

QES INVESTOR BRIEFING Q2-2022 (24 Aug 2022)



QES®

Assuring you our best, always

IMEJJIWA in collaboration with





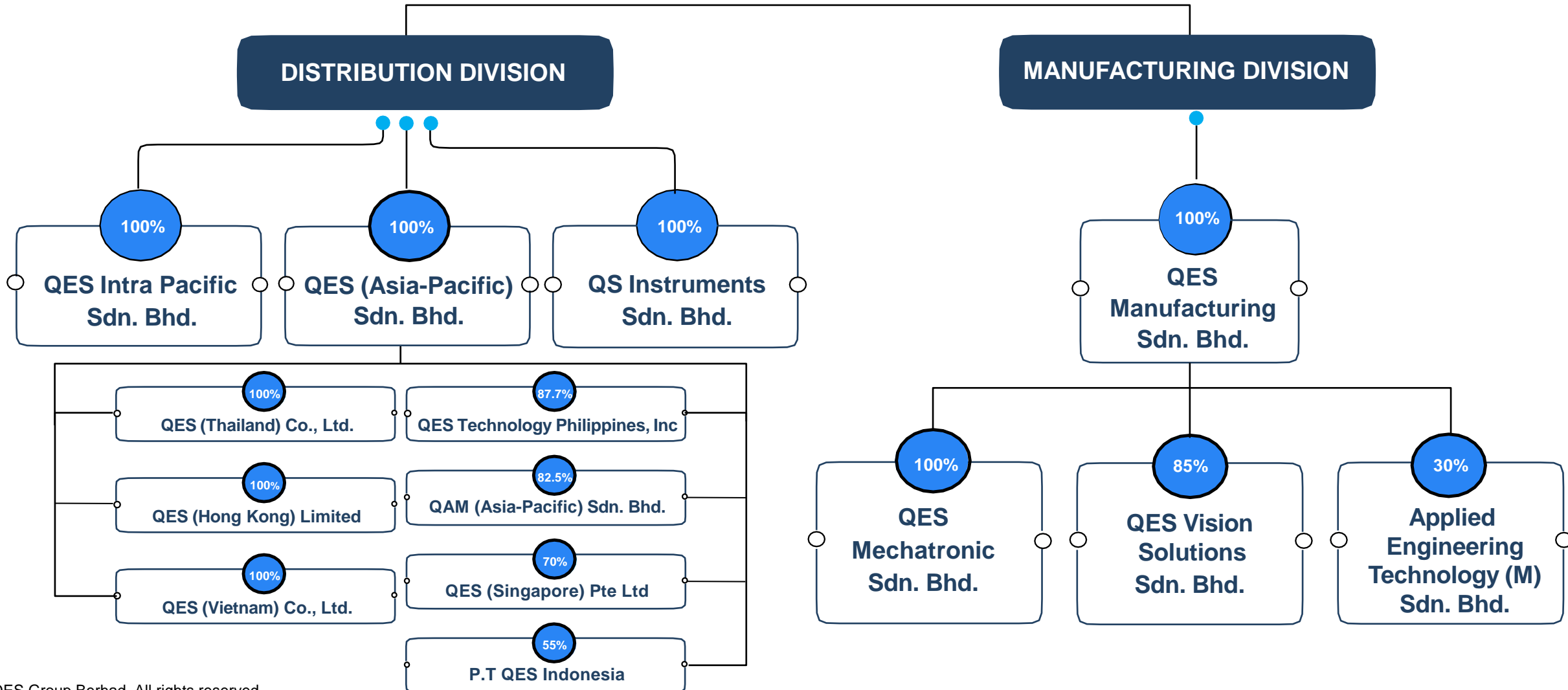
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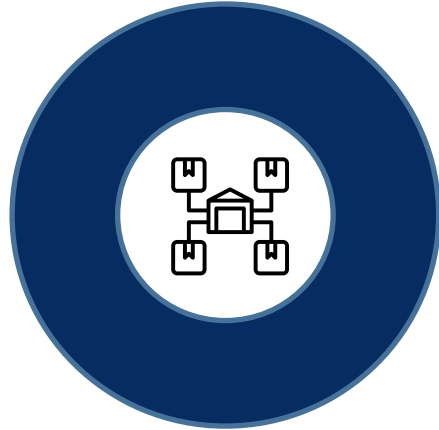
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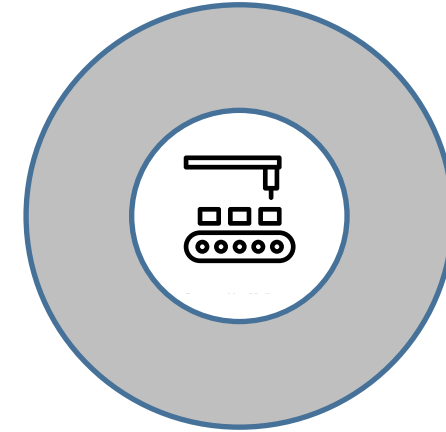
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Distribution



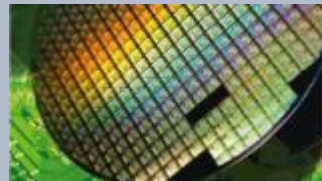
Manufacturing



**Analytical
Instruments**



**Inspection, Test
& Measurement
Equipment**



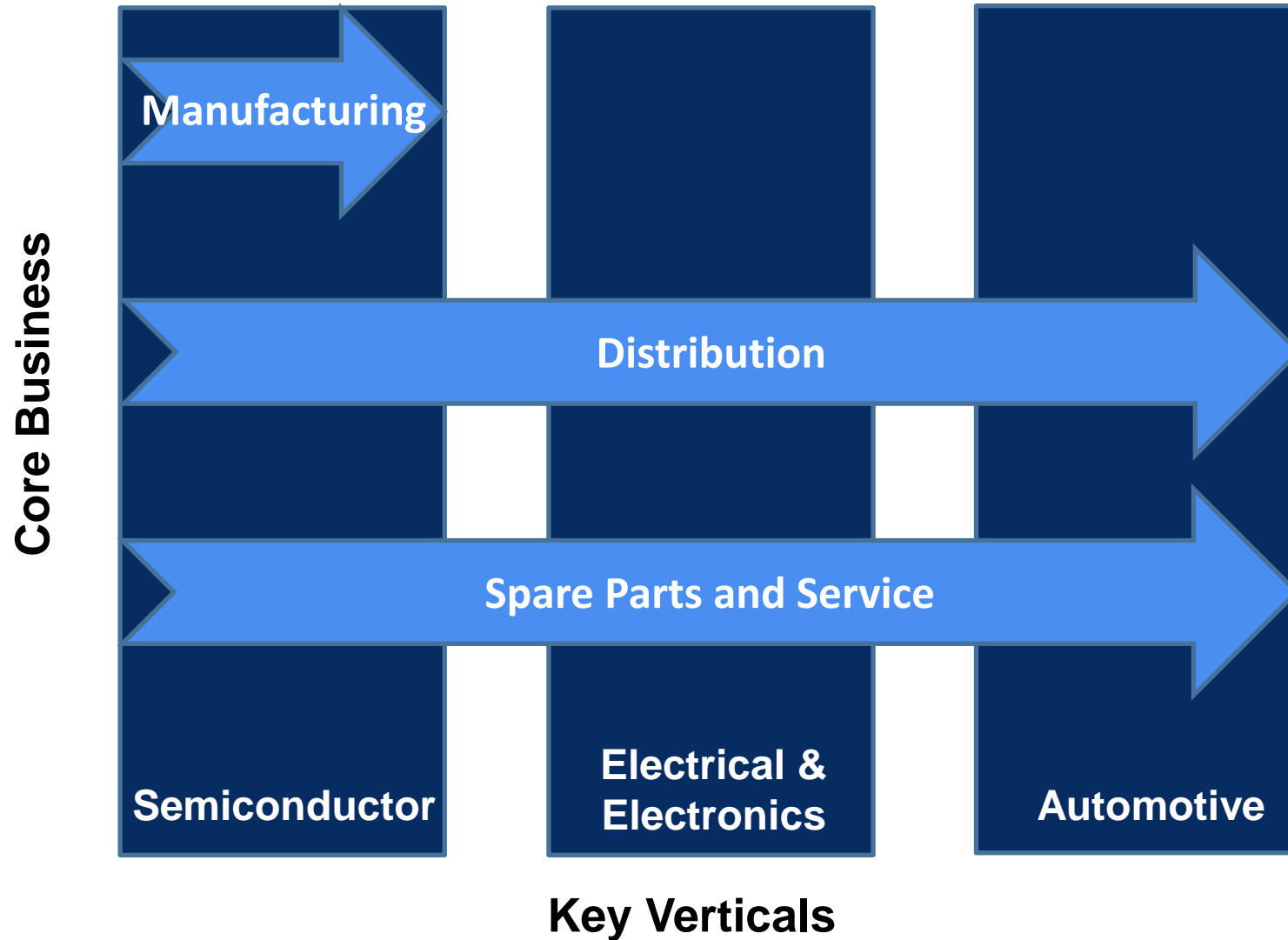
**Materials &
Engineering
Solutions**



**Semiconductor
Inspection &
Measuring
Equipment**



**Semiconductor
Automated
Handling
Equipment**



- ❖ Diversified into 3 core sectors
- ❖ Counter cyclical
- ❖ Spare parts and service provide strong recurring revenue
- ❖ Sustainable revenue growth

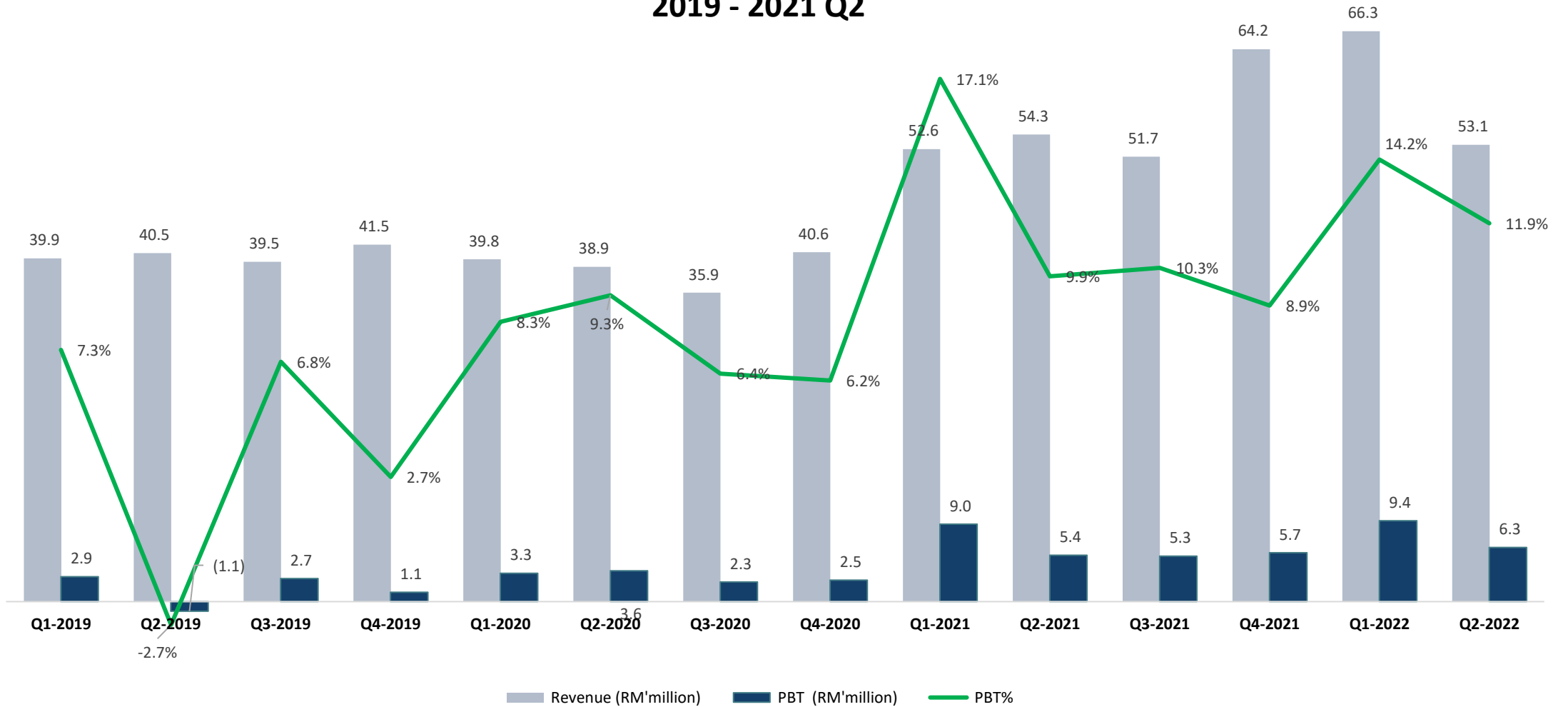
Financial Highlights - Quarterly Results QoQ and YoY

RM'mil	For the period ended					
	Q2 22	Q1 22	QoQ%	Jun 22	Jun 21	YoY%
Revenue						
Distribution	46.6	60.4	-22.8%	107.0	95.6	11.9%
- Product	29.3	40.6	-27.8%	69.9	60.6	15.3%
- Materials	4.7	9.4	-50.0%	14.1	12.3	14.6%
- Spares & Service	12.6	10.4	21.2%	23.0	22.7	1.3%
Manufacturing	6.5	5.9	10.2%	12.4	11.3	9.7%
Total Revenue	53.1	66.3	-19.9%	119.4	106.9	11.7%
GP						
Distribution	11.0	14.9	-26.2%	25.9	23.5	10.2%
- Product	6.3	10.2	-38.2%	16.5	14.7	12.2%
- Materials	0.9	1.4	-35.7%	2.3	1.7	35.3%
- Spares & Service	3.8	3.3	15.2%	7.1	7.1	0.0%
Manufacturing	1.9	2.0	-5.0%	3.9	3.6	8.3%
Total GP	12.9	16.9	-23.7%	29.8	27.1	10.0%
EBITDA	7.7	10.7	-28.0%	18.4	16.3	12.9%
Operating Cost	(6.4)	(7.2)	-11.1%	(13.6)	(12.7)	7.1%
Share of result of an associate, net of tax	(0.2)	(0.3)	-33.3%	(0.5)	-	0.0%
PBT	6.3	9.4	-33.0%	15.7	14.4	9.0%
Tax	(1.5)	(2.6)	-42.3%	(4.1)	(3.1)	32.3%
PAT	4.8	6.8	-29.4%	11.6	11.3	2.7%
MI	(0.1)	(0.1)	0.0%	(0.2)	(0.5)	-60.0%
PAT Attributable (PATMI)	4.7	6.7	-29.9%	11.4	10.8	5.6%

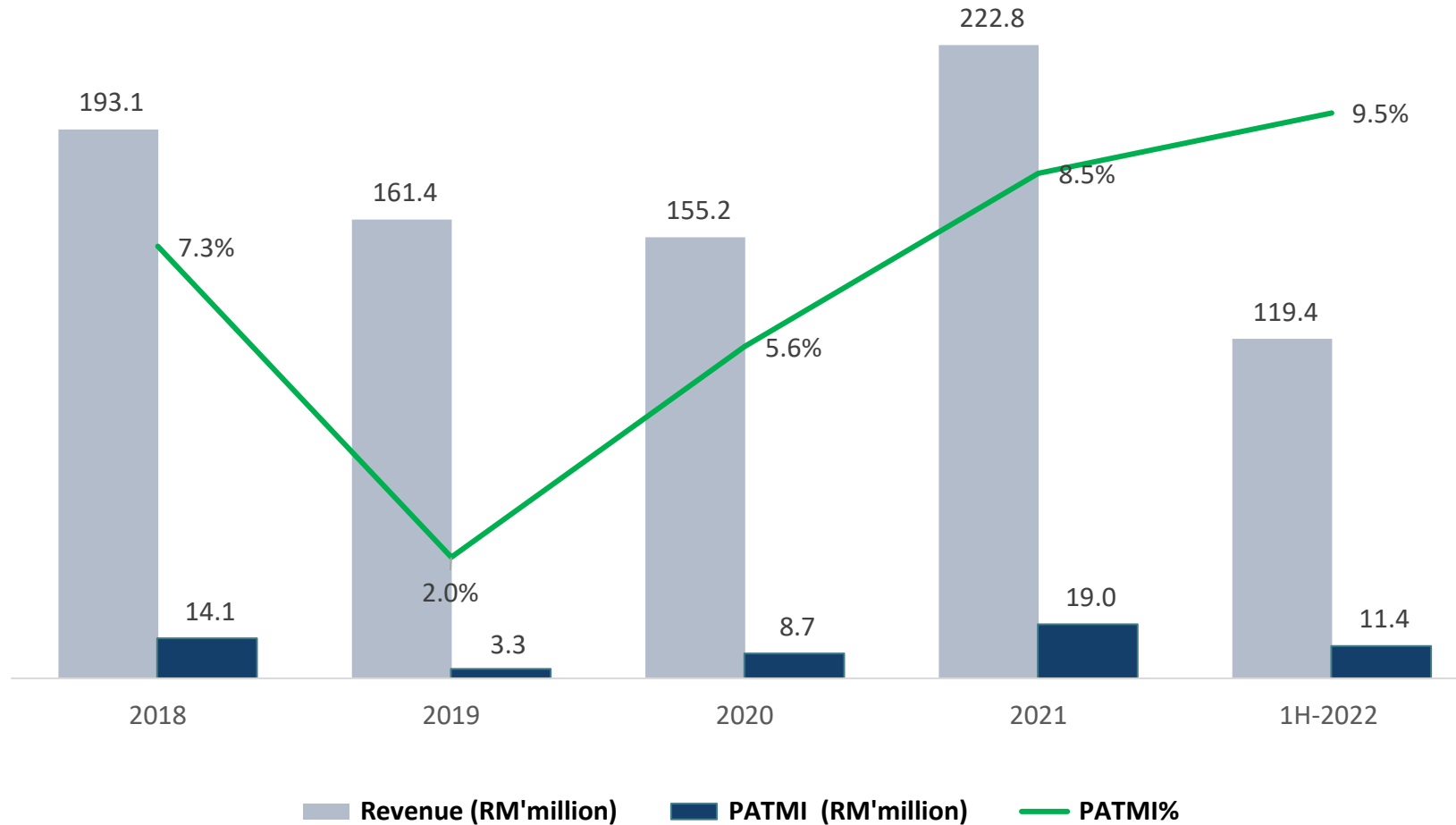
In RM 'mil

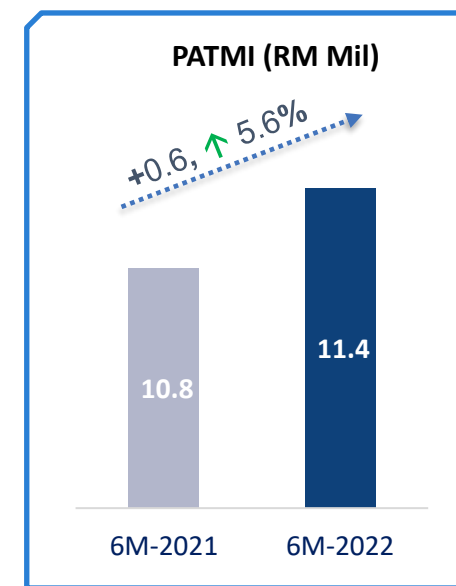
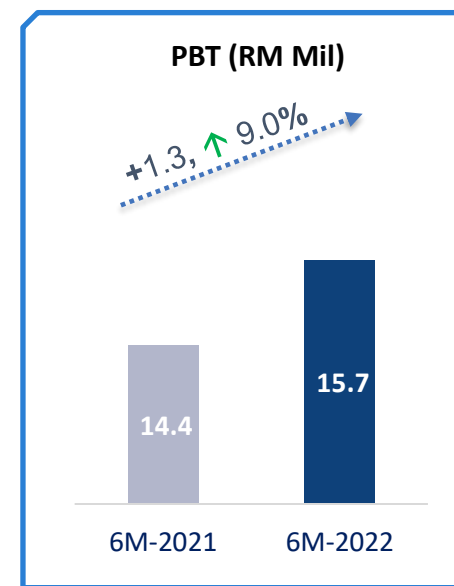
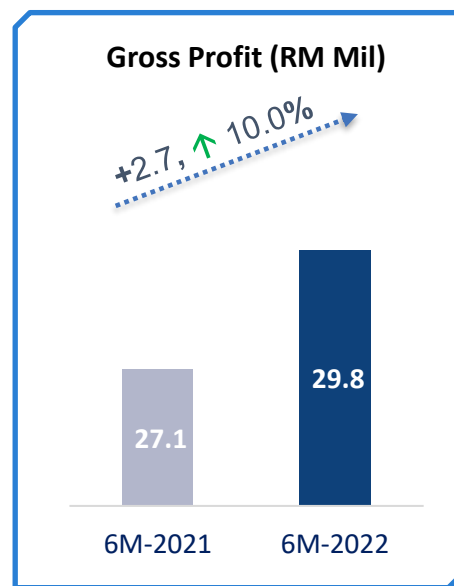
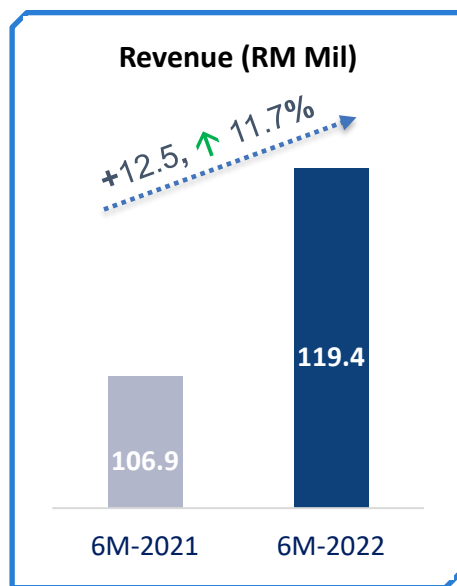
	Q2'22	Q2'21	Q1'22	Q2'22 vs Q2'21	Q2'22 vs Q1'22	For Period Ended		
						Jun'22	Jun'21	Jun'22 vs Jun'21
Revenue	53.1	54.3	66.3	↓ -2.2%	↓ -19.9%	119.4	106.9	↑ 11.7%
PATMI	4.7	3.9	6.7	↑ 20.5%	↓ -29.9%	11.4	10.8	↑ 5.6%
PATMI Margin	8.9%	7.2%	10.1%			9.5%	10.1%	
EBITDA	7.7	6.6	10.7	↑ 16.7%	↓ -28.0%	18.4	16.3	↑ 12.9%
EBITDA Margin	14.5%	12.2%	16.1%			15.4%	15.2%	

Quarterly Financial Highlights 2019 - 2021 Q2



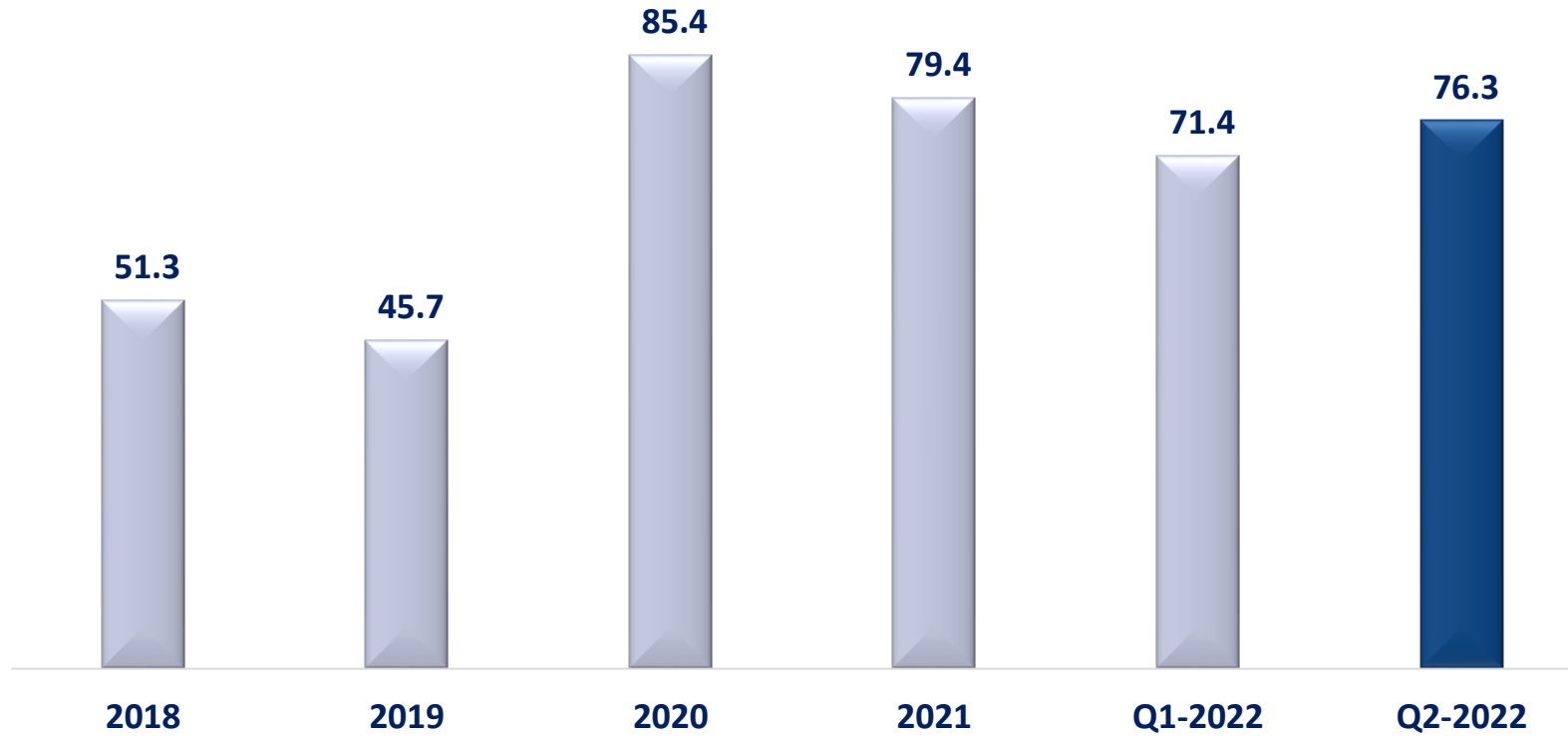
Financial Highlights 2018 - 1H 2022



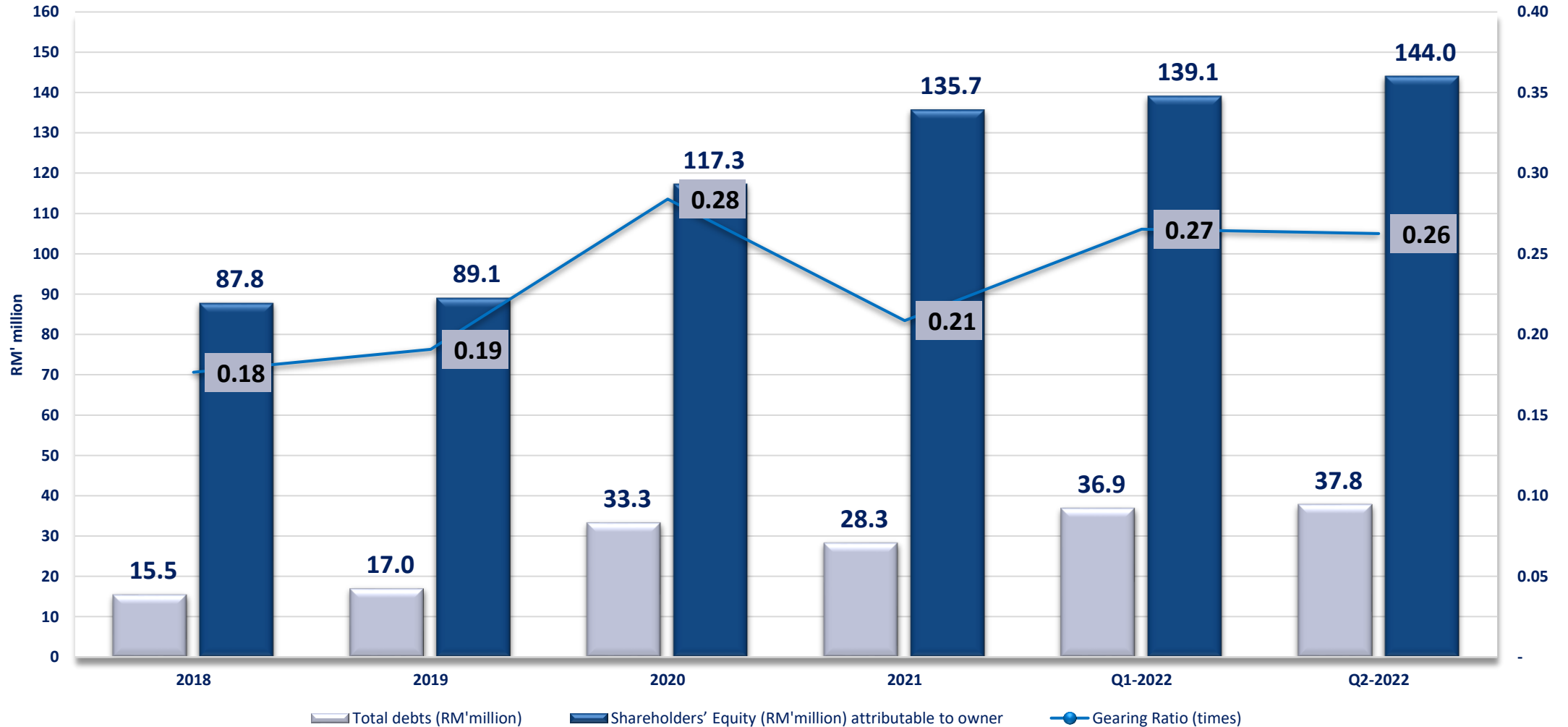


- Overall revenue increased due to a jump in sales from both distribution division and manufacturing division.
 - Distribution revenue increased by 11.9% YoY mainly due to an increase of 15.3%, 14.6% and 1.3% in product, materials and spares & service respectively.
 - Manufacturing revenue increased by 9.7% YoY, due to higher invoice revenue of inspection equipment to semiconductor customers.
- Group GP increased by 10.0% YoY as a result from a 10.2% jump in GP contribution from the distribution division and 8.3% in GP contribution by the manufacturing division.
- Higher PBT and PATMI increased in tandem with the growth of revenue and gross profit generated by both distribution division and manufacturing division.

Cash and cash equivalents (RM'mil)

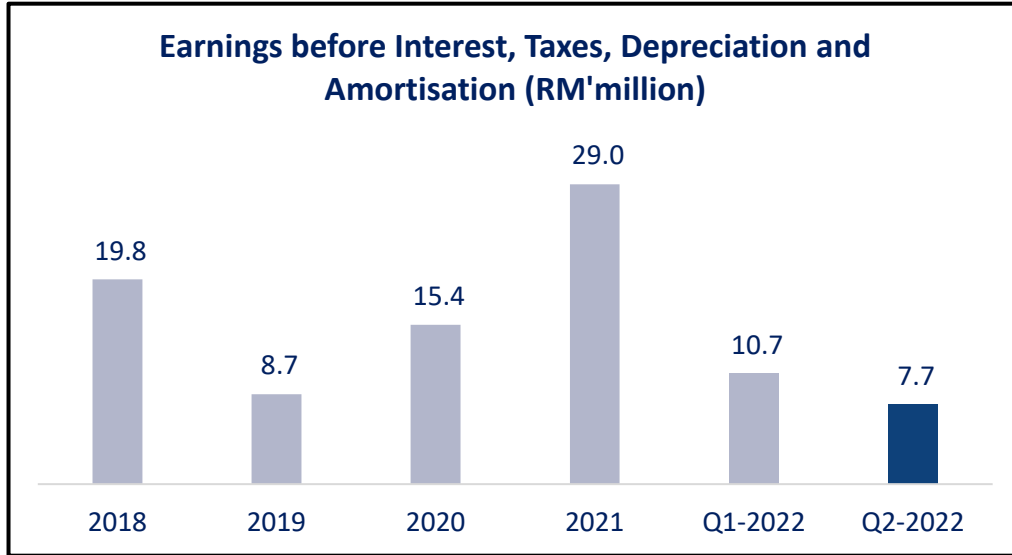


Financial highlights – Gearing ratio

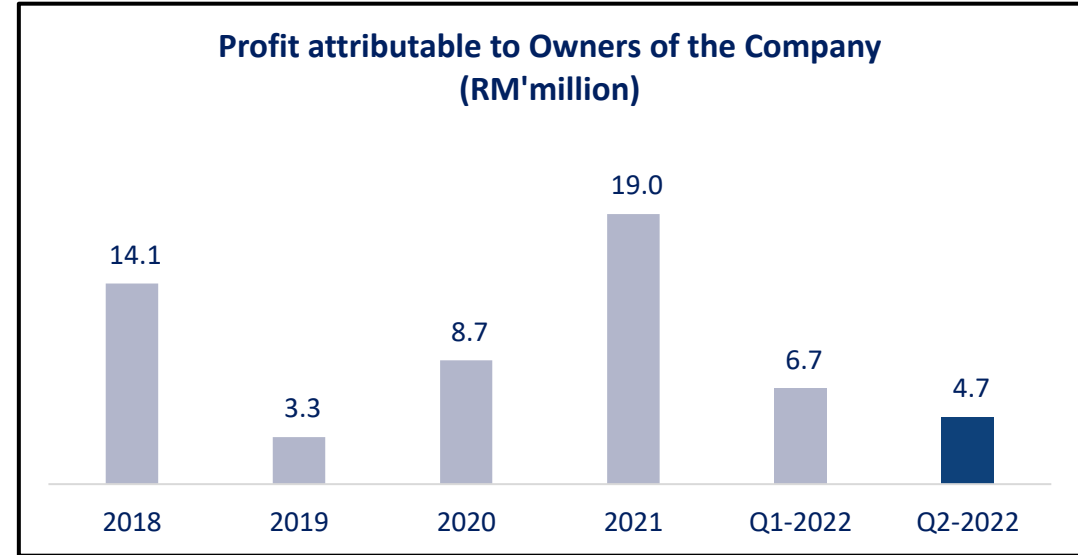


Financial highlights – Other ratios

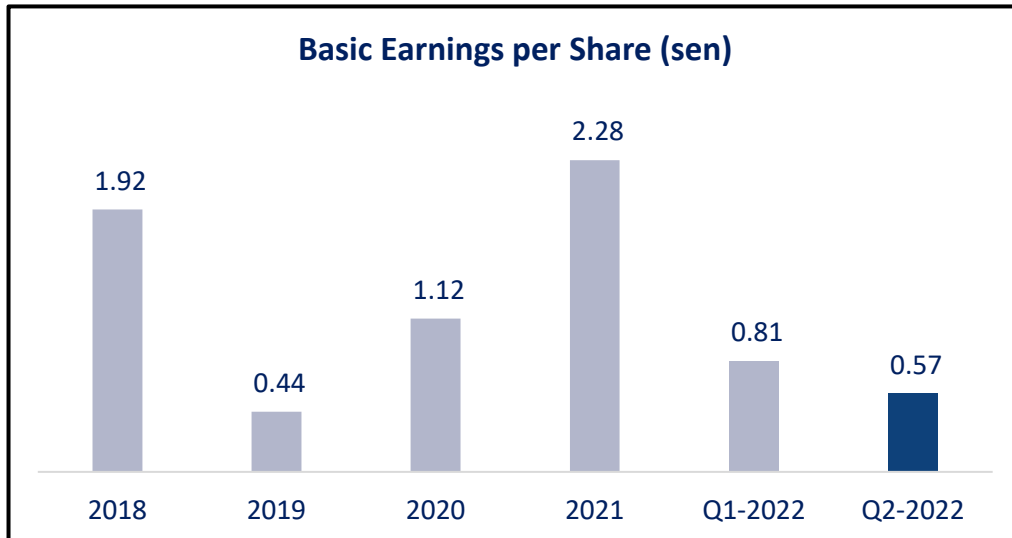
Earnings before Interest, Taxes, Depreciation and Amortisation (RM'million)



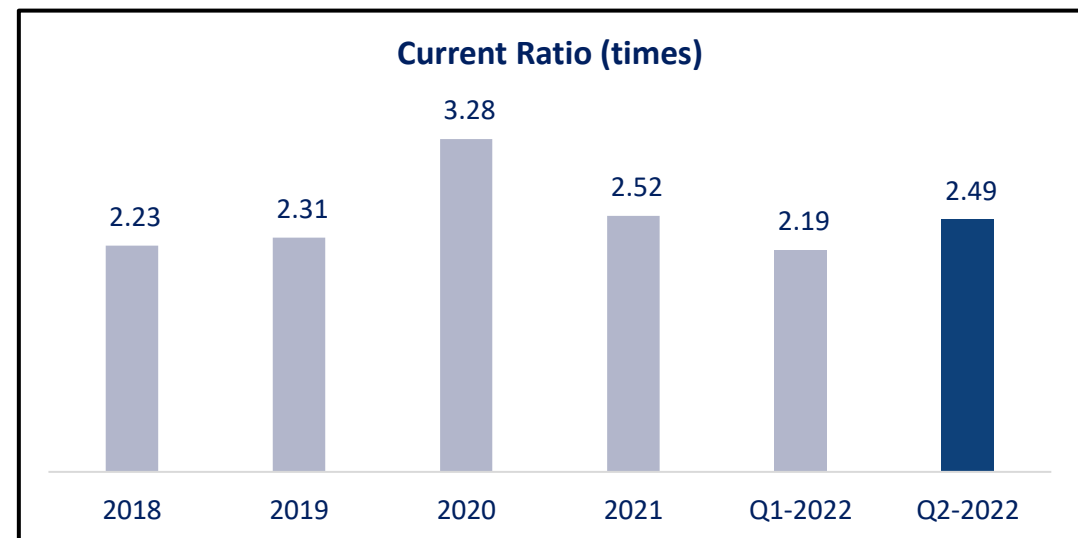
Profit attributable to Owners of the Company (RM'million)



Basic Earnings per Share (sen)



Current Ratio (times)



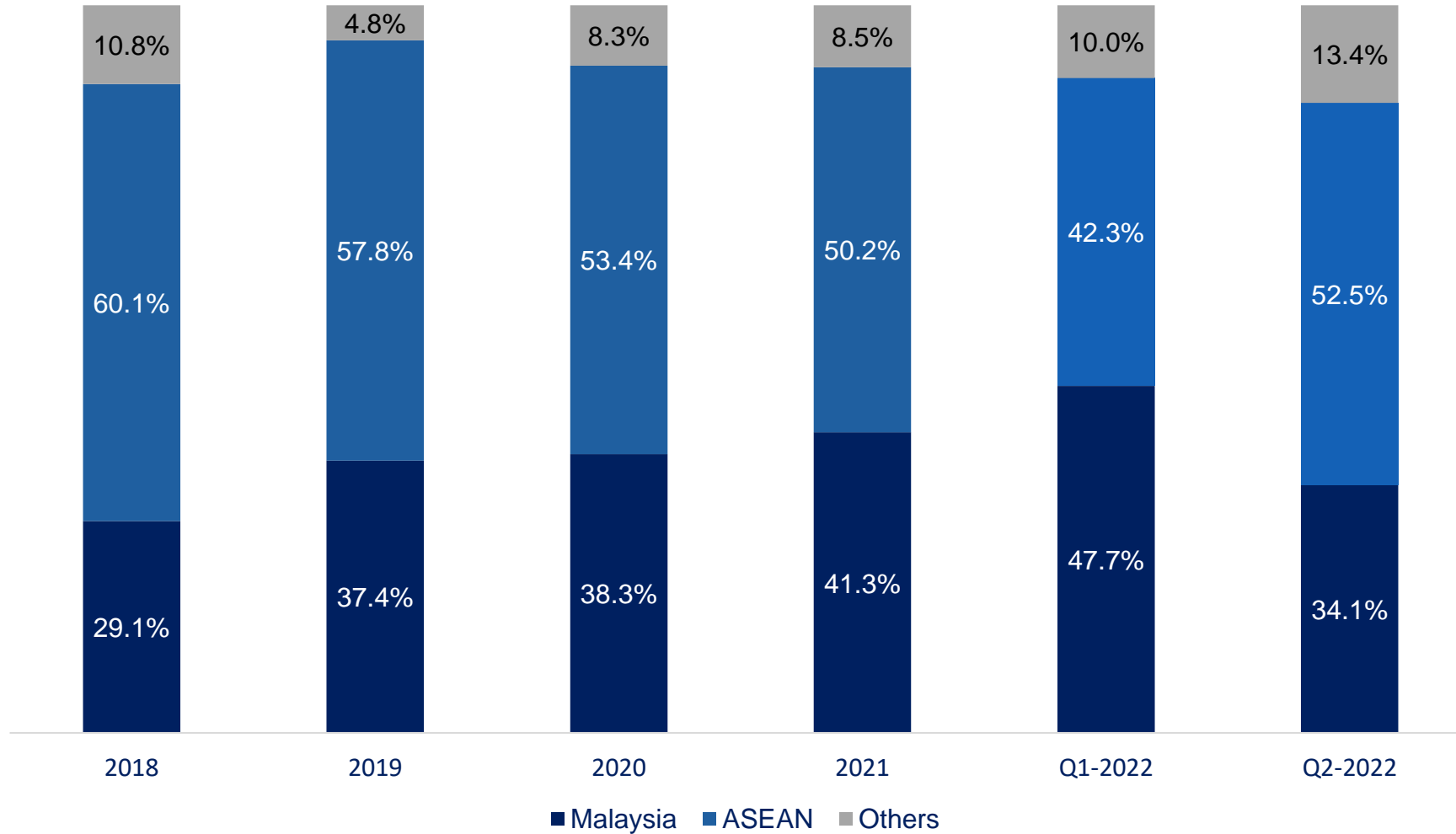
Analysis: Revenue (QoQ and YoY) – By Countries

RM m	For the period ended						
	Q2 22	Q1 22	QoQ%	Jun 22	Jun 21	YoY%	
Revenue							
Malaysia	18.1	31.6	-42.7%	49.7	41.5	19.8%	Malaysia grew strongly YoY due to Distribution
ASEAN	27.9	28.1	-0.7%	56.0	54.7	2.4%	Overall ASEAN gradually picking up again
<i>Singapore</i>	6.2	9.2	-32.6%	15.4	17.6	-12.5%	Slight dip from a high YoY benchmark
<i>Vietnam</i>	7.5	6.5	15.4%	14.0	8.6	62.8%	Strong growth. Back to normalcy
<i>Philippines</i>	4.6	5.8	-20.7%	10.4	9.5	9.5%	Semiconductor & Mining contribute
<i>Thailand</i>	6.1	4.2	45.2%	10.3	11.0	-6.4%	Thailand & Indonesia improving QoQ although still behind YoY
<i>Indonesia</i>	3.4	2.0	70.0%	5.4	7.0	-22.9%	
<i>Other ASEAN *</i>	0.1	0.4	-75.0%	0.5	1.0	-50.0%	
Others	7.1	6.6	7.6%	13.7	10.7	28.0%	
<i>China</i>	3.1	6.5	-52.3%	9.6	7.6	26.3%	Momentum of growth still there!
<i>ROW **</i>	4.0	0.1	3900.0%	4.1	3.1	32.3%	Shipment (Manufacturing) delayed from Q1 coming through in Q2 instead
	53.1	66.3	-19.9%	119.4	106.9	11.7%	

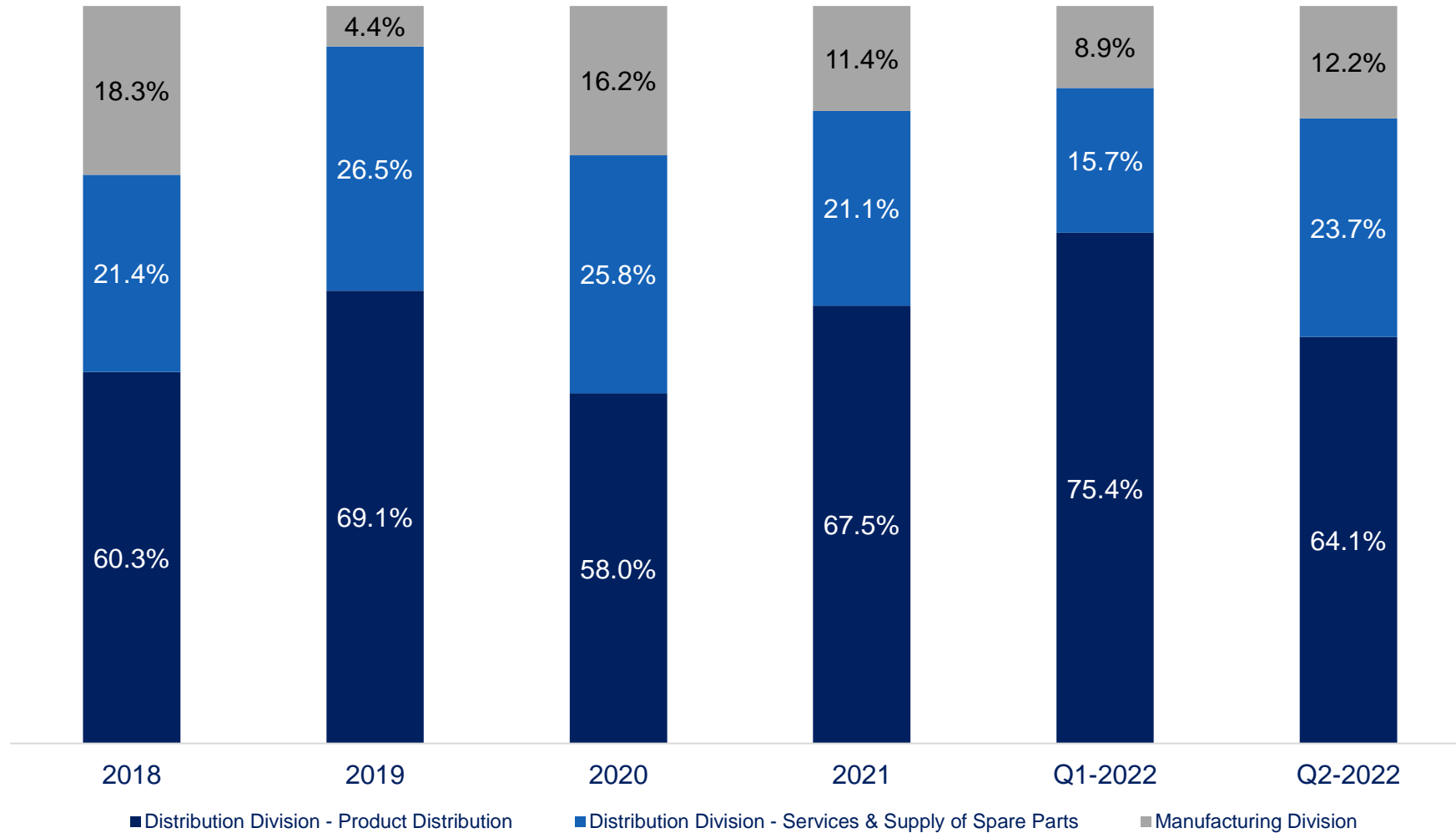
* Other ASEAN includes Myanmar, Laos, Cambodia and Brunei.

** ROW includes countries like France, Taiwan, Germany, Korea, Malta, Morocco, Italy, Japan, Czech Republic, Spain & Portugal etc.

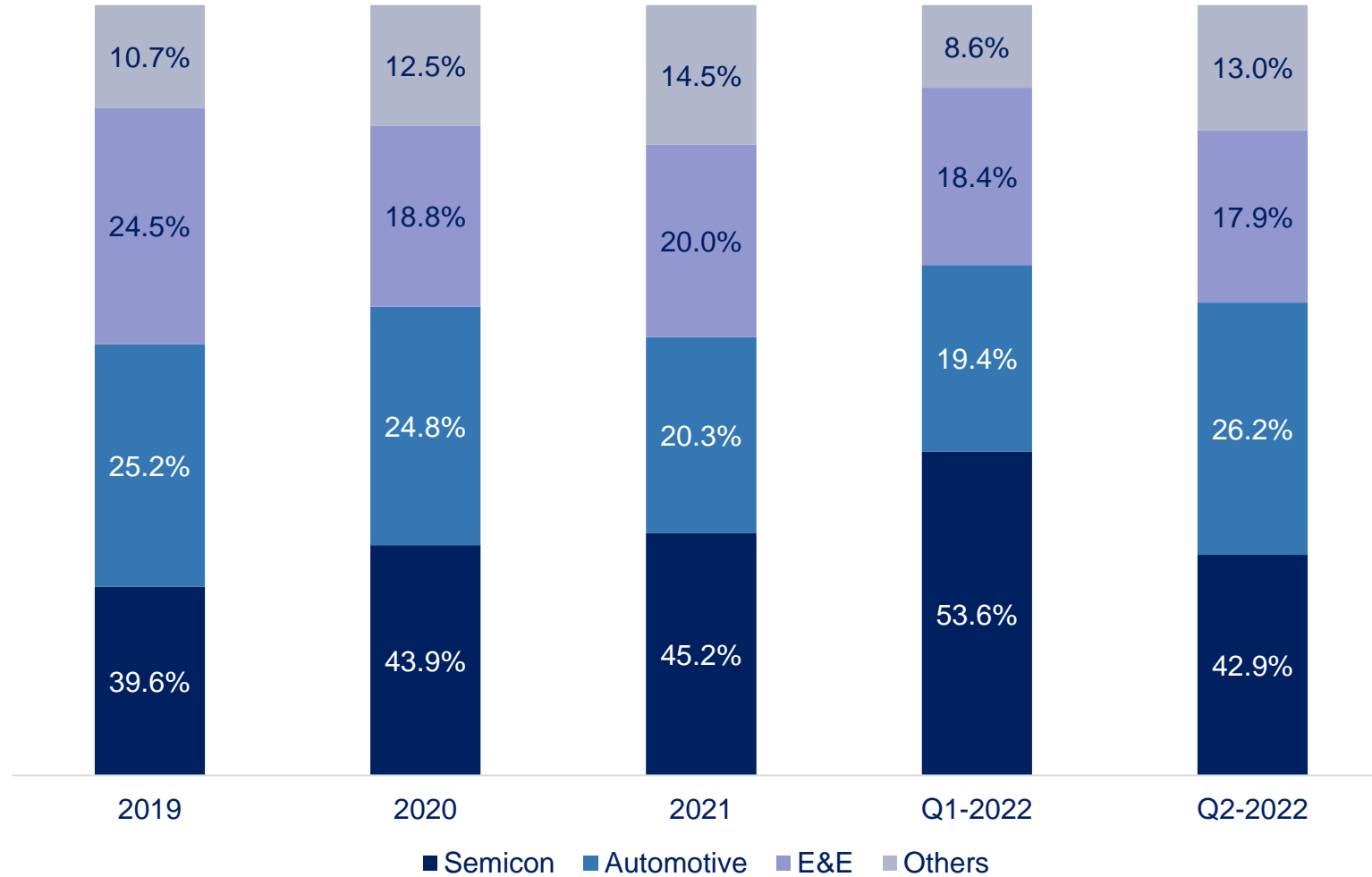
Analysis: Revenue Breakdown – By Country/Region



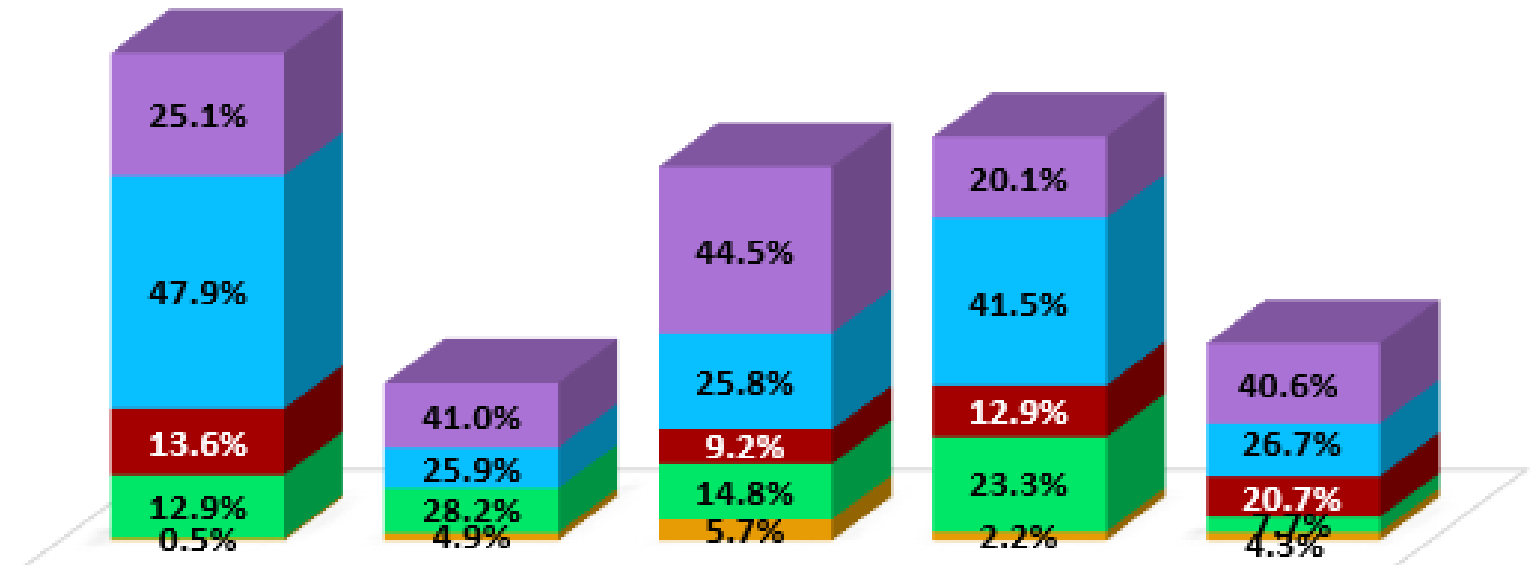
Analysis: Revenue Breakdown – By Division



Analysis: Revenue Breakdown – By Industry



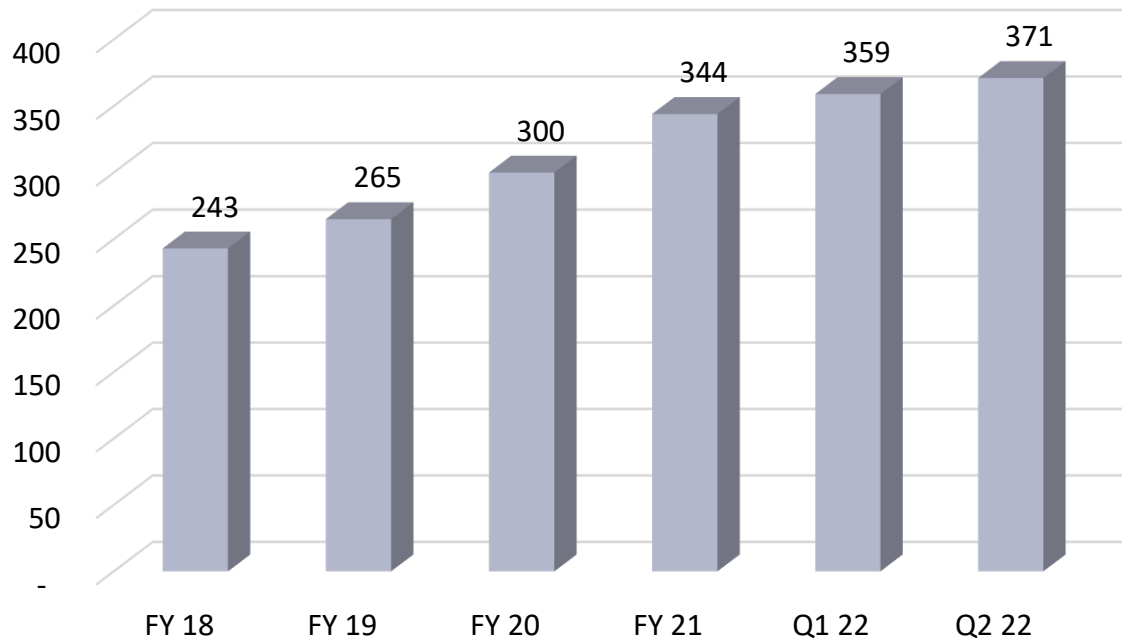
Manufacturing Division - Revenue Breakdown (YoY) by Product Series



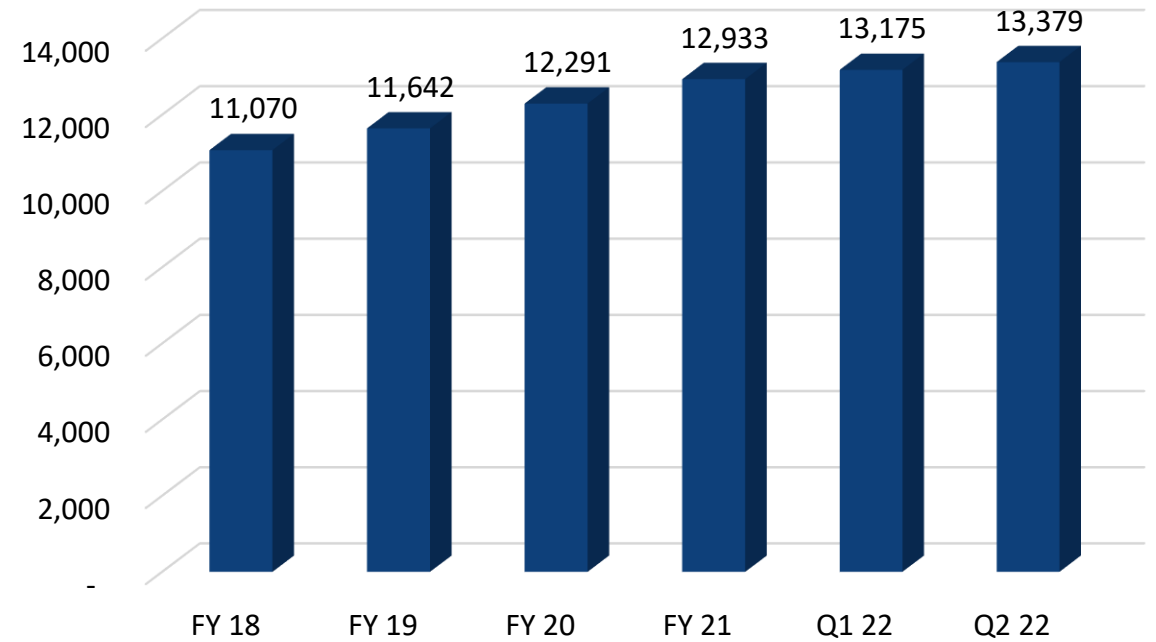
Revenue RM'000	FY 18	FY 19	FY 20	FY 21	1H-2022
OIS series	7,724	4,077	10,482	5,120	5,048
AOI series	14,693	2,575	6,081	10,564	3,326
AMS series	4,185	-	2,169	3,274	2,577
AHS series	3,972	2,803	3,496	5,943	958
SMS series	161	484	1,340	556	531

Analysis: Equipment Installed Base - Cumulative

Manufacturing



Total QES Group *



** Some equipment are more than 10 years old and may not be active.*

Well established own subsidiaries regional infrastructure across ASEAN.

Large installed base of more than 13,000 machines worldwide.

Diversified base of more than 3,800 customers primarily from semiconductor, E&E, Metal & Automotive sectors.

Large pool of more than 280 experience engineers and technicians.

Extensive R&D on Semiconductor Equipment and IR4.0 Smart Manufacturing Solutions.

One stop solution provider covering major industrial sectors.

Diverse Products and Market Segments

- 30 years experience of being a one stop specialist in manufacturing, distribution and services of test, inspection and measuring equipment, materials and engineering solutions.
- Diversified market segments - electrical & electronics, metal, automotive & semiconductor.

Stable Recurring Income

- Consistent recurring annual income of ~RM40 million (20% to 25% of group revenue) via maintenance and service of large equipment installed base.

Regional Presence in ASEAN Market With Overseas Expansion Plans

- Extensive subsidiaries network in ASEAN region.
- Expansion plans China via QES Hong Kong.
- Sales channel partners worldwide.

Highly Qualified and Experienced Management

- Long-standing management team with an average length of more than 10 years in key technical and operational functions.

Strong financial balance sheet

- Cash and cash equivalents of > RM 76.3 million as of 30-Jun-22.
- Gearing ratio of 0.26.
- Cash flow positive.

Extensive R&D

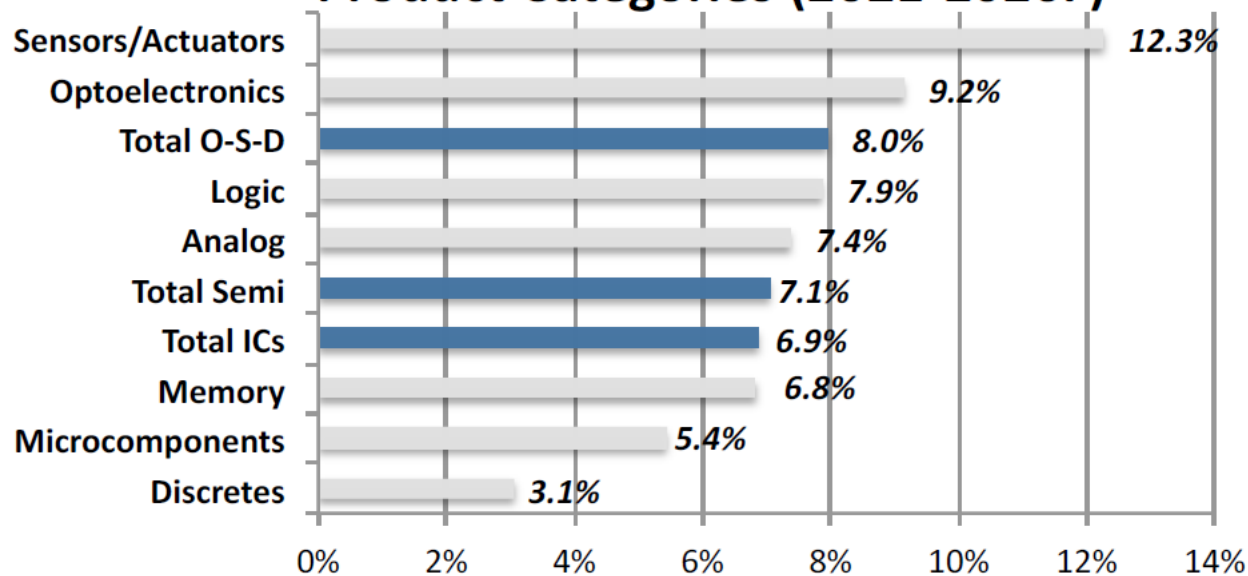
- 7%~8% of manufacturing division revenue allocated for R&D.
- Focus semiconductor equipment, IR 4.0 and Smart Manufacturing Solutions.

Event	Planned activities and updates
QES @ Glenmarie	<ul style="list-style-type: none"> ❖ Planning to have official opening ceremony before the end of 2022
QES @ Batu Kawan	<ul style="list-style-type: none"> ❖ Started process of appointing consultant for QES 2.0 @ BKIP project early Aug 22 ❖ Expect to award construction contract by Oct/Nov 22 ❖ Ground-breaking by mid Dec 22
Board and Committee Restructuring to further comply with Malaysian Code on Corporate Governance (“MCCG”)	<ul style="list-style-type: none"> ❖ On 16 June 2022, Mr Chia Gek Liang (Independent Non-Executive Director) has resigned and has been replaced with Ms Wong Pek Yee (Independent Non-Executive Director). The board now consists of 2 female Directors (representing 33% of the Board) ❖ Mr NW Chew has resigned as a member of the Remuneration Committee to comply with the recommendations of MCCG that the Remuneration Committee should only consists of Non-Executive Directors
Main Board Transfer Application	<ul style="list-style-type: none"> ❖ On 1 June 22, the Group proposed to undertake the proposed transfer of the listing of and quotation for the entire issued share capital of QES from the ACE Market to the Main Market of Bursa Securities. The proposed transfer has been submitted to SC on 7 July 22 ❖ We have received some SC Queries but barring any unforeseen circumstances, the Group is optimistic on obtaining approval before the end 2022

Event	Planned activities and updates
<p>Manufacturing Division</p>	<ul style="list-style-type: none"> ❖ Order intake from semiconductor customers continues to be very strong YoY ❖ Supply chain issues due to very long deliveries of critical components persisted from 1.5 years ago affecting shipments of our equipment ❖ Appointed new sales channel partners in Korea and India ❖ Secured repeat order for PDA1000V (AOI Series) automated inspection machines for IGBT power device (extensively use inside EV) ❖ Order intake from our China activities continues to gain traction with newly appointed sales channel partners
<p>Distribution Division</p>	<ul style="list-style-type: none"> ❖ Order intake from semiconductor & E&E segments continues to be strong YoY ❖ Obtained ISO 17025:2017 certification for QES Vietnam on 13 July 22. ❖ QES Asia-Pacific (HQ) has also been successfully accredited with ISO 17025:2017 on 21 July 22 (pending issuance of official certificate in few weeks time) ❖ Recurring income remains a steady source of income (23.7% of total revenue for Q2-22) to the Group

Event	Planned activities and updates
<p>2H FY2022</p>	<ul style="list-style-type: none"> ❖ Overall order intake momentum in 1H 2022 continues to be strong where 30-Jun-22 YoY growth over 30-Jun-21 is 66% up! ❖ Concerns will be how fast we can ship these orders as supply chain issues persisted up to now albeit slightly better ❖ QES Group is cautiously optimistic on achieving a healthy business growth for 2H 2022 despite the global geo-political tensions, rising inflation and ongoing global supply chain disruptions on the back of our healthy order book
<p>5 years road map (FY2022 to FY2026)</p>	<ul style="list-style-type: none"> ❖ AETM JV company already fully operating in Apr 2022 and will continue to expand ❖ To begin construction of QES @Batu Kawan from Dec 22 ❖ Target to start operations of QES @Batu Kawan from 4Q-23 onwards ❖ Continue to work on China market through aggressive expansion plans ❖ Continue to actively look out for M&A as part of inorganic expansion plans ❖ Focus on delivering manufacturing revenue contribution of at least 35% of total revenue

CAGR Sales Growth of Major Semiconductor Product Categories (2021-2026F)



Source: IC Insights

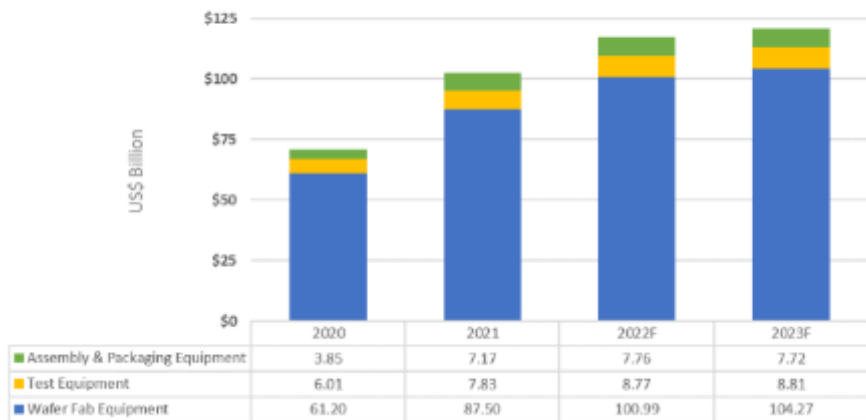
Figure 1

As a result, IC Insights now forecasts total semiconductor sales will rise over the next five years at a more moderate compound annual growth rate of 7.1% (Figure 1).

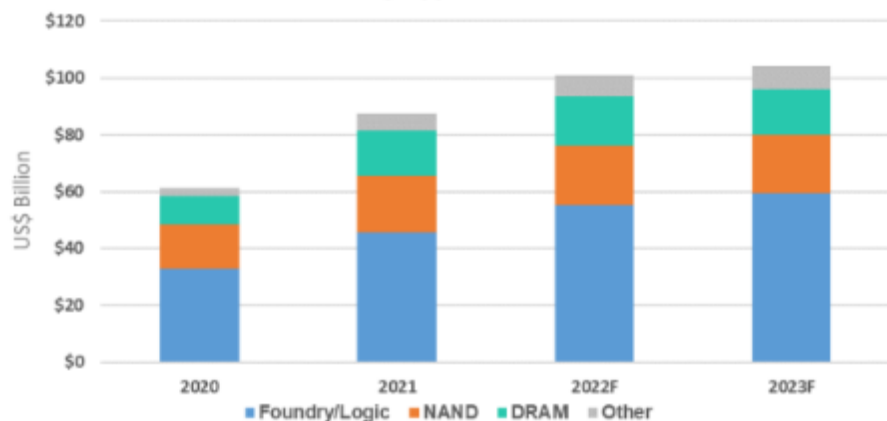
Feb 10, 2022

The 2021-2026 CAGR for total opto, sensor, discretives (O-S-D devices) is projected to rise at a healthy rate of 8.0% and total IC sales are expected to increase at a slightly lower pace of 6.9%. CAGRs among major semiconductor product categories are forecast to range from a high of 12.3% for sensors/actuators to 3.1% for discretives.

SEMI 2022 Mid-Year Total Equipment Forecast by Segment (US\$ Billion)



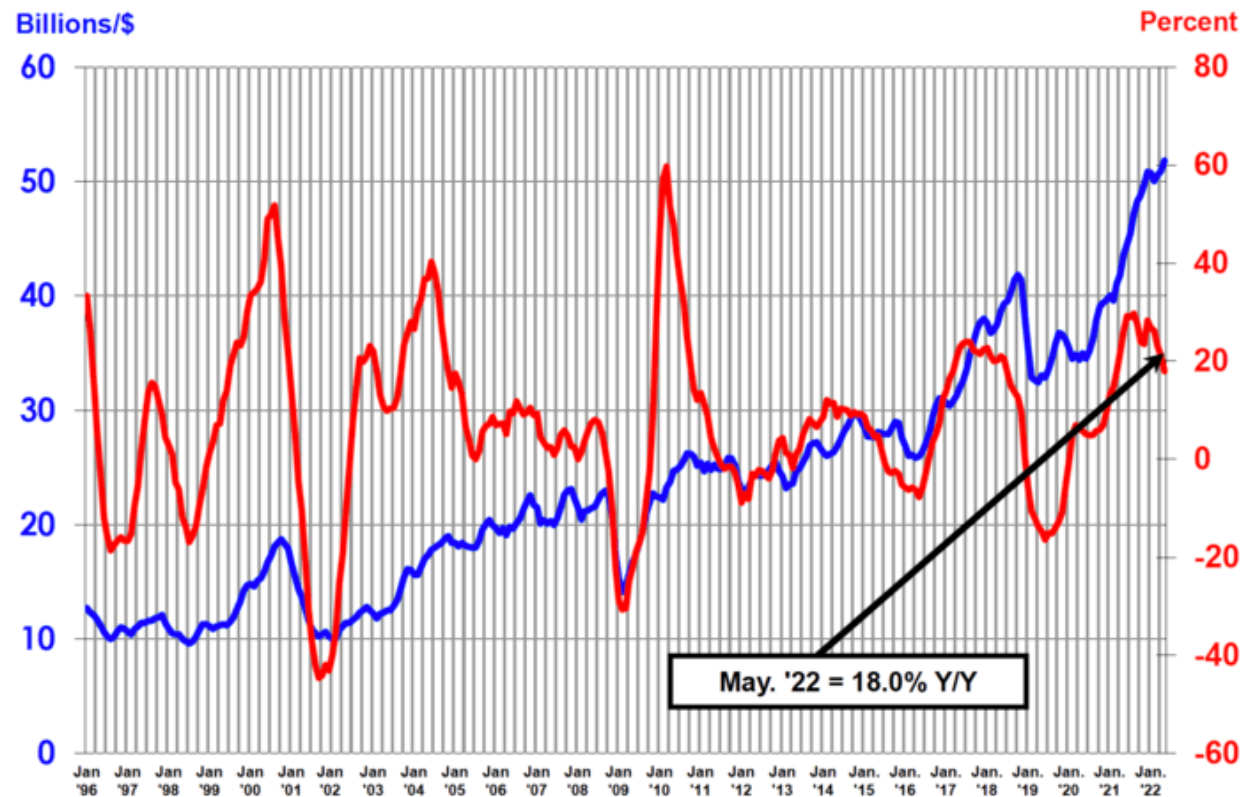
SEMI 2022 Mid-Year Wafer Fab Equipment Forecast by Application (US\$ Billion)



Source: SEMI July 2022, Equipment Market Data Subscription
 Total equipment includes new wafer fab, test, and A&P. Total equipment excludes wafer manufacturing equipment. Totals may not add due to rounding.

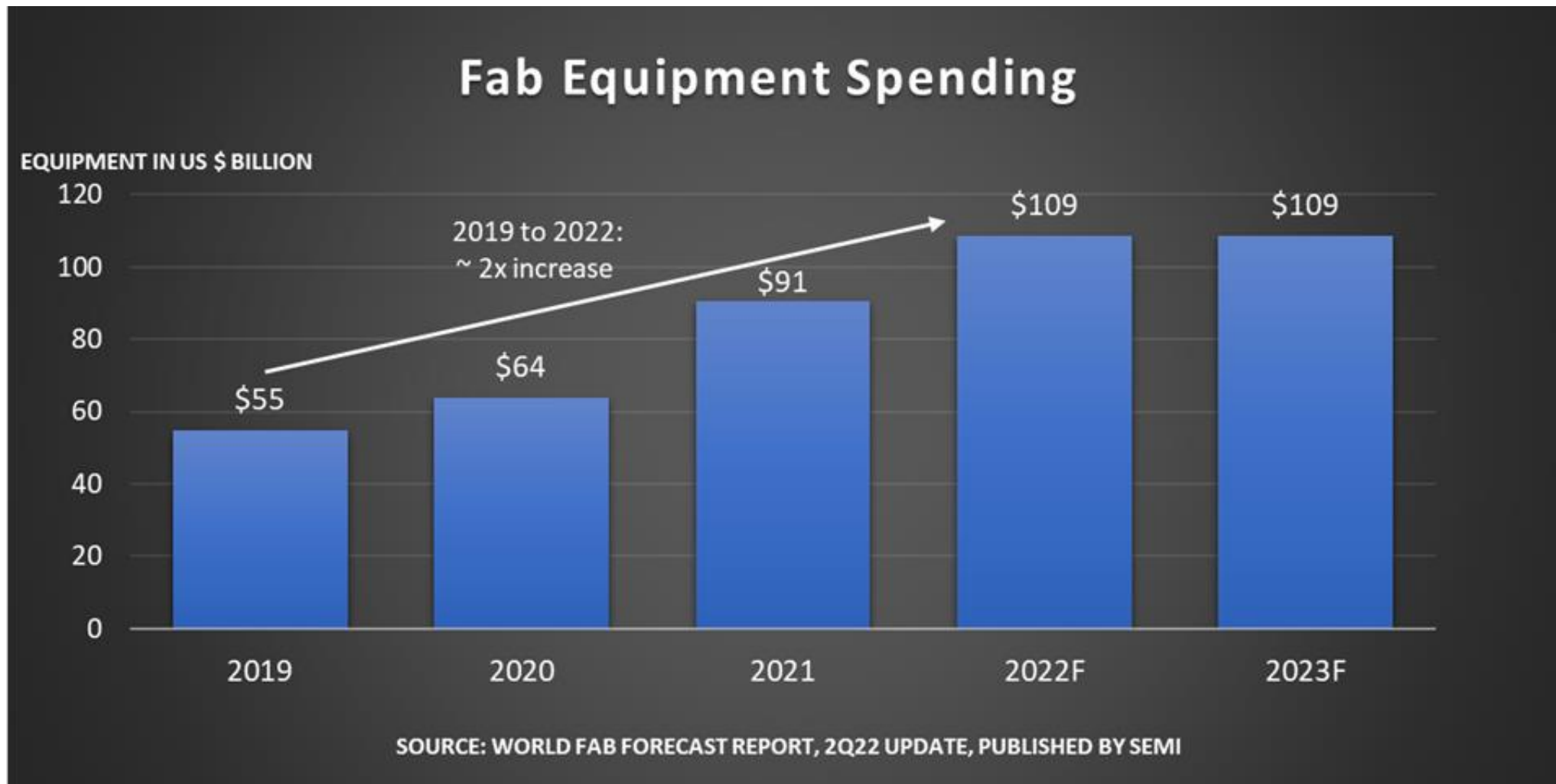
Worldwide Semiconductor Revenues

Year-to-Year Percent Change



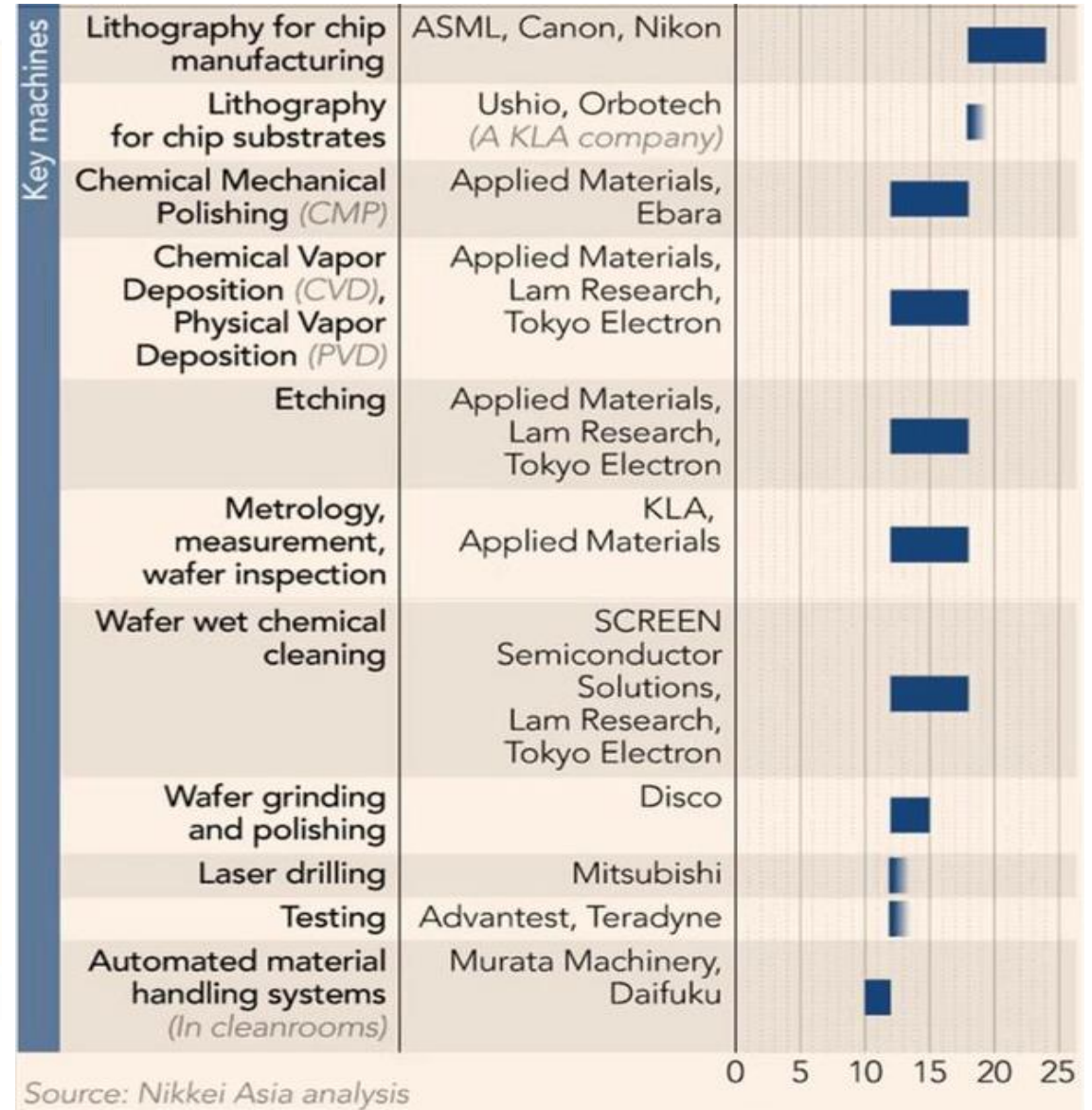
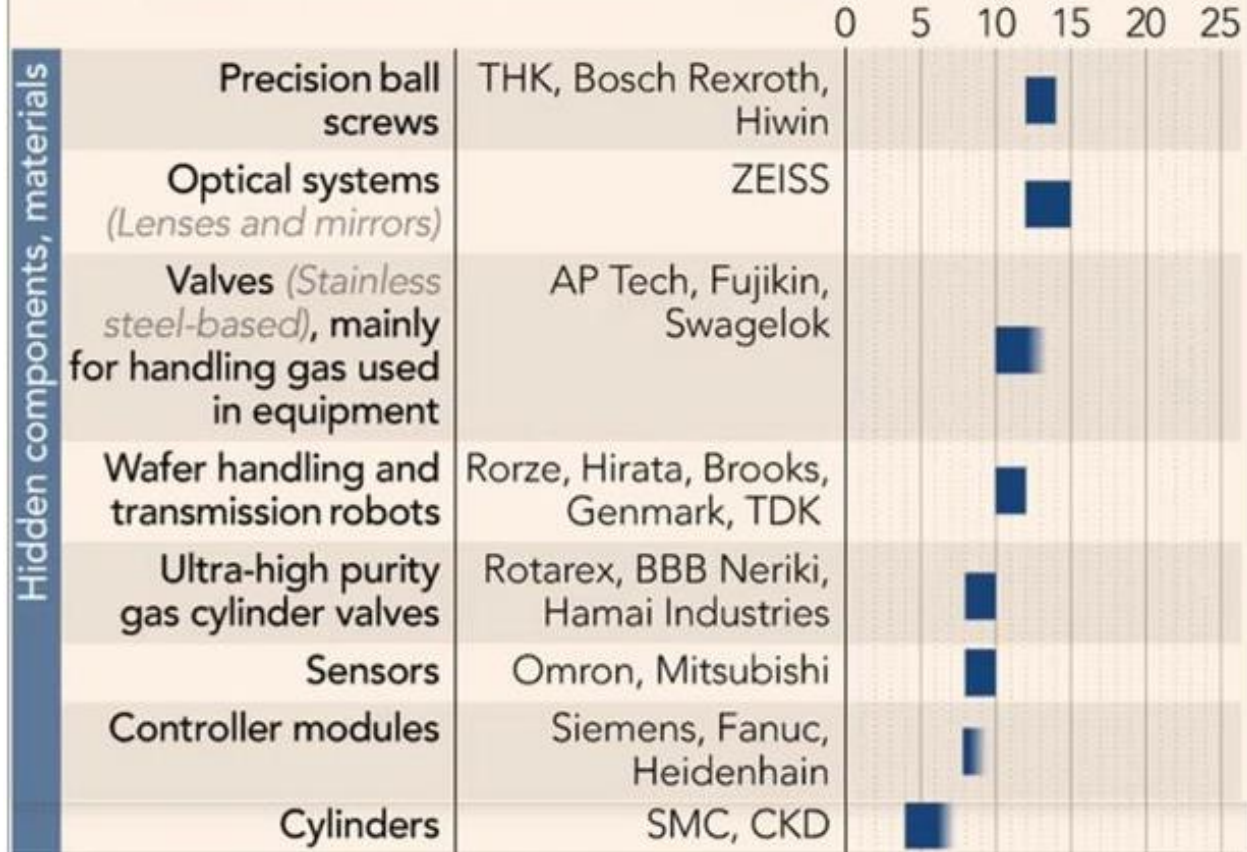
Source: WSTS





The unexpected components holding up the chip supply chain

(Suppliers and estimated lead time of hidden and key components in chipmaking, in months)



Source: Nikkei Asia analysis

As of 30th June 2022

Purposes	Revised Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000	Revised Expected Timeframe for Utilisation
(i) Factory capacity expansion	8,200	8,200	-	Within 18 months from 30 Oct 2020
(ii) R&D on future product expansion	5,300	625	4,675	Within 36 months from 30 Oct 2020
(iii) Market expansion to China	97	97	-	Within 18 months from 30 Oct 2020
(iv) Future working capital and acquisition related investment	5,998	5,456	542	Within 36 months from 30 Oct 2020
(v) Estimated expenses in relation to the proposed private placement	500	500	-	Immediately
	<u>20,095</u>	<u>14,878</u>	<u>5,217</u>	



Environmental

- ❖ QES promoting **WEEE/ROHS analytical equipment** to check and monitor hazardous elements (lead, mercury, cadmium etc) coming into consumer electronic products.. QES has installed more than 1,600 equipment to ensure compliances of these ozone depleting and hazardous elements. We are doing our part to ensure planet Earth is environmentally free from these hazardous elements.
- ❖ **Rain harvesting systems** to be installed at both new QES HQ @Glenmarie & QES 2.0 @BKIP.
- ❖ Complete **digitalization** to reduce paper and energy wastage (FY2021 – 1,626 reems used and we aim to cut it down by **50%** for FY2022).
- ❖ **Installation of solar panels** at QES HQ @Glenmarie in 2023 will improve carbon footprint as per illustration.



237 metric tons
of carbon avoidance per
annum



912,209 km
Car mileage taken
off the road for one
year



10,782
Number of trees
that absorb CO2



2,926
Number of lightbulbs
powered for one year



Social

- ❖ Gender and racial diversity within employees. Approximately **30%** female; **70%** male employee in the entire Group.
- ❖ **Health and Safety Committee** in place with **First Aid & CPR training** provided to employees annually.
- ❖ **Emergency Response Team** with Emergency Response Plan Trainings given to all members.
- ❖ **Clean, vibrant** and **happy** workplace at the newly renovated QES HQ @Glenmarie.



Governance

- ❖ Appropriate checks and balance via separate roles and functions of **Chairman** and **Managing Director / President**.
- ❖ Strong oversight and accountability on QES' board – majority of **independent directors (4)** and **executive directors (2)**.
- ❖ Equality and diversity of the Board which comprises 4 male directors and 2 female directors (**representing 33% females on the Board**).
- ❖ Audit, Remuneration and Nomination Committees **comprises of Independent Non-Executive Directors** only.
- ❖ Consistent quarterly investor relations updates to **shareholders** (institutional fund managers and high net worth individual shareholders)



QES @ Semicon SEA 2022 (21-Jun to 23-Jun)





QES @ Semicon SEA 2022 (21-Jun to 23-Jun)



THANK YOU

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