

29 November 2019

United U-Li Corporation Deemed Within Expectation

9MFY19 CNL of RM1.1m is deemed within our, but below consensus, full-year estimate. No dividend was declared as expected. FY19E/FY20E earnings maintained along with UNDERPERFORM call and Target Price of RM0.400 based on 0.3x FY20E BV/share.

Within expectations. We deemed the 9MFY19 results as within our expectation but below consensus estimate. This is because historically, the third quarter has always been a strong quarter and we also expect lower margins to drag future earnings. No dividend was declared, as expected.

Results' review. YoY, 9MFY19 registered CNL of RM1.1m compared to CNP of RM4.1m in 9MFY18, mainly due to: (i) decrease in revenue to RM140.4m (-9%) amid softer market condition, and (ii) negligible margin as compared to 4% in 9MFY18, largely caused by higher labour and depreciation costs. QoQ, 3QFY19 recorded slightly higher CNP of RM0.2m compared to RM0.1m in the preceding quarter due to recovery in revenue to RM51.5m (+15%) which was partially offset by higher loss margin of 5% (+4ppt) in the electrical lighting segment.

Outlook. The outlook for the sector remains uninspiring, underpinned by weak prospects in the construction industry and stiff competition from other new players. ULICORP's performance is highly premised on their ability to fend off the competition in this weak market environment given that they currently command a market share of c.40%.

Earnings review. Post results, no changes to our forecast as we expect lower revenue amid softer market condition and lower margin resulted from higher production cost.

Maintain UNDERPERFORM on ULICORP with unchanged TP of **RM0.400** based on Fwd. P/BV of 0.3x applied to FY20E BV/share of RM1.31, which is at its 5-year trough levels and -1.5SD-level, in line with the sector negative sentiment and challenging operating environment.

Risks to our call include: (i) higher-than-expected sales of CSS products, and (ii) lower-than-expected steel prices and overhead costs.

UNDERPERFORM ↔

Price: RM0.510
Target Price: RM0.400 ↔

Expected Capital Gain: -RM0.11 -21.5%
Expected Div. Yield: RM0.00 0.0%
Expected Total Return: -RM0.11 -21.5%

KLCI Index 1,583.77

Stock Information

Bloomberg Ticker	UULI MK Equity
Bursa Code	7133
Listing Market	Main Market
Shariah Compliant	Yes
Shares Outstanding	217.8
Market Cap (RM m)	111.1
Par value per share (RM)	0.50
52-week range (H)	0.80
52-week range (L)	0.39
Free Float	49%
Beta	0.9
3-mth avg daily vol:	402,035

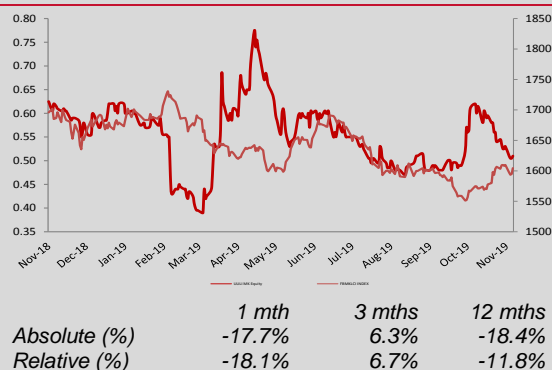
Major Shareholders

Pearl Deal M Sdn Bhd	37.2%
Rhb Asset Management Sdn Bhd	4.7%
Prudential Unit Trusts Bhd	3.2%

Summary Earnings Table

FY Dec (RM m)	2018A	2019E	2020E
Turnover	203.5	159.6	144.3
EBIT	8.9	-3.0	3.2
PBT	6.7	-5.2	1.0
Net Profit	2.9	-2.2	0.4
Core PATAMI	3.8	-2.2	0.4
Consensus (NP)	N.A.	3.2	5.5
Earnings Revision	N.A.	0%	0%
Core EPS (sen)	1.7	-1.0	0.2
Core EPS growth (%)	-81.1	-158.8	-118.4
NDPS (sen)	0	0	0
NTA per Share (RM)	1.31	1.31	1.31
PER (x)	29.2	N.A.	270.3
PBV (x)	0.4	0.4	0.4
Debt-to-Equity ratio (x)	0.0	-0.1	0.1
Return on Asset (%)	0.8	-0.6	0.1
Return on Equity (%)	1.0	-0.8	-0.8
Net Div. Yield (%)	0.0	0.0	0.0

Share Price Performance



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Results Highlights									
	3QFY19	2QFY19	QoQ	3QFY18	YoY	9MFY19	9MFY18	YoY	
FYE Dec (RM m)									
Turnover	51.5	44.9	15%	57.0	-10%	140.4	155.1	-9%	
EBITDA	3.1	3.2	-3%	5.8	-47%	8.3	14.4	-43%	
Depreciation	-2.3	-2.8	-18%	-2.3	-1%	-8.1	-7.8	4%	
EBIT	0.8	0.4	102%	3.5	-78%	0.2	6.7	-97%	
Interest inc/(exp)	-0.5	-0.3	80%	-0.4	24%	-1.1	-1.4	-26%	
Associates/JV	0.0	0.0	N.M.	0.0	N.M.	0.0	0.0	N.M.	
Exceptional items	0.0	0.0	N.M.	0.0	N.M.	0.0	0.0	N.M.	
Forex gain/(loss)	0.0	0.0	N.M.	0.0	N.M.	0.0	0.0	N.M.	
Pretax profit	0.3	0.1	159%	3.1	-91%	-0.8	5.2	-116%	
Taxation	0.0	0.0	-1167%	-0.7	-96%	-0.3	-1.2	-78%	
Deferred tax	0.0	0.0	N.M.	0.0	N.M.	0.0	0.0	N.M.	
Profit after tax	0.2	0.1	123%	2.4	-90%	-1.1	4.1	-127%	
Minority interest	0.0	0.0	N.M.	0.0	N.M.	0.0	0.0	N.M.	
PATAMI	0.2	0.1	123%	2.4	-90%	-1.1	4.1	-127%	
Core PATAMI	0.2	0.1	123%	2.4	-90%	-1.1	4.1	-127%	
DPS (sen)	0.0	0.0		0.0		0.0	0.0		
EBIT margin	1%	1%		6%		0%	4%		
Pretax margin	1%	0%		5%		-1%	3%		
NP margin	1%	0%		5%		-1%	3%		
CNP margin	0%	0%		4%		-1%	3%		
EPS (sen)	0.1	0.1		1.1		-0.5	1.9		
Core EPS(sen)	0.1	0.1		1.1		-0.5	1.9		
BV/share (RM)	1.3	1.3		1.3		1.3	1.3		
Net gearing (x)	0.0	-0.1		0.0		0.0	0.0		
Effective tax	12%	-3%		24%		-30%	22%		

Source: Company, Kenanga Research

Segmental Highlights									
	3QFY19	2QFY19	QoQ	3QFY18	YoY	9MFY19	9MFY18	YoY	
External Revenue									
Cable Support	41.5	37.0	12%	43.6	-5%	115.1	124.9	-8%	
Electrical Lighting	10.0	8.0	25%	13.4	-25%	25.4	30.2	-16%	
Pre-tax Segmentation									
Cable Support	1.0	0.4	143%	1.4	-30%	2.21	5.02	-56%	
Electrical Lighting	-0.5	-0.1	513%	1.9	-126%	-2.56	0.83	-409%	
Pre-tax margins									
Cable Support	2%	1%		3%		2%	4%		
Electrical Lighting	-5%	-1%		14%		-10%	3%		

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div.Yld. (%)	Target Price (RM)	Rating
	(RM)				1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.			
<u>BUILDING MATERIALS UNDER COVERAGE</u>																		
ANN JOO RESOURCES BHD	0.975	505.4	Y	12/2019	-9.6%	4.0%	-152.3%	-624.5%	4.2	N.A.	N.A.	0.4	0.4	-9.6%	0.0%	0.850	UP	
PRESS METAL ALUMINUM HOLDINGS BERHAD	4.77	19,261.8	Y	12/2019	-1.5%	10.4%	-16.6%	61.5%	28.3	33.9	21.0	5.8	5.2	15.4%	0.9%	5.50	OP	
UNITED U-LI CORPORATION BHD	0.510	111.1	Y	12/2019	-21.6%	-9.6%	-157.9%	550.0%	29.2	N.A.	270.3	0.4	0.4	-0.8%	0.0%	0.400	UP	
WHITE HORSE BERHAD	1.06	241.6	Y	12/2019	-14.7%	0.8%	-57.1%	-95.8%	N.A.	N.A.	N.A.	0.4	0.4	-6.3%	0.0%	0.950	UP	
Simple Average					-11.8%	1.4%	-96.0%	-27.2%	12.7	21.2	12.8	1.7	1.6	-0.3%	0.2%			

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**** The Expected Total Return might contain rounding discrepancy.**

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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