

Evaluate Research Issues a new Update Note on United Bancorp: Strong +21% Q1 Earnings Growth, Special Dividend a Plus

RAMSEY, NEW JERSEY, UNITED STATES, May 4, 2021 /EINPresswire.com/ -- Evaluate Research has issued a new Update Note on United Bancorp [NASDAQ: UBCP], which reported very strong +21% YoY net income [+18% EPS] growth for Q1 ended March, which was fully 10% ahead of our estimate. This is the third straight quarter where UBCP has meaningfully surpassed our estimates. As we had indicated in our earlier notes, UBCP is in an enviable position of being over-provisioned, a conservative and prudent position to be in, given the Covid-19 economic dislocations. Additionally, UBCP increased its regular quarterly dividend and also declared a Special Dividend, bringing the current run-rate total yield [regular plus special] to 4.5%. This is the 5th Special Dividend paid by UBCP during the past five years, and it continues a strong 39 year tradition of UBCP increasing dividends for shareholders. The Special Dividend suggests management remains quite confident in UBCP's financial strength and earnings outlook.

With these strong results, and as we roll forward our valuation metrics based on forward 2022 estimates, we are increasing our price target to \$20.00 [up from prior target of \$18.00]. While UBCP's stock has done well with a return of 34% since our initial recommendation in November 2019, we still see more than 35% total return potential going forward. Our price target suggests a forward P/E multiple of 13.4x on our 2022 estimate, which is a huge discount to the overall market's [S&P 500 and S&P small-cap indices] current multiple of 20.5x and 25.5x P/E on 2022 consensus forecasts, and in-line with other broad financial sector valuation levels [further details below]. UBCP's Q1 and full year 2020 performance has been exceptional for any normal period, let alone the unprecedented ongoing Covid-19 recession, and the bank's earnings growth currently is clearly outperforming almost all small and large banks in the USA and globally.

UBCP has sights on further organic and inorganic growth going forward, and CEO Scott Everson indicated, "...we still have our sights set on becoming a \$1.0 billion [in assets] community banking organization in order to be at a scale to achieve what we seek." This would imply 36% further asset growth, and this as well as crossing \$100 million in stock market capitalization will further enhance UBCP's valuation and investability. Importantly, given the gradually improving economic environment, UBCP remains underlevered and well capitalized with an 18.9% total risk-based capital ratio, excess liquidity and a low loans-to-deposit ratio. With a 4% YoY increase in book value per share to \$11.18, the stock is trading at only 1.3x trailing P/B, and has a 4.5% dividend yield on a 11.9x P/E on our 2021 and a 10.1x P/E on 2022 estimates.

UBCP continues to maintain solid asset quality and nonaccrual trends, with credit quality remaining solid and better than our expectations. Overall net charge-offs to average loans were 0.09% annualized for Q1, in-line with the 0.08% annualized level from last year's Q1. Even after the provisioning expense write-back in Q1, UBCP's total allowance for loan losses to nonperforming loans stands at 161%, up YoY from 146% at the same time last year. Total allowance for loan losses to total loans remains at a very comfortable level of 1.07%, up substantially from last year's 0.60% level, suggesting further room for low provisioning expense for the balance of 2021, and likely outright write-backs.

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