

Sales growth still expected to resume in FY2025

Ultimate Products – owner of the Beldray and Salter brands - released a trading statement today which was in line with market expectations at both the sales and EBITDA level. After a down year in FY2024, sales growth is expected to resume in FY2025. We make modest changes to our FY2025 forecasts in this report but retain our 200p Fair Value for the shares.

As expected, sales revenue fell in FY2024, by 6% to £155.5m compared with our own £157.4m forecast. Sales performance was constrained by supermarkets cutting back orders to reduce inventory levels, as well as weakened overall consumer demand for general merchandise. Moreover, this year's outcome compares with a period of unusually strong buying of energy efficient air fryers in FY2023. We expect a strong bounce back for sales revenue in FY2025 as international momentum gathers pace and Beldray and Salter benefit from their re-brands in the UK.

Profits reflected FY2024's sales setback with EBITDA falling by 11% to £18.0m to match our forecast. Meanwhile, profit before tax was £14.4m, compared with £16.8m a year earlier, and matched our forecasts. Adjusted EPS was 12.3p, also in line with our estimates.

ULTP's financial position remains strong, which reflects the company's increasing prowess as an IP heavy/capital light brand manager that outsources all manufacturing while driving its brand franchises. End period net bank debt was £10.4m, equivalent to 0.6x of EBITDA and finished slightly below 0.7x a year earlier and beneath the group's 1.0x capital allocation policy. Cash generation should remain an underlying feature of UP's financial performance going forwards.

Current trading was reported as in line with expectations. Clearly, ULTP is on top of challenges which relate to disruption in the Red Sea. In addition to a likely recovery back to underlying mid-single digit percentage sales growth trends, international discounters' performance should be an important driver. We expect some positive sales support from the company's Beldray rebrand: as commented on in our 13 June 2024 report [Beldray re-brand - Ultimate Products has got this](#).

Shares' rating looks too low

Based on a select group of comparable consumer goods companies we reiterate our estimated 200p Fair Value for ULTP shares. We highlight their superior yield and a miserly current 0.8x EV/sales ratio. At a 200p share price the company's FY2025 EV/EBITDA would be 8.9x and its prospective P/E ratio an undemanding 13.8x. In our view, investors should consider the potential for a material rerating of the shares, driven by a return to positive sales momentum.

Key Financials					
Year to 31st July	2021A	2022A	2023A	2024E	2025E
Revenue (£m)	136.4	154.2	166.3	155.5	172.0
Revenue growth	17.9%	13.1%	7.9%	-6.5%	10.6%
EBITDA adjusted (£m)	10.6	18.8	20.2	18.0	20.6
EPS adjusted (p)	9.8	14.7	15.4	12.3	14.5
DPS (p)	5.0	7.1	7.4	6.1	7.2
EV/EBITDA (x)	12.3	7.0	6.5	7.3	6.4
P/E ratio (x)	14.3	9.5	9.1	11.4	9.7
Yield	3.6%	5.1%	5.3%	4.4%	5.2%

Source: Equity Development estimates, Company historic data

Company Data

EPIC	ULTP
Price (last close)	140p
52 weeks Hi/Lo	181p/113p
Market cap	£121m
ED Fair Value / share	200p

Share Price, p



Source: ADVFN

Description

Ultimate Products plc (ULTP) 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 showroom 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.

The company changed its name to Ultimate Products plc on 31 October 2023 and its stock ticker to ULTP.

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Financials and valuation

Changes to forecasts

The FY2024 results highlighted in today's trading update were in line with the expectations which we outlined in our 10 May 2024 report [Near term disruption but growth case remains strong](#). We make modest changes to FY2025 with 2% reductions in sales and adjusted EBITDA while leaving adjusted Profit before tax and EPS estimates unchanged. We also compare the unaudited numbers with our forecasts for FY2024, as well as our revised expectations for FY2025 versus the most recent ED forecasts in Figure 1:

Figure 1 - FY2024 unaudited results outcome and changes to FY2025

All figures in £m	FY2024A			FY2025E		
	Forecast	Actual	Difference	Old	New	Change
Sales revenue	157.4	155.5	-1%	172.0	172.0	0%
EBITDA - adjusted	18.0	18.0	0%	21.1	20.6	-2%
Profit before tax - adjusted	14.4	14.4	0%	17.5	17.0	-3%
EPS (pence) - adjusted	12.2	12.3	0%	14.9	14.5	-3%

Source: Company data and ED estimates

Relative valuation

We include an updated relative valuation in Figure 2. Importantly, ULTP not only **owns its key brands outright** in priority trading areas – i.e. Beldray and Salter (the UK's oldest housewares brand) – but has also engaged in **major re-branding programmes** for these important, heritage housewares brand families that comprise around **60% of the overall group portfolio** in terms of sales revenue.

Furthermore, aside from its underlying organic sales growth which we assume to be around 6%, ULTP remains structured to convert both sales revenue and profits into cash on a consistent basis. We estimate that around **60% of operating profit will be converted into operating free cash flow** in both FY2024 and FY2025, which augurs positively for both dividends and share buybacks.

Figure 2 - Relative valuation

	Share price	Mkt cap	Net	EV	Sales	EV/ sales	EBITDA	EV/ EBITDA	EPS	P/E	DPS	YLD
	(p)	(£m)	debt (£m)	(£m)	2024 (£m)	(x)	2024 (£m)	(x)	2024 (p)	(x)	2024 (p)	%
Gear4Music (G4M)	180	40	17	56	155	0.4	11.7	4.8	9.5	18.9		
Luceco (LUCE)	149	234	20	254	231	1.1	34.1	7.5	11.8	12.6	4.8	3.2
Portmeirion (PMP)	213	30	16	45	100	0.5	10.8	4.2	24.8	8.6	7.3	3.4
Procook (PROC)	26	30	23	53	68	0.8	7.9	5.5	1.7	15.3		
Ultimate Products (ULTP)	140	121	10	131	156	0.8	18.0	7.3	12.3	11.4	6.1	4.4
Warpaint (W7L)	582	448	-4	445	106	4.2	26.0	17.1	22.8	25.5	11.1	1.9
Average						1.3		7.7		15.4		3.2

Source: ADVFN (prices), MarketScreener (EBITDA), Stockopedia (Debt, EPS, dividends) and Equity Development estimates (UPGS forecasts)



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