

COMPANY REPORT

Univanich Palm Oil (UVAN)

Impressive 1Q06 results from higher yields

Univanich Palm Oil (UVAN) announced impressive 1Q06 earnings growth 52% yoy to Bt90mn (EPS Bt0.95), and better than our expectations. The gross margins widen impressively to 23% from 18% last year. This was due to higher production amounts and better extraction rates.

Furthermore, CPO and CPKO prices have increased 10% and 20% yoy, respectively, due to higher world demand for bio-diesel fuels that supported palm oil prices at a high level.

For the second quarter, we believe earnings are continuing to be strong and should be better than last year due to higher production, although, in the second quarter, CPO sales prices have weakened due to the harvest season. UVAN does have the opportunity to export products, if domestic prices are lower than export prices.

We are maintaining our 2006 net profit forecast of Bt337mn (EPS Bt3.59), growth of 69%. The gross margin is expected to continue to widen to 19% from 17% last year.

The year 2005 was a most difficult year for the palm oil business. However, UVAN operating performance was much better than other palm oil businesses. Moreover, the UVAN financial position is very strong with no debt. We estimate the full-year dividend payment to be Bt3 per share, which offers a very attractive yield of 8.3% at the current share price.

We value UVAN, base on a 2006 PER of 11x, as we believe UVAN should trade on a premium. We estimate the company fair value at **Bt39.5** per share. The UVAN share price is now trading on a 2006 PER of 10.1x. With strong earnings growth prospects, we are maintaining 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)	8.5	8.8	17.0	10.1	8.7
EV/EBITDA (x)	6.4	6.8	10.6	7.0	6.1
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	2.9	3.1	2.7	2.5
DPS (Bt)	3.50	3.00	2.00	3.00	3.00
Dividend yield (%)	9.7%	8.3%	5.5%	8.3%	8.3%
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

15 May 2006

LONG-TERM BUY

Price (Bt)	36.25
Target (Bt)	39.50
SET Index	782.50

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

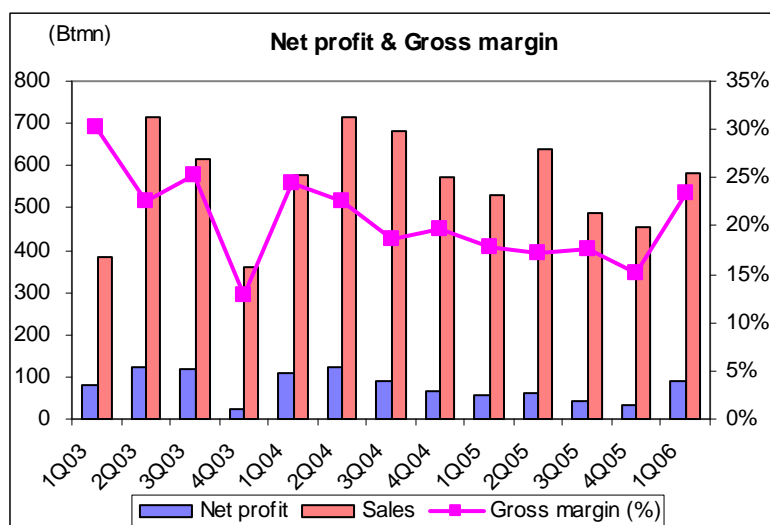
Apirak Vanich (%)	18.71
Albouys Nominees (%)	11.53
Chantip Vanich (%)	9.69

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Quarterly income statement

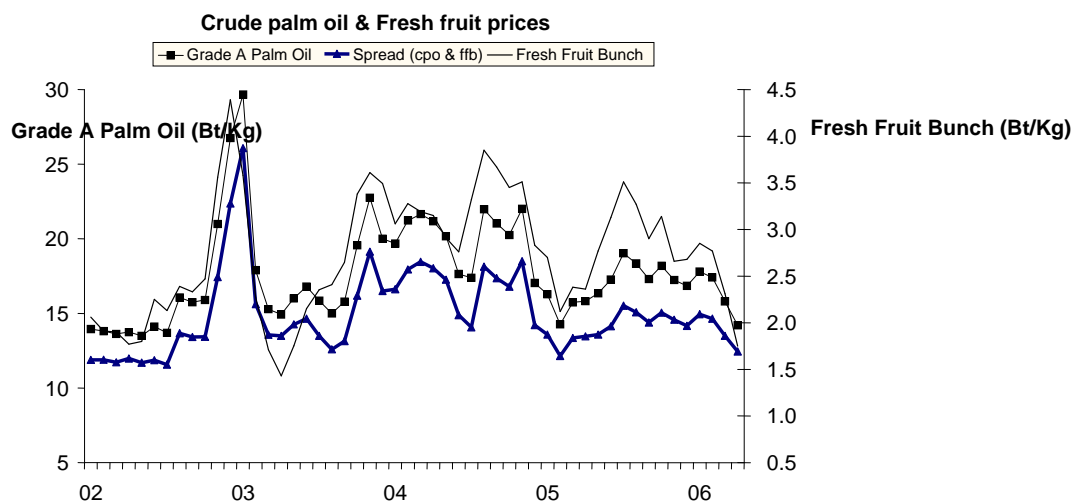
(Bt mn)	1Q06	4Q05	QOQ	1Q05	YOY	2005	2006F
Sales	583	455	28%	530	10%	2,112	2,586
COGS	447	387	16%	436	3%	1,755	2,086
Gross margin (%)	23%	15%	N.A.	18%	N.A.	17%	19%
SG&A	42	32	29%	37	13%	149	153
EBITDA	121	60	103%	83	45%	308	458
EBITDA margin (%)	21%	13%	N.A.	16%	N.A.	15%	18%
Interest expense	-	-	N.A.	-	N.A.	0.02	-
Net profit	90	35	158%	59	52%	200	337
EPS (Bt)	0.95	0.37	158%	0.63	52%	2.1	3.6

Source: UVAN reports and KELIVE Research estimates.



Source: UVAN reports and KELIVE Research estimates.

In April 2006, the average FFB price dropped sharply by 24% to Bt1.75 per kilo from Bt2.31 in March. Crude palm oil prices dropped 10% to Bt14.2 per kilo from Bt15.8 per kilo in March. This was due to the beginning of the harvest season.



Source: Department of Internal Trade.

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