UMS GROUP

Company Registration No.: 200100340R

UMS reports net profit of S$33.4 million for 9MFY2018

- Proposes 0.5 cent tax-exempt interim dividend to reward shareholders

Singapore, Nov 13 2018 - SGX Mainboard-listed UMS Holdings Limited ("UMS" or "The Group") has registered a lower net profit of $33.4 million for the first 9 months of the financial year 2018 (9MFY2018) as revenue slipped 18% to S$102.0 million versus S$123.8 million in 9MFY2017.

The lower revenue was attributed to a 19% decline in semiconductor sales which was offset by a 194% revenue surge from the Group's "Others" segment.

The 7% dip in net profit from S$35.9 million in 9MFY2017, was mainly due to higher manpower and depreciation costs.

The Group will however continue to reward shareholders with a proposed 0.5 cent tax-exempt interim dividend.

Gross material margins improved to 60% from 54% in the previous year as a result of a change in product mix. The Group also registered an exchange gain of $1.1 million in 9MFY2018 compared to a loss of $2.3 million in 9MFY2017, lowered its other expenses by 4% mainly resulting from lower upkeep of machinery and rental expenses, as well as maiden contributions from its associates.

The group reaped further savings due to lower tax expenses.

Geographically, all the Group's markets, except Singapore reported improved sales. Both US and Taiwan markets registered double-digit sales increases for 9MFY2018. Compared to 9MFY2017, US revenue grew by 48% on the back of higher component sales for new systems while Taiwan sales went up 18%, due to higher sales of component spares.

Revenue from Singapore fell 35% as a result of weaker demand for Semiconductor Integrated Systems.

3rd Quarter Performance

Net profit for the third quarter (3QFY2018), was S$7.7 million for 3QFY2018, down by 42% from S$13.4 million in the previous year. However, the overall gross material margin stayed steady at 59% - comparable to 3QFY2017. Despite lower margins from Integrated Systems sales as well as Starke's material distribution business, the Group benefitted from an increase in its higher-margin component sales which enabled it to maintain its profit margins. The Group's efforts to boost its component business continued to yield positive results.

Revenue for 3QFY2018 reduced by 26% to $29.3 million from $39.3 million for the corresponding quarter a year ago. The dip was due mainly to a 32% decline in the semiconductor segment which was offset by a strong sales surge from its "Others" segment. Revenue from both its subsidiaries Starke Singapore Pte Ltd and Kalf Engineering Pte Ltd shot up by 25210%.

The lower revenue in the semiconductor segment is mainly attributed to a 72% drop in Semiconductor Integrated System sales to S$5.8 million in 3QFY2018 from S$20.3 million in 3QFY2017. This was mitigated by higher revenue from its component sales which rose by 10% to S$21.0 million in 3QFY2018 compared to S$19.0 million in 3QFY2017.

Geographically, the US market saw the largest revenue gain of 70% in 3QFY2018 compared to the same period a year ago, riding upon higher component sales from a new JIT (Just-In-Time) program with its key customer. Sales from Taiwan remained steady at S$6.9 million while Singapore's 3QFY2018 revenue fell 49% on weaker demand for Semiconductor Integrated Systems.

The Group also earned S$0.9 million foreign exchange gain as a result of the appreciating US dollar – versus a loss of S$0.4 million in 3QFY2017.

Overall, expenses were kept under control. Except for higher manpower costs due to increase in staff strength, higher depreciation due to new production equipment, and higher utility fees from rising energy costs, almost all other expenses declined.

Income tax expenses for 3QFY2018 also dropped 24% compared to 3Q2017, in line with lower profits.

Healthy Cashflow

The Group's financial health remains robust.

The Group's net cash from operations remains strong in 9MFY2018, generating S$27.1 million compared to $29.6 million in 9MFY2017. Free cashflow in 9MFY2018 was lower by 36% to $15.2 million mainly due to higher capex.

For 3QFY2018, The Group continued to generate healthy net cash flow of $6.9 million from operating activities. A small negative free cash flow of $0.2 million was incurred in the quarter largely due to capex spending of S$7.1 million as part of the Group's plans to invest in new capacity to grow the components business.

Global trends, big data and AI herald growth opportunities

The Group stayed profitable and cashflow positive despite headwinds in the business environment worldwide, brought on by ongoing trade disputes between global superpowers.

In addition to forex gains from the stronger US dollar, the Group's efforts to boost the product mix in our semiconductor business paid off as a result of higher margins from the components segment.

Its diversification strategy also bore fruit - reaping strong maiden contributions from its associate and subsidiary companies.

In the near term, challenges remain as the uncertain global economy will impact leading chipmakers which will lead to delays in capacity investment and equipment spending.[1]

In the mid-to-long term, prospects for global fab construction investment shows continuing strength. Latest data published in SEMI's World Fab Forecast predicts global fab equipment spending to increase by 10.8 percent in 2018 to US$62.7 billion and by 7.7 percent to US$67.6 billion, in 2019.[2]

"Going forward, the Group will stay nimble and prudent in the light of global volatility and technology disruptions and we will focus on leveraging new opportunities to drive growth from our core semiconductor business as well as from our associate and subsidiary companies. We will also persist with our diversification strategy to pursue new M&A targets which have good potential to add value to the Group's long-term growth. To fund our expansion, we will explore ways to balance the Group's dividend payments and financing options to ensure sustainable progress.

Growing demand in areas of high-performance computing, data storage, artificial intelligence (AI), cloud computing, and automotive are also expected to drive growth in the semiconductor industry.[3] UMS will stand to benefit from these global developments over the longer term," said Mr Andy Luong, UMS' Executive Chairman and CEO.

Barring any unforeseen circumstances, the Group expects to remain profitable for the full FY2018.

[1]Source: https://www.smartkarma.com/insights/semiconductor-wafer-fab-equipment-sector-review-outlook-q2-2018

[2]*Source: http://www.semi.org/en/627-billion-semiconductor-equipment-forecast-tops-previous-record-korea-top-china-closes-gap*

[3]*Source:https://uploadsssl.webflow.com/5a749b2fa5fde0000189ffc0/5b7189384c38192fd31a5116_20180724_1200_Dickerson.pdf*

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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