

QES INVESTOR BRIEFING

Q1-2023 (22 May 2023)



Assuring you our best, always

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Assuring you our best, always!

Corporate Vision

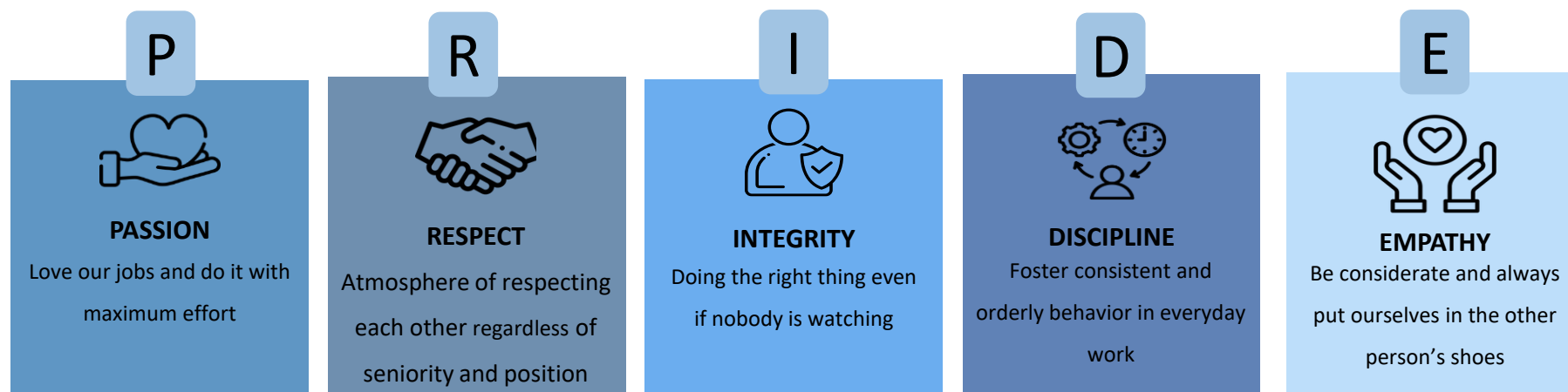
Mission Statement

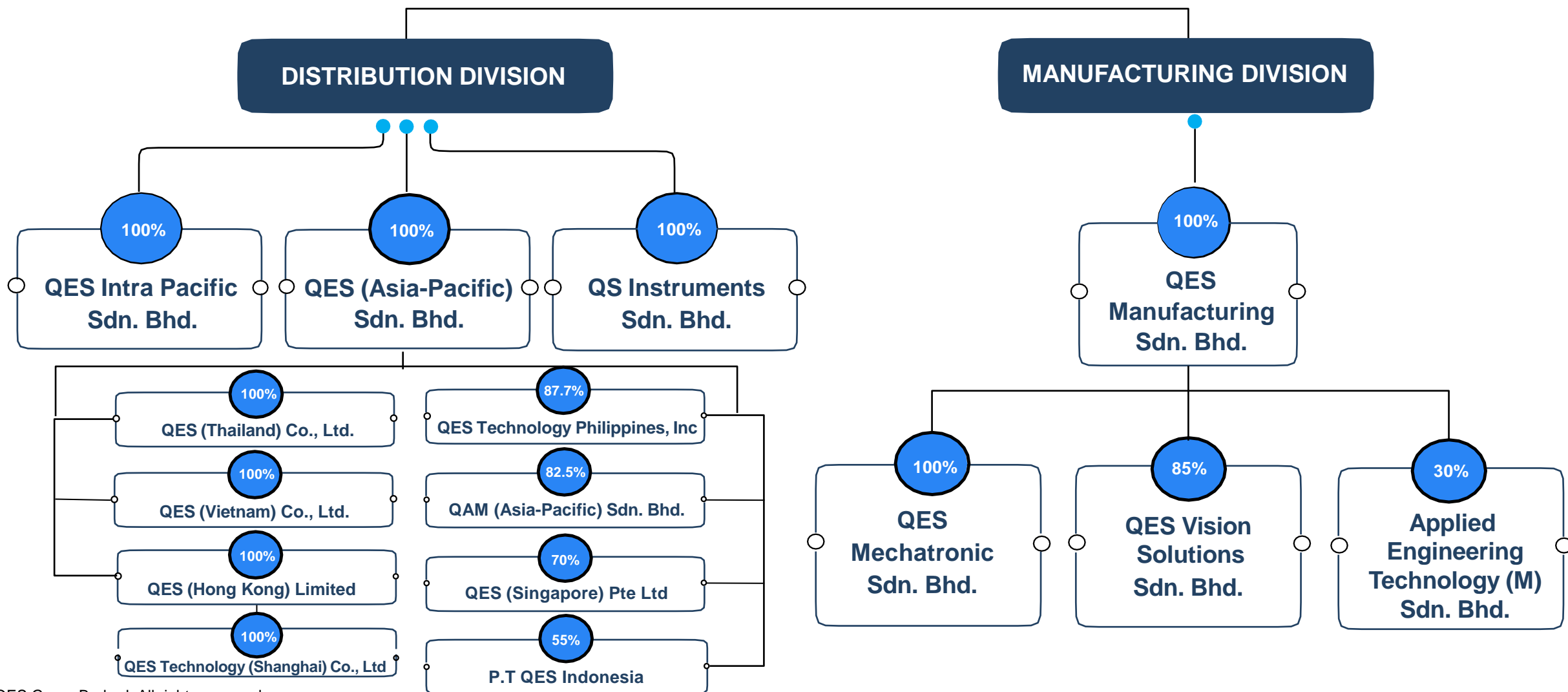
QES is determined to excel in every area of our technology-driven products and services and be sustainable. We achieve that by making sure we are **customer-centric, continuously developing and empowering our people, building lasting relationships with our business associates, moving towards complete digitalization, and aligning with our shareholders' vision and ESG commitment.**

Vision

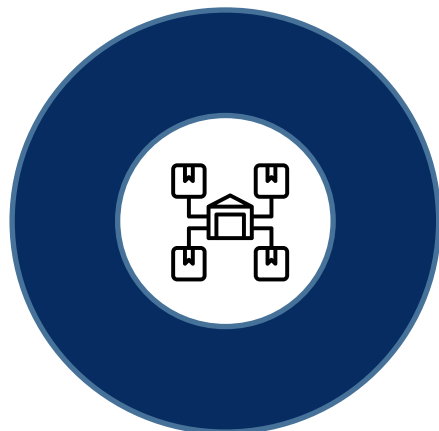
We aim to be the leading integrated solutions provider serving customers with world class products in analytical, inspection, test, measuring, automation, and related services.

Our Core Values





Distribution



**Analytical
Instruments**

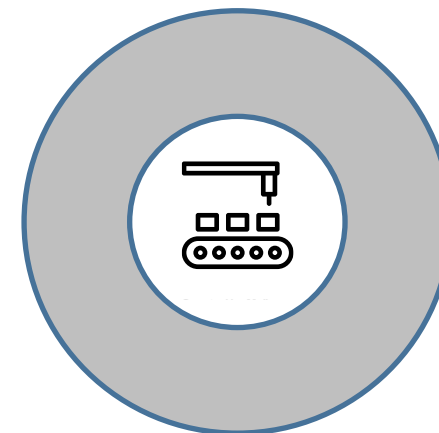


**Inspection, Test
& Measurement
Equipment**



**Materials &
Engineering
Solutions**

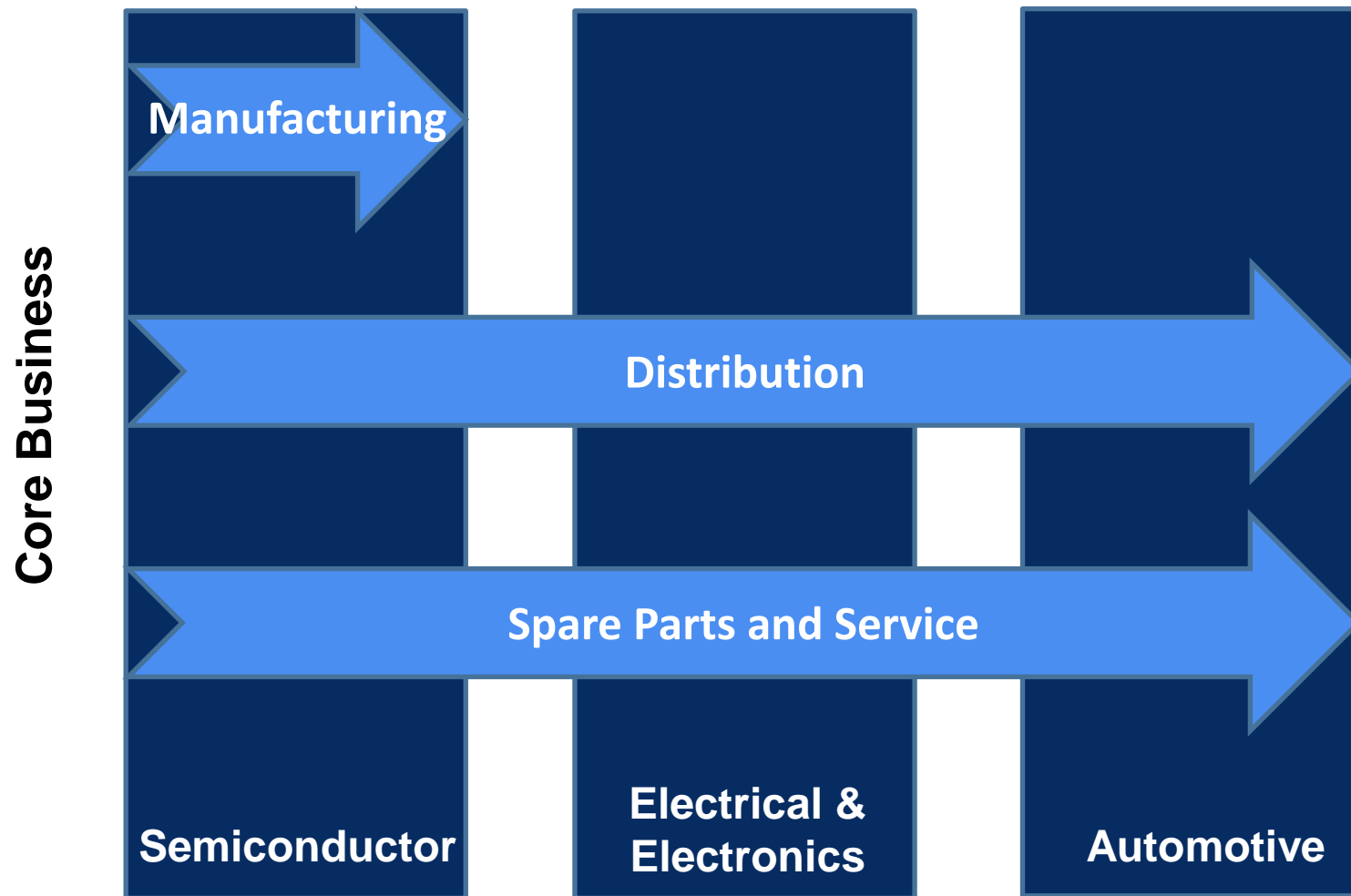
Manufacturing



**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

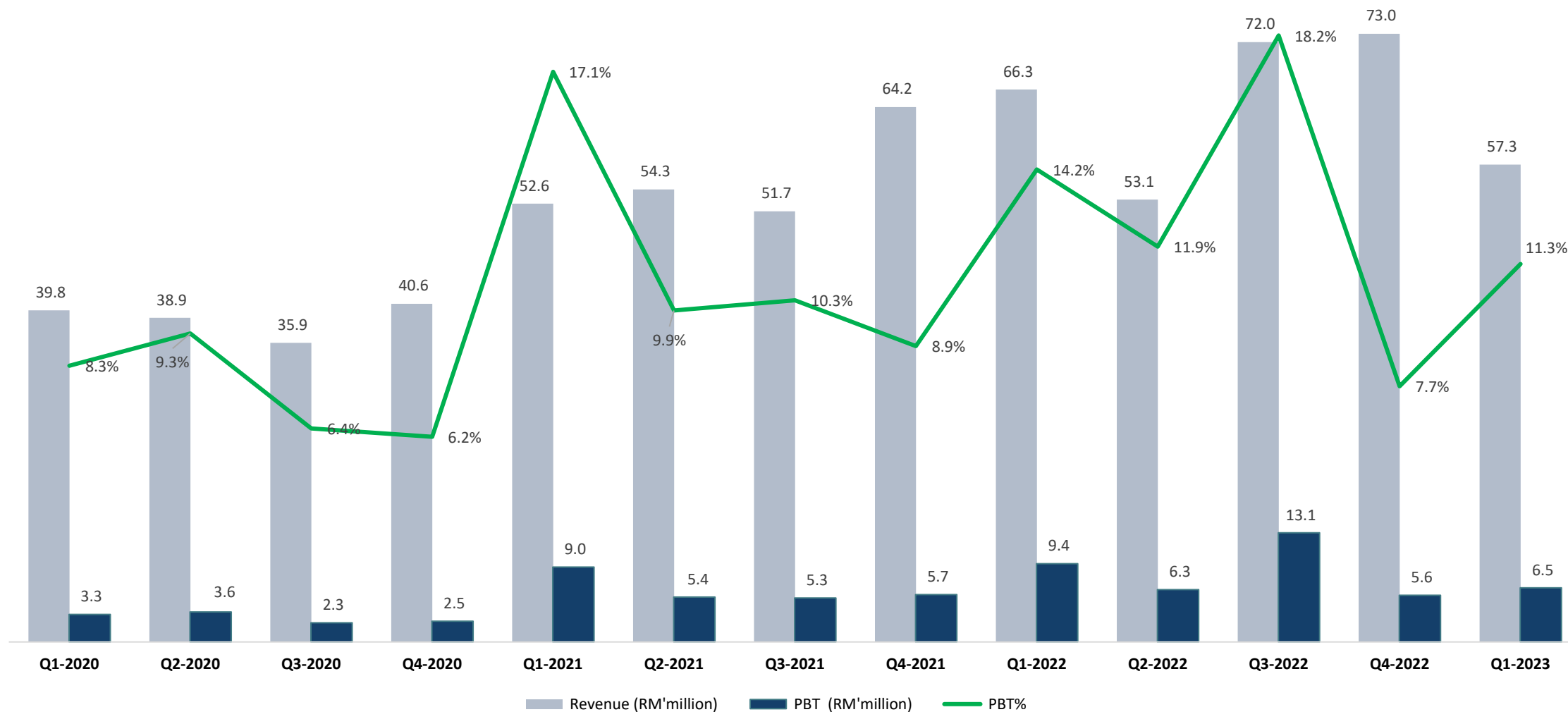
RM'million	Q1'23	Q4'22	QoQ%	For the period ended		
				Mar'23	Mar'22	YoY%
Revenue						
Distribution	51.5	60.1	-14.3%	51.5	60.4	-14.7%
- Product	35.0	38.7	-9.6%	35.0	40.6	-13.8%
- Materials	3.1	6.6	-53.0%	3.1	9.4	-67.0%
- Spares & Service	13.4	14.8	-9.5%	13.4	10.4	28.8%
Manufacturing	5.8	12.9	-55.0%	5.8	5.9	-1.7%
Total Revenue	57.3	73.0	-21.5%	57.3	66.3	-13.6%
GP						
Distribution	13.7	14.3	-4.2%	13.7	14.9	-8.1%
- Product	8.9	8.0	11.3%	8.9	10.2	-12.7%
- Materials	0.5	1.4	-64.3%	0.5	1.4	-64.3%
- Spares & Service	4.3	4.9	-12.2%	4.3	3.3	30.3%
Manufacturing	1.1	4.9	-77.6%	1.1	2.0	-45.0%
Total GP	14.8	19.2	-22.9%	14.8	16.9	-12.4%
EBITDA	8.3	6.9	20.3%	8.3	10.7	-22.4%
Operating Cost	(8.0)	(13.5)	-40.7%	(8.0)	(7.2)	11.1%
Share of result of an associate, net of tax	(0.3)	(0.1)	100.0%	(0.3)	(0.3)	0.0%
PBT	6.5	5.6	16.1%	6.5	9.4	-30.9%
Tax	(1.7)	0.3	666.7%	(1.7)	(2.6)	-34.6%
PAT	4.8	5.9	-18.6%	4.8	6.8	-29.4%
MI	-	(0.5)	-100.0%	-	(0.1)	-100.0%
PAT Attributable (PATMI)	4.8	5.4	-11.1%	4.8	6.7	-28.4%

Financial Highlights – Quarterly Results Comparison

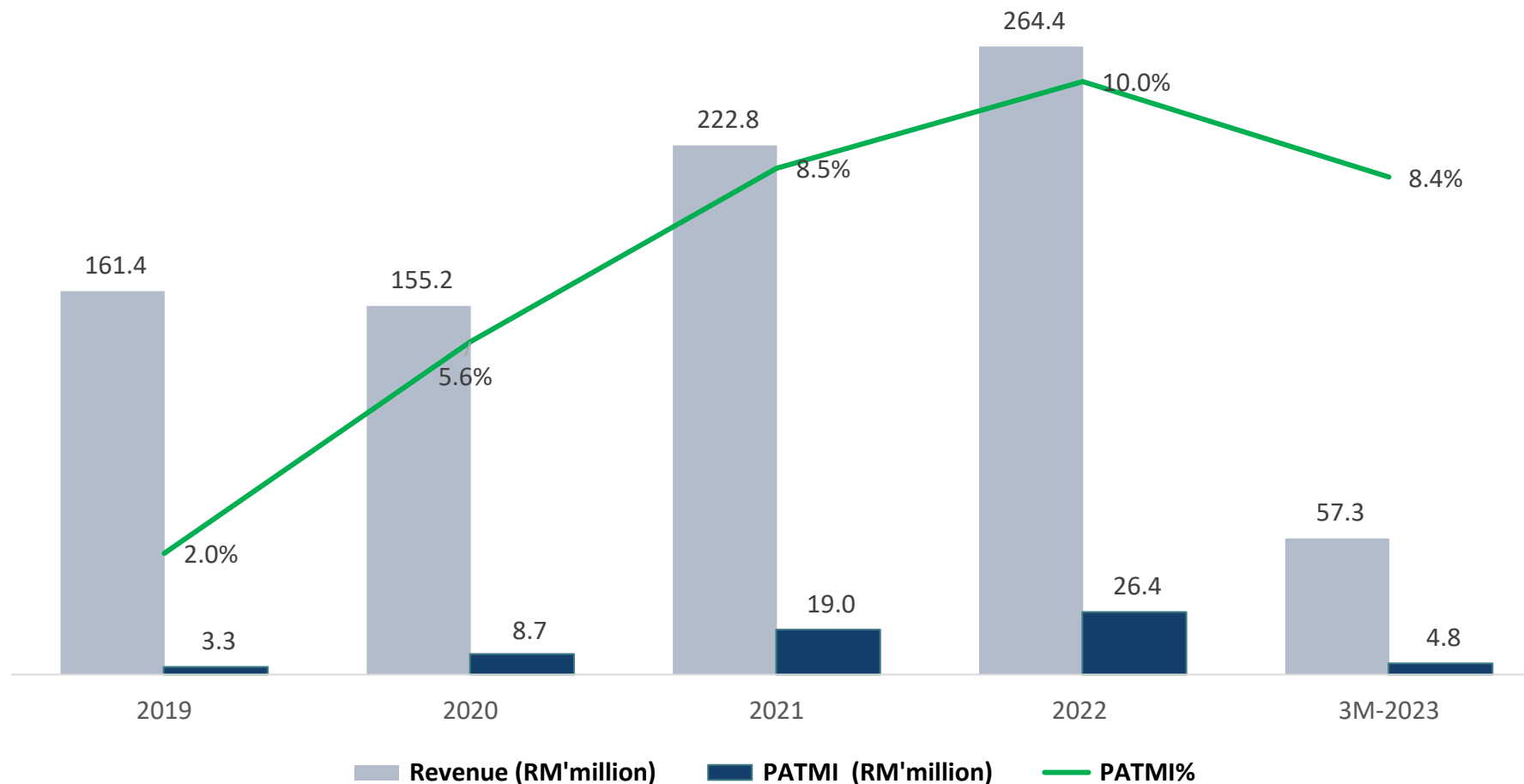
In RM'million

	Q1'23	Q1'22	Q4'22	Q1'23 Q1'22	Q1'23 Q4'22	For Period Ended		
						Mar'23	Mar'22	Mar'23 vs Mar'22
Revenue	57.3	66.3	73.0	↓ -13.6%	↓ -21.5%	57.3	66.3	↓ -13.6%
PATMI	4.8	6.7	5.4	↓ -28.4%	↓ -11.1%	4.8	6.7	↓ -28.4%
PATMI Margin	8.4%	10.1%	7.4%			8.4%	10.1%	
EBITDA	8.3	10.7	6.9	↓ -22.4%	↑ 20.3%	8.3	10.7	↓ -22.4%
EBITDA Margin	14.5%	16.1%	9.5%			14.5%	16.1%	

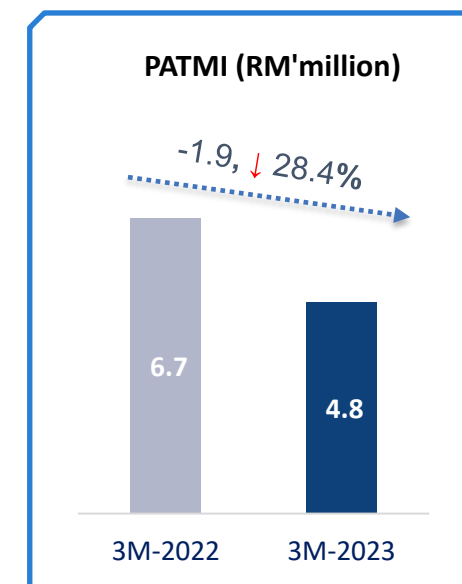
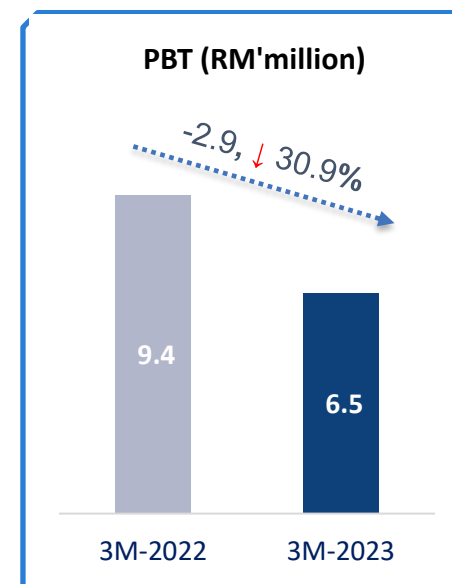
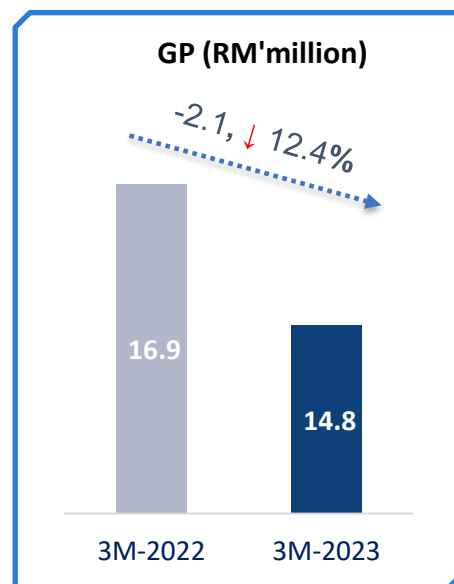
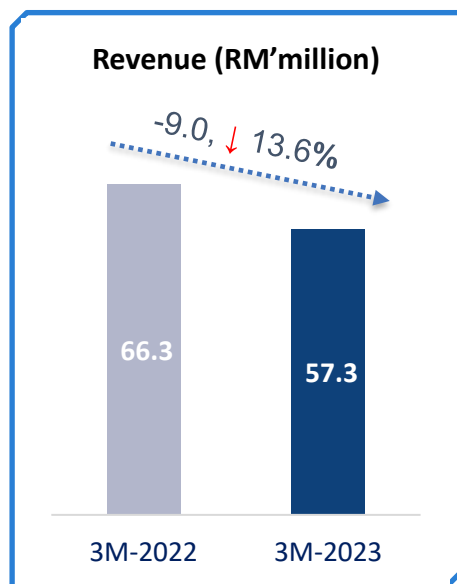
Quarterly Financial Highlights 2020 - 2023 Q1



Financial Highlights 2019 - 3M 2023

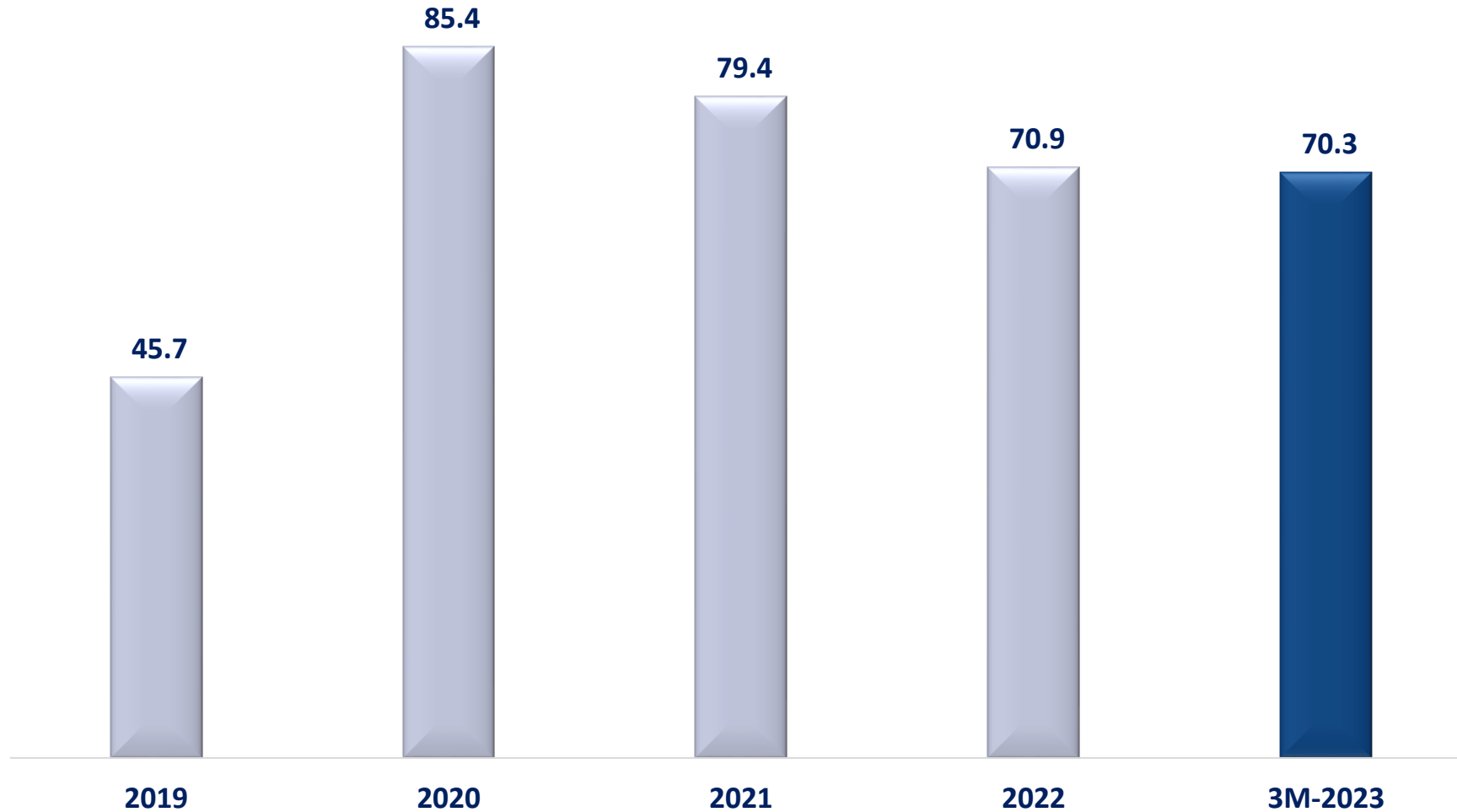


Financial Highlights of FYE23 – 3M cumulative period

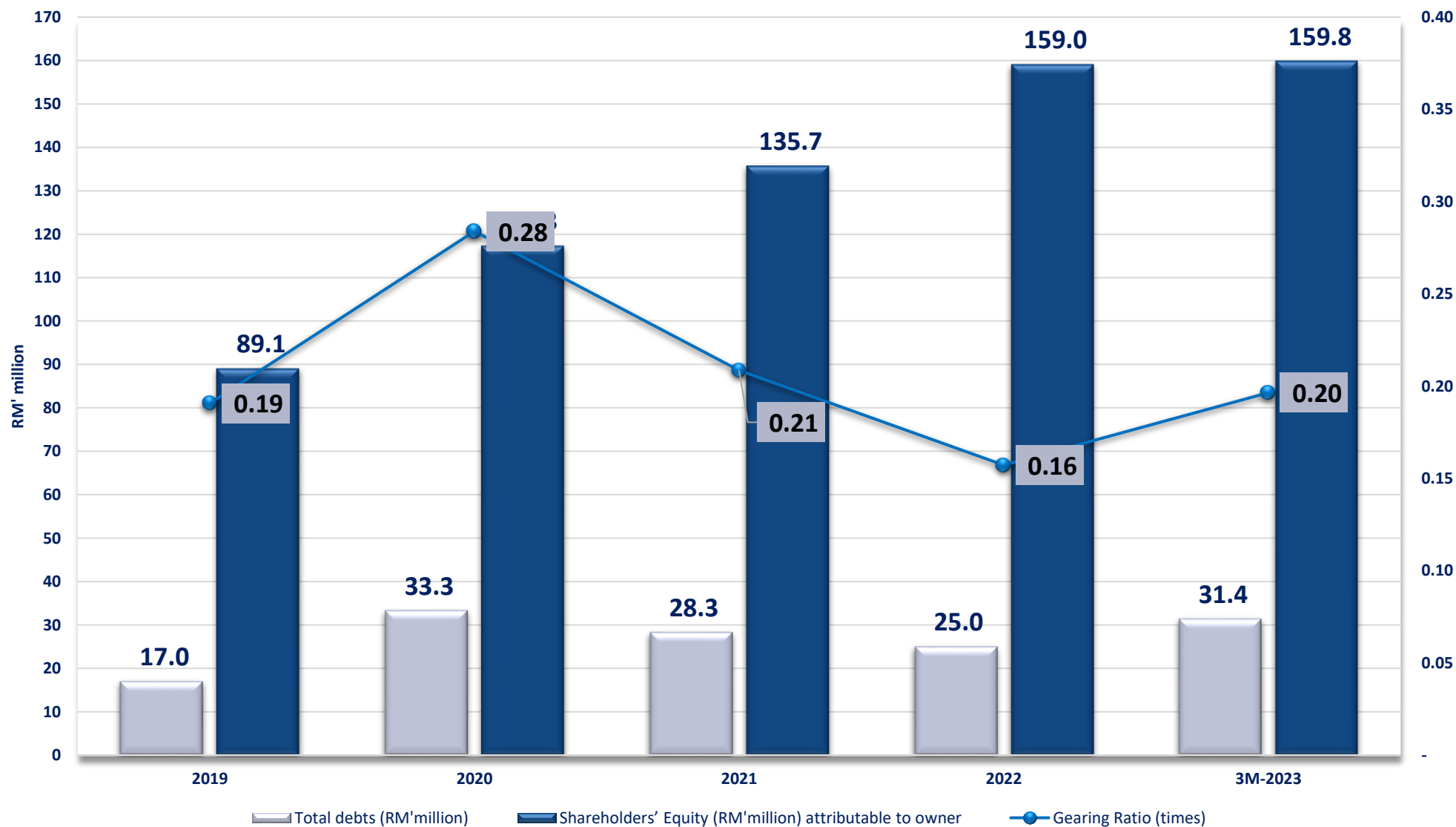


- Overall revenue decreased due to a drop in sales from both distribution division and manufacturing division.
 - Distribution revenue decreased by 14.7% YoY mainly due to a decrease of 13.8% and 67.0% in product and materials respectively despite an increase of 28.8% in spares & service.
 - Manufacturing revenue decreased by 1.7% YoY, due to the delayed delivery of advanced metrology system (AMS) equipment to a semiconductor customer.
- Group GP decreased by 12.4% YoY as a result from a 8.1% drop in GP contribution from the distribution division and 45.0% in GP contribution by the manufacturing division.
- Lower PBT and PATMI in tandem with the drop of revenue and gross profit generated by both distribution division and manufacturing division.

Cash and cash equivalents (RM'million)

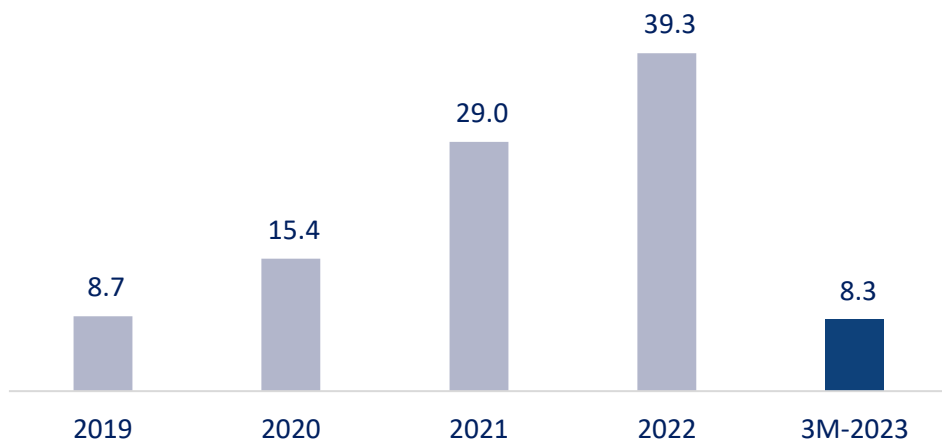


Financial highlights – Gearing ratio

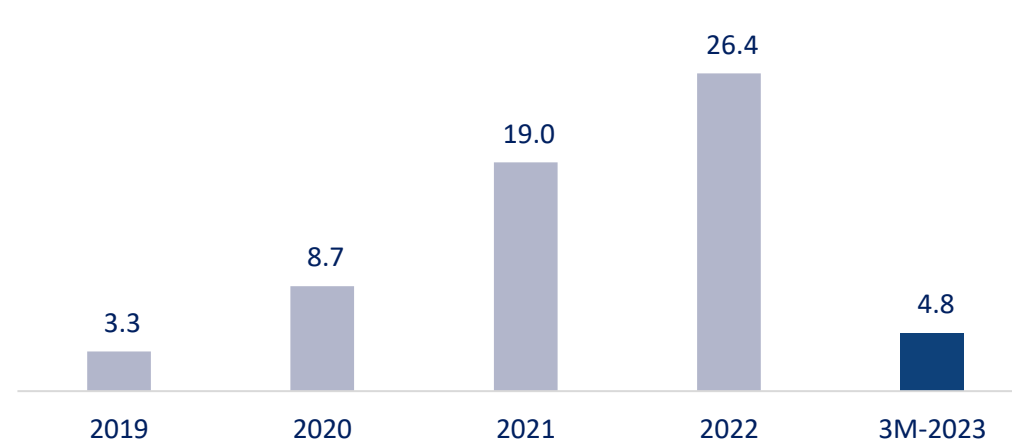


Financial highlights – Other ratios

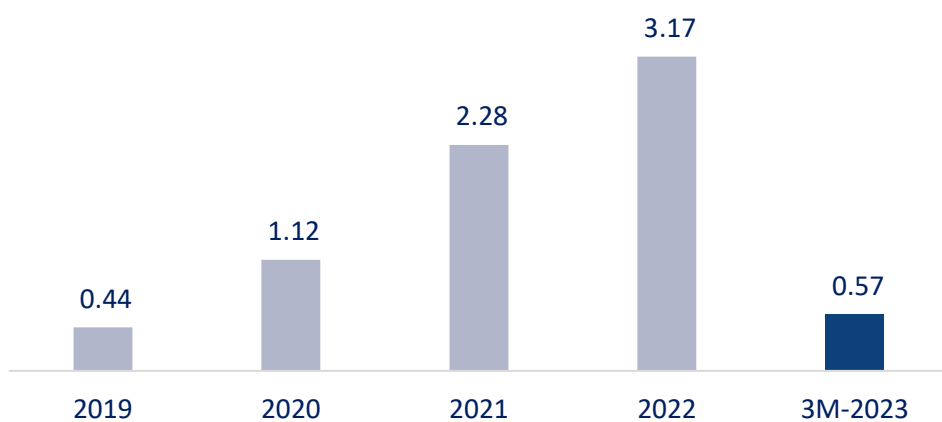
Earnings before Interest, Taxes, Depreciation and Amortisation (RM'million)



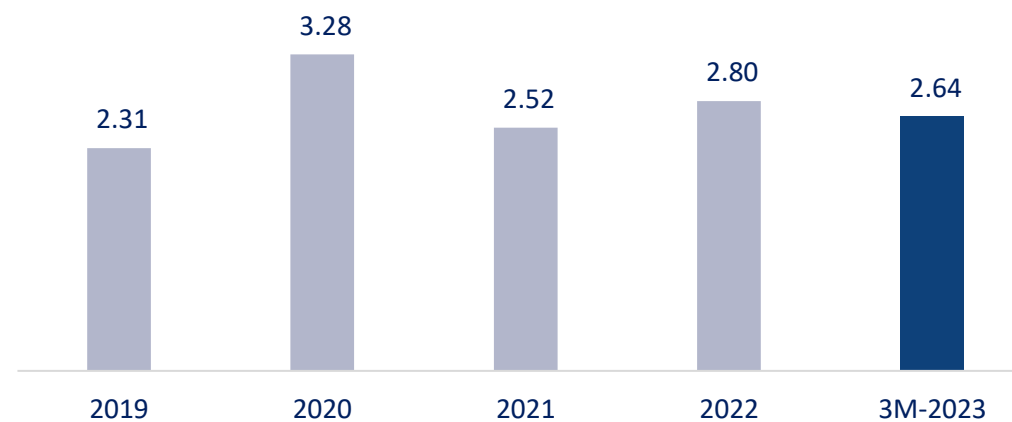
Profit attributable to Owners of the Company (RM'million)



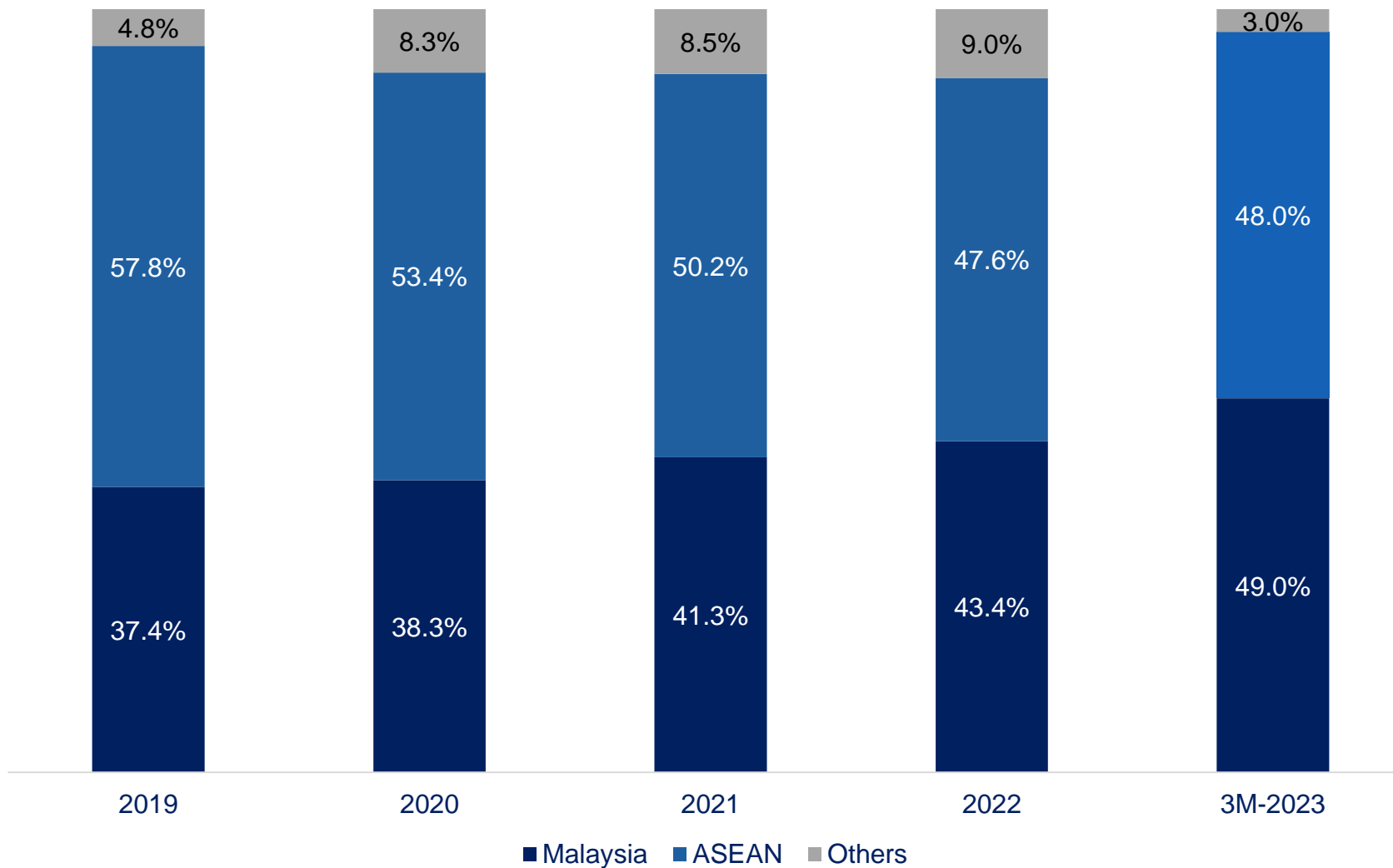
Basic Earnings per Share (sen)



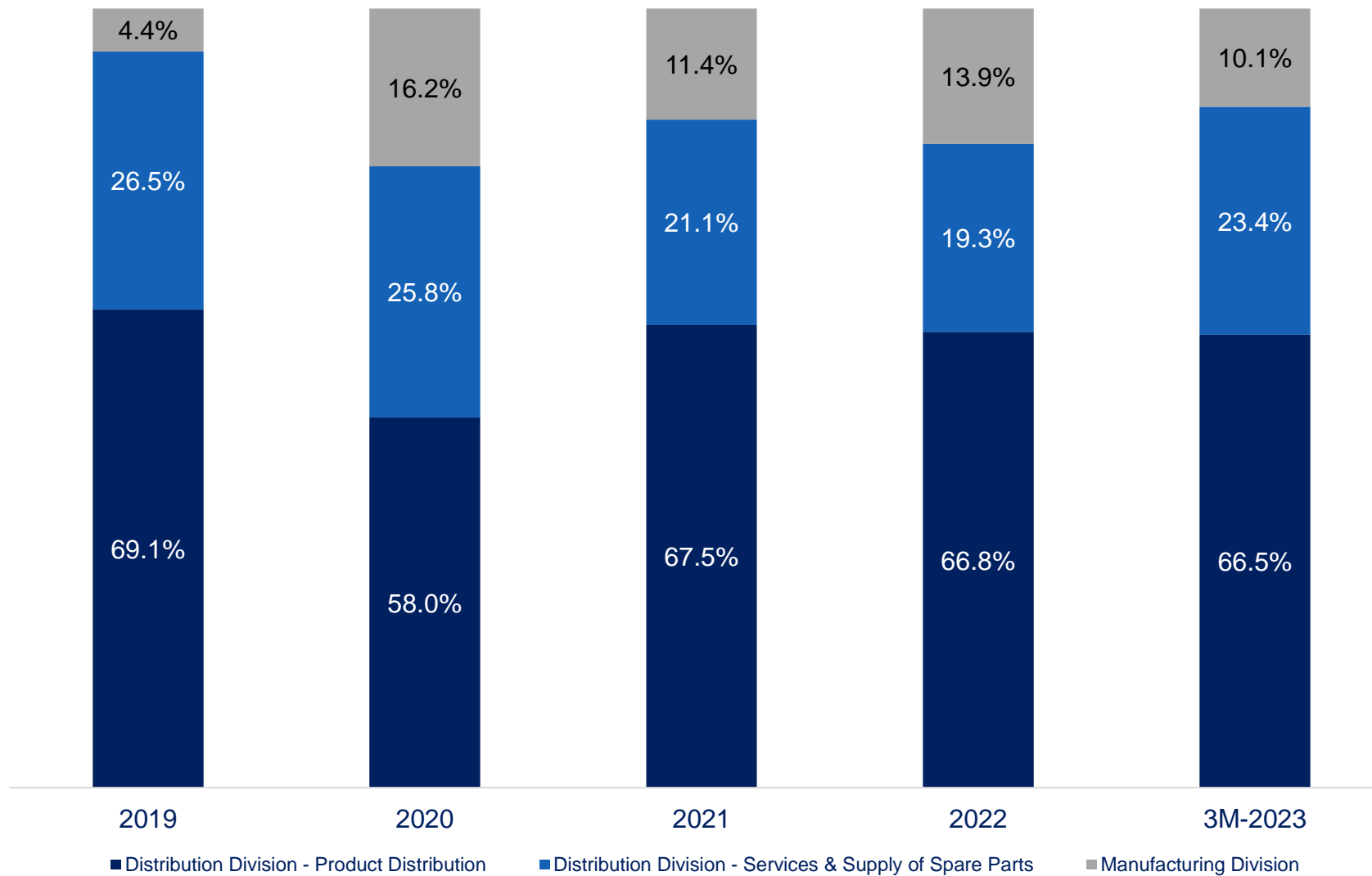
Current Ratio (times)



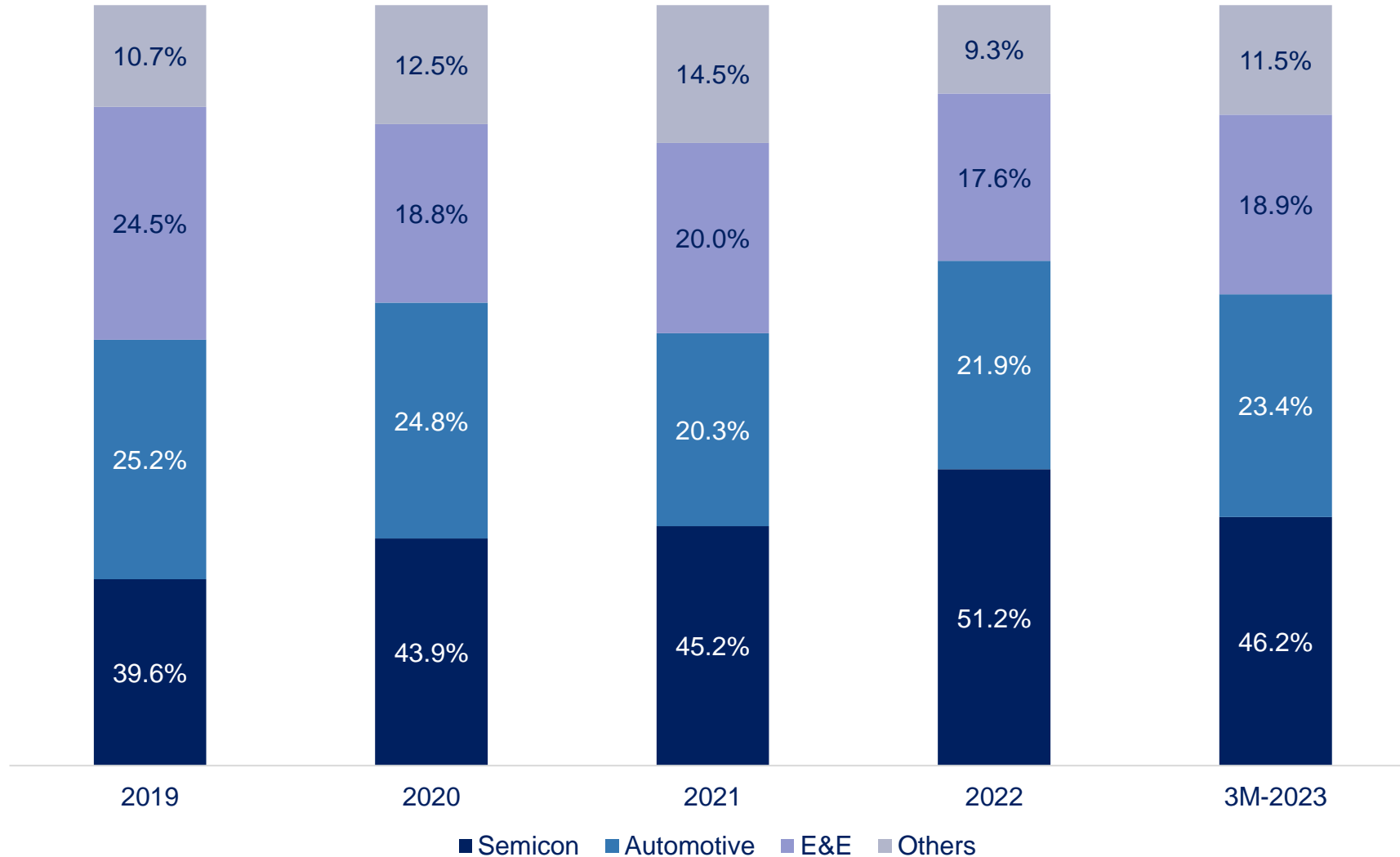
Analysis: Revenue Breakdown – By Country/Region



Analysis: Revenue Breakdown – By Division

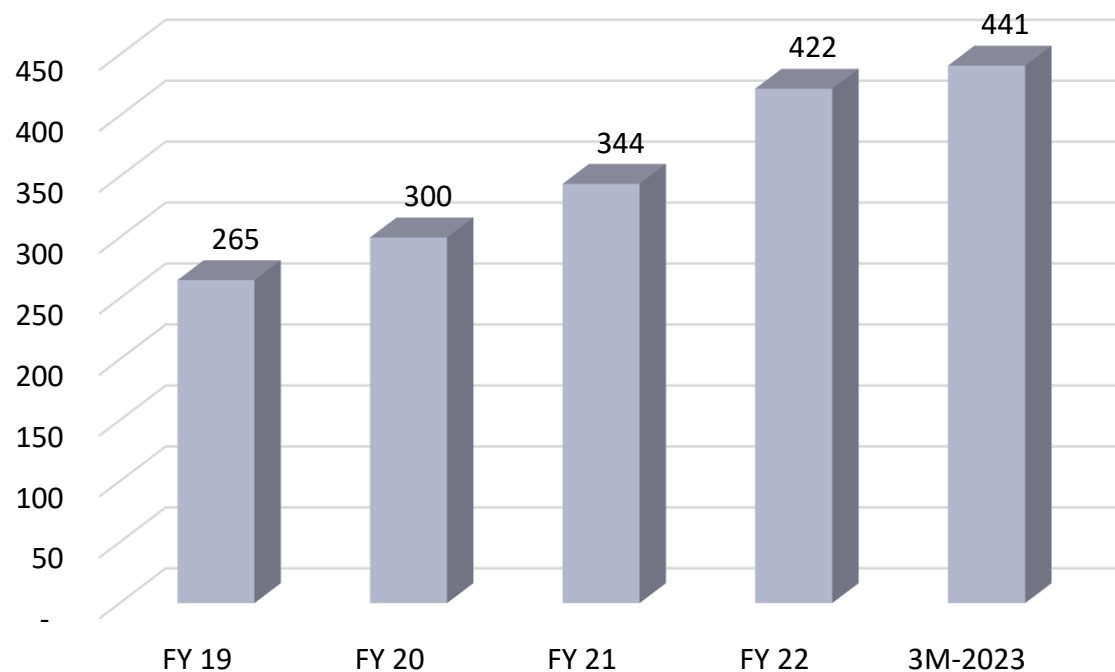


Analysis: Revenue Breakdown – By Industry

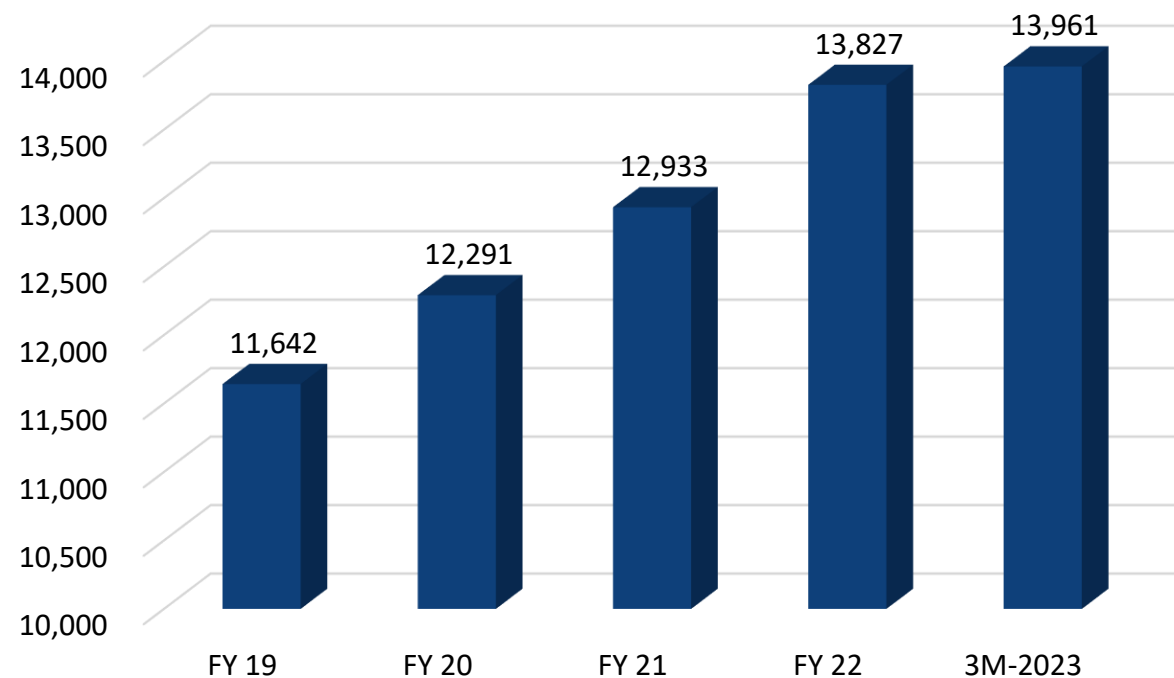


Analysis: Equipment Installed Base - Cumulative

Manufacturing



Total QES Group *



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

1) Diverse Market Segments & Products

- > 30 years of being a one stop specialist in manufacturing, distribution and services of test, inspection and measuring equipment, materials and engineering solutions.
- Diversified market segments – Semiconductor, E & E and Metal & Automotive

2) Geographical spread

Extensive subsidiaries network in ASEAN region.

- Expansion plans to China via wholly owned subsidiaries QES Hong Kong and QES Technology (Shanghai)
- Working with sales channel partners worldwide

3) Strong financials

- Cash and cash equivalents of > RM 70.3 million as at 31-Mar-23.
- Gearing ratio of 0.20
- Positive cash flow

4) Stable Recurring Income

- Consistent recurring annual income of ~RM50 million (20% to 25% of group revenue) through maintenance and service of large installed base of > 7,000 active equipment

5) Experienced Management

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

6) Continuous R&D

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

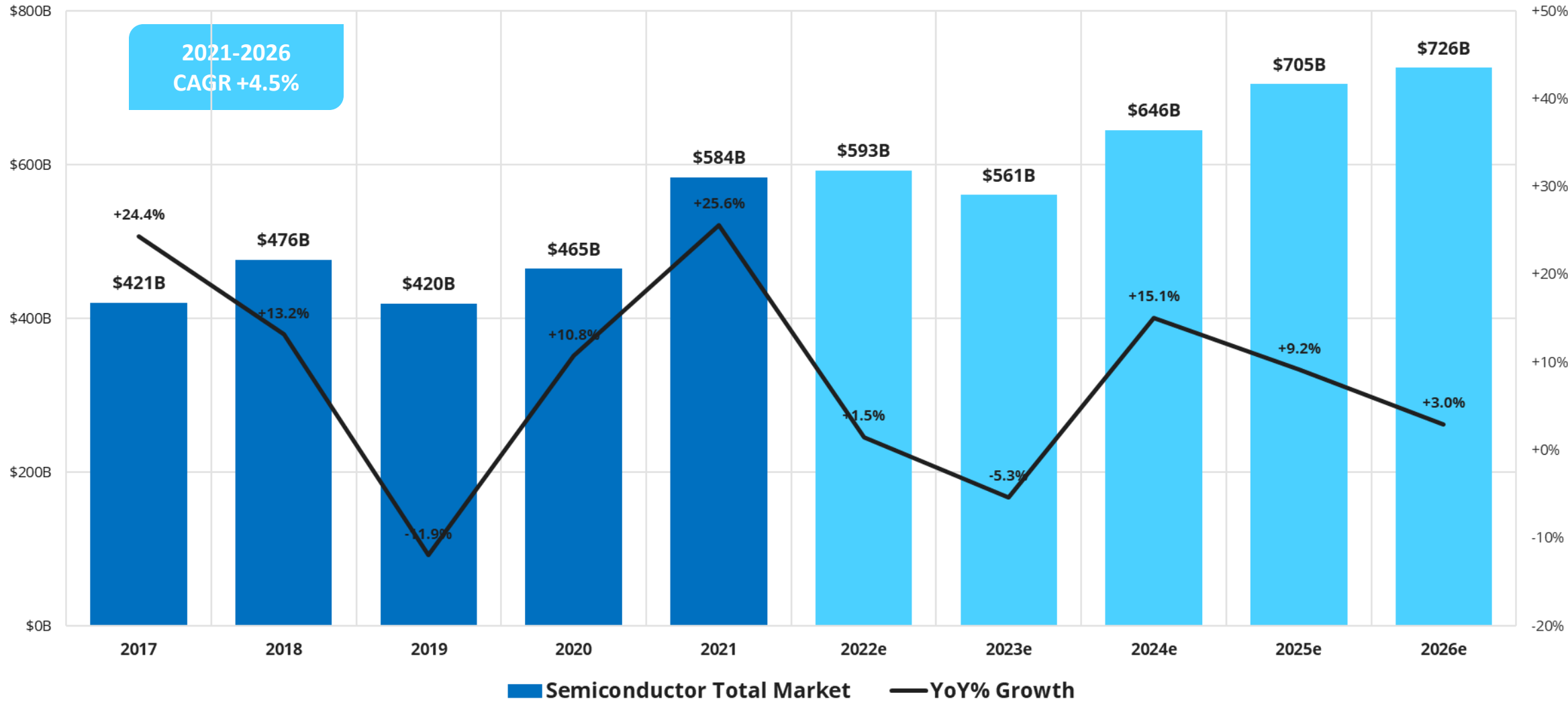
Event	Planned activities and updates
QES @ Glenmarie	<ul style="list-style-type: none"> ❖ Had a successful grand opening ceremony in Mar 2023 officiated by MIDA official
QES @ Batu Kawan	<ul style="list-style-type: none"> ❖ Appointed the project consultant for QES @ Batu Kawan on Oct 22 ❖ Target ground-breaking by Q3 2023 (slight delay from original timeline) ❖ Expected completion by end of Q2 2024
Share Buy-Back Proposal	<ul style="list-style-type: none"> ❖ On 30-Mar-2023, the Board announced to seek shareholders approval on the proposed share buy-back of up to 10% of the total number of issued shares of the Company
QES Ninth (9th) AGM	<ul style="list-style-type: none"> ❖ Notice of the upcoming 9th AGM has been duly sent and the AGM would be held fully virtual on 16 June 2023 at 10.00am
Semicon SEA @ Spice Arena (Penang)	<ul style="list-style-type: none"> ❖ QES will participate in the Semicon SEA 2023 exhibition @ Booth No. C1635 ❖ QES will be showcasing new products from both Manufacturing and Distribution Division ❖ From 23-May-2023 to 25-May-2023

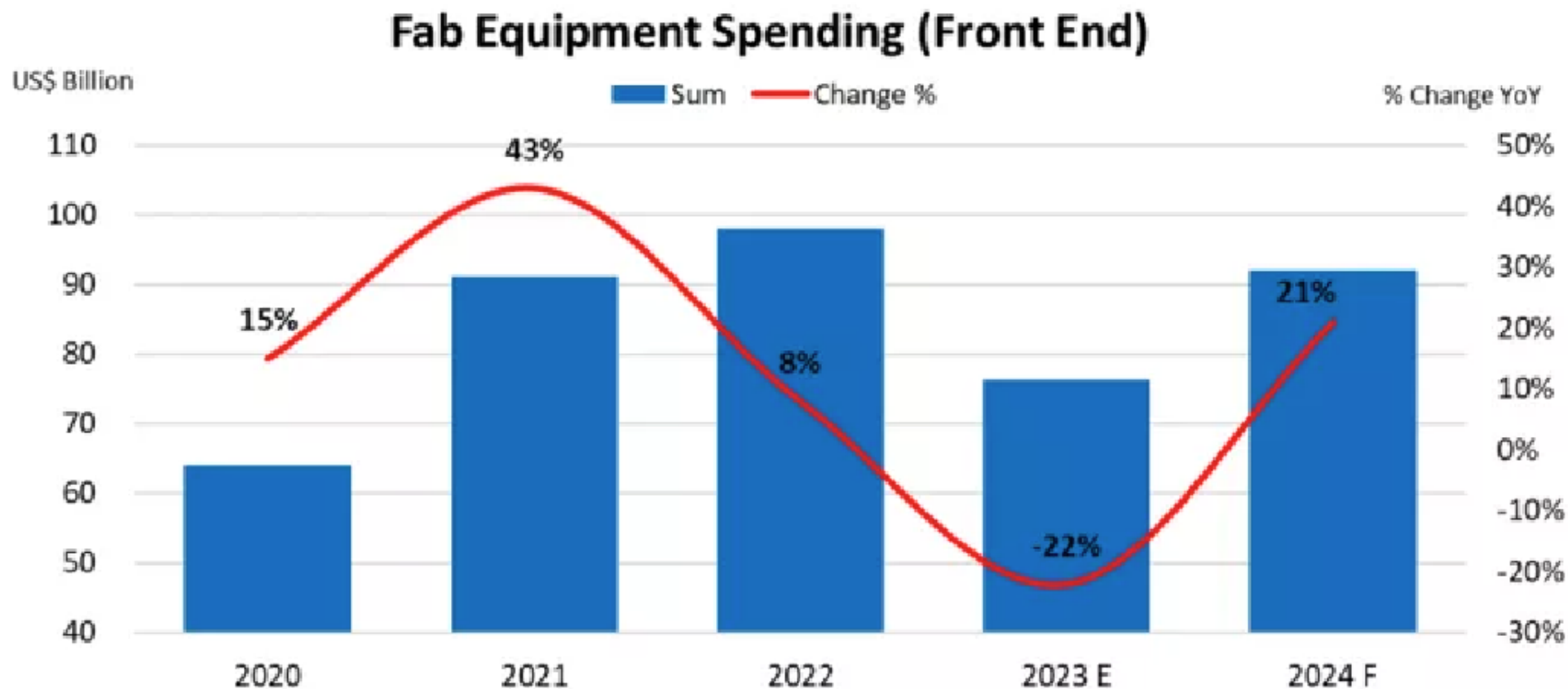
As of 31st March 2023

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	4,149	1,151	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	5,998	-	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>18,944</u>	<u>1,151</u>	

Semiconductor Market Outlook 5-Year

Revenue | USD

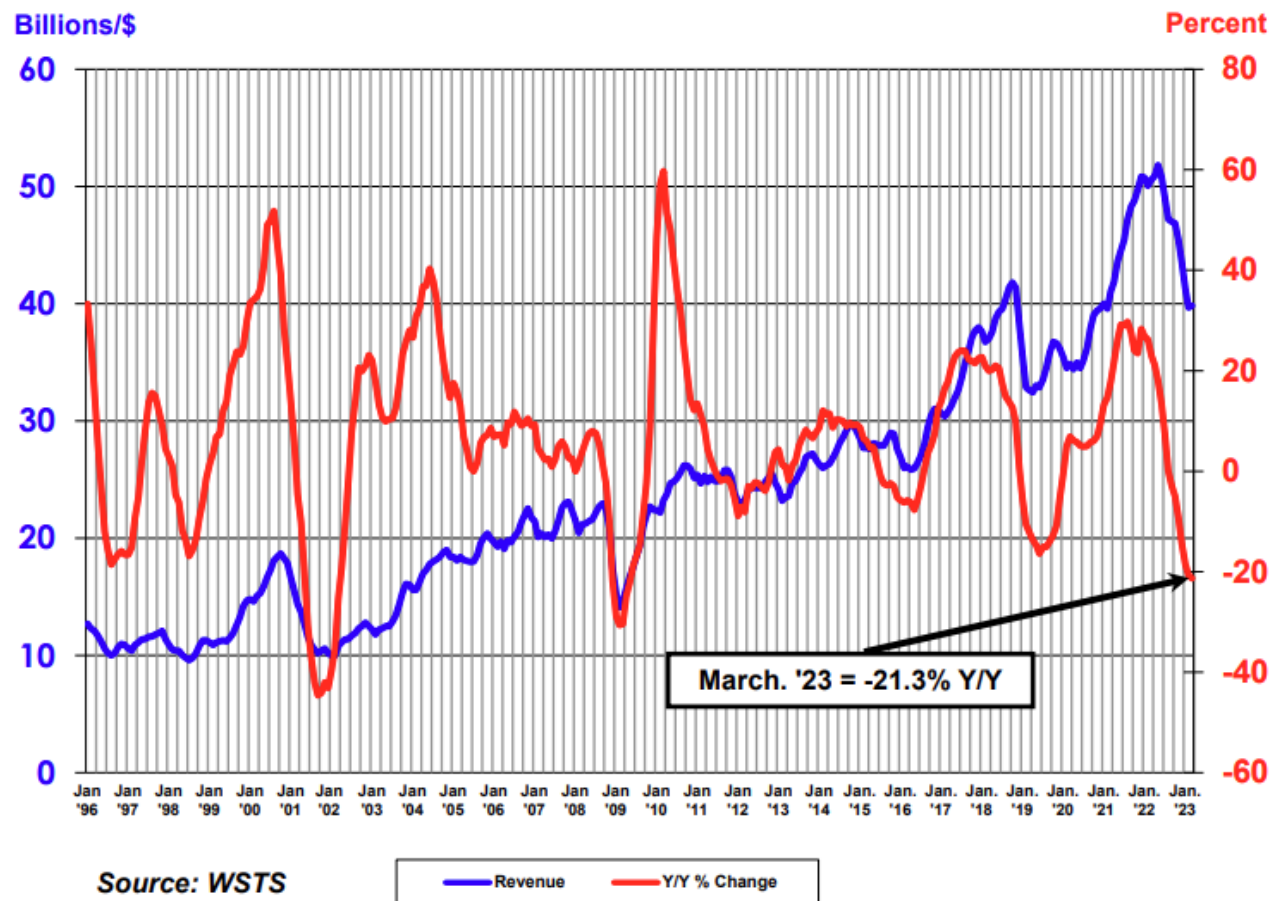




Source: World Fab Forecast Report, 1Q23 Update, Published By SEMI

Worldwide Semiconductor Revenues

Year-to-Year Percent Change



“Semiconductor sales continued to slip during the first quarter of 2023 due to market cyclicalities and macroeconomic headwinds, but month-to-month sales were up in March for the first time in nearly a year, providing optimism for a rebound in the months ahead,” said John Neuffer, SIA president and CEO.

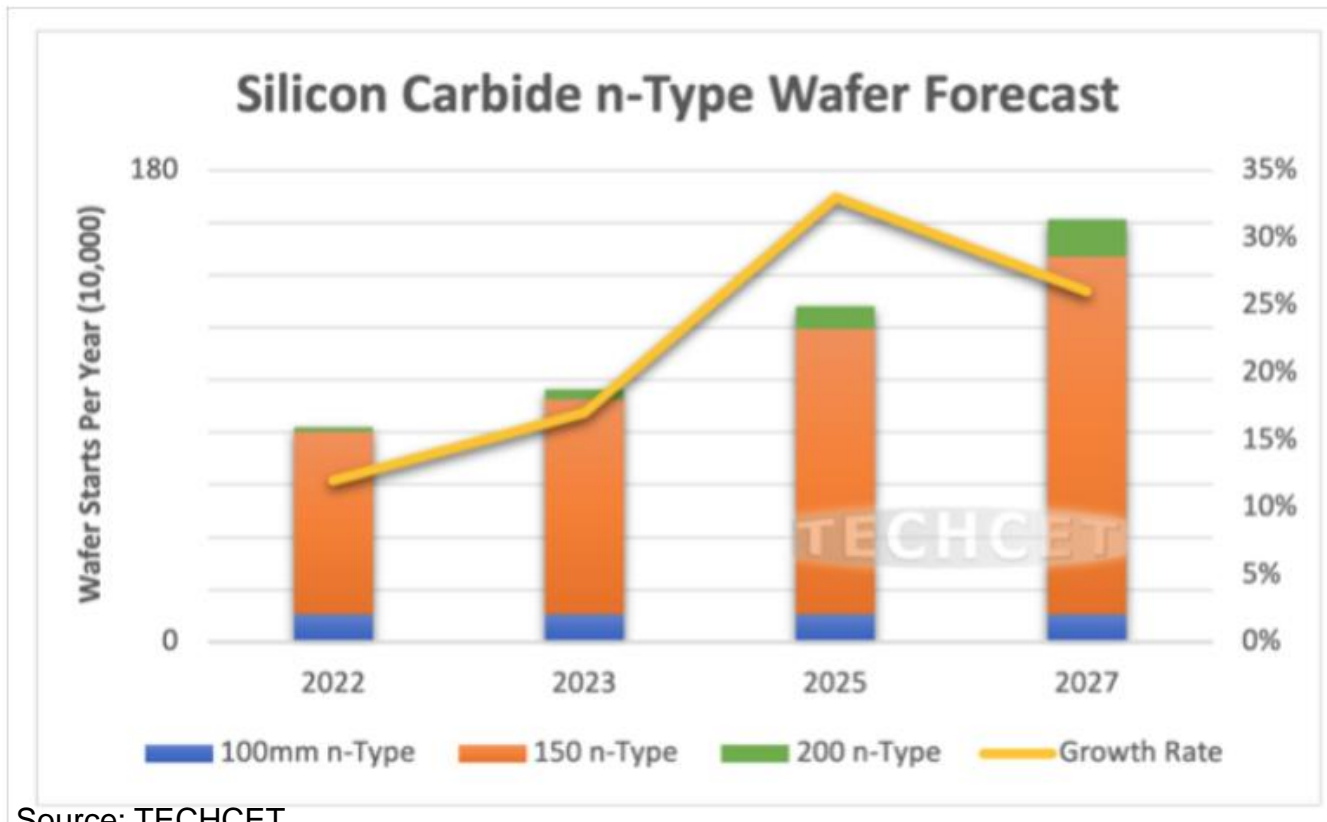
Silicon Carbide (SiC) Wafer Supply Gets Squeezed

SHANNON DAVIS · 6 DAYS AGO

0

TECHCET is forecasting continued strong growth for silicon carbide (SiC) wafer through 2023, despite the slowdown in the general global economy and other semiconductor materials markets.

This market is expected to grow even further in 2023, reaching 1072k wafers (just over 1 million 150 mm equivalent) growing ~22% over 2022, as shown below. The overall 2022-2027 CAGR is estimated to be approximately 17%.





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** installed at new QES HQ @Glenmarie & will do the same for QES 2.0 @BKIP.
- ❖ Obtaining **ISO 14001:2015** – Environmental Management System for QMC. Target to be certified by **Q3 2023**.
- ❖ Complete **digitalization** has reduced paper consumption (FY2021 – 1,626 reems used and we aimed to cut down by **50%** for FY2022). For FY2022 – 598 reems used – we saved **63.3%!**
- ❖ **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)

THANK YOU

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