

COMPANY RESULTS

UMS Integration (UMSH SP)

2024: Earnings In Line With Expectations; Expect Ramp-up For New Customer

UMS' 2024 earnings of S\$41m (-32% yoy) are in line with expectations. The earnings decline was due to weaker global chip demand. UMS has started volume production for its new key customer and expects an improvement in delivery, supported by a strong order flow as production ramps up. UMS expects significant revenue growth from the new customer and better group net margin from lower start-up costs. Upgrade to BUY with a 27% higher target price of S\$1.21.

2024 RESULTS

Year to 31 Dec (S\$m)	2024	2023	% chg yoy	4Q24	3Q24	% chg qoq
Revenue	242.1	300.0	(19)	67.2	64.9	4
Gross profit	123.5	150.4	(8)	31.3	33.5	(7)
Gross margin (%)	51.0	50.1	0.9ppt	46.6	51.6	(5.0ppt)
PATMI	40.6	60.0	(32)	11.1	10.4	7
Net margin (%)	17.2	20.3	(3.1ppt)	17.6	16.0	1.6ppt

Source: UMS Integration, UOB Kay Hian

RESULTS

- 2024 earnings in line with expectation.** UMS Integration (UMS) reported 2024 earnings of S\$41m (-32% yoy), which are in line with expectations, meeting 100% of our full-year estimate. Final dividend for 4Q24 dropped 10% yoy to 2.0 S cents. 4Q24 earnings of S\$11m showed an improvement of 6% qoq, due to a 4% increase in revenue qoq and a S\$3m forex gain. UMS' gross margin fell to 47% from 53% in 4Q23, mainly due to unfavourable exchange rate movements. However, this situation turned around near the year-end as the US dollar strengthened against the Singapore dollar and UMS recorded a forex gain.
- 2024 revenue declined 19% yoy due to the weaker semiconductor segment.** UMS' semiconductor sales fell 19% yoy. The softer semiconductor performance was due to weaker global chip demand. Semiconductor integrated system sales dropped 33% yoy to S\$94m in 2024 while component sales declined 8% yoy to S\$110m. Geographically, all key markets except Malaysia posted lower revenue in 2024. Revenue in Malaysia surged 97% in 2024 as orders from the new customer increased. Revenue in Singapore, the US, Taiwan and others reported sales declines of 23%, 6%, 36% and 36% respectively.
- UMS expects good prospects in 2025.** UMS has started volume production for its new customer and expects significant improvement in delivery, supported by strong order flow as production ramps up. UMS is also working on several new product introductions from its new customers as new products are forecasted to rise in the coming months. UMS' major global semiconductor customers have given positive outlook guidance for 2025, riding on the acceleration of AI investment and demand. Also, the prevailing global air travel boom will continue to lift the performance of UMS' aerospace business.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2023	2024	2025F	2026F	2027F
Net turnover	300	242	267	296	329
EBITDA	87	65	82	91	101
Operating profit	69	46	55	63	71
Net profit (rep./act.)	60	41	49	56	64
Net profit (adj.)	60	41	49	56	64
EPS (S\$ cent)	8.5	5.8	6.9	7.8	8.9
PE (x)	12.6	18.6	15.6	13.6	12.0
P/B (x)	2.1	1.8	1.8	1.7	1.6
EV/EBITDA (x)	8.1	10.7	8.6	7.7	6.9
Dividend yield (%)	5.2	4.9	4.9	4.9	4.9
Net margin (%)	20.1	16.9	18.3	18.8	19.3
Net debt/(cash) to equity (%)	(12.5)	(18.9)	(20.0)	(22.8)	(26.1)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	17.2	10.5	11.5	12.7	13.7
Consensus net profit (S\$m)	-	-	46	49	-
UOBKH/Consensus (x)	-	-	1.05	1.15	-

Source: UMS Integration, Bloomberg, UOB Kay Hian

BUY

(Upgraded)

Share Price	S\$1.07
Target Price	S\$1.21
Upside	+13.1%
(Previous TP)	S\$0.95

COMPANY DESCRIPTION

UMS provides high precision components and complex electromechanical assembly and final testing for semiconductor equipment manufacturers.

STOCK DATA

GICS sector	Information Technology
Bloomberg ticker:	UMSH SP
Shares issued (m):	710.5
Market cap (S\$m):	760.3
Market cap (US\$m):	563.6
3-mth avg daily t'over (US\$m):	1.4

Price Performance (%)

52-week high/low S\$1.41/S\$0.965

1mth	3mth	6mth	1yr	YTD
1.9	3.9	4.9	(22.5)	3.9

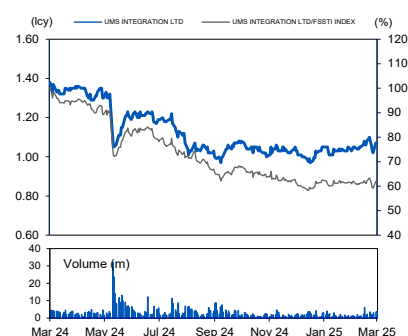
Major Shareholders

Andy Luong (Founder)	15.0%
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FY25 NAV/Share (S\$) 0.61

FY25 Net Cash/Share (S\$) 0.12

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **SIA highlighted that the global semiconductor market experienced its highest-ever sales year in 2024.** Semiconductor Industry Association (SIA) reported that the global semiconductor market topped US\$600b in annual sales for the first time, and double-digit market growth is projected for 2025. It also added that as semiconductors enable virtually all modern technologies – including medical devices, communications, defence applications, AI, advanced transportation, and countless others, the long-term industry outlook is incredibly strong. The semiconductor industry is expected to start 18 new fab construction projects in 2025, according to SEMI's latest quarterly World Fab Forecast report. We understand that the new projects include three 200mm and 15 300mm facilities, the majority of which are expected to begin operations from 2026 to 2027.

- **The aviation industry is benefitting from the global boom in air travel.** According to International Air Transport Association (IATA), global air passenger demand reached a record high in 2024. The number of air travellers around the world is expected to surpass 5b for the first time in history in 2025 as travel becomes increasingly affordable. Total revenues in the industry are set to exceed US\$1t for the first time in history this year, at US\$1.0t.

EARNINGS REVISION/RISK

- We raised our 2025/26 earnings estimates by 9%/14% respectively after raising our revenue estimates by 2%/4% to account for the better ramp-up of UMS' new customer. We also increased our 2025/26 gross margin assumptions by 2ppt to 51%. As a result, our net margin estimates also expanded by around 1.5ppt to 18.3%/18.8%.

VALUATION/RECOMMENDATION

- **Upgrade to BUY with a 27% higher target price of S\$1.21**, based on a PE-based valuation of 17.6x 2025 EPS (up from 15x, +0.5SD). This is pegged to 1SD above UMS' historical mean PE. The reason for pegging our PE-based valuation multiple to above mean is to reflect the better ramp-up of UMS' new customer and improvement in UMS' earnings quality from new contributions from its new customer.

SHARE PRICE CATALYST

- Higher-than-expected factory utilisation rates.
- Return of orders for aircraft components to benefit subsidiary, JEP Holdings.
- Better-than-expected cost management.

PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price @ 3 Mar 25 (lcy)	Market Cap (US\$m)	PE		P/B		EV/EBITDA		ROE	Yield
					2025 (x)	2026 (x)	2025 (x)	2026 (x)	2025 (x)	2026 (x)	2025 (%)	2025 (%)
AEM	AEM SP	SGD	1.33	309	18.1	16.5	0.8	0.8	9.1	8.7	4.6	1.4
Venture	VMS SP	SGD	12.53	2,682	14.5	13.7	1.2	1.2	8.0	7.5	8.6	6.0
Frencken	FRKN SP	SGD	1.07	339	11.5	10.8	1.0	0.9	6.0	5.7	8.9	2.6
Singapore average					14.7	13.7	1.0	1.0	7.7	7.3	7.4	3.3
Kulicke & Soffa	KLIC US	USD	38.27	2,043	23.9	16.9	2.2	2.1	15.3	10.8	10.4	2.1
Applied Materials	AMAT US	USD	158.07	128,423	16.9	15.6	6.6	5.7	13.9	12.8	38.1	1.0
Lam Research	LRCX US	USD	76.74	98,508	20.4	19.4	10.1	8.3	16.6	16.2	52.8	1.2
KLA Corp	KLAC US	USD	708.84	94,195	22.4	21.5	23.0	19.7	18.0	17.3	109.5	0.9
Teradyne	TER US	USD	109.86	17,766	27.9	20.2	5.8	5.1	20.2	15.8	22.5	0.5
Global average					22.3	18.7	9.5	8.2	16.8	14.6	46.7	1.1
UMS	UMSH SP	SGD	1.07	564	15.6	13.6	1.8	1.7	8.6	7.7	11.5	4.9

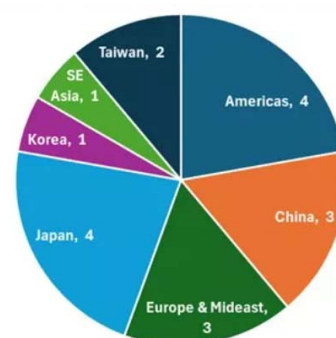
Source: Bloomberg, UOB Kay Hian

HISTORICAL PE BAND



Source: Bloomberg, UOB Kay Hian

NEW FABS STARTING CONSTRUCTION IN 2025



Source: SEMI World Fab Forecast Report 4Q24 update

PROFIT & LOSS

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Net turnover	242.1	267.1	296.4	329.0
EBITDA	65.3	81.7	91.1	101.1
Deprec. & amort.	19.8	26.4	28.1	29.7
EBIT	45.5	55.3	63.0	71.4
Total other non-operating income	0.0	(0.0)	0.0	0.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	1.5	0.4	0.4	0.7
Pre-tax profit	47.1	55.7	63.4	72.1
Tax	(5.2)	(5.8)	(6.7)	(7.6)
Minorities	(1.0)	(1.0)	(1.0)	(1.0)
Net profit	40.9	48.9	55.8	63.5

BALANCE SHEET

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Fixed assets	166.0	159.6	151.5	141.8
Other LT assets	97.2	97.0	97.0	97.0
Cash/ST investment	79.9	108.3	121.8	142.0
Other current assets	165.9	176.8	196.0	220.2
Total assets	509.0	541.7	566.3	601.0
ST debt	0.8	10.4	8.8	7.7
Other current liabilities	44.7	44.5	48.9	53.8
LT debt	0.0	12.0	10.6	10.2
Other LT liabilities	19.6	17.6	20.6	23.7
Shareholders' equity	418.2	430.3	449.1	475.7
Minority interest	25.7	25.7	25.7	25.7
Total liabilities & equity	509.0	540.5	563.8	596.8

CASH FLOW

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Operating	56.4	63.3	73.0	78.0
Pre-tax profit	46.8	55.7	63.4	72.1
Tax	(8.6)	(6.4)	(5.1)	(6.1)
Deprec. & amort.	19.8	26.4	28.1	29.7
Associates	0.0	0.0	0.0	0.0
Working capital changes	(8.9)	(12.4)	(13.4)	(17.6)
Non-cash items	7.4	0.0	0.0	0.0
Other operating cashflows	0.0	0.0	0.0	0.0
Investing	(28.8)	(20.0)	(20.0)	(20.0)
Capex (growth)	(33.5)	(20.0)	(20.0)	(20.0)
Investment	0.0	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	4.6	0.0	0.0	0.0
Financing	(16.2)	(14.9)	(39.5)	(37.8)
Dividend payments	(37.5)	(36.9)	(36.9)	(36.9)
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(21.8)	21.6	(3.0)	(1.5)
Others/interest paid	43.1	0.4	0.4	0.7
Net cash inflow (outflow)	11.4	28.4	13.5	20.3
Beginning cash & cash equivalent	67.5	79.9	108.3	121.8
Changes due to forex impact	1.0	0.0	0.0	0.0
Ending cash & cash equivalent	79.9	108.3	121.8	142.0

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	27.0	30.6	30.7	30.7
Pre-tax margin	19.4	20.9	21.4	21.9
Net margin	16.9	18.3	18.8	19.3
ROA	8.2	9.3	10.1	10.9
ROE	10.5	11.5	12.7	13.7
Growth				
Turnover	(19.3)	10.3	11.0	11.0
EBITDA	(24.5)	25.0	11.5	11.0
Pre-tax profit	(31.6)	18.3	13.8	13.7
Net profit	(32.1)	19.5	14.1	13.9
Net profit (adj.)	(32.1)	19.5	14.1	13.9
EPS	(32.1)	19.5	14.1	13.9
Leverage				
Debt to total capital	0.2	4.7	3.9	3.4
Debt to equity	0.2	5.2	4.3	3.8
Net debt/(cash) to equity	(18.9)	(20.0)	(22.8)	(26.1)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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