

Micro-Mechanics (Holdings) Ltd.

**High Precision Manufacturer of Consumable Tools,
Parts & Assemblies to High-Tech Industries**



SGX Main Board MMH SP / MMEC.SI

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Pursuing sustainable and profitable growth

- Recurring revenue from precision consumable tools
- Strong competitive position in tooling segment
- CMA business provides diversification potential
- Gross profit margin consistently above 50%
- Cash generative model and sound financial position
- Attractive dividend track record

Recurring revenue streams from consumable products

Founded in 1983, Micro-Mechanics designs and manufactures an extensive range of market-leading precision tools and consumable parts used in the assembly and testing of semiconductors.

The steady, recurring revenue streams from these consumable semiconductor tooling products make Micro-Mechanics less susceptible to the cyclical swings that are typical of the semiconductor industry.

Strong competitive position, High barriers to entry

Micro-Mechanics' semiconductor tooling business operates in a highly fragmented segment of the chip industry. The Group does not have a single direct rival with a comparable product range, manufacturing scale and geographical coverage. Its proprietary designs, materials and manufacturing know-how raise significant barriers for new entrants to its segment of the industry. The Group's strong competitive position is underlined by its ability to consistently achieve gross profit margins of above 50%.

Diversifying sector and geographical exposure

The Group also has a Custom Machining and Assembly (CMA) Division that manufactures high precision parts and assemblies, on a contract basis, for capital equipment makers from the laser, semiconductor, aerospace, medical and other industries. Besides offering sector diversification, the CMA Division's focus on customers in the USA also provides a balance to its semiconductor tooling business, which is centered mainly on customers in Asia.

Global customer base

With five manufacturing facilities in Singapore, Malaysia, China, the Philippines and the USA, and its global sales presence, Micro-Mechanics has the ability to provide fast and effective local support to its customers worldwide. With a base of over 600 customers, the Group has low concentration risk.

Cash generative model and sound financial position

Micro-Mechanics' cash generative business model is underscored by its consistently positive operating cash flows. The health of the Group's balance sheet is exemplified by its well-managed accounts receivables, lean inventory levels, zero debt and healthy cash balances.

STOCK INFORMATION

Price (01/06/16)	S\$0.78
Shares Issued	139.0 m
Market Cap	S\$108.4m
52-wk high	S\$0.90
52-wk low	S\$0.61
Free Float	~ 38%
Major Shareholders	Sarcadia LLC (27.2%) Christopher R Borch (25.5%) Low Ming Wah (5.1%)

BUSINESS SNAPSHOT

Core business activities	Semiconductor Tooling segment <i>(consumable high precision tools and parts use in semiconductor assembly & test process)</i>
	CMA segment <i>(custom machining & assembly of parts and modules for capital equipment makers)</i>
Market presence	Worldwide
Customer segments	Semiconductor, laser, aerospace, medical
Manufacturing facilities	Singapore, Malaysia, Philippines, China, USA

KEY STATISTICS

	FY2015 (FY 30 June)
Price to Sales	2.1 times
Price to Earnings	9.0 times
Price to NAV	2.3 times
Dividend Yield	6.4%

PER SHARE DATA (CENTS)

	FY2013	FY2014	FY2015	9M16
Earnings	3.69	5.57	8.65	6.51
Cash	6.6	8.0	10.9	12.3
Op Cashflow	6.4	7.8	10.2	8.9
NAV	27.29	29.57	33.72	34.44
Dividend	3.0	3.0	5.0	2.0 [#]
Shares in issue (mil)	139.03	139.03	139.03	139.03

[#]Interim dividend for 1H16

Attractive dividend track record

The Group is committed to generating value for shareholders and has consistently paid attractive annual dividends since its listing in 2003. To-date, Micro-Mechanics has paid dividends totalling 41.9 cents per share. The Group has a formal dividend policy to distribute an annual dividend of not less than 40% of its net profit.

Capitalising on semiconductor industry trends

The Group benefits from the semiconductor industry's underlying trends towards continual miniaturization and densification as well as the proliferation of chip package sizes, which is being driven by the increasing demand for more sophisticated and compact products for consumer applications.

With its advanced know-how in micro-manufacturing processes, the Group has been able to capitalise on its ability to produce tools with feature sizes previously out of reach, or too costly to bring to market.

Widely recognised for CG and IR practices

Since listing, Micro-Mechanics has received recognition for its good corporate governance, transparency and investor relations practices. These corporate accolades include six Best Investor Relations Awards (small cap category) and two Best Managed Board (small cap category) Awards at the Singapore Corporate Awards. The Group has also received seven awards from the Securities Investors Association Singapore for its corporate transparency and governance practices.

P&L SNAPSHOT (S\$ million)

	FY2013	FY2014	FY2015	9M16
Revenue	39.2	43.9	52.2	38.3
Gross Profit	19.2	22.2	28.7	21.8
PBT	6.9	9.7	15.4	11.8
PATMI	5.1	7.7	12.0	9.1

BALANCE SHEET (S\$ million)

	FY2013	FY2014	FY2015	9M16
Current Assets	19.9	23.8	28.8	30.0
LT Assets	25.0	27.2	26.9	26.3
Current Liabilities	5.7	8.5	7.5	6.7
LT Liabilities	1.3	1.3	1.3	1.7
Equity	37.9	41.1	46.9	47.9

Disclaimer

This document contains certain forward-looking statements that are not statements of historical fact. Investors can identify some of these statements by forward-looking items such as 'expect', 'believe', 'plan', 'intend', 'estimate', 'anticipate', 'may', 'will', 'would', and 'could' or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. These statements are based on current expectations, projections and assumptions about future events. Although Micro-Mechanics Holdings Ltd. believes that these expectations, projections, and assumptions are reasonable, these forward-looking statements are subject to risks, uncertainties and assumptions about its business operations. As such, the forward-looking events referred to in this document may not occur and actual results may differ materially from those expressly or impliedly anticipated in these forward-looking statements. Investors are advised not to place undue reliance on these forward-looking statements.

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Practical and sustainable growth strategies

To grow its revenue and profits, Micro-Mechanics has invested in several initiatives to expand and strengthen its manufacturing capacity and capabilities.

The Group's focus is on enhancing the value it brings to customers. Whether it designs and manufactures a semiconductor tool or machines a critical part for an equipment maker, its mission is to deliver "Perfect Parts and Tools, On Time, Every Time" based on repeatable, scalable and cost-effective processes.

As it pursues this mission, the Group plans to continue deploying resources towards the development of automated processes. By focusing on its core competencies and developing innovative processes such as 24/7 Machining, Micro-Mechanics has been improving the quality, velocity and productivity of its operations while reducing its reliance on labour.

To capitalize on the long-term prospects of the global chip industry, the Group is continually expanding its range of semiconductor tools to offer a 'One-Stop' solution.

For the CMA Division, the main focus presently is to grow sales by working to strengthen its engineering processes and enhance its strategic importance to key customers.

BUSINESS SEGMENTS (S\$ million)

9M16	Sales	% contribution	GPM
Semiconductor tooling	33.1	86.5%	63.1%
CMA	5.2	13.5%	16.6%

KEY FINANCIAL RATIOS (%)

	FY2013	FY2014	FY2015	9M16
Sales Growth	0.9	12.0	19.0	(2.6)
PATMI Growth	21.4	51.0	55.3	(1.5)
EPS Growth	21.4	51.0	55.3	(1.5)
GP Margin	49.1	50.7	55.0	56.8
NP Margin	13.1	17.6	23.0	23.6
Gearing (times)	Zero Borrowings			
Return on equity	13.5	18.8	25.6	25.2*
Dividend payout	81.3	53.9	57.8	44.1#

*Annualised #Interim dividend for 1H16

Financial year-end 30 June