

Uni-Asia Group Ltd

Earnings spike in 1H22



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SINGAPORE | SHIPPING | 1H22 RESULTS

19 August 2022

BUY (Maintained)

CLOSING PRICE	SGD 1.110
FORECAST DIV	SGD 0.095
TARGET PRICE	SGD 1.260
TOTAL RETURN	22.1%

COMPANY DATA

Bloomberg CODE:	UAG SP
O/S SHARES (MN):	78.6
MARKET CAP (USD mn / SGD mn):	63 / 87
52 - WK HI/LO (SGD):	1.49 / 0.93
3M Average Daily T/O (mn):	0.16

MAJOR SHAREHOLDERS

Yamasa Co Ltd	30.0%
Evergreen International	9.0%

- 1H22 revenue and PATMI were 64%/68% respectively of our FY22e forecast. Results were above expectations due to a surge in charter rates. 1H22 PATMI spiked 128% to US\$16.4mn. The interim dividend more than tripled to 6.5 cents.
- Average charter rate per day in 1H22 jumped 78% YoY to US\$19.4k. This is above our modelled US\$18.k assumption. Vessel operating days declined 5% YoY due to dry docking.
- Despite the earnings beat, we are maintaining our FY22e forecast. The Baltic Exchange handysize index in July and August has slipped around 25% against the 1H22 average. It points to a much weaker charter rate in 3Q22. Another drag in 2H22 will be the 110 days of dry docking for 4 of the 10 dry bulk vessels. There was a 6% decline in operating days. Our BUY recommendation and target price of S\$1.26 is unchanged. The target price is pegged to 3x P/E FY22e, in line with industry peers. Supply of dry bulk vessels remains constrained with new orders at only 7% of fleet capacity, a 30-year low.

Results at a glance

USD '000	1H22	1H21	YoY	Comments
Revenue	48,860	31,661	54.3%	
- Charter income	34,036	19,998	70.2%	Charter rates jumped 78% YoY.
- Fee income	4,244	2,925	45.1%	
- Sale of prop.	9,222	5,091	81.1%	Sold 2 Alero properties (1H21: 1).
Vessel operating expenses	-10,673	-9,374	13.9%	Higher crew salary and logistics costs.
Operating profit	19,160	9,148	109.4%	
PBT	17,001	7,358	131.1%	
- Ship ownership/chartering	17,765	6,331	180.6%	
- MAM	866	2,315	-62.6%	
- Property (Japan)	1,947	993	96.1%	
PATMI	16,404	7,180	128.5%	
DPS - Interim (SGD cts)	6.50	2.00	225.0%	Payout ratio 23% (1H21:16%).

Source: Company, PSR

The Positives

+ Surge in charter rates. Charter revenue rose 70% YoY to US\$34mn, driven by a 78% jump in average daily charter hire rates to US\$19.4k. Vessel operating days were 5% YoY lower due to a containership that was disposed of in 1Q21. Margins expanded as vessel operating expenses rose only 14% YoY to US\$10.6mn. Higher cost was from crew salary, crew logistics and other expenses. Fuel cost is borne by the shipping company, not Uni-Asia.

+ Returning spike in cash flow to shareholders. FCF in 1H22 tripled to US\$20.9mn (1H21: US\$7.2mn). There are no current plans to order vessels. Net debt has halved to US\$31mn (1H22: US\$61mn) from a year ago. Uni-Asia announced an interim dividend of 6.5 SGD cents per share, a payout ratio of 23% (or S\$5mn).

The Negative

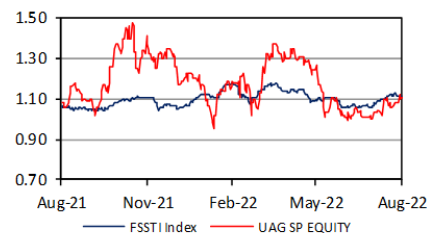
- Lower pipeline of properties in Japan. In 1H22, Uni-Asia sold 2 units of its residential projects (i.e. Alero) located in Tokyo. The pipeline or ongoing projects is down to 8 from 13 a year ago. This implies fewer available projects to lease or for sale in the coming quarters.

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PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	11.0	(8.9)	(5.9)
STI RETURN	6.6	3.3	8.0

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, USD (mn)	FY20	FY21	FY22e	FY23e
Revenue	45.9	69.4	76.2	72.7
EBITDA	17.8	33.3	38.3	35.7
Net Profit	-14.0	18.2	24.0	22.1
EPS (SGD cents)	-24.7	32.0	42.1	38.8
P/E (X)	-4.5	3.5	2.6	2.9
Dividend Yield	0.6%	6.3%	8.6%	8.1%
ROE	-11.8%	13.7%	16.0%	13.1%
ROA	-5.6%	7.9%	10.4%	9.2%

Source: Company, PSR

VALUATION METHOD

3x PE Multiple FY22e

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Outlook

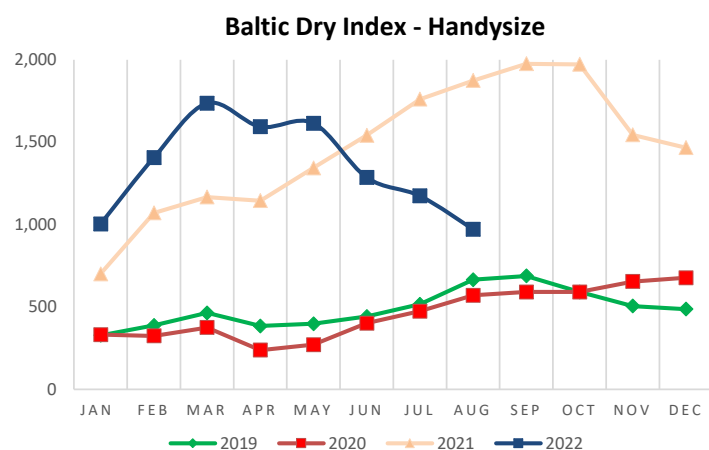
The Baltic Exchange Handysize Index started to roll over since June 2022 (Figure 1). The index in 3Q22 is likely to be weaker than a year ago, albeit still elevated than 2019/20 levels. Weakness in charter rates is due to softness in demand for commodities in China. Shipping lines are cautious and delaying their commitments of hiring vessels.

We believe the medium-term outlook is still positive for charter rates. New orders for dry bulk vessels are at 30-year lows due to multiple factors. These include shipyard capacity already filled by container vessel orders, port congestion, slow steaming and uncertainty over future emissions standards and fuel type for dry bulkers.

Maintain BUY with unchanged TP of S\$1.26

We expect the dry bulk shipping cycle to be resilient in the coming two years as the new supply remains modest at multi-decade lows. We also cut our DPS forecast from 12 cents to 9.5 cents as we assume a lower payout ratio of 23% from 30%.

Figure 1: Handysize rates corrected over the past three months



Source: CEIC, PSR

Financials

Income Statement

Y/E Dec, USD '000	FY19	FY20	FY21	FY22e	FY23e
Revenue	54,545	45,943	69,435	76,239	72,714
EBITDA	49,918	17,838	33,303	38,346	35,719
Depreciation & amortisation	(11,674)	(11,919)	(11,056)	(11,034)	(10,579)
EBIT	17,472	(7,448)	22,247	27,313	25,141
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	23,590
Taxation	(780)	(1,267)	(951)	(1,538)	(1,415)
Minority interest	(778)	(443)	156	(100)	(100)
PATMI	8,126	(14,049)	18,201	23,999	22,074

Balance Sheet

Y/E Dec, USD '000	FY19	FY20	FY21	FY22e	FY23e
ASSETS					
Cash	56,089	35,477	36,732	43,423	60,406
Investments	1,945	5,239	1,543	1,543	1,543
Others	28,214	21,047	8,674	8,911	8,876
Total current assets	86,248	61,763	46,949	53,877	70,825
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	240,600

LIABILITIES

Accounts payable	4,002	241	236	381	364
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	17,195
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	72,290

Equity

Non-controlling interests	469	878	440	540	640
Shareholder Equity	126,068	119,342	132,574	150,123	168,311

Per share data (SGD Cents)

Y/E Jun	FY19	FY20	FY21	FY22e	FY23e
EPS, Reported	23.9	-24.7	32.0	42.1	38.8
DPS	0.3	0.7	7.0	9.5	9.0
BVPS	268.3	151.8	168.7	191.0	214.1

Cash Flow

Y/E Dec, USD '000	FY19	FY20	FY21	FY22e	FY23e
CFO					
Profit before tax	9,684	(12,339)	18,996	25,638	23,590
Adjustments	39,387	21,337	11,297	12,709	12,129
WC changes	2,079	(1,813)	4,240	(92)	18
Cash generated from ops	40,166	7,215	29,102	38,254	35,737
Tax paid	(1,224)	(703)	(747)	(1,538)	(1,415)
Cashflow from ops	39,343	6,805	28,379	36,716	34,321
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	16,984
CCE, end	12,754	9,292	12,259	18,950	35,933

Valuation Ratios

Y/E Jun	FY19	FY20	FY21	FY22e	FY23e
P/E (X)	4.7	-4.5	3.5	2.6	2.9
P/B (X)	0.3	0.5	0.5	0.4	0.4
EV/EBITDA (X)	2.5	7.9	3.3	2.2	-0.1
Dividend Yield (%)	0.2	0.6	6.3	8.6	8.1

Growth & Margins

Growth					
Revenue	-55.8%	-15.8%	51.1%	9.8%	-4.6%
EBITDA	124.0%	-64.3%	86.7%	15.1%	-6.9%
EBIT	47.3%	-142.6%	-398.7%	22.8%	-8.0%
Net profit, adj.	558.5%	-272.9%	-229.6%	31.9%	-8.0%

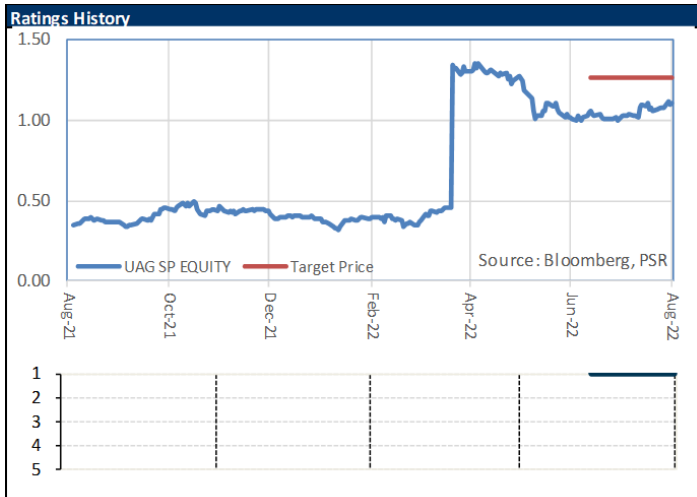
Margins

EBITDA margin	91.5%	38.8%	48.0%	50.3%	49.1%
EBIT margin	32.0%	-16.2%	32.0%	35.8%	34.6%
Net profit margin	14.9%	-30.6%	26.2%	31.5%	30.4%

Key Ratios

ROE	6.4%	-11.8%	13.7%	16.0%	13.1%
ROA	1.4%	-5.6%	7.9%	10.4%	9.2%
Net Gearing	68.6%	65.8%	35.5%	14.9%	Net cash
Net Debt/EBITDA (X)	1.7	4.4	1.4	0.6	-0.1

Source: Company, Phillip Securities Research (Singapore) Estimates



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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