

# Public & Private

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## P&P 02

On robot, OptoForce eye  
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Main Board-listed Mi  
Equipment in the right space  
with focus and keeping abreast  
on the niche WLCSP market

# Main Board-listed Mi Equipment and keeping abreast on the niche

Fostering long-term relationships in support of SME sustainability in the semiconductor industry



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**W**afer level chip scale packaging (WLCSP) is one of the most advanced forms of packaging used in the semiconductor industry, mainly due to its performance strength and cost advantages. The growth of the WLCSP industry will further be driven by the overall and anticipated increase in the demand for semiconductor equipment and devices, buoyed by a robust semiconductor market outlook.

Commenting on the outlook of the WLCSP industry, Mi Equipment Holdings Berhad's group chief executive officer and executive director, Oh Kuang Eng said that WLCSP is the most advanced form of packaging where the IC/chip packaging is done at wafer level, resulting in a very small package size.

"There are several advantages of WLCSP compared to conventional packaging, mainly smaller form factor, improved chip performance, cost efficiency and better thermal and electrical performances.

"Constant advancement in electronic products which includes demand for smaller form factor, in-



creased contents and better electrical performances will result in higher demand for the WLCSP.

"Advanced semiconductor packaging is essential to materialise technological trends such as 5G, which offers increased transmission and bandwidth and which will gradually move into more applications along Industry 4.0 and Internet-of-Things (IoTs), such as robotics and AI."

Mi Equipment Holdings Berhad

made its debut as the largest company listing by market capitalisation on the Main Market of Bursa Malaysia Securities on 20 June 2018 based on the Initial Public Offering (IPO) price of RM1.42 per share. With a listing market capitalisation of RM710 million, it is the largest company by market capitalisation admitted on Bursa Securities year-to-date.

The listing, the first on the Main Market this year, involved a total

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offering of 152.95 million ordinary shares, consisting of a public issue of 134.43 million new shares and an offer for sale of 18.52 million existing shares.

In an exclusive email interview with MALAYSIA SME® in conjunction with the Group's listing, Oh said that as the market moves in a very dynamic manner, the challenges would be to keep up with the technological advancements and remain relevant.

"Mi Equipment has a niche with our focus on WLCSP and we also have our very own in-house brand of WLCSP sorting machines which are designed to provide high accuracy, quality and speed. When it comes to advanced level packaging, we believe there are no close local competitors. Our peers are mostly European or Japanese players."

According to Independent Market Researcher Smith Zander, the global semiconductor industry registered a compounded annual growth rate (CAGR) of 7.77% between 2013 and 2017, growing from RM962.91 billion to RM1.77 trillion.

It further forecasted that the global semiconductor industry, measured in terms of global semiconductor sales, is set to grow to RM2.17 trillion by 2022 from RM1.77 trillion in 2017, registering a CAGR of 4.17% during this period.

The Penang-based company is a leading manufacturer of WLCSP sorting machines with inspection and testing capabilities for the semiconductor industry, for both local and global companies. It is also involved in the provision of maintenance services and technical support for these machines, as well as the sale of related spare parts and components.

Aside from its headquarters and production facilities in Penang, ▶



► Malaysia, Mi Equipment also has global sales and support offices in Singapore, Taiwan, USA and China. For 2016 and 2017, more than 80% of its revenues were derived from overseas. In FY2017, contribution from overseas accounted for 83% of their revenue as compared to 61% in 2015. It posted a revenue of RM173.3 million and a net profit of RM59.3 million for FY2017.

"We are steadily building our name globally and what we want is to demonstrate that Malaysian technology can be outstanding," he said.

The Group raised approximately RM190.89 million via the listing exercise. About 74% or RM140 million will be used for the construction of two new factories in Bayan Lepas and Batu Kawan, Penang which are expected to be completed by the first quarter of 2019 and third quarter of 2020 respectively.

Upon the completion of the Bayan Lepas factory, its' production capacity will increase by four folds to 45 machines per month and by end-2020, it will reach 90 machines per month when the Batu Kawan factory is ready.

"To fill up the additional capacity from these two new factories, the Company will continue to work on securing more orders both locally and overseas, especially from Northeast Asia. South Korea and China are two of the fastest grow-

ing semiconductor markets and it makes sense for us to concentrate on the Northeast Asian market moving forward," Oh said.

A total of about 36.79 million will be used for working capital while the remaining RM14.10 million will be used for research and development and to defray listing expenses.

Asked on Mi Equipment's SME engagements, Oh replied that the Group supports the local SME ecosystem by fostering long term business relationships with key major suppliers who are local SMEs.

"SMEs play a vital role in the semiconductor industry's production networks and are core to the general economic growth in the country. Our long-term relationship with local SMES suppliers help them to attain sustainable growth. The advantages of working with SMEs as opposed to large enterprises are that SMEs often have flatter structures and are quick to react to any changes in the marketplace.

According to Oh, the listing exercise is a crucial part of Mi Equipment's growth strategy. The additional capacity will enable the Group to produce new product series. It also plans to venture into the precision fabrication business which is seen as a complement to their existing business, allowing them to improve the machine build cycle time as well as to reduce external fabrication works, which was previously outsourced to external vendors.

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He added, "Our strength is our strong engineering and technical expertise which have enabled us to grow rapidly over a short period of time. We also have extensive knowledge in the semiconductor industry and our products and technologies are on par with the current development and requirements of the semiconductor and electronics industry.

"This is why we have most of the world's top Outsourced Semiconductor Assembly and Test Companies (OSATs) as our customers. It is not easy and it takes time to go through the stringent pre-qualification process and this serves a barrier to entry. We are competing on a global platform and Amkor, ASE, UTAC and JCAP are our key costumers. Closer to home, our largest customers are the Inari and Unisem Groups."

The Group also has a strong pres-

ence among the Integrated Device Manufacturers (IDMs) from the United States that also own production facilities in China and Mexico.

On Mi Equipment's R&D plans, Oh informed that being a technology company, the segment forms a significant component of its business to ensure that it is keeping abreast with the constantly evolving technological environment and changing customer demands. In fact, all R&D initiatives are led by him.

Approximately RM6 million from the IPO proceeds is earmarked for R&D efforts to develop prototype machines for new series and enhancement of existing series.

Oh said that Mi Equipment's rapid growth within a limited history of less than five years since inception is made possible mainly to the strong engineering and technical expertise as well as continuous

R&D efforts. The strategy has always been to ensure that the products and technology meet the demand of customers and are on par with current technological advancement.

Sharing his views on the public listing journey, Oh said, "Aside from enabling us to raise capital for expansion plans, the listing provides Mi Equipment with better branding and greater corporate governance and transparency.

"It will also heighten the general perception of Mi Equipment to their customers who are industry leaders, and instil further confidence that we are not only technologically capable but also a part of a world class stock exchange.

"As the Company grows, such transparency and accountability are important. To be listed also means compliance to a whole set of rules and regulations and reporting standards. A company or owner seeking listing must have the mindset to embrace this as it is part of the journey to enhance the company."

Oh said that at the time being, the consequences or impacts on the semiconductor industry from the ongoing dispute between countries such as US, China and EU are unknown. However, it is unlikely to see much changes in the short or medium term because it is not easy to unwind the entire global semiconductor supply chain which has taken decades to develop.

While the consolidation of OSATs globally may see reduction on equipment spending, the impact of global polarisation could be positive for semiconductor equipment suppliers because of additional supply chain required to serve new and existing string of players.

In conclusion, Oh shared that Mi Equipment's success is built upon the strong desire to solve problems, innovate, build and lead.

"At the same time, being bold and creative enough to explore new ideas and machines designs as well as our approach to the market, enable us to possess a competitive edge. This is especially essential in the semiconductor industry where it is extremely competitive given the rapid and unceasing demand for better and newer technology.

"We harness these values with the aim of becoming the preferred global solutions provider of choice for front of line assemble equipment in the semiconductor industry.

"We believe these values can be applied to any business models and would make up the fundamentals to a thriving business. These values are the driving force behind our performance and are what strengthening our organisation." **MSME**