

Russell Hobbs – improved brand visibility for UPGS

18th October 2022

UPGS today announced an important step forward in its licensing agreement for the Russell Hobbs brand as it moved from its previous fixed term arrangement to a rolling four-year basis. The move stands to increase certainty around the brand and justify increased investment behind it. Since mid-2021 all other brands in the portfolio have been wholly owned, which augurs well for both predictability and valuation. We reiterate our 250p per share fair value.

The change from fixed term licence arrangements to a rolling four-year basis for Russell Hobbs stands to raise UPGS's certainty around the brand. The licence with the ultimate brand owner, US listed company Spectrum Brands (NYSE: SPB), will *always* have a minimum of four years to run, enabling UPGS to invest with greater certainty. The new agreement refers to the UK, Europe, Australia and New Zealand for non-electrical kitchen and laundry products.

Today's move follows last year's acquisition of the Salter Brand outright which was announced on 25th June 2021 and commented on in our report [UPGS acquires UK's oldest housewares brand](#). As a result, 87% of UPGS's business will be from wholly owned brands and the remainder – i.e., Russell Hobbs - effectively structured to behave more like a wholly owned brand. Unaudited sales for Russell Hobbs in FY2022 were £20.2m which represented 13.1% of group sales.

UPGS's success in taking brands under full and greater control is an important component of the company's ongoing transformation from being a sourcing company to an outright brand manager. This shift in strategic emphasis has been an important driver behind the company's ability to distribute products more effectively through supermarkets and online, where strong brands are paramount. Between FY2017 and FY2022 H1, supermarkets and online as a combined portion of UPGS's sales revenue increased from 13.6% to 51.1%. Both these channels should benefit from a more resilient Russell Hobbs.

Furthermore, a strong brand portfolio with greater certainty has important implications for the intrinsic value of UPGS's business and its key growth drivers. These include UPGS's ability both to manage and acquire key brands, the development of more supermarket and online business and its international opportunity.

Retained valuation of 250p / share

We base our 250p fair value assumption on what we feel are deserved ratings of an FY2023 EV/sales ratio of 1.5x and 12x EV/EBITDA, which implies considerable potential upside. Further reassurance comes from the shares being on a miserly PER whilst offering a prospective 7.4% yield.

Key Financials					
Year to 31st July	2019A	2020A	2021A	2022E	2023E
Revenue (£'000)	123,257	115,684	136,367	154,200	163,452
Revenue growth	40.8%	-6.1%	17.9%	13.1%	6.0%
EBITDA (£'000) (adj)	10,720	10,363	13,291	18,800	20,176
EPS adjusted (p)	8.3	8.3	11.1	14.5	15.3
DPS (p)	4.1	4.0	5.0	7.3	7.7
EV/EBITDA (x)	10.0	10.4	8.1	5.7	5.3
P/E ratio (x)	11.7	11.8	8.8	6.7	6.4
Yield	4.2%	4.1%	5.2%	7.4%	7.9%

Source: ED estimates, company historic data

Company Data

EPIC	UPGS
Price (last close)	97p
52 weeks Hi/Lo	222p/92p
Market cap	£83m
ED Fair Value / share	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 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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