

Report Date: 20-May-25

## UNIVERSAL MODERN INDUSTRIES

ASE: UMIC



Price as of 19-May-25

JD 1.92/Share

Quarter Earnings: 31/3/2025

Annual Earnings: 31/12/2024

## RATING:



Initiated Coverage 20/05/2025

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 1.85

## Previous Rating

1	2	3	4	5
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02/03/2025

## 52- Week Price Range

JD 1.81- JD 2.10

## Market Capitalization

JD 11.5 M

## Dividend Yield

6.77%

## Last Dividend

JD 0.13/ Share

Founded: 1989

Shares Outstanding: 6.0 M

Employees: 125

Sector: Manufacturing

Industry: Food &amp; 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”, “Golden Corn”, “Golden Flower”, “Sun Gold” and “Shehrazad”. The Company's headquarters and factory are located near Zarqa Free Zone. On February 2<sup>nd</sup>, UMIC's board of directors announce the distribution of 13% cash Dividend to its shareholders.

## Recommendation Summary

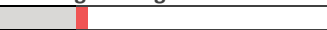
UFICO's **HOLD** recommendation of UMIC is the result of our systematic analysis of four basic characteristics mentioned above. The stock appears overpriced based on its P/E ratio, despite being undervalued based on its P/BV ratio, highlighting mixed valuation signals. The Company experienced declining earnings during Q1 2025, 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 are advised to monitor upcoming quarterly results for additional insights.

## Relative Valuation



The stock is **overvalued** based on its P/E ratio, but **undervalued** based on its P/BV ratio. Dividend yield is higher than the average payers in the market.

## Earnings Strength



UMIC's earnings experienced 78.64% decline during Q1 2025.

## Financial Stability



UMIC remains stable with low debt, good liquidity, and a conservative capital structure, despite recent pressures on profitability and asset efficiency.

## Price Movement



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

## Major Risks &amp; Rewards

- **Earnings Decline & Return on Equity:** UMIC's earnings declined by 78.64% during Q1 2025, with ROE falling below emerging market average. This trend raises concerns about the Company's future performance and its potential impact on investment returns.
- **Economic & Political Factors:** based in Jordan the Company 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:** price constraints imposed on vegetable oils to regulate and maintain the local market might restrict UMIC's profitability, reducing its ability to adjust prices according to market dynamics while remaining profitable.
- **Dividend Yield & Stability:** UMIC's dividend yield of 6.77%, above the average payers on the market. Over the last five years, the Company has paid out regular dividends, giving investors an ongoing source of income.
- **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 19/5/2025	Mkt Cap* 19/5/2025	EPS (Forward)	P/E (Forward)	P/BV (MRQ)	NPM (TTM)
UMIC	Universal Modern Industries	Jordan	JD 1.92	JD 11,520	JD 0.019	N/A	1.27x	0.90%
JVOI	Jordan Vegetable Oil Industries	Jordan	JD 3.33	JD 13,320	JD 0.411	8.11x	2.05x	18.46%
6070	Al-Jouf Agricultural Development**	KSA	JD 9.28	JD 278,445	JD 0.477	19.46x	1.94x	12.92%
Weighted Average (Peers)						18.94x	1.95x	
Median						13.79x	2.00x	

\*In JD Thousands, \*\* Results as 31/12/2024

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ASE: UMIC

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**JD 1.92/Share**

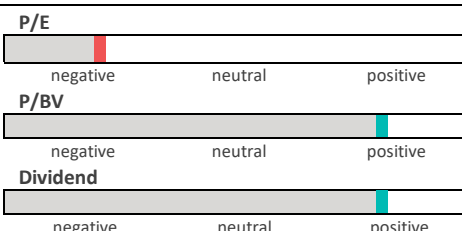
Past Performance	2020	2021	2022	2023	2024	1Q24	1Q25	2020
Net Profit Margin	4.37%	5.74%	4.07%	3.87%	3.07%	3.73%	<b>0.90%</b>	4.37%
Earning/ Share (JD)	0.09	0.14	0.12	0.07	0.06	0.018	<b>0.004</b>	0.09
Gross Profit Margin	12.80%	13.65%	9.49%	12.22%	11.93%	11.00%	<b>11.91%</b>	12.80%
Dividend/Share (JD)	0.12	0.15	0.15	0.12	0.13	-	-	0.12

## Relative Valuation: **NEUTRAL**

Price	Mkt Cap*	EPS	P/E	BV/Share	P/BV	DPS	Div. Yield
19/5/2025	19/5/2025	(Forward)	(Forward)	(2024)	(MRQ)	(2024)	19/5/2025
JD 1.92	JD 11,520	JD 0.02	122.5x	JD 1.51	1.27x	JD 0.13	6.77%

\* In thousands

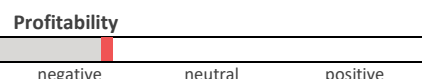
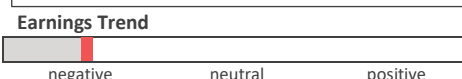
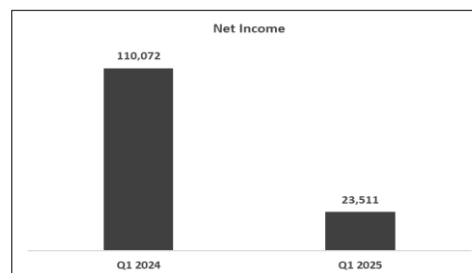
- **P/E vs. Industry:** indicates that the stock is overvalued in comparison to its peers.
- **P/BV vs. Industry:** indicates that the stock is undervalued in comparison to its peers.
- **Dividend Yield** is higher than the average of dividend payers on the ASE.



## Earning Strength: **NEGATIVE**

1Q25 Results	Revenues	Net Income	ROE	NPM
(TTM)	JD 2.6 M (-11.45%)	JD 23,511 (-78.64%)	1.04%	0.90%

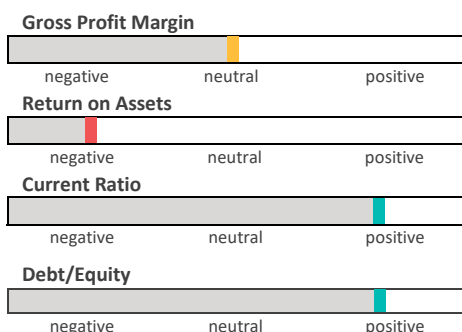
- **Earnings Trend:** UMIC challenges in Q1 2025 have further impacted its financial performance. The Company continues to face pressure from food safety restrictions and volatility in vegetable oil market prices. Earnings decreased by 78.64% compared to Q1 2024 due to incurred provisions and taxes.
- **Return on Equity** is lower than 3.75% achieved at the end of Q1 2024.
- **Net Profit Margin** is the lowest achieved in the past 5 years.



## Financial Stability: **NEUTRAL**

1Q25 Results	Assets	Equity	GPM	ROA	Turnover	Debt/Equity	Current Ratio
(MRQ)	9.6 M	9.1 M	11.91%	0.96%	1.07x	2.67%	9.02x

- **Gross Profit Margin:** in line with Q1 2024 and FY24.
- **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.
- **Debt / Equity** is healthy, indicating a balanced financial structure with low reliance on debt. This is the first time UMIC borrows, indicating a strategy shift in capital management while retaining low leverage.
- **Current Ratio** shows UMIC's strong ability to meet short-term obligations with its current assets.

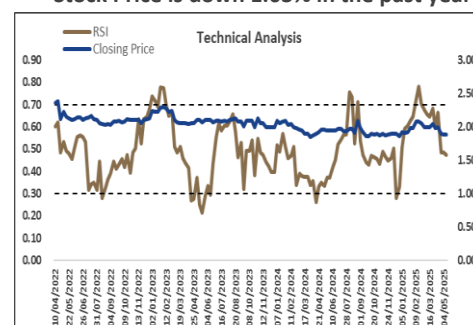


## Price Movement: **NEUTRAL**

Annual Volatility:	14-Day RSI:	200 Day MA:	Avg. Vol (3M):
+/-28.03%	45.704	1.987	1,567 shares

- **Price Volatility** indicates a moderate level of fluctuation in price over time. The higher the volatility, the riskier the stock.
- **14-Day Relative Strength Index (RSI)** indicates a **neutral** 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 MA, suggesting a potential **Sell** signal. Similarly, the 50-day and 100-day moving averages, at 1.945 and 1.963, respectively, also indicate a **Sell** signal.

## Stock Price is down 1.03% in the past year



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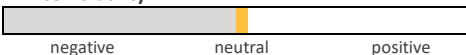
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- **Average Volume (3-Months)** shows low trading activity. UMIC's free float is 28%, which is around 1.67 million shares.

UMIC had a **negative 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.

UMIC is currently trading, slightly below its 200-day MA, indicating a bearish market trend. The stock meets resistance at JD 2.00, with an upside objective of JD 2.10 if upward trend continues. Support levels at JD 1.85 and JD 1.80 offer appealing entry targets for investors expecting a rebound.

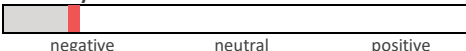
### Price Volatility



### 14-Day RSI



### 200 Day MA



### Average Volume (3-Months)



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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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