JEP Holdings reports net attributable profit of S$1.7 million on revenue of S$58.1 million for FY2023

- Group performance have stabilised in 2HFY2023 with brighter outlook ahead as global aviation rebound accelerates and semiconductor demand recovers

Singapore, 27 February 2024

SGX Catalist-listed JEP Holdings Ltd ("JEP", together with its subsidiaries, the "Group"), a leading provider of precision machining and engineering solutions today delivered another profitable performance.

Group sales and net attributable profit in 2HFY2023 were S$28.6 million and S$0.8 million respectively - comparable to the Group's sales of S$29.5 million and net attributable profit of S$0.8 million in 1HFY2023.

On a full year basis, the Group achieved a net attributable profit of S$1.7 million on sales of S$58.1 million for the year - which were lower by 77.9% and 29.6% respectively. Group profit before tax dropped by 76.9% to S$2.1 million from S$9.2 million in FY2022.

The lower revenue was primarily attributed to a weaker performance from its Equipment Manufacturing and Trading & Others segments, which were impacted by the slowdown of the semiconductor market in FY2023.

Despite the lower revenue, all of the Group's business segments remained profitable in FY2023.

The Equipment Manufacturing segment posted a profit of S$0.6 million (vs S$5.8 million in FY2022) on sales of S$19.9 million down 52.4% from S$41.7 million in FY2022.

The Trading & Others segment's profit dipped 14.1% to S$1.3 million on sales of S$9.2 million - down 20.9% from the previous year due to low demand from industrial manufacturing equipment globally.

Sales in the Precision Machining segment remained relatively stable at S$29.1 million in FY2023 compared to S$29.2 million in FY2022. Profit for this segment fell 55.5% to S$1.4 million, mainly due to higher production costs compared to FY2022. This segment primarily comprises two sectors: electronic components and the aerospace sector. This segment's performance was lifted by stronger contribution from the Group's aerospace business.

In FY2023, aerospace sales grew almost 52.0% to S$22.7 million from S$15.0 million in the previous year. In contrast, electronic components' revenue dropped from S$14.2 million in FY2022 to S$6.3 million in FY2023 due to the lower global demand for semiconductors.

All the Group's key markets, except Singapore and Malaysia, reported higher sales. China's sales soared by 13.3% from S$6.9 million in FY2022 to S$7.8 million in FY2023. This increase is mainly attributable to the Precision Machining segment under the Aerospace sector, which grew by 169.2% from S$1.5 million to S$4.0 million. This growth was partially offset by the fall in sales in the Trading & Others segment, decreasing by S$1.6 million from S$5.4 million.

Sales in the Canada increased by 142.5% from S$1.1 million in FY2022 to S$2.6 million in FY2023, driven by sales growth in the Precision Machining segment.

Sales in the USA reported a 35.8% increase, rising from S$10.4 million to S$14.1 million, mainly attributable to the increase in sales from the Precision Machining segments. Sales in these three geographical markets were lifted by the robust recovery of the Aerospace industry during the period under review.

Sales in Singapore and Malaysia declined mainly due to the slowdown in semiconductor demand.

The cost of sales decreased by 25.0% from S$66.1 million in FY2022 to S$49.6 million in FY2023. The gross margin decreased 5.2% compared to 20.0% in FY2022. This decrease was attributed to the group's product mix, with lower sales of higher-margin components and an increase in input cost.

Reflecting the Group's performance, earnings per share ("EPS") for FY2023 fell 77.8% to 0.406 cents from 1.832 cents in FY2022. Group net asset value ("NAV") per share increased slightly to 18.5 cents at the end of 31 December 2023 compared to 18.2 cents as of 31 December 2022.

2HFY2023 Performance

Compared to 1HFY2023, the Group's sales and net attributable profit remained relatively stable at about S$29.5 million and S$0.8 million respectively.

Compared to 2HFY2022, the Group's 2HFY2023 performance saw overall revenue declining by 24.7% from S$38.0 million and net attributable profit sliding by 60% from S$2.1 million in 2HFY2022.

Revenue from the Equipment Manufacturing and Trading & Others segments fell by about 51.5% and 39.7% respectively compared to 2HFY2022.

The Group's Precision Machining revenue increased by 18.5%, lifted by Aerospace sales which grew by 57.9% from S$8.0 million in 2HFY2022 to S$12.6 million in 2HFY2023.

The improved aerospace revenue was driven by the rise in global air travel which benefited from increased sales to China, the USA and Canada as these countries reopened their borders during the period.

However, this increase was partially offset by a S$2.1 million decrease in electronic components' revenue due to weaker semiconductor global demand during the same period.

Healthy Cash Flow

The Group's financial position remained healthy with net cash and cash equivalents of S$19.2 million at the end of December 2023.

Net cash generated from operating activities slid by S$16.8 million from S$20.2 million in FY2022 to S$3.4 million in FY2023, mainly due to lower income generated from operating activities.

During the year, the Group incurred capital expenditure for machinery, construction costs and the purchase of equipment for its new factory in Penang, Malaysia.

The Group also pared down its loans during the year under review.

Optimistic Outlook

Commenting on the Group's latest results, JEP Executive Chairman and CEO Mr Andy Luong said, "The Group delivered a credible performance in FY2023 despite difficult macro-economic conditions and market uncertainties. All our core business segments remained profitable.

The overall business conditions are now gradually improving - as evidenced by the stabilisation of our sales and profit performance in 2HFY2023.

With our healthy financial position, we are well-poised to take advantage of growth opportunities on the horizon."

Mr Luong added, "The memory market and demand for semiconductors are expected to continue recovering in 2024, though global challenges remain.

Global air travel is also on a strong rebound with surging demand for aircraft components.

As market turbulence from ongoing geopolitical tensions and conflicts in Ukraine and the Middle East is expected to weigh on the business environment in the near-term, we will stay vigilant and adopt prudent measures to achieve sustainable growth in the year ahead."

Global semiconductor capacity is expected to increase 6.4% in 2024 to top the 30 million *wafers per month (wpm) mark for the first time after rising 5.5% to 29.6 wpm in 2023, SEMI announced today in its latest quarterly *World Fab Forecast* report. The 2024 growth will be driven by capacity increases in leading-edge logic and foundry applications including generative AI and high-performance computing (HPC), and the recovery in end-demand for chips. The capacity expansion slowed in 2023 due to softening semiconductor market demand and the resulting inventory correction.[1]

The International Air Transport Association (IATA) expects the industry to further strengthen and become more profitable in 2024. An estimated 4.7b people are expected to travel by air in 2024, about 4% more than pre-pandemic levels. [2]

With the Group’s healthy financial position, it is well-poised to take advantage of growth opportunities on the horizon.

Moving forward, the Group will continue to maximize operational synergies with UMS to improve overall performance and seek new business opportunities.

[1] Source: https://www.semi.org/en/news-media-press-releases/semi-press-releases/global-semiconductor-capacity-projected-to-reach-record-high-30-million-wafers-per-month-in-2024-semi-reports

[2] Source : https://www.straitstimes.com/world/47b-people-expected-to-travel-by-air-in-2024-about-4-more-than-pre-pandemic-levels-iata#:~:text=4.7b%20people%20expected%20to,levels%3A%20Iata%20%7C%20The%20Straits%20Times

About JEP Holdings Ltd

JEP Holdings Ltd. is a leading solutions provider of precision machining and engineering services. With over 30 years of operating history, we have built up a strong value chain to provide seamless manufacturing solutions to our clients. All our operations are supported by an experienced and passionate workforce, strong networks of established customers and suppliers, and stringent quality systems. The Group's main operating subsidiary, JEP Precision Engineering Pte. Ltd. ("JEPS"), was acquired by the Group in 2007. Accredited with AS9100, ISO 45001 and NADCAP, JEPS has built a track record as a reliable sub-contractor for aerospace components since beginning operations in 1990 and is now part of the global supply chain for the world's leading aircraft manufacturers.

The Group is headquartered in Singapore and operates out of three facilities equipped with state-of-the-art machinery for manufacturing and the provision of secondary processes related to engineering services. The Group also owns a large format precision engineering company, Dolphin Engineering Pte. Ltd., and a trading business, JEP Industrades Pte. Ltd., which markets cutting tools used in manufacturing activities for various industries such as aerospace, mould and die. The Group has been listed on SGX Catalist since 2004.

Issued on behalf of JEP Holdings Ltd

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