

14 February 2018 | Visit Note

## United U-LI Corp Berhad

*Growing export sales*

**Maintain BUY**

**Unchanged Target Price (TP): RM4.68**


### INVESTMENT HIGHLIGHTS

- **Nilai plant almost fully-utilised**
- **Export sales picking up**
- **Expect stronger 2HFY18**
- **Maintain BUY with unchanged TP of RM4.68**

**Nilai plant almost fully-utilised.** We have recently visited United U-Li's (U-Li) plant in Nilai, which started operations in early 2017. In a span of about one year, the floor space of the plant is almost fully occupied while the machineries there are also well-utilised. The current utilisation rate is estimated at 70%, with a bit more room to ramp up production. Further production enhancement will come from further automation, which will be implemented over time. The company had incorporated supplementary processes in the plant to further integrate the manufacturing processes of its finished products.

**Export sales picking up.** The higher output is expected to support sales coming from the overseas market. U-Li is now able to grow its export segment as previously it could only focus on the local market due to certain processes that are outsourced. It is now able to fulfil some of these requirements in-house from the ramping up of the Nilai plant facility. With that, we estimate that export sales will contribute about 30% to its revenue from 20% previously. We had already anticipated higher contribution from overseas from the additional capacity that is provided by the Nilai plant. Markets that it export to include the Middle East and Southeast Asian countries.

**Expect stronger 2HFY18.** Looking ahead, we expect FY18F to be a better year than FY17F as the company had incurred high start up costs for the Nilai plant. We believe that U-Li will reap the fruits it sowed especially towards the second half of the year from the picking up of infrastructure projects as well as overseas sales. With that, we expect FY18F EPS to be 71% higher than FY17F's.

**Maintain BUY with unchanged TP of RM4.68.** We make no changes to our FY18F number as we had earlier expect better prospects due to the picking up of operations at the Nilai plant. We had also expected improving margins as the operations become more efficient. Our TP, which is derived from 15x PER of FY18F EPS of 31.22 sen, is unchanged. Dividend yield is estimated at 3.1%. 

RETURN STATS	
Price (13 February 2018)	RM2.90
Target Price	RM4.68
Expected Share Price Return	+61.4%
Expected Dividend Yield	+3.10%
<b>Expected Total Return</b>	<b>+64.5%</b>

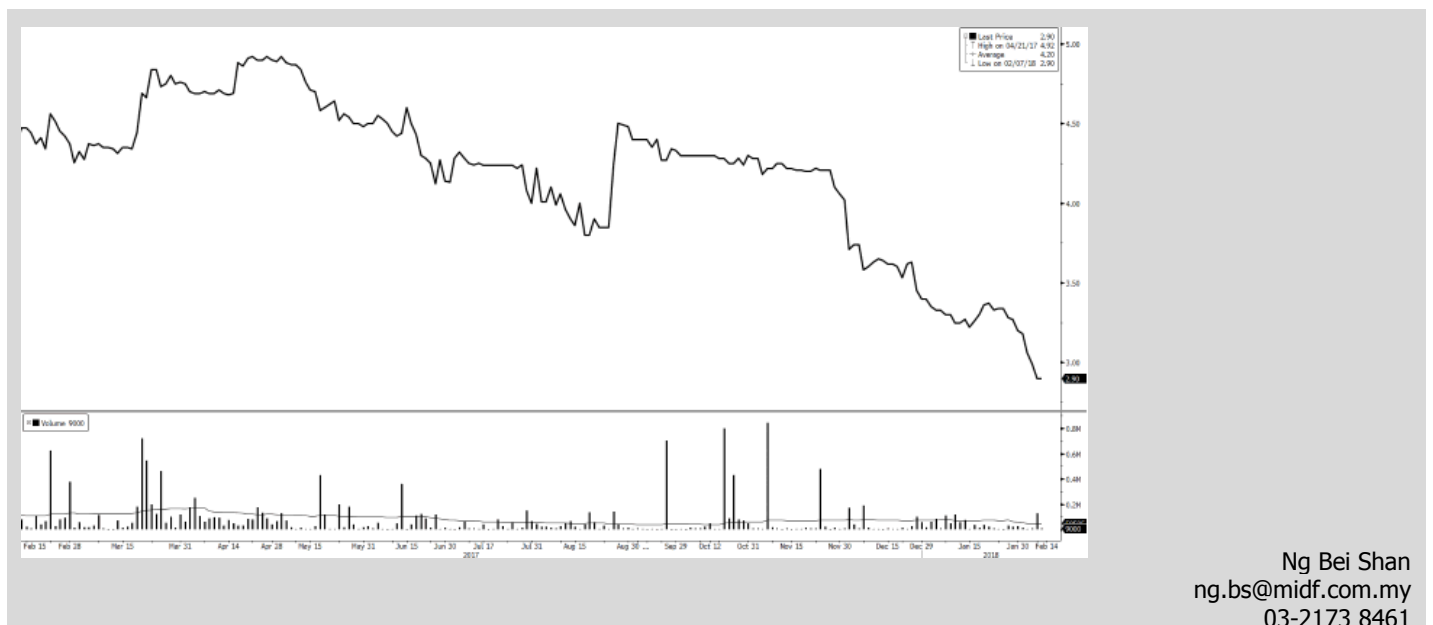
STOCK INFO		
KLCI	1,833.02	
Bursa / Bloomberg	7133/ UULI MK	
Board / Sector	Main/ Industrial Products	
Syariah Compliant	Yes	
Issued shares (m)	145.20	
Market cap. (RM'm)	421.08	
Price over NA	1.48	
52-wk price Range	RM2.75-RM4.93	
Beta (against KLCI)	0.71x	
3-mth Avg Daily Vol	0.03	
3-mth Avg Daily Value	0.12	
Major Shareholders (%)		
Pearl Deal (M) Sdn Bhd	37.19	
RHB Asset Management	10.45	
Kumpulan Wang Persaraan	3.23	
Price Performance (%)	Absolute	Relative
1 month	-11.3	-11.8
3 months	-14.7	-35.0
12 months	-35.6	-39.9

## INVESTMENT STATISTICS

FYE Dec	FY14	FY15	FY16	FY17F	FY18F
Revenue (RM'm)	172.28	179.19	201.07	203.79	251.80
Pretax Profit (RM'm)	30.76	35.68	43.48	34.83	59.26
<b>Net Profit (RM'm)</b>	<b>23.23</b>	<b>26.00</b>	<b>31.12</b>	<b>26.47</b>	<b>45.33</b>
EPS (sen)	17.60	19.01	21.43	18.23	31.22
EPS growth (%)	40.03	8.00	12.76	-14.94	71.27
PER (x)	16.48	15.26	13.53	15.91	9.29
Net Dividend (sen)	10.0	12.0	12.0	5.0	9.0
Dividend yield (%)	3.45	4.14	4.14	1.73	3.10
Gearing (x)	0.09	0.09	0.09	0.09	0.09
ROE (%)	11.32	10.13	11.50	8.70	12.50
ROA (%)	9.54	8.40	9.29	7.26	10.77
NTA per share (RM)	1.55	1.88	1.86	2.10	2.50
Price to NTA (x)	1.87	1.54	1.56	1.38	1.16

Source: Company, MIDF Research

## DAILY PRICE CHART



Source: Bloomberg

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.