

Uni-Asia Group Ltd

Locked in attractive freight rates

SINGAPORE | SHIPPING | 3Q22 UPDATE

- The average charter rate in 3Q22 for Uni-Asia was US\$19,609/day, an increase of 37% YoY. We believe the jump in freight rates will drive similar growth rates for charter income. Charter income is around 85% of FY22e total revenue.
- Improvement in Hong Kong property projects in terms of units sold and construction progress.
- We are maintaining our FY22e forecast. Despite the Baltic Exchange Handysize index declining 45% YoY in 3Q22, Uni-Asia has locked in attractive freight rates. Our FY23e PATMI is lowered by 13% to US\$19.2mn. Unless freight rates recover in 1Q23, there is a risk the next renewal cycle will be a major drag to revenue. We maintain our BUY recommendation and target price of S\$1.26. The target price is pegged to 3x P/E FY22e, in line with industry peers. The soft economic conditions in China have led to softer demand for bulk commodities. Nevertheless, supporting longer-term freight rates will be the 30-year low in new dry bulk vessels of only 7% of fleet capacity.

The Positives

+ Attractive charter rates locked in. There were no financials provided in the 3Q22 update. The key data point disclosed was Uni-Asia's average daily freight rate in 3Q22. With charter rates jumping 37% YoY in 3Q22 to US\$19,609/day, we expect a similar jump in revenue. The dry docking of four vessels in 3Q22 may dampen some of the growth.

+ Progress made in property division. Hong Kong commercial projects have made progress in sales in 3Q22. It was disclosed that the 4th project sold 11% and the 5th project sales rose from 1/3 to 1/2. The pipeline for new Alero residential projects in Japan has also improved to 7 from 3 in the previous quarter.

The Negative

- Major decline in freight rates. Freight rates were weak in 3Q22, plunging 45% YoY, as indicated by Baltic Exchange Handysize Index. Unless rates recover in 1Q23, there is risk in our FY23e forecast.

Outlook

The Baltic Exchange Handysize Index began to slide in June (Figure 1). Rates in November are now close to 2020 levels, representing a drop of 55% YoY. Uni-Asia has managed to lock in attractive rates (Figure 2) but there is risk in the next renewal cycle for its fleet. We believe the next renewal cycle will be from 1Q23 onwards. Shipping lines are cautious due to the lack of visibility in demand for commodities in China and are not willing to commit to any forward charters.

The medium-term outlook for charter rates is favourable. Supply is constrained by tight shipyard capacity earmarked for containers and LNG carriers. Demand for new vessels is subdued due to uncertainty over the fuel types. New environmental regulation next year is expected to spur slow steaming of bulk vessels, further tightening the effective supply of vessels.

Maintain BUY with unchanged TP of S\$1.26

We expect the dry bulk shipping cycle to recover given the tightening supply and likely re-opening of the Chinese economy.

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StocksBnB.com

23 November 2022

BUY (Maintained)

| | |
|---------------|-----------|
| CLOSING PRICE | SGD 0.790 |
| FORECAST DIV | SGD 0.095 |
| TARGET PRICE | SGD 1.260 |
| TOTAL RETURN | 71.5% |

COMPANY DATA

| | |
|-------------------------------|-------------|
| Bloomberg CODE: | UAG SP |
| O/S SHARES (MN): | 78.6 |
| MARKET CAP (USD mn / SGD mn): | 45 / 62 |
| 52 - WK HI/LO (SGD): | 1.39 / 0.75 |
| 3M Average Daily T/O (mn): | 0.13 |

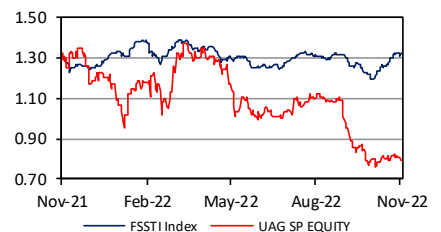
MAJOR SHAREHOLDERS

| | |
|-------------------------|-------|
| Yamasa Co Ltd | 30.0% |
| Evergreen International | 9.0% |

PRICE PERFORMANCE (%)

| | 1MTH | 3MTH | YTD |
|------------|-------|--------|--------|
| COMPANY | (1.3) | (23.6) | (28.7) |
| STI RETURN | 9.9 | 0.7 | 8.3 |

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

| Y/E Dec, USD (mn) | FY20 | FY21 | FY22e | FY23e |
|-------------------|--------|-------|-------|-------|
| Revenue | 45.9 | 69.4 | 76.2 | 69.1 |
| EBITDA | 17.8 | 33.3 | 38.3 | 32.6 |
| Net Profit | -14.0 | 18.2 | 24.0 | 19.2 |
| EPS (SGD cents) | -24.7 | 32.0 | 42.1 | 33.6 |
| P/E (X) | -3.2 | 2.5 | 1.9 | 2.3 |
| Dividend Yield | 0.9% | 8.9% | 12.0% | 11.4% |
| ROE | -11.8% | 13.7% | 16.0% | 11.6% |
| ROA | -5.6% | 7.9% | 10.4% | 8.1% |

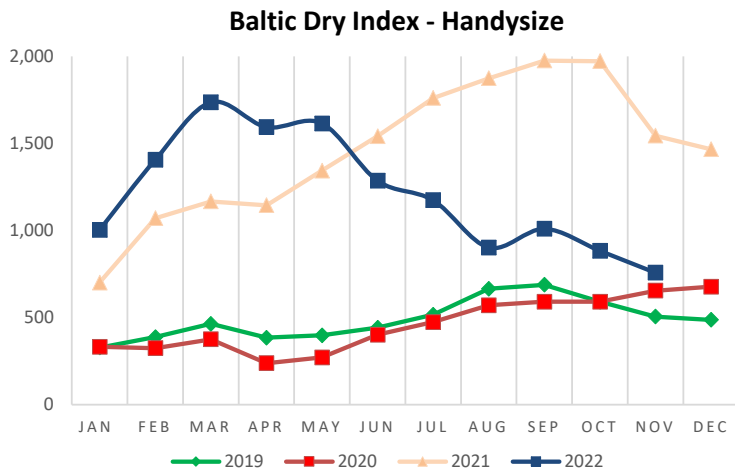
Source: Company, PSR

VALUATION METHOD

3x PE Multiple FY22e

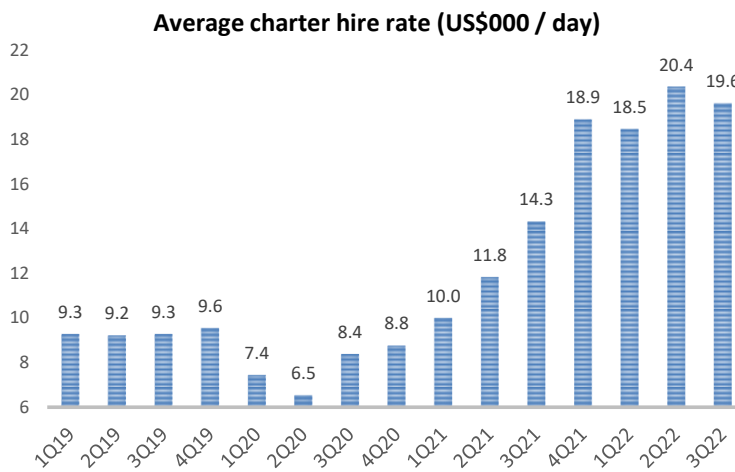
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Figure 1: Major decline in Handysize to 2020 levels



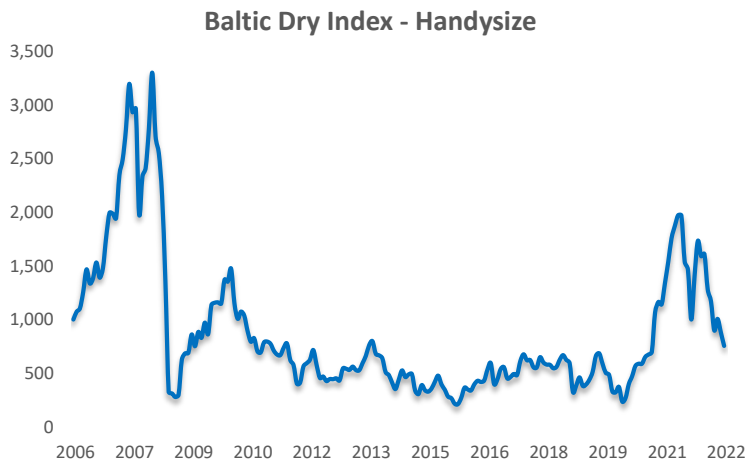
Source: CEIC, PSR

Figure 2: Record freight rates locked in



Source: Company, PSR

Figure 3: After moving sideways for a decade, the index started climbing in 2021



Source: Company, PSR

Financials

Income Statement

| Y/E Dec, USD '000 | FY19 | FY20 | FY21 | FY22e | FY23e |
|-----------------------------|----------|----------|----------|----------|----------|
| Revenue | 54,545 | 45,943 | 69,435 | 76,239 | 69,114 |
| EBITDA | 49,918 | 17,838 | 33,303 | 38,346 | 32,616 |
| Depreciation & amortisation | (11,674) | (11,919) | (11,056) | (11,034) | (10,579) |
| EBIT | 17,472 | (7,448) | 22,247 | 27,313 | 22,037 |
| Net Finance Inc/(Exp) | (5,223) | (3,964) | (2,686) | (1,975) | (1,851) |
| Profit before tax | 9,684 | (12,339) | 18,996 | 25,638 | 20,487 |
| Taxation | (780) | (1,267) | (951) | (1,538) | (1,229) |
| Minority interest | (778) | (443) | 156 | (100) | (100) |
| PATMI | 8,126 | (14,049) | 18,201 | 23,999 | 19,157 |

Per share data (SGD Cents)

| Y/E Jun | FY19 | FY20 | FY21 | FY22e | FY23e |
|---------------|-------|-------|-------|-------|-------|
| EPS, Reported | 23.9 | -24.7 | 32.0 | 42.1 | 33.6 |
| DPS | 0.3 | 0.7 | 7.0 | 9.5 | 9.0 |
| BVPS | 268.3 | 151.8 | 168.7 | 191.0 | 210.4 |

Cash Flow

| Y/E Dec, USD '000 | FY19 | FY20 | FY21 | FY22e | FY23e |
|---------------------------|----------|----------|----------|----------|----------|
| CFO | | | | | |
| Profit before tax | 9,684 | (12,339) | 18,996 | 25,638 | 20,487 |
| Adjustments | 39,387 | 21,337 | 11,297 | 12,709 | 12,129 |
| WC changes | 2,079 | (1,813) | 4,240 | (92) | 36 |
| Cash generated from ops | 40,166 | 7,215 | 29,102 | 38,254 | 32,652 |
| Tax paid | (1,224) | (703) | (747) | (1,538) | (1,229) |
| Cashflow from ops | 39,343 | 6,805 | 28,379 | 36,716 | 31,422 |
| CFI | | | | | |
| CAPEX, net | (2,846) | (2,111) | (2,050) | (2,000) | (2,000) |
| Others | 3,403 | (1,154) | 13,025 | - | - |
| Cashflow from investments | 557 | (3,265) | 10,975 | (2,000) | (2,000) |
| CFE | | | | | |
| Share issuance, net | 3,998 | - | - | - | - |
| Loans, net of repayments | (36,995) | (2,106) | (27,635) | (18,000) | (8,000) |
| Dividends | (3,826) | (1,224) | (1,762) | (6,550) | (3,987) |
| Others | (34,214) | (21,919) | (6,990) | (3,475) | (3,351) |
| Cashflow from financing | (71,037) | (25,249) | (36,387) | (28,025) | (15,338) |
| Net change in cash | (31,137) | (21,709) | 2,967 | 6,691 | 14,085 |
| CCE, end | 12,754 | 9,292 | 12,259 | 18,950 | 33,034 |

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

| Y/E Dec, USD '000 | FY19 | FY20 | FY21 | FY22e | FY23e |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| ASSETS | | | | | |
| Cash | 56,089 | 35,477 | 36,732 | 43,423 | 57,507 |
| Investments | 1,945 | 5,239 | 1,543 | 1,543 | 1,543 |
| Others | 28,214 | 21,047 | 8,674 | 8,911 | 8,840 |
| Total current assets | 86,248 | 61,763 | 46,949 | 53,877 | 67,890 |
| Property, plant & equipment | 170,003 | 144,028 | 136,357 | 128,474 | 120,520 |
| Investments | 20,026 | 30,549 | 31,379 | 31,379 | 31,379 |
| Others | 317,801 | 13,128 | 16,051 | 16,701 | 17,876 |
| Total non-current assets | 507,830 | 187,705 | 183,787 | 176,553 | 169,775 |
| Total Assets | 594,078 | 249,468 | 230,736 | 230,431 | 237,665 |
| LIABILITIES | | | | | |
| Accounts payable | 4,002 | 241 | 236 | 381 | 346 |
| Bank borrowings | 71,287 | 44,435 | 22,285 | 4,285 | 4,285 |
| Other payables | 8,012 | 5,011 | 6,661 | 6,661 | 6,661 |
| Others | 26,045 | 6,764 | 5,885 | 5,885 | 5,885 |
| Total current liabilities | 109,346 | 56,451 | 35,067 | 17,212 | 17,177 |
| Long-term borrowings | 71,289 | 69,538 | 61,556 | 61,556 | 53,556 |
| Others | 287,375 | 4,137 | 1,539 | 1,539 | 1,539 |
| Total non-current liabilities | 358,664 | 73,675 | 63,095 | 63,095 | 55,095 |
| Total Liabilities | 468,010 | 130,126 | 98,162 | 80,307 | 72,272 |
| Equity | | | | | |
| Non-controlling interests | 469 | 878 | 440 | 540 | 640 |
| Shareholder Equity | 126,068 | 119,342 | 132,574 | 150,123 | 165,394 |

Valuation Ratios

| Y/E Jun | FY19 | FY20 | FY21 | FY22e | FY23e |
|--------------------|------|------|------|-------|-------|
| P/E (X) | 3.3 | -3.2 | 2.5 | 1.9 | 2.3 |
| P/B (X) | 0.2 | 0.4 | 0.3 | 0.3 | 0.3 |
| EV/EBITDA (X) | 2.3 | 6.9 | 2.8 | 1.8 | 0.0 |
| Dividend Yield (%) | 0.3 | 0.9 | 8.9 | 12.0 | 11.4 |

Growth & Margins

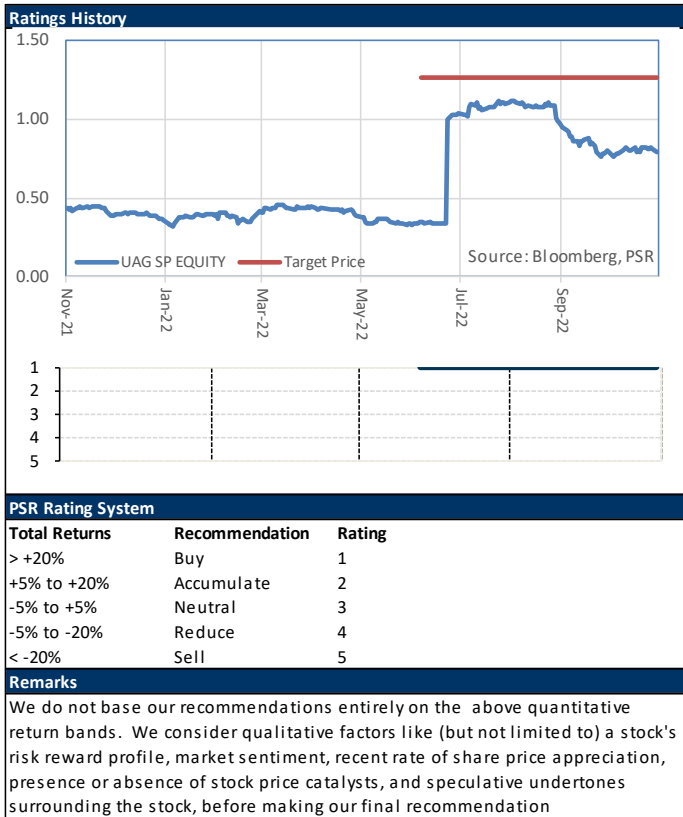
| Growth | | | | | |
|------------------|--------|---------|---------|-------|--------|
| Revenue | -55.8% | -15.8% | 51.1% | 9.8% | -9.3% |
| EBITDA | 124.0% | -64.3% | 86.7% | 15.1% | -14.9% |
| EBIT | 47.3% | -142.6% | -398.7% | 22.8% | -19.3% |
| Net profit, adj. | 558.5% | -272.9% | -229.6% | 31.9% | -20.2% |

Margins

| EBITDA margin | 91.5% | 38.8% | 48.0% | 50.3% | 47.2% |
|-------------------|-------|--------|-------|-------|-------|
| EBIT margin | 32.0% | -16.2% | 32.0% | 35.8% | 31.9% |
| Net profit margin | 14.9% | -30.6% | 26.2% | 31.5% | 27.7% |

Key Ratios

| ROE | 6.4% | -11.8% | 13.7% | 16.0% | 11.6% |
|---------------------|-------|--------|-------|-------|-------|
| ROA | 1.4% | -5.6% | 7.9% | 10.4% | 8.1% |
| Net Gearing | 68.6% | 65.8% | 35.5% | 14.9% | 0.2% |
| Net Debt/EBITDA (X) | 1.7 | 4.4 | 1.4 | 0.6 | 0.0 |



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