



**AEM Holdings Ltd.**  
52 Serangoon North Ave 4  
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**For Immediate Release**

## **AEM reports FY2023 revenue of S\$481.3M and profit before tax, excluding exceptional items, of S\$38.3M**

- The Group posted revenue of S\$481.3 million in FY2023, with profit before tax excluding exceptional items of S\$38.3 million over the same period.
- The Group is providing guidance for 1H 2024 of S\$170 million to S\$200 million, and not a full year guidance due to the timing uncertainties for new product ramps from the Group's multiple customers.
- The Group continues to rationalize near-term expenses to align cost structure with revenue levels, while investing in engineering development to support multiple customer programs, primarily in next generation AI chip testing.
- The Group has decided not to pay a final dividend for FY2023 as it continues to invest in new customer programs. Instead, the Group will undertake a bonus issue of shares pursuant to a share issue mandate to be approved by shareholders at the forthcoming AGM.
- The Group announces the resignation of the CFO and promotion of senior executives.

**Singapore, 28 February 2024** – AEM Holdings Ltd. ("**AEM**" or "**the Group**"), a global leader in test innovation, announced its unaudited financial results for the six months and full year ended 31 December 2023 ("**2H2023**" and "**FY2023**", respectively) today.



## **Financial Overview**

<b>Financial Highlights (S\$ '000)</b>	<b>2H2023</b>	<b>2H2022</b>	<b>Change (%)</b>	<b>FY2023</b>	<b>FY2022</b>	<b>Change (%)</b>
Revenue	<b>206,062</b>	<b>330,008</b>	(37.6)	<b>481,283</b>	<b>870,491</b>	(44.7)
(Loss) / Profit before tax ("PBT")	<b>(16,267)</b>	<b>56,654</b>	(128.7)	<b>7,586</b>	<b>158,693</b>	(95.2)
PBT margin	<b>(7.9%)</b>	<b>17.2%</b>	(25.1) <i>ppts</i>	<b>1.6%</b>	<b>18.2%</b>	(16.6) <i>ppts</i>
Net (loss) / profit	<b>(20,879)</b>	<b>44,246</b>	(147.2)	<b>(1,164)</b>	<b>127,307</b>	(100.9)
Net (loss) / profit margin	<b>(10.1%)</b>	<b>13.4%</b>	(23.5) <i>ppts</i>	<b>(0.2%)</b>	<b>14.6%</b>	(14.8) <i>ppts</i>

\* *ppts: Percentage Points*

The Group achieved revenue of S\$481.3 million in FY2023, with PBT, excluding exceptional items, of S\$38.3 million. FY2023 PBT, including exceptional items, came in at S\$7.6 million. The exceptional items mainly relate to the Group's decision to take up the full impact of the US\$20 million (S\$26.7 million) settlement of the confidential arbitration in FY2023.

The semiconductor industry saw the beginnings of a slowdown in the second half of 2022, which lasted throughout 2023 and will continue through at least 1H 2024. A combination of reduced end-customer demand and excess inventory pushed out capital expenditure in the semiconductor industry. This resulted in reduced test equipment purchases, and shifted out test equipment procurement for new programs that the Group had previously announced.

Despite significant industry headwinds and the inventory issue, the Group remained profitable for the year as a result of Management's continued focus on keeping costs under control while still ensuring investments to secure new accounts with our Test 2.0 solutions. These investments continue to reap rewards, with the Group being awarded a total of 9 patents in 2023, and more importantly winning several new customer engagements in 2023.

The Group has decided to not pay a final dividend for FY2023 in order to continue to invest in new customer programs. Instead, the Group will undertake a bonus issue of shares of 1 share for every 100 shares pursuant to a general share issue mandate to be approved by shareholders at the forthcoming 2024 AGM of the Group. This reflects the Board's confidence



in the future value of our business that will accrue from current investments made. Further details of this bonus issue of shares will be provided in a separate announcement.

### **Update On Shortfall In Inventories**

The Group announced a shortfall in inventories on 14 January 2024 (the “**Announcement**”), with a subsequent clarification announcement on 22 January 2024 (the “**Clarification**”). In the Announcement, the Group attributed the shortfall to human error in transactions with the Group’s ERP system during the migration of production to the Group’s Penang facility from Singapore. Subsequently, the Group engaged one of the “Big 4” accounting firms different from its external audit engagement with KPMG, as an independent, 3<sup>rd</sup> party consultant (“**Consultant**”), reporting directly to the Board of Directors’ (the “**Board**”) Audit & Risk Management Committee, with the remit to review and reconcile the inventory differences, validate forensics related observations, review the end-to-end process as it relates to inventory movements, identify systems and process gaps, and recommend process improvements.

The Group, along with the Consultant, has completed the assessment of the inventory shortfall. The year-end results have included an inventory adjustment of S\$21.1 million, pending the completion of the audit by the Group’s independent external auditor. This adjustment is in line with the range mentioned in the Announcement and the Clarification.

The Consultant has completed its scope of work and issued its final report to the Group. The assessment has revealed **no evidence of fraudulent activity**. The discrepancies identified by the Consultant mainly arise from deficiencies in processes, systems, policies, and controls, and are compounded by users’ inadequate understanding of system functions, which led to incorrect transactions. These are based on physical inventory records provided by the Group and transaction data from its ERP system.

Management and the Board have assembled an internal Task Force (“**Task Force**”) whose mandate is to design and implement the changes and enhancements to the processes, systems, policies, and controls to address the deficiencies identified by the Consultant. The Task Force implemented immediate changes to the ERP system and operational processes to



improve controls, restrict access, improve training of personnel tasked with creating and processing sales orders and production orders, and set up of daily reports to monitor critical actions taken within the system. The Task Force has also begun the work of reviewing and implementing the recommended improvements and changes to the processes, systems, policies, and controls.

In addition, the Group has engaged Chok Yean Hung, the former Chief Executive Officer and Chief Operating Officer of the Group and current Non-Executive, Non-Independent Director as an executive consultant to advise and review the Task Force's work and to oversee the realignment of the Group's operations and systems.

The Board and Management continue to take the inventory issue very seriously and are committed to ensuring that robust processes, systems, policies, and controls are in place, manned by appropriately trained staff.

Loke Wai San, Chairman of the Board of Directors, said, *"We affirm our commitment to transparency, integrity, and continuous improvement. The recent assessment by our independent consultant sheds light on areas where we can strengthen our processes and controls. With the guidance and oversight of the Board, and the diligent efforts of our Task Force, we aim to not only address current challenges but also enhance our capabilities for sustained success."* Loke Wai San added, *"In terms of accountability, the management team has offered to forego all bonuses for Senior Management, thereby reducing their annual cash compensation by as much as 50%. The Board appreciates and supports the management's decision."*

Alice Lin, Independent Director and Chairman of Audit & Risk Management Committee, said, *"We remain steadfast in our commitment to addressing all identified issues, and we as a Board and Audit & Risk Management Committee, will diligently oversee the implementation of recommended changes and adoption of best practices to fortify our processes and systems in order to safeguard the interests of our stakeholders and ensure AEM's operational excellence moving forward."*



## **Business Outlook**

As the world enters 2024, inventory levels have normalized, with end-customer demand for PCs and smartphones expected to recover slightly from 2023 lows. Artificial Intelligence ("AI") will continue to boom, and is expected to experience an inflection point in its growth via new applications of the technology that will bring it to the edge, with AI PCs expected to account for ~60% of global PC volumes by 2027 (*Source: IDC*). The growth of AI powered compute will bolster the volume growth of advanced logic devices in the near-term, increasing the need for Test 2.0 based solutions.

Advanced logic device manufacturers face significant challenges in the testing of AI / High Performance Compute devices. These challenges can be categorized into three main areas – thermal, throughput, and overall cost of test. The increase in test time translates into a higher cost, and reduces the overall number of devices that can be processed in a given period of time. AEM's technology portfolio has been focused on addressing these exact challenges, which is why customers have selected AEM over the competition.

The Group believes that it is well positioned to take advantage of the AI inflection point as it migrates from the data centre to the edge in late 2024 and beyond. Outside of AI, the visibility remains limited, further masked by the long-dated purchase order program that the Group is engaged in with its key customer.

AEM's CEO, Chandran Nair, commented, *"While the pace of the industry recovery remains largely uncertain, the Group's long-term prospects remain bright, underpinned by the structural trend of higher test intensity and increased test complexity. Our core competencies of composable solutions featuring highly parallel testing, exceptional active thermal control, and SLT+, have placed the Group in an enviable position to capitalize on the opportunities to address the test demand for newly developed AI devices. We remain committed to investing in R&D to maintain our lead in Test 2.0, and we are confident that AEM will emerge from the current market condition a leaner company with technology leadership in test."*



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### **Organization Updates**

The Company takes this opportunity to inform its shareholders of the following key organizational changes:

Ms. Leong Sook Han ("**Ms. Leong**"), Chief Financial Officer and Joint Company Secretary, has resigned to pursue personal interests outside of the company, and her last day of service will be 16 April 2024. The Board of Directors thanks Ms. Leong for her contributions during her term of service as the Chief Financial Officer of the Company and wishes her success in her future endeavours. The search for a new Chief Financial Officer is underway.

Ms. Lim Kim Hua ("**Ms. Lim**"), Group Financial Controller, has been promoted to Vice President, Group Finance and will take on Ms. Leong's responsibilities on an interim basis until a new Chief Financial Officer is identified and brought onboard. Ms. Lim brings a strong background in audit and governance and will be reporting directly to the CEO.

Mr. Yeap Kian Yong ("**Mr. Yeap**"), Senior Director, AEM Singapore Operations, has been promoted to Vice President, Group Manufacturing. Mr. Yeap returned to the Company end-November 2023 after a year away. He brings exceptional operational knowledge and experience and will be critical in driving process improvements. He will be reporting to TM Chua, the Senior VP of Engineering and Manufacturing Operations.

Mr. Oei Jun Long ("**Mr. Oei**"), Corporate Counsel, has been appointed Joint Company Secretary effective 16 April 2024, replacing Ms. Leong as Joint Company Secretary.



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**About AEM Holdings Ltd.**

AEM is a global leader in test innovation. We provide the most comprehensive semiconductor and electronics test solutions based on the best-in-class technologies, processes, and customer support. AEM has a global presence across Asia, Europe, and the United States. With manufacturing plants located in Singapore, Malaysia (Penang), Indonesia (Batam), Vietnam (Ho Chi Minh City), China (Suzhou), and Finland (Lieto), South Korea, and the United States (San Jose) and a global network of engineering support, sales offices, associates, and distributors, we offer our customers a robust and resilient ecosystem of test innovation and support.

AEM Holdings Ltd. is listed on the main board of the Singapore Exchange (Reuters: AEM. SI; Bloomberg: AEM SP). AEM's head office is in Singapore.

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**Issued for and on behalf of AEM Holdings Ltd.**

**By Financial PR Pte Ltd**

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