

JF TECHNOLOGY BERHAD



We Bring Possibilities

ACE Market | Technology

JF Technology is a leading innovator and manufacturer of high-performance test contacting solutions for global integrated circuit (IC) makers and is the world's top 3 leaders in the high-performance test socket industry. It has more than 20 years of industry experience with in-depth technical expertise and has more than 200 customers worldwide.

Stock Code	0146
Market Cap (RM m)	1,395.3
Share Outstanding (m)	924.04
Current Price (RM)	1.51
52-week range (H)	2.41
52-week range (L)	1.01

[Company profile](#)

1. Could you give us a brief introduction to your company and history?

JF Technology was founded by Dato' Foong Wei Kuong in 1999 and was mainly involved in the manufacturing and trading of electronic products and components. Over the years, JF Technology has constantly been innovating and moving up the semiconductor value chain. In 2005, the Group became an Original Design Manufacturing provider with our own in-house design and development team.

The Group has filed for a total of 68 patents in various countries, of which 33 patents have been granted with the remaining 35 pending approval. The patents are related to 5G testing and automotive applications.

The Group reached a major milestone in October 2020 by partnering with Huawei Investment & Holding Co., Ltd (Huawei) via its wholly-owned subsidiary, Hubble Technology Investment Co., Ltd (HTI), to design, develop, manufacture and supply high performance test contactors in China. This fortifies JF Technology's relationship with Huawei as a strategic partner. It also allows the Group to gain market access into China as well as to capture opportunities of the large-scale semiconductor localisation plan in the Republic.

The company has been listed on the ACE Market of Bursa Malaysia since 2008. JF Technology had on 8 November 2021 proposed to transfer the listing and quotation of the entire issued share capital and the outstanding warrants of JF Tech from the ACE Market to the Main Market of Bursa Malaysia Securities Berhad. Barring unforeseen circumstances and subject to all relevant approvals being obtained, the exercise is expected to be completed by the 1st quarter of 2022.

2. Describe your recent financial performance.

The Group has been making breakthroughs in financial performance in the past three financial years by delivering successive record top and bottom-line performance.

For the first quarter ended 30 September 2021, JF Technology posted another record revenue of RM11.3 million due to strong demand from its customers. Overall, sales grew by 24% year-on-year. Revenue from Malaysia surged by 57% year-on-year to RM4.6 million and China revenue increased by 27% year-on-year to RM3.6 million. Gross profit margin for the quarter remains high at 78%.

Due to the higher sales achieved, high gross profit margin and low operating cost, the Group's net profit jumped by 26% year-on-year to RM5.0 million.

Compared to 4QFY21, revenue was 11% higher quarter-on-quarter while net profit surged by 45% to RM5.0 million due to better sales and lower operating cost to revenue ratio.

[JF Technology's financial results for the first quarter ended 30 September 2021](#)

3. What is the Group's dividend policy? Will the Group maintain or change its dividend policy?

Our dividend payout in FY21 was approximately 61.0% of our net profit. While we do not have a formal dividend policy, our dividend payout has been healthy in the past few years. The Group aims to balance between rewarding shareholders and retaining earnings for reinvestment opportunities to fuel further growth.

4. Going forward, what is your strategy for growth? Tell us about any new developments you are working on or exciting projects you have in the pipeline.

JF Technology will continue to ride on the high organic growth from our existing product offerings as well as new products. Our new manufacturing facility in Kunshan, China will equip us with another growth engine by tapping onto China's large-scale semiconductor localisation plan. The facility has commenced production in October 2021.

Moreover, the Group is now able to provide test engineering services and test interface products through our new test interface business, JF TestSense. This enhances JF Technology's value proposition and moves the Group up the semiconductor value chain while providing another dimension of growth.

In August 2021, we became a one-stop shop for test contacting solutions through our partnership with ISC Co., Ltd. (ISC) of Korea, the leading global test solution provider. There are four essential segments in the overall test socket market space, which is currently valued at over USD1 billion and continues to grow at a very aggressive pace. JF Tech is one of the world's leading companies in two of the four essential segments while ISC is the global leader in the other two segments. Now that we have all four major test sockets under one-roof, we can provide complete and seamless one-stop solutions to our customers. In-turn, this will increase our sales and generate additional income through the test consumables, which is recurring and in high demand.

We are also doubling our existing facilities in Kota Damansara, Malaysia from 46,000 square feet (sf) to 96,000sf in order to capture more opportunities from the fast-growing semiconductor sector. In this new building, we will be establishing our Malaysia Test Contacting Centre of Excellence that will produce new test contactor products and IP for various applications such as 5G/6G and electric vehicle related products, among many other applications.

Besides organic growth, the Group is also looking to grow inorganically through mergers and acquisitions (M&A). JF Technology is always on the lookout for opportunities that would create synergies for the Group. Lastly, the Group also plans to monetise our IP through licensing.

5. What are the major headwinds in your business currently?

As a result of the Covid-19 pandemic and the resultant border closures, the Group is unable to meet our existing customers and potential customers overseas face to face. Once international travel is allowed, JF Technology will be able to meet our customers around the world and we hope that this can help to accelerate our marketing and sales efforts.

Operationally, we had to run our productions with reduced workforce in compliance with the standard operating procedures. Fortunately, with careful and proper planning, we were still able to meet our customers' orders.

6. What are the challenges you face in the current environment besides Covid-19?

While we are upbeat on our growth drivers, there are challenges along the way as well that are beyond our control such as rising raw material cost and supply chain disruptions. Nevertheless, we have been proactively managing any potential challenges which continue to be under control at this juncture.

7. Tell us more about your efforts in the area of sustainability.

JF Technology recognizes that sustainability is at the core of the Group's practices as we pursue long-term value creation for our stakeholders. We continuously integrate sustainability practices into our Group strategies and operations.

Some of our sustainability efforts are:

- Reducing our carbon footprint and being more environmentally friendly in our operations.
- Sustainably managing waste from production.
- Facilitating the reuse and safe recycling of waste materials.
- Continuously seeking ways to reduce production waste.
- Creating the best working environment to ensure our talent reach their full potential while promoting work-life balance.
- Hiring local talent and support the local communities we operate in.
- Promoting gender equality where both women and men are treated with respect and have the same opportunities, rights and obligations.
- Continuous development of our human capital through various training, professional development and upskilling programs.
- Establishing a sustainable supply chain within the country.

8. What is your value proposition? What do you think investors may have overlooked about your business?

JF Technology operates in a very niche and specialized market as a test contacting solutions provider and hence is able to achieve healthy gross profit margins. In addition, the Group is at the forefront of technology and works at the first point of contact for first-of-kind semiconductor devices with our customers to develop test contacting solutions, which allow us to be exposed to emerging technologies and new products ahead of the curve.

The Group continuously invests in IP and R&D to innovate, maintain and enhance our competitive advantages. We have a highly sustainable business model with recurring and compounding sales of test consumables. These factors have enabled us to enjoy healthy and sustainable profit margins.

We have exciting growth drivers in place to propel the Group to greater heights. At the same time, the global semiconductor industry is expected to continue to be on an upward trajectory. The imminent deployment of the game-changing 5G globally will create a paradigm shift through the developments of artificial intelligence, autonomous driving, healthcare advancement, amongst others, which will lead to a huge wave of demand for the next generation of semiconductors. This is also a great opportunity for JF Tech and Malaysia to move up the semiconductor value chain and in turn, create high-value jobs for Malaysians.

Apart from our growth drivers, our shareholders would also be able to enjoy our exposure to China's large-scale semiconductor localization plan through our partnership with Huawei.

We have received feedback from investors that our valuation multiples are seemingly high. We believe this could be attributed to the Group's prospective high growth being in the forefront of technology. As of now, our earnings growth is only contributed by one growth driver. For FY22, new growth drivers include our new manufacturing facility in China and JF TestSense.

Investors also may not know that we provide highly customized test contacting solutions and that every single IC is tested as opposed to the sampling method. Therefore, the sales of test consumables used in these testing are recurring.

Lastly, investors may have overlooked that we work at the first point of contact for first-of-kind semiconductor devices with our customers to develop test contacting solutions, which is at the very

beginning of the semiconductor value chain. This not only enhances customers stickiness but also provide us with valuable insights to develop new technology for the future such as 6G.

9. What are the Group's plans for acquisitions and JVs?

At JF Technology, we are always on the lookout for opportunities that would create synergies for the Group that would ultimately enhance value to our shareholders, which may be in the form of potential partnership(s) and/or potential merger and acquisition. If any of the opportunities materialises, we shall make the announcement to Bursa Malaysia.

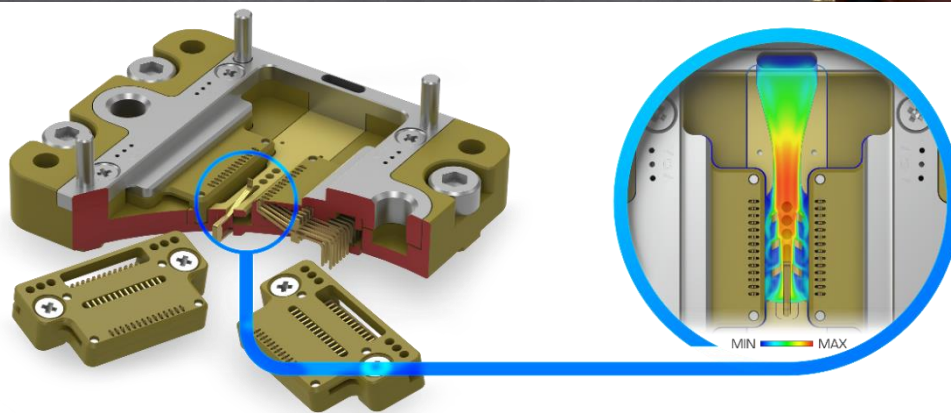


Illustration of a high-performance test contactor

Corporate website: <https://www.jf-technology.com/>

Prepared by Bursa Digital Research

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