

March 9, 2004

Univanich Palm Oil Plc. (UVAN)

NEW : LONG TERM BUY
PREVIOUS : LONG TERM BUY

AGRIBUSINESS

Earnings rise 80% yoy

Price
Target
Bt29.50
Bt34.50

Univanich Palm Oil (UVAN) reported a net profit of Bt400mn inline our expectations for a surge of 80% yoy. Sales grew 23% yoy to Bt1,955mn divided between exports 47% and domestic sales 53%. The gross margin widen to 28% from 23% last year due to an average volume of CPO and CPKO increase of 11.5% yoy and sales prices up 9% yoy.

We still believe that although the quantity of fresh fruit (FFB) will drop this year, the average CPO price will be higher than last year. We have revised downward our 2004 sales to Bt1,945mn. The net profit is expected to decrease by 20% to Bt319mn. The gross margin will narrow back to a normal level of around 23%

We are maintaining our **LONG-TERM BUY** recommendation on UVAN due to its cheap rating with a 2004 PER of 8.1x and EV/EBITDA of 5x. UVAN announced a dividend of Bt3.5 per share for the fiscal year, which would put the dividend yield at 11.9% at the current share price We believe UVAN should trade around 7x EV/EBITDA or Bt34.50 per share, representing an upside potential of 17% from the current share price of Bt29.50.

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Figure 1: Earnings summary

	2001	2002	2003	2004F
Sales (Btmn)	1,443	1,589	1,955	1,945
EBITDA (Btmn)	277	297	487	435
Normalised earnings (Btmn)	207	223	400	319
Earnings (Btmn)	207	223	400	319
EPS (Bt)	2.50	2.69	4.26	3.40
PER (x)*	11.5	10.7	6.9	8.7
EV/EBITDA (x)*	8.3	8.3	5.0	5.9
Free cash flow (Btmn)	157	217	325	152
CF/share (Bt)	3.3	3.8	4.5	4.8
BVPS (Bt)	9.0	6.7	11.2	11.1
P/BV (x)*	3.2	4.3	2.6	2.7
DPS (Bt)	1.75	#4.75	3.50	2.04
Dividend yield (%)	17.4%	9.6%	11.9%	6.9%
Net debt/equity (X)	Net cash	0.2	(0.3)	(0.2)
ROA (%)	25.4%	27.6%	39.6%	26.0%
ROE (%)	28.6%	34.2%	49.9%	30.5%
Gross margin (%)	24.4%	22.9%	27.9%	23.2%

Source: Kelve Research estimates

Note : *Based on price

#Bt3 from retained earnings

29.50

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