



Company Registration No.: 200100340R

## **UMS reports 21% rise in 3QFY2019 net profit of S\$9.2 million on revenue growth of 12% to S\$32.9 million**

- Group clocked in nine-month net profit of S\$24.3 million on revenue of S\$91.5 million
- Brighter outlook ahead with expected recovery in the global semiconductor industry and improved returns from non-semiconductor businesses
- Continues to reward shareholders with interim dividend of 0.5 cent per share

**Singapore, Nov 12, 2019** - SGX Mainboard-listed UMS Holdings Limited (UMS or "The Group") will reward shareholders with an interim dividend of 0.5 cent after posting a stronger 3QFY2019 performance, buoyed by higher semiconductor segment demand and improved contributions from non-semiconductor businesses.

The Group's net profit for the current quarter went up by 18% to S\$9.1 million as compared to 3QFY2018; while profit attributable to shareholders rose 21% to S\$9.2 million from S\$7.6 million in the same period a year ago.

The Group's better performance was reflected in the higher semiconductor segment sales as well as a larger share of profits from its associate JEP Holdings Limited (JEP). Its share of profits from JEP had shot up by 82% to S\$0.7 million in the current quarter from S\$0.4 million last year.

The Group also benefitted from lower costs as expenses and personnel costs fell.

Gross material margins eased to 55% from 59% due to a change in product mix with higher contributions from semiconductor integrated system sales which command lower margins as compared to component sales.

Other credit fell 65% on lower exchange gain compared to the same period last year, while Income tax expenses went down by 31% due to overprovision in 3QFY2018.

Overall revenue for the quarter rose 12% to S\$32.9 million from S\$29.3 million in 3QFY2018 on the back of a 14% increase in semiconductor segment sales. The Group's semiconductor segment sales in the current quarter was also 16% higher as compared to 2QFY2019.

The rise in semiconductor segment sales was driven by a surge in demand for its semiconductor integrated systems which saw a 147% increase in sales in 3QFY2019 compared to the same period a year ago. This was partially offset by a 23% drop in component sales to \$16.1 million in 3QFY2019 from S\$20.9 million in 3QFY2018.

Geographically, Singapore was the star performer with a 65% jump boosted by the strong growth in its semiconductor integrated systems sales. All the other markets reported revenue declines due to lower component sales. The Group's Others segment remained relatively stable – with sales of S\$2.5 million.

### **Nine-Month Performance**

The Group's nine-month profitability was lifted by a 585% surge in its share of profits from its associate, JEP. Contributions from JEP surged to S\$1.9 million as the company accelerated its profit growth in 2019. Lower personnel and other expenses also helped to boost the Group's bottom line.

The Group's overall net profit was however 28% lower at S\$23.9 million and net profit attributable to shareholders was also 27% lower than the S\$33.5 million last year.

The decline in net profit was the result of softer sales and a decrease in gross material margin which slid to 54% from 60% in 9MFY2018. The lower gross material margins reflected the change in product mix as a result of higher revenue contribution from semiconductor integrated systems sales and lower component sales.

Income tax expense declined 40% in line with the lower profit. Depreciation however went up 30% mainly due to addition in fixed assets during the second half of FY2018 and the adoption of the new SFRS(I) 16 Leases guidelines

Revenue for the 9MFY2019 eased 10% to S\$91.5 million mainly due to 15% decline in semiconductor segment sales. This was however offset by a 153% surge in sales from its Others segment due mainly to contribution from its materials distribution subsidiary, Starke Singapore.

While revenue from Singapore remained stable at S\$56.6 million from S\$57.2 million from the corresponding period last year, all the other Group's geographical markets reported lower sales.

### **Strong Cashflow**

UMS continued to generate a healthy cash flow as the Group registered a S\$10.0 million positive net cash from operating activities vs S\$6.9 million in 3QFY2018, a 45% improvement.

Prudent inventory management, tighter cost-control and lower capital expenditures helped its free cash flow rebound to \$11.6 million from a negative S\$0.2 million in 3QFY2018.

The Group's wholly-owned subsidiary, Ultimate Machining Solutions (M) Sdn Bhd completed its acquisition of its associate Allstar Manufacturing Sdn Bhd as part of a restructuring exercise. The transaction was settled by a contra against the amounts owed to the Group by Allstar Manufacturing, which is now a wholly-owned subsidiary within the UMS Group.

The Group's net cash from operating activities surged to S\$37.3 million against S\$27.1 million in 9MFY2018.

UMS also generated free cash flow of S\$37.3 million in 9MFY2019, up 146% from S\$15.2 million in 9MFY2018. This was achieved mainly by the Group's concerted efforts to slash inventory and capital expenditures.

Even after making additional investment in JEP Holdings Ltd and paying dividends of \$13.4 million, the Group's net cash and cash equivalents (net of bank borrowings) rose to S\$14.9 million at 30 Sep 2019, reversing from a net debt of \$1.4 million as at 31 Dec 2018.

## **Brighter Outlook**

UMS Executive Chairman and CEO Andy Luong said, "The Group has delivered another solid financial performance for the first nine months of the year amidst a still challenging global economy. However, we are now witnessing signs of an upturn in the overall semiconductor industry as demand is picking up with chip inventories easing and new technological disruptors driving the growth of new products and capabilities. We are delighted that we have successfully renewed our integrated system business contract with our key customer for another three years."

According to SEMI, growth in equipment sales is expected to rebound in 2020 with an 11.6 percent rise to \$58.8 billion. SEMI predicts that the equipment market will recover on the strength of memory spending and new projects in China. Equipment sales in Korea and Taiwan are also forecast to be robust on resumption of the uptrend. More upside is likely if the macro economy improves and US-China trade tensions subside in 2020.\*

The escalation of 5G technology adoption and other high-performance computing, data storage, artificial intelligence (AI), cloud computing, and smart automotive is also anticipated to drive spending growth in the semiconductor industry. The semiconductor industry will also be driven by massive growth of interconnected devices and heavy demand for processing power, storage and an exponential increase of data demand from about 40ZB in 2018 to 50ZB in 2020 to 163 ZB in 2026.

Added Mr Luong, "While we remain a beneficiary of a more upbeat semiconductor industry, we are also reaping better returns from our diversification in non-semiconductor businesses. Going forward, the Group will strengthen collaboration with its associate JEP to ride the growth wave in the global aerospace industry.

We are therefore excited about the Group's future and will continue to explore and exploit new opportunities that will underpin our growth in the years ahead while staying prudent in managing business risks."

Barring any unforeseen circumstances, the Group will remain profitable in FY2019.

[\* Source: <https://www.newswire.ca/news-releases/semi-2019-mid-year-total-equipment-forecast-2019-market-reset-with-2020-recovery-841493814.htm>]

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## 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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