

# United Global Limited

Date: 12 August 2021

## HOLD

<b>BBG</b>	UTG SP
<b>Market Cap</b>	S\$139.1 m
<b>Price (11 August 2021)</b>	S\$0.440
<b>52-week range</b>	S\$0.385 – S\$0.450
<b>Target Price</b>	S\$0.445
<b>Shares Outstanding</b>	316.2 m
<b>Free Float</b>	11.5 %
<b>Major Shareholder</b>	<div>Wiranto 39.9%</div> <div>Tan Thuan Hor 32.9%</div> <div>Wiranto Edy 6.9%</div>

<b>P/BV (06/21)</b>	1.0x
<b>Net Debt to EBITDA (12/20)</b>	Zero Debt

Source: Company data, Bloomberg, SAC Capital

## Higher Oil Prices Benefited Group's Lubricant Business

**Performance of the lubricant business.** 60%-owned UOC reported a 94.8% rise in revenue to US\$66.2 million in 1H2021 boosted by an increase in sales volume and higher average selling price. As a result, gross profit rose 74.9% to US\$14.6 million despite registering lower gross margin at 22.1% due to higher raw material costs. Overall, UOC recorded profit of US\$6.6 million, 74.9% higher yoy. However, UOC's contributions are equity-accounted. UGL booked its share of US\$3.4m in its P&L.

**60%-owned lubricant JV continued to be main contributor to Group.** The Group recorded gross loss of US\$0.2 million as nano-fibre oil absorbent manufacturing business continues to run at sub-optimal capacity. Other income increased by 84.5% to US\$1.2 million due to write back of inventories. Together with share of UOC's earnings, net profit increased by 91.9% to US\$3.2 million.

**Embarking on new businesses.** With net cash and cash equivalent of ~US\$32m, it has embarked on three new businesses: 1) logistics or shipping businesses, 2) trading of petrol related products, and 3) materials recycling. These businesses are unlikely to contribute significantly in the next 2 years.

**Maintain HOLD.** The stock is trading at near book value of US\$0.314. With the lack of near-term catalyst and earnings visibility from the new businesses, we do not expect any significant upward share price re-rating. While global economic recovery post-COVID is likely to benefit the lubricant business, cash contribution to UGL is limited to dividend distribution from the unit. Hence, we maintain our HOLD rating a target price of S\$0.445.

## Analyst

Lam Wang Kwan +65 6232 3237  
[lamwk@saccapital.com.sg](mailto:lamwk@saccapital.com.sg)

**Key risks:** (i) Fluctuations in prices of base oil and raw materials, and (ii) exposure to a diverse range of sectors.

## Key Financials

Year ended Dec (US\$'000)	FY2018A	FY2019A	FY2020A	FY2021E	FY2022E
Revenue	108,472	102,471	175	174	183
EBIT	9,682	68,442	3,246	3,616	3,881
Net profit	7,599	66,463	3,241	3,342	3,601
EPS (US\$ cents)	2.4	21.02	1.0	1.1	1.1
DPS* (S\$ cents)	0.5	3.2	1.0	0.3	0.3
Net Cash / (Debt)	391	39,775	34,716	35,251	32,959
<b>Valuation</b>					
EBIT Margin (%)	8.9	66.8	1854.9	2074.7	2120.7
ROIC (%)	21.9	104.9	5.0	4.8	4.8
EV/EBITDA* (x)	9.9	0.9	18.9	18.0	17.3
P/E (x)	13.7	1.6	32.0	31.1	28.8
Dividend Yield (%)	1.1	7.3	2.3	0.7	0.7

\*1 SGD : 1.34 USD

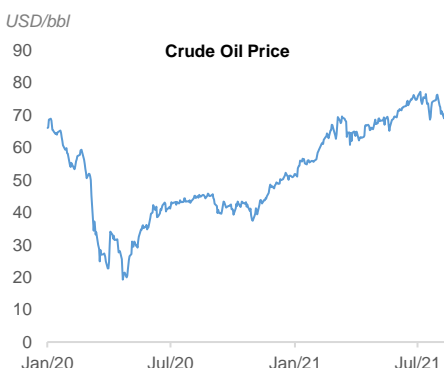
## Higher Oil Prices Benefited Group's Lubricant Business

UOC Group (US\$'000)	1H21	1H20
Revenue	66,162	33,967
Gross Profit	14,640	8,370
Gross Margin	22.1%	24.6%
Net Profit	6,587	3,832

United Global (US\$'000)	1H21	1H20
Revenue	2,718	83
Gross Profit	(155)	(133)
Share of profit of JV	3,410	2,276
Net Profit	3,219	1,677

<sup>(1)</sup> Revenue generated from manufacturing nano-fibre oil absorbent materials for joint venture company, M-TechX United Pte Ltd, and one-off sale of gasoil

Source: Company Data, SAC Capital



Source: Bloomberg, SAC Capital

**Performance of the lubricant business.** 60%-owned UOC reported a 94.8% rise in revenue to US\$66.2 million in 1H2021 boosted by an increase in sales volume and higher average selling price. As a result, gross profit rose 74.9% to US\$14.6 million despite registering lower gross margin at 22.1% due to higher raw materials costs. Overall, UOC recorded profit of US\$6.6 million, 74.9% higher yoy. However, UOC's contributions are equity-accounted. UGL booked its share of US\$3.4m in its P&L.

**60%-owned lubricant JV continued to be main contributor to Group.** In 1H2021, United Global recognised revenue of US\$2.7 million contributed by its nano-fibre oil absorbent manufacturing business and one-off sales of a cargo of gasoil. The Group recorded gross loss of US\$0.2 million as its nano-fibre oil absorbent manufacturing business continues to run at sub-optimal capacity. Other income increased by 84.5% to US\$1.2 million due to write back of inventories. Together with share of UOC's earnings, net profit increased by 91.9% to US\$3.2 million.

**Looking for new business opportunities.** On top of its lubricant business and its nano-fibre oil absorbent manufacturing business, United Global has identified three new business segments to grow recurring revenue. These are 1) logistics or shipping businesses, 2) trading of petrol related products and 3) materials recycling and sustainability businesses.

On 26 January 2021, United Global, acquired an indirect 22.05% stake in PT Latitude Inti Mitra Abadi (LIMA) for US\$2.0 million. PT LIMA is a logistics company that operates in the Indonesian and Malaysian waters. It owns five sets of tugboats and barges, and one container vessel.

**Maintain our call at HOLD.** While the Group's lubricant business had continued to perform, its contribution is now limited to the 60% shareholding in UOC Group. As the Group continues to actively look for new opportunities to expand and diversify its business, its strong net cash of ~US\$32 million will allow United Global to embark on its growth and expansion plans. In the meantime, we maintain our Hold call at the target price of S\$0.445 per share amidst the lack of near-term catalysts.

## Income Statement (US\$'000)

FYE Dec	FY2018	FY2019	FY2020	FY2021E	FY2022E
<b>Revenue</b>	<b>108,472</b>	<b>102,471</b>	<b>175</b>	<b>174</b>	<b>183</b>
Cost of sales	(87,992)	(82,768)	(439)	(418)	(403)
<b>Gross profit</b>	<b>20,480</b>	<b>19,703</b>	<b>(264)</b>	<b>(244)</b>	<b>(220)</b>
Other income	301	62,828	1,174	1,252	1,252
Distribution cost	(2,902)	(2,332)	(23)	(25)	(26)
Administrative expenses	(8,154)	(11,700)	(2,016)	(2,144)	(2,144)
Other expenses	(81)	(61)	(1,018)	(61)	(61)
<b>Share of profit of joint venture</b>	<b>38</b>	<b>4</b>	<b>5,393</b>	<b>4,838</b>	<b>(5,080)</b>
Finance expenses	(264)	(188)	(5)	(188)	(188)
<b>Profit before tax</b>	<b>9,418</b>	<b>68,254</b>	<b>3,241</b>	<b>3,428</b>	<b>3,881</b>
Income tax expense	(1,738)	(1,709)	(1)	(86)	(92)
<b>Profit for the year</b>	<b>7,680</b>	<b>66,545</b>	<b>3,240</b>	<b>3,342</b>	<b>3,601</b>
<b>Profit/(loss) attributable to:</b>					
<b>Owners of the Company</b>	<b>7,599</b>	<b>66,463</b>	<b>3,241</b>	<b>3,342</b>	<b>3,601</b>
Non-controlling interests	81	82	(1)	0	0
<b>Basic and diluted earnings per share (US\$ cents)</b>	<b>2.40</b>	<b>21.00</b>	<b>1.02</b>	<b>1.06</b>	<b>1.14</b>

## Cash Flow Statement (US\$'000)

FYE Dec	FY2018	FY2019	FY2020	FY2021E	FY2022E
<b>Profit before tax</b>	<b>9,418</b>	<b>68,254</b>	<b>3,241</b>	<b>3,428</b>	<b>3,693</b>
Depreciation of PPE	774	988	404	202	217
Share of profit of joint ventures	(38)	(4)	(5,393)	(4,838)	(5,080)
Others	(1,913)	(62,395)	712	(86)	(92)
Changes in working capital	(3,938)	14,332	(2,932)	2	3
<b>Net Cash (used in)/ from operations</b>	<b>4,303</b>	<b>21,175</b>	<b>(3,968)</b>	<b>(1,292)</b>	<b>(1,259)</b>
Purchase of PPE	(693)	(246)	(11)	(298)	(313)
Others	(1,344)	22,320	6,091	0	0
Financial Assets	0	0	(25,000)	0	0
<b>Net Cash (used in)/ from investing</b>	<b>(2,037)</b>	<b>22,074</b>	<b>(18,920)</b>	<b>(298)</b>	<b>(313)</b>
Net Increase in Debt	(1,866)	(8,459)	0	0	0
Dividends paid	(2,835)	(1,162)	(7,137)	(668)	(720)
Others	(20)	(29)	(34)	0	0
<b>Net Cash (used in)/ from financing</b>	<b>(4,721)</b>	<b>(9,650)</b>	<b>(7,171)</b>	<b>(668)</b>	<b>(720)</b>

## Balance Sheet (US\$'000)

FYE Dec	FY2018	FY2019	FY2020	FY2021E	FY2022E
Cash and bank balances	7,536	39,775	9,716	10,251	17,959
Financial Assets	0	0	25,000	25,000	25,000
Trade and Other Receivable	21,850	12,786	3,512	8,979	8,987
Inventories	15,073	185	2,045	331	319
Others	713	0	5	0	0
<b>Total current assets</b>	<b>45,172</b>	<b>52,748</b>	<b>40,282</b>	<b>44,561</b>	<b>42,265</b>
PPE	10,328	2,822	2,381	2,999	3,094
Investment in joint ventures	569	54,248	59,503	63,688	68,769
Others	3,626	6	0	6	6
<b>Total non-current assets</b>	<b>14,523</b>	<b>57,076</b>	<b>61,884</b>	<b>66,694</b>	<b>71,869</b>
<b>Total assets</b>	<b>59,695</b>	<b>109,824</b>	<b>102,166</b>	<b>111,255</b>	<b>114,135</b>
Bank Borrowings	7,145	0	0	0	0
Trade and Other Payables	10,653	6,443	2,865	2,726	2,726
Finance leases	37	36	38	36	36
Others	3,566	1	0	1	1
<b>Total current liabilities</b>	<b>21,401</b>	<b>6,480</b>	<b>2,903</b>	<b>2,763</b>	<b>2,763</b>
Bank Borrowings	0	0	0	0	0
Finance leases	111	77	40	77	77
Others	820	0	0	0	0
<b>Total non-current liabilities</b>	<b>931</b>	<b>77</b>	<b>40</b>	<b>77</b>	<b>77</b>
Share capital	21,425	21,425	21,425	21,425	21,425
Reserves	(4,495)	(2,988)	(3,135)	(2,988)	(2,988)
Retained earnings	19,522	84,830	80,934	89,977	92,858
<b>Equity attributable to owners of the Company</b>	<b>36,452</b>	<b>103,267</b>	<b>99,224</b>	<b>108,414</b>	<b>111,295</b>
Non-controlling interests	911	0	(1)	0	0
<b>Total equity</b>	<b>37,363</b>	<b>103,267</b>	<b>99,223</b>	<b>108,414</b>	<b>111,295</b>
<b>Total equity and liabilities</b>	<b>59,695</b>	<b>109,824</b>	<b>102,166</b>	<b>111,255</b>	<b>114,135</b>

## Ratios

FYE Dec	FY2018	FY2019	FY2020	FY2021E	FY2022E
<b>Profitability (%)</b>					
Gross profit/(loss) margin	18.9	19.2	n.m.	n.m.	n.m.
Profit/(loss) before tax margin	8.7	66.6	n.m.	n.m.	n.m.
Net margin	7.0	64.9	n.m.	n.m.	n.m.
<b>Liquidity (x)</b>					
Current ratio	2.1	8.1	13.9	16.1	15.3
Quick ratio	1.4	8.1	13.2	16.0	15.2
Net Debt to Equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
<b>Valuation (x)</b>					
P/E	13.7	1.6	32.0	31.1	28.8
P/E (ex-cash)	12.7	1.0	29.0	20.5	19.7
P/B	2.8	1.0	1.0	1.0	0.9
<b>Returns (%)</b>					
Return on equity	22.0	95.1	3.2	3.1	3.3
Return on asset	13.1	78.4	3.1	3.0	3.2
<b>Dividend payout ratio</b>	<b>10.4</b>	<b>1.7</b>	<b>220.2</b>	<b>26.8</b>	<b>26.8</b>

n.m.: not meaningful

## DISCLAIMERS AND DISCLOSURES

This report has been prepared and distributed by SAC Capital Private Limited (“**SAC Capital**”) which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report has been prepared for the purpose of general circulation, we have not had regard to the specific investment objectives, financial situation, tax position or unique needs and constraints of any individual person or any specific group of persons and does not purport to be comprehensive or contain all necessary information which a prospective investor may require in arriving at an investment decision. Any prospective purchaser should make his own investigation of the securities and all information provided. Advice should be sought from a financial adviser regarding suitability, taking into account the specific investment objectives, financial situation or particular needs of the person in receipt of the recommendation, before a commitment to purchase is entered into.

This report does not constitute or form part of any offer or solicitation of any offer to buy or sell any securities. This report is confidential and the information in this report shall not be copied or reproduced in part or in whole, and save for the recipient of this report, shall not be disclosed to any other person without the prior written consent of SAC Capital. The distribution of this report outside the jurisdiction of Singapore is also strictly prohibited.

Whereas SAC Capital has not independently verified all the information set out in this report, all reasonable care and effort has been taken to ensure that the facts stated herein are accurate, this report might contain certain forward looking statements and forward looking financial information which are based on certain assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of the subject company to be materially different from those expressed herein. Predictions, projections or forecasts of the economy or market trends are not indicative of the future performance of the subject company. The inclusion of such statements and information should not be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions of the subject company or that the forecast results will or are likely to be achieved.

Our opinion and facts set out in this report are based on the market, economic, industry and other applicable conditions prevailing as at the date of the preparation of this report. Such conditions may change significantly over a relatively short period of time and we assume no responsibility to update, revise or reaffirm our opinion in light of any development subsequent to the publication of this report, that may or may not have affected our opinion contained herein.

This report contains forward-looking statement which are based on assumptions or forecasts and are subject to uncertainties which may result in the actual result or performance to be materially different from the opinion or facts set out herein. Caution should be exercised in placing undue reliance on such statements. such assumptions or forecasts may change over a relatively short period of time and we assume no responsibility to update, revise or reaffirm our opinion in light of any development subsequent to the publication of this report.

No representation or warranty, expressed or implied, is made and no responsibility is accepted by the company, SAC Capital, or any of their affiliates, advisers or representatives as to the fairness, accuracy, completeness or adequacy of such information or facts, in this report or any other written or oral information made available to any interested party or its advisers and any liability therefore is hereby expressly disclaimed.

SAC Capital and its associates, directors, and/or employees may have positions in the securities covered in the report and may also perform or seek to perform other corporate finance and/or capital markets related services for the company whose securities are covered in the report. SAC Capital and its related companies may from time to time perform advisory services or solicit such advisory services from the entity mentioned in this report (“**Other Services**”). This report is therefore classified as a non-independent report. However, the research professionals involved in the preparation of this report are independent of those possible or actual business relationships as they have not and will not participate in the solicitation or provision of such business.

As at the date of this report, SAC Capital does not have proprietary positions or interests in the subject company, except for:

Party	Quantum of position
Nil	Nil

As at the date of this report, SAC Capital, has had business relations with the subject company within the past 12 months, as disclosed hereunder:

Nature of Business Relation	Date of Business Relation
Continuing Sponsor	Ongoing Relations

As at the date of this report, none of the analysts who covered the securities in this report have any proprietary position or material interest in the subject companies covered here in, except for:

Analyst name	Quantum of position
Nil	Nil

**ANALYST CERTIFICATION/REGULATION AC**

As noted above, research analyst(s) of SAC Capital who produced this report hereby certify that

- (i) The views expressed in this report accurately reflect his/her personal views about the subject corporation(s);
- (ii) The report was produced independently by him/her;
- (iii) He/she does not on behalf of SAC Capital or any other person carry out Other Services involving any of the subject corporation(s) or securities referred to in this report; and
- (iv) He/she has not received and will not receive any compensation directly or indirectly related to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. He/she has not and will not receive any compensation directly or indirectly linked to the performance of the securities of the subject corporation(s) from the time of the publication of this report either.