UP Global Sourcing Holdings PLC

Underlying H1 sales soar 21% - Game on!

11th February 2019

UPGS' latest trading statement confirms the group's improved sales momentum. Moreover, with all four growth pillars performing positively, FY2018's setback can be seen as exceptional, rather than the norm. We remain positive on the outlook for both UPGS' sales and profitability, which is in our view available to investors at a very attractive share price valuation.

UPGS reported in a trading statement today that H1 sales revenue for FY2019 increased by 36% to £65.8m. While this sales growth is flattered by a combination of £4.5m by the switch of a key continental client from Free on Board trade terms to Landed and by £1.9m from the earlier timing of Chinese New Year, **underlying sales growth was still a very impressive 21%**. We materially upgrade FY2019 sales and profit forecasts.

Furthermore, growth was positive across **all four** of UPGS's strategic pillars, which tends to vindicate the company's diverse route to market. International recorded notably brisk growth and was equivalent to 40% of overall sales in the six months period. Discounters, UK supermarkets, and online channels also expanded briskly.

UPGS highlighted both its robust net debt and financing position. The company stressed that its net debt headroom expanded from the end of FY2018, and now stands at £10.5m (compared with £9.1m). Regarding any no-deal Brexit outcome, UPGS's primary concern relate to overall impact and any potential negative influences on overall consumer demand. That said, any impact would be a concern for FY2020 more than this year.

Proof of a positive investment case for UPGS is clearly visible within this statement. The group is more than capable of delivering what we describe as **"feel good"** branded products to its customers at affordable prices. It also delivers very brisk volume growth within mature markets. As a result, its economic and long-term currency risks are lower than consumer companies that are chasing growth in emerging markets.

UPGS' financials and valuation tend to support a positive investment view. We take this opportunity to raise our FY2019 EBITDA forecast from £7.9m to £8.7m as we increase our sales forecast from £108.2m to £117.5m. Based on a 58p closing price and our new numbers, **UPGS trades on 7.5x EV/EBITDA, an 8.3x P/E ratio and boasts a generous 6.0% dividend yield**. Interim results are due 29th April. Game on!

Key Financials

	2016A	2017A	2018A	2019E	2020E
Revenue (£'000)	79,028	109,953	87,571	117,500	123,375
Revenue growth (%)	23.3%	39.1%	-20.4%	34.2%	5.0%
EBITDA (adj)	8,226	11,512	6,472	8,700	9,060
EPS basic adjusted (p)	8.0	10.9	5.4	7.0	7.3
DPS (p)	3.3	5.1	2.7	3.5	3.7
EV/EBITDA (x)	7.9	5.7	10.1	7.5	7.2
P/E ratio (x)	7.3	5.3	10.7	8.3	7.9
Yield (%)	5.7%	8.8%	4.7%	6.0%	6.3%

Source: Company Historic Data, ED estimates

Company Data

EPIC	UPGS
Price (last close)	58p
52 week Hi/Lo	66p / 29p
Market cap	£48m

Share Price, p

Source: ADVFN

Description

UP Global Sourcing Holding (UPGS) develops new, innovative concepts and brings professional, sought-after products to the mass market. Their offices span two continents, with headquarters in the UK, offices plus a showroom in Guangzhou, and a showroom in Germany.

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