

# Uni-Asia Group Ltd

Waiting for supply to bite

SINGAPORE | SHIPPING | 1Q23 UPDATE

- The average charter rate in 1Q23 for Uni-Asia was US\$12,423/day, a 33% YoY decline and below our US\$14,500/day estimate for FY23e. From April, the Baltic Handysize continued to weaken into June, a decline of around 30%.
- Near-term strategy is to explore taking advantage of the attractive second-hand value of their fleet of bulk carriers. In March, a joint-venture vessel was sold for an undisclosed sum. The funds will be redeployed into new bulk vessels at a later stage or for property investments.
- We are lowering our FY23e PATMI by 22% to S\$13.7mn. We downgrade our recommendation from BUY to ACCUMULATE. The target price is lowered to S\$0.94 (previously S\$1.19), in line with industry peers at 4x PE. New orders for Handysize vessels continue to be weak with industry supply expected to shrink 2.7% in 2023.

## The Positives

**+ Plans to monetize vessels.** Valuations for 2<sup>nd</sup> hand vessels remain stable. Uni-Asia sold a 49% joint venture vessel in March 2023. We estimate the gain on sale is US\$3-4mn. Vessel owners are hesitant to order new vessels. There is uncertainty over the fuel type that meets future emission standards. Larger bulk carrier orders are gravitating towards methanol as the dual fuel with fossil fuel. However, Handysize vessels are too small to accommodate both fuel types.

**+ Alero pipeline refreshed.** Uni-Asia's pipeline of residential projects in Tokyo (called Alero) in 1Q23 is improving to 13 ongoing or new sites. This compares with 9 ongoing sites a year ago. The number of projects sold has declined from 4 to 2.

## The Negative

**- Weakening freight rates.** The Baltic Exchange Handysize Index is down 27% this year. Despite the re-opening in China, the rebound has been slower than expected. In 1Q23, industry data pointed to increased volumes for iron ore post emission controls in China during the Beijing Winter Olympics last year. Coal volumes also performed better after the Indonesia export ban in 2022. Minor bulk and grain loading have been weak.

## Outlook

We expect dry bulk freight rates to move sideways from current levels. Demand from China is gradually recovering but any improvement will be offset by slower global growth. The tightness in supply is partly reflected by the resilient 2<sup>nd</sup> hand market price for vessels. Prices for newbuilds are currently deemed less attractive due to the uncertainty in emissions, tight yard supply and rising costs.

## Downgrade from BUY to ACCUMULATE with lower TP of S\$0.94 (prev. S\$1.19)

We lowered our revenue and PATMI by 7% and 22% respectively. We cut our freight rate estimates to US\$13.5k/day. The timing of the recovery in demand is uncertain due to slowing global growth. But the limited supply of new vessels will continue to push freight rates upward.



StocksBnB.com

16 June 2023

## ACCUMULATE (Downgraded)

CLOSING PRICE	SGD 0.895
FORECAST DIV	SGD 0.060
TARGET PRICE	SGD 0.940
TOTAL RETURN	11.7%

### COMPANY DATA

Bloomberg CODE:	UAG SP
O/S SHARES (MN):	78.6
MARKET CAP (USD mn / SGD mn):	52 / 70
52 - WK HI/LO (SGD):	1.09 / 0.71
3M Average Daily T/O (mn):	0.05

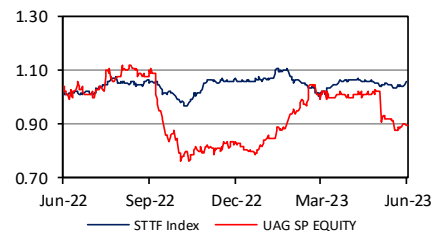
### MAJOR SHAREHOLDERS

Yamasa Co Ltd	30.0%
Evergreen International	9.0%

### PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	(4.5)	(1.6)	21.7
STTF	0.7	5.1	1.4

### PRICE VS. STTF



Source: Bloomberg, PSR

### KEY FINANCIALS

Y/E Dec, USD (mn)	FY21	FY22	FY23e	FY24e
Revenue	69.4	86.1	62.5	66.0
EBITDA	33.3	43.9	28.0	30.0
Net Profit	18.2	27.8	13.7	16.4
EPS (SGD cents)	32.0	47.4	23.3	28.0
P/E (X)	2.8	1.9	3.8	3.2
Dividend Yield	7.8%	16.2%	6.7%	10.1%
ROE	13.7%	18.4%	8.6%	9.6%
ROA	7.9%	11.7%	5.8%	6.9%

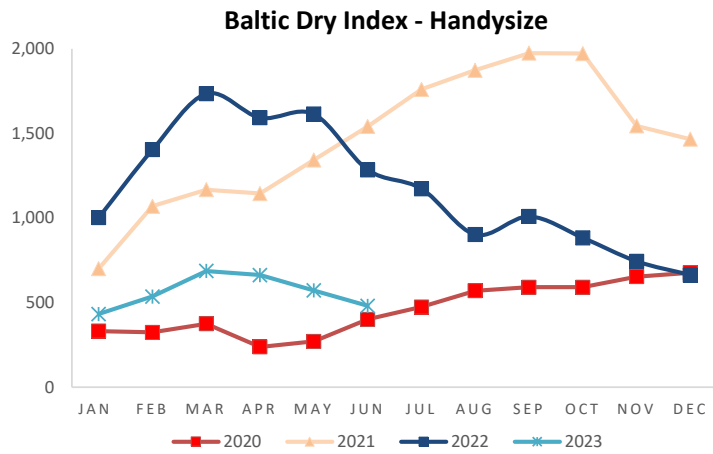
Source: Company, PSR

### VALUATION METHOD

4x PE Multiple FY23e

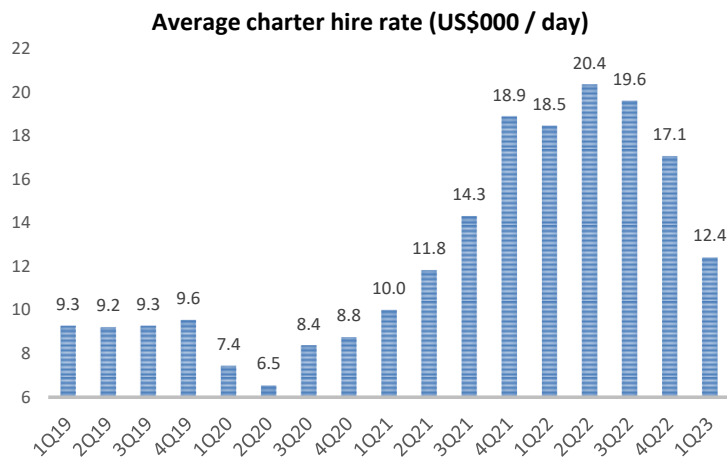
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Figure 1: Current freight rates lowest in three years



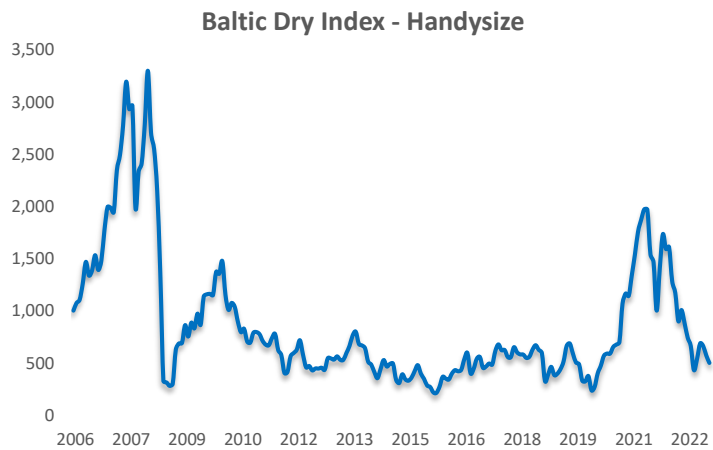
Source: CEIC, PSR

Figure 2: Freight rates in down 33% YoY and 27% QoQ in 1Q23



Source: Company, PSR

Figure 3: After peak in Sep/Oct 2021, the index in a downward trajectory



Source: Company, PSR

## Financials

### Income Statement

Y/E Dec, USD '000	FY20	FY21	FY22	FY23e	FY24e
Revenue	45,943	69,435	86,136	62,536	66,046
EBITDA	17,838	33,303	43,889	28,026	29,972
Depreciation & amortisation	(11,919)	(11,056)	(11,361)	(10,863)	(10,539)
EBIT	(7,448)	22,247	32,528	17,163	19,432
Net Finance Inc/(Exp)	(3,964)	(2,686)	(2,641)	(2,152)	(1,896)
Profit before tax	(12,339)	18,996	28,928	14,662	17,586
Taxation	(1,267)	(951)	(1,039)	(880)	(1,055)
Minority interest	(443)	156	(106)	100	100
<b>PATMI</b>	<b>(14,049)</b>	<b>18,201</b>	<b>27,783</b>	<b>13,682</b>	<b>16,431</b>

### Per share data (SGD Cents)

Y/E Jun	FY20	FY21	FY22	FY23e	FY24e
EPS, Reported	-24.7	32.0	47.4	23.3	28.0
DPS	0.7	7.0	14.5	6.0	9.0
BVPS	151.8	168.7	192.3	201.7	216.7

### Cash Flow

Y/E Dec, USD '000	FY20	FY21	FY22	FY23e	FY24e
<b>CFO</b>					
Profit before tax	(12,339)	18,996	28,928	14,662	17,586
Adjustments	21,337	11,297	13,261	12,915	12,335
WC changes	(1,813)	4,240	(1,868)	(136)	(18)
Cash generated from ops	7,215	29,102	35,609	27,441	29,904
Tax paid	(703)	(747)	(862)	(880)	(1,055)
<b>Cashflow from ops</b>	<b>6,805</b>	<b>28,379</b>	<b>34,924</b>	<b>26,561</b>	<b>28,849</b>
<b>CFI</b>					
CAPEX, net	(2,111)	(2,050)	(3,810)	(2,000)	(2,000)
Others	(1,154)	13,025	2,702	-	-
<b>Cashflow from investments</b>	<b>(3,265)</b>	<b>10,975</b>	<b>(1,108)</b>	<b>(2,000)</b>	<b>(2,000)</b>
<b>CFE</b>					
Share issuance, net	-	-	-	-	-
Loans, net of repayments	(2,106)	(27,635)	(8,600)	(8,000)	(8,000)
Dividends	(1,224)	(1,762)	(6,476)	(6,452)	(4,693)
Others	(21,919)	(6,990)	(6,429)	(4,652)	(4,696)
<b>Cashflow from financing</b>	<b>(25,249)</b>	<b>(36,387)</b>	<b>(21,505)</b>	<b>(19,104)</b>	<b>(17,388)</b>
Net change in cash	(21,709)	2,967	12,311	5,457	9,461
<b>CCE, end</b>	<b>9,292</b>	<b>36,732</b>	<b>47,069</b>	<b>52,526</b>	<b>61,987</b>

Source: Company, Phillip Securities Research (Singapore) Estimates

### Balance Sheet

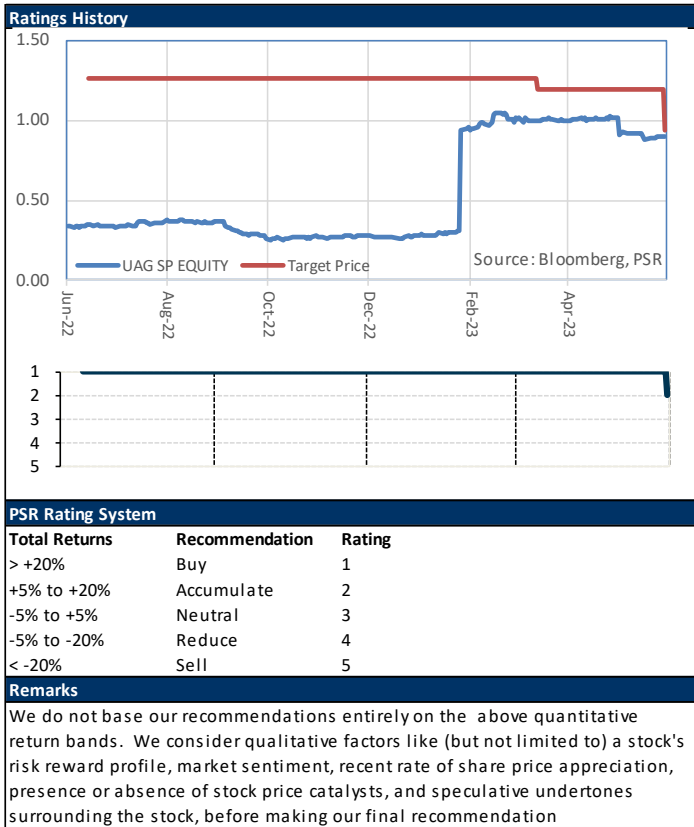
Y/E Dec, USD '000	FY20	FY21	FY22	FY23e	FY24e
<b>ASSETS</b>					
Cash	35,477	36,732	47,069	52,526	61,987
Investments	5,239	1,543	695	695	695
Others	21,047	8,674	12,802	12,831	12,866
<b>Total current assets</b>	<b>61,763</b>	<b>46,949</b>	<b>60,566</b>	<b>66,052</b>	<b>75,548</b>
Property, plant & equipment	144,028	136,357	130,111	122,715	115,248
Investments	30,549	31,379	32,535	32,535	32,535
Others	13,128	16,051	13,443	14,577	16,403
<b>Total non-current assets</b>	<b>187,705</b>	<b>183,787</b>	<b>176,089</b>	<b>169,826</b>	<b>164,187</b>
<b>Total Assets</b>	<b>249,468</b>	<b>230,736</b>	<b>236,655</b>	<b>235,879</b>	<b>239,735</b>
<b>LIABILITIES</b>					
Accounts payable	241	236	419	313	330
Bank borrowings	44,435	22,285	31,161	31,161	31,161
Other payables	5,011	6,661	8,949	8,949	8,949
Others	6,764	5,885	2,324	2,324	2,324
<b>Total current liabilities</b>	<b>56,451</b>	<b>35,067</b>	<b>42,853</b>	<b>42,747</b>	<b>42,764</b>
Long-term borrowings	69,538	61,556	41,551	33,551	25,551
Others	4,137	1,539	1,080	1,080	1,080
<b>Total non-current liabilities</b>	<b>73,675</b>	<b>63,095</b>	<b>42,631</b>	<b>34,631</b>	<b>26,631</b>
<b>Total Liabilities</b>	<b>130,126</b>	<b>98,162</b>	<b>85,484</b>	<b>77,378</b>	<b>69,395</b>
<b>Equity</b>					
Non-controlling interests	878	440	505	605	705
<b>Shareholder Equity</b>	<b>119,342</b>	<b>132,574</b>	<b>151,171</b>	<b>158,501</b>	<b>170,340</b>

### Valuation Ratios

Y/E Jun	FY20	FY21	FY22	FY23e	FY24e
P/E (X)	-3.6	2.8	1.9	3.8	3.2
P/B (X)	0.4	0.4	0.3	0.3	0.3
EV/EBITDA (X)	7.3	2.9	1.7	0.4	-0.2
Dividend Yield (%)	0.8	7.8	16.2	6.7	10.1

### Growth & Margins

<b>Growth</b>					
Revenue	-15.8%	51.1%	24.1%	-27.4%	5.6%
EBITDA	-64.3%	86.7%	31.8%	-36.1%	6.9%
EBIT	-142.6%	-398.7%	46.2%	-47.2%	13.2%
Net profit, adj.	-272.9%	-229.6%	52.6%	-50.8%	20.1%
<b>Margins</b>					
EBITDA margin	38.8%	48.0%	51.0%	44.8%	45.4%
EBIT margin	-16.2%	32.0%	37.8%	27.4%	29.4%
Net profit margin	-30.6%	26.2%	32.3%	21.9%	24.9%
<b>Key Ratios</b>					
ROE	-11.8%	13.7%	18.4%	8.6%	9.6%
ROA	-5.6%	7.9%	11.7%	5.8%	6.9%
Net Gearing	65.8%	35.5%	17.0%	7.7%	Net cash
Net Debt/EBITDA (X)	4.4	1.4	0.6	0.4	-0.2



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