



MICRO-MECHANICS®

perfect parts and tools, on time, every time

1H23 Results Presentation

7 February 2023



MICRO-MECHANICS®

perfect parts and tools, on time, every time

Business & Industry

Chris Borch, CEO

Low Ming Wah, COO



Corporate Overview

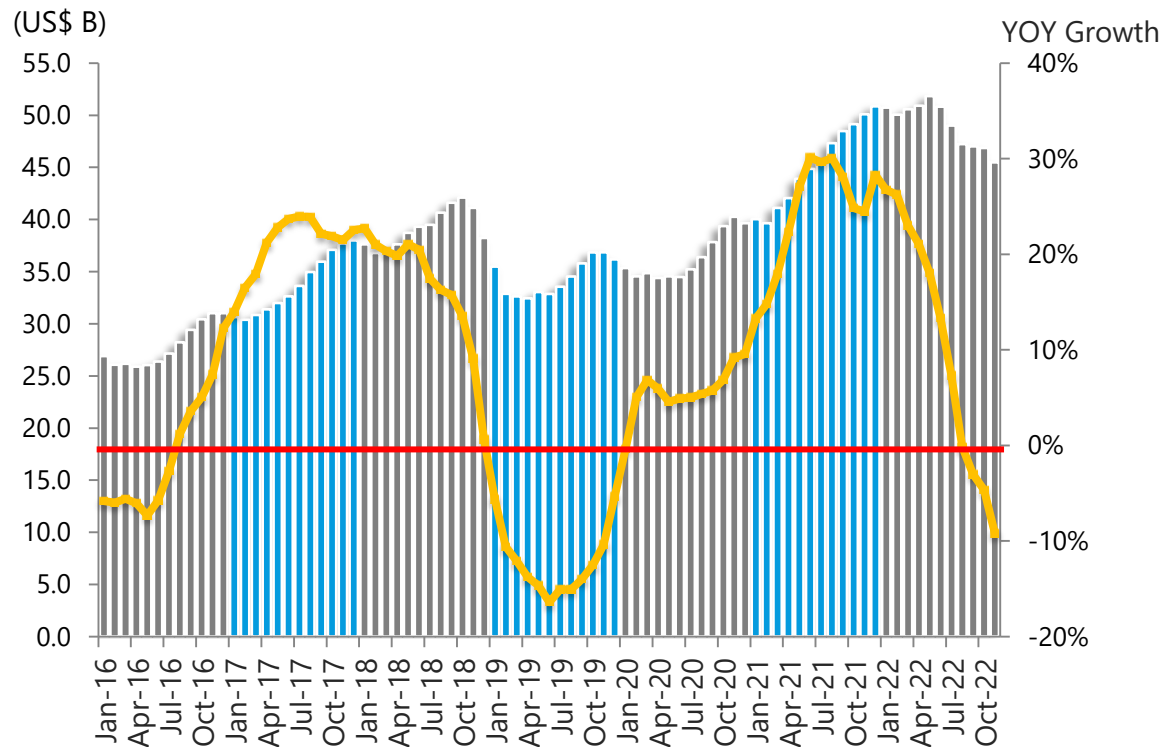
Perfect Parts and Tools On Time, Every Time
based on scalable, repeatable and cost-effective processes

- Founded in 1983 and listed on the Singapore Exchange (Main Board) since 2003
- Specializes in the design and manufacture of **high precision tools and parts** used in *process-critical applications for semiconductor wafer-fabrication and assembly*
- Serves a worldwide base of more than 600 customers from five facilities in Asia (Singapore, Malaysia, China, Philippines) and the USA
- Recognized more than 30 times for our efforts to practice good corporate governance, transparency and investor relations



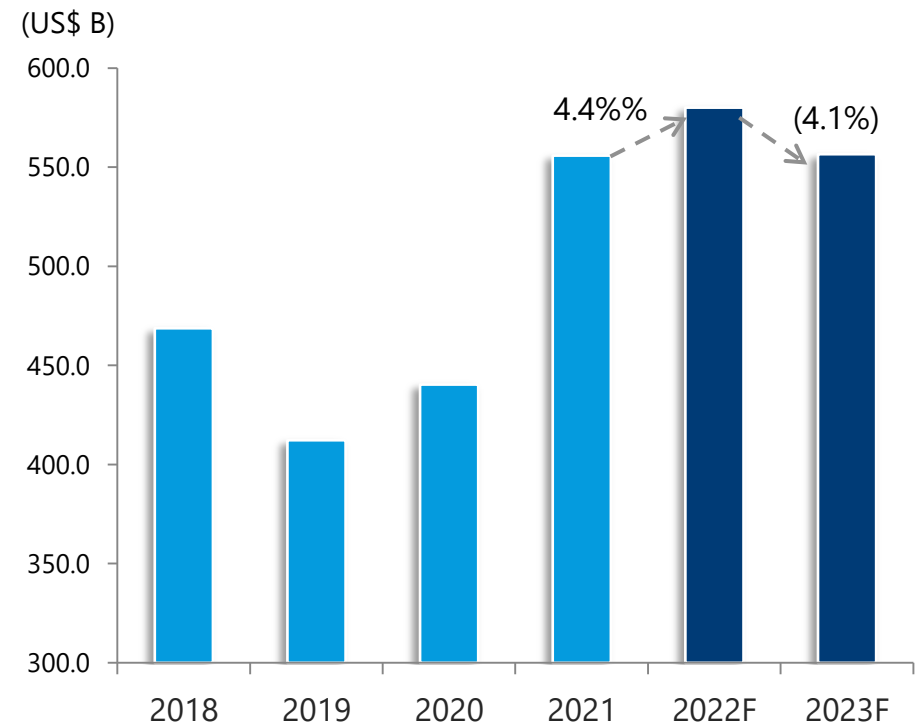
Semiconductor Industry Review

Global Monthly Chip Sales



Global semiconductor sales in Sep 2022 decreased on a year-on-year (yoy) basis for the first time since Jan 2020. Sales in Oct and Nov 2022 also continued to decline on yoy and month-on-month (mom) basis. Sales in Nov 2022 fell 9% yoy and 3% mom, owing to cyclical and macroeconomic headwinds with China registering a 21% decline.

WSTS Semiconductor Sales Forecast (Nov 2022)



WSTS has revised its sales forecast for the worldwide semiconductor market in 2022 down to a single digit growth of 4.4% to reach US\$580 billion, followed by a decline of 4.1% to US\$557 billion for 2023.

Sources: Semiconductor Industry Association, World Semiconductor Trade Statistics



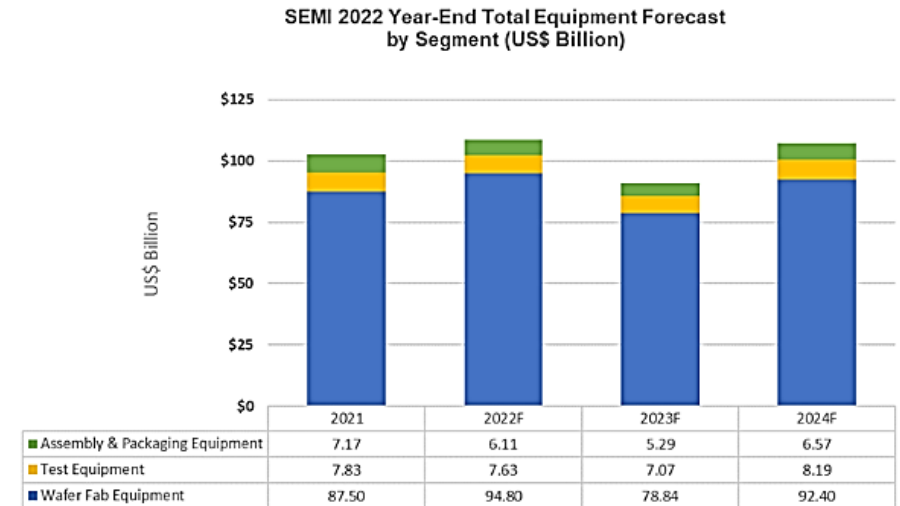
Semiconductor Industry Review

Global Semiconductor Equipment Billings (US\$ B)

Region	3Q2022	2Q2022	3Q2021	3Q (QoQ)	3Q (YoY)
China	7.78	6.56	7.27	19%	7%
Taiwan	7.28	6.68	7.33	9%	-1%
Korea	4.78	5.78	5.58	-17%	-14%
North America	2.61	2.64	2.29	-1%	14%
Japan	2.55	1.65	2.11	55%	21%
Rest of World	2.08	1.25	1.35	67%	54%
Europe	1.67	1.86	0.87	-10%	92%
Total	28.75	26.43	26.79	9%	7%

Global semiconductor equipment billings for third quarter 2022 grew 7% year-over-year and 9% quarter-on-quarter. SEMI said the quarter-on-quarter increase in equipment spending reflects the semiconductor industry's determination to bolster fab capacity to support long-term growth and technology innovation.

SEMI's Year-end Total Semiconductor Equipment Forecast (Dec 2022)



Global sales of total semiconductor manufacturing equipment are forecast to reach a new high of \$108.5 billion in 2022. This will be an increase of 5.9% from previous record of \$102.5 billion in 2021, and cap three consecutive years of record revenue.

Global semiconductor equipment market is expected to contract to \$91.2 billion in 2023 before rebounding in 2024 driven by both the front-end and back-end segments.



1H23 Corporate Highlights

Softer revenue in 1H23 owing to industry slowdown and difficult operating conditions in our major market in China. This in turn led to underabsorption of fixed costs. Nevertheless, we maintained our dividend for 1H23 and kept a sound balance sheet.

CHALLENGING OPERATING CONDITIONS

SEMICONDUCTOR INDUSTRY SLOWDOWN

Softening demand and higher inventories especially for PCs and Smart Phones applications

INFLATIONARY PRESSURES

From raw materials, energy, to transport and labour costs

LABOUR CONSTRAINTS

Tight labour market, exacerbated by COVID-related disruptions

POLITICAL / REGULATORY DISRUPTIONS

Geopolitical tensions, China, pandemic-related restrictions



REVENUE

S\$36.9M

▼ 9.6%

GROSS PROFIT MARGIN eased to

48.4%

NET PROFIT

S\$6.1M

▼ 35.5%



Corporate Strategy

OPERATING LANDSCAPE

- Looking into 2H23, semiconductor industry is expected to continue to slow until the excesses and supply-demand imbalances ease.
- Prevailing economic and political uncertainties also bring challenges to business environment

STRATEGY

- Keep our sights on long-term fundamentals driving the semiconductor industry
- Build an organisation that is flexible and resilient to overcome cyclicity typical of the industry
- Stay focused on various fundamentals and initiatives that will make us a stronger competitor in the long term



CONTINUING OUR FOCUS ON THE KEY FUNDAMENTALS



Preparing for the next 40 years

Micro-Mechanics marking 40 Years

We wish to thank Mr Chow and Mr Low who are retiring after 27 and 34 years respectively, for their dedicated service and valuable contributions. They will remain as advisors to the Group for one year.

Succession Planning

Our succession plans are in place as we prepare for the **next 40 years**:

- Mr Kyle Borch appointed as Deputy CEO and ED on 1 Jan 2023. He will assemble and lead an interdisciplinary team of people from our five worldwide plants
- The team will focus on accelerating the adoption of continuous improvement and Center of Excellence initiatives
- Ms Wendy Tan promoted to VP Finance. She has been with the Group since 2001

2023

40
YEARS



Mr Kyle Borch appointed Deputy CEO in 2023



Ms Wendy Tan promoted to VP Finance in 2023

2003



Listing on the SGX-ST in 2003

Mr Chow Kam Wing – our CFO who joined in 1996



Mr Low Ming Wah – our first engineer in 1989



1983

Mr Chris Borch founded Micro-Mechanics in 1983





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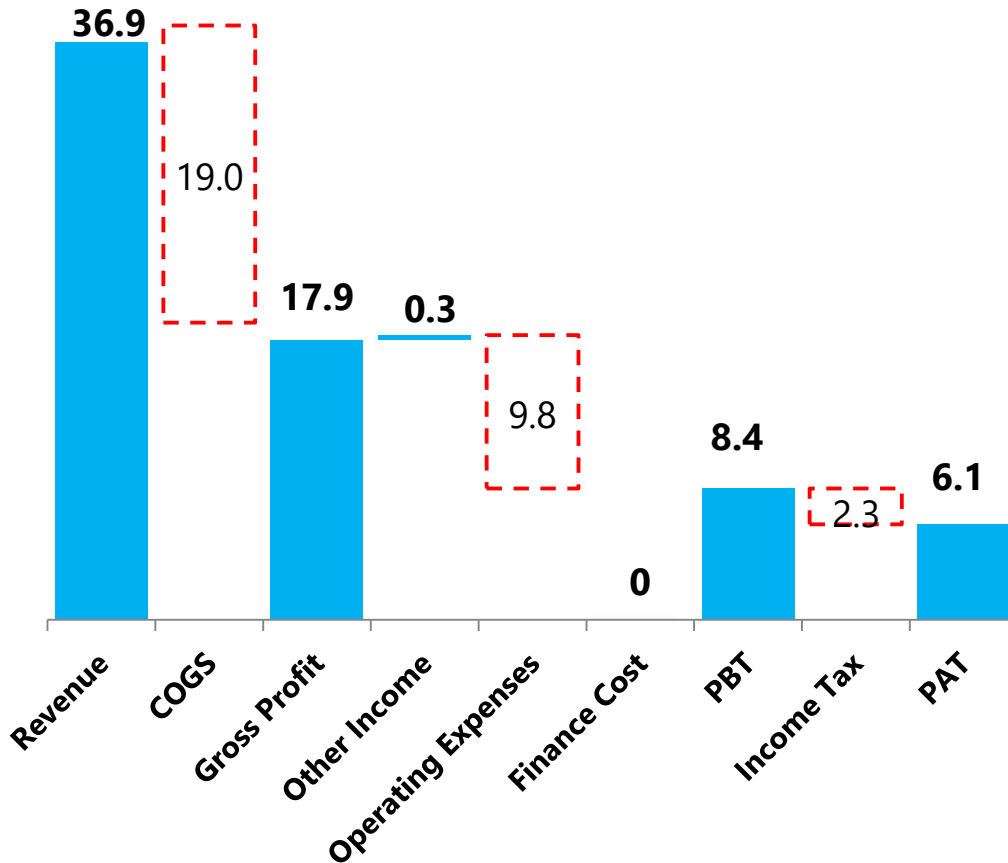
Financial Review

Wendy Tan, VP Finance



1H23 in Review

1H23 P&L Overview (S\$ million)



N.B. Due to rounding, some totals (in this and the following slides) may not correspond with the sum/subtraction of separate figures.

KEY RATIOS & STATISTICS

REVENUE GROWTH	(9.6%)
GROSS PROFIT GROWTH	(19.6%)
PBT GROWTH	(34.0%)
NET PROFIT GROWTH	(35.5%)
GROSS PROFIT MARGIN	48.4%
NET PROFIT MARGIN	16.6%
EARNINGS PER SHARE	4.4 cents
DIVIDEND PAYOUT (1H23)	136%
RETURN ON EQUITY	23.8%
CASH	S\$18.0M
BORROWINGS	Zero

FY: Financial year ending 30 June

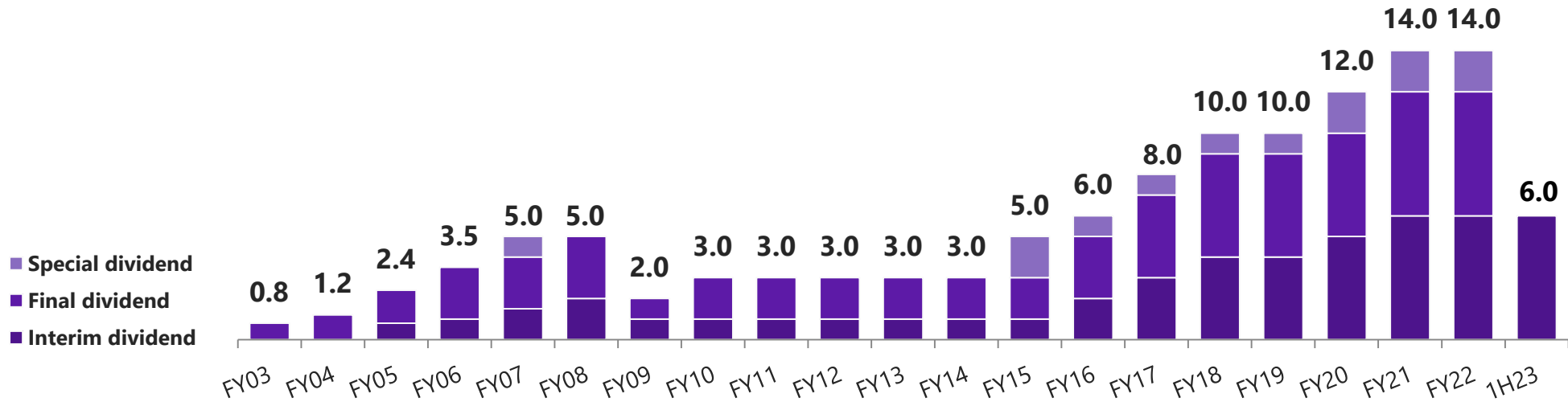


Dividend Performance

MAINTAINED DIVIDEND OF 6 CENTS PER SHARE FOR 1H23

Total dividend payout since listing – **\$1.199** per share

DIVIDEND PER SHARE (CENTS)



DIVIDEND PAYOUT RATIO

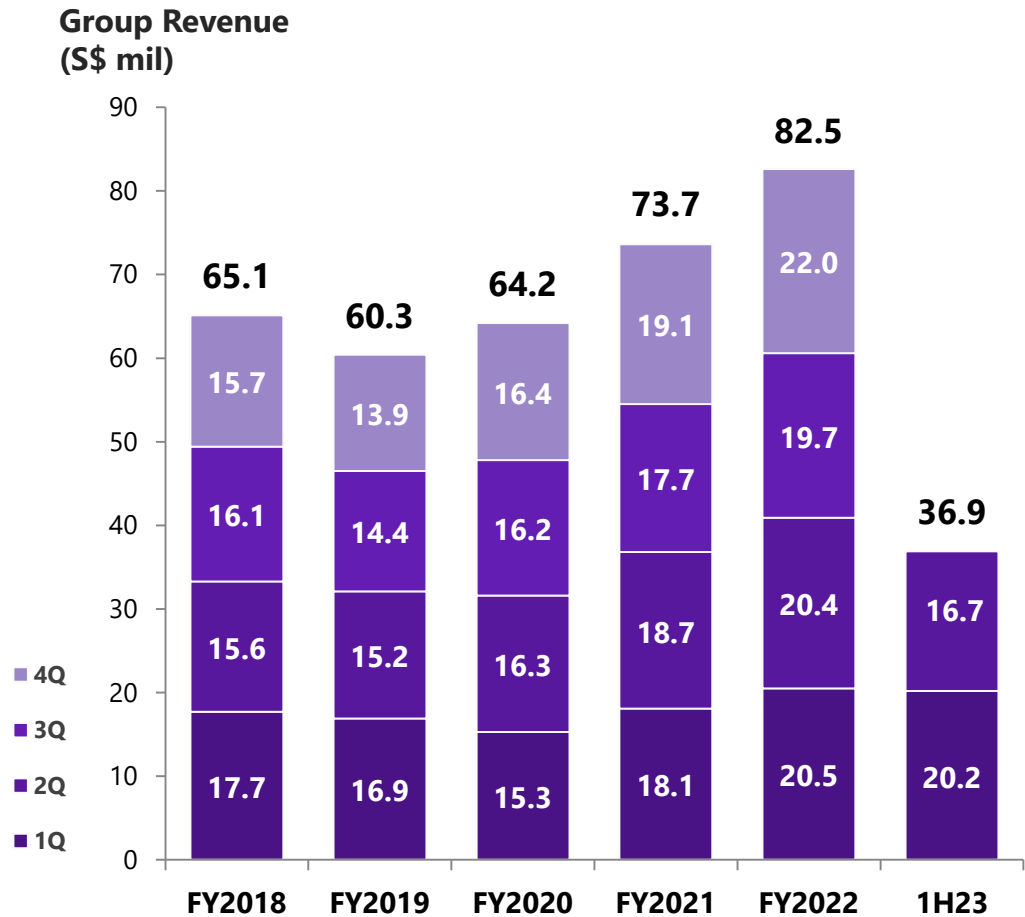
FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	F11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	1H13
29%	35%	61%	63%	83%	78%	513%	87%	61%	99%	81%	54%	58%	70%	75%	81%	107%	114%	108%	98%	136%

Dividend Policy of Not Less Than 40% of Earnings*



Group Revenue

SLOWER INDUSTRY CONDITIONS SINCE THE START OF FY2023



2Q23 REVENUE ▼ 17.9%

- Slowdown in the global semiconductor industry
- Difficult conditions in our major market in China where a flare-up in COVID-19 infections triggered new curbs and targeted lockdowns to control the outbreaks

1H23 REVENUE ▼ 9.6%

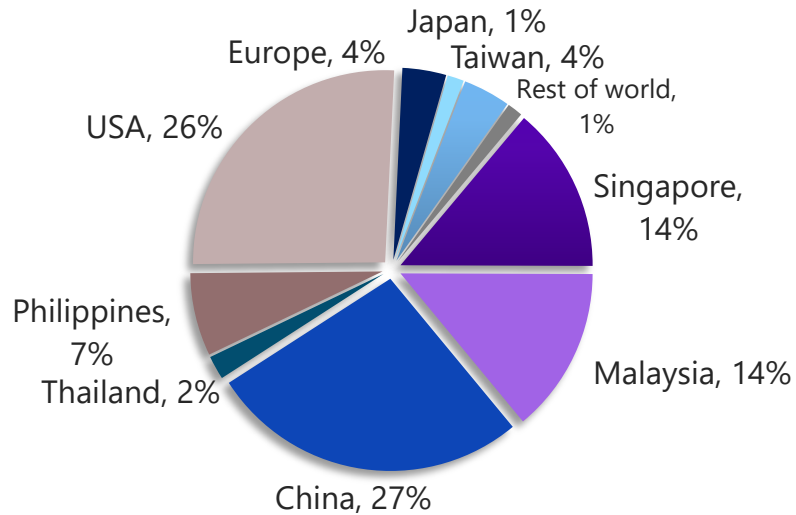
- Slower sales in China buffered by increased sales in the USA and Singapore



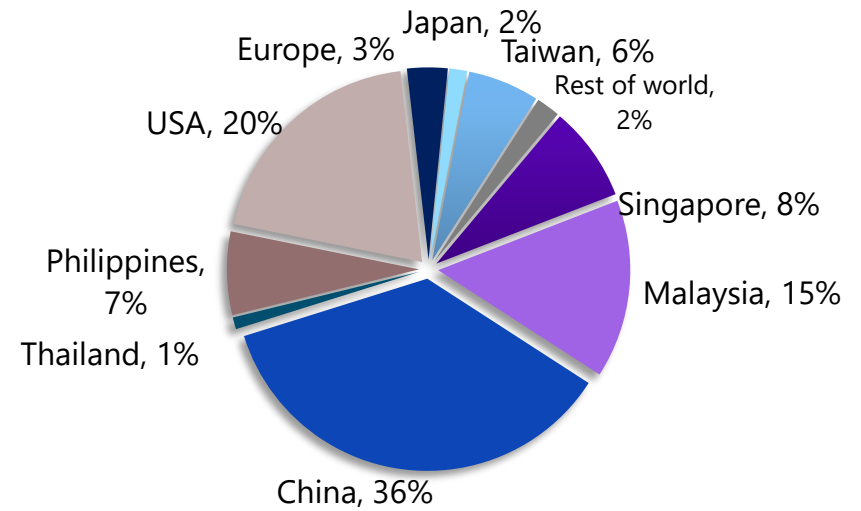
Group Revenue

DIVERSIFIED REVENUE STREAMS

Sales Breakdown for 1H23



Sales Breakdown for 1H22



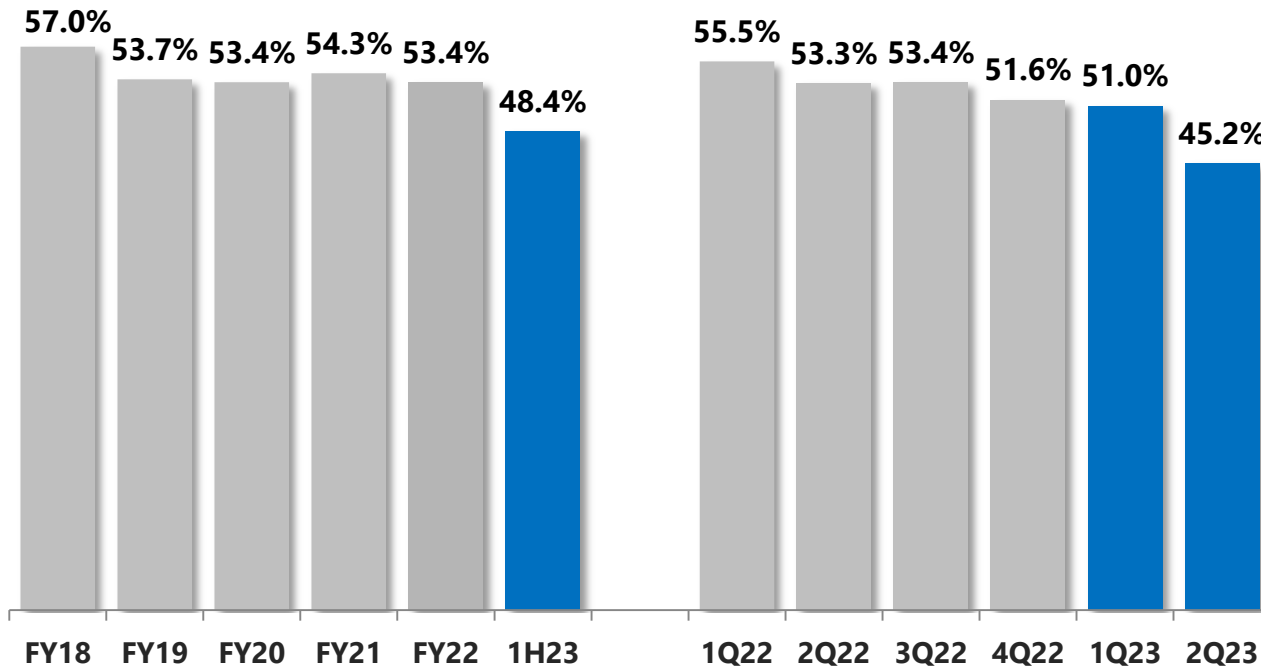
TOP 4 MARKETS*

Country	1H23 S\$ mil	1H22 S\$ mil	% change
China	9.9	14.6	(32.1%)
USA	9.4	8.1	15.3%
Malaysia	5.3	6.3	(14.8%)
Singapore	5.0	3.2	54.3%



Gross Profit Margin

GROSS PROFIT MARGIN CONTRACTED IN 2Q23



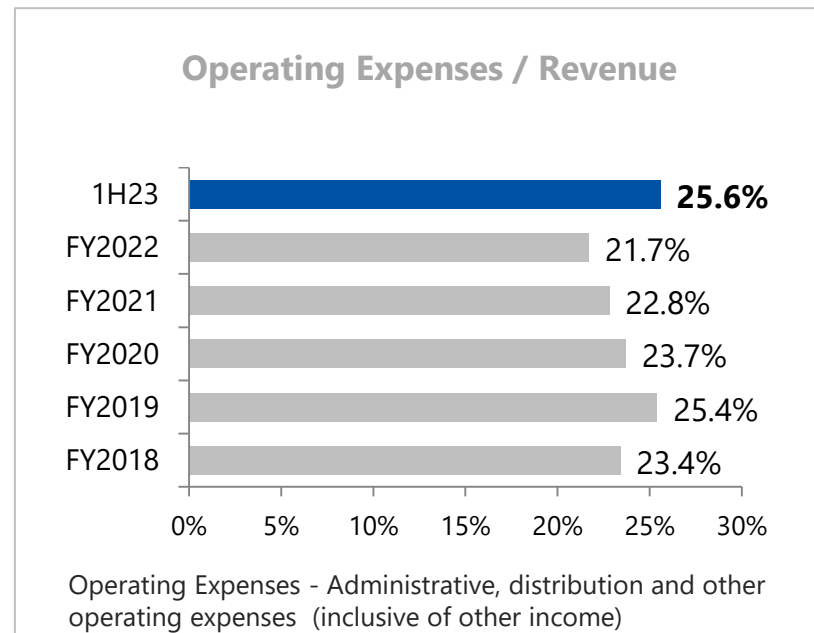
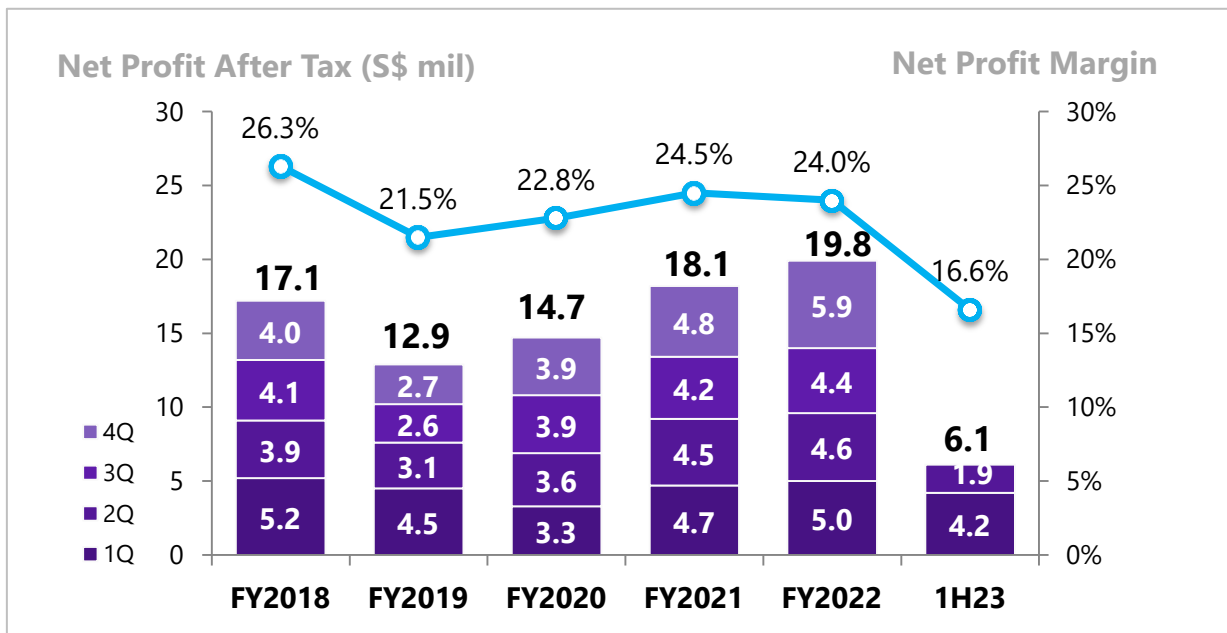
GPM dipped below threshold margin of 50% in 2Q23

- Significant decline in revenue led to underabsorption of costs as our cost structure is largely fixed in nature
- Ongoing inflationary cost pressures
- Continue to work on strengthening our GP margin with initiatives to enhance the value we bring to our customers, improve quality and streamline the way our plants operate



Profitability

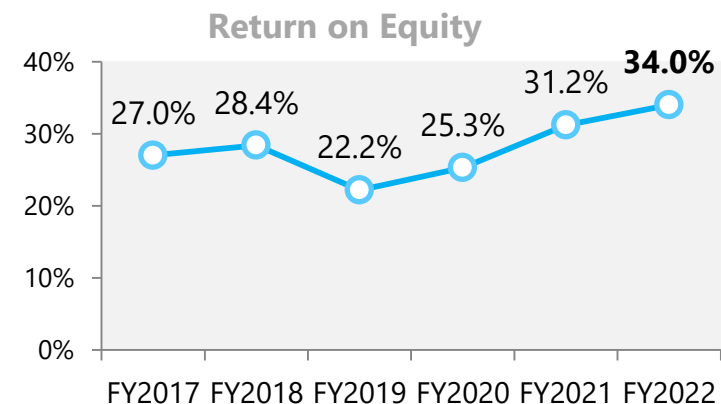
NET PROFIT IN 1H23 DECLINED WITH LOWER SALES



2Q23 PROFIT ▼ **58.4%**

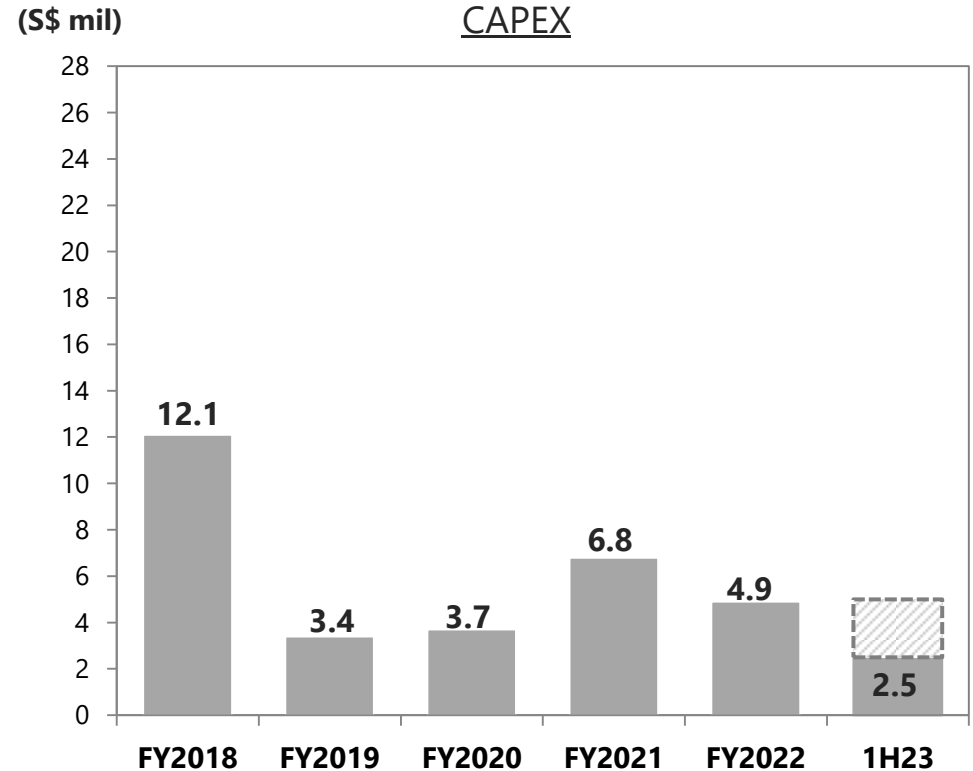
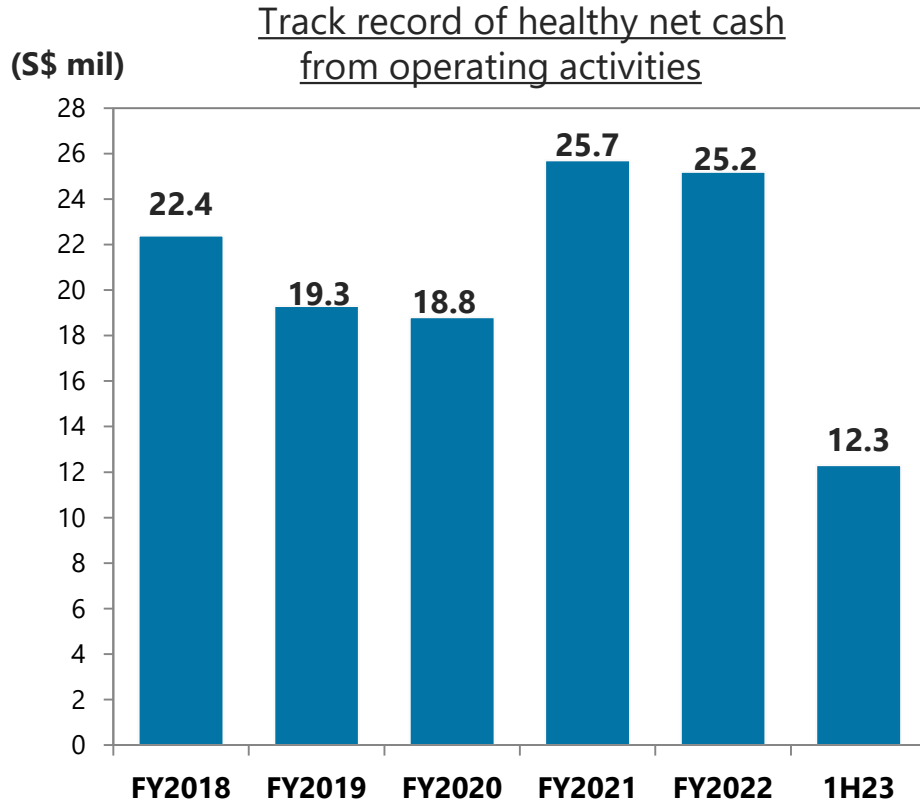
1H23 PROFIT ▼ **35.5%**

- Weaker bottom line in 2Q23 as a result of the decline in revenue and GP margin
- Continued to keep a tight rein on expenses – opex remained steady at S\$9.4M in 1H23
- Operating cashflow was also healthy in 1H23 – S\$12.3M compared to S\$10.8M in 1H22



Cash Flow

CASH-FLOW GENERATIVE OPERATIONS



- Capex budget for FY2023 – approx. S\$5M



Balance Sheet

		31 December 2022	30 June 2022
<u>Cash</u>	Cash and cash equivalents [#]	S\$18.0M	S\$20.4M
<u>Gearing</u>	Total borrowings	Nil	Nil
<u>Trade Receivables</u>	Trade Receivables (Outstanding > 90days) / (Total trade receivables) Bad debt expense	S\$11.2M 0.2% S\$0.1K (1H23)	S\$15.6M 0.02% Nil (1H22)
<u>Inventory</u>	Inventory Inventory / Sales Inventory write-off	S\$5.3M 6.6% S\$38K (1H23)	S\$5.7M 6.9% S\$86k (1H22)
<u>Equity</u>	Shareholders' equity [#] NAV per share	S\$51.7M 37.20 cents	S\$58.3M 41.94 cents

[#] Paid dividends totalling S\$11.1M in 1H23 and S\$19.5M in FY2022



Safe Harbour for Forward-Looking Statements

This presentation contains certain statements that are not statements of historical fact, i.e. forward-looking statements. Investors can identify some of these statements by forward-looking items such as 'expect', 'believe', 'plan', 'intend', 'estimate', 'anticipate', 'may', 'will', 'would', and 'could' or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. These forward-looking statements are based on current expectations, projections and assumptions about future events. Although Micro-Mechanics (Holdings) Ltd. believes that these expectations, projections, and assumptions are reasonable, these forward-looking statements are subject to the risks (whether known or unknown), uncertainties and assumptions about Micro-Mechanics (Holdings) Ltd. and its business operations.

Some of the key factors that could cause such differences are, among others, the following:

- changes in the political, social and economic conditions and regulatory environment in the jurisdictions where we conduct business or expect to conduct business;
- the risk that we may be unable to realise our anticipated growth strategies and expected internal growth;
- changes in and new developments in technologies and trends;
- changes in currency exchange rates;
- changes in customer preferences and needs;
- changes in competitive conditions in the semiconductor industry and our ability to compete under these conditions;
- changes in pricing for our products; and
- changes in our future capital needs and the availability of financing and capital to fund these needs.

Given these risks, uncertainties and assumptions, the forward-looking events referred to in this presentation may not occur and actual results may differ materially from those expressly or impliedly anticipated in these forward-looking statements. Investors are advised not to place undue reliance on these forward-looking statements.

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