UMS GROUP

Company Registration No.: 200100340R

UMS POSTS NET ATTRIBUTABLE PROFIT OF S$19.1 MILLION ON REVENUE OF S$109.9 MILLION FOR THE FIRST HALF OF FY2024

- Group sales improved QoQ in all its core business segments
- Proposed second interim dividend of 1.0 cent per share, giving shareholders total dividends of 2.2 cents per share for 1HFY2024
- Group remains well-poised to benefit from the global chip sector rebound and rising shift of global semiconductor supply chains to the region as well as the sustained post-COVID aviation boom
- Net cash increased by S$29.9 million to S$74.9 million as of June 2024

Singapore, 12 August 2024:

SGX Mainboard-listed UMS Holdings Limited ("UMS" or "The Group") posted a commendable 1HFY2024 performance as its revenue and profits continued to stabilise - benefitting from the continued international aviation boom and gradual recovery of the global semiconductor industry.

It reported a net attributable profit of S$19.1 million on the back of S$109.9 million revenue.

Net attributable profit and net profit for the first half of 2024 slipped 34% and 35% respectively as sales softened 29% compared to the same period last year.

Despite the lower sales and earnings, the Group's financial position remains robust. It increased its overall net cash balance by $29.9 million from $44.9 million in 31 Dec 2023 to $74.9 million at the end of June 2024. This was mainly due to proceeds from Group's share placement in 1Q2024 and net cash generated from operating activities which was partially offset by purchase of property, plant and equipment and payment of dividends during the period.

Group Revenue

On a quarterly basis, while Group revenue fell 25% YoY to S$56 million in 2QFY2024 from S$74.4 million in 2QFY2023, sales rose 3.7% QoQ compared to S$54 million in 1QFY2024.

Compared to 2QFY2023, sales in its Semiconductor segment fell 29% due to weaker global chip demand, while revenue in Others dipped 7% as its material and tooling distribution business was affected by the general business slowdown in 2QFY2024. Its Aerospace segment, however, continued to improve (+5%), lifted by the sustained recovery of the aerospace industry.

Semiconductor Integrated System sales fell 39% from S$33.8 million in 2QFY2023 to S$20.8 million in 2QFY2024, while revenue from component sales decreased 18% from S$31.0 million in 2QFY2023.

However, compared to 1QFY2024, Group revenue grew on the back of higher sales from all its core business segments. Its Semiconductor segment edged up 1%, while its Aerospace segment sales soared 24%. Revenue in Others also rose by 3%.

The improved QoQ performance in the Semiconductor segment was driven mainly by higher component sales from increased orders from its new major customer in Malaysia.

Geographically, all the Group's key markets (except Malaysia) posted lower revenue in 2QFY2024. Malaysia was the star performer, reporting a 38% sales surge attributed mainly to the commencement of business with the Group's new major customer. Sales in Singapore slumped 26% compared to 2QFY2023 due to lower Semiconductor sales. Lower component sales caused a 5% dip in US sales, while Taiwan revenue fell 51% due to lower sales of component spares. Sales in the "Others" market also decreased 24%, mainly due to a weaker material/tooling distribution business.

On a half-yearly basis, compared to 1HFY2023, Semiconductor sales declined 33% to S$92 million from S$137.7 million, while sales in Others dipped 9% to S$6.7 million from S$7.3 million in 1HFY2023.

Aerospace revenue, however, climbed 12% to S$11.3 million from S$10.1 million in the previous half-year.

Semiconductor Integrated System sales fell 44% to S$42.2 million compared to S$74.7 million in 1HFY2023. Component sales also decreased 21% from S$63 million in 1HFY2023 to S$49.8 million in 1HFY2024.

All of the Group’s key geographical markets, except for Malaysia, posted softer sales in 1HFY2024. Sales in Malaysia remained flat, edging up 1% during the period under review.

Group Profitability

The Group's gross profit margins improved despite persistent inflationary pressures, intensifying geopolitical tensions and market volatility.

In 2QFY2024, the Group’s gross material margin grew to 53.5% from 46.3% in 2QFY2023 and 53.2% in 1QFY2024. On a half-year basis, gross material margin in 1HFY2024 also rose to 53.3% from 48.3% in 1HFY2023.

The improvement is mainly due to its changing product mix as its component business (which commands a higher margin) accounted for a higher proportion of its total semiconductor revenue. The Group also benefitted from a more favourable exchange rate during the period under review.

The pace of decline in profitability also flattened over the past six months.

On a half yearly basis, Group pre-tax profit fell 34% to S$22.1 million from S$33.8 million in 1HFY2023, while Group net profit and net attributable profit declined 35% and 34% to $19.5 million and $19.1 million respectively

On a quarterly basis, the decline in net attributable profit eased - dropping 20% to S$9.3 million in 2QFY2024 from S$11.6 million in 2QFY2023. Net profit also fell 23% to S$9.5 million from S$12.3 million, while pre-tax profit declined 24% to S$10.5 million during the period under review.

Compared to 1QFY2024, the Group's profit decline narrowed further as net attributable profit and net profit dipped just about 5%, while its pre-tax profit eased 9%.

Meanwhile, the Group continued to trim its expenses.

Personnel costs were cut by 11% as lower bonus provisions were made, while professional fees were slashed by 21% in 2QFY2024. Depreciation was also 3% lower, while utility costs shrank by 10%. Other expenses, however, went up 2% due mainly to the upkeep of machinery.

Other credits plunged 77% during the quarter under review, mainly due to lower exchange gain and absence of gain from disposal of fixed assets. Income tax expenses were also slashed by 33% due to the lower profits.

The Group's earnings were, however, lifted by a 152% rise in finance income to $0.7 million due to interest from higher cash balances from the share placement exercise in January 2024.

For 1HFY2024, the Group continued to cut its expenses, reducing its depreciation, personnel costs and other expenses by 5%, 11% and 7%, respectively. Its income tax expense also fell 31% to S$2.6 million in 1HFY2024 due to lower profits.

The Group benefitted from an increase in other credits, which jumped 50% mainly due to higher exchange gain and fair value gain from quoted securities, partially offset by lower gain from disposal of fixed assets and higher inventory provision. Its finance income also surged 164% to over S$1.1 million due to higher cash balances, mainly attributed to the share placement exercise in January 2024.

Healthy Cashflow

The Group's financial position remained healthy.

Overall, the Group's cash and cash equivalents rose to S$76.4 million at the end of June 2024 from S$72.1 million in the same period last year.

The Group registered $4.3 million (vs 2QFY2023: $24.3 million) positive net cash from operating activities and a negative $4 million (vs 2QFY2023: positive $16.4 million) free cash flow in 2QFY2024.

On a half year basis, the Group registered $14.3 million (vs $45.1 million in 1HFY2023) positive net cash from operating activities. Free cash flow dipped to negative $0.8 million from S$33.4 million in 1HFY2023.

The lower net cash from operating activities was mainly attributed to lower profits and increase in inventories while continued investment in its Penang facilities reduced its free cash flow.

The Group also acquired more JEP shares ($3.5 million), repaid $16.4 million in bank loans and paid out $15.6 million in dividends to reward shareholders.

During the first half of this year, the Group invested S$15.7 million in capex and repaid $21 million of bank borrowings.

Optimistic Outlook

Commenting on the Group's performance, Mr Andy Luong, UMS' Chairman and CEO said, "Our performance in the past six months has again reinforced the Group's resilience and ability to leverage on our twin growth engines - Semiconductors and Aerospace - to propel us forward. Despite the ongoing market turbulence, political tensions and challenging global chip industry, our performance improved as the Group did better in the second quarter compared to the first quarter of FY2024. Our gross margins continued to grow as we enhanced our product mix and scaled up our business with more orders from our new major customer in Malaysia. Our diversification into the Aerospace business has also lifted both our sales and earnings as air travel continued to accelerate worldwide."

The recovery in the global semiconductor industry is gaining momentum.

According to SEMI, the growth in total semiconductor manufacturing equipment sales is already underway this year. Global sales of total semiconductor manufacturing equipment by original equipment manufacturers are forecast to set a new industry record, reaching $109 billion in 2024, growing 3.4% year-on-year. This will be followed by a robust expansion of roughly 17% in 2025 to set a new high of $128 billion in 2025, driven by both the front-end and back-end segments. [1]

The Group which has expanded its production capacity significantly following the completion of its new Penang facilities, will be a key beneficiary of the global chip sector rebound as well as the rising shift of global semiconductor supply chains to the region, especially Malaysia and Singapore – where its two key customers have committed major expansion plans. The Group is also well-placed to capitalise on the post-COVID aviation boom.

IATA forecasts profitability in the industry to strengthen in 2024 and beyond. Industry revenues are expected to reach an historic high of $996 billion in 2024. Passenger revenues are predicted to reach $744 billion in 2024, up 15.2% from $646 billion in 2023. Revenue passenger kilometers (RPKs) growth is expected to be 11.6% year-on-year. The long-term 20-year growth trend is expected to see passenger demand grow 3.8% annually for the 2023-2043 period. [2]

Looking ahead, the Group will continue to manage market risks and invest prudently across its key business segments to support its long-term growth plans. The Group intends to seek a secondary listing of its entire issued shares on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) to unlock value for shareholders as the secondary listing on Bursa Malaysia will broaden UMS' investor reach and widen its investor base. This will potentially improve the liquidity of the Company’s shares through separate trading platforms; and enable the Group to tap into different equity markets for future fund raising to support the Group's growth in the coming years.

Mr Luong added, "While market uncertainties persist, our growth strategy remains intact. In view of the Group's credible performance, the Board will continue to reward shareholders with a second interim dividend of 1.0 cent per share, bringing the total dividend payout for the half year to 2.2 cents - same as for the first half of last year."

Barring unforeseen circumstances, the Group expects to remain profitable in FY2024.

Sources:

[[1]Source: https://www.semiconductor-digest.com/global-total-semiconductor-equipment-sales-forecast-to-reach-record-109-billion-in-2024-semi-reports/?utm_source=rss&utm_medium=rss&utm_campaign=global-total-semiconductor-equipment-sales-forecast-to-reach-record-109-billion-in-2024-semi-reports]

[[2]Source: https://www.iata.org/en/pressroom/2024-releases/2024-06-03-01/]

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 semiconductor equipment contract manufacturing and is also involved in complex electromechanical assembly and final testing devices. The products we offer include modular and integration systems for original semiconductor equipment manufacturing. Other industries that we also support include electronics, machine tools and oil & gas. Headquartered in Singapore, the Group has production facilities in Singapore, Malaysia and California, USA.

UMS was named in the Forbes Best Under a Billion list for two consecutive years - 2022 and 2023 - as one of the top-performing public companies with less than US$1 billion (S$1.38 billion) in yearly sales in the Asia-Pacific region. On October 7, 2022, UMS was also named Runner-Up of the Most Transparent Company Award 2022, Technology Category in the SIAS' Investors Choice Awards 2022.

UMS remains on the MSCI Global Small Cap Index since February 2023.

As of June 2024, UMS is ranked as one of the top-10 constituents of the MSCI Singapore Investable Market (IMI) Islamic Index. The index applies stringent screens based on several criteria including business activities and financial ratios derived from total assets.

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