



# Q3FY19 Results Presentation

Note: This presentation is to be read in conjunction with the announcement issued on SGXNET on 12 February 2019.

# Important Notice

*This presentation contains forward-looking statements which can be identified by the context of the statement and generally arise when the Company is discussing its beliefs, estimates or expectations. Such statements may include comments on industry, business or market trends, projections, forecasts, and plans and objectives of management for future operations and operating and financial performance, as well as any related assumptions.*

*Readers of this presentation should understand that these statements are not historical facts or guarantees of future performance but instead represent only the Company's belief at the time the statements were made regarding future events, which are subject to significant risks, uncertainties and other factors, many of which are outside of the Company's control. Actual results and outcomes may differ materially from what is expressed or implied in such forward-looking statements.*

*The Company cautions readers not to place undue reliance on any forward-looking statements included in this presentation, which speak only as of the date made; and should any of the events anticipated by the forward-looking statements transpire or occur, the Company makes no assurances on what benefits, if any, the Company will derive therefrom.*

## Cogent Communications

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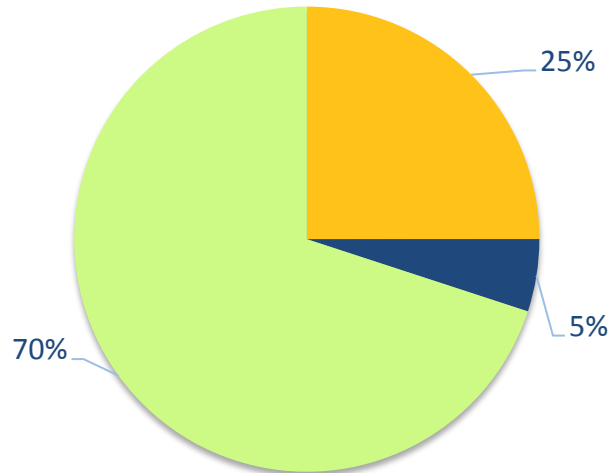
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# Corporate Profile

## Shareholding



■ Executive Directors ■ HSBC Global AM ■ Public Float

Bloomberg Code	VALUE.SP
Reuters Code	VLUE.SI
ISIN Code	BN2
Index	FTSE ST Small Cap, FT ST China
Issued shares (M)	434.0
Mkt cap (SG\$M) (30 Jan 2019)	303.8
Share price (SG\$) (30 Jan 2019)	0.70
Average volume 3-mth ('000)	2,259
52 wk range (SG\$) (30 Jan 2019)	0.59 – 1.12

## Corporate Information

- Electronic Manufacturing Services (“EMS”) player established in 1992 in Hong Kong
- Listed on Main Board of SGX on 28 March 2007
- Production facilities in Daya Bay & Danshui Town, Guangdong, PRC (60 minutes from Shenzhen)
- Auditors: PricewaterhouseCoopers
- Around 4,000 employees (31 Dec 2018)

## Accreditations

ISO9001:2008, ISO14001:2004, ISO013485: 2003, TL9000 R5.5, TS16949: 2009, IPC J STD-001, IPC-A-610 QML Class 3

## Integrated EMS Provider

- Engineering Design & Development
- Product Design & Deployment
- Plastic Injection Moulding
- Tool Design and Tool Fabrication
- Metal Stamping & Machining
- Printed Circuit Box Assembly and Box Build Assembly
- Supply Chain Management

# Business Model

Value Add

## A Premier Design and Manufacturing Partner

### Integrated Manufacturing Services

- SMT
- Wire bonding
- FG assembly
- Metal part machining
- Injection molding
- Tool design & fabrication

### Engaging in Customers Value Chain

- Design for manufacturing
- Design & build test fixtures
- Rapid prototyping
- Regulatory compliances
- Supply chain management services

### Design & Development

- Mechanical & electrical engineering design from concept to mass production
- Better manufacturability with enhanced features & lower cost
- Software development
- Industrial design

Proactive deployment of Design & Development capabilities

# Key Milestones

**1992**

Headquartered in Hong Kong with manufacturing facilities in Danshui Town PRC



**2002**

Use of ROHS equipment and accredited with TL9000



**2003**

Adopted work cell management & updated to ISO9001:2000



**2005**

Became Philips preferred supplier for its consumer lifestyle segment



**2007**

Listed on SGX-Mainboard & commenced construction for Daya Bay Facility



**2008**

Became Phillips preferred supplier for its Lighting segment



**2008**

Completed Phase 1 construction of Daya Bay Facility



**2009**

Opened Daya Bay Facility, acquired medical business



**2012**

Celebrated 20<sup>th</sup> anniversary with revenue crossing HK\$2 billion



**2014**

Adoption of formal dividend policy



**2015**

Received TS16949 certification



**2017**

Received 2016 Above & Beyond – Pinnacle Award for Supplier Excellence from Delphi



# Daya Bay Facility – Bird's-Eye View

- Land use rights acquired in 2006
- Total site area > 110,000 sq m



# Customer & Product Portfolio

**Industrial & Commercial  
Electronics**

**Consumer Electronics**

- **Ability to accommodate customers requirement for various volume, mix and complexity**
- Customer base ranged from emerging enterprises in Northern American (low-volume complex custom product) to top global Multi-National Corporations (high-volume standards product)

# Industrial & Commercial Electronics

## Printers

Nasdaq-listed Company



Transaction Printer for Slot, POS & Teller Station Machines

Company owned by a UK PE Fund



Barcode and Transaction Printing Solution Provider for Retail, Banking, Manufacturing, Logistics and Healthcare industries

Global Brand owned by NYSE-listed MNC



Thermal Label Printer for Industrial & Commercial Use

## Temperature Sensing Devices

Unit of a NYSE-listed MNC



Cold Chain Temperature Monitor for Industrial & Commercial Use

Company owned by a UK PE Fund



Electronic Thermostats



# Industrial & Commercial Electronics (Cont'd)

## Communication Products

Toronto-listed Company



Taiwan-listed Company



Company Based in North America



High Precision GPS for Industrial Use



# Industrial & Commercial Electronics (Cont'd)

## Electronic Products for Automotive Industry

### Tier 1 Automotive System Manufacturer



Data and media connectivity module

## Others

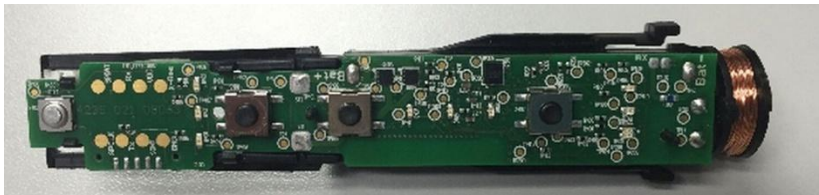
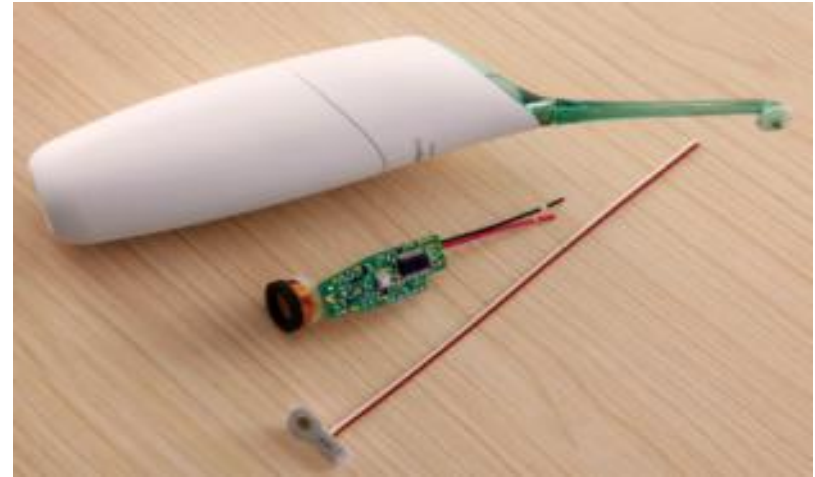


In-vitro Diagnostic Medical Equipment for Testing Human Tissue Samples

# Consumer Electronics

## Consumer Lifestyle Products

Consumer Lifestyle Division of a Dutch MNC



PCBA for Shavers & Electric Toothbrushes for Consumer Use



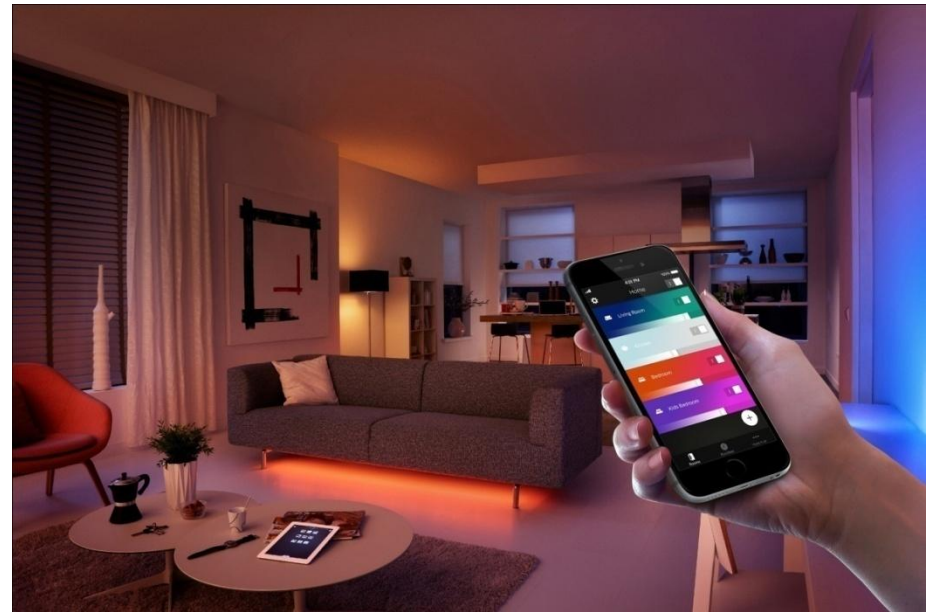
Subsidiary of Homax Group  
(Wholly-owned by PE firm)

15W and 40W Bug Zappers



# Consumer Electronics (Cont'd)

## Smart Lighting with IOT Features



**Wireless lighting contain various LED specially chosen to produce wide range of intensities and over 16 million colours;  
Wirelessly controlled by mobile application**



## **Q3FY19 Financial Highlights**

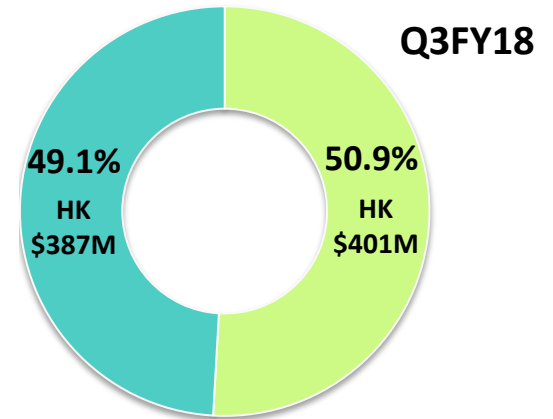
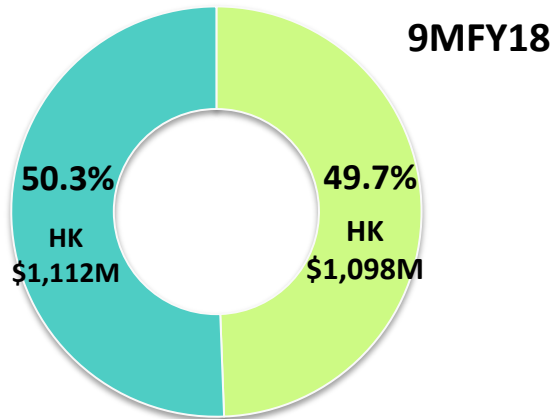
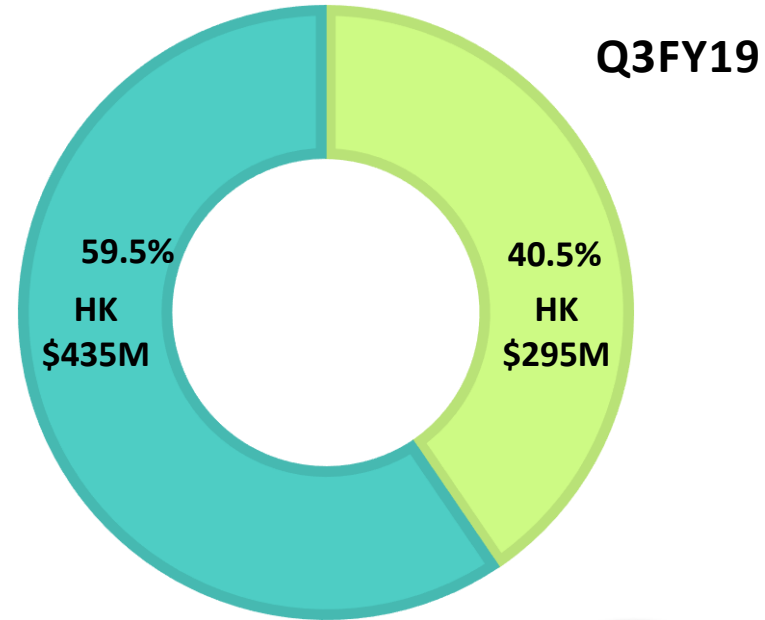
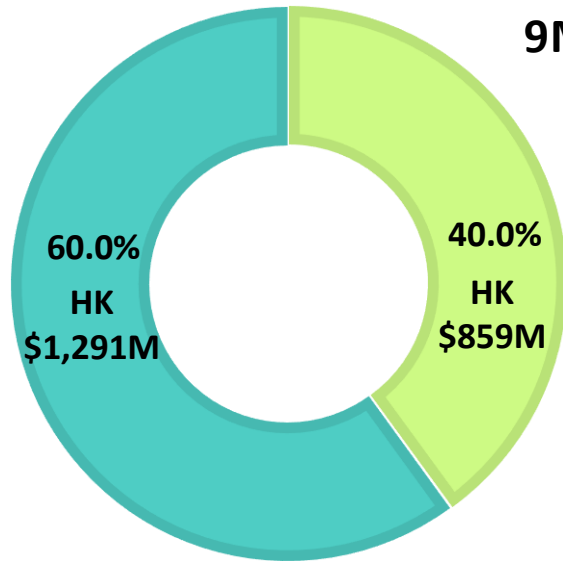
# Financial Highlights

HK\$'M15	9MFY19	9MFY18	% Change	Q3FY19	Q3FY18	% Change
Revenue	2,149.8	2,209.7	-2.7	729.6	788.3	-7.5
Gross Profit	325.6	322.9	0.8	115.8	113.7	1.8
Gross Profit Margin	15.1%	14.6%	0.5% pt	15.9%	14.4%	1.5% pt
Net other operating loss#	(13.6)	-	NM	-	-	-
Net Profit for the period	153.7	157.7	-2.6	59.7	58.2	2.6
Net Profit Margin	7.1%	7.1%	-	8.2%	7.4%	0.8% pt

# Impairment loss recognised in respect of flash floods that occurred on 17 September 2018 at the Danshui Factory

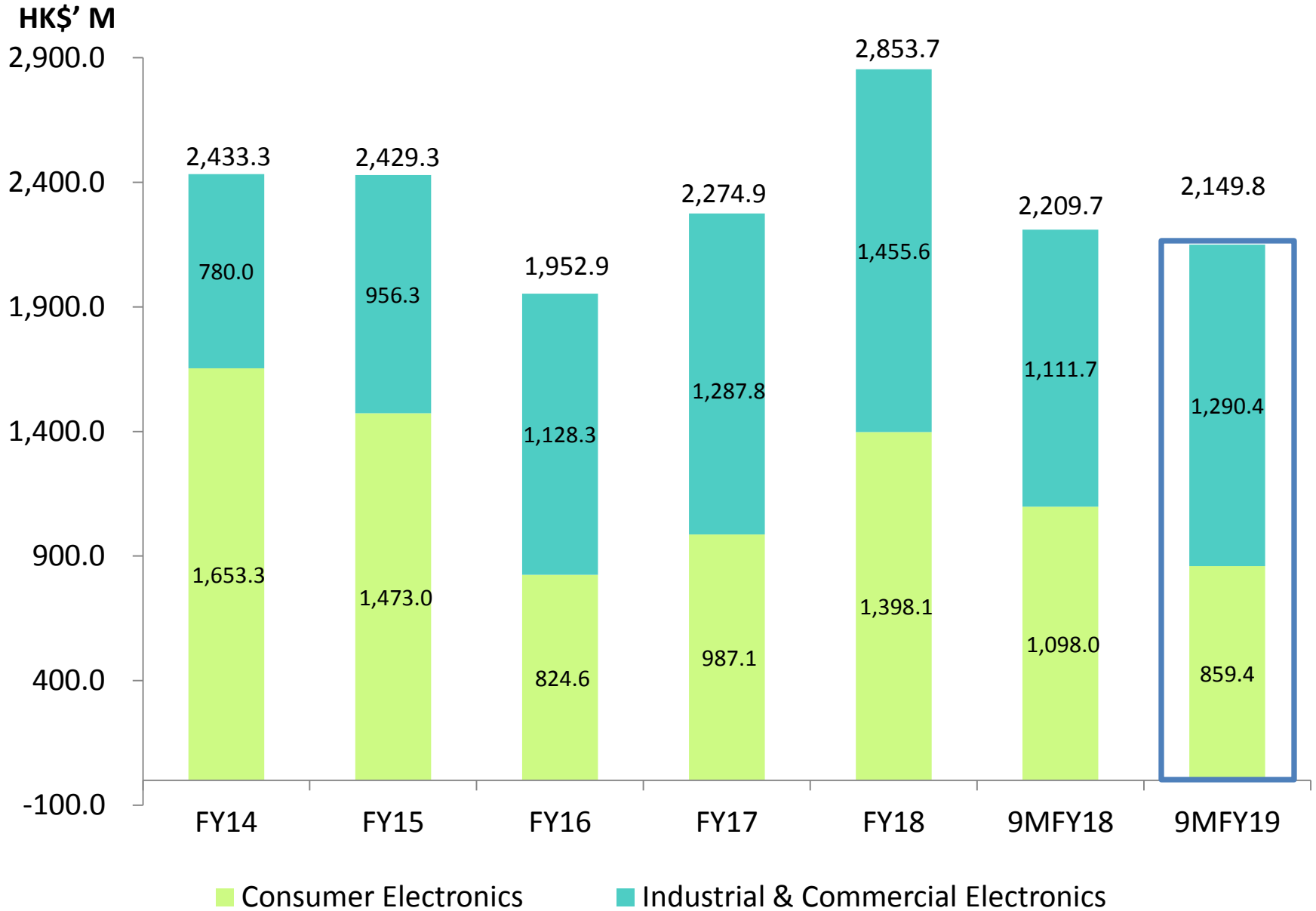
# Financial Highlights

## Revenue Contribution



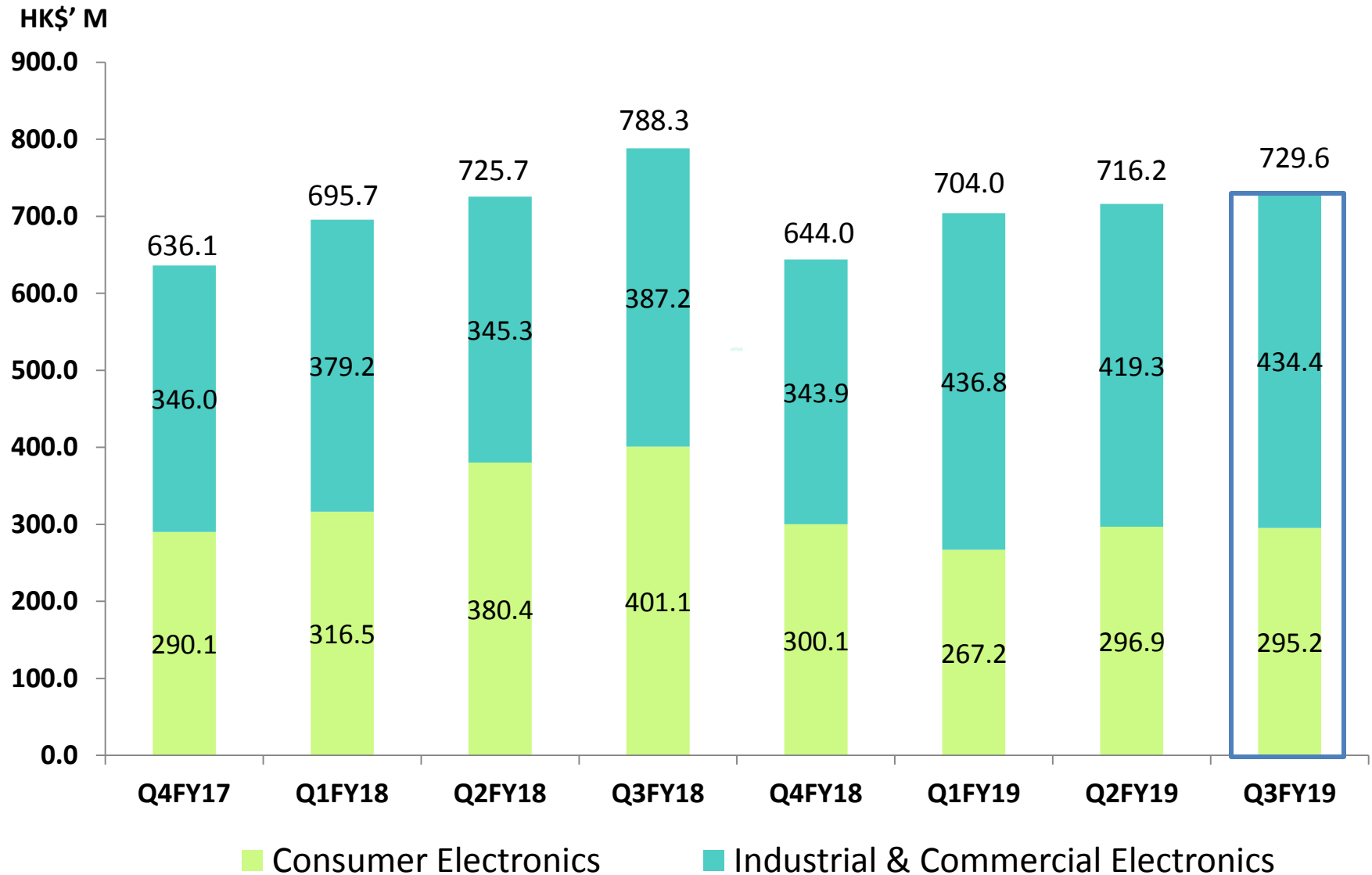
Consumer Electronics  
Industrial and Commercial Electronics

# Revenue Trend

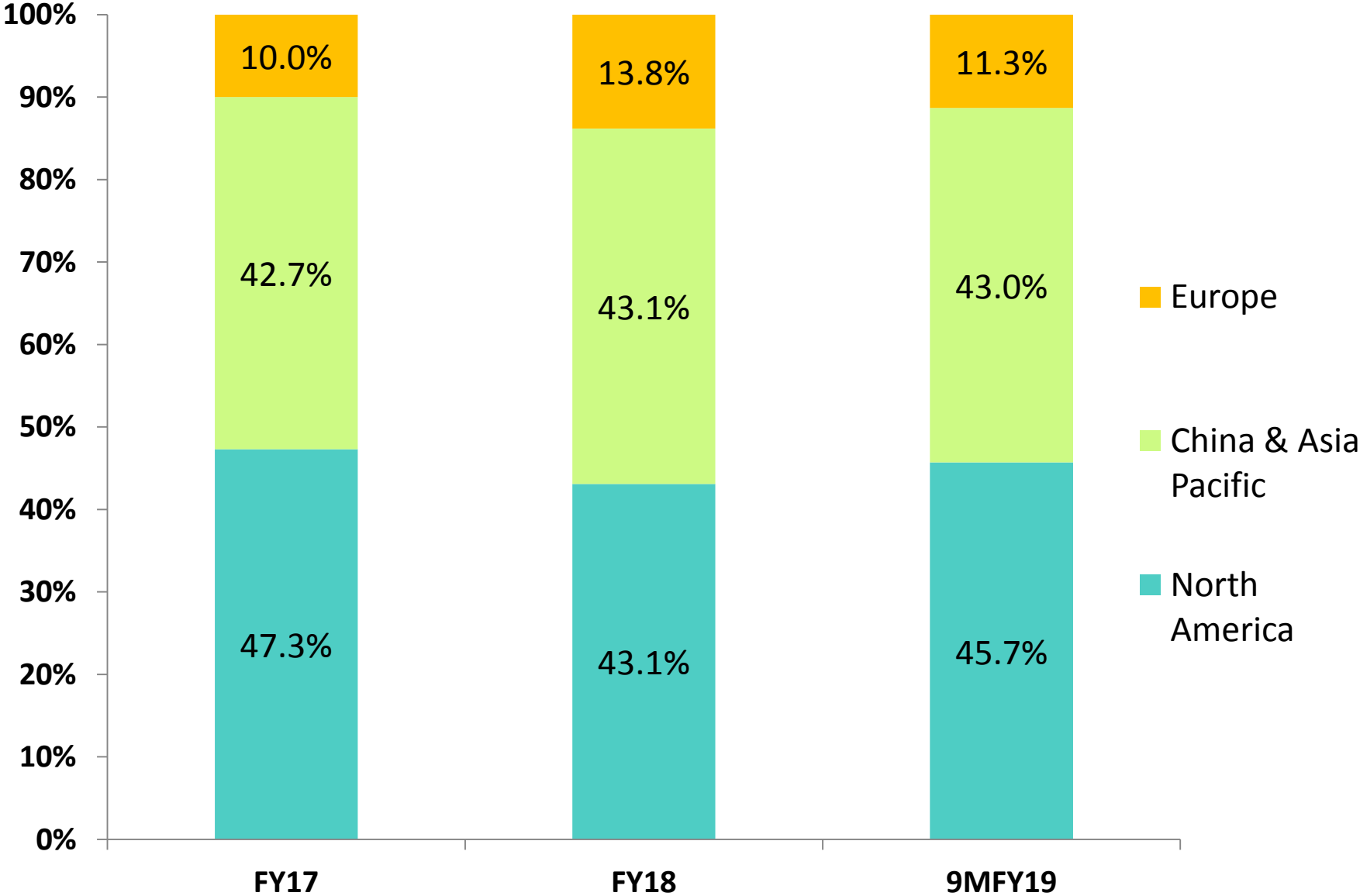




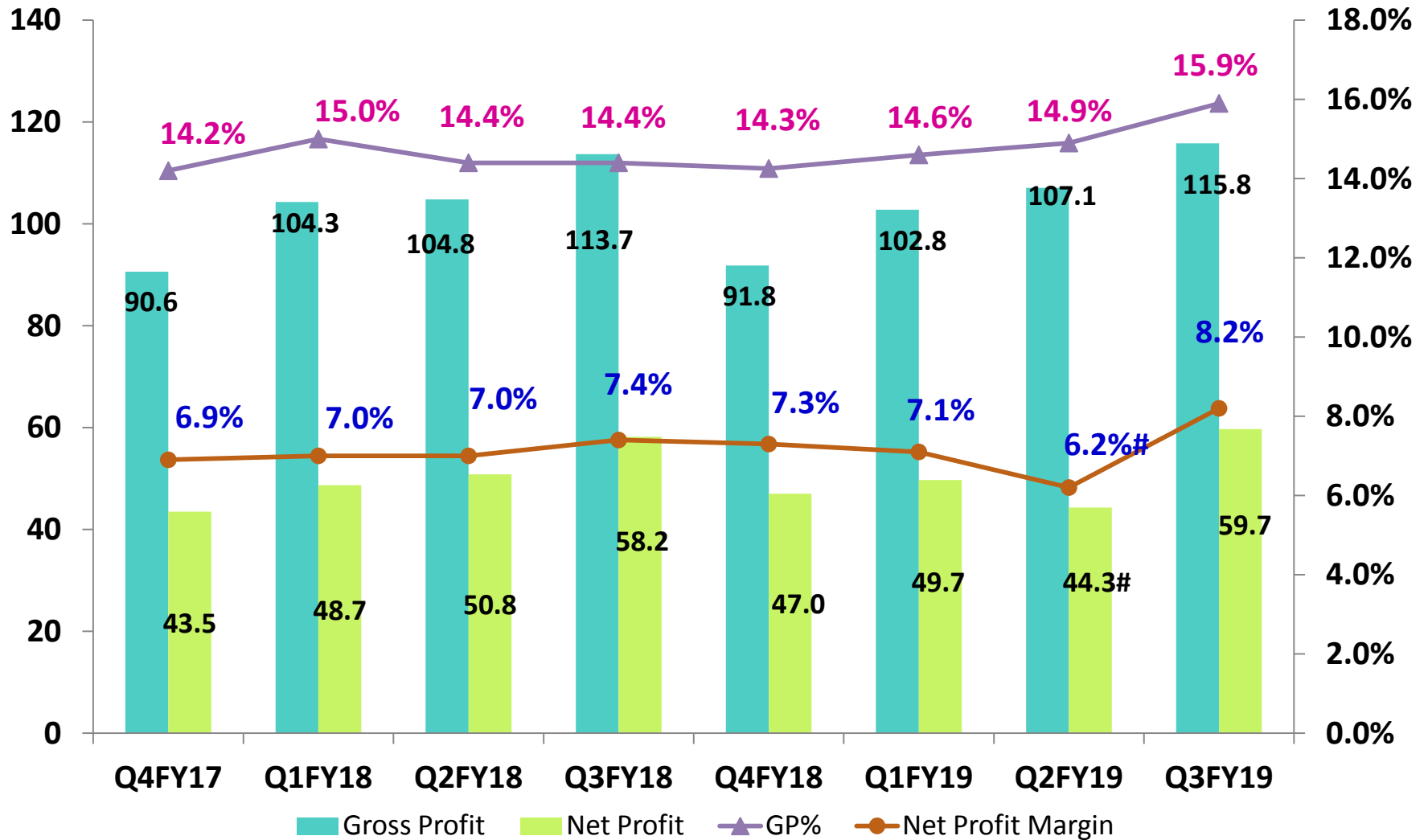
# Quarterly Revenue



# Revenue by Shipment Destination

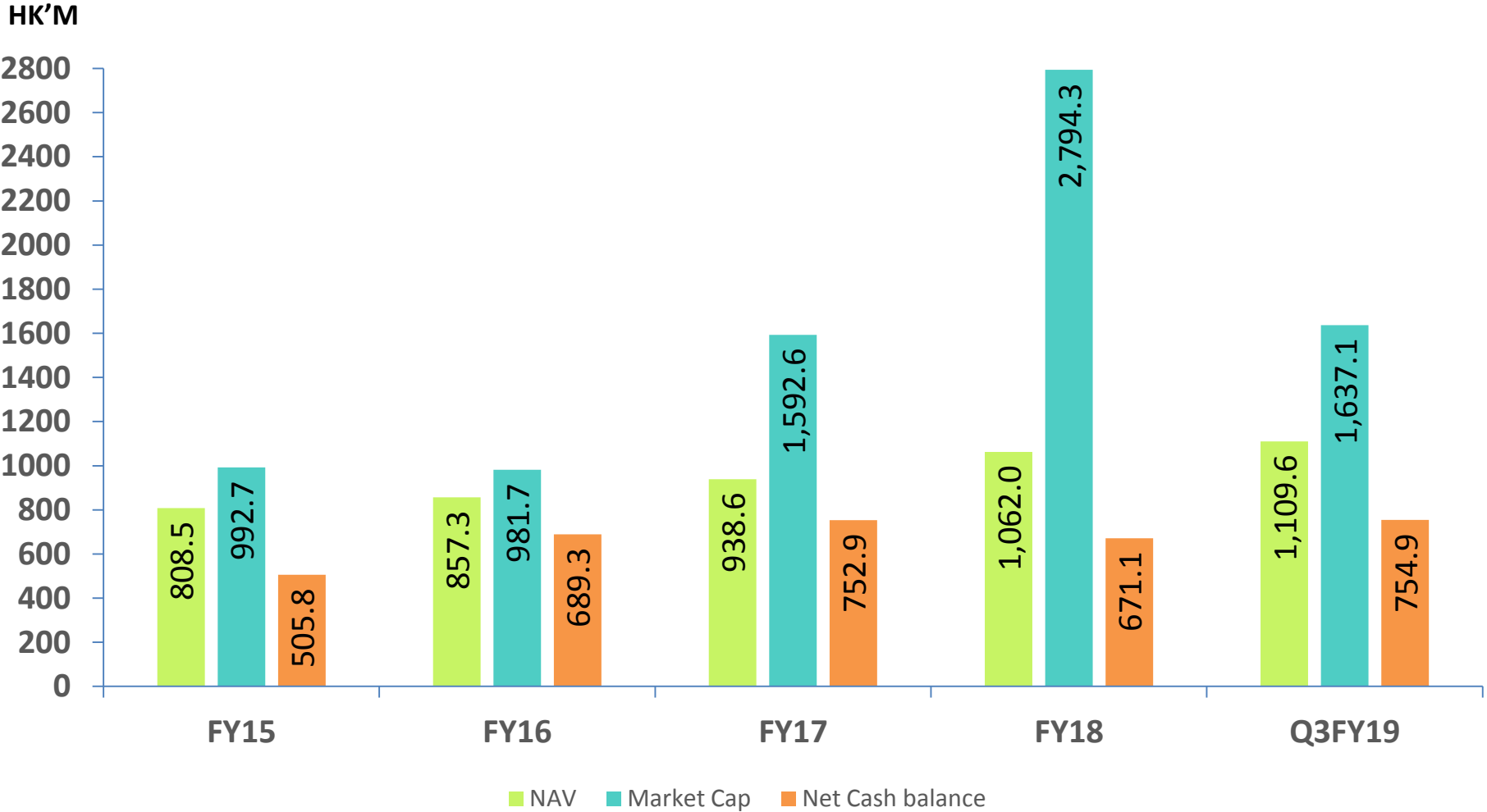


# Gross Profit & Net Profit Trend



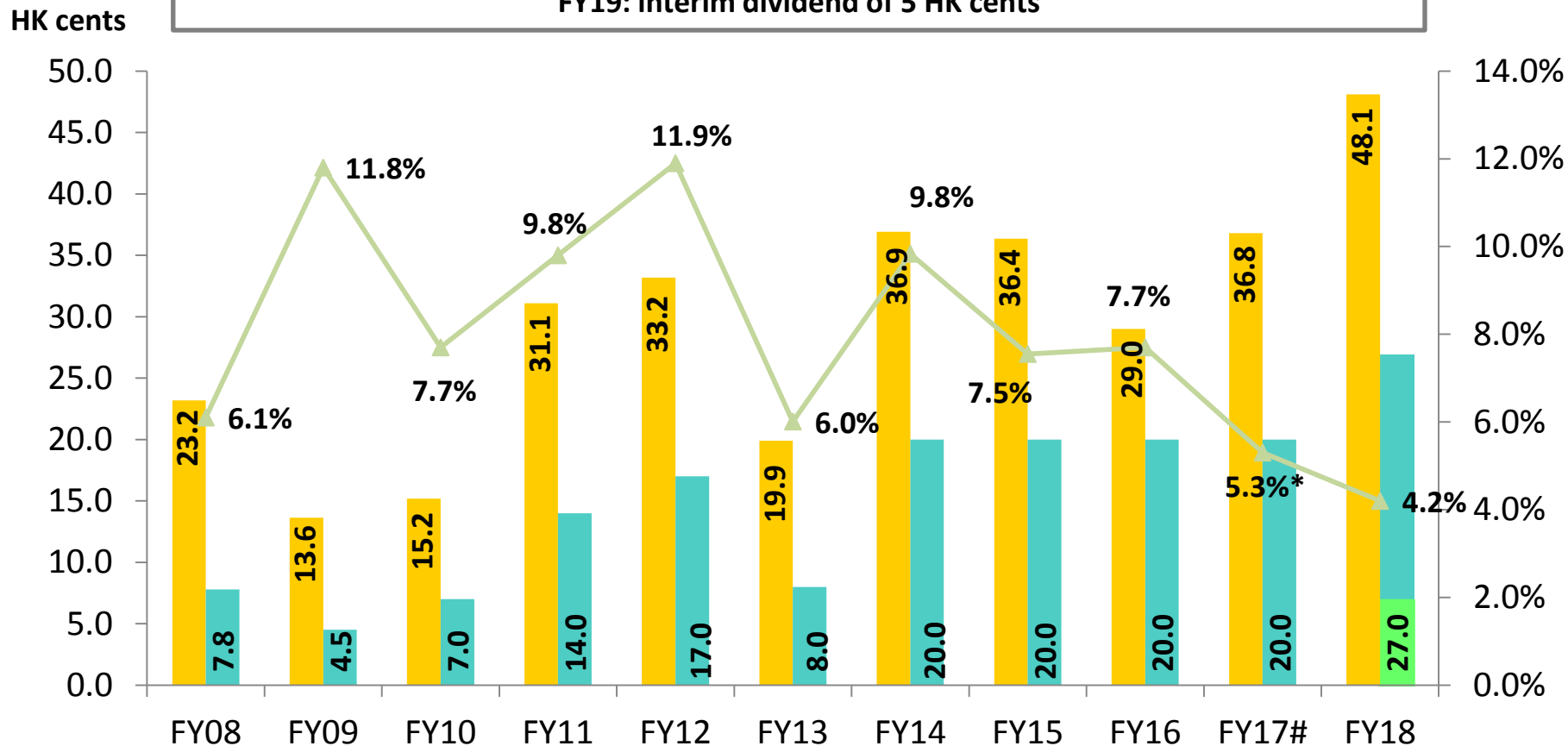
# Included the impairment loss of HK\$13.6M recognised in respect of flash floods at the Danshui Factory

# Market Capitalisation & Net Cash Balance



# Earnings Per Share & Dividends Per Share

We are committed to formal dividend policy of 30-50% payout ratio  
FY19: interim dividend of 5 HK cents



Share Price* (S\$)	0.21	0.07	0.15	0.21	0.21	0.19	0.30	0.43	0.41	0.68	<b>1.08</b>
Dividend Payout	30%	30%	42%	41%	47%	37%	49%	50%	63%	55% *	<b>57%</b>

■ EPS \*    
 ■ Dividend per share    
 ▲ Dividend Yield  
■ Interim Dividend

\* Adjusted for 1:10 bonus issue completed on Jun 2017

# Quantum of dividend has increased by 10% under 1:10 bonus issue

# Summary of Cash Flows

HK\$'000	9MFY19	9MFY18	Q3FY19	Q3FY18
<b>Operating Activities</b>				
Net cash generated from operating activities	224,427	45,625	2,593	44,904
<b>Investing Activities</b>				
Net cash used in investing activities	(38,741)	(64,184)	(24,597)	(2,054)
<b>Financing Activities</b>				
Net cash used in financing activities	(101,645)	(94,224)	(21,461)	(30,034)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>84,041</b>	<b>(112,783)</b>	<b>(43,465)</b>	<b>12,816</b>
Effect of foreign exchange rate changes	(258)	196	116	55
<b>Cash and Cash equivalents</b>				
At beginning of the period	671,087	752,941	798,219	627,483
<b>At end of the period</b>	<b>754,870</b>	<b>640,354</b>	<b>754,870</b>	<b>640,354</b>

# Balance Sheet & Key Ratios

HK\$'M	Q3FY19	FY18	Q3FY18
<b>Working capital</b>			
Inventories	397.2	385.6	448.4
Trade Receivables	568.0	582.8	696.4
Trade Payables	<u>(496.3)</u>	<u>(482.9)</u>	<u>(644.5)</u>
	<u>468.9</u>	<u>485.5</u>	<u>500.3</u>
<b>Net Current Assets</b>	<b>815.6</b>	<b>774.9</b>	<b>733.6</b>
<b>Net Cash</b>	<b>754.9</b>	<b>671.1</b>	<b>640.4</b>
<b>Net Assets</b>	<b>1,109.6</b>	<b>1,062.0</b>	<b>1,010.5</b>

Turnover Days	Q3FY19	FY18	Q3FY18
Inventories	59.6	57.7	65.1
Trade Receivables	72.3	74.5	86.3
Trade Payables	<u>(74.5)</u>	<u>(72.3)</u>	<u>(93.5)</u>
	<u>57.4</u>	<u>59.9</u>	<u>57.9</u>

# Key Financial Ratios

	Q3FY19	FY18
Price (SGD) #	0.66	1.08
NAV per share (SGD)*	0.45	0.41
Cash per share (SGD)*	0.30	0.26
Cash to Mkt Cap ratio	46%	24%

	Q3FY19	FY18
Current ratio	1.9	1.9
ROE	18.5%	19.3%
ROA	10.0%	10.4%
PB ratio	1.47	2.61

# Share price as at respective period or year end date

\*SGD/HKD Ex rate:

Q3FY19: 5.72;

FY2018: 5.98



# Business Outlook

## Overview

- Mixed performance in CE and ICE segments, with a single digit revenue decline quarter on quarter
- **CE:** Revenue decline in Q3FY19 due to weak performance in the smart LED lighting products which is expected to continue to weaken in the near term
- **ICE:** Continued double-digit growth - benefitted from the strong performance from printer and automotive customers

# Business Outlook

## Macro environment & trade tensions

- Operating in an uncertain macro-economic environment, caused by geo-political and trade tensions
- While no material immediate direct economic impact at this juncture, cannot rule out any indirect and consequential impact such as margin pressures or even a potential loss of customers should they switch to alternative suppliers, if the trade tensions do not ease
- Continued trade tensions have driven customers to adopt a more diversified procurement strategy as they evaluate options of assembling products outside China to mitigate US import tariffs
- The Group is exploring options to diversify manufacturing footprint into North America and the Southeast Asian countries

*Reader should refer to section 10 of the Results Announcements for the complete commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.*