

## UNI-ASIA GROUP LTD

Share Price: S\$0.98

### COMPANY DESCRIPTION

UNI-ASIA GROUP LIMITED and its subsidiaries is an alternative investment Group specialising in creating alternative investment opportunities and providing integrated services relating to such investments.

The Group's alternative investment targets are mainly cargo ships and properties. The Group also has extensive know-how and network relating to such alternative investments and provides services relating these investments.

<b>Name</b>	<b>UNI-ASIA GROUP LTD</b>
<b>Bloomberg Code</b>	<b>UAG SP Equity</b>
<b>3M Avg Daily Trading Vol (k)</b>	<b>53.6</b>
<b>3M Avg Daily Trading Val (S\$'000)</b>	<b>45.5</b>
<b>Major Shareholder / Holdings</b>	<b>Yamasa Co. Ltd (30.0%) Evergreen International S.A (8.95%)</b>
<b>Shares Outstanding (m)</b>	<b>78.6</b>
<b>Market Capitalisation (S\$m)</b>	<b>73.9</b>
<b>52 week Share Price High/Low</b>	<b>1.38 / 0.75</b>

### Good Dividend Track Record

At 0.4x P/B, Uni-asia is a deep value play for investors looking for a global economic recovery proxy. Valuation is backed by hard assets consisting mainly of the Group's portfolio of dry bulk handysize carriers, which may be significantly undervalued by at least 40%, following the surge in fair value of used handysize carriers over the last 2 years. Catalysts include potential disposal of the Group's older 28KDWT ships, should the Group decide to unlock the hidden value of its assets. While waiting, shareholders can also expect a steady stream of dividends, where the Group has consistently paid out its earnings over the last 10 years.

While the dry bulk market started to weaken in 2H2022, Uni-asia's earnings may be more sheltered in the near term aided by the Group's risk management strategy to fix about half of its vessels on longer term charters. Coupled with the Group's strong cashflow and low net gearing, we believe investors may look forward to a bumper final dividend when the Group reports its upcoming full year results. The Group has already paid a generous interim dividend of S\$0.065/share (6.9% yield) in 1H2022.

### KEY FINANCIALS

December Year End	FY19	FY20	FY21
Total income (US\$m)	54.5	45.9	69.4
EBIT (Operating Profit) (US\$m)	17.5	(7.4)	22.2
EBITDA (US\$m)	29.1	17.2	31.9
EBITDA Margin (%)	53.4%	37.4%	46.0%
Net Profit* (US\$m)	8.9	(13.6)	18.0
Adjusted Net Profit** (US\$m)	8.9	(0.9)	16.7
Adjusted Net Profit Margin (%)	16.3%	-1.9%	24.0%
Net profit to owners of the parent (US\$m)	5.8	(7.7)	18.2
EPS (US¢)	7.4	(9.8)	23.2
DPS (S¢)	4.20	1.00	7.00
NAV/share (US¢)	160.39	151.83	168.67

\*Only for continuing operations only. Hotel operations was disposed off in 2020

\*\*Adjusted for impairments, gain on disposal of assets

Source: Uni-Asia, Lim & Tan Research

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## Investment Thesis

- ▶ **Attractively valued at 0.4x P/B...** At S\$0.94, Uni-asia is trading at just 0.39x P/B (Net asset value as of 30 June 2022: US\$1.82 or S\$2.42/share), with its balance sheet backed predominantly by hard assets including property, plant and equipment (“PPE” - which is made up mainly of the Group’s shipping vessels), investments and investment properties and cash.

**... with an even more undervalued book?** According to Clarksons January report, the price of a 10-year-old 32k handysize carrier nearly doubled from US\$8.3m in 2020 to US\$16m in 2022 due to the surge in charter rates in the dry bulk carrier market. Despite the recent weakness in the dry bulk carrier market, the value of handysize carriers had remained steady due to the tight supply for the vessels. The Group’s vessels are held at cost, and as of 30 June 2022, the Group’s PPE (where the value of the Group’s wholly owned shipping vessels formed almost 100% of its PPE) was US\$131.5m (or S\$174.9m or S\$2.23/share). If we just assume a 50% discount to the potential fair value premium of the vessels, it will still suggest the Group’s net asset value may be understated by as much as 46%. In its AR2021, the Group had mentioned that it has been monitoring the market for opportunity to realise disposal gain for its smaller 28k DWT ships, which could act as potential catalysts, should the Group decide to sell some of its older vessels.

**Still on track for a record 2022?** Uni-asia reported a more than 120% jump in net profit in 1H2022 to US\$16.5m, thanks to a surge in charter income which benefitted from a robust dry bulk market. While the dry bulk market started to decline in 2H2022, we believe Uni-asia may have a more resilient performance in the short term, thanks to the Group’s risk management strategy. According to its 2021 annual report, the Group mentioned it tends to fix shorter charter period with rates closer to spot rates for its 28K DWT ships, while for its bigger 37k DWT ships, it tends to fix slightly longer-term charters. In its 3Q2022 update, the Group’s average charter rate was down just 3.7% from the high of US\$20,364/day in 2Q2022.

**Down but not out, potential for recovery in 2024?** As the dry bulk market started to weaken in 2H2022, Uni-asia's share price has also retraced by as much as 44% (from a high of S\$1.37 to as low as S\$0.77). Share price has since rebounded from the lows by about 20%, with increasing optimism for an improvement in global economic growth. According to Clarksons January report, it expects the bulkcarrier market to improve through the course of 2023 due to (i) China's reopening, (ii) potential demand support from impacts from stimulus, (iii) global macroeconomic headwinds to start easing later in 2023. Clarksons was also positive of further improvements in the bulker market in 2024, on the back of a more positive supply demand fundamentals, with dry bulk tonne-mile trade projected to grow while underlying fleet growth is minimal, with impacts from the introduction of new environmental emission regulations to also continuing absorbing some supply.

**Steady dividend compounder with room for growth?** Uni-asia has been consistently paying dividends since 2012. In 1H2022, in line with the surge in profit, Uni-asia declared its highest interim dividend since inception of S\$0.065. Prior to COVID-19, Uni-asia has generated US\$15-36m/year of free cashflow (or S\$0.35-0.82/share) from 2018-2019. While the Group's 2H2022 performance may be affected by the decline in charter rates in the dry bulk market, Uni-asia's strong cashflow generation and low net debt position (US\$31m in 1H2022), suggests that they have more than enough cashflow to continue paring down debt while paying (or even increase dividend). – (Not to mention the lower finance expenses vs pre-COVID with the lower gross debt position)

**Is Uni-asia's book significantly undervalued?** According to the Group's 2021 annual report (pg 127), the Group took an impairment in 2020 as it wrote down the vessels to their recoverable amount based on its value-in-use. This was in line with the decline in charter rates in 2020 when COVID-19 started. However, the dry bulk market rebounded strongly in 2021-2022, which helped to push the prices of handysize carriers up.

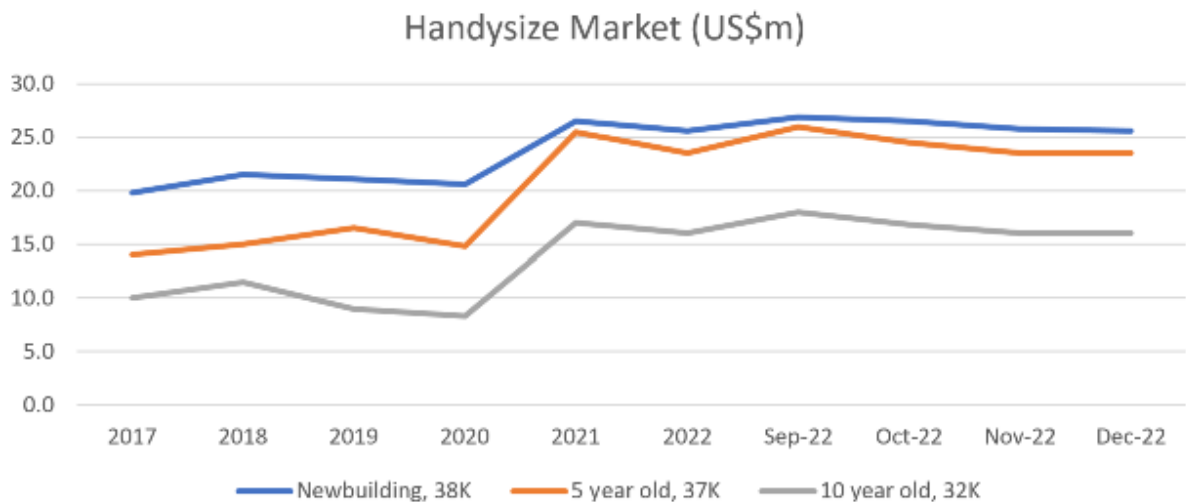
## UNI-ASIA GROUP LTD

### Exhibit 1: Prices Of Handysize Carriers

Prices, \$m. Year end	2017	2018	2019	2020	2021	2022	Sep-22	Oct-22	Nov-22	Dec-22
Newbuilding, 38K	19.8	21.5	21.1	20.6	26.5	25.6	26.9	26.5	25.8	25.6
5 year old, 37K	14.0	15.0	16.5	14.8	25.5	23.5	26.0	24.5	23.5	23.5
10 year old, 32K	10.0	11.5	9.0	8.3	17.0	16.0	18.0	16.8	16.0	16.0

Source: Clarksons Research January

### Exhibit 2: Handysize Market



Source: Clarksons Research January

According to Clarksons January report, the price of a 10-year-old 32k handysize carrier nearly doubled from US\$8.3m in 2020 to US\$16m in 2022 due to the surge in charter rates in the dry bulk carrier market. Despite the recent weakness in the dry bulk carrier market, the value of handysize carriers had remained steady, which may be due to the tight supply for handysize carriers.

**Bulk carrier market to improve through 2023 with potential further improvements in 2024.** According to Clarksons January report, it expects the bulkcarrier market to improve through the course of 2023 due to (i) China's reopening, (ii) potential demand support from impacts from stimulus, (iii) global macroeconomic headwinds to start easing later in 2023. Clarksons was also positive of further improvements in the bulker market in 2024, on the back of a more positive supply demand fundamentals, with dry bulk tonne-mile trade projected to grow while underlying fleet growth is minimal, with impacts from the introduction of new environmental emission regulations to also continuing absorbing some supply.

Dry bulk trade is expected to continue growing at 2.0% and 2.2% in 2023 and 2024 respectively. Bulk carrier supply is expected to grow at 1.8% and 0.3% respectively, however, that is driven mainly by growth in capesize and panamax vessels. The number of handysize vessels are expected to decline by 0.2% and 1.7% respectively in 2023 and 2024.

**Exhibit 3: Bulk Carrier Market**

Dry Bulk Trade	m. tonnes			Growth Trend			
	2020	2021	2022e	'23 (f)	'24 (f)	'23 %	'24 %
Iron Ore	1,501	1,517	1,481	1,483	1,494	0.1%	0.8%
Coal	1,179	1,228	1,224	1,250	1,254	2.1%	0.3%
Grain	517	525	505	531	551	5.1%	3.8%
Major Bulk	3,198	3,270	3,210	3,264	3,299	1.7%	1.1%
Minor Bulk	2,037	2,127	2,041	2,054	2,118	0.6%	3.1%
<b>Total Dry Bulk, m. tonnes</b>	<b>5,235</b>	<b>5,397</b>	<b>5,252</b>	<b>5,318</b>	<b>5,417</b>	<b>1.3%</b>	<b>1.9%</b>
<b>% growth</b>	<b>-1.5%</b>	<b>3.1%</b>	<b>-2.7%</b>	<b>1.3%</b>	<b>1.9%</b>		
trn. tonne-miles	27.89	28.83	28.27	28.85	29.48	2.0%	2.2%
<b>% growth</b>	<b>0.8%</b>	<b>3.4%</b>	<b>-1.9%</b>	<b>2.0%</b>	<b>2.2%</b>		

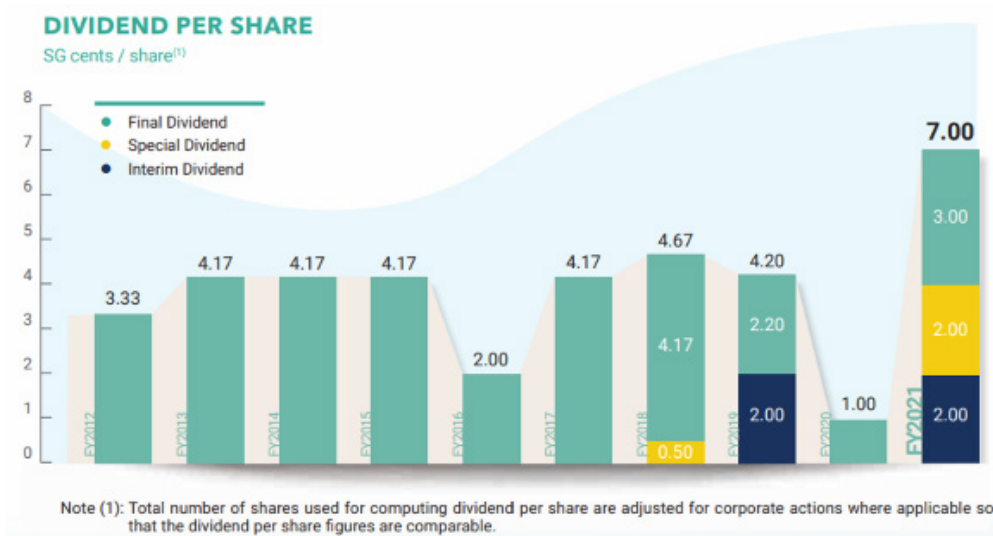
Bulkcarrier Supply	m. dwt, end			Growth Trend			
	2020	2021	2022	'23 (f)	'24 (f)	'23 %	'24 %
Capesize	361.2	376.8	383.8	391.6	391.6	2.0%	0.0%
Panamax	228.7	236.6	245.7	252.6	253.9	2.8%	0.5%
Handymax	214.5	220.7	227.4	230.2	234.3	1.2%	1.8%
Handysize	108.7	111.7	115.1	114.8	112.9	-0.2%	-1.7%
<b>Total Fleet Capacity, m dwt</b>	<b>913.1</b>	<b>945.9</b>	<b>972.0</b>	<b>989.3</b>	<b>992.7</b>	<b>1.8%</b>	<b>0.3%</b>
<b>% growth</b>	<b>3.8%</b>	<b>3.6%</b>	<b>2.8%</b>	<b>1.8%</b>	<b>0.3%</b>		

Source: Clarksons Research January

## UNI-ASIA GROUP LTD

**Steady dividend compounder.** Uni-asia has been consistently paying dividends since 2012, and during bumper years, the Group has also shared its fruits of its success with shareholders through an increase in dividends.

**Exhibit 4: Consistently Paying Dividends Since 2012**



Source: Uni-Asia

In 1H2022, in line with the surge in profit, Uni-asia declared its highest interim dividend since inception of S\$0.065. Prior to COVID-19, Uni-asia has generated US\$15-36m/year of free cashflow (or S\$0.35-0.82/share) from 2018-2019. While the Group's 2H2022 performance may be affected by the decline in charter rates in the dry bulk market, Uni-asia's strong cashflow generation and low net debt position (US\$31m in 1H2022), suggests that they have more than enough cashflow to continue paring down debt while paying (or even increase dividend). – (Not to mention the lower finance expenses now vs pre-COVID with the lower gross debt position)

**Exhibit 5: Strong Cashflow Generation**

	2017	2018	2019	2020	2021
Operating Cashflow	14.1	17.0	39.3	6.8	28.4
CAPEX	-16.1	-1.3	-2.8	-2.1	-2.1
Free cashflow (FCF)	-2	15.7	36.5	4.7	26.3
FCF per share (US\$)	-0.03	0.27	0.62	0.08	0.45
FCF per share (S\$)	-0.05	0.35	0.82	0.11	0.59
FCF yield	-4.9%	37.6%	87.4%	11.2%	63.0%

\*Acquired second hand dry bulk carrier under Fulgida Bulkship S.A.  
Source: Uni-Asia, Lim & Tan Research

**Company Background**

**Exhibit 6: About Uni-Asia**



**How the Group makes money?**

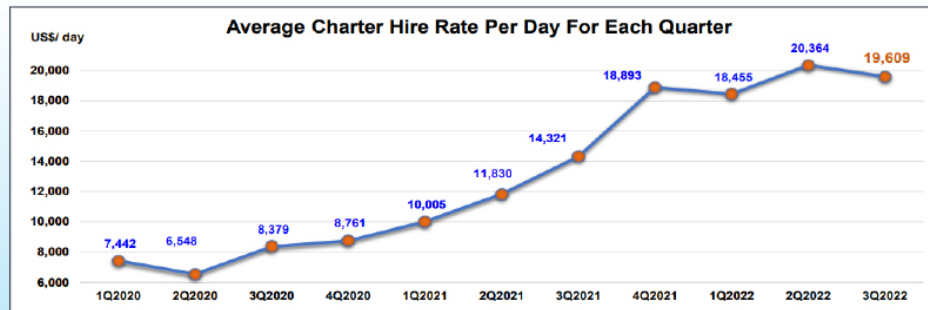
		BUSINESS SEGMENTS	
Classification of Income per Income Statement	Sub-Classification of Income	SHIPPING	PROPERTY
Charter Income		Chartering of vessels to third parties	
Fee Income	Asset Management & Administration Fee	Asset management and administration of investment fund / investment companies Commercial / Technical Management	Asset management and administration of investment fund / investment companies
	Arrangement & Agency Fee	Finance arrangement / Agency work / Arrangement of acquisition and disposal	Finance arrangement / Agency work / Arrangement of acquisition and disposal
	Brokerage Commission	Brokerage of vessel charter	
	Incentive Fee	Fees for meeting investment target	Fees for meeting investment target
Investment Returns	Realised Gain / (Loss)	Realised gain and loss on investments / financial instruments	Realised gain and loss on investments / financial instruments
	Fair Value Adjustment	Fair value adjustments on investments / financial instruments	Fair value adjustments on investments / financial instruments
	Property Rental		Rental from investment properties
Interest Income		Bank deposit interest / Interest from bridge or shareholders' loan	Bank deposit interest and finance lease interest

Source: Uni-Asia

**Exhibit 7: Uni-Asia's Portfolio Of Vessels**

	Name of Ship	Capacity	Type	Year of Built	Shipyard
1	M/V Uni Challenge	29,078 DWT	Bulker	2012	Y-Nakanishi
2	M/V Uni Wealth	29,256 DWT	Bulker	2009	Y-Nakanishi
3	M/V Uni Auc One	28,709 DWT	Bulker	2007	Shin-Kurushima
4	M/V Victoria Harbour	29,100 DWT	Bulker	2011	Y-Nakanishi
5	M/V Clearwater Bay	29,118 DWT	Bulker	2012	Y-Nakanishi
6	M/V ANSAC Pride	37,094 DWT	Bulker	2013	Onomichi
7	M/V Island Bay	37,649 DWT	Bulker	2014	Imabari
8	M/V Inspiration Lake	37,706 DWT	Bulker	2015	Imabari
9	M/V Glengyle	37,679 DWT	Bulker	2015	Imabari
10	M/V Uni Bulker	37,700 DWT	Bulker	2016	Imabari

	Name of Joint Investment Company	Ownership Percentage	Type	Capacity	Year of Built	Shipyard
1	Matin Shipping Ltd.	49%	Bulker	38,278 DWT	2011	Imabari
2	Olive Bulkship S.A.	18%	Bulker	57,836 DWT	2015	Tsuneishi
3	Polaris Bulkship S.A.	18%	Bulker	57,836 DWT	2015	Tsuneishi
4	Quest Bulkship S.A.	18%	Bulker	37,700 DWT	2016	Imabari
5	Stella Bulkship S.A.	18%	Bulker	37,700 DWT	2018	Imabari
6	Tiara Bulkship S.A.	18%	Bulker	37,700 DWT	2020	Imabari
7	Unicorn Bulkship S.A.	18%	Bulker	36,300 DWT	2018	Oshima
8	Victoria Bulkship S.A.	18%	Bulker	36,300 DWT	2018	Oshima

**Average Charter Hire Rate Per Day of Wholly Owned Ships**


Source: Uni-Asia



As of 30 June 2022, the Group has US\$11.4m and US\$29.8m worth of investment properties and investments respectively.

The investment properties consist of offices in Guangzhou, PRC and residential units in Japan, Tokyo

**Exhibit 8: Uni-Asia's Investment Properties and Investments**

Further particulars of the Group's investment properties as at 30 June 2022 are detailed below:

Location	Use	Tenure	Unexpired lease term
Rooms 712-715, 7/F, China Shine Plaza, 9 Lin He Xi Road, Tianhe District, Guangzhou, PRC <sup>(1)</sup>	Offices	Leasehold	33 years
1-7-12 Shimoochiai, Shinjuku-ku, Tokyo <sup>(2)</sup>	Residential	Freehold	–
1-173-18, Takadanobaba Shinjuku-ku, Tokyo <sup>(3)</sup>	Residential	Freehold	–
2-35-2 Hanegi, Setagaya-ku, Tokyo <sup>(4)</sup>	Residential	Freehold	–

The Group's investments consist mainly of its investments in commercial office/industrial buildings in Hongkong and residential property developments in Japan.

The Group	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<b>As at 30 June 2022</b>				
<b>Recurring fair value measurements</b>				
<i>Financial assets</i>				
<u>Fair value through profit or loss</u>				
Unlisted shares				
- Shipping	–	–	2,472	2,472
- Residential	–	–	57	57
- Commercial office/industrial buildings	–	4,338	22,383	26,721
- Small residential property developments	–	–	867	867
- Others	–	–	815	815
<u>Derivatives designated as hedges</u>				
Interest rate swaps	–	3	–	3
	–	4,341	26,594	30,935
<i>Non-financial assets</i>				
Investment properties	–	–	11,412	11,412
	–	4,341	38,006	42,347
<i>Financial liabilities</i>				
<u>Derivatives designated as hedges</u>				
Cross currency rate swaps	–	(187)	–	(187)

Source: Uni-Asia

**Exhibit 9: Uni-Asia's Hong Kong Properties**



4 <sup>th</sup> HK Property Project – T18	
<b>Investment:</b>	HKD26.5 million or around USD3.4 million (2.5% effective ownership)
<b>Location:</b>	18 - 20 Tai Chung Road, Tsuen Wan, Hong Kong
<b>Project:</b>	Office building
<b>Current status:</b>	Construction has been completed and the building is ready for occupation. Ground floor shops and selected office units were sold representing 11% of the total GFA.

5 <sup>th</sup> HK Property Project – T73	
<b>Investment:</b>	HKD33.8 million or around USD4.3 million (7.5% effective ownership)
<b>Location:</b>	71 – 75 Chai Wan Kok Street, Tsuen Wan, Hong Kong
<b>Project:</b>	Industrial building
<b>Current status:</b>	Final approval for occupation has been obtained. Office units in the project are on sale in the market.

6 <sup>th</sup> HK Property Project – CSW1018	
<b>Investment:</b>	HKD35.2 million or around USD4.5 million (3.825% effective ownership)
<b>Location:</b>	1016 – 1018 Tai Nam West Street, Kowloon, Hong Kong
<b>Project:</b>	Industrial office building
<b>Current status:</b>	Construction has been completed and Occupancy Permit certificate was obtained in May 2022. 1/3 of the building's GFA has been sold and this completed office is gradually attracting interest from the market.

7 <sup>th</sup> HK Property Project – T11	
<b>Investment:</b>	HKD53.75 million or around USD6.85 million (8.27% effective ownership)
<b>Location:</b>	11 – 15 Chai Wan Kok Street, Tsuen Wan, Hong Kong
<b>Project:</b>	Office building
<b>Current status:</b>	Construction has been completed and the Certificate of Compliance was obtained in August 2022. A shop, two office units and some car parks had been sold.

8 <sup>th</sup> HK Property Project – CSW918	
<b>Investment:</b>	HKD33.0 million or around USD4.23 million (3.0% effective ownership)
<b>Location:</b>	916 – 926 Cheung Sha Wan Road, Hong Kong
<b>Project:</b>	Two phases of an industrial office building complex to be completed by 2023
<b>Current status:</b>	The development has recently completed its foundation construction and has formed the space for the basement. Its superstructure construction will start soon and the development is scheduled for completion in 2H2023. This project is located favorably and some investors have ear-marked some floors for purchasing.

Source: Uni-Asia

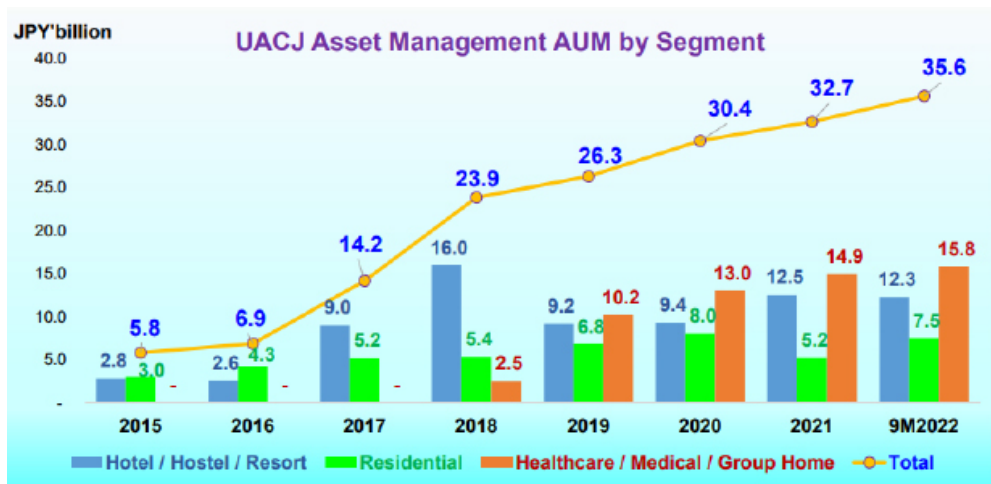
**Exhibit 10: Uni-Asia Japan’s Residential Projects Under “ALERO”**



Source: Uni-Asia

The Group has very stringent selection criteria in selecting new ALERO projects, and will not compromise internal assessment requirements to chase after new projects. It is due to the Group’s cautious approach that every ALERO project that the Group invested in had been profitable since the Group started the ALERO series in 2011.

**Exhibit 11: Uni-Asia’s Property Assets Under Management**



Source: Uni-Asia

The Group’s property assets under management by subsidiary Uni-Asia Capital (Japan) Ltd (“UACJ”) had reached JPY35.6 billion as at end of 9M2022.

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