

## Trading Buy (unchanged)

CGR Scoring Rating


 Share price: THB8.95  
 Target price: THB8.50 (unchanged)

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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):	554
Market Cap (THB m)	4,951
Market Cap (US\$ m)	159.31
3-mth Avg Daily Turnover (THB m)	1.88
SET INDEX	1,457.36
Free float (%)	33.78

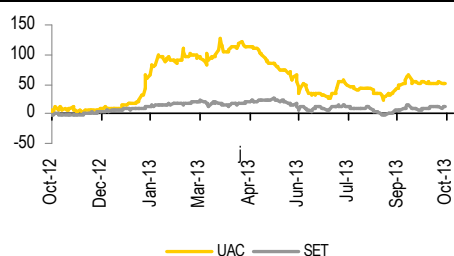
### Major Shareholders :

Mr. KITTI JIVACATE	54.24	%
Miss NILRAT JARUMANOPAS	4.48	%

### Key Indicators

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

### Historical Chart



### Performance

52-week High/Low	THB 13.70/THB 5.61				
	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	-3.8	-2.2	-29.0	52.0	38.5
Relative (%)	-5.1	1.6	-24.3	36.6	32.3

## Universal Absorbents (UAC)

### Profit to grow QoQ

We estimate UAC to report profit expanding QoQ, driven by higher gross profit margin along with the recovering trading business. After the recent visit, we see UAC high intention to continuously invest in the alternative energy; solar rooftop, bio mass, and bio gas. Hence, we believe UAC will benefit from the up-cycle alternative energy business. However, the current share price has priced in upsides from the CBG and PPP projects already. Hence, we recommend a Trading Buy strategy when prices contracts to below Bt8.50/ share (SOTP).

**Expect a satisfactory 3Q13 profit.** In 3Q13, gross profit margin is expected to improve from 18.0% in 2Q13 to 20.0% after UAC delivered high margin products. Although revenue will likely be flat QoQ, we expect a satisfactory profit at Bt32mn (+25.4% QoQ and +6.2% YoY), nice supported by profit sharing from BBF (UAC holds 30% stake and BCP holds 70% stake) of Bt15mn (+11.1% QoQ and +308% YoY). In 4Q13, UAC will receive full-quarter revenue recognition from the first CBG project in Chiangmai and partial revenue from the PPP project in Sukhothai. Hence, we believe 2H13 earnings will still be bright until 1Q14.

**Progress on the 21 CBG projects.** Management revealed the remaining CBG projects are under the construction and should be completed by 2014. UAC will use Napier grass as energy sources and will sell CBG to transportation and industrial sectors (6 tons/ day/ project) or use CBG gas for electric generating at 1 MW/ project. UAC views selling the gas to transportation segment is more interesting as gas price floating is under considered by Thai government.

**Other alternative energy.** Bio mass power plant of 9.9MW (JV between UAC-AGE-QTC and non-listed company) is requesting the operation permission before seeking for the contractor. Meanwhile, the solar roof (1.3 MW) is in document process with small CAPEX around Bt80mn. We estimate profit from this project will account for 4% of our 2014 profit projection or +Bt0.08 potential for our TP (based on 554mn shares).

**Price reflecting.** Current share price has priced in upsides from the CBG and PPP projects with high valuation at 36.6x. Hence, we recommend a Trading Buy.

**Risks.** Delayed of 21 CBG projects will drag TP down to Bt5.90/ share, while gas price lifting and new investment will be an additional upside.

### UAC – Summary Earnings Table

FYE: Dec 31 (THB m)	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	44.8	30.9	36.6	20.2	13.2
EV/EBITDA (x)	42.8	34.5	42.8	15.4	12.6
Div Yield (%)	4.7	1.2	1.0	1.9	2.9
P/BV(x)	8.5	5.6	6.1	4.6	3.7
Net Gearing (%)	cash	30.4	38.1	45.3	141.8
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 (THB m)	-	-	-	-	-

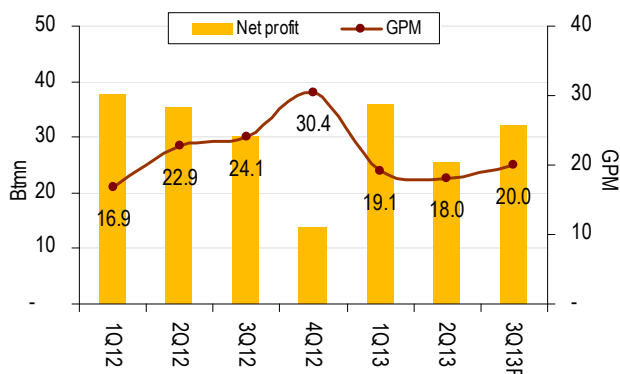
Source: Company reports and MBKET.

**Quarterly income statement**

(Bt mn)	3Q13F	2Q13	QoQ	3Q12	YoY	%9M13/ 2013F
Revenues	245	248	(1.3%)	229	7.0%	73.5%
COGs	196	204	(3.7%)	174	12.7%	74.1%
<b>Gross profits</b>	<b>49</b>	<b>45</b>	<b>9.6%</b>	<b>55</b>	<b>(11.0%)</b>	<b>71.1%</b>
Gross margin (%)	20.0%	18.0%	-	24.1%	-	-
SG&A	29	30	(1.2%)	22	33.8%	78.2%
Operating profit	20	15	31.2%	33	(40.8%)	61.5%
Operating margin (%)	8.0%	6.0%	-	14.5%	-	-
<b>EBITDA</b>	<b>21</b>	<b>16</b>	<b>30.0%</b>	<b>34</b>	<b>(37.7%)</b>	<b>45.4%</b>
EBITDA margin (%)	9%	7%	-	15%	-	-
Interest expense	1	1	34.0%	1	175.3%	43.8%
<b>Normalised earning</b>	<b>32</b>	<b>26</b>	<b>25.4%</b>	<b>30</b>	<b>6.2%</b>	<b>69.1%</b>
Extra ordinary gain (loss)						
- Forex gain (loss)	0	0	n.m.	0	n.m.	n.m.
- Other extra gain	0	0	n.m.	0	n.m.	n.m.
- Sell of fixed asset	0	0	n.m.	0	n.m.	n.m.
<b>Net profit</b>	<b>32</b>	<b>26</b>	<b>25.4%</b>	<b>30</b>	<b>6.2%</b>	<b>69.1%</b>
EPS (Bt) before extra item	0.06	0.05	24.9%	0.08	(22.9%)	74.5%
<b>EPS (Bt)</b>	<b>0.06</b>	<b>0.05</b>	<b>24.9%</b>	<b>0.08</b>	<b>(22.9%)</b>	<b>74.5%</b>

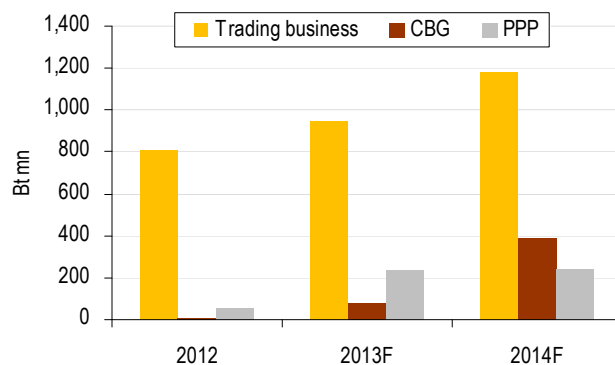
Source : Company reports and MBKET

**Figure 1 : Net profit & Gross Profit Margin**



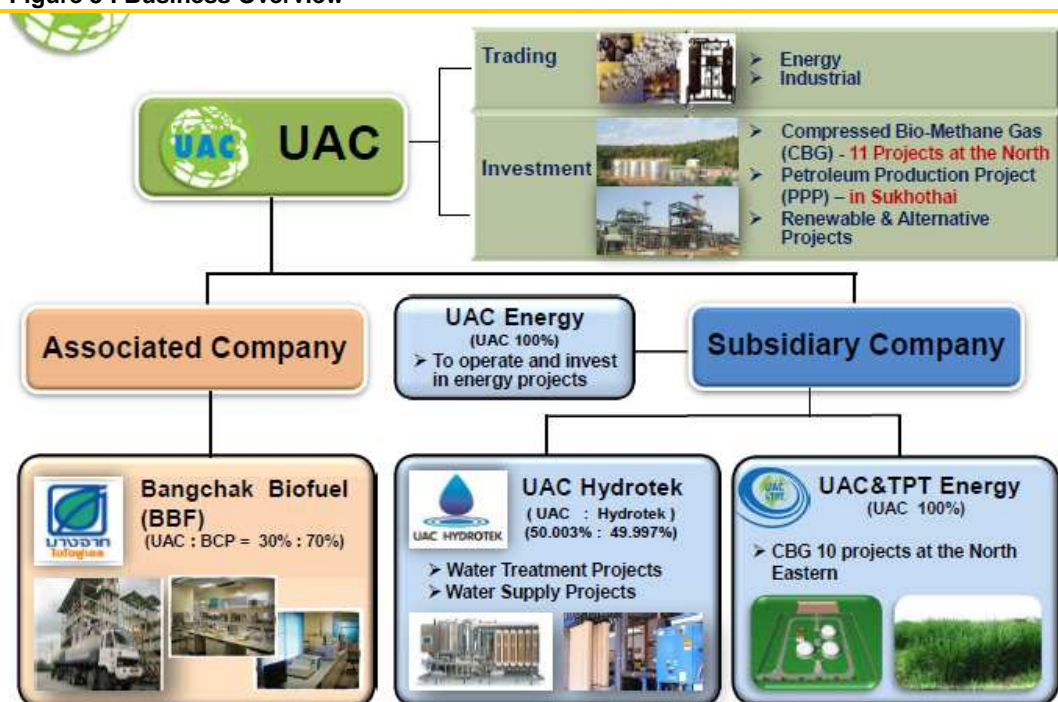
Source: MBKET

**Figure 2 : Changing to Renewable energy company**



Source: MBKET, CBG = Bio gas project, PPP = Gas separation plant

**Figure 3 : Business Overview**



Source: UAC

**INCOME STATEMENT (THBmn)**

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
<b>Operating Profit (EBIT)</b>	<b>106</b>	<b>84</b>	<b>203</b>	<b>370</b>
Interest (Exp)/Inc	(3)	(7)	(25)	(64)
Associates	30	63	73	84
One-offs	-	-	-	-
<b>Pre-Tax Profit</b>	<b>112</b>	<b>86</b>	<b>188</b>	<b>317</b>
Tax	(26)	(16)	(17)	(19)
Minority Interest	2	2	2	(5)
<b>Net Profit</b>	<b>117</b>	<b>135</b>	<b>245</b>	<b>376</b>
<b>Recurring Net Profit</b>	<b>117</b>	<b>135</b>	<b>245</b>	<b>376</b>
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 (THBmn)**

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
<b>Total Assets</b>	<b>1,019</b>	<b>1,358</b>	<b>1,974</b>	<b>3,607</b>
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
<b>Total Liabilities-Capital</b>	<b>1,019</b>	<b>1,358</b>	<b>1,974</b>	<b>3,607</b>
Share Capital (m)	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 (incl'd exceptional items)	(60)	71	98	142
<b>Cash flow from operations</b>	<b>(23)</b>	<b>130</b>	<b>284</b>	<b>404</b>
Capex	(365)	(253)	(405)	(1,605)
Disposal/(purchase)	1	2	3	4
Others	40	(38)	(77)	(89)
<b>Cash flow from investing</b>	<b>(324)</b>	<b>(289)</b>	<b>(479)</b>	<b>(1,690)</b>
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
<b>Cash flow from financing</b>	<b>309</b>	<b>166</b>	<b>304</b>	<b>1,178</b>
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

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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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						Score Range	Number of Logo	Description
ADVANC	BKI	GRAMMY	NUBLE	HS	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	▲	N/A
BBL	EASTW	KTB	PTTGC	SCC	TKT	TTA		
BCL	ERW	LPN	QH	SEED	TMB			
BCP	EGCO	MCOT	RATCH	SIM	TOP			
BECL	ERW	NKI	ROBINS	SIS	TSTE			
2S	BWG	ECL	ITD	MINT	PM	SPCG	THCOM	TSC
ACAP	CENDEL	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	CIMBT	FORTH	KSL	NINE	PYLON	STANLY	TIW	UAC
AP	CK	GBX	L&E	NMG	S&J	STEC	TK	UMI
ASK	CM	GC	LANNA	NSI	S&P	SUC	TLUXE	UP
ASP	CPALL	GFPT	LH	OCC	SABINA	SUSCO	TMT	UPDIC
AYUD	CPF	GL	LRH	OFM	SAMCO	SVA	TNITY	UV
BEC	CSC	GLOW	LST	OGC	SCCC	SYNTEC	TNL	VBHA
BFIT	DCC	GUNKUL	MACO	OISHI	SCG	TASCO	TOG	VNT
BH	DELTA	HANA	MAKRO	PAP	SCSMG	TCAP	TPC	WACOAL
BIGC	DEMCO	HMPRO	MBK	PDI	SFP	TCP	TRC	YUASA
BJC	DTAC	HTC	MBKET	PE	SITHAI	TFD	TRT	ZMICO
BROOK	DTC	IFEC	MFC	PG	SMT	TFI	TRU	
		INTUCH	MPEC	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
AJ	CEN	FSS	KBS	MDX	PSAAP	SIRI	TMD	US
AJ	CHUO	GENCO	KC	MJD	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	WVG
APCS	CMO	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	SVOA	TR	
BLA	CSR	INET	LHBANK	PATO	SCBLIF	SWC	TTCL	
BNC	CTW	IRC	LHK	PB	SCP	SYNEX	TWFP	
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