

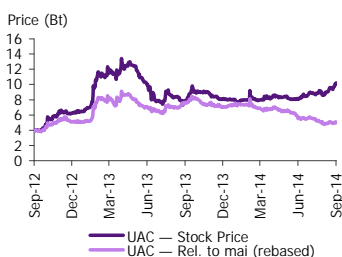
**BUY**

(Upgrade from Neutral)

**Stock Data**

Last close (Sep 4) (Bt)	9.95
12-m target price (Bt)	11.50
Upside (Downside) to TP (%)	15.58
Mkt cap (Btbn)	5.51
Mkt cap (US\$mn)	172

Bloomberg code	UAC TB
Reuters code	UAC.BK
Mkt cap (% mai)	1.73
Shares issued (mn)	554
Par value (Bt)	0.50
12-m high / low (Bt)	9.2 / 9
Avg. daily 6m (US\$mn)	0.22
Foreign limit / actual (%)	49 / 0
Free float (%)	33.8
Dividend policy (%)	>40

**Price Performance**

Source: SET, SCBS Investment Research

**Share performances**

	1M	3M	12M
Absolute	14.4	21.3	26.8
Relative	10.7	11.6	5.4

Source: SET, SCBS Investment Research

**Vajiralux Sanglerdsillapachai**

Securities Fundamental

Investment Analyst

(66-2) 949-1033

vajiralux.sanglerdsillapachai@scb.co.th

**New catalyst from bio-energy business**

- 2Q14 disappointing due to slower breakeven for CBG and PPP
- Future promising as CBG and PPP get into the black plus opportunity for bio-energy under the Alternative Energy Development Plan
- Upgrade to BUY, roll target price to Bt11.5 on 2015 DCF

**2Q14 recap.** 2Q14 was poor with profit of Bt4mn, down 83%YoY and 72%QoQ, hit by high depreciation of Bt13.4mn (up 876%YoY) and financial cost of Bt7.1mn (up 549% YoY). 2Q14 revenue was Bt289mn,+16%YoY and +5%QoQ, but revenue from new projects compressed biomethane gas (CBG) and petroleum production project (PPP) was lower than expected and unable to meet the costs of the new business, sinking gross margin to just 8.3% from 18.0% in 2Q13 (though better than 7.6% in 1Q14). Revenue from CBG was only Bt120,000 in 2Q14 (1H14 Bt0.29mn vs. our 2014 estimate of Bt18mn) but operating loss was lower at Bt240,000 from Bt4.8mn in 1Q14. PPP revenue was Bt99,000 with operating loss of Bt14mn. Trading did best in this quarter with revenue growth of 40% YoY to Bt261mn and operating profit of Bt40mn. Equity sharing, mostly from Bangchak Biofuel Co., Ltd. (BBF), was very poor at Bt9.5mn, -30% YoY and -58%QoQ.

**CBG plans unchanged.** UAC continues to plan to set up 20 new CBG plants by end-2015: it will wholly own ten and hold 51% of the other 10. There are three plants under construction, while only one plant is operating. We are standing by on these until we can see how much they can add to revenue and gross margin in 2015.

**Bumpy road for PPP.** The petroleum production project (PPP) produces compressed natural gas (CNG), liquefied petroleum gas (LPG) and natural gasoline (NGL) from associated gas, a byproduct of crude oil production. LPG and NGL production is running at a low utilization rate due to less feedstock than expected. It expects a 9-15-month delay in revenue from 2014. This business will be a short term burden to UAC. The company is fine-tuning to get more gas supply from nearby fields.

**Plans to expand to bio-energy.** The Alternative Energy Development Plan (AEDP 2012-2021) targets renewable energy to supply 25% of total energy consumption by 2021. In the area of bio-energy, the AEDP plans 3,630MW from biomass and 600MW from biogas. Formerly this type of electricity attracted an adder of Bt0.3/unit for seven years but this has been changed to a feed-in tariff, to be announced soon. UAC likes this opportunity and plans to finalize two M&A transactions for total investment of Bt500mn to Bt1bn within 3Q14, expected to be in the area of bio-energy.

**Upgrade to BUY, roll over 2015 target price to Bt11.5/share.** Despite the delay in revenue from its new projects, particularly PPP, things are improving and we expect both to reach breakeven in 2015. We value UAC using DCF on its trading business of Bt5.6/share and add valuation for alternative energy of Bt5.9/share (in 2015) from Bt4.0/share (in 2014), including existing projects (CBG and PPP) and future projects from bio-energy, which gives a TP of Bt11.5.

**Forecasts and valuation**

Year to 31 Dec	Unit	2012	2013	2014F	2015F	2016F
Revenue	(Btmn)	812	978	1,279	1,757	2,167
EBITDA	(Btmn)	118	81	201	393	548
Core profit	(Btmn)	117	131	179	359	516
Reported profit	(Btmn)	117	131	179	359	516
Core EPS	(Bt)	0.27	0.24	0.32	0.65	0.93
DPS	(Bt)	0.21	0.16	0.13	0.26	0.37
P/E, core	(x)	37.1	42.0	30.8	15.4	10.7
EPS growth, core	(%)	(42.4)	(11.7)	36.3	100.8	43.8
P/BV, core	(x)	6.8	5.8	5.2	4.3	3.5
ROE	(%)	22.1	16.4	17.7	30.6	36.0
Dividend yield	(%)	2.1	1.6	1.3	2.6	3.7
EV/EBITDA	(x)	30.3	44.5	17.8	9.1	6.5

Source: SCBS Investment Research

**Financial statement**

**Profit and Loss Statement (Btmn)**

FY December 31	2012	2013	2014F	2015F	2016F
Total revenue	812	978	1,279	1,757	2,167
Cost of goods sold	(618)	(804)	(1,007)	(1,266)	(1,496)
Gross profit	194	173	272	491	671
SG&A	(88)	(115)	(122)	(167)	(229)
Other income	9	12	12	22	50
Interest expense	(3)	(4)	(20)	(28)	(32)
Pre-tax profit	142	145	217	415	591
Corporate tax	(26)	(14)	(30)	(46)	(59)
Equity a/c profits	30	78	75	98	130
Minority interests	1	0	(7)	(9)	(15)
Core profit	117	131	179	359	516
Extraordinaries	0	0	0	0	0
Net profit	117	131	179	359	516
EBITDA	118	81	201	393	548
Core EPS (Bt)	0.27	0.24	0.32	0.65	0.93
Net EPS (Bt)	0.27	0.24	0.32	0.65	0.93
DPS (Bt)	0.21	0.09	0.13	0.26	0.37

**Balance Sheet (Btmn)**

FY December 31	2012	2013	2014F	2015F	2016F
Total current assets	362	552	619	859	1,493
Total fixed assets	659	1,082	1,487	1,720	2,432
Total assets	1,021	1,635	2,106	2,578	3,925
Total loans	227	348	619	859	1,824
Total current liabilities	327	515	339	347	1,235
Total long-term liabilities	53	143	621	871	991
Total liabilities	380	668	960	1,218	2,226
Paid-up capital	218	277	277	277	277
Total equity	642	967	1,162	1,386	1,699
BVPS (Bt)	1.46	1.73	1.92	2.31	2.87

**Cash Flow Statement (Btmn)**

FY December 31	2012	2013	2014F	2015F	2016F
Pretax profit	142	145	217	415	591
Depreciation and amortization	4	9	39	47	56
Operating cash flow	(23)	85	53	147	414
Investing cash flow	(324)	(355)	(229)	(230)	(230)
Financing cash flow	309	333	425	178	(24)
Net cash flow	(38)	66	249	95	161

**Key Financial Ratios**

FY December 31	2012	2013	2014F	2015F	2016F
Gross margin (%)	23.9	17.7	21.2	27.9	31.0
Operating margin (%)	13.0	6.0	11.7	18.4	20.4
EBITDA margin (%)	14.6	8.2	15.7	22.4	25.3
EBIT margin (%)	17.9	15.2	18.5	25.2	28.7
Net profit margin (%)	14.4	13.4	14.0	20.4	23.8
ROE (%)	22.1	16.4	17.7	30.6	36.0
ROA (%)	15.2	9.9	9.6	15.3	16.0
Net D/E (x)	0.3	0.3	0.6	0.7	0.8
Payout Ratio (%)	78.8	67.6	40.0	40.0	40.0

**Profit and Loss Statement (Btmn)**

FY December 31	2Q13	3Q13	4Q13	1Q14	2Q14
Total revenue	248	283	201	276	289
Cost of goods sold	(204)	(223)	(178)	(255)	(265)
Gross profit	45	59	22	21	24
SG&A	(30)	(29)	(26)	(32)	(29)
Other income	1	6	3	7	4
Interest expense	(1)	(1)	(1)	(5)	(7)
Pre-tax profit	15	35	(2)	(10)	(8)
Corporate tax	(3)	(8)	0	1	3
Equity a/c profits	13	14	29	23	9
Minority interests	(0)	(0)	1	1	1
Core profit	26	42	28	16	4
Extraordinaries	0	0	0	0	0
Net profit	26	42	28	16	4
EBITDA	19	40	1	9	12
Core EPS (Bt)	0.05	0.08	0.05	0.03	0.01
Net EPS (Bt)	0.05	0.08	0.05	0.03	0.01

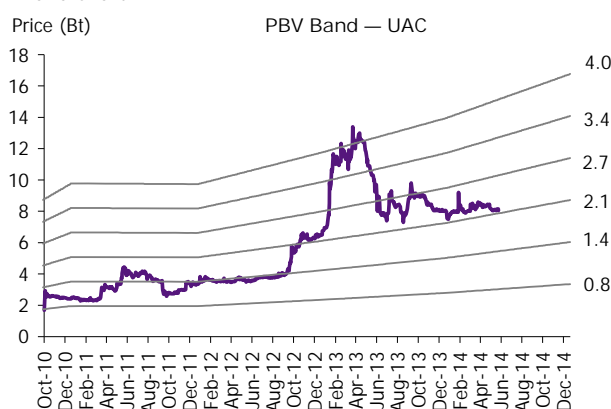
**Balance Sheet (Btmn)**

FY December 31	2013	3Q13	4Q13	1Q14	2Q14
Total current assets	543	456	552	552	552
Total fixed assets	938	1,004	1,082	1,082	1,082
Total assets	1,481	1,460	1,635	1,635	1,635
Total loans	440	392	348	348	348
Total current liabilities	427	365	515	515	515
Total long-term liabilities	167	156	143	143	143
Total liabilities	595	521	668	668	668
Paid-up capital	277	277	277	277	277
Total equity	887	939	967	967	967
BVPS (Bt)	1.60	1.70	1.73	1.73	1.73

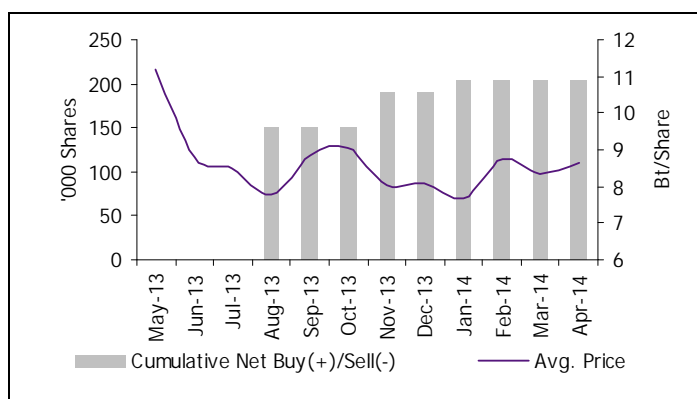
**Main Assumptions**

FY December 31	2012	2013	2014F	2015F	2016F
Gross margin of trading business	23.9%	18.0%	18.0%	18.0%	18.0%
CBG revenue - 100% owned by UAC	-	0	18	172	276
Gross margin of CBG	-	0.0%	30.0%	30.0%	30.0%
PPP revenue	-	0	21	155	253
Gross margin of PPP	-	0.0%	38.0%	38.0%	38.0%
BBF (30% holding; (equity method)	30	78	75	98	130

**PBV Band Chart**

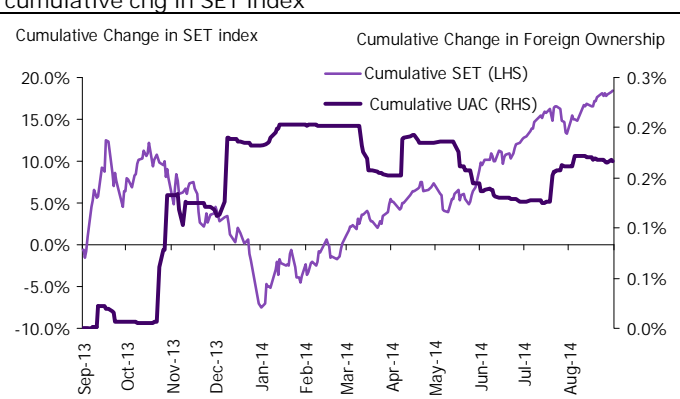


**12-Month Cumulative directors trade**



Source: SEC

**12 Month cumulative chg in foreign ownership versus cumulative chg in SET index**



Source: SET, SCBS Investment Research

**Figure 1: DCF valuation for 2014-2020**

	Total value (Bt mn)	Bt/Share
Valuation of trading business	3,102	5.6
Net investment in alternative energy projects (existing project)	2,220	4.0
Net investment in alternative energy projects (future project)	1,000	1.9
<b>Fair value</b>	<b>6,322</b>	<b>11.5</b>

Source: SCBS Investment Research

**Figure 2: Financial statement**

P & L (Btmn)	2Q13	1Q14	2Q14	% Chg YoY	% Chg QoQ	1H13	1H14	% Chg YoY
Total revenue	248	276	289	16.3	4.8	495	564	14.1
Gross profit	45	21	24	-46.5	14.8	92	45	-51.2
Pre-tax profit	15	-10	-8	-156.9	-11.1	34	-18	-153.1
Equity sharing	13	23	9	-29.7	-58.4	34	32	-6.2
Core profit	26	16	4	-82.7	-71.8	62	20	-67.3
<b>Net Profit</b>	<b>26</b>	<b>16</b>	<b>4</b>	<b>-82.7</b>	<b>-71.8</b>	<b>62</b>	<b>20</b>	<b>-67.3</b>
EPS	0.05	0.03	0.01	-82.7	-71.8	0.12	0.04	-70.8
<b>B/S (Btmn)</b>								
Total assets	543	671	582	7.0	-13.4	543	582	7.0
Total liabilities	938	1,161	1,185	26.4	2.1	938	1,185	26.4
Total equity	887	982	907	2.3	-7.6	887	907	2.3
BVPS (Bt)	1.6	1.8	1.6	2.1	-7.6	1.6	1.6	2.1
<b>Financial ratio (%)</b>								
Gross margin	18.0	7.6	8.3	-9.7	0.7	18.5	7.9	-10.6
Net profit margin	10.3	5.7	1.5	-8.8	-4.2	12.4	3.6	-8.9
SG&A expense/Revenue	12.0	11.6	10.2	-1.8	-1.4	12.1	10.9	-1.2

Source: SCBS Investment Research

**Rating 2013 Companies with CG Rating**

▲▲▲▲▲	ADVANC, AOT, ASIMAR, BAFS, BANPU, BAY, BBL, BCP, BECL, BKH, BROOK, BTS, CIMBT, CK, CPF, CPN, CSL, DRT, DTAC, EASTW, EGCO, ERW, GRAMMY, HANA, HEMRAJ, KCC, INTUCH, IRPC, IVL, KBANK, KKP, KTB, LPN, MCOT, MINT, NKK, NOBLE, PAP, PG, PHOL, PR, PRANDA, PS, PSL, PTT, PTTEP, PTTGC, QH, RATCH, ROBINS, RS, S&J, SAMART, SAMTEL, SAT, SC, SCB, SCC, SCSMG, SE-ED, SIM, SIS, SITHAI, SNC, SPALI, SPI, SSI, SSSC, SVI, SYMG, TCAP, THAI, THCOM, THRE, TIP, TISCO, TKT, TMB, TNITY, TOP, TRC, TRUE, TTW, TVO, UV, VGI, WAOAL
▲▲▲▲	ZS, ACAP, AF, AHC, AII, AKP, AMANAH, AMARIN, AMATA, AP, APLO, APSC, ASIA, ASK, ASP, AYUD, BEC, BFTI, BH, BIGC, BJK, BLA, BMCL, BWG, CLET, CENTEL, CFRESH, CGS, CHOW, CM, CNT, CPALL, CSC, DCC, DELTA, DTC, ECL, EE, EIC, ESSO, FE, FORTH, GBK, GC, GPPT, GL, GLOW, GOLD, GSTEL, GUNKUL, HMPRO, HTC, IFC, INET, ITO, JAS, JUBILE, KBS, KE, KGI, KKC, KSL, KWC, L&E, LANNA, LH, LHBANK, LHK, LINE, LOXLEY, LRH, LST, MACO, MAJOR, MAKRO, MBK, MBKET, MFC, MFCG, MODERN, MTL, NBC, NCH, NINE, NMG, NSI, NWR, OCC, OFM, OGC, OISHI, PD, PDI, PE, PF, PJI, PMA, PPM, PPP, PREB, PRG, PT, PYLON, QTC, RASA, SABINA, SAMCO, SCCG, SCG, SEAFCO, SFP, SIAM, SINGER, SIRI, SKR, SMT, SNP, SPGG, SPP, SSE, STANLY, STEC, SUJ, SUSCO, SYNTEC, TASCO, TCP, TF, TFD, TFI, THANA, THANI, THIP, TICON, TIPCO, TK, TLUXE, TMILL, TMT, TNL, TOG, TPC, TPCORP, TPIPL, TRT, TRU, TSC, TSTE, TSTH, TTA, TTCL, TUF, TWFP, TYM, UAC, UMI, UMS, UP, UPOIC, UT, VIBHA, VIH, VNG, VNT, YUASA, ZMICO
▲▲▲	A, AAV, AEC, AEONTS, AFC, AGE, AH, AJ, AKR, ALUCON, ANAN, ARIP, AS, BAT-3K, BCH, BEAUTY, BGT, BLAND, BOL, BROCK, BSBM, CHARAN, CHUO, CI, CIG, CITY, CMR, CNS, CPL, CRANE, CSP, CSR, CTW, DEMCO, DNA, DRACO, EA, EARTH, EASON, EMC, EPCO, F&D, FNS, FOCUS, FPI, FSS, GENCO, GFM, GS, GLOBAL, HFT, HTECH, HYDRO, IFS, IHL, ILINK, INOX, IRC, IRCP, IT, JMART, JMT, JTS, JUTHA, KASET, KC, KCAR, KDH, KTG, KWH, LALIN, LEE, MATCH, MATI, MBAX, MDX, PRINC, MJD, MK, MOONG, MPC, MSC, NC, NIPPON, NNCL, NTV, OSK, PAE, PATO, PICO, PL, POST, PRECHA, PRIN, Q-CON, QLT, RCI, RCL, ROJANA, RPK, SCBLIF, SCP, SENA, SF, SGP, SIMAT, SLC, SMIT, SMK, SOLAR, SPC, SPG, SRICHA, SSC, STA, SUPER, SVOA, SWG, SYNEX, TBSF, TCCC, TEAM, TGGI, TIC, TIES, TIV, TKS, TMC, TMD, TMI, TNDT, TNPC, TOPP, TPA, TPP, TR, TTI, TVD, TVI, TVZ, UBIS, UEC, UOBKH, UPF, UWC, VARO, VTE, WAVE, WG, WIN, WORK

**Corporate Governance Report disclaimer**

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