[For Immediate Release] 10 August 2023

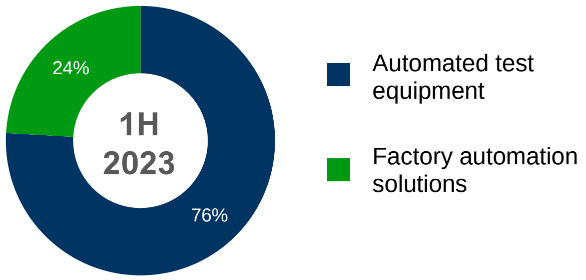
Amid technology downturn, PIL went against the odds to report double digit revenue and profit growth for its 2023 interim results

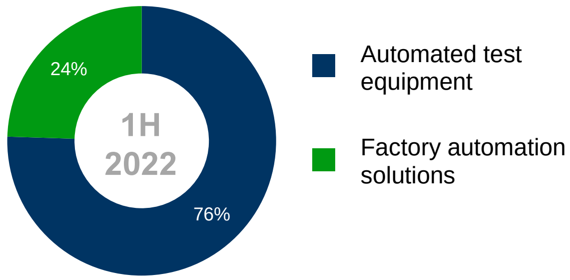
Pentamaster International Limited ("PIL" or "the Group") which is listed under the Main Board of The Stock Exchange of Hong Kong Limited announced its interim results for the six months period ended 30 June 2023 ("1H2023") today. The Group recorded a revenue of MYR342.1 million with its net profit stood at MYR71.9 million, showing an improvement of approximately 15.1% and 11.8% respectively form the corresponding period last year.

Financial highlights

	1H2023 (Unaudited) MYR in thousands	*1H2022 (Unaudited) MYR in thousands*	*Change*
Revenue	342,128	297,333	+15.1%
Gross profit	100,521	91,552	+9.8%
Profit for the period	71,871	64,286	+11.8%
Earnings per share (sen)			
Basic	3.02	2.69	+ 12.3%
Diluted	3.01	2.69	+ 11.9%

Key business unit revenue and trend



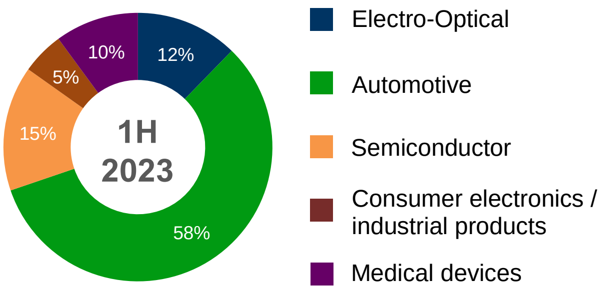


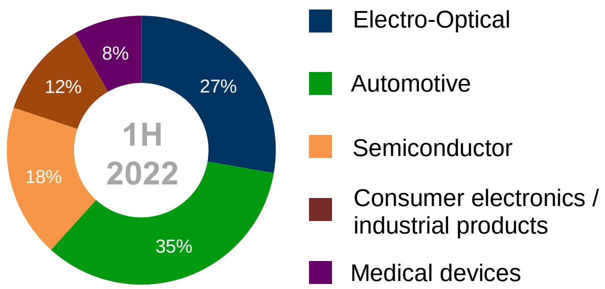
For the six months ended 30 June 2023, the Group's revenue was contributed by both the ATE and FAS segments, with each constituting approximately 75.9% and 24.1% respectively of the Group's total revenue for the period.

The below outlined the performance of the respective operating segments, which includes elements of the inter-segment transactions during the period.

	1H2023 (Unaudited) MYR in thousands	1H2022 (Unaudited) MYR in thousands	Change
Revenue by operating segment			
Automated test equipment			
External customers	259,670	224,346	
Inter-segment revenue	299	385	
	259,969	224,731	+15.7%
Factory automation solutions			
External customers	82,458	72,987	
Inter-segment revenue	6,088	2,114	
	88,546	75,101	+17.9%

<u>Revenue by customer's segment</u>





	1H2023 (Unaudited) MYR in thousands	1H2022 (Unaudited) MYR in thousands	Change
Revenue by customer's segment			
Automotive	196,711	103,008	+91.0%
Semiconductor	51,528	54,155	-4.9%
Electro-Optical	42,003	81,642	-48.6%
Medical devices	34,429	24,175	+42.4%
Consumer and industrial products	17,457	34,353	-49.2%

ATE segment

The ATE segment continued to form the key revenue source for the Group at 75.9%. During the first half of 2023, total revenue from this segment grew by 15.7% from MYR224.7 million in 1H2022 to MYR260.0 million in 1H2023. The double-digit growth rate achieved was mainly attributed by the Group's strong presence and its broad product solutions in the automotive industry, particularly in the electric vehicles ("EV") market. In this context, the automotive segment continued to command majority of the ATE segment's revenue, at 74.4% in 1H2023. Such percentage demonstrated the automotive segment's substantial growth of 93.4% when compared to 1H2022. Specifically, the Group's wafer level burn-in tester for Silicon Carbide (SiC) and its back-end assembly and test solutions for the hybrid pack power modules continued to fuel the growth for the Group's automotive segment and the Group expects the momentum to remain robust for the rest of 2023.

Over the past year or so, global auto manufacturers have announced a collective commitment of more than US$90.0 billion to electrify their respective fleets. Coupled with aggressive government's mandates and policy support, the Group remains optimistic for its automotive segment and will step up its efforts in further expanding its product portfolio and capabilities within this space to secure its market position in this rapidly growing segment.

The semiconductor segment formed the second largest revenue contributor for the ATE segment, at 17.9% in 1H2023, a moderate decline from 24.0% recorded in the same period last year. The semiconductor industry for the Group mainly comprised of legacy product portfolio in handling and testing of integrated chips, and is not an area of focus for the Group given its end market fragmentation and industry seasonality. Nevertheless, as integrated chips continue to advance with smaller nodes coupled with the integrated chips compound and circuitry advancements, the Group continues to expect a sustainable demand momentum for the rest of 2023.

Meanwhile, the Group's electro-optical industry contributed approximately 7.4% towards the ATE revenue pool in the first half of the year, a significant drop from 26.7% achieved in 1H2022. The overall subdued performance from the electro-optical segment was in line with the Group's expectations and the Group expects a continuing tepid contribution from this segment in the remaining quarters of the year given the ongoing sluggishness in the global smartphone market from the reduced levels of consumer spending habits and lack of major smartphone upgrades. While the Group is working on certain new prototypes for its customers in the electro-optical industry, the Group does not expect any meaningful contribution from this segment until probably second half of 2024.

FAS segment

The second quarter of 2023 saw the revenue of the FAS segment contracted by 48.1% from the preceding quarter and 30.0% from the second quarter of 2022. However, overall revenue from the FAS segment in 1H2023 increased by approximately 17.9% to MYR88.5 million from MYR75.1 million recorded in 1H2022. Generally, the projects under the FAS segment have longer lead time and revenue from this segment may vary significantly on a quarter-on-quarter trendline given the timing of the project delivery and the Group's revenue recognition policy.

During the first half of the year, the FAS segment continued to be bolstered by the strong contributions from the medical devices industry with its dominance at 41.8% within the FAS segment, a jumped from 19.4% in the same period last year. Underpinned by the high prevalence of manufacturing automation in the medical sector, the Group has been experiencing a significant increase in demand for its fully automated i-ARMS (intelligent Automated Robotic Manufacturing System) by its medical customers with the aim to streamline the various manufacturing and assembly processes for better throughput, productivity and quality consistency. Aside from medical, the Group also witnessed its i-ARMS solution demand from the electro-optical and consumer and industrial products segment where revenue from these industry segments contributed 27.8% and 20.3% respectively towards the FAS business segment.

With automation reshaping and transforming the business dynamics of various sectors, paving the way for efficiency and scalability, the Group is witnessing the prevalence of such paradigm shift from its order book where businesses are seen implementing automated production lines in the current environment. Against this backdrop, the FAS segment of the Group will continue to grow and the revenue bookings from this segment is expected to show a stronger momentum in the second half of the year.

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Outlook

The ongoing global macroeconomic headwinds persisted in the first half of 2023 and the escalating geopolitical tensions continued to dominate the business environment. With the interest rate hikes and the inflationary pressure coupled with the continuing manpower shortages and the looming threat of a recession, the global economic conditions on an overall basis remain volatile and challenging. While the fragility of the global macroeconomic variables looks set to persist throughout the second half of 2023, it is definitely another year for the Group to continue to demonstrate its resilience and agility as it navigates through these external challenges by focusing on its core business segments and leveraging on its competitive edge and experiences over the years.

While a higher degree of vigilance is required in the coming quarters amidst the uncertain and volatile business environment, the Group remains forward-looking with optimism in sustaining a steady momentum of business growth in the second half of 2023 with its encouraging order book strength. Within its order book, both the automotive and medical segment continue to provide a bright spot in the Group's order flow. The Group has come a long way in making inroads into the automotive segment and at present, the Group has built a strong market positioning in the automotive segment with its comprehensive range of product solutions to cater for this growth segment. The automotive segment will continue to take the pole position as the Group's leading revenue contributor for the coming years as the Group continues to make progressive breakthrough in its new product development and capabilities. Contributing to this sentiment is the growing market trends and policy efforts in supporting EV coupled with the recent emission regulations and electrification targets pushing long term EV production in regions like Europe and the United States. Riding on this current wave of development, the Group's latest establishment of its offshore presence in Germany is timely in enabling the Group to expand its market share and widen its customer base.

The Group has made remarkable progress in expanding its foothold and operations in the medical industry. The acquisition of TP Concept Sdn. Bhd. way back in 2019 has proven strategically value accretive and synergistic in enabling the Group to expand its exposure and capability in the medical manufacturing automation. In addition to this, such acquisition has also led the Group to embark further on the investment in medical technology through its subsidiary company, Pentamaster MediQ Sdn. Bhd. ("PDSB"). The first half of 2023 saw PDSB achieving a few key milestones in its single-use medical devices specifically the intravenous catheters ("IVC"). Besides obtaining the ISO13485 certification, PDSB has also successfully obtained the certificate of conformity for its IVC as well as the medical device registration certificate from the Medical Device Authority, Ministry of Health Malaysia ("MDA"). The next phase for PDSB is to submit the application of its IVC to the Notified Body for CE Mark registration. With the current MDA approval obtained, PDSB is expected to commence the manufacturing activity of its IVC for the local market in Malaysia before expanding its coverage in the ASEAN market.

As for the rest of the industry segments, the Group expects to continue to witness moderate demand especially from the electro-optical and consumer industrial and products segment in 2023. However, with the current geopolitical context precipitating the deglobalisation trend, many countries are seen bringing manufacturing activities closer to home and to a certain extent, building self-sufficiency in the semiconductor and electronics supply chain. Such onshoring initiatives fan out new manufacturing plants and expanded facilities, and the Group stands to benefit from these new establishments with the potential increase in demand for the Group's products and solutions for these segments.

Operationally and fundamentally, the Group has strong foundations in place to explore and capitalise on any potential synergistic business opportunities throughout the year. The Group stays true and committed to its business trilogy of growth strategies in product diversification, segmental diversification and geographical diversification that have been serving the Group well with encouraging outcome over the years. As the Group taps into the growing segments of the industry, it is imperative for the Group to ensure it has sufficient manufacturing capacity and talent capability besides cultivating a resilient supply chain ecosystem to propel the Group to the next level. Within this context, the construction of the Group's third plant is progressing as scheduled and by the end of 2023, phase one of the manufacturing facility is expected to be completed with phase two's targeted completion in second half of 2024. Looking beyond 2023, the Group's growth initiatives towards achieving its 2025 Grand Roadmap remain on track.

About Pentamaster International Limited

PIL (HKEX stock code: 1665) is a leading global supplier in providing automation technology and solutions to multinational manufacturers mainly in the semiconductor, automotive, electrical & electronics, medical devices and consumer industrial products sectors spanning APAC, North America and Europe. The Group's broad range of integrated automation products and solutions entails innovating, designing, manufacturing and installing automated equipment and/or automated manufacturing solutions.

To learn more about PIL, please visit us at www.pentamaster.com.my.

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