

Univanich Palm Oil (UVAN)

LONG-TERM BUY

Earnings climbing in 3Q06

◆ **We expect the 3Q06 net profit to be robust from increased production**
We forecast the 3Q06 net profit to reach Bt71mn (EPS Bt0.76) for growth of 67% yoy from an increase in fresh fruit production, even though earnings will drop from last quarter, as this is normal and due to the off season for palm oil. The gross margin will widen to 18.8% from 17.5% last year as higher production has eased competition for fresh fruit from competitors.

◆ **Strong demand for palm oil**
Next year, we expect demand for palm oil to rise from 1) higher household demand for edible oils and 2) greater demand for bio-diesel fuels. These items will support crude palm oil prices for 2007.

◆ **Expect 2007 earnings to weaken from lower crop harvests**
We forecast a conservative 2007 net profit which may decline 11% to Bt302mn (EPS Bt3.21) due to expected lower fresh fruit production effected by the 2005 drought that destroyed some palm oil plants.

◆ **Strong financials and attractive dividend yield**
We are reiterating our LONG-TERM BUY on UVAN supported by the strong financial position with net cash and the very high dividend yield of 8.9%. Furthermore, the current share price offers a 17% upside to our target price of Bt39.50 per share and based on a 2006 PER of 11x.

Earnings summary

Year End Dec 31	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	340	302
Earnings (Btmn)	400	385	200	340	302
EPS (Bt)	4.26	4.10	2.13	3.61	3.21
PER (x)	7.9	8.2	15.9	9.3	10.5
EV/EBITDA (x)	5.9	6.3	9.9	6.3	7.0
Free cash flow (Btmn)	325	148	180	359	272
CF/share (Bt)	4.5	4.7	3.6	4.7	3.7
BVPS (Bt)	11.2	12.5	11.6	13.2	13.4
P/BV (x)	3.0	2.7	2.9	2.6	2.5
DPS (Bt)	3.50	3.00	2.00	3.00	3.00
Dividend yield (%)	10.4%	8.9%	5.9%	8.9%	8.9%
Net debt/equity (X)	cash	cash	cash	cash	cash
ROA (%)	40%	30%	16%	26%	22%
ROE (%)	50%	35%	18%	29%	24%
Gross margin (%)	28%	21%	17%	23%	20%

Source : Company reports and KELIVE Research estimates.

Earning preview

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Price (Bt)	33.75
Target (Bt)	39.50
SET Index	717.11

Historical Chart



Stock Information

Paid up shares (mn)	94
Par value (Bt)	5.00
Free Float (%)	32.85
Market Capitalisation (Btmn)	3,127
Foreign Limit (%)	49.00

Major Shareholders

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

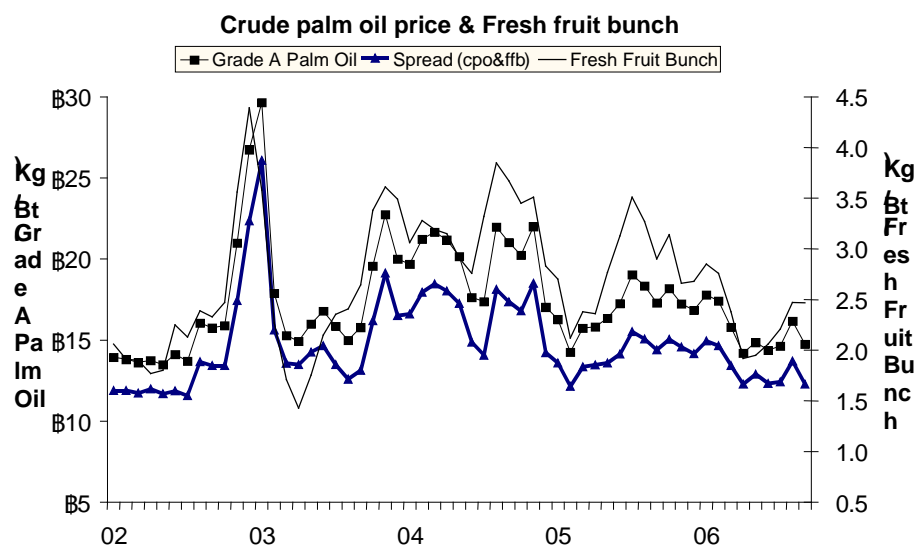
In 3Q06, the average FFB price improved to Bt2.38 per kilo from Bt1.98 last quarter. Crude palm oil prices have increased to Bt15.20 per kilo from Bt14.50 per kilo last quarter. These rises were due to the passing of the first harvest season.

In 4Q06, we expect earnings to drop when compared with the third quarter, as this will be the low season, however, it should be better than last year.

UVAN Quarterly income statement

(Btmn)	3Q06F	2Q06	QoQ	3Q05	YoY	9M06F	2005	2006F
Sales	611	622	(2%)	488	25%	1,817	2,112	2,264
COGS	497	463	7%	403	23%	1,407	1,728	1,721
Gross margin (%)	18.8%	25.6%	N.A.	17.5%	N.A.	22.6%	18.2%	24.0%
SG&A	40	46	(13%)	38	3%	127	149	159
EBITDA	101	139	(28%)	72	40%	361	308	455
Normalised profit	71	108	(34%)	43	67%	269	200	337
Net profit	71	108	(34%)	43	67%	269	200	337
EPS (Bt)	0.76	1.14	(34%)	0.45	67%	2.86	2.13	3.58

Source: Company reports and KELIVE Research estimates.



Source: Department of Internal Trade

Income statement

(Btmn)	2003	2004	2005	2006F	2007F
Sales	1,955	2,549	2,112	2,264	2,427
Other income	5	3	6	4	5
Total revenues	1,959	2,552	2,118	2,269	2,432
Cost of goods sold	1,338	1,929	1,655	1,650	1,844
Depreciation and amortisation	71	77	99	101	98
SG&A and others expenses	135	153	154	164	175
EBIT	416	394	209	354	315
Interest expenses	1	-	0	-	-
EBT	415	394	209	354	315
Minority interest	-	-	-	-	-
Equity acc. + extraordinary gains	-	-	-	-	-
Net profit	400	385	200	340	302

Source : Company reports and KELIVE Research estimates.

Balance sheet

(Btmn)	2003	2004	2005	2006F	2007F
ASSETS					
Cash & deposits	395	224	129	300	274
Accounts receivable	63	67	71	74	80
Inventory	104	146	61	103	115
Other current assets	2	1	1	1	2
Total current assets	564	439	262	479	470
Investments	-	-	-	-	-
Property, plant and equipment	515	729	787	766	748
Other assets	162	165	165	165	165
Total Assets	1,241	1,333	1,214	1,410	1,383
LIABILITIES					
OD + current portion of L-T debt	80	-	-	-	-
Account payable + trust receipt	16	57	16	57	25
Other current liabilities	49	60	60	63	65
Total current liabilities	145	117	76	120	73
Long term debts	45	44	48	48	48
Total liabilities	190	160	124	167	121
SHAREHOLDERS' EQUITY					
Shares + warrants	470	470	470	470	470
Premium on shares	268	268	268	268	268
Retained earnings + revaluation	313	435	353	505	525
Total shareholders' equity	1,051	1,173	1,091	1,242	1,262
Total liabilities and equity	1,241	1,333	1,214	1,410	1,383

Source : Company reports and KELIVE Research estimates.

Statement of cash flow

(Btmn)	2003	2004	2005	2006F	2007F
Net profit	400	385	200	340	302
+ Depreciation & amortisation	71	77	99	101	98
- Sales of fixed assets	-	-	-	-	-
+ Decrease in working capital	(50)	5	41	(2)	(48)
+ Others	(3)	(26)	(4)	-	-
Operating cashflows	418	441	337	439	352
Purchase of fixed assets	(94)	(293)	(157)	(80)	(80)
Investment in affiliated	1	(0)	(1)	-	-
Other investing activities	3	32	8	-	-
Investing cashflows	(90)	(262)	(150)	(80)	(80)
Payment of dividend	(228)	(263)	(282)	(188)	(282)
Equity Increase	323	-	-	-	-
Other debt financing	(368)	170	-	(171)	26
Internal financing cashflows	(273)	(94)	(282)	(359)	(256)
External financing	(56)	(86)	95	(0)	(16)
Issuing debentures and CDs	-	-	-	-	-
Borrowing from banks	(56)	(86)	95	(0)	(16)

Source : Company reports and KELIVE Research estimates.

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