

COMPANY REPORT

Univanich Palm Oil Plc. (UVAN)

Palm oil industry boom do to biodiesel

We still prefer UVAN from the expected strong earning growth potential supported by 1) fresh fruit supplies, expected to increase 6% yoy, that will reduce competition between crushing mills, 2) crude palm oil (CPO) prices that are trending stable due to rising world demand for biodiesel fuels and 3) strong export and domestic demand for UVAN's high quality palm seeds, as palm plantings increase around the world.

In 2006, the weather has been fortunate for UVAN fresh fruit production from their own estates and recent plantings of young palms that have come into production helps UVAN lessen competition for FFB. We forecast UVAN total CPO production growth at 16% over last year. We expect the 2006 net profit to jump 69% to Bt337mn (Bt3.59 per share). The gross margin is expected to increase to 19% from 17% last year.

We also expect a dividend payment of Bt3 per share, which offers a very attractive yield of 9.9% at the current share price.

We estimate the fair value of UVAN at **Bt36** based on a 2006 PER of 10x. The current share price is on a PER of 8.4x, which offers a 19% upside to our target price along with the high dividend yield. 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)	7.1	7.4	14.2	8.4	7.3
EV/EBITDA (x)	5.2	5.6	8.8	5.8	5.0
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)	2.7	2.4	2.6	2.3	2.1
DPS (Bt)	2.80	3.00	2.00	3.00	3.00
Dividend yield (%)	9.3%	9.9%	6.6%	9.9%	9.9%
Net debt/equity (X)	cash	cash	cash	cash	cash
ROA (%)	40%	30%	16%	26%	26%
ROE (%)	50%	35%	18%	29%	30%
Gross margin (%)	28%	21%	17%	19%	20%

Source : Company reports and KELIVE Research estimates.

Thailand

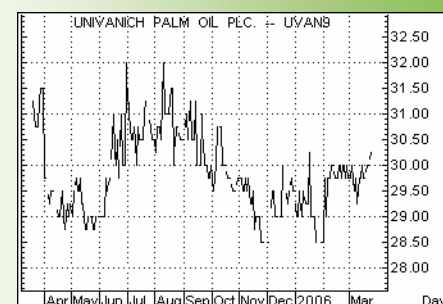
Agribusiness

27 March 2006

LONG TERM BUY

Price (Bt)	30.25
Target (Bt)	36.00
SET Index	730.85

Historical Chart



Stock Information

Paid up shares (mn)	94
Par value (Bt)	10.00
Free Float (%)	29.63
Market Capitalisation (Btmn)	2,844
Foreign Limit (%)	49

Major Shareholders

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

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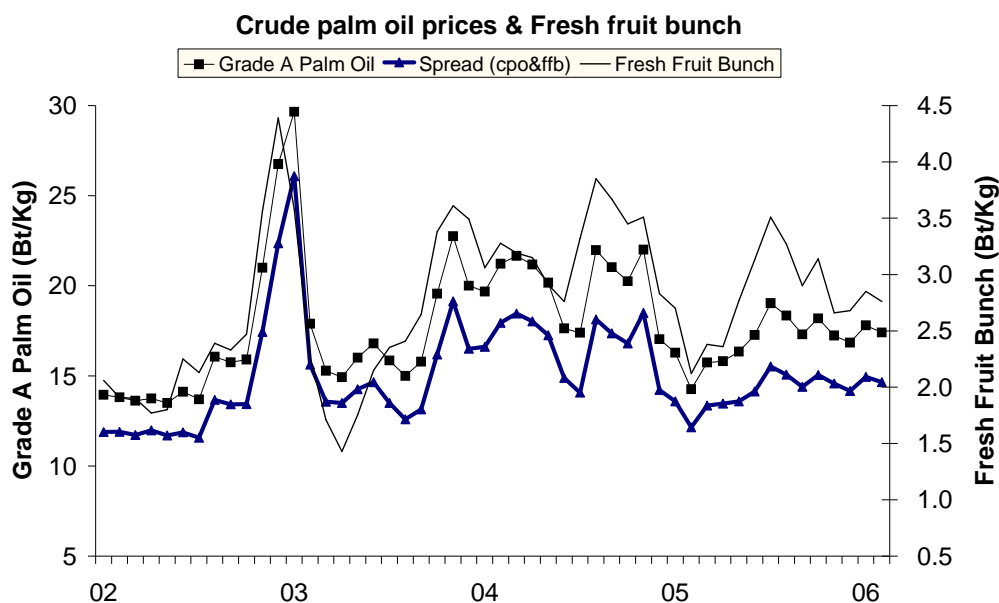
UVAN reported a 2005 net profit of Bt200mn (Bt2.13/share), a drop 48% yoy. These weak earnings were effected by the seasonal drought that reduced the volume of fresh fruit and narrowed crushing margins in an expanded crushing industry. The gross margins narrowed from 21% to 17%.

Quarterly income statement

(Bt mn)	4Q05	3Q05	QOQ	4Q04	YOY	2004	2005
Sales	455	488	(7%)	573	(20%)	2,549	2,112
COG	387	403	(4%)	459	(16%)	2,005	1,755
Gross margin (%)	15%	18%	N.A.	20%	N.A.	21%	17%
SG&A	32	38	(16%)	38	(15%)	147	149
EBITDA	59.6	71.9	(17%)	93.7	(36%)	471	308
Interest expense	-	0	N.A.	0.00	N.A.	-	0
Normalised profit	35	43	(18%)	68	(49%)	385	200
Net profit	35	43	(18%)	68	(49%)	385	200
EPS (Bt)	0.37	0.45	(18%)	0.26	43%	4.10	2.13

Source: UVAN and KELIVE Research estimates

In 2005, the Office of Agricultural Economics reported that palm plantation areas increase by 7% yoy to 1.9mn rai with fresh fruit production of 5.18mn tonnes or a rise of 5.7% yoy. However, productivity (production per rai) decreased 2% yoy due to the drought effect. For 2006, the Office expects palm plantation areas to increase to 2mn rai with fresh fruit production of 5.51mn tonnes. This growth will be from the government efforts to promote biofuels and biodiesel projects.



Source: Department of Internal Trade

In 2005, the margin spread between fresh fruit and CPO narrowed from 2004 owing to competition among crushing mills for fresh fruit stocks, while domestic CPO prices did not increase as fresh fruit from Malaysia caused CPO prices to stay at low levels.

In 2006, we believe the demand for palm oil will rise as world consumption is expected to grow due to rising demand for biofuels. This will affect world CPO prices and more stability in prices will follow along with some uptrend that will decrease the gap between domestic and world prices.

Recently, fresh fruit bunch (FFB) prices have sharply dropped from earlier this month at Bt2.5 – 2.7 per kilo down to Bt2.2 per kilo at the start of the harvest season.

Income Statement

(Btmn)	2003	2004	2005	2006F	2007F
Sales	1,955	2,549	2,112	2,586	2,773
Other income	5	3	6	4	5
Total revenues	1,959	2,552	2,118	2,590	2,778
Cost of Goods sold	1,338	1,929	1,655	1,979	2,089
Depreciation	71	77	99	106	117
SG&A and Others Expenses	135	153	154	153	164
EBIT	416	394	209	352	408
Interest expenses	1	-	0	-	-
EBT	415	394	209	352	408
Minority Interest	-	-	-	-	-
Equity Acc. + Extra. Gains	-	-	-	-	-
Net profit	400	385	200	337	391

Source : Company reports and KELIVE Research estimates.

Balance Sheet

(Btmn)	2003	2004	2005	2006F	2007F
ASSETS					
Cash & deposits	395	224	129	203	212
Accounts receivable	63	67	71	85	91
Inventories	104	146	61	124	131
Other current assets	2	1	1	2	2
Total current assets	564	439	262	413	435
Investments	-	-	-	-	-
Property, plant and equipment	515	729	787	849	887
Other assets	162	165	165	165	165
Total Assets	1,241	1,333	1,214	1,428	1,487
LIABILITIES					
OD + current portion of L-T debt	80	-	-	-	-
Account payable + trust receipt	16	57	16	71	21
Other current liabilities	49	60	60	69	69
Total current liabilities	145	117	76	140	90
Long term debts	-	-	-	-	-
Debentures + CDs	-	-	-	-	-
Other liabilities	45	44	48	48	48
Total liabilities	190	160	124	188	137
Minority interest	-	-	-	-	-
SHAREHOLDERS' EQUITIES					
Shares + warrants	470	470	470	470	470
Premium on shares	268	268	268	268	268
Retained earnings + revaluation	313	435	353	503	612
Total shareholders' equity	1,051	1,173	1,091	1,240	1,349
Total liabilities and equity	1,241	1,333	1,214	1,428	1,487

Source : Company reports and KELIVE Research estimates.

Statement of Cash Flow

(Bt mn)	2003	2004	2005	2006F	2007F
Net profit	400	385	200	337	391
+ Depreciation & amortization	71	77	99	106	117
- Sales of fixed assets	-	-	-	-	-
+ Decrease in working capital	(50)	5	41	(13)	(63)
+ Others	(3)	(26)	(4)	-	-
Operating cashflows	418	441	337	431	445
Purchase of fixed assets	(94)	(293)	(157)	(169)	(155)
Investment in affiliated	1	(0)	(1)	(27)	(32)
Other investing activities	3	32	8	-	-
Investing cashflows	(90)	(262)	(150)	(195)	(187)
Payment of dividend	(228)	(263)	(282)	(188)	(282)
Equity Increase	323	-	-	-	-
Other debt financing	(368)	170	-	(48)	24
Internal financing cash flows	(273)	(94)	(282)	(236)	(258)
External financing	(56)	(86)	95	-	-
Issuing debentures and CDs	-	-	-	-	-
Borrowing from banks	(56)	(86)	95	-	-

Source : Company reports and KELIVE Research estimates.

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