

Evaluate Research Issues a new Update Note on United Bancorp: Strong +31% Q2 Earnings Growth, 4.5% Dividend Yield

RAMSEY, NEW JERSEY, UNITED STATES, August 2, 2021 /EINPresswire.com/ -- Evaluate Research has issued a new Update Note on United Bancorp [NASDAQ: UBCP], which reported very strong +31% YoY EPS growth for Q2 ended June, which was fully 27% ahead of our estimate. This is the fourth 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. UBCP had previously increased its regular quarterly dividend and also declared a Special Dividend, bringing the current run-rate total yield [regular plus special] to 5.2%. 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, we are increasing our 2021 EPS by 7% to \$1.24, up from our prior estimate of \$1.16. We maintain our price target of \$20.00, implying over 50% return potential. UBCP's YTD earnings performance continues to be exceptional especially in light of the past Covid-19 recession, and the bank's EPS growth currently is clearly outperforming almost all small and large banks in the USA and globally. UBCP continues to be focused on becoming a \$1.0 billion bank in terms of total assets, which would imply 37% further growth.

Presently, UBCP's stock is trading at 1.1x trailing tangible price/book, and 10.5x P/E with a high 4.5% dividend yield based on our 2021 estimates. Given that we are past the mid-point of this calendar year, and thus rolling forward to next year's estimates, the stock is trading at an 8.7x P/E, 4.6% yield, and 1.0 price/book based on our 2022 estimates. Our \$20.00 price target implies a forward P/E multiple of 13.4x on our forward 2022 estimate, which is a huge discount to the overall market. Our target price also suggests a 3.0% dividend yield and a 1.4x price/book on our 2022 dividend and year-end book value estimates.

UBCP's asset quality has remained strong, thus enabling the bank to be in a comfortable and enviable position of being overprovisioned in the face of below-expectations nonaccrual levels, which is leading to strong earnings growth in 2021. It is remarkable in hindsight that despite Covid-19, UBCP experienced sequential declines in nonaccrual loans throughout 2020. Overall net charge-offs to average loans were just 0.04% annualized during Q2, which was down both QoQ from the 0.08% annualized level for Q1, and down YoY from the 0.08% level of last year's

Q2. Total allowance for loan losses to total loans remains at a very comfortable level of 0.99%, suggesting further room for low provisioning expense for the balance of 2021, and likely outright write-backs.

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