FY2018 Results Presentation

AEM Holdings Ltd | 25 February 2019

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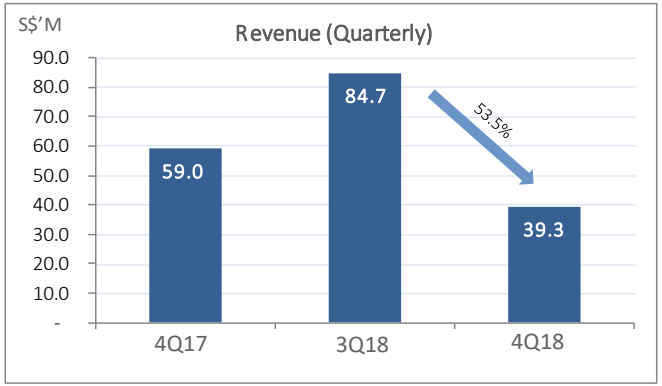
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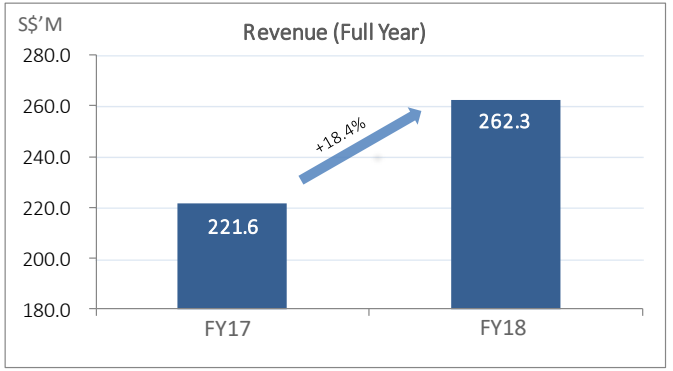
In this presentation, all $ dollar amounts are in Singapore dollars unless otherwise specified

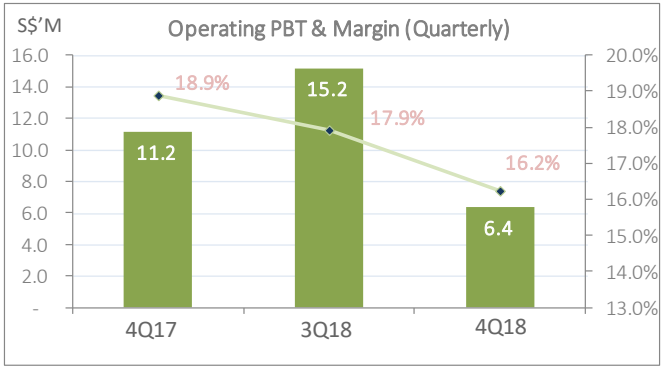
Financial performance – Key Highlights

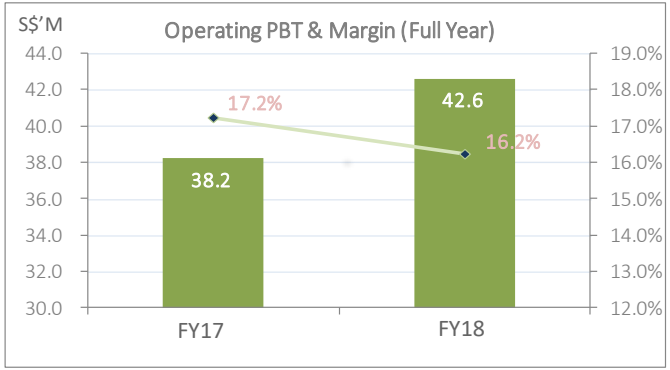
- **AEM** delivers on FY 2018 guidance, achieving **Revenue** of **$262.3M** (up 18.4% y-o-y) and **operating PBT** (up 11.5% y-o-y) of **S$42.6M.**
- Higher revenue and profits in FY2018 supported by increased deliveries of test handlers and pans/kits.
- **Sales orders** received for FY 2019 delivery increase to **$140M**.
- **Revenue guidance** for FY 2019 between **S$180M** to **S$210M** and **capex** of **S$3M** to **S$5M**.
- Proposed **final dividend** of **1.9 cents** payable on 31 May 2019. Including interim dividend of 1.5 Singapore cents, the payout is 25% of operating net profit.

FY 2018 is a record year even with moderation in Q4 18









- In our 3Q2018 business outlook, we guided that the initial test handlers sales ramp will start to taper in 4Q2018.
- Quarterly operating profit before tax margin dropped y-o-y comparing 4Q17 and 4Q18 was mainly due to reduction in sales.

Operating PBT

	Quarterly Results			FY Results		
	4Q2018 S$'000	4Q2017 S$'000	Change* %	FY2018 S$'000	FY2017 S$'000	Change* %
PBT	**4,684**	**10,619**	**-55.9%**	**39,968**	**36,836**	**8.5%**
Share of loss of equity-accounted investee	245	(151)	262.3%	(38)	(105)	63.4%
Non-operating items :						
Loss on liquidation dormant subsidiaries	-	-	NM	-	(695)	100.0%
Real property gain tax on Malacca property	(562)	-	NM	(562)	-	NM
Contingent consideration fair value adjustment	(1,250)	-	NM	(1,250)	-	NM
M&A expenses	(143)	(387)	63.2%	(772)	(559)	-38.0%
Non-operating expenses	**(1,955)**	**(387)**	**404.6%**	**(2,584)**	**(1,254)**	**-106.0%**
Operating PBT	**6,393**	**11,157**	**-42.7%**	**42,590**	**38,195**	**11.5%**
PBT margin %	11.9%	18.0%	-6.1%	15.2%	16.6%	-1.4%
Operating PBT margin %	16.2%	18.9%	-2.7%	16.2%	17.2%	-1.0%

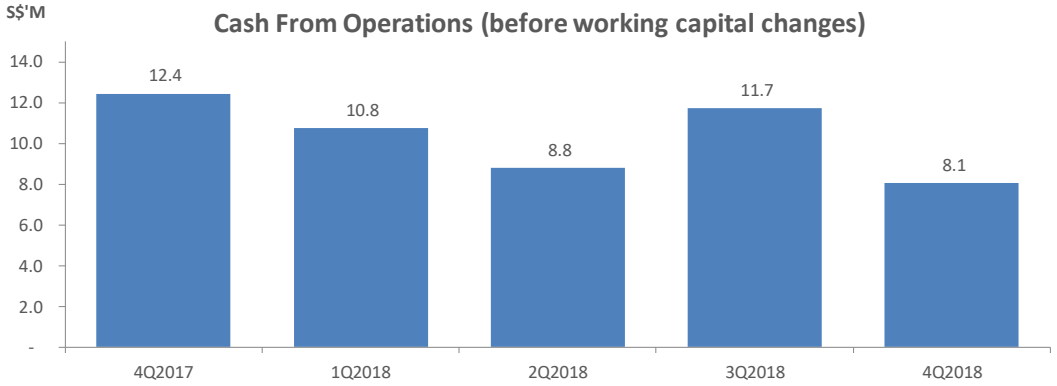
- Comparing 4Q17 and 4Q18, operating PBT margin % decreased 2.7% mainly due to reduction in sales. Payroll cost reduced 8.5% but less than sales reduction; and relatively fixed overheads after the sales ramp.

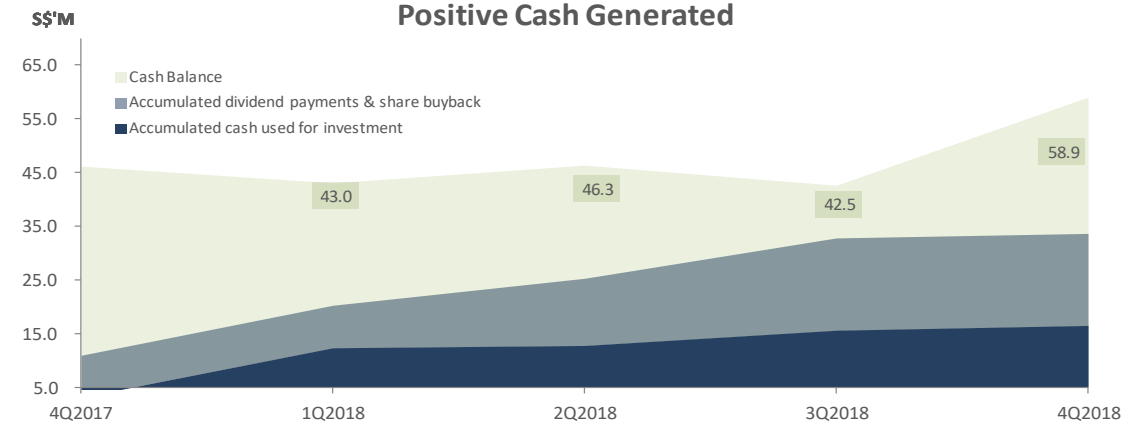
Profit & Loss

	Qtr year-on-year			Qtr sequential		FY year-on-year			FY18
($'000)	4Q2018	4Q2017	Change %	3Q2018	Change %	FY2018	FY2017	Change %	Guidance
Revenue	39,349	59,048	-33.4%	84,668	-53.5%	262,325	221,622	18.4%	255,000
Material cost (excl obsol)	22,546	37,190	-39.4%	57,452	-60.8%	173,448	149,291	16.2%	
Staff cost	7,296	7,974	-8.5%	8,748	-16.6%	32,521	25,338	28.4%	
Depreciation & amortisation	338	228	48.3%	848	-60.1%	1,871	698	168.1%	
Other expenses	4,752	3,126	52.0%	3,915	21.4%	15,330	10,258	49.4%	
Operating profit before tax	6,393	11,157	-42.7%	15,129	-57.7%	42,590	38,195	11.5%	42,000
Profit before tax	4,684	10,619	-55.9%	13,755	-65.9%	39,968	36,836	8.5%	
Profit after tax	4,391	9,713	-54.8%	11,390	-61.5%	33,494	31,489	6.4%	
EBITDA	5,038	10,857	-53.6%	14,607	-65.5%	41,880	37,571	11.5%	
EPS (in SG cents) [adjusted for bonus issue]	1.62	3.70	-56.3%	4.19	-61.4%	12.31	12.10	1.8%	
Material margin	42.7%	37.0%	5.7%	32.1%	10.6%	33.9%	32.6%	1.2%	
Profit before tax margin	11.9%	18.0%	-6.1%	16.2%	-4.3%	15.2%	16.6%	-1.4%	
Profit after tax margin	11.2%	16.4%	-5.3%	13.5%	-2.3%	12.8%	14.2%	-1.4%	

- Staff cost reduced to S$7.3M in 4Q2018 mainly due to the staff restructuring exercise in 3Q2018 and lower bonus provision.
- Higher depreciation and amortisation resulted from acquisitions and higher carrying value from renovation and equipment expenditures.
- Included in other expenses were non-operating expenses of S$2.6M in FY18 for InspiRain's fair value adjustment for probable KPI achievement (S$1.3M) , Malacca property gain tax (S$562k) and M&A expenses (S$772k).

Cash and Cash Flow





Cash Generated (FY18)	S$'M
Cash from operations (before working capital changes)	39.4

Cash Paid (FY18)	S$'M
M&A	8.3
Dividend	8.4
Share buyback	1.2
Capex	4.7
Tax paid	5.1
	27.7

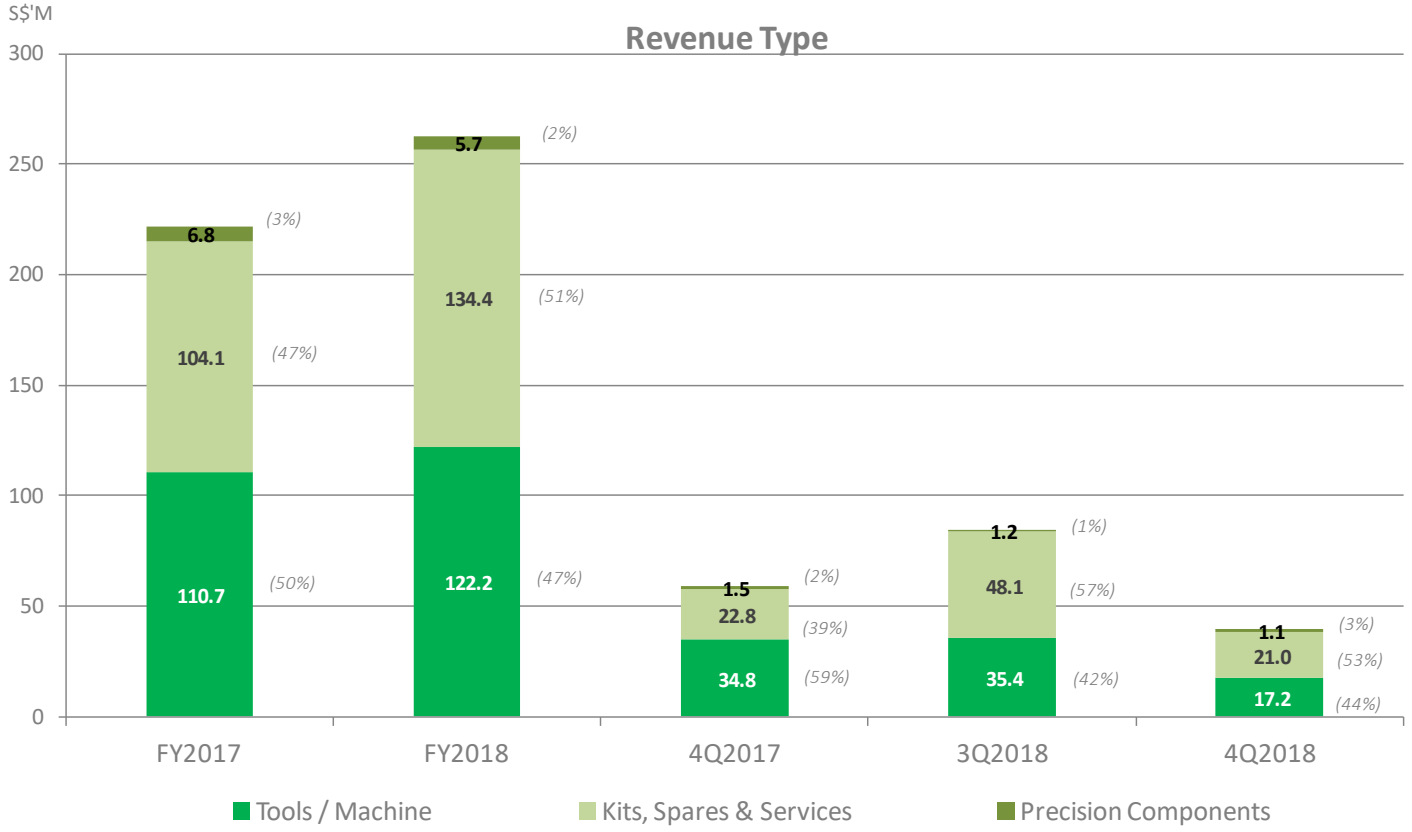
Cash balance at S$58.9M after using S$23M on acquisitions, dividends, buybacks and taxes

Financial Position

Financial position	31-Dec-18 S$'000	30-Sep-18 S$'000	31-Dec-17 S$'000
Property, plant and equipment	5,606	6,249	3,623
Intangible assets and goodwill	16,815	16,324	3,449
Cash and cash equivalents	58,890	42,539	46,095
Current assets less current liabilites	64,324	59,487	47,191
Financial liabilities	259	243	7
Total equity	89,504	85,105	57,810
Net asset value per share (SG cents) [adjusted for bonus issue]	33.3	31.6	22.1

- Increase in property, plant and equipment and intangibles was mainly due to acquisition of Afore Oy, IRIS Solution and capital expenditure.
- Low financial liabilities of only S$259k.

Revenue Breakdown



Business & Operational Updates

Plans and outlook for 2019

Our business is on a solid footing as our investments continue to pay off

1 HDMT platform is in full commercial deployment - expect occasional quarterly burst demand

- Continue to see orders for the HDMT in 2019
- Dependent on customer replacement of older generation equipment
- Continued requirement for pans and kits over the lifetime of our tools
- Ongoing development programs with key customer for hybrid solutions with potential commercialization post 2019

2 AMPS progress

- Ongoing development of eco-systems partners including tester solutions and design-for-test service providers
- Engaging new semiconductor and memory customers for System Level Test and Intelligent Final Test

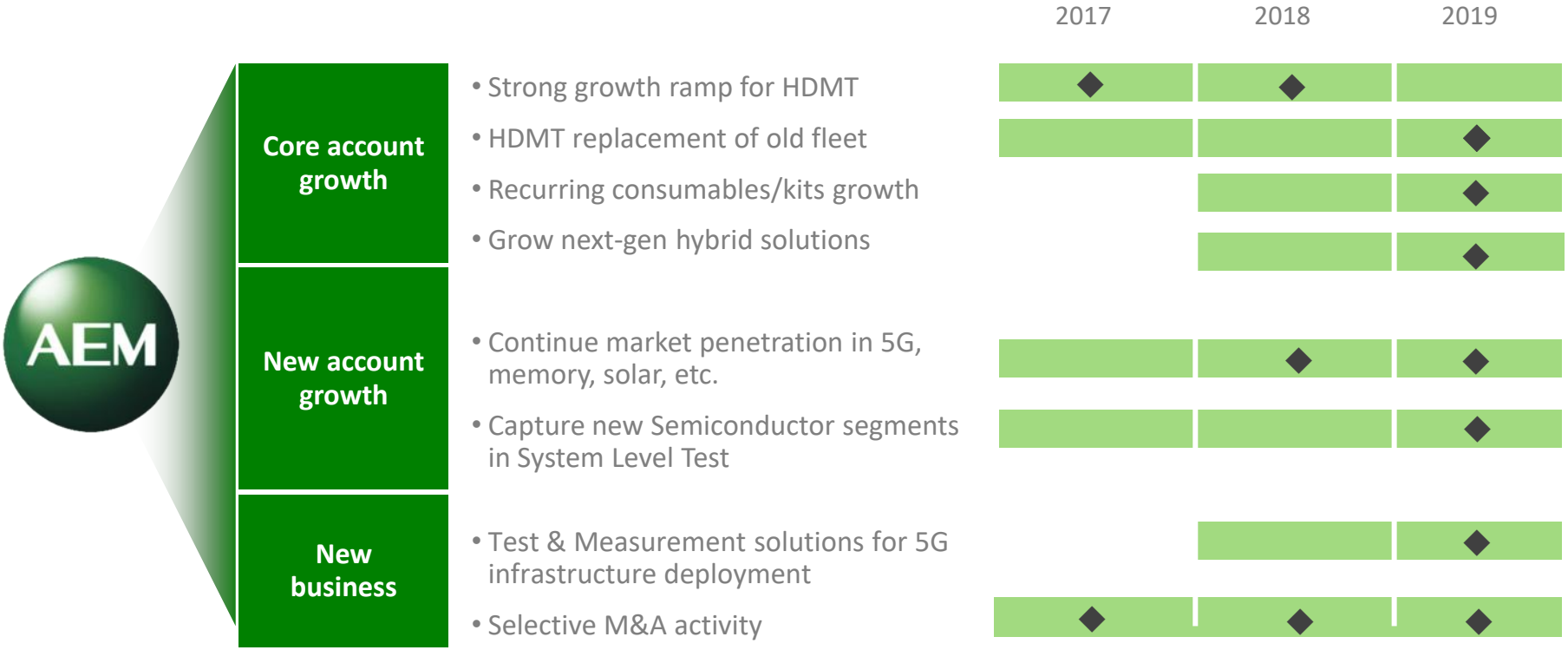
3 Growth through new account wins at Test & Measurement SBU and Afore, selective M&A

- Expand fiber cable test solutions with global customers and their suppliers
- Secure new customers at Afore
- M&A program continues

Note:- AMPS means Asynchronous Modular Parallel Smart platform

Focus on commercial development for HDMT extensions, AMPS and TMS

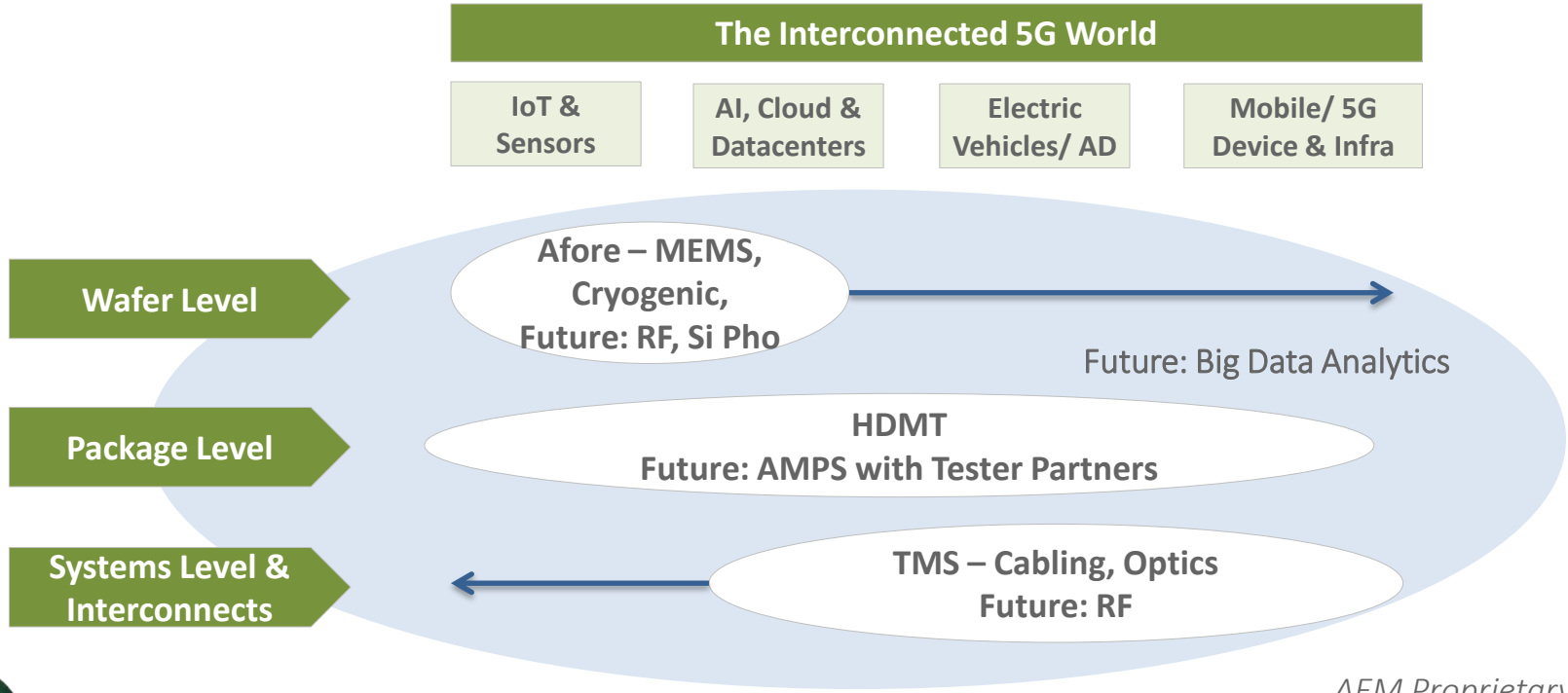
HDMT program expected to hit maturity in 2019. Earnings will be driven through HDMT consumables, new key account programs, and new business units from 2019 and beyond



Corporate Vision and Strategy

Vision: To enable our customers to deliver parts per billion assurance in an interconnected world

Tag Line: Test Smarter



AEM Proprietary

Recap: investment highlights

- Provider of strongly differentiated high-end test handlers with proven, defensible competitive positioning
- Proven ability to service the most demanding large-scale manufacturing customers: microprocessors, solar, smart cards
- Strategic relationship with one of the world's largest semiconductor companies for >15 years in developing and manufacturing customised test handlers and consumables
- Strategic acquisition expands the Group's portfolio of solutions towards the 5G test opportunity
- Healthy financial position with low debt and capital expenditure requirement, generating positive cash from operation

Thank You

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