

Univanich Palm Oil (UVAN)

2Q07 net earnings growth of 10% to Bt118mn

◆ 2Q07 net profit increased due to strong sales growth

UVAN announced 2Q07 net earnings growth of 10% yoy and 16% qoq to Bt118mn (Bt1.22/share), in line with expectations. Sales exceeded expectations by increasing 53% to Bt954mn. This was due to increased sales prices as demand for crude palm oil for food consumption and bio-diesel remained very strong. Although fresh fruit production decreased, the company increased brought fruits. Gross margins remained stable from last quarter at 17%, but decreased from last year's 26%. This was due to UVAN purchasing CPO to fill export orders which resulted in lower margins.

◆ 2H07 should see continuing strong earnings

For 1H07, UVAN generated net profit of Bt219mn (Bt2.33/share), growth of 11% yoy, accounting for 57% of our 2007 full-year forecast of Bt384mn (Bt4.09/share). We believe UVAN's earnings will be strong over the next year as global demand for crude palm oil should support the CPO price at a high level. Nevertheless, we are maintaining our 2008 net profit of Bt406mn (EPS Bt4.32), representing an increase of 5.7%.

◆ Higher-than-expected interim dividend of Bt1.5

Given the company's strong financial position and no debt, UVAN was able to announce a better-than-expected 1H07 dividend payment of Bt1.50 a share, representing a payout ratio of 64%. We are forecasting full-year dividend at Bt3 per share, which offers a very attractive yield of 7.5%.

◆ Revised fair value to Bt43.25 and LONG-TERM BUY rating

We are maintaining UVAN's fair value estimate of **Bt43.25**, based on a 2008 PER of 10x. With strong financial position and high dividend yield of 7.5%, we are reiterating our LONG-TERM BUY rating on UVAN.

Earnings summary

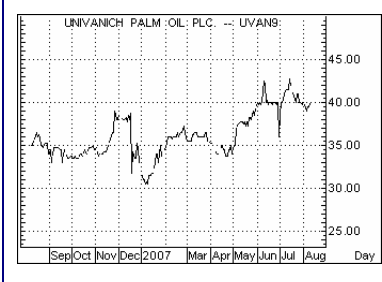
Year End Dec 31	2004	2005	2006	2007F	2008F
Sales (Btmn)	2,549	2,112	2,863	2,799	2,850
EBITDA (Btmn)	471	308	508	514	544
Normalised earnings (Btmn)	385	200	378	384	406
Earnings (Btmn)	385	200	378	384	406
Norm. EPS (Bt)*	4.10	2.13	4.02	4.09	4.32
EPS*	9.8	18.8	9.9	9.8	9.3
Norm. PER (x)	7.5	11.8	6.8	6.6	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)	43.25
Set Index	804.84

Historical Chart



Stock Information

Paid up shares (mn)	497
Par value (Bt)	1.00
Free Float (%)	64.32
Market Capitalisation (Btma)	3,760
Foreign Limit (%)	49.00

Major Shareholders

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

Analyst:

Daowadee Teera-apisakkul
daowadee@kimeng.co.th
(662) 658-6300

<http://kelive.kimeng.co.th>

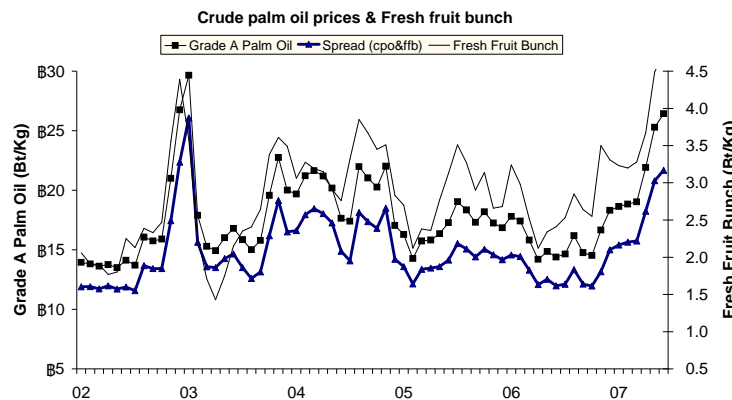
Quarterly income statement

(Bt mn)	2Q07F	1Q07	QOQ	2Q06	YOY	1H06	1H07F	YOY
Sales	894	820	9%	622	44%	1,206	1,714	42%
COG	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 establish two power plants (VSPP) with capacity of 1MW each. These plants are expected to commence operations next year. Moreover, the management plans to expand crushing factory in 2009 by adding capacity of 45 tonnes FFB/hr from the current 135 tonnes FFB/hr with an investment about Bt150mn – Bt200mn.

Crude palm oil price and fresh fruit bunch



Source : Company reports and KELIVE Research estimates.

Singapore

Kim Eng Securities
(Private) Limited
(Member of the SES)
9 Temasek Boulevard
#39-00 Suntec Tower 2
Singapore 038989
Telephone: 65 6336 9090
Telex: KESECS RS 25871
& RS 21857
Facsimile: 65 6339 6003

London

Kim Eng Securities
(London) Limited
(Member of the FSA)
6th Floor, 20 St. Dunstan's Hill
London EC3R 8HY, UK
Telephone: 20 7621 9298
Dealers' telephone: 20 7626 2828
Facsimile: 20 7283 6674

New York

Kim Eng Securities USA Inc
(Member of the NASD)
406, East 50th Street
New York, NY 10022
U.S.A.
Telephone: 212 688 8886
Facsimile: 212 688 3500

Hong Kong

Kim Eng Securities
(Hong Kong) Limited
(Exchange Participant)
Room 1901, Bank of America
Tower 12 Harcourt Road
Central, Hong Kong
Telephone: 852 2810 7755
Telex: KIMEN HX 68698
Facsimile: 852 2877 0104

Malaysia

Kim Eng Research Sdn Bhd
(Formerly known as
Mutual Scope Sdn Bhd)
Co. No. 274244V
Suite 16.02, 16th Floor
Kompleks Antarabangsa
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia
Telephone: 603 2141 1555
Facsimile: 603 2141 1045

Indonesia

PT Kim Eng Securities
9th Floor, Deutsche Bank Bldg
Jl. Imam Bonjol 80
Jakarta 10310
Indonesia
Telephone: 62 21 3983 1360
Facsimile: 62 21 3983 1361

Philippines

ATR-Kim Eng Securities, Inc.
(Member of the PSE)
17th Floor Tower One &
Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines
Telephone: 63 2 849 8888
Facsimile: 63 2 848 5738

Thailand

Kim Eng Securities (Thailand)
Limited
(Member of the SET)
The Offices at Central World,
20-21st Floor,
999/9 Rama I Road,
Pathumwan, Bangkok 10330
Thailand
Telephone: 66 2 658 6300
Facsimile: 66 2 658 6384

Taiwan

Yuanta Core Pacific Securities
11/F, No 225, Nanking East Rd
Section 3 Taipei
Taiwan
Telephone: 63 2 849 8888
Facsimile: 63 2 848 5738

South Korea

Kim Eng Research Pte Ltd
Korea Liaison Office
17th Floor Kyobo Securities
Building
26-4 (Uisadangno 93)
Youido-Dung, Yongdungpo-Gu
Seoul, Korea 150-737
Telephone: 82 2 3775 2268
Facsimile: 82 2 3775 2309

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