

Uni-Asia Holdings Limited

Strong First Quarter Bodes Well for 2013

Uni-Asia Holdings Limited (Uni-Asia) reported 1Q FY13 PAT of US\$2.7m. In comparison, FY12 full year PAT was US\$3.6m. The strong performance was driven by gains from FX hedging at shipping business and higher structured finance fee income. We like the strong start to the financial year, which has drastically reduced uncertainty about full year growth. 1Q FY13 PATMI was 39% of our full year forecast. **Maintain Increase Exposure.**

Results Overview: Total income rose by 9% or US\$1.7m year-on-year. Operating expenses fell by 4% or US\$0.7m compared to 1Q FY12 partly due to lower hotel lease (-US\$0.6m) and hotel operating expenses (-US\$1.35m). As a result, operating profit rose by 210% from US\$1.1m in 1Q FY12 to US\$3.5m in 1Q FY13.

We like the improved performance, which reflected the results of Uni-Asia's efforts to add new revenue streams while scaling down weaker segments. The lower hotel expenses were due to the company operating 11 hotels in 1Q FY13 versus 14 in the same period last year.

Outlook: We remain optimistic about Uni-Asia's shipping business, which will witness the addition of one more vessel in 2Q FY2013 (most likely next month). Five vessels are scheduled for charter renewal in 2013 and three more vessel are schedule for delivery over FY14 to FY16.

As for the small residential property development business, a project was completed in Mar 2013, and is pending to be sold. Four more developments are slated to be completed in 2013.

What's Next? On a trailing 12mth basis, group net profit amounts to US\$5.8m versus our FY13 PATMI forecast of US\$6.9m, projecting growth of 103% over FY12. We maintain our PATMI forecast for now as arrangement and agent fee income (1Q FY13: US\$2.6m) is conditional upon deals completed in each quarter and 2Q results will give us greater confidence in adjusting our forecasts. However, we reduced our input cost of equity for Uni-Asia from 11% to 10% to reflect to the broadly smoother performance. This raised intrinsic value to S\$0.300.

Increase Exposure

- Intrinsic Value S\$0.300
- Prev Close S\$0.230

Main Activities

Uni-Asia Holdings Limited is a structured finance arrangement and alternative assets direct investment firm. The Company's main activities are the finance arrangement of transportation related assets and the provision of ship charter arrangements and the direct investing in alternative assets such as ships, distressed assets, and real estate.

Financial Highlights

(Y/E Dec) US\$ m	FY11	FY12	FY13F
Total Income	57.9	78.3	89.8
Operating Income	3.4	6.3	10.3
PATMI	1.3	3.4	6.9
EPS (US cts)	0.35	0.73	1.46

Source: Company, SIAS Research

Key ratios (FY13F)

PER	12.8
P/BV	0.6
Return on Common Equity	4.9%
Net Debt/Common Equity	22.0%
Current Ratio	2.43

Source: SIAS Research

Indexed Price Chart

Green (FSSTI)

White (UNIAF SP)



Source: Bloomberg

52wks High-Low	S\$0.265 /S\$0.156
Number of Shares	469.79m
Market Capitalization	S\$108.1m

Analyst:

Liu Jinshu, Deputy Lead Analyst

jinsu@siasresearch.com

Tel: 6227 2107

Reduced Fair Value Losses from Shipping Business: Uni-Asia has in the past been plagued by fair value losses from shipping investment and performance notes. Fair value losses from shipping investment and performance notes amounted to US\$2.3m in 4Q FY12 and US\$4.0m in FY12. Fair value losses related to the shipping business fell to US\$0.63m in 1Q FY13.

Risk from Depreciation of the Yen? The JPY/USD exchange rate rose from 94.16 as at 31 Mar 2013 to 101.79 as at 14 May 2013. This translates to an 8.1% change in the JPY/USD exchange rate. According to the company's 2012 annual, a 5% change in the JPY/USD exchange rate will result in a US\$1.4m variance in the company's net financial asset position. Nonetheless, the main impact of this risk will be on balance sheet values when translated from JPY to USD, which affects comprehensive income. The impact on net profit is relatively low this quarter as the hotel and property businesses account for only US\$0.2m of net profit versus group net profit of US\$2.7m.

Our View: We reiterate that Uni-Asia's 1Q FY13 performance has basically set the stage for the company to substantially outpace FY12 performance. In view of the improvement in Uni-Asia's performance in FY12 and now in 1Q FY13, we reduced the cost of equity on the company to reflect its lower risk profile now. That said, we continue to maintain our FY13 forecast, as a part of 1Q FY13 performance was due to lumpy deal-related fee income.

Figure 1: Quarterly Results Summary 1

Revenue	1Q 2012	2Q 2012	3Q 2012	4Q 2012	1Q 2013	Growth	
						YoY	QoQ
Non-Consolidated Uni-Asia Finance	0.3	4.0	4.1	2.0	2.8	823.1%	43.9%
Uni-Asia Shipping	3.1	2.5	3.4	3.3	5.2	66.6%	57.8%
Uni-Asia Capital (Japan) Ltd	1.7	1.7	2.0	1.8	1.8	8.7%	4.0%
Uni-Asia Hotels Ltd	13.9	11.8	12.7	12.5	10.9	-21.9%	-12.7%
Group	18.6	19.5	21.6	18.6	20.3	8.9%	8.7%
Net Profit/(Loss)							
Non-Consolidated Uni-Asia Finance	-1.43	2.13	2.11	-1.08	0.47	NM	NM
Uni-Asia Shipping	1.86	-0.25	0.06	1.58	2.08	12.1%	31.5%
Uni-Asia Capital (Japan) Ltd	-0.07	-0.07	0.08	-0.45	0.31	-540.8%	-169.1%
Uni-Asia Hotels Ltd	0.16	-0.62	-0.14	-0.30	-0.13	NM	NM
Group	0.52	1.20	2.12	-0.24	2.74	423.1%	NM
Hotel Operating Statistics							
Occupancy Rate	77.40%	75.80%	81.60%	81.80%	80.50%	3.10%	-1.30%

Source: SIAS Research

Figure 2: Quarterly Results Summary 2

	1Q FY13	4Q 2012	1Q FY12	YoY Chg
Fee Income	7.1	7.3	4.4	62.6%
Hotel Income	11.6	13.3	14.4	-19.3%
Investment Returns	1.2	-2.4	-0.7	NM
Interest Income	0.3	0.3	0.2	27.2%
Other Income	0.1	0.1	0.4	-66.3%
Total Income	20.3	18.6	18.6	8.9%
Operating Profit	3.5	0.5	1.1	210.0%
PATMI	2.7	-0.3	0.5	477.2%
Breakdown of Investment Returns				
	1Q FY13	4Q 2012	1Q FY12	
Interest, Realized gains & Rental Income	0.2	1.4	0.2	
Fair Value Adjustment				
Shipping	-0.6	-2.3	-0.8	
Property	-0.1	-1.1	-0.3	
Others	1.7	-0.3	0.3	
Total	1.2	-2.4	-0.7	

Source: SIAS Research

Figure 3: Economic Profit Model

US\$m	FY2013F	FY2014F	FY2015F
Revenue	89.8	94.5	99.5
EBIT	10.3	13.8	17.2
Tax on EBIT	-1.3	-1.8	-2.2
NOPLAT	9.0	12.0	14.9
Invested Capital	235.7	244.0	229.6
% of Debt	0.4	0.4	0.3
% of Equity	0.6	0.6	0.7
WACC	0.1	0.1	0.1
Capital Charge	-16.5	-17.3	-17.7
Economic Profit	-7.6	-5.3	-2.8
Present Value	-7.1	-4.6	-2.2
Terminal Value			-14.2
PV of Terminal Value	-11.4	Risk Free Rate	1.5%
Explicit Value	-13.9	Beta	0.9
Book Value	138.3	Equity Risk Premium	9.5%
Value of Equity	113.1	Cost of Equity	10.1%
Number of Shares (m)	469.8	Cost of Debt	2.0%
Value per Share (US\$)	0.241	USD/SGD	1.240
Value per Share (S\$)	0.300		

Source: SIAS Research

Figure 4: Financial Forecasts and Estimates

US\$m	FY2010	FY2011	FY2012	FY2013F	FY2014F	FY2015F
Revenue	48.2	57.9	78.3	89.8	94.5	99.5
Operating Profit	5.0	3.4	6.3	10.3	13.8	17.2
PBT	2.7	1.6	3.7	8.3	12.3	15.7
PATMI	2.4	1.3	3.4	6.9	10.2	13.0
Total Current Assets	60.6	81.2	81.8	83.4	62.2	68.7
Total Non-Current Assets	107.5	168.6	165.2	171.9	178.8	177.9
Total Current Liabilities	57.1	51.1	38.3	34.3	19.3	19.3
Total Non-Current Liabilities	4.0	65.3	70.1	75.2	65.1	65.1
Total Equity	107.0	133.4	138.6	145.8	156.5	162.2
Cash from Operating Activities	0.3	1.9	4.4	3.5	6.8	9.6
Cash from Investing Activities	(36.6)	(48.3)	(12.6)	2.3	(3.0)	5.0
Cash from Financing Activities	6.8	71.0	1.2	1.0	(25.1)	(8.0)
Net Change in Cash	(29.5)	24.6	(7.1)	6.9	(21.3)	6.6
Return on Common Equity	2.3%	1.1%	2.5%	4.9%	6.8%	8.2%
Return on Assets	1.5%	0.6%	1.4%	2.7%	4.1%	5.3%
Net Debt / Common Equity	-0.4%	22.4%	27.3%	22.0%	18.1%	13.5%
Current Ratio	1.06	1.59	2.13	2.43	3.21	3.55
EPS (US cents)	0.77	0.35	0.73	1.46	2.17	2.76
BV / Share (US cents)	34.2	28.4	29.5	31.0	33.3	34.5
PER	36.4	67.1	25.6	12.8	8.6	6.8
P/BV	0.55	0.66	0.63	0.60	0.56	0.54

Source: SIAS Research

Rating Definition:

Increase Exposure – The current price of the stock is significantly lower than the underlying fundamental value. Readers can consider increasing their exposure in their portfolio to a higher level.

Invest – The current price of the stock is sufficiently lower than the underlying fundamental value of the firm. Readers can consider adding this stock to their portfolio.

Fairly Valued – The current price of the stock is reflective of the underlying fundamental value of the firm. Readers may not need to take actions at current price.

Take Profit – The current price of the stock is sufficiently higher than the underlying fundamental value of the firm. Readers can consider rebalancing their portfolio to take advantage of the profits.

Reduce Exposure - The current price of the stock is significantly higher than the underlying fundamental value of the firm. Readers can consider reducing their holdings in their portfolio.

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