

UP Global Sourcing Holdings plc



Positive End to FY2019 Confirmed

9 September 2019

UPGS's pre-close FY2019 trading statement confirmed a previously stated view on 17th July that FY2019 would end on a positive note. The company will announce preliminary full year results on 5th November 2019. Ahead of then, underlying trends remain firmly positive. We upgrade FY2020 forecasts too.

Sales revenue in FY2019 grew by 40.8% to £123.3m. The company's most recently guided range was £121.5m to £122.0m. EBITDA is expected to be 53.4% higher at £9.9m compared with our £9.7m forecast. PBT is expected to be £8.5m compared with £8.3m envisaged previously. We raise FY2019 EPS from 7.9p to 8.1p. Importantly, UPGS continues to deliver ahead of its own guidance and associated market expectations. After disappointment a year earlier, FY2019 has been a year of upgrades.

Key drivers of faster sales growth include international business which was 39.4% of revenue compared with 27.4% in FY2018 and online which was 9.2% of group business compared with 7.9% a year earlier. What is impressive is that UPGS continues to deliver brisk consumer goods oriented organic growth in mature markets. Right now, that is a rare quality.

We update our FY2019 forecasts to reflect the trading statement. In addition we upgrade FY2020 revenue from £127.6m to £129.5m and adjusted EBITDA from £10.1m to £10.4m. The impact of these upgrades on adjusted pre-tax profits is an increase from £8.7m to £8.9m and we raise our FY2020 EPS forecast from 8.3p to 8.5p.

UPGS's financial position remains strong. Net debt/EBITDA at 31st July 2019 was 1.5x, well down from 2.0x a year earlier. Headroom against facilities rose £10.1m compared with £9.1m at end-FY2018.

In the past year UPGS has consistently delivered trading news ahead of market expectations. In our view, investors should take this into account when assessing valuation and we continue to argue that a 100p share price seems sensible. We base that view on 0.8x EV/Sales, 10.0x EV/EBITDA and a 12.3x prospective P/E ratio.

Company Data

EPIC	UPGS
Price (last close)	72.5p
52 week Hi/Lo	90/30p
Market cap	£59.6m

Share Price, p



Source: ADVFN

Description

UP Global Sourcing Holding (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, offices plus a showroom in Guangzhou, and a showroom in Germany.

Key financials

	2016A	2017A	2018A	2019E	2020E
Revenue (£'000)	79,028	109,953	87,571	123,300	129,465
Revenue growth (%)	23.3%	39.1%	-20.4%	40.8%	5.0%
EBITDA (adj)	8,226	11,512	6,472	9,923	10,366
EPS basic adjusted (p)	8.0	10.9	5.4	8.1	8.5
DPS (p)	3.3	5.1	2.7	4.1	4.3
EV/EBITDA (x)	9.3	6.6	11.8	7.7	7.4
P/E ratio (x)	9.1	6.7	13.3	8.9	8.5
Yield (%)	4.6%	7.1%	3.7%	5.6%	5.9%

Source: Company Historic Data, ED estimates

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