3Q2018 Results Presentation

AEM Holdings Ltd | 31 October 2018

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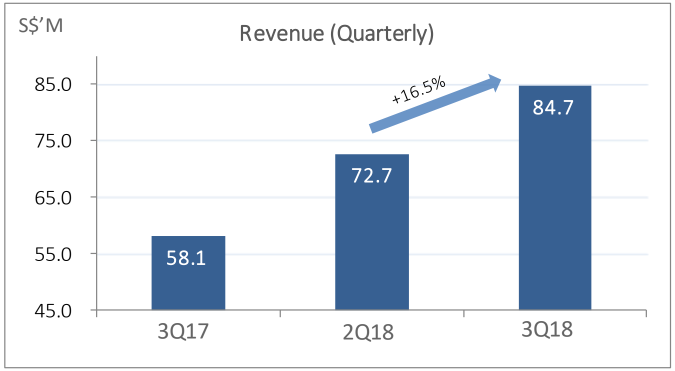
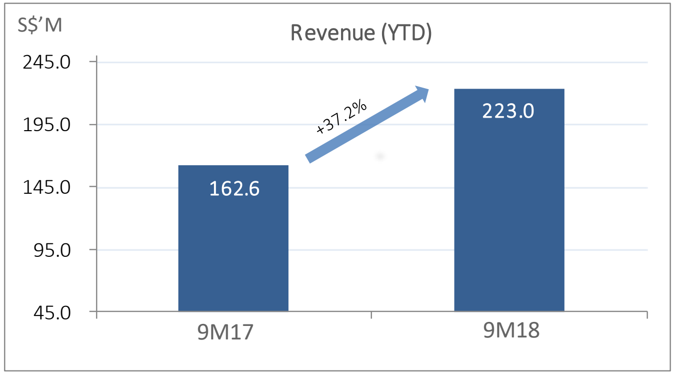
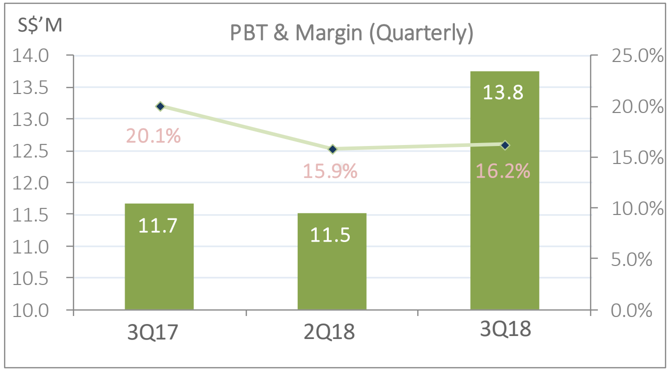
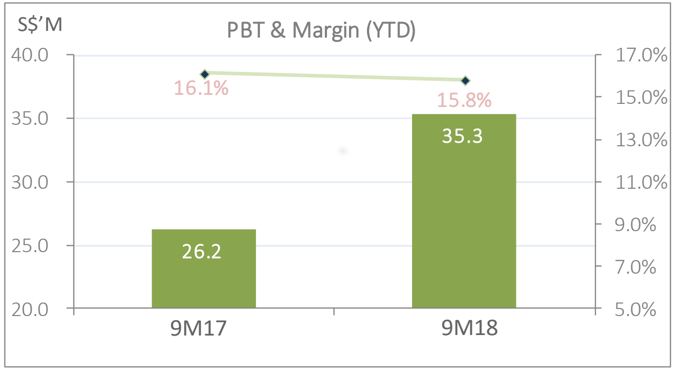
In this presentation, all $ dollar amounts are in Singapore dollars unless otherwise specified

3Q18 Financial Performance









- Record sales and profits in 3Q2018 and 9M2018. PBT improved 17.9% y-o-y and 19.4% q-o-q driven by the increased deliveries of test handlers and pans/kits.
- Profit before tax margin dropped y-o-y from 20.1% to 16.2% in 3Q2018 mainly due to volume discount on tools/ equipment, lower mix of engineering project revenue, one-off restructuring compensation expense (S$624k), higher forex loss (S$1.4M) and intangibles amortisation expense (S$433k), offset by efficiency in operating expense.

Financial highlights – Key Performance Summary

($'000)	Qtr year-on-year 3Q2018	Qtr year-on-year 3Q2017	Qtr year-on-year Change %	Qtr sequential 2Q2018	Qtr sequential Change %	YTD year-on-year 9M2018	YTD year-on-year 9M2017	YTD year-on-year Change %	FY18 Guidance
Revenue	84,668	58,113	45.7%	72,658	16.5%	222,976	162,574	37.2%	255,000
Material cost (excl obsol)	57,453	35,882	60.1%	49,865	15.2%	150,903	112,101	34.6%	
Staff cost	8,748	7,336	19.2%	8,173	7.0%	25,225	17,364	45.3%	
Depre & amort exp	848	152	458.0%	340	149.4%	1,533	470	226.2%	
Other operating exp	3,915	3,115	25.7%	3,084	26.9%	10,578	7,132	48.3%	
Profit before tax	13,754	11,664	17.9%	11,519	19.4%	35,286	26,217	34.6%	
Profit after tax	11,390	9,427	20.8%	9,494	20.0%	29,103	21,776	33.6%	
EBITDA	14,607	11,822	23.6%	11,871	23.1%	36,840	26,714	37.9%	
EPS (in SG cents) [adjusted for bonus issue]	4.19	3.62	15.6%	3.49	19.9%	10.69	8.39	27.4%	
Material margin	32.1%	38.3%	-6.1%	31.4%	0.8%	32.3%	31.0%	1.3%	
Profit before tax margin	16.2%	20.1%	-3.8%	15.9%	0.4%	15.8%	16.1%	-0.3%	
Profit after tax margin	13.5%	16.2%	-2.8%	13.1%	0.4%	13.1%	13.4%	-0.3%	

- Improvement in profit before tax comparing 3Q18 vs 3Q17 and 9M18 vs 9M17 mainly driven by higher revenue.
- Staff cost increase was to handle higher revenue and for enhancement, development projects, business development and due to acquisition of Afore Oy and InspiRain Technologies Pte Ltd.

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Financial highlights – Proforma Financial Summary

	Qtr year-on-year			Qtr sequential		YTD year-on-year			FY18
($'000)	3Q2018	3Q2017	Change %	2Q2018	Change %	9M2018	9M2017	Change %	Guidance
Profit before tax	13,754	11,664	17.9%	11,519	19.4%	35,286	26,217	34.6%	
Non operating expense	624	-	NM	-	NM	624	-	NM	
Operating profit before tax	14,378	11,664	23.3%	11,519	24.8%	35,910	26,217	37.0%	42,000
Add back:									
Intangible amortisation due to acquisitions	433	-	NM	-	NM	504	-	NM	
Proforma profit before tax	14,811	11,664	27.0%	11,519	28.6%	36,414	26,217	38.9%	
Proforma PBT margin %	17.5%	20.1%	-2.6%	15.9%	1.6%	16.3%	16.1%	0.2%	

- Excluding one-off non-operating restructuring compensation expenses of S$624k and intangible amortisation of S$433k due to acquisition of Afore Oy and InspiRain Tech, profit before tax would have increased 27.0% in 3Q2018 vs 3Q2017 and PBT margin would have been 17.5%.

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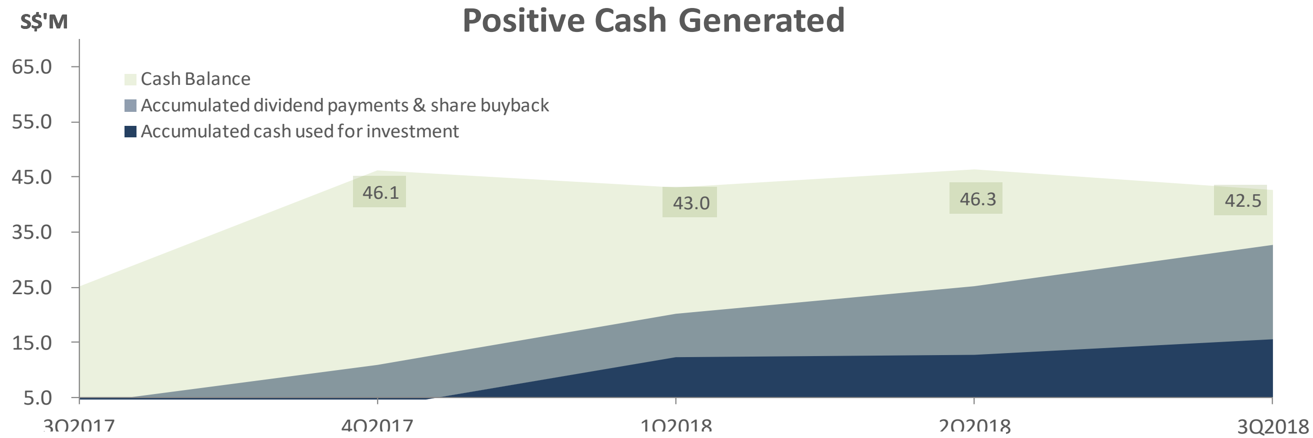
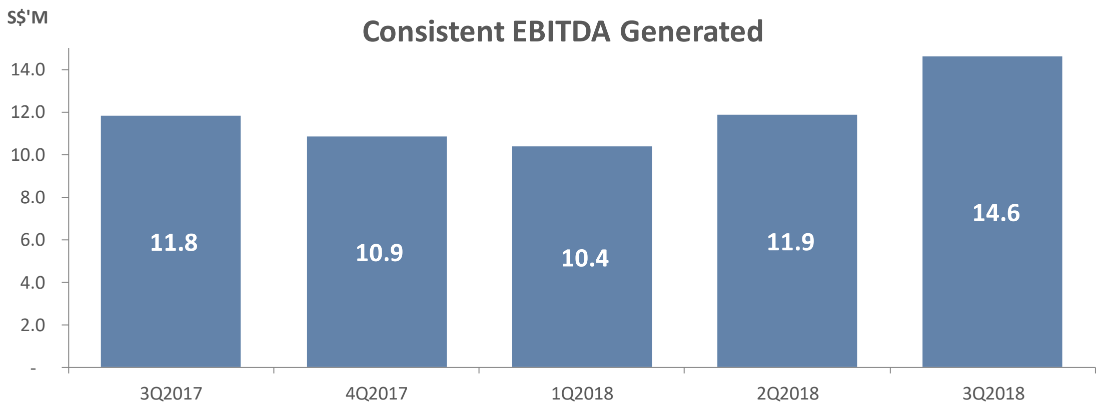
Financial highlights – Financial Position

Financial position	30-Sep-18 S$'000	30-Jun-18 S$'000	31-Dec-17 S$'000
Property, plant and equipment	6,249	4,663	3,623
Intangible assets and goodwill	16,324	15,811	3,449
Cash and cash equivalents	42,539	46,271	46,095
Current assets less current liabilites	59,487	53,770	47,191
Financial liabilities	243	320	7
Total equity	85,105	77,383	57,810
Net asset value per share (SG cents) [adjusted for bonus issue]	31.6	28.7	22.1

- Increase in property, plant and equipment was mainly due to acquisition of subsidiaries and renovation of premises.
- Increase in intangible assets and goodwill in 9M2018 was mainly due to the acquisition of Afore Oy & InspiRain Tech.
- Cash decreased comparing 30 Sep 2018 and 30 Jun 2018 mainly due to dividend, income tax payment, renovation, purchase of software and higher payments for trade payables.

Financial Performance

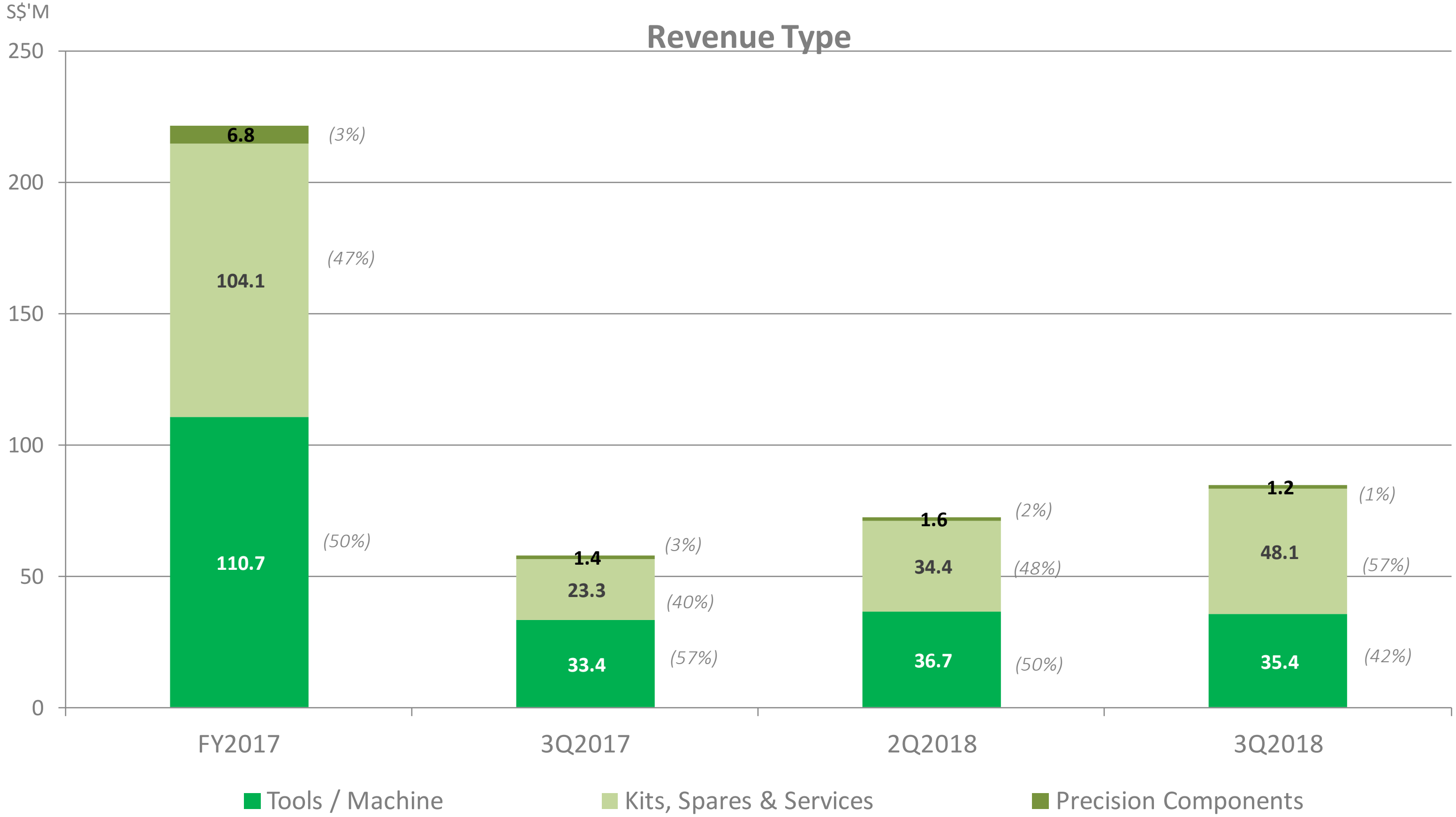




Cash Paid (9M2018)	S$'M
M&A	8.6
Dividend	8.4
Share buyback	1.1
Capex	3.9
Tax paid	6.5
Working capital change	13.5
	42.0

- Consistent positive cash generated from operation. Dividend and share buyback of S$9.5M paid in 2018 to reward shareholders. Cash balance of S$42.5M at end of 3Q2018.

Financial Performance



Business & Operational Updates

Future earnings through consumables, new programs and M&A

HDMT program expected to hit maturity in 2019. Earnings will be driven through HDMT consumables, new key account programs, and new business units from 2019 and beyond

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Core account growth

- Strong growth ramp for HDMT
- HDMT replacement of old fleet
- Recurring consumables/kits growth
- Grow next-gen hybrid solutions

New account growth

- Continue market penetration in 5G, memory, solar, etc.
- Capture new Semiconductor segments in System Level Test

New business

- System Level Test solutions for non-semiconductor markets
- Selective M&A activity

Expectations going into 2019

Our business is on a solid growth footing as our investments continue to pay off

1. **HDMT platform is in full commercial deployment - expect occasional quarterly burst demand, and continued demand for kits and pans (upgrades)**
   - Existing fleet replacement cycle from 2019 onwards with occasional quarterly ramps
   - Continued requirement for pans and kits over the lifetime of our tools
   - Ongoing development programs with key customer for hybrid solutions with potential high volume ramp post 2019

2. **AMPS early wins**
   - Continued development of eco-systems partners including tester solutions and design for test service providers
   - Engagement of new semiconductor and memory customers for System Level Test and Intelligent Final Test

3. **Growth through new account wins at Test & Measurement SBU and Afore, selective M&A**
   - Expand fiber cable test solutions with new global customers
   - Secure new customers at Afore
   - M&A program continues

Note:- AMPS means Asynchronous Modular Parallel Smart platform

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Selected Business Unit Updates

Test Measurement System – 5G cable testing win at Huawei

- Huawei's 5G Rollout
- AEM to offer test solution in collaboration with Huawei and CETC23 for qualifying high-performance short reach cabling links for Huawei's 5G backhaul network
- AEM will deliver the first test solution for testing 100Gbps links

The 5G test equipment market comprising of signal and network analyzers, is estimated to be worth US$350 million in 2018 (source: Technavio) and growing between 4% -5% annually over the next 5 years

NovoFlex hits milestone with MasterCard and other payment certifications

NOVOFLEX PTE LTD
(Company Registration No. 201609568H)
Incorporated in the Republic of Singapore

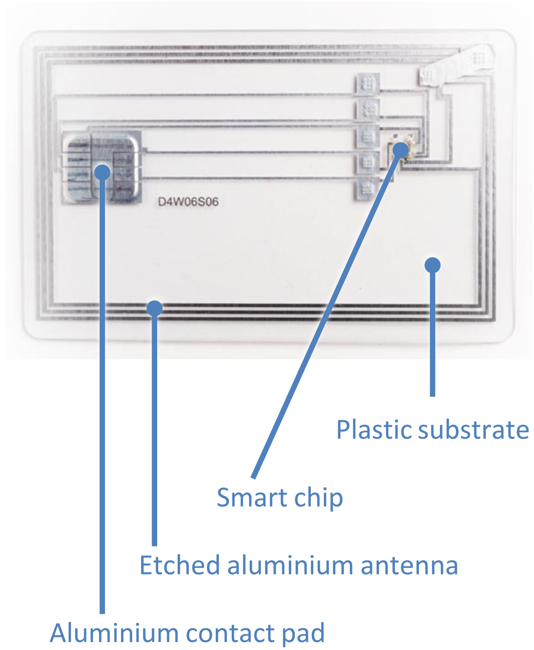
Smartflex's sAiL™.Dual Inlay Solution Meets Mastercard Requirements

Smartflex Technology, a wholly owned subsidiary of Novoflex, had received notification that its proprietary technology using sAiL™.Dual Inlay, a substrate for both contact and contactless interfaces, has successfully passed the Mastercard Card Structure Integrity (CSI) review. The CSI review is a pre-requisite for non-standard features and the results of the review are to be considered during the established Mastercard Products and card approval program processes.

The distinctive feature of sAiL™.Dual Inlay is that it offers higher level of security for the banking industry over existing products. With global circulation of contactless payment cards on the rise, fraud fears have become a reality. Integrating sAiL™.Dual Inlay in payment cards gives increased protection from card tampering. Additionally, this innovation simplifies the manufacturing of contactless secured products for card manufacturers, giving it a competitive edge.

CEO of Novoflex, Dr. Eric Ng, said: "We are proud that our new sAiL™.Dual Inlay solution has been approved by Mastercard to be used in ID-1 card constructions by certified card manufacturers. This essentially validates that banking cards integrated with sAiL™.Dual Inlay conform ISO 7810 requirements. Our sAiL™.Dual Inlay has set a higher standard in the smartcard arena by giving added values to both card manufacturers and consumers."

Novoflex sAiL Inlay



Recap: investment highlights

- Provider of strongly differentiated high-end test handlers with proven, defensible competitive positioning
- Proven ability to service the most demanding large-scale manufacturing customers: microprocessors, solar, smart cards
- Strategic relationship with one of the world's largest semiconductor companies for >15 years in developing and manufacturing customised test handlers and consumables
- Attractive, diversified revenue streams with long-term growth visibility and strong recurring revenue components
- Strategic acquisition expands the Group's portfolio of solutions
- Healthy financial position with low debt and capital expenditure requirement, generating positive cash from operation

Thank You

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