

Univanich Palm Oil (UVAN)

LONG-TERM BUY

1Q07 earnings estimated to have grown 6% yoy

◆ Strong growth of CPO and CPKO sales volume

We estimated 1Q07 net profit of Bt96mn (EPS Bt1.02), growth of 6% yoy. We assume crude palm oil (CPO) and crude palm kernel oil (CPKO) sales volume rose 14% and about 100%, respectively. Moreover, the market price of CPO increased 12% yoy to about Bt19 per kilo. However, gross margins are estimated to have narrowed to 17% from 23% last year as the company purchased oil to make up for export shipments.

In 1Q07, Thailand's total fruit production dropped due to delayed effect of the 2005 drought and the dry season this year. If we see more favourable weather ahead, higher CPO prices from world demand for bio-diesel should encourage production.

◆ Maintain 2007 forecast

We believe that the increase of palm oil prices will help compensate for the effect of lower production volumes. We are assuming this year gross margins widen back to 21%. We are conservatively maintaining our 2007 net profit of Bt384mn (EPS Bt4.09), growth 1.5%.

◆ Attractive dividend yield of 8.1%

We also estimate the company to pay full-year dividend of Bt3 per share, which represents a very attractive 8.1% dividend yield.

◆ Maintain LONG-TERM BUY recommendation

Based on 2007 PER of 10x, we estimated the company's fair value of Bt41 a share. UVAN's current share price is currently trading on 2007 PER of 9.1x. With a strong financial position and high dividend yield of 8.1%. We are maintaining our **LONG-TERM BUY** recommendation on UVAN.

Earnings summary

Year End Dec 31	2004	2005	2006	2007F	2008F
Sales (Btmn)	2,549	2,112	2,863	2,799	2,850
EBITDA (Btmn)	471	308	508	514	544
Normalised earnings (Btmn)	385	200	378	384	406
Earnings (Btmn)	385	200	378	384	406
EPS (Bt)	4.10	2.13	4.02	4.09	4.32
PER (x)	9.0	17.4	9.2	9.1	8.6
EV/EBITDA (x)	6.9	10.9	6.2	6.0	5.5
Free cash flow (Btmn)	148	180	385	301	387
CF/share (Bt)	4.7	3.6	5.0	5.3	5.7
BVPS (Bt)	12.5	11.6	13.7	15.0	16.3
P/BV (x)	3.0	3.2	2.7	2.5	2.3
DPS (Bt)	3.00	1.95	2.75	3.00	3.17
Dividend yield (%)	8.1%	5.3%	7.4%	8.1%	8.6%
Net debt/equity (X)	cash	cash	cash	cash	cash
ROA (%)	30%	16%	28%	26%	25%
ROE (%)	35%	18%	32%	28%	28%
Gross margin (%)	21%	17%	20%	21%	22%

Source : Company reports and KELIVE Research estimates

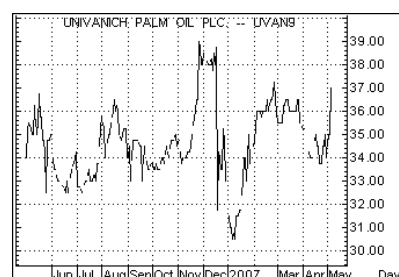
Earnings preview

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Price (Bt)	37.00
Target (Bt)	41.00
SET Index	716.44

Historical Chart



Stock Information

Paid up shares (mn)	94
Par value (Bt)	5.00
Free Float (%)	32.85
Market Capitalisation (Btmn)	3,478
Foreign Limit (%)	49.00

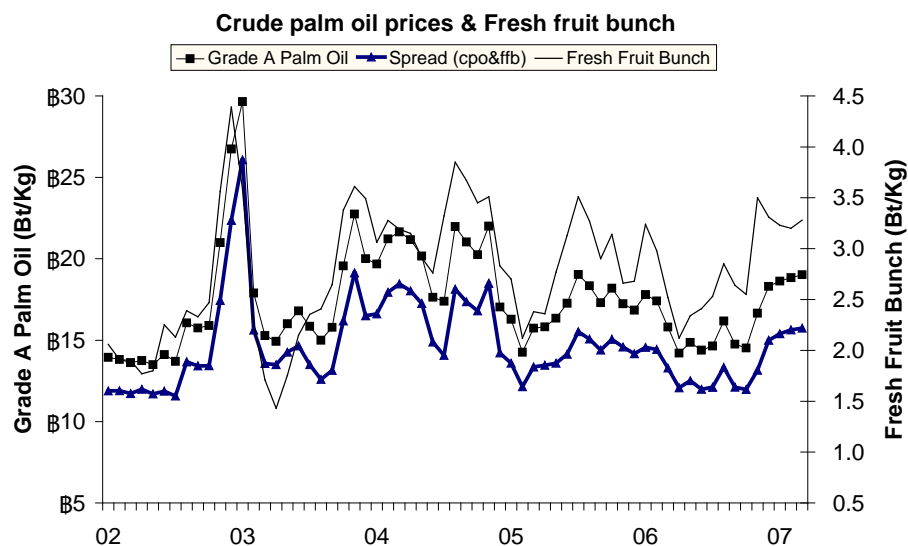
Major Shareholders

Apirak Vanich (%)	18.71
Chantip Vanich (%)	9.69
Albouys Nominees (%)	9.52

UVAN Quarterly income statement

(Bt mn)	1Q07F	4Q06	QOQ	1Q06	YOY	2006	2007F
Sales	774	1,040	(26%)	583	33%	2,863	2,799
COG	643	882	(27%)	447	44%	2,300	2,203
Gross margin (%)	17%	15%	N.A.	23%	N.A.	20%	21%
SG&A	37	43	(15%)	42	(12%)	164	188
EBITDA	120	144	(17%)	121	(1%)	508	514
EBITDA margin (%)	16%	14%	N.A.	21%	N.A.	18%	18%
Interest expense	-	0	N.A.	-	N.A.	0	(0)
Normalised profit	96	110	(13%)	90	6%	378	384
Net profit	96	110	(13%)	90	6%	378	384
EPS (Bt)	1.02	1.17	(13%)	0.95	6%	4.0	4.1

Source: UVAN and KELIVE Research estimates



Source: Department of Internal Trade

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