

Corporate and Business Update

Global Invacom Group Limited
15 January 2020

Highlights

Major new trends impact global Satellite Communications ("SatCom") sector, including new demand satellite-enabled internet data access, or Data Over Satellite ("DOS")

Growth of traditional satellite broadcasting equipment sector expected to be overtaken by DOS

Rising labour and operating costs in China and new tariffs due to U.S.-China 'trade war' has led to many manufacturers to relocate

Global Invacom has outlined five strategic initiatives in response to new operating landscape

Group has provided guidance for FY2019 and outlook for FY2020 and beyond



AGENDA

1. Company Background
2. Review of Operating Environment
3. Outline of Strategic Initiatives
4. Outlook and Guidance


Company Background



Company Background

- Listed on Mainboard of Singapore Exchange in 2012 (via RTO) and AIM Market of London Stock Exchange in 2014
- Only full-service outdoor unit developer, manufacturer and supplier of satellite antenna products for Ku- and Ka-band frequencies in the world
- Has six manufacturing locations worldwide, some of which are undergoing significant transformation
- One of the largest satellite ground equipment suppliers offering Direct-to-Home (“DTH") and Data Over Satellite (“DOS”) services globally
- In 2015 acquired U.S.A.-based Skyware Global and added significant DOS capabilities
- Currently owns 76 patents, with 38 pending applications


Operating Environment



SatCom Sector Continues to Show Steady Growth

CAGR expected to cross 10% by 2027 (Research and Markets – SATCOM Equipment – Global Market Outlook)

Demand for SatCom ground equipment to remain robust

North America is the largest SatCom equipment market; Asia Pacific expected to record the fastest growth rate (Industry Research)

Several companies joining the 'space race': Elon Musk (SpaceX) and Jeff Bezos (Project Kuiper), amongst others to provide data access without traditional copper or fibre lines

DOS equipment such as satellite antennas and electronics needed to send and receive internet data, especially in emerging markets and unconnected regions



‘Trade War’ Tariffs Have Increased Steel Prices; Exports from China to U.S.A.

Due to the ‘trade war’, tariffs have been imposed on various Chinese exports to the U.S.A.

Steel prices have also risen due to these tariffs

Tariffs have affected many companies which manufacture or assemble products out of China, including Global Invacom

Production costs in China have continued to rise for Global Invacom even after consolidating two Chinese operations

Companies have option to relocate to inner (third-tier) Chinese cities or to other parts of Asia



Rising Production Costs in China

In 2016, Global Invacom consolidated its Shenzhen operation to Shanghai, improving economies of scale and efficiencies

Average cost per employee in China rose approximately 89% in the past 7 years

Current wages in manufacturing sector in China are approximately two thirds that of the UK

With the recent tariffs, China is becoming less attractive as the ‘factory to the world’



Increasing Relocation from China to Southeast Asia

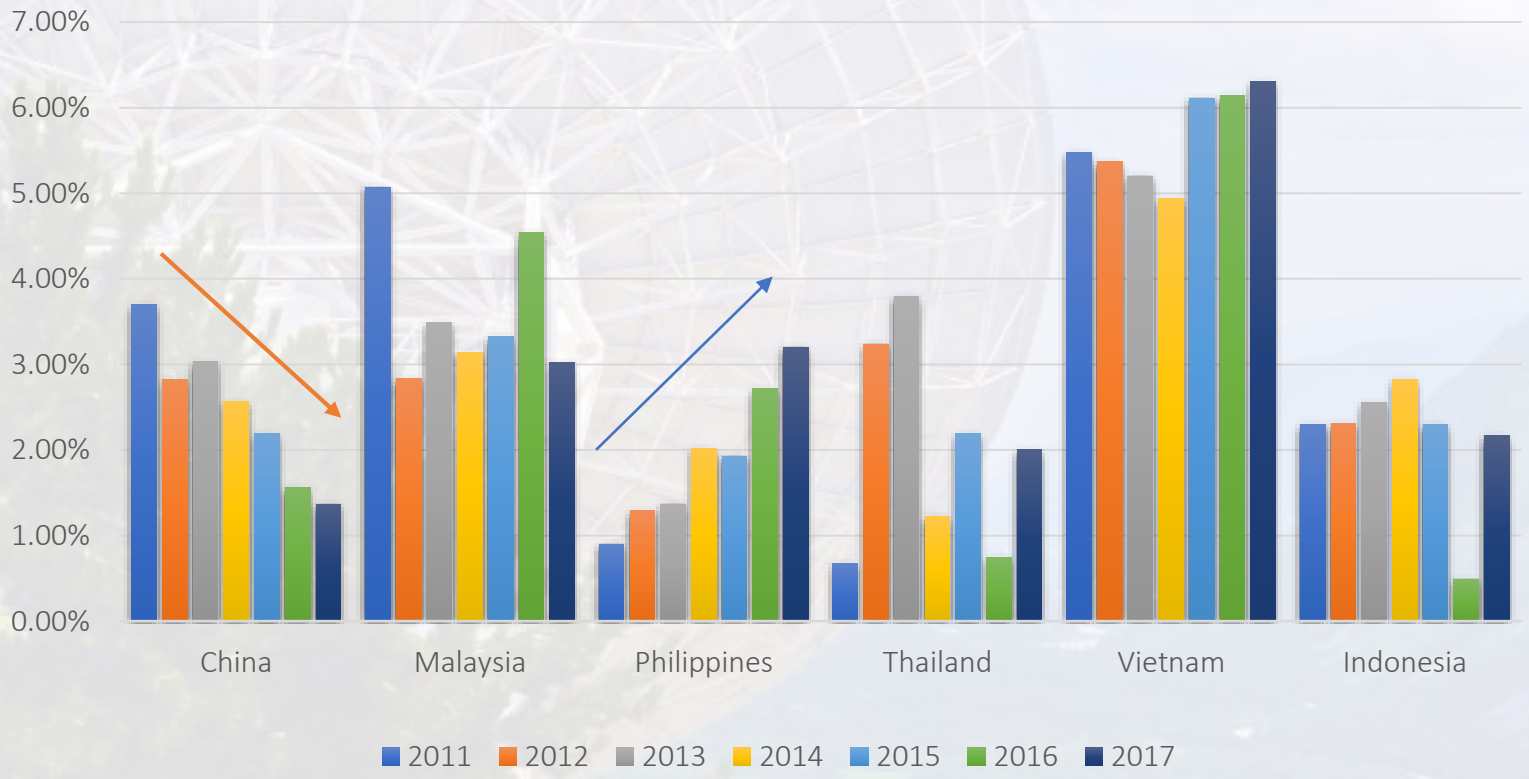
Trend of relocating to lower-cost cities in China has increased; however, impact of tariffs remain

By contrast, ASEAN countries continue to invest in infrastructure improvements to achieve job creation and skills transfer from China

ASEAN continues to attract Foreign Direct Investments (FDIs), helped by growing capabilities, government incentives lower costs, capabilities and absence of tariffs linked to trade-war

FDI Inflows to China and ASEAN-5*, as % of GDP

Sources: World Bank and Trading Economics




Global Invacom’s
Strategic Initiatives



Strategy 1 – Greater Focus on Data Over Satellite ("DOS") Market

DTH continues to provide steady cash flow even if DOS market is expected to grow at a faster rate

DOS is expected to overtake DTH in revenue contribution from 2020 onwards (FY2019: DOS 44% to DTH 56%)

Great race to launch smaller and lower-cost satellites close to earth – Low Earth Orbit ("LEO") – is driving demand for equipment and applications

While DOS volume will increase, form factor of equipment will be smaller, with greater emphasis on pricing

The Group will continue to invest in R&D for both DTH and DOS markets



Direct-to-Home (“DTH”) vs Data Over Satellite (“DOS”)

	DTH	DOS
Main Products	LNBs C and Ku-Band Antennas Tracking Systems Mounting Systems Fibre Links Distribution Systems	C, Ku- and Ka-Band Antennas Ku and Ka Band Transceivers Tracking Systems Fibre Links
Main Markets	North America Central America South America Europe Asia	North America Central America South America Europe Asia


Trunk Line Inputs
FibreIRS
GTU Multiswitch
global invacom
Trunk Line Outputs


ALDEN






dCSS Adapter
FibreIRS


global invacom
Split3-OFpro
Dual Window- 3 Way Optical Fibre Splitter
GFibreMDU



Strategy 2.1 – Cessation of Manufacturing in China

Operations in Shanghai constituted the main manufacturing location in Asia, accounting for 25% of the Group's global production at end-2019

While number of workers in China has decreased from 1,100 in 2014 to approximately 300 as at end-2019, overall production costs continue to rise

Global Invacom will recognise non-recurring costs due to cessation of manufacturing operations in China and relocation; these costs will be recognised in FY2019

Global Manufacturing Footprint 2018 – 2020

Location	2018	2019	2020
U.S.A.	45%	45%	45%
China	45%	25%	0%
The Philippines	0%	20%	45%
Rest of the World	10%	10%	10%



Strategy 2.2 – Relocation of Shanghai Manufacturing Operations to The Philippines

The Group has chosen to partner with EMS Group of Companies in The Philippines

EMS Group will take over most of the production activities from the subsidiary in Shanghai

80% of production to be relocated by end-January 2020

100% of production to be relocated by June 2020

This relocation represents a major shift in strategy towards a more asset-light approach towards manufacturing in Asia



About EMS Group of Companies

Offers Manufacturing Capabilities, Product/Process Development, Prototyping, Test & Engineering, Materials & Logistics

Founded in 2004 and headquartered in Binan, Laguna

Companies under the EMS Group: EMS Components Assembly, Inc., Alliance Mansols, Inc., EMS Resources Technology, Inc., Creotec Philippines, Inc., EMS Services Philippines, Inc.

Strategy 3 – Increased Importance of Global Skyware

With the changes in Group's Asian footprint, Global Skyware's U.S. operation (based in Smithfield, North Carolina), will become the Group's largest in-house manufacturing facility

Global Skyware is currently a leader in RF electronics and antenna platforms due to its high-performance design, lower manufacturing costs and leading technology

Smithfield has 208 personnel as at end-2019, down from 244 at end-2018, reflecting process improvements and increased automation. It is one of four R&D locations worldwide

The Group plans to leverage on Global Skyware's capabilities (including DOS) to optimise its manufacturing process, which will contribute significantly to profitability in the future

Strategy 4 – Improving Global Procurement and Efficiencies

With the re-alignment of the global manufacturing footprint, renewed emphasis will be placed on improving procurement and supply chain efficiencies

Core staff of 30 personnel in Shanghai will remain to oversee global sourcing and procurement of key components

Supplier Quality Engineers to be positioned in close proximity to suppliers

These experienced and highly skilled personnel have greater familiarity with local language and culture, and can respond rapidly to any problems that may arise



Strategy 5 – Improving Balance Sheet to Prepare for Future Growth

The Group will recognise one-off, non-recurring charges for the Shanghai site closure in FY2019

In view of this development and global economy conditions, the Group has taken the opportunity to review other assets within its Balance Sheet investments



Global Invacom's Outlook & Guidance

Outlook & Guidance

The Group will remain operationally profitable in FY2019

The Group to report a net loss due to one-off write-offs, impairments and other non-recurring charges in FY2019

Relocation of China operations will be completed by Q2 FY2020, and will improve the operational performance year-on-year starting from FY2020

Contribution of DOS products to total turnover is expected to exceed 50% from FY2020 onwards


Thank You!
Global Invacom Group Limited