



MICRO-MECHANICS  
(HOLDINGS) LTD.

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1H14 Results Briefing  
27 January 2014



# CORPORATE HIGHLIGHTS

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Mr. Chris Borch, CEO

Mr. Low Ming Wah, COO



# Corporate Overview



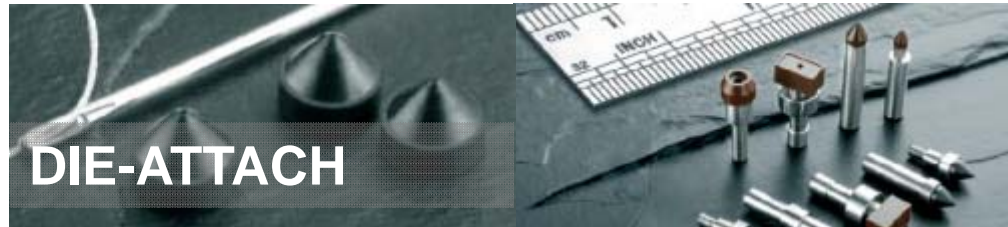
- Founded in 1983 in Singapore by CEO Chris Borch
- Listed on the Singapore Exchange (Main Board) since 2003
- Design and manufacture high precision tools, parts and assemblies for the semiconductor, medical, aerospace and other high technology industries
- Serve a worldwide base of customers from six facilities in Asia and the USA
- Two business segments:
  - Semiconductor tooling business serves nearly all the chip manufacturers/assembly and test companies
  - Custom Machining & Assembly (CMA) division serves capital equipment makers
- Committed to generating shareholder returns

# Worldwide markets | Asia and USA bases



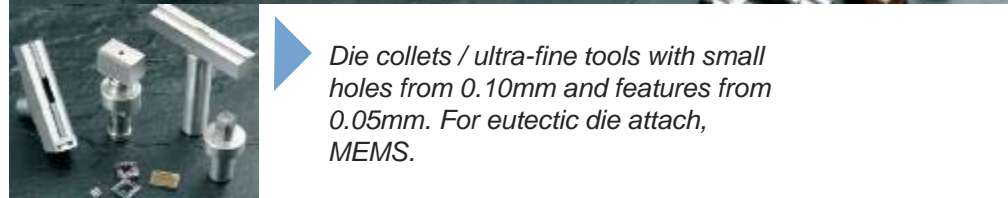
- ★ Micro-Mechanics Holdings (Headquarters)  
Sales & Manufacturing
- Sales & Manufacturing
- Sales

# High Precision Tools for Semiconductor A&T



## DIE-ATTACH

Rubber and Plastic Pick-up Tips  
Ejector Needles & Needle Holders  
Dispensing Nozzles



▶ *Die collets / ultra-fine tools with small holes from 0.10mm and features from 0.05mm. For eutectic die attach, MEMS.*



## WIRE-BONDING

Wire bond clamps  
Wedges  
Wire cutters  
Electronic Flame Offs

### CONSUMABLE PRODUCTS

require regular replacement

### HUNDREDS OF CUSTOMERS

in chip assembly & testing sector

### FOCUS ON CYCLE TIME

from customer inquiry to delivery

### BROAD PRODUCT RANGE

backed by strong proprietary know-how

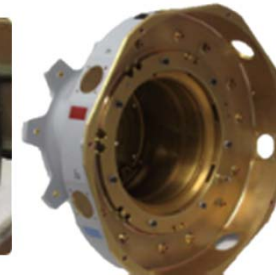
### RAISING BARRIERS

from developing finer tools in line with chip package miniaturization

# Custom Machining & Assembly (CMA)



Precision and complex parts / assemblies for Tier-1 capital equipment manufacturers



## **24/7 MACHINING**

Maximising 168 available hours  
Zero online tool and fixture set-up  
Repeatable processes

## **INCREASED COMPETITIVENESS**

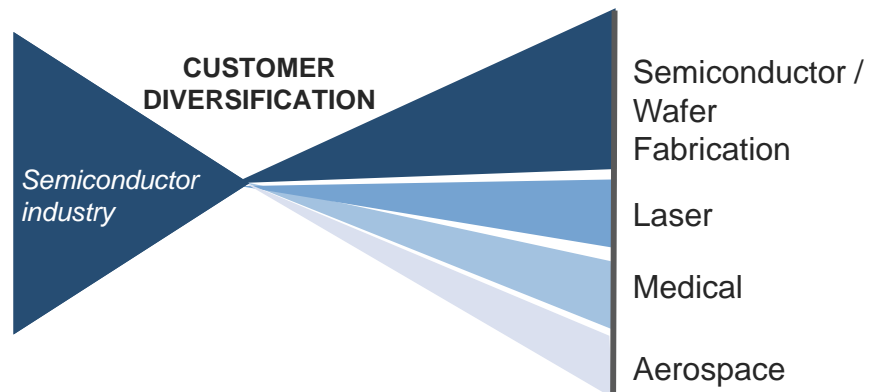
to meet customer needs' in volatile marketplace

## **DIVERSIFICATION**

into other high-tech industries

## **GREATER REVENUE SCALABILITY**

than semiconductor tooling business



# 1H14 Highlights

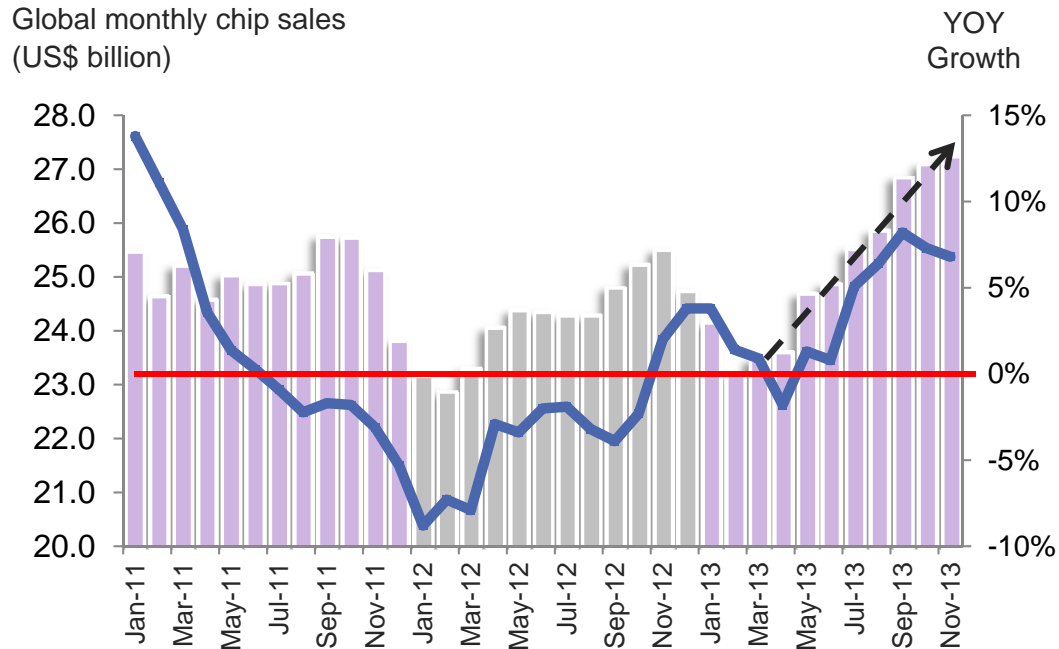


- Global chip industry recorded its **9TH** consecutive month of sales growth in November 2013
- Group's topline grew **12%** - driven by two consecutive quarters of YOY growth
- Investments in new equipment and productivity programs translating into **positive operating results**
- Tight expense control resulted in **higher operating leverage**
- Net Profit increased faster by **63.2%** - net profit margin widened to 16.3%
- Interim dividend of 1 cent per share – total of **32.9 cents** since IPO

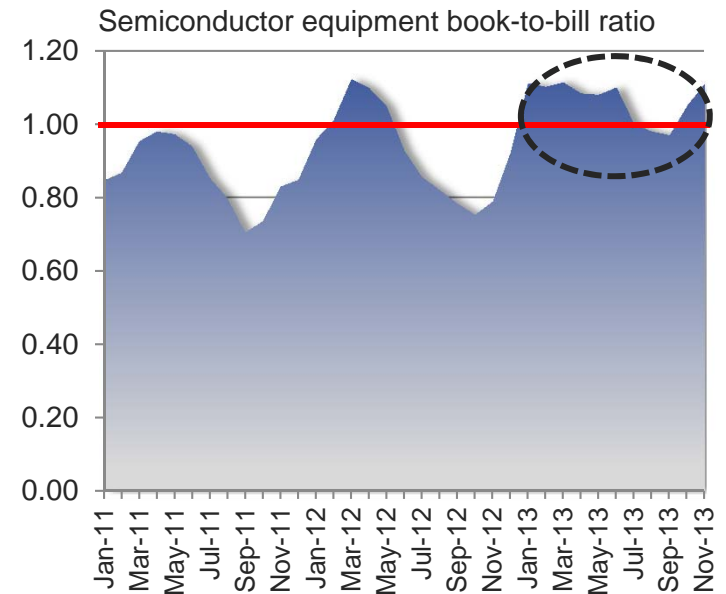
# Industry Landscape



Global semiconductor annual sales on track to exceed **US\$300B** for the first time ever in 2013



“The continuing rise in equipment bookings clearly points to year-end order activity that is substantially stronger compared to one year ago”



Sources: Semiconductor Industry Association, SEMI



# Investments Generating Results



## INVESTED \$16M

in new equipment since FY2011

## HIGHER AUTOMATION

and continual initiatives to enhance efficiency and capabilities

## CMA R&D PROJECT

Developing 24/7 Machining Line

## 24/7 FUNDAMENTALS

being introduced to factories in Asia to enhance productivity

## IMPROVE

Quality, Cost, Cycle Time & Manufacturing Flexibility



**Perfect Parts and Tools, On-Time, Every Time**

*based on scalable, repeatable and cost-effective processes*

## SEMICONDUCTOR TOOLING SALES

**+8.4%**

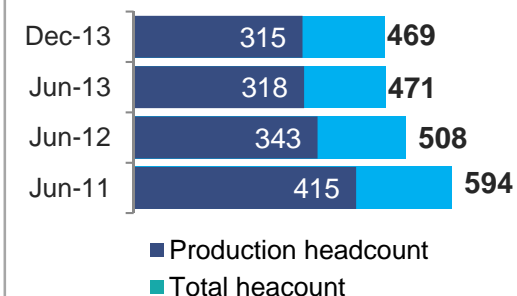
## CMA SALES

**+39.8%**

## GROSS PROFIT MARGIN

**50.8%**

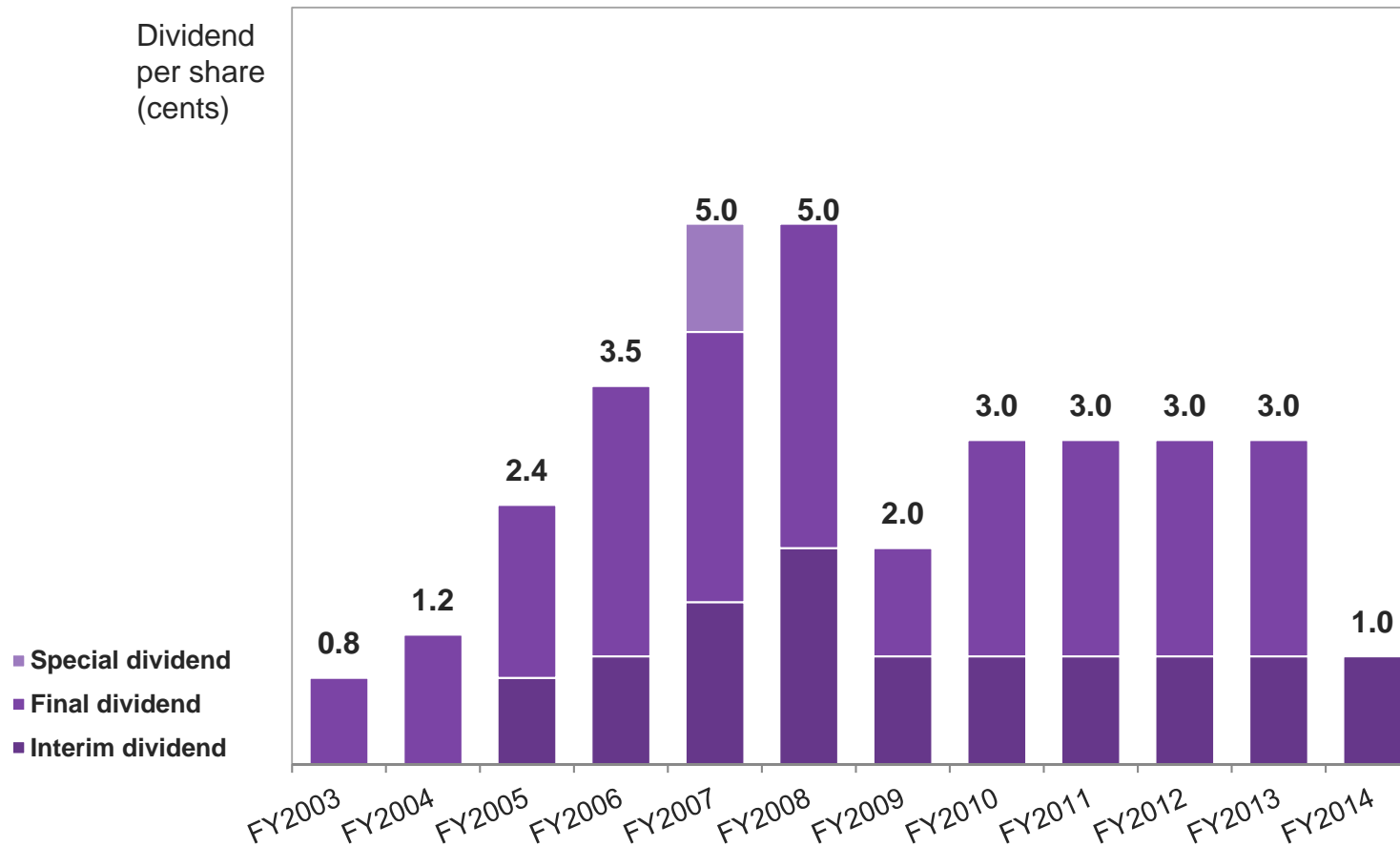
## OPTIMIZING HEADCOUNT



# Shareholder Value



TOTAL DIVIDENDS OF **32.9 CENTS** PER SHARE SINCE LISTING





# FINANCIAL REVIEW

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Mr. Chow Kam Wing, CFO

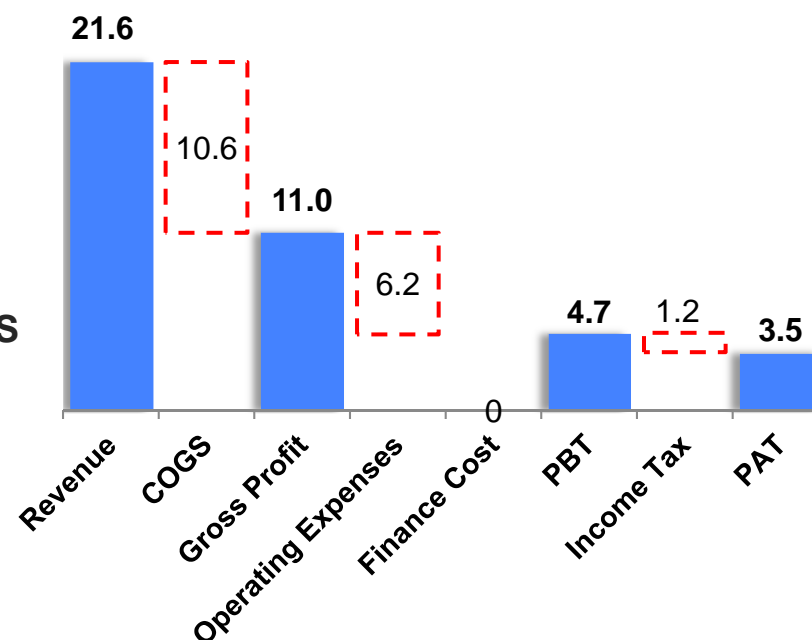


# 1H14 in Review



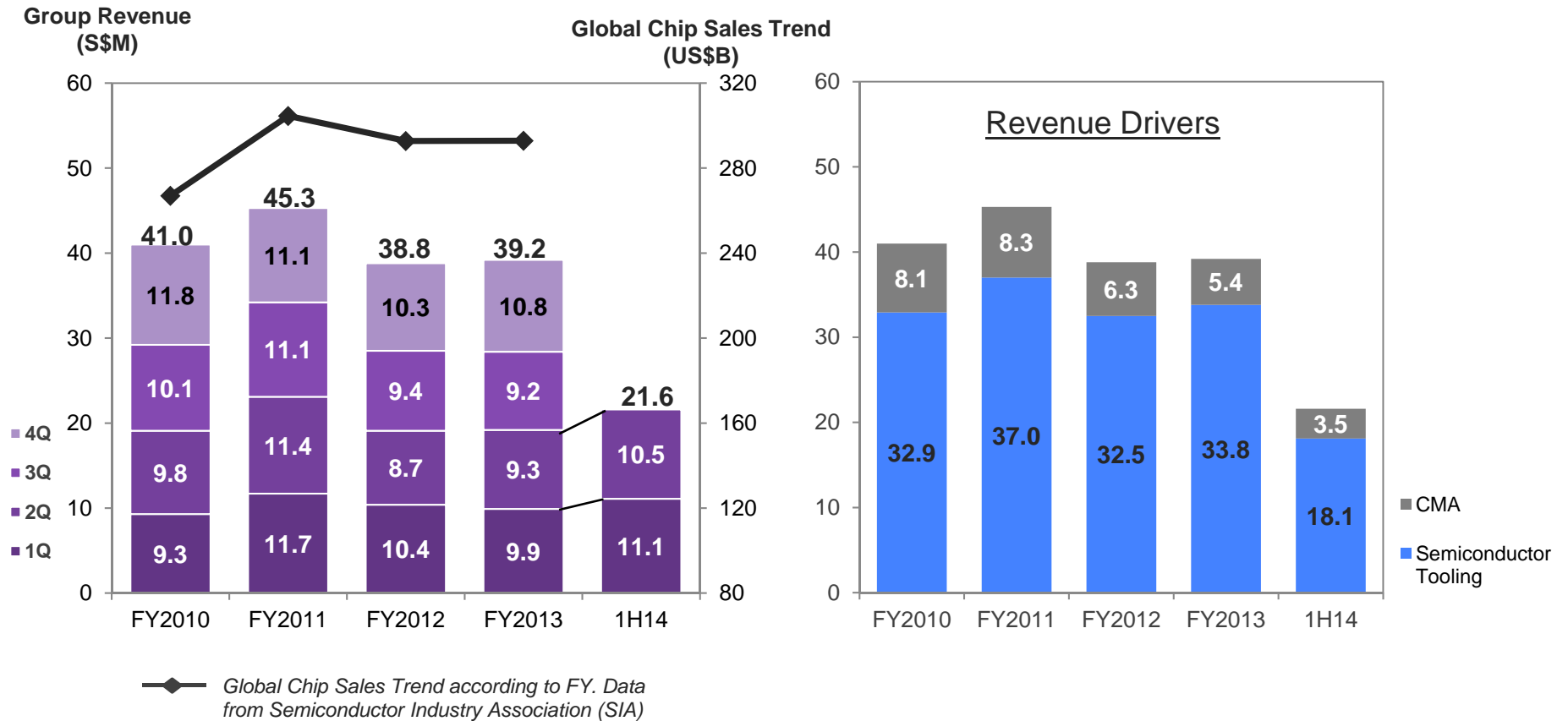
1H14 P&L Overview (S\$ million)

- REVENUE UP 12.4%
- GROSS PROFIT MARGIN EXPANDED TO 50.8%
- NET PROFIT UP 63.2%
- EPS IMPROVED TO 2.53 CENTS FROM 1.55 CENTS
- SOUND BALANCE SHEET WITH CASH OF S\$10.0 MILLION AND ZERO DEBT



# Group Revenue

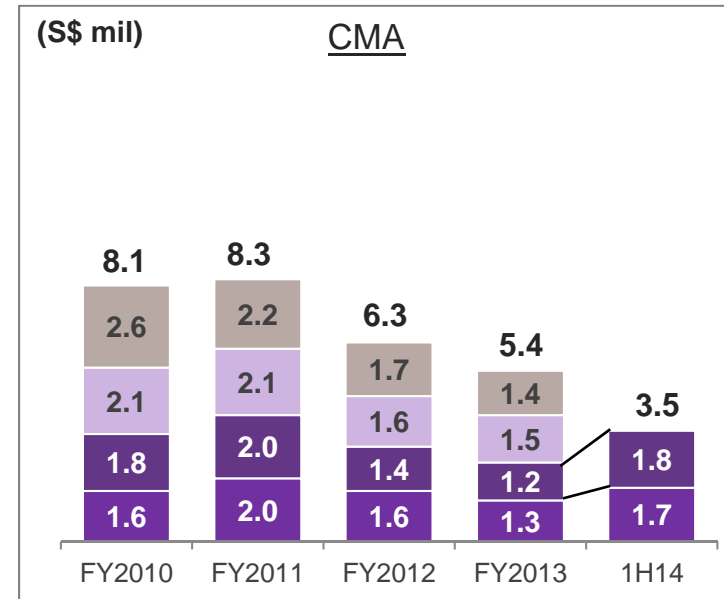
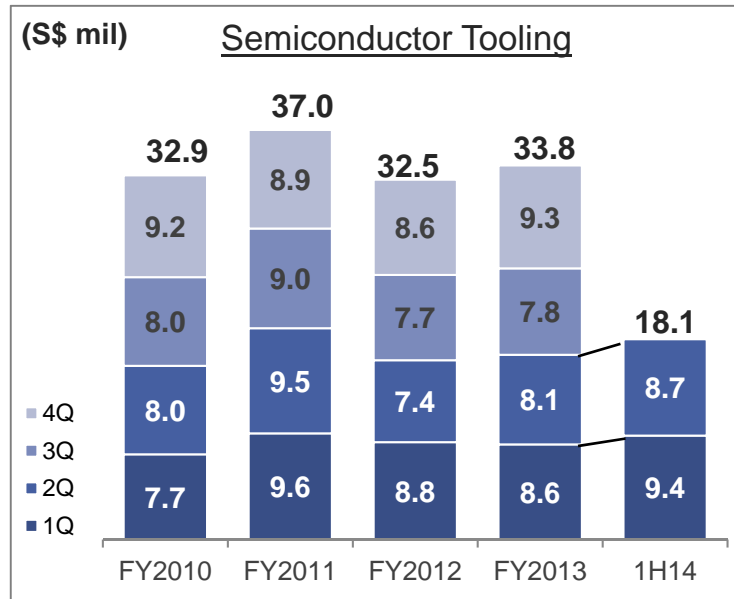
1H14 SALES UP 12.4%





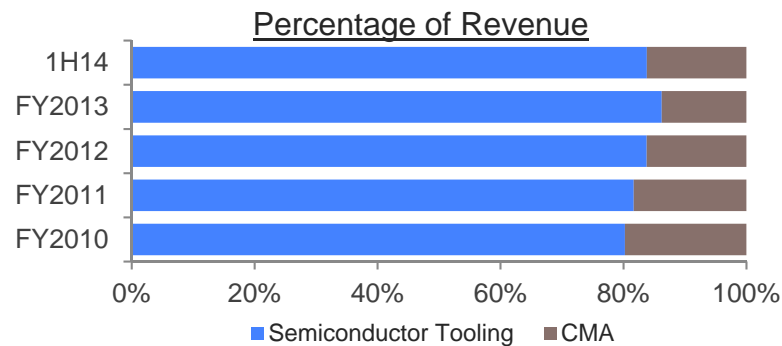
# Quarterly Revenue By Business Segments

**TOOLING AND CMA SALES IMPROVED IN 1H14**



Semiconductor tooling  
**+8.4%**

CMA  
**+39.8%**

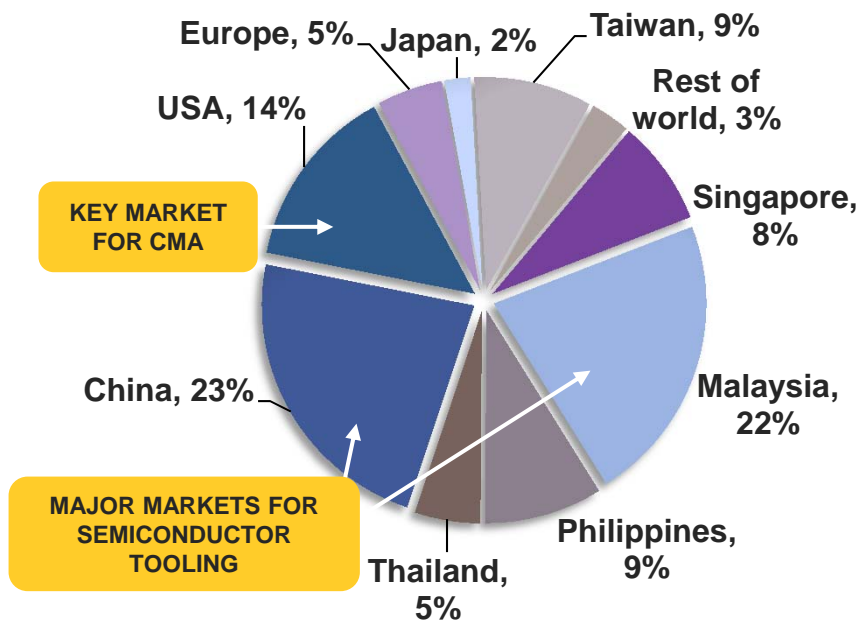


# Revenue by Geographical Market

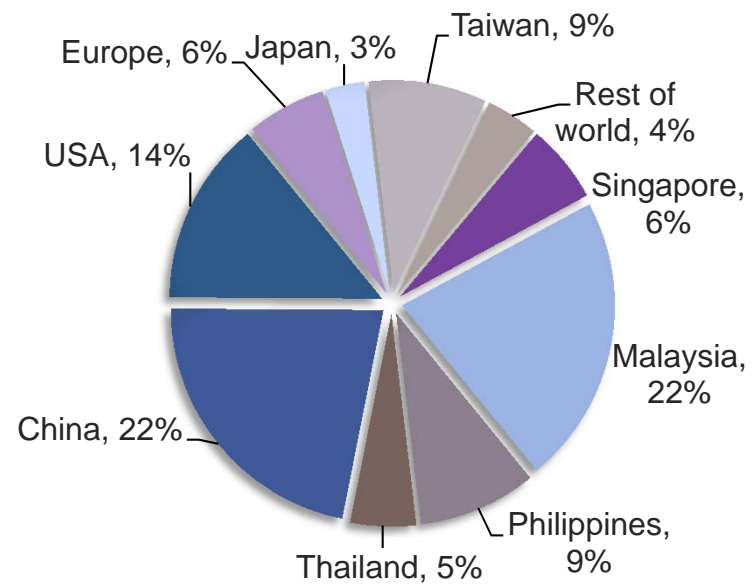
## DIVERSIFIED REVENUE STREAMS



Sales Breakdown for 1H14



Sales Breakdown for 1H13

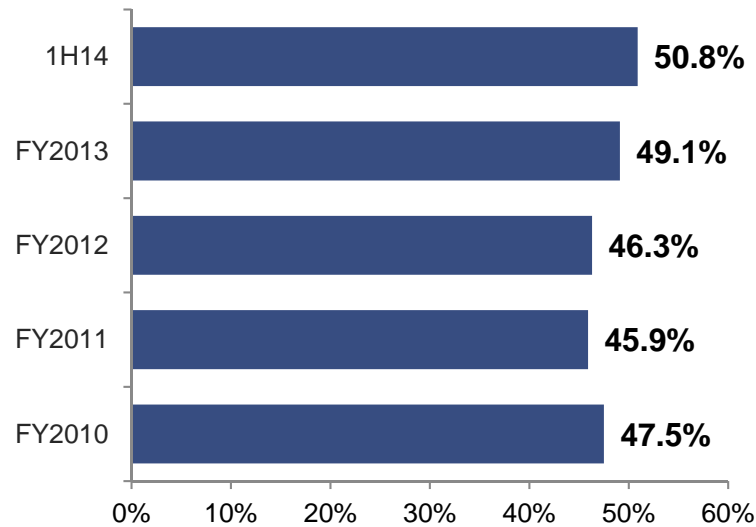


# Gross Profit Margin

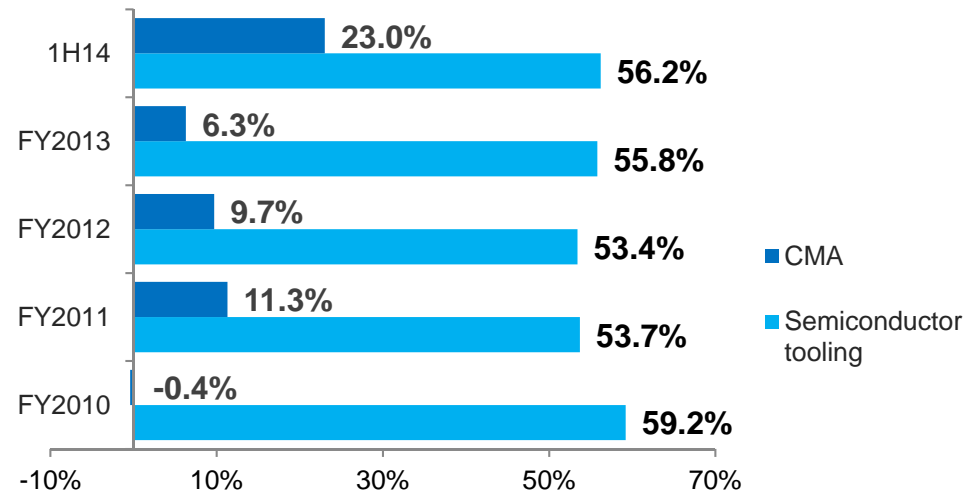
## MARGIN EXPANSION IN 1H14



Group GPM



GPM by Business Segments



### **Semiconductor tooling**

GPM improved to 56.2% in 1H14 despite the constant price pressures typical of the semiconductor industry

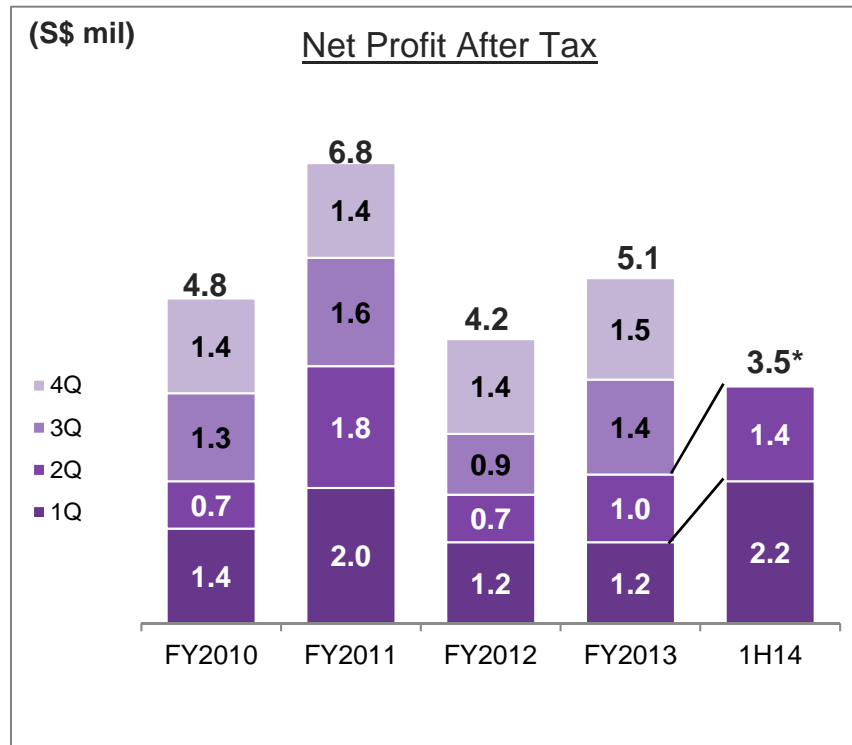
### **CMA**

GPM improved to 23.0% due to increased sales and improved operational efficiency of our factory in the USA



# Group Net Profit

1H14 PROFIT JUMPED 63.2%

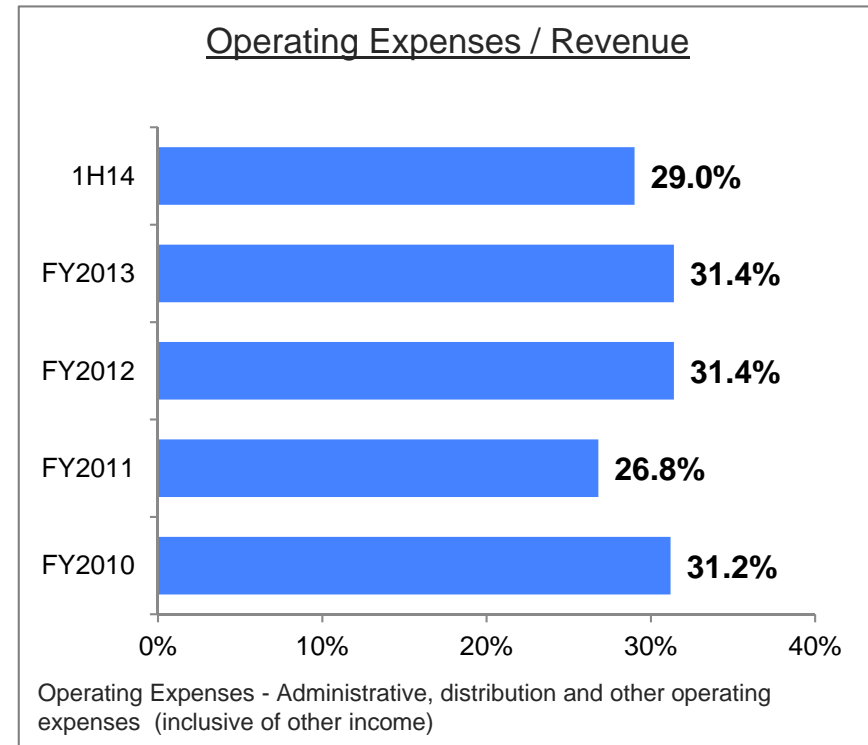


## Net profit

1H14 profit rose on higher sales, increased GPM and tight control of expenses

Two consecutive quarters of profit growth

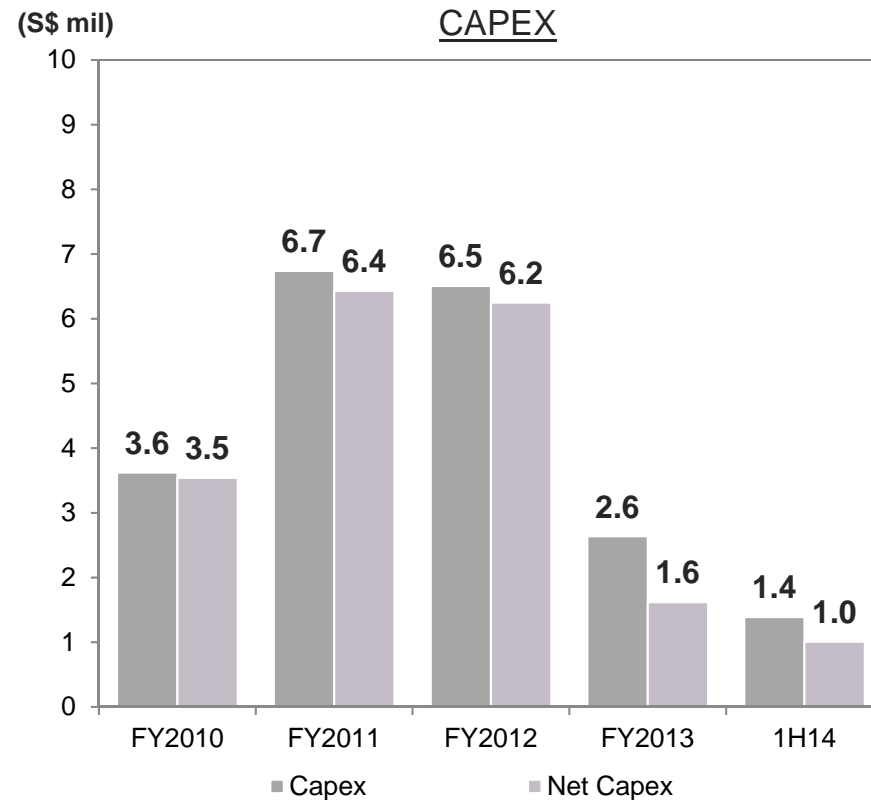
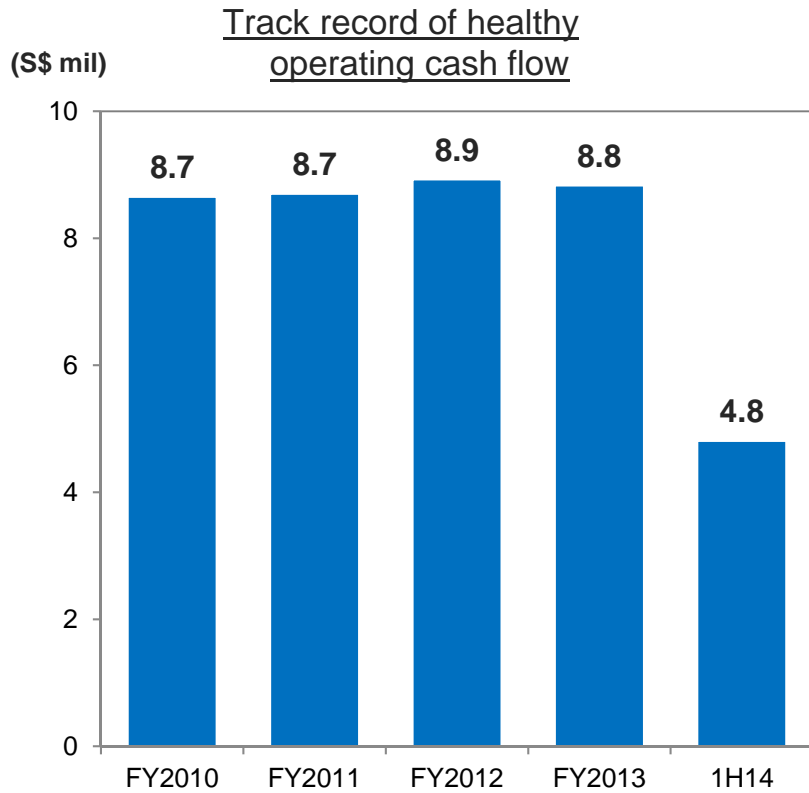
\*Difference in total figure due to rounding



## Admin, Distribution and Other Operating expenses

increased only 3.6% y-o-y (excl. other income)

# Operating Cash Flow and CAPEX



Net Capex – Capex less proceeds from disposal of fixed assets

# Balance Sheet



		31 Dec 2013	30 June 2013
<u>Cash</u>	Cash and cash equivalents	S\$10.0M <sup>#</sup>	S\$9.2M
<u>Gearing</u>	Total borrowings	Nil	Nil
<u>Trade Receivables</u>	(Outstanding > 90days) / Total trade receivables Bad debt expense	0.0% (1H14) S\$7.8k (1H14)	0.2% (FY13) Nil (FY13)
<u>Inventory</u>	Inventory / Sales Inventory write-off	5.8% (1H14) S\$60k (1H14)	5.5% (FY13) S\$72k (FY13)
<u>Equity</u>	Shareholders' equity NAV per share	S\$38.3M <sup>#</sup> 27.54 cents	S\$37.9M 27.29 cents

<sup>#</sup> Paid dividends of S\$2.8M (Final dividend for FY2013)



# OUTLOOK

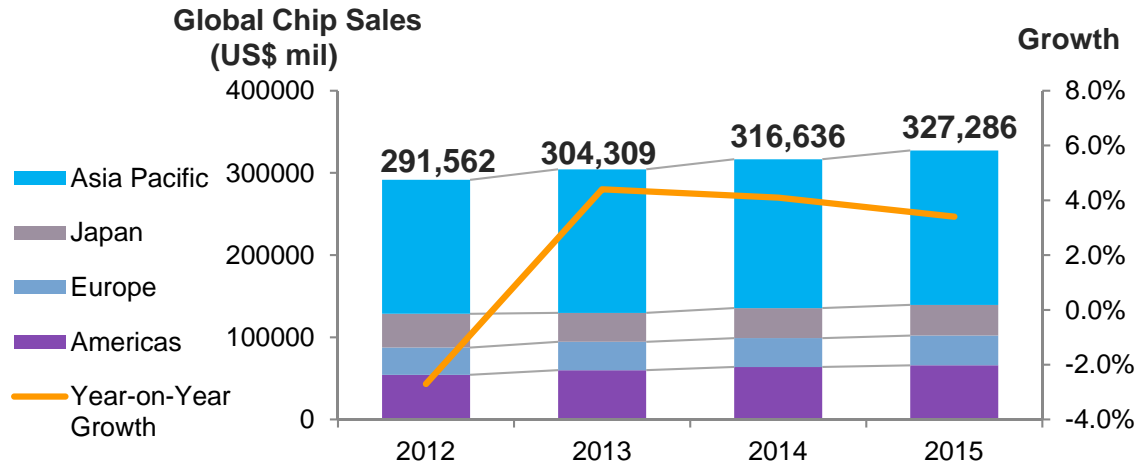
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# Industry Outlook

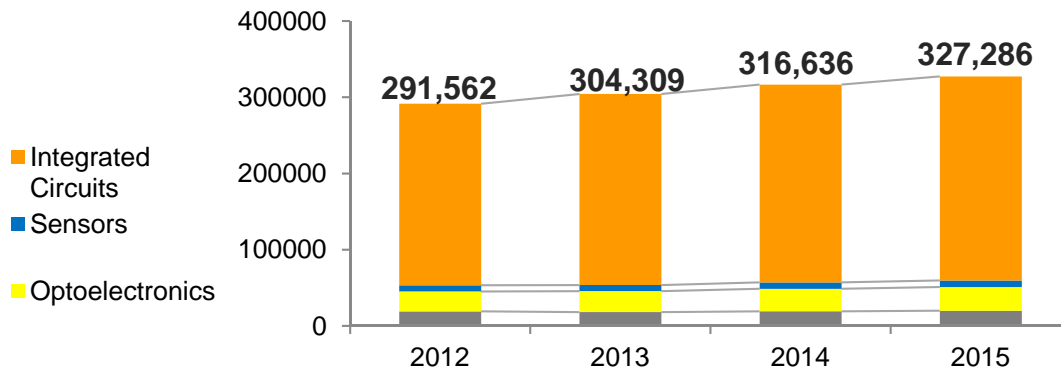


WSTS Autumn 2013 Forecasts

**4.4%** growth in 2013

**4.1%** growth in 2014

**3.4%** growth in 2015



“The global industry notched its ninth consecutive month of increasing sales in November... Buoyed by sustained growth in the Americas and Asia Pacific and a recent rebound in Europe and Japan, the global semiconductor industry has shown increasing strength in 2013 and is on pace for record revenue. With solid momentum across all regions and most product categories, the industry is well-positioned for a strong start to the new year.”

-- SIA Press Release, 3 January 2014

# Group Outlook and Plans



## OPERATING ENVIRONMENT REMAINS VOLATILE

- External headwinds and limited business visibility
- Cost, price and delivery lead time pressures



### SEMICONDUCTOR TOOLING

- Continue shifting towards automated processes
- Leverage strengths in proprietary design and materials to develop consumable tools for changing market needs

### CMA

- Continue to develop *24/7 Machining* and improve unique recipe for repeatable, scalable and cost-effective machining
- Building stable customer base in USA

### INVESTMENTS

- CAPEX – around S\$4M for FY2014
- People and Processes – *MMUniversity*

# Investment Merits



## **RECURRING INCOME STREAMS FROM PRECISION CONSUMABLE PRODUCTS**

- Steady foundation and cost-effective operations which lead to high gross profit margin

## **CASH-GENERATIVE MODEL WITH NO DEBT**

- Sound management of balance sheet and sensible cost structure

## **LONG TRACK RECORD OF DIVIDENDS**

- Total dividends of over S\$40M since public listing

## **POSITIONED TO RIDE ON SEMICONDUCTOR INDUSTRY RECOVERY**

- Tooling business correlates with the volume of chip production
- Developing CMA business to be a future growth catalyst

# 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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