

# MICRO-MECHANICS (HOLDINGS) LTD.

## FY2023 Results Presentation

28 August 2023





**MICRO-MECHANICS®**

*perfect parts and tools, on time, every time*

# BUSINESS & INDUSTRY

Chris Borch, CEO

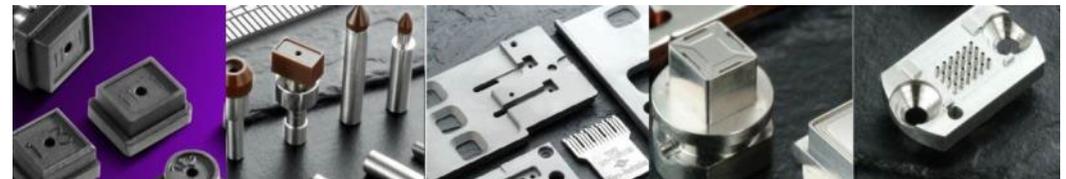
Kyle Borch, Deputy CEO



# Corporate Overview

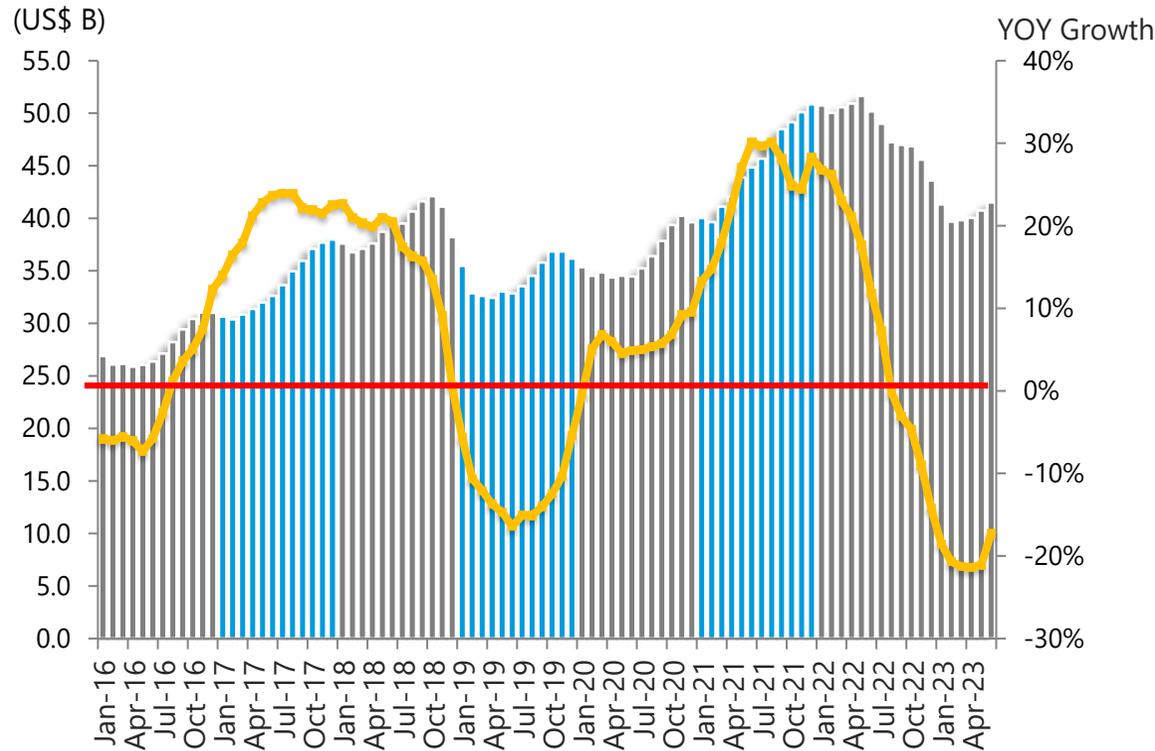
**Perfect Parts and Tools On Time, Every Time**  
*based on scalable, repeatable and cost-effective processes*

- Founded in 1983 and listed on the Singapore Exchange (Main Board) since 2003
- Specializes in the design and manufacture of **high precision tools and parts** used in *process-critical applications for semiconductor wafer-fabrication and assembly*
- Serves a worldwide base of more than 600 customers from five facilities in Asia (Singapore, Malaysia, China, Philippines) and the USA
- Recognized more than 30 times for our efforts to practice good corporate governance, transparency and investor relations



# Semiconductor Industry Review

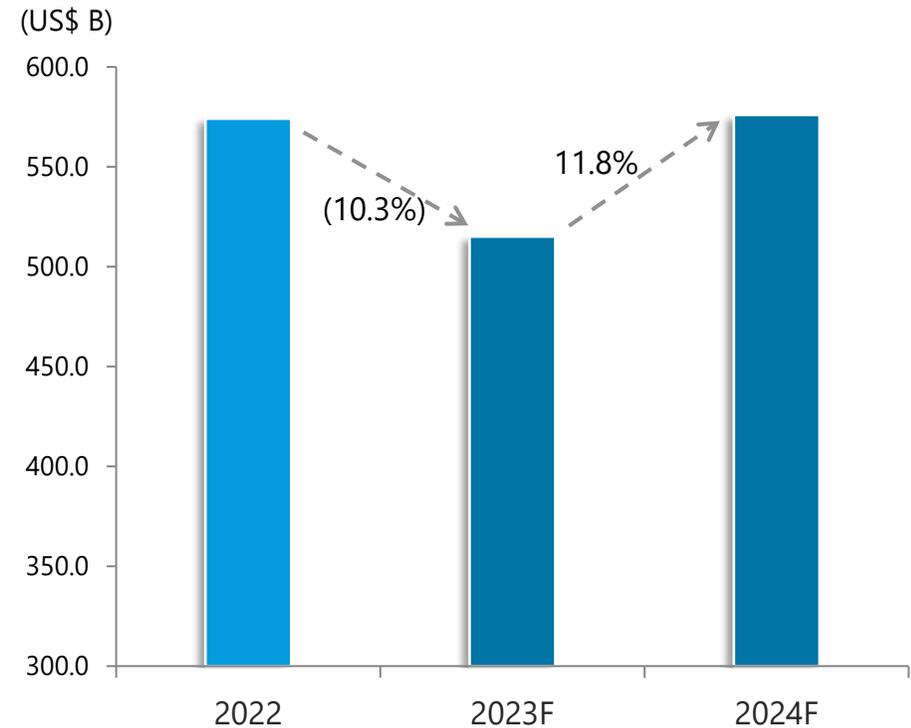
Global Monthly Chip Sales



Global semiconductor sales for the 12 months from 1 July 2022 to 30 June 2023 totaled US\$511.1B, a decline of 14.8% from same period last year.

Sales in 2Q 2023 was however higher than 1Q 2023, providing optimism the market will continue to rebound over the second half of the year.

WSTS Semiconductor Sales Forecast (June 2023)



WSTS adjusted its projection for global chip sales to decrease 10.3% to US\$515B in 2023 in response to increasing inflation and weakening demand in end markets, particularly those relying on consumer spending. For 2024, WSTS anticipates a robust recovery with global chip sales forecasted to surge 11.8% to US\$576B.

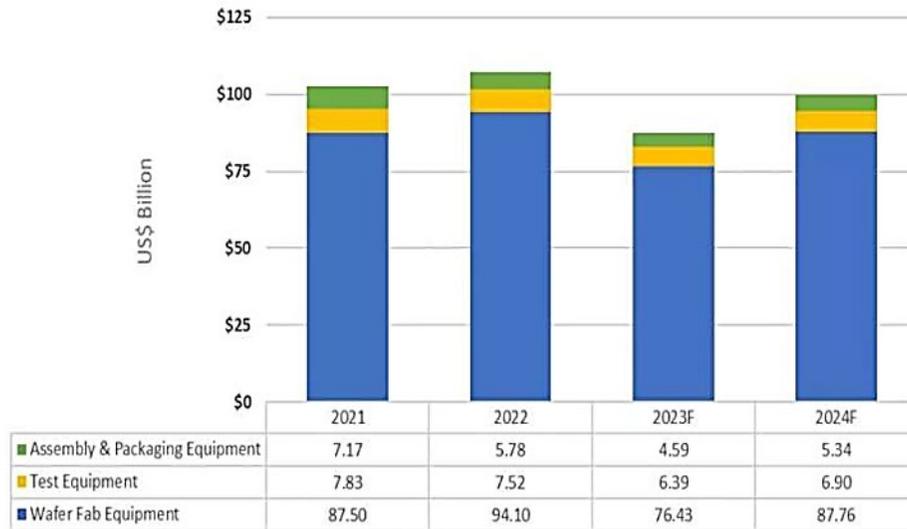
Sources: Semiconductor Industry Association, World Semiconductor Trade Statistics



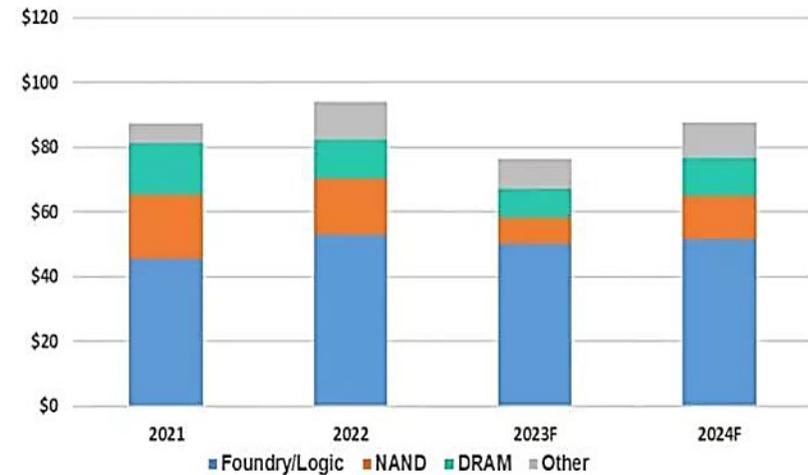
# Semiconductor Industry Review

## SEMI's Year-end Total Semiconductor Equipment Forecast (July 2023)

SEMI 2023 Mid-Year Total Equipment Forecast by Segment (US\$ Billion)



SEMI 2023 Mid-Year Wafer Fab Equipment Forecast by Application (US\$ Billion)



Global sales of total semiconductor manufacturing equipment are projected to contract 18.6% to \$87.4B in 2023, and rebound to \$100B in 2024.

Sales of wafer fab equipment are forecast to increase by 14.8% in 2024 after a 18.8% decline in 2023. Sales of back-end equipment segment are expected to continue declining in 2023 before staging a recovery in 2024.

By application, DRAM and NAND equipment sales are projected to fall 28% and 51% respectively in 2023, while equipment sales for foundry and logic are anticipated to decline at a slower pace of 6%.

Source: SEMI



# FY2023 Review

Lower revenue and underabsorption of fixed costs in FY2023, owing to the sudden and rapid downturn of the semiconductor industry. Nevertheless, we remained committed to rewarding our shareholders, and also maintained a sound balance sheet to be ready for a market recovery.

## CHALLENGING OPERATING CONDITIONS

### SEMICONDUCTOR INDUSTRY SLOWDOWN

Softening demand and higher inventories especially for PCs and Smart Phones applications

### INFLATIONARY PRESSURES

From raw materials, energy, to transport and labour costs

### LABOUR CONSTRAINTS

Tight labour market

### POLITICAL AND ECONOMIC UNCERTAINTIES

Ongoing geopolitical tensions



REVENUE

**\$67.0M**

▼ 18.7%

GROSS PROFIT MARGIN  
eased to

**46.5%**

NET PROFIT

**\$9.8M**

▼ 50.7%



# FY2024 Key Areas of Focus

## LEADERSHIP SUCCESSION



*Leadership succession is essential for the introduction of new ideas and energy while creating opportunities for our people to learn, grow and progress.*



**Mr Kyle Borch**  
Deputy CEO  
Executive Director

- Appointed as Deputy CEO and Executive Director on 1 Jan 2023.
- Leading an interdisciplinary team of people from our five worldwide plants to Accelerate our Journey to Excellence including our *Five-Star Factory* strategy.
- During 2Q24, Mr Kyle Borch will relocate to Singapore HQ to oversee Asia operations.



**Ms Wendy Tan**  
VP Finance,  
Corporate Secretary

- Promoted to VP Finance and Corporate Secretary in Feb 2023.
- Oversees and manages the Group's finance, administration and governance matters.

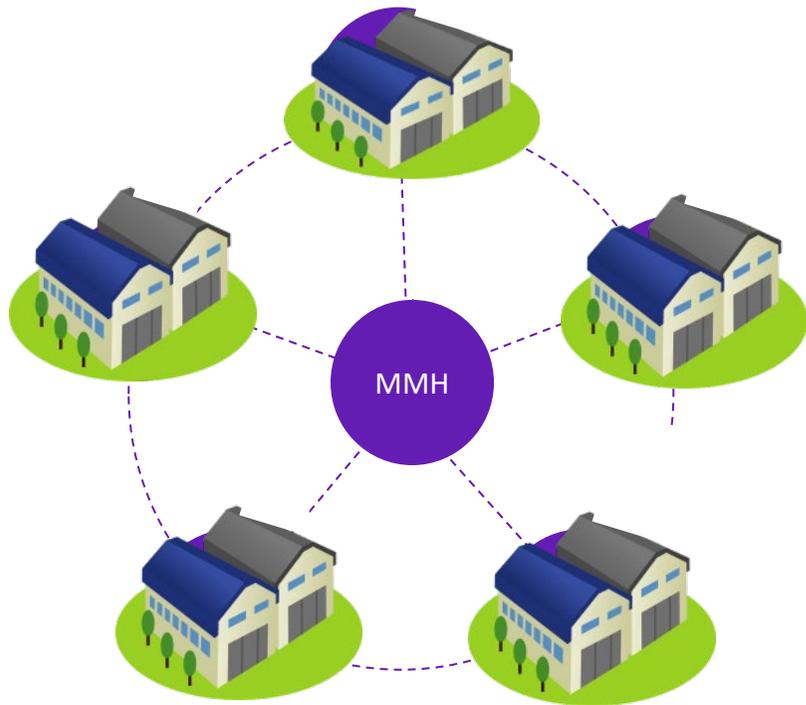


# FY2024 Key Areas of Focus

## FUNDAMENTALS OF EXCELLENCE



*We plan to strengthen our decentralized structure while working to make each of our facilities a Five-Star Factory.*



### **Strengthen Our Decentralized Structure**

- *Fast, effective and local support to our global customers*
- *Manufacturing and administration where it makes customer and cost sense*



### **Work to Make Each Facility a Five-Star Factory**

- *Solving high-value customer and industry problems*
  - *Training and developing our people*
- *Using data and process to build flawless, repeatable and scalable manufacturing*
- *Embracing "8S" for workplace efficiency, health and safety*
- *Practicing good governance at all levels, from the shop floor to the board room*



# FY2024 Key Areas of Focus

## FINANCIAL DISCIPLINE & GOVERNANCE



*Build a great business with a strong balance sheet while fostering a culture of resourcefulness and discipline.*



- Ended FY2023 with S\$14.3m in cash and no bank borrowings
- Ranked 14th out of 474 companies in the latest Singapore Governance and Transparency Index 2023 published on 4 August 2023

## REWARDING SHAREHOLDERS



*We have distributed cumulative dividends of 122.9 cents per share since becoming a listed company in 2003. This translates into a return of about 668% based on dividends alone for shareholders who bought Micro-Mechanics shares at our Initial Public Offering.*



- Dividend policy to distribute 40% of net profit
- Regularly exceeded this dividend payout threshold of 40% (FY2023 : 128%)
- Prudent for the Group to retain a higher amount of cash this year given the uncertain economic conditions ahead and our capex plans for FY2024





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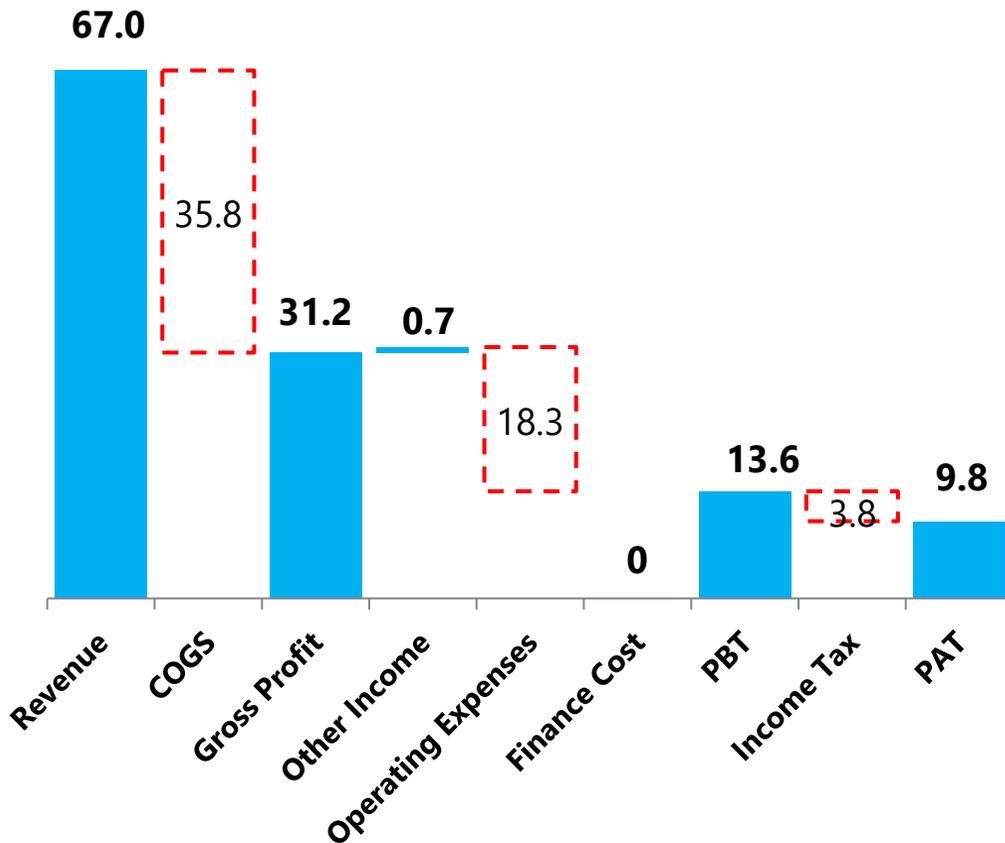
# FINANCIAL REVIEW

Wendy Tan, VP Finance



# FY2023 in Review

FY2023 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	(18.7%)
GROSS PROFIT GROWTH	(29.2%)
PBT GROWTH	(47.9%)
NET PROFIT GROWTH	(50.7%)
GROSS PROFIT MARGIN	46.5%
NET PROFIT MARGIN	14.6%
EARNINGS PER SHARE	7.0 cents
DIVIDEND PAYOUT (FY23)	128%
RETURN ON EQUITY	21.0%
CASH	S\$14.3M
BORROWINGS	Zero

*FY: Financial year ending 30 June*

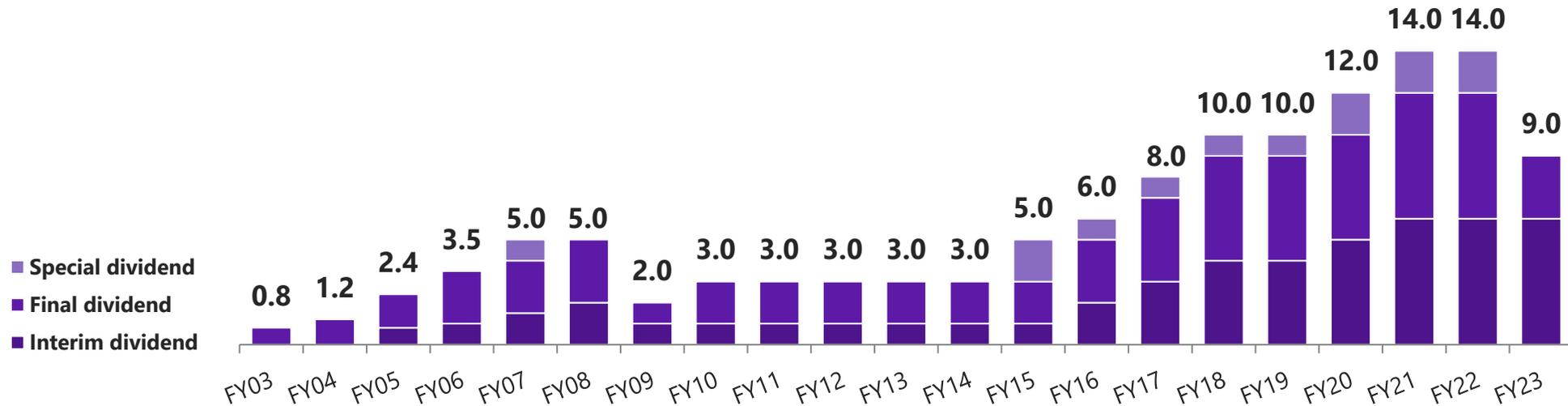


# Dividend Performance

## TOTAL DIVIDEND OF 9 CENTS PER SHARE FOR FY2023

Total dividend payout since listing – **\$1.229** per share

### DIVIDEND PER SHARE (CENTS)



### DIVIDEND PAYOUT RATIO

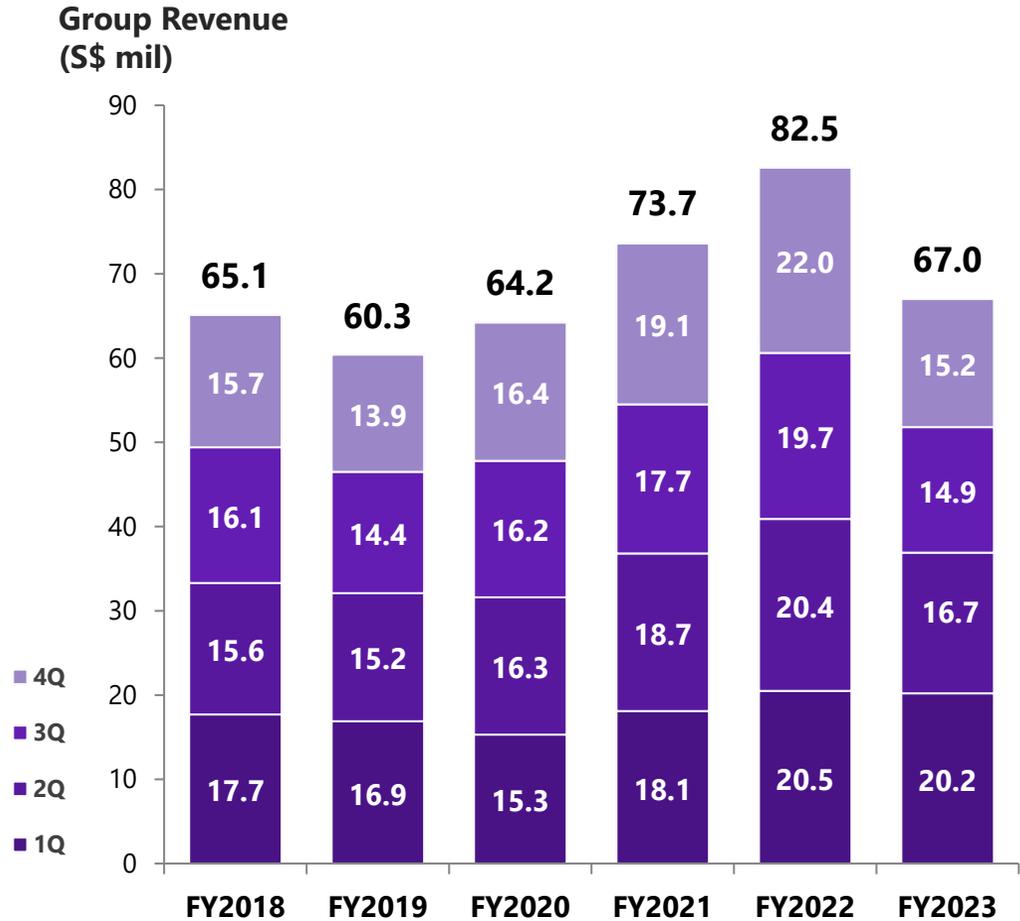
FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	F11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
29%	35%	61%	63%	83%	78%	513%	87%	61%	99%	81%	54%	58%	70%	75%	81%	107%	114%	108%	98%	128%

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



# Group Revenue

## SLOWER INDUSTRY CONDITIONS SINCE THE START OF FY2023



**FY2023 REVENUE ▼ 18.7%**

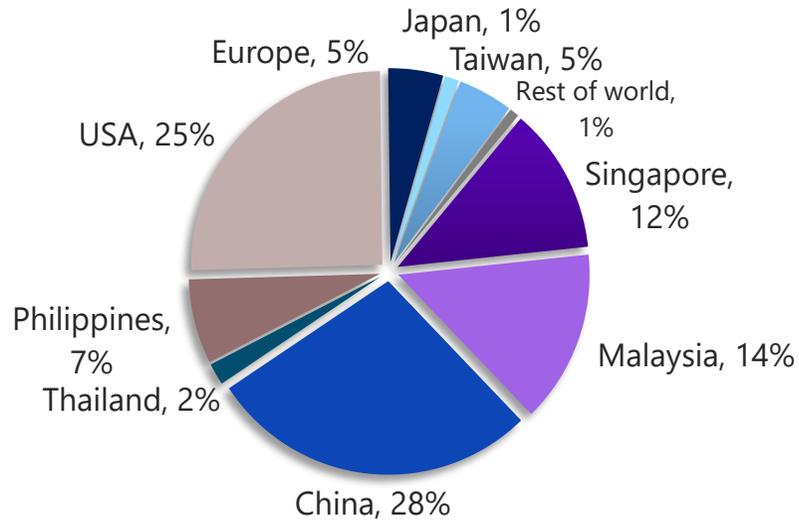
- Slowdown in the global semiconductor industry
- Softer sales across the Group's geographical markets with the exception of Singapore



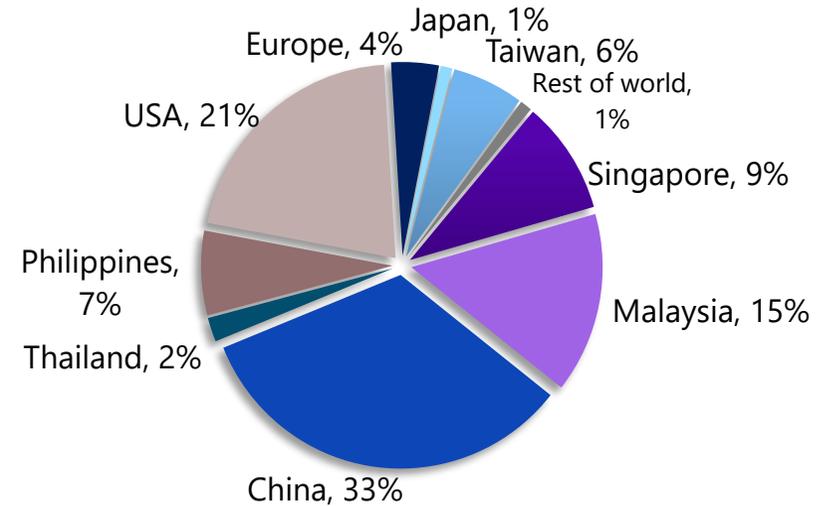
# Group Revenue

## DIVERSIFIED REVENUE STREAMS

Sales Breakdown for FY2023



Sales Breakdown for FY2022



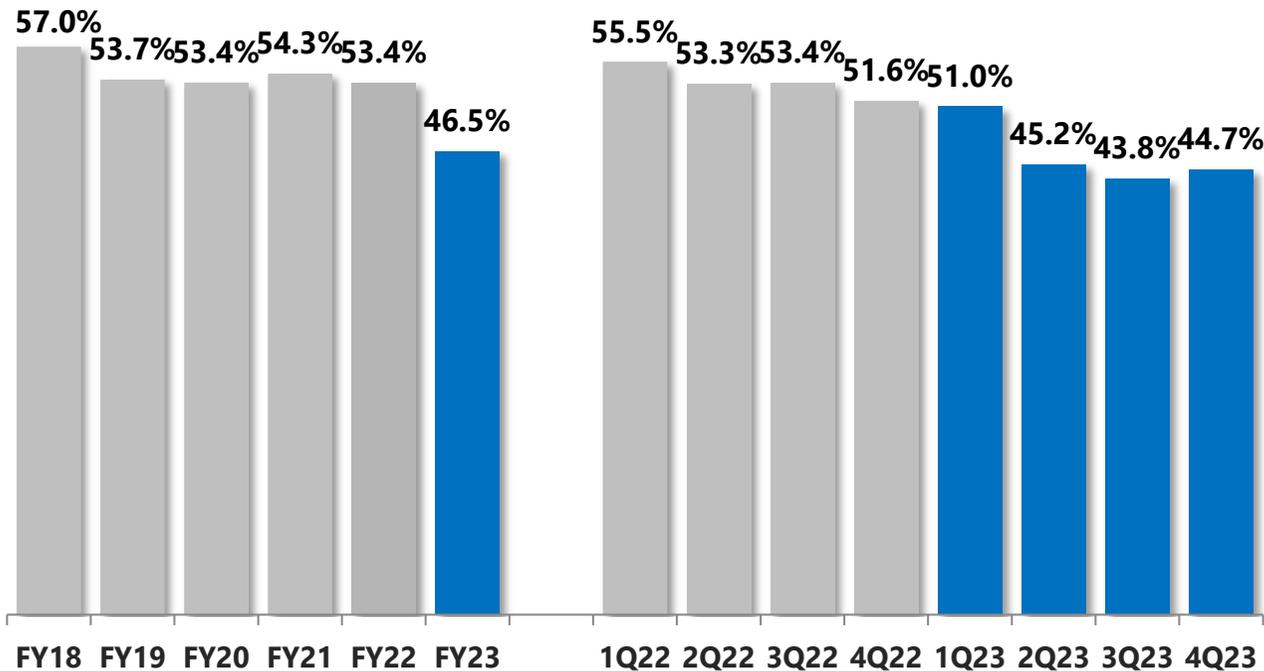
## TOP 4 MARKETS\*

Country	FY2023 S\$ mil	FY2022 S\$ mil	% change
<b>China</b>	<b>18.5</b>	27.6	<b>(32.9%)</b>
<b>USA</b>	<b>17.1</b>	17.6	<b>(2.9%)</b>
<b>Malaysia</b>	<b>9.6</b>	12.7	<b>(24.7%)</b>
<b>Singapore</b>	<b>8.1</b>	7.7	<b>4.5%</b>



# Gross Profit Margin

## GROSS PROFIT MARGIN CONTRACTED IN FY2023



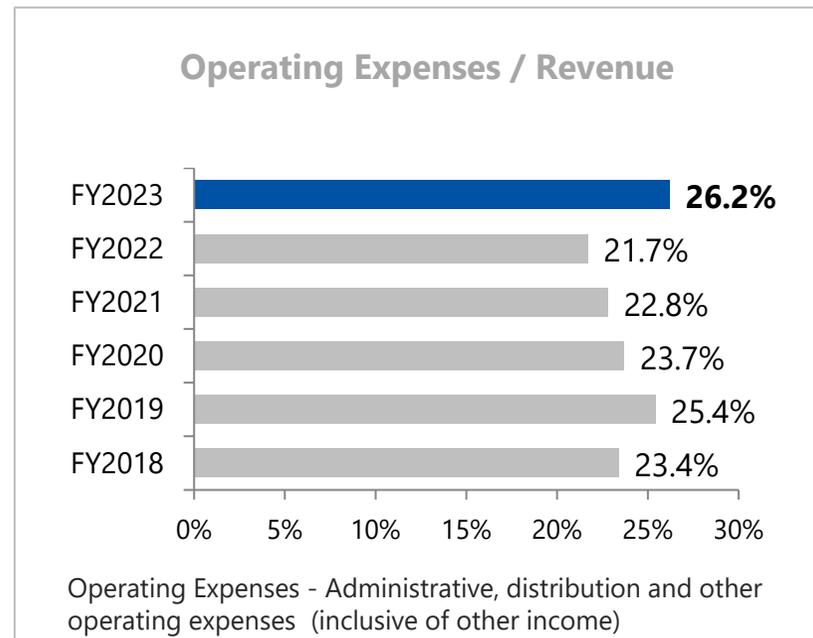
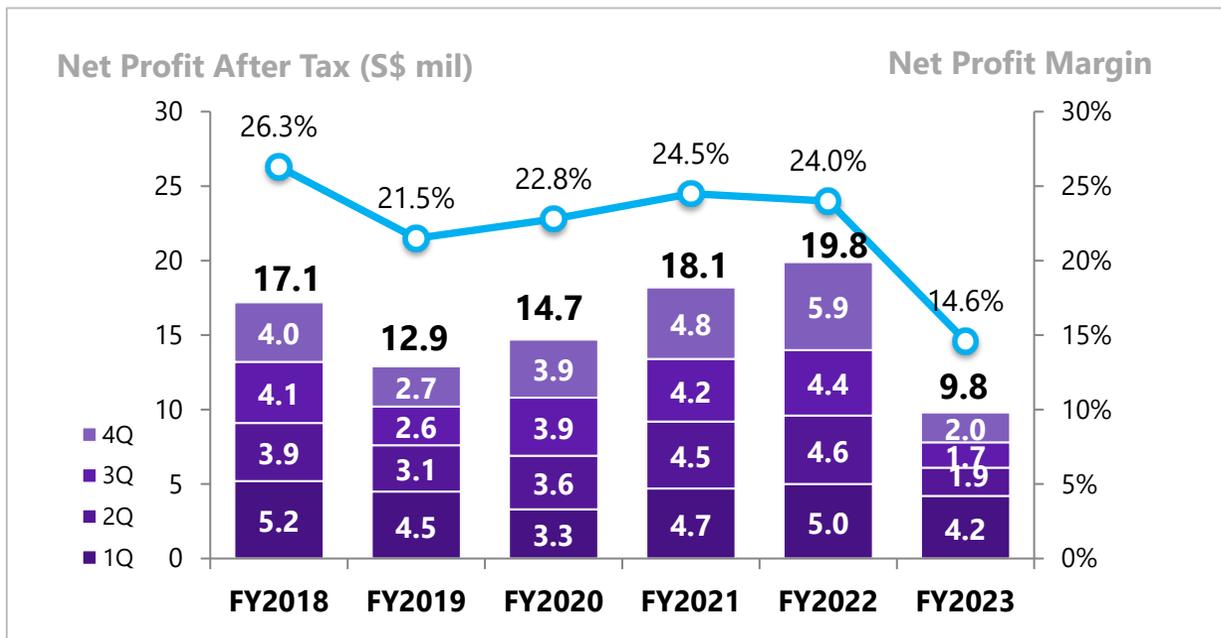
GPM dipped below threshold margin of 50%

- Significant decline in revenue led to underabsorption of costs as our cost structure is largely fixed in nature
- Ongoing inflationary cost pressures
- Continue to work on strengthening our GP margin with initiatives to enhance the value we bring to our customers, improve quality and streamline the way our plants operate



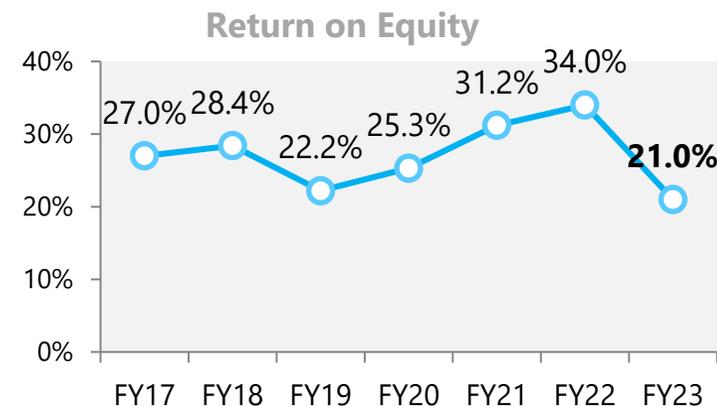
# Profitability

## NET PROFIT IN FY2023 DECLINED WITH LOWER SALES



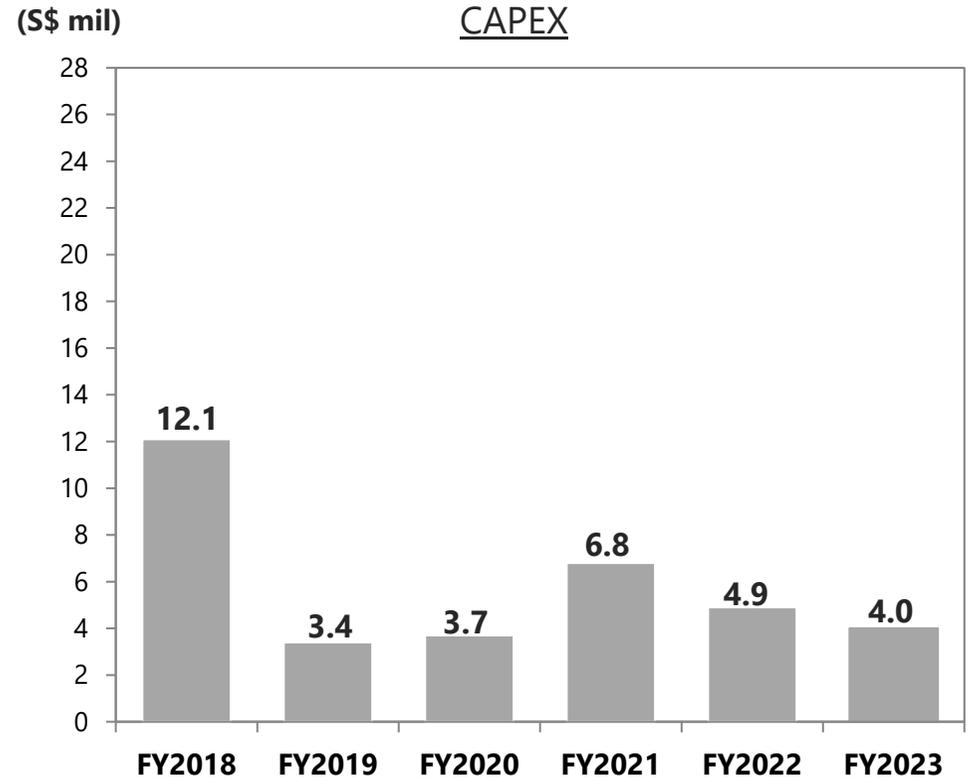
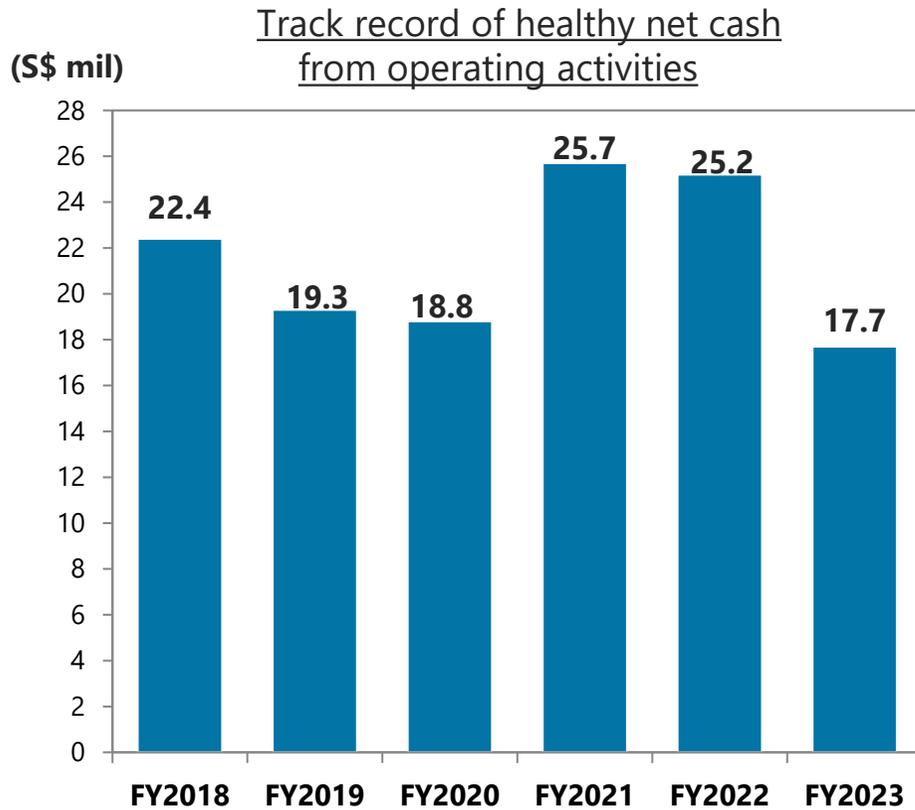
FY2023 PROFIT ▼ **50.7%**

- Weaker bottom line as a result of the decline in revenue and GP margin
- Continued to keep a tight rein on expenses – opex remained steady at S\$17.6M in FY2023
- Healthy operating cashflow of S\$17.7M in FY2023



# Cash Flow

## CASH-FLOW GENERATIVE OPERATIONS



- Capex budget for FY2024 – approx. S\$4M



# Balance Sheet

		30 June 2023	30 June 2022
<u>Cash</u>	Cash and cash equivalents <sup>#</sup>	S\$14.3M	S\$20.4M
<u>Gearing</u>	Total borrowings	Nil	Nil
<u>Trade Receivables</u>	Trade Receivables (Outstanding > 90days) / (Total trade receivables) Bad debt expense	S\$10.6M 0.7% S\$141 (FY23)	S\$15.6M 0.02% Nil (FY22)
<u>Inventory</u>	Inventory Inventory / Sales Inventory write-off	S\$4.3M 6.5% S\$76K (FY23)	S\$5.7M 6.9% S\$141k (FY22)
<u>Equity</u>	Shareholders' equity <sup>#</sup> NAV per share	S\$46.4M 33.40 cents	S\$58.3M 41.94 cents

<sup>#</sup> Paid dividends totalling S\$19.5M in FY2023



# 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.

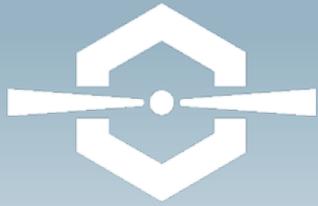
Some of the key factors that could cause such differences are, among others, the following:

- 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.

Investors should assume that the information in this presentation is accurate only as of the date it is issued. Micro-Mechanics (Holdings) Ltd.'s business, financial conditions, results of operations and prospects may have changed since that day. Micro-Mechanics (Holdings) Ltd. has no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.





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