UMS Integration (UMSH SP)

1H26: Earnings Above Expectation; Optimistic About Continued Robust Growth

Highlights

- 1H26 earnings of S$33m (+66% yoy) exceeded our expectation at 58% of our full-year estimate. 2Q26 earnings reported strong traction, surging 89% yoy and 39% qoq to S$19m.
- 2Q26 revenue rose 29% yoy and 26% qoq to S$87m. Revenue from the semiconductor segment increased 28% to S$76m.
- UMS maintains a positive outlook as it expects strong demand from its key customers. Maintain BUY with an 18% lower target price of S$3.27.

1H26 Results

Year to 31 Dec (S$m)	2Q26	2Q25	yoy % chg	1H26	1H25	yoy % chg
Revenue	87	67	29	157	125	25
Gross profit	47	37	29	84	69	21
Gross margin (%)	54.3	54.5	-0.2ppt	53.3	55.1	-1.8ppt
PATMI	19	10	89	33	20	66
Net margin (%)	21.8	14.9	6.9ppt	21.0	16.0	5.0ppt

Source: UIMS, UOB Kay Hian

Analysis

- **1H26 results above expectations.** UMS Integration (UMS) reported 1H26 earnings of S$33m (+66% yoy), exceeding our expectation at 58% of our full-year estimate. 2Q26 earnings reported strong traction, surging 89% yoy and 39% qoq to S$19m.
- **2Q26 revenue rose 29% yoy/26% qoq due to growth in semiconductor and aerospace segments.** Revenue from the semiconductor segment increased 28% to S$76m, while aerospace revenue surged 59% to S$9m. Semiconductor integrated system sales increased 19% yoy to S$33.5m in 2Q26. Revenue from semiconductor component sales climbed 37% yoy to S$42.1m in 2Q26. Revenue from Singapore increased 24% to S$53.5m from S$43.1m, mainly due to higher shipments of both integrated systems and components. Malaysia revenue surged 50% to S$14.0m as UMS continued to ramp up production of semiconductor components for its new major customer. Korea revenue jumped 347% to S$6.4m due to shipments of semiconductor components to the new major customer's location in Korea.

Key Financials

Year to 31 Dec (S$m)	2024	2025	2026F	2027F	2028F
Net turnover	242	251	326	362	402
EBITDA	65	75	112	128	145
Operating profit	46	50	83	97	111
Net profit (rep./act.)	41	42	72	84	97
Net profit (adj.)	41	42	72	84	97
EPS (S$ cent)	5.8	5.9	8.1	9.5	10.9
PE (x)	47.2	46.1	33.6	28.6	24.9
P/B (x)	4.6	4.5	5.3	4.8	4.4
EV/EBITDA (x)	36.3	31.6	21.1	18.5	16.4
Dividend yield (%)	1.9	1.6	1.8	1.8	1.8
Net margin (%)	16.9	16.7	22.0	23.3	24.1
Net debt/(cash) to equity (%)	(18.9)	(10.0)	(15.6)	(18.2)	(23.6)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	10.5	9.9	16.2	17.6	18.4
Consensus net profit (S$m)	-	-	58	75	94
UOBKH/Consensus (x)	-	-	1.24	1.13	1.04

Source: UMS Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	S$2.72
Target Price	S$3.27
Upside	+20.2%
Previous TP	S$4.01

Stock Data

Sector	Information Technology
Bloomberg ticker	UMSH SP
Shares issued (m)	888.2
Market cap (S$m)	2,415.8
Market cap (US$m)	1,888.8
3-mth avg daily t'over (US$m)	24.5

Price Performance (%)

52-week high/low: S$3.15/S$1.03

1mth	3mth	6mth	1yr	YTD
6.3	(7.8)	103.0	136.1	139.4

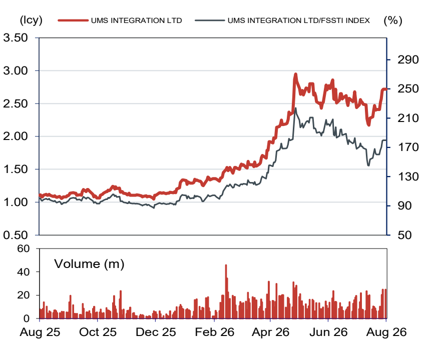
Major Shareholders (%)

Luong Andy	14.04
Catcher Technology	5.12

Balance Sheet Metrics

FY26 NAV/Share (S$)	0.52
FY26 Net Cash/ Share (S$)	0.08

Price Chart



Source: Bloomberg

Company Description

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

- **UMS remains optimistic about continued robust growth going forward** as its current level of performance has yet to reflect the full contribution from several new manufacturing services that UMS is setting up and progressing through customer qualification. UMS's key customers have also given strong forecasts for equipment demand for several years ahead.
- **Both of UMS's major customers have projected robust demand,** with yoy growths expected in 2026 and 2027. One of its key existing customers believes that the semiconductor industry is experiencing its strongest period ever as artificial intelligence is driving unprecedented computing demand and long-term growth. In the coming months, UMS will continue to work closely on its new major customer's new product introduction programme to complete qualification and ramp up various programmes, further enhancing its vertical integration competitive edge.

Valuation/Recommendation

- **Maintain BUY with an 18% lower target price of S$3.27 (S$4.01 previously),** based on a lower PE-based valuation of 30x 2028F EPS, pegged to 2.5SD above historical mean PE (37.5x, or +3.5SD previously). Our reduced valuation multiple peg is to reflect the later semiconductor earnings cycle where UMS is starting to realise higher earnings from the upcycle. However, we remain positive on UMS due to the strong outlook for the semiconductor industry, better earnings quality from new contributions from its new customer and more new projects from its existing key customer.

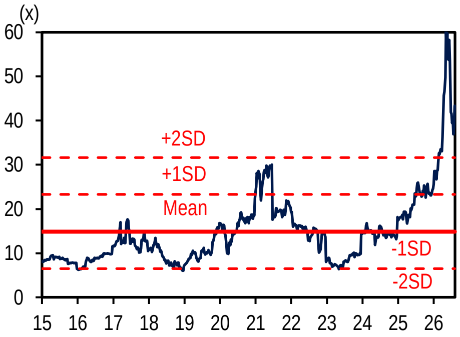
Earnings Revision/Risk

- We raised our 2026/27/28 earnings forecasts by 23%/14%/14% respectively after raising our revenue estimates by 10%/5%/4% to incorporate the earnings beat and better-than-expected growth guidance by UMS' key customers.

Share Price Catalyst

- Large project wins.
- EPS-accretive acquisitions.

Historical PE band



Source: UMS, UOB Kay Hian

Peer Comparison

Company	Ticker	Trading Curr (lcy)	Price @ 14 Aug 26 (lcy)	Market Cap (US$m)	PE 2026 (x)	PE 2027 (x)	P/B 2026 (x)	P/B 2027 (x)	EV/EBITDA 2026 (x)	EV/EBITDA 2027 (x)	ROE 2026 (%)	Yield 2026 (%)
AEM	AEM SP	SGD	10.46	2,613	38.1	33.4	6.0	5.3	27.0	24.1	16.7	0.7
Venture	VMS SP	SGD	16.90	3,797	19.9	19.0	1.7	1.7	12.9	12.3	8.7	4.7
Frencken	FRKN SP	SGD	2.63	883	24.9	23.1	2.2	2.1	13.5	12.5	9.1	1.2
Singapore average					27.6	25.2	3.3	3.0	17.8	16.3	11.5	2.2
Kulicke & Soffa	KLIC US	USD	95.80	5,013	24.8	16.2	n.a.	n.a.	17.8	10.0	22.7	0.9
ASML	ASML NA	EUR	1606.4	720,478	43.9	31.4	23.8	17.2	34.3	25.7	60.2	0.6
Applied Materials	AMAT US	USD	534.54	424,403	42.5	29.9	16.2	13.0	36.1	25.2	42.7	0.4
Lam Research	LRCX US	USD	337.01	421,708	58.2	36.1	33.8	21.6	48.6	29.4	65.1	0.3
KLA Corp	KLAC US	USD	209.37	273,552	56.9	38.0	43.1	26.0	44.9	30.6	87.5	2.8
Teradyne	TER US	USD	410.52	64,181	46.6	35.8	17.3	14.0	35.5	27.8	42.0	0.1
Global average					45.5	31.2	26.8	18.4	36.2	24.8	53.4	0.8
UWC	UWC MK	MYR	6.70	1,810	75.3	50.0	12.2	9.4	48.1	31.3	18.4	0.0
Sam Engineering	SEQB MK	MYR	4.50	745	39.1	29.0	2.2	2.1	15.2	13.4	6.5	0.6
Coraza Integrated	CORAZA MK	MYR	1.19	145	29.0	23.3	3.5	3.1	12.2	10.3	10.8	n.a.
Greatech	GREATEC MK	MYR	2.73	1,680	37.9	28.4	5.8	4.9	27.3	19.9	16.8	0.1
Inari Amertron	INRI MK	MYR	2.42	2,274	47.5	35.6	3.3	3.2	25.9	20.4	7.0	1.9
Northeast	NE MK	MYR	1.16	210	24.2	21.1	n.a.	n.a.	15.9	13.1	12.0	n.a.
Oppstar	OPPSTAR MK	MYR	0.735	116	61.3	61.3	3.7	3.3	123.9	26.6	6.1	n.a.
Pentamaster	PENT MK	MYR	5.51	959	51.0	35.1	4.6	4.1	25.4	19.5	8.8	0.3
Vitrox	VITRO MK	MYR	9.29	4,307	59.2	46.9	13.2	11.1	47.8	39.5	23.6	0.4
Malaysia average					47.2	36.7	6.1	5.2	38.0	21.5	12.2	0.6
UMS	UMSH SP	SGD	2.72	1,889	33.6	28.6	5.3	4.8	21.1	18.5	16.2	1.8

Source: Bloomberg, UOB Kay Hian

Profit & loss

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Net turnover	251.1	326.4	362.3	402.1
EBITDA	75.0	112.5	128.5	144.6
Deprec. & amort.	24.9	29.9	32.0	34.0
EBIT	50.1	82.6	96.5	110.6
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)	0.5	0.0	0.0	0.0
Pre-tax profit	50.6	82.7	96.5	110.6
Tax	(6.6)	(8.7)	(10.1)	(11.6)
Minorities	(2.0)	(2.0)	(2.0)	(2.0)
Net profit	41.9	72.0	84.4	97.0
Net profit (adj.)	41.9	72.0	84.4	97.0

Balance Sheet

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Fixed assets	194.4	190.5	183.6	174.5
Other LT assets	96.3	96.2	96.2	96.2
Cash/ST investment	43.1	71.8	91.0	130.4
Other current assets	194.8	211.3	235.8	257.2
Total assets	528.5	569.8	606.5	658.3
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	53.5	53.5	58.9	64.9
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	18.6	23.6	27.4	29.7
Shareholders' equity	428.7	459.9	499.9	552.4
Minority interest	27.8	27.8	27.8	27.8
Total liabilities & equity	528.5	564.8	614.0	674.9

Cash flow

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Operating	39.7	90.6	101.1	117.8
Pre-tax profit	50.3	82.7	96.5	110.6
Tax	(6.0)	(6.3)	(8.2)	(10.1)
Deprec. & amort.	24.9	29.9	32.0	34.0
Associates	0.0	0.0	0.0	0.0
Working capital changes	(21.8)	(13.7)	(17.2)	(14.7)
Non-cash items	(7.7)	(1.9)	(2.0)	(2.1)
Other operating cashflows	0.0	0.0	0.0	0.0
Investing	(36.6)	(26.0)	(25.0)	(25.0)
Capex (growth)	(38.6)	(26.0)	(25.0)	(25.0)
Investment	0.0	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	2.0	0.0	0.0	0.0
Financing	(37.4)	(40.8)	(44.4)	(44.4)
Dividend payments	(31.3)	(40.9)	(44.4)	(44.4)
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(0.8)	0.0	0.0	0.0
Others/interest paid	(5.4)	0.0	0.0	0.0
Net cash inflow (outflow)	(34.4)	23.8	31.7	48.4
Beginning cash & cash equivalent	79.9	43.1	66.8	98.6
Changes due to forex impact	(2.5)	0.0	0.0	0.0
Ending cash & cash equivalent	43.1	66.8	98.6	146.9

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	29.9	34.5	35.5	36.0
Pre-tax margin	20.1	25.3	26.6	27.5
Net margin	16.7	22.0	23.3	24.1
ROA	8.1	13.1	14.3	15.3
ROE	9.9	16.2	17.6	18.4
Growth				
Turnover	3.7	30.0	11.0	11.0
EBITDA	14.8	50.0	14.2	12.6
Pre-tax profit	7.4	63.5	16.8	14.6
Net profit	2.4	71.7	17.2	14.9
Net profit (adj.)	2.4	71.7	17.2	14.9
EPS	2.4	37.4	17.2	14.9
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(10.0)	(15.6)	(18.2)	(23.6)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.