

Beautiful products for every European home

25th September 2023

UPGS today announced the opening of a new showroom in Paris, which will facilitate the expansion of its leading homeware brands not only into France, but continental Europe overall. Furthermore, as demonstrated with Petra in Germany, stronger sales and an elevated business profile expands the scope to make growth-oriented acquisitions in the region. We reiterate our 250p fair value for the shares.

The new showroom (refer to illustrations) is conveniently located at the Homexpo showroom complex in Paris and where the anchor tenant JJA is one of France's largest home furnishing suppliers. Homexpo is located next to Charles de Gaulle airport, which is ranked by [Aeroaffaires](#) as the busiest in continental Europe. As a result, it is arguably better positioned location than the company's previous showroom in Cologne to serve UPGS's growing pan-European customer base.

In FY2022, continental Europe represented 32% of UPGS's overall business with Germany being 13% of group sales and thus around 40% of sales in the region. Given the size of the continent's economies, there is a clear opportunity with a more conveniently located showroom to grow the business at a strong pace. [Worldometers](#) data shows that the combined GDP of Germany, France and Italy was US\$9.2tn in 2002. This figure compares with US\$3.1tn in the UK, where UPGS currently makes around two thirds of its sales. As a result, success for the Paris showroom could well be a meaningful catalyst for UPGS's revenue growth at group level.

UPGS is a brand driven business in which Beldray, Salter and the licensed brand Russell Hobbs represent around 70% of annual sales. However, the company also demonstrates scope to build brand equity elsewhere. In particular, today's announcement may be seen as an enabler for further opportunistic acquisitions in continental Europe such as Petra in Germany.

Aside from size of economies we also draw attention to the scale of Europe's population. For example, the [European Union](#) alone is estimated to be 448 million people this year compared with 67 million in the [United Kingdom](#) where the company currently enjoys an estimated product penetration of around 80% of homes. Hence, the European opportunity for UPGS's brands appears sizable.

Significant potential upside to our 250p fair value

We continue to place a fair value of 250p for UPGS's shares, which in our view is reasonable given it implies 1.3x sales and 11x EV/EBITDA based on our FY2024 forecasts. Investors should also note that the company's two most recent updates included better than expected outcomes on net debt and sales growth.

Key Financials					
Year to 31st July	2020A	2021A	2022A	2023E	2024E
Revenue (£'000)	115,684	136,367	154,191	166,300	176,278
Revenue growth	-6.1%	17.9%	13.1%	7.9%	6.0%
EBITDA adjusted (£'000)	9,915	13,291	18,750	20,200	21,711
EPS adjusted (p)	8.3	11.1	14.7	15.2	15.4
DPS (p)	4.0	5.0	7.1	7.6	7.7
EV/EBITDA (x)	11.9	8.9	6.3	5.9	5.5
P/E ratio (x)	14.1	10.5	7.9	7.7	7.6
Yield	3.4%	4.3%	6.1%	6.5%	6.6%

Source: Equity Development estimates, Company historic data

Company Data

EPIC	UPGS
Price (last close)	117p
52 weeks Hi/Lo	174p/90p
Market cap	£104m
ED Fair Value	250p

Share Price, p



Source: ADVFN

Description

UP Global Sourcing Holdings plc (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, a sourcing office and showroom in China and a further two showrooms in Continental Europe.

Key owned brands include **Salter, Beldray, Progress, Kleeneze, Petra and Intempo**. The company also markets non-electrical Russell Hobbs products under licence, now on a rolling four-year basis.

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Paris Showroom



Source: Company Data

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