

Singapore

ADD (no change)

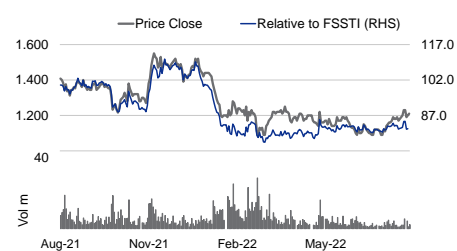
Consensus ratings*: Buy 5 Hold 1 Sell 0

Current price:	S\$1.21
Target price:	S\$1.63
Previous target:	S\$1.63
Up/downside:	34.7%
CGS-CIMB / Consensus:	3.5%
Reuters:	UMSH.SI
Bloomberg:	UMSH SP
Market cap:	US\$589.8m
	S\$806.8m
Average daily turnover:	US\$2.45m
	S\$3.39m
Current shares o/s:	666.8m
Free float:	83.5%

*Source: Bloomberg

Key changes in this note

➤ No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	8	4.3	-14.1
Relative (%)	3	0	-17.8

Major shareholders	% held
Andy Luong	16.4

Analyst(s)



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UMS Holdings Ltd

No slowdown in sight

- 1H22 revenue (S\$171.3m) was in line with our S\$169.8m forecast and formed 52.5%/52.9% of our/Bloomberg consensus full-year forecast.
- 1H22 net profit (S\$39.5m) was in line with our S\$39.2m forecast and was above Bloomberg consensus expectation at 57.9% of full-year forecast.
- Reiterate Add. Our TP remains at S\$1.63 as demand looks strong despite macro concerns.

1H22 net profit in line with our expectation, above consensus

1H22 revenue (S\$171.3m) was in line with our S\$169.8m forecast and formed 52.5%/52.9% of our/Bloomberg consensus full-year forecast. 1H22 net profit (S\$39.5m) was in line with our S\$39.2m and formed 54.4% of our full-year expectation. 1H22 net profit was above Bloomberg consensus expectation at 57.9% of our full-year forecast. All business segments reported yoy revenue growth and gross material margin was relatively stable at 51.6% in 1H22 compared to 52.3% in 1H21. UMS benefitted from a foreign exchange gain of S\$1.7m in 2Q22 (1Q22: 0.5m) arising from the stronger US dollar vis-à-vis the S\$. An interim DPS of 1.0 Sct was declared. Income tax expense rose 124% yoy to S\$10.4m in 1H22 as 1) the pioneer tax incentives for one of its Malaysian companies had expired during the year, and 2) the other Malaysian subsidiary was unable to comply with the stipulated local employee criteria (due to ongoing labour crunch in Penang) to qualify for the pioneer tax incentive.

Still seeing strong demand from customer

Management guided that the group's order forecasts remain strong as its key customer has recently given a bright outlook as it expects increased sales despite the impact of ongoing supply chain challenges in FY22F. UMS noted that this key customer has announced accelerating of technology inflections which will enable it to outgrow the semiconductor market in the years ahead. Although UMS noted that there were challenges such as supply disruptions and rising inflation as well as softening of forecast and scaling down of capex plans by some chipmakers, the group will carry on with its new Penang factory scheduled for completion by end-2022. UMS believes that this increase in production capacity will position the group to take on new orders from potential new customers which are expanding in Southeast Asia. Its ongoing engagements with such prospective customers are progressing well.

Reiterate Add on earnings growth prospects

Our TP remains at S\$1.63, based on a target P/E of 14.45x (forward peak P/E multiple of 14.45x achieved in the FY16-18 net profit upcycle) on our FY23F EPS forecast. Re-rating catalysts: a) securing new customers for its new Penang plant, b) faster-than-expected earnings recovery for JEP's aviation business segment, and c) favourable resolution of its tax issue with the Malaysian authorities. Downside risks are high raw material prices and failure to renew its contract with a key customer.

Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (S\$m)	164.4	271.2	326.5	351.0	370.8
Net Profit (S\$m)	36.47	53.10	72.66	75.00	79.76
Core EPS (S\$)	0.07	0.08	0.11	0.11	0.12
Core EPS Growth	36.5%	16.6%	36.8%	3.2%	6.4%
FD Core P/E (x)	17.76	15.19	11.10	10.76	10.12
Price To Sales (x)	4.91	2.97	2.47	2.30	2.18
DPS (S\$)	0.040	0.050	0.050	0.050	0.050
Dividend Yield	3.31%	4.13%	4.13%	4.13%	4.13%
EV/EBITDA (x)	13.21	8.84	7.28	6.73	5.96
P/FCFE (x)	15.90	17.54	16.65	10.34	9.41
Net Gearing	(13.3%)	(6.4%)	(9.7%)	(19.6%)	(28.8%)
P/BV (x)	3.21	2.92	2.56	2.26	2.00
ROE	18.4%	20.1%	24.5%	22.3%	21.0%
% Change In Core EPS Estimates			0%	0%	0%
CGS-CIMB/Consensus EPS (x)			1.00	0.98	1.14

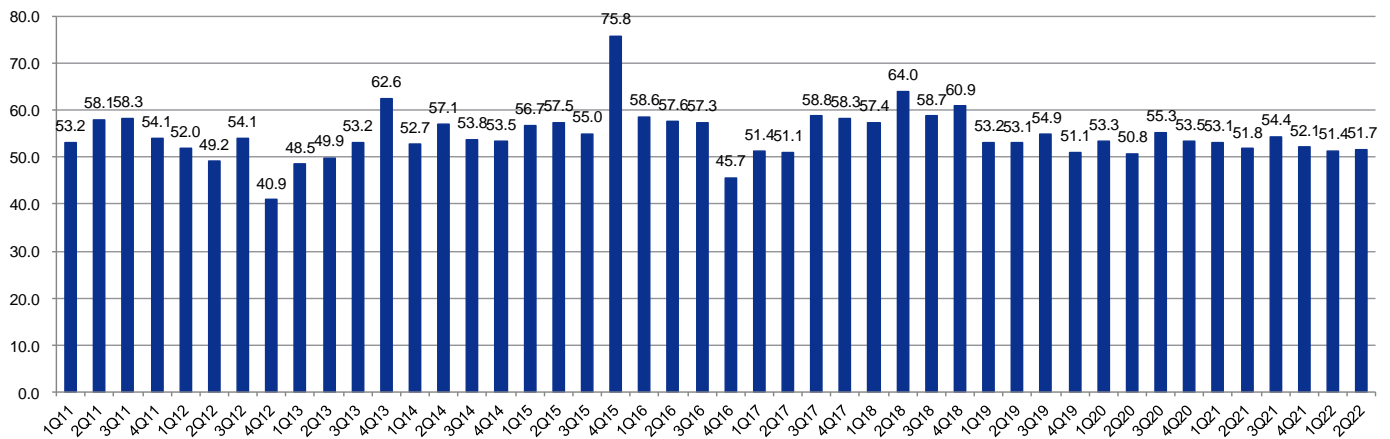
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results comparison

FYE Dec (\$\$ m)	2QFY22	2QFY21	yoy % chg	1QFY22	qoq % chg	1HFY22 Cum	1HFY21 Cum	yoy % chg	Prev FY22F	Comments
Revenue	86.6	66.8	29.7	84.7	2.2	171.3	116.4	47.2	326.5	1H22 revenue was in line with our S\$169.8m forecast. 1H22 revenue formed 52.5% of our full-year forecast. 1H22 revenue formed 52.9% of Bloomberg consensus full-year forecast, in line with expectation.
Operating costs	(57.3)	(48.3)	18.6	(55.5)	3.4	(111.1)	(73.0)	52.3	(215.7)	
EBITDA	29.3	18.4	58.9	29.3	-	60.2	43.4	38.7	110.7	
EBITDA margin (%)	33.8	27.6	+6.2% pts	34.6	-0.7% pts	35.1	37.3	-2.1% pts	33.9	yoy margin erosion due to inflationary cost pressure. Qoq margin erosion was smaller as UMS managed to pass on some of the higher cost.
Depn & amort.	(3.8)	(2.8)	38.0	(3.6)	5.2	(7.5)	(4.5)	64.6	(14.6)	
EBIT	27.1	22.2	22.1	25.6	5.7	52.7	38.9	35.7	96.2	
Interest expense	(0.3)	(0.2)	17.5	(0.3)	(5.9)	(0.5)	(0.4)	44.1	(0.9)	Negligible debt.
Interest income	0.1	0.0	39.5	0.0	22.4	0.1	0.1	60.3	0.4	
Associates' contrib	-	0.1	(100.0)	-	na	-	0.4	(100.0)	-	
Exceptionals	-	-	na	-	na	-	-	-	-	
Pretax profit	26.9	22.1	21.6	25.4	5.9	52.3	38.9	34.4	95.7	
Tax	(5.6)	(2.9)	96.2	(4.7)	19.4	(10.4)	(4.6)	124.0	(17.8)	
Tax rate (%)	21.0	13.0	+8.0% pts	18.6	+2.4% pts	19.8	11.9	+7.9% pts	18.6	Still in discussion with Malaysian authorities to achieve a favourable tax outcome.
Minority interests	1.1	2.3	(53.6)	1.3	(17.6)	2.4	2.0	18.4	5.2	
Net profit	20.2	16.9	19.4	19.4	4.2	39.6	32.3	22.6	72.7	1H22 net profit was in line with our S\$39.2m forecast. 1H22 net profit formed 54.4% of our full-year forecast. 1H22 net profit formed 57.9% of Bloomberg consensus full-year forecast, above expectation.
Core net profit	20.2	16.9	19.4	19.4	4.2	39.6	32.3	22.6	72.7	
EPS (cts)	3.0	2.5	19.3	2.9	4.1	5.9	4.8	22.5	10.9	
Core EPS (cts)	3.0	2.5	19.3	2.9	4.1	5.9	4.8	22.5	10.9	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Gross material margin (%) trend



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Historical quarterly net profit trend

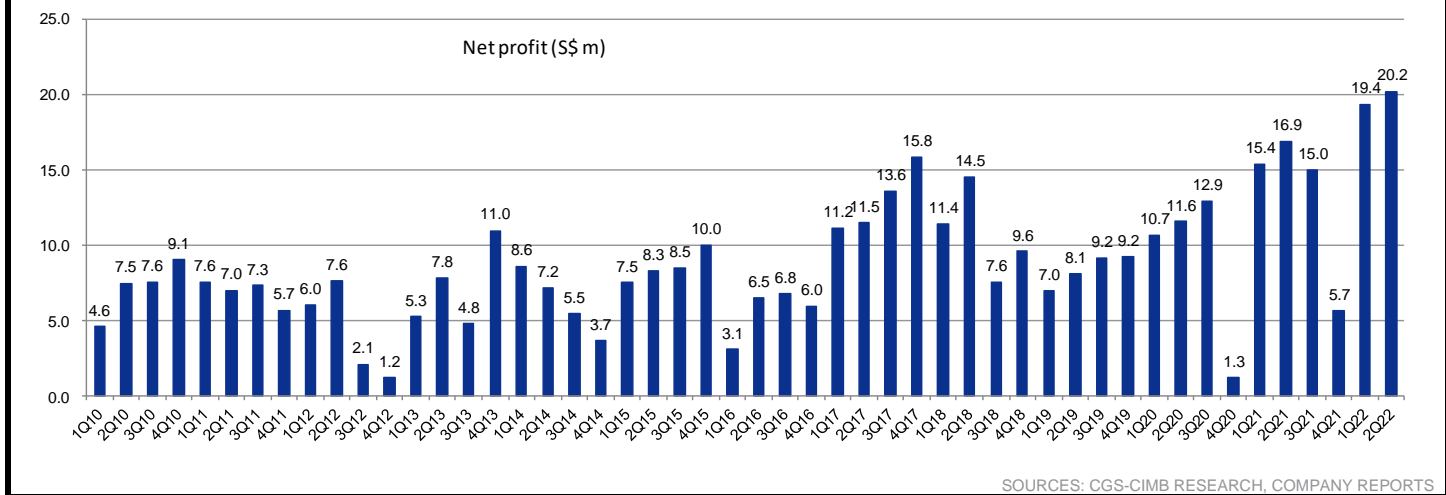


Figure 4: Peers comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x) CY22F	P/E (x) CY23F	3-year EPS CAGR (%)	P/BV (x) CY22F	Recurring ROE (%) CY22F	Dividend Yield (%) CY22F
Singapore											
UMS Holdings Ltd	UMSH SP	ADD	1.21	1.63	590	11.1	10.8	13.8%	2.56	24.7%	4.1%
Frencken Group Ltd	FRKN SP	Add	1.22	1.75	381	9.2	7.9	7.1%	1.24	14.3%	3.2%
Grand Venture Technology Ltd	GVTL SP	Add	0.70	0.85	174	15.3	10.7	11.5%	2.03	14.1%	1.3%
Simple Average						11.9	9.8	11.5%	1.94	17.7%	2.9%
Overseas											
Malaysian Pacific Industries	MPI MK	Add	32.04	48.60	1,434	19.3	17.5	na	3.19	18.0%	1.1%
Unisem	UNI MK	Add	3.01	3.90	1,092	19.8	17.0	13.8%	2.11	11.3%	2.3%
Inari-Amertron Bhd	INRI MK	Add	2.92	3.40	2,436	25.8	23.2	na	4.42	19.6%	3.6%
Aemulus Holdings Bhd	AMLS MK	Add	0.58	0.76	87	22.4	16.0	na	2.89	14.1%	0.0%
Sam Engineering & Equipment M	SEQB MK	NR	4.59	NA	546	32.9	22.1	22.4%	3.25	12.4%	na
Benchmark Electronics Inc	BHE US	NR	27.20	NA	956	13.6	12.2	na	na	na	na
Celestica Inc	CLS US	NR	11.30	NA	1,395	6.7	6.1	33.4%	na	13.8%	0.0%
Flex Ltd	FLEX US	NR	18.64	NA	8,501	9.5	8.3	10.9%	2.02	23.4%	0.0%
Sanmina Corp	SANM US	NR	49.34	NA	2,852	9.9	9.8	-0.1%	na	16.6%	0.0%
Foxsemicon Integrated Technolo	3413 TT	NR	203.0	NA	666	9.5	8.9	na	2.14	24.1%	5.3%
Simple Average						16.9	14.1	16.1%	2.86	17.0%	1.5%
Average						15.8	13.1	14.1%	2.59	17.2%	1.9%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG
NOTE: FORECASTS FOR NON-RATED STOCKS ARE BASED ON BLOOMBERG CONSENSUS ESTIMATES
DATA AS AT 12 AUG 2022

Figure 5: 12-month rolling forward P/E(x)

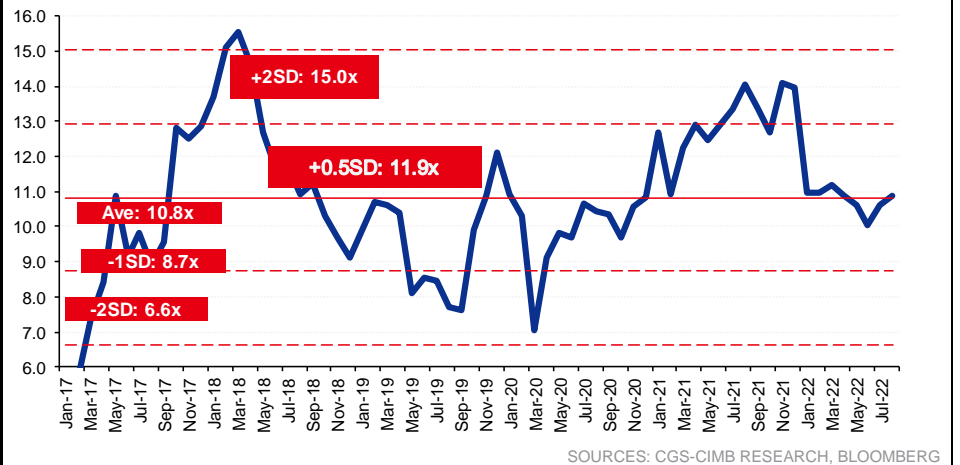
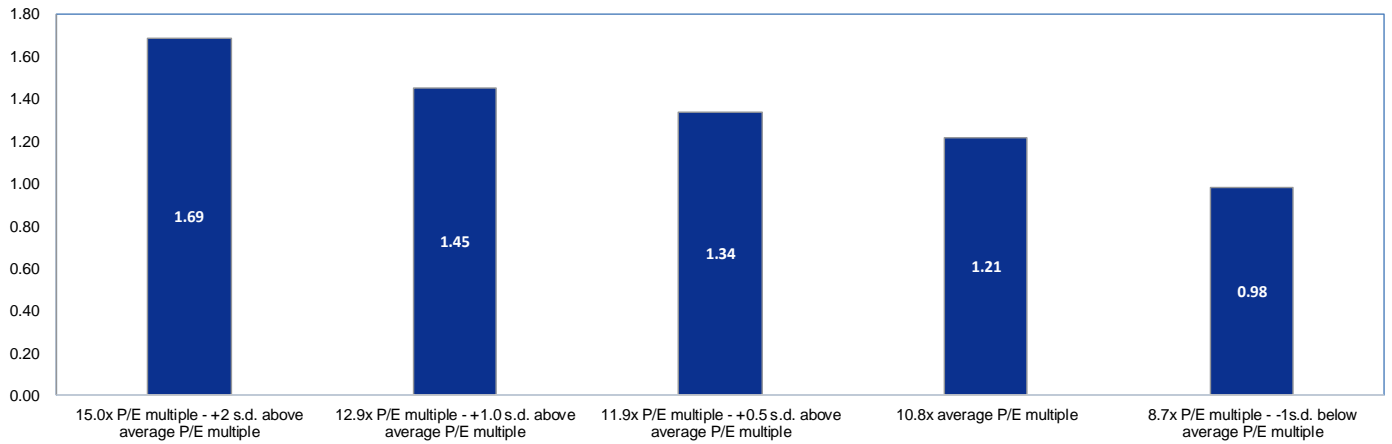



Figure 6: TP scenario based on 12-month rolling forward P/E(x) over Jan 17 to Aug 22

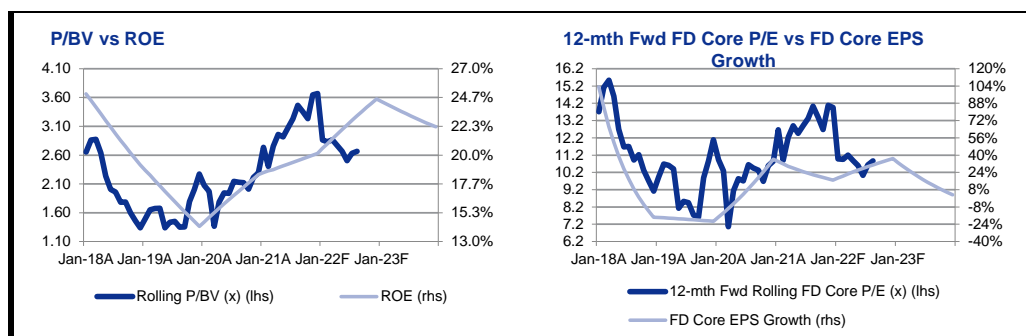


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

	
<p>ESG in a nutshell</p> <p>UMS Holdings Limited is a integration partner providing equipment manufacturing and engineering services to Original Equipment Manufacturers of semiconductors. UMS’s sustainability vision is to align its economic success with environmental and social responsibility. The company is a member of the Responsible Business Alliance.</p>	
<p>Keep your eye on</p> <p>Customer concentration risk.</p>	<p>Implications</p> <p>Applied Materials (AMAT US, NR) is UMS’s major customer. Our forecasts assume that UMS will retain its allocation of AMAT’s requirement for the product that it participates in. Over the years, management has tried to diversify its revenue.</p>
<p>ESG highlights</p> <p>We believe that UMS’s skilled technicians are its greatest asset. As the business involves machining, skilled technicians can reduce wastage and deliver the machines parts faster. We believe that this is a differentiating factor for UMS.</p>	<p>Implications</p> <p>The Group employed 518 employees at the end of 2020. UMS’s practices are guided by the principles set out by Singapore’s Tripartite Alliance for Fair and Progressive Employment Practices. The group is an equal opportunity employer that embraces employee diversity and promotes an inclusive work culture. In 2020, the company did not receive any reports of discrimination or exploitative labour practices.</p>
<p>Trends</p> <p>UMS’s main contribution to reducing the environmental impact involves suppressing the amount of materials and energy used in the process of manufacturing, while also reducing, as much as possible, the emission of environmentally harmful substances.</p>	<p>Implications</p> <p>For the manufacturing process, UMS has established a target of 0.13KWH/revenue energy intensity to achieve energy conservation by optimising its manufacturing processes. In 2020, the group achieved an energy intensity of 0.1558 KWH/revenue.</p>

SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS



Profit & Loss

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	164.4	271.2	326.5	351.0	370.8
Gross Profit	87.6	143.1	167.8	180.4	190.6
Operating EBITDA	56.0	92.2	110.7	114.1	121.0
Depreciation And Amortisation	(7.7)	(12.4)	(14.6)	(15.3)	(16.1)
Operating EBIT	48.3	79.8	96.2	98.8	104.9
Financial Income/(Expense)	(0.4)	(0.8)	(0.5)	(0.5)	(0.5)
Pretax Income/(Loss) from Assoc.	0.1	0.4	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	48.0	79.4	95.7	98.3	104.4
Exceptional Items	(9.1)				
Pre-tax Profit	38.9	79.4	95.7	98.3	104.4
Taxation	(2.6)	(21.8)	(17.8)	(18.3)	(19.4)
Exceptional Income - post-tax					
Profit After Tax	36.3	57.6	77.9	80.0	85.0
Minority Interests	0.2	(4.5)	(5.2)	(5.0)	(5.2)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	36.5	53.1	72.7	75.0	79.8
Recurring Net Profit	45.6	53.1	72.7	75.0	79.8
Fully Diluted Recurring Net Profit	45.6	53.1	72.7	75.0	79.8

Cash Flow

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	55.99	92.21	110.73	114.09	120.95
Cash Flow from Inv. & Assoc.					
Change In Working Capital	1.31	(23.38)	(36.97)	(10.19)	(8.21)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00	0.00
Other Operating Cashflow	1.21	1.72	0.48	0.40	0.40
Net Interest (Paid)/Received	0.00	0.00	0.00	0.00	0.00
Tax Paid	(2.12)	(4.47)	(17.79)	(18.28)	(19.41)
Cashflow From Operations	56.38	66.08	56.45	86.02	93.73
Capex	(11.59)	(9.98)	(8.00)	(8.00)	(8.00)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00	0.00
Other Investing Cashflow	0.00	0.00	0.00	0.00	0.00
Cash Flow From Investing	(11.59)	(9.98)	(8.00)	(8.00)	(8.00)
Debt Raised/(repaid)	6.10	(10.10)	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00				
Shares Repurchased	0.00				
Dividends Paid	(26.67)	(22.67)	(33.34)	(33.34)	(33.34)
Preferred Dividends	0.00	0.00	0.00	0.00	0.00
Other Financing Cashflow	(2.43)	(0.69)	(0.90)	(0.90)	(0.90)
Cash Flow From Financing	(23.00)	(33.46)	(34.24)	(34.24)	(34.24)
Total Cash Generated	21.79	22.64	14.21	43.78	51.49
Free Cashflow To Equity	50.89	46.00	48.45	78.02	85.73
Free Cashflow To Firm	44.80	56.10	48.45	78.02	85.73

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(S\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	53.8	65.1	79.3	123.1	174.6
Total Debtors	23.5	67.5	80.5	86.6	91.4
Inventories	53.9	87.1	108.7	116.8	123.4
Total Other Current Assets	0.0	0.0	0.0	0.0	0.0
Total Current Assets	131.2	219.7	268.5	326.5	389.4
Fixed Assets	62.8	128.4	121.9	114.5	106.5
Total Investments	35.4	0.0	0.0	0.0	0.0
Intangible Assets	80.1	88.6	88.6	88.6	88.6
Total Other Non-Current Assets	0.0	0.0	0.0	0.0	0.0
Total Non-current Assets	178.3	217.0	210.4	203.1	195.0
Short-term Debt	16.0	12.8	12.8	12.8	12.8
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0	0.0
Total Creditors	25.4	56.1	53.7	57.7	61.0
Other Current Liabilities	4.9	20.6	20.6	20.6	20.6
Total Current Liabilities	46.2	89.4	87.0	91.0	94.3
Total Long-term Debt	4.3	32.8	32.8	32.8	32.8
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	6.1	10.2	10.2	10.2	10.2
Total Non-current Liabilities	10.4	43.1	43.1	43.1	43.1
Total Provisions	0.0	0.0	0.0	0.0	0.0
Total Liabilities	56.6	132.5	130.1	134.1	137.4
Shareholders' Equity	251.3	276.3	315.7	357.3	403.7
Minority Interests	1.7	27.9	33.1	38.1	43.3
Total Equity	252.9	304.3	348.8	395.5	447.1

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	24.7%	64.9%	20.4%	7.5%	5.6%
Operating EBITDA Growth	38.6%	64.7%	20.1%	3.0%	6.0%
Operating EBITDA Margin	34.0%	34.0%	33.9%	32.5%	32.6%
Net Cash Per Share (S\$)	0.05	0.03	0.05	0.12	0.19
BVPS (S\$)	0.38	0.41	0.47	0.54	0.61
Gross Interest Cover	80.9	85.4	106.8	109.8	116.5
Effective Tax Rate	6.7%	27.5%	18.6%	18.6%	18.6%
Net Dividend Payout Ratio	58.5%	62.8%	45.9%	44.5%	41.8%
Accounts Receivables Days	50.69	61.22	82.73	86.85	87.84
Inventory Days	251.6	200.9	225.2	241.3	244.0
Accounts Payables Days	105.0	116.0	126.2	119.1	120.5
ROIC (%)	21.1%	34.8%	27.1%	25.2%	26.5%
ROCE (%)	18.0%	25.7%	25.9%	23.7%	22.5%
Return On Average Assets	15.3%	15.6%	17.1%	15.9%	15.3%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Semicon revenue growth (%)	26.8%	58.6%	20.0%	7.0%	5.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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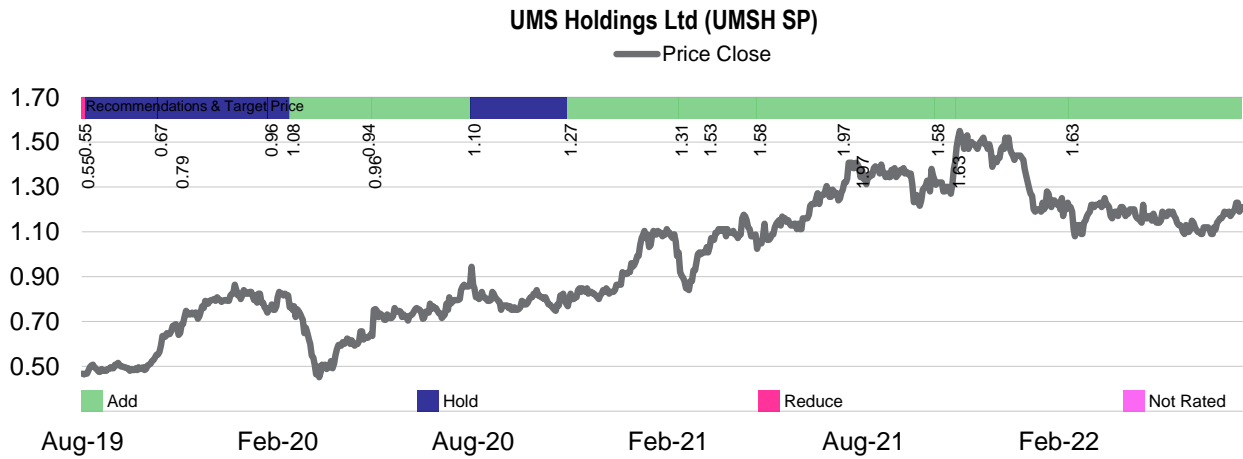
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2022		
643 companies under coverage for quarter ended on 30 June 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
Hold	24.6%	0.0%
Reduce	7.0%	0.2%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework

Stock Ratings

Definition:

Add

The stock's total return is expected to exceed 10% over the next 12 months.

Hold

The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Reduce

The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight

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Neutral

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Underweight

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Neutral

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Underweight

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