



MICRO-MECHANICS®

perfect parts and tools, on time, every time

Annual General Meeting FY2019

30 October 2019



MICRO-MECHANICS®

perfect parts and tools, on time, every time

Agenda

2.00 pm – 2.15 pm	Presentation
2.15 pm – 2.30 pm	Q&A
2.30 pm – 3.30 pm	AGM Proceedings





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Business & Industry

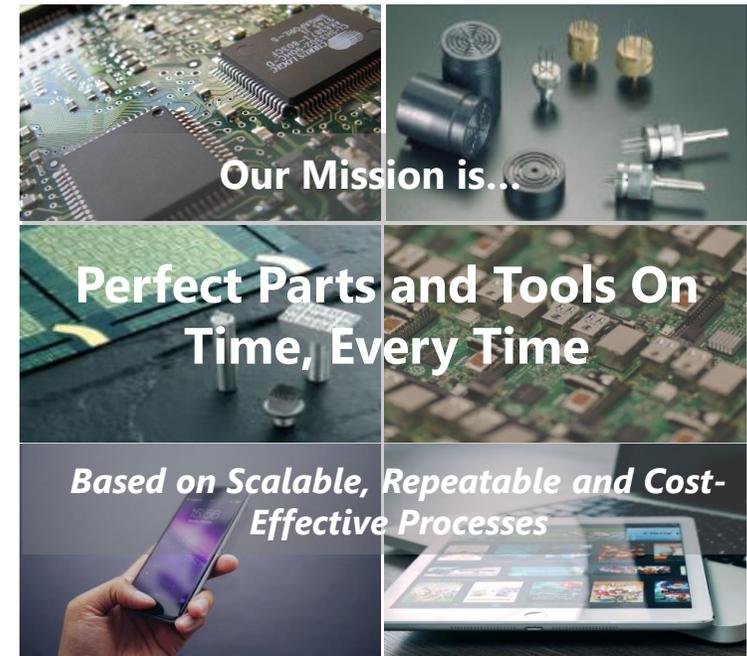
Chris Borch, CEO

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



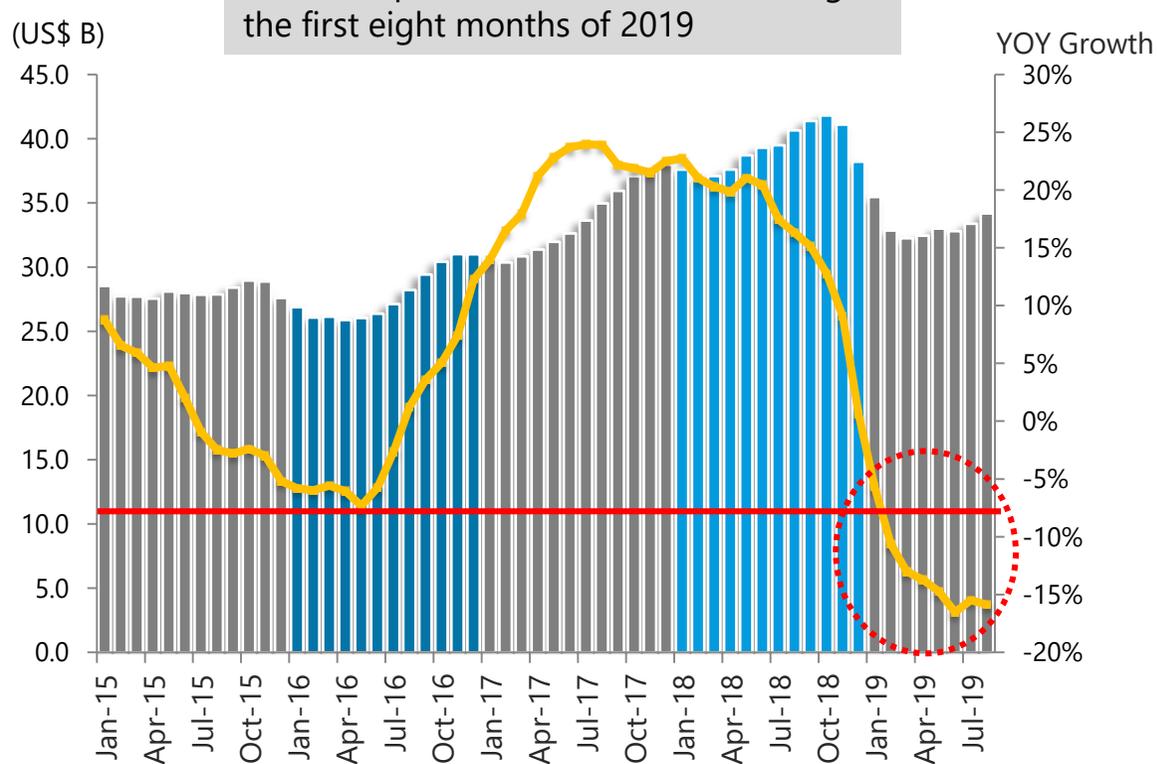
HIGH PRECISION AND QUALITY | SHORT CYCLE TIME |
| WORLDWIDE SUPPORT | VALUE > COST



Semiconductor Industry Review

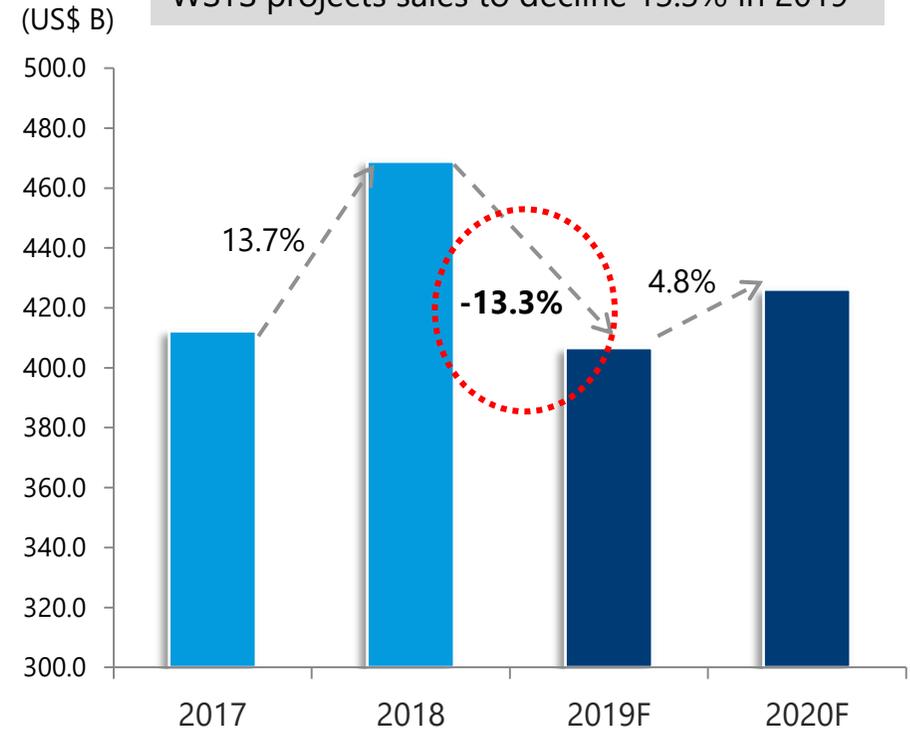
Global Monthly Chip Sales

Global chip sales declined 14.6% during the first eight months of 2019



WSTS Semiconductor Sales Forecast

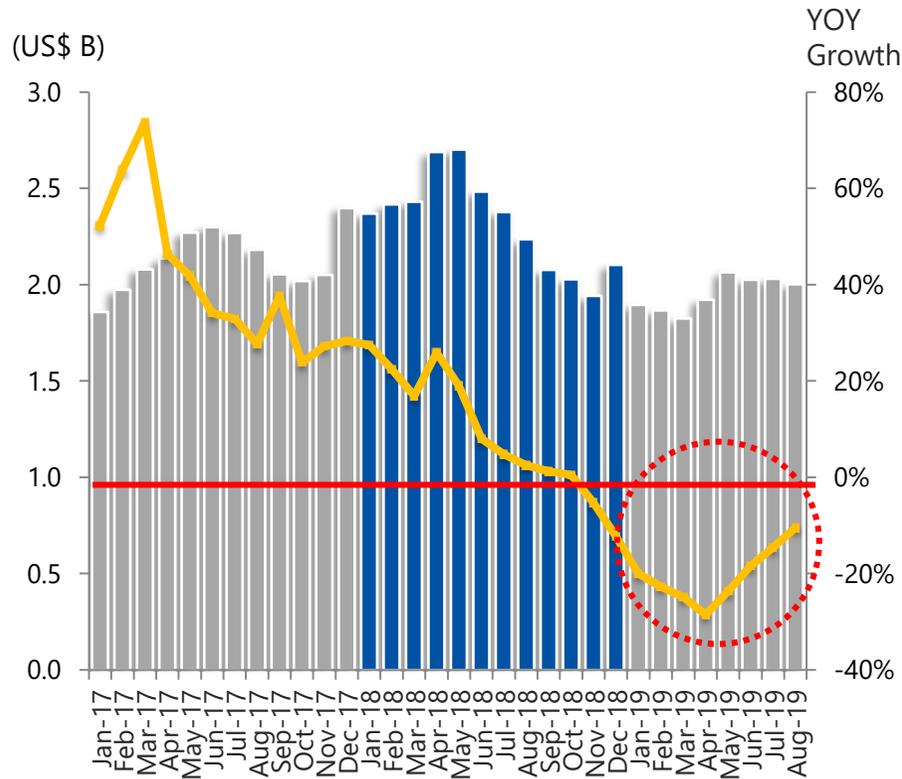
WSTS projects sales to decline 13.3% in 2019



Sources: Semiconductor Industry Association, World Semiconductor Trade Statistics

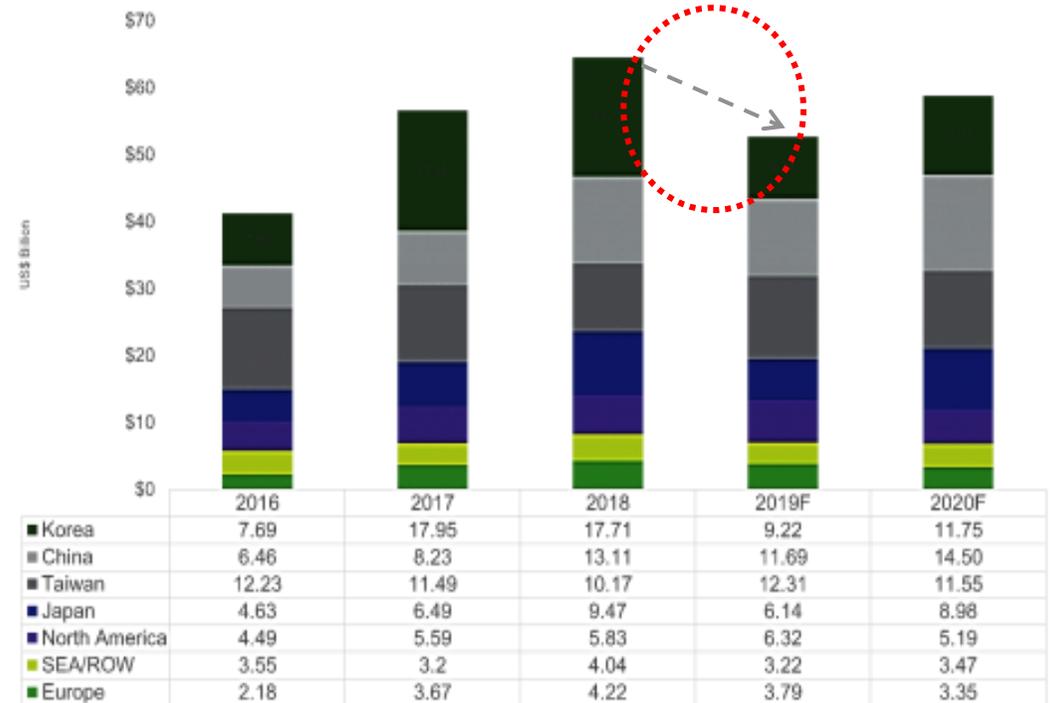
Semiconductor Industry Review

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



Source: SEMI

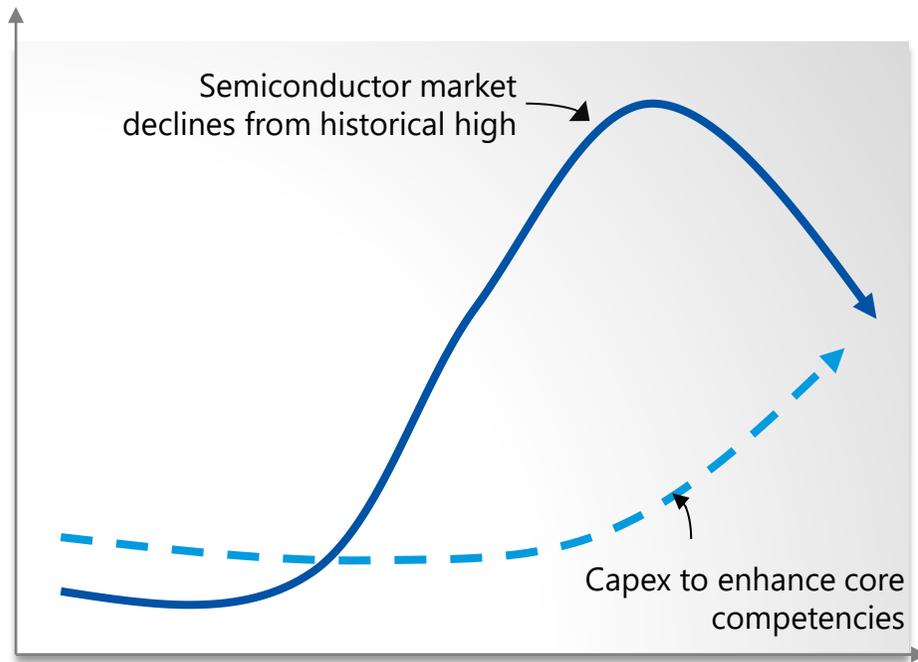
SEMI 2019 Mid-Year Total Equipment Forecast



New equipment, includes wafer fab, test, and A&P Totals may not add due to rounding
Source: SEMI July 2019, Equipment Market Data Subscription

- Global sales of semiconductor manufacturing equipment by original equipment manufacturers projected to drop 18.4% to \$52.7 billion in 2019 from last year's historic high of \$64.5 billion

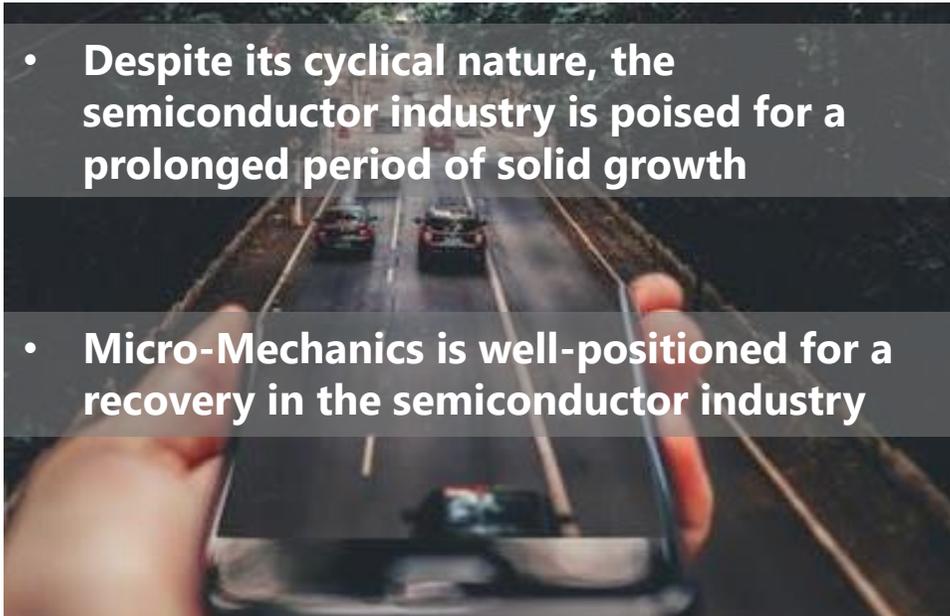
Cyclically Slower Market Conditions



- Global chip and semiconductor equipment sales declined from a record high in 2018 due to cyclically slower market conditions and heightened economic uncertainties
- Reflecting the industry conditions, Group revenue moderated in FY2019 from a record level in FY2018
- Coupled with higher depreciation expenses arising from our ongoing investments to enhance core competencies, Group net profit decreased in FY2019
- However, gross profit margin remained above our target of 50%
- Dividend also maintained at 10 cents per share. This projects our confidence in the Group's and semiconductor market's long-term prospects



Prepared for Industry Recovery



- **Despite its cyclical nature, the semiconductor industry is poised for a prolonged period of solid growth**

- **Micro-Mechanics is well-positioned for a recovery in the semiconductor industry**

- Chip fabrication is becoming increasingly difficult as the industry transits to 10-nanometer and below geometries
- Continue to focus on initiatives and investments that bring value to our customers
- Only a handful of suppliers will possess the unique capabilities, skilled personnel and IP to meet the critical manufacturing requirements of the semiconductor industry

Materials

- Continue to work on developing proprietary materials for our consumable tools

Processes

- Working to develop flawless processes
- Set-up time reduction, higher automation and smart-factory initiatives
- Enhance efficiency of operations

Products

- Focus on process-critical tools and parts that offer opportunities for attractive profit margins

People

- Maintain and strengthen our team of skilled and capable people : 490 as at 30 June 2019

Financial

- Healthy balance sheet and zero debt



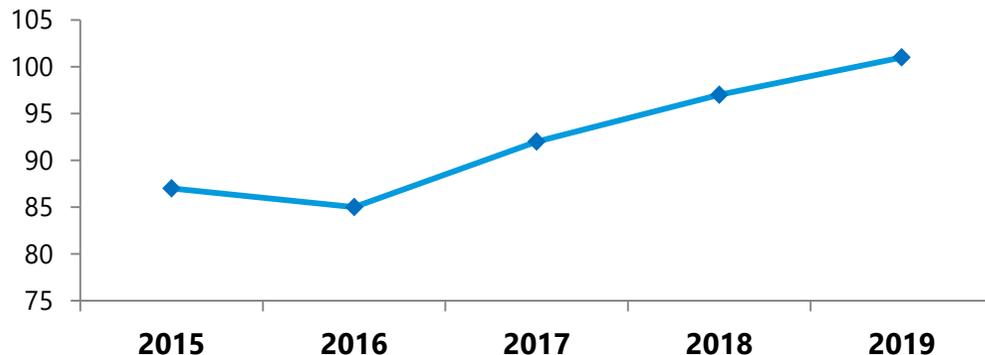
Commitment to Governance

Singapore Governance and Transparency Index 2019

Micro-Mechanics ranked among the Top 20 companies

RANK 2019	COMPANY NAME	BASE SCORE	ADJUSTMENTS FOR BONUSES/PENALTIES	OVERALL SGTI 2019 SCORE	OVERALL SGTI 2018 SCORE	RANK 2018
1	SINGAPORE TELECOMMUNICATIONS	94	35	129	129	1
2	DBS GROUP HLDGS	90	35	125	124	2
3	CAPITALAND	94	28	122	118	3
4	SINGAPORE EXCHANGE	94	27	121	118	3
5	CITY DEVELOPMENTS	89	28	117	110	7
6	OVERSEA-CHINESE BANKING CORP	93	22	115	108	9
6	SATS	96	19	115	114	5
6	SEMBCORP INDUSTRIES	94	21	115	113	6
9	UNITED OVERSEAS BANK	92	19	111	109	8
10	SINGAPORE PRESS HLDGS	88	22	110	108	9
11	GLOBAL INVESTMENTS	80	26	106	100	17
11	TUAN SING HLDGS	84	22	106	106	12
13	DEL MONTE PACIFIC	84	20	104	102	13
14	COMFORTDELGRO CORP	87	16	103	100	17
15	OLAM INTERNATIONAL	81	21	102	102	13
15	YOMA STRATEGIC HLDGS	84	18	102	98	21
17	GUOCOLAND	88	13	101	83	43
17	MICRO-MECHANICS (HLDGS)	83	18	101	97	23
17	STARHUB	87	14	101	100	17
17	VICOM	82	19	101	100	17
21	KEPPEL CORP	88	12	100	83	43

Our SGTI Score



Since listing in 2003, Micro-Mechanics has received 31 awards in recognition of our high standards of corporate governance, quality of disclosure, transparency and investor relations

Singapore Corporate Awards

Best Managed Board Award – 2012, 2015, 2016 and 2017

Best Investor Relations Award – 2010 to 2015 and 2017

SIAS Investors Choice Awards

Shareholder Communications Excellence Award – 2018 and 2019

Singapore Corporate Governance Award – 2016 to 2019

Most Transparent Company Award – 2005, 2008 to 2016

Corporate Governance Award (Sesdaq) - 2006

Asiamoney Corporate Governance Poll

Best for Shareholders' Rights & Equitable Treatment in Singapore – 2009 and 2010

Our management has also been recognised for their business leadership

Singapore Corporate Awards

Best Chief Executive Officer Award - 2018

Chief Financial Officer of the Year - 2008





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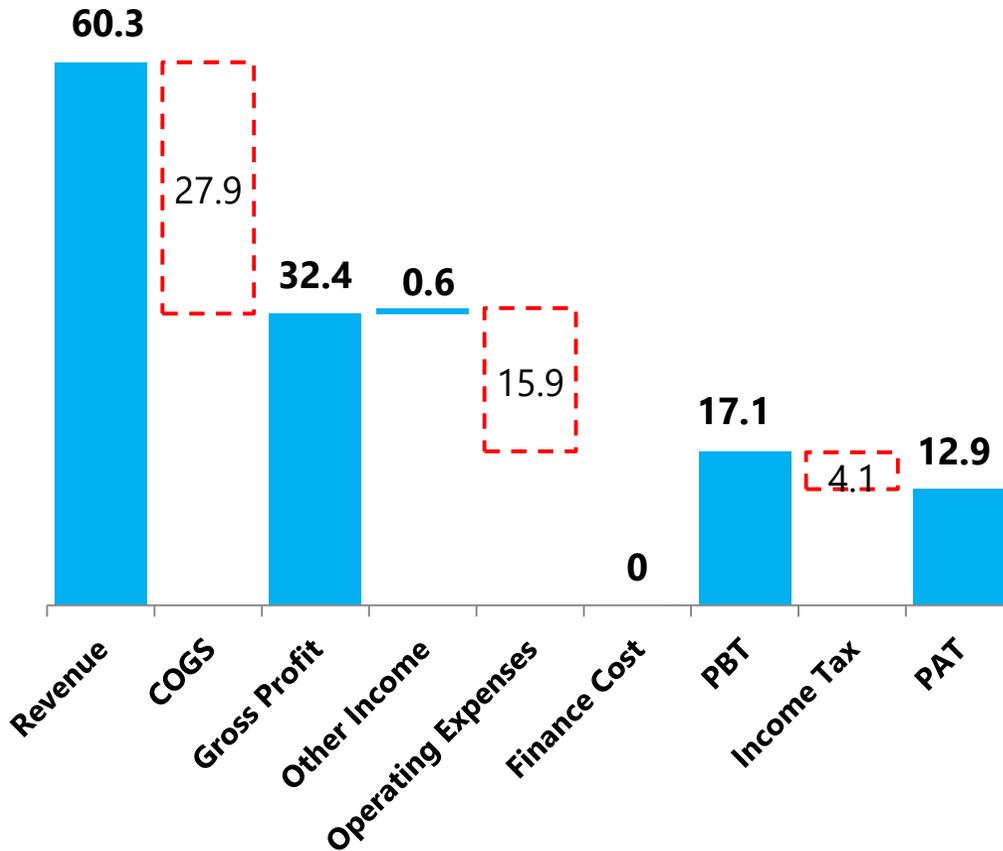
Financial Review

Chow Kam Wing, CFO



FY2019 in Review

FY2019 P&L Overview (\$ million)



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

KEY RATIOS & STATISTICS

REVENUE GROWTH	(7.3%)
GROSS PROFIT GROWTH	(12.7%)
PBT GROWTH	(21.9%)
NET PROFIT GROWTH	(24.5%)
GROSS PROFIT MARGIN	53.7%
NET PROFIT MARGIN	21.5%
EARNINGS PER SHARE	9.31 cents
DIVIDEND PAYOUT	107%
RETURN ON EQUITY	22.2%
CASH	S\$21.9M
DEBT	Zero

FY: Financial year ending 30 June

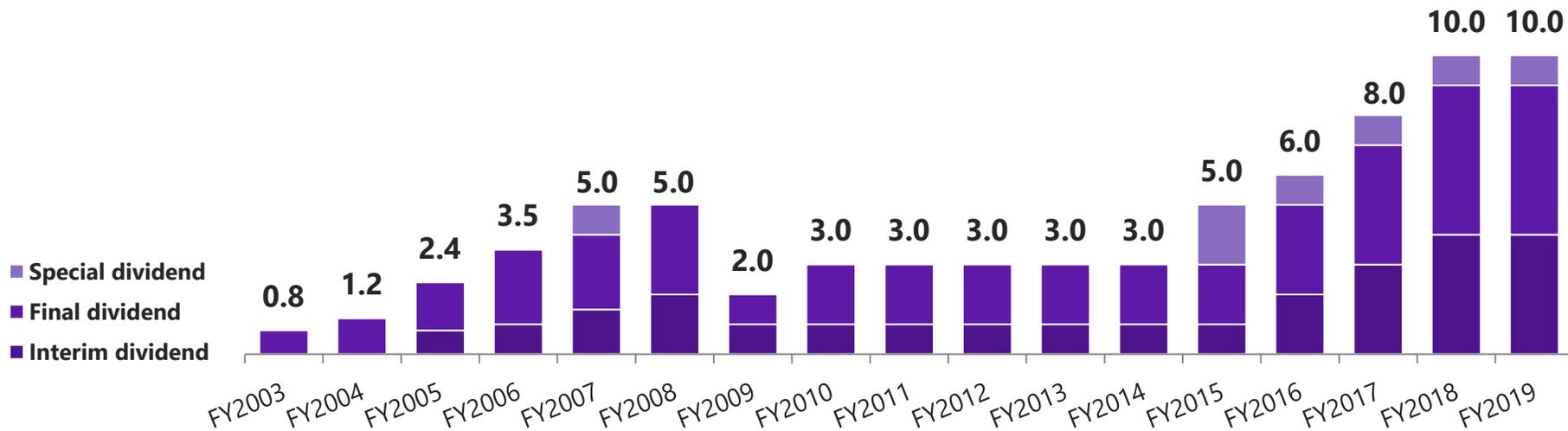


Dividend Performance

MAINTAINED TOTAL DIVIDEND OF 10 CENTS PER SHARE FOR FY2019

Total dividend payout since listing – **73.9 CENTS** per share

DIVIDEND PER SHARE (CENTS)



DIVIDEND PAYOUT RATIO

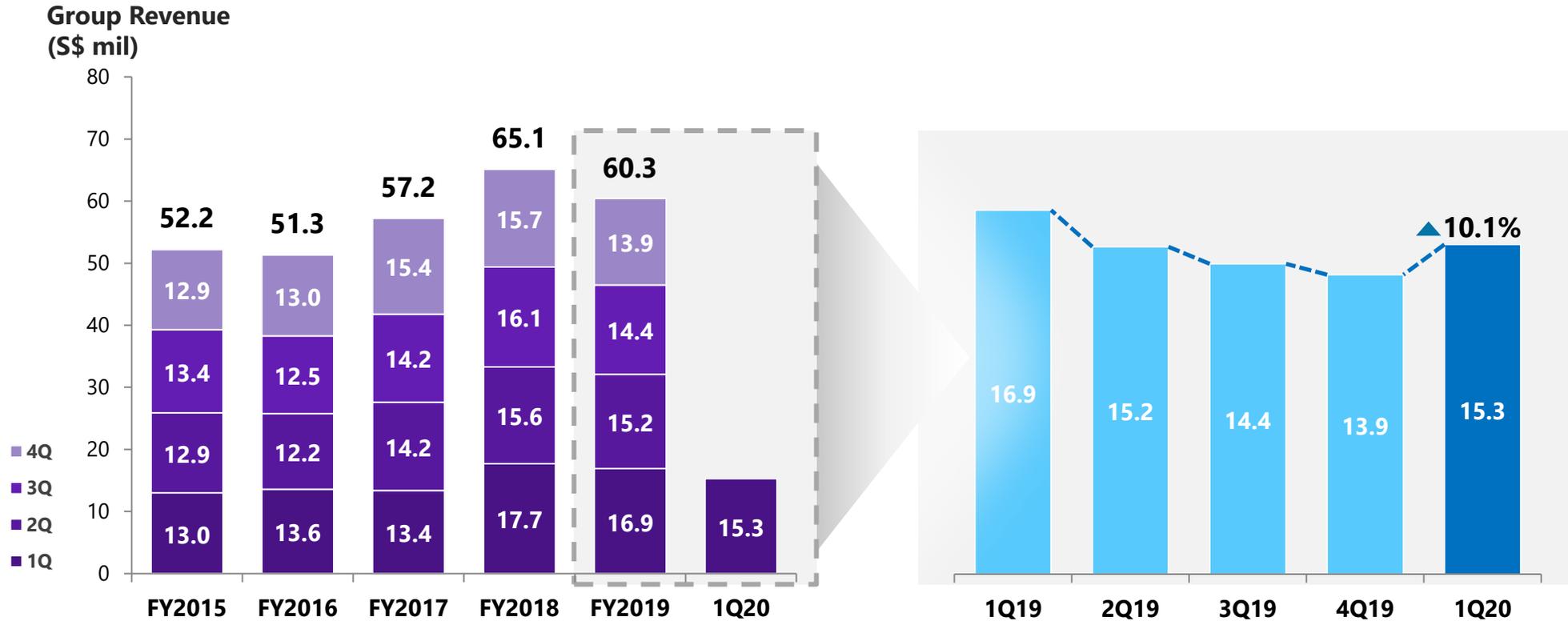
FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
29%	35%	61%	63%	83%	78%	513%	87%	61%	99%	81%	54%	58%	70%	75%	81%	107%

Dividend Policy of Not Less Than 40% of Earnings*



Group Revenue

SLOWER MARKET CONDITIONS IN SEMICONDUCTOR INDUSTRY



FY2019 REVENUE ▼ **7.3%**

1Q20 REVENUE ▼ **9.1%**

- Reflects cyclically slower market conditions in the global semiconductor industry

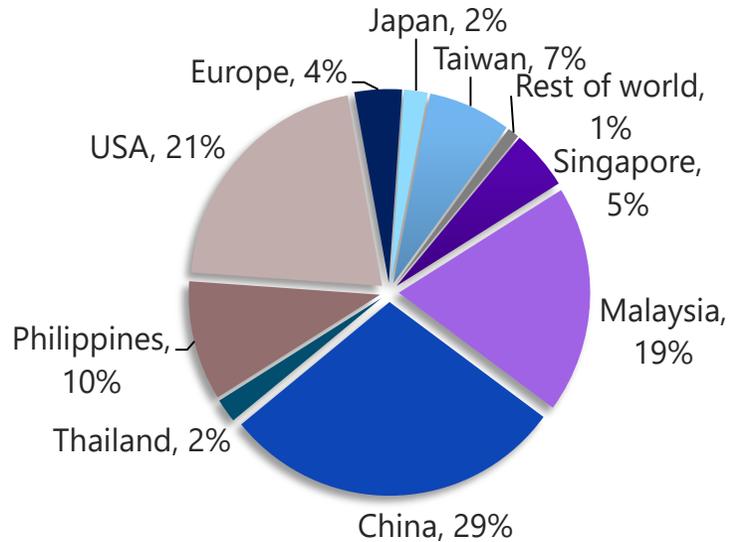
- 1Q20 marked the first quarter-on-quarter increase since 1Q19



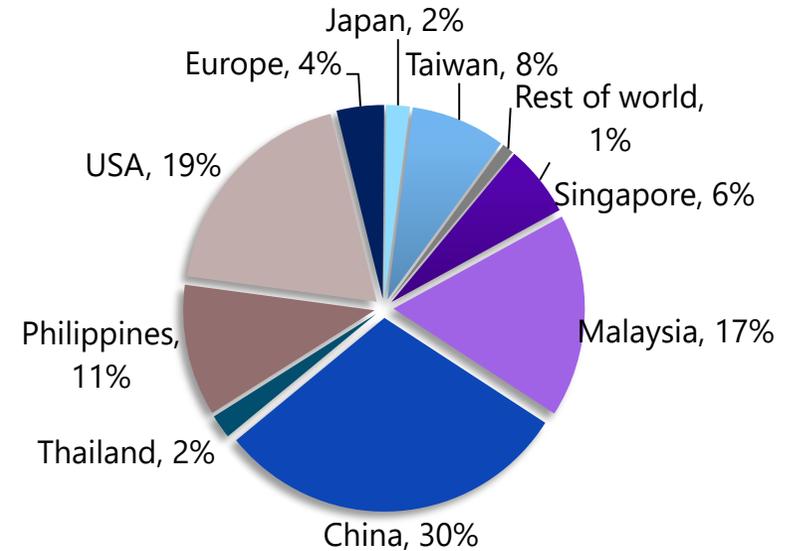
Group Revenue

DIVERSIFIED REVENUE STREAMS

Sales Breakdown for FY2019



Sales Breakdown for 1Q20



TOP 3 MARKETS

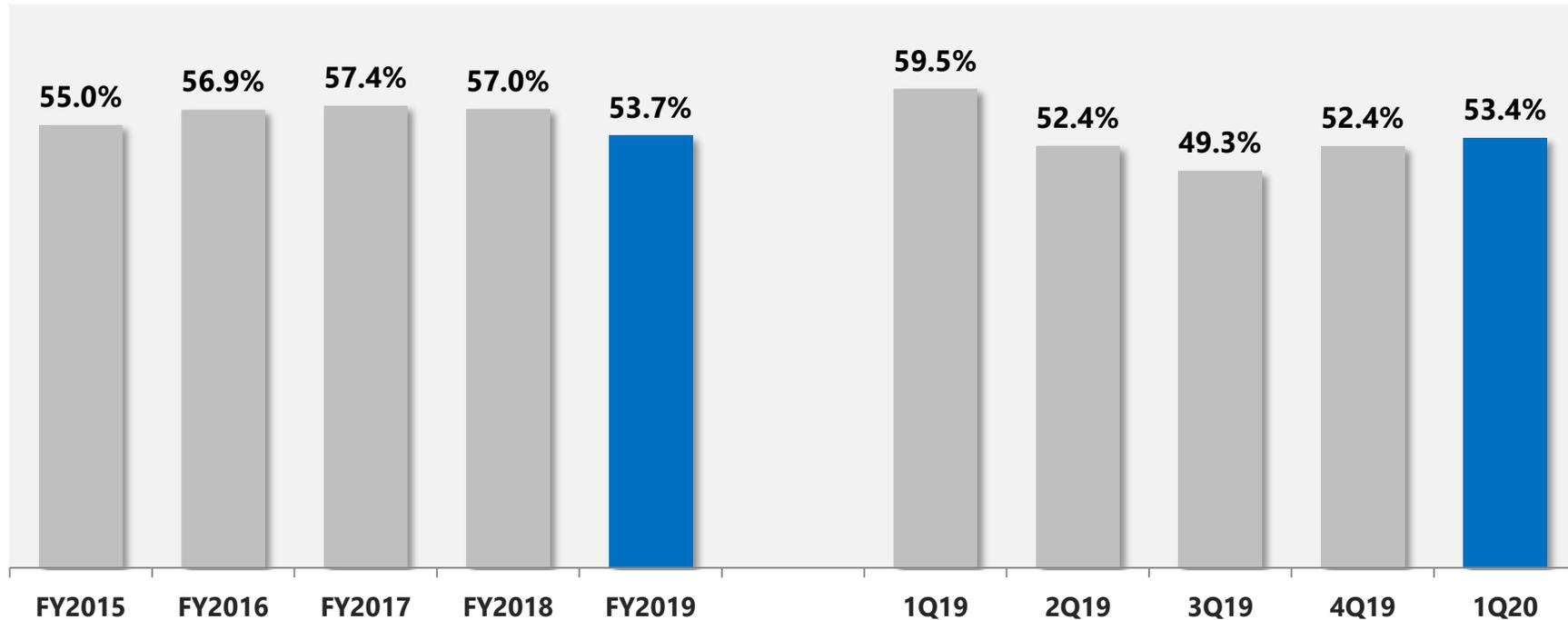
Country	FY2019 S\$ mil	FY2018 S\$ mil	% change
China	17.3	18.0	(2%)
USA	12.5	12.2	2%
Malaysia	11.2	12.1	(8%)

Country	1Q20 S\$ mil	1Q19 S\$ mil	% change
China	4.7	5.5	(16%)
USA	3.0	3.0	(1%)
Malaysia	2.6	3.1	(16%)



Gross Profit Margin

GROSS PROFIT MARGIN REMAINED ABOVE 50%

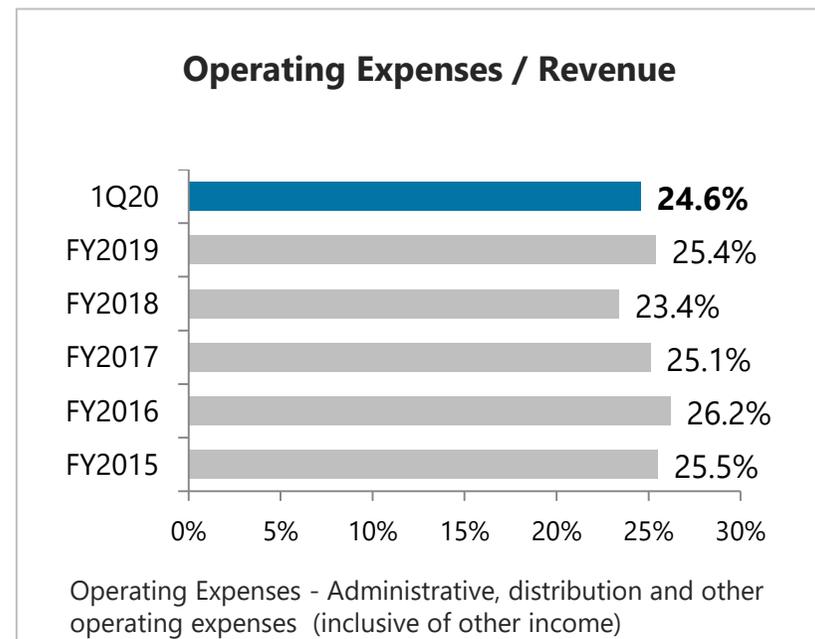
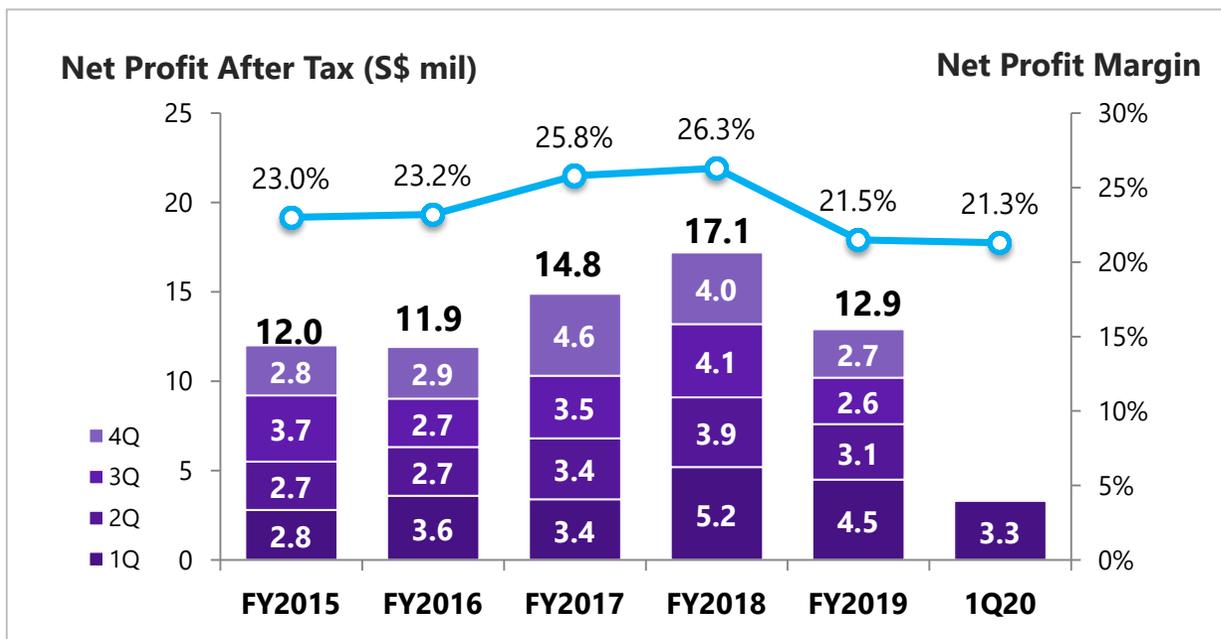


- Increase in production headcount
- Depreciation expenses increased by S\$0.6 million after a record capex in FY2018
- Reduced sales resulted in under-absorption of fixed overheads



Profitability

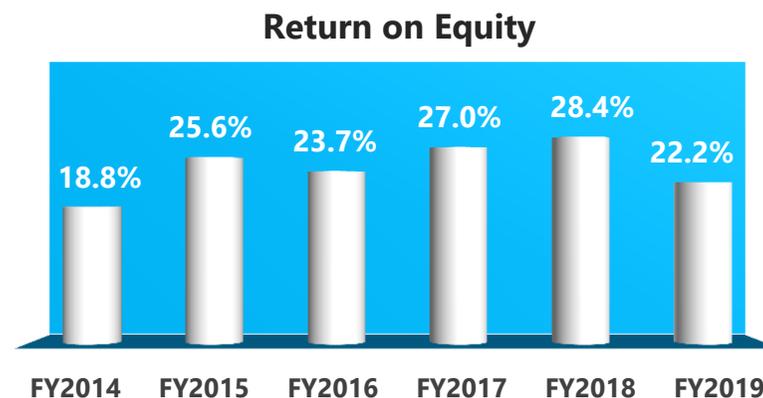
MAINTAINED TIGHT REIN ON OPERATING EXPENSES



FY2019 PROFIT ▼ **24.5%**

1Q20 PROFIT ▼ **27.4%**

- Softer revenue and higher cost of sales arising from increased personnel, depreciation charges
- **However, 1Q20 net profit increased 20.9% from 4Q19, and also higher than each of the last 3 quarters of FY2019**

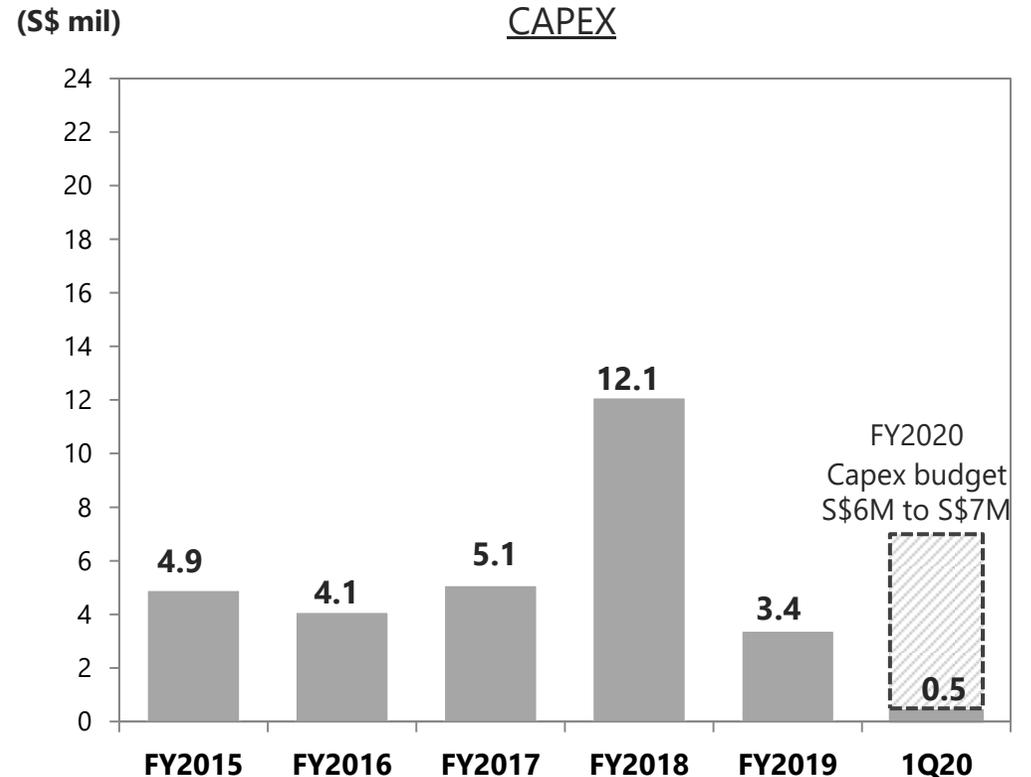
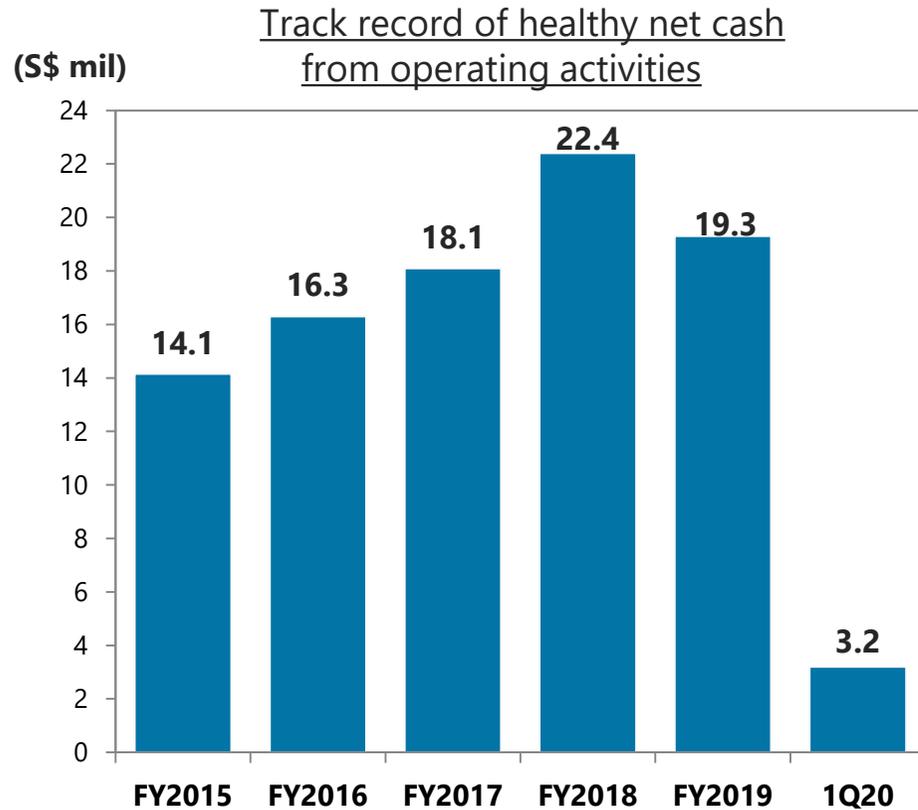


N.B. Due to rounding, some totals may not correspond with the sum of separate figures.



Cash Flow

CASH-FLOW GENERATIVE OPERATIONS



Balance Sheet

		30 September 2019	30 June 2019
<u>Cash</u>	Cash and cash equivalents [#]	S\$24.3M	S\$21.9M
<u>Gearing</u>	Total borrowings	Nil	Nil
<u>Trade Receivables</u>	Trade Receivables (Outstanding > 90days) / (Total trade receivables) Bad debt expense	S\$10.3M 0.29% Nil (1Q20)	S\$9.5M 0.0% Nil (FY19)
<u>Inventory</u>	Inventory Inventory / Sales Inventory write-off	S\$4.8M 7.8% S\$31k (1Q20)	S\$4.5M 7.5% S\$104k (FY19)
<u>Equity</u>	Shareholders' equity [#] NAV per share	S\$61.9M 44.52 cents	S\$58.4M 41.98 cents

[#] Paid final and special dividends totalling S\$8.3M for FY2018 and interim dividend of S\$5.6M for 1H19



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.

Investors should assume that the information in this presentation is accurate only as of the date it is issued. Micro-Mechanics (Holdings) Ltd.'s business, financial conditions, results of operations and prospects may have changed since that day. Micro-Mechanics (Holdings) Ltd. has no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.





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Micro-Mechanics (Holdings) Ltd.
31 Kaki Bukit Place
Eunos Techpark
Singapore 416209
www.micro-mechanics.com

INVESTOR RELATIONS CONTACT

Octant Consulting
Tel (65) 6296 3583
herman@octant.com.sg / lisa@octant.com.sg