Uni-Asia Group Limited

Date: 18 Apr 2023

BUY (Initiating Coverage)

BBG	UAG SP
Market Cap	S$78.6m
Price (17 April 2023)	S$1.00
52-week range	S$0.75-1.37
Target Price	S$1.20
Shares Outstanding	78.6m
Free Float	58.2%
Major Shareholder	Yamasa 30.0% Evergreen International 9.0% Mr Michio Tanamoto 4.0%
P/BV (04/23)	0.4x
Net Debt to EBITDA (04/23)	0.6x

Source: Company data, Bloomberg, SAC Capital

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Resilient business amid tough times

Well-positioned to capitalize on the growing shipping market. We expect positive dynamics between demand and supply, with the continued need for dry bulk and squeeze in global fleet growth. While charter rates have eased in 1H23, a recovery is expected in 2H23 with China's reopening posing as tailwind. Uni-Asia's chartering business should fare well defensively before rebounding in FY24.

Healthy balance sheet with stable dividend yields. 31 Dec 22 NAV of US$1.92/share would imply over 50% discount to real assets (PPE, investment properties, cash) held. Operating cash flow stands at US$37.4m, sufficient to repay borrowings and pay out dividends. Low gearing of 17.0% indicates headroom of ~US$50m to expand operations, approximately equal to the value of 3 similar ships in its portfolio. This could potentially increase fleet size by ~33%. FY22 dividend yield of 14.5% is the highest ever recorded.

Risks include subdued reopening of China's economy, slowdown of global growth, foreign exchange and interest rate volatility.

Initiate a BUY recommendation at TP of S$1.20 based on 3.3x P/E FY23E, a 20% discount to the industry average given Uni-Asia's smaller market capitalization and operations. This indicates a 20% upside from current share price of S$1.00.

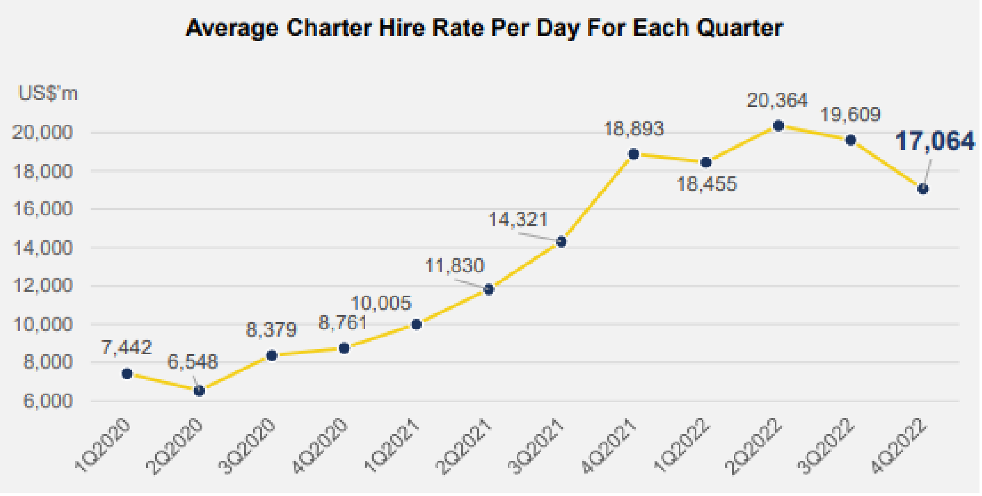
Year ended Dec (US$m)	FY20A	FY21A	FY22A	FY23E	FY24E
Turnover	45.9	69.4	86.1	83.6	94.1
% change	*-15.8%*	*51.1%*	*24.1%*	*-3.0%*	*12.6%*
Operating Profit	(7.5)	22.3	32.5	27.7	31.8
% change	*-142.6%*	*398.7%*	*46.2%*	*-14.8%*	*14.7%*
Net profit	(7.5)	18.1	27.9	21.2	23.9
% change	*-213.2%*	*341.4%*	*54.6%*	*-23.9%*	*12.5%*
EPS (cents)	(9.5)	23.0	35.5	27.0	30.4
% change	*-213.2%*	*341.4%*	*54.6%*	*-23.9%*	*12.5%*
DPS (cents)	0.8	5.3	10.9	6.1	6.8
% change	*-76.2%*	*600.0%*	*107.1%*	*-44.2%*	*12.5%*
Net Cash / (Debt)	(78.5)	(47.1)	(25.6)	(36.9)	(47.4)
% change	*9.2%*	*40.0%*	*45.6%*	*-43.9%*	*-28.6%*
Valuation					
Operating Margin (%)	(16.2%)	32.0%	37.8%	33.2%	33.8%
% change	*-150.6%*	*297.6%*	*17.9%*	*-12.1%*	*1.8%*
P/E (x)	(7.91)	3.28	2.12	2.79	2.48
% change	*-188.4%*	*141.4%*	*-35.3%*	*31.5%*	*-11.1%*
Dividend Yield (%)	1.0%	7.0%	14.5%	6.1%	6.8%
% change	*-76.2%*	*600.0%*	*107.1%*	*-44.2%*	*12.5%*

Key Investment Highlights

Well-positioned to capitalize on the growing shipping market. We expect positive dynamics between demand and supply. The continued need for dry bulks, albeit with a gradual slowdown of economic growth, is reflected in the 2023 2% yoy increase in dry bulk tonne-mile demand. It is propped by supply shortages and geopolitical issues causing diversification of supply lines. Defensive factors such as the need for food and power is expected to uphold demand in the near term. This translates directly to a need for Handysize vessels for transportation, Uni-Asia's main business. The company has 10 wholly-owned vessels and 8 jointly-owned for chartering. The strong demand is displayed with all vessels fully chartered.

Supply side, concerns about regulations and high cost of shipbuilding has squeezed global fleet growth. Uni-Asia does not expect to acquire new ships in the near-term as all ships are fully operational. They prefer to wait and monitor the decarbonization situation, proceeding only with firmer direction. All Uni-Asia's ships are less than 20 years old, with only 4 being more than 10 years old. There is no immediate need for any replacement or scrapping. While fleet availabilities improved slightly with the easing of China's port congestion, these new supply released have all been taken up. The combination of China's economy return back to pre-pandemic levels and tight supply market are expected to push charter rates up in 2H23, a key area the management team is largely optimistic about. This is expected to boost charter income substantially should demand expectations hold.

Robust risk management with strategic chartering. In order to maximise income from its portfolio of ships, Uni-Asia varies charter terms based on their view of market direction. Should spot rates appear low with potential for upside, Uni-Asia keeps charter terms short to capitalize on better rates in the near term. Should spot rates appear high, Uni-Asia locks charterers in on longer terms to ensure recurring income at higher rates. As such, they were able to capture the boom of the shipping market in FY21 and FY22, with charter income up 57.3% yoy and 36.6% yoy respectively. FY22 charter rate averaged US$18.9k, standing above the market rate. This is only possible with an experienced management team with substantial industry know-how.

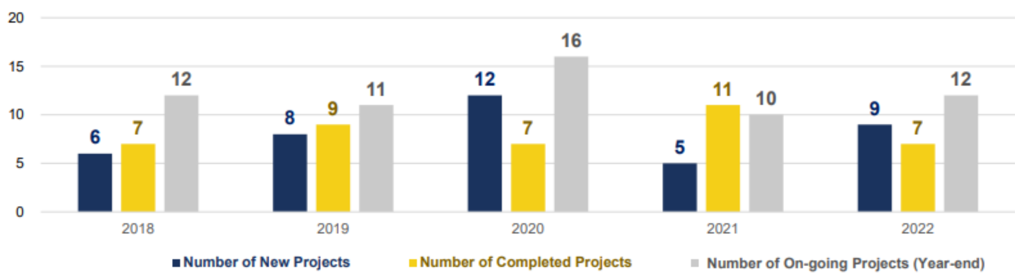


Source: Company data, SAC Capital

Property demand stable in Japan for inheritance purposes. Japan has one of the highest inheritance taxes globally with the highest bracket at 55%. Many individuals purchase properties to lower the taxable amount as properties usually have a lower tax-assessed value as compared to the fair value. Cash is taxed 100% at face value with no deduction. As such, demand for properties in Japan remains lifted. Mortgage rates are one of the lowest globally, standing at less than 1.5%. Uni-Asia's in-Japan sub-segment is well-poised to benefit from this trend. Properties developed for sale are completed within 2 years and fully sold within a year, with land purchased cheap. This should continue into the near term as demand remains buoyant and Uni-Asia continues to search for opportunities for redevelopment.

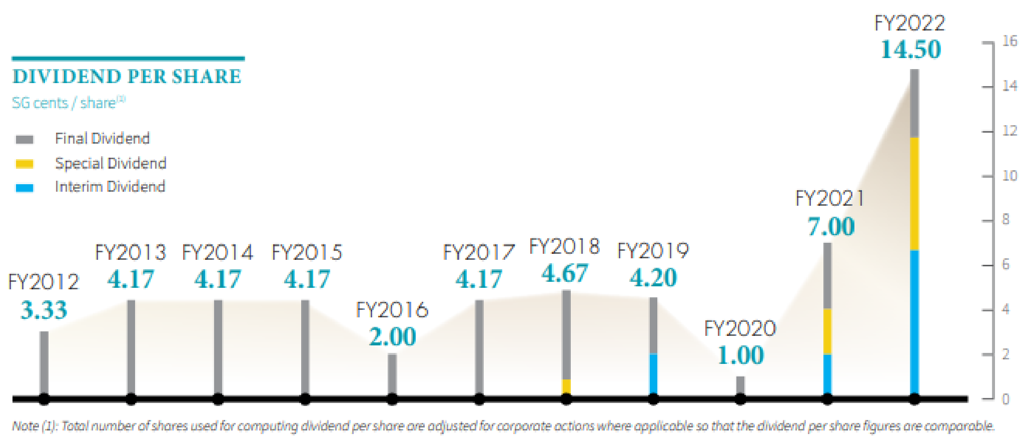
At the end of FY22, there are 12 on-going projects with 7 completed and 9 new, up from 10 on-going 11 completed and 5 new in FY21. Properties developed for sale comprise 75% of total on-going projects. Based on their track record, we see that they remain rather consistent, averaging 8 completed and 8 new projects annually. The in-Japan sub-segment has been catering for stable and consistent income, especially with the rental properties it manages. We see the management ramping up the number of new projects, signaling a more aggressive approach to capture demand. Should the optimism persist, sub-segment performance would see an uptrend.

No. of ALERO Projects (including Construction Management Projects)



Source: Company data, SAC Capital

Healthy balance sheet with stable dividend yields. Most of Uni-Asia's balance sheet is backed by physical assets such as property, plant and equipment, investment properties and cash (80% of total assets). Most of its PPE are from its vessels held at cost. Based on Clarkson's March 23 report, a 26k DWT and 32k DWT ship has a market value of US$12m and US$26m respectively. With 5 29k DWT and 5 38k DWT ships in its portfolio, market value of the ships stand at minimally US$190m (US$2.42/share). Including investment properties and cash, the 31 Dec 22 NAV of US$1.92/share would imply over 50% discount. Operating cash flow stands at US$37.48m, sufficient to pare down borrowings and pay out dividends. Low gearing of 17.0% indicates space to expand its operations if required. Should gearing increase to a reasonable level of 50.0%, this will provide an additional headroom of ~US$50m, approximately equal to the value of 3 similar ships in its portfolio. This could potentially increase Uni-Asia's fleet size by ~33%, allowing for growth in charter income. Dividend payouts have been consistently made since FY12, with the highest ever recorded in FY22 of 14.5 SG cents per share, indicating a yield of 14.5% (share price: S$1.00). It maintains its dividend paying stance even during down years.



Source: Company data, SAC Capital

Valuation. We initiate a BUY recommendation at a TP of S$1.20 based on 3.3x P/E FY23E, which is 20% discount to the industry average given Uni-Asia's smaller market capitalization and operations. This indicates a premium of 20% from current share price of S$1.00.

Financial Highlights

FY22 net profit reached an all-time high mainly attributed to improvements in the shipping segment. Shipping segment income reached US$71.5m, a 30% yoy increase on the back of a stronger dry bulk market. Ship owning and chartering sub-segment contributed US$66.8m, a 31% yoy increase as strong demand and tight supply of dry bulk carriers led to favorable charter rates. Maritime asset management and maritime services sub-segments generated US$3.9m and US$2.5m, a 28% yoy and 11% yoy increase respectively as we see more deals and charter brokering.

Income (US$m)	FY22	FY21	% change
Ship Owning & Chartering	**66.8**	50.9	31.0%
Maritime Asset Management	**3.9**	3.1	28.0%
Maritime Services	**2.5**	2.3	11.0%
Total	**71.5**	54.8	30.0%

Source: Company data, SAC Capital

Operating expenses increased less proportionately at 12-18% with good cost management. As such, net profit stood at US$32.5m, a 48% yoy increase. Breakdown of net profit:

Net Profit (US$m)	FY22	FY21	% change
Ship Owning & Chartering	**29.7**	18.9	31.0%
Maritime Asset Management	**2.2**	2.6	28.0%
Maritime Services	**0.6**	0.5	11.0%
Total	**32.5**	22.0	30.0%

Source: Company data, SAC Capital

Net profit margin for the ship owning and chartering and maritime services sub-segments improved by 730bps and 50bps respectively in line with higher income and improved operational efficiencies. Maritime asset management's net profit declined by 270bps due to higher impairment costs.

Net Profit Margin	FY22	FY21	% change
Ship Owning & Chartering	**44.5%**	37.2%	+7.3%
Maritime Asset Management	**56.9%**	83.9%	(27.0%)
Maritime Services	**22.8%**	22.3%	+0.5%

Source: Company data, SAC Capital

Property segment performance remained largely flat as growth in the ex-Japan sub-segment was partially offset by the weakness of in-Japan. Property ex-Japan contributed US$1.7m to overall income, a 107% yoy increase as momentum for sale of its Hong Kong properties picked up. Income for property in-Japan contributed US$12.8m, a 7% yoy decline due to lower investment returns.

Income (US$m)	FY22	FY21	% change
Property Investment (ex-Japan)	**1.7**	0.8	107%
Property Investment (in-Japan)	**12.8**	13.8	(7.0%)
Total	**14.5**	14.6	(0.0%)

Source: Company data, SAC Capital

Net profit for ex-Japan more than doubled to US$0.4m as expenses increased at a smaller rate. In-Japan recorded lower net profit of $1.1m, a 26% yoy decline due to lower income and weakness of the JPY. Net profit margins for ex-Japan and in-Japan stood at 24.2% and 8.7%, a 10.4% yoy increase and 2.2% yoy decrease respectively.

Net Profit (US$m)	FY22	FY21	% change
Property Investment (ex-Japan)	**0.4**	0.1	N/M
Property Investment (in-Japan)	**1.1**	1.5	(26.0%)
Total	**1.5**	1.6	(5.0%)

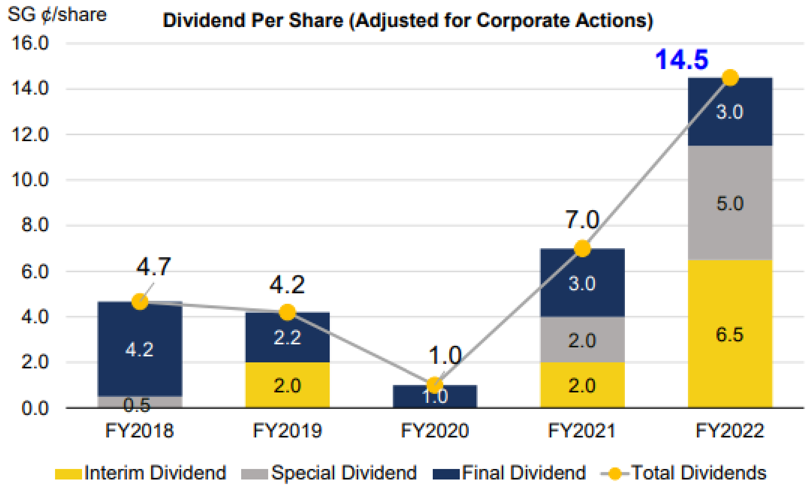
Source: Company data, SAC Capital

Net Profit Margin	FY22	FY21	% change
Property Investment (ex-Japan)	**24.2%**	13.8%	+10.4%
Property Investment (in-Japan)	**8.7%**	10.9%	(2.2%)

Source: Company data, SAC Capital

As a whole, income and net profit stood at US$86.1m and US$27.9m, an increase of 24.0% yoy and 54.5% yoy respectively. Despite the setbacks faced during the pandemic, we see that the company has bounced back, with income and net profit 57.9% and 188.1% higher than pre-pandemic levels.

FY22 dividend payout is the highest ever recorded at 14.5 SG cents per share, with interim dividend of 6.5 cents, special dividend of 5.0 cents and final dividend of 3.0 cents. This is a 107.1% increase from FY21 dividend of 7.0 cents per share and amounts to a divided yield of 14.5% (share price: S$1.00).



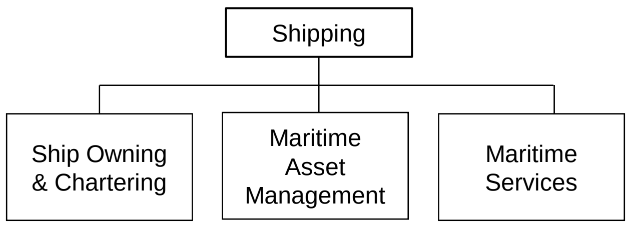
Source: Company data, SAC Capital

Company Background

Uni-Asia Group Limited is an alternative investment company engaged in 2 key segments: shipping and property. Established in 1997 with an initial focus on structured finance and distressed asset investments, it has since evolved to include ship and property investments and asset management services. It has offices in Hong Kong, Tokyo, Singapore and China. The Group was listed on the Singapore Exchange (SGX) in 2007.

Core Businesses:

1. Shipping



Uni-Asia's shipping segment is further divided into: (i) ship owning & chartering, (ii) maritime asset management, and (iii) maritime services.

I. Ship Owning & Chartering

This sub-segment consists of a portfolio of 10 wholly-owned handysize dry bulk carriers providing recurring charter income. Their capacities range from 29k to 38k DWT. Subsidiary Uni-Asia Shipping holds 8 bulk carriers:

Name of Ship	Capacity
M/V Uni Auc One	28,709 DWT
M/V Victoria Harbour	29,100 DWT
M/V Clearwater Bay	29,118 DWT
M/V ANSAC Pride	37,094 DWT
M/V Island Bay	37,649 DWT
M/V Inspiration Lake	37,706 DWT
M/V Glengyle	37,679 DWT
M/V Uni Bulker	37,700 DWT

Source: Company data, SAC Capital

Source: Company data, SAC Capital

Subsidiaries Joule Asset Management and Fulgida Bulkship S.A. own the remaining 2 bulk carriers:

Name of Ship	Capacity
M/V Uni Challenge	29,078 DWT
M/V Uni Wealth	29,256 DWT

Source: Company data, SAC Capital

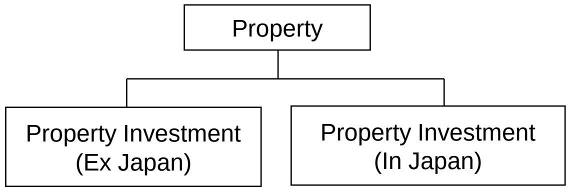
II. Maritime Asset Management

The MAM sub-segment capitalizes on the company's shipping expertise to structure ship investment vehicles for management of ships. It co-invests in these structures with ownership ranging from 18% to 49%, creating joint investment companies which provides investment returns. It also manages and administers these vehicles, generating fee income. There are currently 8 joint investment companies within its portfolio. In addition, it provides structured finance solutions, including arrangement of tax oriented leases, earning a fee.

III. Maritime Services

This sub-segment consists of 2 subsidiaries: (i) Uni Ships and Management Limited, and (ii) Wealth Ocean Ship Management (Shanghai) Co. Ltd. They offer shipping related brokerage services, sale and purchase of ships services and commercial / technical management of ships services for a fee. They engage both the company's ships and external clients.

2. Property



Uni-Asia's property segment consists of sub-segments outside Japan and within Japan.

I. Property Investment (Ex Japan)

The company invests in Hong Kong office and industrial property projects, earning a profit upon completion and sale. It has effective ownership in 8 projects, with 3 fully sold. The remaining properties include:

Properties	Property Type	Ownership
#4 T18	Office	2.5%
#5 T73	Industrial	7.5%
#6 CSW1018	Industrial Office	3.8%
#7 T11	Office	8.3%
#8 CSW918	Commercial Office	3.0%

Source: Company data, SAC Capital

II. Property Investment (In Japan)

This sub-segment consists of 2 subsidiaries: (i) Uni-Asia Capital (Japan) Ltd – asset management, and (ii) Uni-Asia Investment Ltd – investment holding.

UACJ offers investment advisory and asset management services, construction management and brokerage services. It has its own brand of small residential property projects in Tokyo, "ALERO", which it develops and invest on occasion under UAI. It purchases land and develops 4-5 storey buildings with 10-30 units of studio or maisonette type flats before selling them en bloc or renting them out. Portfolio mix of ALERO projects:

Type	Stake	% of total
Develop and hold for rent	50% or more	54.6%
Develop and sell	50% or more	32.4%
Develop and sell	Less than 50%	13.0%

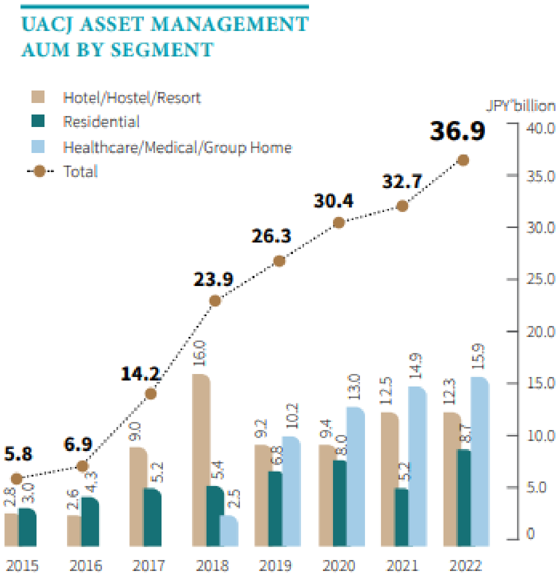
Source: Company data, SAC Capital

As of end FY22, UACJ has JPY 36.9bn assets under management, breakdown as follows:

Property Type	AuM	% of total
Hotel / Hostel Resort	JPY 12.3bn	33.3%
Residential	JPY 8.7bn	23.6%
Healthcare / Medical Group Home	JPY 15.9bn	43.1%

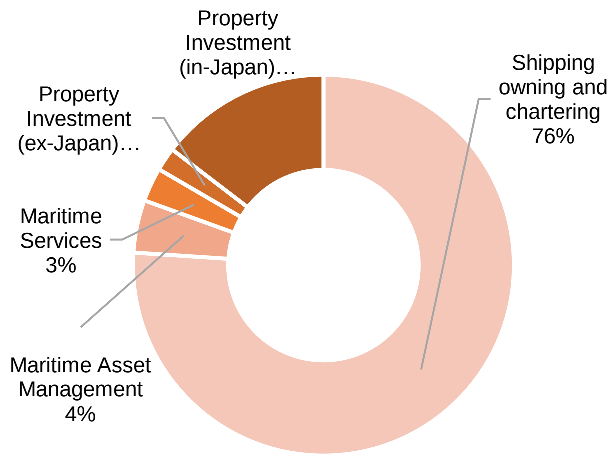
Source: Company data, SAC Capital

Source: ALERO, Company data, SAC Capital



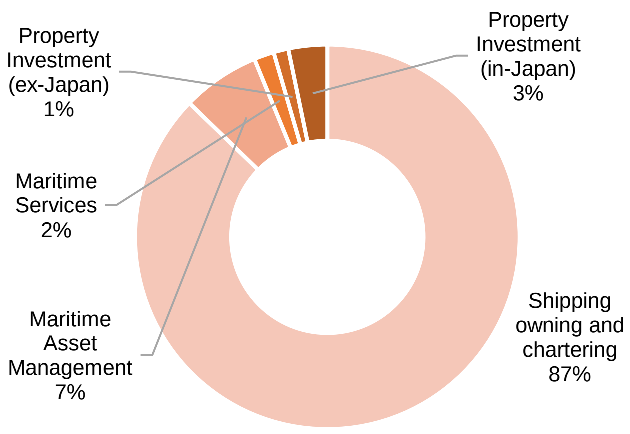
Source: Company data, SAC Capital

Segmental Breakdown of Turnover FY22



Source: Company data, SAC Capital

Segmental Breakdown of Profit FY22



Source: Company data, SAC Capital

Income Structure

Classification of Income	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 • Commercial / Technical Management	• Asset management and administration of investment fund
	Arrangement & Agency Fee	• Finance arrangement / agency work / arrangement of acquisition & disposal	• Finance arrangement / agency work / arrangement of acquisition & 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 in interest • Interest from bridge / shareholders' loan	• Bank deposit interest • Finance lease interest

Source: Company data, SAC Capital

Risk Management Framework

Uni-Asia has established an Enterprise Risk Management ("ERM") framework to govern the company's risk management process. It considers key risks of the company, which are reported to the Audit Committee ("AC") who ensures that the framework remains adequate, effective and relevant. It is completed by a system of internal controls, including proper segregation of duties and checks-and-balances built into the business process. The AC is accompanied by various independent professional service providers such as Internal and External Auditors to ensure sufficiency of framework and controls.

Investment Approval Process

A Review Committee ("RC") is set up to manage downside risk and maximise potential gains when deploying resources for investments. Steps to investment: (i) concept paper prepared to seek approval from RC, (ii) detailed analysis through an appraisal paper submitted to RC to seek in principle approval, (iii) final investment paper prepared with final conditions of project, and (iv) obtain Board's approval if required.

Accolades as Testimony

As a result of stringent risk management processes and internal controls, Uni-Asia has been accorded multiple awards.

1. Silver Award Best Investor Relations 2022

This award is given at the Singapore Corporate Awards to Uni-Asia for its good corporate governance, corporate transparency and investor outreach. It is backed by the Institute of Singapore Chartered Accountants, Singapore Institute of Directors, The Business Times, ACRA and Singapore Exchange.

2. Most Transparent Company Award 2022

Organised by SIAS in conjunction with NUS School of Business, Centre for Governance and Sustainability, this award seeks to recognize Uni-Asia for its excellent disclosure standards and good fundamentals.

3. Good MPF Employer Award 2021-2022

This award is presented by the Mandatory Provident Fund Schemes Authority of Hong Kong to recognize Uni-Asia for its good employment practices to enhance retirement protection for employees.

4. Top 100 - Singapore Governance and Transparency Index 2022

Uni-Asia was ranked 63rd with a SGTI score of 87, retaining its position within the top 100 for the second consecutive year. This highlights the company's continued focus on ensuring sustainable corporate governance.

Source: Company data, SAC Capital

Source: Company data, SAC Capital

Management Team

Uni-Asia is headed by key personnels with significant expertise.

Mr. Michio Tanamoto
Executive Chairman

Mr Michio Tanamoto is one of 4 founders of the company in 1997 with over 39 years in the financial sector, specifically in Japan, Hong Kong and Singapore. He was appointed Executive Chairman in 2020 after serving 6 years as the Chief Executive Officer. Prior to founding Uni-Asia, he was senior manager at Takugin International (Asia) Limited and and deputy general manager of The Hokkaido Takushoku Bank. Mr Tanamoto obtained a bachelor's degree in law from Hitotsubashi University of Japan in 1980.

Mr. Kenji Fukuyado
Chief Executive Officer

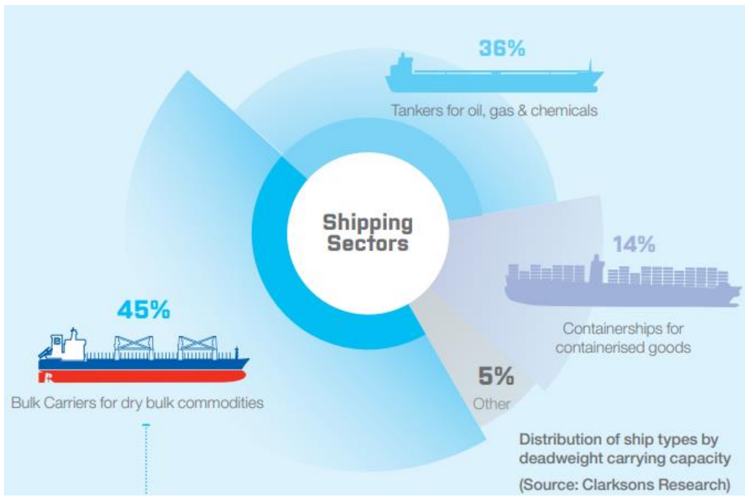
Mr Kenji Fukuyado has been serving as the Chief Executive Officer since 2020. He joined the company in 2001 and held positions such as Managing Director of Uni-Asia Finance Corporation (Japan), Head of Structure Finance, Head of Maritime Investment Department, Head of Maritime Asset Management. Mr Fukuyado graduated with a bachelor's degree in law from Waseda University in 1987 and has over 30 years of experience in the finance industry with expertise in structured finance including tax lease, asset finance, loan syndication, corporate finance and asset management.

Mr. Lim Kai Ching
Chief Financial Officer

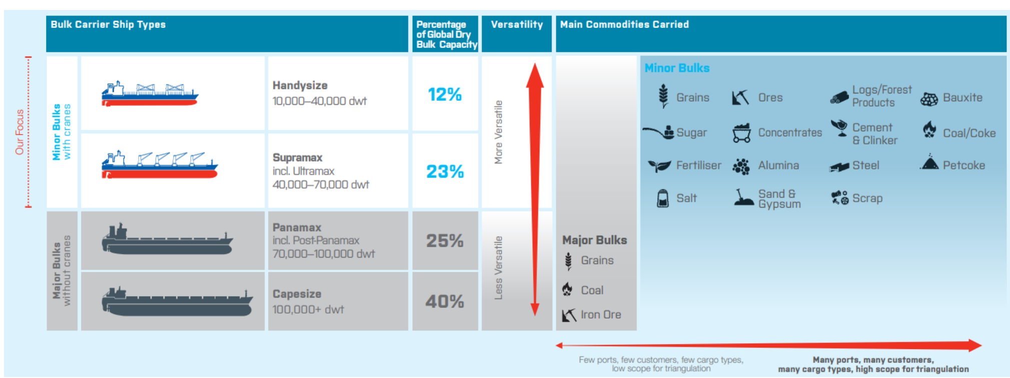
Mr Lim Kai Ching joined the company in 2011 and has been serving as Group Chief Financial Officer for 8 years. Prior to joining, he held positions including Financial Controller and Vice President at a PRC-based company and was previously with Government of Singapore Investment Corporation (GIC). Mr Lim has over 20 years of experience in accounting, finance, risk management, investment, audit and investor relations. Mr Lim graduated with a Bachelor of Accountancy (Honours) from Nanyang Technological University and is a member of the Institute of Singapore Chartered Accountants.

Industry Outlook - Shipping

Introduction to dry bulk carriers. The dry bulk industry carries dry commodities and other non-containerized cargo. Bulk carriers make up 45% of the shipping sector. They include the Handysize, Supramax, Panamax and Capesize with increasing order of capacities. Uni-Asia operates within the Handysize space, where capacities range from 10k to 40k DWT. While the larger vessels are responsible for transporting major bulks, the smaller mid-size Handysize ships are able to carry a wider range of minor bulks and grains, making them more versatile.



Source: Pacific Basin 2022 Annual Report, SAC Capital



Source: Pacific Basin 2022 Annual Report, SAC Capital

The appeal of the Handysize ships comes from the highly fragmented market it operates in. Minor bulk commodities are controlled by a diverse set of customers and transported to multiple ports globally. As such, it enables higher utilization of smaller fleets and better daily earnings. This allows for more sustainable earning streams, better protected in a downturn while enjoying upside during an upturn. Demand remains stable due to varied geographical exposures, bolstered by the relatively modest fleet growth as compared to the major bulk fleets.

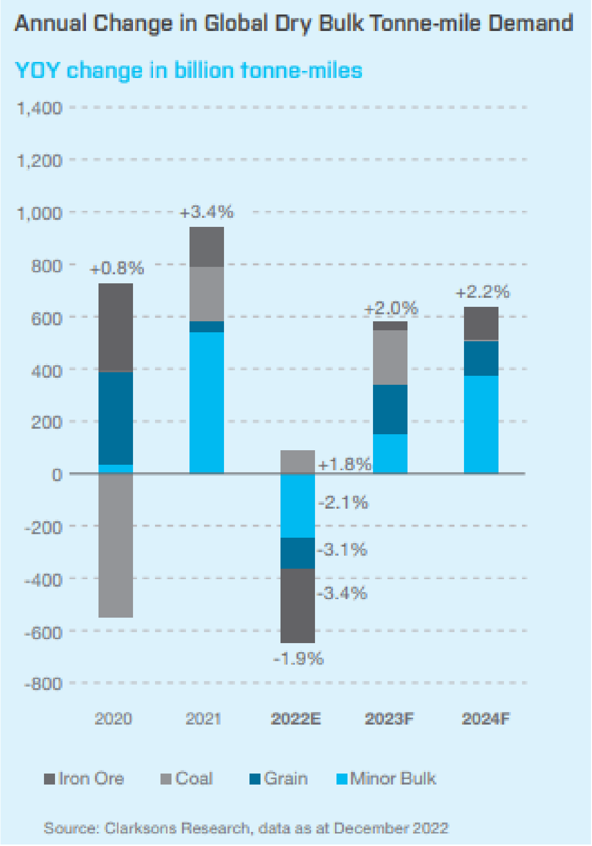
2022 dry bulk market performance. Minor bulk volumes increased by 6% yoy due to increased loadings of bauxite, forest products and salt, with 3% yoy growth in 2H22. Global grain loadings were down 3% yoy as a result of the Russia-Ukraine conflict and lower crop yields due to adverse weather conditions. Volumes from Ukraine fell 55% yoy despite the Black Sea grain exports resuming in August, though propped by the 20% yoy increase in Australian grain loadings. Coal loading volumes increased 2% yoy due to higher demand from European countries and India, with European demand met by the United States, Australia, Colombia and South Africa in replacement of those from Russia. This resulted in better tonne-mile demand. Iron ore loadings declined 1% yoy due to weather conditions in 1H22 restricting cargo availability in Brazil and Australia, together with reduced demand in China as domestic property construction and economic growth slowed.

Demand for dry bulk to stay on the uptrend. Coal demand will be largely supported by China's reopening. China is the largest coal consumer, accounting for more than half of global coal demand. Its consumption is expected to increase 0.7% annually till 2025. Supply shortages in Russia and Australia may also lead to the search for replacements from US.

Similarly, seaborne iron ore demand should be bolstered by China's reopening, with the country accounting for two-third of global demand. A resumption of its property construction is likely to act as a catalyst. Asia Pacific demand is expected to remain unaffected by economic slowdown, although European demand is set to decline by 2% yoy as recession concerns impact steel production. Increased supplies from Brazil, Australia and India are expected to meet demand.

For grains, many are expecting China's increased economic activities to boost demand. South American production capabilities will affect whether this demand is fulfilled by the US or Brazil. China has entered into a new trade agreement with Brazil, which should defer import from US should Brazil supplies be sufficient. The Ukraine conflict remains a volatile factor, although many users have grown accustomed to sourcing from other countries instead.

As minor bulk demand is supported by a wide range of customers, industries and countries, it typically tracks the GDP growth. Moving forward, FY23 global GDP growth is forecasted at 2.9%. Coupled with bright spots in multiple countries, we expect the dry bulk tonne-mile demand to revert to the positive 2% region in 2023 and 2024.



Source: Pacific Basin 2022 Annual Report, Clarksons Research, SAC Capital

2022 Global Cargo Loading Volumes#

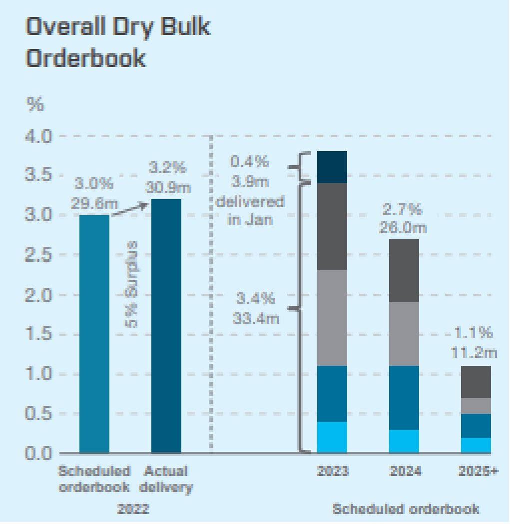
Selected Minor Bulks*	↑	+6%
Grain	↓	–3%
Iron Ore	↓	–1%
Coal	↑	+2%

* Minerals, non-coal energy, metals and minor ores, fertiliser, sugar and non-grain agricultural products, cement and clinker, logs and forest products, steel and scrap

Source: Pacific Basin 2022 Annual Report, Oceanbolt, SAC Capital

Tight supply of dry bulk fleet to persist. Dry bulk fleet growth stood at 2.8% yoy in 2022, lower than the 3.6% in 2021 on the back of slower newbuilding deliveries and bulker scrapping. This was moderated by the unwinding of port congestion in China as Covid restrictions were lifted. We see that the total dry bulk orderbook stands at 7.2% of the existing fleet, the smallest in decades. Handysize orderbook stands at 7.5% with the average fleet age at 13 years old and 14% over 20 years old, underscoring the low fleet growth and maximization of existing capacity. Dry bulk newbuild ordering was 23.9m DWT in 2022, down 54% yoy from 51.6m DWT in 2021.

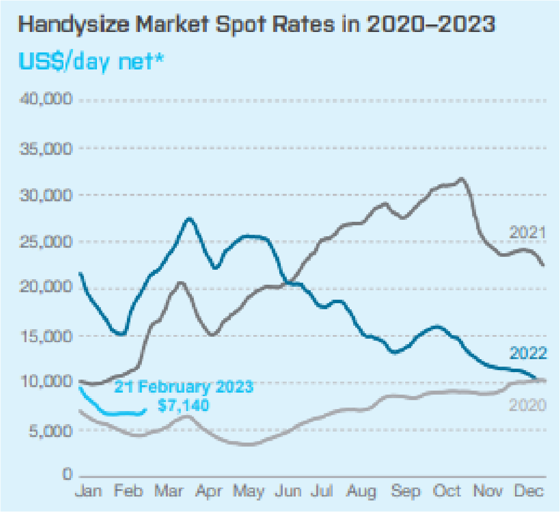
Moving forward, 2023 and 2024 dry bulk fleet growth is forecasted lower at 1.8% and 0.3% yoy due to increased scrapping and low new ship ordering. Reasons why new ship ordering remains low: (i) uncertainty about future fuels and decarbonization regulations, (ii) high cost of newbuildings with slow deliveries, (iii) limited yard capacity for newbuild orders until 2025 as Chinese yard capacities remain closed, and (iv) increased cost of capital. IMO and EU decarbonization regulations are expected to force slower vessel speeds from 2024, which is expected to further reduce supply in the long-term.



	Orderbook as % of Existing Fleet	Average Age	Over 20 Years Old	2022 Scrapping as % of 1 January 2023 Existing Fleet
Handysize (10,000–40,000 dwt)	7.5%	13	14%	0.2%
Supramax & Ultramax (40,000–70,000 dwt)	7.7%	11	10%	0.2%
Panamax & Post-Panamax (70,000–100,000 dwt)	8.7%	11	13%	0.3%
Capesize (100,000+ dwt)	6.0%	10	2%	0.9%
Total	7.2%	12	8%	0.5%

Source: : Pacific Basin 2022 Annual Report, Clarksons Research, SAC Capital

Charter rates to recover in 2H23. With the reopening economy and high demand for minor bulk commodities, charter rates surged in 1H22, reaching a high of over US$25k. However, slowing global growth, the Ukraine conflict and China's Covid restrictions stifled fleet demand in 2H22, while fleet supply increased as China's port congestions eased. The Handysize 2022 average market spot rate moderated to US$ 18.2k, a 16% decline yoy. While we expect this weakness to persist in 1H23, charter rates are expected to strengthen again in 2H23 as China's economy reopens and fleet supply remains tight.

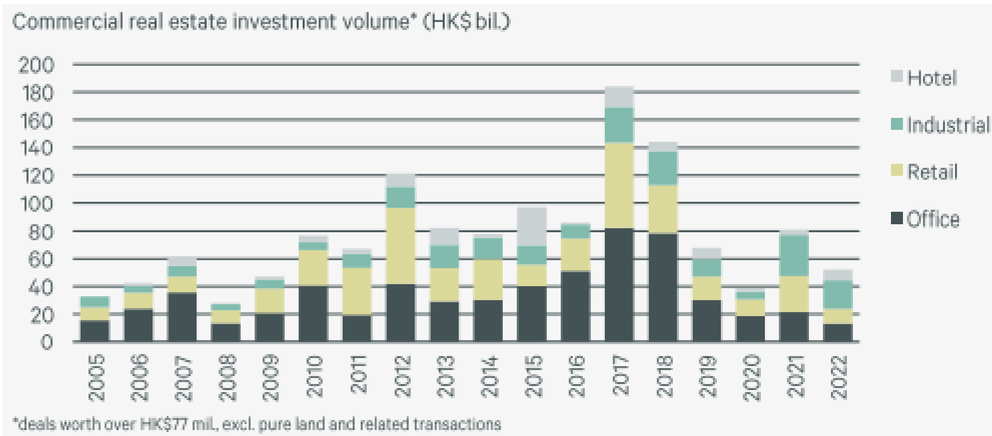


Source: Pacific Basin 2022 Annual Report, Baltic Exchange, SAC Capital

Industry Outlook – Hong Kong Property

Difficult 2022 for Hong Kong. Hong Kong experienced a second recession in 3 years as Covid infections, slowing global economic environment and higher financing costs damped growth. Real GDP contracted 3.3% yoy in the first 3 quarters of 2022. Even with government consumption subsidies to prop local consumption demand, the recession and mild equity market reduced the wealth effect. This is exacerbated by the hikes of Hong Kong's Best Lending Rate from 5.0% to 5.625% over the course of 3 months in 2022. With the larger interest rate gap between Hong Kong and US, the country witnessed capital outflows, causing a HK$281bn yoy fall in aggregate balance to HK$96.3bn by end 2022, the lowest since May 20. As such, investors remain cautious even as the Hong Kong Monetary Authority reduced interest rate stress-test requirement from 300bps to 200bps for all property mortgages. Commercial real estate investment volume fell to HK$52.2bn in FY22, a 35.3% yoy decline. Industrial real estate investment volume fell to HK$20.6bn, a 31.1% yoy decline.

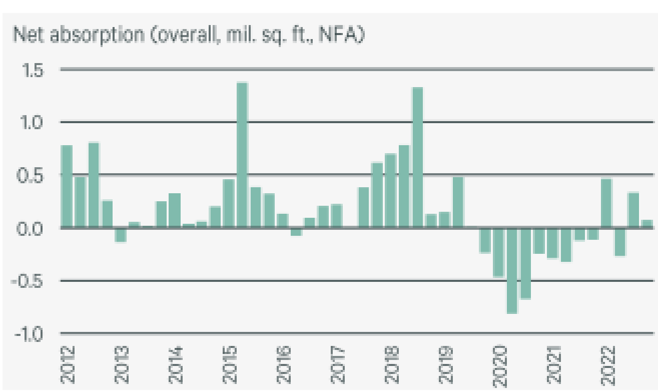
Investment Volume



Source: CBRE Research, SAC Capital

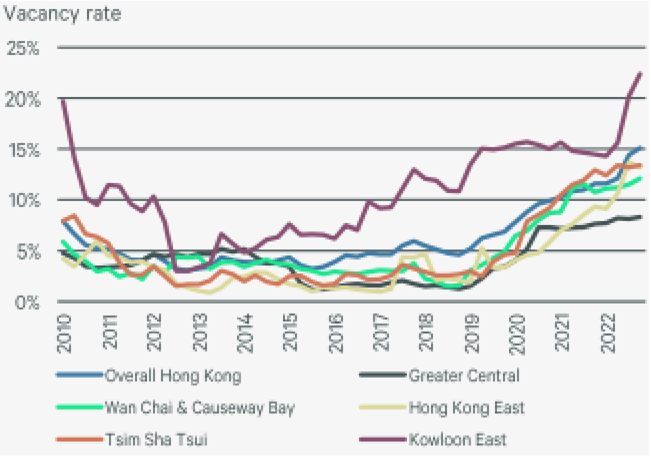
Grade A office leasing volume slows as interest rate hike and geopolitical issues barred corporates from expanding. Stringent travelling restrictions between Hong Kong and mainland China limit cross-border demand, with mainland Chinese firms leasing just 537,300 sq ft in 2022, down 14.8% yoy. As such, excluding earlier pre-commitments to new supply, net absorption for the year was -321,600 sq ft. Vacancy reached an all-time high of 15.1%, causing a 3.7% yoy fall in rents. With lackluster leasing demand for office space, acquisition of office real estate similarly falters.

Office Net Demand



Source: CBRE Research, SAC Capital

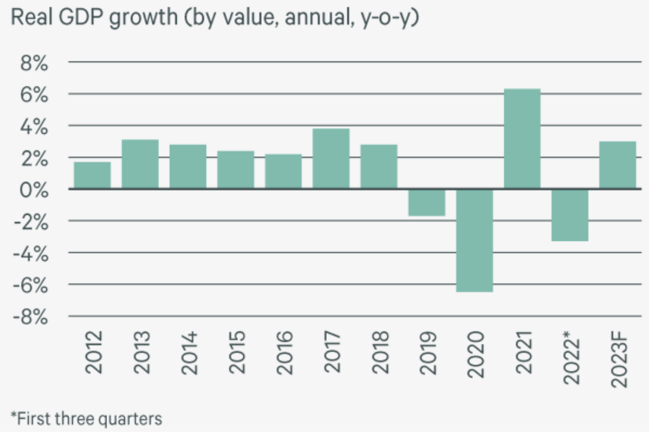
Office Vacancy



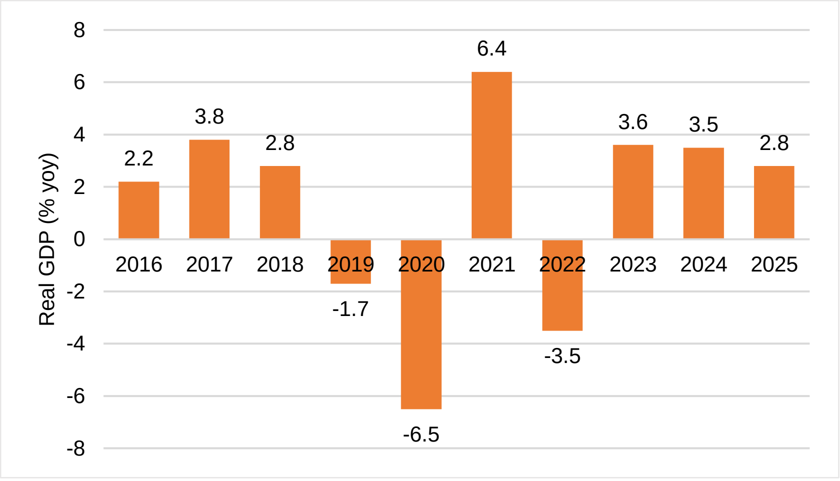
Source: CBRE Research, SAC Capital

Market recovery in 2023. The lifting of Covid restrictions in mainland China and Hong Kong will support recovery of economic activity with 2023 real GDP growth forecasted at over 2%, slightly dampened by global economic headwinds and high interest rates. The reopening will fuel new investment and occupier demand, pushing up transaction volume in Hong Kong's commercial real estate market. Plateau of interest rates and the recovery of USD/HKD should boost purchasing.

Real GDP Growth

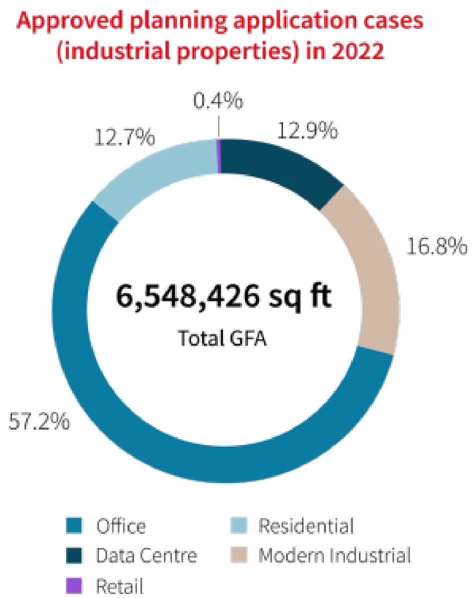


Source: CBRE Research, SAC Capital



Source: Bloomberg, SAC Capital

Industrial premises remains popular with its conversion potential and the relaxation of government policies. Bright spots are observed from the innovation and technology sector driving re-industrialization, and improvements in global trade flow. The Revitalisation Scheme 2.0 allowed many owners to redevelop industrial assets into premises for other uses, exacerbating the issue of shrinking storage supply as a majority were converted into office spaces.



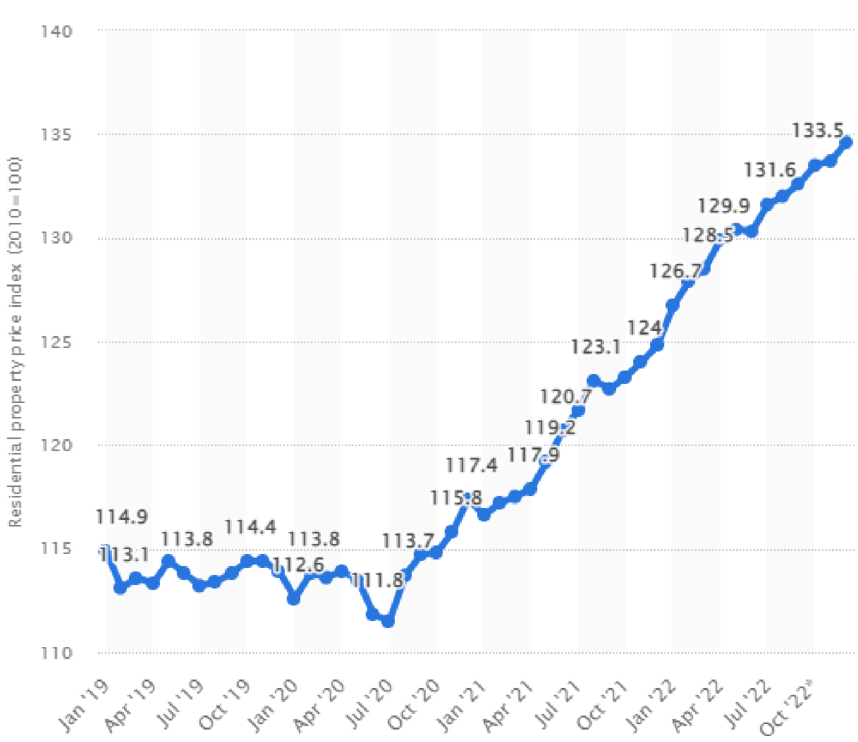
Source: JLL, SAC Capital

Demand for office properties is expected to remain flat due to sector-specific weakness, although distressed sales offer opportunities for cash-rich investors. As office demand reverts with the return of Chinese enterprises, leasing momentum is expected to increase in 2023.

Industry Outlook – Japan Property

Attractive market in 2022. Global cap rates increased due to tighter monetary policies to ease inflation pressures. This drastically reduced liquidity as borrowings became more expensive, deterring many consumers and investors from the real estate market. Against this backdrop, Japan managed to keep its loose monetary policy as inflation in Japan remained under control, resulting in a weakening of the Yen. As such, many domestic and global investors turned to Japan's real estate market for investment opportunities, boosting transaction volumes and ultimately prices. As seen below, the residential property price index in Japan has been on an uptrend since it bottomed out at 111.8 in 2020. With the real estate market contributing 11.9% to overall GDP, 2022's economic growth was kept positive despite global economic challenges.

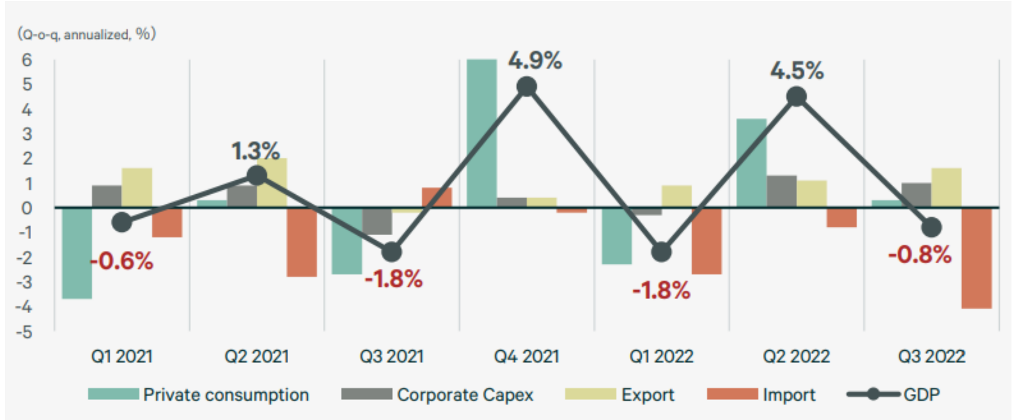
Japan's Residential Property Price Index



Source: Statista, SAC Capital

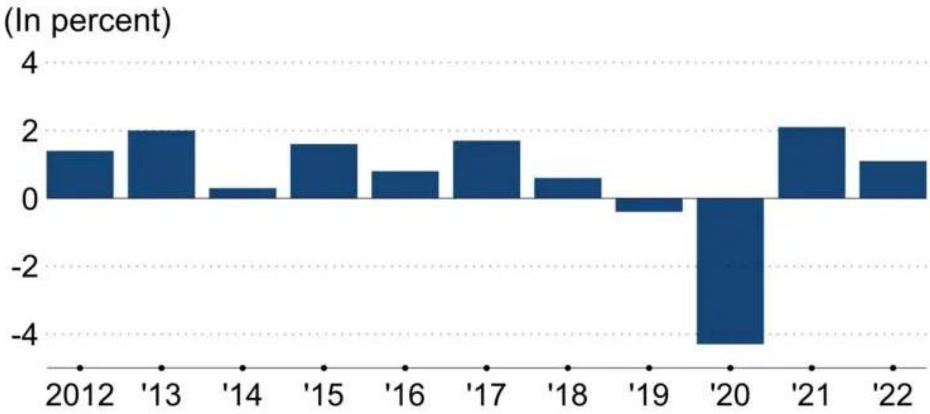
Gradual recovery expected in 2023. Japan recorded 2022 real GDP growth of 1.1% yoy as private demand and corporate capex increased, down from 2.1% in 2021.

Real GDP Growth



Source: Japan's Cabinet Office, CBRE Research, SAC Capital

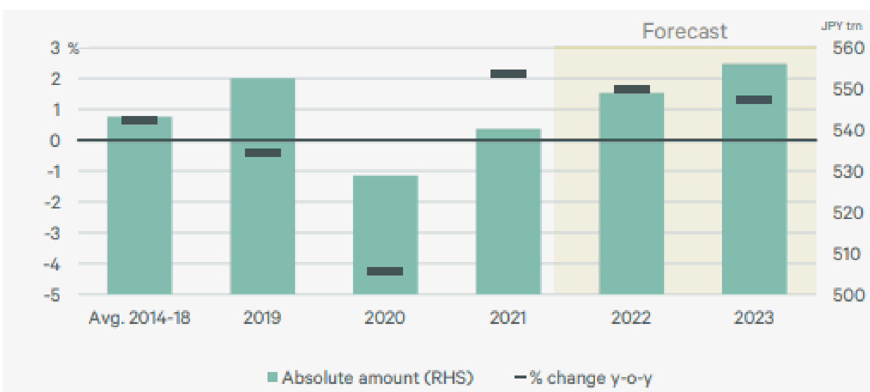
Real GDP Growth



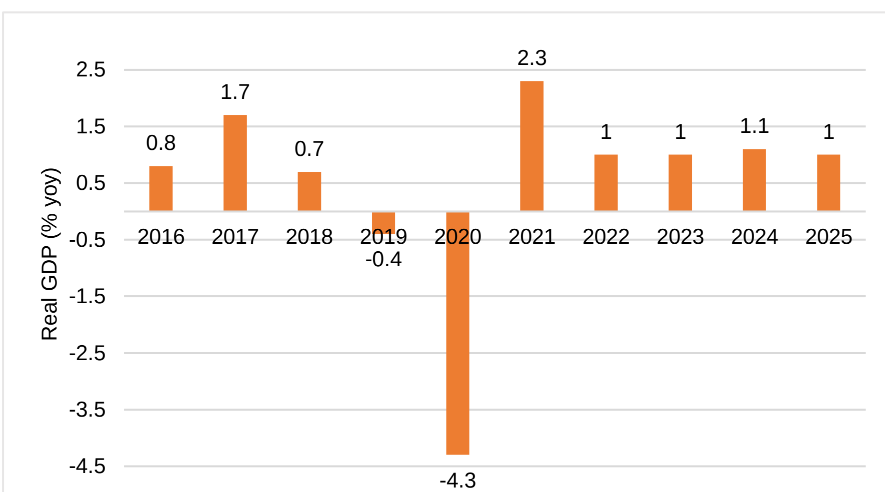
Source: Japan's Cabinet Office, Nikkei Asia, SAC Capital

Moving forward, domestic consumers should drive economic recovery as savings accumulated during the pandemic. Pent-up demand from the corporate side due to previous under-investment should start to translate into actual spending figures. These should translate into higher demand for real estate from those who have been patiently eyeing the market as economic uncertainty and pandemic restrictions gradually subside. Notwithstanding, 2023 real GDP is forecasted to remain flat at slightly over 1% yoy on the back of higher inflation levels. Global economic slowdown could impede Japan's growth due to weakening external demand.

Real GDP Growth



Source: Japan's Cabinet Office, CBRE Research, SAC Capital

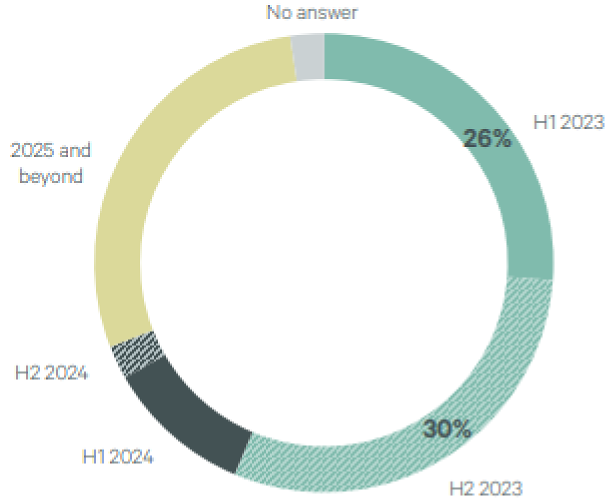


Source: Bloomberg, SAC Capital

Purchase interest remains high despite possibility of rate hikes. Inflation levels in Japan are reasonable with core consumer price index recording a 3.6% yoy increase in Oct 22, below the 7.1% yoy in US and the 11.1% yoy in UK. Most of the inflation is attributed to rising energy and food costs as companies are having trouble passing on higher costs to final product prices. As a result, the Bank of Japan has committed to keep interest rates within the -0.50% to 0.50% range.

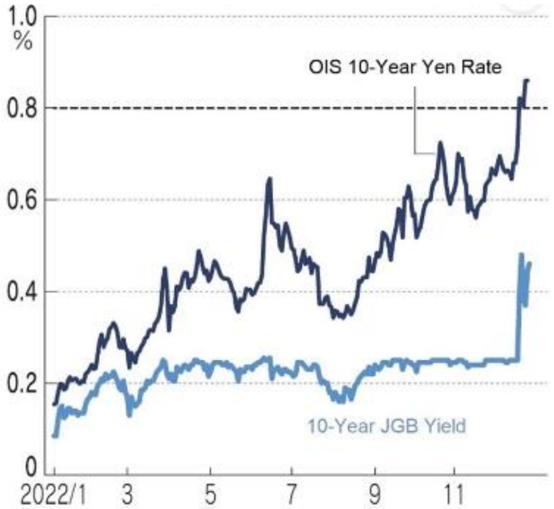
However, according to a survey conducted, 56% of Japanese investors expect interest rates to hike in 2023. Prices have risen, with the core consumer price index expected to exceed 4% in 1Q23, the highest in 40 years. Supply-demand gap has recovered to 0.06% in 3Q22, signaling that demand has caught up to supply, with potential upward pressure on prices. The Overnight Index Swap 10-year rate of Japanese Yen, which is not subjected to the BoJ's Yield Curve Control, is trading close to 0.9%. This shows that the market believes the appropriate long-term rate for Japanese Yen to be higher than 0.5%, which could trigger further policy revisions.

Expectations of Time Horizon for Interest Rate Hike



Source: 2023 Asia Pacific Investor Intentions Survey, Japan Results, CBRE Research, SAC Capital

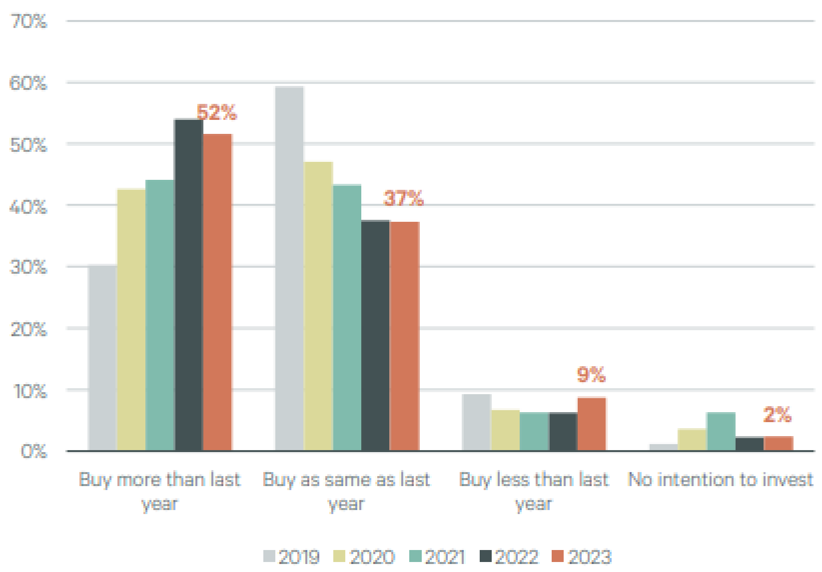
10-Year Japan Government Bond vs Overnight Index Swap



Source: Nikkei Newspaper, CRE, SAC Capital

Despite the above, the general sentiment remains positive, with 52% indicating interest to purchase more than last year and 37% indicating interest to purchase at the same level. This could be a result of pent-up demand overriding fear of potential rate hikes and inflation.

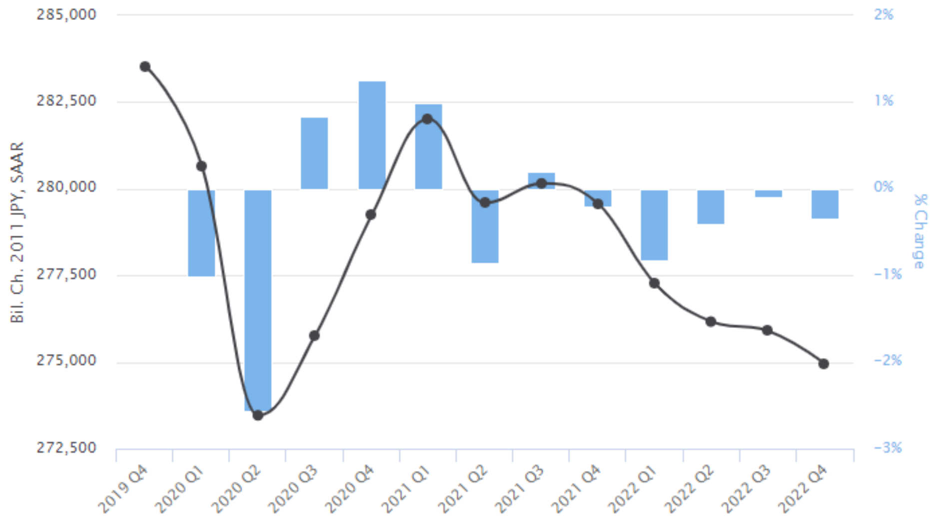
Purchase Volume Projections



Source: 2023 Asia Pacific Investor Intentions Survey, Japan Results CBRE Research, SAC Capital

Loose monetary policy to continue. It is also unlikely that there will be an interest rate hike in the near term. The government and BoJ looks at the "positive spiral of stable price increases with stable wage growth" as precondition for price stability, which is currently not the case. Real wages fell -3.8% in Nov 22, indicating the possibility of a downturn in domestic economy due to a decline in personal consumption.

Real Wages

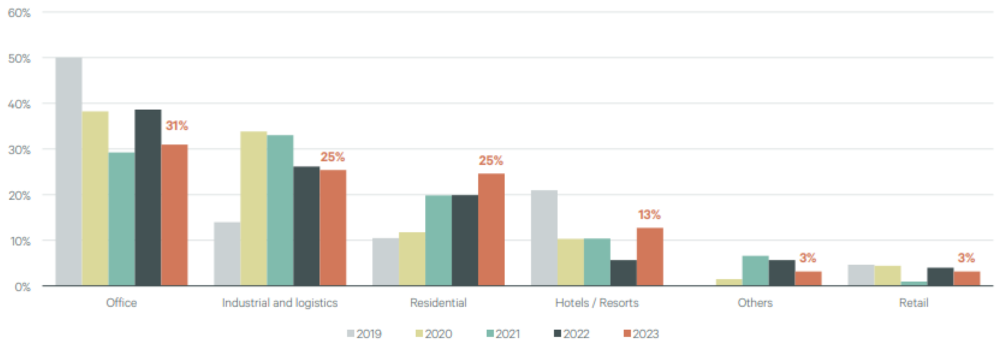


Source: Moody's Analytics, SAC Capital

As such, there seems to be a low possibility of a major change to monetary policy stance, reducing the risk of interest rate shocks. Coupled with the recovery of domestic consumption, the low-cost environment should bolster demand for residential real estate investment.

Shift towards residential real estate. Specifically, the survey conducted also showed the residential real estate segment garnering more interest, being 25% of investors' preferred real estate segment to make purchases. This is up from 20% in 2022. The office and industrial segments while equal or above the residential segment in percentage terms, recorded declines in interest, signaling portfolio recalibration skewed towards residential real estate in Japan.

Preferred Sector for Investment



Source: 2023 Asia Pacific Investor Intentions Survey, Japan Results, CBRE Research, SAC Capital

Rental market back to pre-pandemic levels. Rental demand is predominantly supported by inflows from domestic citizens and foreigners. Metropolitan areas such as Tokyo, Osaka, Nagoya and Fukuoka benefitted from higher investments in rental residential assets. The Covid years adversely affected occupancy rates and rent growth due to restrictions of movement within and into Japan. The advent of remote work also prompted many to opt for spacious housing in the suburbs instead of within the city center. Notwithstanding, as of Nov 22, net population inflow had recovered to 126% of 2020 level. This is expected to boost occupancy and rental rates back to pre-pandemic levels within the next 2 years. Demand for the rental residential market remains bolstered.

Population Movements

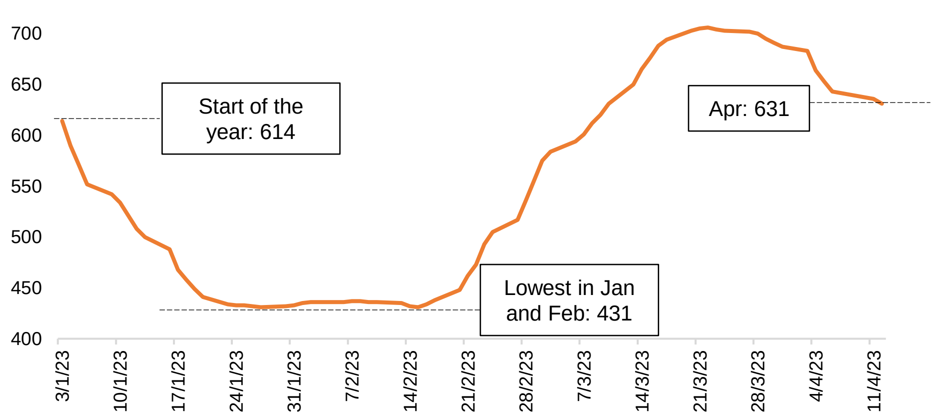
Year	Inflow	Outflow	Net
2019	466,849	383,867	82,982
2020	432,930	401,805	31,125
2021	420,167	414,734	5,433
2022（1-11）	413,712	374,395	39,317

Source: Ministry of Internal Affairs and Communications, CRE, SAC Capital

Valuation

Based on the Baltic Exchange Handysize spot rate, end Feb charter rates stand at ~US$7k, down 30% from the ~US$10k during the opening of the year. Similarly, the Baltic Handysize index fell to a trough of 431 in Feb, 30% lower than the year opening. Uni-Asia tend to fix charters at shorter terms in a low rate environment, especially for the smaller 29k DWT ships. We see some contracts expiring this year, and we expect a renewal of contracts at lower spot rates assuming a persistence of current sluggish environment. Conservatively, we expect 2023 average market spot rate to be lower than 2022 even with improvements in 2H23. We extrapolate the negative charter rate growth to the full year, although Uni-Asia's longstanding relationships with customers and the fragmentation of the shipping market should offer some respite. As such, we forecast a 10% decline in charter rates. On the property side, we forecast Hong Kong property sale to complete over 7-12 years, contributing stable income. Uni-Asia has highlighted that they will not invest in new property developments till existing buildings are sold. For Japan, we forecast development and sale of ALERO at current rates as demand remains firm.

BHSI Index



Source: Baltic Handysize Index, Bloomberg, SAC Capital

Taking a 20% discount to industry peers due to Uni-Asia's smaller market capitalization and operations, 3.3x P/E FY23E is utilized. We initiate a BUY recommendation with target price of S$1.20, representing 20% upside (current price: S$1.00).

Industry Peers	P/E	Industry Peers	P/E
Pacific Basin Shipping Ltd	2.99	Genco Shipping & Trading Ltd	4.36
Diana Shipping Inc	2.96	Eneti Inc	4.44
Star Bulk Carriers Corp	4.02	Pangaea Logistics Solutions	3.30
Golden Ocean Group Ltd	4.78	Dorian LPG Ltd	7.27
D/S Norden	3.33	International Seaways Inc	5.25
Eagle Bulk Shipping Inc	3.28	**Average**	**4.18**

Source: Bloomberg, SAC Capital

We also performed a sensitivity analysis varying charter rates growth and discount rates to industry P/E. Our base case (in blue) is based on a -10% charter rate growth against a 20% discount to the industry P/E. Results as shown:

		Discount to P/E				
	1.20	0.0%	10.0%	20.0%	30.0%	40.0%
Charter Rates Growth in FY23	-30.0%	1.05	0.94	0.84	0.73	0.63
	-20.0%	1.27	1.15	1.02	0.89	0.76
	-10.0%	1.50	1.35	1.20	1.05	0.90
	0.0%	1.73	1.55	1.38	1.21	1.04
	10.0%	1.95	1.76	1.56	1.37	1.17

Source: SAC Capital

Investment Risks

Subdued reopening of China's economy. Most industries are under the assumption that China's economic activities will be back to pre-pandemic levels now that restrictions are lifted. Should the optimism play out fully, we should see higher dry bulk demand and higher capital inflows into Hong Kong for property investments. However, some analysts say that these expectations are based largely on an extrapolation of the US experience, without taking into account factors unique to China. As a nation of savers, Chinese households increased their savings rate from 17% to 33% during the pandemic. As such, they were able to accumulate US$827bn in excess savings, due in large to economic uncertainty than pent-up demand. US households on the other hand accumulated US$2.3tn excess savings mainly from government transfers. Chinese households might be less inclined to spending as they consider these hard-earned money. In addition, Chinese households save mainly in the form of housing and financial investments, both markets having been hit hard over the past year, encouraging savings through bank deposits instead. According to a People Bank of China survey, only 22.8% of Chinese households would like to purchase more, compared to 58.1% who would like to increase their savings and 19.1% who would like to invest more, signaling cautious sentiments. Borrowings only increased by RMB 2.75tn, a 55% drop from the previous year. While exports grew by 14.8% yoy in Mar 23, it was more likely related to the fulfilment of backlogs, with sluggish external demand and geopolitical factors posing greater challenges to trade development. It is possible that the stimulus from China's reopening may fall short of expectations, especially as we see slowing economic growth globally. This may impede demand growth in the shipping and property markets that Uni-Asia operates in.

Slowdown of global growth. According to the World Bank, the global economy is projected to grow by 1.7% and 2.7% in 2023 and 2024 respectively. This comes on the back of higher inflation, interest rates, reduced investment and geopolitical issues. The slowdown of growth will directly impact demand for charters and charter rates.

Foreign exchange volatility. Uni-Asia operates in Singapore, Hong Kong, China and Japan and reports its financial statements in US dollar. It is subjected to USD, HKD, Yen and JPY fluctuations and losses should they weaken against the USD. The company undergoes cross currency swaps to hedge against this risk.

Interest rate fluctuations. Borrowings have become more expensive over the past year as the Fed hiked from near 0% to the target range between 4.75%-5% in view of inflation fears. This runs the risk of needing to fork out more funds to service interest on borrowings. The company minimizes interest rate fluctuations by maintaining fixed interest payments through interest rate swaps.

Income Statement

FYE Dec (US$'m)	FY20	FY21	FY22	FY23E	FY24E
Turnover	45.94	69.44	86.14	83.55	94.07
Employee benefits expenses	(6.77)	(9.49)	(10.60)	(13.07)	(14.72)
Amortisation and depreciation	(10.44)	(9.48)	(9.89)	(10.74)	(11.99)
Depreciation of right-of-use assets	(1.48)	(1.57)	(1.47)	(0.89)	(1.01)
Vessel operating expenses	(17.27)	(18.55)	(22.58)	(19.13)	(21.54)
Costs of properties under development sold	0.00	(7.97)	(7.06)	(6.35)	(6.67)
Net foreign exchange gain	(0.59)	1.56	1.54	0.08	0.09
Other expenses	(4.13)	(3.05)	(3.54)	(5.72)	(6.44)
Finance costs - interest expense	(3.96)	(2.69)	(2.64)	(3.89)	(4.98)
Finance costs - lease interest	(0.38)	(0.24)	(0.10)	(0.21)	(0.23)
Finance costs - others	(0.14)	(0.14)	(0.19)	(0.26)	(0.29)
Share of results of associates	(0.01)	0.11	(0.02)	0.01	0.01
Allocation to Tokumei Kumiai investors	(0.40)	(0.29)	(0.65)	(0.71)	(0.80)
Profit before tax	**(12.34)**	**19.00**	**28.93**	**22.67**	**25.50**
Income tax expense	(1.27)	(0.95)	(1.04)	(1.46)	(1.64)
Profit / (loss) for the period / year	**(7.47)**	**18.05**	**27.89**	**21.21**	**23.86**
Profit / (loss) for the period / year attributable to:					
Owners of the parent	**(7.73)**	**18.20**	**27.78**	**21.08**	**23.68**
Non-controlling interests	0.26	(0.16)	0.11	0.14	0.18

Cash Flow Statement

FYE Dec (US$'m)	FY20	FY21	FY22	FY23E	FY24E
Profit / (loss) before tax	**(12.34)**	**19.00**	**28.93**	**22.67**	**25.50**
Gain / (loss) from discontinued operations and deconsolidation of subsidiary	6.19	0.00	0.00	0.00	0.00
Amortisation and depreciation	10.52	9.48	9.89	10.74	11.99
Changes in working capital	(1.81)	4.24	(1.87)	(4.69)	(3.90)
Net cash flows (used in) / generated from operating activities	**6.81**	**28.38**	**34.93**	**27.35**	**32.85**
Purchase of property, plant and equipment	(2.11)	(2.05)	(3.81)	(24.47)	(27.33)
Net cash flows (used in) / generated from investing activities	**(3.27)**	**10.98**	**(1.11)**	**(21.25)**	**(23.47)**
Proceeds from borrowings	47.02	11.83	8.28	24.47	27.33
Dividends paid	(1.22)	(1.76)	(6.48)	(6.32)	(7.10)
Net cash flows (used in) / generated financing activities	**(25.25)**	**(36.39)**	**(21.51)**	**10.46**	**11.42**

Balance Sheet

FYE Dec (US$'m)	FY20	FY21	FY22	FY23E	FY24E
Investments	5.24	1.54	0.70	0.70	0.70
Properties under development	6.57	4.21	6.01	7.21	8.65
Accounts receivable	1.26	0.53	0.60	3.88	4.37
Cash and bank balances	35.48	36.73	47.07	60.32	77.14
Others	13.21	3.94	6.19	6.01	6.75
Total current assets	**61.76**	**46.95**	**60.57**	**78.12**	**97.61**
Investment properties	9.85	13.09	11.82	11.82	11.82
Investments	30.55	31.38	32.54	32.54	32.54
Property, plant and equipment	144.03	136.36	130.11	143.84	159.17
Others	3.28	2.96	1.62	1.74	1.91
Total non-current assets	**187.71**	**183.79**	**176.09**	**189.94**	**205.44**
Borrowings	44.44	22.29	31.16	31.16	31.16
Accounts payable	0.24	0.24	0.42	2.57	2.89
Other payables and accruals	5.01	6.66	8.95	7.19	8.09
Others	6.76	5.88	2.32	1.98	1.28
Total current liabilities	**56.45**	**35.07**	**42.85**	**42.90**	**43.42**
Borrowings	69.54	61.56	41.55	66.02	93.35
Others	4.14	1.54	1.08	1.25	1.27
Total non-current liabilities	**73.68**	**63.10**	**42.63**	**67.27**	**94.62**
Share capital	113.17	113.17	113.17	113.17	113.17
Reserves	0.20	(2.57)	(5.31)	(4.95)	(4.95)
Retained earnings	5.09	21.53	42.81	57.59	74.21
Total equity attributable to owners of the parent	**118.46**	**132.13**	**150.67**	**165.81**	**182.43**
Non-controlling interests	0.88	0.44	0.51	0.56	0.61
Total equity	**119.34**	**132.57**	**151.17**	**166.36**	**183.04**

Ratios

FYE Dec	FY20	FY21	FY22	FY23E	FY24E
Profitability (%)					
Operating profit margin	(16.2%)	32.0%	37.8%	33.2%	33.8%
Profit / (loss) before tax margin	(26.9%)	27.4%	33.6%	27.1%	27.1%
Net margin	(16.3%)	26.0%	32.4%	25.4%	25.4%
Liquidity (x)					
Quick ratio	1.09	1.34	1.41	1.90	2.41
Gearing	(0.66)	(0.36)	(0.17)	(0.20)	(0.22)
Interest coverage ratio	(1.88)	8.28	12.32	7.13	6.38
Net debt to equity	0.66	0.36	0.17	0.20	0.22
Valuation (x)					
P/E	(7.91)	3.28	2.12	2.79	2.48
P/B	0.50	0.45	0.39	0.36	0.32
EPS (US cents)	(9.5)	23.0	35.5	27.0	30.4
Returns (%)					
Return on equity	(6.3%)	13.7%	18.5%	12.8%	13.1%
Dividend payout ratio	(7.9%)	22.9%	30.7%	22.4%	22.4%

Appendix 1: Wholly-Owned Vessels

Uni Auc One

Tonnage: **28,709 dwt**
Year Built: **2007**
Shipyard: **Shin-Kurushima**

Victoria Harbour

Tonnage: **29,100 dwt**
Year Built: **2011**
Shipyard: **Y-Nakanishi**

Clearwater Bay

Tonnage: **29,118 dwt**
Year Built: **2012**
Shipyard: **Y-Nakanishi**

Ansac Pride

Tonnage: **37,094 dwt**
Year Built: **2013**
Shipyard: **Onomichi**

Island Bay

Tonnage: **37,649 dwt**
Year Built: **2014**
Shipyard: **Imabari**

Inspiration Lake

Tonnage: **37,706 dwt**
Year Built: **2015**
Shipyard: Imabari

Glengyle

Tonnage: **37,679 dwt**
Year Built: **2015**
Shipyard: **Imabari**

Uni Bulker

Tonnage: **37,700 dwt**
Year Built: **2016**
Shipyard: **Imabari**

Uni Wealth

Tonnage: **29,256 dwt**
Year Built: **2009**
Shipyard: **Y-Nakanishi**

Uni Challenge

Tonnage: **29,078 dwt**
Year Built: **2012**
Shipyard: **Y-Nakanishi**

Source: Company data, SAC Capital

Appendix 2: Hong Kong Properties

4th HK Property Project – T18	
Investment:	HKD26.5 million or around USD3.4 million (2.5% effective ownership)
Location:	18 - 20 Tai Chung Road, Tsuen Wan, Hong Kong
Project:	Office building
Current status:	Construction has been completed and the building is ready for occupation. Ground floor shops and selected office units were sold representing 27% of the total GFA.

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

6th HK Property Project – CSW1018	
Investment:	HKD35.2 million or around USD4.5 million (3.825% effective ownership)
Location:	1016 – 1018 Tai Nam West Street, Kowloon, Hong Kong
Project:	Industrial office building
Current status:	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.

7th HK Property Project – T11	
Investment:	HKD53.75 million or around USD6.85 million (8.27% effective ownership)
Location:	11 – 15 Chai Wan Kok Street, Tsuen Wan, Hong Kong
Project:	Office building
Current status:	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.

8th HK Property Project – CSW918	
Investment:	HKD33.0 million or around USD4.23 million (3.0% effective ownership)
Location:	916 – 926 Cheung Sha Wan Road, Hong Kong
Project:	Two phases of a commercial office building complex to be completed by 2024
Current status:	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 2H2024. This project is located favorably, and some investors have ear-marked some floors for purchasing.

Source: Company data, SAC Capital

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