

October 26, 2004

# Univanich Palm Oil Plc. (UVAN)

**NEW : LONG TERM BUY**  
**PREVIOUS : LONG TERM BUY**
**AGRIBUSINESS**
**3Q04 earnings forecast drop 22% yoy**
**Price**  
**Target**
**Bt29.50**  
**Bt37.00**

We expect Univanich Palm Oil (UVAN) to report 3Q04 net profit of Bt92mn down 22% yoy and 24% qoq, due to an expected supply shortage this year and third quarter supply should be less than the second quarter, which was the high crop season for the year. The gross margins are expected to narrow to 18% from 25% last year, due to rising raw material costs.

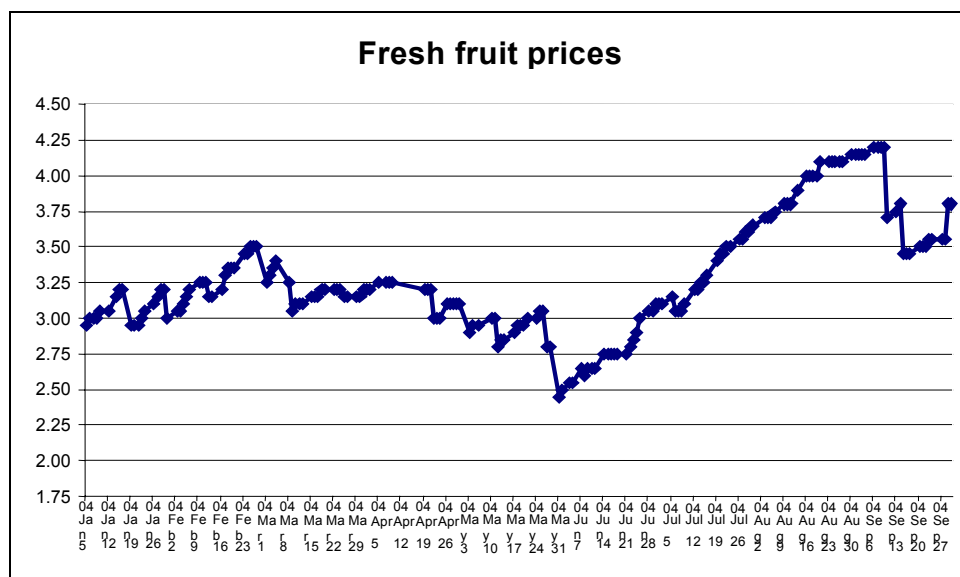
In 3Q04, the average fresh fruit (FFB) price was Bt3.60-3.80, an increase of 23% from the previous quarter. This was due to lower supply of FFB, while high demand continued. The average CPO price was Bt20.10 - 20.70 or up 2% from last quarter. However, UVAN has strengthened the point in that the company can export crude palm kernel oil (CPKO) to Malaysia and India at higher prices.

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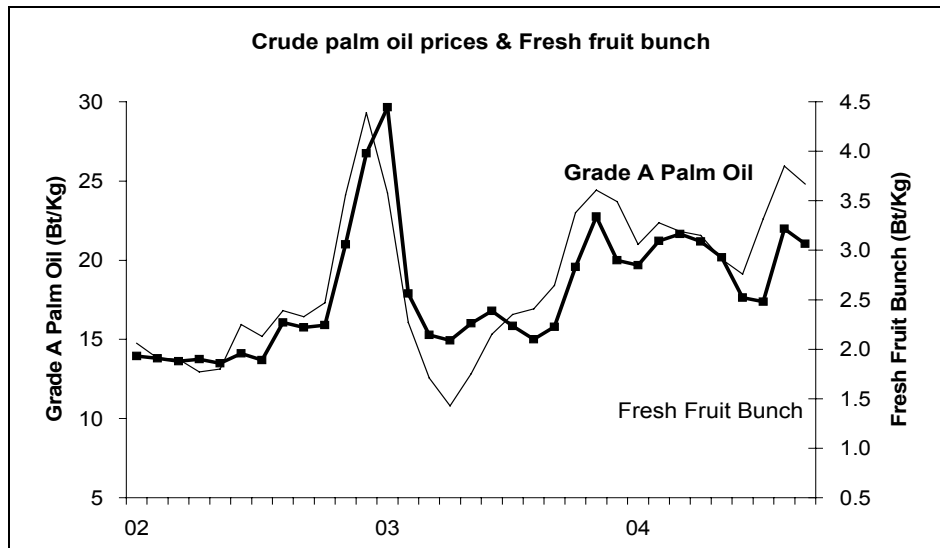
**Figure 1: Quarterly income statement**

(Bt mn)	3Q04F	2Q04	QOQ	3Q03	YOY	9M03	9M/FY04F	2004F
Sales	728	717	2%	613	19%	2,025	87%	2,338
COGS	597	555	8%	459	30%	1,589	88%	1,803
Gross margin (%)	18%	23%	N.A.	25%	N.A.	22%	N.A.	23%
SG&A	36	37	(1%)	34	9%	109	69%	159
EBITDA	112.8	144.0	(22%)	139.5	(19%)	383	107%	358
Interest expense	-	-	N.A.	0.73	N.A.	-	N.A.	-
Normalised profit	92	121	(24%)	117	(22%)	321	92%	347
Net profit	92	121	(24%)	117	(22%)	321	92%	347
EPS (Bt)	0.98	1.29	(24%)	1.40	(30%)	3.41	92%	3.69

Source: UVAN and KELIVE Research estimates.



Source: Department of Internal Trade



Source: Department of internal trade and Oil world

Currently, a third factory (capacity of 45 FFB tonnes per hour) has started test runs in October with a utilization rate of 30%. Management has targeted an increase of 66% of this new capacity. Thus, UVAN will have to buy more FFB supplies from outside sources.

Based on our 3Q04 projections, UVAN will make a 9M04 net profit of Bt321mn (Bt3.41/share), representing 92% of our full-year forecast of Bt347mn. With our conservative viewpoint, however, we are maintaining our full-year forecast of 2004 and 2005 net profit at Bt347mn (Bt3.69/share) and Bt376mn (Bt4/share), respectively.

We still have a positive view on UVAN supported by their strong cash flow, no debt situation and attractive dividend payment. We estimate the company will pay a full-year dividend of Bt2.60 per share (UVAN has already paid an interim dividend of Bt1.30 per share), which will put the annual dividend yield at 8.8% at the current share price.

UVAN shares are currently trading on 2004 and 2005 EV/EBITDA of 5.3x and 4.6x, respectively. We are maintaining our fair value at **Bt37** a share and at the current price, this represents an upside potential of 25% to our estimate. However, UVAN shares have low liquidity, thus we are maintaining our **LONG-TERM BUY** rating on UVAN.

**Figure 2: Earnings summary**

	2001	2002	2003	2004F	2005F
Sales (Btmn)	1,443	1,589	1,955	2,338	2,312
EBITDA (Btmn)	277	297	487	453	481
Normalised earnings (Btmn)	207	223	400	347	376
Earnings (Btmn)	207	223	400	347	376
EPS (Bt)	2.50	2.69	4.26	3.69	4.00
PER (x)*	11.8	11.0	6.9	8.0	7.4
EV/EBITDA (x)*	8.5	8.5	5.0	5.3	4.6
Free cash flow (Btmn)	157	217	325	121	424
CF/share (Bt)	3.3	3.8	4.5	4.8	5.0
BVPS (Bt)	9.0	6.7	11.2	11.4	12.8
P/BV (x)*	3.3	4.4	2.6	2.6	2.3
DPS (Bt)	1.75	#4.75	3.50	2.60	2.82
Dividend yield (%)	16.9%	9.3%	11.9%	8.8%	9.6%
Net debt/equity (X)	cash	0.2	cash	cash	cash
ROA (%)	25.4%	27.6%	39.6%	25.6%	25.3%
ROE (%)	28.6%	34.2%	49.9%	32.8%	33.2%
Gross margin (%)	24.4%	22.9%	27.9%	21.9%	22.9%

Source: UVAN and KELIVE Research estimates.

Note : #Bt3 from retained earnings

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