



**MICRO-MECHANICS®**

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Annual General Meeting FY2018

29 October 2018



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# Agenda

2.00 pm – 2.15 pm	Presentation
2.15 pm – 2.30 pm	Q&A
2.30 pm – 3.30 pm	A&M Proceedings





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# Business & Industry

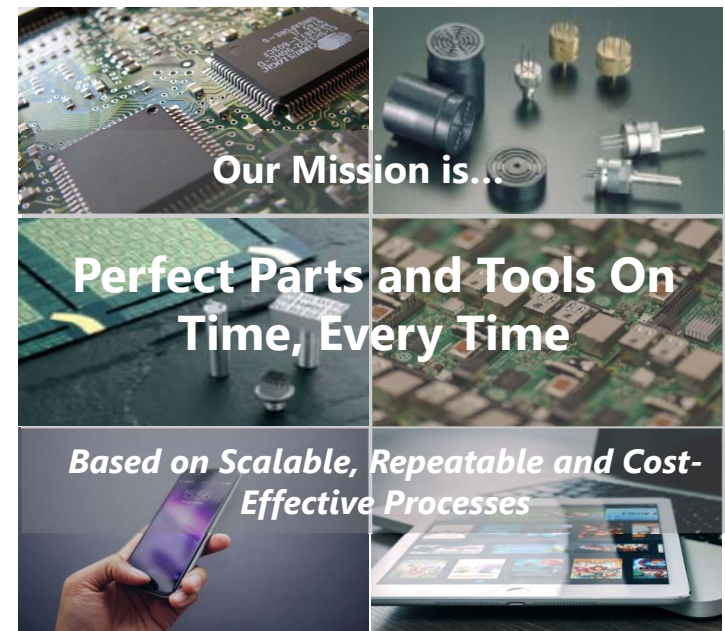
Chris Borch, CEO

Low Ming Wah, COO



# Corporate Overview

- Founded in 1983 in Singapore
- Design and manufacture **high precision tools and parts** used in **process-critical applications** for the wafer-fabrication and assembly processes of the **semiconductor industry**
- Serve a worldwide base of customers from five facilities in Asia (Singapore, Malaysia, China, Philippines) and the USA
- More than 600 active customers
- Listed on the Singapore Exchange (Main Board) since 2003
- Committed to generating shareholder returns



# Business Model

## HIGH PRECISION, PROCESS-CRITICAL Parts and Tools for Semiconductor Industry



Proprietary consumable tools used in the **assembly and testing of semiconductors**, such as die-attach and wirebonding tools

Contract manufacturing of precision parts used in process-critical applications for the **wafer fabrication industry**



IDMs, Semiconductor assembly and test service providers

Leading wafer fabrication equipment manufacturers

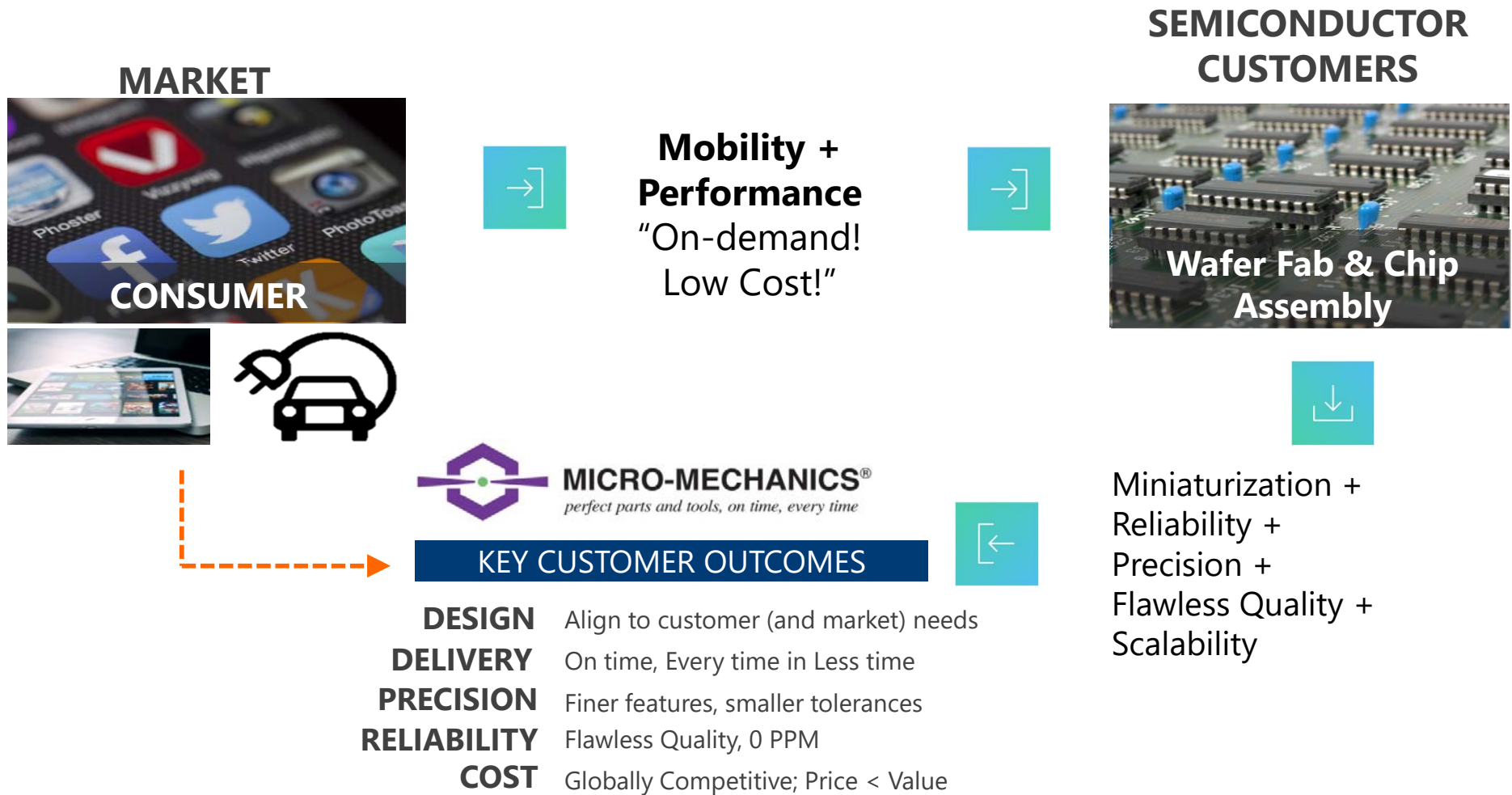


HIGH PRECISION AND QUALITY | SHORT CYCLE TIME |  
| WORLDWIDE SUPPORT | VALUE > COST



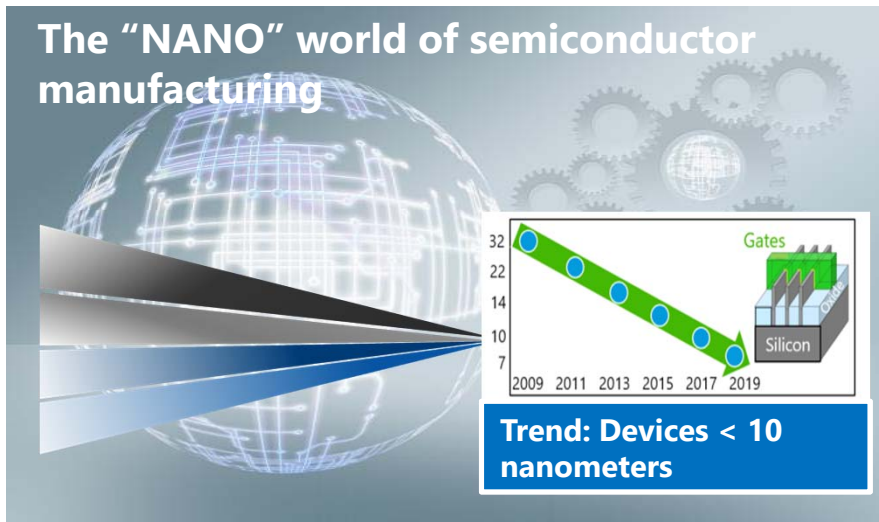
# Strategy - Focus on Key Customer Outcomes

End-user market demands flow through our Semiconductor Customers to Us



# Strategy - Focus on Key Customer Outcomes

**NANO PRECISION** - the "Nano" world of semiconductor manufacturing



Human hair = 100,000 nanometers

**CUSTOMERS'**  
Requirements for Tools  
& Parts

*Smaller features with  
tighter tolerances*

*Greater precision  
(Higher repeatability)*

*Towards zero defect*

*Micro-cleanliness*

**MICRO-MECHANICS:**  
Prepared for "Nano" world  
with **Capital** and  
**Engineering Resources**

MORE COMPLEX  
design and manufacturing

CONTINUOUSLY DEVELOP  
advanced machining  
processes

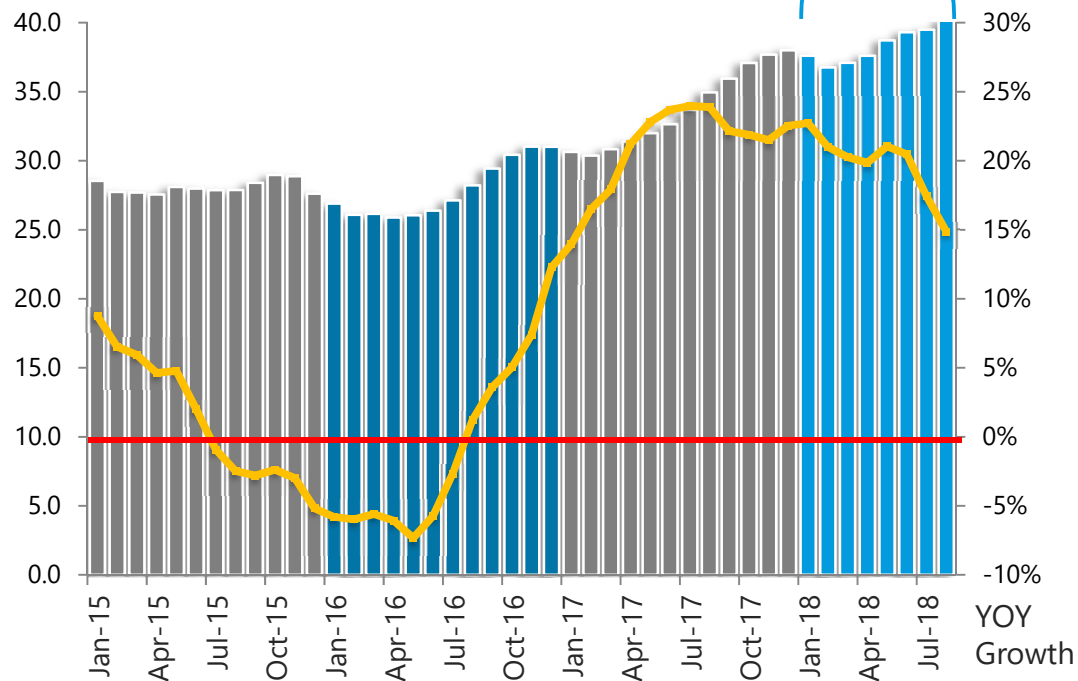
SUPPORTING PROCESSES –  
new materials, testing,  
cleaning & packaging



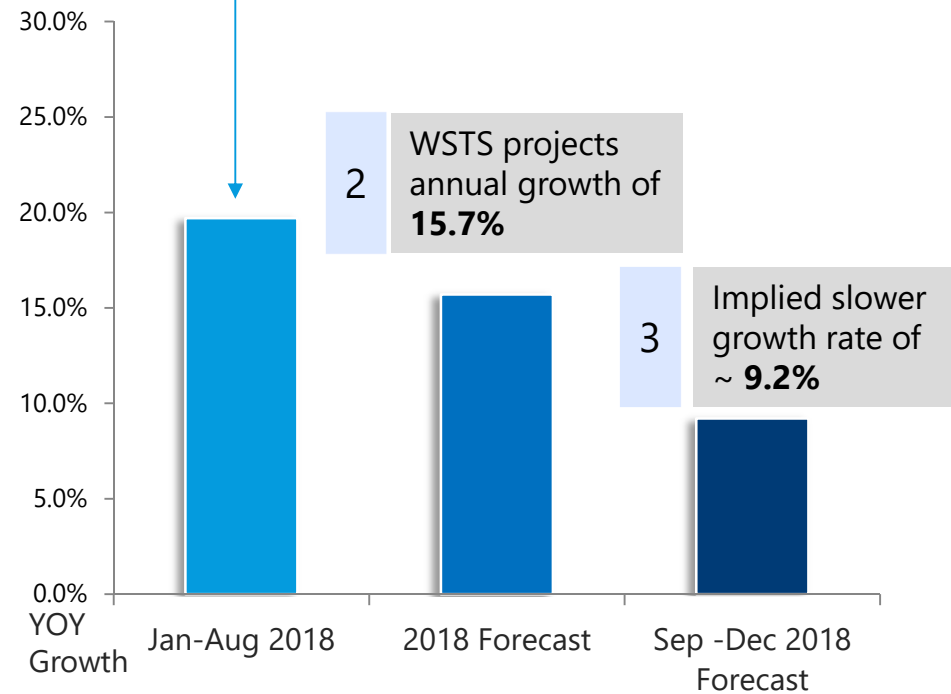


# Semiconductor Industry Review

Global Monthly Chip Sales  
(US\$ B)



Year-on-year growth in Chip Sales



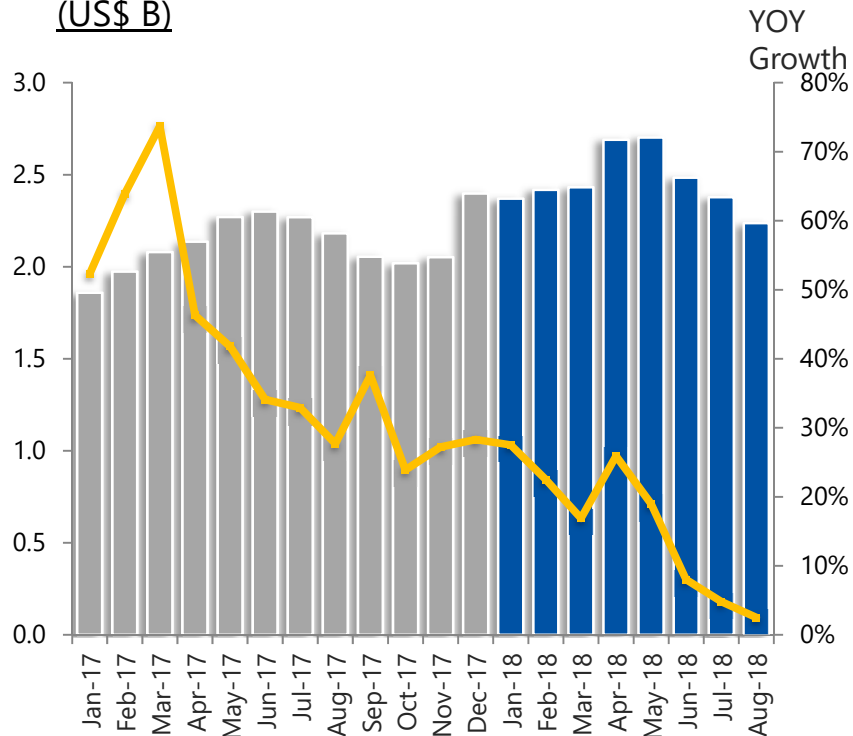
Source: Semiconductor Industry Association





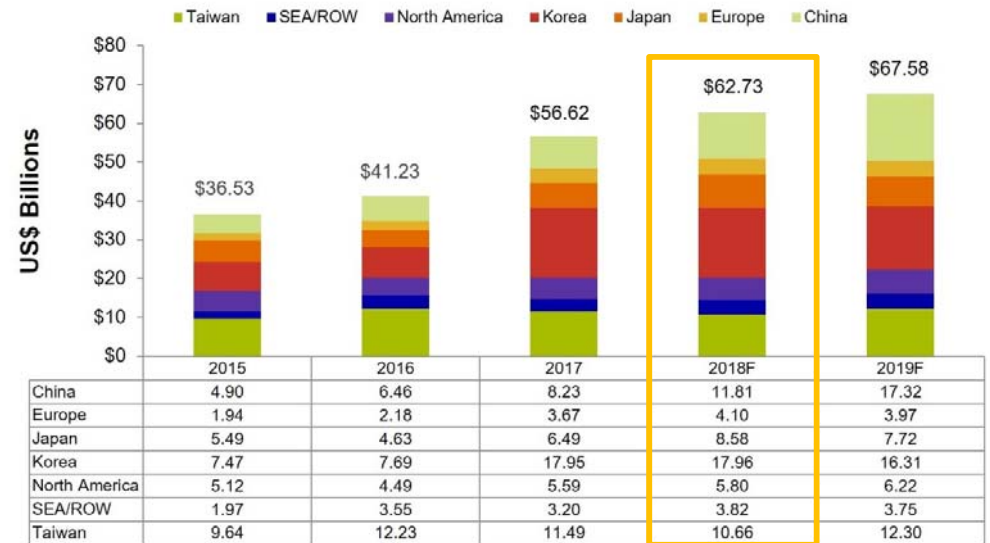
# Semiconductor Industry Review

Three-month average of worldwide billings of North American equipment manufacturers (US\$ B)



Source: SEMI

Worldwide sales of new semiconductor manufacturing equipment



Source: SEMI July 2018, Equipment Market Data Subscription

New equipment. Totals may not add due to rounding

SEMI projects worldwide sales of new semiconductor manufacturing equipment to increase **10.8%** to \$62.7 billion in 2018

- In 2018, South Korea will remain the largest equipment market for the second year in a row. China expected to rise in the rankings to claim second position for the first time



# FY2018 Corporate Highlights

RECORD REVENUE

**S\$65.1M**

▲ 13.8%

RECORD DIVIDEND PER SHARE

**10.0 cents**

▲ from 8.0 cents in FY17

RECORD NET PROFIT

**S\$17.1M**

▲ 16.1%

USA OPERATIONS TURNED PROFITABLE

**S\$12.3M** revenue

▲ 29.6%



CORPORATE GOVERNANCE & TRANSPARENCY

**23rd** out of 589 listed companies  
SGTI 2018 – 97 points



Mr Chris Borch

**Best CEO**

Singapore Corporate Awards 2018

**SIAS 19<sup>th</sup> Investors Choice Awards 2018**  
*Shareholder Communications Excellence Award*  
*Singapore Corporate Governance Award*

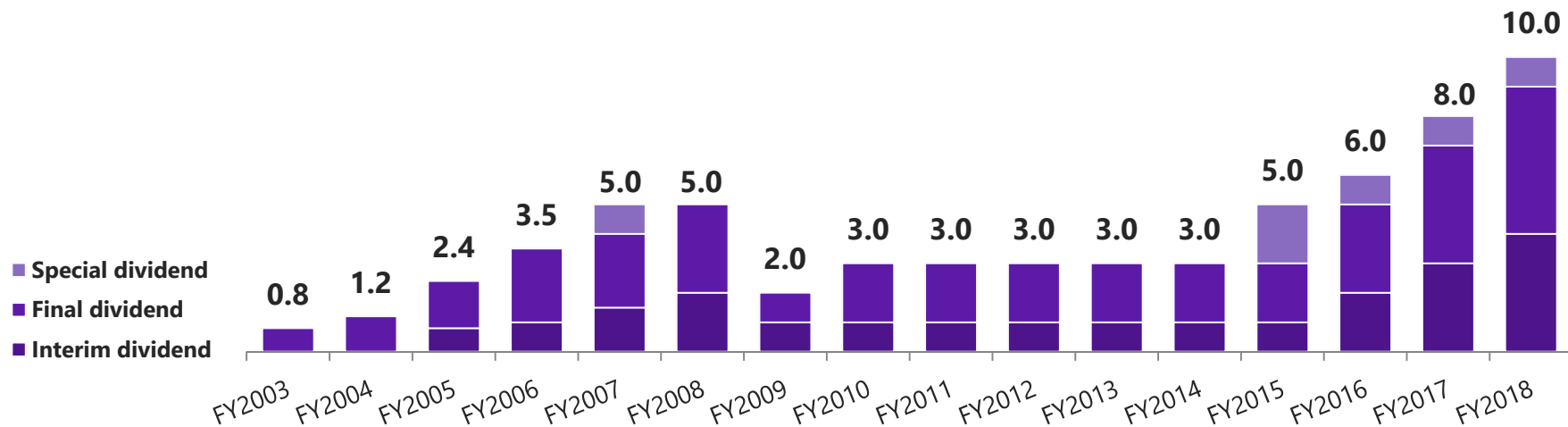


# Dividend Performance

## HIGHER DIVIDEND OF 10 CENTS PER SHARE FOR FY2018

Total dividend payout since listing – **63.9 CENTS** per share

### DIVIDEND PER SHARE (CENTS)



### DIVIDEND PAYOUT RATIO

FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
29%	35%	61%	63%	83%	78%	513%	87%	61%	99%	81%	54%	58%	70%	75%	81%

Dividend Policy of Not Less Than 40% of Earnings\*





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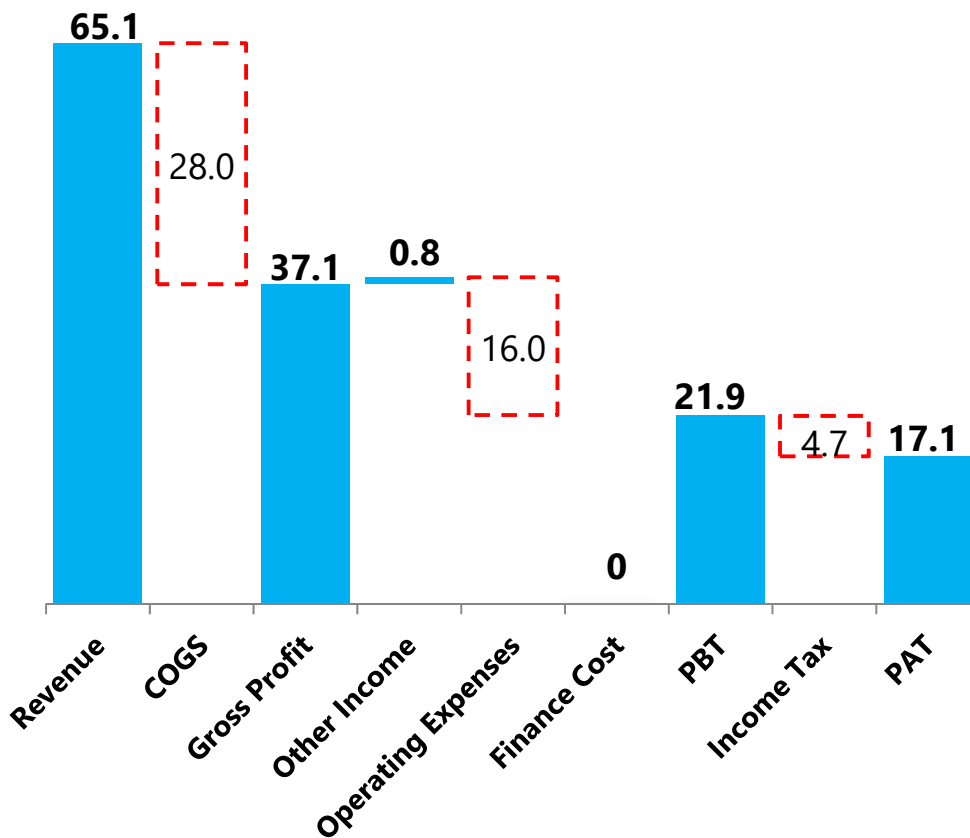
# Financial Review

Chow Kam Wing, CFO



# FY2018 in Review

FY2018 P&L Overview (S\$ million)



N.B. Due to rounding, some totals may not correspond with the sum/subtraction of separate figures.

## KEY RATIOS & STATISTICS

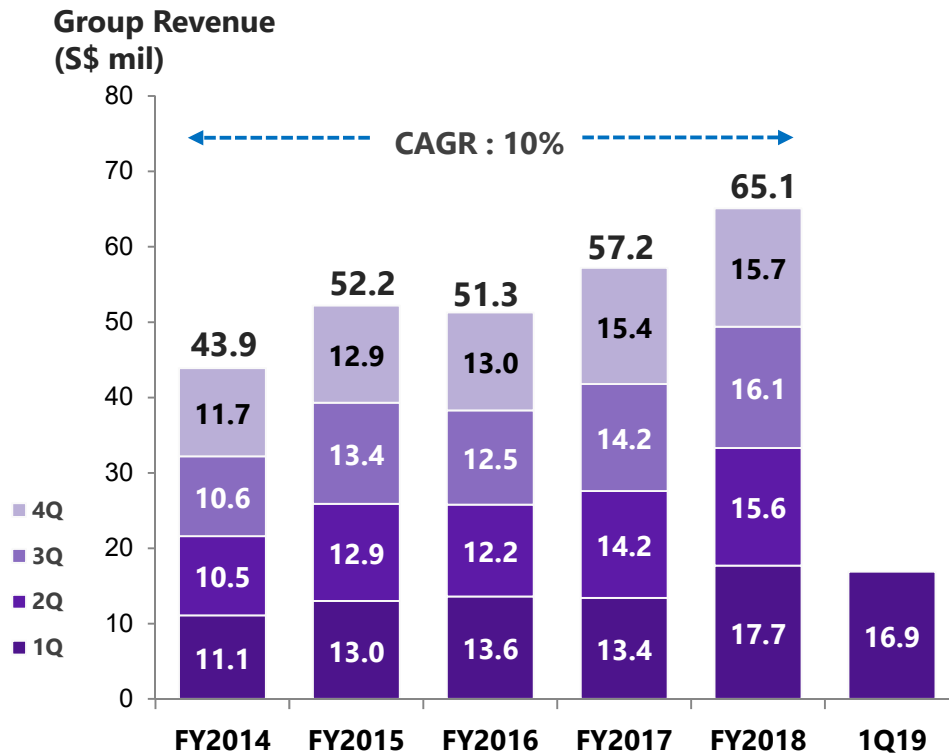
REVENUE GROWTH	13.8%
GROSS PROFIT GROWTH	12.8%
PBT GROWTH	18.1%
NET PROFIT GROWTH	16.1%
GROSS PROFIT MARGIN	57.0%
NET PROFIT MARGIN	26.3%
EARNINGS PER SHARE	12.33 cents
RETURN ON EQUITY	28.4%
CASH	S\$21.1M
DEBT	Zero

FY: Financial year ending 30 June



# Group Revenue

## RECORD REVENUE IN FY2018



**FY2018 REVENUE ▲ 13.8%**

- Higher sales in China, USA, Malaysia, Philippines and Singapore

**1Q19 REVENUE ▼ 4.6%**

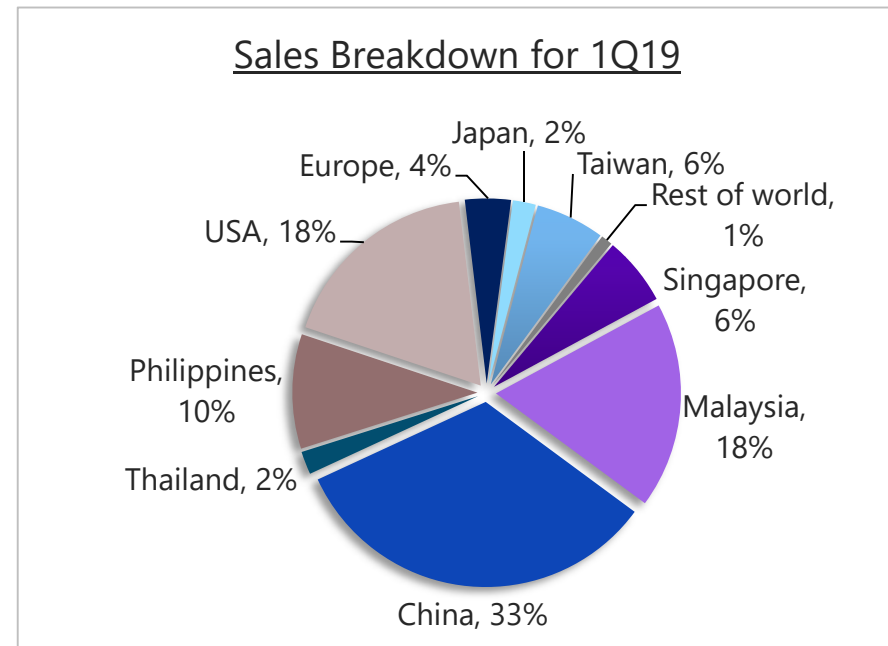
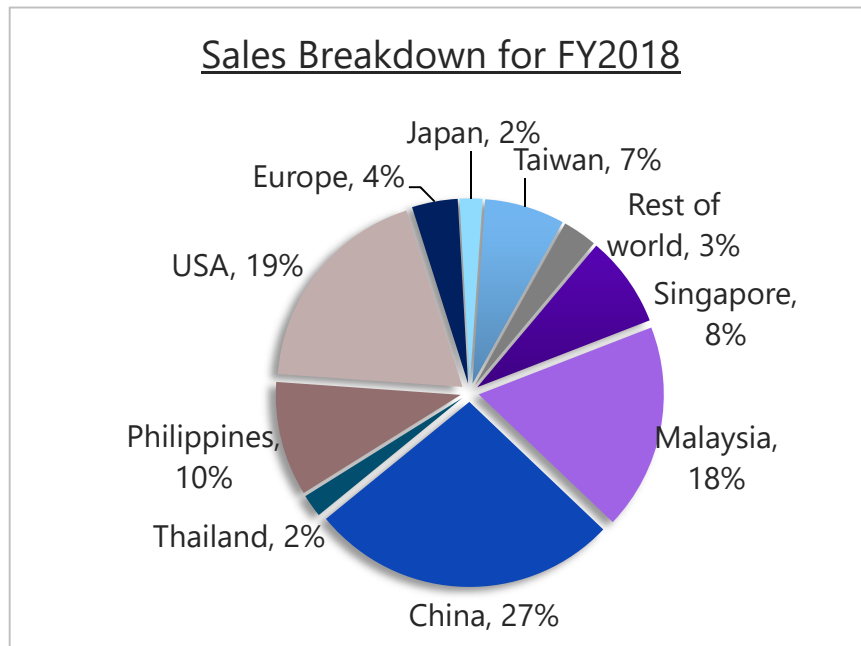
- Slower sales in Singapore and Malaysia markets
- Short term variations and cyclical nature is typical of semiconductor industry
- Focus on the industry's long term trends

*N.B. Due to rounding, some totals may not correspond with the sum of separate figures.*



# Group Revenue

## DIVERSIFIED REVENUE STREAMS



## TOP 3 MARKETS

Country	FY2018 S\$ mil	FY2017 S\$ mil	% change
<b>China</b>	<b>18.0</b>	14.8	<b>21%</b>
<b>USA</b>	<b>12.2</b>	9.1	<b>33%</b>
<b>Malaysia</b>	<b>12.1</b>	11.9	<b>2%</b>

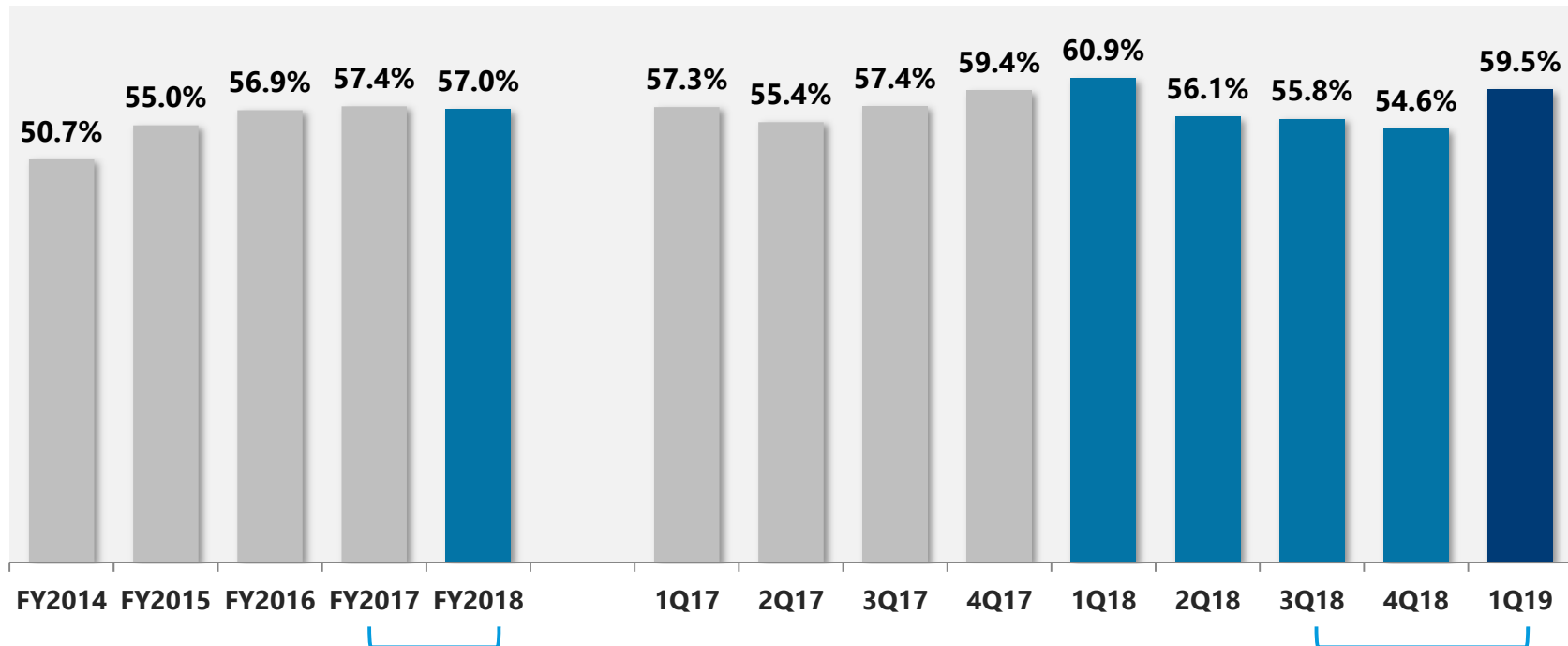
Country	1Q19 S\$ mil	1Q18 S\$ mil	% change
<b>China</b>	<b>5.5</b>	5.2	<b>6%</b>
<b>Malaysia</b>	<b>3.1</b>	3.5	<b>(11%)</b>
<b>USA</b>	<b>3.0</b>	2.8	<b>8%</b>





# Gross Profit Margin

## STEADY GROSS PROFIT MARGIN



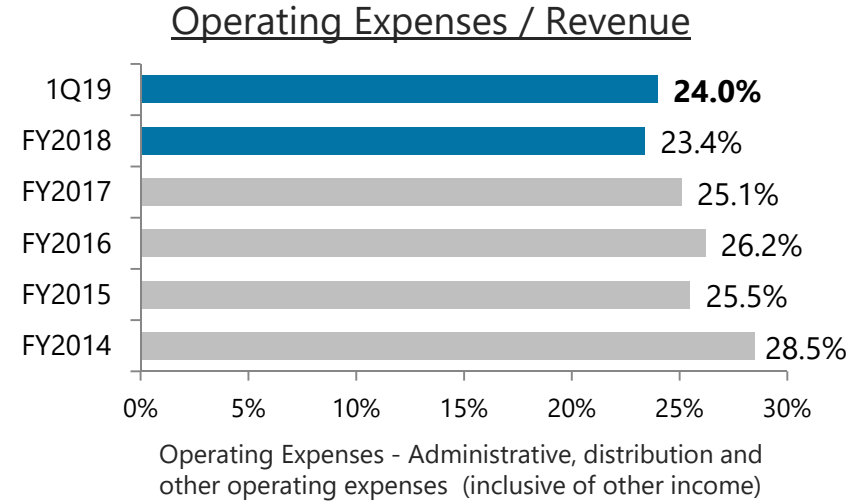
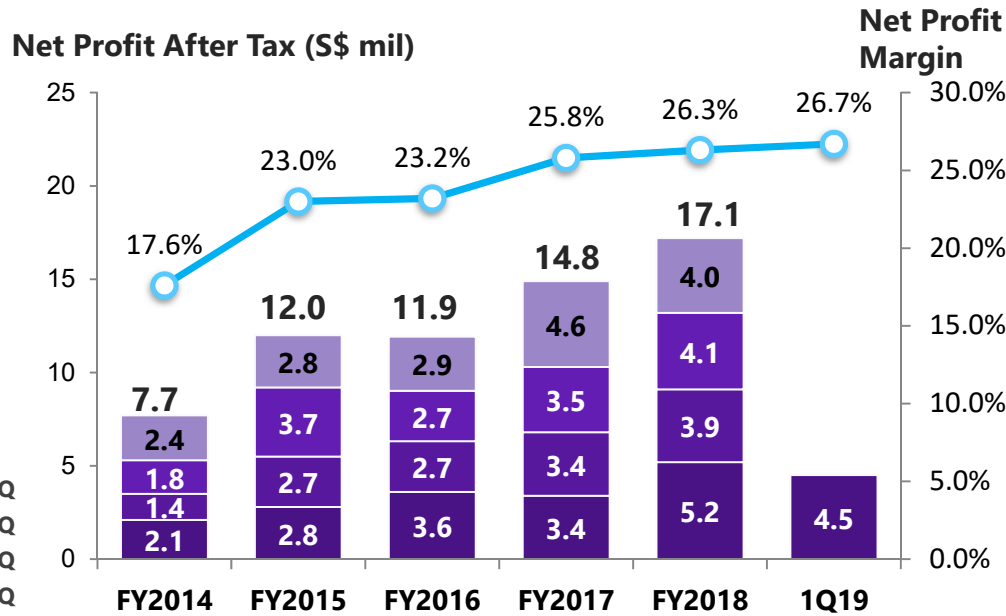
Relatively stable GP Margin despite higher headcount & depreciation (new equipment and right-of-use of assets)

Additional depreciation expenses as a result of higher capex of S\$12.1M in FY2018 (S\$10.6 for new equipment)



# Profitability

## RECORD NET PROFIT IN FY2018

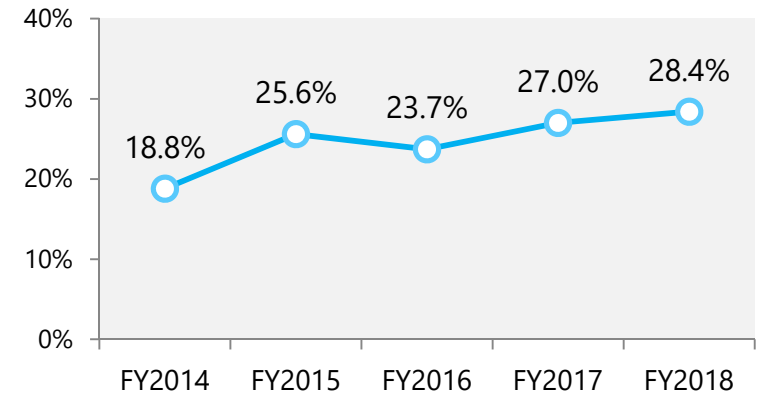


FY2018 PROFIT ▲ **16.1%**

1Q19 PROFIT ▼ **12.9%**

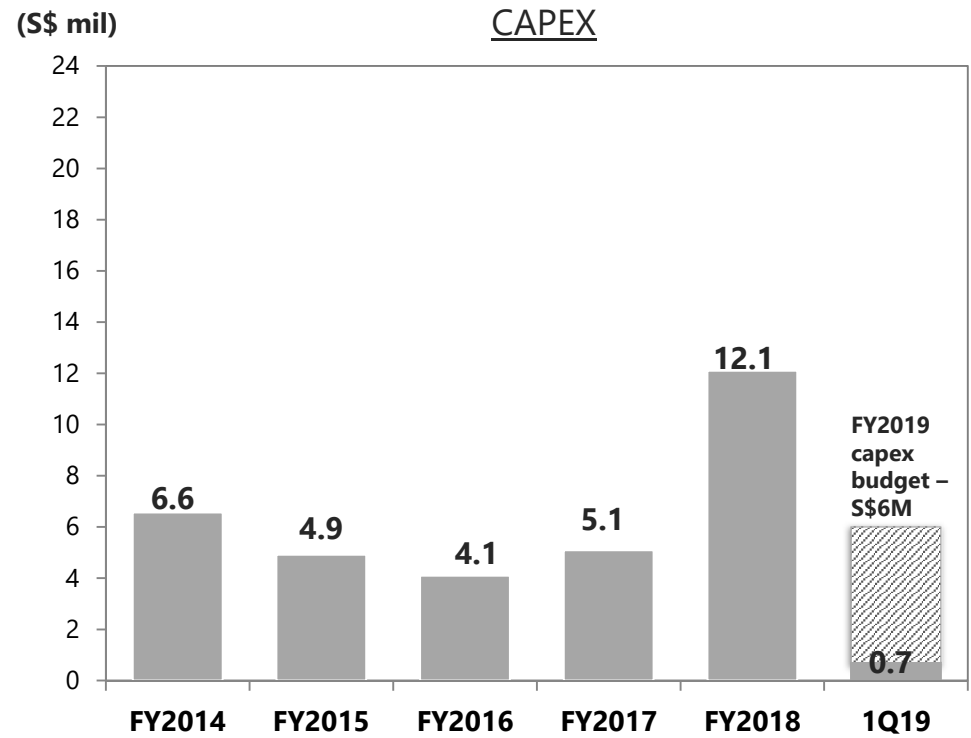
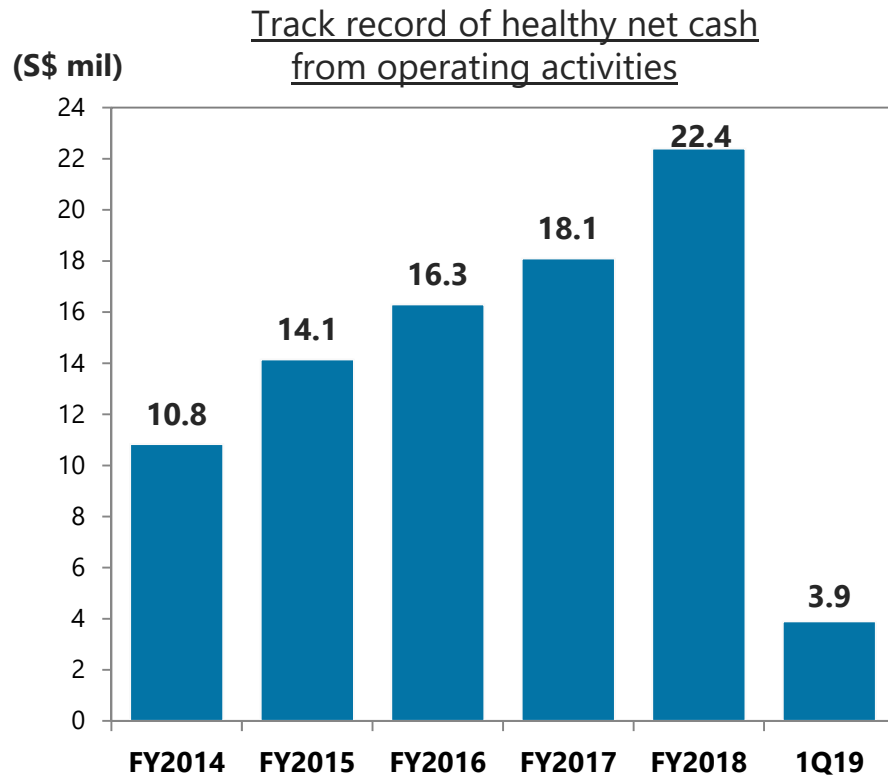
Softer revenue and higher depreciation expenses

### Return on Equity



# Cash Flow

## CASH-FLOW GENERATIVE OPERATIONS



# Balance Sheet

		30 Sep 2018	30 June 2018
<u>Cash</u>	Cash and cash equivalents <sup>#</sup>	S\$23.9M	S\$21.1M
<u>Gearing</u>	Total borrowings	Nil	Nil
<u>Trade Receivables</u>	Trade Receivables (Outstanding > 90days) / (Total trade receivables) Bad debt expense	S\$12.0 0.02% Nil (1Q19)	S\$10.9M Nil Nil (FY18)
<u>Inventory</u>	Inventory Inventory / Sales Inventory write-off	S\$4.8M 7.1% S\$21k (1Q19)	S\$4.6M 7.0% S\$111k (FY18)
<u>Equity</u>	Shareholders' equity <sup>#</sup> NAV per share	S\$64.2M 46.18 cents	S\$60.3M 43.37 cents

<sup>#</sup> Paid final and special dividends for FY2017, and interim dividend for 1H18 totaling S\$12.5 million





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# Key Takeaways

Chris Borch, CEO



# Key Takeaways



Record revenue, profit and dividends for FY2018



Sound balance sheet with around S\$24 million in cash and zero borrowings as at 30 September 2018



Our approach to handling the cyclical nature of the semiconductor industry is to focus on long-term trends and not be preoccupied by short-term variations



Semiconductor industry is still poised for a prolonged period of solid growth



Our 5 plants are focused on the semiconductor industry covering both front-end to back-end applications. We will continue to grow customer engagement, identify initiatives and investments that bring value to customers, to seize long-term opportunities



We have the technical, financial and managerial strengths to address the increasingly stringent demands of the semiconductor industry as it moves below 10 nano device geometries



# 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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