

INSIGHTS

TO THE **TECHNOLOGY**
MANUFACTURING SECTOR



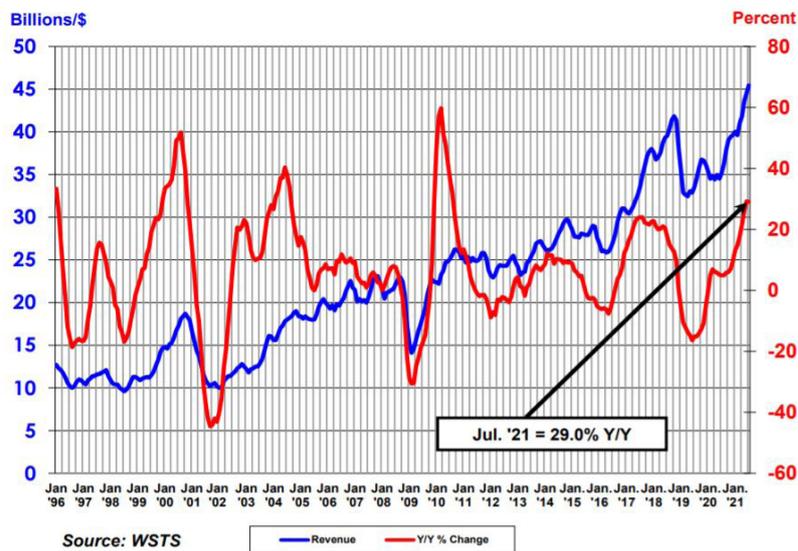
Insights to the Technology Manufacturing sector

Given the effects of the COVID-19 pandemic, there has been a strong adoption of technology across the globe as the various industries adapt to the new norm. This has resulted in a surge in worldwide semiconductor revenue.

From the table below, we can see that the global semiconductor industry [sales](#) stood at \$45.4 billion for July 2021, an increase of 29.0% year-on-year over and 2.1% month-on-month.

Worldwide Semiconductor Revenues

Year-to-Year Percent Change



Source: World Semiconductor Trade Statistic Association

With the surge in CAPEX spending, this led to a rally in the share price of midstream and downstream companies in the semiconductor supply chain. In Singapore, majority of the listed tech manufacturers also saw its share price rally since the start of the year.

In this eBook, we will be looking at 3 listed technology manufacturing companies, which have benefited from this trend:

- AEM Holdings Limited (SGX: AWX)
- Frencken Group Limited (SGX: E28)
- UMS Holdings Limited (SGX: 558)

AEM Holdings Limited

(SGX: AWX)

Financial Analysis

	Revenue Growth Increasing revenue in last 5 consecutive years and min growth is 15% in last 5 years			Profit Growth Increasing profit in last 3 consecutive years (with at least 4 profitable years)	
	Dividend Payout Dividend is increasing over the past 60 months.			Cash Ratio Good cash ratio of at least 0.8 for 3 consecutive years	
	Competitive Advantage The company has minimal competitive advantage			Current Ratio The company is well-positioned to cover its short-term obligations with its current assets (ratio between 1.5 to 10) for 3 consecutive years	
	Gross Profit Margin Consistently good gross profit margin of 20%-40% for 3 years			Net Earnings Margin Consistently good net profit margin of at least 15% for 2 years	
	Return on Assets (ROA) ROA above 20% for 3 consecutive years			Return on Equity (ROE) ROE above 20% for 3 consecutive years	

 Excellent
  Good
  Neutral
  Be Alert
  Watch Out

Source: ShareInvestor WebPro

Company Profile

AEM Holdings Limited ("AEM") is listed on the Main Board of the Singapore Exchange, and it offers application specific-intelligent system test and handling solutions for semiconductor and electronics companies serving advanced computing, 5G, and AI markets.

Key Statistics

EPS (SGD) ^a	0.31554	Trailing EPS (SGD) ^e	0.23226	NAV (SGD) ^b	1.1322
PE ^a	12.677	Trailing PE ^f	17.222	Price / NAV ^b	3.5329
Dividend (SGD) ^d	0.080189	Cash In Hand (SGD) ^g	0.2291	Issued & Paid-up Shares ^c	309,273,000
Dividend Yield (%) ^d	2.005	Price / Cash In Hand ^g	17.460	Treasury Shares ^h	1,363,000
Beta - 75 Days ⁱ	0.440	R-Squared - 75 Days (%) ⁱ	7.84	Market Cap (M)	1,237.092
Beta - 500 Days ⁱ	1.226	R-Squared - 500 Days (%) ⁱ	21.63	Enterprise Value (M)	1,233.676
Piotroski F Score	5	Exchange Code	AWX	Par Value (SGD)	n.a.
52 Weeks Volatility (%)	31.7109	6-Month VWAP	3.892	Free Float (%)	87.2

Source: ShareInvestor WebPro

Past Financial Performance



	Trend	Trailing 12M ^a Jun 2021	Full Year Dec 2020	Full Year Dec 2019	Full Year Dec 2018
Revenue	▀▀▀	437,511	518,959	323,130	262,325
Cost of Revenue	▀▀▀	(337,503)	(391,442)	(245,860)	(207,614)
Gross Profit	▀▀▀	100,008	127,517	77,270	54,711
Exceptional Items (e.g. Discontinued Operations)		-	-	-	-
Finance Costs	▀▀▀	(996)	(224)	(160)	(40)
Share Of Profit Of Associates	▀▀▀	(265)	199	461	(38)
Profit Before Tax (Include Exceptional Items)	▀▀▀	82,035	113,805	63,735	39,968
Profit After Tax	▀▀▀	71,999	97,587	52,763	33,493

Source: ShareInvestor WebPro

For FY2020, AEM's revenue (blue bar) grew by a remarkable 60.6% year-on-year to S\$518.95 million. The significant growth in its topline was driven primarily by the growth in the Equipment Systems Solutions ("ESS") segment, with increased orders from customers.

However, the growth was partially offset by the decline in revenue in the Micro-Electro-Mechanical Systems ("MEMS") segment, due to lower demand from customers, an effect of COVID-19. Coincidentally, the overall revenue figure is also the highest in AEM's operating history.

With the higher revenue achieved, AEM's profit after tax jumped by 85% year-on-year to S\$97.58 million. For its trailing 12-month financial performance, its revenue dropped by 15.69% to S\$437.51 million. The decrease was mainly due to a normalization after the ramping up of demand for equipment and consumables by the Group's key customer in FY2020.

With the lower revenue, AEM's profit after tax declined by 26.2% to S\$71.99 million.

Total Shareholder Return

Period		Dividend Received	Capital Appreciation	Total Shareholder Return	
Medium Term Return	3 Months	0.026	+0.100		+3.23 %
	6 Months	0.066	-0.190		-2.96 %
	1 Year	0.066	+0.290		+9.60 %
Long Term Return	2 Years	0.147	+2.840		+257.50 %
	3 Years	0.186	+3.175		+407.39 %
	5 Years	0.334	+3.917		+5121.69 %
Annualised Return	Annualised	-	-		+120.58 %

Source: ShareInvestor WebPro

For the past 1 year, AEM's total shareholder return stood at just 9.60% as compared to a staggering 5121.7% in the past 5 years. This stark contrast in the overall performance can be attributed to the over-reliance on a single customer (i.e., Intel Corporation).

Despite that, the latest [fund raising](#) saw AEM raising S\$103.1 million in gross proceeds through a private placement to Temasek Holdings. The private placement signals the confidence Temasek has in the company's future.

Moreover, AEM was recently [selected](#) to be the System Level Test ("SLT") solution supplier for one of the industry's leading memory integrated device manufacturers. This will help AEM to diversify its revenue stream and reduce the concern of over-reliance on a single customer.

These flurry of corporate development resulted in AEM achieving a total shareholder return of 3.23% over the past 3 months.

Consensus Estimates

Consensus Recommendation Buy	Mean Target Price (SGD) 5.177	Consensus Rating 1.17	Number of Ratings 3
		Upside +1.177	Upside (%) +29.42

Estimate Changes Over Past 1 Week 1 Month 3 Months 6 Months 1 Year

Target Price Change +4.09% <small>Target price was 4.973. Now it is 5.177.</small>	Change In Revenue -3.58% <small>Forecasted revenue was 548.73 M. Now it is 529.07 M.</small>	Change In Profitability -11.96% <small>Forecasted profit was 93.40 M. Now it is 82.23 M.</small>
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Source: ShareInvestor WebPro

AEM has a “Buy” recommendation with a mean target price of S\$5.17. This translates to a potential upside of 29.42% based on the share price of S\$4.00.

Over the 3 months, analysts have revised downward their estimated revenue and profit by 3.58% and 11.96% respectively, on the back of its latest result performance. Despite that, the higher target price indicates analysts are still optimistic on the prospects for AEM.

Frencken Group Limited

(SGX: E28)

Financial Analysis

 Revenue Growth Decreasing revenue in most recent year after at least 4 years of consecutive increasing revenue		 Profit Growth Increasing profit in last 2 consecutive years (with last 3 profitable years)	
 Piotroski F Score The company has above average financial strength (Piotroski F-Score of 6-7)		 Dividend Payout Dividend is increasing over the past 60 months.	
 Competitive Advantage The company has no competitive advantage		 Current Ratio The company is well-positioned to cover its short-term obligations with its current assets (ratio between 1.5 to 10) for 3 consecutive years	
 Gross Profit Margin Low gross profit margin for 3 years		 Return on Equity (ROE) ROE above 10% for 3 consecutive years	

 Excellent  Good  Neutral  Be Alert  Watch Out

Source: ShareInvestor WebPro

Company Profile

Frencken Group Limited ("Frencken") is a Singapore-based investment holding company. The company is a capital equipment, automotive, and consumer product solution provider. It offers integrated outsourcing solutions to a diversified customer base comprising global companies.

The company operates through two segments: Mechatronics and Integrated Manufacturing Services ("IMS").

1. The Mechatronics segment is engaged in the design and manufacture of complex electro-mechanical assemblies and automation systems for original equipment manufacturers.
2. The IMS segment is engaged in providing integrated solution to manufacture plastic components (including design and fabrication of mold) and printed circuit board assemblies ("PCBAs") for assembly into modules and finished products.

Key Statistics

EPS (SGD) ^a	0.09970	Trailing EPS (SGD) ^e	0.12920	NAV (SGD) ^b	0.8207
PE ^a	23.270	Trailing PE ^f	17.956	Price / NAV ^b	2.8269
Dividend (SGD) ^d	0.029963	Cash In Hand (SGD) ^g	0.2903	Issued & Paid-up Shares ^c	427,002,000
Dividend Yield (%) ^d	1.292	Price / Cash In Hand ^g	7.992	Treasury Shares ^h	-
Beta - 75 Days ⁱ	0.823	R-Squared - 75 Days (%) ^j	5.80	Market Cap (M)	990,645
Beta - 500 Days ⁱ	1.130	R-Squared - 500 Days (%) ^j	19.78	Enterprise Value (M)	934,505
Piotroski F Score	6	Exchange Code	E28	Par Value (SGD)	n.a.
52 Weeks Volatility (%)	39.2986	6-Month VWAP	1.896	Free Float (%)	67.8

Source: ShareInvestor WebPro

Past Financial Performance



	Trend	Trailing 12M ^a Jun 2021	Full Year Dec 2020	Full Year Dec 2019	Full Year Dec 2018
Revenue	■■■	703,406	620,616	659,151	625,791
Cost of Revenue	■ ■ ■	(578,019)	(515,177)	(547,702)	(524,058)
Gross Profit	■■■	125,387	105,439	111,449	101,733
Exceptional Items (e.g. Discontinued Operations)	■ ■ ■	(6,221)	(6,221)	(4,160)	(3,907)
Finance Costs	■ ■ ■	(2,182)	(2,411)	(2,905)	(2,541)
Share Of Profit Of Associates		-	-	-	-
Profit Before Tax (Include Exceptional Items)	■■■	66,656	51,870	53,900	40,164
Profit After Tax	■■■	56,040	43,046	42,598	30,349

Source: ShareInvestor WebPro

For FY2020, Frencken's revenue eased by 5.85% year-on-year to S\$620.61 million. The lower revenue was caused by the lower sales contributions from both the Mechatronics and IMS Divisions. Apart from its semiconductor segment, the other business segments recorded lower sales due to business disruptions and slower economic conditions caused by the pandemic.

Despite the lower revenue, Frencken's profit after tax bucked the trend, and grew by 1.05% year-on-year to S\$43.0 million. The higher profit level was helped by the various government grants and slightly lower finance costs.

For its trailing 12-month financial performance, Frencken's revenue grew by 13.4% to S\$703.40 million. The higher revenue was driven by higher sales contributions from both Mechatronics and IMS divisions.

With the higher revenue, Frencken's profit after tax grew by 30.18% to S\$56.04 million.

Total Shareholder Return

Period		Dividend Received	Capital Appreciation	Total Shareholder Return	
Medium Term Return	3 Months	-	+0.470		+25.41 %
	6 Months	0.030	+0.770		+51.61 %
	1 Year	0.030	+1.340		+139.80 %
Long Term Return	2 Years	0.060	+1.635		+247.45 %
	3 Years	0.081	+1.900		+471.67 %
	5 Years	0.117	+2.063		+848.25 %
Annualised Return	Annualised	-	-		+56.81 %

Source: ShareInvestor WebPro

For the past 2 years, Frencken recorded a remarkable total shareholder return of close to 250% mainly due to the growing demand in the semiconductor industry. This trend can be further reflected in its trailing 12-month performance.

More recently, Frencken's [acquisition](#) of Avimac Pte Ltd is another major catalyst as it will enable the Group to expand capacity for new programs and enhance competencies. In addition, Avimac will open doors for Frencken to build a new business pillar in the aerospace sector.

With that, Frencken's 3-month total shareholder return came in at an impressive figure of 25.41%.

Consensus Estimates

Consensus Recommendation Buy	Mean Target Price (SGD) 2.589	Consensus Rating 1.10	Number of Ratings 5
		Upside +0.269	Upside (%) +11.59

Estimate Changes Over Past 1 Week 1 Month **3 Months** 6 Months 1 Year

Target Price Change +36.40% <small>Target price was 1.898. Now it is 2.589.</small>	Change In Revenue +5.48% <small>Forecasted revenue was 726.87 M. Now it is 766.70 M.</small>	Change In Profitability +15.21% <small>Forecasted profit was 54.66 M. Now it is 62.97 M.</small>
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Source: ShareInvestor WebPro

Frencken has a “Buy” recommendation with a mean target price of S\$2.58. This translates into a potential upside of 11.59% based on the share price of S\$2.32.

Over the 3 months, analysts have revised upwards its target price by 36.40% and upgraded their estimated revenue and profit by 5.48% and 15.21% respectively, on the back of the strong results performance and positive industry trend. This proves that analysts are bullish on the prospects of Frencken.

UMS Holdings Limited

(SGX: 558)

Financial Analysis

 Revenue Growth Increasing revenue in last 2 consecutive years		 Profit Growth Increasing profit in latest year (with last 2 profitable years)	
 Piotroski F Score The company has above average financial strength (Piotroski F-Score of 6-7)		 Dividend Payout Dividend is decreasing over the past 60 months.	
 Cash Ratio Good cash ratio of at least 0.8 for 2 consecutive years		 Current Ratio The company is well-positioned to cover its short-term obligations with its current assets (ratio between 1.5 to 10) for 3 consecutive years	
 Gross Profit Margin Consistently high gross profit margin of at least 40% for 3 years		 Net Earnings Margin Consistently high net profit margin of at least 20% for 3 years	
 Return on Assets (ROA) ROA above 10% for 3 consecutive years		 Return on Equity (ROE) ROE above 10% for 3 consecutive years	

 Excellent  Good  Neutral  Be Alert  Watch Out

Source: ShareInvestor WebPro

Company Profile

UMS Holdings Limited ("UMS") is a one-stop strategic integration partner providing equipment manufacturing and engineering services to Original Equipment Manufacturers of semiconductors and related products.

The Group is in the business of front-end semi-conductor equipment contract manufacturing and is also involved in complex electromechanical assembly and final testing devices. The products offered include modular and integration system for original semiconductor equipment manufacturing.

Headquartered in Singapore, the Group has production facilities in Singapore, Malaysia and California, USA.

Key Statistics

EPS (SGD) ^a	0.06837	Trailing EPS (SGD) ^e	0.08712	NAV (SGD) ^b	0.5129
PE ^a	24.718	Trailing PE ^f	19.397	Price / NAV ^b	3.2950
Dividend (SGD) ^d	0.035000	Cash In Hand (SGD) ^g	0.1072	Issued & Paid-up Shares ^c	533,430,000
Dividend Yield (%) ^d	2.071	Price / Cash In Hand ^g	15.765	Treasury Shares ^h	3,000,000
Beta - 75 Days ⁱ	0.844	R-Squared - 75 Days (%) ^j	13.25	Market Cap (M)	901.497
Beta - 500 Days ^l	1.249	R-Squared - 500 Days (%) ^j	28.44	Enterprise Value (M)	920.893
Plotroski F Score	7	Exchange Code	558	Par Value (SGD)	n.a.
52 Weeks Volatility (%)	34.974	6-Month VWAP	1.500	Free Float (%)	77.2

Source: ShareInvestor WebPro

Past Financial Performance



	Trend	Trailing 12M ^a Jun 2021	Full Year Dec 2020	Full Year Dec 2019	Full Year Dec 2018
Revenue	▬▬▬	205,638	164,438	131,912	127,939
Cost of Revenue	▬▬▬	(96,204)	(76,854)	(62,082)	(50,920)
Gross Profit	▬▬▬	109,434	87,584	69,830	77,019
Exceptional Items (e.g. Discontinued Operations)		-	-	-	-
Finance Costs	▬▬▬	(682)	(597)	(964)	(611)
Share Of Profit Of Associates	▬▬▬	(1,334)	89	2,574	525
Profit Before Tax (Include Exceptional Items)	▬▬▬	53,478	38,894	35,455	45,506
Profit After Tax	▬▬▬	48,228	36,293	33,214	42,653

Source: ShareInvestor WebPro

For FY2020, UMS's revenue increased by 24.6% year-on-year to S\$164.43 million. It was mainly due to the higher sales achieved from its Semiconductor segment. Strong demand for Semiconductor Integrated Systems drove Singapore's sales up by 33% while sales in Malaysia and Taiwan climbed 54% and 17% respectively.

Despite the double-digit growth in its topline, its profit after tax only grew by just 9.2% year-on-year to S\$36.29 million. The slower growth was attributed to the higher raw material purchases and subcontractor charges.

For its trailing 12-month financial performance, UMS's revenue jumped by 25% to S\$205.63 million. The significant rise was mainly driven by strong growth in its semiconductor segment and consolidation of results of JEP Holdings ("JEP") - which became a subsidiary of UMS in 2Q FY2021.

With the higher revenue achieved, its profit after tax grew by 32.8% to S\$48.22 million.

Past Financial Performance

Period		Dividend Received	Capital Appreciation	Total Shareholder Return	
Medium Term Return	3 Months	0.010	+0.160		+11.11 %
	6 Months	0.020	+0.320		+24.82 %
	1 Year	0.035	+0.705		+75.13 %
Long Term Return	2 Years	0.080	+1.073		+186.87 %
	3 Years	0.120	+0.954		+145.92 %
	5 Years	0.240	+1.202		+295.49 %
Annualised Return	Annualised	-	-		+31.65 %

Source: ShareInvestor WebPro

For the past 1 year, UMS's total shareholder return stood at 75.13%. With heavy exposure in the semiconductor industry, it has benefitted strongly from the industry tailwinds and this can be seen from its latest trailing 12 month trailing financial performance.

On top of that, its latest announcement on the undertaking of [bonus issue](#) helped to boost its total shareholder return. The company will be issuing one (1) Bonus Share for every four (4) existing ordinary shares in the share capital of the Company.

The purpose of this corporate action is to give due recognition to its shareholders for their continuing support of and loyalty to the Company at the same time. Apart from just rewarding existing shareholders, this will help to improve trading liquidity and greater participation by investors and broaden the shareholder base of the Company.

With that, UMS's 3-month total shareholder return came in at 11.11%. This shows that the market is positive about its latest move.

Consensus Estimates

Consensus Recommendation Buy	Mean Target Price (SGD) 2.061	Consensus Rating 1.10	Number of Ratings 5
		Upside +0.371	Upside (%) +21.97

Estimate Changes Over Past

1 Week

1 Month

3 Months

6 Months

1 Year

Target Price Change +15.42% <small>Target price was 1.786. Now it is 2.061.</small>	Change In Revenue +11.34% <small>Forecasted revenue was 205.83 M. Now it is 229.16 M.</small>	Change In Profitability +3.46% <small>Forecasted profit was 60.36 M. Now it is 62.45 M.</small>
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Source: ShareInvestor WebPro

UMS has a "Buy" recommendation with a mean target price of S\$2.06. This translates into a potential upside of 21.97% based on the share price of S\$1.69.

Over the 3 months, analysts have upgraded its target price by 15.42% and revised upwards their estimated revenue and profit by 11.34% and 3.46% respectively. This proves that analysts are generally optimistic on the outlook for UMS.

Conclusion

To conclude, these 3 tech manufacturing companies have recorded healthy share price gains in the past few years as they ride on the tailwinds of the tech manufacturing industry.

On top of that, the elevated demand for technology products will continue to be a positive catalyst for these tech manufacturing companies in the foreseeable future.

Here are the overall comparisons for the above companies:

Profitability Ratios		AEM	Frencken	UMS
Gross Profit (Earnings) Margin	■■■	22.858	17.826	53.217
Net Profit (Earnings) Margin	■■■	16.418	7.843	22.600
Management Efficiency Ratios		AEM	Frencken	UMS
Return On Assets (ROA)	■■■	16.964	8.877	11.473
Return On Equity (ROE)	■■■	29.077	15.742	16.987
Leverage Ratios		AEM	Frencken	UMS
Interest Coverage	■■■	82.952	33.910	79.199
Net Debt To Equity	---	Net Cash	Net Cash	Net Cash
Total Debt To Equity	---	0.273	0.287	0.183
Debt To Assets	---	0.159	0.162	0.124
Liquidity Ratios		AEM	Frencken	UMS
Current Ratio	■■■	2.612	1.931	3.088
Cash Ratio	■■■	0.668	0.488	0.948

Source: ShareInvestor WebPro

All data are accurate as of 1st October 2021