

February 17, 2004

Univanich Palm Oil Plc. (UVAN)

NEW : **LONG TERM BUY**
PREVIOUS : -

AGRIBUSINESS

2003 earnings forecast up 89% yoy

Price
Target
Bt28.75
Bt38.50

We still have a positive outlook on UVAN supported by 1) strong cash flow after pay back of loans of Bt20mn, 2) a new-third factory that will increase production efficiency and decrease variable costs significantly and 3) a 9.4% dividend yield at the current share price.

We estimated UVAN's 4Q03 net profit of Bt47mn down 60% qoq, due to a fourth quarter shortage of supply and a plant shutdown in December. Fresh fruit (FFB) prices increased more than the crude palm oil (CPO) price and the gross margin narrowed to 18.4% from 25% in last quarter.

Our full-year 2003 earnings expectation is up 89% yoy to Bt423mn. The gross margin will widen to 27.1% from 22.9% last year, due to a CPO price increase of 8% and the huge supply of fresh fruit to come into the market.

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UVAN's shares look very cheap trading on a 2004 PER of 8.1x and an EV/EBITDA of 5x. We believe UVAN should trade around 7x EV/EBITDA or Bt38.5 per share, representing an upside potential of 34% from the current share price of Bt28.75. We are initiating a **LONG-TERM BUY** recommendation on UVAN

Figure 1: Quarterly income

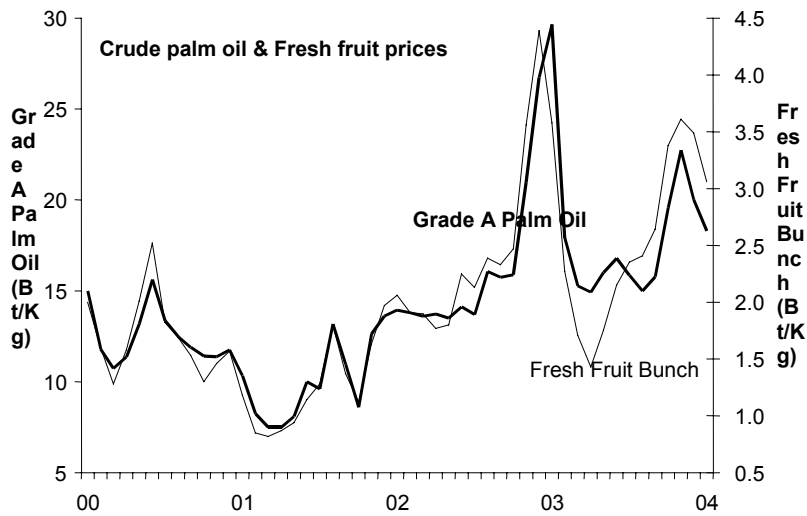
Income statement (Bt mn)	4Q03F	3Q03	QOQ	4Q02	YOY	2003F	2004F
Sales	776	613	26%	349	122%	2,373	2,216
COGS	633	459	38%	293	116%	1,731	1,693
Gross margin (%)	18.4%	25.2%	(27%)	16.2%	N.A.	27.1%	23.6%
SG&A	95	34	185%	26	270%	200	177
EBITDA	68	140	(51%)	36	91%	451	358
Interest expense	0.72	0.73	(2%)	0.09	718%	3.7	2.4
Normalised profit	47	117	(60%)	17	175%	423	334
Net profit	47	117	(60%)	17	175%	423	334
EPS (Bt)	0.50	1.40	(64%)	0.21	142%	4.5	3.6

Source: Company reports and KELIVE Research estimates

Palm oil business

The Soy price trend is stable after the effect from the bird flu crisis. In the short-term, we expected a decrease in Soya oil refining and a decrease in the quantity of soybean meal.

So that although the quantity of fresh fruit (FFB) will drop this year, the average CPO price will be higher than last year.



Source: Department of internal trade

We estimate 2004 sales will drop slightly by 6.6% yoy to Bt2,216mn with exports of 50% of total sales to Malaysia and India. The net profit is expected to decrease 21% to Bt334mn and the gross margin to narrow back to a normal level of around 23.6%

We are initiating a **LONG-TERM BUY** recommendation on UVAN, due to its cheap rating with a 2004 PER of 8.1x and EV/EBITDA of 5x. We expect the company to pay a full-year dividend of Bt2.7, which would put the dividend yield at the current share price at 9.4%. We believe UVAN should trade around 7x EV/EBITDA or Bt38.5 per share, representing an upside potential of 34% from the current share price of Bt28.75.

Figure 2: Earnings summary

	2001	2002	2003F	2004F	2005F
Sales (Btmn)	1,443	1,589	2,373	2,216	2,358
EBITDA (Btmn)	277	297	521	463	492
Normalised earnings (Btmn)	207	223	423	334	364
Earnings (Btmn)	207	223	423	334	364
EPS (Bt)	2.50	2.69	4.50	3.56	3.87
PER (x)*	11.5	10.7	6.4	8.1	7.4
EV/EBITDA (x)*	8.3	8.3	4.2	5.0	4.2
Free cash flow (Btmn)	157	217	403	132	434
CF/share (Bt)	3.3	3.8	5.4	4.6	5.1
BVPS (Bt)	9.0	6.7	12.5	13.4	15.1
P/BV (x)*	3.2	4.3	2.3	2.1	1.9
DPS (Bt)	1.75	4.75	2.70	2.13	2.32
Dividend yield (%)	17.4%	16.5%	9.4%	7.4%	8.1%
Net debt/equity (X)	Cash	0.2	Cash	Cash	Cash
ROA (%)	25.4%	27.6%	39.3%	24.0%	22.9%
ROE (%)	28.6%	34.2%	48.8%	27.4%	27.1%

Source: Company reports and KELIVE Research estimates.

Note : *Based on price Bt28.75

#Bt3 from retained earnings

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