

FYE2020 Second Quarter Results for Period Ended 30 June 2020 (2Q2020)

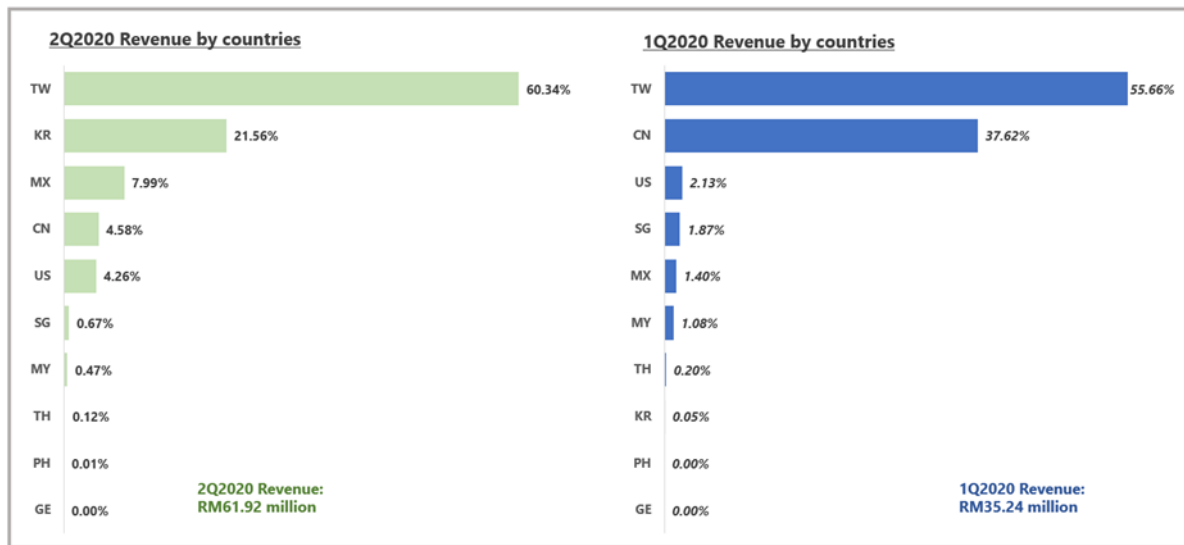
1.0) 2Q2020 Income statement review

	2Q2020 (RM '000)	1Q2020 (RM '000)	QoQ Variance (%)	2Q2019 (RM '000)	YoY Variance (%)
Revenue	61,916	35,243	75.7%	46,134	34.2%
Gross Profit	28,333	14,147	100.3%	23,693	19.6%
GP Margin	45.8%	40.1%		51.4%	
Profit before Tax	18,384	10,335	77.9%	17,384	5.8%
PBT Margin	29.7%	29.3%		37.7%	
Profit after tax	18,100	10,183	77.7%	17,376	4.2%

- a. In 2Q2020, the Mi Technovation Group recorded revenue of RM61.9 million which is a 75.7% improvement quarter-on-quarter (QoQ) and 34.2% higher year-on-year (YoY). Despite interruptions from the Movement Control Order, the Group was able to deliver significant improvement in results this quarter. This was mainly due to continuous high demand from customers. As guided earlier, we did not experience significant order cancellations or deferments caused by the pandemic.
- b. Gross profit (GP) of RM28.3 million was 100.3% higher compared to the preceding quarter which was RM14.1 million and 19.6% higher YoY. Better GP margin as compared to the preceding quarter was a result of manufacturing efficiencies and production cost control despite increase in commission payable to external sales agent.
- c. Profit before tax (PBT) for the reporting quarter was RM18.4 million, which was a 77.9% increase QoQ and a 5.8% increase YoY. PBT would have been even higher this quarter if not for the loss on foreign exchange of RM1.3 million this quarter.
- d. The Group recorded PBT margin of 29.7% which is once again at the high end of the targeted range of 20% to 30%. Despite the expansion plans carried out by the Group, we were still able to grow profitably and delivered solid financial performance in the second quarter which was disrupted by the MCO and pandemic.
- e. Our Group's maintenance capex is approximately RM14 million for FY2020 where RM10 million is earmarked for Mi Equipment and RM4 million for Mi Autobotics.
- f. Our Group's effective tax rate for the quarter is 1.54%.
- g. Our technology centres and manufacturing facilities outside of Malaysia will be our key differentiator which will accord us competitive advantage in the market. Although we are on an expansion mode, we will continue to prudently manage our resources to maintain healthy financial performance. We are clear on our strategy in pursuing long term goals in the direction the market is heading.
- h. As at the end of 2Q2020, we have 4 patents granted, 22 patents pending and 1 patent in drafting stage.

2.0) Review of revenue/business breakdown by countries

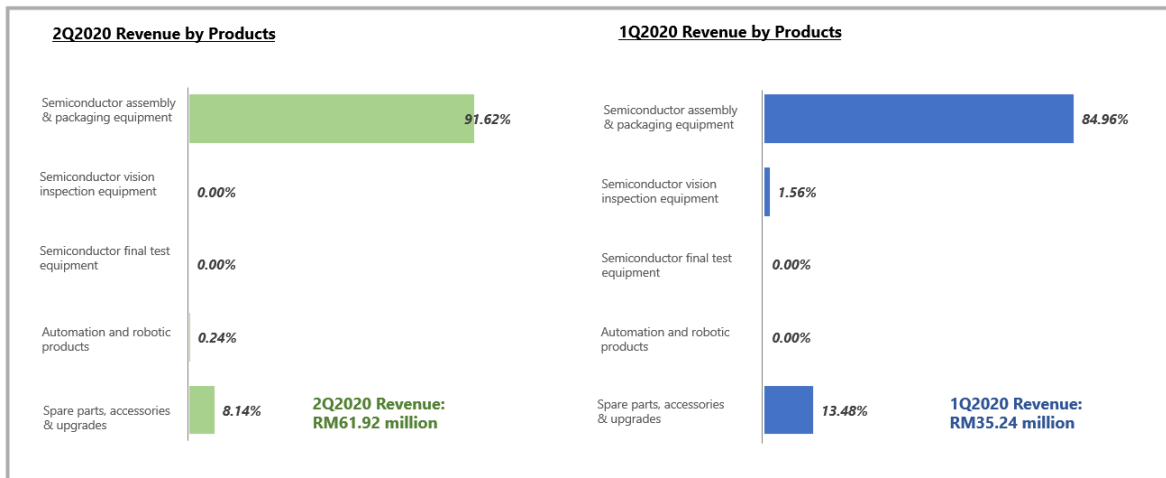
The contribution by countries breakdown on a consolidated basis is set out below:



- The chart above shows our consolidated revenue breakdown by countries for 2Q2020 and 1Q2020. Revenue in 2Q2020 was derived from 9 countries.
- For five consecutive quarters, Taiwan has been the largest contributor and accounted for 60.34% of revenue for 2Q2020. We expect Taiwan to maintain as a top market for us this year. To better serve the customers in our top market, we have a technology centre and in the midst of setting up our first production facility outside Malaysia in Hsinchu, Taiwan, which is expected to be completed by the end of this year.
- Korea moved up significantly to take the second spot with 21.56% contribution. This signals the return of our Korea customer's purchase cycle as sales to Korea has been subdued for the last four quarters. This is also in line with SEMI's forecast that Korea's equipment spending is ramping up, powered by recovery in memory investment. We expect Korea to be our top 3 markets this year and we are well positioned there with our technology centre operational.
- Sales to Mexico increased due to equipment purchases by our IDM customer. Revenue also comprised of spare parts, accessories and upgrades.
- China dropped to fourth position after several quarters of being our top 3 markets. We believe that China will continue to be an important market for new equipment and we plan to position ourselves and are currently finalizing our plans to set up a technology centre by this year, followed by manufacturing facilities next year.
- USA took fifth position with sales of machines, spare parts, accessories and upgrades.

3.0) Review of revenue/business breakdown by products

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



3.1) Semiconductor equipment (Mi Equipment Group)

- Our assembly & packaging equipment contributed 91.62% to group revenue in 2Q2020 as compared to 84.96% in 1Q2020. *Mi Series* remains the largest contributor to revenue.
- We currently have 12 demonstration units in the market as of 30 June 2020. These demonstration units comprise *Mi Series*, *Li Series* and *Vi Series*.
- We have seen some improvements in order visibility from 6 weeks in the first quarter to 8 weeks currently, which is considered healthy. We are currently experiencing heightened level of activities and inquiries as pent-up demand from the pandemic is emerging.
- China is accelerating its efforts to advance its domestic semiconductor industry, amid ongoing trade tensions, in hopes of becoming more self-sufficient. In the last few quarters, we witnessed the rapid transformation of China's technology landscape as it prepares to achieve its *Made in China 2025* roadmap which is to be 70 per cent self-sufficiency in semiconductor production by 2025. We are putting in place plans to be part of this prospective vibrant ecosystem and target to set up our China manufacturing facilities by 2021.
- It is also part of our business continuity planning to have production facilities in various locations as the COVID-19 lockdown has demonstrated the importance of having offshore facilities as part of crisis management. We will be providing further details of our plans by the end of this year.
- SEMI has projected that global sales of semiconductor manufacturing equipment by original equipment manufacturers will log a record high revenue of USD70.5 billion in 2021 from USD63.2 billion in 2020. The assembly and packaging equipment segment is forecasted to grow 10% to USD3.2 billion in 2020 and 8% to USD3.4 billion in 2021, driven by advanced packaging capacity build-up. The semiconductor test equipment market is expected to increase 13%, reaching USD5.7 billion in 2020, and to continue the growth momentum in 2021 on the back of 5G demand.

- g. China, Taiwan and South Korea are expected to lead spending in 2020. China is expected to lead semiconductor equipment spending in 2021 with robust spending in the foundry and memory sectors. Taiwan will take second spot while Korea equipment spending is projected to grow 30% in 2021, powered by recovery in memory investment.
- h. Our overseas technology centres and manufacturing sites are in these top growing countries and we are positioning ourselves to capture the market.

3.2) Automation & robotic products (Mi Autobotics)

- a. Mi Autobotics has moved into Home 2 in end-May 2020 and commenced operations there from June 2020. Revenue of RM0.15 million registered in the current quarter was derived from the *Kobot Series* from a semiconductor industry customer. We have received further orders mostly from USA and Taiwan customers and expect stronger momentum as the pandemic has accelerated the adoption of Industry 4.0. We are targeting 25% capacity utilization for Home 2 by the end of this year. We are still expanding our team and positioning to move beyond the semiconductor industry in 2021.
- b. Based on orders in hand, *Oto Series* products are currently being assembled for Q3 shipment. More *Oto Series* products are being developed with our customers and conceptual designs are being reviewed. We are currently innovating both the hardware and software for wider applications.
- c. Several *Kobot series* products which complements our *Mi Series* are ramping in Q3 for multiple end customers Taiwan, China and US after successful introduction to the first customer.
- d. The *Engeye Series*, which involves AI face recognition is at the final stage of development and targeted for launch by the end of the year.
- e. With the risks posed by trade tension and the pandemic, countries are now localising supply chain. To remain competitive and efficient, automation has become key, more so in the post pandemic era to adhere to new SOPs such as social distancing. Automation and robotics are also key to minimize shutdown in the event of another lockdown. We have earlier identified the trend for an autonomous future and set up our Automation & Robotics Business Unit.

3.3) Spare parts, accessories & upgrades

- a. Spare parts, accessories and upgrades contributed 8.14% in 2Q2020 as compared to 13.48% in the preceding quarter. This product segment typically contributes 12%-15% to revenue.

3.4) Components business

- a. We are looking to re-structure our components business model. Further information on the direction of Mi Components will be released once the plans are finalised.

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