



MICRO-MECHANICS®

perfect parts and tools, on time, every time

1H19 Results Presentation

28 January 2019



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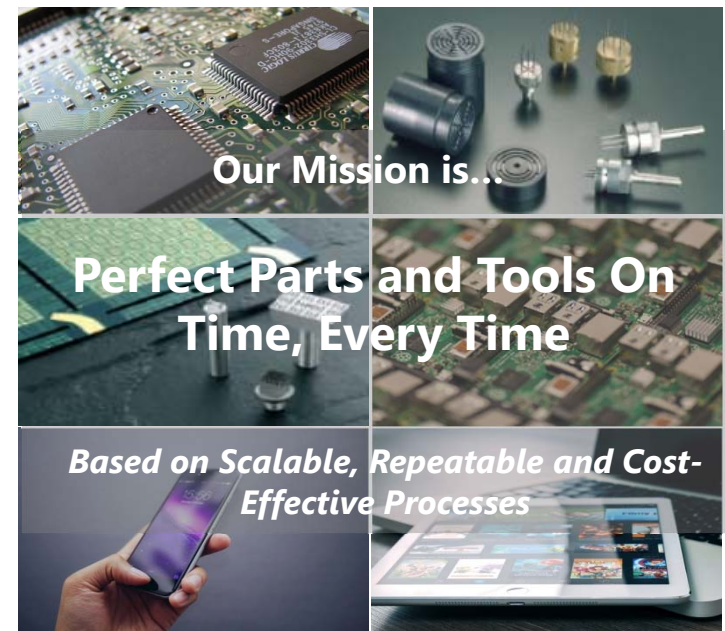
Business & Industry

Low Ming Wah, COO



Corporate Overview

- Founded in 1983 in Singapore
- Design and manufacture **high precision tools and parts** used in **process-critical applications** for the wafer-fabrication and assembly processes of the **semiconductor industry**
- Serve a worldwide base of customers from five facilities in Asia (Singapore, Malaysia, China, Philippines) and the USA
- More than 600 active customers
- Listed on the Singapore Exchange (Main Board) since 2003
- Committed to generating shareholder returns



Business Model

HIGH PRECISION, PROCESS-CRITICAL Parts and Tools for Semiconductor Industry



Proprietary consumable tools used in the **assembly and testing of semiconductors**, such as die-attach and wirebonding tools

Contract manufacturing of precision parts used in process-critical applications for the **wafer fabrication industry**



IDMs, Semiconductor assembly and test service providers

Leading wafer fabrication equipment manufacturers



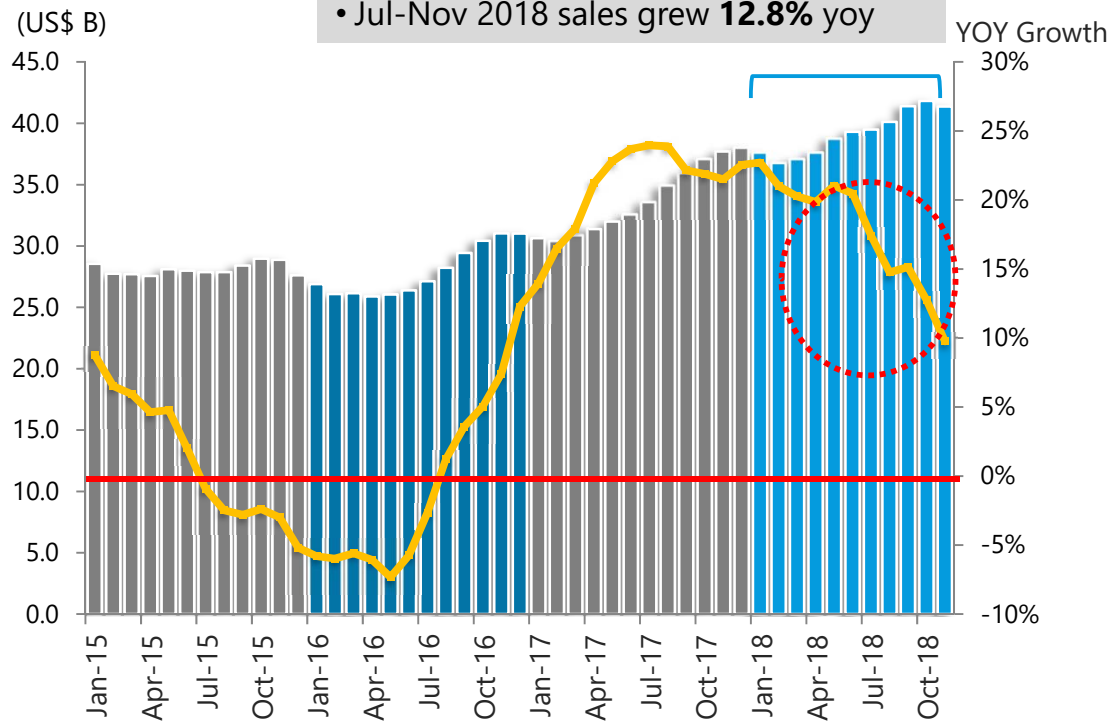
HIGH PRECISION AND QUALITY | SHORT CYCLE TIME |
| WORLDWIDE SUPPORT | VALUE > COST



Semiconductor Industry Review

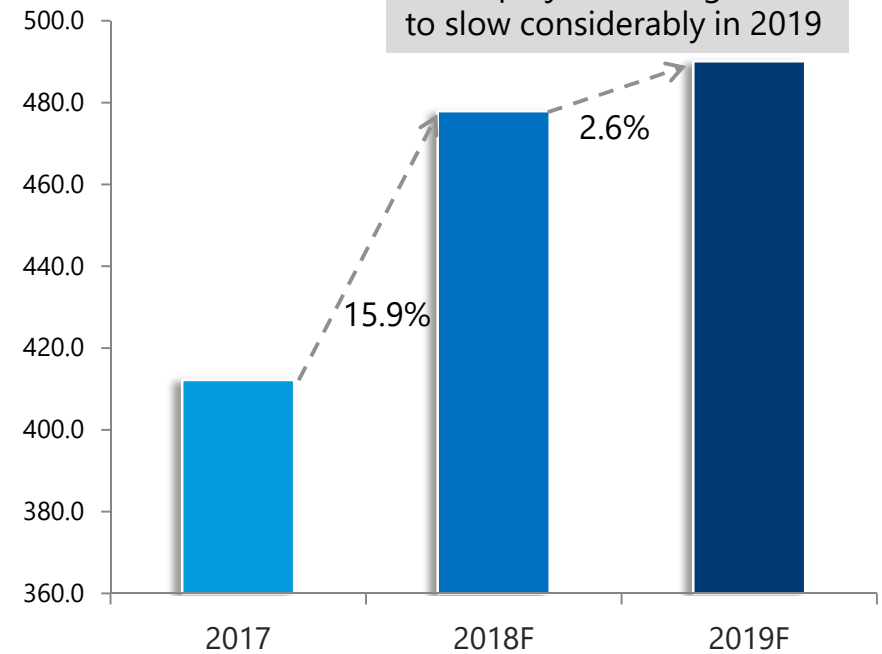
Global Monthly Chip Sales

- Moderating growth in 2nd half of 2018
- Jul-Nov 2018 sales grew **12.8%** yoy



WSTS Semiconductor Sales Forecast

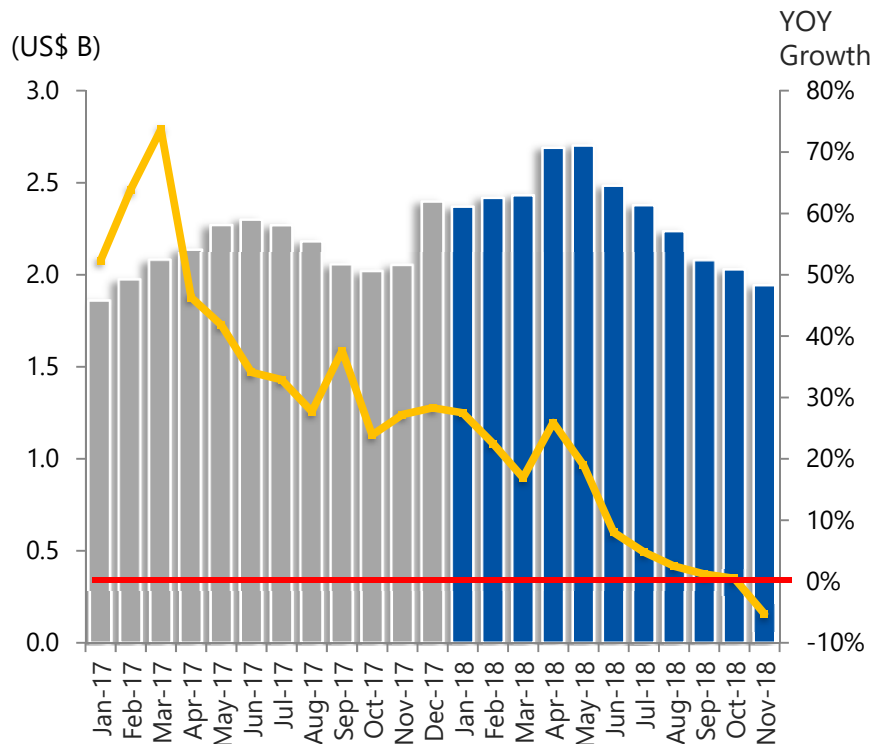
WSTS projects sales growth to slow considerably in 2019



Sources: Semiconductor Industry Association, World Semiconductor Trade Statistics

Semiconductor Industry Review

Three-month average of worldwide billings of North American equipment manufacturers



Source: SEMI

Total fab equipment spending expected to decline 8% in 2019

Fab Equipment Spending in US\$ Million				
Region	2018	2019	Change 2018	Change 2019
Americas	\$4,822	\$4,965	-10.5%	3.0%
China	\$12,203	\$11,957	84.3%	-2.0%
Europe & Mideast	\$4,500	\$4,250	11.8%	-5.6%
Japan	\$8,735	\$8,649	36.3%	-1.0%
Korea	\$18,497	\$12,087	-6.5%	-34.7%
Southeast Asia	\$2,552	\$2,434	37.6%	-4.6%
Taiwan	\$9,211	\$11,438	-17.3%	24.2%
Total	\$60,520	\$55,780	9.6%	-7.8%

Source: World Fab Forecast Report, November 2018 edition, SEMI

- Total fab spending now projected to drop 8% in 2019; a sharp reversal from previous forecast of 7% growth
- Slower spending expected in the second half of 2018 (down 13%) and first half of 2019 (down 16%)



Behind the Numbers...

1H19 REVENUE

\$32.0M ▼ 3.9%

GROSS PROFIT MARGIN

56.1%

NET PROFIT MARGIN

23.8%

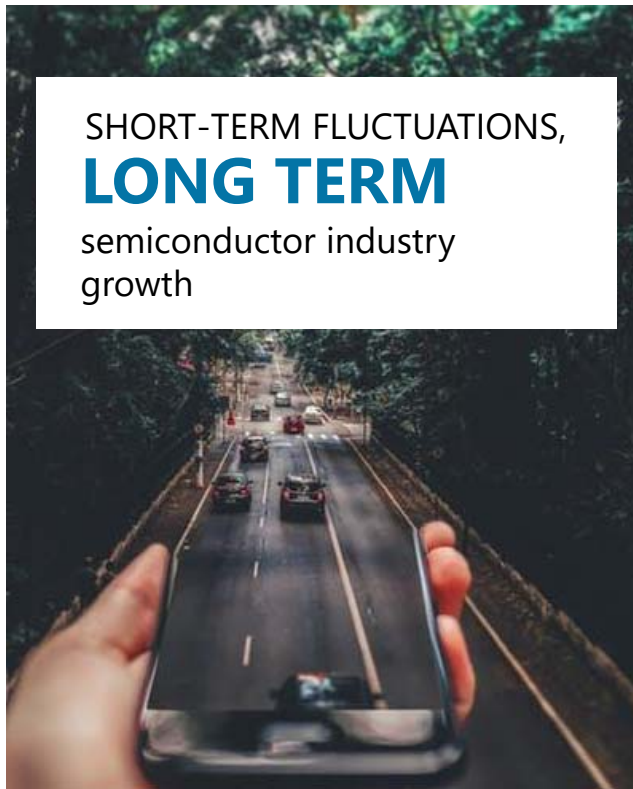
INTERIM DIVIDEND
SUSTAINED AT

4.0 cents per share

- Amid slowing industry conditions and hence demand for tools and parts we manufacture for semiconductor assembly and wafer fabrication, the Group performed reasonably well
- Semiconductor industry typically experiences cyclical conditions, particularly for wafer fabrication equipment market
- While we are also susceptible to the industry cycles, our business model demonstrates greater resilience
- Validates sound balance sheet
- Reflects confidence in the long-term market prospects



Behind the Numbers...



- Focus on long term industry trends – we believe semiconductor industry is poised for prolonged period of solid growth as chips are widely used in every aspect of modern life from smart phones to cars
- More stringent customer requirements – greater precision, repeatability, cleanliness and reliability – as the semiconductor industry adopts processing methods for 10 nanometer and below geometries
- Our long-term perspective of the industry and customer value drive the Group's investments and initiatives
- Increase automation, develop new materials & processes
- We have the technical, financial & managerial strengths to address the increasingly demanding industry requirements





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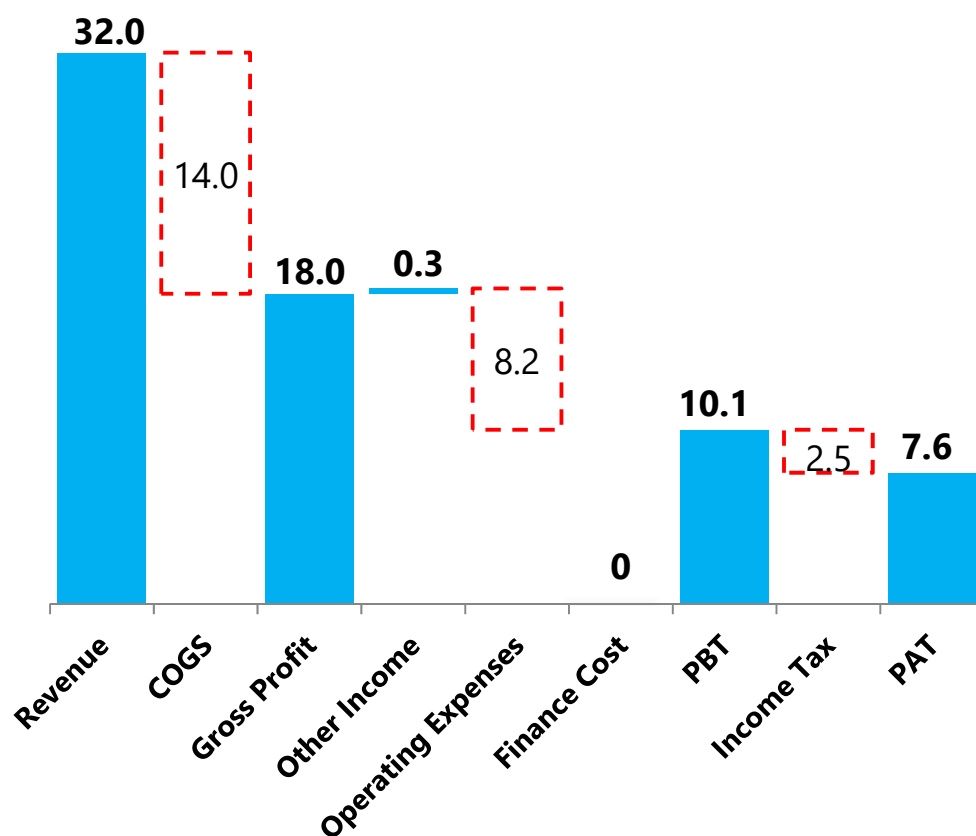
Financial Review

Chow Kam Wing, CFO



1H19 in Review

1H19 P&L Overview (S\$ million)



N.B. Due to rounding, some totals may not correspond with the sum/subtraction of separate figures.

KEY RATIOS & STATISTICS

REVENUE GROWTH	(3.9%)
GROSS PROFIT GROWTH	(8.0%)
PBT GROWTH	(13.2%)
NET PROFIT GROWTH	(15.9%)
GROSS PROFIT MARGIN	56.1%
NET PROFIT MARGIN	23.8%
EARNINGS PER SHARE	5.49 cents
DIVIDEND PAYOUT	73%
RETURN ON EQUITY (annualised)	25.9%
CASH	S\$20.4M
DEBT	Zero

FY: Financial year ending 30 June

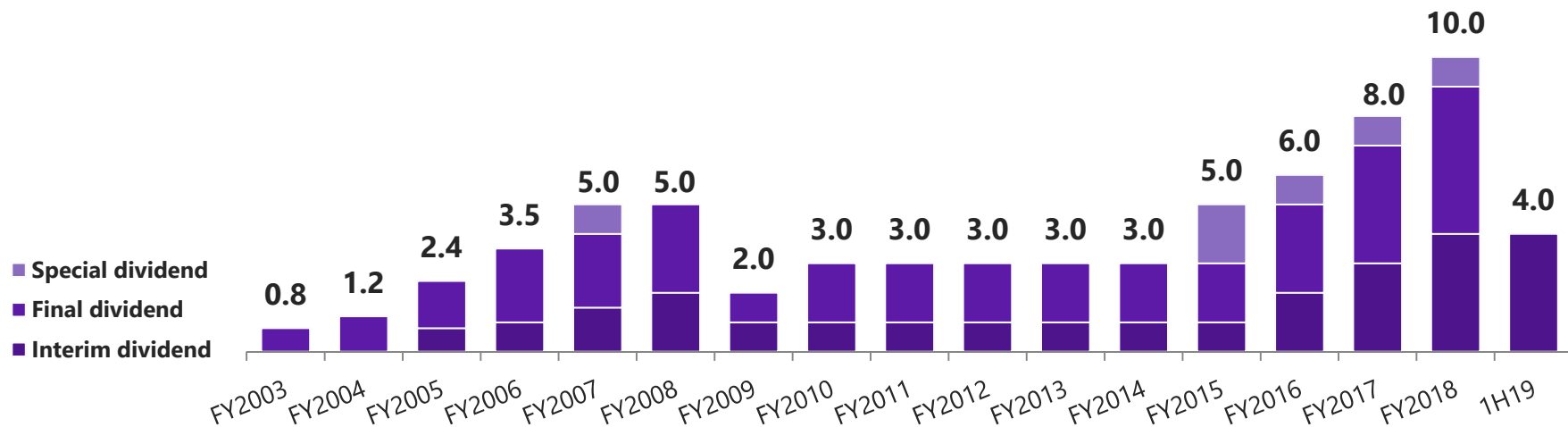


Dividend Performance

MAINTAINED INTERIM DIVIDEND OF 4 CENTS PER SHARE FOR 1H19

Total dividend payout since listing – **67.9 CENTS** per share

DIVIDEND PER SHARE (CENTS)



DIVIDEND PAYOUT RATIO

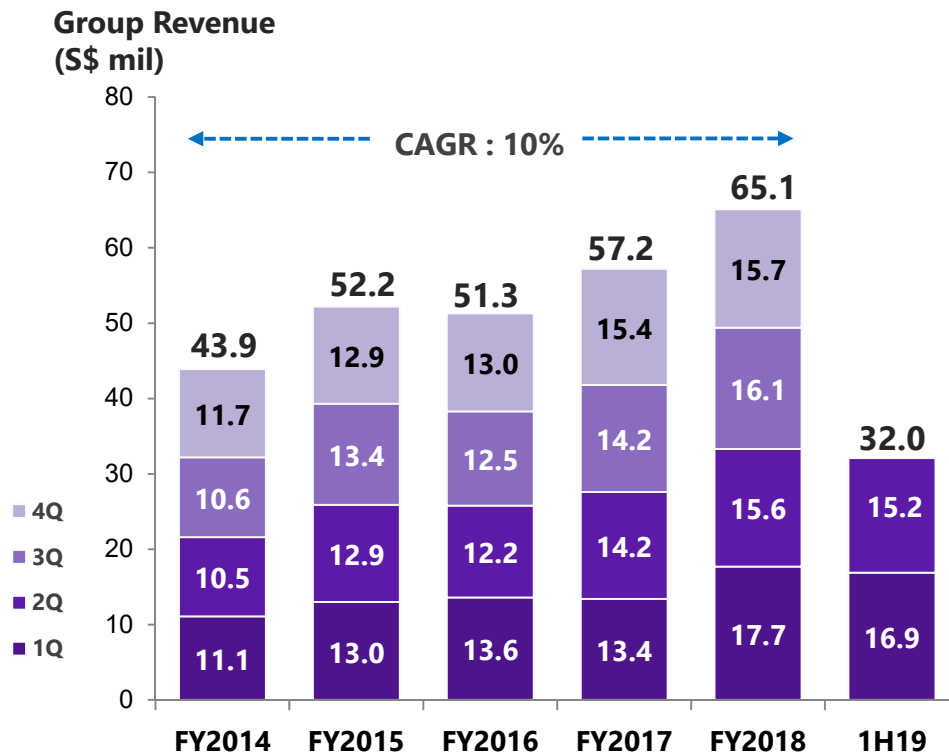
FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	1H19
29%	35%	61%	63%	83%	78%	513%	87%	61%	99%	81%	54%	58%	70%	75%	81%	73%

Dividend Policy of Not Less Than 40% of Earnings*



Group Revenue

MODERATING CONDITIONS IN SEMICONDUCTOR INDUSTRY



1H18 REVENUE ▼ 3.9%

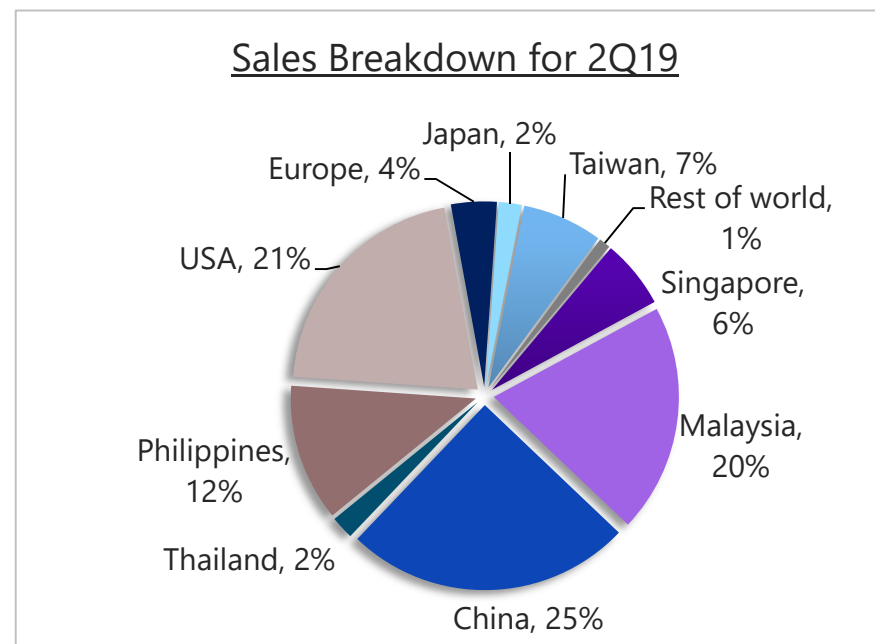
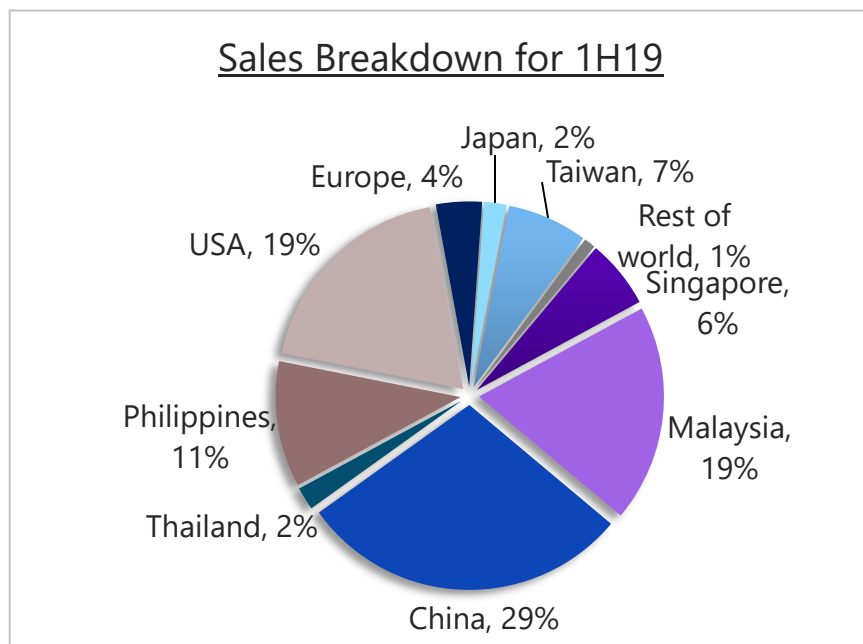
- Reflects moderating market conditions in the global semiconductor industry
- Better performances in the Philippines and USA markets partially offset slower sales in Singapore and Malaysia markets. Sales in China remained stable
- Translational impact from depreciation of Chinese Yuan and Philippine Peso

N.B. Due to rounding, some totals may not correspond with the sum of separate figures.



Group Revenue

DIVERSIFIED REVENUE STREAMS



TOP 3 MARKETS

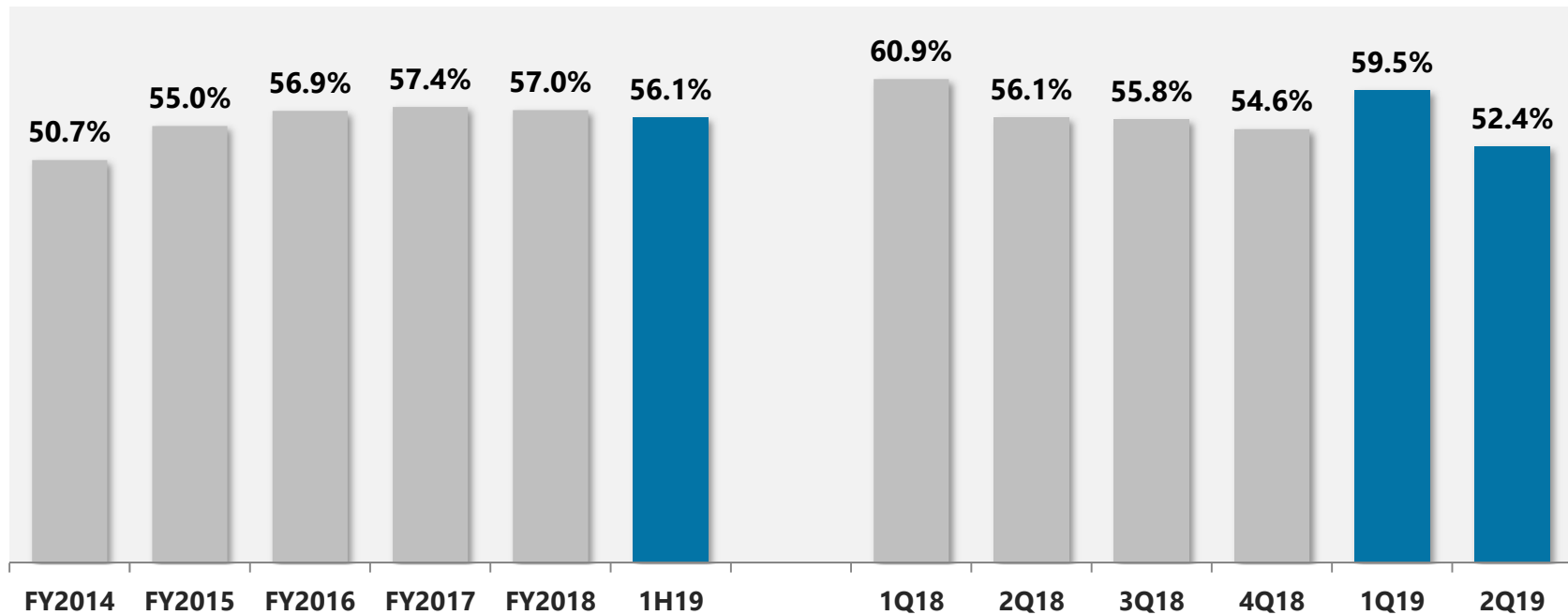
Country	1H19 S\$ mil	1H18 S\$ mil	% change
China	9.3	9.3	0%
USA	6.2	5.7	8%
Malaysia	6.0	6.4	(5%)

Country	2Q19 S\$ mil	2Q18 S\$ mil	% change
China	3.8	4.1	(7%)
USA	3.2	3.0	8%
Malaysia	3.0	2.9	2%



Gross Profit Margin

GROSS PROFIT MARGIN REMAINED ABOVE 50%



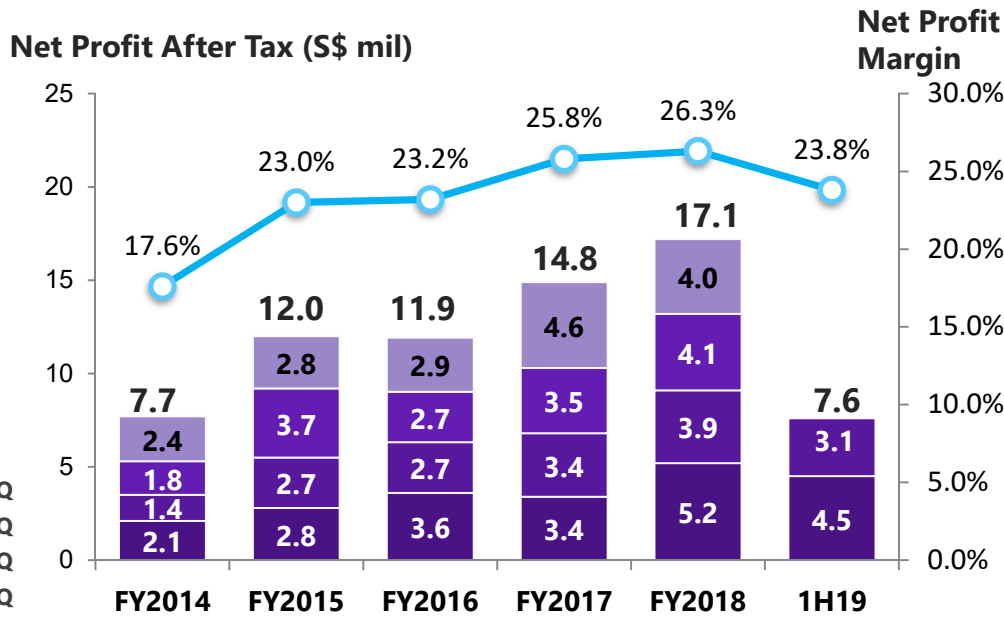
- Increase in production headcount
- Depreciation expenses increased by S\$0.4 million after a record capex in FY2018

Reduced sales resulted in under-absorption of fixed overheads



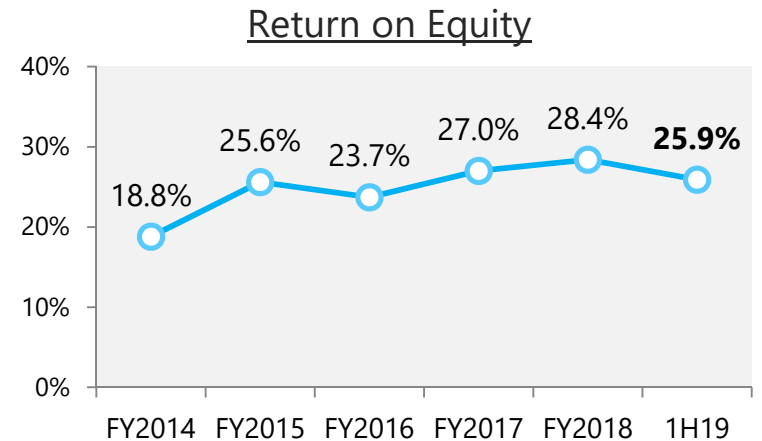
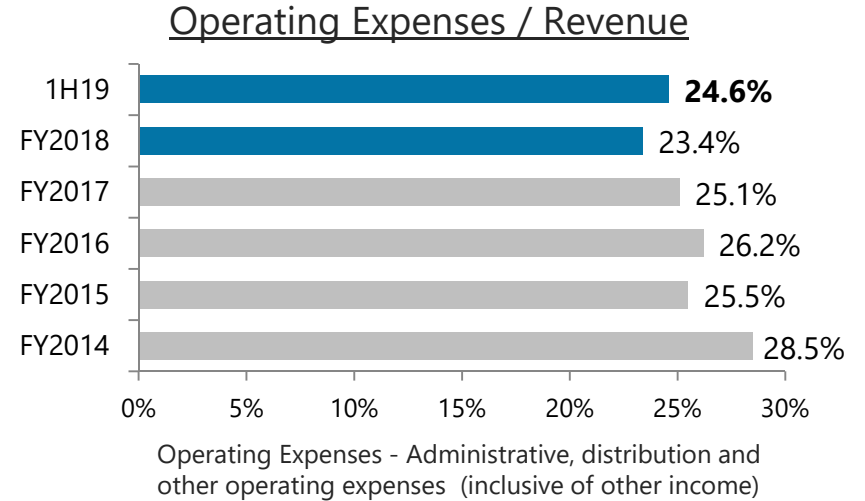
Profitability

MAINTAINED HEALTHY MARGINS WITH TIGHT REIN ON EXPENSES



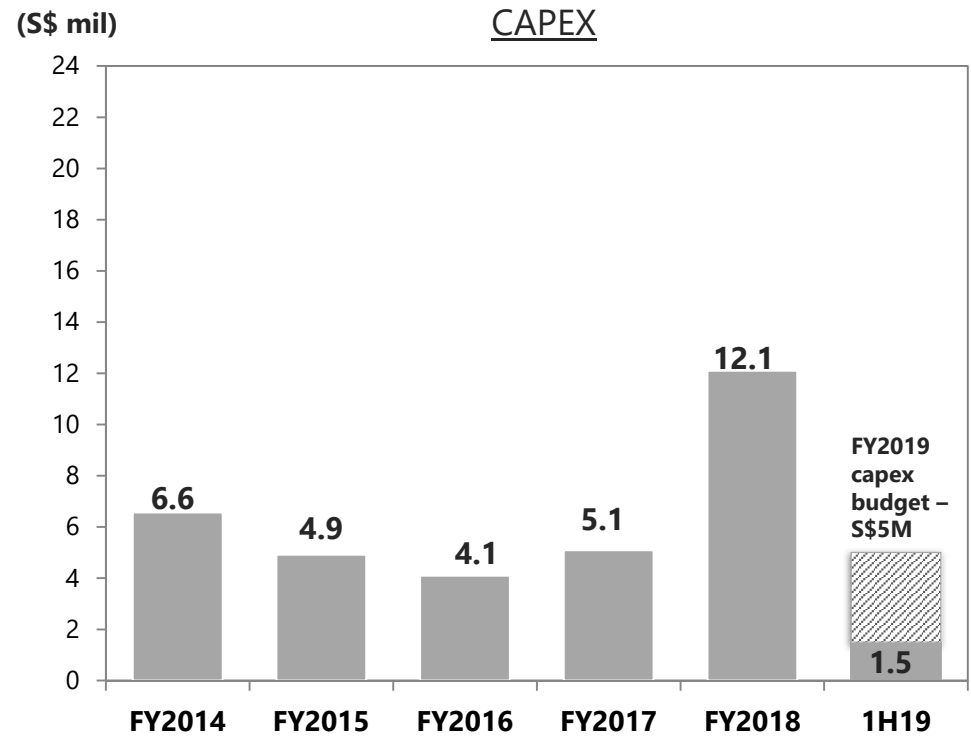
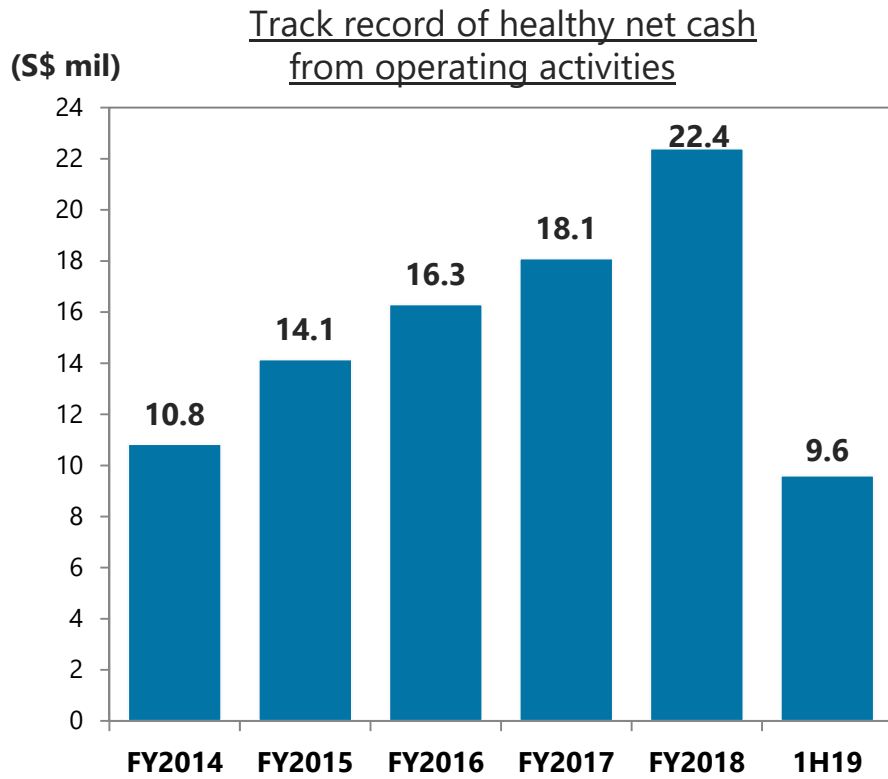
1H19 PROFIT ▼ 15.9%

Softer revenue and higher cost of sales from increased production headcount and depreciation charges



Cash Flow

CASH-FLOW GENERATIVE OPERATIONS



Balance Sheet

		31 December 2018	30 June 2018
<u>Cash</u>	Cash and cash equivalents [#]	S\$20.4M	S\$21.1M
<u>Gearing</u>	Total borrowings	Nil	Nil
<u>Trade Receivables</u>	Trade Receivables (Outstanding > 90days) / (Total trade receivables) Bad debt expense	S\$10.1M 0.02% Nil (1H19)	S\$10.9M Nil Nil (FY18)
<u>Inventory</u>	Inventory Inventory / Sales Inventory write-off	S\$4.7M 7.4% S\$40k (1H19)	S\$4.6M 7.0% S\$111k (FY18)
<u>Equity</u>	Shareholders' equity [#] NAV per share	S\$58.9M 42.38 cents	S\$60.3M 43.37 cents

[#] Paid final and special dividends totalling S\$8.3M for FY2018



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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