

MONTHLY BRIEFING SEPTEMBER 2018

Date of briefing: 28 September 2018

TOPICS COVERED:

1. SEMICONDUCTOR EVOLUTION & VALUE CHAIN

- Semiconductor packaging has evolved significantly from the 1970s to the 2010s, with the latest being 3D stacked wafer level package. Mi Equipment is in the wafer level packaging (WLP) space.
- Among the drivers for change and evolution are miniaturisation, cost, content requirements and performance.
- In the semiconductor value chain, Mi Equipment occupies the back-end assembly and packaging space, with Integrated Device Manufactures (IDMs) and Outsourced Semiconductor Assembly and Test companies (OSATs) as clients.
- Other listed players from Malaysia occupy the back-end test and assembly space.

2. KEY STRENGTHS

2.1 Proprietary technology and R&D:

- In-house developed series of WLCSP sorting machines
- Possesses intellectual property with 3 patents granted and 17 patents pending
- Continuous R&D driving product development activities

2.2 Product & demand drivers:

- Successfully commercialized product series based on proprietary technology
- Growth in sales of wafer-level assembly & packaging equipment
- Technological advantage of WLP over conventional packaging
- Growing demand for content in devices

2.3 Global Tier-1 Customers

- Track record of serving IDMs and OSATs
- Four Top global OSATs are customers
- Revenue derived substantially from international markets

2.4 Increasing Capacity and new Business Units (B.U.)

- Precision Engineering B.U. has commenced in April 2018
- With the new Bayan Lepas factory targeted to be operational by 2Q2019, capacity will increase from maximum 12 machines per month to maximum 45 machines per month. The Batu Kawan factory targeted for completion in 2020 will add another maximum 45 machines per month.

3. FINANCIAL SUMMARY & SECOND QUARTER 2018 RESULTS

- CAGR for FY2014 to FY2017: Revenue CAGR 32.6%, Gross profit CAGR 47.6%, PBT CAGR 35.9%.
- Management targets gross profit margin range (40-50%) and operating profit margin range (20-30%) (prior to forex gains or losses).
- Discussion on financial performance of second quarter 2018 is similar to the monthly summary for August 2018.

4. BUSINESS OUTLOOK AND CORPORATE ACTIVITIES

- The Company will explore possible business collaboration to enhance growth and quicker market access.
- The precision engineering business will be further developed to support internal requirement and external sales.
- Mi Autobotics Sdn Bhd (a wholly-owned subsidiary) has been incorporated in September 2018 to undertake the automation business under the Automation & Equipment B.U.

5. NEW FACTORY UPDATES

- New factory in Bayan Lepas (approximately 1km from current leased factory) is on schedule, at 33% completion rate
- This new factory is targeted to be operational by the second quarter of 2019