

Report Date: 2-March-25

UNIVERSAL MODERN INDUSTRIES

ASE: UMIC
MRQ: 31/12/2024
Annual Earnings: 31/12/2024
Price as of 25-Feb-25
JD 2.05/Share

RATING:


Initiated Coverage 02/03/2025

We anticipate UMIC will perform in line with the market over the next 6–12 months. This projection is based on our analysis of four key factors that influence common stock performance: (1) relative valuation, (2) earnings strength, (3) financial stability, and (4) price movement.

Target Price

JD 2.12

Previous Rating


02/01/2025

52- Week Price Range

JD 1.85- JD 2.11

Market Capitalization

JD 12.3 M

Dividend Yield

6.34%

Dividends/Share

JD 0.13

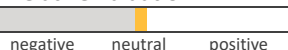
Founded: 1989
Shares Outstanding: 6.0 M
Employees: 125
Sector: Manufacturing
Industry: Food & Beverage

Universal Modern Industries (hereinafter referred to as “UMIC” or the “Company”) is a public shareholding company established in Jordan to produce a wide range of edible vegetable oils as well as vegetable ghee and specialty fats, under the brand names “Al Balka”, “Goldern Corn”, “Golden Flower”, “Sun Gold” and “Shehrazad”. The Company's headquarters and factory are located near Zarqa Free Zone. **On February 2nd, UMIC's board of directors announce the distribution of 13% cash Dividend to its shareholders.**

Recommendation Summary

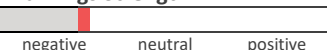
UFICO's **HOLD** recommendation of UMIC is the result of our systematic analysis of four basic characteristics mentioned above. The stock appears overpriced based on its P/E ratio, despite being undervalued on its P/BV ratio, highlighting mixed valuation signals. The Company experienced declining earnings during Q3 2024, reflecting challenges in maintaining profitability. While liquidity indicators suggest the Company can cover its short-term obligations, its neutral financial stability and recent performance raise concerns about its ability to generate sustainable growth. Given these factors, investors advised to monitor upcoming quarterly results for additional insights.

Relative Valuation



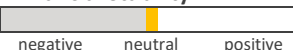
The stock is **overpriced** based on its P/E ratio, but **undervalued** based on its P/BV ratio. Dividends yield is acceptable and within average payers in the market.

Earnings Strength



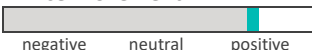
UMIC's earnings have been on a downward trend for the past three years, experiencing an 18.75% decline by the end of 2024.

Financial Stability



UMIC's liquidity indicators suggest its ability to meet short-term obligations, while its gross profit margins and return on assets have potential for improvement.

Price Movement



Low volatility with minimal price fluctuation over time. The stock is rated a **BUY** at its current 14-Day RSI and its MA200.

Major Risks & Rewards

- **Earnings Decline & Return on Equity:** UMIC's earnings declined by 18.75% during 2024, with a ROE falling below the emerging market average. This trend raises concerns about the company's future performance and its potential impact on investment returns.
- **Economic & Political Factors:** UMIC, based in Jordan, is exposed to regional economic and political disturbances, which may affect its operations, production costs, and market demand. Geopolitical tensions and regulatory changes pose additional risks to the Company's financial performance.
- **Collection Risk:** UMIC faces collection risk due to potential liquidity issues, which may slow down timely receivable collection while also having an impact on cash flow management.
- **Export Ban Impact:** Expanded export bans, particularly those affecting ghee products and oils, pose a significant risk to UMIC's export sales and future revenue streams.
- **Price Ceiling Constraint:** Providing price constraints on vegetable oils to regulate and maintain the local market might restrict UMIC's pricing flexibility, reducing its ability to adjust prices according to market dynamics while remaining profitable.
- **Dividend Yield & Stability:** UMIC's dividend yield of 6.34%, is in line with the prevailing interest on bank deposits in Jordan (around 6.5% as of the date of this report). Over the last five years, the Company has paid out regular dividends, giving investors an ongoing source of income.
- **Financial Stability:** UMIC is a debt-free Company and generates enough funds to support its operations and future expansion, with promising liquidity ratios.
- **Market Share:** UMIC's strong market share gives it a competitive advantage as vegetable oil prices and production costs increase. This evidence of market stability shows UMIC's resilience and strategic advantage for dealing with challenges.

Peers Group Comparison

Ticker	Peer Name	Country	Price	Mkt Cap*	EPS	P/E	P/BV	NPM
			25/2/2025	25/2/2025	31/12/2024	(TTM)	(MRQ)	31/12/2024
UMIC	Universal Modern Industries	Jordan	JD 2.05	12,300	JD 0.057	35.90x	1.38x	3.07%
JVOI	Jordan Vegetable Oil Industries	Jordan	JD 3.68	14,720	JD 0.305	12.06x	2.10x	17.75%
6070	Al-Jouf Agricultural Development	KSA	JD 10.22	306,660	JD 0.567	18.03x	2.16x	15.96%
Weighted Average (Peers)						17.76x	2.15x	

**In JD Thousands*

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ASE: UMIC

Past Performance

	2018	2019	2020	2021	2022	2023	2024
Net Profit Margin	5.39%	5.42%	4.37%	5.74%	4.07%	3.87%	3.07%
Earning/ Share (JD)	0.11	0.12	0.09	0.14	0.12	0.07	0.06
Gross Profit Margin	12.13%	15.76%	12.80%	13.65%	9.49%	12.22%	11.93%
Dividend/Share (JD)	0.14	0.13	0.12	0.15	0.15	0.12	0.13

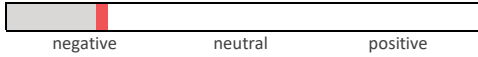
Relative Valuation: **NEUTRAL**

Price	Mkt Cap*	EPS	P/E	BV/Share	P/BV	DPS	Div. Yield
25/2/2025	25/2/2025	(2024)	(TTM)	(2024)	(MRQ)	(2024)	25/2/2025
JD 2.05	JD 12,300	JD 0.06	35.90x	JD 1.38	1.48x	JD 0.13	6.34%

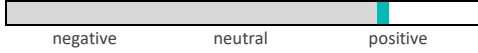
* In thousands

- **P/E vs. Industry:** indicates that the stock is overvalued in comparison to its peers.
- **P/BV vs. Industry:** indicates that the stock is undervalued in comparison to its peers.
- **Dividend Yield** is in line with dividend payers on the ASE.

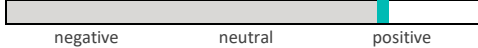
P/E



P/BV



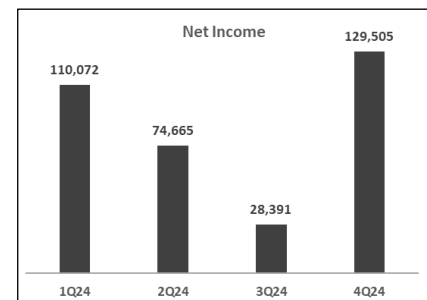
Dividend



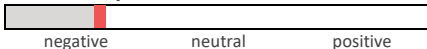
Earning Strength: **NEGATIVE**

2024	Revenues	Net Income	ROE	NPM
(TTM)	JD 11 M (2.4%)	JD 342633 (-18.8%)	3.11%	3.07%

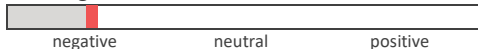
- **Earnings Trend:** UMIC has maintained profitability over the past five years, but challenges in 2024 have further impacted its financial performance. Despite a 2.4% revenue increase, the Company continues to face pressure from food safety restrictions and volatility in vegetable oil market prices. It is evident that during the last quarter of 2024, the Company's net income improved significantly.
- **Return on Equity** is significantly below the **emerging market average of 7.58%**, indicating a considerable underperformance compared to its peers.
- **Net Profit Margin** is the lowest achieved in the past 5 years.



Profitability



Earnings Trend



Financial Stability: **NEUTRAL**

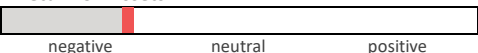
2024	Assets	Equity	GPM	ROA	Asset Turnover	Current Ratio
	9.9 M	9.0 M	11.93%	3.38%	0.89x	10.65x

- **Gross Profit Margin:** excluding 2022, the GPM achieved during 2024 is lowest achieved throughout the past 5 years.
- **Return on Assets** The drop in ROA highlights a significant decrease in the Company's ability to generate net income relative to its total assets, which is attributed to decreasing profitability.
- **Assets Turnover Ratio** indicates UMIC's inefficiency in utilizing its assets to generate profits.
- **Current Ratio** of 10.65x shows UMIC's high ability to meet short-term obligations with its current assets.

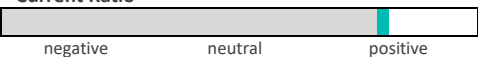
Gross Profit Margin



Return on Assets



Current Ratio

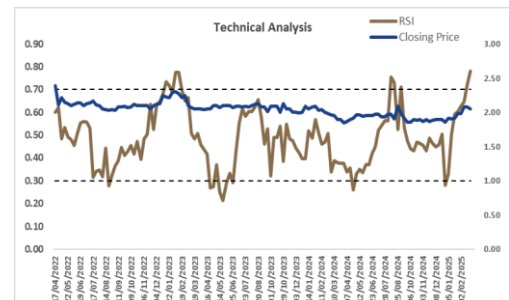


Price Movement: **POSITIVE**

Avg. 30-Day Volatility:	14-Day RSI:	200 Day MA:	Avg. Vol (3M):
+/-11.1%	62.003	2.002	2810 shares

- **Price Volatility** indicates a low level of fluctuation in price over time. The higher the volatility, the riskier the stock.
- **14-Day Relative Strength Index (RSI)** is 62.003, indicating a **Buy** signal at this level. Traditionally, a stock is considered overbought or overvalued when RSI is above 70 and oversold or undervalued when it is below 30.
- **Moving Average (MA):** The stock price is currently trading below its 200-day moving average (MA), suggesting a potential **Buy** signal. Similarly, the 50-day and 100-day moving averages, at 1.927 and 1.936, respectively, also indicate a **Buy** signal based on current price levels.

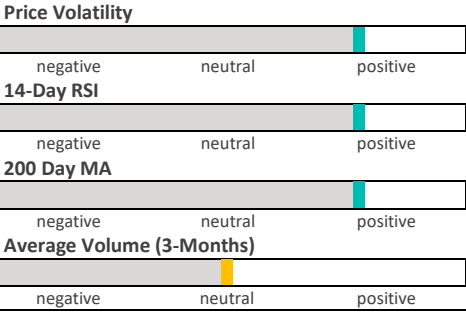
Stock Price is up 2.50% in the past year



- **Average Volume (3-Months)** is 2810 shares, showing low trading activity. **UMIC's free float is 28%, which is around 1.67 million shares.**

UMIC had a positive price strength in the past 200-day period indicating an unfavourable signal of near-term price gain. Conversely, price changes in the past 14-day period can indicate a short-term neutral condition resulting in neutral near-term price changes.

The stock is currently showing an upward trend due to the announcement of a 13% dividend distribution. It is now approaching the support level at JD 2.08, and if this level is broken into, the next support will be at JD 2.12.



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UFICO Stock Ratings: UFICO's coverage of stocks uses a quantitative model that evaluates a company's relative valuation, earnings strength, financial stability, and its recent price movement. UFICO's five recommendation ratings include strong buy, buy, hold, sell, strong sell. For all stocks in our coverage universe, ratings are generated each week and reflect the fundamental and price data as of the last trading day of the week.

1	2	3	4	5	Strong Buy	Significantly Satisfactory
1	2	3	4	5	Buy	Satisfactory
1	2	3	4	5	Hold	Average
1	2	3	4	5	Sell	Unsatisfactory
1	2	3	4	5	Strong Sell	Significantly Unsatisfactory

Relative Valuation: Relative valuation is a weighted combination of factors that measure a company's current stock price valuation vs industry. These include the company's price-to-earnings vs. industry, and its price-to-book vs. industry. UFICO also measures the rank of a company's dividend yield among dividend payers on the Amman Stock Exchange. A stock may stay undervalued or overvalued for a long period of time. For this reason, it is important to combine dividend yield rank factor with shorter-term predictive factors such as earnings momentum or price momentum to identify more imminent valuation adjustments. In addition, UFICO also measure a company's dividend payments growth over the past 10 years and the degree its dividend payments are covered by earnings.

Earnings Strength: Over 20 years of research have shown that the change in the growth of earnings per share is an important factor that drives stock price performance. UFICO measures earnings momentum to get an early indication of changing earnings patterns. Earnings strength is a weighted combination of factors that measure a company's earnings growth performance. These include the company's 5-year average earnings growth rate, its 1-year earnings growth rate vs its 5-year average earnings growth rate, its 1-year earnings growth rate vs. industry, its relative strength of ROE, and its y-o-y profit margin growth rate.

Financial Stability: Financial stability is a weighted combination of factors that measure a company's ability to pay its debts in the short and long terms. UFICO looks for a company's capital structure where its total liabilities do not exceed 40% of its equity. For a company's solvency strength, we look for an interest coverage of at least 3x, indicating a company's ability to cover its interest payments through its operating income, and a debt coverage of at least 200%, indicating a company's ability to cover its loans and interest payments through its operating income. For liquidity strength, we look for a company's current ratio of at least 1.25x, indicating current liabilities are sufficiently covered by current assets. Companies in the banking sector are analyzed using assets/equity ratio, loans/deposits ratio, loans/assets ratio, and level of bad loans. For assets/equity ratio, we look for a ratio below 10x, indicating adequate reliance on debt to fund the bank's operations. For loans/deposits ratio, we look for a ratio below 125%, indicating high liquidity and low exposure risk to cover unexpected funding requirements. For loans/asset ratio, we look for a ratio below 110%, indicating high liquidity and low exposure risk to defaults. For the level of bad loans, we look for a ratio below 5.00%, indicating lower provisions are required and, hence, increases bank profitability.

Recent Price Movement: Historical price action of a company's stock is an especially helpful measure used to identify intermediate and short term performance potential. Long term historical performance is a good predictor of future price performance, but much more importantly, large price movements over the intermediate and short term tend to reverse themselves. UFICO's price momentum measure integrates historical long, intermediate and short term price changes, creating ratings that are highest for stocks with strong twelve-month price performance that have had a price consolidation in the past quarter and month. Price movement is an evaluation based on a company's relative share price strength in the past 1-quarter, 14-day and 1-year period. In UFICO's analysis, positive price strength in the past 200-day period is a favorable indication of near-term price gain. Conversely, positive price changes in the past quarter or 14-day period can indicate a short-term overbought condition resulting in negative near-term price change.

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