



Evaluate Research Issues a new Update Note on United Bancorp: Strong +48% Q4 Earnings Growth, ahead of Expectations

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Evaluate Research Issues a new Update Note on United Bancorp, Inc.: Strong +48% Q4 Earnings Growth, ahead of Expectations

Evaluate Research has issued a new Update Note on United Bancorp [NASDAQ: UBCP], which reported blowout +48.4% YoY earnings growth for Q4 ended December, and EPS of \$0.46 [up from \$0.31 last year], which was fully 24% ahead of our published estimate of \$0.37. This is the second straight quarter where UBCP has significantly beaten our estimates. The quality of the results was high, particularly on asset quality and nonaccrual trends, with credit quality remaining solid and better than our expectations with a very impressive trend of sequential declines, despite the Covid recession. According to Evaluate, UBCP's Q4 and full year 2020 performance has been exceptional for any normal period, let alone the unprecedented ongoing Covid-19 economic disruptions, and the bank's earnings growth currently is clearly outperforming almost all small and large banks in the USA and globally.

Given the strong earnings performance by UBCP for Q4 and 2020, Evaluate is more confident in our view that dividend growth will resume once again this new year. While many banks globally slashed their dividends in the face of Covid-19, UBCP prudently maintained an unchanged dividend for several quarters. The forward 2021 dividend yield for UBCP is now 4.3%. As a reminder, UBCP had paid out as high as 63% of EPS via dividends as recently as 2018. UBCP has a strong 36 year history of paying dividends, including occasional 1-time special dividends as well.

Evaluate has increased their target price on UBCP to \$17.00 [from prior \$16.00] based on the stock trading at 1.2x tangible and trailing price/book, and 10.6x P/E with a high 4.3% dividend yield based on our new year 2021 estimates. Our new target price suggests around 30% total return potential. Our new Update Note is available on our website, as well as UBCP's website.

Despite the Covid recession, UBCP's capital and leverage metrics have continued to strengthen sequentially during 2020. In addition to ample liquidity, UBCP remains well capitalized with an 18.6% total risk-based capital ratio as of September 30, 2020, the latest disclosed information in

the company's most recent 10-Q filing. Of this, Tier 1 capital [to risk-weighted assets] was also at a healthy 13.5%, suggesting solid levels of both total capital as well as Tier 1 capital.

While UBCP's book value per share jumped 11.8% YoY to \$11.45 as of December-end, it should also be noted that BVPS also increased 6.5% sequentially from the June-end half-year mark. Internal metrics were impacted by higher provisioning during Q2 and Q3, but ROE in 2020 is still in double-digits, at 11.5%, up fractionally versus 11.3% during the prior year.

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