



SunningdaleTech

Sunningdale Tech Limited

VOLUNTARY ANNOUNCEMENT

**Unaudited Business Update for the
First Quarter (“1Q2020”) ended 31 March 2020**

Key Financial Highlights

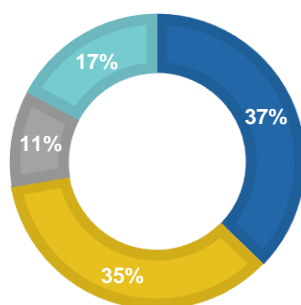
(S\$'000)	1Q2020	1Q2019	Change
Revenue	145,450	159,510	-8.8%
Gross Profit	14,782	17,253	-14.3%
Gross Profit Margin (%)	10.2%	10.8%	(0.6pts)
Net Profit After Tax	2,421	793	205.3%
Net Profit Margin (%)	1.7%	0.5%	1.2pts
Core Net Profit (excluding FX gains/losses, retrenchment costs, gain/losses on disposal of PPE)	261	1,902	-86.3%
Earnings per Share-Basic (Sing cents)	1.26	0.42	200.0%
NAV/Share (S\$)	2.0	1.93	3.6%

Segmental Revenue

	Jan - Mar 2020 S\$'000	Jan - Mar 2019 S\$'000	Inc/(Dec) %
Automotive	54,141	59,255	-8.6%
Consumer/IT	51,008	57,790	-11.7%
Healthcare	15,339	14,129	8.6%
Mould Fabrication	24,962	28,336	-11.9%
	<u>145,450</u>	<u>159,510</u>	-8.8%

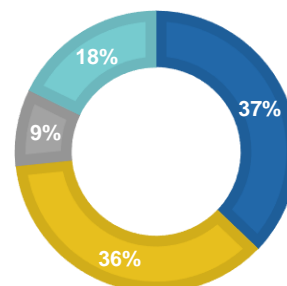
JAN - MAR 2020

■ Automotive ■ Consumer/IT
■ Healthcare ■ Mould Fabrication



JAN - MAR 2019

■ Automotive ■ Consumer/IT
■ Healthcare ■ Mould Fabrication



Balance Sheet Summary

<u>(\$'000)</u>	<u>As at 31.03.2020</u>	<u>As at 31.12.2019</u>
Cash & Cash Equivalents	116,320	103,366
Short Term Debt (excluding lease liabilities)	67,234	63,698
Long Term Debt (excluding lease liabilities)	37,485	40,670
Total Current Assets	470,509	470,674
Total Non-Current Assets	243,615	238,224
Shareholder's Equity	383,344	369,542
Gearing Ratio	0.27	0.28
NAV/Share (\$)	2.0	1.93

Business Review

Segmental Revenue

The Group's revenue decreased 8.8% year-on-year ("yoy") from \$159.5 million for 1Q19 to \$145.5 million for 1Q20. The decline in revenue was attributed to a decrease in revenue from all business segments except for the Group's Healthcare segment which increased 8.6% yoy to \$15.3 million driven by strong demand from two customers.

Revenue from the Group's Automotive segment decreased 8.6% yoy to \$54.1 million. This was mainly due to mandatory government closures of the Group's manufacturing facilities in China due to COVID-19 which occurred following the Lunar New Year holiday. The Group's operations in China gradually resumed production from 13 February 2020. In addition, the Automotive segment was impacted by the movement control order ("MCO") in Malaysia which was announced on 18 March 2020, instructing all firms to close except for those involved in certain essential goods and services.

Revenue from the Group's Consumer/IT business segment decreased 11.7% yoy to \$51.0 million. This was mainly due to (i) the deliberate and strategic decision to exit the lower-margin business of a particular customer in February 2019, (ii) the Group's facilities in China being shut down as a result of COVID-19 and the (iii) MCO in Malaysia. The decline in revenue within the Consumer/IT segment was partially offset by strong orders three customers.

Revenue from Group's Mould Fabrication business segment decreased 11.9% yoy to \$25.0 million. This was mainly due to a decrease in demand from customers in the Automotive and Consumer/IT industries, partially offset by an increase in orders from customers in the Healthcare industry.

Gross Profit

The Group's gross profit decreased 14.3% yoy from \$17.3 million for 1Q19 to \$14.8 million for 1Q20. Correspondingly, the Group's gross profit margin declined marginally from 10.8% for 1Q19 to 10.2% for 1Q20. This was mainly due to overall lower utilisation levels as a result of the COVID-19 control measures undertaken by those governments in affected countries where the Group operates including China, Malaysia, and India.

Core Net Profit

	Jan - Mar 2020 S\$'000	Jan - Mar 2019 S\$'000	Inc/(Dec) %
Net Profit for the period reported	2,421	793	205.3%
Adjustments:			
Net foreign exchange (gain)/loss	(2,228)	878	-353.8%
Retrenchment costs	131	188	-30.3%
Net (gain)/loss on disposal of property, plant and equipment	(63)	43	-246.5%
Core Net Profit	<u>261</u>	<u>1,902</u>	-86.3%

The Group achieved a net profit of \$2.4 million for 1Q20 compared to a net profit of \$0.8 million for 1Q19. Excluding the impact from foreign exchange (gain)/loss, retrenchment costs, and net (gain)/loss on the disposal of property, plant and equipment ("PPE"), core net profit would have been \$0.3 million for 1Q20 and \$1.9 million for 1Q19, representing an 86.3% yoy decline. This decline in core net profit was mainly due to lower utilisation in our China and Malaysia plants due to COVID-19 control measures undertaken by governments.

Cash Flow Update

Net cash flows from operating activities amounted to \$18.7 million for 1Q20 as compared to \$11.8 million for 1Q19. Net cash flows used in investing activities amounted to \$5.6 million for 1Q20 as compared to net cash flows from investing activities of \$19.1 million for 1Q19. This was due to higher net proceeds received from the disposal of PPE for 1Q19 as compared to 1Q20. In addition, the Group made less payments for the purchase of PPE for 1Q20 as compared to 1Q19. Net cash flows used in financing activities amounted to \$3.4 million for 1Q20 as compared to \$6.2 million for 1Q19.

Outlook

In a seasonally weaker quarter due to the Lunar New Year holiday, the Group was further impacted by the rapid global onset of COVID-19. During 1Q20, operations were weighed down by the mandatory government closures of its factories in China following the Lunar New Year period which lasted up until 13 February 2020 when operations were gradually allowed to resume. Similarly, in Malaysia, a MCO was announced on 18 March 2020 instructing all firms to close except for those involved in certain essential goods and services. The Group's operations in Mexico and India were also impacted by nationwide lockdowns.

The rapid spread of the virus has caused major disruptions to worldwide supply chains, dampened economic sentiment and led to several countries declaring national emergencies while closing their borders to contain the outbreak.

Against this backdrop, the Group expects 2Q20 to be a challenging quarter as customers have adjusted forecasts downwards due to uncertain market conditions. In the Group's business, customers provide a rolling demand forecasts and not firm commitments. These forecasts change according to market demand. This means that even under normal conditions, forward visibility is highly variable.

COVID-19 has made visibility even poorer. Customers' forecasts have become even shorter as no one is certain on when demand will return, when lockups for employees will be lifted or when travel restrictions will ease so that new projects can progress. Accordingly, the Group has no better ability to forecast when restrictions will be lifted and how quickly and in what shape demand, especially for consumer products and automobiles, will return.

Amid these unprecedented and uncertain business conditions, the Group focuses on what it can control internally; boosting productivity and improving operational efficiencies. Even when global lock downs are lifted, it is uncertain when and how demand will return to normal.

On a segmental basis, within the Consumer/IT segment, the Group continues to see softening demand from customers due to subdued global economic growth resulting from the uncertainty surrounding COVID-19.

Within the Automotive segment which has already been mired by a global slowdown in auto sales, the Group expects the Automotive segment to become more challenging as a result of COVID-19 and continued weakening demand from customers.

Within the Healthcare segment, the Group continues to see stable demand from customers. The Healthcare segment has been the fastest growing segment in recent years and the Group sees this trend continuing.

Despite the market conditions, the Group continues to receive inquiries from both new and existing customers for new projects for each business segment.

The Group will continue to monitor the rapidly evolving Covid-19 situation and will take extra measures as needed to ensure its long-term sustainability. The Group will keep shareholders informed of any material developments as and when they arise.

By Order of the Board

KHOO BOO HOR
Executive Director & Chief Executive Officer
6 May 2020