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Avi-Tech Reports Second Quarter and Half-Year 2020 Results

Delivered higher profit and gross margin on the back of semiconductor industry recovery and improved productivity & effective cost management

Continual focus on enhancing shareholder return with interim dividend of 1.0 cent per ordinary share

SINGAPORE, 13 February 2020 – Avi-Tech Electronics Limited (“Avi-Tech” or “the Group”), a total solutions provider for burn-in services, manufacturing and PCBA service and engineering services for the semiconductor, electronics and life sciences industries, announced its financial results for the second quarter (“2Q2020”) and half-year (“1H2020”) ended 31 December 2019.

Mr Lim Eng Hong, CEO of Avi-Tech said, “The first half of financial year 2020 was positive for us, given the recovery in the semiconductor industry which had bottomed out sometime in July 2019. The automotive-related semiconductor market continued its steady growth path given the rising demand for electric and hybrid vehicles, and the increasing electrification of traditional mass-market models. Our Burn-In Services and Manufacturing and PCBA Services business segments were able to leverage the improving macroeconomic and market conditions, and turned in another strong set of results.”

Results Highlights

- Net profit grew 71.2% y-o-y to S\$3.1 million on revenue of S\$15.6 million in 1H2020
- Gross margin expanded more than 10pptⁱ to 38.6%
- Strong cash flow of \$4.6 million generated from operating activities with net cash position of S\$36.0 millionⁱⁱ
- Declared interim dividend of 1.0 cent per share

S\$ Million	2Q2020	2Q2019	Change (%)	1H2020	1H2019	Change (%)
Revenue	7.5	7.7	-2.1	15.6	15.5	0.8
Gross Profit	3.0	2.1	39.7	6.0	4.4	38.0
GP Margin (%)	39.7	27.9	11.8ppt ⁱ	38.6	28.2	10.4ppt ⁱ
PBT	1.7	1.2	44.7	3.8	2.2	69
Net Profit	1.4	1.0	46.7	3.1	1.8	71.2
Basic and Diluted EPS (cents)	0.82	0.56		1.82	1.06	

The Group's strong 1H2020 financial performance mirrored the improving conditions of the semiconductor industry. Group revenue improved by 0.8% to S\$15.6 million, while gross profit improved by 38.0% to S\$6.0 million in 1H2020. The improved gross profit was primarily attributed to a lower unit cost of production achieved through ongoing cost control measures and enhanced productivity across all business segments. Gross margin correspondingly improved to 38.6% in 1H 2020 from 28.2% in 1H2019. The Group registered a 71.2% increase in net profit to S\$3.1 million in 1H2020, while earnings per share stood at 1.82 cents.

The Group strengthened its balance sheet, with total assets increasing to S\$57.8 million while total liabilities at S\$7.7 million as at 31 December 2019. The Group had a positive working capital of S\$39.0 million, and net assets value per share of 29.28 cents. Net cash generated from operating activities in 1H2020 was S\$4.6 million, resulting in a net cash position of S\$36.0 millionⁱⁱ.

Burn-In Services contributed strongly while Manufacturing and PCBA Services maintained its steady performance

Segment wise, the Group's Burn-In Services and Manufacturing and PCBA Services business segments were the main revenue contributors. The Burn-In-Services business segment recognised a 36.2% increase in revenue to S\$6.4 million in 1H2020 (1H2019: S\$4.7 million). The Manufacturing and PCBA Services business segment continues to contribute steadily to the Group's revenue, with revenue S\$7.2 million in 1H2020 (1H2019: S\$8.4 million). The Engineering Services business segment continued to be impacted by the challenging manufacturing sector which only began showing signs of recovery towards the end of 2019, with a resultant revenue decline of 16.7% to S\$2.0 million (1H2019: S\$2.4 million).

Focused on enhancing shareholder return; declared interim dividend

On the back of the Group's strong performance and sound financial position, the Board has declared an interim dividend of 1.0 cent per ordinary share, equivalent to a dividend payout ratio of 55.0% and a dividend yield of 2.4%ⁱⁱⁱ, in line with the Group's inclination towards profit-sharing with shareholders.

Avi-Tech on SGX Fast Track List for Good Corporate Governance & Compliance Track Record

In November 2019, Avi-Tech was one of 36 companies to be placed on Singapore Exchange (“SGX”) Fast Track list in the year. The SGX Fast Track programme, launched by the Singapore Exchange Regulation (“SGX RegCo”), accord companies prioritised clearance for selected corporate-action submissions, which is a testament to Avi-Tech’s efforts in raising corporate governance and compliance standards.

FY2020 Outlook

For the second half of FY2020, the Group maintained a cautious outlook given the challenges in the global economy.

Mr Lim added, “In spite of indications that the semiconductor industry appears to be turning around and the easing US-China trade tensions, recovery remains fragile. This is exacerbated by geopolitical uncertainties surrounding Brexit and Iran-US relations, and most recently, the worldwide novel coronavirus outbreak, all of which will negatively impact business and consumer confidence.

“While we have little control over external economic conditions, we will focus on increasing shareholder value by strengthening our core competencies and expanding our capabilities and customer base. We will continue to seek ways to unlock value from our strong balance sheet, and to pursue growth opportunities afforded by potential mergers and acquisitions and other business ventures.

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On 9 January 2020, SGX RegCo announced that it will apply quarterly reporting requirements only for companies associated with higher risks while strengthening continuous disclosure requirements on all listed companies. The SGX-ST Listing Rules have been revised with effect from 7 February 2020. Taking into account various factors, with effect from today, Avi-Tech will only be reporting the financial results of the Group on a half-yearly basis and will not be performing quarterly reporting. Please refer to our announcement dated 13 February 2020 for further details.

This press release is to be read in conjunction with Avi-Tech’s results announcement posted on the SGXNET on 13 February 2020.

ABOUT AVI-TECH ELECTRONICS LIMITED (CO. REG. NO. 198105976H)

Incorporated in Singapore in 1981 and listed on the Main Board of the Singapore Exchange Securities Trading Limited in 2007, Avi-Tech Electronics Limited is a total solutions provider for burn-in^{iv} and engineering services for the semiconductor, electronics and life sciences industries.

Our core business segments include Burn-in Services, Manufacturing and PCBA Services, and Engineering Services. Our clients are global leaders in semiconductor automotive, networking, and industrial products.

Headquartered in Singapore, Avi-Tech's production facility is equipped with advanced burn-in systems, many of which are designed and fabricated in-house. Our market presence has expanded beyond Singapore to Malaysia, Thailand, Vietnam, the Philippines, Taiwan, China, Japan, Europe and the United States.

Business excellence and quality assurance are of utmost importance in our business. We are proud to be one of only a few local SMEs to be conferred the prestigious Singapore Quality Award by the SQA Governing Council in 2008. We also garnered the Singapore Quality Class award by SPRING Singapore in 1998 (with award renewals in 2001, 2003 and 2005) and won the Enterprise 50 award (Ranking: 1st) by the Singapore Economic Development Board in 1999. In addition, we have achieved ISO 9001, ISO 14001 and ISO 13485, and EICC certifications.

For more information, please visit our website www.avi-tech.com.sg

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies and venues for the sale/distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, and governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements which are based on current view of management on future events.

Issued by 29 Communications LLP for and on behalf of Avi-Tech Electronics Limited

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i "ppt" refers to percentage point

ii Include cash and bank balances, fixed and call deposits

iii Based on closing share price of S\$0.42 as at 31 December 2019

iv Burn-In is a reliability testing process during which semiconductor components are stress-tested by subjecting them to voltages in a burn-in oven to detect failures and weed out defective components. Semiconductor components used in fail-safe products such as automotive, networking, aviation and other critical industrial applications, must undergo burn-in tests. A burn-in board is a printed circuit board which consists of sockets. The semiconductor components are loaded onto the sockets of the burn-in boards which are then inserted into the burn-in ovens for the burn-in stress test. Avi-Tech's business covers the full-range of burn-in services including the design and manufacture of burn-in boards and the various burn-in tests such as Static, Dynamic, Test During Burn-In and High Power Burn-In.