



Company Registration No.: 200100340R

UMS ACHIEVES ANOTHER RECORD BREAKING YEAR WITH 130% RISE IN FY2017 NET PROFIT TO S\$52 MILLION

- **Proposes final dividend of 2 cents per share and special dividend of 1 cent per share**

SINGAPORE, 27 February 2018: SGX Mainboard-listed UMS Holdings Limited (“UMS” or “The Group”) has proposed a final dividend of 2 cents per share and a special dividend of 1 cent per share to reward shareholders as the Group achieved a record net profit of S\$52 million for the year ended 31 Dec 2017 (FY2017). This is a 130% jump from the net profit of S\$22.6 million reported in FY2016.

Revenue for the full year was up 56% to S\$162.5 million for FY2017 from S\$104.2 million a year ago, mainly on the back of strong semiconductor sales.

Both segments of the Group's semiconductor division showed improved results. Its Semiconductor Integrated System sales had surged 73% to S\$87.4 million compared to S\$50.5 million for the previous financial year while component sales increased by 43% to S\$73.0 million vs S\$50.9 million in FY2016.

Geographically, sales in Singapore surged 67% as compared to FY2016 mainly due to stronger Semiconductor Integrated System sales. Revenue in the Group's other served markets also improved considerably - with US sales increasing 61% vs FY2016 while revenue in Malaysia more than tripled to S\$6.0 million vs S\$2.0 million in the previous year and Others increased 12% in the period under review. The better performance was mainly due to higher component sales.

The Group's gross material margin in FY2017 remained stable at 54.7% (vs 54.1% in FY2016). Expenses were generally higher due to the higher cost from more production activities, the consolidation of Kalf Engineering results, increased personnel costs, legal and professional fees as well as higher exchange loss arising from the depreciation of the US dollar. Income tax expense also rose 64% in line with the higher profits.

However, the Group benefitted from a 20% decline in depreciation costs, a S\$1.9 million gain on disposal of some old equipment and the S\$0.9 million write back of past inventory provision.

FOURTH-QUARTER PERFORMANCE

Net profit attributable to shareholders in 4Q2017 shot up by 166% to S\$15.8 million from S\$5.9 million in 4Q2016, on the back of a 13% rise in revenue to S\$38.67 million.

Within the Group's semiconductor segment, its Integrated System sales had dipped 1% from S\$18.5 million in 4Q2016 to S\$18.2 million in 4Q2017; while component sales increased by 39% to S\$19.3 million in 4Q2017 vs S\$13.9 million in 4Q2016.

Despite a sales dip of 7% compared to 4Q2016, Singapore remains the major contributor - accounting for more than 60% of the Group's total sales in 4Q2017. The lower revenue was mainly due to lower shipment of Semiconductor Integrated System sales. Revenue in the US shot up by 63% compared to 4Q2016. Revenue from Malaysia and Others also rose 235% and 51% respectively vs 4Q2016 mainly due to higher component sales.

On a sequential quarter to quarter basis, semiconductor revenue however slipped 5% while other segments which include the revenue of its subsidiary - Kalf Engineering saw a rise of S\$1 million from 3Q2017.

Gross material margin for 4Q2017 was comparable to 3Q2017 at 58.3%, but much higher than 4Q2016 due to higher proportion of component sales.

During the period under review, the Group's expenses increased due to consolidation of Kalf Engineering results as well as higher personnel costs, legal and professional fees and other expenses resulting from more production activities undertaken. The Group also saw increased exchange loss due to the weaker US dollar. However, the higher expenses were offset by lower depreciation costs, a one-off S\$1.8 million gain on disposal of some old equipment and the S\$1.1m write back of inventory provision. The Group also wrote back S\$0.5 million overprovision in tax during the quarter.

CASHFLOW & DIVIDENDS

The Group's financial position continued to strengthen. As at 31 December 2017, UMS has a healthy net cash and cash equivalents of S\$40.6 million. For FY2017, the Group registered S\$39.2 million in positive net cash from operating activities and also S\$30.4 million in free cash flow and for 4Q2017, S\$11.4 million in positive net cash from operating activities and free cash flow of S\$6.7 million.

UMS continued to invest to grow its production activities which resulted in an increase in capital expenditure – which was part of the RM80 million capex plan previously announced to expand its Penang production facility. Inventories also rose to S\$49.6 million, mainly due to the commencement of a new parts consignment program with the Group's key customer.

For FY2017, the Group continued to reward shareholders with a higher dividend payout of S\$26.8 million, up from S\$25.7 million in FY2016.

BRIGHT OUTLOOK

According to the forecast by SEMI, the global industry association representing the electronics manufacturing supply chain, overall growth for the year is expected to result in another record-breaking year for the global semiconductor equipment market with sales expected to tip US\$60.1 billion, or a projected 7.5% a year.*

Wafer processing equipment will see a 37.5% increase to US\$45.0 billion; fab facilities equipment, wafer manufacturing and other equipment by 45.8%; to US\$2.6 billion; assembly and packaging equipment segment by 25.8% to US\$3.8 billion; and semiconductor test equipment by 22% to US\$4.5 billion this year.*

Global semiconductor demand will continue to be driven by a diversity of applications including Augmented Reality (AR), Virtual Reality (VR), Artificial Intelligence (AI), cloud storage, Smart Automotive (driver assistance and autonomous), Smart Manufacturing, and Smart MedTech.

These proliferating demand drivers and ensuing increasing silicon (semiconductor) content in electronics is fuelling a semiconductor "super cycle." The industry is seeing the evolution of China transitioning away from being a consumer of chips towards developing a self-sufficient semiconductor supply chain. Advancements have been made in chip production with over 24 new fab construction projections underway or planned, prompting the wafer fab equipment market in China alone to exceed US\$11 billion in 2018 and to potentially surpass US\$18 billion by 2020.**

"The global semiconductor super cycle will continue to drive growth for UMS as order flow remains strong with our key customer, one of the world's largest suppliers of fabrication equipment to semiconductor industry - is forecasting double-digit revenue and profit growth in 2018 as it remains a direct beneficiary of the boom in Artificial Intelligence (AI) and Big Data," said Mr Andy Luong, UMS' Chairman and CEO. "We believe that the global smart device "explosion" will drive revenue growth through 2018 and beyond."

UMS has also enlarged its production capacity in Penang (Malaysia) to cater to the buoyant demand. The new cleanroom and the new system integration team in Penang are already in place which will allow UMS to reap twin benefits of lower costs and ready capacity to take advantage of potential increase in orders going forward.

With the successful transition of our system integration operation from Singapore to Penang, our key customer will be able to enjoy cost savings offered by the Group. The Group's Malaysian subsidiary Ultimate Manufacturing Solutions Sdn Bhd, which will manage the system integration operations, has also received in principle approval for 10-Year Pioneer Tax Incentive from the Malaysian Investment Development Authority (MIDA).

While the robust semiconductor sector will remain its core business contributor, the Group has also made strides to diversify into other high-growth sectors. Going forward, the Group will continue to seek opportunities to diversify its business portfolio to reduce dependency on its semiconductor segment.

In January 2018, UMS acquired 29.5% or 429,864,300 ordinary shares of Catalyst-listed JEP Holdings Ltd ("JEP"). JEP's core business has good long term growth potential and can leverage on UMS's financial and operational strength.

Barring unforeseen circumstances, the Group expects prospects to remain bright for FY2018.

Source : * SEMI- December 12, 2017
**SEMI- Semiconductor Super Cycle Nov 9, 2017

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 as well as Texas and California, USA.

Issued on behalf of UMS Holdings Limited

For more information, please contact:

Ms. Tham Moon Yee – tmy@stratagemconsultants.com

Mr. Soh Tiang Keng – sohtk@stratagemconsultants.com

Stratagem Consultants Pte Ltd:

Tel: 65 6227 0502

Fax: 65 6227 5663.