JEP
HOLDINGS LTD

# JEP's FY2022 Results Reflect Resilient Business Performance

- Reports Group net attributable profit of S$7.6 million on higher Group revenue of S$82.6 million

**Singapore, 28 February 2023**

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 for FY2022.

Group revenue in FY2022 improved 8.8% to S$82.6 million (from S$75.9 million in FY2021) while net attributable profit eased slightly by 3.7% to S$7.6 million (from S$7.9 million in FY2021).

This performance was achieved on the back of stronger performance from its Equipment Manufacturing segment which reported a 50.5% increase in sales due to the higher demand for semiconductors and industrial manufacturing equipment globally.

The Group Trading and Others segment revenue rose 16.5% while sales in the Precision Machining segment fell 23.5% from S$38.2 million in FY2021 to S$29.2 million in FY2022 due to lower electronic component sales amidst a slow recovery in the aviation sector.

All of the Group's key markets (except for China and Canada) recorded higher sales. Malaysia sales registered the strongest performance, reporting a 69.6% rise in sales to S$10.1 million in FY2022 from S$6.0 million in FY2021. Sales from China and Canada were marginally lower by about 8.1% and 2.3% respectively.

Cost of sales increased 8.8% from S$60.7 million in FY2021 to S$66.1 million in FY2022.

Gross margins for the year remained stable. In 2H2022, gross margin decreased 6.6% compared to 24.1% in FY2021. The decrease was due to the Group's product mix, with lower higher-margin component sales and increase in input costs.

The core business segments of the Group remain profitable despite a slight decrease in profit before tax which declined 4% to S$9.2 million in FY2022 from S$9.5 million in FY2021.

The Group lower profitability was also due to the foreign exchange losses arising from a weaker USD during the period.

The Equipment Manufacturing segment was the star performer - increasing profit to S$5.8 million from S$4.8 million in the previous year. Trading and Others segment's results remains constant as compared to FY2021.

The Precision Machining segment however reported a drop in profit to S$3.1 million from S$4.9 million in FY2021.

Reflecting the Group's performance, earnings per share ("EPS") for FY2022 edged down 3.5% to 1.832 cents from 1.899 cents in FY2021. Group net asset value ("NAV") per share increased to 18.2 cents at the end of December 2022 compared to 16.4 cents as of 31 December 2021.

**2H2022 Performance**

The Group's 2H2022 performance saw overall revenue declining 18.2% to S$38.0 million from S$46.4 million in the corresponding second half of last year ("2H2021"). Revenue from Precision Machining and Equipment Manufacturing segments decreased by 42.1% and 3.0% respectively as compared to 2H2021 while Trading and Others increased 39.3%.

The lower sales reflected the slowdown in the global semiconductor industry in the last quarter of FY2022. The Group however, recorded improved sales from its aerospace business arising from the increase in global travel while its trading business benefitted from higher sales to China as the country reopened its borders during the period.

The Group remained profitable reporting a net attributable profit of S$2.1 million for 2H2022 (vs S$6.0 million in 2H2021).

**Healthy Cashflow**

The Group's financial position remained healthy.

Net cash generated from operating activities increased S$7.8 million from S$12.4 million in FY2021 to S$20.2 million in FY2022 mainly due to higher income generated from operating activities. The Group's free cash flow also went up 35.0% to S$10.2 million from S$7.5 million in FY2021.

Approximately S$10.9 million was used as capital expenditure to purchase equipment and to fund the progressive construction cost of a new factory in Penang, Malaysia.

The Group also pared down its loans during the period.

## Outlook

The Group's resilient performance in 2022, notwithstanding a slower 2H2022 performance, is in line with its long-term strategy to sustain stable growth amid global market challenges and industry risks.

While uncertainties remain - due to the slowdown in electronics/semiconductor demand, recessionary fears and the ongoing Ukraine-Russia crisis, longer term prospects are becoming brighter.

Despite ongoing concerns about financial losses due to the pandemic, inflation and cost pressures, the global airline industry is projected to attain profitability again in 2023. This growth is attributed to companies rebounding from the effects of the historic losses due to the pandemic and travel restrictions, which caused disruptions due to containment measures such as social distancing, remote working and the shutdown of commercial activities. Market research forecasts indicate that the global aerospace market is projected to reach US$442.25 billion by 2026, growing at a CAGR of 12.9%.[1]

The International Air Transport Association (IATA) expects the industry to become profitable in 2023, marking the fastest recovery in the industry's history given the depth of the downturn. The IATA predicts that the industry will have a profit of US$4.6 billion on revenues of US$779 billion in 2023, with an operating margin of 0.4% and a per passenger profit of US$1.1.[2]

The UN's aviation body - International Civil Aviation Organization (ICAO) also expects the aviation industry to make a full recovery in 2023, with volumes exceeding the 2019 level at the end of the year. It also projected that 2024 air passenger demand would be four per cent above the level in 2019.[3]

Riding on the industry's robust rebound, the Group expects more noticeable recovery of its aerospace business in the second half of 2023, supported by volume production of new complex and high value-added parts from its strategic customers.

The near-term outlook for the overall semiconductor industry remains soft with revenue expected to decline. Some experts are predicting oversupply due to worsening economic conditions and weakening consumer demand. According to market reports, global semiconductor revenue is projected to decline by 3.6% in 2023.[4]

Despite the short-term weakness, the longer-term prospects remain strong. According to Fortune Business Insights, the global market for semiconductor manufacturing equipment is estimated to expand from US$101.6 billion in 2022 to US$196.7 billion by 2029, with a compounded annual growth rate of 9.9%.[5]

With its healthy financial position, the Group is well-poised to capture new market opportunities to drive growth and profitability.

It will proceed with its production expansion plan and optimize production mix to boost performance.

The Group's new factory in Penang, Malaysia is scheduled for completion in the second half of 2023 which will enable it to take on more customer orders and increase production output.

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

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[1]Source: How Global Aerospace Market Players Should Strategize For 2022-2031- https://www.thebusinessresearchcompany.com/press-release/aerospace-market-2022

[2]Source: A return to industry profitability in 2023 - https://www.iata.org/en/iata-repository/publications/economic-reports/a-return-to-industry-profitability-in-2023/#:~:text=We%20expect%20the%20industry%20to,profit%20of%20just%20USD%201.1.

[3] Source: UN aviation body sees recovery to pre-pandemic air travel in 2023 - https://www.businesstimes.com.sg/international/un-aviation-body-sees-recovery-pre-pandemic-air-travel-2023

[4]Source: Global semiconductor revenue to shrink by 4% in 2023, the first contraction since 2019- https://techwireasia.com/2022/12/global-semiconductor-revenue-to-shrink-by-4-in-2023-the-first-contraction-since-2019/

[5]Source: The global semiconductor manufacturing equipment market is projected to grow from $101.6 billion in 2022 to $196.7 billion by 2029, at a CAGR of 9.9%- https://www.fortunebusinessinsights.com/semiconductor-manufacturing-equipment-market-101964

## 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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