



**MICRO-MECHANICS<sup>®</sup>**  
*perfect parts and tools, on time, every time*

# **1H21 Results Presentation**

2 February 2021



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# Business & Industry

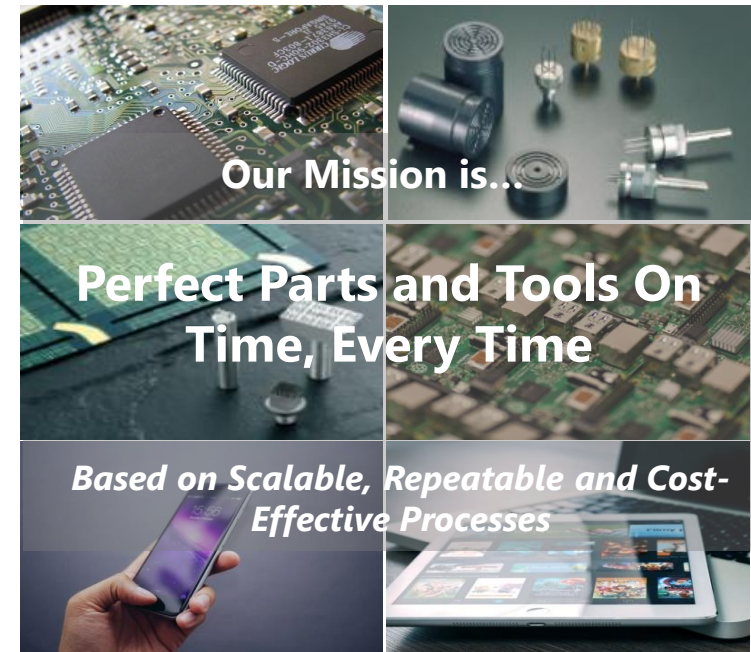
Chris Borch, CEO

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

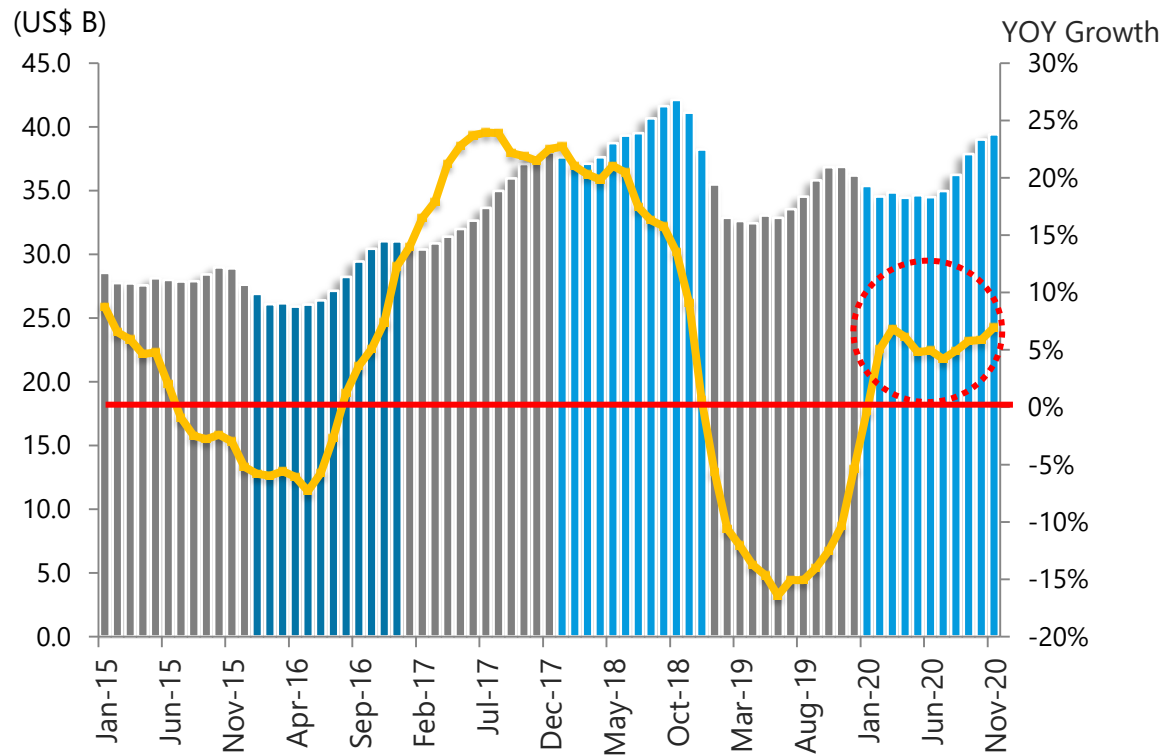


HIGH PRECISION AND QUALITY | SHORT CYCLE TIME |  
| WORLDWIDE SUPPORT | VALUE > COST



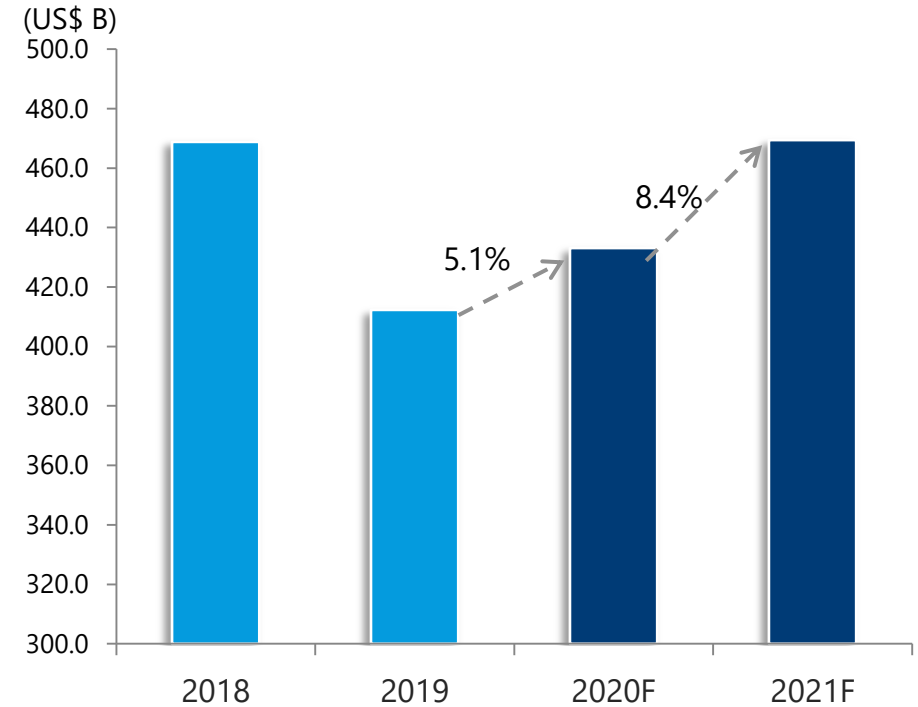
# Semiconductor Industry Review

Global Monthly Chip Sales



Global semiconductor sales for the five months from July to November 2020 increased 5.8% year-on-year to US\$190.7 billion. The Semiconductor Industry Association said annual sales in 2020 are tracking well ahead of the total from 2019, despite substantial headwinds caused by the COVID-19 pandemic and other macroeconomic factors.

WSTS Semiconductor Sales Forecast (Dec 2020)



WSTS revised its growth projection for global semiconductor sales upwards to 5.1% in 2020. Global semiconductor market is expected to grow 8.4% in 2021, driven by double-digit growth of Memory and Optoelectronics.

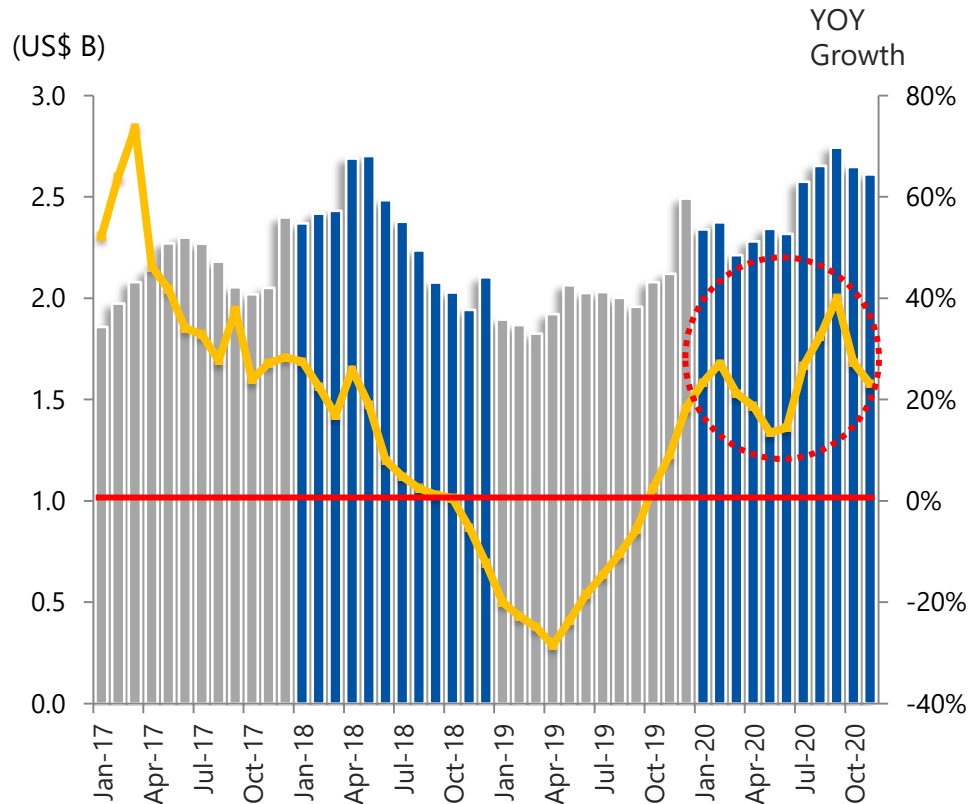
Sources: Semiconductor Industry Association, World Semiconductor Trade Statistics





# Semiconductor Industry Review

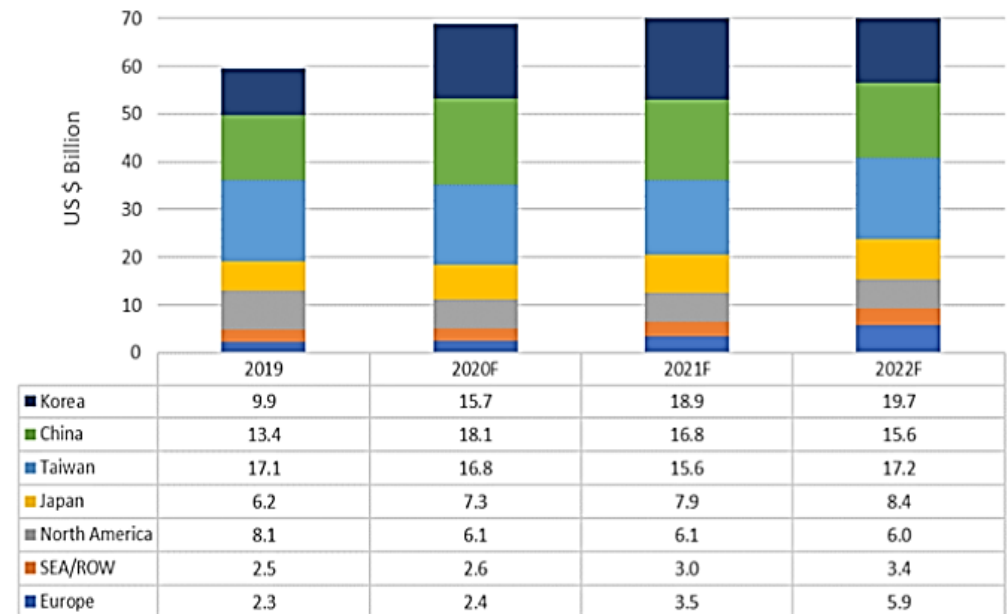
Three-month average of worldwide billings of North American equipment manufacturers



Source: SEMI

Global Semiconductor Equipment Sales Forecast (Dec 2020)

**SEMI Year-end Total Equipment Forecast By Region**



- Global semiconductor manufacturing equipment sales projected to increase 16% and register a new record of \$68.9 billion in 2020
- Growth is expected to continue to reach \$71.9 billion in 2021 and \$76.1 billion in 2022
- Expansion is expected to be driven by both the front end and back end semiconductor equipment segments



# Corporate Highlights



RECORD REVENUE

**S\$36.9M**

▲ 16.7%

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GROSS PROFIT MARGIN  
UP TO

**54.3%**

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RECORD NET PROFIT

**S\$9.1M**

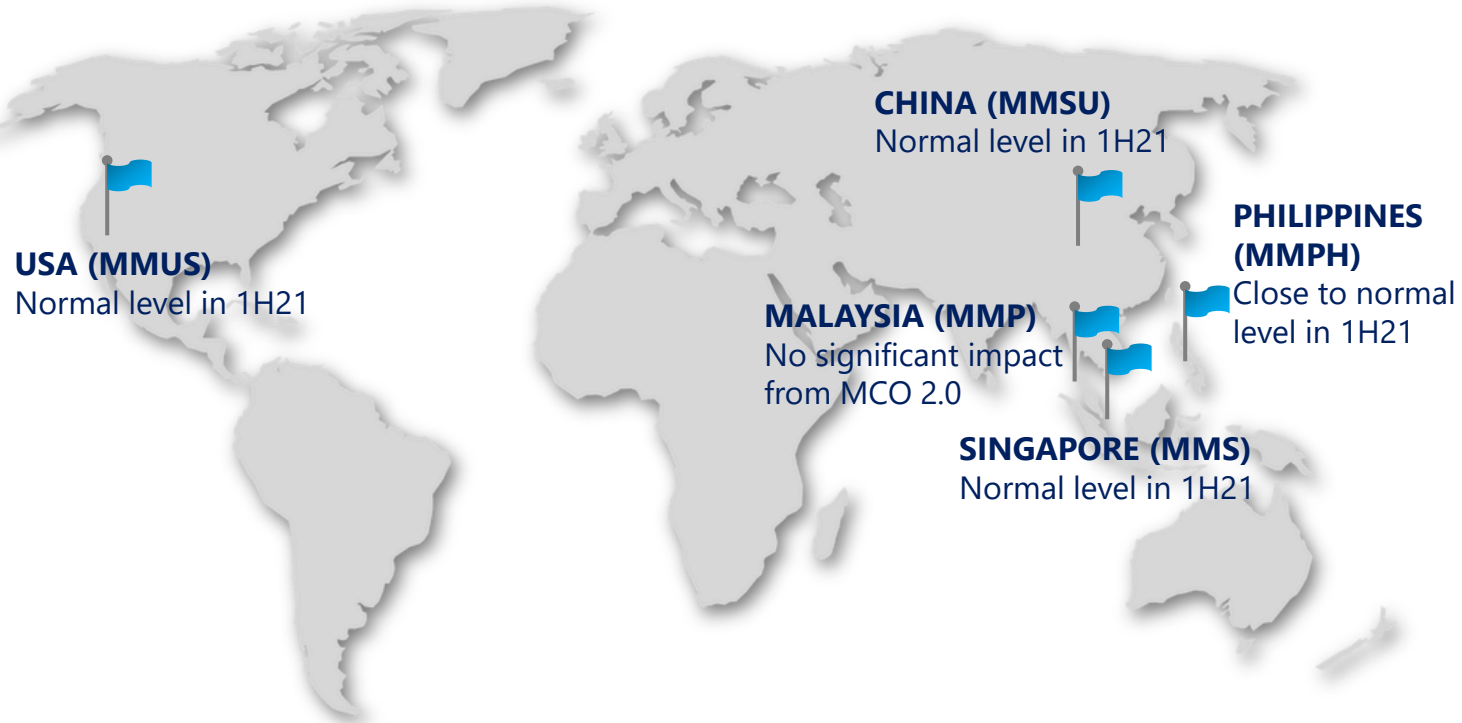
▲ 33.0%

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# Corporate Highlights

Most of our global factories were operating at normal levels during 1H21



Amid a challenging period, we worked diligently to establish new procedures, implement safety protocols and fully comply with the COVID-19 orders to keep our people safe and our plants running.

However, rapidly changing markets, political and social turmoil, and possibility of production suspension due to COVID-19 pandemic make it difficult to predict business conditions in short-term.

Hence, we remain mindful of the need to build an organisation that is **decentralised, flexible and resilient**





# Corporate Highlights

The semiconductor industry has been remarkably resilient against a challenging macroeconomic backdrop

**Indeed, we believe the semiconductor industry may be entering a *Supercycle* of multi-year growth**



For Long-term Success and Sustainability, we have put in place goals, structures and processes to adjust quickly to changes in circumstances, and will continue to seize opportunities that come into view.



# Corporate Highlights

## SEIZING OPPORTUNITIES FOR LONG-TERM SUCCESS AND SUSTAINABILITY

We plan to place even greater emphasis on several existing **operational methodologies** which have been beneficial to the Group over the years. These include:

1.

### **"8S HOUSEKEEPING"**

- Industrial management system
- Improve efficiency, safety, sustainability and foster culture of employee engagement and continuous improvement

2.

### **"24/7 MACHINING"**

- Engineering methodology we developed 10 years ago
- Address inherent limitations of CNC technology and made "lights-out" machining possible

3.

### **"KEY PROGRESS INITIATIVES (KPI)"**

- Planning & management tool
- Set priorities and performance expectations by clearly defining key problems, goals, required outcomes and accountabilities



# Corporate Highlights

## SEIZING OPPORTUNITIES FOR LONG-TERM SUCCESS AND SUSTAINABILITY

### ACCELERATE CAPITAL INVESTMENTS

- Adjusted the timing of some of our capital expenditure during the last nine months, due to a lack of business visibility caused by the COVID-19 pandemic
- Decided to **accelerate several key investments**, resulting in total capital expenditure of S\$5.3M in 1H21:
  - Includes S\$2.0M investment to develop a **new machining technology**
  - Essential for making the next-generation of parts for wafer-processing equipment that are designed to fabricate chips with geometries measuring well below 10 nano-meters
- Raised our capex budget for FY2021 to S\$7M in view of the **positive outlook** for the semiconductor industry

### ENSURE LEADERSHIP CONTINUITY

- Began an **engineering internship program** a few years ago to develop the technical and leadership team to ensure continuity
- **Kyle Borch**, son of founder, joined the USA operations in 2018. He holds a B.Sc. in Physics and double M.Sc. in Mechanical Engineering and Engineering Management.
- Kyle currently leads an eleven-person technical team responsible for tools, fixtures and other critical engineering support functions.
- Also plan to continue working to **refresh and strengthen our Board** for sound corporate governance





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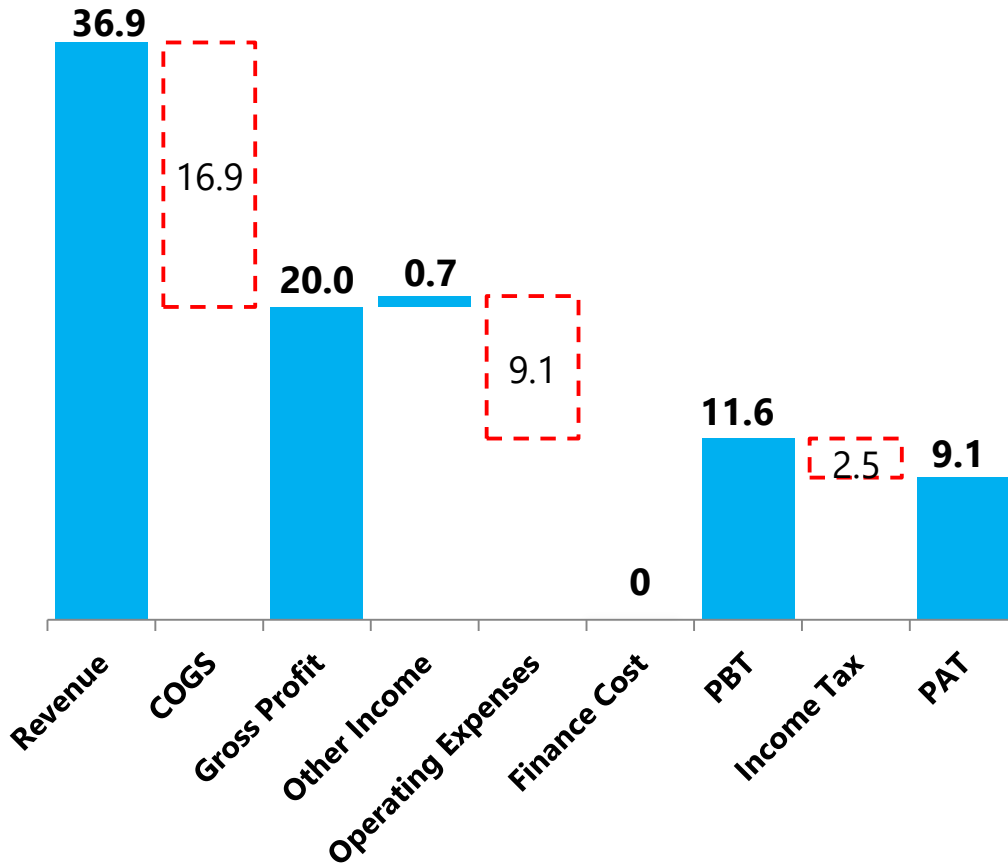
# Financial Review

Chow Kam Wing, CFO



# 1H21 in Review

## 1H21 P&L Overview (S\$ million)



*N.B. Due to rounding, some totals (in this and the following slides) may not correspond with the sum/subtraction of separate figures.*

## KEY RATIOS & STATISTICS

REVENUE GROWTH	16.7%
GROSS PROFIT GROWTH	18.2%
PBT GROWTH	28.4%
NET PROFIT GROWTH	33.0%
GROSS PROFIT MARGIN	54.3%
NET PROFIT MARGIN	24.7%
EARNINGS PER SHARE	6.55 cents
DIVIDEND PAYOUT (1H21)	92%
RETURN ON EQUITY (annualised)	32.0%
CASH	S\$21.1M
BORROWINGS	Zero

*FY: Financial year ending 30 June*

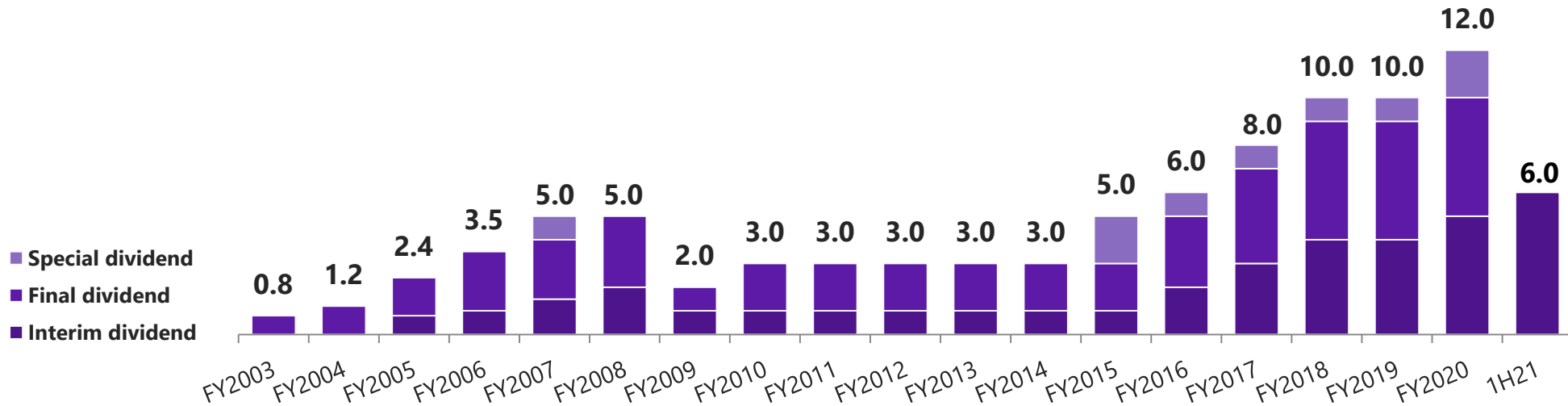


# Dividend Performance

**HIGHER DIVIDEND OF 6.0 CENTS PER SHARE FOR 1H21**

Total dividend payout since listing – **91.9 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	FY2019	FY2020	1H21
29%	35%	61%	63%	83%	78%	513%	87%	61%	99%	81%	54%	58%	70%	75%	81%	107%	114%	92%

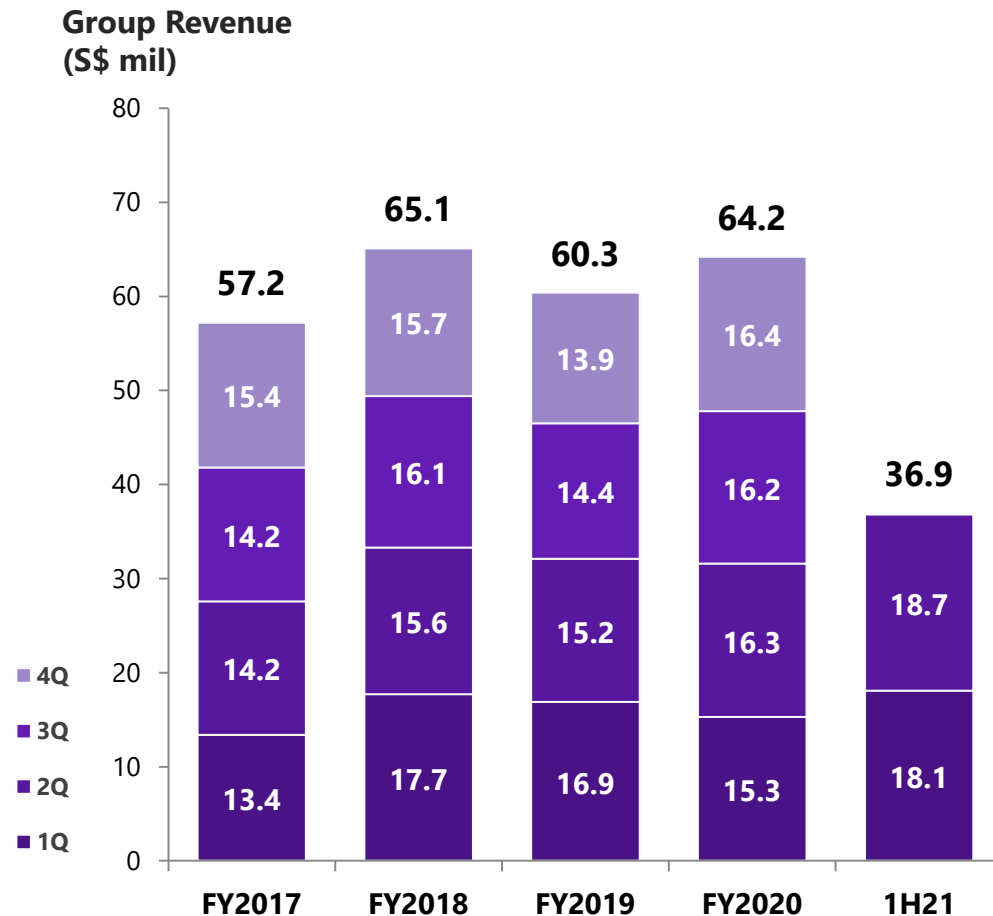
Dividend Policy of Not Less Than 40% of Earnings\*





# Group Revenue

## YOY GROWTH IN QUARTERLY REVENUE SINCE 2Q20



**2Q21 REVENUE ▲ 15.2%**

- Reflects the buoyant growth of the semiconductor industry

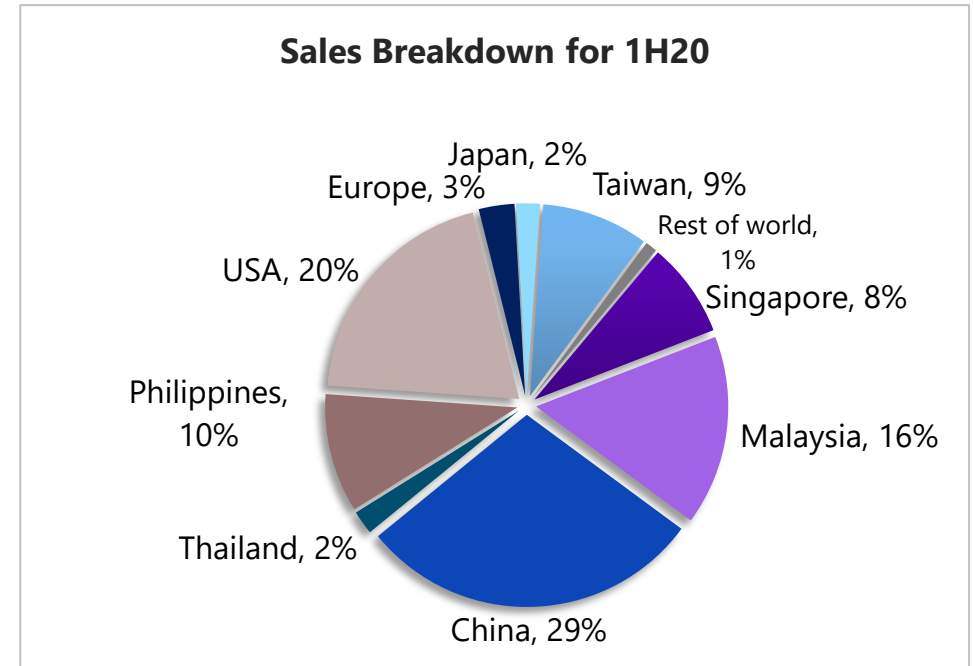
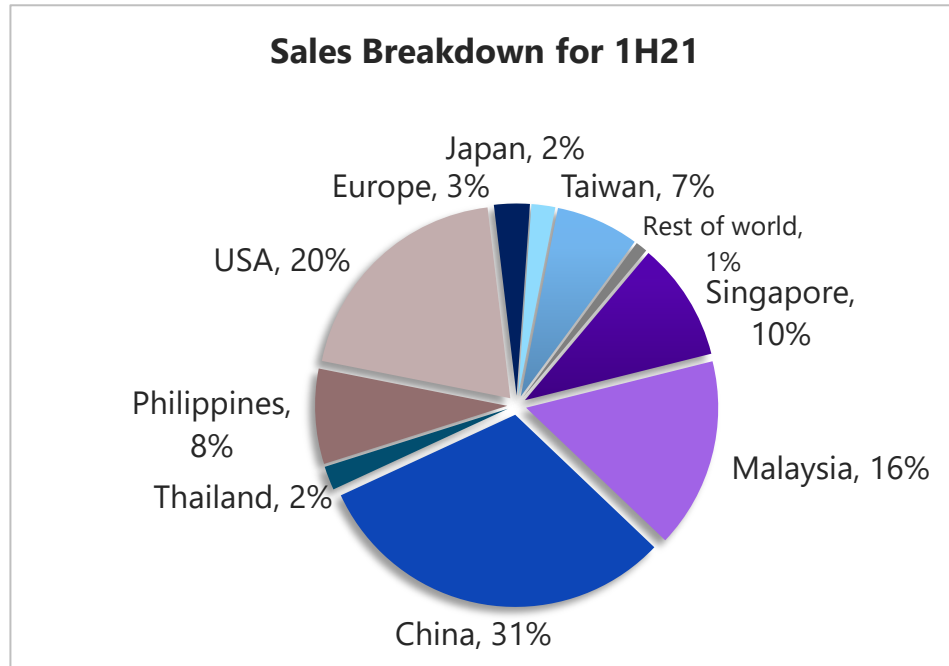
**1H21 REVENUE ▲ 16.7%**

- Achieved record half-year sales in 1H21
- Registered higher sales in most of our geographical markets



# Group Revenue

## DIVERSIFIED REVENUE STREAMS



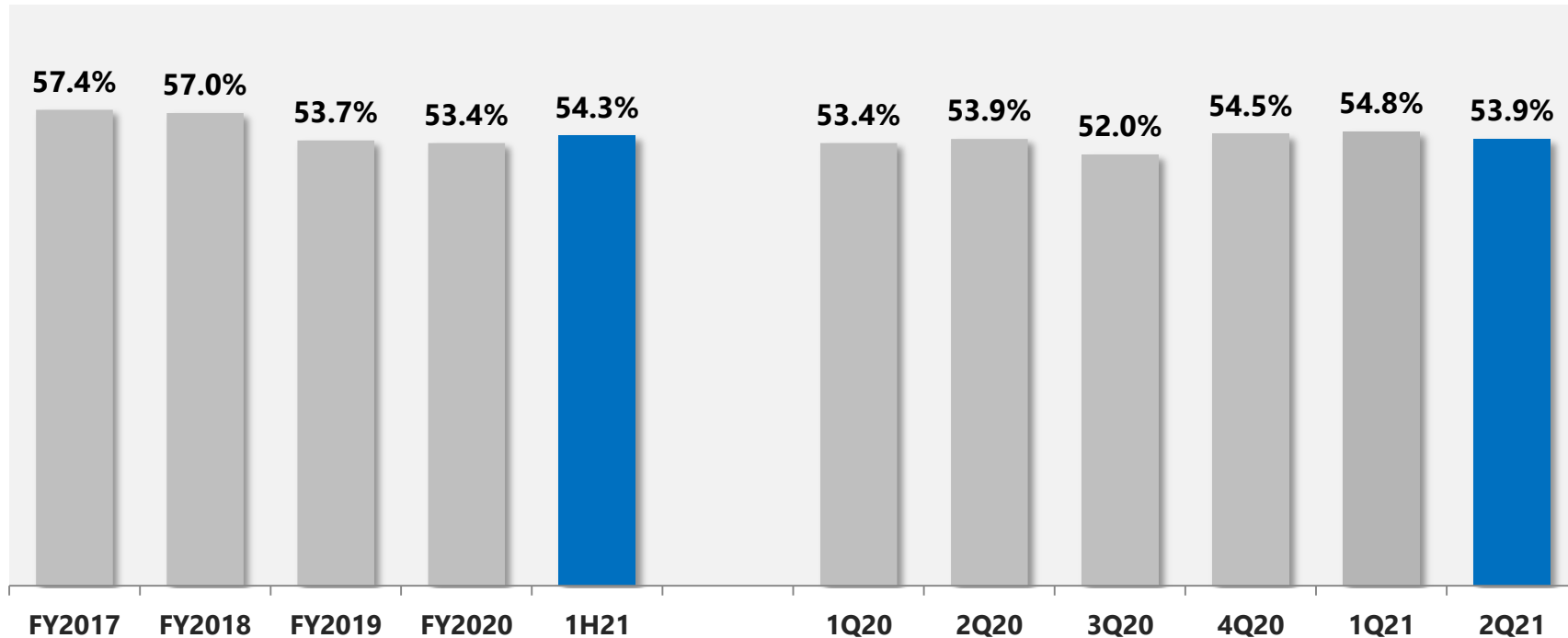
## TOP 3 MARKETS

Country	1H21 S\$ mil	1H20 S\$ mil	% change
<b>China</b>	<b>11.3</b>	9.2	<b>22%</b>
<b>USA</b>	<b>7.5</b>	6.2	<b>21%</b>
<b>Malaysia</b>	<b>5.8</b>	5.1	<b>13%</b>



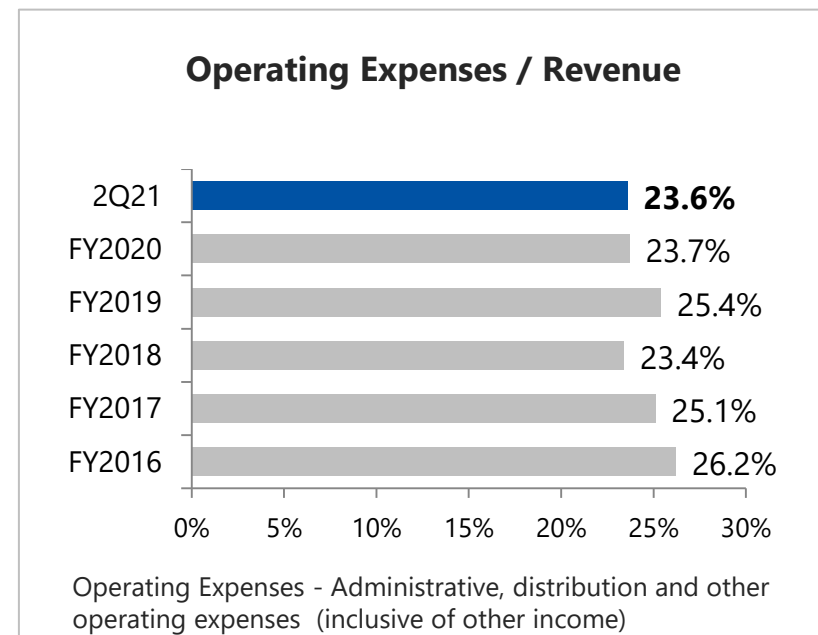
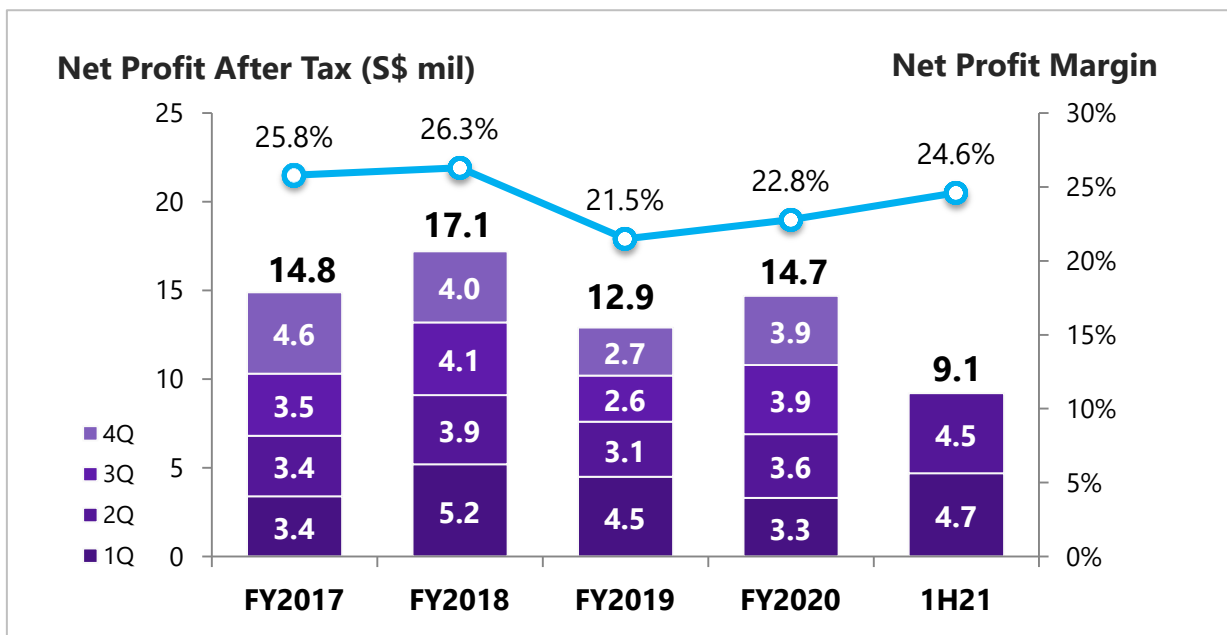
# Gross Profit Margin

**GROSS PROFIT MARGIN REMAINED ABOVE 50%**



# Profitability

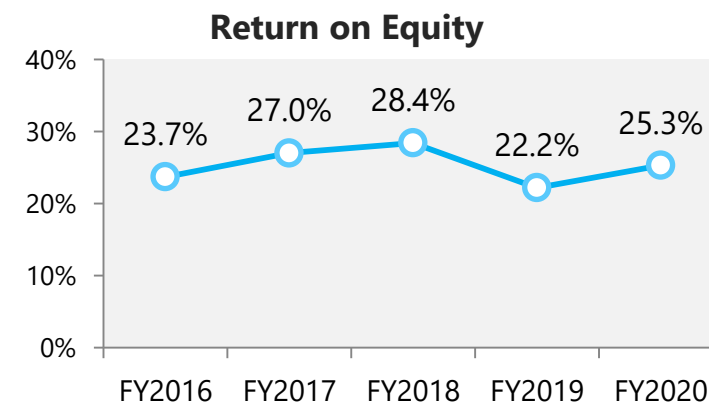
## ROBUST BOTTOMLINE GROWTH



2Q21 PROFIT ▲ **24.6%**

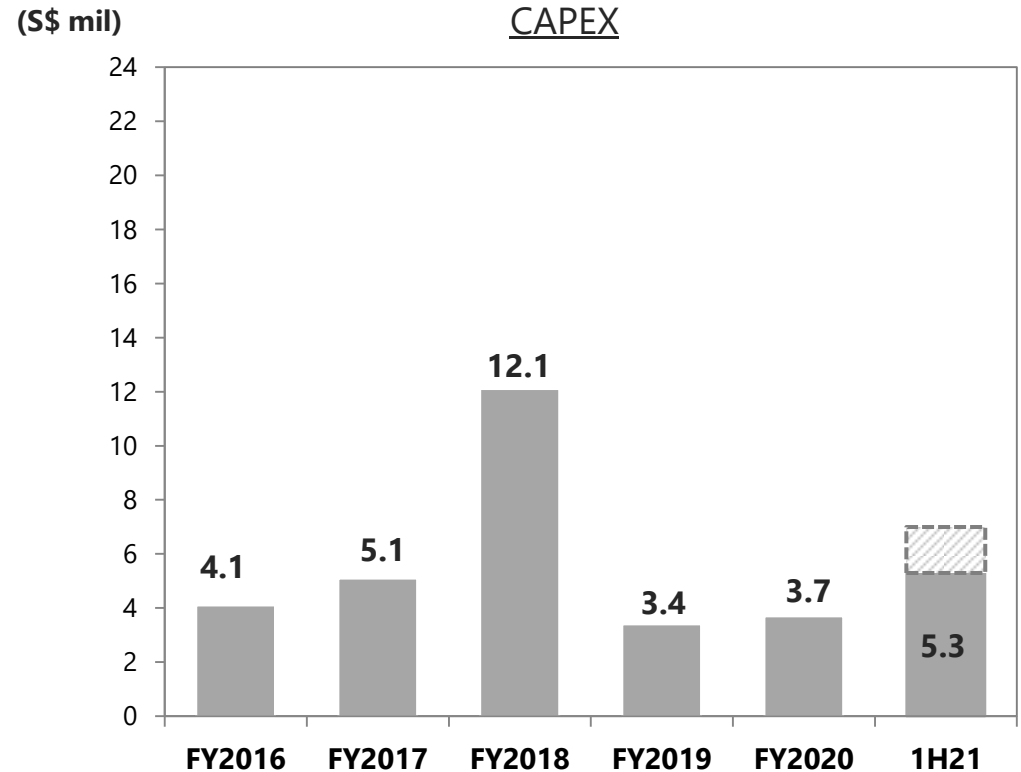
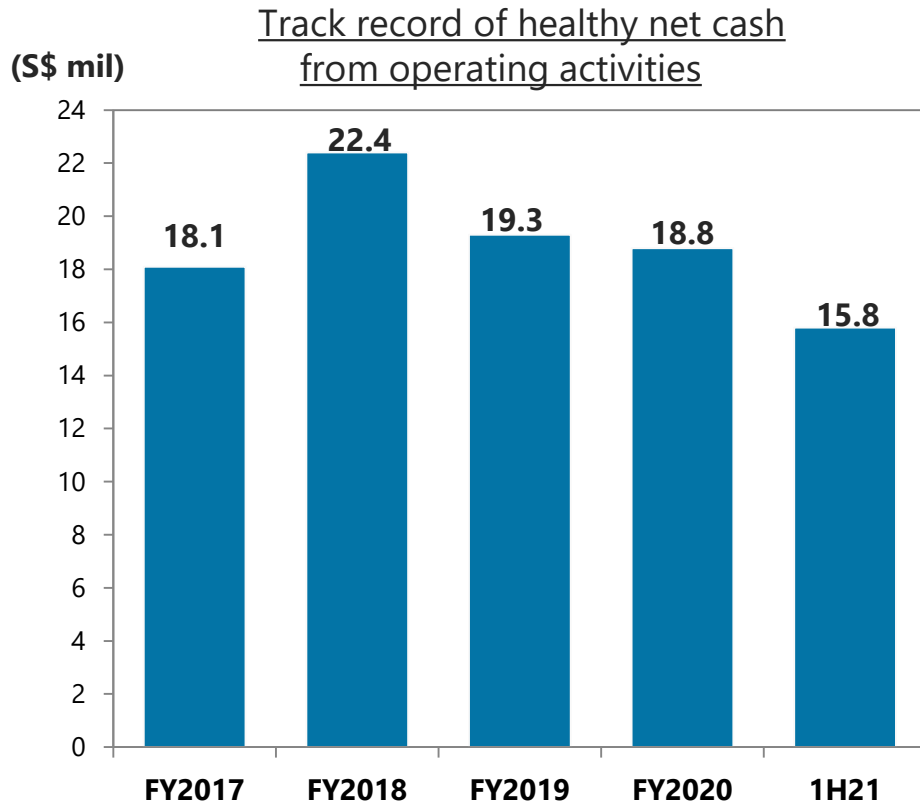
1H21 PROFIT ▲ **33.0%**

- Attributed to higher sales and GP, combined with a tight rein on expenses
- Steady year-on-year growth in profit from 2Q20 to 2Q21
- Achieved record profit in 1H21



# Cash Flow

## CASH-FLOW GENERATIVE OPERATIONS



- Capex budget for FY2021 – approx. S\$7M



# Balance Sheet

		31 December 2020	30 June 2020
<u>Cash</u>	Cash and cash equivalents <sup>#</sup>	S\$21.1M	S\$20.8M
<u>Gearing</u>	Total borrowings	Nil	Nil
<u>Trade Receivables</u>	Trade Receivables (Outstanding > 90days) / (Total trade receivables) Bad debt expense	S\$12.0M 0.03% Nil (1H21)	S\$11.8M 0.0% Nil (1H20)
<u>Inventory</u>	Inventory Inventory / Sales Inventory write-off	S\$4.8M 6.5% S\$42k (2Q21)	S\$5.4M 8.4% S\$27k (2Q20)
<u>Equity</u>	Shareholders' equity <sup>#</sup> NAV per share	S\$57.0M 40.98 cents	S\$58.0M 41.71 cents

<sup>#</sup> Paid final dividend totalling S\$9.7M for FY2020





# 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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