

### COMPANY RESULTS

## Uni-Asia Group (UAG SP)

2H21: Turnaround Accomplished, Further Gains Expected In 2022

Uni-Asia delivered results that came in slightly above our estimates. Its balance sheet health is improving, supported by cash flow that has risen to record-high levels. We see a gap between investor sentiment and the reality stemming from the Russia-Ukraine conflict. Beyond that, freight rates are expected to stay elevated at least until end-22 given the favourable demand-supply imbalance. Maintain BUY with a higher target price of S\$2.48 (from S\$2.34), after rolling forward our valuation base year to 2022.

### 2021 RESULTS

Year to 31 Dec (US\$m)	2H21	2H20	yoy % chg	2021	2020	yoy % chg
Revenue	37.8	24.4	54.9	69.4	45.9	51.1
Operating profit	13.1	(0.2)	n.a.	22.2	(7.4)	n.a.
Operating margin (%)	34.7	n.a.	n.a.	32.0	n.a.	n.a.
Net profit	11.0	(3.9)	n.a.	18.2	(7.7)	n.a.
Net margin (%)	29.2	n.a.	n.a.	26.2	n.a.	n.a.

Source: SunSine, UOB Kay Hian

### RESULTS

- 2H21 results beat on elevated shipping charter rates.** Uni-Asia Group (Uni-Asia) reported 2H21 net profit of US\$11.0m (2H20: US\$3.6m loss). This brought full-year net profit to US\$18.0m, reversing from the US\$7.5m loss in 2020 and slightly above our estimate of US\$17.1m. For 2H21, total income jumped 54.9% yoy to US\$37.8m, mainly led by higher charter income of US\$27.8m (+67% yoy) due to improved day rates as a result of better demand-supply dynamics. Management proposed a DPS of 5 S cents, consisting of 3 S cents final and a surprise special DPS of 2 S cents, bringing 2021 total DPS to 7 S cents (2020: 1 S cents), which represents a payout ratio of 22%.
- Utilising healthy cash flow to pare down debt.** In 2021, operating cash flow (OCF) spiked to US\$28.4m (2020: US\$6.8m, 1H21: US\$8.1m). This was mainly used to pare down loans from US\$114m to US\$83.8m, with net gearing being reduced from 66% in 2020 to 36% in 2021. We are of the view that the healthier balance sheet now enables Uni-Asia to lift its payout ratio to 25% in 2022 and beyond, implying a 9.6% yield for 2022.
- Charter income expected to continue northward.** Shipping industry consultant Marsoft expects seaborne trade demand to bounce back in 2Q22 and for the rest of 2022, boosted by a seasonal spike in grain trade and rebound in steel-related trade, as China limited domestic steel production to reduce pollution ahead of the Winter Olympics.

### KEY FINANCIALS

Year to 31 Dec (US\$m)	2020	2021	2022F	2023F	2024F
Net turnover	45.9	69.4	87.6	85.9	76.9
EBITDA	4.5	33.3	40.0	37.6	34.3
Operating profit	(7.4)	22.2	28.6	26.1	22.9
Net profit (rep./act.)	(7.7)	18.2	24.1	21.8	18.8
Net profit (adj.)	(14.0)	18.2	24.1	21.8	18.8
EPS (S\$ cents)	(17.9)	23.2	30.6	27.7	23.9
PE (x)	n.m.	3.6	2.8	3.0	3.5
P/B (x)	0.6	0.5	0.4	0.4	0.4
EV/EBITDA (x)	37.8	4.1	2.9	2.5	2.1
Dividend yield (%)	0.9	6.1	9.1	8.2	7.1
Net margin (%)	(16.8)	26.2	27.5	25.4	24.4
Net debt/(cash) to equity (%)	66.3	35.7	17.0	1.7	(10.2)
Interest cover (x)	1.0	10.9	17.5	16.9	15.4
ROE (%)	n.a.	14.5	17.2	14.0	11.1
Consensus net profit	-	-	19.2	17.3	17.6
UOBKH/Consensus (x)	-	-	1.26	1.26	1.07

Source: Uni-Asia, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	S\$1.14
Target Price	S\$2.48
Upside	+117.5%
(Previous TP)	S\$2.34

### COMPANY DESCRIPTION

Uni-Asia Group operates as an alternative investment company. It offers structured finance, ship charter arrangement, shipping and maritime asset management, real estate investment, and other related services. Uni-Asia Group serves customers in Asia.

### STOCK DATA

GICS sector	Financials
Bloomberg ticker:	UAG SP
Shares issued (m):	78.6
Market cap (S\$m):	86.5
Market cap (US\$m):	63.8
3-mth avg daily t'over (US\$m):	0.1

### Price Performance (%)

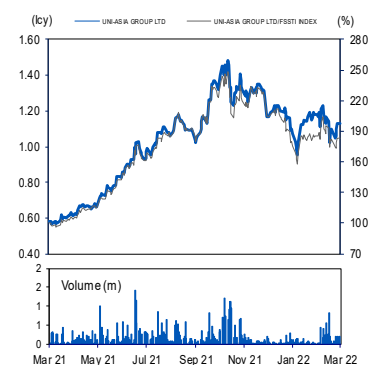
52-week high/low	S\$1.48/S\$0.565			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(6.8)	(12.7)	0.0	91.3	(10.6)

### Major Shareholders

Yamasa Company Ltd	30.0
Ham Yong Kwan	9.4
Evergreen International S.A.	8.9

FY22 NAV/Share (US\$)	1.88
FY22 Net Debt/Share (US\$)	0.32

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

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### STOCK IMPACT

- Potential opportunity stemming from Russia-Ukraine conflict.** We see a potential gap between investors' sentiment and reality stemming from the Russia-Ukraine conflict. There have been concerns of price pressure for drybulk charter rates due to a potential shift in supply dynamics, given that tonnage serving both countries would need to shift given the developments. As Ukraine holds a sizable share of global exports for soft commodities (grains, wheat and oilseeds collectively contribute 12-30% of 2021/22 global output), vessel tonnage - specifically the smaller-sized classes namely Panamax, Supramax and Handymax - would shift to alternative sources and trigger price competition.
- BHSI Index suggests supply is short-squeezed.** As at 18 Mar 22, Baltic Handysize Index (BHSI) spiked 17.1% since military operations started on 24 Feb, and 10.5% ytd. Our channel checks suggest two fundamentally-changing factors: a) the increase in oil prices have led charterers to slow-steam, and b) alternative sourcing for soft commodities have resulted in increased demand for longer-ranging routes, both of which have caused a short squeeze on supply amid the already-imbalanced demand-supply equilibrium due to unfavourable charter rates over the past few years.
- Renewal of vessels' rates to boost earnings.** Notably, four of the 10 wholly-owned drybulk carriers are due for renewal in 1Q22. Current handysize freight rates are above US\$24,000/day, which have led us to increase our charter rate assumptions on Uni-Asia's expiring charter agreements to US\$24,000/day from our initial 1Q22 estimate of US\$18,000/day. We are of the view that charter rates will stay elevated in 2022 due to the favourable structural dynamics.

### EARNINGS REVISION/RISK

- We have lifted 2022 and 2023 revenue forecasts by 18% and 25% to US\$87.6m and US\$85.9m respectively, after adjusting our charter rate assumptions from US\$16,050/day to US\$20,400/day for 2022, and US\$15,800/day to US\$21,000/day for 2023.
- Accordingly, net profit estimates have risen 22.6% and 37.4% to US\$24.1m and US\$21.8m for 2022 and 2023 respectively.

### VALUATION/RECOMMENDATION

- Maintain BUY with a higher target price of S\$2.48 (from S\$2.34)**, after rolling forward our valuation base year to 2022. Our target price is pegged to 6.0x 2022F PE (-1SD to the mean), implying a 14% discount to regional peers which trade at an average 7.0x 2022F PE. At S\$1.14, Uni-Asia trades at 2.8x 2022F PE and offers an estimated dividend yield of 9.1%.

### SHARE PRICE CATALYST

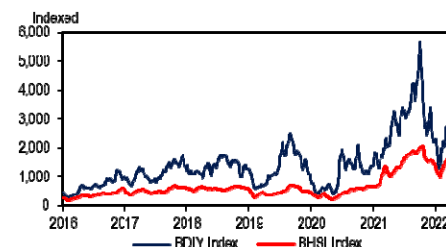
- Higher-than-expected freight rates in the handysize segment.
- Better-than-expected cost management.

### PEER COMPARISON

Company	Bloomberg Ticker	Trading Curr (TC)	Price @ 18 Mar 22 (TC)	Market Cap (USD)	PE			PB		EV/EBITDA		Yield 2022F (%)	Net Gearing (%)
					2021 (x)	2022F (x)	2023F (x)	2021 (x)	2022F (x)	2021 (x)	2022F (x)		
Uni-Asia Group	UAG SP	S\$	1.14	63	3.6	2.8	3.0	0.5	0.4	4.1	2.9	9.1	17.0
Pan Ocean Co	028670 KS	¥	7,060.00	3,120	6.9	8.4	7.8	1.0	0.9	7.2	6.5	1.4	47.0
Sitc	1308 HK	HK\$	28.95	9,932	8.5	6.5	6.4	5.0	4.2	5.5	5.2	8.3	(26.9)
U-Ming Marine	2606 TT	NT\$	61.70	1,844	10.7	9.0	n.a.	n.a.	n.a.	n.a.	n.a.	4.9	45.4
Cosco Shipping	1199 HK	HK\$	6.38	2,705	7.5	7.5	6.6	0.5	0.4	15.0	13.9	5.3	40.7
Shun Tak Holding	242 HK	HK\$	1.78	688	5.3	3.7	2.8	n.a.	n.a.	n.a.	n.a.	n.a.	33.2
Soonest Express	2643 TT	NT\$	72.30	77	7.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.5	(62.1)
Samudera	SAMU SP	S\$	0.84	334	2.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.9	(8.7)
Singap Shipping	SSCL SP	S\$	0.28	81	9.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.8	6.2
<b>Average</b>					<b>7.2</b>	<b>7.0</b>	<b>5.9</b>	<b>2.1</b>	<b>1.8</b>	<b>9.2</b>	<b>8.5</b>	<b>4.0</b>	<b>9.4</b>

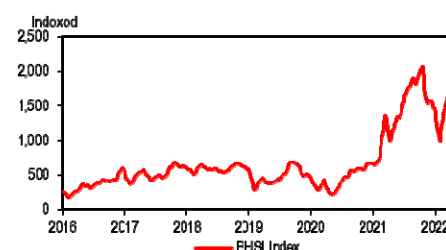
Source: UOB Kay Hian, Bloomberg

### BDIY AND BHSI INDICES



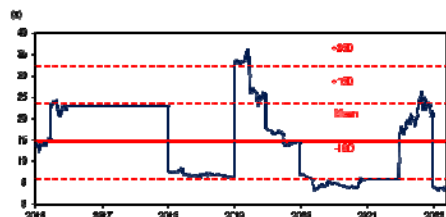
Source: Bloomberg, UOB Kay Hian

### BHSI INDEX



Source: Bloomberg, UOB Kay Hian

### HISTORICAL PE



Source: Bloomberg, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (US\$m)	2021	2022F	2023F	2024F
Net turnover	69.4	87.6	85.9	76.9
EBITDA	33.3	40.0	37.6	34.3
Deprec. & amort.	11.1	11.5	11.5	11.5
EBIT	22.2	28.6	26.1	22.9
Associate contributions	(0.2)	0.0	0.0	0.0
Net interest income/(expense)	(3.1)	(2.3)	(2.2)	(2.2)
Pre-tax profit	19.0	26.3	23.9	20.6
Tax	(1.0)	(2.2)	(2.1)	(1.9)
Minorities	0.2	0.0	0.0	0.0
Net profit	18.2	24.1	21.8	18.8
Net profit (adj.)	18.2	24.1	21.8	18.8

### BALANCE SHEET

Year to 31 Dec (US\$m)	2021	2022F	2023F	2024F
Fixed assets	151.7	143.9	136.0	128.0
Other LT assets	32.1	32.1	32.1	32.1
Cash/ST investment	36.7	58.7	81.1	101.7
Other current assets	10.2	12.3	12.3	12.0
<b>Total assets</b>	<b>230.7</b>	<b>247.0</b>	<b>261.4</b>	<b>273.8</b>
ST debt	22.3	22.3	22.3	22.3
Other current liabilities	12.8	13.1	13.1	13.0
LT debt	61.6	61.6	61.6	61.6
Other LT liabilities	1.5	1.5	1.5	1.5
Shareholders' equity	132.1	148.1	162.5	175.0
Minority interest	0.4	0.4	0.4	0.4
<b>Total liabilities &amp; equity</b>	<b>230.7</b>	<b>247.0</b>	<b>261.4</b>	<b>273.8</b>

### CASH FLOW

Year to 31 Dec (US\$m)	2021	2022F	2023F	2024F
Operating	28.4	36.0	35.4	32.5
Pre-tax profit	19.0	26.3	23.9	20.6
Tax	(1.0)	(2.2)	(2.1)	(1.9)
Deprec. & amort.	4.1	9.9	9.9	9.9
Associates	(0.2)	0.0	0.0	0.0
Working capital changes	4.2	(1.8)	0.1	0.2
Non-cash items	(0.4)	0.0	0.0	0.0
Other operating cashflows	2.6	3.8	3.6	3.6
Investing	11.0	(2.1)	(2.0)	(2.0)
Capex (growth)	(2.1)	(2.1)	(2.0)	(2.0)
Investments	1.1	0.0	0.0	0.0
Proceeds from sale of assets	9.8	0.0	0.0	0.0
Others	2.2	0.0	0.0	0.0
Financing	(36.4)	(11.9)	(11.0)	(9.9)
Dividend payments	(1.8)	(8.1)	(7.4)	(6.3)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	11.8	0.0	0.0	0.0
Loan repayment	(39.5)	0.0	0.0	0.0
Others/interest paid	(7.0)	(3.8)	(3.6)	(3.6)
Net cash inflow (outflow)	3.0	22.0	22.4	20.6
Beginning cash & cash equivalent	35.5	36.7	58.7	81.1
Changes due to forex impact	(1.7)	0.0	0.0	0.0
Ending cash & cash equivalent	36.7	58.7	81.1	101.7

### KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
<b>Profitability</b>				
EBITDA margin	48.0	45.7	43.8	44.7
Pre-tax margin	27.4	30.0	27.8	26.8
Net margin	26.2	27.5	25.4	24.4
ROA	7.6	10.1	8.6	7.0
ROE	14.5	17.2	14.0	11.1
<b>Growth</b>				
Turnover	51.1	26.2	(1.9)	(10.5)
EBITDA	644.9	20.2	(6.0)	(8.7)
Pre-tax profit	n.a.	38.3	(9.0)	(13.8)
Net profit	n.a.	32.3	(9.4)	(14.0)
Net profit (adj.)	n.a.	32.3	(9.4)	(14.0)
EPS	n.a.	32.3	(9.4)	(14.0)
<b>Leverage</b>				
Debt to total capital	38.7	36.1	34.0	32.3
Debt to equity	63.5	56.6	51.6	47.9
Net debt/(cash) to equity	35.7	17.0	1.7	(10.2)
Interest cover (x)	10.9	17.5	16.9	15.4

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