

QES INVESTOR BRIEFING

Q3-2023 (27 Nov 2023)



Assuring you our best, always

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Assuring you our best, always!

Corporate Vision

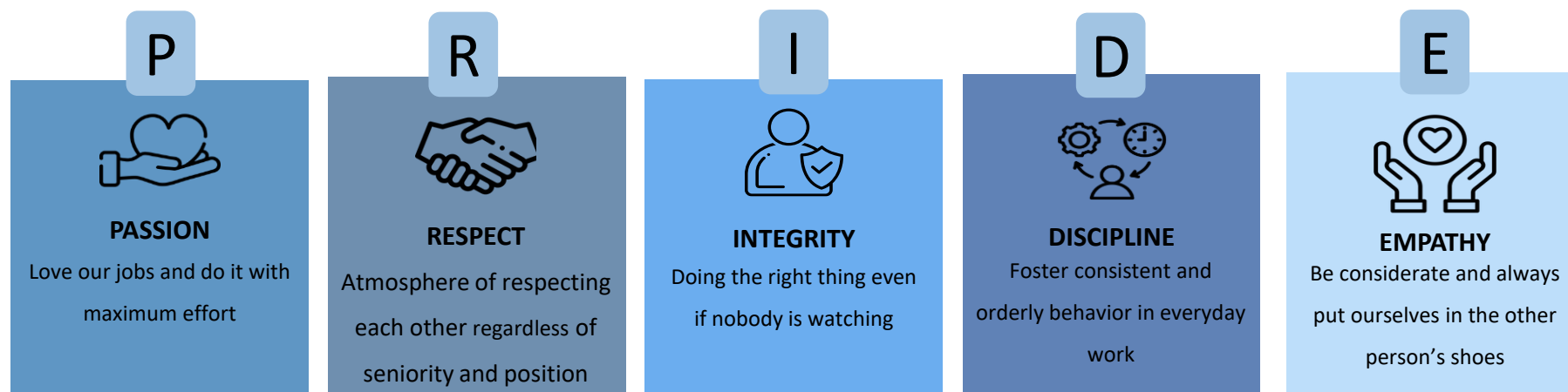
Mission Statement

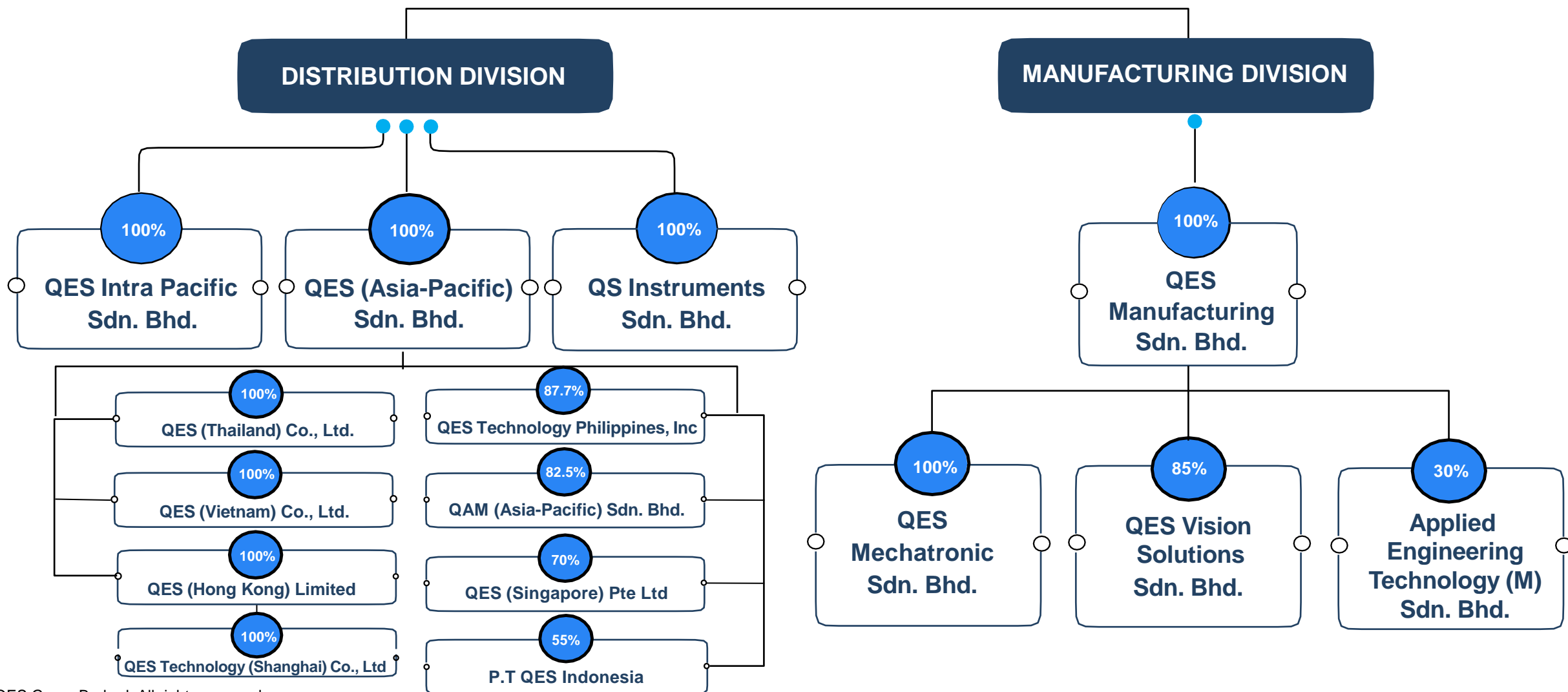
QES is determined to excel in every area of our technology-driven products and services and be sustainable. We achieve that by making sure we are **customer-centric, continuously developing and empowering our people, building lasting relationships with our business associates, moving towards complete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

Vision

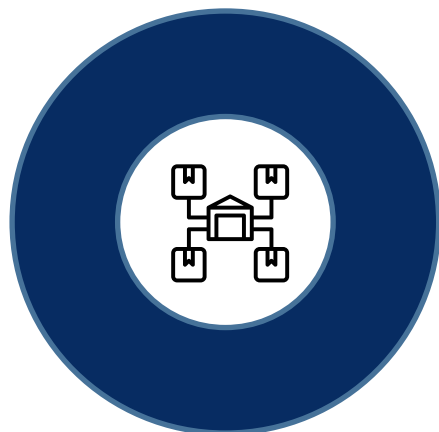
We aim to be the leading integrated solutions provider serving customers with world class products in analytical, inspection, test, measuring, automation, and related services.

Our Core Values





Distribution



**Analytical
Instruments**

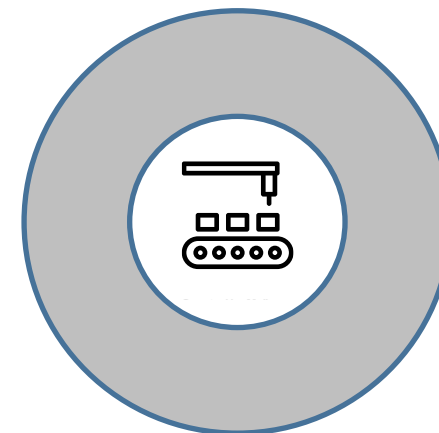


**Inspection, Test
& Measurement
Equipment**



**Materials &
Engineering
Solutions**

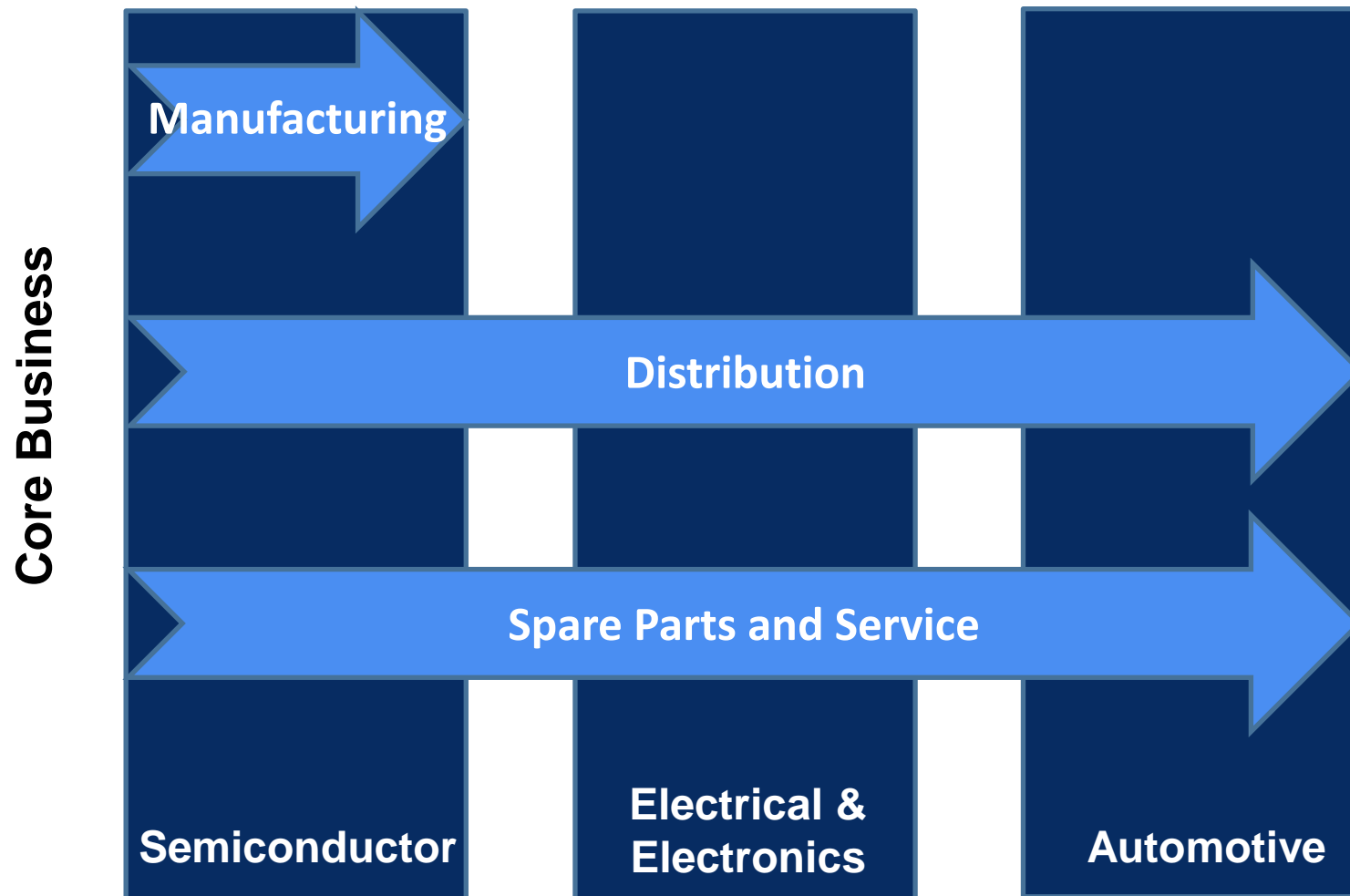
Manufacturing



**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

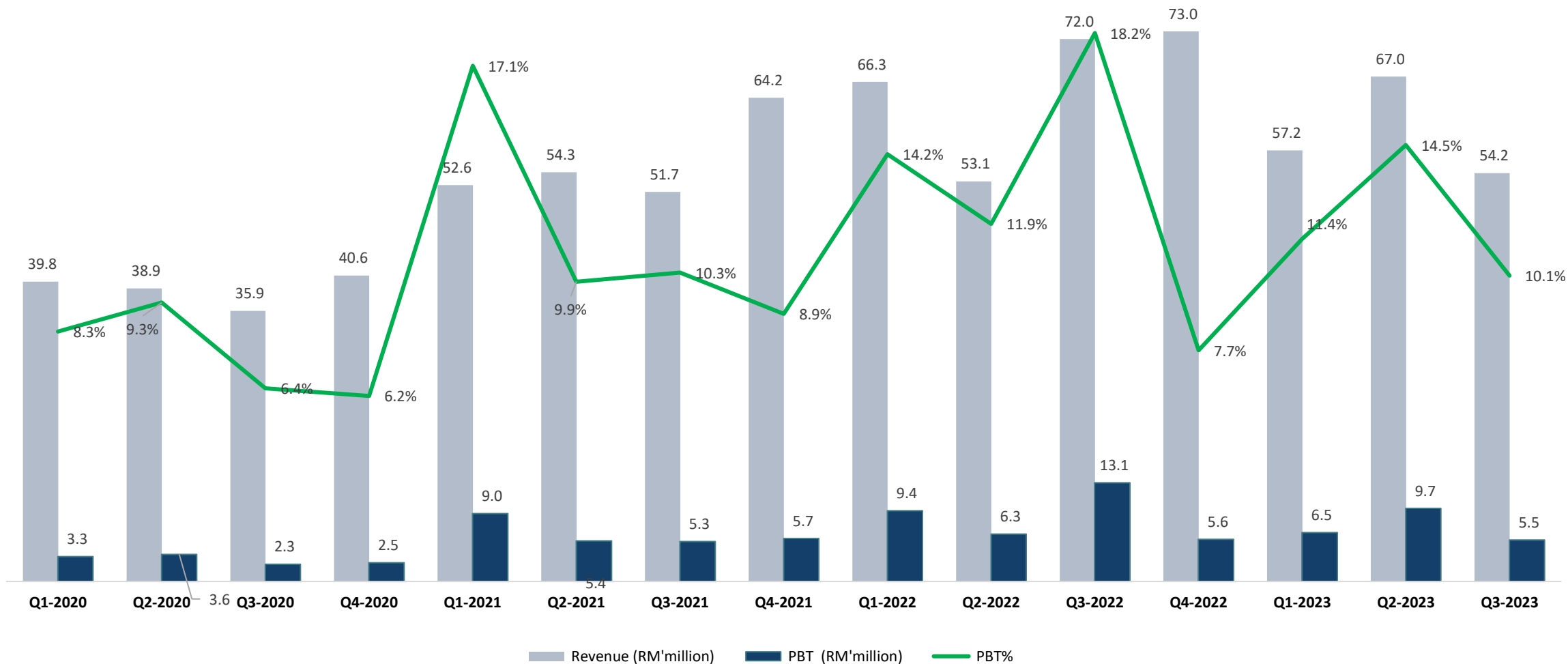
RM'million	Q3'23	Q2'23	QoQ%	For the period ended		
				Sep'23	Sep'22	YoY%
Revenue						
Distribution	44.1	56.8	-28.8%	152.3	167.5	-9.1%
- Product	25.1	36.8	-31.8%	96.8	109.2	-11.4%
- Materials	3.1	5.0	-38.0%	11.2	22.2	-49.5%
- Spares & Service	15.9	15.0	6.0%	44.3	36.1	22.7%
Manufacturing	10.1	10.2	-1.0%	26.1	23.9	9.2%
Total Revenue	54.2	67.0	-19.1%	178.4	191.4	-6.8%
GP						
Distribution	11.5	14.5	-20.7%	39.7	42.7	-7.0%
- Product	6.2	8.7	-28.7%	23.8	28.1	-15.3%
- Materials	0.4	0.7	-42.9%	1.6	3.7	-56.8%
- Spares & Service	4.9	5.1	-3.9%	14.3	10.9	31.2%
Manufacturing	3.7	3.3	12.1%	8.1	9.0	-10.0%
Total GP	15.2	17.8	-14.6%	47.8	51.7	-7.5%
EBITDA	6.7	11.1	-39.6%	26.1	32.4	-19.4%
Operating Cost	(10.2)	(7.8)	30.8%	(26.0)	(22.4)	16.1%
Share of result of an associate, net of tax	0.5	(0.3)	266.7%	(0.1)	(0.5)	-80.0%
PBT	5.5	9.7	-43.3%	21.7	28.8	-24.7%
Tax	(1.1)	(2.2)	-50.0%	(5.0)	(6.9)	-27.5%
PAT	4.4	7.5	-41.3%	16.7	21.9	-23.7%
MI	(0.1)	(0.6)	-83.3%	(0.7)	(0.9)	-22.2%
PAT Attributable (PATMI)	4.3	6.9	-37.7%	16.0	21.0	-23.8%

Financial Highlights – Quarterly Results Comparison

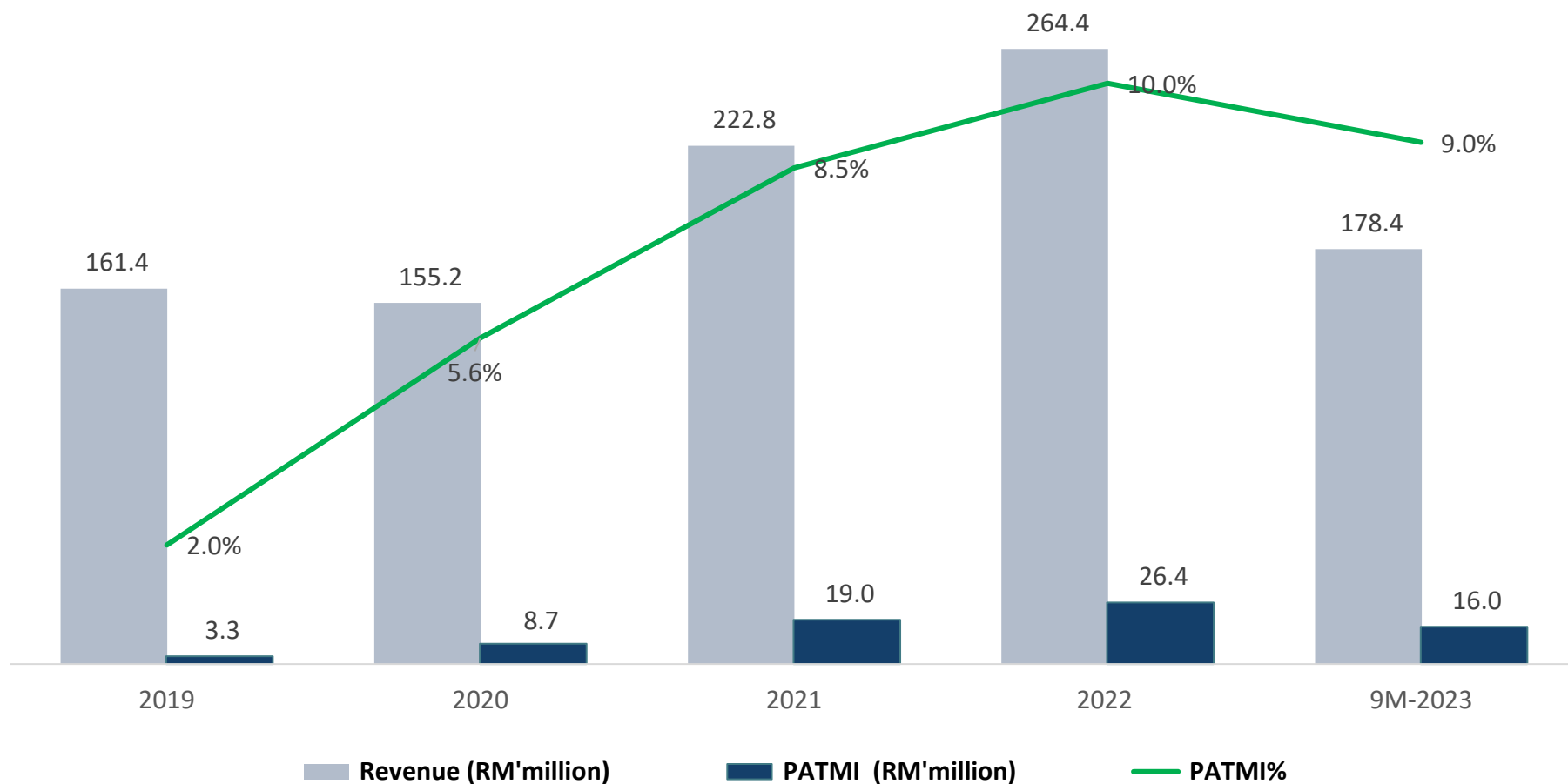
In RM'million

	Q3'23	Q3'22	Q2'23	Q3'23 Q3'22	Q3'23 Q2'23	For Period Ended		
						Sep'23	Sep'22	Sep'23 vs Sep'22
Revenue	54.2	72.0	67.0	↓ -24.7%	↓ -19.1%	178.4	191.4	↓ -6.8%
PATMI PATMI Margin	4.3 7.9%	9.5 13.2%	6.9 10.3%	↓ -54.7%	↓ -37.7%	16.0 9.0%	21.0 11.0%	↓ -23.8%
EBITDA EBITDA Margin	6.7 12.4%	14.0 19.4%	11.1 16.6%	↓ -52.1%	↓ -39.6%	26.1 14.6%	32.4 16.9%	↓ -19.4%

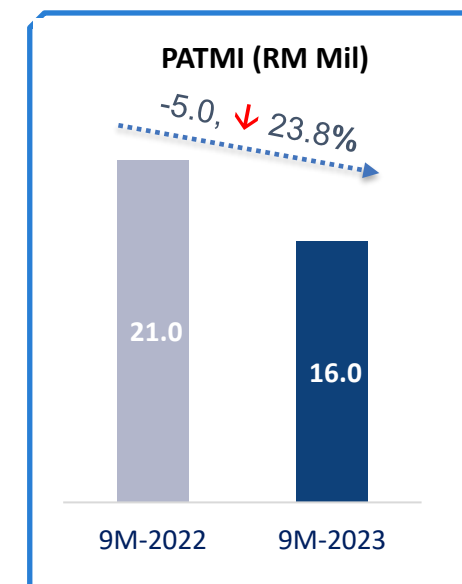
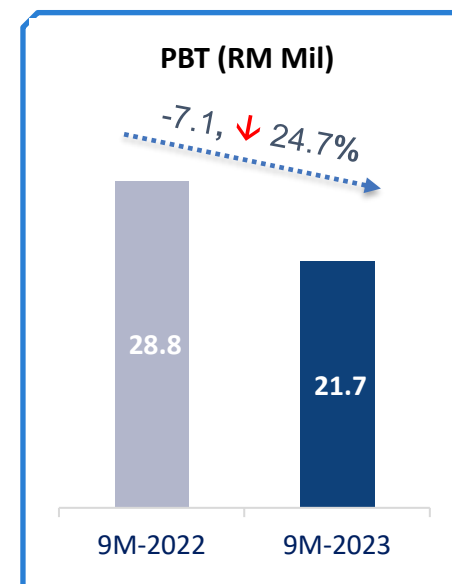
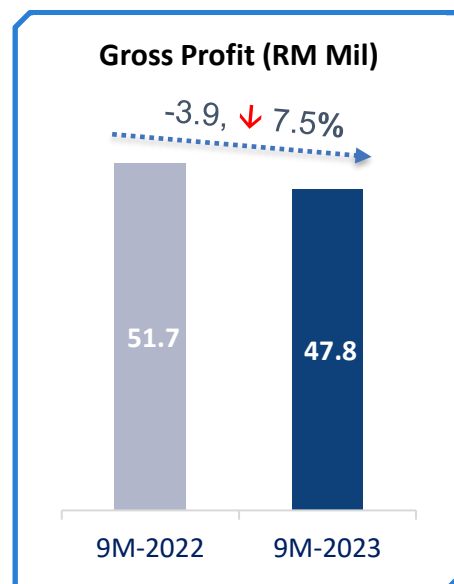
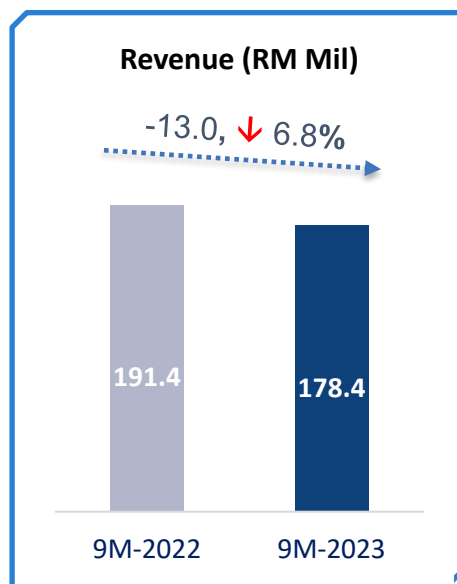
Quarterly Financial Highlights 2020 - 2023 Q3



Financial Highlights 2019 - 9M 2023

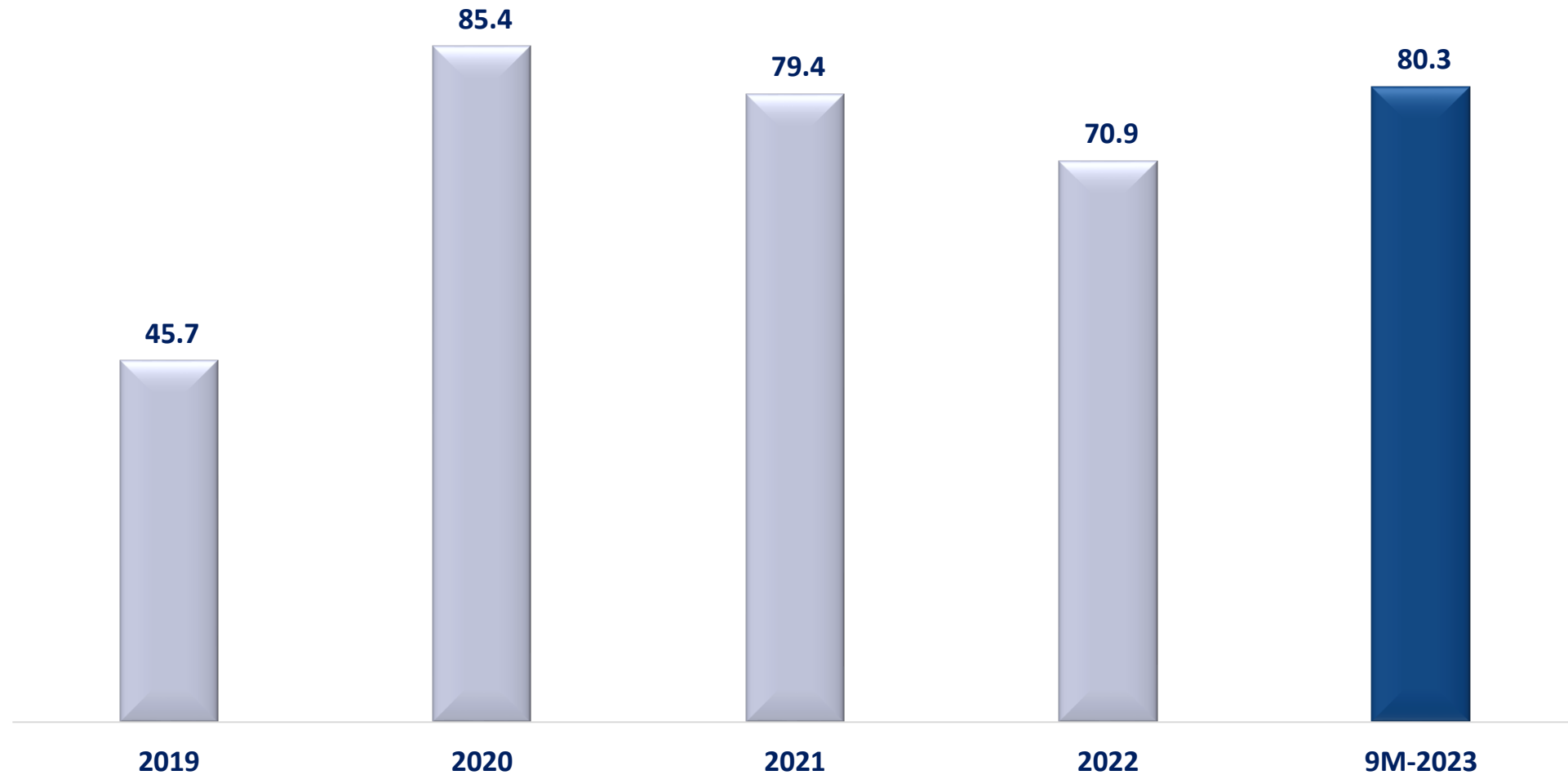


Financial Highlights of FYE23 – 9M cumulative period

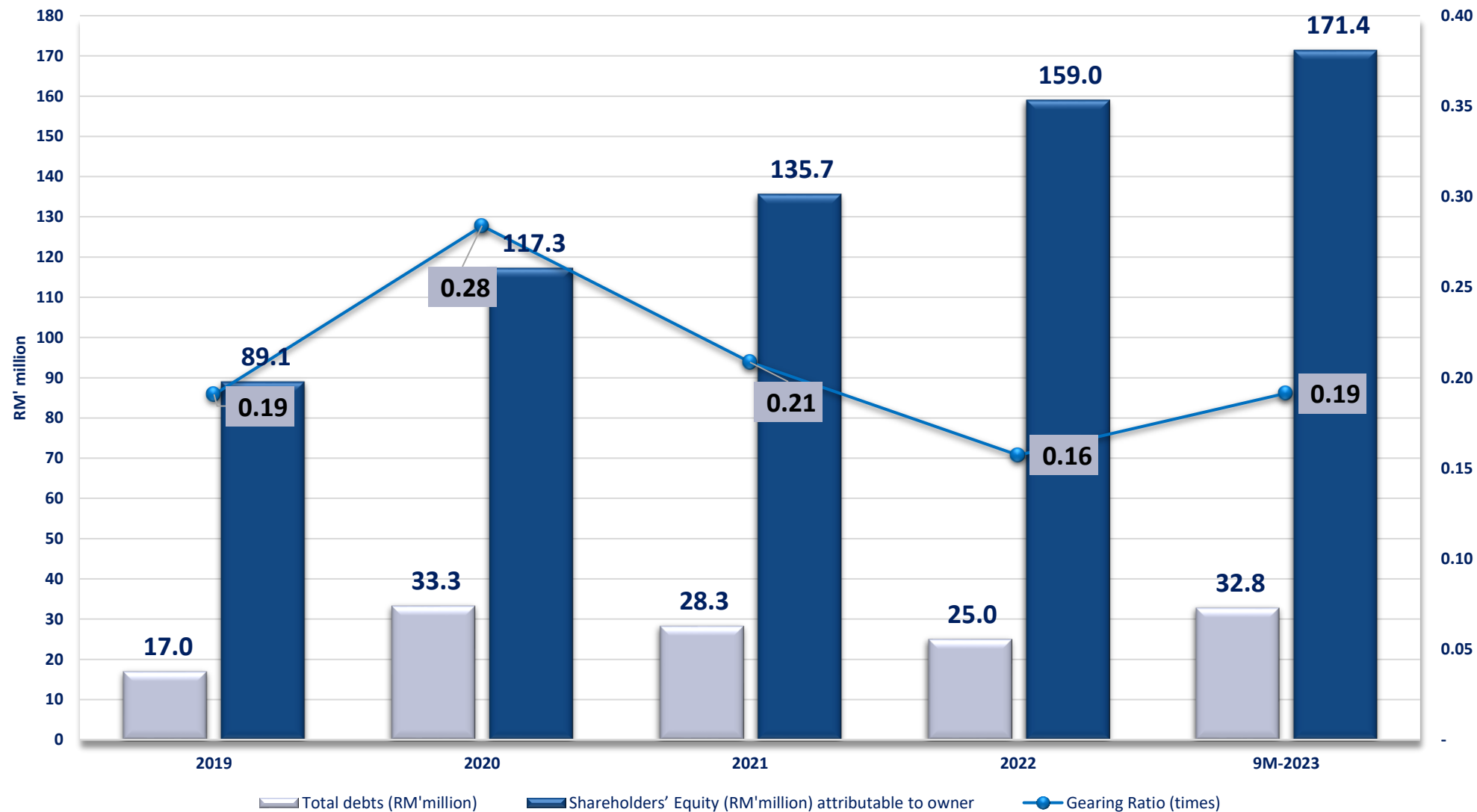


- Overall revenue decreased due to a drop in sales from distribution division notwithstanding a higher sales from manufacturing division.
 - Distribution revenue drop by 9.1% YoY mainly due to a decrease of 11.4% and 49.5% in product and materials respectively despite an increase of 22.7% in spares & service.
 - Manufacturing revenue increased by 9.2% YoY, due to higher sales of automatic optical inspection and smart manufacturing solution.
- Group GP decreased by 7.5% YoY as a result from a 7.0% and 10.0% decrease in GP contribution from distribution division and manufacturing division respectively.
- Lower PBT and PATMI in tandem with the decline of gross profit from both from distribution division and manufacturing division.

Cash and cash equivalents (RM'million)

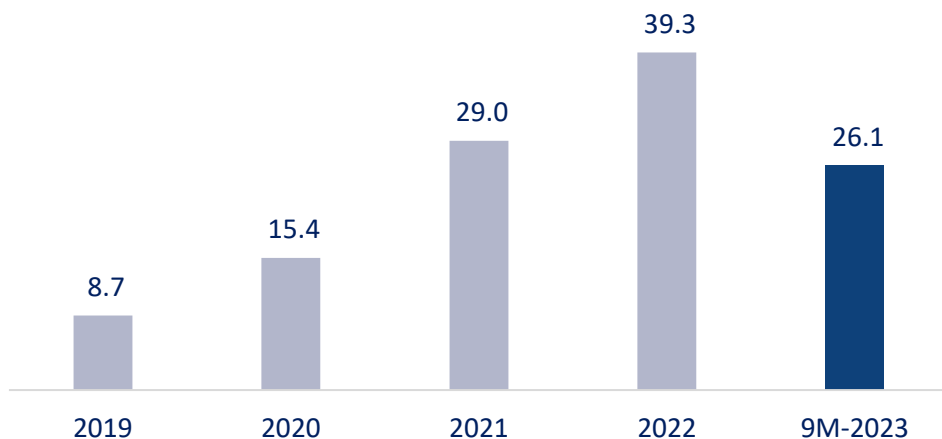


Financial highlights – Gearing ratio

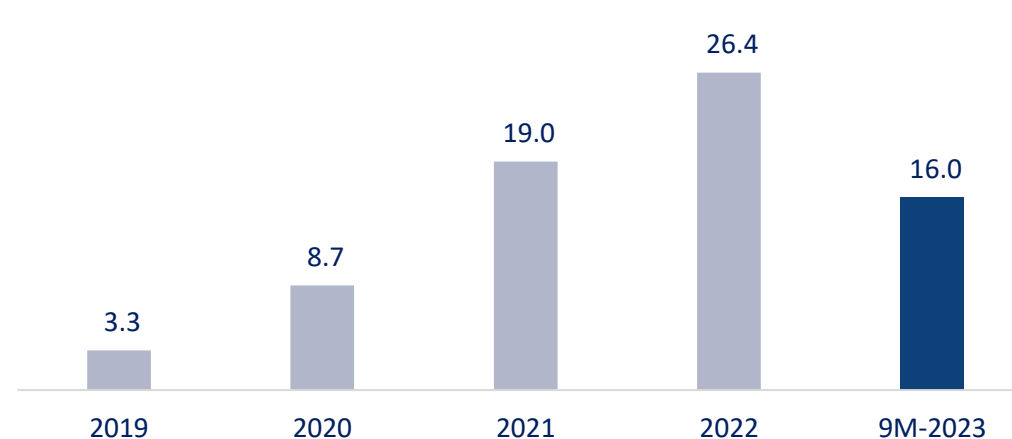


Financial highlights – Other ratios

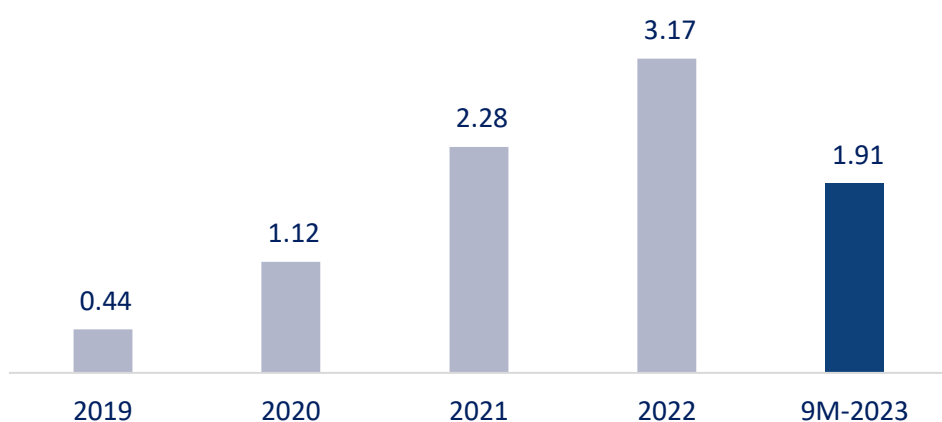
Earnings before Interest, Taxes, Depreciation and Amortisation (RM'million)



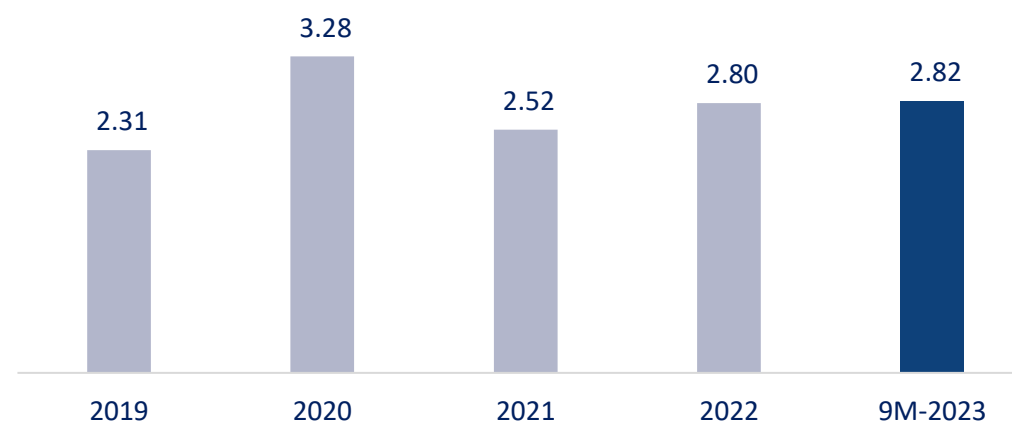
Profit attributable to Owners of the Company (RM'million)



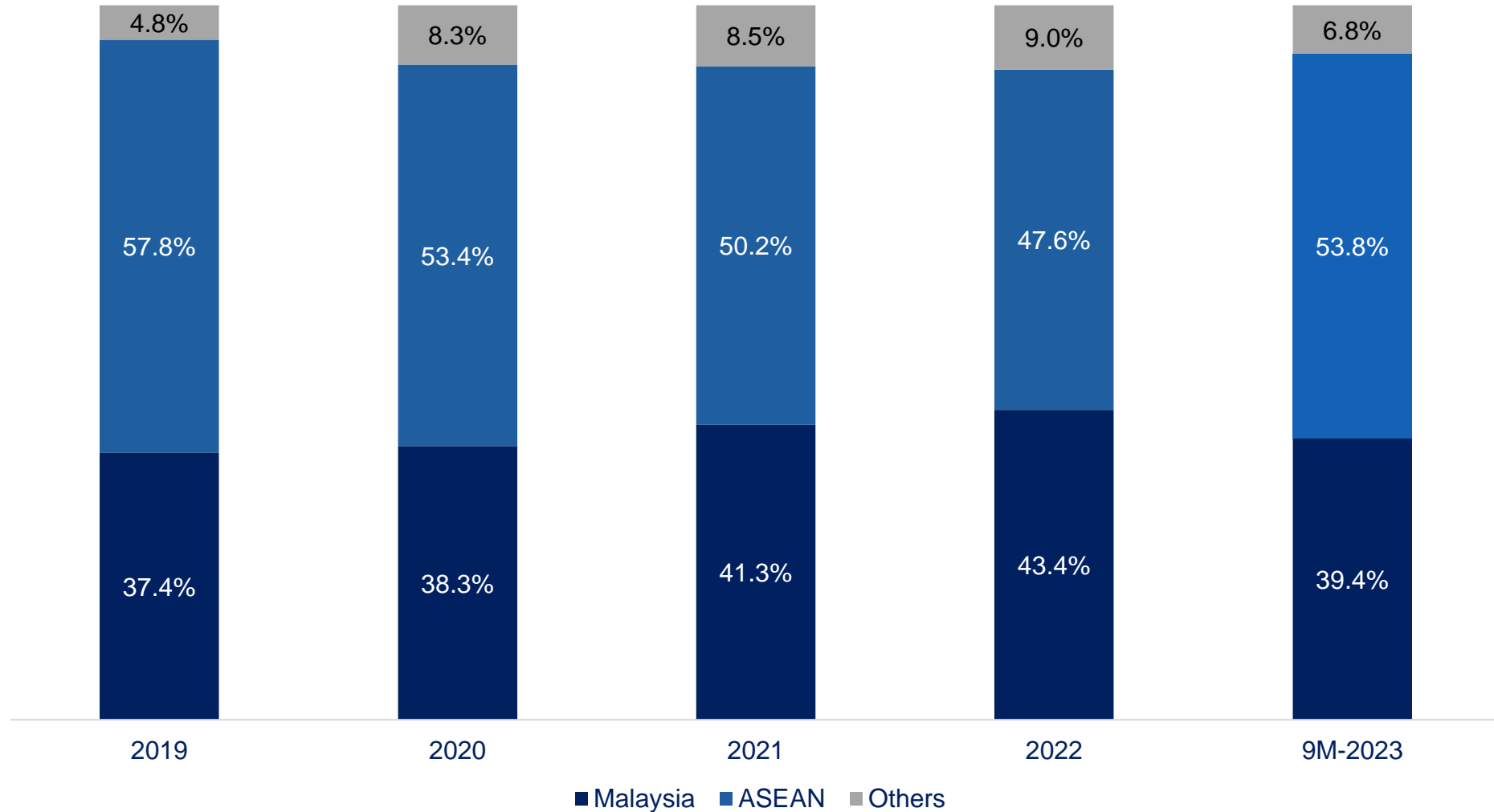
Basic Earnings per Share (sen)



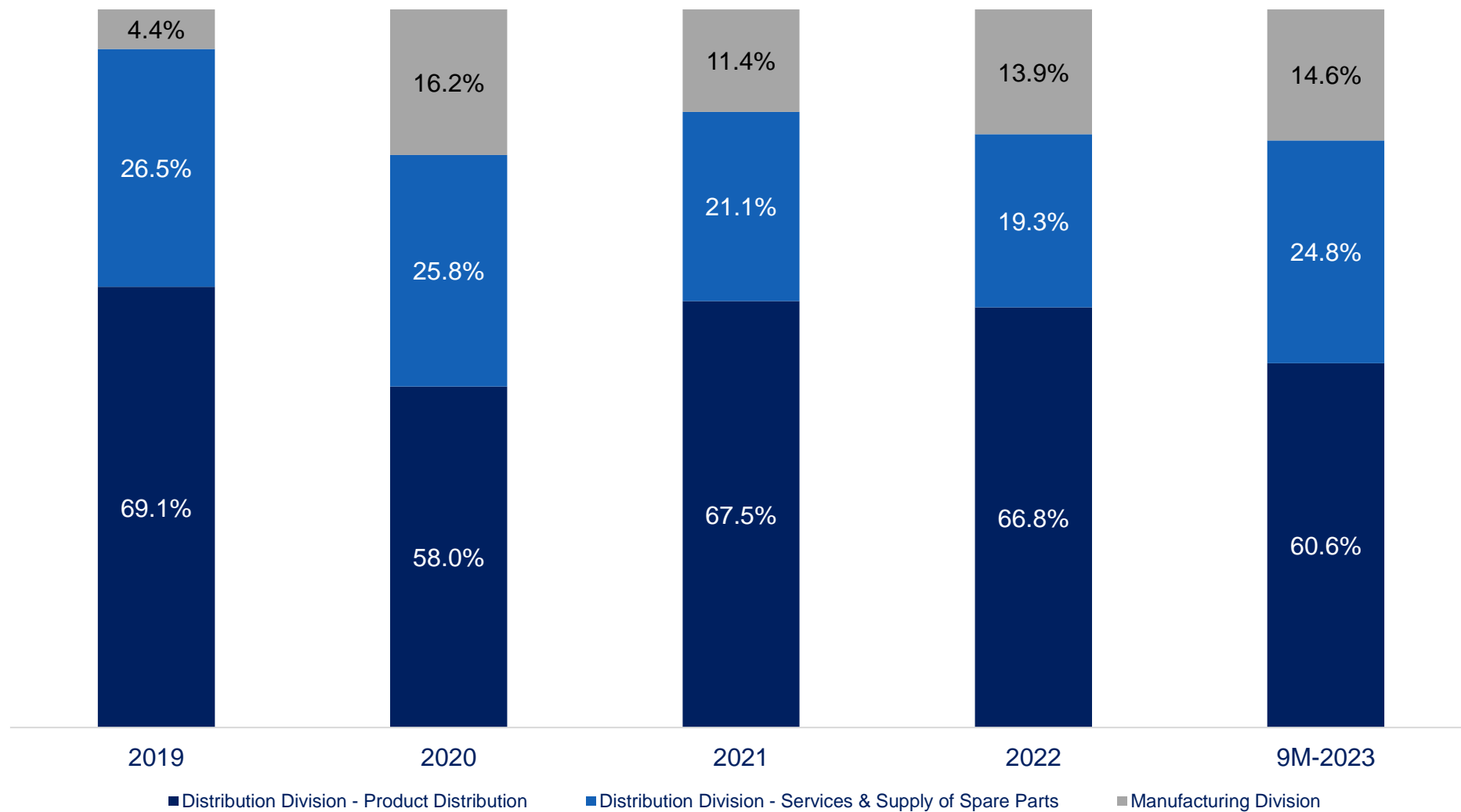
Current Ratio (times)



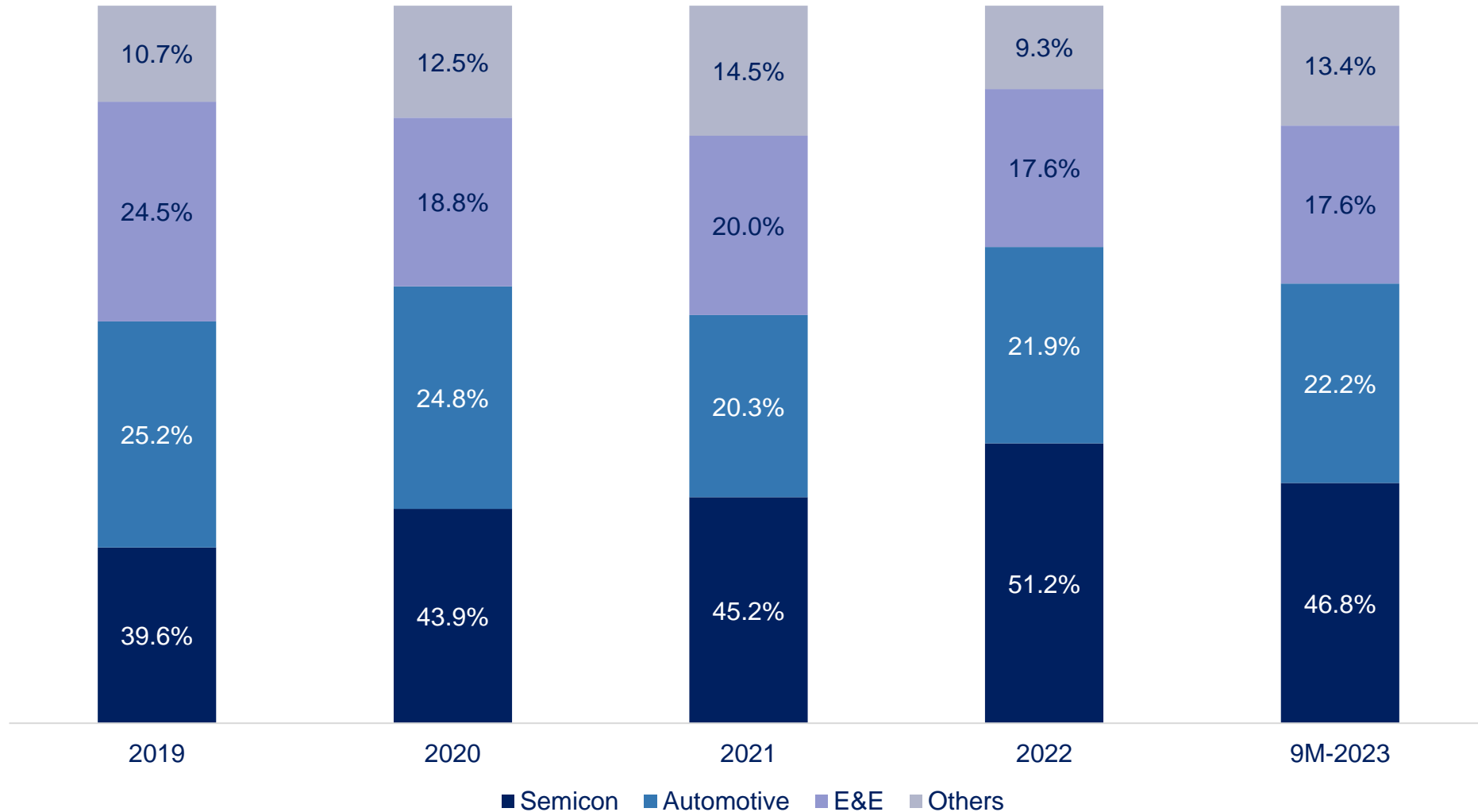
Analysis: Revenue Breakdown – By Country/Region



Analysis: Revenue Breakdown – By Division

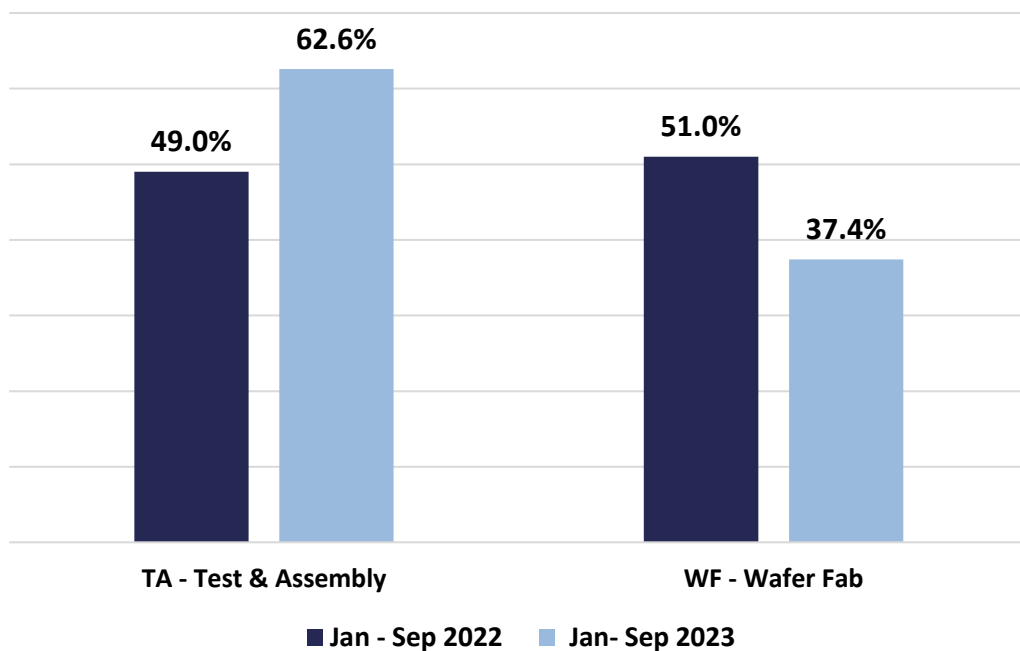


Analysis: Revenue Breakdown – By Industry

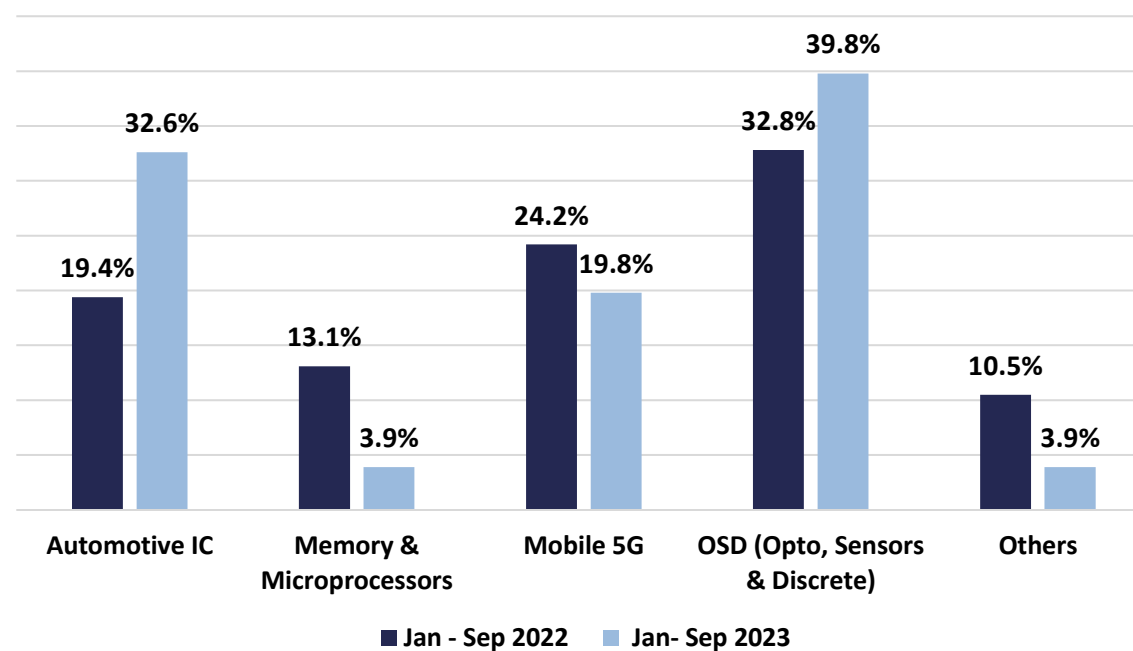


Analysis: Semiconductor Industry Breakdown

Group Revenue % of Semiconductor Industry (JAN - SEP)



Semiconductor Applications % Revenue Breakdown (JAN - SEP)



Note 1:

9M 2022 Revenue from Semiconductor : RM 96 million

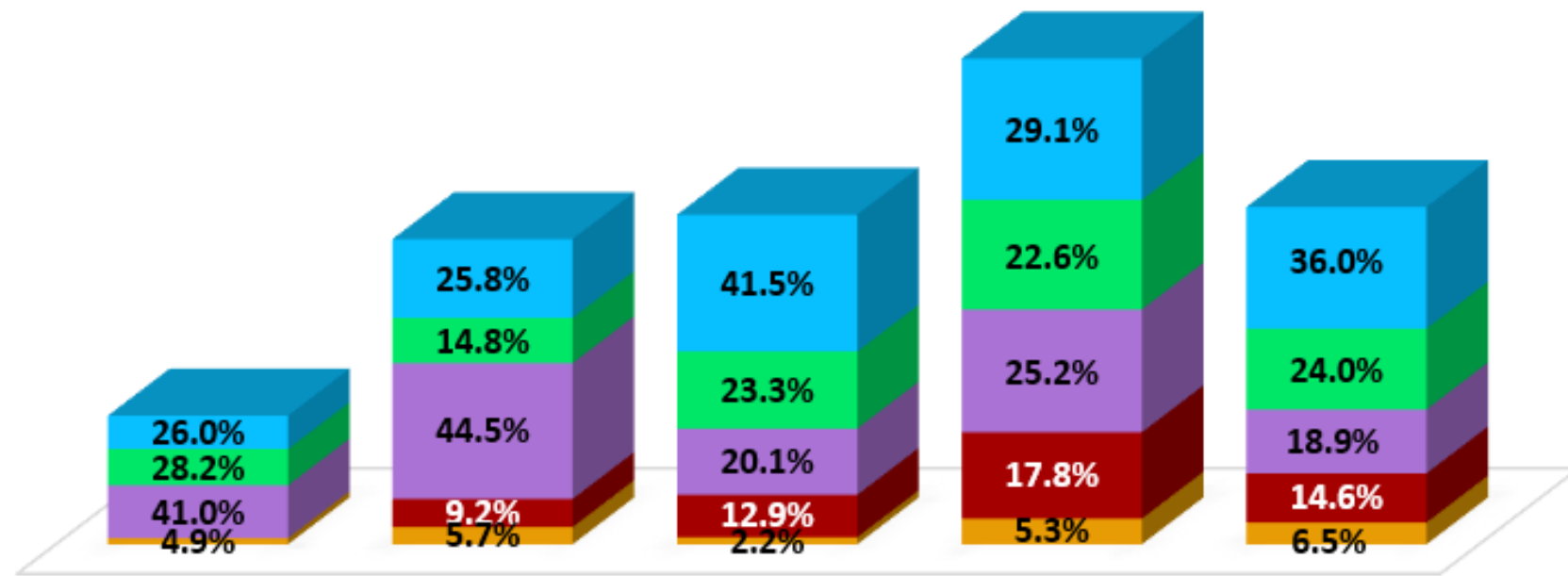
9M 2023 Revenue from Semiconductor : RM 84 million

Note 2:

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

Analysis: Manufacturing equipment series revenue trend

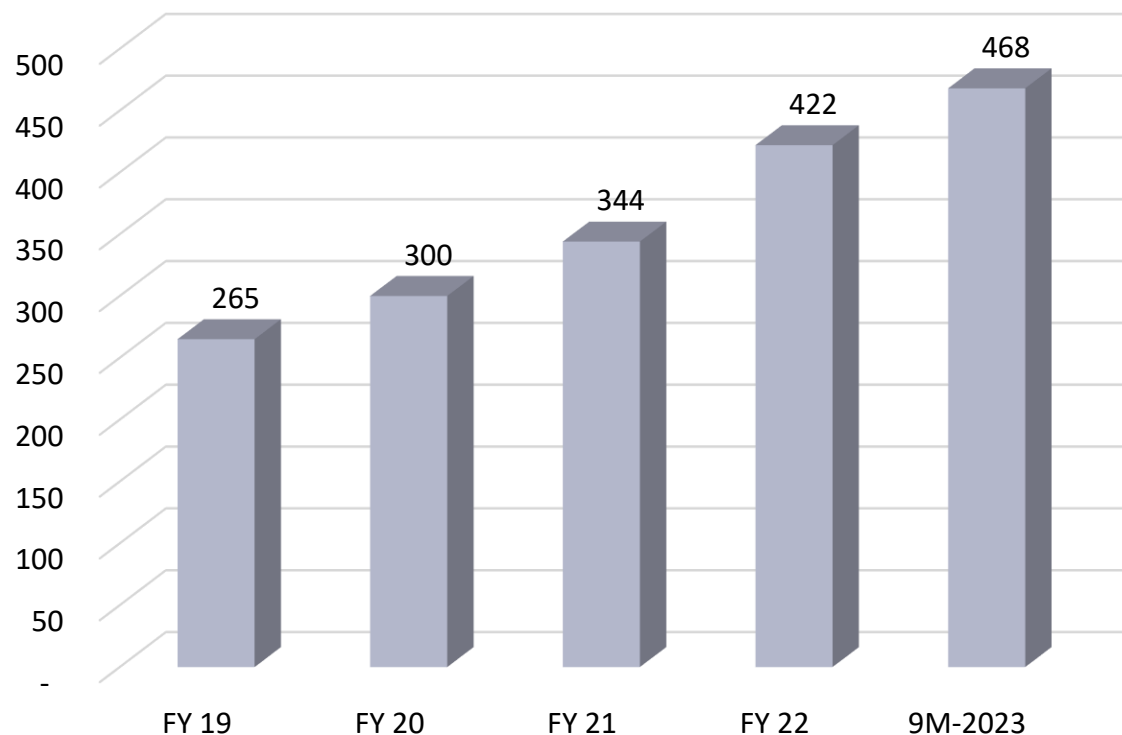
Manufacturing Division - Revenue Breakdown (YoY) by Product Series



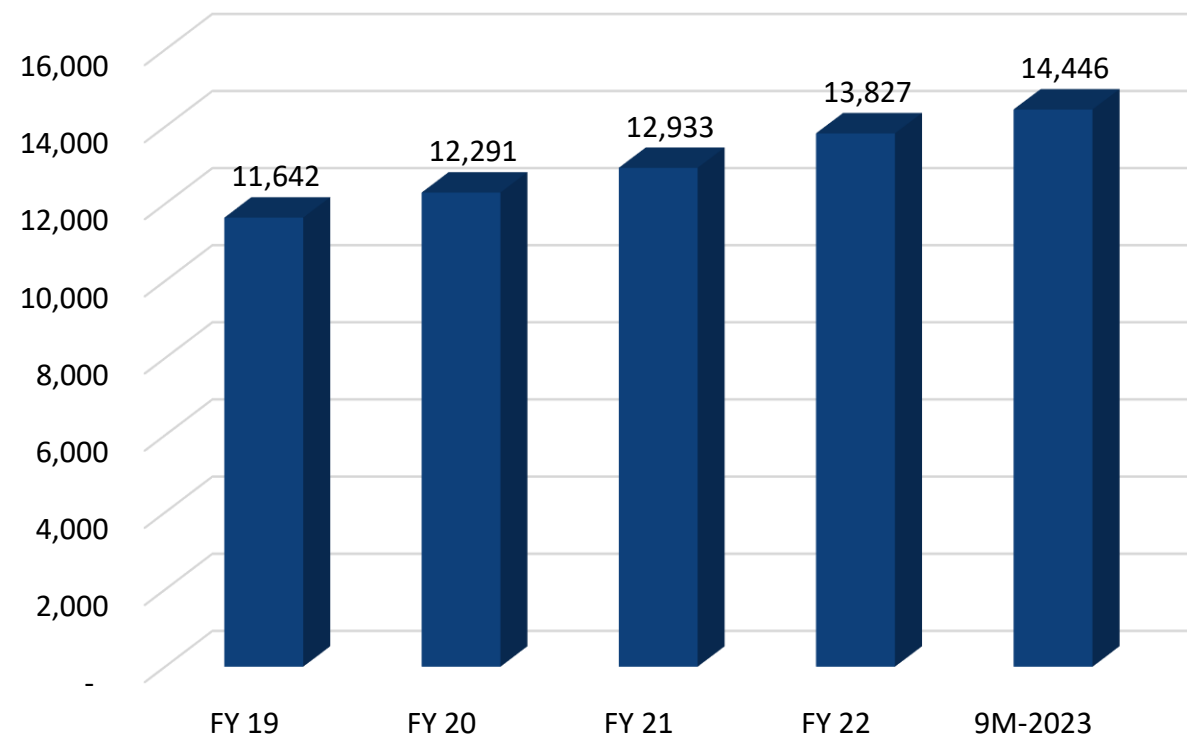
Revenue RM'000	FY 19		FY 20		FY 21	FY 22		9M-2023
AOI series	2,575		6,081		10,564	10,907		9,376
AHS series	2,803		3,496		5,943	8,463		6,241
OIS series	4,077		10,482		5,120	9,473		4,937
AMS series	-		2,169		3,274	6,667		3,797
SMS series	484		1,340		556	1,993		1,690

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 80.3 million as at 30-Sep-23.
- Gearing ratio of 0.19
- 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 15 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 Dec 2023/Jan 2024 (delayed from original timeline)❖ Expected completion by Q4 2024
Change of External Auditors	<ul style="list-style-type: none">❖ On 7 July '23, QES appointed Messrs. KPMG PLT as the new external auditors, upon receiving the notice of resignation from Messrs. Moore Stephens Associates PLT on 3 July '23.
ISO 14001:2015 Environmental Management System Certification	<ul style="list-style-type: none">❖ QES Mechatronic Sdn Bhd, has successfully obtained ISO 14001:2015 – Environmental Management System Certification in Nov '23.

Utilisation of Private Placement Proceeds - Updates

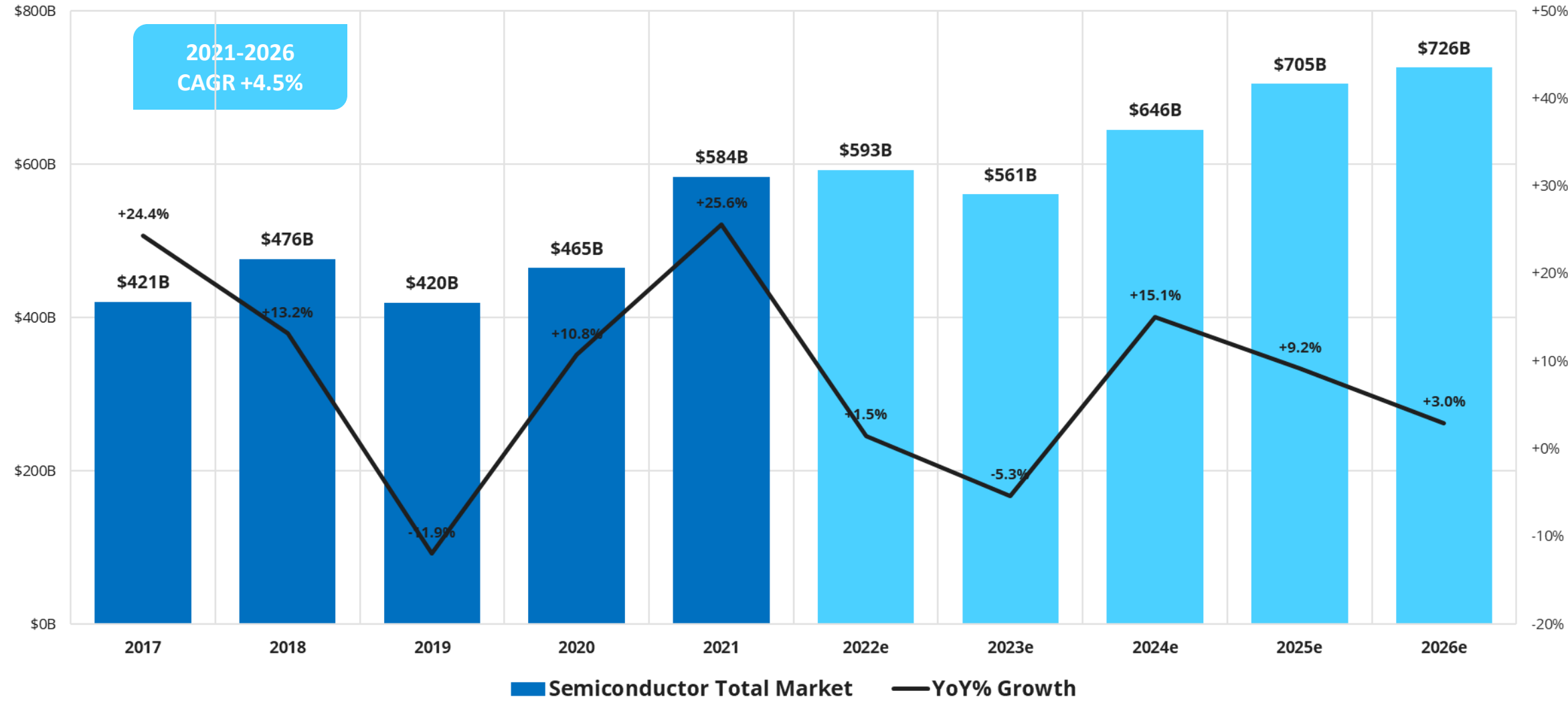
As of 30th September 2023

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	5,300	-	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>20,095</u>	<u>-</u>	

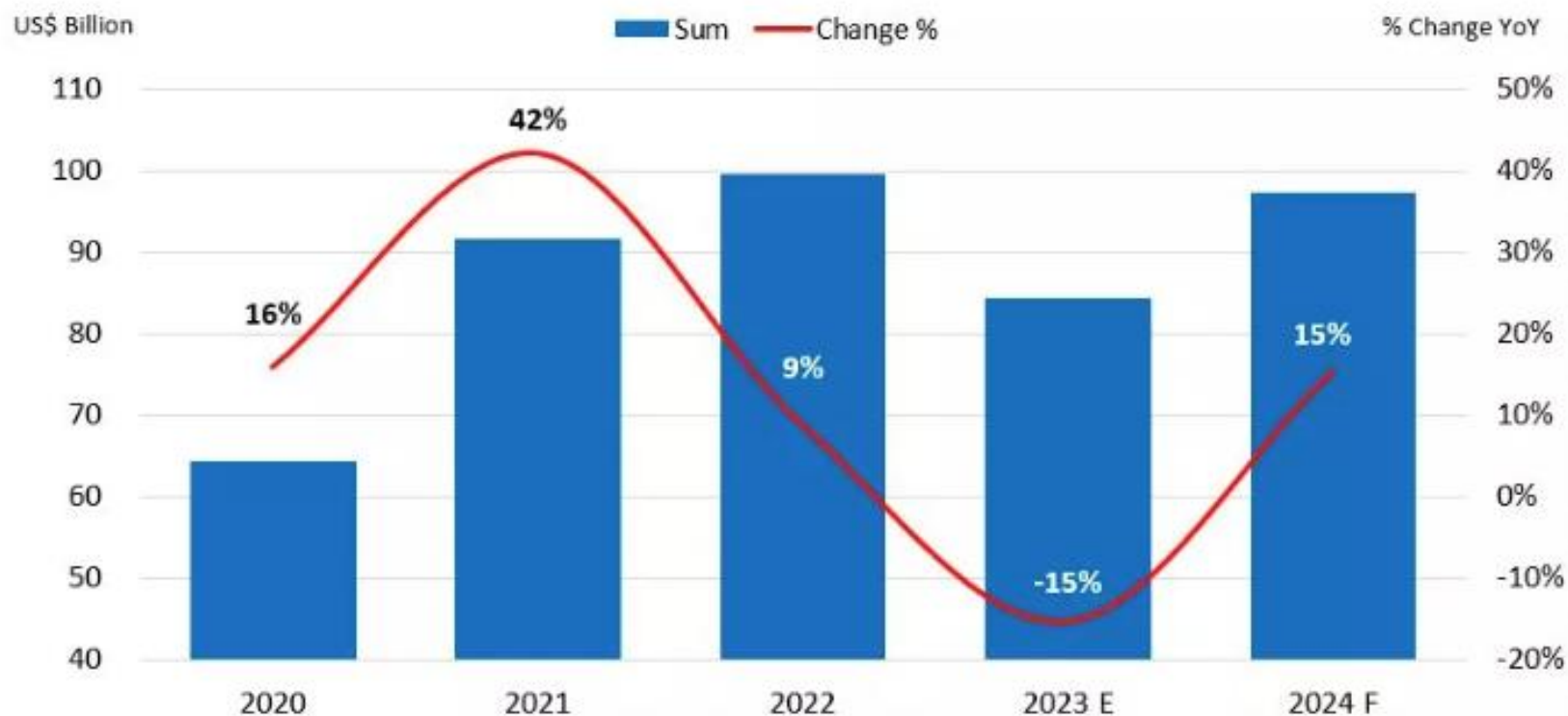
Private placement proceed has been fully utilised in Q3'23.

Semiconductor Market Outlook 5-Year

Revenue | USD



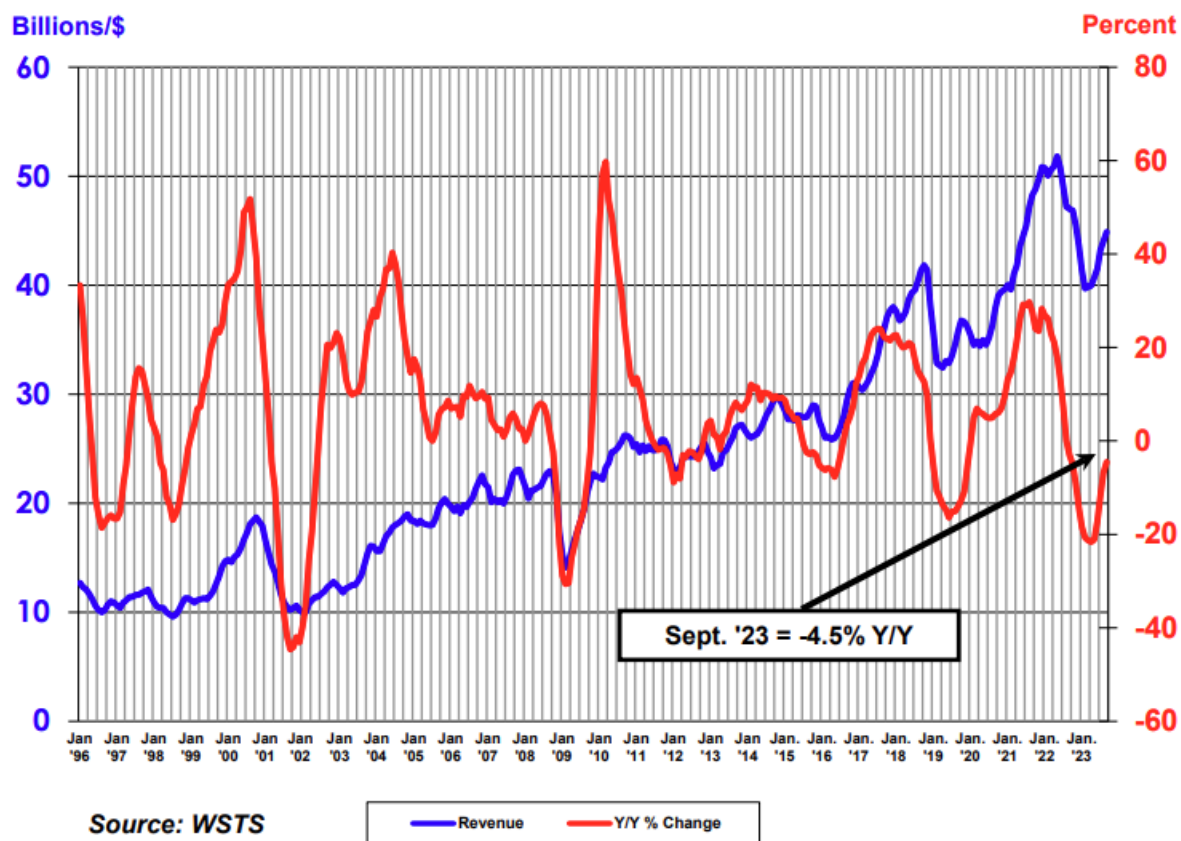
Fab Equipment Spending (Front End)



Source: World Fab Forecast Report, 3Q23 Update, Published By SEMI

Worldwide Semiconductor Revenues

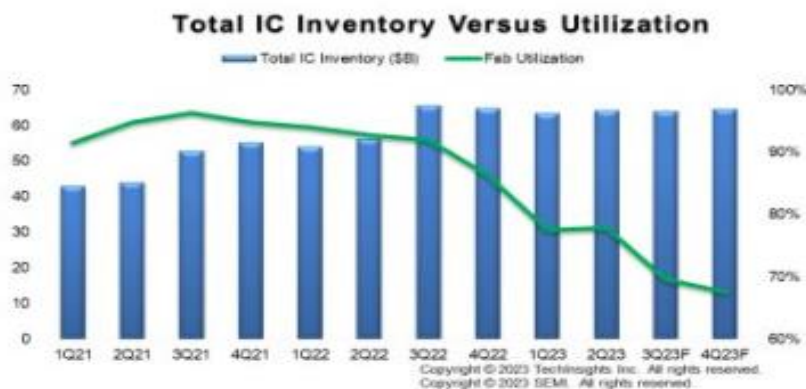
Year-to-Year Percent Change



“Global semiconductor sales increased on a month-to-month basis for the seventh consecutive time in September, reinforcing the positive momentum the chip market has experienced during the middle part of this year,” said John Neuffer, SIA president and CEO. “The long-term outlook for semiconductor demand remains strong, with chips enabling countless products the world depends on and giving rise to new, transformative technologies of the future.”

Regionally, month-to-month sales increased in Asia Pacific/All Other (3.4%), Europe (3.0%), the Americas (2.4%), and China (0.5%), but decreased slightly in Japan (-0.2%). Year-to-year sales increased in Europe (6.7%), but decreased in the Americas (-2.0%), Japan (-3.6%), Asia Pacific/All Other (-5.6%) and China (-9.4%).

Total capital expenditures in Q4 2023 are hovering at the levels seen in Q4 2020.



While overall semiconductor capital equipment sales are declining in line with capital expenditures, the contraction in wafer fab equipment spending has turned out to be much shallower than expected this year. Furthermore, back-end equipment billings are projected to increase in Q4 2023.

“While semiconductor markets have seen year-over-year declines the last five quarters, year-over-year growth is expected to return in the fourth quarter of 2023 as production cuts have worked their way through the supply chain,” says TechInsights’ Boris Metodiev, “on the other hand, front-end equipment sales have been performing much better than the IC market, buoyed by government incentives and the filling of backlogs, strength expected to continue next year.”

Sources: SEMI (www.semi.org) and TechInsights (www.techinsights.com), October 2023



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 has improved our carbon footprint as per illustration.



HARNESSING SOLAR POWER FOR A SUSTAINABLE TOMORROW



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

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