Company Registration No.: 200100340R

UMS REPORTS $43 MILLION IN FY2018 NET PROFIT ON REVENUE OF $128 MILLION

- Proposes 2 cents tax-exempt final dividend to reward shareholders

SINGAPORE, 25 February 2018: SGX Mainboard-listed UMS Holdings Limited (“UMS” or “The Group”) remained profitable registering a net profit attributable to shareholders for the year ended 31 Dec 2018 (FY2018) of $43.1 million, a 17% dip from $52 million the previous year.

Revenue for the full year weighed in at $127.9 million, down 21% from $162.5 million in FY2017 due to a weaker second half performance as many semiconductor customers delayed their capital expenditures in response to trade tensions, especially among leading memory manufacturers including semiconductor fabs in China.

That was in contrast to a buoyant first half of FY2018 when major customers experienced strong orders from its end-users.

The Group however clocked in an improved gross material margin of 60.2% for FY2018 compared to FY2017 (54.7%) due to higher percentage of component sales in the Group's product mix. Personnel costs were flat mainly due to higher salaries resulting from higher headcount offset by lower bonuses. Depreciation rose 31% mainly due to addition of production machinery while other expenses slid 5% over last year. Rental expenses were down 50% after the consolidation of US operations into the Milpitas facility. Freight charges fell 14%, upkeep of machinery expenses fell 22%. Legal and professional fees also went down by 11%.

For the full FY2018, the Group benefitted from a S$0.8 million foreign exchange gain (vs a loss of S$3.1 million in FY2017) due to appreciation of USD during the year and a S$1.6 million gain on bargain purchase of Starke Singapore. Income tax expenses slid by 19% in line with lower profits.

Revenue from the semiconductor segment for the full year declined 23% while sales in the Others segment rose by 137% after the acquisition of Starke Singapore Pte Ltd.

Semiconductor Integrated System sales fell 47% to S$46.6 million in FY2018 from S$87.4 million a year earlier. Revenue from component sales increased by 5% to S$76.4 million in FY2018 vs S$73 million in FY2017.

Geographically, sales out of Singapore dipped 37% from the previous year due to lower demand for Semiconductor Integrated Systems while those from the US and Taiwan shot up 41% and 13% respectively vs FY2017 due to higher component sales.

The Group's earnings per share ("EPS") for FY 2018 stood at 8 cents compared to 9.7 cents in FY2017. Group net asset value per share rose to 42.6 cents in FY2018 from 40.1 cents in FY2017.

FOURTH-QUARTER PERFORMANCE

Net profit for the fourth quarter ended 31 December 2018 fell 41% to S$9.3 million as revenues declined 33% to S$25.9 million from S$38.7 million for the corresponding quarter a year ago.

The 4QFY2018 revenue dip was due mainly to a 36% decline in the semiconductor segment which was offset by a 63% rise in sales surge from its “Others” segment comprising mainly revenue from subsidiaries Starke Singapore Pte Ltd and Kalf Engineering Pte Ltd. Revenue from the semiconductor segment fell 10% compared to 3Q2018 while those in the Others segment dipped by 25%.

On a year-on year basis, sales from Semiconductor Integrated System dropped 57% for the quarter to S$7.8 million from S$18.2 million in 4Q2017. Revenue from component sales also dipped by 16% to S$16.2 million in 4Q2018 from S$19.3 million in 4Q2017

Geographically, shipments of semiconductor Integrated System sales from Singapore were down by 44% compared to 4Q2017. Revenue from the USA however saw a 21% pick-up on the back of higher component sales.

Gross material margin however edged up to 60.9% compared to 58.3% for the year-ago quarter due to the Group's product mix, with more higher-margin component sales.

The Group also benefitted from a bargain purchase gain of S$1.6 million from its 70% equity acquisition of Starke Singapore. Also, it continue to benefit from contributions from its associate JEP Holdings which saw significant improvement in its profitability in the second half of FY2018.

The Group took steps to reduce its costs. Personnel costs eased mainly due to lower bonuses while Other expenses dipped 8% over last year; legal and professional fees fell 38%, rental expense were 46% lower due to the consolidation of US operations into the Milpitas facility.

Foreign exchange losses were lower by half to S$0.4 million from S$0.8 million in the previous corresponding period. Its income tax for the period was lower too.

HEALTHY OPERATING CASHFLOW

The Group continued to generate healthy net cash flow of S$11.6 million from operating activities for 4Q2018. Free cash flow was also higher at S$7.8 million as compared to S$6.7 million in 4Q2017.

Capital expenditure during the quarter had included a portion of RM80 million capex plan previously announced to expand the Group's Penang production facility. Inventories remained high at S$70.4m, mainly due to raw materials purchase committed to suppliers before the abrupt downturn in the second half of the year.

For FY2018, the Group posted S$38.7 million in positive net cash from operating activities against S$40 million for FY2017 and S$23 million in free cash flow versus S$31.2 million for FY2017. The Group had invested S$29 million in JEP and chalked up a net cash outflow of S$4.4 million for its 70% acquisition of Starke Singapore.

OUTLOOK

The near-term outlook continues to be challenging due to much uncertainty in customers' order flows due in part to the ongoing China-US trade tensions which affected demand from semiconductor chipmakers.

The longer-term outlook however remains upbeat with SEMI, the global industry association representing the electronics manufacturing supply chain, reporting that even though worldwide sales of new semiconductor manufacturing equipment are projected to contract slightly by 4.0 percent in 2019, it will grow 20.7 percent to reach US$71.9 billion, an all-time high in 2020.[1]

The semiconductor industry is forecast to expand over the long-term, driven by massive growth of interconnected devices, with heavy demand for processing power and storage. It is also expected that there will be an exponential increase of data from about 40ZB in 2018 to 50ZB in 2020 to 163 ZB in 2026. [2]

Commenting on the Group's latest performance, Mr Andy Luong, UMS' Executive Chairman and CEO, said, "Our FY2018 results demonstrate our resilience in the face of significant market challenges. We managed to improve our profit margins by boosting our product mix while our diversification strategy into new sectors has enabled us to reap positive returns. Our subsidiary Starke Singapore has reported a profitable performance, and our associate JEP Holdings Ltd has done well and made much improved contributions to the Group.

The Group will therefore work hard for both its core business segments and pursue new business and market segments to improve overall performance and shareholder returns. Despite our weaker performance, we will continue to reward shareholders for their strong support with a proposed final dividend of 2 cents."

Barring any unforeseen circumstances, the Group expects to remain profitable for the full FY2019.

[1]*Source:http://www1.semi.org/en/semiconductor-equipment-sales-forecast-62-billion-2018-new-record-market-reset-2019-new-high-2020*

[2]*Source:https://blog.semi.org/business-markets/despite-uncertainty-long-term-semiconductor-market-outlook-remains-bright*

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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