Company Registration No.: 200100340R

UMS reports 14% rise in net profit of S$25.9 million for 1HFY2018

- 2Q2018 net profit shot up 26% to reach $14.5 million versus 2Q2017

- Proposes 1 cent tax-exempt interim dividend to reward shareholders

Singapore, Aug 14 2018 - SGX Mainboard-listed UMS Holdings Limited ("UMS" or "The Group") has chalked up a 14% rise in net profit of $25.9 million for the first half of the financial year 2018 (1H2018) compared to the same six-month period a year ago.

The Group will continue to reward shareholders with a proposed 1 cent tax-exempt interim dividend

Gross material margins for 1H2018 rose to 61% from 51% in 1H2017. The gains were mainly due to changes in product mix with component sales earning higher margins compared to Integrated Systems sales. The Group also booked in exchange gains of S$0.3 million as a result of the appreciation of the US dollar.

The Group reaped further savings in upkeep of machinery and rental expenses as well as lower tax expenses due to Pioneer tax incentives enjoyed by its Malaysia subsidiaries.

As a result of these positive factors, the Group's profit went up despite a 14% dip in Group revenue for the half year to S$72.7 million.

Except for Singapore and Others, all of the Group's geographical markets reported improved sales. Revenue from US and Taiwan went up 38% and 31% respectively compared to 1H2017 due to more component sales while Singapore sales fell by 30% a year ago as a result of weaker demand for Semiconductor Integrated Systems.

Second Quarter Performance

Net profit for the second quarter (2Q2018) rose 26% to $14.5 million versus S$11.5 million in 2Q2017 while revenue eased 18% to S$35.2 million. On a sequential basis, 2Q2018 revenue fell 6% compared to 1Q2018 as sales from its semiconductor segment dipped by 5% quarter-on quarter.

Gross material margin however rose to 64% from 51% for the corresponding quarter a year ago as the Group benefitted from a change in product mix which included a higher proportion of component sales.

Revenue from Taiwan and US shot up 45% and 31% respectively compared to 2Q2017 while Singapore sales fell by 36% from the same quarter a year ago due mainly to weaker demand for Semiconductor Integrated Systems.

In addition to boosting its bottom line from growing its component business, the Group also clocked in a foreign exchange gain of S$1.4 million from the US dollar appreciation against the Singapore dollar and reaped savings from lower upkeep of machinery expenses, legal and professional fees and rental expenses.

Income tax expense was steady despite higher profits as the Group's Malaysia subsidiaries had benefitted from Pioneer Tax incentives.

Healthy Cashflow

The Group's financial health remains robust.

For 2QFY2018, it reaped S$5.0 million positive net cash from operating activities and S$3.3 million free cash flow.

The Group incurred capex of S$1.7 million during the quarter - in line with its plan to expand capacity in Malaysia.

With the strengthening of the US dollar against the Sing dollar during the second quarter, the Group also took the opportunity to pare down S$6.5 million of its bank borrowings.

For 1H2018 the Group generated strong net cash of S$20.2 million from operating activities and S$15.3 million free cash flow compared to S$20.8 million and S$17.1 million in 1H2017 respectively.

As of 30 June 2018, after the dividend payments of S$16.1 million and S$28.2 million investment in JEP Holdings, UMS continues to show healthy net cash and cash equivalents of S$11.6 million for 1H2018.

Global demand stays strong

Global billings for semiconductor equipment remain robust although the growth rate has softened. According to the latest report by SEMI, billings of North American equipment manufacturers declined for June 2018 by 8 percent from a historic high but is nevertheless 8 percent above billings for the same period last year.[1]

Leading chipmakers in Asia have also cut sales forecast to single-digit growth rates in the second half of 2018 due to concerns over rising trade tensions between the US and its major allies and China, as well as slower demand for high-end smartphone sales and a more conservative outlook for cryptocurrency mining.[2]

In the mid to long term, prospects for the industry remain bright. SEMI, the global industry association representing the electronics manufacturing supply chain, has projected worldwide sales of new semiconductor manufacturing equipment to increase by 10.8% to $62.7 billion in 2018, exceeding the historic high of $56.6 billion set last year. Another record-breaking year for the equipment market is expected in 2019, with 7.7% forecast growth to $67.6 billion.[3]

"Our performance in the first half continues to be upbeat although the near-term outlook for the industry will be impacted by global events such as trade disputes between US and its major allies and China. However, we believe that our growth prospects remain intact as there are multiple catalysts that will drive demand for fabrication equipment to key verticals, including foundries that manufacture chips, DRAM (dynamic random access memory), and flash memory, and all of these products are poised for accelerated long-term growth.

Such demand is forecast to increase at annual double-digit rates in the next 3 - 5 years, driven by emerging tech trends such as the Internet of Things (IoT), artificial intelligence (AI), and the proliferation of data centres. UMS will stand to benefit from these buoyant developments," said Mr Andy Luong, UMS' Executive Chairman and CEO.

In view of these trends, the Group expects to remain profitable for the full year despite softer revenue in the second half of FY2018. The Group is also optimistic of positive contributions from its acquisition of non-ferrous metal alloys specialist, Starke Singapore Pte Ltd.

[1]*Source:* ***North American Semiconductor Equipment Industry Posts June 2018 Billings,*** *SEMI (July 24, 2018)*
[2]*Source:* ***Apple supplier TSMC forecasts mobile revenue drop for 2018,*** *NIKKEI ASIAN REVIEW (July 19, 2018)*
[3]*Source:* ***$62.7 Billion Semiconductor Equipment Forecast — Tops Previous Record, Korea at Top but China Closes the Gap,*** *SEMI (July 9, 2018)*

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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