

26 February 2021

## United U-Li Corporation FY20 Within Expectations

4QFY20 CNP of RM5.5m brought FY20 CNP to RM5.6m – within our RM5.9m estimate. No dividends as expected. Overall, demand for cable support systems remains robust regionally as economies gradually pick up from Covid-19 impact. Maintain our FY21E earnings of RM31m and introduce FY22E earnings of RM37m. Reiterate OP with unchanged TP of RM1.45 pegged to 10x FY21 PER.

**Within expectations.** 4QFY20 CNP\* of RM5.5m (+9 QoQ) lifted FY20 CNP to RM5.6m – within our forecast of RM5.9m (at 95%). No dividends as expected. We note that there was 10-day work stoppage at Ulicorp's plant late December due to the detection of Covid-19 cases contracted by foreign workers. If not for the stoppage, profits would have surpassed our estimate.

\*We derive our adjusted CNP after reversing out RM2.1m of provisions for doubtful debts and impairment of slow-moving goods from its lighting division. That said, management believes this quantum is recoverable this financial year.

**QoQ,** 4QFY20 CNP of RM5.5m was up 9% on better margins benefitting from inventory lag impact from rising steel price coupled with better cost controls. Meanwhile, FY20 CNP of RM5.6m improved from a RM1.5m loss suffered in FY19 despite the lockdowns faced in FY20 as EBITDA margin improved to 12% (+5ppt) due to: (i) better product pricing power, and (ii) lower administrative, SG&A and labour expenses.

**Outlook.** Manufacturing operations remain undisrupted throughout MCO 2.0. Demand for cable support products remains robust from Singapore and Malaysia as regional economies gradually restart. Despite the seasonally weaker quarter expected in 1QFY21 (due to CNY season), the unwavering rise in steel prices (in the form of HRC) would lend strength to Ulicorp's bottom-line.

**Maintain FY21E earnings post results** and introduce FY22E earnings of RM37m.

**Reiterate OUTPERFORM with unchanged TP of RM1.45** pegged to 10x FY21E PER. We continue to like the name for their earnings growth prospects given their regained status as a market leader within the cable support systems (CSS) space.

**Risks to our call include:** (i) lower-than-expected sales of CSS products, and (ii) its inability to pass on higher steel prices.

## OUTPERFORM ↔

**Price:** RM1.29  
**Target Price:** RM1.45 ↔

**Expected Capital Gain:** +12.4%  
**Expected Div. Yield:** +8.9%  
**Expected Total Return:** +21.3%

**KLCI Index** 1,581.54

### Stock Information

Bloomberg Ticker	UULI MK Equity
Bursa Code	7133
Listing Market	Main / ACE Market
Shariah Compliant	Yes
Shares Outstanding	217.8
Market Cap (RM m)	281.0
Par value per share (RM)	0.50
52-week range (H)	1.60
52-week range (L)	0.23
Free Float	41%
Beta	1.5
3-mth avg daily vol:	2,783,247

### Major Shareholders

Pearl Deal M Sdn Bhd	37.2%
Yeoman Rights Value Fnd	4.6%
Employees Provident Fund Board	3.4%

### Summary Earnings Table

FY Dec (RM m)	2020A	2021E	2022E
Turnover	159.2	218.3	227.8
EBIT	8.9	41.7	49.2
PBT	5.7	40.7	48.2
<b>Net Profit</b>	<b>3.5</b>	<b>31.3</b>	<b>37.1</b>
<b>Core PATAMI</b>	<b>5.6</b>	<b>31.3</b>	<b>37.1</b>
Consensus (NP)	n.a.	n.a.	n.a.
Earnings Revision	-5%	0%	NEW
Core EPS (sen)	2.6	14.4	17.1
Core EPS growth (%)	n.m.	457.0	18.6
NDPS (sen)	1.0	11.5	13.6
NTA per Share (RM)	1.33	1.59	1.89
PER (x)	50.0	9.0	7.6
PBV (x)	0.97	0.81	0.68
Debt-to-Equity ratio (x)	N.C	N.C	N.C
Net Div. Yield (%)	0.0	8.9	10.6

### Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	-3.8%	110.1%	150.0%
Relative (%)	-6.6%	101.3%	148.4%

Lum Joe Shen  
[lumjs@kenanga.com.my](mailto:lumjs@kenanga.com.my)  
+603-2172 2632

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### Results Highlights

FYE Dec (RM m)	4Q20	3Q20	QoQ	4Q19	YoY	FY20	FY19	YoY
<b>Turnover</b>	<b>50.8</b>	<b>51.1</b>	<b>-1%</b>	<b>53.0</b>	<b>-4%</b>	<b>159.2</b>	<b>193.5</b>	<b>-18%</b>
EBITDA	10.3	8.6	19%	6.1	69%	19.9	14.4	38%
Depreciation	-3.0	-2.6	15%	-3.1	n.m.	-11.0	-11.1	-1%
<b>EBIT</b>	<b>7.2</b>	<b>6.0</b>	<b>21%</b>	<b>3.0</b>	<b>141%</b>	<b>8.9</b>	<b>3.2</b>	<b>175%</b>
Interest inc/(exp)	-0.2	-0.3	-52%	-0.8	n.m.	-1.1	-1.8	-41%
Associates/JV	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Exceptional items	-2.1	0.0	n.m.	0.0	n.m.	-2.1	0.0	n.m.
Forex gain/(loss)	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
<b>Pretax profit</b>	<b>5.0</b>	<b>5.7</b>	<b>-12%</b>	<b>2.2</b>	<b>121%</b>	<b>5.7</b>	<b>1.4</b>	<b>306%</b>
Taxation	-1.6	-0.6	161%	-2.7	n.m.	-2.2	-2.9	-26%
Deferred tax	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
<b>Profit after tax</b>	<b>3.4</b>	<b>5.1</b>	<b>-32%</b>	<b>-0.4</b>	<b>n.m.</b>	<b>3.5</b>	<b>-1.5</b>	<b>-331%</b>
Minority interest	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
<b>PATAMI</b>	<b>3.4</b>	<b>5.1</b>	<b>-32%</b>	<b>-0.4</b>	<b>n.m.</b>	<b>3.5</b>	<b>-1.5</b>	<b>-331%</b>
<b>Core PATAMI</b>	<b>5.5</b>	<b>5.1</b>	<b>9%</b>	<b>-0.4</b>	<b>n.m.</b>	<b>5.6</b>	<b>-1.5</b>	<b>-468%</b>
DPS (sen)	0.0	0.0		0.0		1.0	0.0	
<b>Ebitda Margin</b>	<b>20%</b>	<b>17%</b>		<b>11%</b>		<b>12%</b>	<b>7%</b>	
EBIT margin	14%	12%		6%		6%	2%	
Pretax margin	10%	11%		4%		4%	1%	
NP margin	10%	11%		4%		4%	1%	
CNP margin	11%	10%		-1%		4%	-1%	
EPS (sen)	1.6	2.3		-0.2		1.6	-0.7	
Core EPS(sen)	2.5	2.3		-0.2		2.6	-0.7	
BV/share (RM)	1.3	1.3		1.3		1.3	1.3	

Source: Company, Kenanga Research

### Segmental Highlights

External Revenue	4Q20	3Q20	QoQ	4Q20	YoY	FY20	FY19	YoY
Cable Support	41.9	41.8	0%	41.9	0%	131.9	156.9	-16%
Electrical Lighting	8.9	9.3	-4%	8.9	0%	27.3	36.6	-26%
<b>Pre-tax Segmentation</b>								
Cable Support	6.7	5.4	24%	6.7	0%	9.1	3.6	154%
Electrical Lighting	-1.6	0.4	-501%	-1.6	0%	-3.0	-1.7	74%
<b>Pre-tax margins</b>								
Cable Support	16%	13%		16%		7%	2%	
Electrical Lighting	-18%	4%		-18%		-11%	-5%	

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price	Market Cap (RM'm)	Shariah Compliant	Current FYE	PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div.Yld. (%)	Target Price (RM)	Rating
	(RM)				Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.		
<b><u>BUILDING MATERIALS UNDER COVERAGE</u></b>													
ANN JOO RESOURCES BHD	2.36	1,273.4	Y	12/2020	N.A.	N.A.	N.A.	1.1	1.1	-8.5%	0.0%	0.770	UP
PRESS METAL ALUMINUM BHD	9.66	39,008.1	Y	12/2021	57.3	68.7	42.5	9.5	8.6	26.1%	0.4%	11.15	OP
UNITED U-LI CORPORATION BHD	1.29	281.0	Y	12/2021	49.6	9.0	7.5	0.2	1.0	10.8%	8.9%	1.45	OP
<b>Simple Average</b>					<b>53.5</b>	<b>38.8</b>	<b>25.0</b>	<b>3.6</b>	<b>3.6</b>	<b>9.5%</b>	<b>3.1%</b>		

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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Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

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