

Trading Buy (unchanged)

Universal Absorbents (UAC) New CBG project under development

CGR Scoring Rating 

Share price: Bt8.80
 Target price: Bt8.50 (from Bt8.80)

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Stock Information

Description : The Company supplies various kinds of chemical, catalysts, base oils and equipments to serve higher demand in petrochemicals, oil & gas, refineries, polymer, plastic, chemicals, power and utilities plants as well as investment in renewable and alternative energy and utilities system.

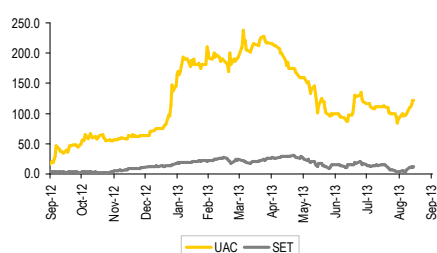
Ticker :	UAC
Shares Issued (m):	553
Market Cap (Btmn)	4,868
Market Cap (US\$m)	153.96
3-mth Avg. Daily Turnover (Btmn)	2.44
SET INDEX	1,401.08
Free float (%)	33.78

Major Shareholders : %
 Mr. KITTI JIVACATE 54.24
 Miss NILRAT JARUMANOPAS 4.48

Key Indicators

ROE – annualised (%)	16.6
Net cash (Btmn):	-311
NTA/shr (Btmn):	1.3
Interest cover (x):	11.6

Historic Chart



Performance

52-week High/Low	Bt13.70/Bt3.92				
	1-mth	3-mth	6-mth	1-yrs	YTD
Absolute (%)	4.8	4.1	-22.9	122.0	36.3
Relative (%)	9.2	8.9	-12.1	99.3	35.4

Project progress is the key. We reiterate a Trading Buy call as the current share price should reflect the upside from the CBG projects already. However, with the delay of new CBG projects and the lower-than-estimated gross profit margin (GPM) in 1H13, we have cut the 2013 profit forecast down 28%. As the 30% of TP value comes on the 20 new CBG projects, any delay will be a risk on our TP.

The CBG and PPP will contribute revenue soon. The CBG projects in Chiang Mai province have started to generate gas sold to PTT since July. The PPP project in Sukothai province is finished and is awaiting licensing before start up in September.

Expansion on the BBF is on the table. In 2013, BBF (biodiesel unit) has been running at full capacity and the plan to upgrade biodiesel to B7 for Thailand will significantly increase demand on B100, as well. Hence, UAC plans to add another BBF plant, raising the total capacity up 1.2x to 810,000 litres/day (2nd largest in the country from 5th, currently). This will also provide a better economy of scale benefit to UAC. By products (raw glycerine) will also add another Bt200mn revenue for the chemical trading unit (or 20% of current revenue).

3Q13 earnings to improve. Management has revealed the GPM is expected to improve, driven by delivery of high quality GPM products (trading business) to clients. Moreover, we estimate a high GPM from the CBG and PPP projects of around 22-35% to help drive the overall GPM up from the low at 18% in 2Q13 which was far below the previous year average of 23.9%.

Cut 2013 profit down 28% to Bt135mn. With slow 1H13 earnings growth and a poor GPM, we have cut the 2013 GPM assumption from 24.7% to 19.7% (vs. 18.6% in 1H13) and have also raised the SG&A expense up 11.3% of total revenue (from 6.9%) after SG&A spiked 42% YoY in 1H13 on hiring staff for the renewable energy projects in the future.

TP still mainly on future projects. The development of 20 new CBG projects has been much slower than estimated due to the limitations of capital. However, after partnering with Maccaferri, an expert in renewable energy development in Italy, the UAC projects will see faster development. Due to a delay in cash flow, the target price has dropped 4% to Bt8.50/share and we reiterate a Trading Buy call.

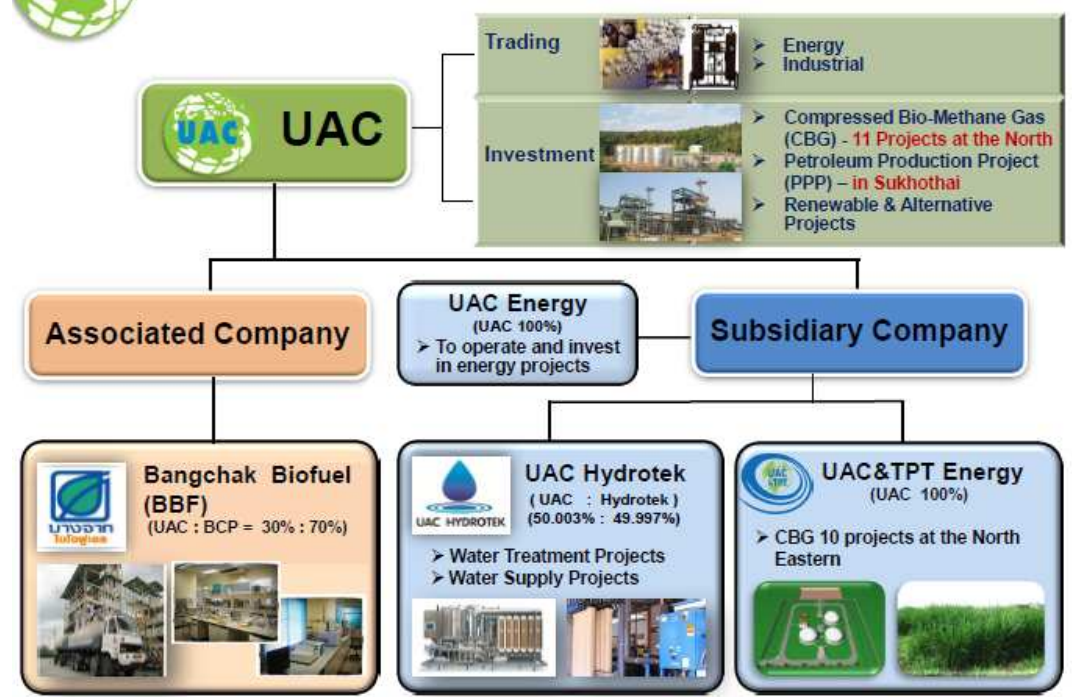
Risks. If UAC does not develop more CBG projects, apart from the current ones, our TP will drop to Bt5.90/share.

UAC – Summary Earnings Table

FYE: Dec 31 (Btmn)	2011	2012	2013F	2014F	2015F
Revenue	958	812	1,006	1,486	2,104
EBITDA	82	109	123	354	541
Recurring Net Profit	80	117	135	245	376
Net profit	80	117	135	245	376
EPS (Bt)	0.20	0.29	0.24	0.44	0.68
EPS growth (%)	(44.4)	45.0	(15.6)	80.7	53.7
DPS (Bt)	0.42	0.11	0.09	0.17	0.26
PER	44.0	30.3	36.0	19.9	12.9
EV/EBITDA (x)	42.1	34.0	42.1	15.1	12.5
Div Yield (%)	4.8	1.3	1.1	1.9	3.0
P/BV(x)	8.4	5.5	6.0	4.5	3.6
Net Gearing (%)	cash	cash	cash	cash	cash
ROE (%)	19.2	18.3	16.6	22.7	28.2
ROA (%)	15.5	11.5	10.0	12.4	10.4
Cons. Net Profit (Btmn)	-	-	-	-	-

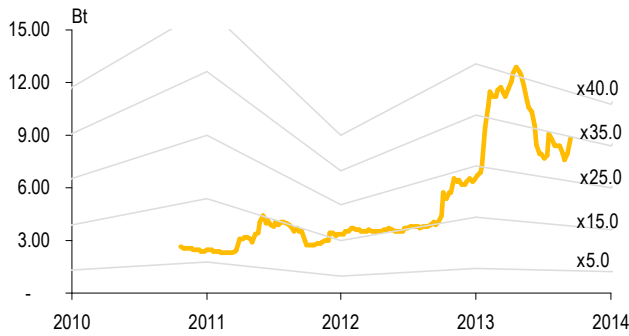
Source: Company reports and MBKET estimates.

Figure 1 : Business Overview



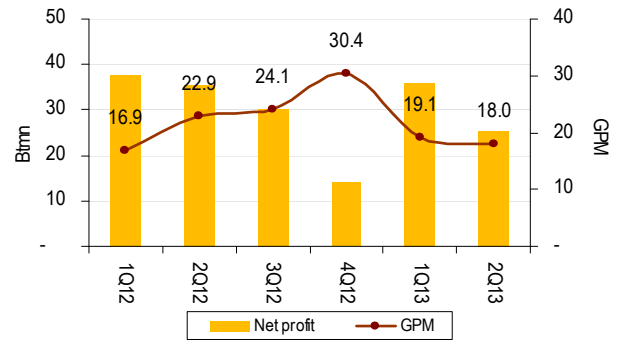
Source: UAC

Figure 2 : UAC share price vs. PER band



Source: Bloomberg & MBKET

Figure 3 : Net profit vs. GPM



Source: Company report & MBKET

INCOME STATEMENT (Btmn)

FY December	2012	2013F	2014F	2015F
Revenue	812	1,006	1,486	2,104
EBITDA	109	123	354	541
Depreciation & Amortisation	4	39	151	171
Operating Profit (EBIT)	106	84	203	370
Interest (Exp) / Inc	(3)	(7)	(25)	(64)
Associates	30	63	73	84
One-offs	-	-	-	-
Pre-Tax Profit	112	86	188	317
Tax	(26)	(16)	(17)	(19)
Minority Interest	2	2	2	(5)
Net Profit	117	135	245	376
Recurring Net Profit	117	135	245	376
Revenue Growth %	(15.2)	23.9	47.8	41.5
EBITDA Growth (%)	33.7	12.5	187.3	53.0
EBIT Growth (%)	33.9	(20.4)	141.0	82.8
Net Profit Growth (%)	46.1	15.5	80.7	53.7
Recurring Net Profit Growth (%)	46.1	15.5	80.7	53.7
Tax Rate %	23.7	18.1	9.2	6.0

BALANCE SHEET (Btmn)

FY December	2012	2013F	2014F	2015F
Fixed Assets	425	639	893	2,328
Other LT Assets	232	267	341	427
Cash / ST Investments	32	40	149	40
Other Current Assets	330	411	590	813
Total Assets	1,019	1,358	1,974	3,607
ST Debt	171	131	281	781
Other Current Liabilities	156	287	414	494
LT Debt	47	117	194	990
Other LT Liabilities	6	6	7	7
Minority Interest	0	90	180	180
Shareholders' Equity	639	727	899	1,156
Total Liabilities-Capital	1,019	1,358	1,974	3,607
Share Capital (mn)	400	553	553	553
Gross Debt / (Cash)	227	351	638	1,934
Net Debt / (Cash)	194	311	489	1,894
Working Capital	35	34	44	(421)
BVPS	1.60	1.48	1.95	2.41

CASH FLOW (Btmn)

FY December	2012	2013F	2014F	2015F
Profit before taxation	112	86	188	317
Depreciation	4	39	151	171
Net interest receipts / (payments)	(3)	(7)	(25)	(64)
Working capital change	(49)	(44)	(110)	(142)
Cash tax paid	(26)	(16)	(17)	(19)
Others (inc. exceptional items)	(60)	71	98	142
Cash flow from operations	(23)	130	284	404
Capex	(365)	(253)	(405)	(1,605)
Disposals / (purchases)	1	2	3	4
Others	40	(38)	(77)	(89)
Cash flow from investing	(324)	(289)	(479)	(1,690)
Debt raised / (repaid)	203	124	287	1,297
Equity raised / (repaid)	118	-	-	-
Dividends (paid)	(17)	(48)	(73)	(119)
Interest payments	(3)	(7)	(25)	(64)
Others	8	98	115	65
Cash flow from financing	309	166	304	1,178
Change in cash	(38)	7	109	(108)

RATES & RATIOS

FY December	2012	2013F	2014F	2015F
Gross Margin %	23.9	19.7	21.8	24.8
EBITDA Margin %	13.5	12.2	23.8	25.7
Op. Profit Margin %	13.0	8.4	13.6	17.6
Net Profit Margin %	14.4	13.5	16.5	17.9
ROE %	18.3	18.6	27.2	32.6
ROA %	11.5	10.0	12.4	10.4
Net Margin Ex. EI %	14.4	13.5	16.5	17.9
Dividend Cover (x)	0.4	0.4	0.4	0.4
Interest Cover (x)	38.6	11.6	8.2	5.8
Asset Turnover (x)	0.8	0.7	0.8	0.6
Asset / Debt (x)	2.7	2.5	2.2	1.6
Debtors Turn (days)	83.6	83.0	83.0	83.0
Creditors Turn (days)	68.4	68.9	68.9	68.9
Inventory Turn (days)	69.6	70.2	70.2	70.2
Net Gearing %	30.4	42.8	54.4	163.9
Debt / EBITDA (x)	3.5	4.4	2.5	4.2
Debt / Market Cap (x)	0.1	0.1	0.2	0.5

Source: Company reports and MBKET estimates.

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Adex = Advertising Expenditure	FCF = Free Cashflow	PE = Price Earnings
BV = Book Value	FV = Fair Value	PEG = PE Ratio To Growth
CAGR = Compounded Annual Growth Rate	FY = Financial Year	PER = PE Ratio
Capex = Capital Expenditure	FYE = Financial Year End	QoQ = Quarter-On-Quarter
CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
DCF = Discounted Cashflow	NAV = Net Asset Value	ROE = Return On Equity
DPS = Dividend Per Share	NTA = Net Tangible Asset	ROSF = Return On Shareholders' Funds
EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
EBITDA = EBIT, Depreciation And Amortisation	P.A. = Per Annum	YoY = Year-On-Year
EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date
EV = Enterprise Value	PBT = Profit Before Tax	

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THAI INSTITUTE OF DIRECTORS ASSOCIATION (IOD) CORPORATE GOVERNANCE REPORT RATING 2012

▲▲▲▲▲						Score Range	Number of Logo	Description
ADVANC	BKI	GRAMMY	NUBLE	RS	SNC	90-100	▲▲▲▲▲	Excellent
AOT	BMCL	HEMRAJ	PHOL	SAMART	SYMC	80-89	▲▲▲▲	Very Good
ASIMAR	BTS	ICC	PS	SAMTEL	THAI	70-79	▲▲▲	Good
BAFS	CPN	IRPC	PSL	SAT	TIP	60-69	▲▲	Satisfactory
BANPU	CSL	KBANK	PTT	SC	TIPCO	50-59	▲	Pass
BAY	DRT	KK	PTTEP	SCB	TISCO	Lower than 50	No logo given	N/A
BBL	EASTW	KTG	PTTGC	SCC	TKT	TTA		
BCEP	EGCO	LPN	QH	SE-ED	TMB			
BECL	ERW	MCOT	RATCH	SIM	TOP			
		NKI	ROBINS	SIS	TSTE			
▲▲▲▲								
2S	BWVG	ECL	ITD	MINT	PM	SPCG	THCOM	TSC
ACAP	CENTEL	EE	IVL	MODERN	PR	SPI	THIP	TSTH
AF	CFRESH	EIC	JAS	MTI	PRANDA	SPPT	THRE	TTW
AIT	CGS	ESSO	KCE	NBC	PRG	SSF	TIC	TUF
AKR	CHOW	FE	KGI	NCH	PT	SSSC	TICON	TVO
AMATA	CHOW	FORTH	KSL	NINE	PYLON	STANLY	TNW	UAC
AMATA	CIMBT	GBX	L&E	NMG	S&J	STEC	TK	UMI
AP	CK	GC	LANNA	NSI	S&P	SUC	TLUXE	UP
ASK	CM	GFPT	LH	OCC	SABINA	SUSCO	TMT	UPOIC
ASP	CPALL	GL	LRH	OFM	SAMCO	SVI	TNITY	UV
AYUD	CPF	GLOW	LST	OGC	SCCC	SYNTEC	TNL	VIBHA
BEC	CSC	GUNKUL	MACO	OISHI	SCG	TASCO	TOG	VNT
BFIT	DCC	HANA	MAKRO	PAP	SCSMG	TCAP	TPC	WACOAL
BH	DELTA	HMPRO	MBK	PDI	SFP	TCP	TRC	YUASA
BIGC	DEMCO	HTC	MBKET	PE	SITHAI	TFD	TRT	ZMICO
BJC	DTAC	IFEC	MFC	PG	SMT	TFI	TRU	
BROOK	DTC	INTUCH	MFEC	PJW	SPALI	THANA	TRUE	
▲▲▲								
AEONTS	BROCK	EASON	JMART	MAJOR	POST	SF	TEAM	UEC
AFC	BSBM	BMC	JTS	MATCH	PPM	SGP	TF	UIC
AGE	BTNC	EPCO	JUBILE	MATI	PREB	SIAM	TGCI	UMS
AH	BUI	FNS	JUTHA	MBAX	PRECHA	SIMAT	THANI	UOBKH
AHC	CCET	FOCUS	KASET	M-CHAI	PRIN	SINGER	TKS	UPF
AI	CEN	FSS	KBS	MDX	PSAAP	SIRI	TMD	US
AJ	CHUO	GENC0	KC	MUD	PTL	SKR	TMI	UT
ALUCON	CI	GFM	KDH	MK	Q-CON	SMT	TNH	VARO
AMANAH	CIG	GLOBAL	KIAT	MOONG	QLT	SMK	TNPC	WAVE
APCO	CITY	GOLD	KKC	MPIC	QTC	SOLAR	TOPP	WG
APCS	CMD	HFT	KTC	MSC	RASA	SPC	TPA	WIN
APRINT	CNS	HTECH	KWC	NC	RCL	SPG	TPAC	WORK
ARIP	CNT	HYDRO	KWH	NNCL	RICH	SSC	TPCORP	
AS	CPL	IFS	KYE	NTV	ROJNA	SST	TRIPL	
ASIA	CRANE	IHL	LALIN	OSK	RPC	STA	TPP	
BGT	CSP	ILINK	LEE	PAE	SAM	SVDA	TR	
BLA	CSR	INET	LHBANK	PATO	SCBLIF	SWC	TTCL	
BNC	CTW	IRC	LHK	PB	SCP	SYNEK	TWFP	
BOL	DRACO	IRCP	LIVE	PICO	SEAFCO	TBSP	TYCN	
		IT	LOXLEY	PL	SENA	TCB	UBIS	

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