

Singapore

ADD (no change)

Consensus ratings*: Buy 4 Hold 0 Sell 0

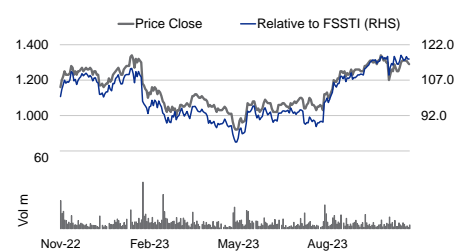
Current price:	S\$1.29
Target price:	S\$1.49
Previous target:	S\$1.49
Up/downside:	15.5%
CGS-CIMB / Consensus:	-0.7%

Reuters:	UMSH.SI
Bloomberg:	UMSH.SP
Market cap:	US\$636.1m
	S\$865.0m
Average daily turnover:	US\$4.11m
	S\$5.59m
Current shares o/s:	666.8m
Free float:	79.4%

*Source: Bloomberg

Key changes in this note

- FY23F EPS increased by 4.0%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.5	21.7	32.3
Relative (%)	1.4	28.2	34.4

Major shareholders

	% held
Andy Luong	15.9
Gn Jong Yuh	4.6
Vanguard Group	2.2

Analyst(s)

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UMS Holdings Ltd

UMS remains optimistic on FY24F outlook

- UMS Holdings' 9M23 net profit was above expectations, at 76.7% of our full-year forecast (71.4% of Bloomberg consensus').
- UMS guided for a positive outlook for FY24F, as the company is optimistic that a recovery for the semicon industry is underway.
- Reiterate Add, with an unchanged S\$1.49 TP (still based on 1.0 s.d. above its 10-year average P/E (FY14-23F) of 12.0x given the positive outlook.

3Q23 net profit above our expectations

3Q23 revenue fell 29% yoy (due to the slowdown in the semicon industry) to S\$71.3m, in line with our S\$72.7m forecast. 9M23 revenue formed 72.5%/71.6% of our/Bloomberg consensus' full-year forecasts. The key semiconductor segment (88.6% of 9M23 revenue) saw a 16% yoy decline in 9M23 revenue. The aerospace segment benefitted from the recovery in global travel and saw a 41% yoy growth in 9M23 revenue. 3Q23 net profit of S\$15.4m (-64% yoy, +32% qoq) was above our S\$12.2m expectation, due to better cost controls and lower tax rate. 9M23 net profit was above our expectations, at 76.7% of our FY23F forecast (71.4% of Bloomberg consensus'). An interim DPS of 1.20 Scts was declared, in line with our expectation.

Raising FY23F EPS by 4.0%

Given the better-than-expected 3Q23 net profit, we raise our FY23F EPS forecast by 4.0%, factoring in the better gross material margin and lower tax rate. In its 3Q23 results press release, UMS commented that its performance in the coming months would be supported by the optimistic guidance of some major semiconductor equipment makers, including "to deliver sustainable outperformance" going forward (Applied Materials' 3Q23 results press release) and "tremendous growth vectors ahead and ... investing strategically to drive long-term outperformance" (LAM Research's 3Q23 results release).

Reiterate Add

We reiterate our Add call on UMS with an unchanged TP of S\$1.49, still based on 12.0x CY15F P/E (+1.0 s.d. above its 10-year average P/E, i.e. FY14-23F), given the potential upswing in net profit. We reiterate our Add call given UMS's potential for EPS growth (average of 18.1% over FY24-25F) and initial success in customer diversification (in its 1H23 results release, it had guided that a new customer could contribute at least US\$30.0m in revenue for FY24F). Re-rating catalysts: securing more new customers and further orders from new customers for its new Penang plant, improving factory utilisation rates, return of orders for aircraft components benefitting its aerospace division, and better-than-expected cost management. Downside risks include negative impact from its key customer's loss of sales to China, slower-than-expected rate of return of orders from customers, and UMS's failure to secure enough orders for its Penang plant, or an increase in price competition as other suppliers in Penang also ramp up their efforts to secure business with semicon companies that have recently expanded there.

Financial Summary

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (S\$m)	271.2	372.4	312.1	355.9	390.3
Net Profit (S\$m)	53.10	98.17	60.11	75.00	83.50
Core EPS (S\$)	0.08	0.15	0.09	0.11	0.12
Core EPS Growth	16.6%	84.2%	(38.9%)	24.8%	11.3%
FD Core P/E (x)	16.20	8.78	14.37	11.53	10.36
Price To Sales (x)	3.17	2.32	2.77	2.43	2.22
DPS (S\$)	0.050	0.052	0.058	0.060	0.060
Dividend Yield	3.88%	4.03%	4.50%	4.65%	4.65%
EV/EBITDA (x)	9.42	7.24	9.38	7.35	6.31
P/FCFE (x)	18.70	23.02	11.26	11.52	10.03
Net Gearing	(6.4%)	(5.9%)	(14.6%)	(21.2%)	(28.6%)
P/BV (x)	3.11	2.54	2.39	2.18	1.97
ROE	20.1%	31.8%	17.1%	19.8%	20.0%
% Change In Core EPS Estimates			3.98%	0.00%	0.00%
EPS/Consensus EPS (x)			0.97	0.91	0.96

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results comparison

FYE Dec (\$\$ m)	3QFY23	3QFY22	yoy % chg	2QFY23	qoq % chg	9MFY23 Cum	9MFY22 Cum	yoy % chg	Prev FY23F	Comments
Revenue	71.3	100.1	(28.8)	74.4	(4.2)	226.4	271.4	(16.6)	312.1	3Q23 revenue of S\$71.3m was in line with our S\$72.7m forecast. 9M23 revenue formed 72.5% of our full-year forecast. 9M23 revenue formed 71.6% of Bloomberg consensus
Operating costs	(49.1)	(64.0)	(23.3)	(55.7)	(11.9)	(160.9)	(175.1)	(8.1)	(224.1)	
EBITDA	22.2	36.1	(38.5)	18.7	18.7	65.5	96.3	(32.0)	88.1	
EBITDA margin (%)	31.1	36.0	-5.5% pts	33.8	-2.7% pts	28.9	35.5	-6.5% pts	28.2	
Depn & amort.	(4.9)	(3.8)	27.2	(4.9)	(0.6)	(14.4)	(11.3)	27.2	(19.3)	
EBIT	17.3	32.2	(46.4)	13.8	25.6	51.1	85.0	(39.9)	68.7	
Interest expense	(0.2)	(0.3)	(16.7)	(0.2)	5.5	(0.7)	(0.8)	(11.7)	(1.0)	Negligible debt.
Interest income	0.4	0.0	934.1	0.3	60.0	0.8	0.2	465.3	0.9	
Associates' contrib	-	-	na	-	na	-	-	na	-	
Exceptionals	-	-	na	-	na	-	-	na	-	
Pretax profit	17.5	32.0	(45.3)	13.8	26.5	51.2	84.3	(39.2)	68.6	
Tax	(2.1)	11.9	(117.3)	(1.6)	31.6	(5.9)	1.5	(485.6)	(8.9)	
Tax rate (%)	11.8	credit	na	11.3	+0.46% pts	11.5	(1.8)	na	13.0	
Minority interests	0.1	1.4	(94.1)	0.6	(86.9)	1.0	3.8	(72.7)	1.9	
Net profit	15.3	42.5	(63.9)	11.6	32.0	44.3	82.0	(46.0)	57.8	3Q23 net profit of S\$15.3m was 26.5% above our S\$12.2m forecast. 9M23 net profit formed 76.7% of our full-year forecast. 9M23 net profit formed 71.4% of Bloomberg
Core net profit	15.3	42.5	(63.9)	11.6	32.0	44.3	82.0	(46.0)	57.8	
EPS (cts)	2.29	6.35	(63.9)	1.73	32.4	6.61	12.29	(46.2)	8.62	
Core EPS (cts)	2.29	6.35	(63.9)	1.73	32.4	6.61	12.29	(46.2)	8.62	

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 2: Earnings revisions

(\$m)	OLD			NEW			% chg		
	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F
Revenue	312.1	355.9	390.3	312.1	355.9	390.3	0.0	0.0	0.0
Net profit	57.8	75.0	83.5	60.1	75.0	83.5	4.0	0.0	0.0
Core EPS (\$)	0.0862	0.1119	0.1245	0.0896	0.1119	0.1245	4.0	0.0	0.0
Issued shares (m)	670.54	670.54	670.54	670.54	670.54	670.54	0.00	0.00	0.00
							<u>yoy change in % pts</u>		
Gross material margin (%)	49.3	50.4	49.8	49.8	50.4	49.8	0.4	0.0	0.0
Tax rate (%)	13.0	13.0	13.0	12.0	13.0	13.0	(1.0)	0.0	0.0

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 3: Peer comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x) CY23F	P/E (x) CY24F	3-year EPS CAGR (%)	P/BV (x) CY23F	Recurring ROE (%) CY23F	Dividend Yield (%) CY23F
Singapore											
UMS Holdings Ltd	UMSH SP	ADD	1.29	1.49	636	14.4	11.5	-4.8%	2.39	17.2%	4.5%
Grand Venture Technology Ltd	GVTL SP	Add	0.49	0.62	122	25.0	10.9	11.1%	1.35	5.6%	0.8%
Simple Average						19.7	11.2	3.1%	1.87	11.4%	2.6%
Overseas											
Malaysian Pacific Industries	MPI MK	Reduce	26.80	23.65	1,132	42.2	25.8	na	2.72	6.7%	1.2%
Unisem	UNI MK	Reduce	3.22	2.00	1,103	55.8	31.2	-6.1%	2.18	4.0%	2.5%
Inari-Amertron Bhd	INRI MK	Hold	2.92	2.80	2,322	30.8	26.7	na	4.26	14.1%	2.9%
Sam Engineering & Equipment M	SEQB MK	Hold	4.40	4.95	506	28.7	22.7	11.3%	2.75	10.2%	0.5%
Benchmark Electronics Inc	BHE US	NR	24.31	NA	867	11.9	10.9	16.0%	0.81	7.0%	na
Celestica Inc	CLS US	NR	25.48	NA	3,036	10.8	9.6	34.6%	na	na	na
Flex Ltd	FLEX US	NR	26.09	NA	11,307	14.9	8.9	22.2%	1.94	18.6%	na
Sanmina Corp	SANM US	NR	47.72	NA	2,731	8.9	9.0	0.8%	na	14.5%	na
Foxsemicon Integrated Technolo	3413 TT	NR	185.0	NA	565	10.5	10.1	-1.2%	1.68	14.8%	5.4%
Simple Average						23.8	17.2	11.1%	2.33	11.2%	2.5%
Average						23.1	16.1	9.3%	2.23	11.3%	2.6%

DATA AS AT 13 NOV 2023

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG
Note: Estimates for Not Rated (NR) companies are based on Bloomberg consensus

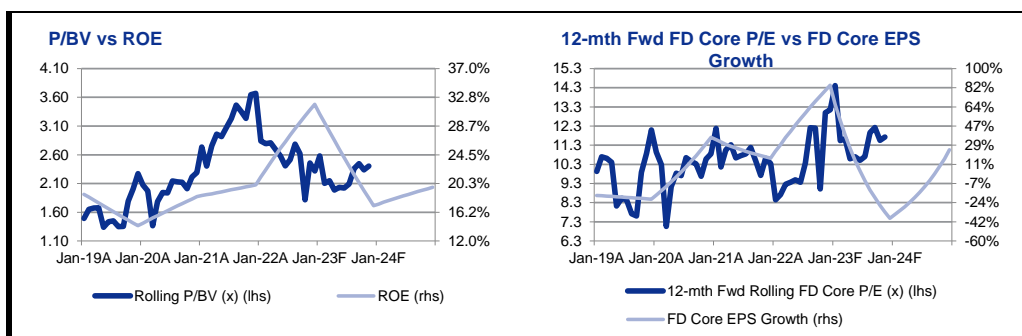


ESG in a nutshell

UMS Holdings Limited provides equipment manufacturing and engineering services to original equipment manufacturers (OEMs) 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>Keep your eye on</p> <p>Customer concentration risk.</p>	<p>Implications</p> <p>Applied Materials (AMAT) is UMS's major customer. Our forecasts assume that UMS will retain its allocation of AMAT's requirement for the product platform that it participates in. Over the years, UMS's management has tried to diversify its revenue.</p>
<p>ESG highlights</p> <p>We believe 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 this is a differentiating factor for UMS.</p>	<p>Implications</p> <p>The group employed 849 employees at the end of 2022. 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 2021, the company did not receive any reports of discrimination or exploitative labour practices.</p>
<p>Trends</p> <p>UMS's main contribution to reducing its environmental impact involves reducing the amount of materials and energy used in the manufacturing process, while also reducing, as much as possible, the emission of environmentally harmful substances.</p>	<p>Implications</p> <p>UMS has established a target of less than 0.13KWH/revenue energy intensity to achieve energy conservation by optimising its manufacturing processes. In 2022, the group achieved energy intensity of 0.1065 KWH/revenue (2021: 0.1306 KWH/revenue).</p> <p style="text-align: right;"><small>SOURCES: CGS-CIMB RESEARCH, REFINITIV</small></p>

BY THE NUMBERS



Profit & Loss

(\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Net Revenues	271.2	372.4	312.1	355.9	390.3
Gross Profit	143.1	185.8	155.3	179.2	194.2
Operating EBITDA	92.2	120.0	89.4	109.9	121.4
Depreciation And Amortisation	(12.4)	(15.9)	(19.3)	(21.4)	(23.0)
Operating EBIT	79.8	104.1	70.1	88.6	98.3
Financial Income/(Expense)	(0.8)	(0.9)	(0.1)	(0.1)	(0.1)
Pretax Income/(Loss) from Assoc.	0.4	0.0	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)	79.4	103.2	70.0	88.5	98.3
Exceptional Items					
Pre-tax Profit	79.4	103.2	70.0	88.5	98.3
Taxation	(21.8)	(1.2)	(8.4)	(11.5)	(12.8)
Exceptional Income - post-tax					
Profit After Tax	57.6	102.0	61.6	77.0	85.5
Minority Interests	(4.5)	(3.8)	(1.5)	(2.0)	(2.0)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	53.1	98.2	60.1	75.0	83.5
Recurring Net Profit	53.1	98.2	60.1	75.0	83.5
Fully Diluted Recurring Net Profit	53.1	98.2	60.1	75.0	83.5

Cash Flow

(\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
EBITDA	92.21	120.02	89.44	109.92	121.35
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(23.38)	(21.50)	0.52	(17.21)	(16.13)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00	0.00
Other Operating Cashflow	1.72	4.77	2.04	1.90	1.75
Net Interest (Paid)/Received	0.00	0.00	0.00	0.00	0.00
Tax Paid	(4.47)	(7.96)	(8.40)	(11.51)	(12.78)
Cashflow From Operations	66.08	95.33	83.60	83.11	94.20
Capex	(9.98)	(53.52)	(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	(9.98)	(53.52)	(8.00)	(8.00)	(8.00)
Debt Raised/(repaid)	(10.10)	(4.38)	1.15	0.00	0.00
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(22.67)	(33.39)	(38.89)	(40.23)	(40.23)
Preferred Dividends	0.00	0.00	0.00	0.00	0.00
Other Financing Cashflow	(0.69)	0.28	(0.96)	(0.96)	(0.80)
Cash Flow From Financing	(33.46)	(37.49)	(38.70)	(41.19)	(41.03)
Total Cash Generated	22.64	4.32	36.91	33.92	45.17
Free Cashflow To Equity	46.00	37.43	76.75	75.11	86.20
Free Cashflow To Firm	56.10	41.81	75.60	75.11	86.20

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(S\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	65.1	61.7	98.6	132.5	177.7
Total Debtors	67.5	79.6	77.0	87.8	96.2
Inventories	87.1	110.7	107.4	121.0	134.3
Total Other Current Assets	0.0	0.0	0.0	0.0	0.0
Total Current Assets	219.7	252.0	282.9	341.3	408.2
Fixed Assets	128.4	147.9	136.6	123.2	108.2
Total Investments	0.0	0.0	0.0	0.0	0.0
Intangible Assets	88.6	88.3	88.3	88.3	88.3
Total Other Non-Current Assets	0.0	0.0	0.0	0.0	0.0
Total Non-current Assets	217.0	236.1	224.8	211.5	196.4
Short-term Debt	12.8	12.3	12.7	12.7	12.7
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0	0.0
Total Creditors	56.1	56.7	51.3	58.5	64.2
Other Current Liabilities	20.6	12.0	12.0	12.0	12.0
Total Current Liabilities	89.4	81.0	76.0	83.2	88.9
Total Long-term Debt	32.8	27.8	28.5	28.5	28.5
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	10.2	11.0	11.0	11.0	11.0
Total Non-current Liabilities	43.1	38.8	39.5	39.5	39.5
Total Provisions	0.0	0.0	0.0	0.0	0.0
Total Liabilities	132.5	119.8	115.6	122.8	128.4
Shareholders' Equity	276.3	340.5	361.7	396.5	439.7
Minority Interests	27.9	27.9	30.9	33.9	36.9
Total Equity	304.3	368.4	392.6	430.4	476.6

Key Ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	64.9%	37.3%	(16.2%)	14.0%	9.7%
Operating EBITDA Growth	64.7%	30.2%	(25.5%)	22.9%	10.4%
Operating EBITDA Margin	34.0%	32.2%	28.7%	30.9%	31.1%
Net Cash Per Share (S\$)	0.03	0.03	0.09	0.14	0.20
BVPS (S\$)	0.41	0.51	0.54	0.59	0.66
Gross Interest Cover	85.4	92.9	73.2	92.4	122.9
Effective Tax Rate	27.5%	1.2%	12.0%	13.0%	13.0%
Net Dividend Payout Ratio	57.8%	34.0%	64.7%	53.6%	48.2%
Accounts Receivables Days	61.22	72.11	91.57	84.70	86.04
Inventory Days	200.9	193.4	253.8	236.6	237.6
Accounts Payables Days	116.0	110.3	125.7	113.7	114.2
ROIC (%)	34.8%	29.3%	16.3%	21.3%	23.3%
ROCE (%)	25.7%	27.5%	16.9%	19.8%	20.0%
Return On Average Assets	15.6%	22.2%	12.4%	14.5%	14.8%

Key Drivers

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Semiconductor segment rev. growth (%)	58.3%	33.1%	-14.8%	15.0%	10.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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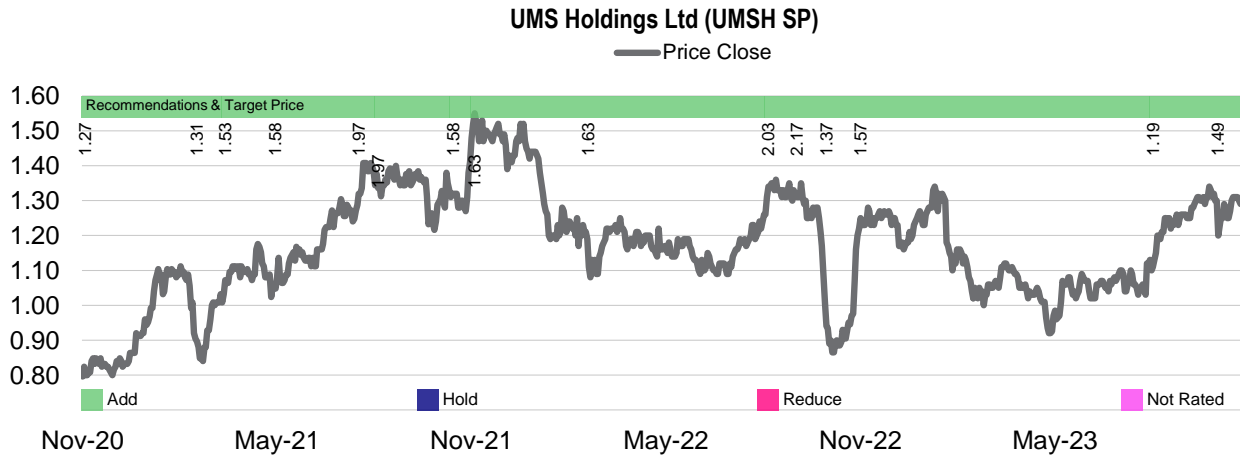
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	Rating Distribution (%)	Investment Banking clients (%)
Add	66.7%	0.9%
Hold	23.7%	0.0%
Reduce	9.6%	0.2%

Spitzer Chart for stock being researched (2 year data)



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