

UP Global Sourcing Holdings

Consumer
20 July 2017

The ultimate opportunist

UP Global Sourcing Holdings, trading as Ultimate Products (UP), has identified a market opportunity to develop branded home products at prices close to own-label products. With owned home brands including Beldray, intempo and Progress, and others under license including Salter and Russell Hobbs, UP's range is attractive to retailers seeking to offer branded quality at a small premium to own-label. Driven by an experienced management team, the strategy has resulted in year-on-year underlying EBITDA growth of 75% in the recent interim results. Consensus forecasts suggest growth is likely to continue.

Identifying a market opportunity

UP's strategy is to develop its portfolio of value brands focused on mass-market consumer goods for the home. Its niche opportunity is strengthened by the lack of competitors able to match the breadth of its offer. The resulting prospect is a stream of branded offers, at prices slightly above own label, yet at a significant discount to traditional brands, which is compelling to retailers and consumers. Revenue growth of 62% y-o-y to H117 is driven by increasing adoption of the products by discount retailers such as B&M, and UK supermarkets including Tesco, Asda and Morrisons.

Management looks to the future

UP already sells to over 300 retailers across 38 countries, sourcing from 12 countries, and over the three years to the FY17 consensus forecast, underlying EBITDA will have grown at 77% CAGR. With its current range including domestic appliances, housewares, audio and laundry, brand strategy is still at an early stage, with considerable scope for further growth. This includes store expansion with existing discounters, increased penetration of UK supermarkets, growing the online business and expanding international operations. UP has expertise in sourcing from China, with substantial on-the-ground presence. Management aims to grow online to 20% of sales, in line with the market. Infrastructure is well invested and gives headroom for growth. The management structure blends financial expertise and entrepreneurship; the board is headed by Jim McCarthy, former CEO of Poundland, bringing 40 years' experience in the fast-moving retail sector.

Valuation: Forecasts support company outlook

UP's success in its market to date suggests a platform for further growth, and consensus forecasts confirm this outlook. EBITDA is projected to grow from £11m in FY17 to £12.7m in FY18. Net debt, currently £10.3m, is set to fall over the next two years to £5.4m in FY18. The declaration of an interim dividend of 1.62p per share indicates an income yield to supplement the growth-rated P/E.

Consensus estimates

Year end	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
07/15	64.1	5.0	4.3	4.3	0.0	46.5	N/A
07/16	79.0	7.0	6.3	6.6	0.0	30.3	N/A
07/17e	107.5	11.0	10.1	9.6	4.8	20.8	2.4
07/18e	120.0	12.7	11.7	11.4	5.7	17.5	2.9

Source: Bloomberg

Price **199.75p**
Market cap **£164m**

Share price graph



Share details

Code **UPGS**
 Listing **LSE**
 Shares in issue **82.2m**

Business description

UP Global Sourcing Holdings is a UK-based owner, licensee, designer, developer and manager of a series of brands focused on the home. With its listing on the Main Market of the London Stock Exchange in early March, the underlying focus remains on supplying mass-market, value-for-money household products to global markets.

Bull

- Strong growth record to date and well positioned for continued market outperformance.
- Experienced management team with strength in depth. Three directors own 45% of the shares, with a three-year lock-in period.
- Attractive global market with a broad customer base.

Bear

- Exposure to foreign currency exchange rate fluctuations.
- Exposure to domestic economic conditions as a significant proportion of revenue is generated from the UK.
- Low earnings visibility, as many customers do not hold long-term contracts.

Analysts

Paul Hickman +44 (0)20 3681 2501
 Neil Shah +44 (0)20 3077 5715

consumer@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

Edison is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. At Edison Investment Research, our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting. Edison is authorised and regulated by the [Financial Conduct Authority](#). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2017 Edison Investment Research Limited. All rights reserved. This report has been prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Aus and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") (c) FTSE [2014]. "FTSE(r)" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.