Company Registration No.: 200100340R

UMS REPORTS S$33.6 MILLION IN FY2019 NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS ON REVENUE OF S$131.9 MILLION

- Proposes 2 cents tax-exempt final dividend and a special dividend of 0.5 cent to reward shareholders

SINGAPORE, 24 February 2020:

SGX Mainboard-listed UMS Holdings Limited ("UMS" or "The Group") has proposed a 2 cents tax-exempt final dividend and a special dividend of 0.5 cent per share for shareholders as the Group remained profitable registering a net profit attributable to shareholders for the year ended 31 Dec 2019 (FY2019) of S$33.6 million.

The 22% dip in net profit from S$43.1 million in the previous year - was the result of softer gross material margins of 52.9% compared to 60.2% in FY2018. This reflected the change in product mix, with a higher share of Semiconductor System Integrated sales which yields lower margins.

Higher depreciation costs, and provisions for inventories and a goodwill impairment of S$1.0 million for its investment in subsidiary Kalf Engineering as well as an overall exchange loss of S$0.3 million due to weakening US dollar in 4QFY2019 (compared to a gain in FY2018) - weighed on the Group's overall earnings for the year.

The Group's cost control measures resulted in lower personnel and other expenses which fell by 3% and 9% respectively. Income tax for the year also dropped 21% in line with lower profits for the year.

Group revenue for FY2019 however - edged up 3% to reach S$131.9 million - buoyed by a stronger performance in the second half of the year.

Compared to FY2018, Semiconductor Integrated System sales climbed 26% from S$46.6 million in FY2018 to S$58.8 million in FY2019 while Component sales fell 19% from S$76.4 million in FY2018 to S$61.9 million in FY2019. This is mainly due to the stiffer competition within the components space.

While overall revenue in the Semiconductor segment eased 2%, revenue in the Others segment shot up by 128%, mainly due to higher material distribution sales from its materials distribution subsidiary, Starke Singapore.

Geographically, FY2019 revenue from Singapore grew 20% compared to FY2018 due to higher demand for Semiconductor Integrated Systems for the year. The Others market also improved, rising by 12% in FY2019.

US, Taiwan and Malaysia registered lower sales

The Group's earnings per share ("EPS") for FY 2019 eased to 6.26 cents compared to 8.03 cents in FY2018. Group net asset value per share rose to 45.35 cents in FY2019 from 42.61 cents in FY2018.

FOURTH-QUARTER PERFORMANCE

Net profit for the fourth quarter ended 31 December 2019 improved to S$9.3 million which is 2% higher than 3QFY2019 and remain stable as compared to 4QFY2018.

The profit improvement came on the back of a surge in revenue for the quarter.

The Group delivered a stronger 4QFY2019 performance with overall revenue rising 56% to S$40.4 million from S$25.9 million in the corresponding quarter last year. This was achieved on the back of a 53% jump in Semiconductor sales and an 88% rise in Other segment sales.

Compared to its 3QFY2019 sales of S$32.9 million. Group revenue grew 23%.

Semiconductor segment sales in the current quarter is also 21% higher compared to 3QFY2019 and Other segment sales rose 45%.

The growth in Other segment sales came mainly from its subsidiary - Starke Singapore’s material distribution business and Kalf Engineering, which registered sales from completed projects shipped during the quarter.

The higher Semiconductor segment sales were driven by a hike in demand for its Semiconductor Integrated Systems which reported a 158% surge in sales in 4QFY2019 compared to the same period a year ago. Revenue growth was also lifted by a 3% rise in Component sales, compared to 4QFY2018.

Geographically, Singapore was the star performer with a 113% jump buoyed by the strong demand of Semiconductor integrated systems sales. Malaysia also clocked in a strong 60% increase in revenue from higher material distribution sales. Revenue from the Others market also went up by 716% due to higher sales from Kalf Engineering's projects completed in 4QFY2019. Both Taiwan and US markets reported revenue declines due to lower component sales.

In addition to higher sales, the Group's bottom-line benefitted from a 162% increase in contributions from its associate JEP Holdings Ltd ("JEP"). Share of profits from JEP shot up to S$0.6 million from S$0.2 million in the previous corresponding period.

However, the Group's overall gross material margins fell to 51.1% from 60.9% due to a shift in product mix with higher concentration in Semiconductor System Integrated sales, which command lower margins compared to Component sales.

The Group's overall performance was also dragged down by higher expenses, such as personnel, professional fees, freight and upkeep of machinery cost.

The Group also incurred an exchange loss of S$0.7 million due to the depreciating US dollar in the quarter as well as a goodwill impairment of S$1.0 million on its investment in Kalf Engineering.

STRONG OPERATING CASHFLOW

The Group continued to enjoy strong positive cash flow.

Free cash flow surged to S$16.1 million as compared to S$7.8 million in 4QFY2018.

As a result of the Group's prudent inventory management, inventory levels were slashed by 27% from S$70.4 million in December 2018 to S$51.7 million in December 2019.

For FY2019, the Group generated S$53.6 million in positive net cash flow from operating activities versus S$38.7 million in FY2018; while free cashflow more than doubled to S$53.4 million from S$23.0 million in FY2018.

The Group grew its cash flow substantially despite making an additional investment of S$7.3 million in JEP and paring down its loans from S$20.3 million in FY2018 to S$9.3 million in FY2019.

OUTLOOK

Growth in the semiconductor industry will return in 2020.

According to SEMI, growth in equipment sales is expected to grow by 5.5 percent to $60.8 billion in 2020. This is on the back of advance logic and foundry spending and new projects in China[1]. Furthermore, there will likely be more upside if the macro economy improves and trade tensions subside in 2020.

Commenting on the Group's latest results, Mr Andy Luong, UMS' Chairman and CEO, said, "UMS has delivered a commendable set of results amidst very challenging times in the global economy in 2019. In the current year, we expect to remain a beneficiary of the sustained capital equipment spending and the global memory rebound. There are also signs that inventories are stabilizing and DRAM pricing is likely to rise."

Chip sales have bottomed out and are forecast to improve, but the industry is unlikely to see a V-shaped recovery[2]. Growth will be moderated as the overall global economy remains fragile in 2020.

The overall business sentiment will be weighed down by the continuing trade disputes between the world's economic superpowers and the challenges posed to global supply chains due to the ongoing global coronavirus contagion. Such risk factors may dent investment appetite and delay recovery in the chip sector.

The Group however remains cautiously optimistic of its outlook.

While it has renewed its integrated system business contract with its key customer for another three years, the recent COVID-19 outbreak has halted many manufacturing activities in China, and disrupted global supply chains which may adversely affect the Group's system integration business.

Mr Luong added, "In view of the rapidly changing conditions caused by the COVID-19 outbreak, the Group's management is working closely with its customers on mitigation measures to ensure minimal disruption to our operations. Going forward, we are confident that our business strategies will stand us in good stead. We are pleased to propose a final tax-exempt dividend of 2 cents and a special dividend of 0.5 cent per share for FY2019 and the Group will maintain quarterly reporting and its quarterly dividend payment. This is part of our ongoing efforts to keep shareholders and the investing community updated on the Group's financial performance and to reward shareholders for their loyal support."

Barring any unforeseen circumstances, UMS will remain profitable in FY2020.

[[1] *Source: https://www.semi.org/en/news-resources/press/year-end-total-equipment-forecast*]
[[2] Source: *http://www.electronics-sourcing.com/2019/12/23/semiconductor-industry-will-recover-in-2020/*]

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
For more information, please contact:
Ms. Tham Moon Yee – tmy@stratagemconsultants.com
Mr. Soh Tiang Keng – tksoh@stratagemconsultants.com
Mr Asri Bamadhaj - asri@stratagemconsultants.com

Stratagem Consultants Pte Ltd:
Tel: 65- 6227 0502
Fax: 65- 6227 5663