

QES INVESTOR BRIEFING

Q2-2023 (23 Aug 2023)



Assuring you our best, always

This Presentation has been prepared by QES Group Berhad and is preliminary in nature and solely for information and discussion purposes and must not be relied upon for any other purpose.

The “Presentation” that follows shall mean and include the slides that follow, the oral presentation of the slides by members of QES, or any person on their behalf, the question-and-answer session that follows that oral presentation, copies of this document and any materials distributed at, or in connection with, that Presentation. By participating in the meeting/briefing, or by reading the Presentation slides, you will be deemed to have (i) fully agreed to the following limitations and notifications and made the following undertakings and (ii) acknowledged that you understand the legal and regulatory sanctions attached to the misuse, disclosure or improper circulation of this Presentation.

This Presentation is being delivered on a confidential basis. Neither this Presentation nor any of its contents may be disclosed or used for any purposes other than information and discussion purposes without the prior written consent of the QES. You agree that you will not copy, reproduce or distribute this Presentation, in whole or in part, to other persons or entities at any time without the prior written consent of QES.

This Presentation does not constitute an offer or invitation for the sale or purchase of the securities herein or a commitment by QES with respect to any of the foregoing, and this Presentation shall not form the basis of any contract. The forward-looking statements and outlook are subject to a number of factors, risks and uncertainties, some of which are not currently known to us.



Assuring you our best, always!

Corporate Vision

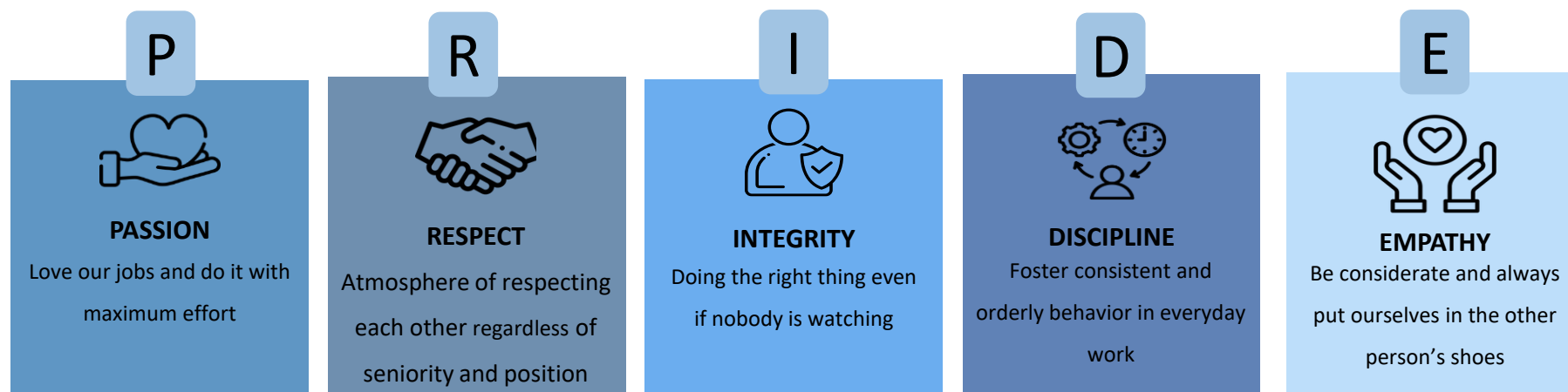
Mission Statement

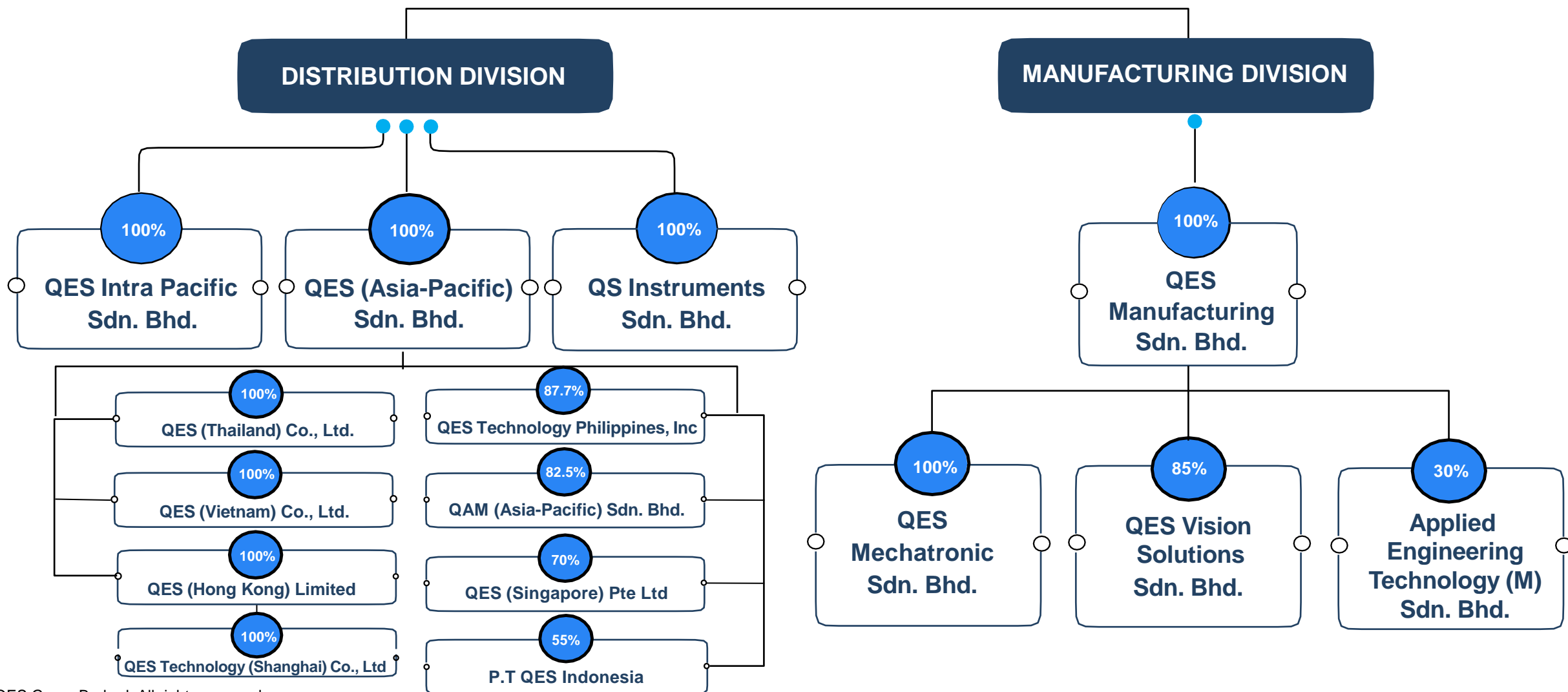
QES is determined to excel in every area of our technology-driven products and services and be sustainable. We achieve that by making sure we are **customer-centric, continuously developing and empowering our people, building lasting relationships with our business associates, moving towards complete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

Vision

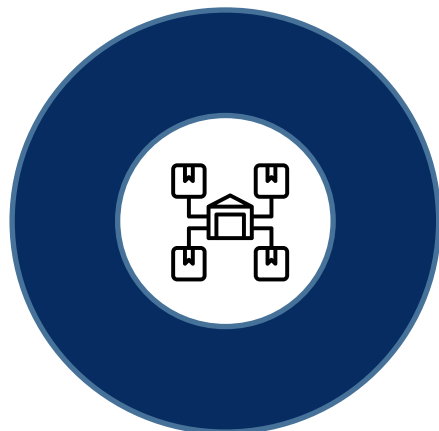
We aim to be the leading integrated solutions provider serving customers with world class products in analytical, inspection, test, measuring, automation, and related services.

Our Core Values





Distribution



**Analytical
Instruments**

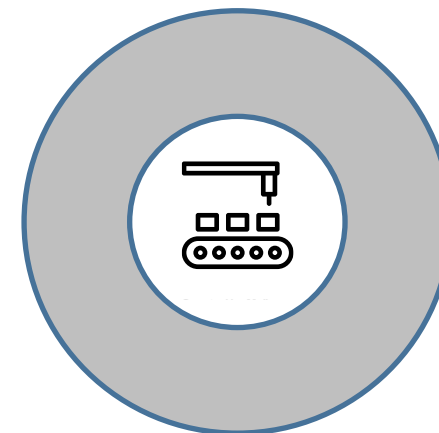


**Inspection, Test
& Measurement
Equipment**



**Materials &
Engineering
Solutions**

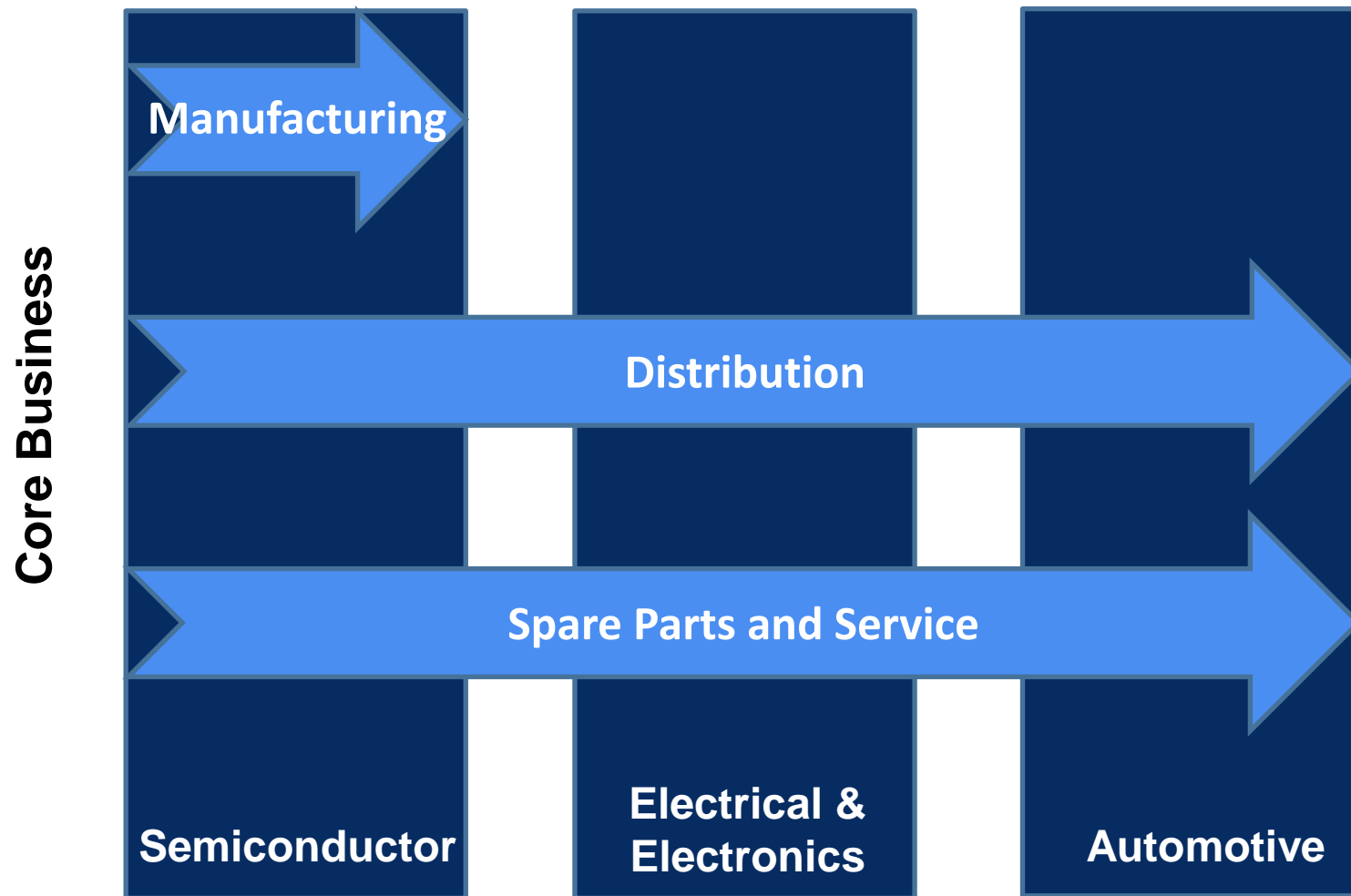
Manufacturing



**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

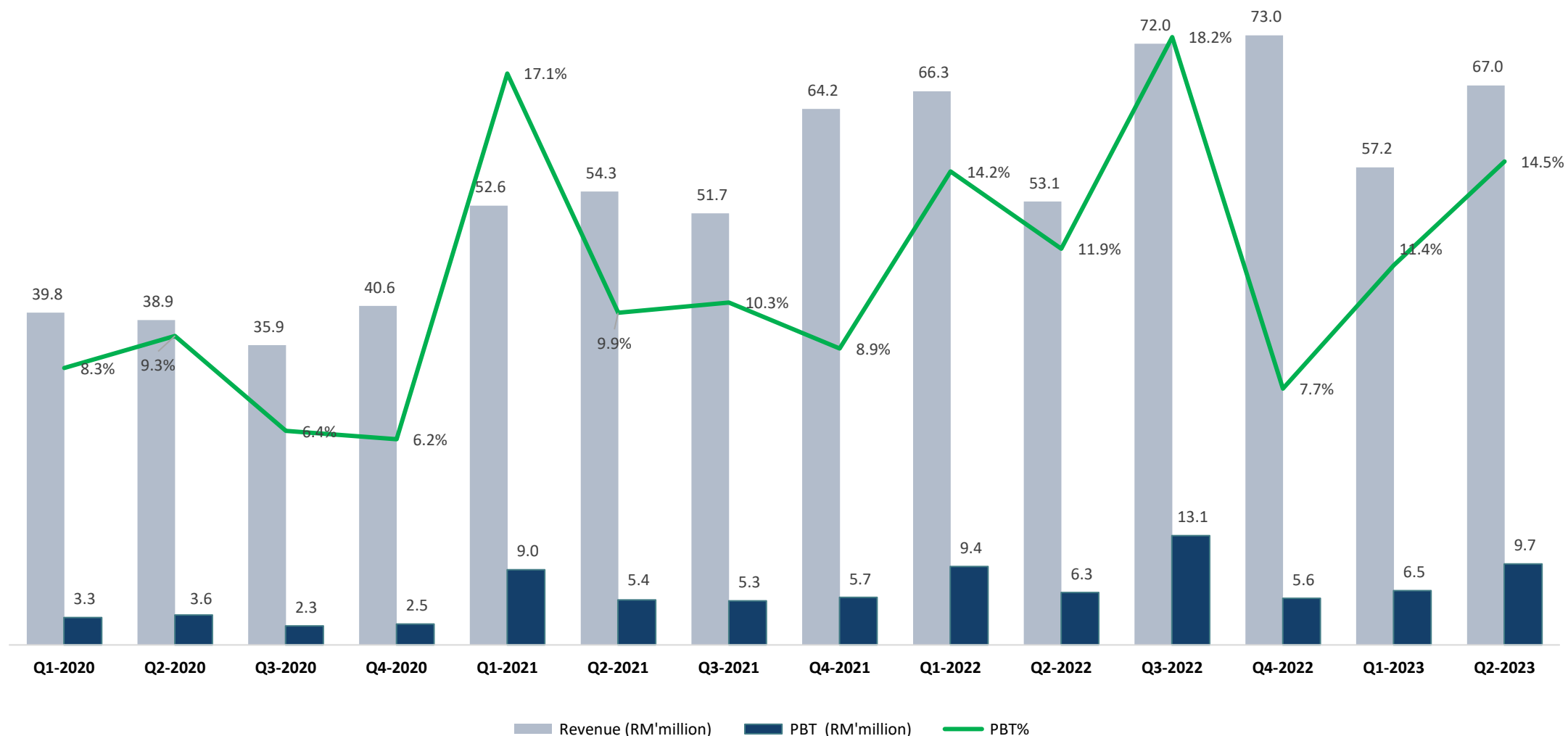
RM'million	For the period ended					
	Q2'23	Q1'23	QoQ%	Jun'23	Jun'22	YoY%
Revenue						
Distribution	56.8	51.4	9.5%	108.2	107.0	1.1%
- Product	36.8	34.9	5.4%	71.7	69.9	2.6%
- Materials	5.0	3.1	61.3%	8.1	14.1	-42.6%
- Spares & Service	15.0	13.4	11.9%	28.4	23.0	23.5%
Manufacturing	10.2	5.8	75.9%	16.0	12.4	29.0%
Total Revenue	67.0	57.2	17.1%	124.2	119.4	4.0%
GP						
Distribution	14.5	13.7	5.8%	28.2	25.9	8.9%
- Product	8.7	8.9	-2.2%	17.6	16.5	6.7%
- Materials	0.7	0.5	40.0%	1.2	2.3	-47.8%
- Spares & Service	5.1	4.3	18.6%	9.4	7.1	32.4%
Manufacturing	3.3	1.1	200.0%	4.4	3.9	12.8%
Total GP	17.8	14.8	20.3%	32.6	29.8	9.4%
EBITDA	11.1	8.3	33.7%	19.4	18.4	5.4%
Operating Cost	(7.8)	(8.0)	-2.5%	(15.8)	(13.6)	16.2%
Share of result of an associate, net of tax	(0.3)	(0.3)	0.0%	(0.6)	(0.5)	20.0%
PBT	9.7	6.5	49.2%	16.2	15.7	3.2%
Tax	(2.2)	(1.7)	29.4%	(3.9)	(4.0)	-2.5%
PAT	7.5	4.8	56.2%	12.3	11.7	5.1%
MI	(0.6)	-	100.0%	(0.6)	(0.2)	200.0%
PAT Attributable (PATMI)	6.9	4.8	43.7%	11.7	11.5	1.7%

Financial Highlights – Quarterly Results Comparison

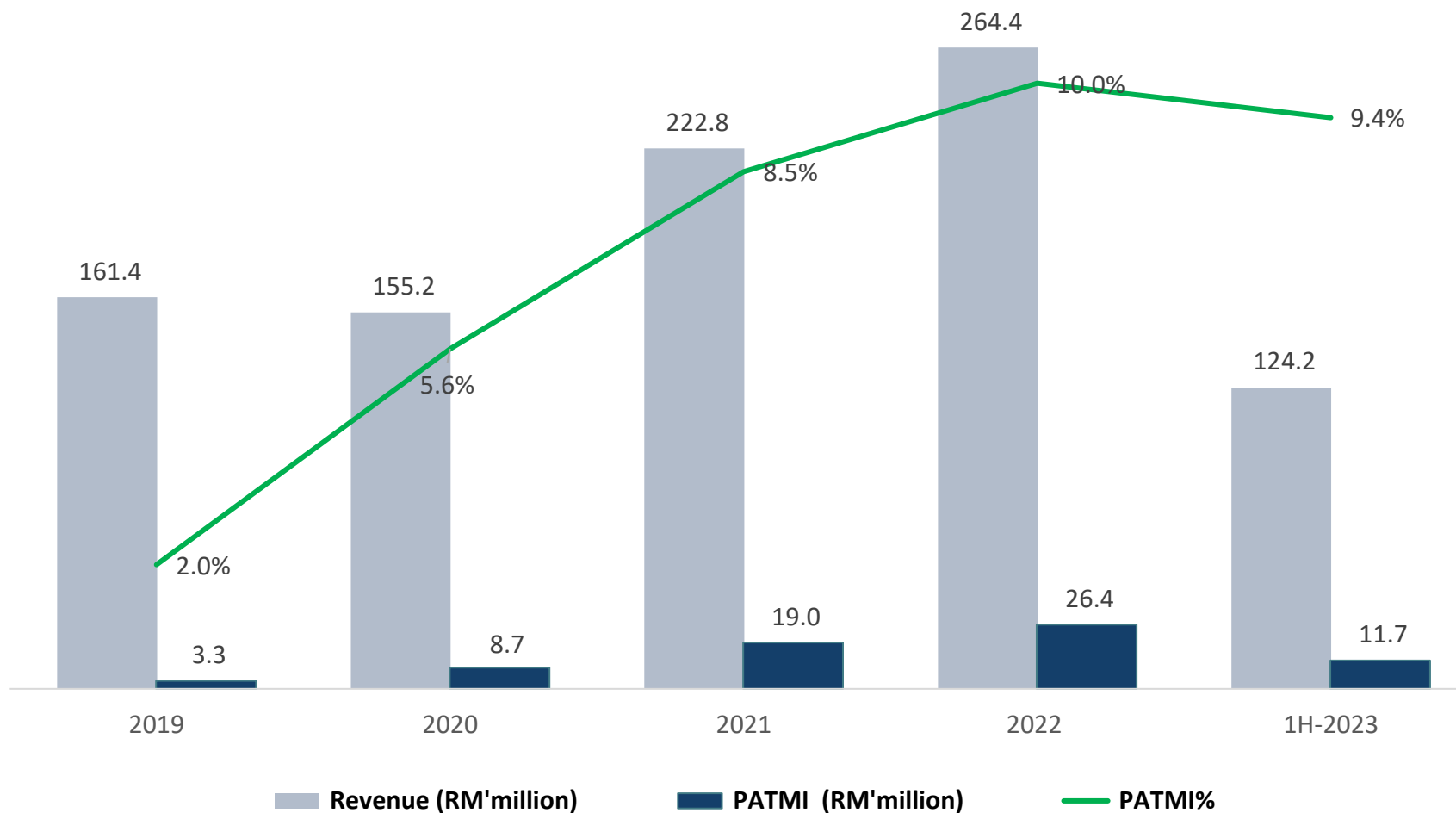
In RM'million

	Q2'23	Q2'22	Q1'23	Q2'23 Q2'22	Q2'23 Q1'23	For Period Ended		
						Jun'23	Jun'22	Jun'23 vs Jun'22
Revenue	67.0	53.1	57.2	↑ 26.2%	↑ 17.1%	124.2	119.4	↑ 4.0%
PATMI PATMI Margin	6.9 10.3%	4.8 9.0%	4.8 8.4%	↑ 43.7%	↑ 43.7%	11.7 9.4%	11.5 9.6%	↑ 1.7%
EBITDA EBITDA Margin	11.1 16.6%	7.7 14.5%	8.3 14.5%	↑ 44.2%	↑ 33.7%	19.4 15.6%	18.4 15.4%	↑ 5.4%

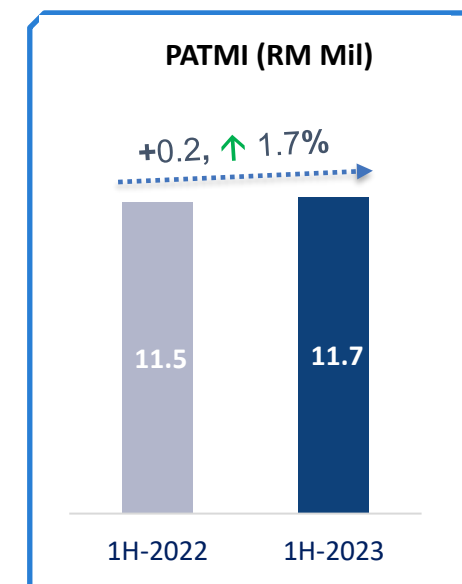
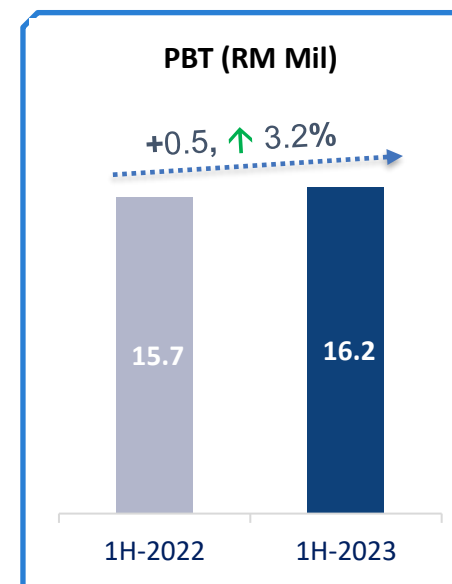
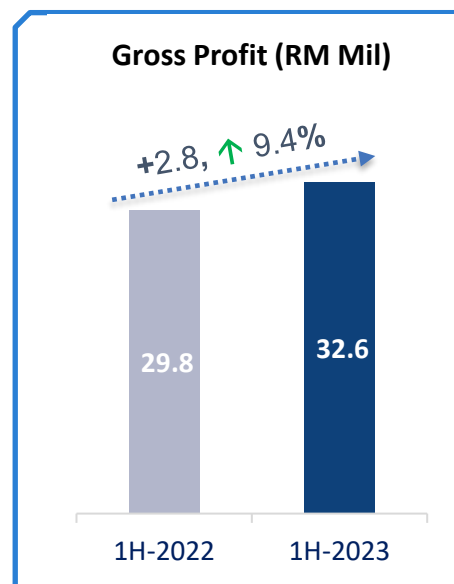
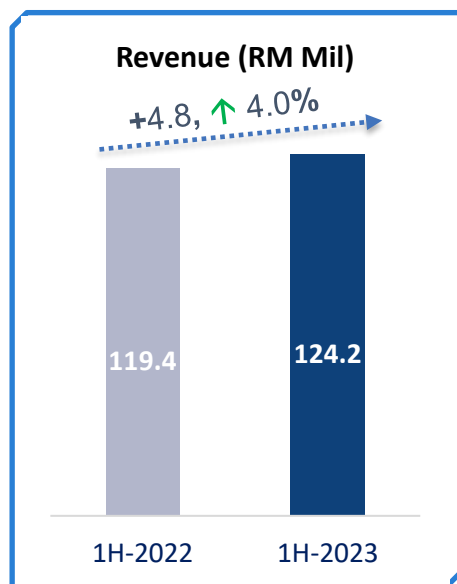
Quarterly Financial Highlights 2020 - 2023 Q2



Financial Highlights 2019 - 1H 2023

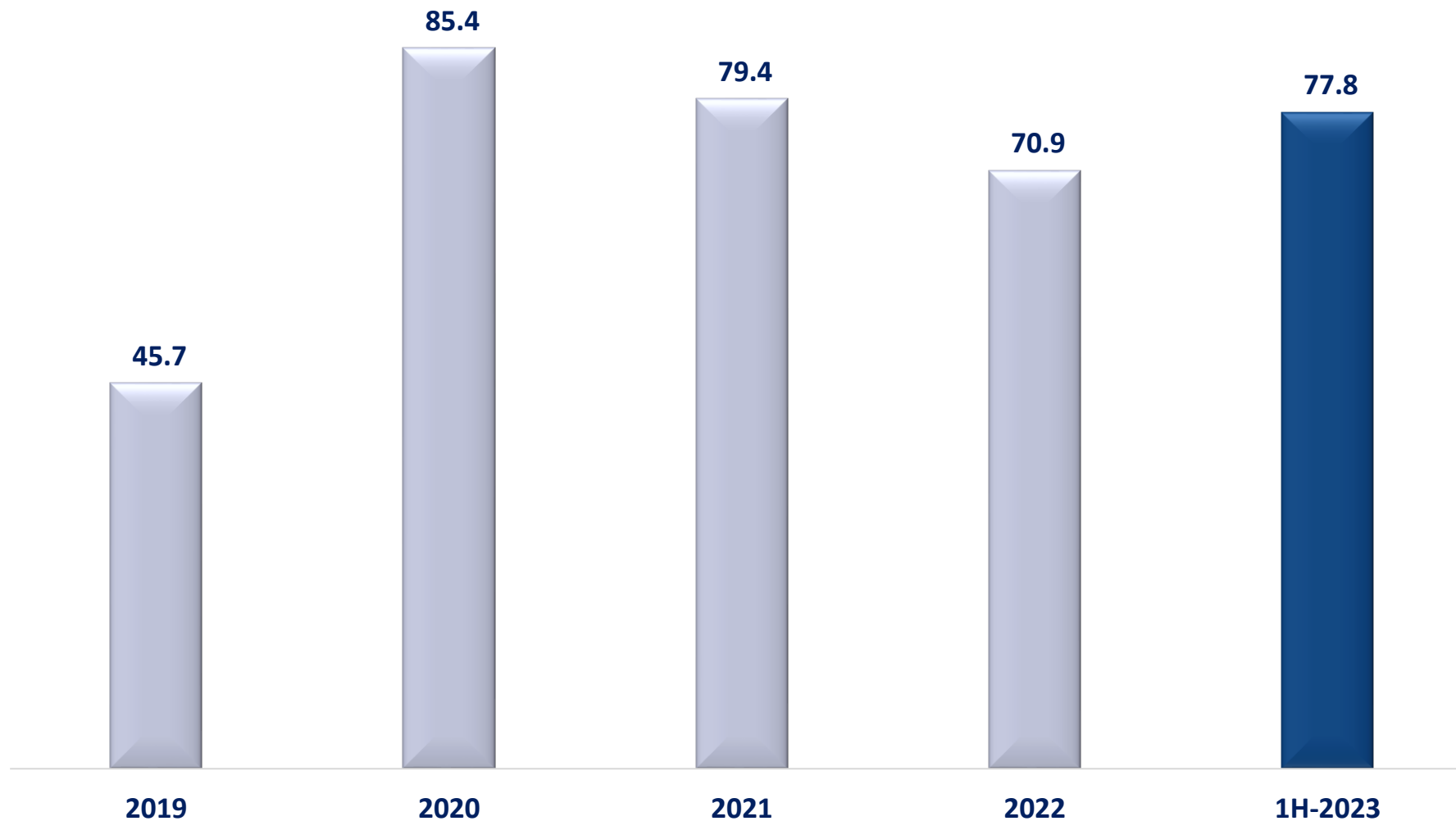


Financial Highlights of FYE23 – 1H cumulative period

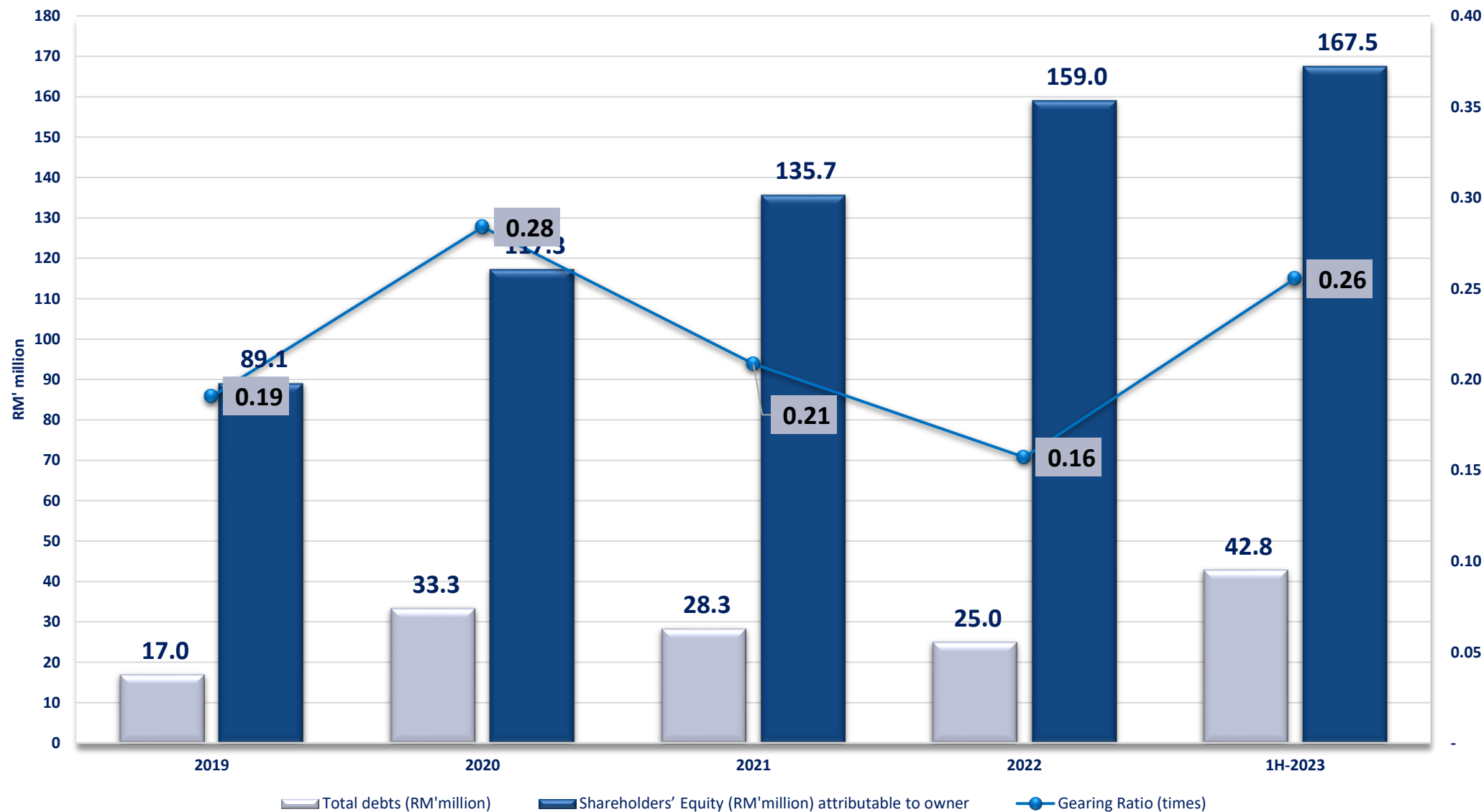


- Overall revenue increased due to an increase in sales from both distribution division and manufacturing division.
 - Distribution revenue increased by 1.1% YoY mainly due to an increase of 2.6% and 23.5% in product and spares & service respectively despite a drop of 42.6% in materials.
 - Manufacturing revenue increased by 29.0% YoY, due to higher sales of automated handling system (AHS), automatic optical inspection (AOI) and sales of smart manufacturing solution (SMS).
- Group GP increased by 9.4% YoY as a result from a 8.9% increase in GP contribution from the distribution division and 12.8% in GP contribution by the manufacturing division.
- Higher PBT and PATMI in tandem with the growth of revenue and gross profit generated by both distribution division and manufacturing division.

Cash and cash equivalents (RM'million)

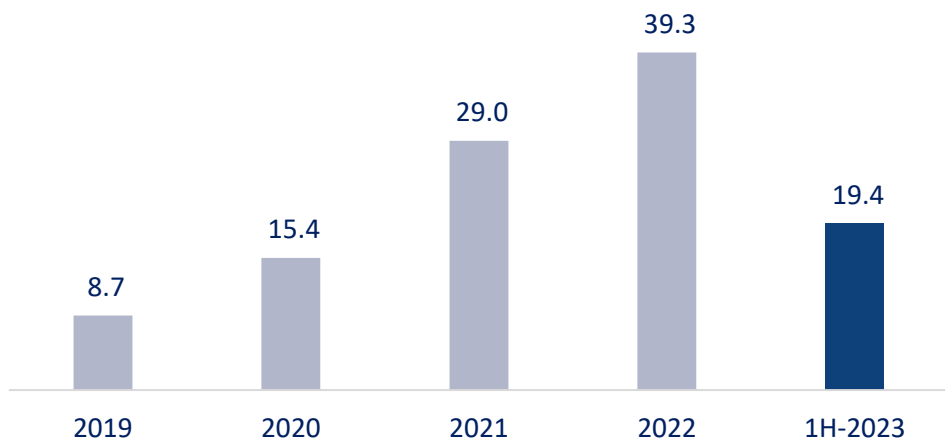


Financial highlights – Gearing ratio

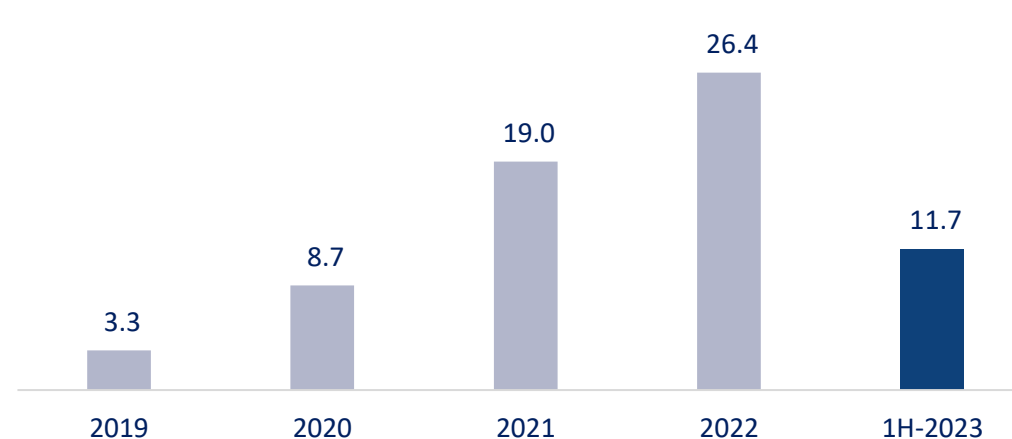


Financial highlights – Other ratios

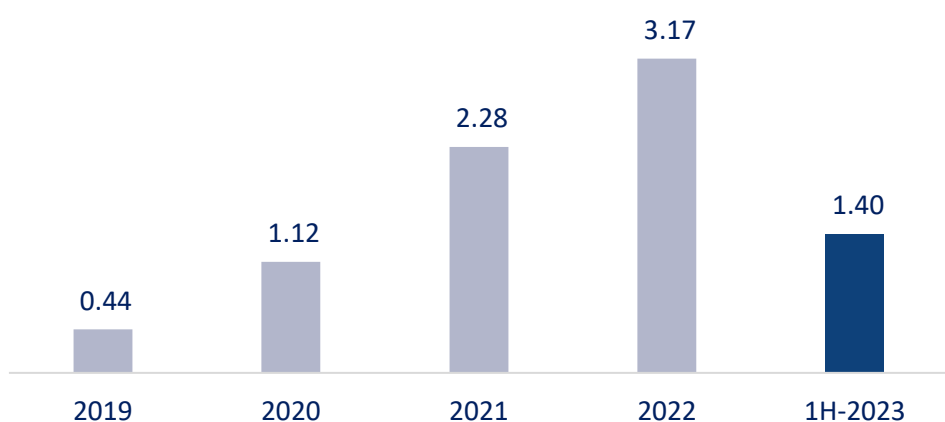
Earnings before Interest, Taxes, Depreciation and Amortisation (RM'million)



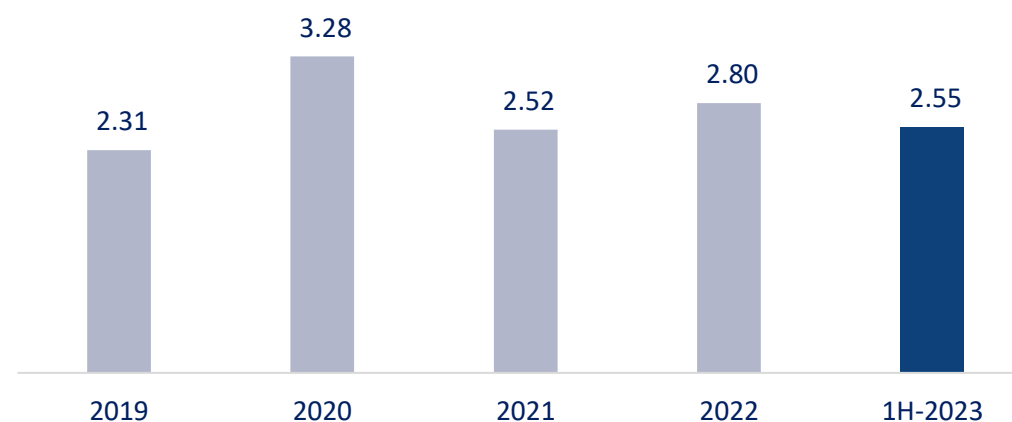
Profit attributable to Owners of the Company (RM'million)



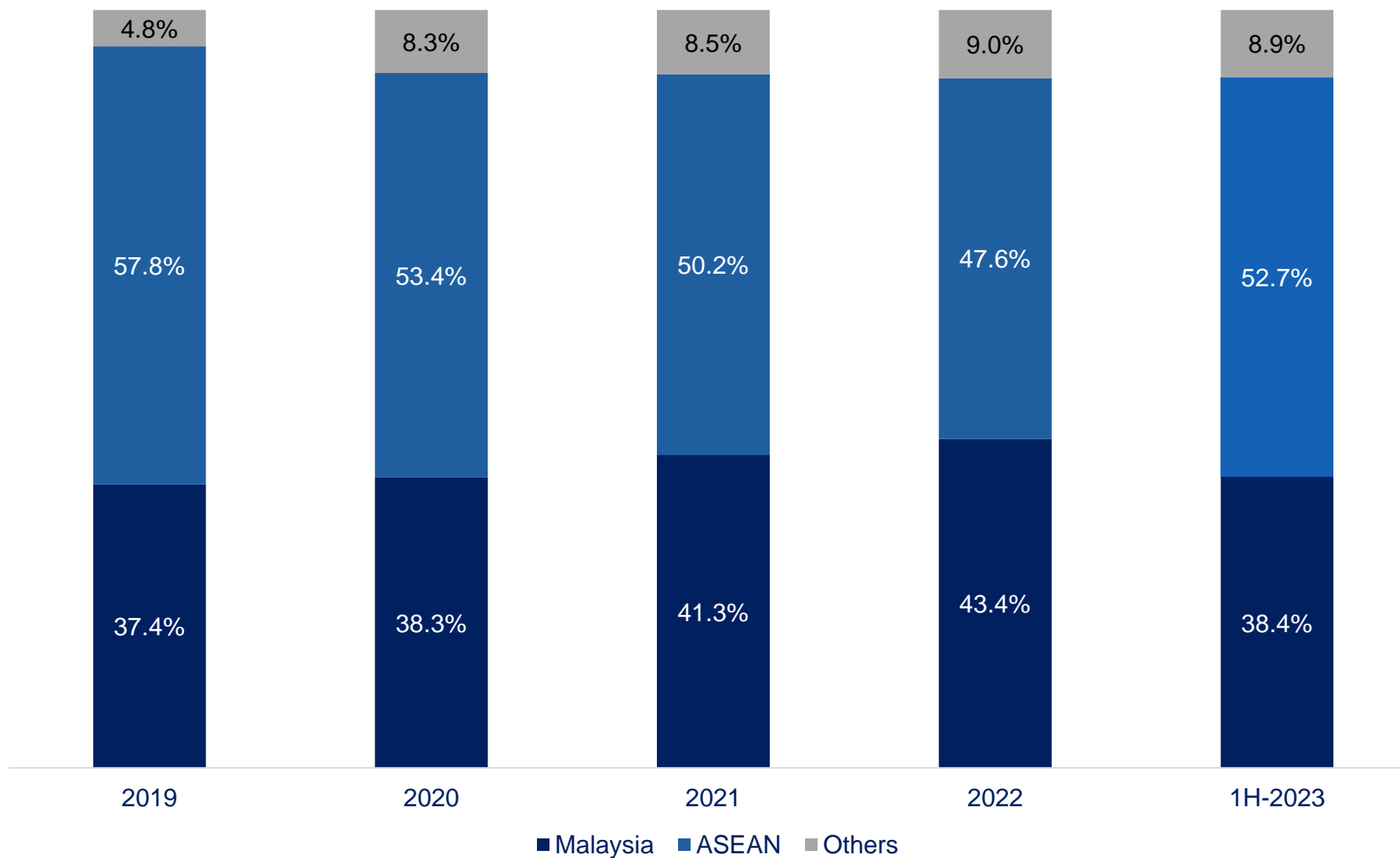
Basic Earnings per Share (sen)



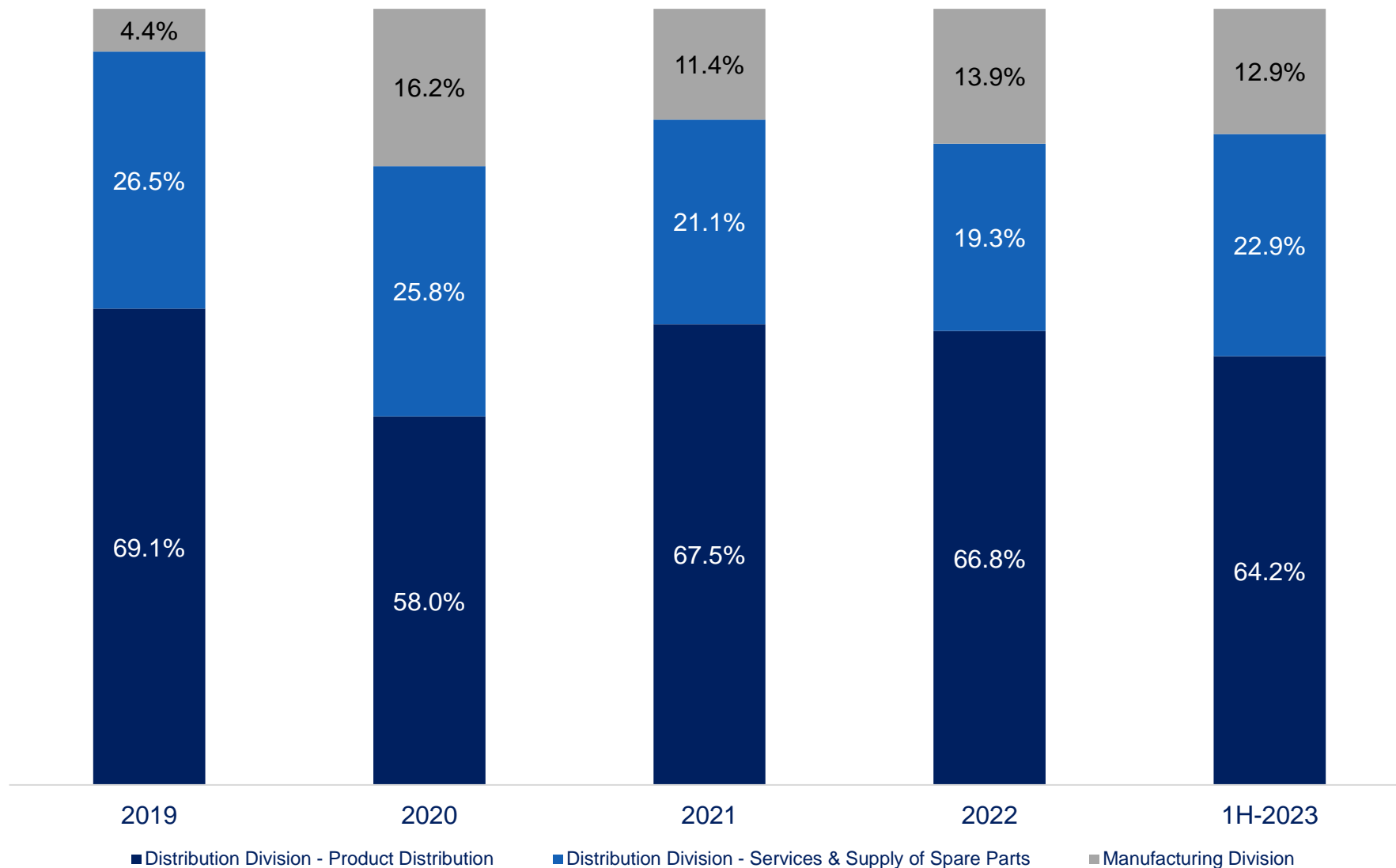
Current Ratio (times)



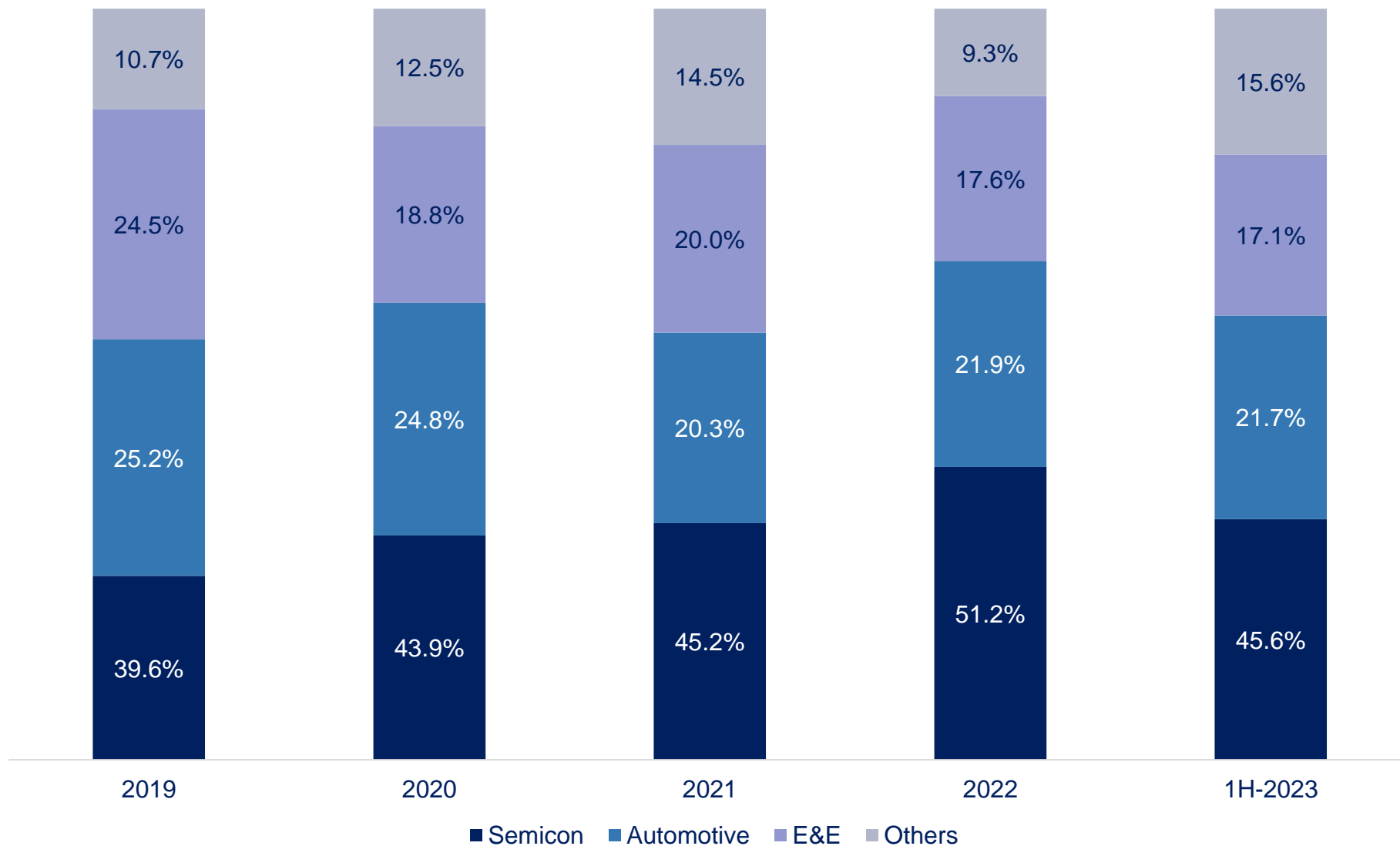
Analysis: Revenue Breakdown – By Country/Region



Analysis: Revenue Breakdown – By Division

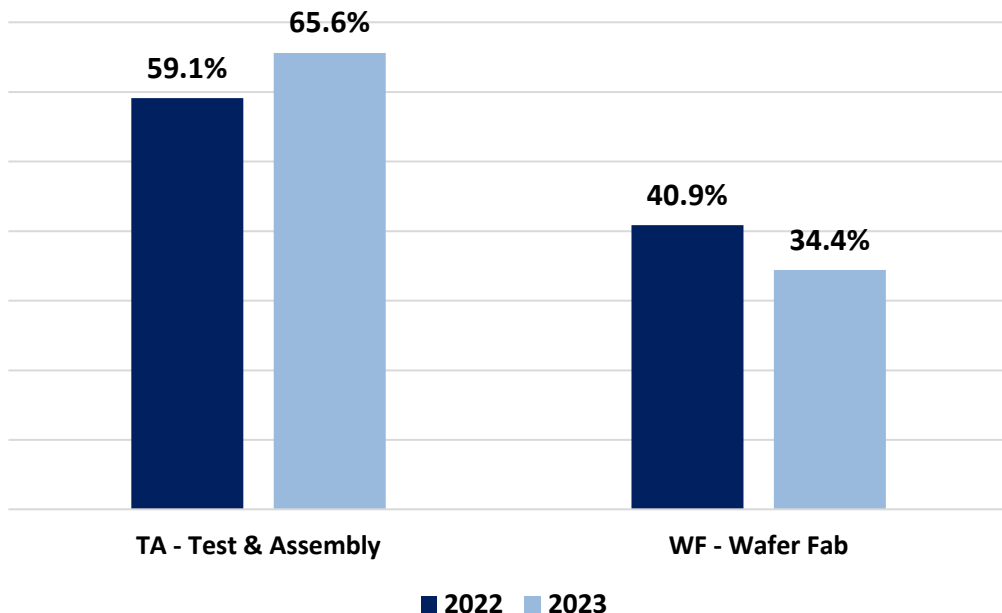


Analysis: Revenue Breakdown – By Industry

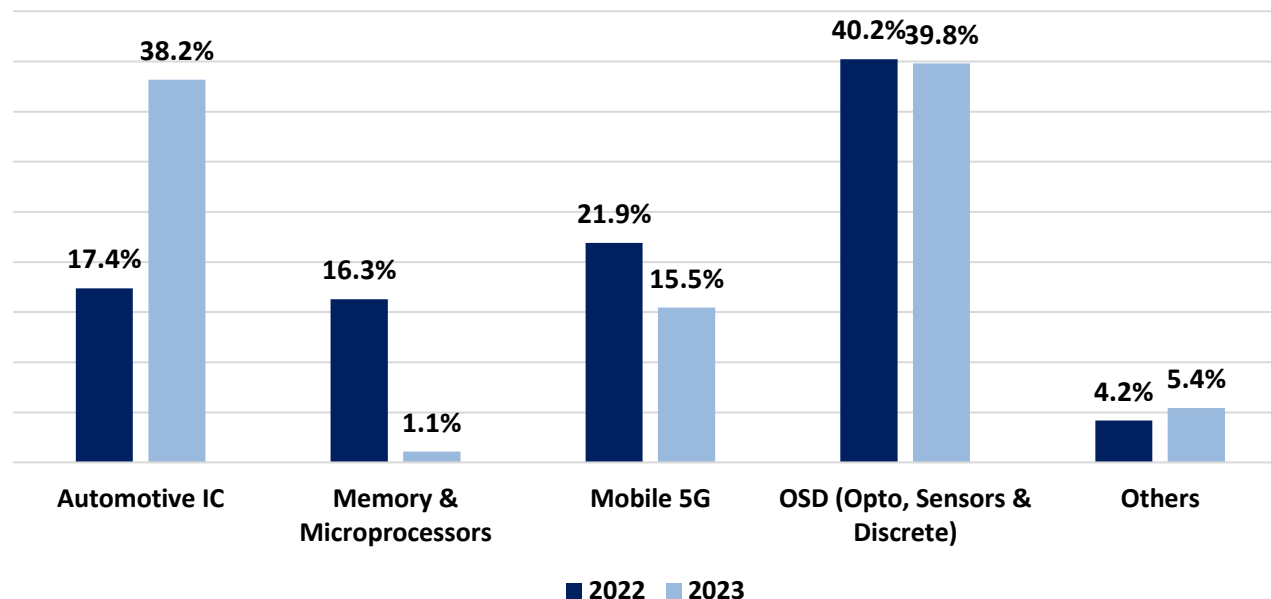


Analysis: Semiconductor Industry Breakdown

Group Revenue % of Semiconductor Industry (JAN - JUN)



Semiconductor Applications % Revenue Breakdown (JAN - JUN)



Note 1:

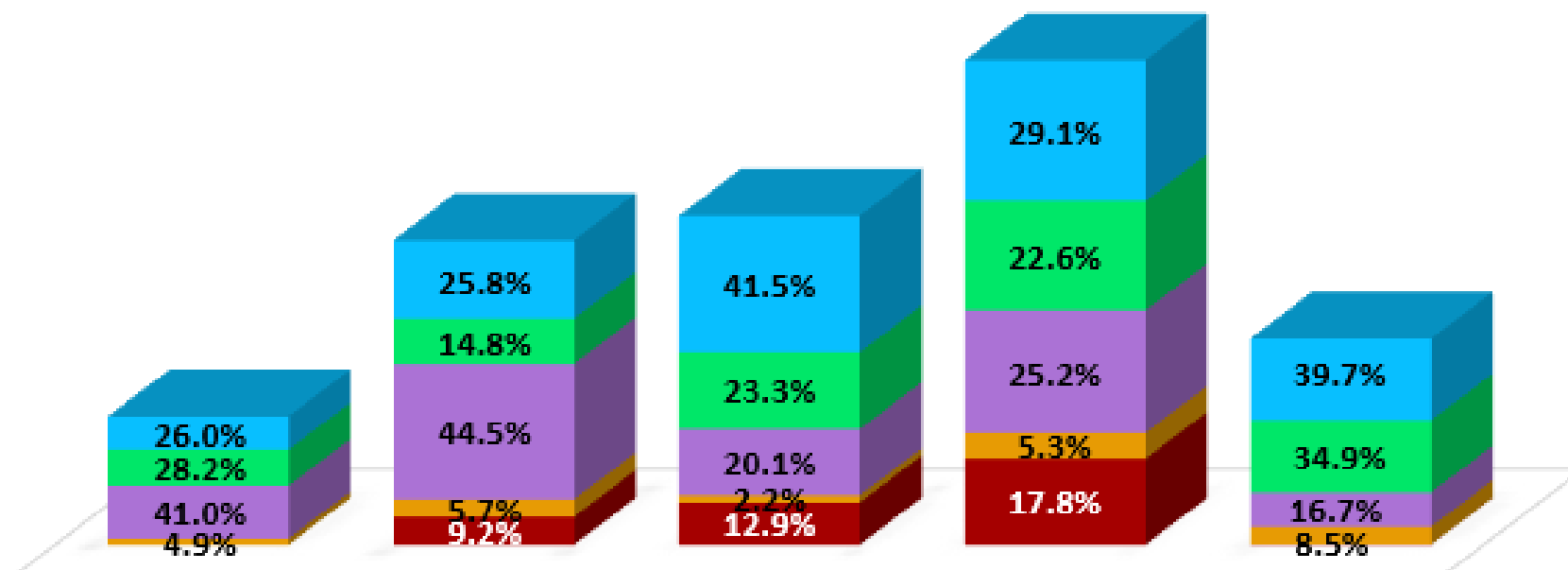
1H 2022 Revenue from Semiconductor : RM 58 million

1H 2023 Revenue from Semiconductor : RM 57 million

Note 2:

Breakdown by Semiconductor Applications are based on rough estimation derived from our internal knowledge of customers.

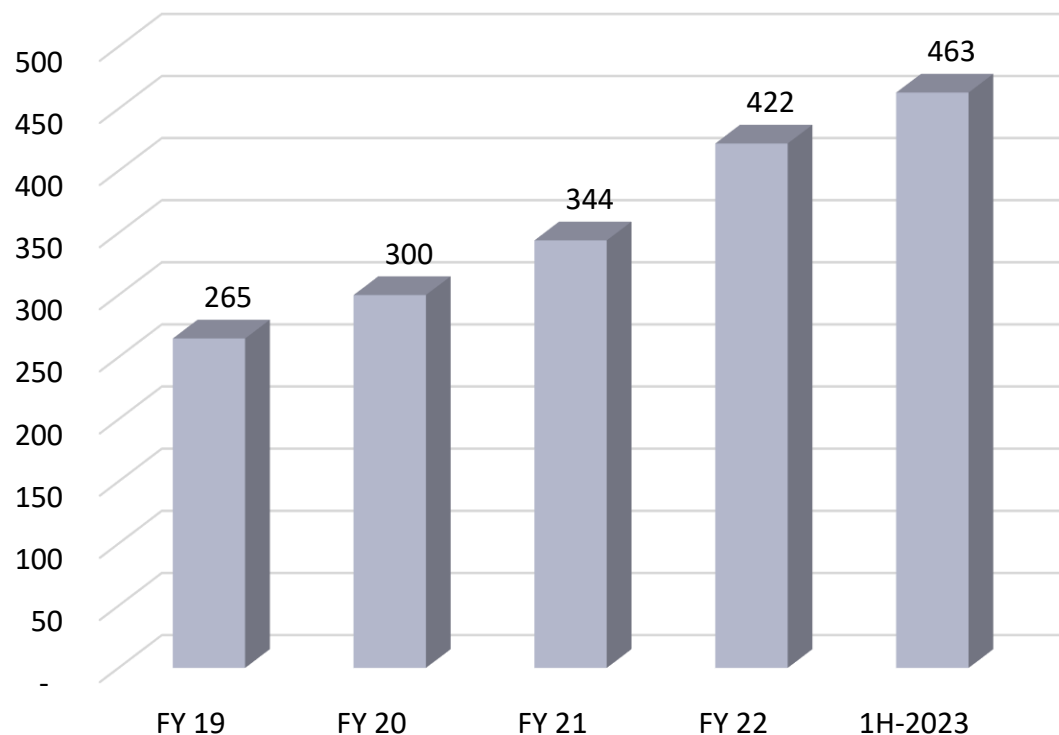
Manufacturing Division - Revenue Breakdown (YoY) by Product Series



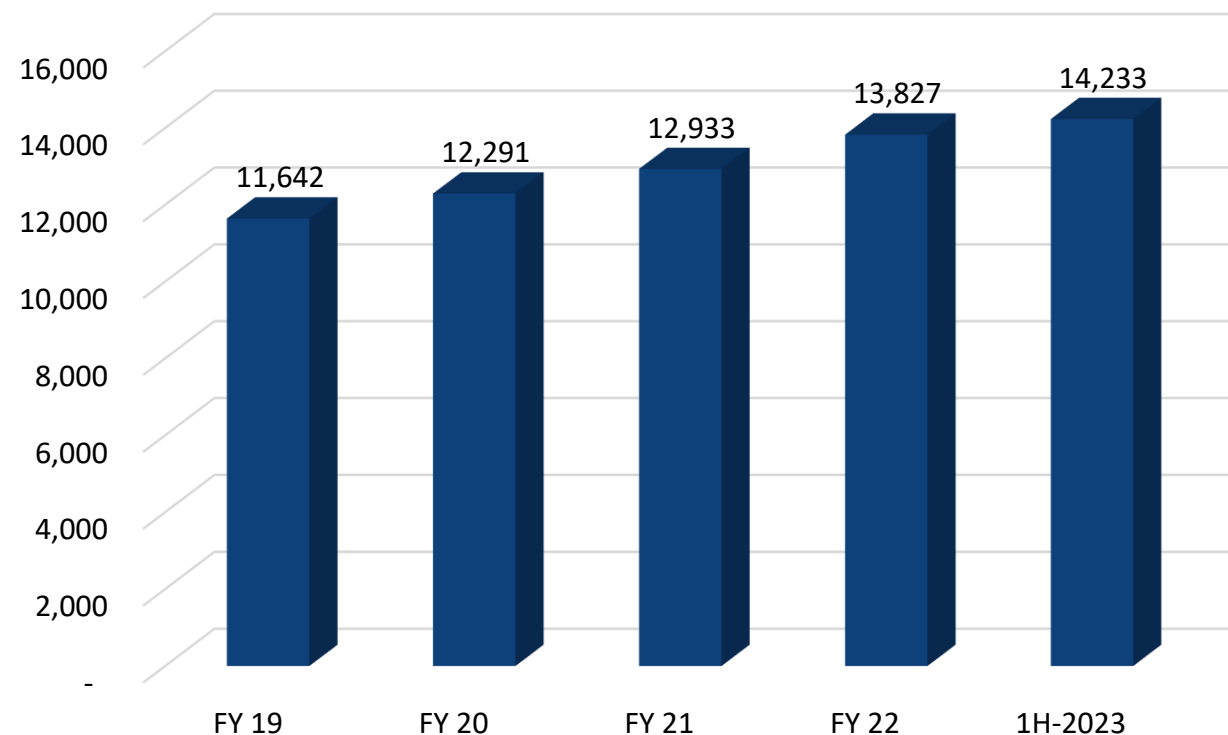
Revenue RM'000	FY 18		FY 19		FY 20		FY 22		1H-2023
AOI series		2,575		6,081		10,564		10,907	6,325
AHS series		2,803		3,496		5,943		8,463	5,572
OIS series		4,077		10,482		5,120		9,473	2,671
SMS series		484		1,340		556		1,993	1,352
AMS series		-		2,169		3,274		6,667	31

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 77.8 million as at 30-Jun-23.
- Gearing ratio of 0.26
- 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.

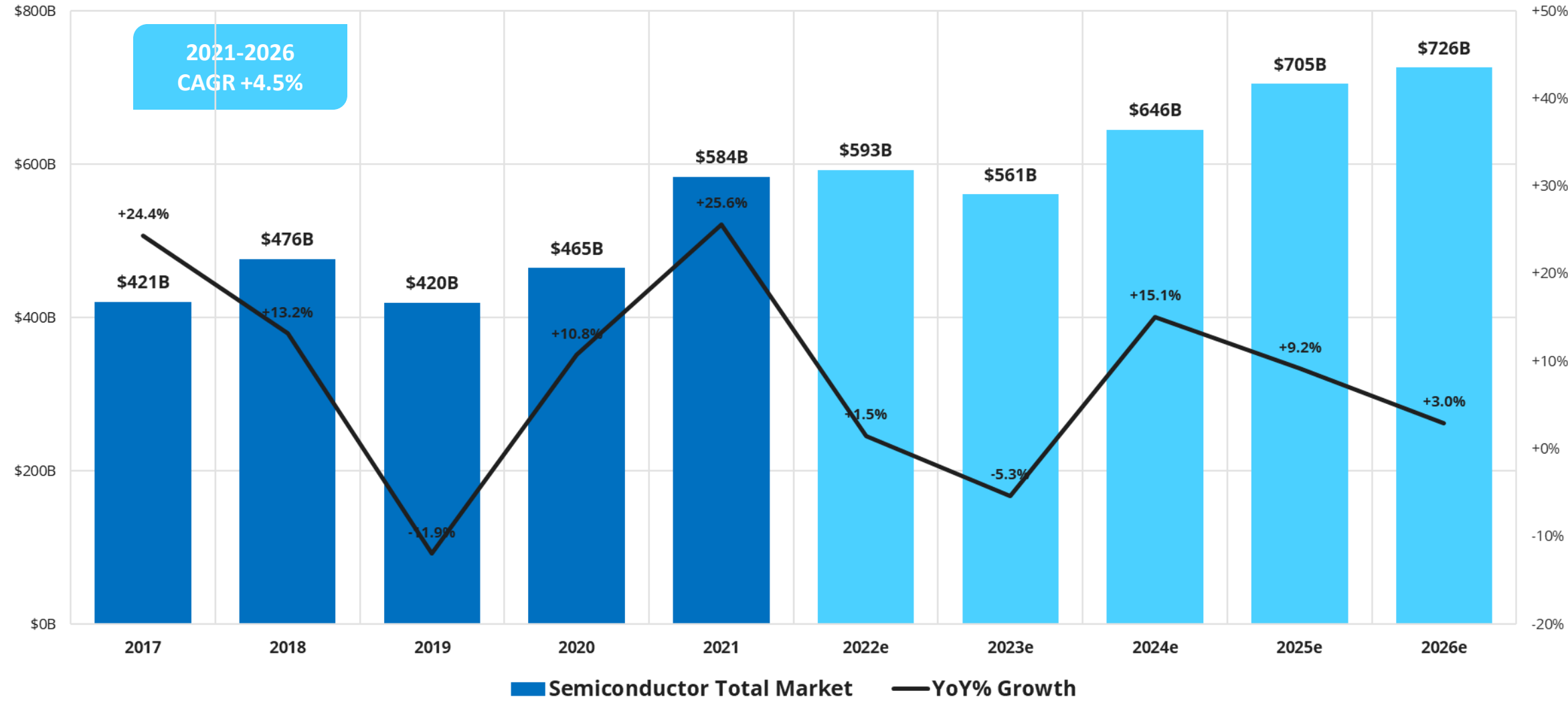
Event	Planned activities and updates
QES @ Batu Kawan	<ul style="list-style-type: none"> ❖ Target ground-breaking by Q3 2023 (slight delay from original timeline) ❖ Expected completion by end of 2H 2024
Share Buy-Back Proposal	<ul style="list-style-type: none"> ❖ On 16-Jun-2023, the shareholders approved the proposed share buy-back of up to 10% of the total number of issued shares of the Company at the 9th AGM
Extension of ESOS	<ul style="list-style-type: none"> ❖ The ESOS which has been approved by the shareholders effective from 1 July 2019 and expiring on 30 June 2024, has been extended for another 5-year period till 30 June 2029 by the ESOS Committee & BOD.
Forbes Asia's	<ul style="list-style-type: none"> ❖ QES on the "Nine Malaysian firms make it to Forbes Asia's Best Under A Billion 2023 list"

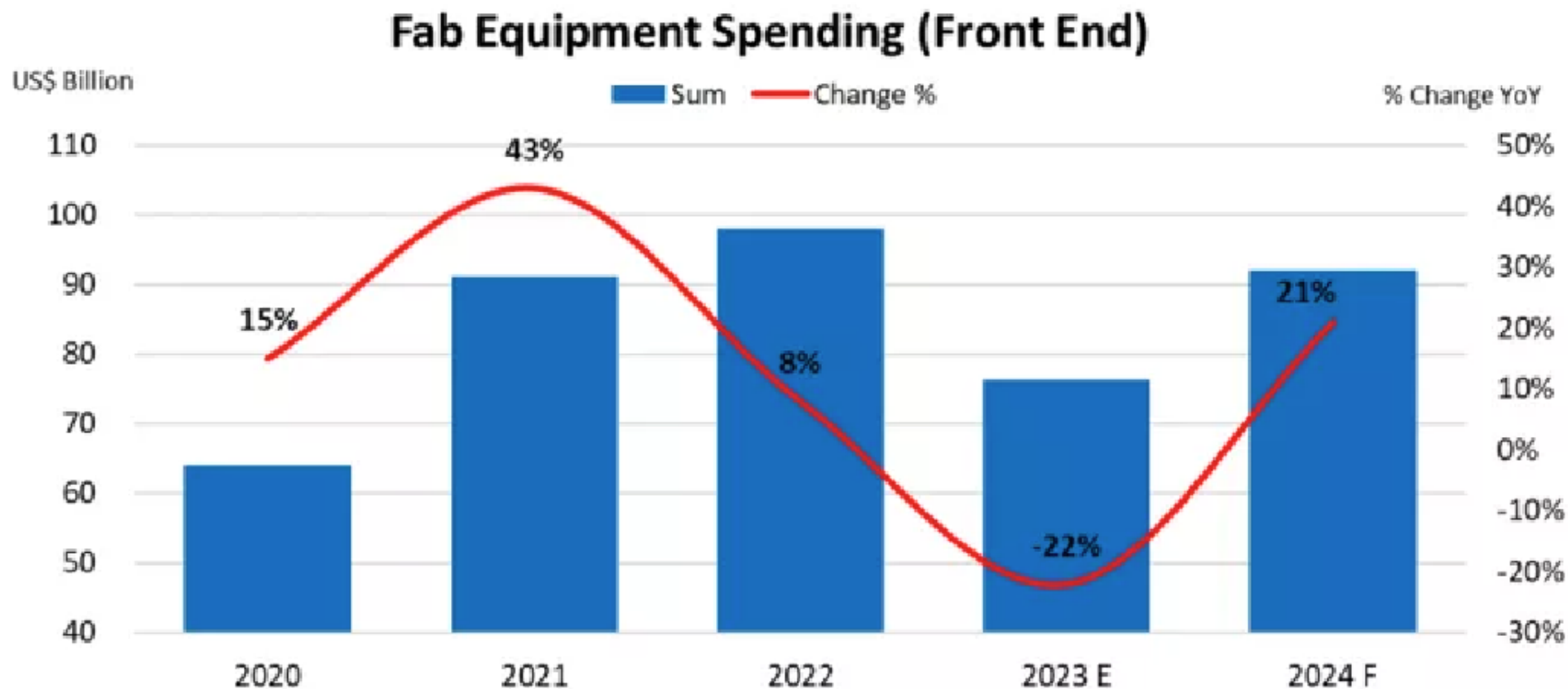
As of 30th June 2023

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	4,537	763	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>19,332</u>	<u>763</u>	

Semiconductor Market Outlook 5-Year

Revenue | USD

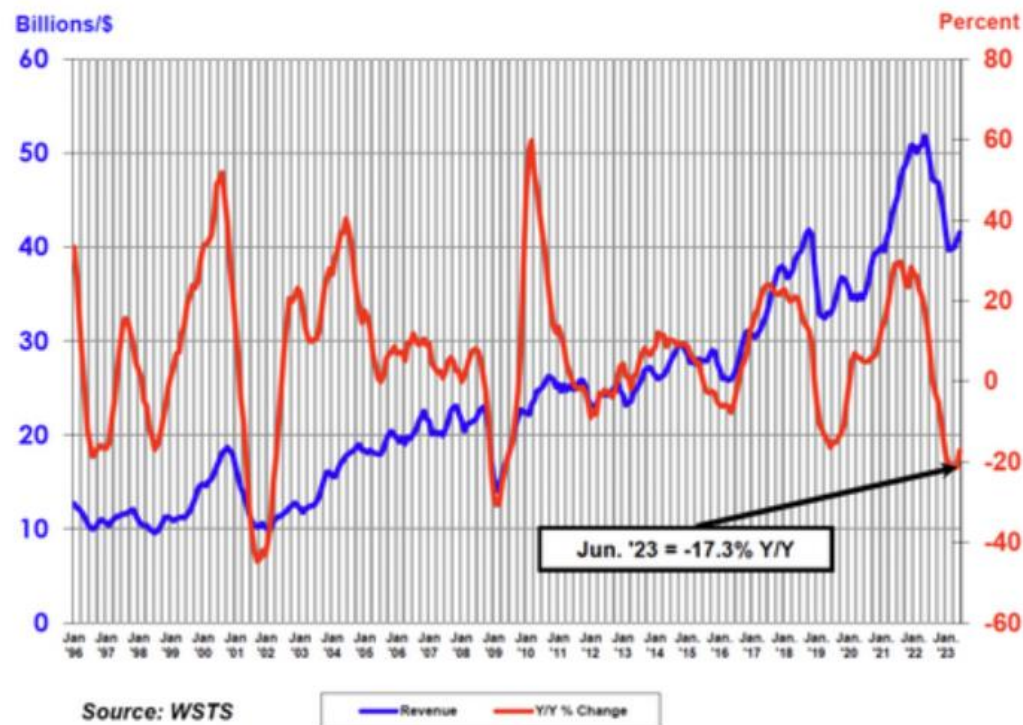




Source: World Fab Forecast Report, 1Q23 Update, Published By SEMI

Worldwide Semiconductor Revenues

Year-to-Year Percent Change

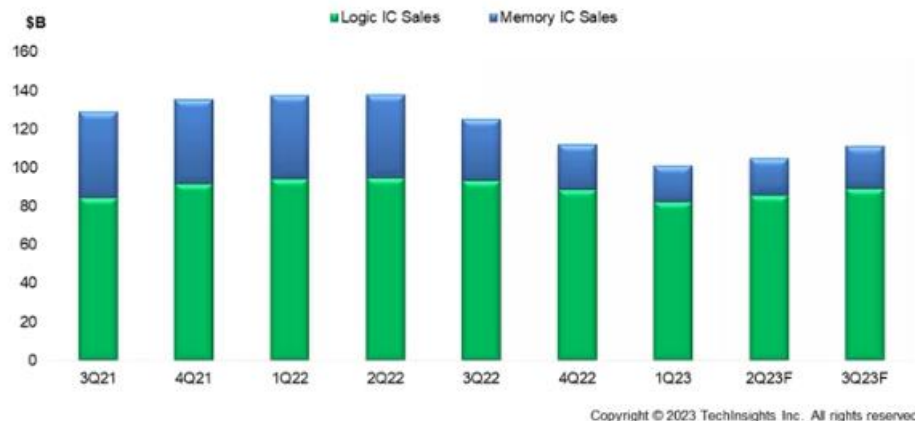


It said global sales for the month of June 2023 were US\$41.5 billion, an increase of 1.7% compared with the previous month.

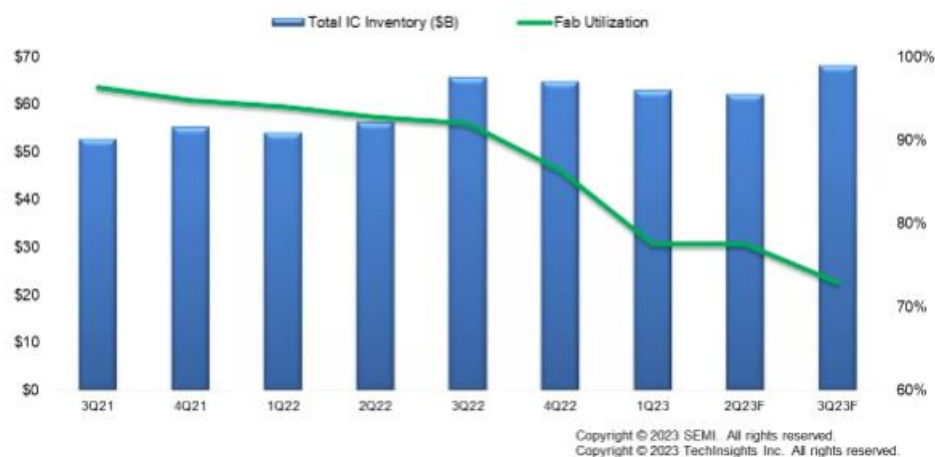
SIA president and chief executive officer John Neuffer said that although global semiconductor sales in 2023 remain behind the totals from last year, revenue ticked up in June for the fourth consecutive month and notched solid q-o-q increases, providing optimism the market will continue to rebound over the second half of the year

Semiconductor Market Outlook

IC Sales



Total IC Inventory Versus Utilization



Market indicators point to a semiconductor industry bottoming at the end of the first half of 2023, and the industry has since started a recovery, setting the stage for continued growth in 2024. All segments are projected to log year-over-year increases in 2024, with electronics sales surpassing its 2022 peak.



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 **Q4 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.



Our solar journey showcases our dedication to responsible resource management, aligning seamlessly with SDG 12's goal of promoting sustainable consumption and efficient resource utilization. We're contributing to a better future for all by embracing renewable energy and sustainable practices.



The PV System size in place is 233.2kWp with an expected output of 302,011kWh per year. With these solar panels in place, we are looking to offset 237 tonnes of carbon dioxide, which is also saving the equivalent of:-



916,137 KM OFF THE ROAD
CARS MILEAGE TAKEN OFF THE ROAD



10,828 MATURE TREES
CO2 absorption in a year.



2,939 LIGHTBULBS POWERED
Lightbulbs powered for 1 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

QES Group Berhad
No 2, Jalan Jururancang U1/21,
HICOM Glenmarie Industrial Park,
Seksyen U1, 40150 Shah Alam, Selangor,
Malaysia

Tel: (603) 5882 6668
Fax: (603) 5567 0811
Email: investor.relations@qesnet.com
Website: www.qesnet.com