

COMPANY REPORT

Univanich Palm Oil (UVAN)

As expected, 2Q06 earnings grew 69% yoy

UVAN announced impressive 2Q06 earnings growth of 69% yoy to Bt108mn (EPS Bt1.14). The strong earnings growth was due to 1) the fresh fruit production from the company's own plantation increased 2) the extraction rate was significantly higher and 3) the average fresh fruit purchasing prices decreased 10% yoy.

UVAN's 2Q06 revenue grew only 7% qoq to Bt622mn due to a decrease in selling prices. However, since cost of goods sold increased only 4% qoq to Bt463mn, the company's gross margins widen significantly to 26% from 23% in 1Q06.

In 2H06, we believe the results will soften from 1H06 given the general low season of the palm oil business. However, we expect UVAN will still show the strong year-on-year earnings growth. We are maintaining our full-year 2006 net profit forecast of Bt337mn (Bt3.58 per share), up 68%. Gross margins are expected to widen to 23% this year from 17% last year.

The company announced to pay an interim dividend of Bt1.25 per share, XD date on August 22. We still forecast the full-year dividend of Bt3 per share which offers an 8.5% dividend yield.

Based on 2006 PER of 11x, we estimate UVAN fair value at Bt39.5. The current share price offers an 11% upside to our target price and an attractive dividend yield. We are recommending **LONG-TERM BUY** on UVAN.

Earnings summary

	2003	2004	2005	2006F	2007F
Sales (Btmn)	1,955	2,549	2,112	2,264	2,427
EBITDA (Btmn)	487	471	308	455	413
Normalised earnings (Btmn)	400	385	200	337	284
Earnings (Btmn)	400	385	200	337	284
EPS (Bt)	4.26	4.10	2.13	3.58	3.02
PER (x)	8.3	8.7	16.7	9.9	11.8
EV/EBITDA (x)	6.2	6.6	10.4	6.9	7.8
Free cash flow (Btmn)	325	148	180	270	198
CF/share (Bt)	4.5	4.7	3.6	4.7	3.8
BVPS (Bt)	11.2	12.5	11.6	13.2	13.2
P/BV (x)	3.2	2.8	3.1	2.7	2.7
DPS (Bt)	3.50	3.00	2.00	3.00	3.00
Dividend yield (%)	9.9%	8.5%	5.6%	8.5%	8.5%
Net debt/equity (X)	cash	cash	cash	cash	cash
ROA (%)	40%	30%	16%	26%	20%
ROE (%)	50%	35%	18%	29%	23%
Gross margin (%)	28%	21%	17%	23%	19%

Source: Company reports and KELIVE Research estimates.

Thailand

Agribusiness

15 August 2006

LONG-TERM BUY

Price (Bt)	35.50
Target (Bt)	39.50
SET Index	708.42

Historical Chart



Stock Information

Paid up shares (mn)	94
Par value (Bt)	5.00
Free Float (%)	29.63
Market Capitalisation (Btmn)	3,337
Foreign Limit (%)	49.00

Major Shareholders

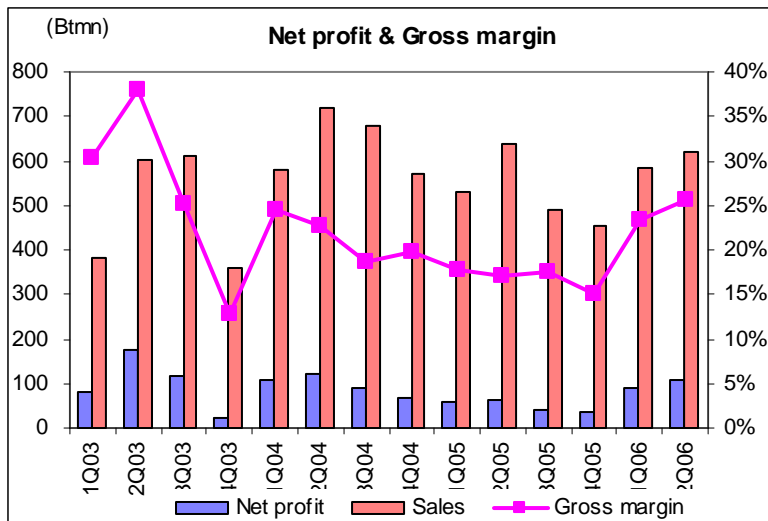
Apirak Vanich (%)	18.71
Albouys Nominees (%)	11.53
Chantip Vanich (%)	9.69

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UVAN Quarterly earning

(Bt mn)	2Q06	1Q06	QOQ	2Q05	YOY	1H05	1H06	YOY
Sales	622	583	7%	639	(3%)	1,169	1,206	3%
COG	463	447	4%	529	(13%)	965	910	-6%
Gross margin (%)	26%	23%	N.A.	17%	N.A.	17%	25%	N.A.
SG&A	46	42	10%	42	10%	78	87	11.4%
EBITDA	139	121	15%	93	50%	177	260	47%
Normalised profit	108	90	20%	64	69%	123	197	61%
Net profit	108	90	20%	64	69%	123	197	61%
EPS (Bt)	1.14	0.95	20%	0.68	69%	1.31	2.10	61%

Source: Company reports and KELIVE Research estimates.



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