

## Innovating for growth

14th June 2023

UPGS hosted a capital markets presentation at the Exclusively Homewares exhibition in London's Business Design Centre yesterday to discuss the upcoming re-brand of Salter as part of its overall brand rejuvenation programme. Having confirmed its expectations for FY2023 financial performance in a statement the previous week, prospects for a strong second half to the year remain in place. We reiterate our 250p fair value for the shares.

UPGS's belief that it will match market expectations in FY2023 is important. With an end-July year-end the company has significant visibility regarding the FY2023 H2 trading period. As discussed in our 29<sup>th</sup> March 2023 report [Well placed for sales growth acceleration in H2](#), a £163m full year revenue figure would require double-digit growth in the second half, which would be impressive and something that the business is clearly confident of achieving.

UPGS acquired outright ownership of the Salter ([www.salter.com](http://www.salter.com)) brand outside North America in June 2021. Previously, it was licensed to UPGS for products other than measuring devices. Brand Director Tracy Carroll outlined a clear vision for the UK's oldest homeware brand (established in 1760) in her presentation with the articulation of the brand's core mission to demonstrate four core qualities – "Reliability and Trust, Joy & Happiness, Expertise & Knowledge and Friendly & Down to Earth."

The Salter re-brand is expected to be presented throughout the second half of this year and into FY2024 with a trade launch ahead of full consumer roll-out. A significant objective of the re-brand is to provide a simple, consistent message about what Salter means across a range of appliances and items, which include traditional analogue scales and the latest developments in air fryers and energy saving devices.

UPGS's trade exhibits at Exclusively Homewares demonstrated ongoing innovation and commitment to affordable state-of-the-art products for both Salter and Beldray. Examples of innovations at Salter included use of Bluetooth technology for health management through an interactive data management via an app; and the potential for a combined microwave oven and air fryer to be launched under the brand name. Prototypes were on display.

Accelerated sales momentum in FY2023 H2, prospects of major benefits from a holistic approach to brand management and sustained commitment to serving the mass market with affordable "feel good" products for every home reinforce our view that fair value for UPGS's shares is 250p. We base this view on 1.5x EV/sales and 12.2x EV/EBITDA

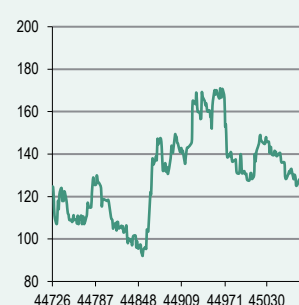
Key Financials					
Year to 31st July	2020A	2021A	2022A	2023E	2024E
Revenue (£'000)	115,684	136,367	154,191	163,442	173,249
Revenue growth	-6.1%	17.9%	13.1%	6.0%	6.0%
EBITDA adjusted (£'000)	9,915	13,291	18,750	20,176	21,680
EPS adjusted (p)	8.3	11.1	14.7	15.1	15.4
DPS (p)	4.0	5.0	7.1	7.5	7.7
EV/EBITDA (x)	14.1	10.5	7.4	6.9	6.4
P/E ratio (x)	15.8	11.7	8.9	8.6	8.5
Yield	3.0%	3.8%	5.5%	5.8%	5.9%

Source: Equity Development estimates, Company historic data

### Company Data

EPIC	UPGS
Price (last close)	131p
52 weeks Hi/Lo	174p/90p
Market cap	£116m
ED Fair Value / share	250p

### Share Price, p



Source: LSE

### 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 Guangzhou, as well as a showroom in Germany.

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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