

November 24, 2003

## Univanich Palm Oil Plc.

### Initial Public Offering

**IPO : Bt31.00**
**Target : Bt38.00**

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### Impressive 3Q03 results for soon-to-be-listed palm oil

Univanich Plam Oil Plc. (UVAN) will begin trading on the SET tomorrow, November 25. Last week, the company announced quite impressive 3Q03 earnings of Bt117mn, up 34% from the previous quarter and 45% from the previous year.

UVAN produces and distributes crude palm oil and crude palm kernel oil. The company also owns a 37,471-rai plantation, which supplies approximately 25% of the palm fruit requirement of its crushing mills.

In 3Q03, UVAN's sale grew 25% yoy and 2% qoq to Bt613mn. Of total sales, exports accounted for 62% and domestic sales 38%. Gross margins narrowed back to a normal level of 25% from 38% last quarter and 24% last year. This was due to the price of fresh fruit bunch (FFB) rising to a normal price of Bt2.5 per kilogram from last quarter's Bt1.88.

**Figure 1: Quarter result**

Income statement (Bt mn)	3Q03	2Q03	QOQ	3Q02	YOY	9M03	2003F
Sales	613	602	2%	492	25%	1,597	2,278
COG	459	373	23%	374	23%	1,098	1,655
Gross margin (%)	25%	38%	(34%)	24%	N.A.	31%	27%
SG&A	34	41	(19%)	37	(10%)	104	192
EBITDA	140	208	(32%)	99	42%	453	510
Interest expense	0.73	0.83	(12%)	0.0	14725%	3.0	4.5
Normalised profit	117	177	(34%)	81	45%	376	412
Net profit	117	177	(34%)	81	45%	376	412
EPS (Bt)	1.40	2.14	(35%)	0.98	43%	4.52	4.4

Source: KELIVE Research

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Even though UVAN's 9M03 net profit of Bt376mn represents 91% of our full-year earnings projection of Bt412mn, we are maintaining our projection since the company will shut down its plant for two weeks in December.

Next year, we are conservatively projecting that supply of FFB will be decline back to a normal level. This should result in UVAN's earnings falling 30% to Bt281mn.

**Figure 2: Earnings summary**

	2001	2002	2003F	2004F
Sales (Btmn)	1,442.8	1,589.4	2,277.8	1,847.1
EBITDA (Btmn)	277.5	296.7	510.3	407.1
Normalised earnings (Btmn)	207.1	222.5	412.9	283.6
Earnings (Btmn)	207.1	222.5	412.9	283.6
EPS (Bt)	2.50	2.69	4.39	3.02
PER (x)*	12.40	11.54	7.06	10.27
EV/EBITDA (x)*	9.26	8.66	5.71	7.16
Free cash flow (Btmn)	274.21	310.72	494.58	385.99
CF/share (Bt)	3.31	3.75	5.23	4.11
BVPS (Bt)	9.01	6.70	12.91	13.07
P/BV (x)*	3.4	4.6	2.5	2.5
DPS (Bt)	1.75	4.75#	2.86	1.96
Dividend yield (%)	16.13%	5.63%	9.2%	6.33%
Net debt/equity (X)	Net cash	0.2	Net cash	Net cash

Source: KELIVE Research \*IPO price Bt31

We are assigning a 7x EV/EBITDA to UVAN, which would put the company's fair value at Bt38 per share. This valuation looks reasonable on a prospective PER of 8.6x, comparable to the listed palm oil companies - United Palm Oil Industry (UPOIC) and Chumporn Palm Oil (CPI).

**Figure 3: UVAN's capacity**

<b>Siam Palm Oil and Refinery Industry</b>	2000	2001	2002	2003F	2004F
Full capacity (FFB tonnes/hr.)	30	30	30	30	30
Full capacity (FFB tonnes/yr.)	151,320	151,320	151,320	151,320	151,320
Number of FFB (tonnes)	162,764	153,282	124,193	189,150	143,754
Portion of full capacity (%)	107.6%	101.3%	82.1%	125%	95%
<b>Product</b>					
>Cude Palm Oil (tonnes)	28,194	26,509	20,779	32,723	24,869
>Palm Kernel (tonnes)	9,144	8,627	7,216	10,592	8,050
<b>Extraction rate</b>					
>Cude Palm Oil (%)	17.3%	17.3%	16.7%	17.3%	17.3%
>Palm Kernel (%)	5.6%	5.6%	5.8%	5.6%	5.6%
<b>Thai Oil Palm Industry and Estate Co.</b>					
Full capacity (FFB tonnes/hr.)	30	60	60	60	60
Full capacity (FFB tonnes/yr.)	151,320	302,640	302,640	302,640	302,640
Number of FFB (tonnes)	175,186	305,245	303,240	396,458	287,508
Portion of full capacity (%)	115.8%	100.9%	100.2%	131%	95%
<b>Product</b>					
>Cude palm oil (tonnes)	33,084	58,383	55,859	76,516	55,489
>Palm kernel (tonnes)	10,319	17,431	17,297	22,598	16,388
<b>Total palm kernel (tonnes)</b>	<b>19,463</b>	<b>26,058</b>	<b>24,513</b>	<b>33,191</b>	<b>27,511</b>
>Cude palm kernel oil (tonnes)	6,776	11,335	10,951	11,617	9,629
<b>Extraction rate</b>					
>Cude palm oil (%)	20.3%	19.1%	18.4%	19.3%	19.3%
>Palm kernel (%)	5.9%	5.7%	5.7%	5.7%	5.7%
>Cude palm kernel oil (%)	34.8%	43.5%	44.7%	35.0%	35.0%

Source: UVAN, KELIVE Research

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