

Trading Buy (from Buy)

CGR Scoring Rating


 Share price: Bt8.40
 Target price: Bt8.80 (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 (mn) :	553
Market Cap (Btmn):	4,647
Market Cap (US\$m):	148.45
3-mth Avg. Daily Turnover (Btmn):	4.86
SET Index:	1,459.08
Free float (%):	33.78

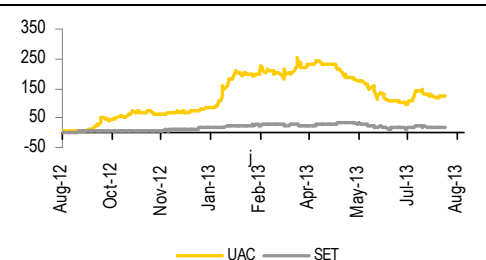
Major Shareholders :

	%
Mr. KITTI JIVACATE	54.24
Miss NILRAT JARUMANOPAS	4.48

Key Indicators

ROE – annualised (%)	19.4
Net cash (Btmn):	-888
NTA/shr (Btmn):	1.4
Interest cover (x):	7.1

Historic Chart



Performance

52-week High/Low	Bt13.70/Bt3.75				
	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	7.0	-24.3	-24.8	122.8	30.0
Relative (%)	6.7	-15.8	-22.0	87.3	24.0

Universal Absorbents (UAC)

Growing revenue with a flat GPM

2Q13 earnings summary. UAC posted a net profit that dropped 29% QoQ and 28% YoY to Bt26mn. Although revenue increased 1% QoQ and 21% YoY to Bt248mn, the GPM declined from 22.9% in 2Q12 to only 18.0% due to high margin revenue received last year. In addition, the base FIFO standard, UAC needed to book high priced inventory as COGS this quarter pressuring the GPM directly. The SG&A expenses increased 35% YoY to Bt30mn as UAC prepared staff for the new renewable energy and alternative energy projects since late 2012. The EBIT margin thus remained low at 6.0%, down from 12.1% in 2Q12. Profit share from associate (BBF) also shrank 35% QoQ and 13% YoY, while interest expenses for the CBG and PPP projects pressured the core profit.

What's next in 3Q13? In August, the PPP project in Sukhothai province will start operation, while more revenue from the CBG project will be booked and lower inventory costs will be booked as COGS in this quarter. Thus the high gross profit margin from the PPP and CBG projects will also help support 2H13 earnings well.

Recommendation. Although the 1H13 revenue and norm profit account for 40% and 33% of our yearly projection, higher revenue recognition from the CBG and the PPP projects in 2H13 with an improving gross margin, means we are maintaining our 2013 profit forecast unchanged. We will revisit our forecast again after a meeting with management on 4 September. However, given only a 4% upside, we have cut our recommendation from Buy to Trading Buy with a TP of Bt8.80/share.

UAC – Summary Earnings Table

FYE: Dec 31 (Btmn)	2011	2012	2013F	2014F	2015F
Revenue	958	812	1,269	1,572	1,753
EBITDA	82	109	356	542	601
Recurring Net Profit	80	117	189	199	223
Net Profit	80	117	189	199	223
EPS (Bt)	0.20	0.29	0.41	0.43	0.48
EPS growth (%)	(44.4)	45.0	41.5	5.2	12.1
DPS (Bt)	0.42	0.10	0.31	0.32	0.36
PER	42.3	29.1	20.6	19.6	17.5
EV/EBITDA (x)	40.4	32.7	13.5	9.9	8.5
Div Yield (%)	5.0	1.2	3.6	3.8	4.3
P/BV(x)	8.0	5.3	4.4	3.8	3.6
Net Gearing (%)	cash	30.4	104.5	146.3	113.4
ROE (%)	19.2	18.3	21.5	19.4	20.5
ROA (%)	15.5	11.5	9.6	7.4	8.9
Consensus Net Profit (Btmn)	-	-	-	-	-

Source: Company reports and MBKET estimates.

Quarterly income statement

(Btmn)	2Q13	1Q13	QoQ	2Q12	YoY	%1H13/ 2012F
Revenues	248	246	0.7%	205	21.3%	39.0%
COGS	204	199	2.1%	158	28.9%	42.2%
Gross profits	45	47	(5.0%)	47	(4.4%)	29.3%
Gross margin (%)	18%	19%	-	23%	-	-
SG&A	30	30	(0.3%)	22	34.7%	67.7%
Operating profit	15	17	(13.2%)	25	(39.5%)	14.3%
Operating margin (%)	6%	7%	-	12%	-	-
EBITDA	16	18	(11.3%)	26	(36.1%)	9.7%
EBITDA margin (%)	7%	7%	-	12%	-	169.7%
Interest expenses	1	1	83.9%	1	108.8%	5.3%
Normalised earnings	26	36	(29.0%)	35	(27.7%)	32.5%
Extra ordinary gains (losses)						
- Forex gains (losses)	0	0	n.m.	0	n.m.	n.m.
- Gains on convertible bond cancellations	0	0	n.m.	0	n.m.	n.m.
- Sale of fixed assets	0	0	n.m.	0	n.m.	n.m.
Net profit	26	36	(29.0%)	35	(27.7%)	32.5%
EPS (Bt) before extra items	0.06	0.09	(29.0%)	0.09	(28.6%)	37.0%
EPS (Bt)	0.06	0.09	(29.0%)	0.09	(28.6%)	37.0%

Source : Company reports and MBKET estimates.

INCOME STATEMENT (Btmn)

FY December	2011	2012	2013F	2014F
Revenue	958	812	1,269	1,572
EBITDA	82	109	356	542
Depreciation & Amortisation	3	4	131	266
Operating Profit (EBIT)	79	106	225	277
Interest (Exp) / Inc	(5)	(3)	(32)	(63)
Associates	22	30	36	36
One-offs	-	-	-	-
Pre-Tax Profit	80	112	199	219
Tax	(22)	(26)	(38)	(39)
Minority Interest	(0)	2	(8)	(17)
Net Profit	80	117	189	199
Recurring Net Profit	80	117	189	199
Revenue Growth %	24.8	(15.2)	56.3	23.9
EBITDA Growth (%)	73.3	33.7	225.6	52.3
EBIT Growth (%)	78.0	33.9	113.2	22.8
Net Profit Growth (%)	(25.8)	46.1	61.3	5.2
Recurring Net Profit Growth (%)	(25.8)	46.1	61.3	5.2
Tax Rate %	27.9	23.7	18.9	17.7

BALANCE SHEET (Btmn)

FY December	2011	2012	2013F	2014F
Fixed Assets	25	425	1,340	1,979
Other LT Assets	185	232	258	295
Cash / ST Investments	99	32	114	70
Other Current Assets	209	330	265	329
Total Assets	518	1,019	1,978	2,673
ST Debt	17	171	167	367
Other Current Liabilities	76	156	297	452
LT Debt	2	47	628	824
Other LT Liabilities	6	6	6	7
Minority Interest	0	0	90	180
Shareholders' Equity	418	639	790	843
Total Liabilities-Capital	518	1,019	1,978	2,673
Share Capital (mn)	397	400	461	461
Gross Debt / (Cash)	19	227	1,003	1,535
Net Debt / (Cash)	(79)	194	888	1,465
Working Capital	214	35	(84)	(420)

CASH FLOW (Btmn)

FY December	2011	2012	2013F	2014F
Profit before taxation	80	112	199	219
Depreciation	3	4	131	266
Net interest receipts / (payments)	(5)	(3)	(32)	(63)
Working capital change	10	(49)	(39)	(44)
Cash tax paid	(22)	(26)	(38)	(39)
Others (inc. exceptional items)	16	(60)	58	80
Cash flow from operations	81	(23)	279	419
Capex	(13)	(365)	(953)	(905)
Disposals / (purchases)	-	1	-	1
Others	94	40	(37)	(38)
Cash flow from investing	81	(324)	(990)	(942)
Debt raised / (repaid)	(124)	203	734	532
Equity raised / (repaid)	-	118	-	-
Dividends (paid)	(25)	(17)	(129)	(146)
Interest payments	(5)	(3)	(32)	(63)
Others	5	8	122	154
Cash flow from financing	(149)	309	696	476
Change in cash	13	(38)	(15)	(46)

RATES & RATIOS

FY December	2011	2012	2013F	2014F
Gross Margin %	16.7	23.9	24.7	23.8
EBITDA Margin %	8.5	13.5	28.1	34.5
Op. Profit Margin %	8.2	13.0	17.8	17.6
Net Profit Margin %	8.4	14.4	14.9	12.6
ROE %	19.2	18.3	23.9	23.6
ROA %	15.5	11.5	9.6	7.4
Net Margin Ex. EI %	8.4	14.4	14.9	12.6
Dividend Cover (x)	2.1	0.3	0.8	0.8
Interest Cover (x)	14.4	38.6	7.1	4.4
Asset Turnover (x)	1.8	0.8	0.6	0.6
Asset / Debt (x)	5.2	2.7	1.8	1.6
Debtors Turn (days)	42.1	83.6	42.4	42.4
Creditors Turn (days)	29.4	68.4	29.4	29.4
Inventory Turn (days)	42.4	69.6	42.4	42.4
Net Gearing %	(19.0)	30.4	112.5	173.7
Debt / EBITDA (x)	1.2	3.5	3.1	3.0
Debt / Market Cap (x)	0.0	0.1	0.3	0.4

Source: Company reports and MBKET estimates.

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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	KS	SNC		
	AOT	BMCL	HEMRAJ	PHOL	SAMART	SYMC	90-100	▲▲▲▲▲
	ASIMAR	BTS	ICC	PS	SAMTEL	THAI	80-89	▲▲▲▲▲
	BAFS	CPN	IRPC	PSL	SAT	TIP	70-79	▲▲▲▲
	BANPU	CSL	KBANK	PTT	SC	TIPCO	60-69	▲▲▲
	BAY	DRT	KK	PTTEP	SCB	TISCO	50-59	▲▲
	BBL	EASTW	KTB	PTTGC	SCC	TKT	Lower than 50	▲
	BCP	EGCO	LPN	QH	SE-ED	TMB	TTA	No logo given
	BECL	ERW	MCOT	RATCH	SIM	TOP		
			NKI	ROBINS	SIS	TSTE		
▲▲▲▲	2S	BWG	ECL	ITD	MINT	PM	SPCG	THCOM
	ACAP	CENDEL	EE	IVL	MODERN	PR	SPI	THIP
	AF	CFRESH	EIC	JAS	MTI	PRANDA	SPPT	THRE
	AIT	CGS	ESSO	KCE	NBC	PRG	SSF	TIC
	AKR	CHOW	FE	KGI	NCH	PT	SSSC	TICON
	AMATA	CIMBT	FORTH	KSL	NINE	PYLON	STANLY	TIW
	AP	CK	GBX	L&E	NMG	S&J	STEC	TK
	ASK	CM	GC	LANNA	NSI	S&P	SUC	TLUXE
	ASP	CPALL	GFPT	LH	OCC	SABINA	SUSCO	TMT
	AYUD	CPF	GL	LRH	OFM	SAMCO	SM	TNITY
	BEC	CSC	GLOW	LST	OGC	SCCC	SYNTEC	TNL
	BFIT	DCC	GUNKUL	MACO	OISHI	SCG	TASCO	TOG
	BH	DELTA	HANA	MAKRO	PAP	SCSMG	TCAP	TPC
	BIGC	DEMCO	HTC	MBK	PDI	SFP	TCP	TRC
	BJC	DTAC	IFEC	MBKET	PE	SITHAI	TFD	TRT
	BROOK	DTC	INTUCH	MFC	PG	SMT	TFI	TRU
				MFEC	PJW	SPALI	THANA	TRUE
▲▲▲	AEONTS	BROCK	EASON	JMART	MAJOR	POST	SF	TEAM
	AFC	BSBM	BMC	JTS	MATCH	PPM	SGP	TF
	AGE	BTNC	EPCO	JUBILE	MATI	PREB	SIAM	TGCI
	AH	BUI	FNS	JUTHA	MBAX	PRECHA	SIMAT	THANI
	AHC	CCET	FOCUS	KASET	M-CHAI	PRIN	SINGER	TKS
	AI	CEN	FSS	KBS	MDX	PSAAP	SIRI	TMD
	AJ	CHUO	GENCO	KC	MJD	PTL	SKR	TMI
	ALUCON	CI	GFM	KDH	MK	Q-CON	SMIT	TNH
	AMANAH	CIG	GLOBAL	KIAT	MOONG	QLT	SMK	TNPC
	APCO	CITY	GOLD	KKC	MPIC	QTC	SOLAR	TOPP
	APCS	CMD	HFT	KTC	MSC	RASA	SPC	TPA
	APRINT	CNS	HTECH	KWC	NC	RCL	SPG	TPAC
	ARIP	CNT	HYDRO	KWH	NNCL	RICH	SSC	TPCORP
	AS	CPL	IFS	KYE	NTV	ROJNA	SST	TIPL
	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	SYNEX	TWFP
	BOL	DRACO	IRCP	LIVE	PICO	SEAFCD	TBSP	TYCN
			IT	LOXLEY	PL	SENA	TCB	UBIS

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