

Fourth quarter earnings release for financial year ended 31 December 2019

1) Income statement review

1a) Full Year Review

	FYE2019 (RM '000)	FYE2018 (RM '000)	Variance (%)
Revenue	191,135	160,392	+19.2%
Gross Profit	93,362	74,174	+25.9%
GP Margin	48.8%	46.2%	
Profit before Tax	59,537	44,481	+33.8%
PBT Margin	31.1%	27.7%	
Profit after tax	59,166	44,349	+33.4%

- Mi Technovation's revenue for the FYE2019 closed at a record RM191.1 million, representing an increase of 19.2% from FYE2018. Although activities were affected in the first quarter of 2019 due to uncertainties created by trade tensions, momentum picked-up in the second quarter onwards owing to strong demand from our customers in Taiwan and China as a result of the growth in capital investments from certain OSATs in advanced / wafer level chip scale packaging.
- Increase in gross profit (GP) outpaced increase in revenue, growing by 25.9% to RM93.4 million. This was contributed by internal manufacturing efficiencies. This cumulated in a healthy GP margin of 48.8% which was higher than 46.2% in the preceding year.
- Profit before tax (PBT) for FYE2019 was RM59.5 million, an improvement of 33.8% from FYE2018. We recorded PBT margin of 31.1% as compared to 27.7% in FYE 2018 (which was lower due to IPO expenses). Our performance in FYE2019 would have been more superior if not for forex losses incurred of RM1.7 million. In FYE2018, we registered forex gains of RM2.2 million.
- Our infrastructure has grown significantly in FYE2019 compared to FYE2018 when we were operating from a rented premise in Bayan Lepas. We now own 2 completed factories in Penang (Bayan Lepas & Batu Kawan) and 2 operational overseas technology centres (Hsinchu, Taiwan & Suwon, Korea). Despite our expansion plans, we remain steadfast to deliver the guided GP margin of 40%-50% and PBT margin of 20%-30%.
- Our maintenance capex is expected to be approximately RM14 million for 2020.
- Our Group's effective tax rate for the year was 0.62%.
- Mi Equipment (M) Sdn Bhd is entitled to pioneer status incentives for the design, development and manufacturing of vision inspection and taping equipment and related components for semiconductor and solar industries. Approval from the Malaysian Investment Development Authority (MIDA) for the second 5 years period from 18 January 2019 to 17 January 2024 for 100% tax exemption has been obtained on 31 January 2020.

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- Further, Mi Equipment has submitted application for pioneer status incentives for its new product series. Approval-in-principle has been granted by MIDA via its letter dated 21 September 2018 for the design, development and manufacturing of die bonding systems and related modules for semiconductor industry. We are currently preparing the submission for pioneer status certificate to MIDA.

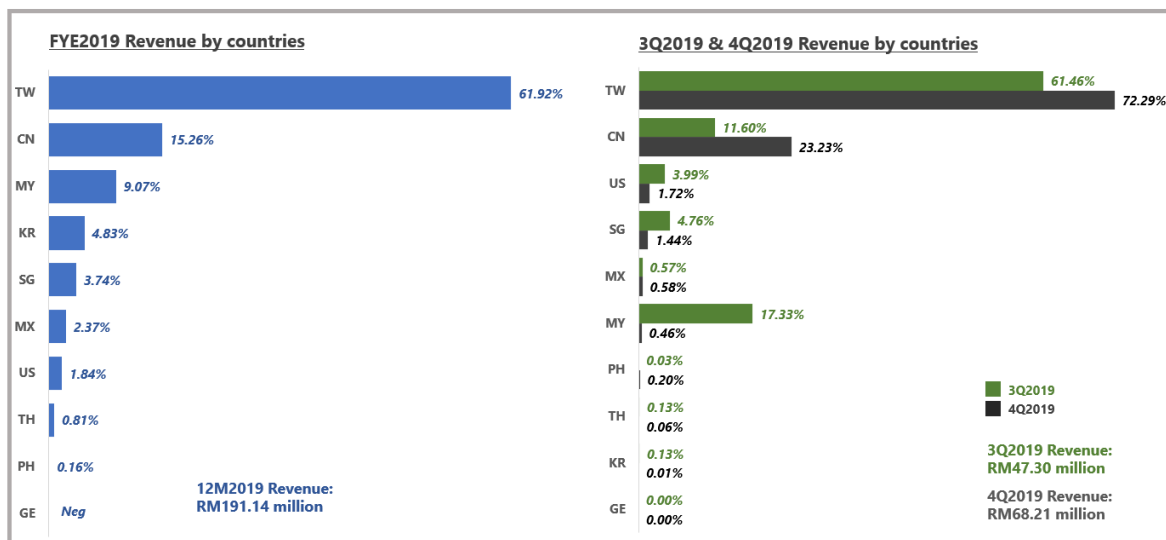
1b) Quarterly review

	4Q2019 (RM '000)	3Q2019 (RM '000)	QoQ Variance (%)	4Q2018 (RM '000)	YoY Variance (%)
Revenue	68,215	47,303	+44.2%	31,058	+119.6%
Gross Profit	31,539	24,067	+31.0%	13,846	+127.8%
GP Margin	46.2%	50.9%		44.6%	
Profit before Tax	17,711	17,547	+0.9%	7,119	+148.8%
PBT Margin	26.0%	37.1%		22.9%	
Profit after tax	17,505	17,415	+0.5%	7,157	+144.6%

- In 4Q2019, we recorded revenue of RM68.2 million, a commendable 44.2% improvement quarter-on-quarter and significant 119.6% increase year-on-year. The improvement in revenue was due to strong demand from our customers in Taiwan and China as a result of the growth in capital investments from certain OSATs in advanced / wafer level chip scale packaging.
- Gross profit of RM31.5 million was 31.0% higher compared to the preceding quarter which was RM24.1 million. There was an additional provision for performance bonus in 4Q2019. Gross profit margin of 46.2% was within the range we have guided, from 40% to 50%.
- Profit before tax (PBT) for the reporting quarter was RM17.7 million, which was slightly higher than RM17.5 million in 3Q2019. PBT in this quarter was affected by foreign exchange losses of RM2.8 million in 4Q2019 as compared to a gain of RM1.2 million in 3Q2019. PBT was 148.8% higher compared to the similar quarter of the last financial year.
- The group recorded healthy PBT margin of 26.0% which was within our targeted range of 20% to 30%. As stated above, we were impacted by forex losses in 4Q2019. Disregarding Q4 forex loss of RM2.8 million PBT margin for Q4 is 30.1%.

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2) Review of revenue breakdown by countries

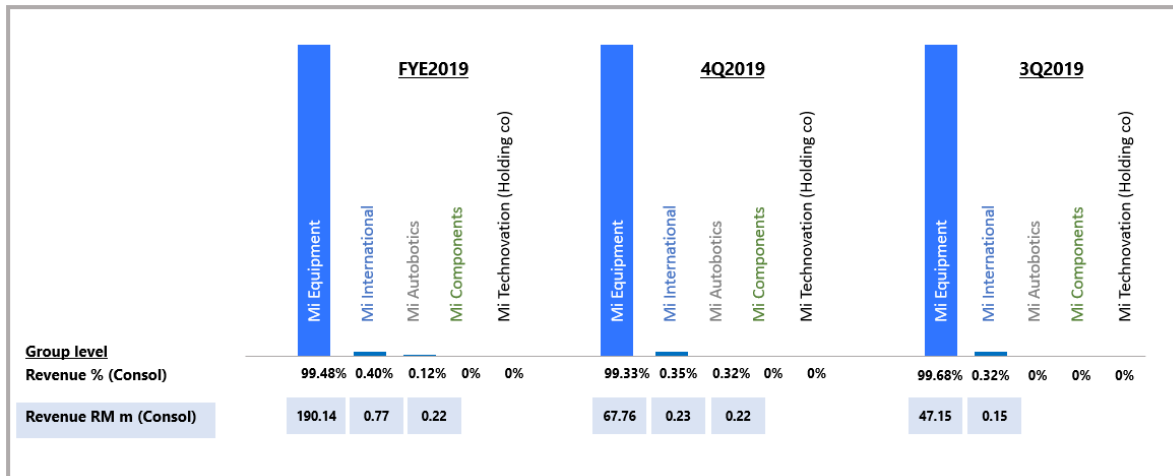


- The chart above shows our consolidated revenue breakdown by countries for FYE 2019, 4Q2019 and 3Q2019. Revenue in FYE2019 was derived from 10 countries.
- Taiwan was the largest contributor accounting for 61.9% of revenue in FYE2019 and was also consistently the highest contributor in 4Q2019 and 3Q2019. For 2020, SEMI has forecasted that Taiwan will be the largest market for equipment sale followed by China and Korea. We expect Taiwan to maintain as a top market for us in 2020.
- China took the second spot in FYE2019 with contribution of 15.3%. Activities in China ramped-up in the second half of 2019 in efforts to forge its own semiconductor supply chain from chip design to manufacturing. In 2020, China will continue to be an important market for new equipment. We see China be another key market for us in 2020 as we are continuing to collaborate with our customers in China for further enhancements for our final test equipment.
- Malaysia was our third largest market in 2019 with 9.1% of revenue but here, most of our revenue was derived from foreign-owned company with Malaysian operations. Foreign-owned companies contributed 7.7% and local-owned Malaysian companies only contributed 1.4%.
- Korea, which contributed 4.8% of revenue in FYE2019 is expected to improve in 2020 as SEMI forecasts Korea to be the third largest semiconductor market after Taiwan and China. We have set up our infrastructure to capture more market in Korea and our Technology Centre in Suwon was already operational earlier this year and is undertaking development to complete our *Ai Series* portfolio. This technology centre is 70% owned by Mi Technovation. The remaining 30% is held by 3 Korean individuals who are our technical consultants and our general manager of Mi Equipment Korea Co. Ltd.

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3) Review of performance by subsidiaries

The contribution of our subsidiaries on a consolidated group level is shown below:

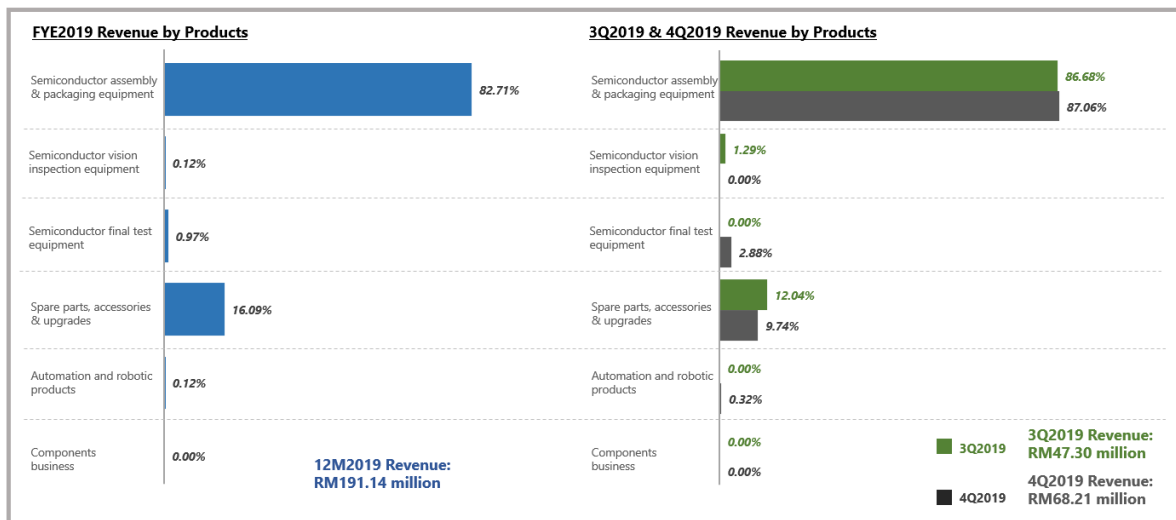


- In FYE2019 Mi Equipment contributed 99.5% with the sales of equipment, spare parts, accessories and upgrades. Mi Equipment contributed > 99% of group revenue in all quarters of the year.
- Mi International contributed 0.40% of our group revenue, which comprises spare parts sales.
- Mi Components was only serving Mi Equipment’s internal requirements in FYE2019 and hence all its revenue and profits were eliminated on consolidation.
- Mi Autobotics registered its first revenue of RM0.22 million in 4Q2019 after a pre-operating period of only 9 months. The revenue was derived from the Oto Series which are specialized Artificial Intelligence (AI) enabled machines. We expect further momentum for Mi Autobotics in 2020 as it prepares to move into the Batu Kawan factory in 1Q2020 once CCC is obtained.

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4) Review of product breakdown

The contribution by product breakdown on a consolidated basis is set out below:



4a) Semiconductor equipment

- Our assembly & packaging equipment contributed 82.7% to group revenue in FYE2019 and this is consistent with the trend from 4Q2019 and 3Q2019. The assembly and packaging equipment, in particular our flagship *Mi Series*, remains the top contributor.
- Our new Bayan Lepas plant for Mi Equipment has maximum capacity of 45 machines per month and will attain 50% - 60% capacity by end 2020. Previously, the average was 8-10 machines per month in our rented premises.
- We currently have 18 demonstration units in the market as of 31 December 2019. These demonstration units comprise *Mi Series*, *Li Series* and *Vi Series*.
- Our order visibility is currently around 3 months, which is healthy.

4b) Spare parts, accessories & upgrades

- Spare parts, accessories and upgrades contributed 16.1% in FYE2019. This is within the norm as this product segment typically contributes approximately 15% to revenue.

4c) Automation & robotic products

- Mi Autobotics has started generating revenue after pre-operating period of only nine months since Jan 2019 when the first employee came on board. In less than a year, the product has been successfully developed and commercialised. The revenue was generated from the *Oto Series* and the customer is a US company from the semiconductor industry.

4d) Components business

- For FYE2019, the components business was contributed from the trading of machinery piece parts, serving the internal demand from Mi Equipment for precision metal components.

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5) Outlook & Prospects

- We are optimistic of healthy growth in both revenue and profitability for FY2020. This is in line with SEMI's forecast that equipment sales will grow in 2020 with Taiwan leading the way followed by China and Korea. Continued trend of miniaturization and higher content in 5G devices are key factors fuelling the growth of semiconductor equipment market.
- We are experiencing heightened levels of activities and inquiries from both Taiwan and Korea. China is also anticipated to be positive and the Covid-19 outbreak is a temporary interruption. So far, we have not experienced order cancellations. Even if there are some delays, activities may increase later due to the backlog created. We expect Taiwan, Korea and China to be our top markets for 2020.
- More information on the development of the various business units are set out below.
- We believe that staying in the forefront of technology is paramount. RM45 million from our IPO proceeds will be deployed as a start to build Engineering Centres in Taiwan, China and Korea to undertake R&D which will enable us to keep abreast with evolving technology trends. The Taiwan (Hsinchu) and Korea (Suwon) Technology Centres are already operational and we are targeting to have equipment prototype developed by 2020.
- For the new subsidiaries, Mi Autobotics and Mi Components will contribute external revenue in FY2020.
- We are encouraged by the solid engagement and level of inquiries from our customers and we are on-course in achieving our 5-year plan. We foresee 2020 to be a very busy but rewarding year for us as we carry out our strategies to expand our business.

6) Mi Equipment: Semiconductor Equipment Business Unit

6a) Assembly & Packaging Equipment

Mi & Li Series: Die sorting equipment, Malaysia (Penang) Technology Centre (Operational)

Ai Series: Die bonding & LAB equipment, Korea (Suwon) Technology Centre (Operational)

- In 2020, Assembly & Packaging equipment will remain as a key revenue contributor.
- We expect our flagship *Mi Series WLCSP sorting machine* to continue gaining market share with its new *Mi40* model.
- As for the *Li Series* which caters to FOWLP wafer/panel reconstruction process, we are targeting to launch a new platform by 2Q2020 which offers higher speed and specifications.
- We have started our LAB (laser assisted bonding) equipment development in Suwon, Korea and expect to deliver the first prototype in 3Q2020 which will integrate with our high precision die bonding/attaching machines to complete the entire *Ai Series* products portfolio.

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6b) Final Test Equipment

Si Series: Fine pitch test equipment, China Technology Centre (In-progress)

- The pace of transferring product development activities to China will experience some slowdown in the 1st half of this year but will accelerate in the 2nd half. The slowdown is mainly due to the Covid-19 outbreak.
- However, the collaboration with our customers in China for further enhancements was not affected.

6c) Vision Inspection Equipment

Vi Series: IR & 3D inspection equipment (Taiwan)

- We are launching the new models for the *Vi Series* to capture opportunities from high-end flip chip as well as SiP and 2.5D packages on the silicon defects inspection process. The demo machines for this new model will undergo qualification process in the first half of this year.

6d) Intellectual Properties and Patents

- We are a technology company and protecting our proprietary intellectual property is important to us. As at the end of 4Q2019, we have 4 patents granted, 20 patents pending and 2 patents in drafting stage.

7) Mi Autobotics: Automation, Robotics & AI Business Unit

7a) Expansion and Investment Plan

- Mi Autobotics will be moving to Home 2 in March 2020 after CCC is obtained. The construction has been completed and the internal renovation is at the final phase. RM30 million for the construction of this factory is funded by our IPO proceeds.
- Budgeted capex for 2020 is approximately RM2.0 million for research & development (R&D), production equipment, hardware and software.

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7b) New product launch & technology

The first Oto series product has been sold to a US company. The *Kobot Series* mobile robot is at the final development stage and will be ready to launch by 2Q2020. More potential customers are being approached for these products and other new designs.

The development of the *Engeye Series* (artificial intelligent products) is also gaining traction. A proof-of-concept prototype is targeted in 2Q2020 for data collection and AI development. This product is used to perform data mining, AI analysis and decision making to assist engineers and operations to respond to and prevent the possible excursions.

7c) Outlook and prospects for Mi Autobotics

While the US-China trade tension eases, the industry geography has changed with remapping of production locations. The OEM, ODM, OSAT, EMS and CM are adapting to the new business environment with many challenges which also presents new opportunities. This will create higher demand for Industry 4.0 solutions which calls for greater customization, shorter-time-to market as well as better returns for manufacturers.

The Covid-19 event further reinforces that automating the supply chain is crucial to minimise disruptions stemming from manpower risks. We expect further momentum in 2020 driven by the robotics and AI products. Automation of processes is the way of the future to minimise disruptions and to ensure business continuity.

8) Mi Components: Modules and Components Business Unit

8a) Expansion and Investment Plan

We have improved further on the machining cycle time and fine-tuned our processes. Our planned capex for 2020 is approximately RM5 million.

8b) Industrial Module Products

The first product, being the *PH Series*, being our in-house designed pick & place precision module has been qualified and been running in production mode. We expect the second product, being the Flipper Head Modules, to be qualified towards end of 2Q2020.

8c) Commercial Products

Mi Components will prioritize on the industrial products mentioned above.

8d) Outlook and prospects for the components market

We are working with internal & potential external customers on other Industrial Modules fabrication, assembly and test possibilities. We will continue to evaluate this business strategy cautiously due to high capex requirements as we strive to maintain our profit margin guidance.