

1H 2016 Results Briefing

Six months ended 31 Dec 2015

29 January 2016

FIRST HALF
FY2016



MICRO-MECHANICS (HOLDINGS) LTD.

AGENDA

Corporate Review

Financial Review

Q&A



MICRO-MECHANICS

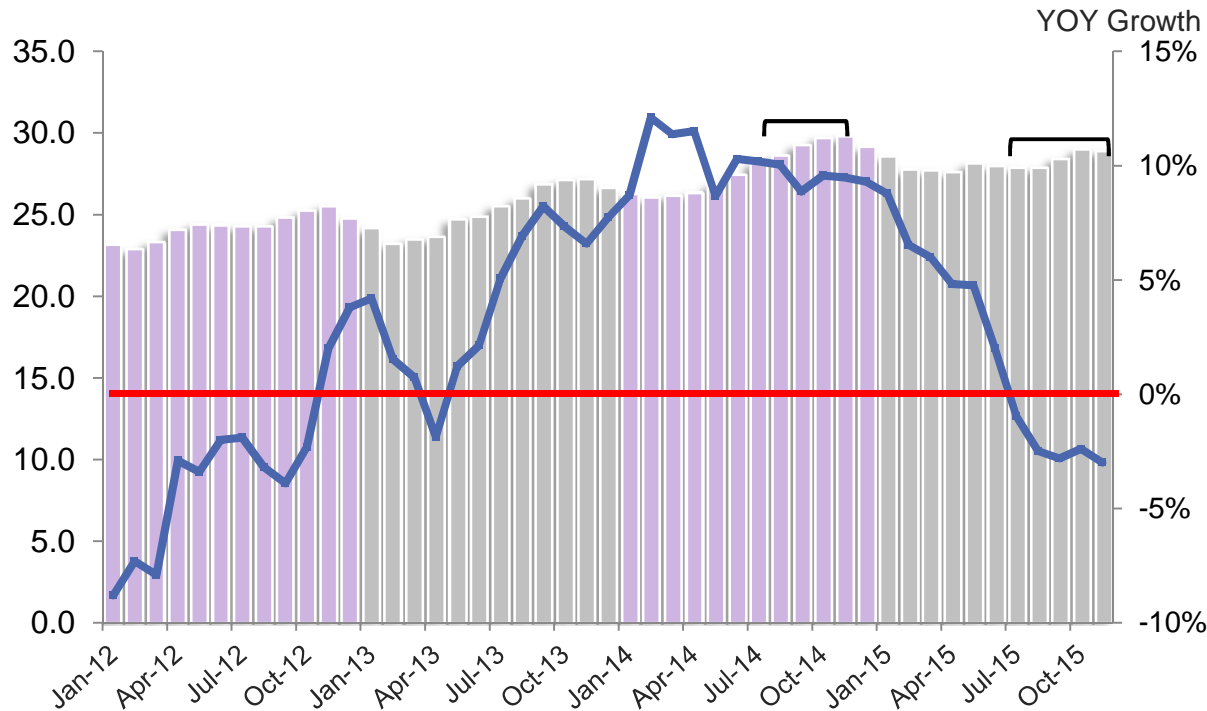
CORPORATE REVIEW

CHRIS BORCH, CEO
LOW MING WAH, COO



Semiconductor Industry Landscape

Global Monthly Chip Sales (US\$ B)



Source: Semiconductor Industry Association

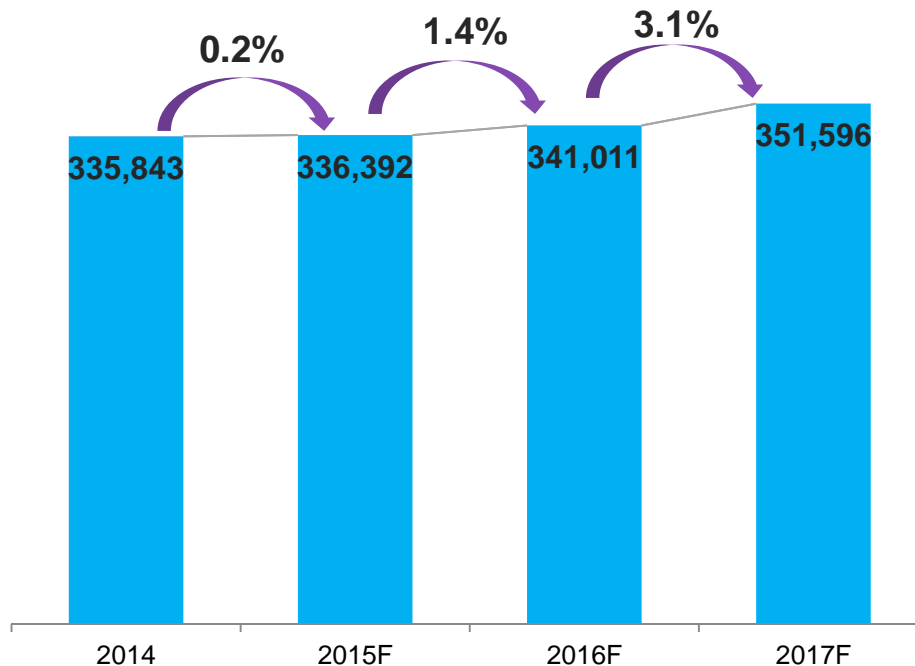
Slowdown in demand conditions

- Global chip sales slowed from July 2015
- Cumulative sales for July to Nov 2015 were around 2% lower than the same period in 2014



Semiconductor Industry Landscape

WSTS Semiconductor Market Forecast Autumn 2015 – World Semiconductor Market (US\$ M)



- WSTS expects the world semiconductor market to show flattish growth of 0.2% to \$336 billion in 2015
- Growth in Asia-Pac to be offset by declines in Americas, Europe and Japan
- Expect moderate growth in 2016 and 2017

Source: WSTS



Group Strategy

‘MICRO’ TOOLS FOR SEMICONDUCTORS | CUSTOM MACHINING & ASSEMBLY

ORGANISATION GOALS

Customer Value

Stakeholder Returns

Governance, Transparency

Perfect Parts and Tools, On Time, Every Time

KEY OPERATING STRATEGIES

Research and Development
Product, Material and Process

Customer Support
Fast, Effective and Local

24/7 Machining
Repeatable, Scalable, Cost-Effective

MMUniversity
Human Capital Development

- Established **Applications and Process Engineering (“APE”)** Centre in Singapore
- Established **R&D Center for Materials and Fine-Machining** in Singapore
- Developed *24/7 Machining* and designated USA subsidiary as **Corporate Center for Machining Excellence**
- Implemented **Enterprise Resource Planning**
- Established **MMUniversity**



Key Metrics – 1H16

SALES

Revenue was **flat yoy** amid weaker industry conditions

PRODUCTIVITY

Gross profit margin **up to 56.6%**
(1H15 : 53.8%)

Group headcount:

Dec 15

431

July 12

601

PROFITABILITY

Net profit **up 15.5%**

Tight rein on operating expenses

Net profit margin **up to 24.5%**
(1H15 : 21.1%)

BALANCE SHEET

Zero borrowings

Healthy cash flows –
S\$16.6M cash balance

Tight control of trade receivables and inventory

Strong capital structure to support future growth

GOVERNANCE

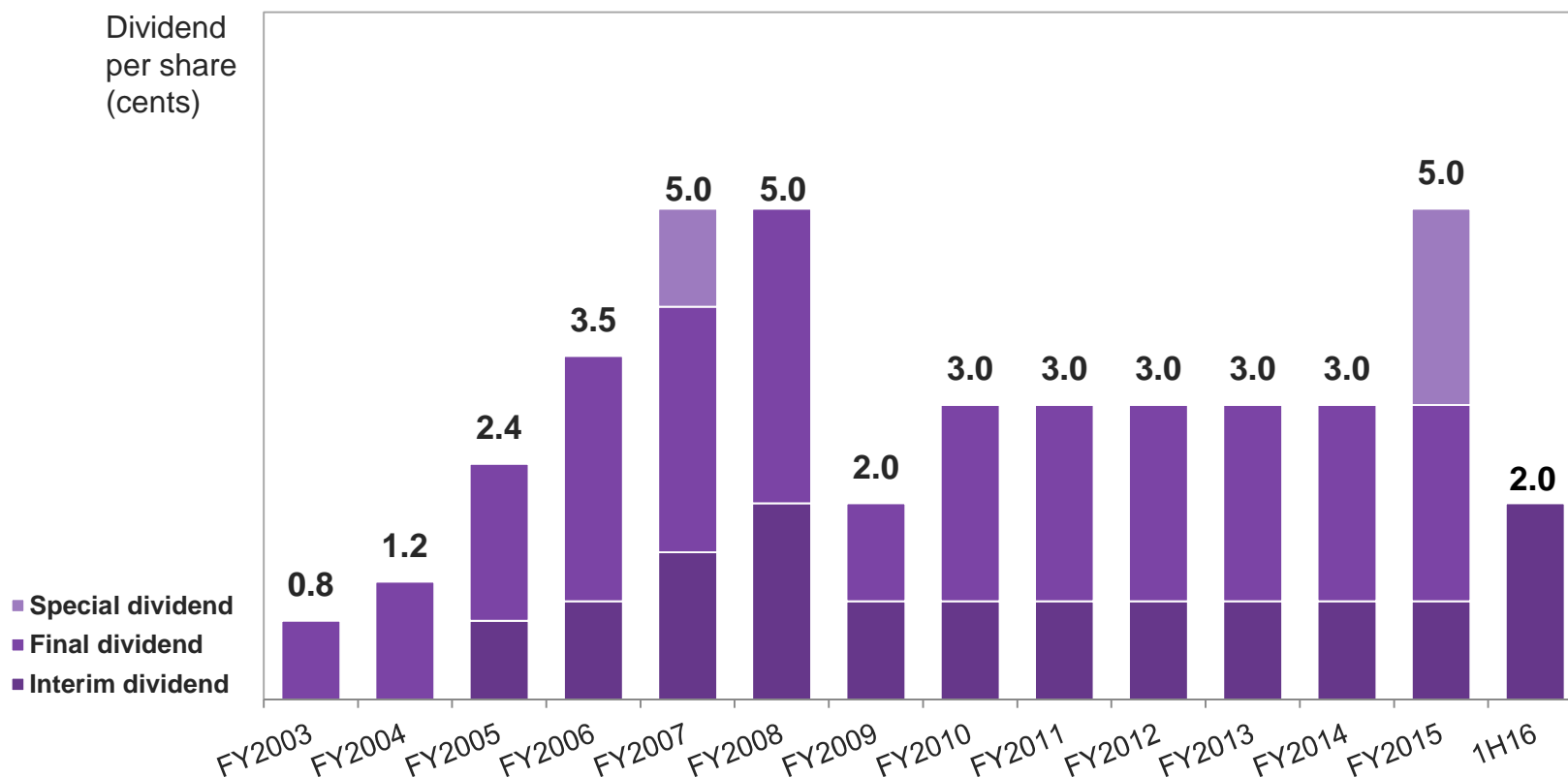
Ranked **18th** out of 639 SGX-listed companies on the Governance Transparency Index (GTI) published on 18 Aug 2015



Interim Dividend for 1H16

TOTAL DIVIDENDS OF **41.9 CENTS** PER SHARE SINCE LISTING

DIVIDEND POLICY TO PAY NOT LESS THAN 40% OF CONSOLIDATED NET PROFIT



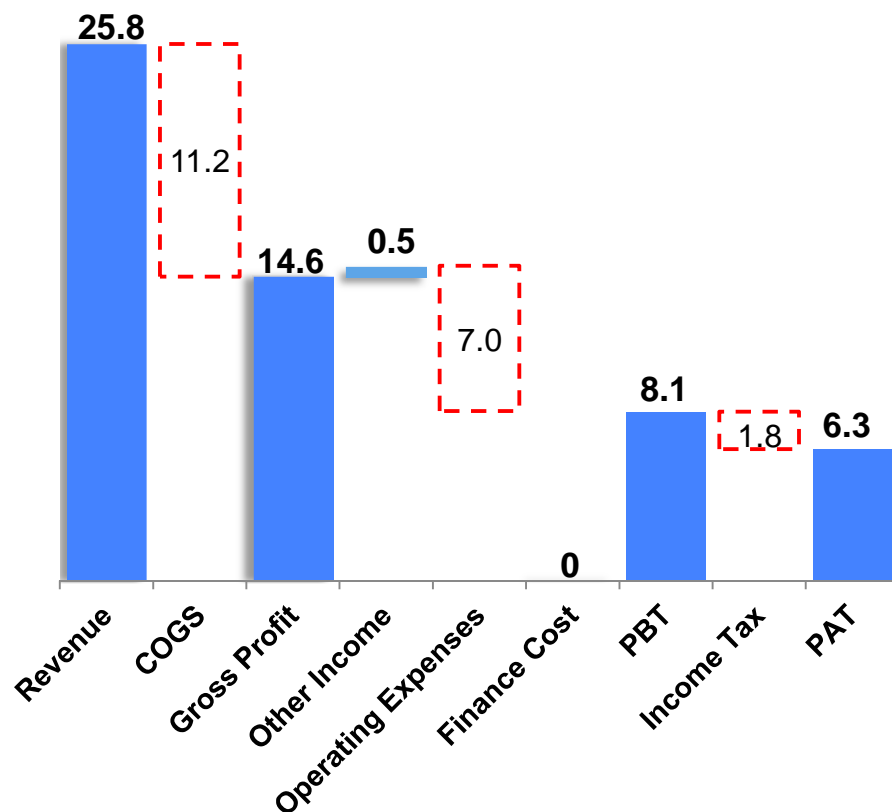
FINANCIAL REVIEW

CHOW KAM WING, CFO



1H16 in Review

1H16 P&L Overview (S\$ million)



KEY RATIOS & STATISTICS

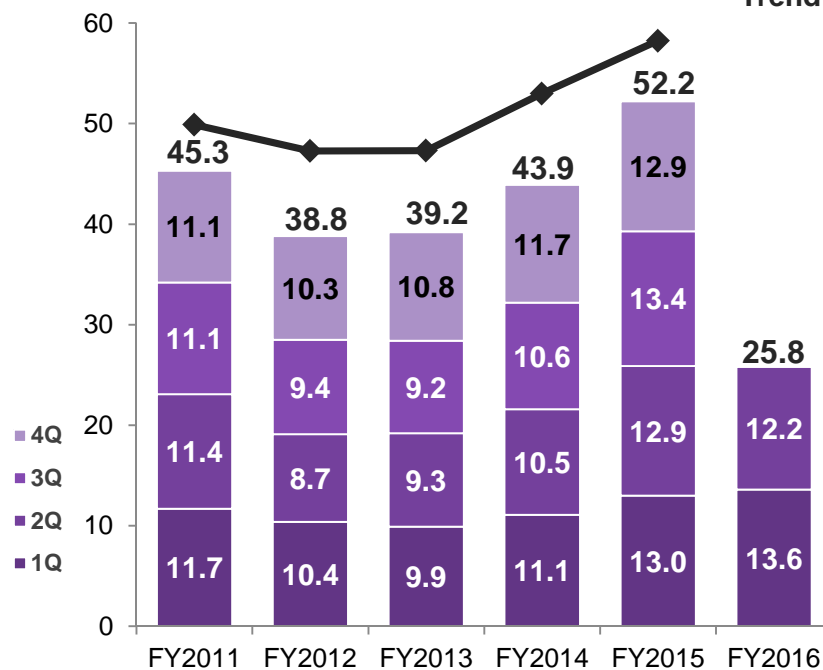
REVENUE GROWTH	(0.5%)
GROSS PROFIT GROWTH	4.7%
NET PROFIT GROWTH	15.5%
GROSS PROFIT MARGIN	56.6%
NET PROFIT MARGIN	24.5%
EARNINGS PER SHARE	4.54 cents
RETURN ON EQUITY (<i>annualised</i>)	26.3%
CASH	S\$16.6M
DEBT	Zero



Group Revenue

1Q16 : +4.3% | 2Q16 : -5.5% | 1H16 : -0.5%

Group Revenue
(S\$ mil)

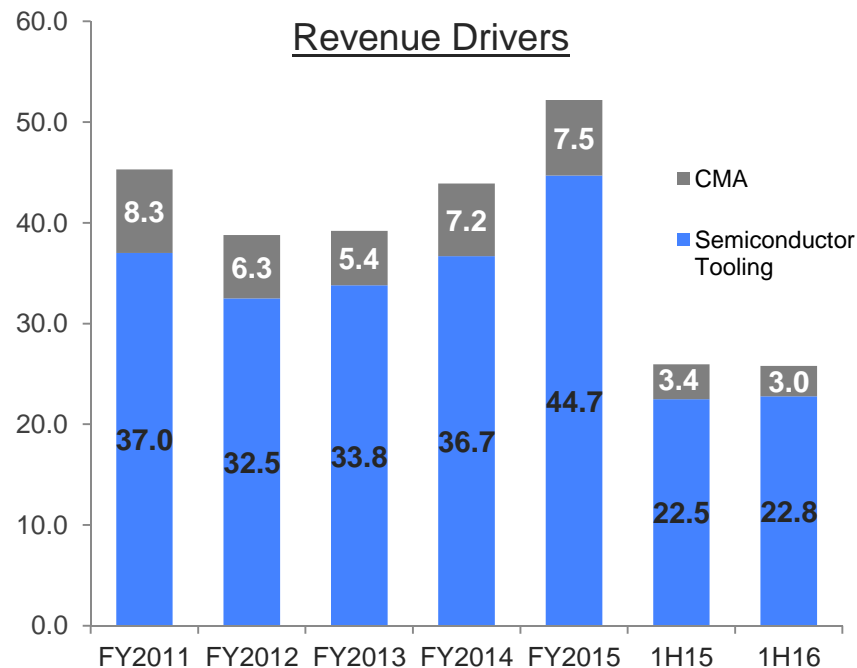


—◆— Global Chip Sales Trend according to FY. Data from Semiconductor Industry Association (SIA)

Global Chip Sales
Trend (US\$B)

330
280
230
180
130
80

Revenue Drivers

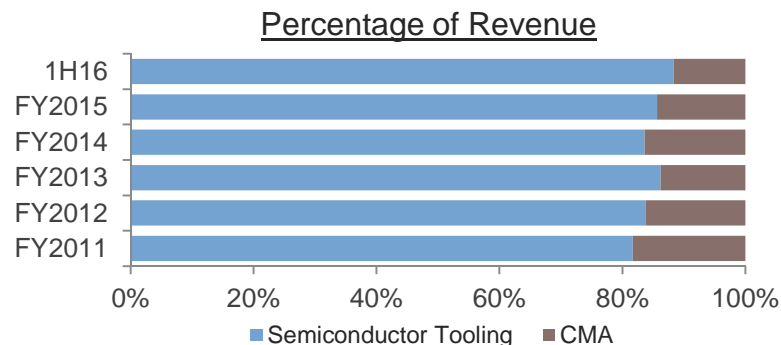
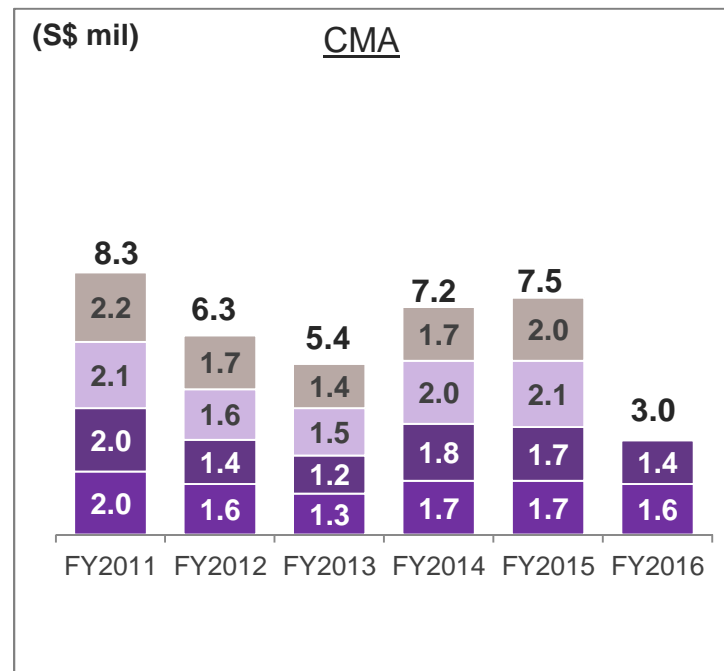
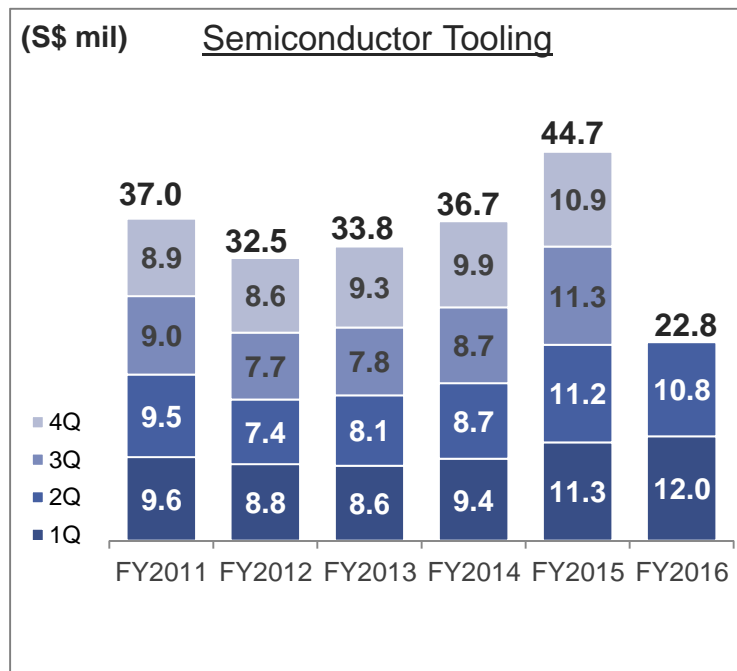


FY: Financial year ending 30 June



MICRO-MECHANICS (HOLDINGS) LTD.

Quarterly Revenue By Business Segments



Revenue by Geographical Market

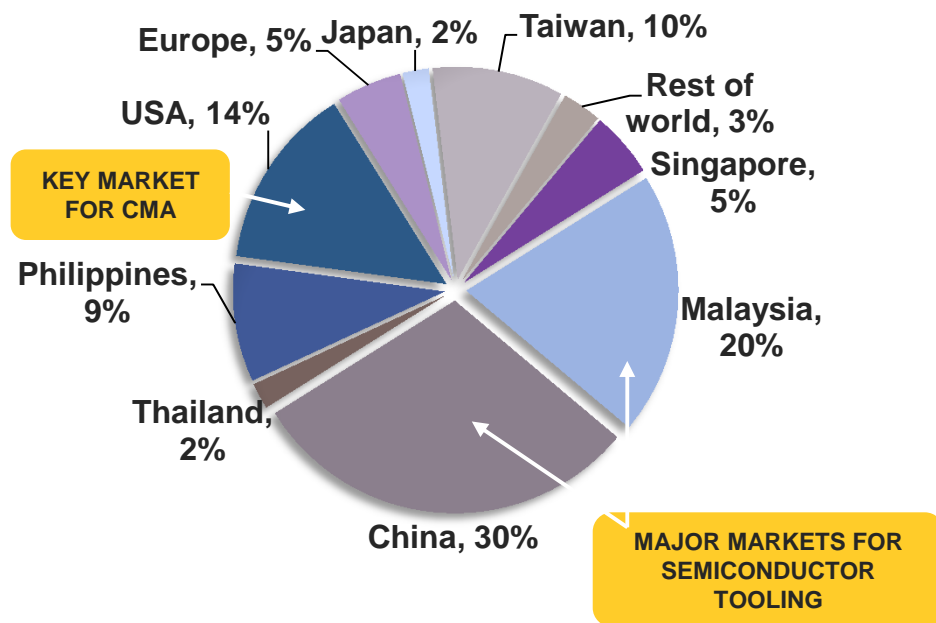
DIVERSIFIED REVENUE STREAMS

Country	1H16 S\$ mil	1H15 S\$ mil	% change
Singapore	1.4	1.7	(15.5%)
Malaysia	5.2	5.7	(9.3%)
Philippines	2.4	2.2	7.5%
Thailand	0.5	0.8	(39.0%)
China	7.7	6.7	14.2%
USA	3.5	3.7	(2.5%)
Europe	1.3	1.1	13.8%
Japan	0.5	0.5	(10.7%)
Taiwan	2.6	2.6	2.0%
Rest of world	0.7	0.9	(23.4%)
Total	25.8	25.9	(0.5%)

Sales in China grew despite slowdown in semiconductor industry

Higher sales volume in Malaysia offset by depreciation of the Ringgit

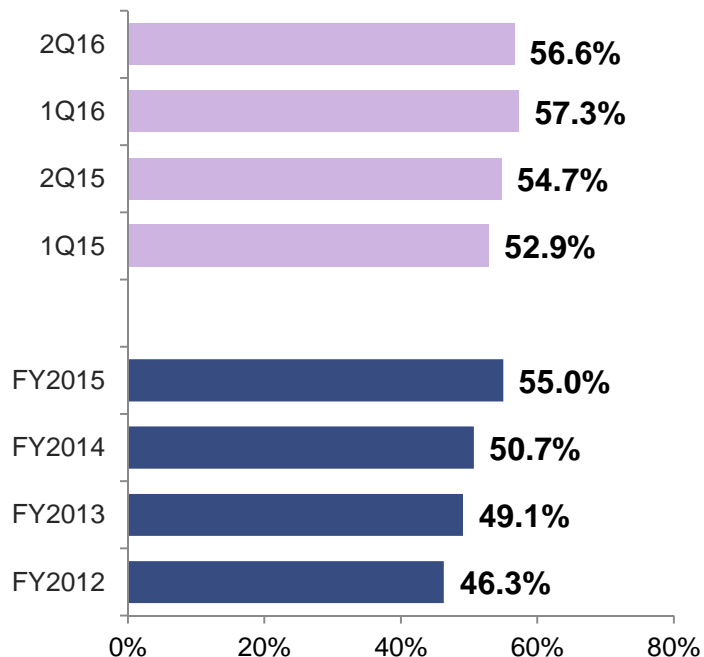
Sales Breakdown for 1H16



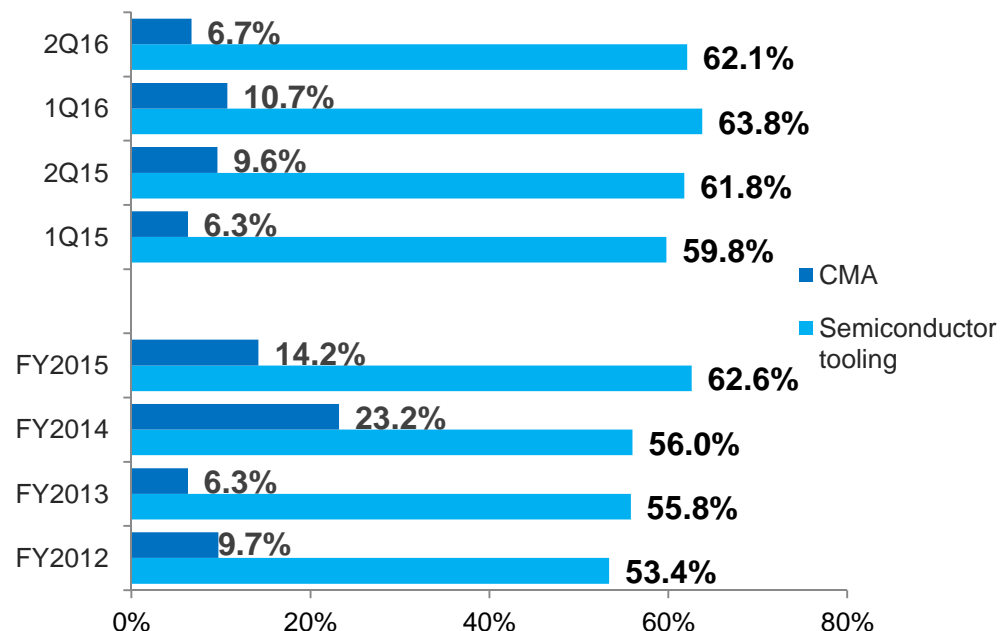
Gross Profit Margin

STEADY MARGIN EXPANSION YOY

Group GPM



GPM by Business Segments

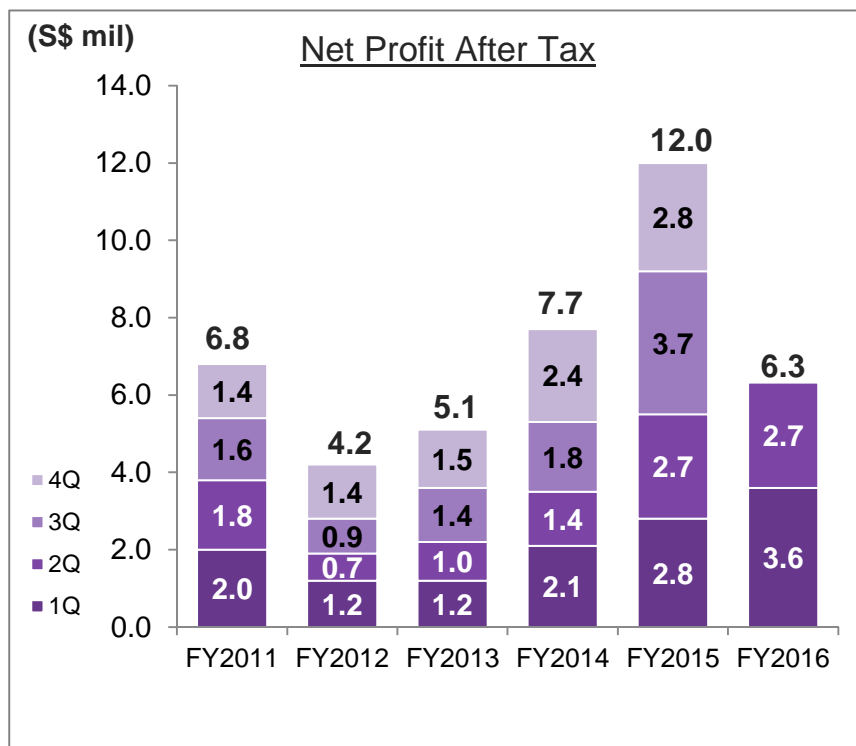


Expansion of GP margin in 1H16 attributed to
implementation of *24/7 Machining* and other strategies that have raised productivity, improved operating efficiency and reduced production costs

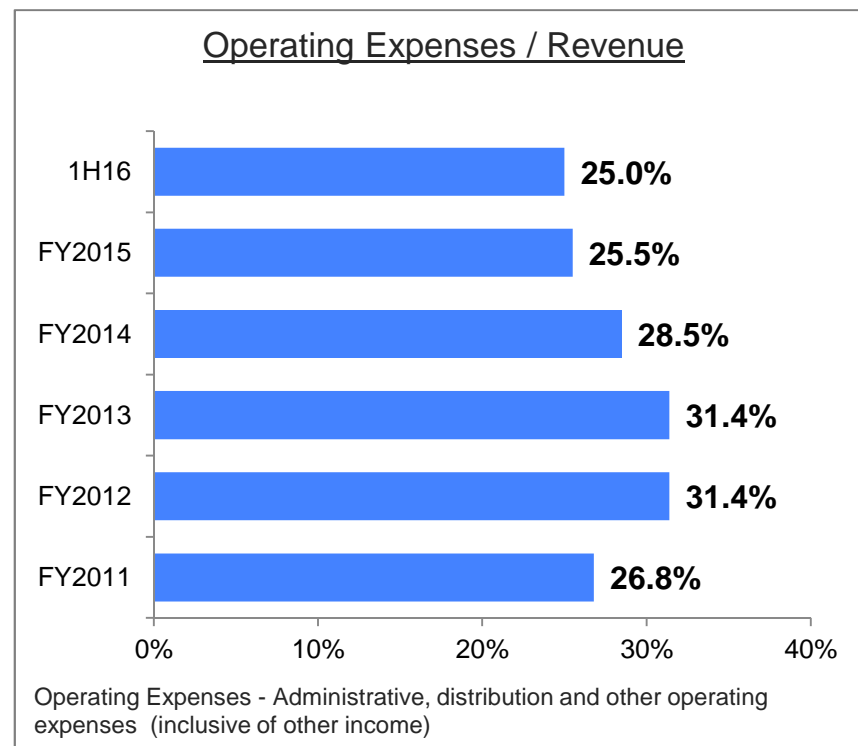


Group Net Profit

1Q16 : +28.4% | 2Q16 : +1.9% | 1H16 : +15.5%



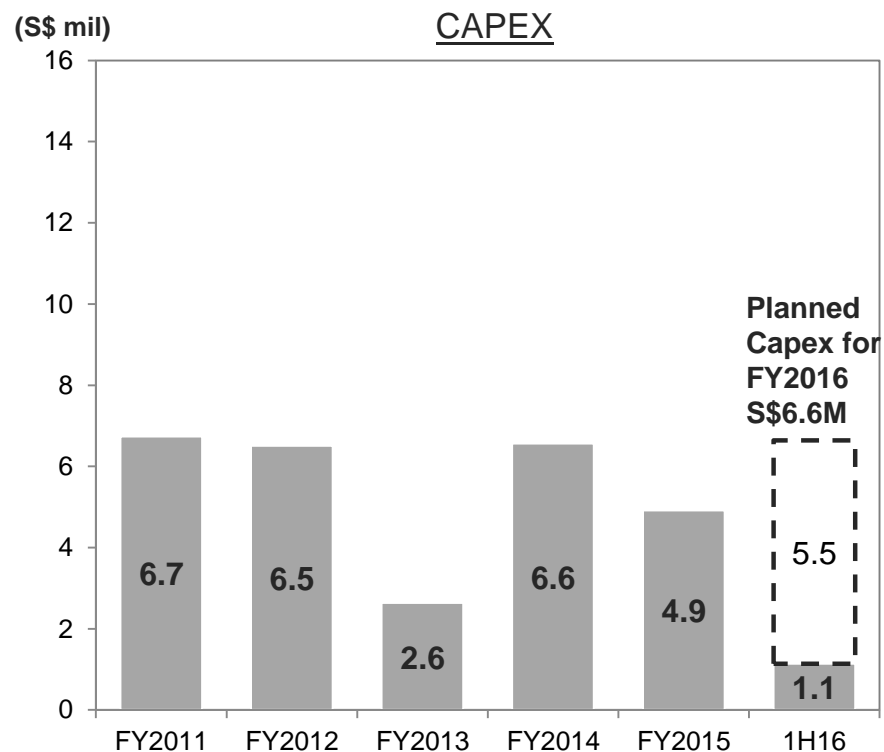
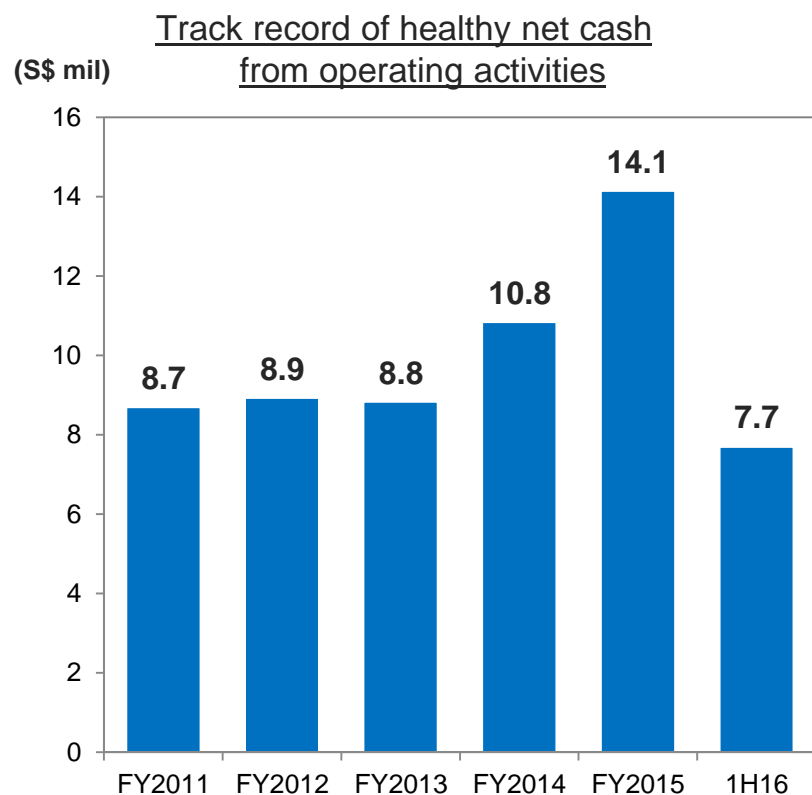
Although revenue was flat, net profit was higher in 1H16 – attributed mainly to increased GPM and tight control of expenses.



Admin, Distribution and Other Operating expenses (net of other income) held steady at S\$6.5M in 1H16, compared to S\$6.6M in 1H15



Net Cash from Operating Activities and CAPEX



Balance Sheet

		31 December 2015	30 June 2015
<u>Cash</u>	Cash and cash equivalents	S\$16.6 [#]	S\$15.2
<u>Gearing</u>	Total borrowings	Nil	Nil
<u>Trade Receivables</u>	Trade Receivables (Outstanding > 90days) / (Total trade receivables) Bad debt expense	S\$9.0M 0.8% S\$11.5k (1H16)	S\$9.2M 0.3% S\$1.2k (FY15)
<u>Inventory</u>	Inventory Inventory / Sales Inventory write-off	S\$3.2M 6.3% S\$38k (1H16)	S\$3.5M 6.7% S\$104k (FY15)
<u>Equity</u>	Shareholders' equity NAV per share	S\$48.0M [#] 34.52 cents	S\$46.9M 33.72 cents

[#] Paid dividends of S\$4.2M (Final and special dividends for FY2015)



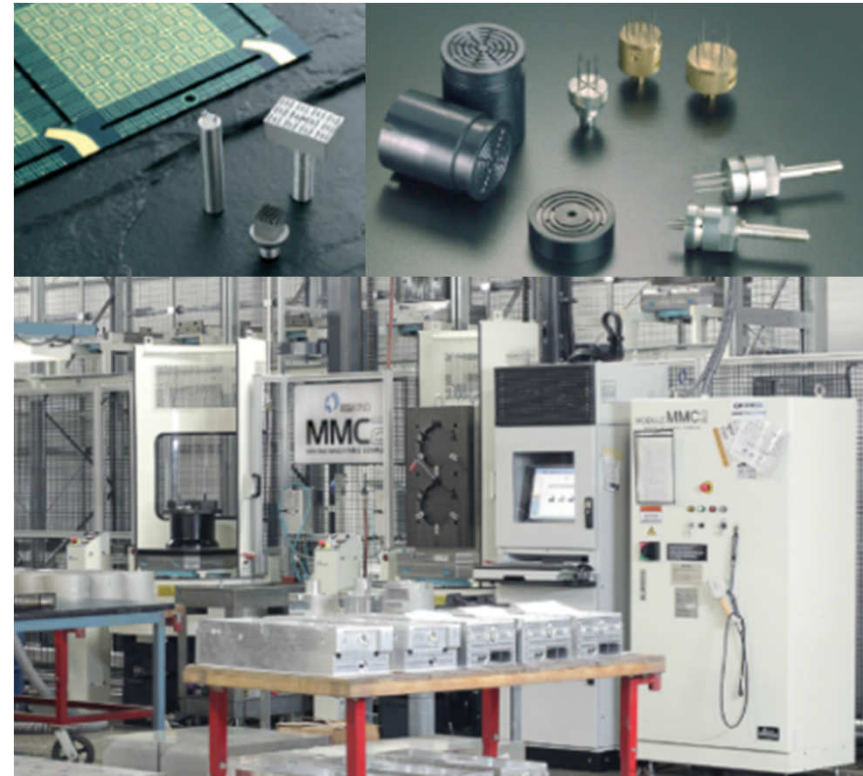
KEY TAKEAWAYS

CHRIS BORCH, CEO
LOW MING WAH, COO



Key Takeaways

- **Delivered profit growth despite weaker market conditions**
- **Expansion of GP margin**, the result of improved operational efficiency and productivity gains
- **Maintain interim dividend** of 2.0 cents per share for 1H16
- **Markets remain unpredictable and cost-competitive**
Global chip sales for 2015 expected to be flat with modest growth expected for 2016
- Continue to focus on **enhancing our value for customers** to grow our top line & sustain growth over long-term
- Aim to deliver **consistent returns** to our shareholders



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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