

United U-Li Corporation

The Return of Boom Times

By Nigel Ng | nigel@kenanga.com.my

ULICORP has seen a strong pick-up in orders for its key product, i.e. cable support systems, and is bracing for even busier times ahead driven by potential orders from MRT3, RTS, Singapore MRT expansion and new data centres. It is investing in two new plants that will boost its capacity by 40%. Hence, we significantly raise our FY23-24F earnings by 68% and 79%, respectively, lift our TP by 79% to RM2.18 (from RM1.22). Maintain **OUTPERFORM**.

We came away from a recent engagement with ULICORP feeling upbeat on its prospects, driven largely by its cable support systems segment (i.e. cable tray, cable ladder, cable trunking, etc). The key takeaways are as follows:

1. There are currently 81 ongoing projects secured this year which are anticipated to bolster its short-term revenue. Noteworthy ventures encompass high-tech initiatives like the Intel Pelican project, along with key infrastructural engagements such as LRT3, KL118, and several data centre projects (i.e. Microsoft and YONDR), hospitals and MRT projects in Singapore. Concurrently, the company has indicated an uptick in orders, corresponding with the gradual resumption of construction activities in the local regions and Singapore. Currently, its total order book is valued at RM80m which is expected to keep them busy for 2-3 months.
2. The mega projects lined up for the next five years including MRT3, RTS (Malaysia), ECRL, HSR, MRT Singapore (Thomson, Eastern Region, Circle, Jurong Region and Cross Island line) and several data centres are poised to ensure consistent revenue and foster growth in the years to come. Having the largest market share in cable support system, which has also become less competitive after the pandemic era, we believe ULICORP stands a strong opportunity to secure these jobs.
3. At a utilisation rate of 85% presently, ULICORP has little room to cope with rising demand. Hence, it is investing in two new plants in Nilai on a 20-acre plot (est. completion by 1QFY25) and a 9.5-acre plot (est. completion by FY26), which will boost its production capacity by 40%. It plans to move all its machinery from its existing Seri Kembangan plant to the new plants and reconfigured the Seri Kembangan plant into a warehouse. More importantly, the group will introduce several new lines (i.e. hot dipped galvanised lines, light pole production lines, steel and PVC conduit lines and guard rail lines) to serve both its existing and new products.
4. The group intends to expand its product range by branching out into GI steel conduit, PVC conduit, lighting poles and guard rails which are aligned with its existing business expertise. The products are expected to kick start by FY25 and command high margins of at least 30% (as guided by the group).

Forecasts. We raise our FY23-24F earnings by 68% and 79%, respectively, to reflect: (i) higher demand for its cable support systems segment backed by growth initiatives (ECRL, MRT3, HSR, RTS, etc), and (ii) stronger margins on reduced competition and insourcing of the galvanizing process.

Consequently, we raise our TP by 79% to RM2.18 (from RM1.22) based on 8x FY24F PER, in line with the average historical forward PER of the steel product sector. There is no adjustment to our TP based on ESG given a 3-star ESG rating as appraised by us (see Page 4).

OUTPERFORM ↔

Price : **RM1.45**
Target Price : **RM2.18** ↑

Share Price Performance



KLCI	1,448.21
YTD KLCI chg	-3.2%
YTD stock price chg	20.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UULI MK Equity
Market Cap (RM m)	315.8
Shares Outstanding	217.8
52-week range (H)	1.60
52-week range (L)	0.93
3-mth avg daily vol:	530,191
Free Float	38%
Beta	1.3

Major Shareholders

Pearl Deal M Sdn Bhd	37.2%
Prudential Plc	5.1%
Yeoman Rights Value	5.1%

Summary Earnings Table

FYE Dec (RM m)	2022A	2023F	2024F
Turnover	257.7	284.6	306.8
EBIT	55.1	67.8	80.1
PBT	53.5	65.8	78.1
Net Profit	39.3	50.0	59.4
Core PATAMI	36.9	50.0	59.4
Consensus (NP)	-	-	-
Earnings Revision	-	+68%	+79%
Core EPS (sen)	16.9	22.9	27.3
Core EPS growth (%)	-16%	35%	19%
NDPS (sen)	5.0	6.0	6.0
NTA per Share (RM)	1.6	1.8	2.0
PER (x)	8.6	6.3	5.3
PBV (x)	0.9	0.8	0.7
Net Gearing (x)	(0.2)	(0.2)	(0.3)
Net Div. Yield (%)	3.4	4.1	4.1

22 September 2023

Investment thesis. We like ULICORP for: (i) its dominant market position in the local cable support systems space with a market share of over 50%, (ii) the strong pick-up in orders for its key product, i.e. cable support systems widely used in buildings, manufacturing facilities and infrastructure projects upon economy reopening, (iii) the industry consolidation during the pandemic era (i.e. weak players shutting down permanently) that has reduced competition which augurs well for remaining players such as ULICORP, and (iv) its net cash position of RM97m that translates to a strong war chest or allowing it to pay attractive dividends. Maintain **OUTPERFORM**.

Risks to our call include: (i) volatility in the cost of input CRC, (ii) a slowdown in the global economy including the transportation and manufacturing sectors, hurting the demand for cable support systems, and (iii) intensifying competition from low-cost producers in the region.

Cable Tray



Source: Company, Kenanga Research

Cable Ladder



Source: Company, Kenanga Research

Cable Trunking



Source: Company, Kenanga Research

Cable Ladder



Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
Stocks Under Coverage																	
ANN JOO RESOURCES BHD	UP	1.19	0.730	-38.7%	668.0	Y	12/2023	(1.2)	4.5	-104.4%	257.1%	N.A.	26.4	0.6	-0.6%	0.0	0.0%
ENGTEX GROUP BHD	MP	0.625	0.580	-7.2%	275.9	Y	12/2023	5.0	5.5	-33.8%	10.2%	12.5	7.6	0.3	1.4%	0.8	1.2%
OM HOLDINGS LTD	OP	1.54	2.07	34.4%	1,137.5	Y	12/2023	20.6	32.8	-49.2%	59.1%	2.7	3.0	0.6	8.6%	6.6	4.3%
PRESS METAL ALUMINUM HOLDINGS BHD	OP	4.90	6.00	22.4%	40,374.1	Y	12/2023	15.2	18.6	-12.5%	22.6%	26.6	24.6	5.5	17.8%	6.1	1.4%
UNITED U-LI CORPORATION BHD	OP	1.45	2.18	50.3%	315.8	Y	12/2023	23.0	27.3	35.5%	18.8%	6.3	5.3	0.8	13.5%	6.0	4.1%
Sector Aggregate					42,771.3					-10.4%	28.3%	29.1	22.7	3.7	12.7%		2.2%

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating		
GENERAL	Earnings Sustainability & Quality	★	★	★
	Corporate Social Responsibility	★	★	
	Management/Workforce Diversity	★	★	
	Accessibility & Transparency	★	★	★
	Corruption-Free Pledge	★	★	★
	Carbon-Neutral Initiatives	★	★	
SPECIFIC	Renewable Energy Source	★	★	☆
	Resource Efficiency	★	★	
	Waste Disposal/Pollution Control	★	★	★
	Work Site Safety	★	★	★
	Workers Welfare	★	★	★
OVERALL		★	★	★

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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%

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

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Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
 Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
 Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

