

### MARKET NEWS

US stocks were lower on Friday, as the losses in the information technology, communication services, and energy sectors led shares lower. At the close of the NYSE, the DJIA fell 0.83% while the S&P 500 index was down by 1.22%, and the NASDAQ Composite index slid 1.56%. Falling stocks outnumbered advancing ones on the NYSE by 1,916 to 966 and 118 ended unchanged; on the Nasdaq Stock Exchange, 2,808 declined and 1,520 advanced, while 181 ended unchanged. (Source: WSJ, Bloomberg)

During the last trading session, the FSSTI index rose 31.18pt to 3,280.69. Among the top active stocks were Seatrium (+0.7%), Thai Beverage (-0.9%), Singapore Telecommunications (+1.7%), Singapore Airlines (+0.9%) and UMS (+0.8%). The FTSE ST Mid Cap index rose 0.4% while the FTSE ST Small Cap Index was up 0.1%. The broader market saw 351 gainers and 227 losers with total trading value of S\$1.71b.

### WHAT'S IN THE PACK

#### Singapore Company Update:

**Well-positioned for semiconductor industry recovery and boost from new customer.**

(UMSH SP/BUY/S\$1.26/Target:S\$1.56)

UMS's key customer AMAT has recently raised earnings guidance significantly for the coming quarter due to improving demand for chips. Together with its new customer, which is actively seeking new production capacity ...

#### Singapore Technical Analysis:

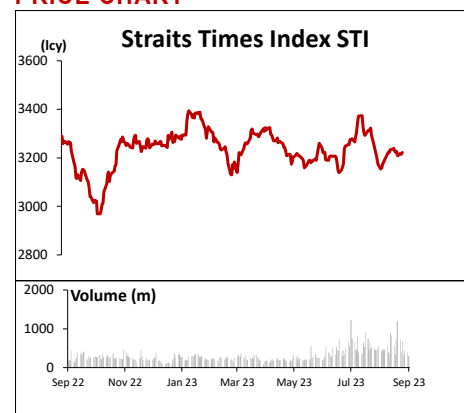
##### Yangzijiang Financial Holding (YZJFH SP) - Trading BUY

Price managed to stay above the cloud, keeping the uptrend intact. Conversion and base lines remain in a bullish crossover. The MACD is bullish with both of its lines above the zero line...

##### Aztech Global (AZTECH SP) - Trading BUY

Price is trading far above the cloud, suggesting the strong bullish uptrend. Conversion and base lines remain in a bullish crossover that hints at potential upside ahead...

### PRICE CHART



### KEY INDICES

	Prev Close	1M %	YTD %
DJIA	34618.2	0.3	4.4
S&P 500	4450.3	1.8	15.9
FTSE 100	7711.4	6.2	3.5
AS30	7482.6	1.6	3.6
CSI 300	3708.8	(2.0)	(4.2)
FSSTI	3280.7	3.4	0.9
HSCEI	6309.6	2.6	(5.9)
HSI	18182.9	1.3	(8.1)
JCI	6982.8	1.8	1.9
KLCI	1459.0	0.9	(2.4)
KOSPI	2601.3	3.9	16.3
Nikkei 225	33533.1	6.6	28.5
SET	1542.0	1.5	(7.6)
TWSE	16920.9	3.3	19.7
BDI	1381	11.6	(8.8)
CPO (RM/mt)	3701	(0.1)	(8.6)
Brent Crude (US\$/bbl)	94	10.6	9.3

Source: Bloomberg

### TOP VOLUME

Company	Price (\$)	Chg (%)	Volume ('000s)
Seatrium	0.14	0.7	414,934
Thai Beverage	0.59	(0.8)	79,425
QUE Commercial REIT	0.21	(6.7)	47,710
Genting Singapore	0.87	0.0	35,079
Singapore Telecommunications	2.40	1.7	30,063

### TOP GAINERS

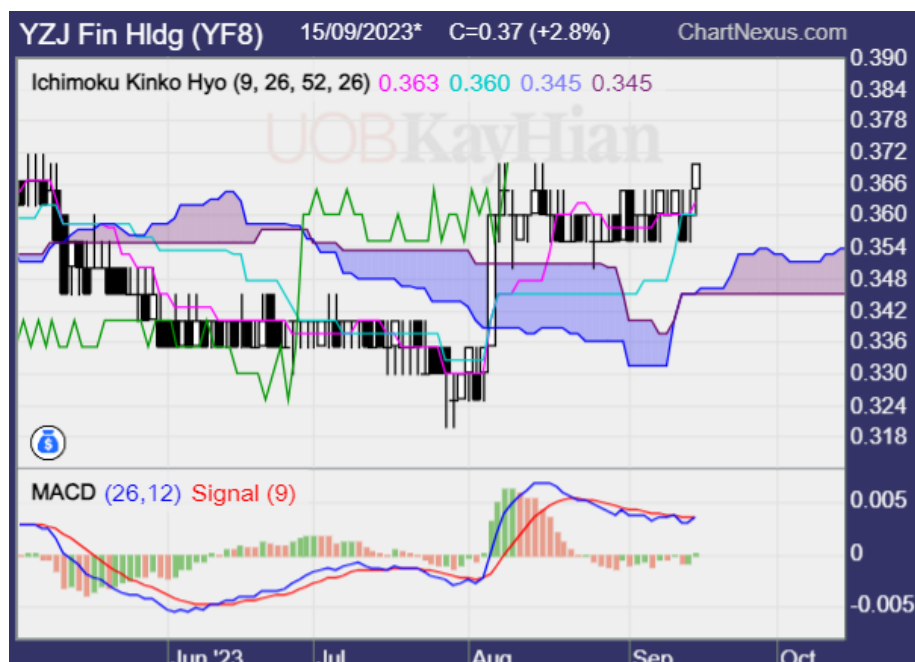
Company	Price (\$)	Chg (%)	Volume ('000s)
Nio Inc	10.70	5.9	245
Frasers Property	0.85	5.6	1,228
Yanlord Land Group	0.72	4.4	3,881
Singapore Telecommunications	2.42	3.0	109
Cromwell REIT EUR	1.40	2.9	860

### TOP LOSERS

Company	Price (\$)	Chg (%)	Volume ('000s)
QUE Commercial REIT	0.21	(6.7)	47,710
Aims APAC REIT	1.30	(2.3)	6,596
Keppel Infrastructure Trust	0.48	(2.1)	18,561
Golden Agri-Resources	0.25	(2.0)	17,290
ESR-LOGOS REIT	0.31	(1.6)	7,937

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## TRADERS' CORNER



### Yangzijiang Financial Holding (YZJFH SP)

Trading buy range: S\$0.360-0.365

Last price: S\$0.370

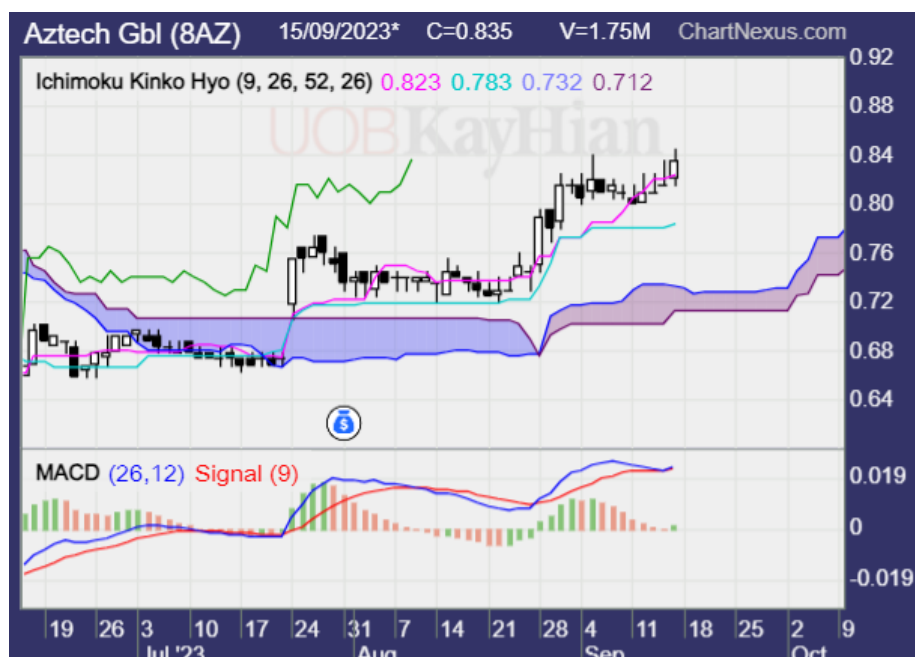
Target price: S\$0.400

Protective stop: S\$0.345

Price managed to stay above the cloud, keeping the uptrend intact. Conversion and base lines remain in a bullish crossover. The MACD is bullish with both of its lines above the zero line. These could increase chances of the stock price moving higher.

The potential upside target is S\$0.40. Stop-loss could be placed at S\$0.345.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)



### Aztech Global (AZTECH SP)

Trading buy range: S\$0.810-0.815

Last price: S\$0.835

Target price: S\$0.870

Protective stop: S\$0.790

Price is trading far above the cloud, suggesting the strong bullish uptrend. Conversion and base lines remain in a bullish crossover that hints at potential upside ahead. The MACD is strong and bullish. These could increase chances of the stock price moving higher.

The potential upside target is S\$0.87. Stop-loss could be placed at S\$0.79.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S\$1.00.

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FROM THE REGIONAL MORNING NOTES...

## UMS Holdings (UMSH SP)

Well-positioned For Semiconductor Industry Recovery And Boost From New Customer

**UMS's key customer AMAT has recently raised earnings guidance significantly for the coming quarter due to improving demand for chips. Together with its new customer, which is actively seeking new production capacity in Malaysia based on our channel check, UMS is in a good position to benefit from the semiconductor industry recovery. We raise our 2024 earnings by 17% and target price by 26% to S\$1.56. Maintain BUY.**

### WHAT'S NEW

- **Key customer's better-than-expected guidance indicates improving demand for chips and should benefit UMS.** UMS Holdings (UMS) is well-positioned to benefit from an improving outlook of its key customer Applied Materials (AMAT). In Aug 23, AMAT reported earnings that beat analyst estimates, and also guided for earnings in the coming quarter to be around 10% higher than analyst estimates. This is mainly due to improving demand from AI-related chips and increasing orders from customers in China who are looking to increase purchases of equipment that are capable of older manufacturing processes. AMAT also highlighted that over the past few years, it has focused its strategy and investments on key technologies to accelerate the Internet of Things and AI era, enabling AMAT to consistently deliver strong results.
- **Channel check indicates that UMS' new customer is actively seeking to expand in Malaysia and is expected to contribute meaningfully from 2024 onwards.** Our recent channel check suggests that UMS' new customer (Customer L) is seeking more production capacity from several local semiconductor-related manufacturers to support its expansion/relocation of its Malaysian operation. UMS estimates that this new customer should contribute at least US\$30m in 2024, which will make up a meaningful 11% contribution to our 2024 forecasted revenue. For the longer term, UMS targets to grow Customer L's contribution to be around the level of its existing largest customer.
- **SEMI expects global fab equipment spending to recover in 2023.** In the 12 Sep 23 quarterly World Fab Forecast Report by Semiconductor Equipment and Materials International (SEMI), global fab equipment spending for front-end facilities in 2023 is expected to decline 15% yoy before rebounding 15% yoy in 2024. Next year's fab equipment spending recovery will be partly driven by the end of the semiconductor inventory correction in 2023 and strengthening demand for semiconductors in the high-performance computing (HPC) and memory segments. The 2023 decline in equipment investment is proving shallower than expected, while the rebound in 2024 should be better than expected. The trend suggests the semiconductor industry is turning the corner on the downturn and on a path back to robust growth, fuelled by healthy chip demand.

### KEY FINANCIALS

Year to 31 Dec (\$m)	2021	2022	2023F	2024F	2025F
Net turnover	271	372	320	378	408
EBITDA	92	120	90	114	124
Operating profit	80	104	70	89	98
Net profit (rep./act.)	53	98	60	77	85
Net profit (adj.)	53	98	60	77	85
EPS (S\$ cents)	7.9	14.7	8.9	11.5	12.7
PE (x)	15.9	8.6	14.1	10.9	9.9
P/B (x)	3.1	2.5	2.3	2.1	1.9
EV/EBITDA (x)	8.6	6.6	8.8	7.0	6.4
Dividend yield (%)	4.0	4.0	4.3	4.4	4.4
Net margin (%)	19.7	26.4	18.7	20.5	20.9
Net debt/(cash) to equity (%)	(11.1)	(9.3)	(21.0)	(24.5)	(32.4)
Interest cover (x)	123.2	134.7	n.a.	n.a.	n.a.
ROE (%)	20.2	31.9	17.0	20.1	19.9
Consensus net profit	-	-	62	75	84
UOBKH/Consensus (x)	-	-	0.96	1.03	1.02

Source: UMS Holdings, Bloomberg, UOB Kay Hian

## STOCK IMPACT

- **Global semiconductor industry is increasing capacity by 5% in 2023 after an 8% rise in 2022; capacity growth is expected to continue in 2024.** Taiwan is expected to retain the global lead in fab equipment spending in 2024 with US\$23b in investments (+4% yoy). Korea is projected to rank second in spending, with an estimated US\$22b in investments in 2024 (+41% yoy), reflecting a memory sector recovery. With export controls expected to limit China's spending in leading-edge technologies and foreign investment, the region is forecast to place third in equipment spending worldwide in 2024 at US\$20b, a decline from 2023. Despite the constraints, Chinese foundry suppliers are expected to continue investments in mature process nodes.
- **Near-term conditions for the semiconductor industry may remain cloudy, but mid- to longer-term prospects are expected to brighten.** Moving into 3Q23, there are signs that demand may stabilise. UMS' customer has shared it expects to outperform the industry this year and UMS has successfully renewed its Integrated System contract.
- **AI- related and automotive chips are expected to drive double-digit growth of spending in fab equipment spending in the next three years.** Global 300mm fab equipment spending for front-end facilities next year is expected to begin a growth streak to hit a US\$119b record high in 2026, following a decline in 2023, according to SEMI. Strong demand for high-performance computing, automotive applications and improved demand for memory will fuel double-digit growth of spending in equipment investments over the three-year period. After the projected 18% drop to US\$74b this year, global 300mm fab equipment spending is forecast to rise 12% to US\$82b in 2024, 24% to US\$101.9b in 2025 and 17% to US\$118.8b in 2026.

## EARNINGS REVISION/RISK

- We raise our 2024/25 earnings estimates by 17%/14%, after raising our revenue estimates by 4%/3% to factor in the potential recovery in the semiconductor industry from AMAT's improved guidance. We also raise our gross margin assumption by 1.5% to 48.5% to account for better operating leverage from improved revenue.

## VALUATION/RECOMMENDATION

- **Maintain BUY with a 26% higher target price of S\$1.56 (from S\$1.24),** based on a PE-based valuation of 13.5x 2024F EPS. This is pegged at 0.5SD above UMS' historical mean PE, up from the average of 12.5x previously. The reason for raising our PE-based valuation multiple from below mean is to reflect the improving semiconductor industry outlook and potential increase in UMS' earnings quality from new contributions from its new customer.

## SHARE PRICE CATALYST

- Better-than-expected factory utilisation rates and cost management, dividend surprise.

## PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price @ 15 Sep 23 (lcy)	Market Cap (US\$m)	----- PE -----		----- P/B -----		----- EV/EBITDA -----		ROE 2023 (%)	Yield 2023 (%)
					2023 (x)	2024 (x)	2023 (x)	2024 (x)	2023 (x)	2024 (x)		
AEM	AEM SP	SGD	3.42	775	n.a.	12.0	2.2	1.9	45.5	8.9	0.2	0.0
Venture	VMS SP	SGD	13.13	2,803	13.6	13.1	1.3	1.3	8.1	7.9	9.8	5.7
Frencken	FRKN SP	SGD	1.12	351	18.7	13.5	1.2	1.1	9.2	7.3	6.5	1.6
<b>Singapore average</b>					<b>16.1</b>	<b>12.9</b>	<b>1.6</b>	<b>1.4</b>	<b>20.9</b>	<b>8.0</b>	<b>5.5</b>	<b>2.4</b>
Kulicke & Soffa	KLIC US	USD	48.10	2,716	27.8	24.0	n.a.	n.a.	18.1	13.5	8.6	n.a.
Applied Materials	AMAT US	USD	144.57	120,938	18.3	18.4	7.7	7.4	14.8	15.1	46.6	0.8
Lam Research	LRCX US	USD	656.43	86,985	19.7	23.8	10.7	11.1	15.5	19.1	62.3	1.1
KLA Corp	KLAC US	USD	479.9	65,612	19.8	21.2	22.5	18.0	15.4	17.1	156.8	1.1
Teradyne	TER US	USD	97.96	15,087	34.5	21.5	6.3	5.9	22.3	15.6	18.5	0.5
<b>Global average</b>					<b>24.0</b>	<b>21.8</b>	<b>11.8</b>	<b>10.6</b>	<b>17.2</b>	<b>16.1</b>	<b>58.6</b>	<b>0.8</b>
UMS	UMSH SP	SGD	1.26	620	14.1	10.9	2.3	2.1	8.8	7.0	17.0	4.3

Source: Bloomberg, UOB Kay Hian

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