

COMPANY REPORT

Univanich Palm Oil (UVAN)

1Q06 earnings to recover 35% yoy

We expect Univanich Palm Oil (UVAN) to report 1Q06 earnings growth of 35% yoy and 129% qoq to Bt80mn (EPS Bt0.85/share). The gross margin is expected to widen to 19% from 18% last year. This is due to better growing weather that increased palm fruit production. Moreover, crude palm oil (CPO) and crude palm kernel oil (CPKO) prices grew 10% and 20% yoy, respectively, due to larger world demand for bio-diesel fuel that supported palm oil prices at a high level.

In 2006, we expect UVAN fresh fruit production will increase due to the young palms that have come into production that will help UVAN reduce reliance on FFB purchased on the open market from farmers. Therefore, the gross margin should be better than last year. We estimate the UVAN net profit will be Bt337mn (EPS Bt3.59 per share) for growth of 69%. The gross margin should widen to 19%, up from 17% last year.

We also estimate the 2006 full-year dividend payment to be Bt3 per share, offering a very attractive yield of 8.5% at the current share price.

We estimate the fair value at **Bt36** based on a 2006 PER of 10x. UVAN shares have jumped 13.6% over the last 3 days in expectation the company will benefit from hikes in oil prices that makes alternative fuels are more interesting. The current share price is trading on 2006 PER of 9.9x. Although the share is trading near our target price, the high dividend yield leads us to maintain our **LONG-TERM BUY** recommendation for UVAN.

Earnings summary

	2003	2004	2005	2006F	2007F
Sales (Btmn)	1,955	2,549	2,112	2,586	2,773
EBITDA (Btmn)	487	471	308	458	525
Normalised earnings (Btmn)	400	385	200	337	391
Earnings (Btmn)	400	385	200	337	391
EPS (Bt)	4.26	4.10	2.13	3.59	4.16
PER (x)	8.3	8.7	16.7	9.9	8.5
EV/EBITDA (x)	6.2	6.6	10.4	6.8	5.9
Free cash flow (Btmn)	325	148	180	262	290
CF/share (Bt)	4.5	4.7	3.6	4.6	4.7
BVPS (Bt)	11.2	12.5	11.6	13.2	14.4
P/BV (x)	3.2	2.8	3.1	2.7	2.5
DPS (Bt)	2.80	3.00	2.00	3.00	3.00
Dividend yield (%)	7.9%	8.5%	5.6%	8.5%	8.5%
Net debt/equity (X)	cash	cash	cash	cash	cash
ROA (%)	40%	30%	16%	26%	27%
ROE (%)	50%	35%	18%	29%	30%
Gross margin (%)	28%	21%	17%	19%	20%

Source: UVAN reports and KELIVE Research estimates.

Thailand

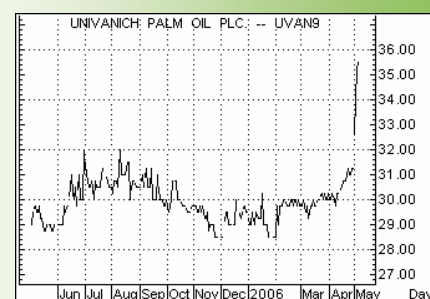
Agribusiness

8 May 2006

LONG-TERM BUY

Price (Bt)	35.50
Target (Bt)	36.00
SET Index	768.22

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

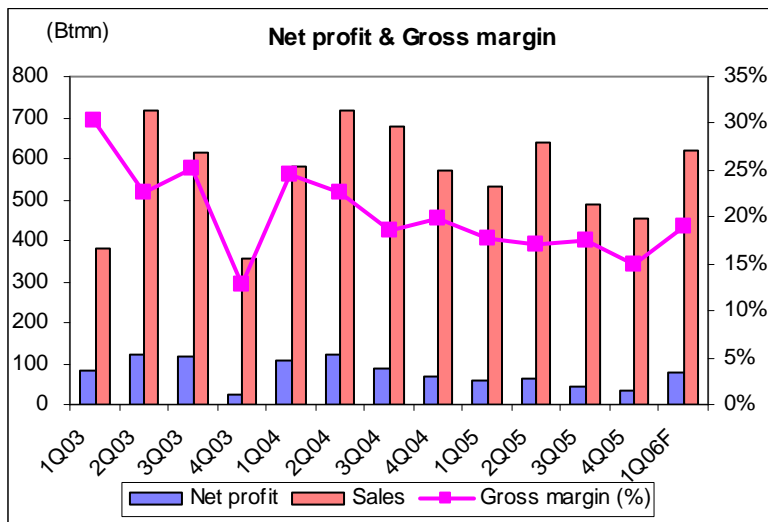
Apirak Vanich (%)	18.71
Albouys Nominees (%)	11.53
Chantip Vanich (%)	9.69

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Quarterly income statement

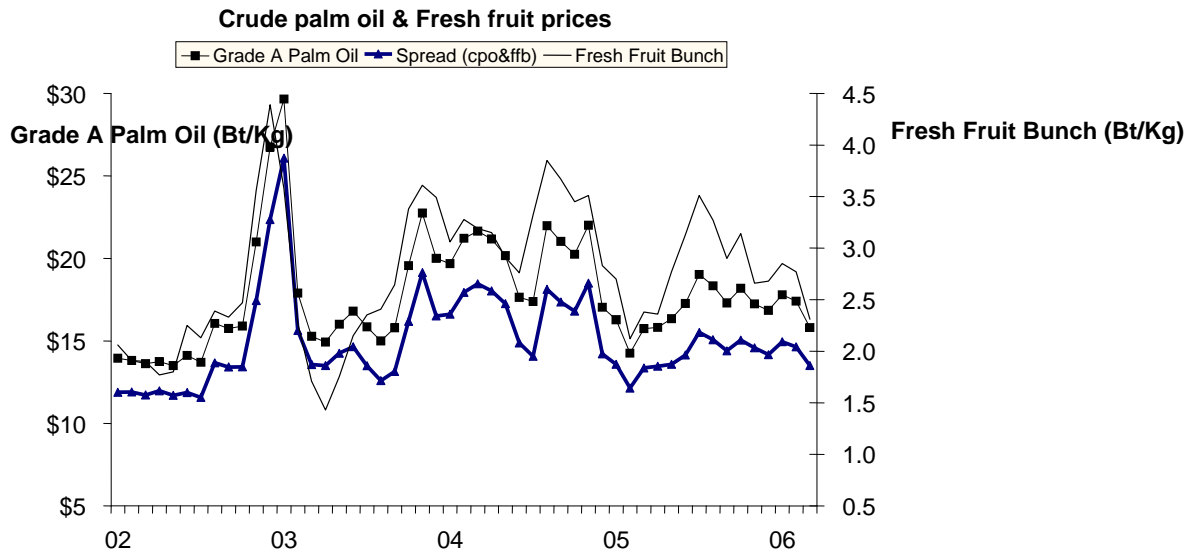
(Bt mn)	1Q06F	4Q05	QoQ	1Q05	YoY	2005	2006F
Sales	621	455	36%	530	17%	2,112	2,586
COGS	502	387	30%	436	15%	1,755	2,086
Gross margin (%)	19%	15%	N.A.	18%	N.A.	17%	19%
SG&A	37	32	15%	37	1%	149	153
EBITDA	110	60	84%	83	31%	308	458
EBITDA margin (%)	18%	13%	N.A.	16%	N.A.	15%	18%
Interest expense	-	-	N.A.	-	N.A.	0.02	-
Normalised profit	80	35	129%	59	35%	200	337
Net profit	80	35	129%	59	35%	200	337
EPS (Bt)	0.85	0.37	129%	0.63	35%	2.1	3.6

Source: UVAN reports and KELIVE Research estimates.



Source: UVAN reports and KELIVE Research estimates.

In 1Q06, the average CPO price, of Bt17 per kilo, increased 10.24% yoy and CPKO prices, of Bt23 per kilo, increased 20% yoy. The average margin spread between CPO and FFB was a rise of 10.26% yoy to Bt14.36 per kilo from Bt13.03 per kilo. We still believe strong world demand for alternative fuels will support CPO prices at a high level through this year.



Source: Department of Internal Trade.

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