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

The Group achieved 28.5% increase in net profit to \$6.0 million on the back of \$29.4 million revenue

Higher gross margin of 35.7% attributed to improved productivity, stringent cost control and reduced weighted products' cost

Proposed final dividend of 1.0 cent per share and special dividend of 0.5 cents per share given the Group's profitability, net positive operating cash flow, strong balance sheet and healthy cash position of \$38.3¹ million

SINGAPORE, 27 August 2020 – Avi-Tech Electronics Limited (“Avi-Tech” or “the Group”), a total solutions provider for burn-in services, manufacturing and PCBA services and engineering services for the semiconductor, electronics and life sciences industries, announced its financial results for the second half (“2H2020”) and full-year (“FY2020”) ended 30 June 2020.

Mr Lim Eng Hong, CEO of Avi-Tech said, “We have registered a creditable performance in FY2020 with net profit growth of 28.5% to S\$6.0 million compared to S\$4.6 million in FY2019. This is in spite of the very challenging operating environment brought about by the COVID-19 pandemic with resultant disruptions in global trade and supply chain, and the ongoing trade war between the United States and China which impacted trade flows in the automobiles, electronics, telecommunications and networking industries.

“With the lower unit cost of production achieved through productivity enhancements and tightened cost control, together with reduced weighted products' cost, we achieved higher gross profit margin of 35.7% from 31.4% in FY2019. Our net cash from operating activities in the year increased to S\$9.7 million as compared to S\$6.1 million last year, with a resultant healthy cash position of \$38.3 million.”

¹ Includes cash on hand and bank balances, fixed and call deposits and other financial assets at amortised cost

Results Highlights

S\$ Million	2H2020	2H2019	Change (%)	FY2020	FY2019	Change (%)
Revenue	13.8	18.1	-23.9	29.4	33.6	-12.5
Gross Profit	4.5	6.2	-27.4	10.5	10.5	-0.3
GP Margin (%)	32.5	34.1	-1.6ppt ²	35.7	31.4	+4.3ppt
PBT	3.2	3.5	-8.8	6.9	5.7	21.5
Net Profit	2.9	2.8	1.1	6.0	4.6	28.5
Basic and Diluted EPS (cents)	1.67	1.66	-	3.49	2.72	-

The Group's revenue in FY2020 declined by 12.5% to S\$29.4 million from S\$33.6 million in FY2019. Despite lower revenue, gross profit margin increased by 4.3ppt to 35.7% on the back of steady gross profit of S\$10.5 million while net profit grew by 28.5% to S\$6.0 million. For 2H2020, the Group registered a decrease in revenue of 23.9% to S\$13.8 million as compared to S\$18.1 million in 2H2019 due to lower revenue from Burn-In Services and Manufacturing and PCBA Services Divisions. Profit wise, 2H2020 net profit increased 1.1% to S\$2.9 million from S\$2.8 million in the corresponding period last year.

A strong balance sheet capped the Group's financial performance. The Group continued to be profitable and generated positive cashflow from its operations in FY2020. As at 30 June 2020, the Group's total assets were S\$59.2 million against total liabilities of S\$7.9 million, and the net asset value per share was 29.95 cents (FY2019: 28.97 cents).

Burn-In Services and Manufacturing and PCBA Services Divisions continue to drive performance while Engineering Services Division narrowed losses

Segmental wise, the Burn-In Services Division's revenue in FY2020 rose by 4.7% to S\$11.1 million (FY2019: S\$10.6 million) and it was the largest contributor to the Group's profit. Manufacturing and PCBA Services Division while registering lower revenue of S\$14.1 million in FY2020 (FY2019: S\$18.8 million), continued to be the main contributor to Group revenue and maintained its profitability in FY2020. The Engineering Services Division reduced its losses in FY2020 while its revenue held steady at S\$4.2 million, the same as it registered in FY2019.

Proposed Final and Special Dividend despite economic downturn reaffirms continued commitment to shareholder returns

In consideration of the Group's profitability in FY2020, its positive cash flow generated from operating activities, and its healthy cash position and strong balance sheet, the Board is proposing a final dividend of 1.0 cent per ordinary share and a special dividend of 0.5 cents per ordinary share. Including the interim dividend of 1.0 cent per ordinary share, we would have a dividend payout ratio of 71.6% of FY2020 net profit and a dividend yield of 6.1%.³ The dividend proposed despite the current economic climate reaffirms the Group's continued commitment to ensuring returns to shareholders.

² "ppt" refers to percentage points

³ Based on closing share price of \$0.41 on 30 June 2020

Improved Ranking in Singapore Governance and Transparency Index (“SGTI”) 2020

In the SGTI which evaluates listed companies on their corporate governance practices and disclosures, Avi-Tech’s ranking improved 14 places to be positioned 41st out of 577 listed companies in 2020 from 55th out of 578 listed companies in the previous year, as the Group strived for continual improvement in the timeliness, accessibility and transparency of its financial results.

FY2021 Outlook

The ongoing threats posed by the COVID-19 pandemic to economic recovery, the worsening trade war between the United States and China and growing protectionist sentiment, all of which will contribute to extremely challenging times ahead. In Singapore, its GDP plunged by 13.2% in 2Q2020 which has been reported to be the worst quarter on record, and the Ministry of Trade and Industry (“MTI”) has further cut its full-year projection to between -5 per cent and -7 per cent. MTI also warned that even with an expected pick-up in the second half of the year, markets continue to be significantly uncertain. As such, the Group will maintain a cautious outlook for FY2021.

Mr Lim added, “Although we cannot control the external economic factors, we can position ourselves during this period for the eventual upturn by focusing on increasing our core competencies, reskilling and upskilling our workforce, improving our productivity and enhancing our efficiencies, while continuing to focus on stringent cost management. We will also be relentless in our efforts to expand our customer base, as well as to broaden our capabilities with new ventures such as the investment into robotics software solutions with a strategic partnership for a minority stake of S\$500,000. We will continue to look for new growth opportunities through strategic partnerships, business alliances or mergers and acquisitions in complementary and emerging industries.

“While the near-term visibility is uncertain, the longer-term growth prospects of the semiconductor industry remain unaffected with the rapid advancement and deployment of Internet of Things and smart technologies in industries and cities, and the evolution of automotive-related semiconductors due to the irreversible macrotrends of electromobility and autonomous driving. These will create opportunities and may drive demand for our services and augur well for the Group.”

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With effect from 7 February 2020, SGX RegCo amended the Listing Rules to adopt a risk-based approach to quarterly reporting. Avi-Tech is not subject to the quarterly reporting requirement and will be required to report financial results for the first-half and full year.

This press release is to be read in conjunction with Avi-Tech’s results announcement posted on the SGXNET on 27 August 2020.

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.

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-in⁴ 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

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

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⁴ 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.