(171)	26
<b>Internal financing cash flows</b>	<b>(273)</b>	<b>(94)</b>	<b>(282)</b>	<b>(359)</b>	<b>(256)</b>
External financing	(56)	(86)	95	(0)	(16)
Issuing debentures and CDs	-	-	-	-	-
<b>Borrowing from banks</b>	<b>(56)</b>	<b>(86)</b>	<b>95</b>	<b>(0)</b>	<b>(16)</b>

Source : Company reports and KELIVE Research estimates.

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