

Mi TECHNOVATION BERHAD - QUARTERLY BRIEFING FEBRUARY 2019

TOPICS COVERED:

1. 2018 Highlights

- Listed on Main Market of Bursa Malaysia Securities Berhad on 20 June 2018 and raised RM190.9 mil for expansion.
- Successfully commercialized 4 new series of equipment (Ai, Li, Si and Vi).
- Incorporated Mi Autobotics Sdn Bhd ("**Mi Autobotics**") in September 2018 to undertake automation, robotics and artificial intelligence.
- Changed name from Mi Equipment Holdings Berhad to Mi Technovation Berhad to better reflect corporate identity and business direction.

2. Fourth Quarter 2018 and Full Year Ended 31 December 2018 Financial Results

- Quarter-on-quarter analysis: Revenue in the fourth quarter of financial year ended 31 December 2018 ("**4Q2018**") decreased by 25% to RM31.1mil as compared to RM41.6 mil in the preceding quarter. The first and fourth quarters are typically softer quarters for semiconductor equipment manufacturers. There was a 49% decrease in profit before tax ("**PBT**") in 4Q2018 to RM7.2 mil mainly due to decrease in revenue and strengthening of the Malaysian Ringgit against US Dollar in the fourth quarter. Gross profit ("**GP**") margin and PBT margin for 4Q2018 were 45% and 23% respectively which remained within targeted range of 40-50% for GP margin and 20-30% for PBT margin.
- Year-on-year analysis: Revenue for the entire financial year ended 31 December 2018 ("**FY18**") fell by 7% to RM160.4 mil, as compared to RM173.3 mil a year ago. However, it should be noted that FY17 revenue included 14 units of leased machines converted to sales which yielded higher margins as these machines were substantially depreciated. FY18 also recorded higher overheads, staff cost and marketing expenses to promote new series of equipment.

3. FY18 Revenue by Countries, Subsidiaries & Product Type

- *Countries*: Our revenue was spread across customers from 10 countries, with the top 3 being China, Korea and Taiwan contributing an aggregate of 73% in FY18.
- *Subsidiaries*: Our subsidiary, Mi Equipment (M) Sdn Bhd ("**Mi Equipment Malaysia**") contributed 98% of revenue and Mi International Pte Ltd, our global sales and marketing arm, contributed 2%. For FY18, Mi Precision Sdn Bhd has not recorded external revenue and Mi Autobotics has not commenced operations.

- *Product type:* Assembly & Packaging equipment (Mi, Ai and Li series) contributed 87% of FY18 revenue while spare parts & components, Vision Inspection equipment & Final Test equipment contributed 13% in aggregate.

4. Financial Position

- As at 31 December 2018, we are in a healthy financial position with net cash position of RM196.7 mil, net asset per share of RM0.66 and gross gearing ratio of 0.02 times.

5. FY19 Outlook & Prospects by Countries, Subsidiaries & Product Type

- *Countries:* We expect Taiwan, Korea and China to remain the top 3 contributors in FY19, making up more than 70% of our revenue.
- *Subsidiaries:* Our subsidiary, Mi Equipment Malaysia will continue to be the top contributor with expectations that it will contribute roughly 90% of revenue as compared to 98% in FY18. This is because Mi Autobotics & Mi Precision will start contributing to the group.
- *Product type:* Contribution from Assembly & Packaging equipment is expected to be diluted from 87% in FY18 to circa 75% in FY19, as contribution from other product types such as vision inspection & final test equipment is expected to increase.

6. Growth Strategies

- To expand our range into multiple products serving multiple industries.
- To seek inorganic growth to accelerate our growth trajectory.
- To expand capacity by more than four folds by moving into our new Bayan Lepas plant in the second quarter of 2019.