

Univanich Palm Oil (UVAN)

2Q07 net earnings expected to grow 7% yoy

◆ Expect a 2Q07 net profit of Bt115mn

After a meeting with management, we now expect UVAN to report 2Q07 earnings growth of 7% yoy and 13% qoq to Bt115mn (Bt1.22/share). Sales are expected to jump 44% to Bt894mn from export orders. Most sales have been exported despite the baht appreciation as crude palm oil prices are very attractive in the export markets. The gross margin is expected to be stable from last quarter, but lower than last year from 26% down to 17%. This is due to UVAN purchases of CPO to fill the export orders which causes a lower margin. For 1H07, we expect the net profit to be Bt216mn (Bt2.30/share) and up 10% yoy.

◆ Despite lower crop production, sales were helped by higher prices

In 2007, the fresh fruit production fell from last year due to the drought effect in 2006. However, the company has expanded fruit and crude palm oil purchases with prices increasing 30% to about Bt25/kg. This has helped the company to offset lower output. We expect a 2007 net profit of Bt384mn (EPS Bt4.09) stable from last year. The 2008 outlook is positive from stronger demand for crude palm oil used in bio-diesel fuel and productions should be greater more than this year. However, we are maintaining our 2008 net profit at Bt406mn (EPS Bt4.32) a slight increase of 5.7% from this year.

◆ Expect an interim dividend of Bt1.25

We are forecasting UVAN to pay an interim dividend of Bt1.25 per share and have estimated the full-year dividend at Bt3 per share for a very attractive yield of 7.5%.

◆ Revised fair value to Bt43.25, recommend LONG-TERM BUY

Based on a 2008 PER of 10x, we have revised up our fair value to **Bt43.25**. The current share price offers a 7.5% upside to our new target price. Despite UVAN's low liquidity, the very strong financial position with net cash and high dividend yield leads us to maintain our **LONG-TERM BUY** rating.

Earnings summary

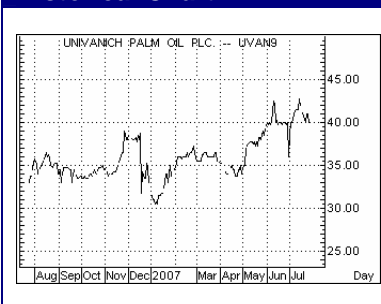
Year End Dec 31	2004	2005	2006	2007F	2008F
Sales (Btmn)	2,549	2,112	2,863	2,799	2,850
EBITDA (Btmn)	471	308	508	514	544
Normalised earnings (Btmn)	385	200	378	384	406
Earnings (Btmn)	385	200	378	384	406
Norm. EPS (Bt)*	4.10	2.13	4.02	4.09	4.32
EPS*	9.8	18.8	9.9	9.8	9.3
Norm. PER (x)	7.5	11.8	6.8	6.6	6.0
EV/EBITDA (x)	148	180	385	301	387
Free Cash flow (Btmn)	4.7	3.6	5.0	5.3	5.7
CF/share (Bt)*	12.5	11.6	13.7	15.0	16.3
BVPS (Bt)*	3.2	3.4	2.9	2.7	2.4
P/BV (x)	3.00	1.95	2.75	3.00	3.17
DPS (Bt)*	7.5%	4.9%	6.9%	7.5%	7.9%
Dividend yield (%)	cash	cash	cash	cash	cash
Net debt/equity (X)	30%	16%	28%	26%	25%
ROA (%)	35%	18%	32%	28%	28%
ROE (%)	21%	17%	20%	21%	22%
Gross margin (%)	2,549	2,112	2,863	2,799	2,850

Source : Company reports and KELIVE Research estimates.

LONG-TERM BUY

Price (Bt)	40.00
Target (Bt)	43.00
Set Index	863.58

Historical Chart



Stock Information

Paid up shares (mn)	497
Par value (Bt)	1.00
Free Float (%)	64.32
Market Capitalisation (Btma)	4,472
Foreign Limit (%)	49.00

Major Shareholders

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

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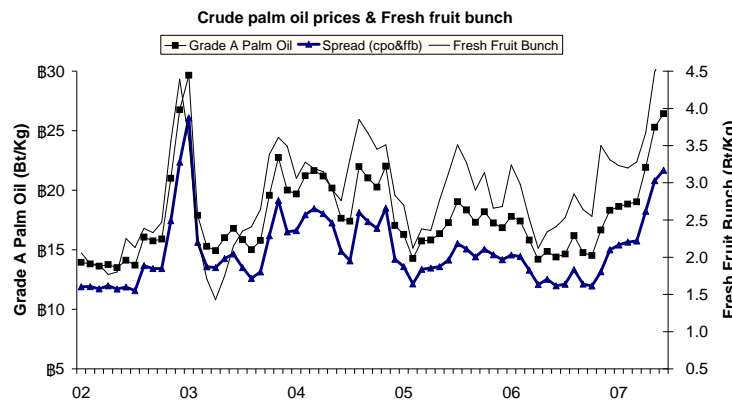
Quarterly income statement

(Btmn)	2Q07F	1Q07	QOQ	2Q06	YOY	1H06	1H07F	YOY
Sales	894	820	9%	622	44%	1,206	1,714	42%
COGS	742	682	9%	463	60%	910	1,424	56%
Gross margin (%)	17%	17%	N.A.	26%	N.A.	25%	17%	N.A.
SG&A	31	31	2%	46	(31%)	87	62	(29%)
EBITDA	147	135	9%	139	5%	260	282	8%
Normalised profit	115	102	13%	108	7%	197	216	10%
Net profit	115	102	13%	108	7%	197	216	10%
EPS (Bt)	1.22	1.08	13%	1.14	7%	2.10	2.30	10%

Source : Company reports and KELIVE Research estimates.

UVAN plans to build 2 power plants (VSPP) each with a capacity of of 1MW. These plants are expected to commence operations next year. Management also plans to expand crushing capacity again in 2009 and to increase by 45 tonnes FFB/hr from the current 135 tonnes FFB/hr with an investment cost of Bt150mn – Bt200mn.

Crude palm oil and fresh fruit prices



Source : Company reports and KELIVE Research estimates.

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