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## Memtech's diversification strategy gains momentum as net profit surges 26.5% to US\$3.9 million for 3Q2017 fueled by improved product mix and operational efficiency

- Shift in focus towards higher margin and complex products within the Automotive and Consumer Electronics segments bears fruition evidenced by gross profit margin expansion to 18.4%
- Strong positive operating cash flow generation amounting US\$3.7 million bolsters balance sheet strength as net cash position improves to US\$28.2 million
- Continues to invest to expand current portfolio of niche manufacturing capabilities and innovative technologies

**Singapore, 9 November 2017** – Singapore Exchange Mainboard-listed Memtech International Ltd. ("Memtech" or "the Group"), a global components solution provider, has announced its financial results for the third quarter ("3Q2017") and nine months ("9M2017") ended 30 September 2017.

| Financial Highlights (US\$'000)              | 3Q2017 | 3Q2016 | Change % | 9M2017  | 9M2016  | Change % |
|--|--------|--------|----------|---------|---------|----------|
| Revenue                                      | 46,211 | 46,458 | (0.5)    | 120,399 | 111,072 | 8.4      |
| Gross Profit                                 | 8,493  | 8,235  | 3.1      | 21,631  | 16,204  | 33.5     |
| Gross Profit Margin (%)                      | 18.4   | 17.7   | 0.7 pts  | 18.0    | 14.6    | 3.4 pts  |
| Profit Attributable to Owners of the Company | 3,898  | 3,081  | 26.5     | 10,366  | 2,250   | n.m.     |
| Net Profit Margin (%)                        | 8.4    | 6.6    | 1.8 pts  | 8.6     | 2.0     | 6.6      |
| Earnings per Share – Basic (US cents)        | 2.8    | 2.2    | 27.3     | 7.4     | 1.6     | n.m.     |
| Net Asset Value per Share (US cents)         | 86.2   | 77.6   | 11.1     | 86.2    | 77.6    | 11.1     |

Amid an increasingly competitive business environment, the Group's total revenue remained stable amounting US\$46.2 million for 3Q2017. As part of the Group's diversification strategy, it identified the Automotive and Consumer Electronics segments as key growth drivers going forward, allocating the necessary resources to grow these businesses. The Group's Automotive segment continued to garner growth momentum, posting a 17.3% year-on-year ("yoy") increase to US\$20.3 million during the quarter. This quarter also saw the segment propelled to be the largest revenue contributor for the Group, comprising 44.0% of sales.

In line with Group's ongoing strategy to improve earnings quality, the focus has shifted towards the production of higher-margin, complex engineering parts. Other operational efforts include the gradual elimination of lower profit and margin production processes which were typically outsourced. This helps to streamline overall operations and enhancing average output per headcount with resources committed to higher value work. As a result, the Group's Consumer Electronics segment slipped marginally, 8.8% yoy to US\$17.1 million for 3Q2017. In spite of this transitional decline, the Group continues to earmark its Consumer Electronics segment as one of its key growth drivers, leveraging on its niche capabilities to secure new contract wins.

Along with the improvement in product mix, the Group continues to invest in enhancing technological capabilities and increase automation of its manufacturing processes in order to streamline operations. This

yielded positive impact with gross profit margin expanding 0.7 percentage point yoy to 18.4% for 3Q2017. In addition, the Group also receives more government incentives and subsidies as recognition for its differentiating technological capabilities.

Notwithstanding the efforts to grow the Group, similar commitment has been channeled to cost containment as sales and marketing expenses decreased 19.0% yoy to US\$2.0 million for 3Q2017.

Driven by an increasingly complex product mix in key growth segments and improvements to operational efficiency, the Group reported a 26.5% yoy surge in net profit to US\$3.9 million.

The Group continued to generate strong positive operating cash flows amounting US\$3.7 million for 3Q2017. This led to a strengthening of the Group's resilient balance sheet as cash and cash equivalents increased to US\$33.2 million as at 30 September 2017. After taking into consideration of total borrowings amounting to US\$5.0 million, the Group's net cash position improved to US\$28.2 million (31 Dec 2016: US\$19.3 million).

Commenting on the Group's first 3Q2017 results, **Executive Chairman Mr. Chuang Wen Fu said**, *"Our strategy of diversifying our business risks a few years ago has begun yielding a positive impact on our financial performance. While these strategies has seen our earnings recover over the quarters, we remain in a transitional phase. Our collective efforts are targeted towards improving our product mix by producing higher value added parts for our customers. In this light, we will focus on leveraging on our innovative technological capabilities to differentiate ourselves from competitors in order to secure complex projects with better earnings quality. To further boost our profitability and mitigate the impact arising from an increasingly costly and competitive labour market, our goal is to intensify efforts in increasing automation within our manufacturing facilities.*

*This is just the beginning for us as we position ourselves for the future. We are continuing to make investments in our key growth areas – Automotive and Consumer Electronics. We believe that our ability to value-add with our engineering design capabilities will strengthen our relationship with key customers and translate to an increase in allocation in time to come. At the same time, we will also be taking the initiative to further diversify our customer base, particularly for audio-related products and smart home devices.*

*As we transition into a new phase of growth, we are confident in our ability to execute and deliver value for our shareholders. We have focused on ensuring earnings stability. As such, we have pledged our confidence with our inked dividend policy of rewarding shareholders with at least 30.0% of our earnings. Furthermore, our resilient balance sheet comprising a net cash position of US\$28.2 million provides the impetus for us to pursue growth opportunities. Heading into the final quarter of the year and beyond, we remain cautiously optimistic on our outlook."*

**– The End –**

#### **About Memtech International Ltd (Bloomberg Code: MTEC:SP)**

Listed on the Mainboard of the Singapore Stock Exchange in 2004, Memtech is a global components solution provider working with our partners in the business of Automotive Components, Industrial & Medical, Mobile Communications and Consumer Digital devices.

The Group is a Singapore-based company with three manufacturing sites in the People's Republic of China ("PRC"): Dongguan, Kunshan & Nantong. Besides a wide network of sales and engineering offices in the PRC, the Group also has offices in Germany, Japan, U.S.A and Taiwan to support its global reach of products and services.

Memtech's customers include major automotive suppliers Hella, Magna, Lear, Denso, and Kostal. The Group also provides solutions to major car manufacturers including VW, GM and most recently Tesla; leading manufacturers including Foxconn and Celestica, along with renowned brands such as Huawei, Lenovo, Samsung, and Netgear.

For more information, please visit [www.memtechchina.com](http://www.memtechchina.com)

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