

Singapore


**NON RATED**

Current price:	S\$0.74
Consensus Tgt Price:	S\$1.24
Up/downside:	N/A
Reuters:	UAFC.SI
Bloomberg:	UAG SP
Market cap:	US\$41.88m
	S\$57.77m
Average daily turnover:	US\$0.03m
	S\$0.04m
Current shares o/s:	46.98m
Free float:	64.6%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2.1	-5.8	-13.9
Relative (%)	2.5	-4.8	-15

Major shareholders	% held
Yamasa Co Ltd	30.0
Evergreen Intl. SA	9.0
Tanamoto Michio	2.2

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# Uni-Asia Group Limited

## Diversified business to tide over tough times

- UAG is an alternative investment company with diversified interests in shipping and property.
- We visited UAG's properties (Hotel Vista operations and small residential projects) in Tokyo on 3-5 Sep 2019.
- UAG trades at 0.3x FY18 P/BV, with a dividend yield of c.8.5%.

### Alternative investment company in shipping and property

Founded in 1997, UAG is an alternative investment company with a focus on shipping and property. It derives multiple income streams from its assets, including charter income from its vessels, hotel income from its hotel operating business in Japan and investment income from realised gains on its commercial properties in Hong Kong. UAG expects the low correlation between its twin engines of shipping and property to lower overall risk for investors from a portfolio perspective.

### Diversified property business across Hong Kong and Japan

UAG's property business (69% of 1H19 revenue) comprises property investments and Vista Hotel Management (VHM). In Japan, UAG focuses on the development of small residential property projects (4-5 storeys, with 10-30 units) in Tokyo and has achieved an average IRR of over 20% on investment amounts of US\$3m-5m each. VHM operates business hotels in Japan and has 2,515 rooms under management. During a trip hosted by UAG on 3-5 Sep 2019, we had the opportunity to visit its Hotel Vista properties and small residential projects. UAG expects VHM to benefit from upcoming major events in Tokyo, like the Rugby World Cup and 2020 Olympics. Ex-Japan, UAG has taken minority stakes in commercial property development projects in Hong Kong.

### Coming out of rough waters shipshape

UAG's shipping business (31% of 1H19 revenue) aims to be a one-stop shop for ship-related investment and service solutions for clients. The bulk of its shipping revenue is derived from charter income from ownership interests in 18 bulk carriers and four containerships as at 1H19. According to UAG, 1H19 was challenging for the dry bulk market but it expects better conditions in 2H19F due to stronger demand from Brazilian iron ore volumes returning to the market and lower supply as bulkships drydock for scrubber retrofitting to meet IMO2020 guidelines.

### Trades at 0.3x FY18 P/BV and 8.5% dividend yield

UAG trades at 0.3x FY18 P/BV, following a downward trend in P/BV since 2010 due to the weakness in its shipping portfolio. In FY18, it declared final DPS of 6.25 Scts, representing yield of 8.5%. UAG declared an interim DPS of 2.0 Scts in 1H19. Going forward, UAG has publicly guided for a dividend payout ratio of 35-40% in FY19-20F and semi-annual dividend payments 2Q19F onwards.

Financial Summary	Dec-14A	Dec-15A	Dec-16A	Dec-17A	Dec-18A
Revenue (US\$m)	67.1	76.5	86.0	103.6	123.1
EBITDA (US\$m)	12.4	19.9	3.4	25.6	22.3
EBITDA margins (%)	18.5%	26.1%	3.9%	24.7%	18.1%
Pretax profit (US\$m)	3.2	3.9	(11.5)	9.2	4.4
Net profit (US\$m)	2.2	2.7	(14.2)	6.2	1.2
EPS (US\$ cents)	4.6	5.7	(30.2)	13.3	2.6
EPS growth (%)	+0%	+25%	n.m.	n.m.	-80%
P/E (x)	11.6	9.3	n.m.	4.0	20.3
FD EPS (US\$ cents)	4.6	5.7	(30.2)	13.3	2.6
FD P/E (x)	11.6	9.3	n.m.	4.0	20.3
Gross DPS (S\$ cents)	N/A	4.6	2.2	6.3	6.3
Dividend yield (%)	N/A	6.2%	2.9%	8.5%	8.5%
PBV (x)	0.3	0.3	0.3	0.3	0.3
ROE (%)	1.6%	2.0%	-10.9%	5.0%	1.0%
Net gearing (%)	50.1%	91.3%	115.6%	126.8%	100.5%

SOURCE: BLOOMBERG

# Diversified business to tide over tough times

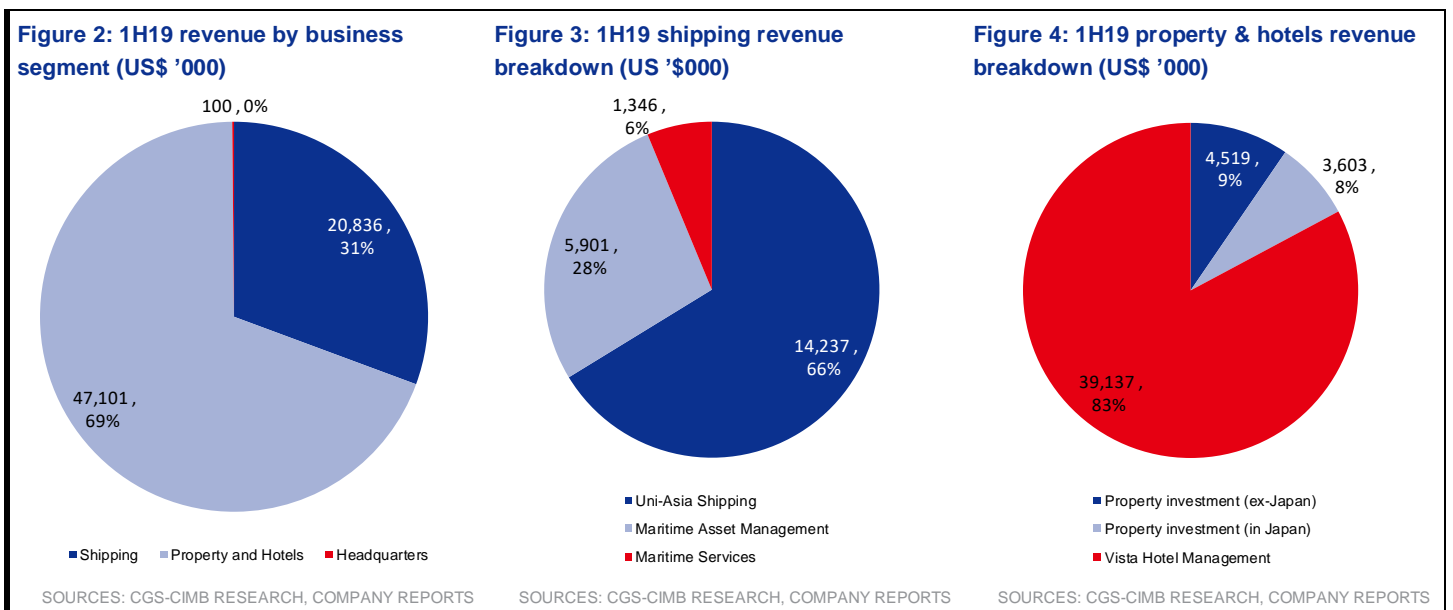
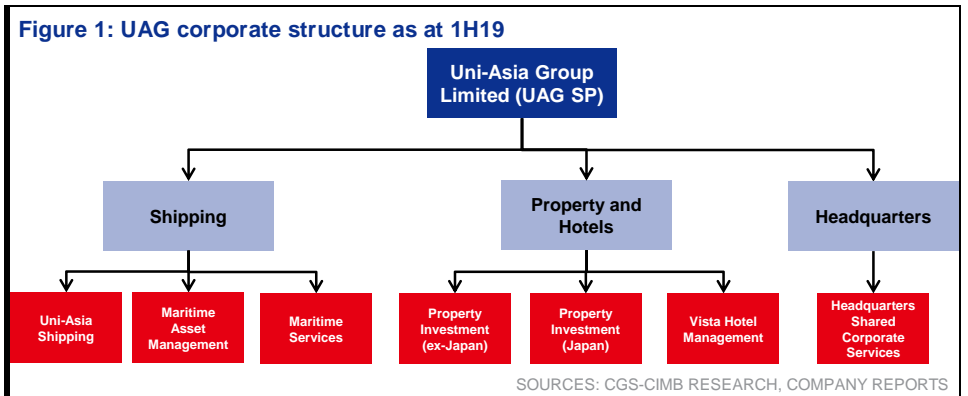
## Background

### Business overview >

Uni-Asia Group Limited (UAG) is an alternative investment company, asset manager and integrated service provider of vessels and properties. The company was founded in 1997 and was successfully listed on the Main Board of the SGX in 2007 at 55 Scts. Its current business model comprises:

- Acquiring assets at competitive prices and providing clients with solutions related to alternative assets, including ship and property finance arrangements, sale and purchase arrangements.
- Managing and/or operating assets to enhance asset value and generate recurring income.
- Accruing earnings via capital returns, recurring income (i.e. charter income, hotel income, administration fee income) and ad hoc fees.

Its business model is implemented over three business segments: 1) shipping, 2) property & hotels, and 3) headquarters.



**Figure 5: Classification of UAG income**

Classification of Income in Income Statement	Sub-Classification of Income	Business Segments	
		Shipping	Property and Hotels
Charter Income		Chartering of vessels to 3 <sup>rd</sup> parties	
Fee Income	Asset Management & Admin Fee	Asset management and administration of investment fund/companies, Commercial/Technical management	Asset management and administration of investment fund/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
Hotel Income			Management of hotel operations
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	Rental from investment properties/hotels
Interest Income		Bank deposit interest, interest from bridge or shareholders' loan	Bank deposit interest and finance lease interest

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

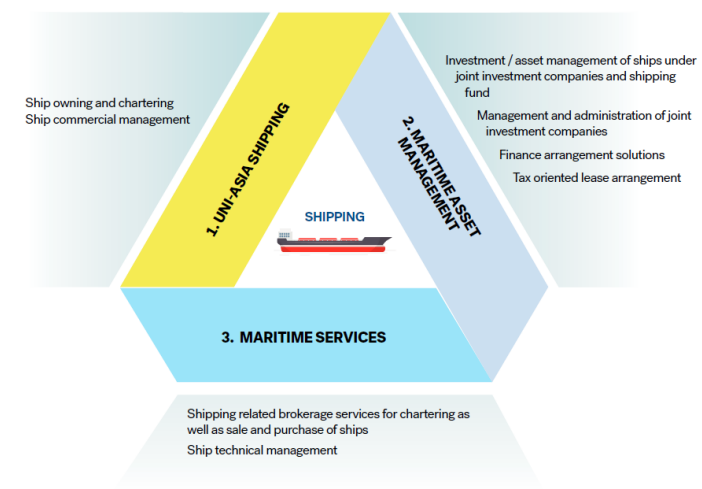
## Shipping – exposure to handysize bulk carriers ➤

UAG's shipping business aims to provide one-stop integrated ship-related investment and service solutions for clients. This provides UAG with a recurring income base from charter and ministration/management fees, with ad hoc fee income as a revenue booster. It mainly deals with handysize and supramax dry bulk carriers, having ownership interests in 18 bulk carriers and four containerships as at 1H19. To maximise returns from this segment, UAG's strategy is to:

- Acquire ships at competitive prices;
- Optimise charter types for duration and charter rate;
- Work with reputable charterers with good credit standing;
- Minimise operating incidents by working with reputable ship managers;
- Work closely with ship managers to control ships' operating expenses.

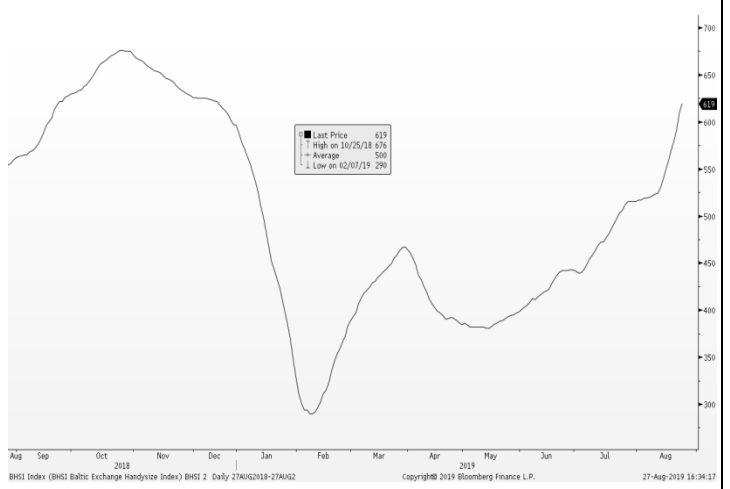
While the bulk carrier market experienced weakness in 1H19 due to the Brumadinho dam (owned by Vale SA; Vale US, Not Rated) disaster in Brazil and Cyclone Veronica in Australia, the return of Brazilian iron ore volumes and dry docking for scrubber retrofit by bulkcarriers for IMO 2020 are key demand and supply factors that could lend support to this market in 2H19F, according to UAG. The recent increase in the Baltic Handysize Index (BHSI) from May-2019 to Aug-2019 reflects the company's view and UAG believes this would be positive for some of its vessels on short-term index-linked charters.

**Figure 6: UAG's shipping subsegments**



SOURCES: UNI-ASIA GROUP LIMITED ANNUAL REPORT

**Figure 7: Baltic Handysize Index (Aug 2018-Aug 2019)**



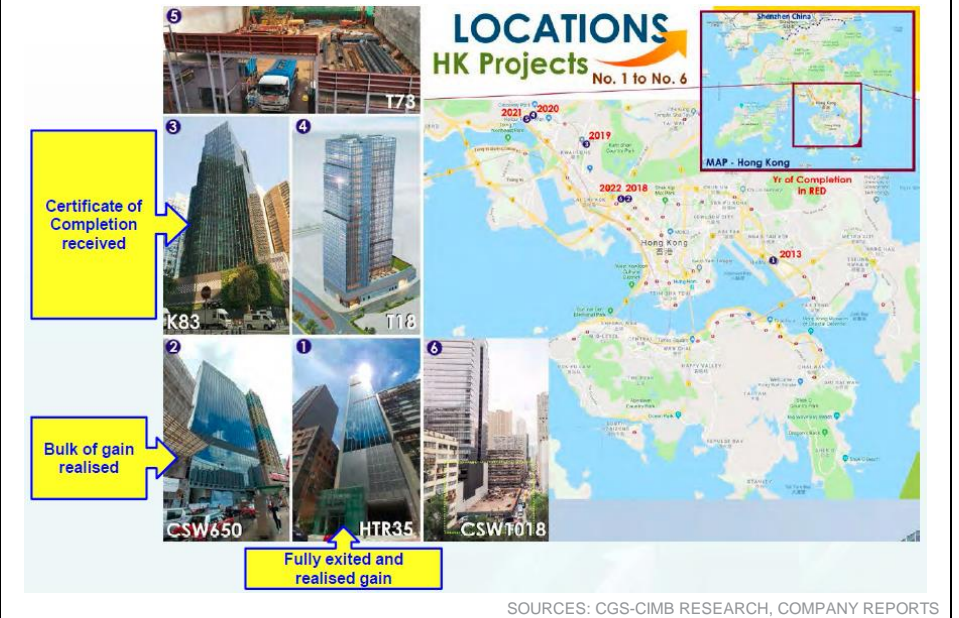
SOURCES: BLOOMBERG

**Property investments – Hong Kong and Japan focused ➤**

UAG's property business comprises three subsegments – property investment ex-Japan, property investment in Japan and Vista Hotel Management.

The ex-Japan property investment business is based in Hong Kong and primarily invests in Hong Kong property development projects as part of consortiums, typically led by First Group Holdings Limited (Unlisted). UAG invested US\$2.2m-10.4m for an equity interest of less than 20% for each of its six Hong Kong property projects. UAG continues to monitor the political unrest in Hong Kong closely and believes that it is too early to conclude if the commercial property market would be negatively affected by the protests in the long run.

**Figure 8: Locations of UAG's Hong Kong property projects**

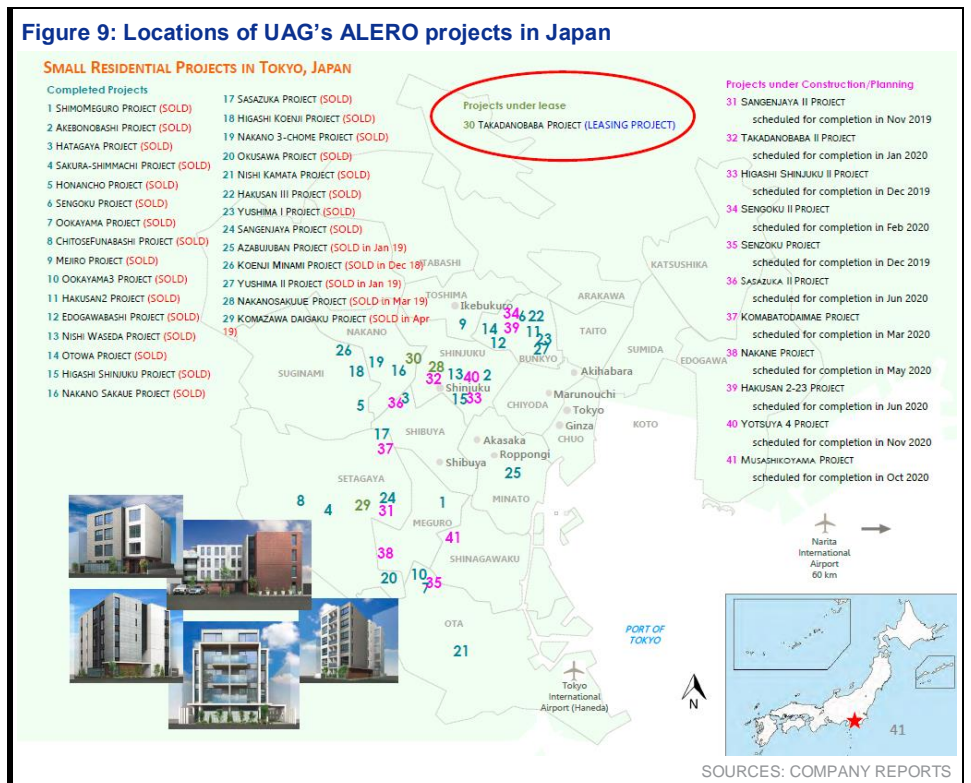


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

UAG's property investment business in Japan is involved in the development of small residential property projects in Tokyo, named the "ALERO" Series, offering construction management services and healthcare asset management. The ALERO projects are typically 4- to 5-storey buildings with 10-30 units of studio or maisonette type flats, which are popular with working singles/couples. According to UAG, the average internal rate of return (IRR) for completed projects is >20% and the average investment amounts are US\$3m-5m. UAG is of the view that the Tokyo residential property market is still robust and intends to select

investment sites for its ALERO projects prudently to maximise returns, while minimising risks to the group. During a trip hosted by UAG, we had the opportunity to view two of UAG’s small residential projects, Staart Motoyoyogi and ALERO Shinjuku Seven. Staart Motoyoyogi is a 4-storey apartment with 22 units that was completed in Jul 2019. ALERO Shinjuku Seven is also a 4-storey structure but has 33 units, and was completed in Apr 2016.

Using its property development expertise from ALERO, UAG provides construction management services, including site research, architect/construction company selection & appointment, construction monitoring and leasing management. In 1H19, it started asset management of four healthcare facilities, which provided upfront fees of JPY18m and monthly fees of JPY0.9m in total.



**Figure 10: Staart Motoyoyogi project**



**Figure 11: ALERO Shinjuku Seven project**

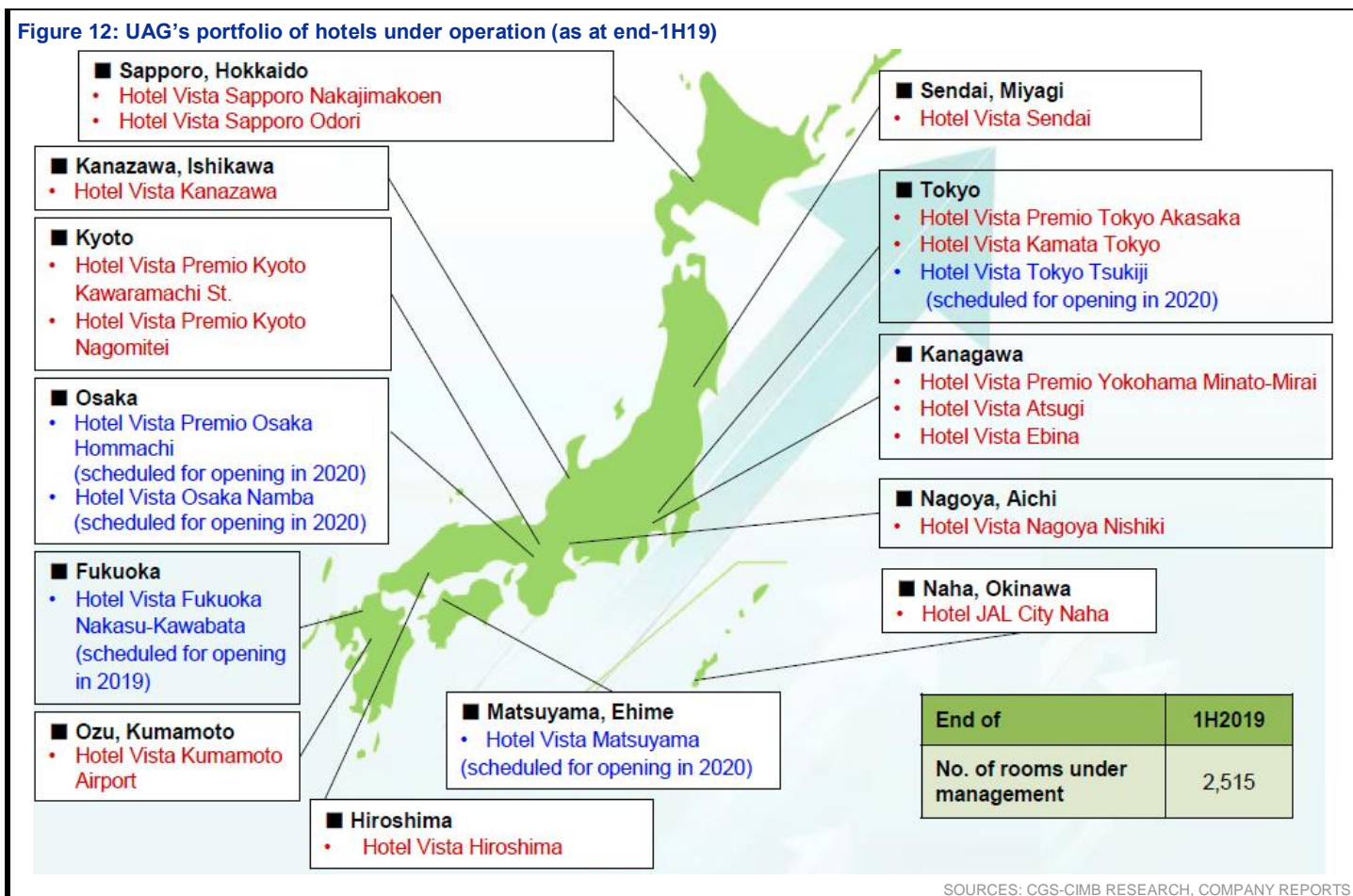


UAG's wholly-owned subsidiary, Vista Hotel Management (VHM) specialises in operating business hotels in Japan under the Hotel Vista brand. As at end-1H19, VHM had 2,515 rooms under management across multiple prefectures in Japan. During a trip hosted by UAG, we visited the construction site of Hotel Vista Tokyo Tsukiji, which is scheduled for opening in 2020F, in time for the 2020 Olympics. The hotel will comprise 149 rooms and is only a 5-minute walk from the site of the old Tsukiji Fish Market. While the fish market has been relocated, the site is being evaluated by the Tokyo Metropolitan Government on its suitability as a location for a new meetings, incentives, conferences and exhibitions (MICE) facility.

We also visited Hotel Vista Premio Yokohama Minato-Mirai, which is within walking distance of train stations and Pacifico Yokohama, one of the largest MICE venues globally. This hotel has additional facilities that are uncommon for standard business hotels like a gym, restaurant and convenience store.

During a presentation conducted by the local management team of Vista Hotel Management, the management confirmed plans to open five new hotels in 2019-20F, which would expand its portfolio to 3,400 rooms over 20 properties across major cities throughout Japan. To date, the management has not seen any negative impact from the protests in Hong Kong on its hotel operations. According to the company, potential near-term catalysts include the 2019 Rugby World Cup and the 2020 Tokyo Olympics. In light of these upcoming events, the management expects overall hotel room supply in Japan to peak in 2019F. After the 2020 Olympics, the management expects demand for hotel rooms to be supported by a gradual increase in tourists due to the buzz generated by the Olympics for tourism in Japan. Further down the road, Japan is slated to host the 2025 World Expo in Osaka.

Figure 12: UAG's portfolio of hotels under operation (as at end-1H19)



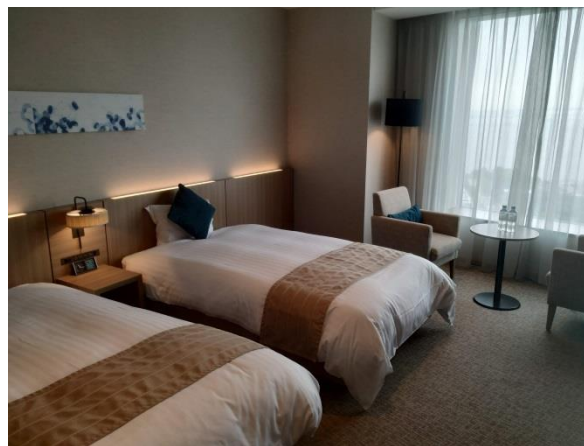
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 13: Exterior of Hotel Vista Tokyo Tsukiji



SOURCES: CGS-CIMB RESEARCH

Figure 14: Interior of Hotel Vista Premio Yokohama Minato-Mirai



SOURCES: CGS-CIMB RESEARCH

## Business updates

### Bonus share issue: 1 bonus share for every 2 shares held ►

On 7 Jun 2019, UAG completed a 1-for-2 bonus share issue aimed at rewarding shareholders and enhance the trading liquidity of UAG shares. A total of 26,199,987 bonus shares were allotted and issued, resulting in the total number of UAG shares increasing from 52.4m to 78.6m.

### S\$5.42m placement in Apr 2019 ►

In Mar 2019, UAG announced the proposed placement of up to 5,420,720 new shares to raise S\$5.42m. UAG disclosed that it planned to use the net proceeds for investments into potential property and/or hotel projects, like the ALERO projects in Japan and the Hong Kong property projects. The placement shares were issued at S\$1.08 per share, which represented a discount of c.10% to its volume-weighted average price (VWAP) of c.S\$1.20 for trades done on 25 Mar 2019.

Net proceeds of S\$5.42m were successfully raised on 4 Apr 2019 from c.40 investors. The placement shares represented approximately 10.34% of the enlarged issued share capital immediately after the placement. UAG also hoped that the placement would broaden its shareholder base and improve its trading liquidity. S\$2.5m of the net proceeds were utilised by UAG for the development of small residential property development projects in Tokyo under the brand name of ALERO.

## Valuation

### Valuation has seen better days ►

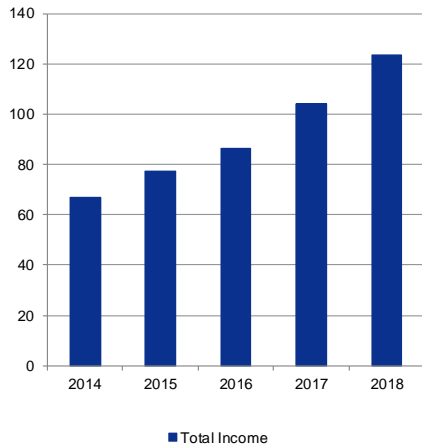
UAG is presently trading at an FY18 P/BV of 0.3x. This followed a declining trend in its P/BV since 2010 due to the weakness in its shipping portfolio. While UAG's revenue has been steadily improving over FY14-18, its net profit has been hampered by consistent impairments for its vessels. Following further impairments in 2018, it has reduced the number of its joint-investment containership investments from three to nil. UAG is thus not exposed to valuation risk from containership investments going forward and the company states that downward valuation risks to its other ship investments are also low due to several years of revaluation provisions. As of 2Q19, maritime investments comprised 59% of UAG's total assets excluding right-of-use assets arising due to lease accounting.

**Figure 15: UAG historical P/BV trading band**



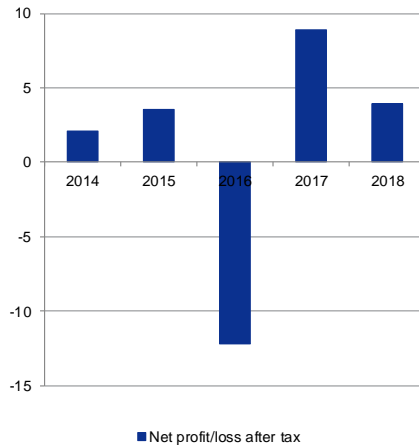
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

**Figure 16: Total revenue (US\$ m)**



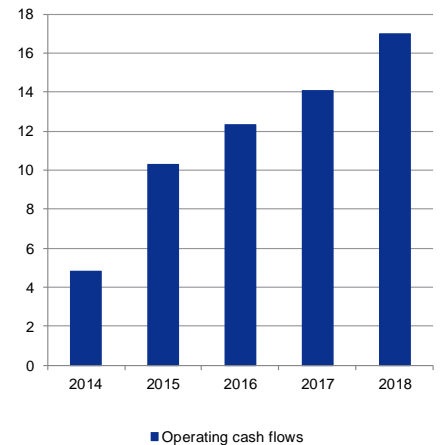
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 17: Net profit/loss after tax (US\$ m)**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 18: Operating cash flow (US\$ m)**



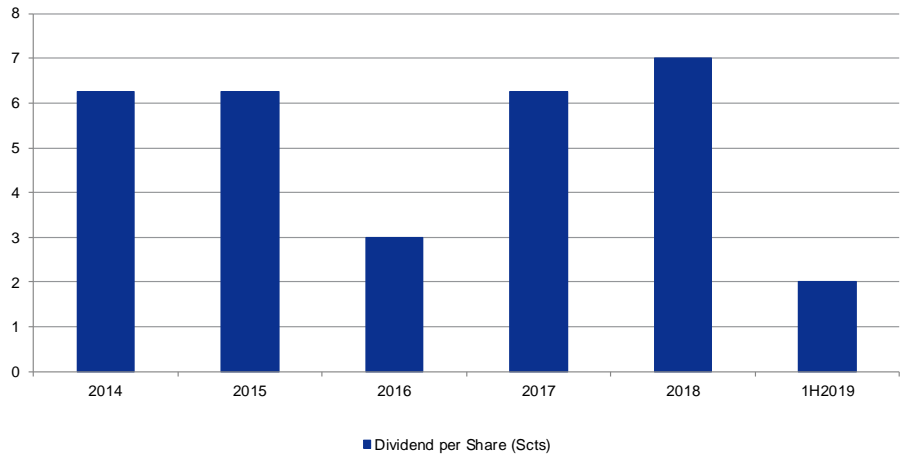
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**UAG is guiding for dividend payout ratios of 35-40% in FY19-20F ➤**

For FY18, UAG paid out total DPS of 7.00 Scts, comprising a final DPS of 6.25 Scts and a special DPS of 0.75 Scts. The special dividend was attributed to the gain from its second Hong Kong property project received in 2018. For 1H19, UAG declared an interim DPS of 2.0 Scts. Going forward, UAG guides for dividend payout ratio of 35-40% of its net profit after tax (excluding non-recurring, one-off and exceptional items) for FY19-20F. The company also stated that it intends to pay out dividends on a semi-annual basis from 2Q19 onwards.



**Figure 19: Dividend per share (Scts)**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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791 companies under coverage for quarter ended on 30 June 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	57.9%	4.2%
Hold	26.5%	1.8%
Reduce	15.5%	0.4%

### Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

**ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, , **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent,

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## Recommendation Framework

### Stock Ratings

Definition:

Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

### Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

### Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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