



**MICRO-MECHANICS®**

*perfect parts and tools, on time, every time*

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# 1H18 Results Presentation

## 29 January 2018



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# Business & Industry

Chris Borch, CEO

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



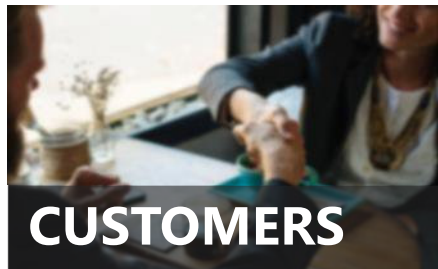
# Business Model

## 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



# Strategy - Focus on Key Customer Outcomes

End-user market demands flow through our Semiconductor Customers to Us

## MARKET



**Mobility + Performance**  
"On-demand!  
Low Cost!"

## SEMICONDUCTOR CUSTOMERS



## KEY CUSTOMER OUTCOMES

- DESIGN** Align to customer (and market) needs
- DELIVERY** On time, Every time in Less time
- PRECISION** Finer features, smaller tolerances
- RELIABILITY** Flawless Quality, 0 PPM
- COST** Globally Competitive; Price < Value

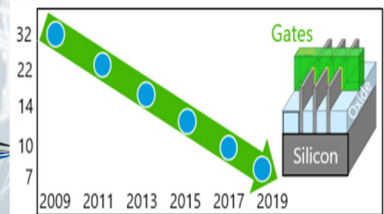
Miniaturization +  
Reliability +  
Precision +  
Flawless Quality +  
Scalability



# Strategy - Focus on Key Customer Outcomes

**NANO PRECISION** - the "Nano" world of semiconductor manufacturing

The "NANO" world of semiconductor manufacturing



**Trend: Devices < 10 nanometers**

Human hair = 100,000 nanometers

**CUSTOMERS'**  
Requirements for  
Tools & Parts

*Smaller features with  
tighter tolerances*

*Greater precision  
(Higher repeatability)*

*Towards zero defect*

*Micro-cleanliness*

**MICRO-MECHANICS:**  
Prepared for "Nano" world  
with **Capital** and  
**Engineering Resources**

MORE COMPLEX  
design and manufacturing

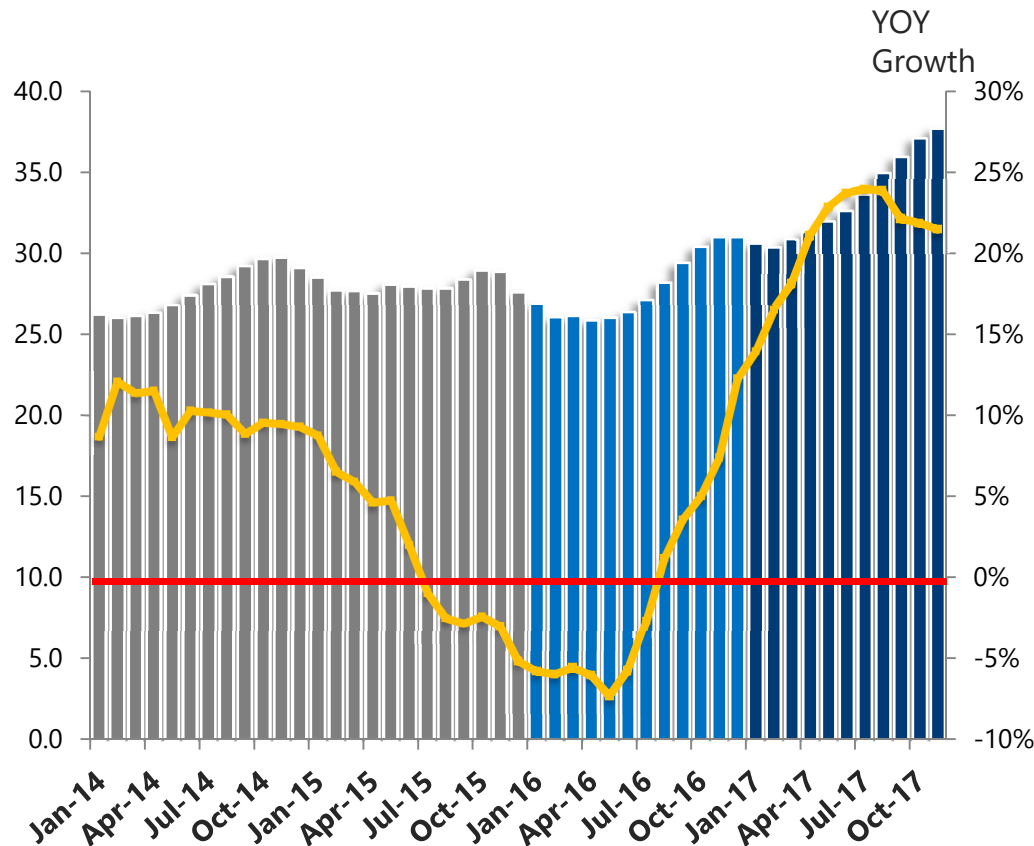
CONTINUOUSLY DEVELOP  
advanced machining  
processes

SUPPORTING PROCESSES  
– new materials, testing,  
cleaning & packaging



# Industry Review

Global Monthly Chip Sales (US\$ B)



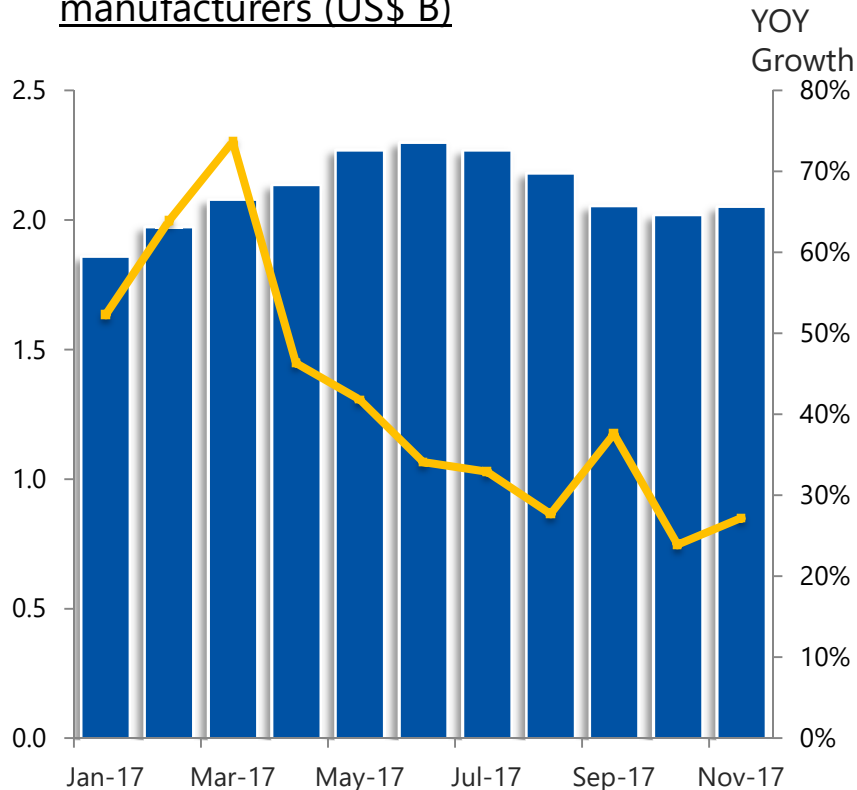
Source: Semiconductor Industry Association

- Worldwide chip sales in November 2017 reached the highest-ever monthly sales of **US\$37.7 billion**
- Global semiconductor sales for the five-month period from July to November 2017 increased **22.6%**, compared to the same period in 2016
- World Semiconductor Trade Statistics (WSTS) expects worldwide chip sales to reach a record US\$408.7 billion in 2017, up 20.6% from 2016
- WSTS projects semiconductor sales to increase another 7% in 2018



# Industry Review

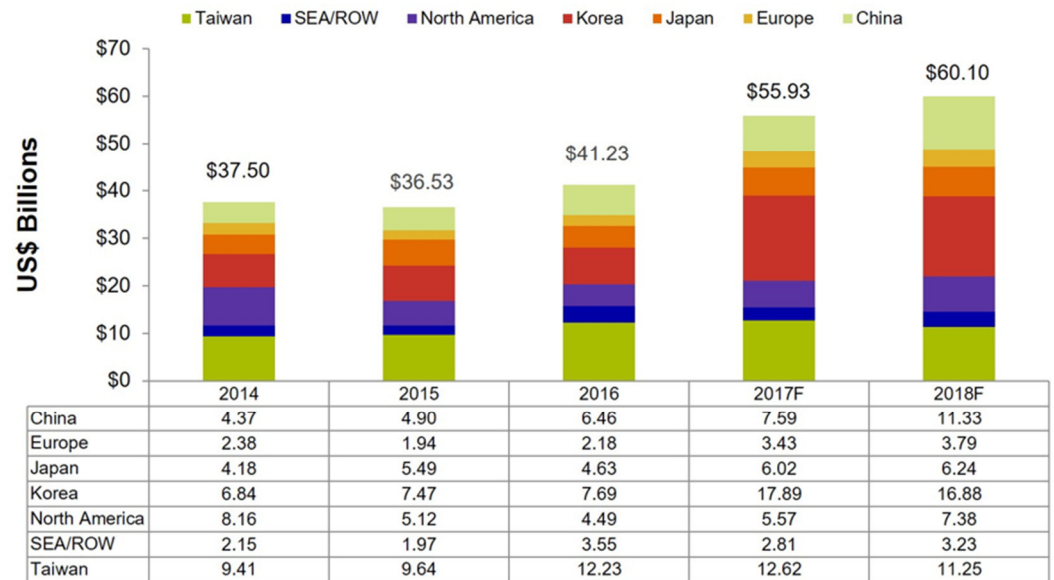
Three-month average of worldwide billings of North American equipment manufacturers (US\$ B)



Source: SEMI

## SEMI Year-End Semiconductor Equipment Forecast

Source: SEMI ([www.semi.org](http://www.semi.org)), December 2017



New equipment. Totals may not add due to rounding

### SEMI projects 35.6% increase in worldwide sales of new semiconductor manufacturing equipment

- Sales to reach US\$55.9B in 2017, exceeding previous market high of US\$47.7B in 2000
- Expects 7.5% sales growth in 2018





# 1H18 Results Snapshot

RECORD FIRST-HALF  
REVENUE

**S\$33.3M**

▲ 21.1%

HIGHER GROSS PROFIT  
MARGIN

**58.7%**

▲ 2.3ppt

RECORD FIRST-HALF NET  
PROFIT

**S\$9.1M**

▲ 34.6%

ZERO BORROWINGS

**S\$22.4M**

IN CASH

INTERIM DIVIDEND

**4.0 cents**

PER SHARE

MARKET CAPITALISATION

**S\$333.7M**

22 JAN 2018

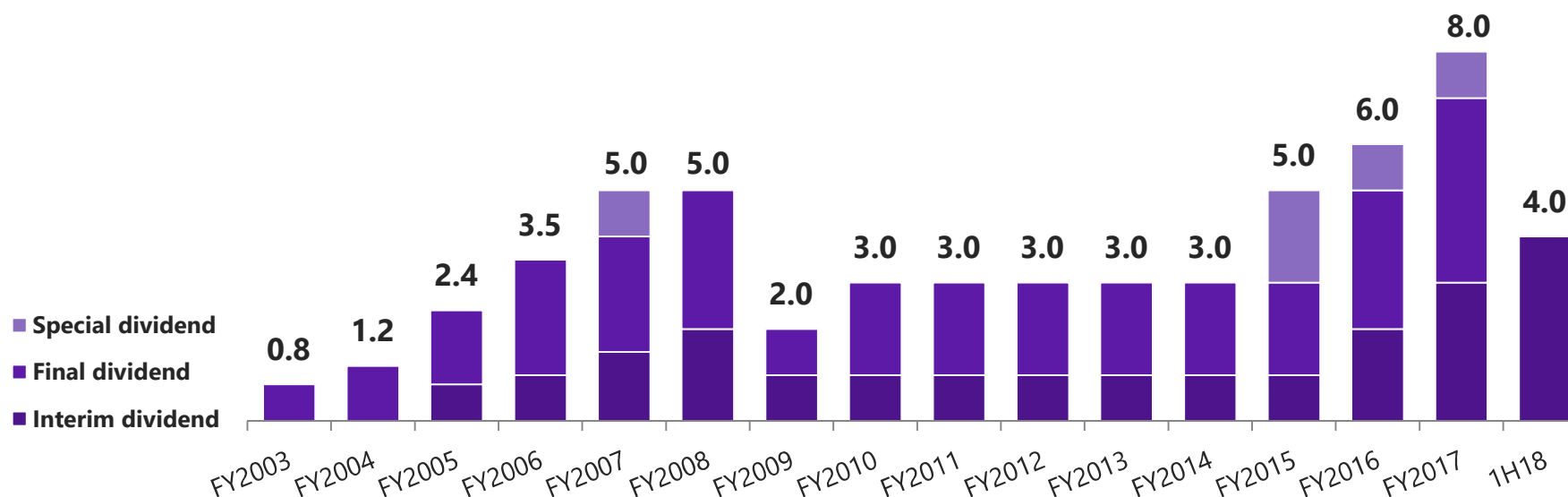


# Dividend Performance

## HIGHER INTERIM DIVIDEND OF 4 CENTS PER SHARE FOR 1H18

Total dividend payout since listing - **57.9 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
29%	35%	61%	63%	83%	78%	513%	87%	61%	99%	81%	54%	58%	70%	75%

Dividend Policy of Not Less Than 40% of Earnings\*





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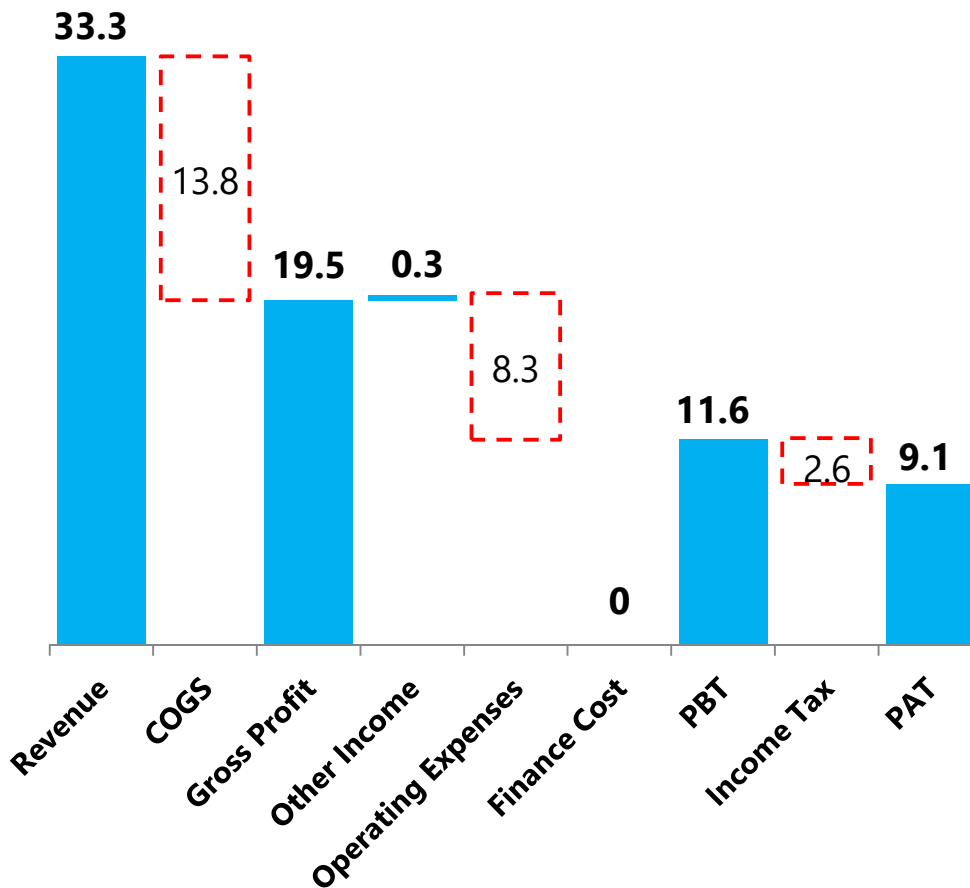
# Financial Review

Chow Kam Wing, CFO



# 1H18 in Review

1H18 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

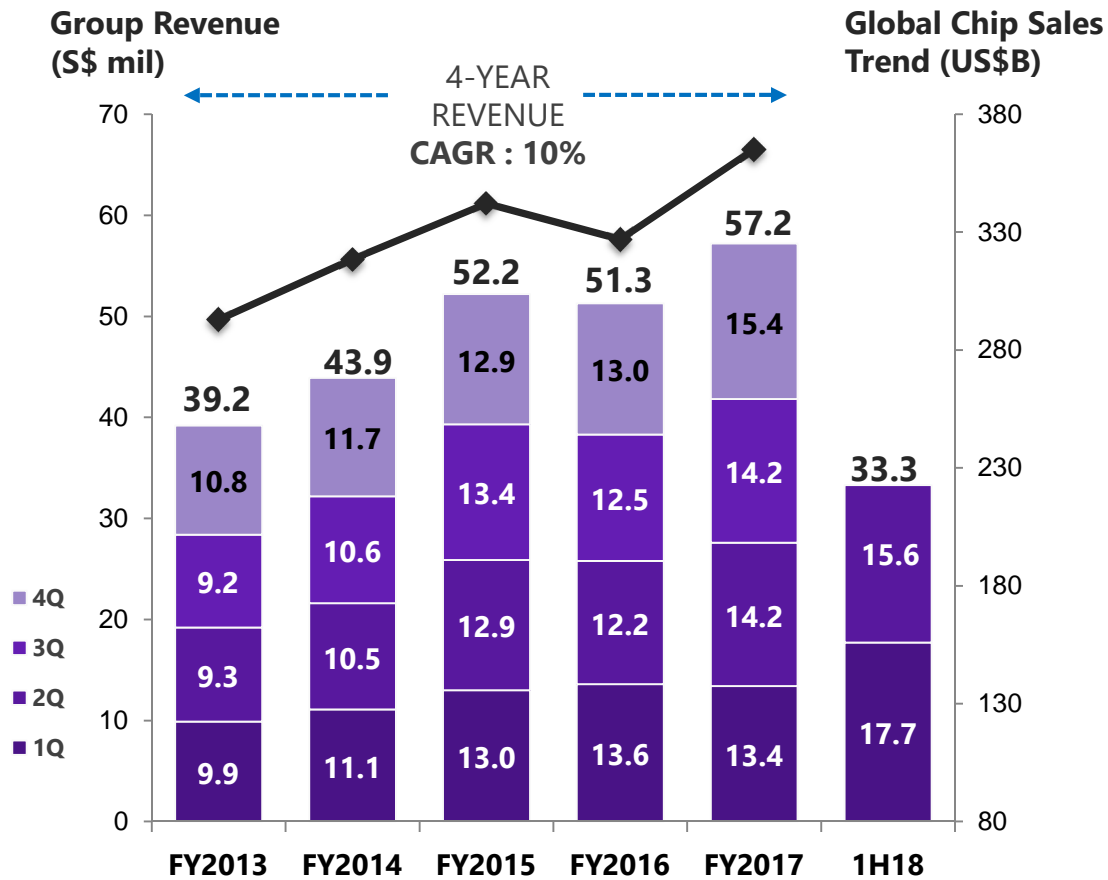
REVENUE GROWTH	21.1%
GROSS PROFIT GROWTH	26.0%
PBT GROWTH	32.7%
NET PROFIT GROWTH	34.6%
GROSS PROFIT MARGIN	58.7%
NET PROFIT MARGIN	27.2%
EARNINGS PER SHARE	6.53 cents
RETURN ON EQUITY	31.7% (annualised)
CASH	S\$22.4M
DEBT	Zero

FY: Financial year ending 30 June



# Group Revenue

## RECORD FIRST-HALF REVENUE IN 1H18



1H18 REVENUE ▲ **21.1%**

2Q18 REVENUE ▲ **10.3%**

- Higher sales in Singapore, the Philippines, China and the USA in 2Q18 vs 2Q17
- 2Q18 revenue would have been higher if not for the translational impact of the depreciation of the US dollar and the Philippine Peso by 2.6% and 7.1% respectively against the SGD

◆ Global Chip Sales Trend according to FY. Data from Semiconductor Industry Association (SIA)

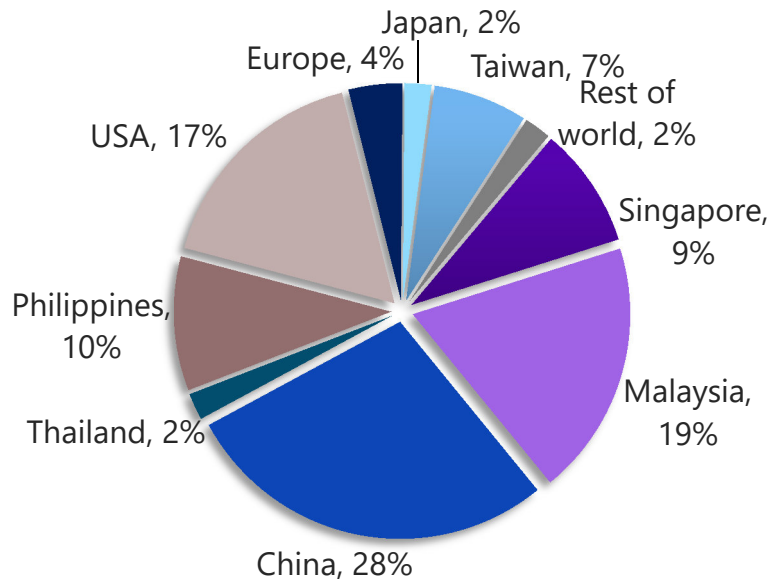
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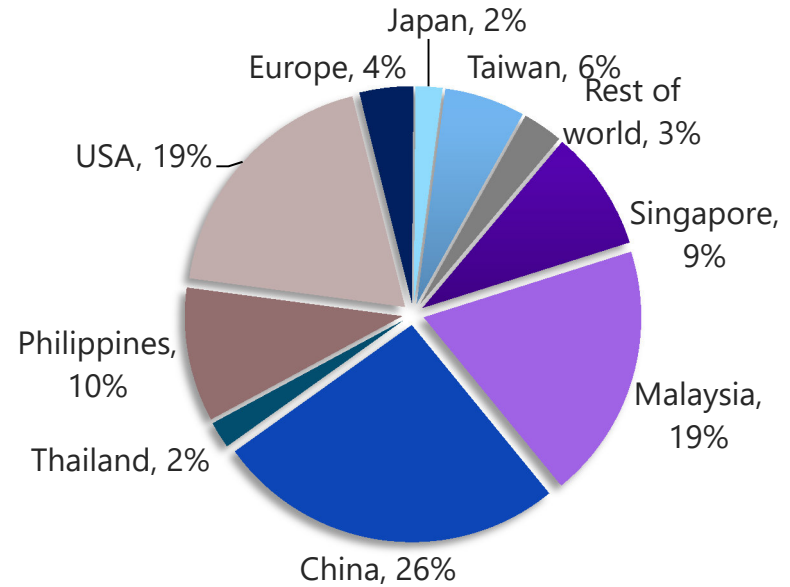
# Group Revenue

## DIVERSIFIED REVENUE STREAMS

Sales Breakdown for 1H18



Sales Breakdown for 2Q18



## TOP 3 MARKETS

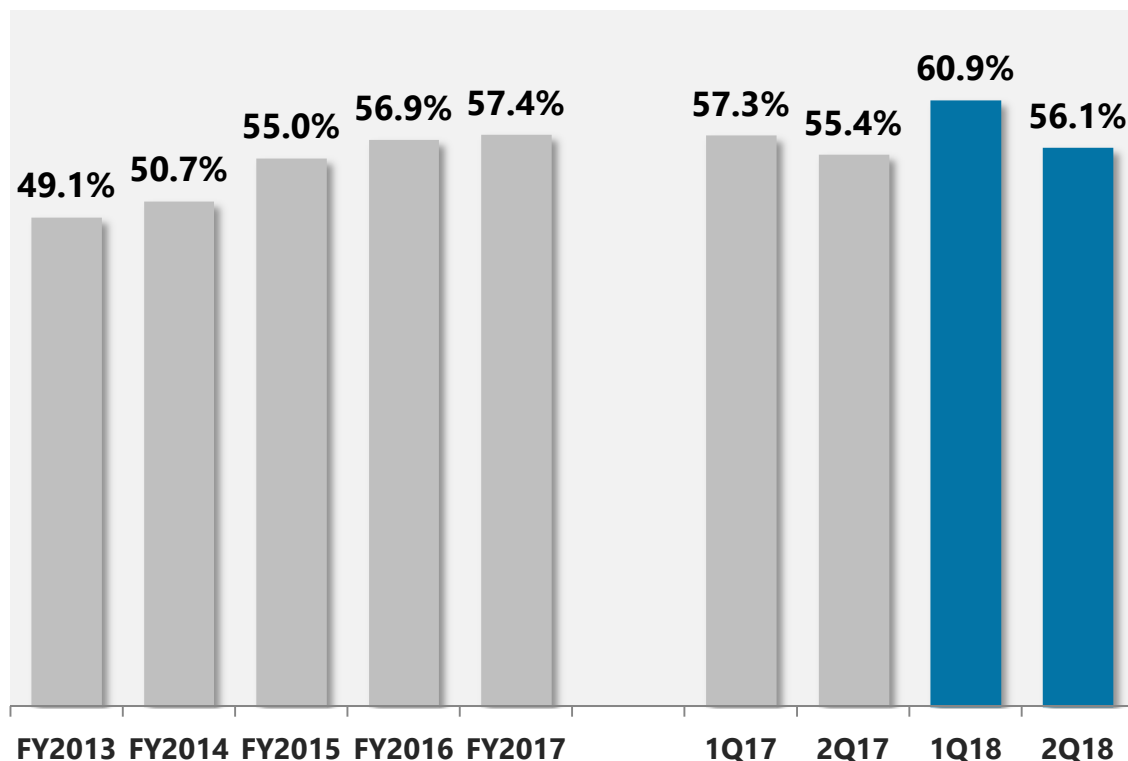
Country	1H18 S\$ mil	1H17 S\$ mil	% change
<b>China</b>	<b>9.3</b>	7.1	<b>31%</b>
<b>Malaysia</b>	<b>6.4</b>	6.1	<b>5%</b>
<b>USA</b>	<b>5.7</b>	3.9	<b>45%</b>

Country	2Q18 S\$ mil	2Q17 S\$ mil	% change
<b>China</b>	<b>4.1</b>	3.6	<b>14%</b>
<b>Malaysia</b>	<b>2.9</b>	3.1	<b>(4%)</b>
<b>USA</b>	<b>3.0</b>	2.2	<b>34%</b>



# Gross Profit Margin

## STEADY GROSS PROFIT MARGIN



- Higher GP margin y-o-y attributed to higher capacity utilisation, as well as cost, productivity and cycle time improvements

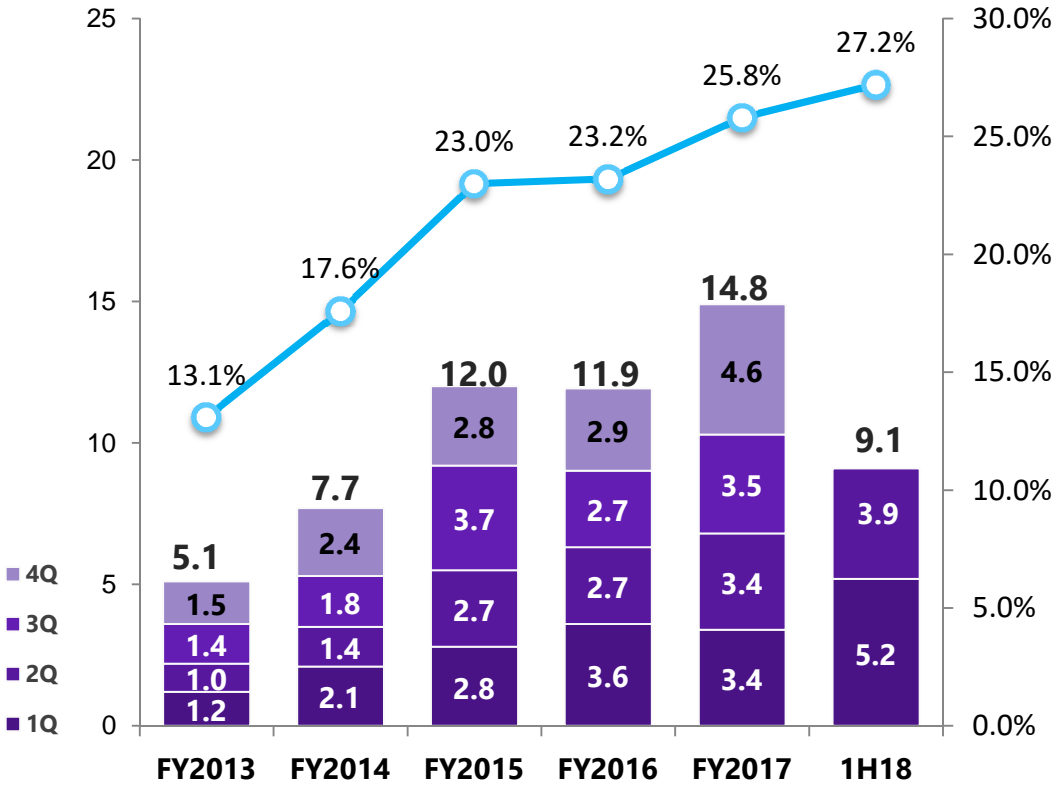
Gross profit margin is one of the results that matters most – It reflects the **value we help to create for our customers**, and our ability to develop and deliver a **cost-effective outcome**



# Profitability

## RECORD FIRST-HALF NET PROFIT IN 1H18

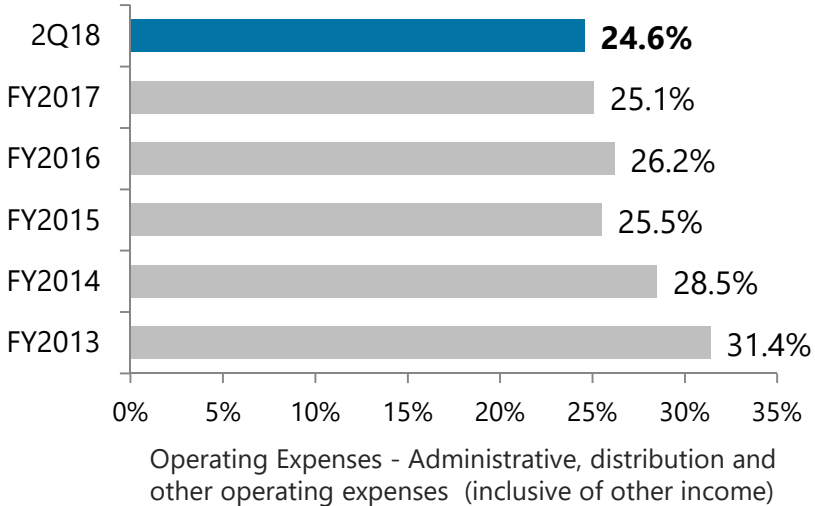
Net Profit After Tax (S\$ mil)



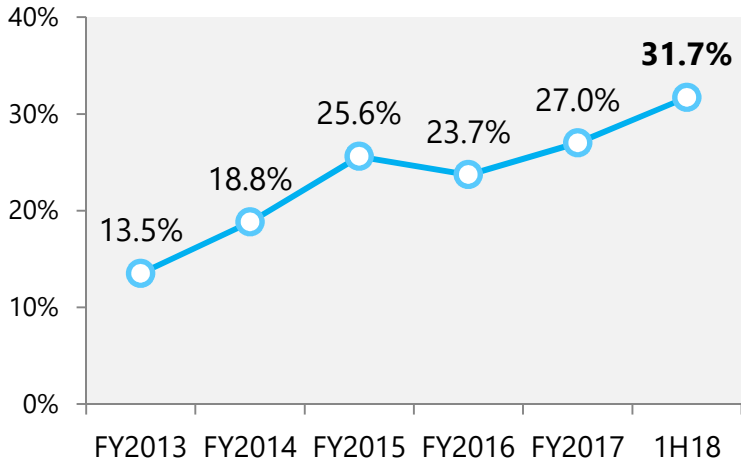
1H18 PROFIT **▲ 34.6%**

2Q18 PROFIT **▲ 16.1%**

Operating Expenses / Revenue



Return on Equity



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



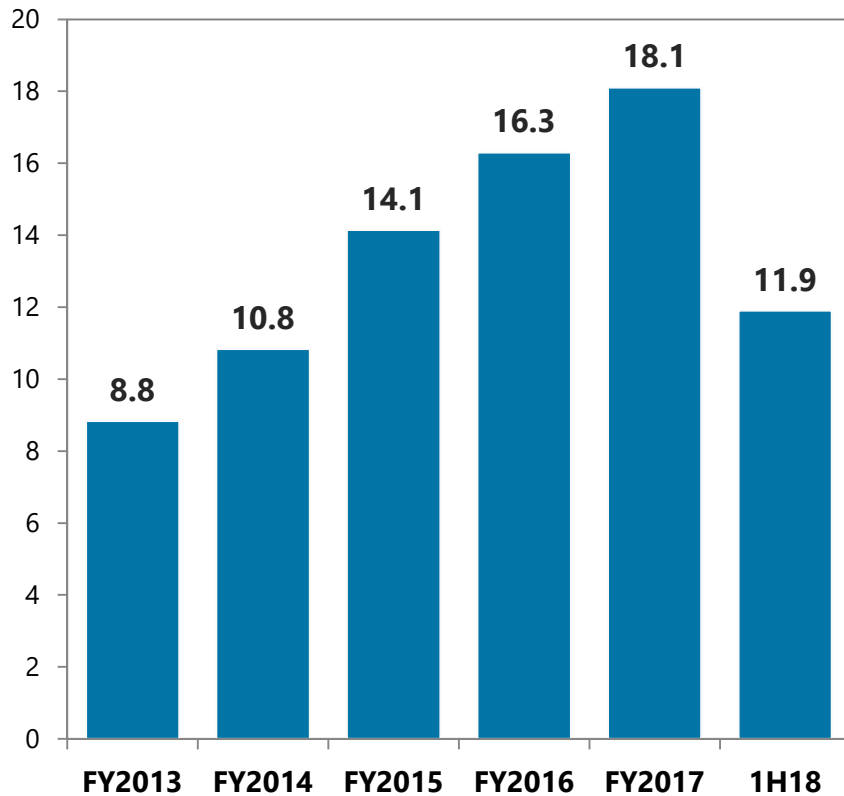


# Cash Flow

## CASH-FLOW GENERATIVE OPERATIONS

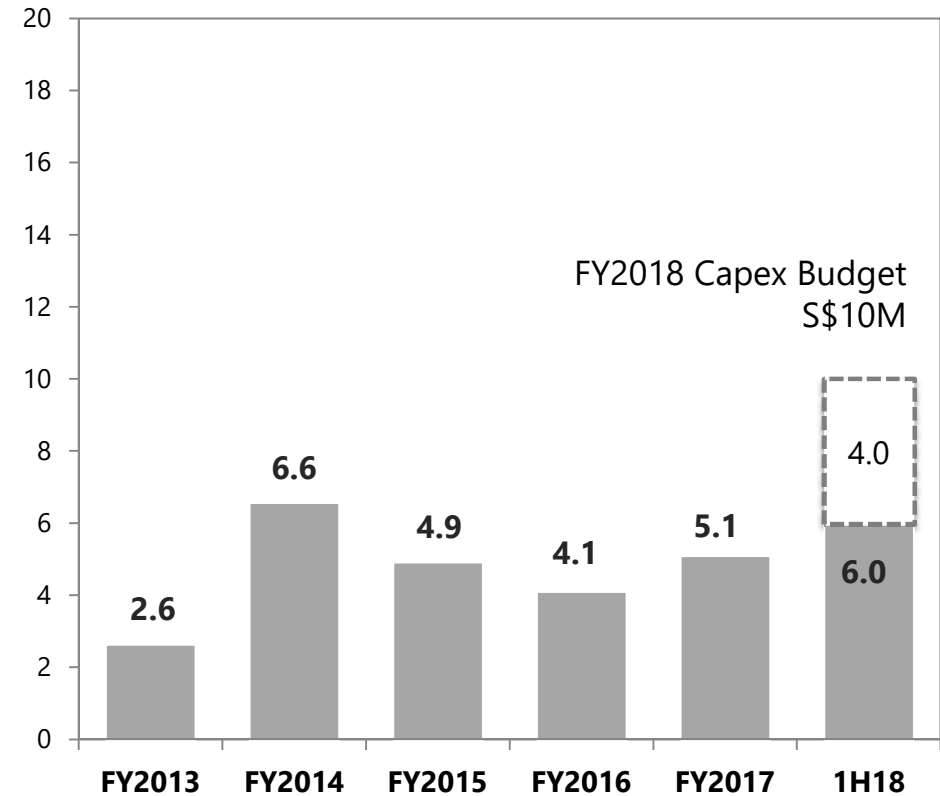
Track record of healthy net cash  
from operating activities

(S\$ mil)



(S\$ mil)

CAPEX



# Balance Sheet

		31 Dec 2017	30 June 2017
<u>Cash</u>	Cash and cash equivalents <sup>#</sup>	S\$22.4M	S\$23.4M
<u>Gearing</u>	Total borrowings	Nil	Nil
<u>Trade Receivables</u>	Trade Receivables (Outstanding > 90days) / (Total trade receivables) Bad debt expense	S\$11.0M Nil Nil (1H18)	S\$11.0M 0.1% Nil (FY17)
<u>Inventory</u>	Inventory Inventory / Sales Inventory write-off	S\$4.3M 6.4% S\$60k (1H18)	S\$3.7M 6.4% S\$102k (FY17)
<u>Equity</u>	Shareholders' equity <sup>#</sup> NAV per share	S\$57.2M 41.12 cents	S\$54.8M 39.39 cents

<sup>#</sup> Paid final and special dividends totalling S\$7.0M for FY2017





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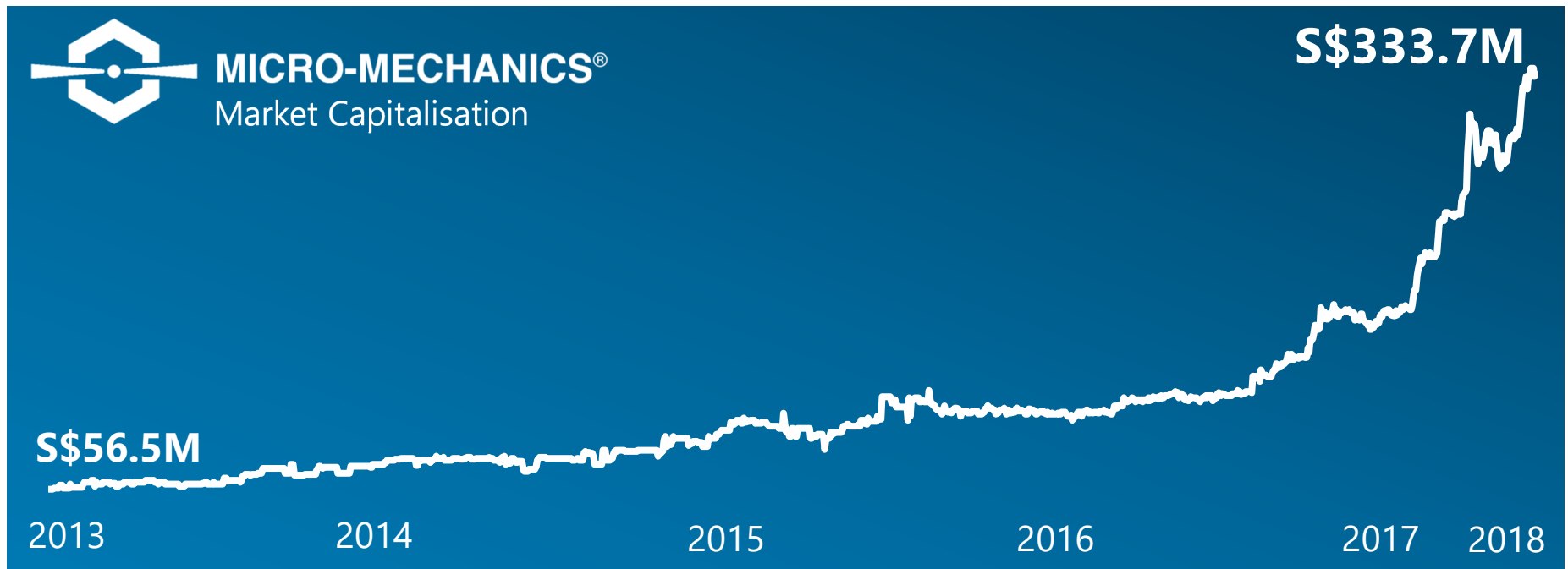
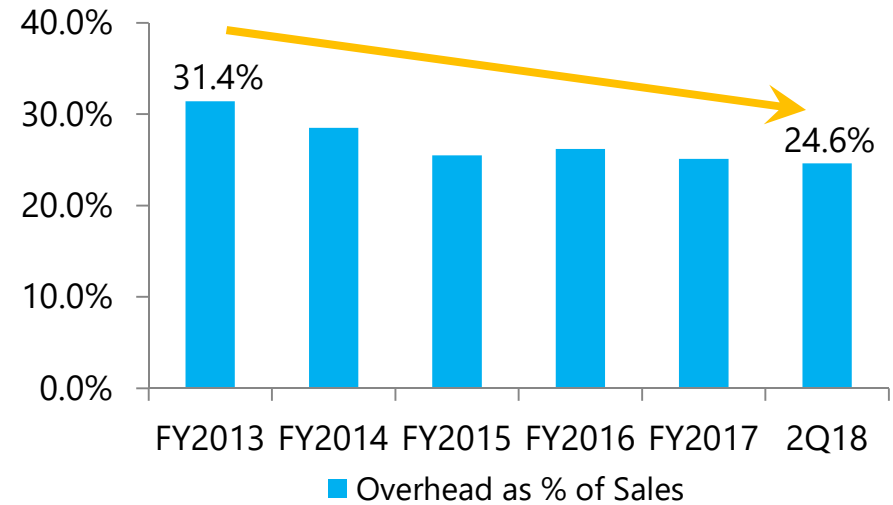
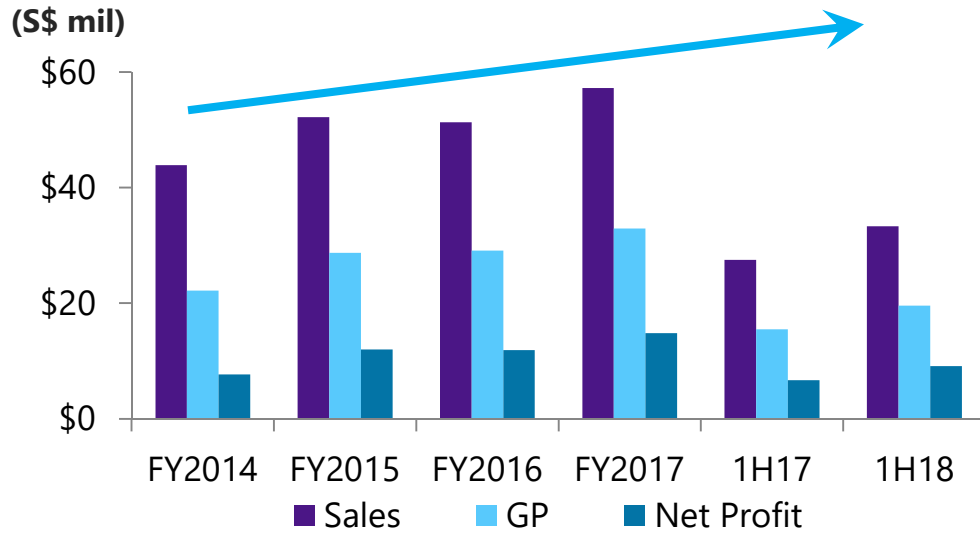
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# Key Takeaway

Chris Borch, CEO



# Just One Takeaway ...



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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.

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