

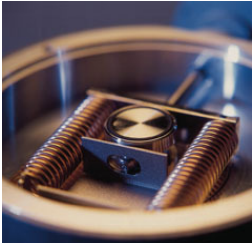
**ELECTROTECH**

*International Contract Manufacturer to Capital  
Equipment and Consumer Industries*

# **ELECTROTECH INVESTMENTS LIMITED**

## **3Q FY2006 Results Presentation**

**09 November 2006**



## AGENDA

- ❖ Financial Review
- ❖ Business Review - Mechatronics Division
- ❖ Business Review - EMS Division
- ❖ Questions and Answers

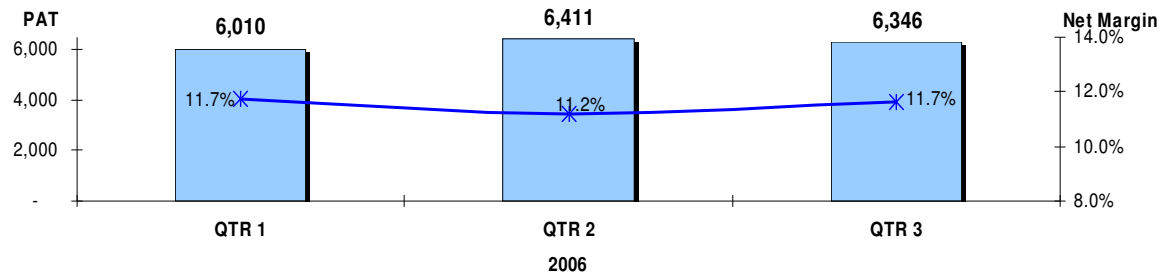
# Financial Overview

3Q FY2006 Results Briefing

## Business Model

..... showing **stability and resilience**

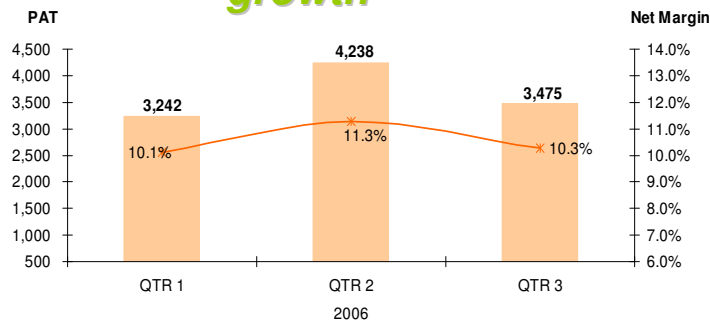
..... **complementary effect of two business divisions**



## Mechatronics

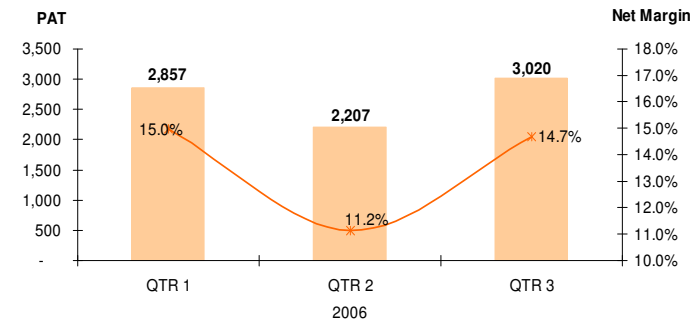
..... **steady growth**

..... semi-con  
cyclicality showing  
**cumulative average growth**



## EMS

..... **adjusting positively**  
to pricing challenge of  
keypad business segment



## 3Q FY2006 - Financial Highlights

3Q FY2006 Results Briefing

(S\$m)	3Q FY2006	3Q FY2005	Chg YoY
<b>Revenue</b>	<b>54.4</b>	<b>49.7</b>	<b>10%</b>
<b>Gross Profit</b>	<b>12.0</b>	<b>11.0</b>	<b>10%</b>
<b>Profit before Tax</b>	<b>8.6</b>	<b>8.0</b>	<b>7%</b>
<b>Net Profit</b>	<b>6.3</b>	<b>6.8</b>	<b>-7%</b>
<b>Net Profit Margin</b>	<b>12%</b>	<b>14%</b>	<b>-15%</b>
<b>Effective Tax Rate</b>	<b>26%</b>	<b>15%</b>	<b>71%</b>

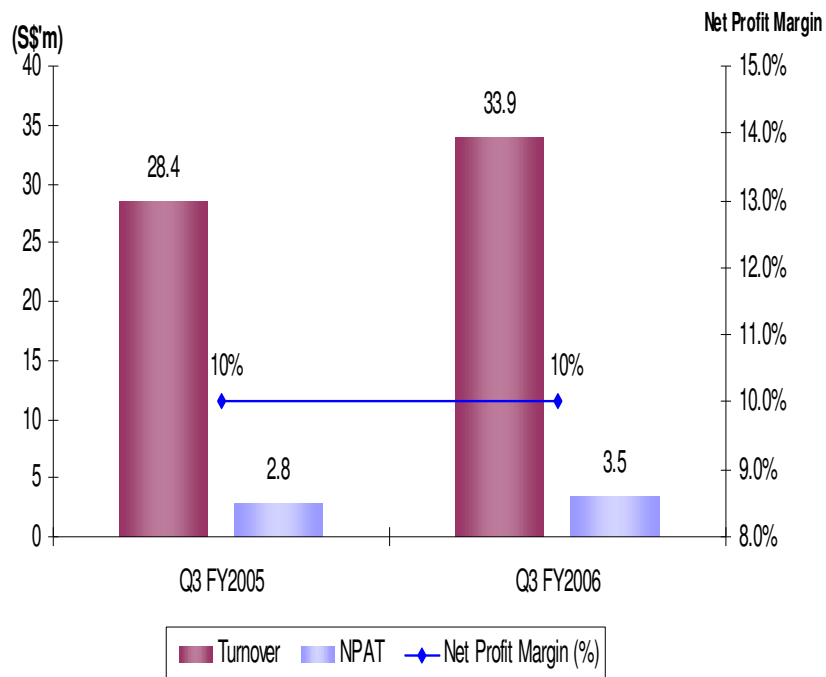
Revenue growth affected by :

-higher staff cost

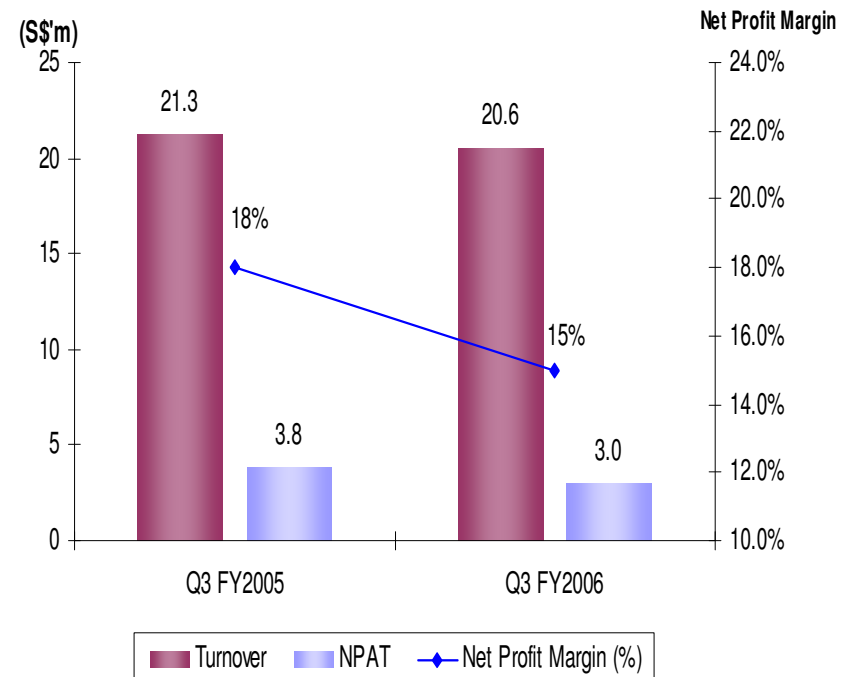
-higher tax charge from lower tax incentive claim

# 3Q FY2006 - Segmental Highlights

## Mechatronics



## EMS

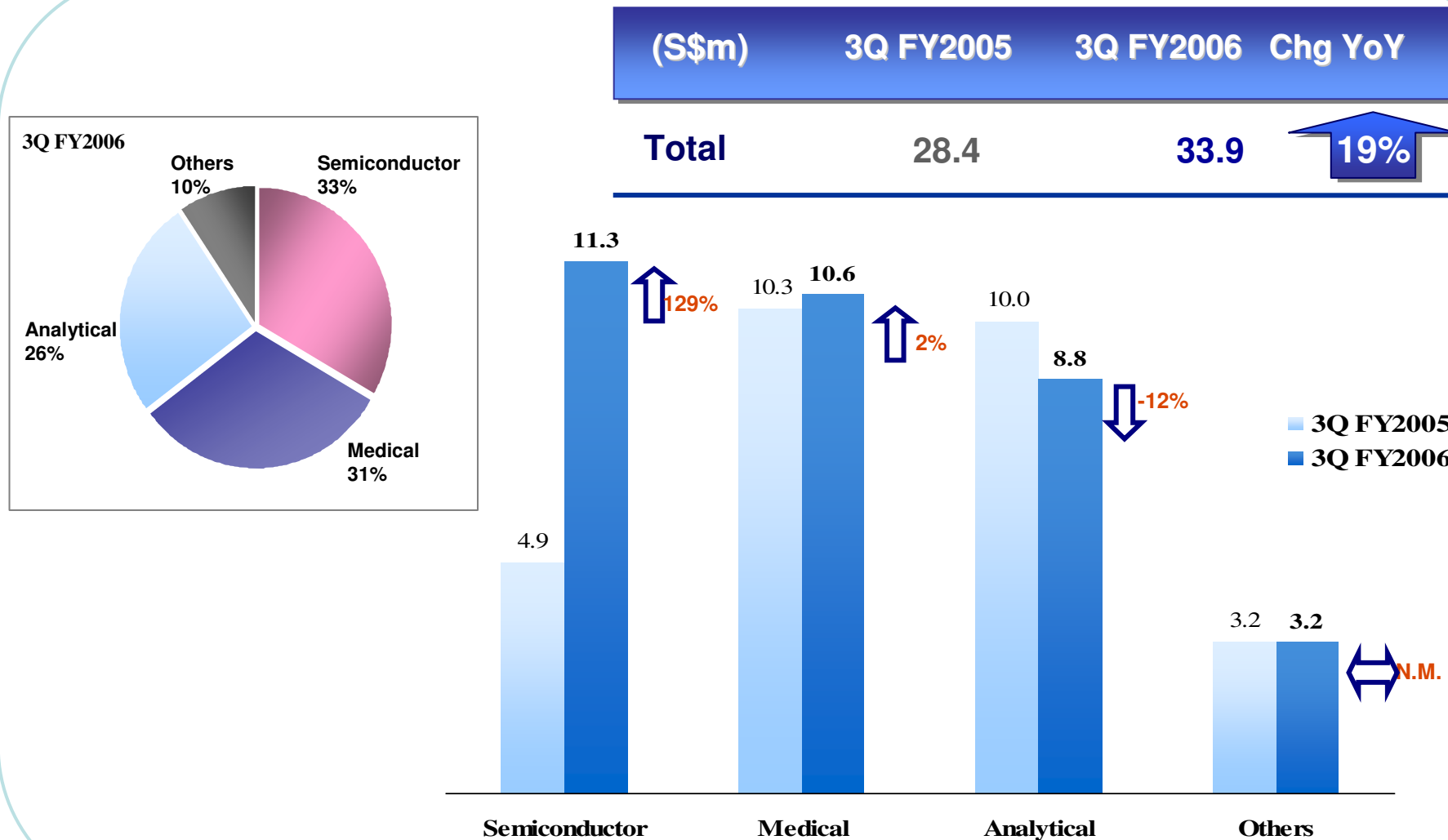


# Mechatronics Division

## Sales Analysis - Breakdown by Customer Industry



3Q FY2006 Results Briefing



\* N.M. – Not Meaningful

# EMS Division

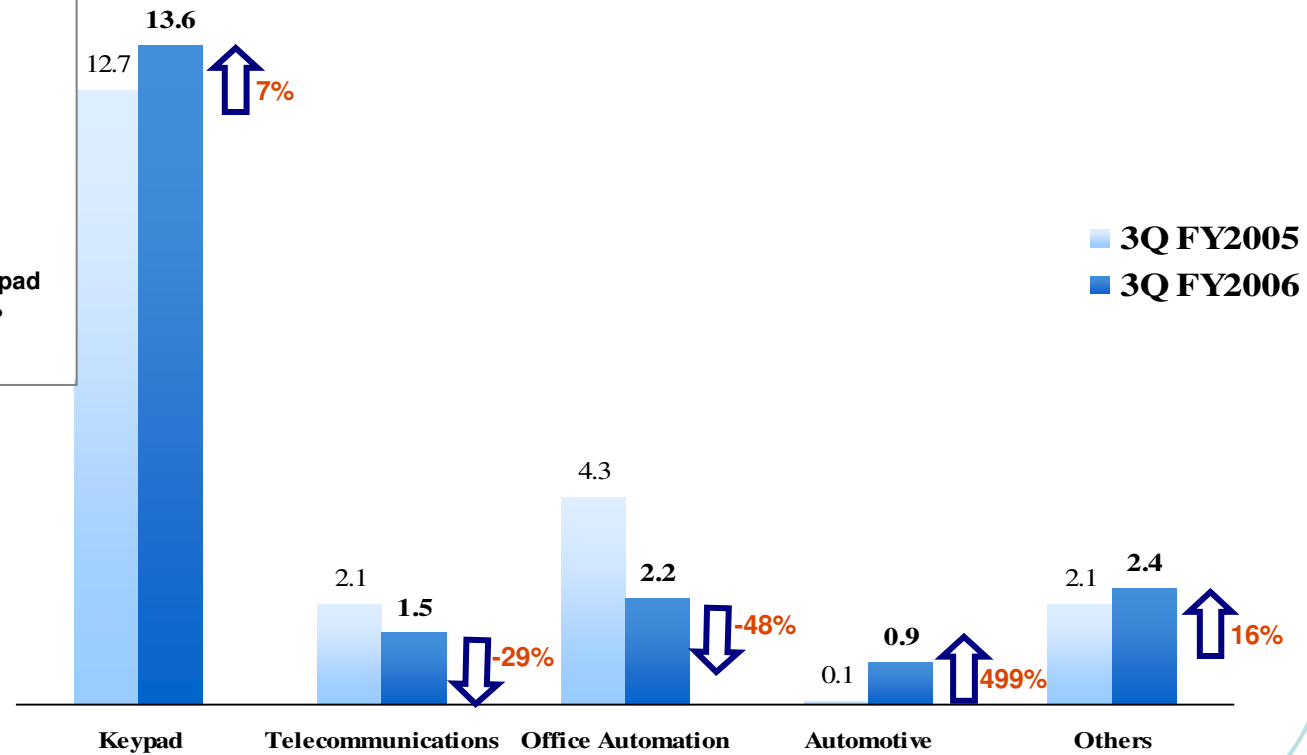
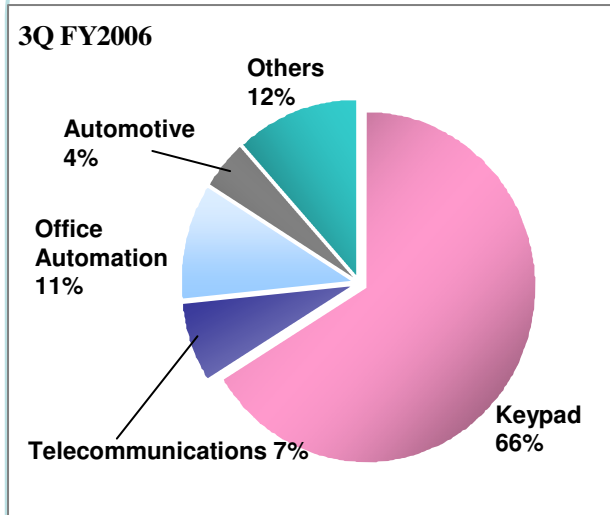
## Sales Analysis - Breakdown by Customer Industry



3Q FY2006 Results Briefing

(S\$m)	3Q FY2005	3Q FY2006	Chg YoY
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<b>Total</b>	<b>21.3</b>	<b>20.6</b>	<b>-3%</b>
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## YTD Sept 2006 - Financial Highlights

3Q FY2006 Results Briefing

(S\$m)	YTD Sept 06	YTD Sept 05	Chg YoY
<b>Revenue</b>	<b>163.0</b>	<b>159.9</b>	<b>2%</b>
Gross Profit	34.7	36.7	-6%
Profit before Tax	24.7	27.2	-9%
<b>Net Profit</b>	<b>18.8</b>	<b>20.7</b>	<b>-10%</b>
<i>Net Profit Margin</i>	<i>12%</i>	<i>13%</i>	<i>-11%</i>
<i>Effective Tax Rate</i>	<i>24%</i>	<i>24%</i>	<b>N.M.</b>

**Net Profit affected by :**

- margin compression of keypads
- higher admin and general expenses

\* N.M. – Not Meaningful



## YTD Sept 2006- Impact of Forex Translation

3Q FY2006 Results Briefing

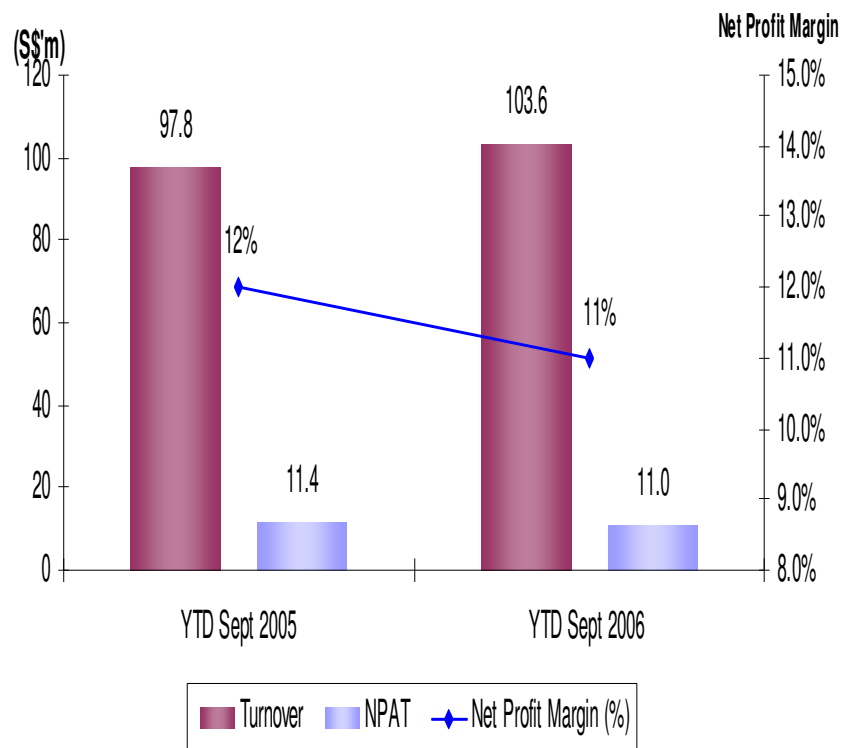
Exchange Rate	YTD Sept 06	YTD Sept 05	Fluctuation (%)
EUR / SGD	1.99	2.14	-7%
MYR / SGD	0.43	0.44	-2%

Mechatronics	Actual (EUR)			Actual (SGD)			Forex Effect
	YTD Sep 06	YTD Sep 05	% chg	YTD Sep 06	YTD Sep 05	% chg	
Turnover	52,031	45,788	14%	103,578	97,843	6%	-8%
NPAT	5,503	5,358	3%	10,955	11,449	-4%	-7%

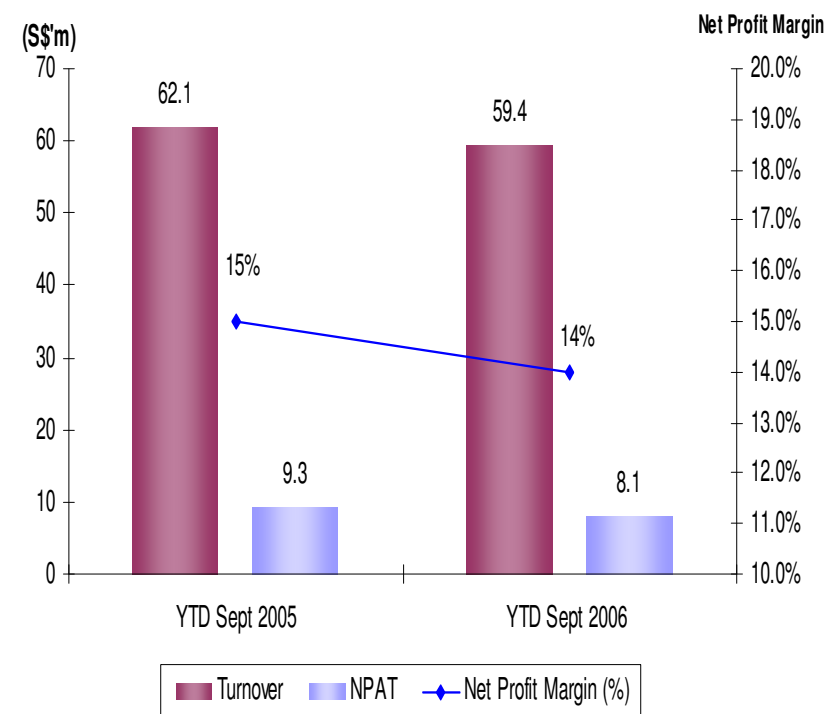
# YTD Sept 2006 - Segmental Highlights

3Q FY2006 Results Briefing

## Mechatronics



## EMS

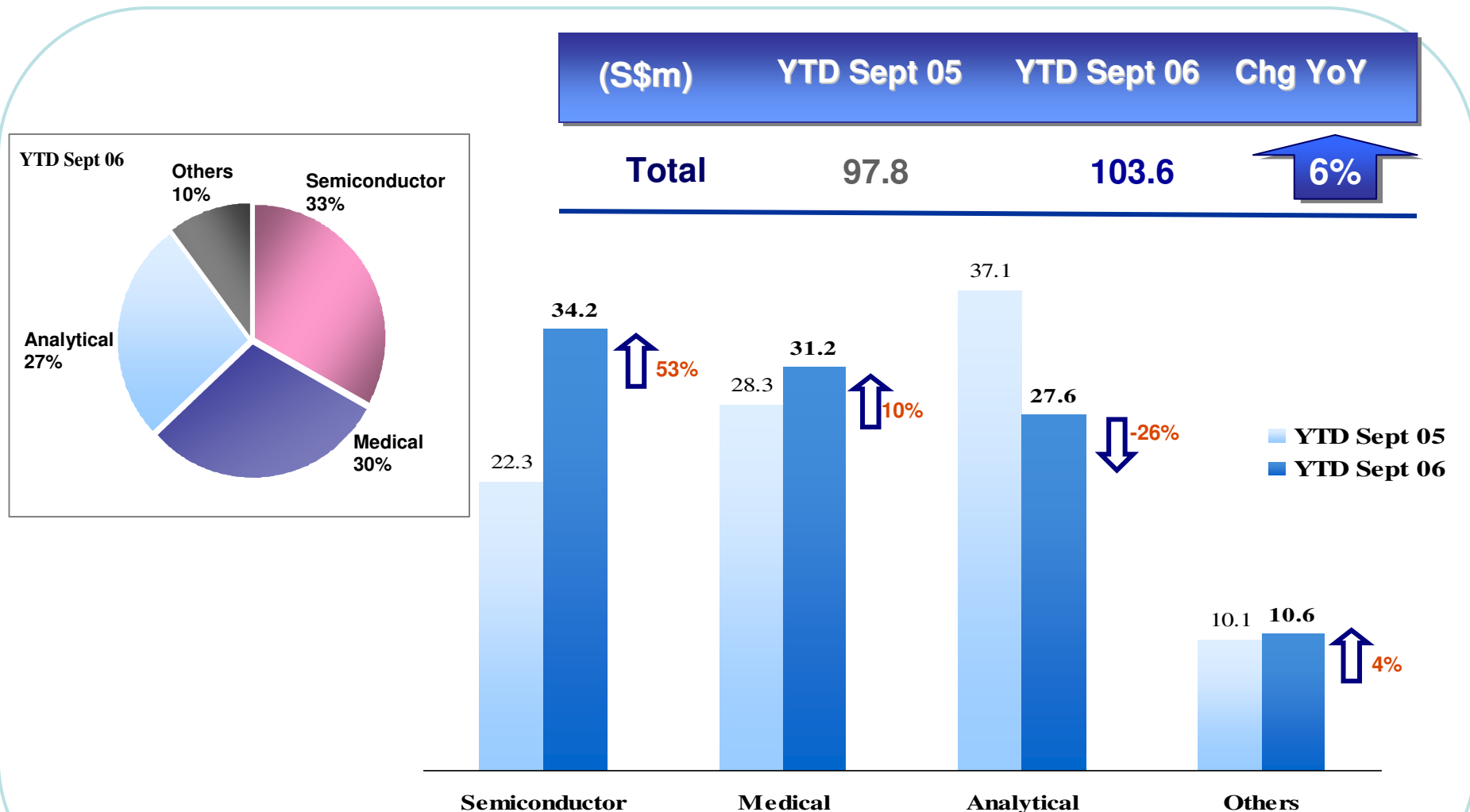


# Mechatronics Division

## Sales Analysis - Breakdown by Customer Industry



3Q FY2006 Results Briefing



\* N.M. – Not Meaningful

# EMS Division

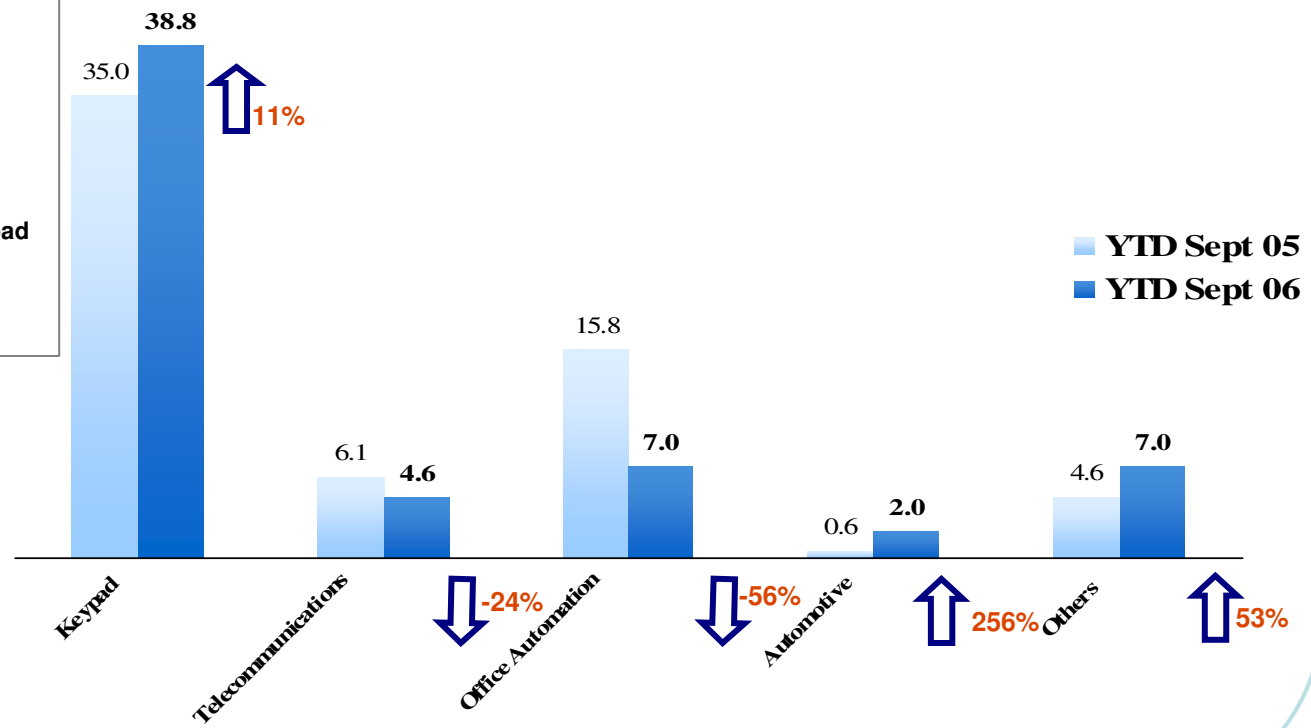
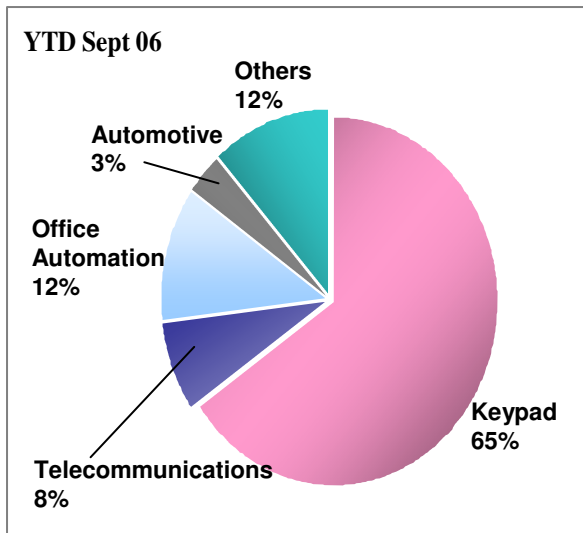
## Sales Analysis - Breakdown by Customer Industry



3Q FY2006 Results Briefing

(S\$m)	YTD Sept 05	YTD Sept 06	Chg YoY
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<b>Total</b>	<b>62.1</b>	<b>59.4</b>	<b>-4%</b>
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## Financial Highlights

3Q FY2006 Results Briefing

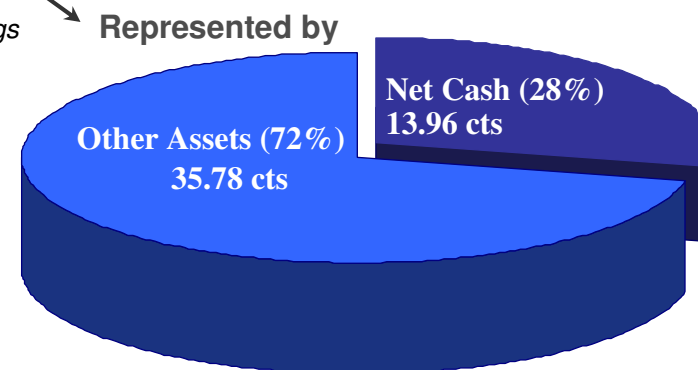
<b>Balance Sheet Highlights (S\$m)</b>			
	<b>30 Sept 2006</b>	<b>31 Dec 2005</b>	<b>Fluctuation(%)</b>
<b>Shareholders' Equity</b>	<b>151.0</b>	<b>140.0</b>	<b>8%</b>
<b>Inventories</b>	<b>34.7</b>	<b>30.2</b>	<b>15%</b>
<b>Trade Receivables</b>	<b>45.7</b>	<b>41.2</b>	<b>11%</b>
<b>Trade Payables</b>	<b>24.8</b>	<b>21.8</b>	<b>14%</b>
<b>Cash &amp; Cash Equivalents</b>	<b>43.6</b>	<b>37.8</b>	<b>15%</b>
<b>Total Borrowings</b>	<b>1.1</b>	<b>3.1</b>	<b>-65%</b>
<b>Strong financial position</b>			
<b>Cash Flow Highlights (S\$m)</b>			
	<b>YTD Sept 06</b>	<b>YTD Sept 05</b>	<b>Fluctuation (%)</b>
<b>Net cash flow from operations</b>	<b>17.4</b>	<b>15.4</b>	<b>13%</b>
<b>Capital expenditure</b>	<b>6.3</b>	<b>13.9</b>	<b>-54%</b>
<b>Strong cash flow</b>			

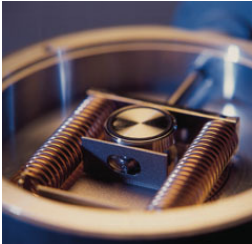
## Key Financial Indicators

3Q FY2006 Results Briefing

Key Financial Indicators (S\$m)	YTD Sept 06	YTD Sept 05	Fluctuation(%)
ROAE (%) - Annualised	17.2	24.1	-29%
ROAE (%) - Annualised ( <i>w/o Net Cash</i> )	23.4	27.8	-16%
EBIT interest coverage *	278.2	52.8	427%
Earnings per share (cents)	6.16	7.51	-18%
Net assets per share (cents)	49.74	45.55	9%

\* EBIT interest coverage = Profit before interest & tax / Interest on borrowings





# Business Review

# Mechatronics Division

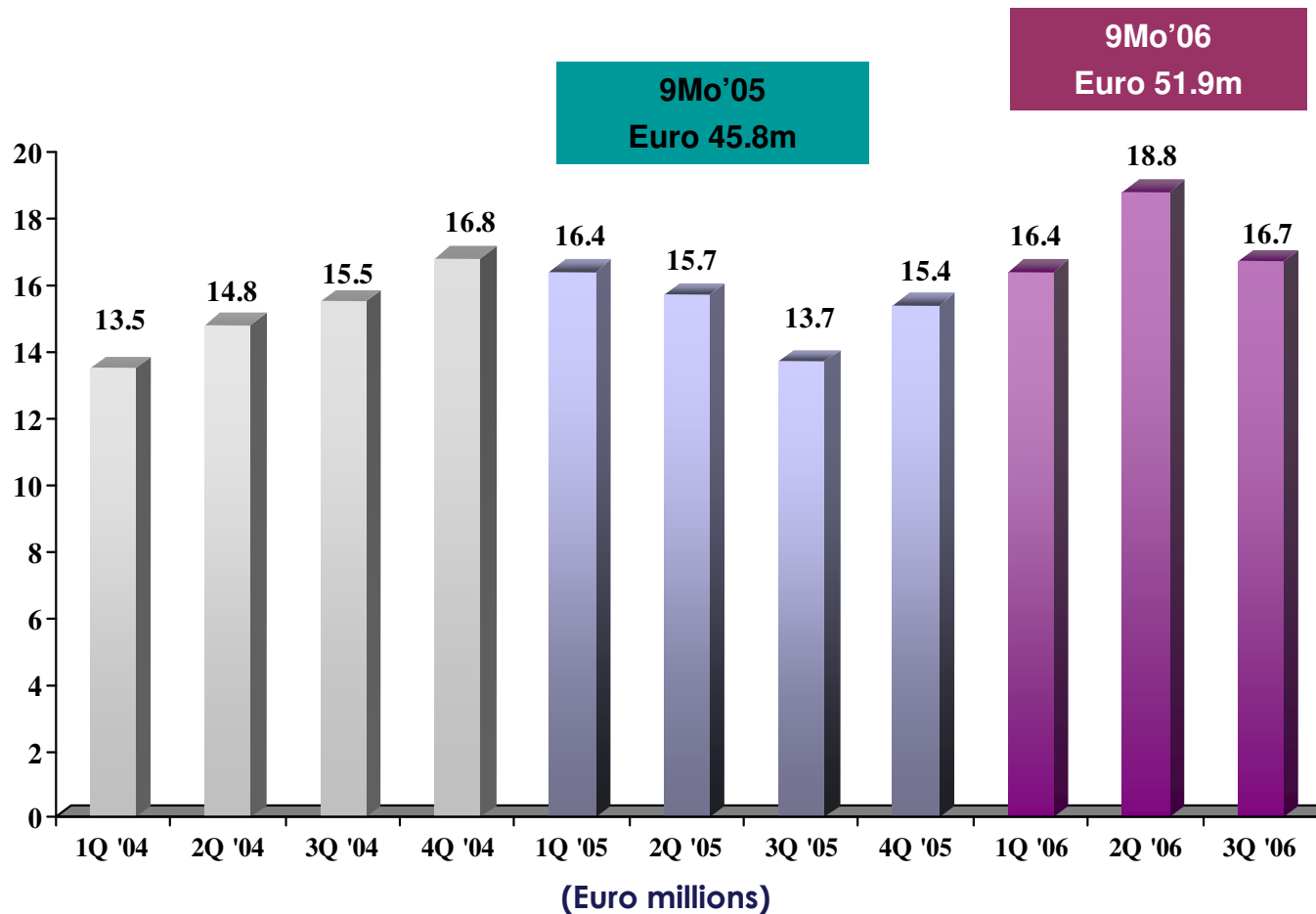


# Mechatronics Division



## Sales Analysis – Quarterly Performance from FY2004

3Q FY2006 Results Briefing



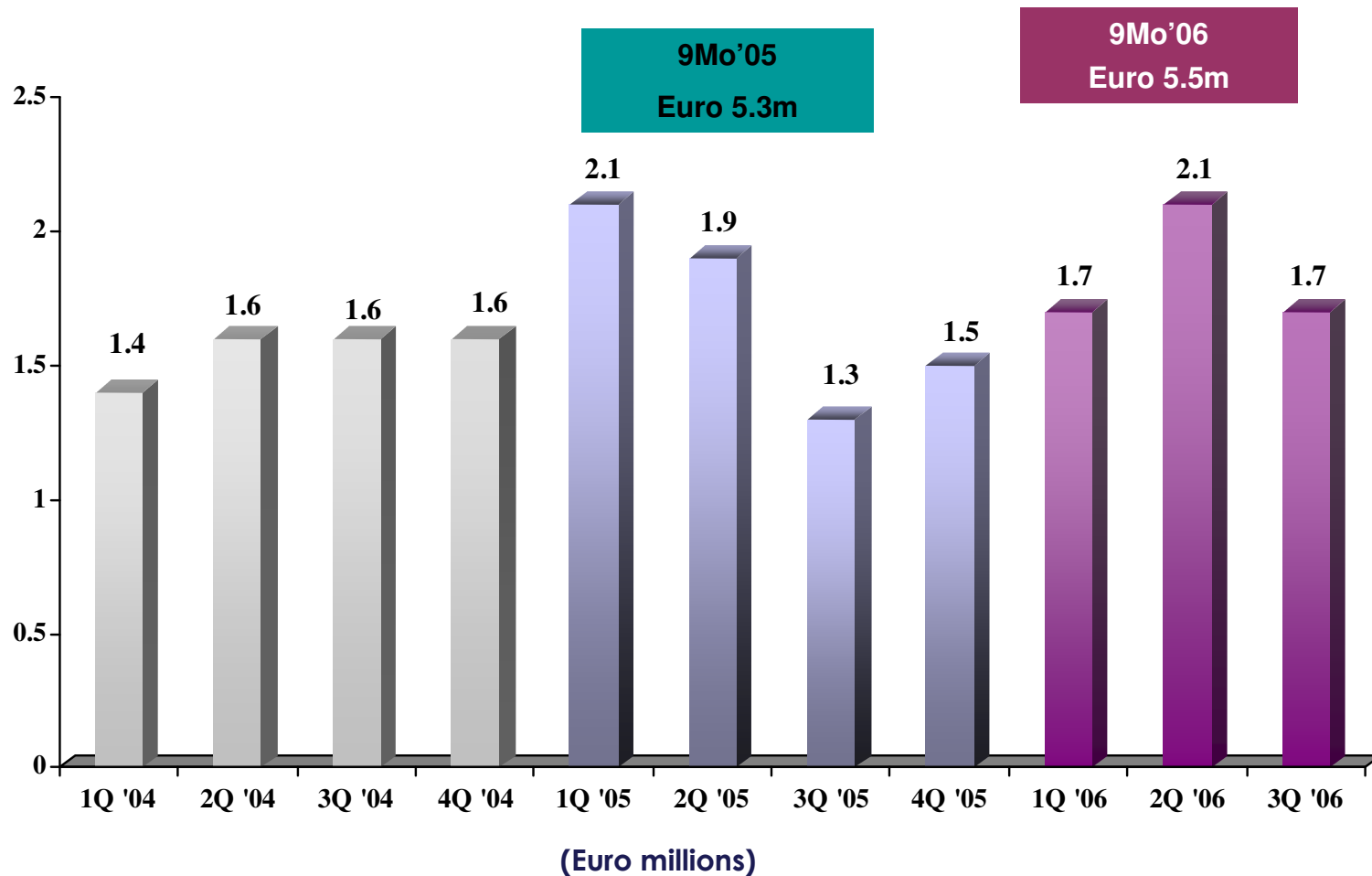


# Mechatronics Division



## Net Profit After Tax – Quarterly Performance from FY2004

3Q FY2006 Results Briefing

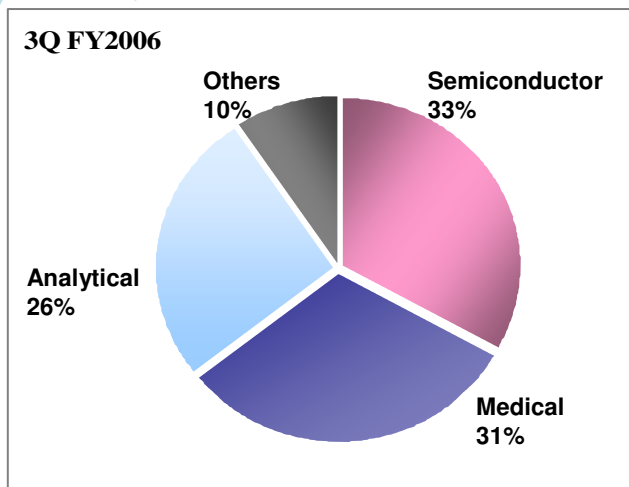


# Mechatronics Division

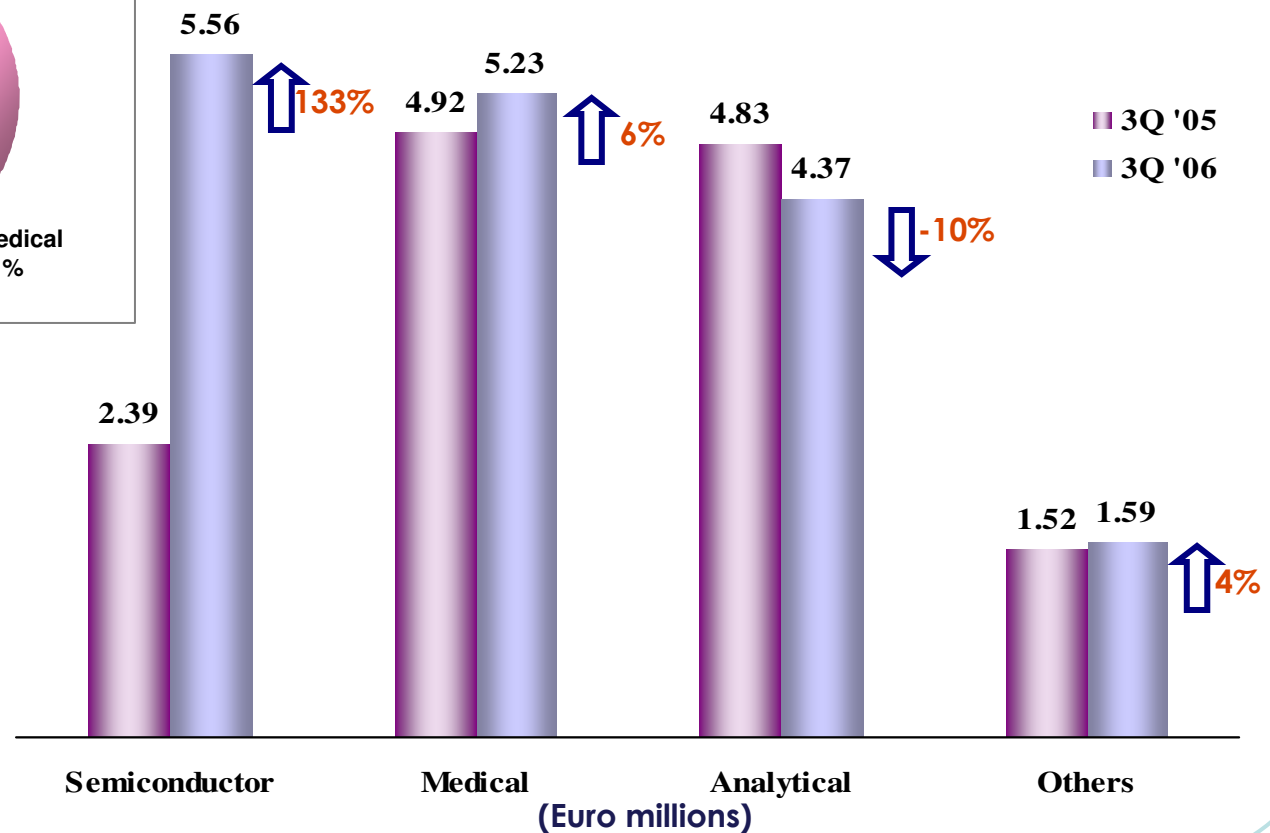
## Sales Analysis - Breakdown by Customer Industry



3Q FY2006 Results Briefing



(Euro 'm)	3Q FY2005	3Q FY2006	Chg YoY
<b>Revenue</b>	<b>13.66</b>	<b>16.75</b>	<b>23%</b>



# Mechatronics Division

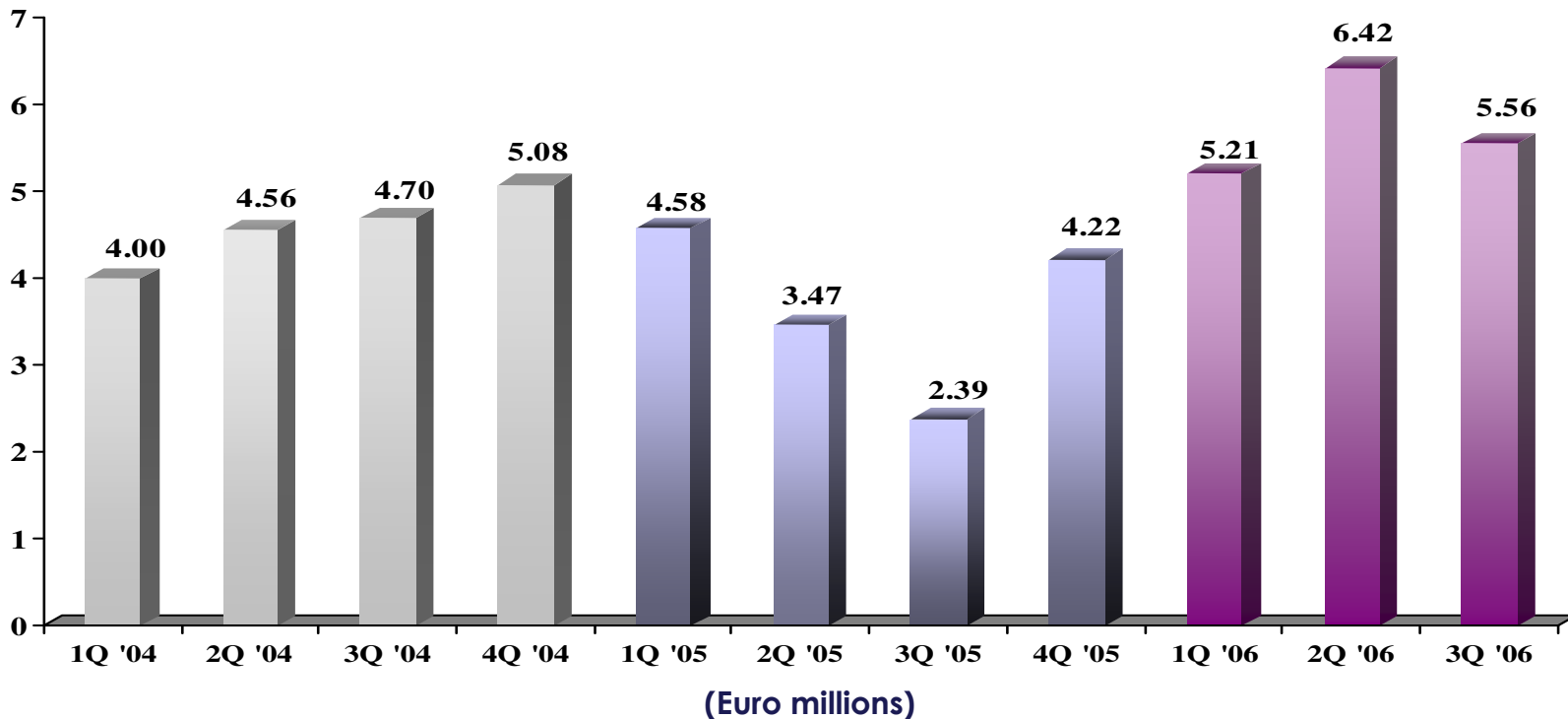
## Sales Analysis - Semiconductor Segment



3Q FY2006 Results Briefing



- ❖ Recovery in 2006 shows a significantly higher revenue in each of the quarters of 2006 as compared to the previous peak of 2004
- ❖ Based on current visibility – this trend is sustainable for the remaining quarter of 2006
- ❖ Total revenue of approximately 17.2 million achieved in 9 months of FY2006 is already approximately 17% higher than the revenue of approximately 14.7 million achieved for FY2005

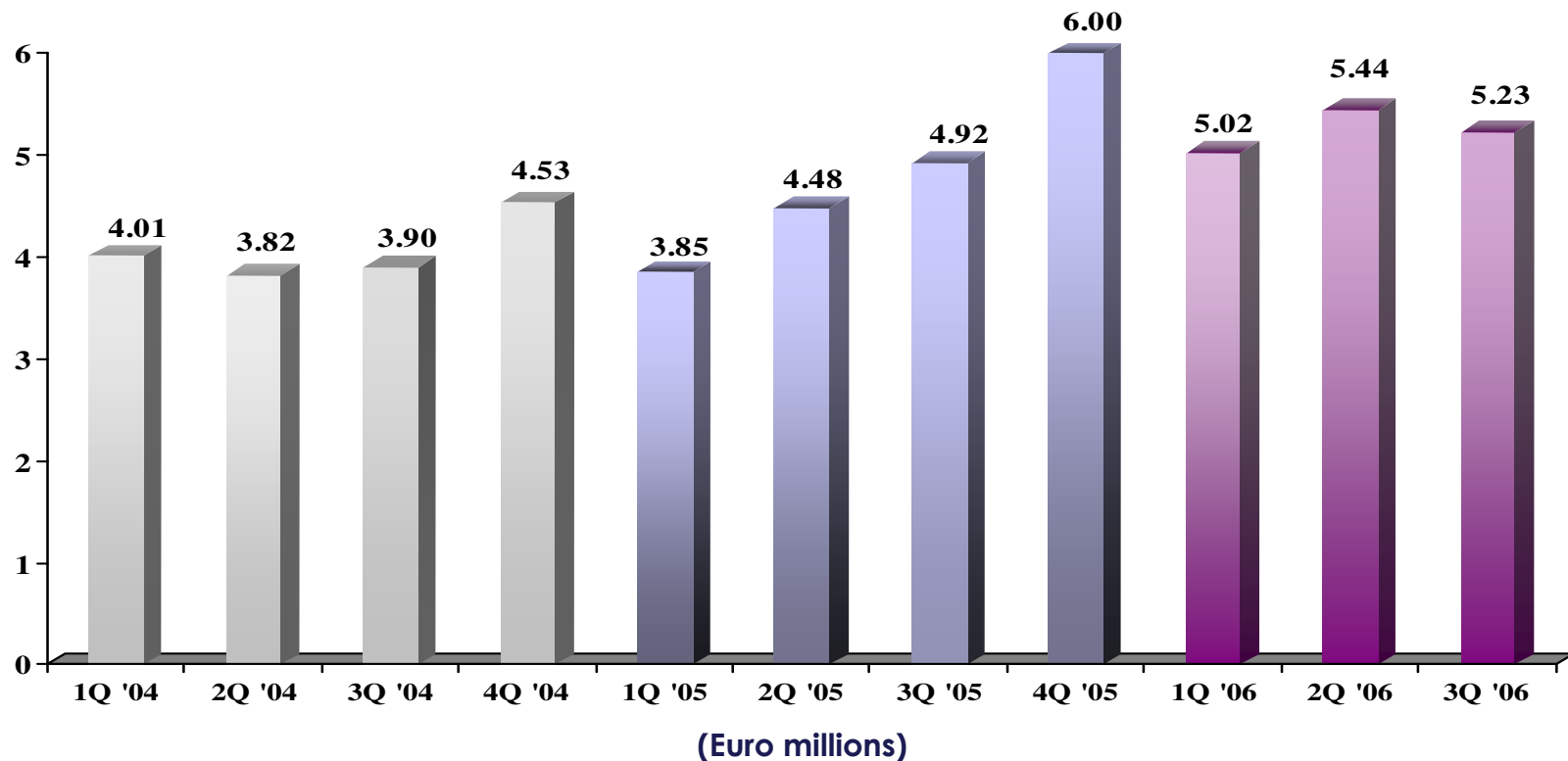


# Mechatronics Division

## Sales Analysis - Medical Segment



- ❖ Steady growth with all 3 quarters of FY2006 at a higher level than the corresponding quarter of FY2005
- ❖ New customers together with new and enhanced redesigned products are contributing to growth in FY2006 and beyond
- ❖ Expect sustainable growth for the remaining quarter of FY2006

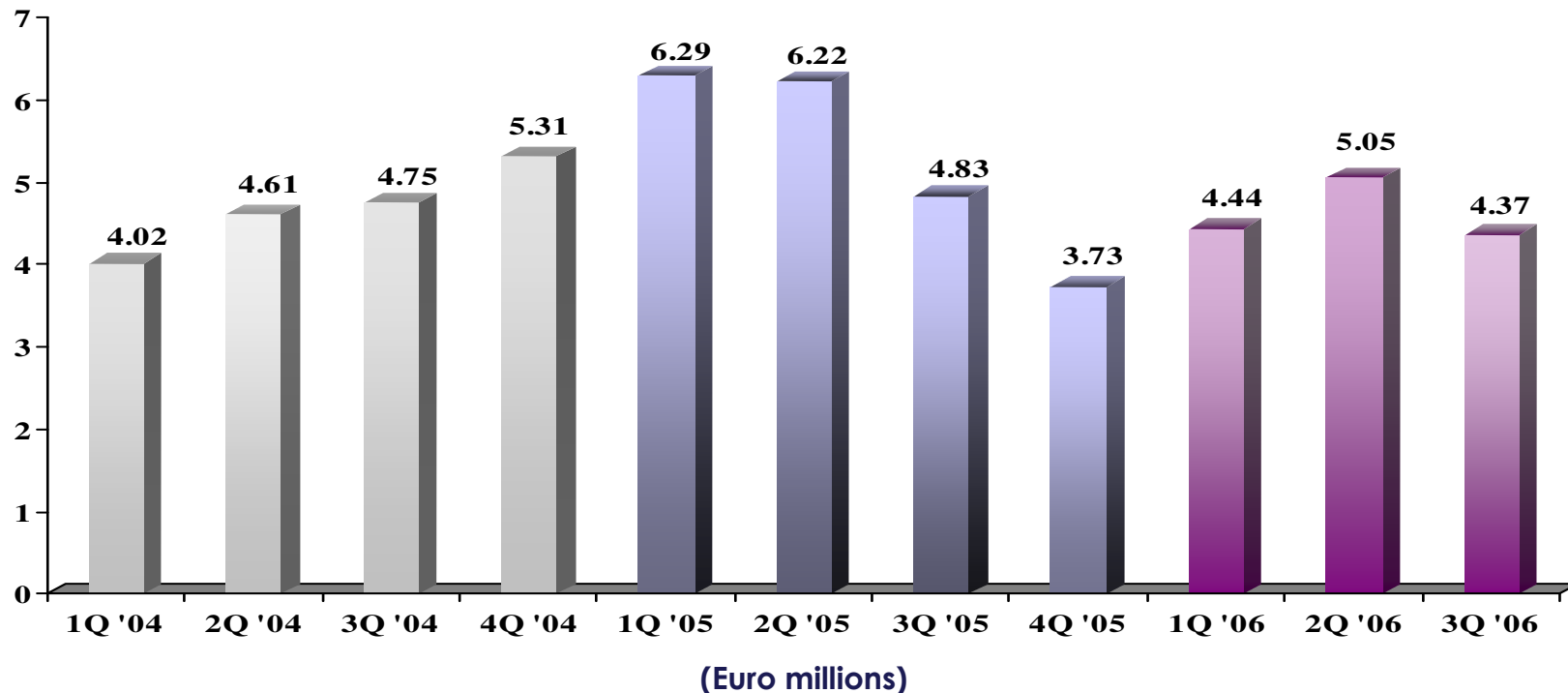


# Mechatronics Division

## Sales Analysis -Analytical Segment



- ❖ After the unusual peak in 1H 2005, followed by a drastic dip in 2H 2005, witnessing a return to more stable quarterly turnover in FY2006
- ❖ Based on current visibility – this trend is sustainable for the remaining quarter of 2006



# Mechatronics Division

## Current Plans & Developments (status update as at November 2006)



3Q FY2006 Results Briefing



### Expanding Assembly and Warehouse Facilities at Frencken Mechatronics

- Commenced utilisation of expanded facilities for medical equipment
- To complete refurbishment to world class standards by end FY2006.

### Renovation and Expansion of Frencken Malaysia

- Expansion and relocation of machining department completed in October 2006.
- Expansion of Mechatronics assembly department will be completed by November 2006.
- Expansion of clean room assembly area expected to be completed by December 2006.

### Investments in new Machines

- New investments in very high precision automated and/or robotic milling and turning machines to support new and more complex modules and complete machines and equipment.
- Commissioning, installation and operational by December 2006.

### Environmental Awareness

- ISO 14001 certified as per August, 2006



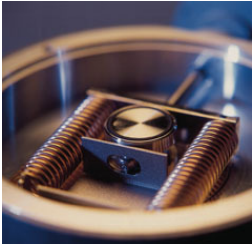
### Outlook for FY2006

#### ➤ **Positive prospects for FY2006**

- 9 Mo 2006 turnover and net profit exceeds same period a year ago
- Sustainable growth expected for semiconductor and medical segments in 4Q FY2006
- Analytical segment expected to continue on stable quarterly trend in 4Q FY2006

### Beyond FY2006

- New customers, new leads and new projects in the pipeline
- Expect stronger growth in new and re-engineering projects in the medical segment
  - Expansion of facilities in the Netherlands to support expansion
- Frencken Malaysia to capitalise on the trend among existing customers to lower cost of production for the less complex equipment in future
- Investments in new machines to strengthen capabilities in higher precision and more complex products



# Business Review

## EMS Division

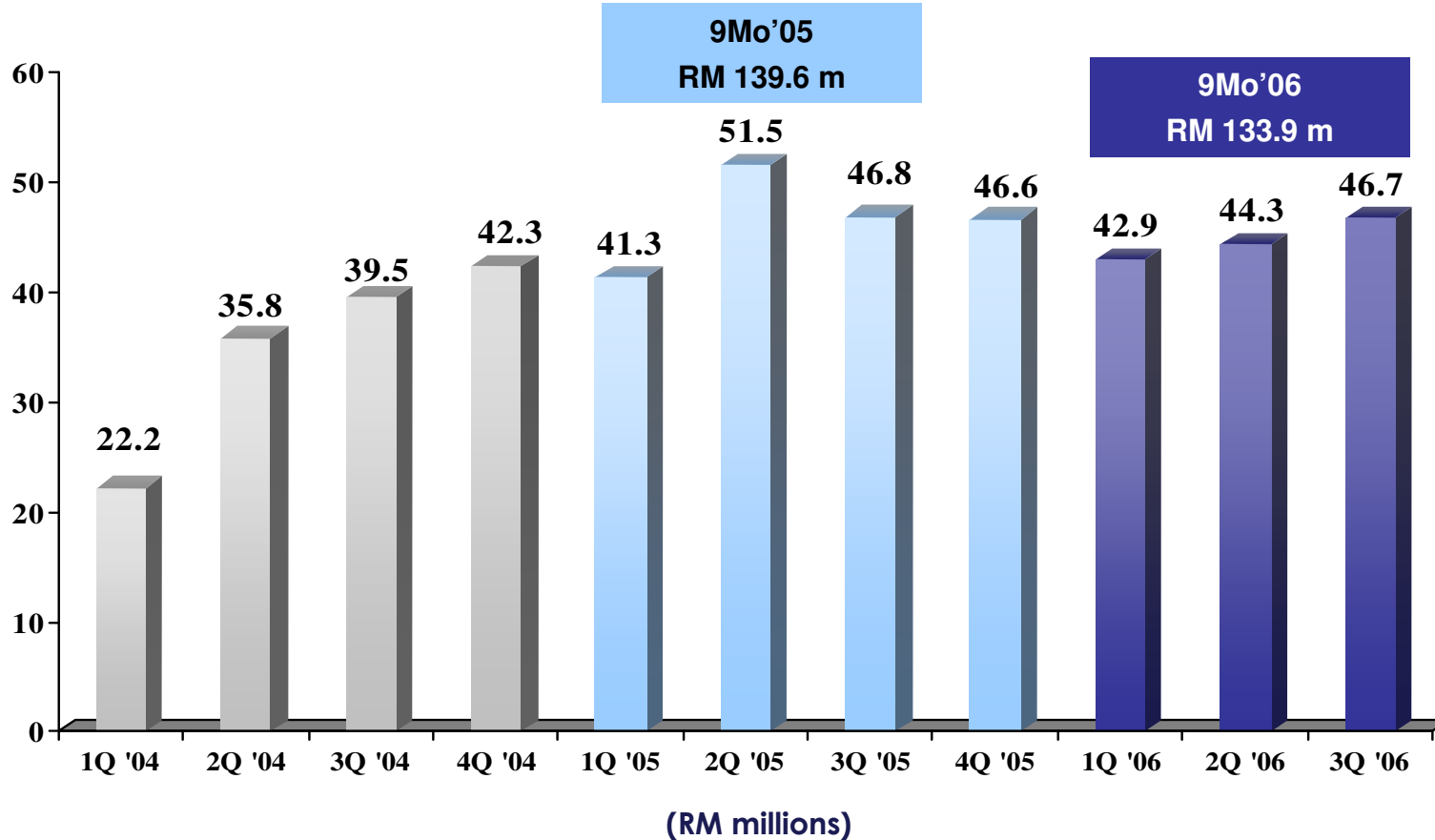


# EMS Division

## Sales Analysis - Quarterly Performance from FY2004



3Q FY2006 Results Briefing

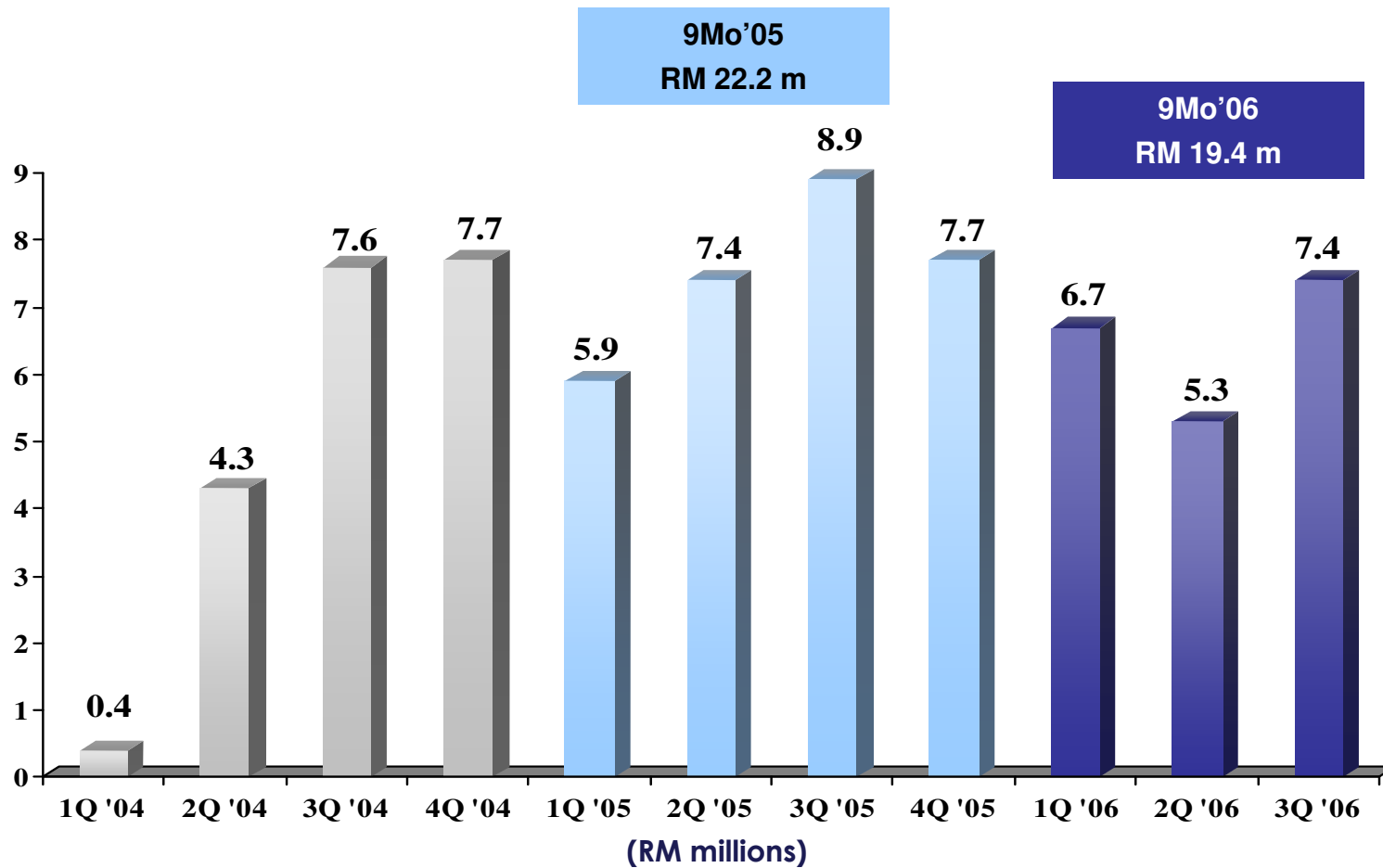


# EMS Division



## Net Profit After Tax – Quarterly Performance from FY2004

3Q FY2006 Results Briefing



# EMS Division

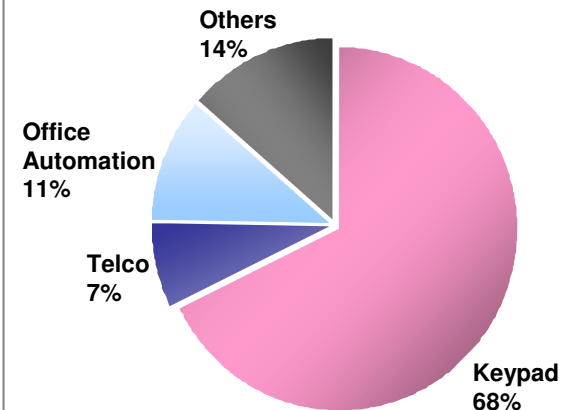


## Sales Analysis - Breakdown by Customer Industry

3Q FY2006 Results Briefing

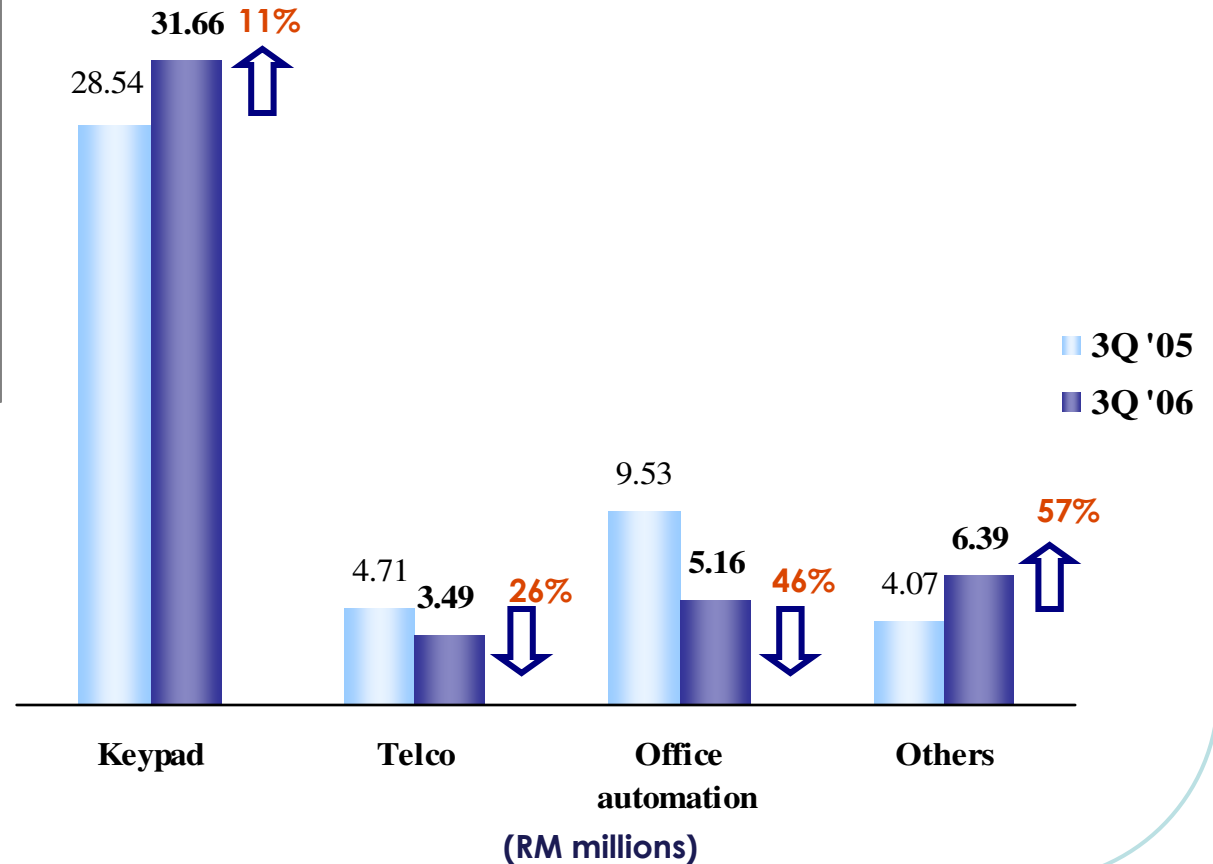


3Q FY2006



(RM 'm) 3Q FY2005 3Q FY2006 Chg YoY

Revenue 46.85 46.70 -3%



# EMS Division

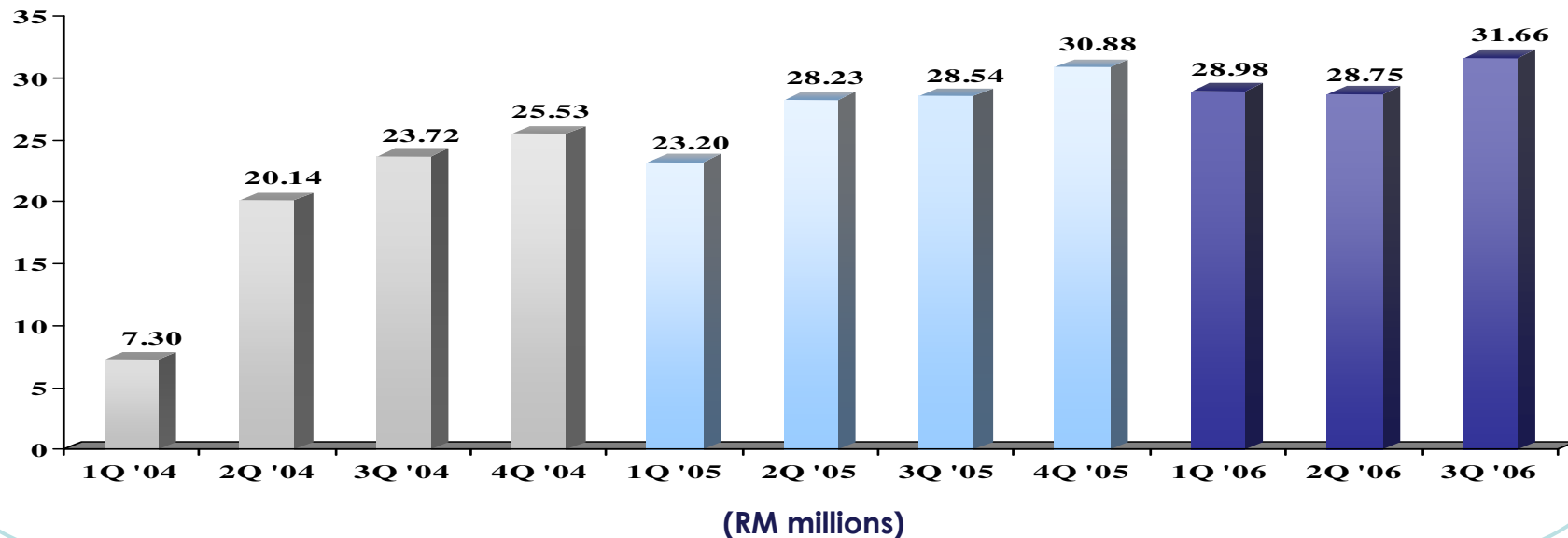
## Sales Analysis - Keypad Segment



3Q FY2006 Results Briefing



- ❖ 3Q FY2006 revenue approximately 11% higher than that of the same period of 2005
- ❖ On a year on year basis, this business segment still showing growth as compared to the years of FY2004 and FY2005
- ❖ Additional 30% new capacity fully operational in FY2006 has helped to maintain growth despite pricing pressures
- ❖ Strategic decisions and decisive actions taken together with a key customer has enabled our customer to maintain market share in the relevant geographical markets.
- ❖ Based on current visibility – quarterly trend expected to remain stable for the rest of FY2006



# EMS Division

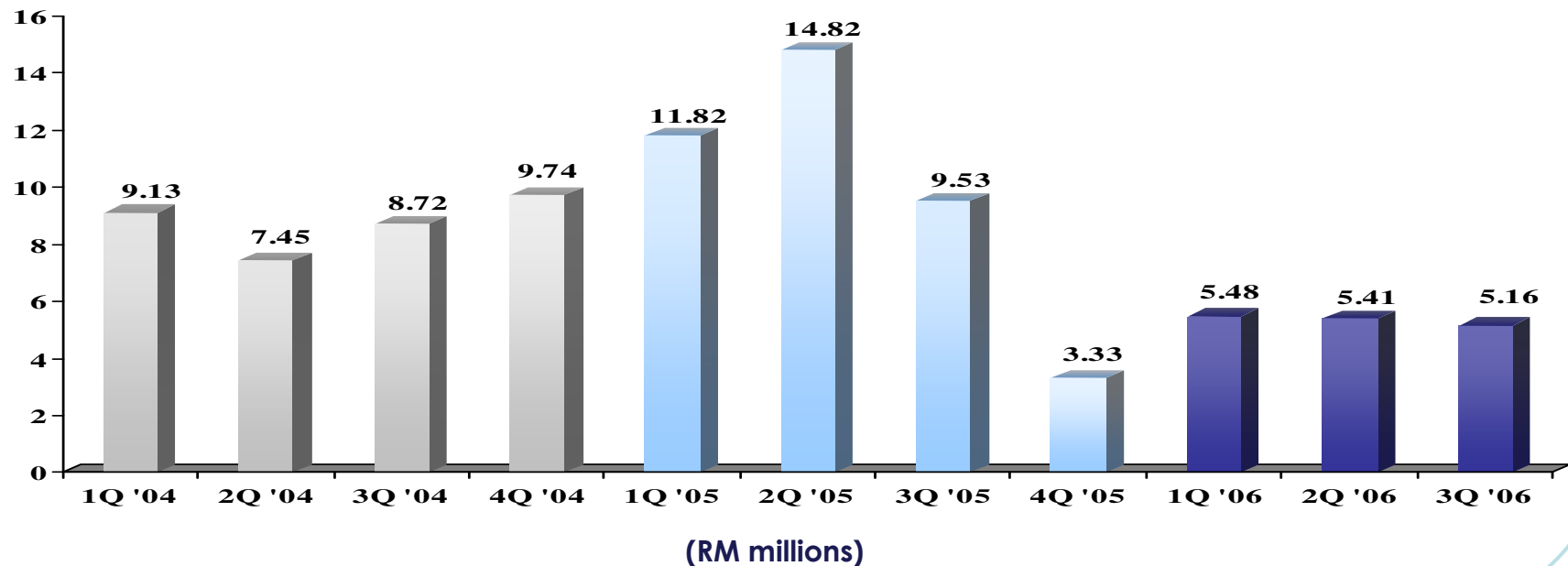
## Sales Analysis - Office Automation Segment



3Q FY2006 Results Briefing



- ❖ Revenue remains stable at around the RM5 million level for all quarters of FY2006
- ❖ No significant growth or dip expected for the remaining quarter of FY2006
- ❖ Expect gradual growth from 3Q FY2007 onwards when current development projects (with long product life cycles) goes into mass production



# EMS Division

## Current Plans & Developments (status update as at November 2006)



3Q FY2006 Results Briefing



### Dedicated facilities towards Automotive Business

- First custom designed “water base” spray painting system (dedicated to automotive parts) commissioned and in operation since October 2006.
- Renovation works for dedicated automotive production areas will commence in stages from November 2006 and be completed and operational in stages from 1Q FY2007.

### Integrated Manufacturing Services (IMS)

- Consolidated ERP system implementation progressing as planned and expected to go live by 2Q FY2007.
- Official integration is expected by end FY2007.

### Investment in new technology (Sputtering)

- Expands the range of surface coating finishes available to our customers.
- First 2 units of sputtering machines together with supporting facilities will be available for commercial production by early 2Q FY2007.
- First products will be mobile phone parts and decorative parts for automotive interiors.
- Expect to generate additional turnover for the EMS Division from 2H FY2007 onwards.

# EMS Division

## Outlook for 4Q 2006 (status update as at November 2006)



3Q FY2006 Results Briefing



### Outlook for FY2006

- Keypads: sales expected to be maintained or marginally higher than FY2005
- Office Automation: revenue expected to remain flat for the rest of the year
- Automotive: sales expected to double from FY2005
  - 9Mo'06 revenue of S\$2.0 million exceeded FY2005 revenue of S\$1.6 million

### Beyond FY2006

- Catalysts from **Automotive** and **Office Automation** segments
  - Sales from automotive segment expected to increase by 50% in FY2007
    - progressively launching more than 100 plastic injection tools since August 2006 with commercial sale expected to build up from 1H FY2007
  - New office automation project with long product life cycle (7 to 10 years)
    - progressively launching around 125 plastic injection and metal stamping tools from October 2006
    - contribution to Group expected from 2H FY2007
- Improving stability of EMS division over the mid-to-long term with focus placed on developing the automotive business and electromechanical assemblies

- **Robust business model**
  - total outsourcing solutions from product design and engineering to commercial production
  
- **Sustainable competitive advantage**
  - emphasis on integrated design and modules assembly raises entry barriers and increases value-add to customers
  
- **Aiming for greater stability and higher operating leverage**
  - strengthening foothold in industries with more steady growth potential
  
- **Sound financial position**
  - supports continued expansion of technological capabilities and increased geographical presence





ELECTROTECH



**Thank You**