



Company Registration No.: 200100340R

UMS REPORTS 45% RISE IN NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS FOR 9MFY2020

- **9 month-earnings of S\$35.2 million exceeded FY2019 earnings**
- **0.5 cents interim dividend proposed to reward shareholders**

Singapore, 12 November 2020:

SGX Mainboard-listed UMS Holdings Limited (“UMS” or “The Group”) has delivered a sterling performance for the first nine months of FY2020.

Revenue for 9MFY2020 rose 32% to S\$120.3 million from S\$91.5 million from a year ago while the Group’s net profit attributable to shareholders shot up by 45% to S\$35.2 million exceeding the Group's full year FY2019 net attributable profit of \$33.6 million.

On a quarterly basis, the Group posted a 41% rise in net profit attributable to shareholders of \$12.9 million on the back of a 37% increase in revenue to \$45.2 million in 3QFY2020.

All the Group's core business segments reported stronger results.

For 9MFY2020, sales in the Semiconductor segment grew 33% while its Others segment rose 18%. Revenue went up in all of the Group's key markets, except US which remained relatively stable. Stronger Semiconductor Integrated System demand pushed Singapore sales up by 45% while revenue in Taiwan, Malaysia and Others climbed 11%, 56% and 77% respectively.

The sales surge in 3QFY2020 was due to the strong growth of its core semiconductor business which shot up by 39%, driven by higher Integrated System sales which grew 63% year-on-year to \$23.4 million in 3QFY2020. Revenue from component sales also increased by 18% on year to \$19 million. Sales in the Others segment also rose 13% mainly due to higher material distributions from its subsidiary Starke Singapore.

Geographically, all the Group's key markets except the US, reported strong revenue growth during the quarter. Sales in Others grew 62% driven by higher component sales, Malaysia saw a 52% revenue jump in revenue due to higher material distribution. Singapore also recorded a 47% sales increase compared to 3QFY2019 which was mainly attributed by increased Semiconductor Integrated System sales. Taiwan enjoyed an increase of 40% on the back of higher component spares sales.

US sales softened by 10% in 3QFY2020 due to lower component sales for new systems built.

Group Profitability

Group earnings improved significantly.

For 9MFY2020, the Group's 45% jump in net attributable profit to S\$35.2 million was fueled by higher semiconductor sales and a 11% increase in its associate - JEP Holdings Ltd's

(JEP) share of profits to S\$2.2 million from S\$1.9 million in 9MFY2019, The Group also maintained its gross material margins at about 53.2%.

For 3MFY2020, the Group's 41% earnings surge was fuelled by strong growth from both Semiconductor Integrated Systems and Component sales. Gross material margin in 3QFY2020 also improved to 55.3% from 54.9% in 3QFY2019.

The much stronger profit performance was achieved despite lower contribution from its associate, higher expenses and a foreign exchange loss of S\$1.3 million from the depreciation of the US currency versus a foreign exchange gain of S\$0.3 million in 3QFY2019.

JEP's share of profit dropped 43% from \$0.65 million to \$0.37 million due to challenges faced in the aerospace industry caused by the ongoing global COVID 19 pandemic.

Expenses increased during the quarter. Personnel costs rose 15% mainly due to higher bonus provisions made. Depreciation increased by 11% due to fixed assets added during the second half of FY2019.

Other expenses went up 11% over last year due to higher production activities. Freight charges jumped 49% while the costs of upkeep of machinery and utilities increased 12%, and 4% respectively. Professional and legal fees also rose during the quarter.

The Group's income tax expense increased 34% in line with its higher profit.

Reflecting the Group's higher profits, its earnings per share (EPS) for 9MFY2020 increased to 6.59 cents versus 4.53 cents in the first 9 months a year ago. Group net asset value (NAV) per share increased to 48.34 cents as at end September 2020 from 45.35 cents since the end of FY2019.

Healthy Cashflow

The Group's financial position remains robust.

For 9MFY2020, the Group generated a positive free cash flow of S\$30.9 million.

Its net cash and cash equivalents (net of bank borrowings) improved to S\$34.4 million as at 30 September 2020 compared to S\$25 million as at 31 December 2019.

The Group's cash balance rose despite increasing its investment of \$1.1 million in JEP, share-buyback of S\$1.9 million and a dividend payment of S\$18.7 million to shareholders.

For 3QFY2020, it registered S\$12.3 million positive net cash from operating activities and S\$11.6 million free cash flow.

Outlook

Commenting on the Group's latest results, UMS Chairman and CEO Mr Andy Luong said, "We delivered an outstanding performance in the first nine months of FY2020 - demonstrating our operational resilience and ability to respond quickly to customer demands in spite of unprecedented supply chain disruptions and factory lockdowns caused by the COVID 19 pandemic. We are also in a sweet spot as we continue to benefit from the strong and sustained global semiconductor boom that is driven by the digitalisation wave worldwide spurred by the pandemic."

According to SEMI's forecast, global fab equipment billings climbed 26% and 8% sequentially to US\$16.8 billion in 2QFY2020. While SEMI projects global fab equipment spending to increase by 8% in 2020 to approximately US\$60 billion, 2021 is expected to see capex of US\$67.7 billion, a 13% increase¹. This will be driven by the pandemic-induced demand for chips from gaming, communications, IT infrastructures, datacentres and healthcare electronics.

According to Global Market Insights, the adoption of technologies such as, artificial intelligence (AI), Internet of Things (IoT) in fabrication and the increasing use of advance chipsets in automotive and consumer electronics will further drive demand for semiconductor manufacturing. This demand will boost support for the semiconductor manufacturing equipment market and is projected to reach over US\$80 billion by 2026².

Mr Luong added, "These positive forecasts bode well for the Group, with our strong financial position, we are well-poised to capitalise on growth opportunities arising from the vibrant chip equipment manufacturing market and the acceleration of digital innovations such as 5G and adoption of smart cities solutions worldwide.

However, while global tech demand stays buoyant, uncertainties remain in the near-term due to the resurgence of COVID-19, growing competition, rising costs and softer memory pricing arising from possible inventory adjustments^{3&4}.

To allow the Group greater financial flexibility and to take advantage of new growth initiatives in the short-term, the Board has recommended moderating the dividend payout to 0.5 cent per share to shareholders for 3QFY2020.

"This is a prudent measure taken against a backdrop of global economic challenges as the Group wishes to conserve cash to maintain a strong balance sheet in order to drive future business growth which could reap longer term returns to shareholders," said Mr Luong

Barring any unforeseen circumstances, the Group will stay profitable in FY2020.

[¹Source: Global fab equipment spending to rise in 2020 and 2021, says SEMI <https://www.digitimes.com/news/a20200909PR202.html>]

[²Source: Semiconductor Manufacturing Equipment Market is Projected to Reach USD 80 billion by 2026 - <https://www.semiconductor-digest.com/2020/09/04/semiconductor-manufacturing-equipment-market-is-projected-to-reach-usd-80-billion-by-2026/>]

[³Source: Samsung predicts fourth-quarter decline in profits due to weak demand and growing competition: <https://www.cnbc.com/2020/10/29/samsung-q3-2020-earnings-forecasts-weak-demand-amid-competition.html>]

[⁴Source: Samsung Warns of Weaker Outlook Even as Profit Beats: <https://www.bloomberg.com/news/articles/2020-10-28/samsung-beats-profit-estimates-boosted-by-strong-handset-sales>]

About UMS Holdings Limited

Incorporated in Singapore on January 17, 2001, UMS Holdings Limited is a one-stop strategic integration partner providing equipment manufacturing and engineering services to Original Equipment Manufacturers of semiconductors and related products. The Group is in the business of front-end semi-conductor equipment contract manufacturing and is also involved in complex electromechanical assembly and final testing devices. The products we offer include modular and integration system for original semiconductor equipment manufacturing. Other industries that we also support include the electronic, machine tools and oil and gas. Headquartered in Singapore, the Group has production facilities in Singapore, Malaysia and California, USA.

Issued on behalf of UMS Holdings Limited

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