UMS GROUP

Company Registration No.: 200100340R

UMS REPORTS $36.5 MILLION IN FY2020 NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS ON RECORD REVENUE OF $164.4 MILLION

- **Proposes 1 cent tax-exempt final dividend to reward shareholders**

Singapore, 25 February 2021:

SGX Mainboard-listed UMS Holdings Limited ("UMS" or "The Group") grew its net profit attributable to shareholders for the year ended 31 December 2020 (FY2020) to $36.5 million on the back of record sales of $164.4 million.

The 9% rise in net profit from $33.6 million in the previous year - was the result of its 25% sales surge and improved gross material margins of 53.3% compared to 52.9% in FY2019. This reflected a marginal productivity gain in the Group's operations.

The Group managed to outperform FY2019 despite significant impairment costs incurred in FY2020 - which included a one-off S$7 million impairment of goodwill in its subsidiary Kalf Engineering ("Kalf") and investment in associate company JEP Holdings Ltd ("JEP") as well as a S$2.1 million share of loss in JEP. The loss in JEP was mainly attributed to a goodwill impairment of S$6.25 million and the Group's share of the impairment loss was S$2.5 million. Excluding these items, the Group would have achieved net profit attributable to shareholders of S$46.0 million, a 37% surge from FY2019.

The continued softening of the US currency revenue weighed on the Group's overall earnings for the year. Depreciation expenses increased due to new machinery and additional factory space acquired by Starke Singapore ("Starke"). Higher personnel costs as well as higher freight charges and up keep of machinery were in-line with higher production and revenue.

Income tax for the year also rose 16% in line with higher profits for the year.

Compared to FY2019, Semiconductor Integrated System sales jumped 32% from S$58.8 million in FY2019 to S$77.6 million in FY2020 and Component sales increased 22% from S$61.9 million in FY2019 to S$75.5 million in FY2020.

While overall revenue in the Semiconductor segment soared 27%, revenue in the Others segment edged up 2%, mainly due to growth in material distribution sales from its materials distribution subsidiary, Starke.

Geographically, in FY2020 revenue went up in all of the Group's key markets, except US which remained relatively stable and Others, which declined 21% due to lower revenue from Kalf. Strong demand for Semiconductor Integrated Systems drove Singapore sales up by 33% while sales in Malaysia and Taiwan climbed 54% and 17% respectively.

The Group's earnings per share ("EPS") for FY2020 improved to 6.83 cents from 6.26 cents in FY2019. Group net asset value per share climbed to 47.11 cents in FY2020 from 45.35 cents in FY2019.

FOURTH-QUARTER PERFORMANCE

The Group posted a net profit attributable to shareholders of S$1.3 million against S$9.2 million in 4QFY2019, a 86% decline.

The profit decline for 4QFY2020 was due to a one-off S$7 million impairment of goodwill in its subsidiary Kalf and investment in associate company JEP and a S$2.5 million share of goodwill impairment in JEP.

Excluding these items, the Group's net profit attributable to shareholders should have risen by 16% to S$10.8 million.

Group revenue continued to grow - rising by 9% year-on-year to S$44.1 million in 4QFY2020 on the back of increased semiconductor segment demand. Semiconductor segment sales rose by 13%, driven by both higher Integrated System and component sales. Semiconductor Integrated System sales went up by 8% from S$20.1 million in 4QFY2019 to S$21.7 million in 4QFY2020. Component sales rose by 20% to S$20.0 million in 4QFY2020 from S$16.7 million in 4QFY2019.

Sales in "Others" segment decrease by 34% due to lower revenue from its subsidiary - Kalf.

On a sequential basis, compared to its 3QFY2020 sales of S$45.2 million, the Group’s revenue remained relatively stable. Semiconductor segment sales in the current quarter dipped by 2% compared to 3QFY2020 while Other segment sales declined by 15%.

The growth in Other segment sales stemmed mainly from its subsidiary - Starke Singapore’s material distribution business.

Geographically, the Group’s key markets except Others, remained robust. Malaysia surged 48% driven by higher material distribution sales, while Taiwan saw a 34% leap due to increased component spares sales. Singapore also rose 9% attributed by higher shipments of semiconductor Integrated System sales, while US remained stable. The Group’s Others region saw a decline of 72%, mainly due to lower revenue from Kalf.

In addition to the spike in demand, the Group's overall gross material margins increased to 53.5% from 51.1% due to a shift in product mix with higher concentration in Component sales, which command higher margins compared to System Integrated sales.

STRONG OPERATING CASHFLOW

The Group continued to enjoy strong positive cash flow.

Free cash flow dipped slightly to S$14.2 million from S$16.2 million in 4QFY2019.

This was achieved despite additional investment of S$9.8 million to enlarge the Group’s footprint in Penang, Malaysia, the purchase of new equipment and additional factory space acquired by Starke, in anticipation of higher demand.

For FY2020, the Group achieved record high net cash flow from operation activities. It achieved a S$56.4 million in positive net cash flow from operating activities versus S$53.6 million in FY2019; while free cashflow dipped to S$45.0 million from S$53.4 million in FY2019.

The Group grew its cash flow substantially despite increasing investment of S$1.8 million in JEP Holdings, share-buyback of S$1.9 million and a dividend payment of S$26.7 million to shareholders.

OUTLOOK

On the Group's latest results, UMS Chairman and CEO Mr Andy Luong said, “The Group delivered a robust performance in FY2020 as it continued to benefit from the sustained global semiconductor demand. Despite significant impairment costs, the Group did better than FY2019.

“This demonstrates UMS's operational resilience and its ability to meet the surge in customer’s demands in spite of unprecedented supply chain disruptions and factory lockdowns caused by the COVID 19 pandemic.

The Board also believes that its diversification strategy remains sound as the impairment in JEP which is a non-cash accounting treatment was taken as a prudent measure against the current challenging business conditions affecting the aerospace industry.

The Group is confident that aviation and aerospace demand in the longer term will recover when international travel resumes; and that the impairment in JEP will be written back.”

Growth in the semiconductor industry is expected to remain robust in 2021.

According to World Semiconductor Trade Statistics, chip sales are expected to accelerate - growing 8.4%, to hit US$469 billion in 2021[1]. There have also been shortages due to the pandemic-fuelled demand. Global chip demand for automotive electronics has been gaining momentum since 4QFY2020 and will continue to serve as a key growth driver as demand exceeds supply[2].

Similarly, in the medium term, SEMI forecasts, growth of global sales of semiconductor manufacturing equipment will carry on till 2022, hitting US$76.1 billion[3]. While in the long term, according to Global Market Insights, the adoption of technologies such as, artificial intelligence (AI), IoT in fabrication and the constant use of advance chipsets in automotive and consumer electronics, will drive the demand for semiconductor manufacturing. This demand is expected to boost support for the semiconductor manufacturing equipment market and is projected to reach US$80 billion by 2026[4].

Mr Luong added, "These positive figures bode well for the Group. With growth of the semiconductor industry expected to continue in the short and long-term, coupled with the Group's strong financial strength, we are well positioned to seize growth opportunities from the rapidly expanding chip industry."

To allow the Group greater financial flexibility in uncertain times, and to take advantage of new growth initiatives in the short-term, the Board has recommended moderating the dividend payout of 1 cent per share to shareholders for FY2020.

Mr Luong added, "The Group's objective is to conserve cash to maintain a strong balance sheet to drive future business growth which could reap longer term returns to shareholders."

Barring any unforeseen circumstances, UMS will remain profitable in FY2021.

[[1]Source: Semiconductor Industry Preps For Accelerating Growth In 2021: https://www.investors.com/news/technology/semiconductor-industry-preps-for-accelerating-growth-2021/]
[[2]Source Passive components inventory low: https://www.digitimes.com/news/a20201230VL201.html?mod=2]
[[3]Source: Semiconductor Equipment Consensus Forecast –Record Growth Ahead, SEMI Reports: https://www.prnewswire.com/news-releases/semiconductor-equipment-consensus-forecast--record-growth-ahead-semi-reports-301191048.html]
[[4]Source: Semiconductor Manufacturing Equipment Market is Projected to Reach USD 80 billion by 2026: https://www.semiconductor-digest.com/semiconductor-manufacturing-equipment-market-is-projected-to-reach-usd-80-billion-by-2026/]

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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