



SunningdaleTech

Sunningdale Tech Limited

VOLUNTARY ANNOUNCEMENT

**Unaudited Business Update for the
Third Quarter (“3Q2020”) ended 30 September 2020**

Key Financial Highlights

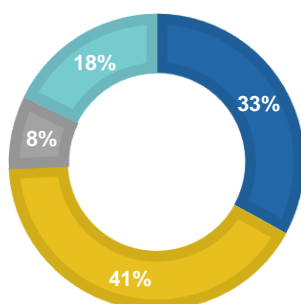
(S\$'000)	3Q2020	3Q2019	Change	9M2020	9M2019	Change
Revenue	180,575	183,800	(1.8)%	455,674	506,440	(10.0)%
Gross profit	26,815	22,963	16.8%	60,355	55,801	8.2%
Gross profit margin (%)	14.8%	12.5%	2.3pts	13.2%	11.0%	2.2pts
Net profit after tax	10,393	5,574	86.5%	18,646	5,282	253.0%
Net profit margin (%)	5.8%	3.0%	2.8pts	4.1%	1.0%	3.0pts
Core net profit <i>(Excluding FX (gain)/loss, retrenchment costs, onerous rental, allowance for impairment of PPE, (gain)/loss on disposal of PPE, government grant on Covid-19 and reduction and exemption of social security contribution and FWL)</i>	8,754	5,564	57.3%	10,668	6,806	56.7%
Earnings per share – Basic (Sing cents)	5.41	2.92	85.2%	9.71	2.77	250.6%
NAV/Share (S\$) as at 30 Sep 2020/2019	2.00	1.94	3.3%	2.00	1.94	3.3%

Segmental Revenue

(S\$'000)	Jul-Sep 2020	Jun-Sep 2019	Inc/(Dec) %
Automotive	59,644	64,100	(7.0)%
Consumer/IT	74,523	73,860	0.9%
Healthcare	14,424	14,418	0.0%
Mould Fabrication	31,984	31,422	1.8%
	180,575	183,800	(1.8)%

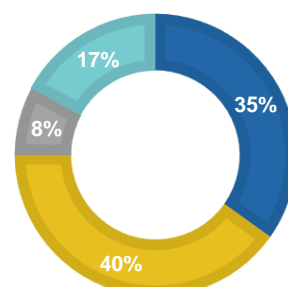
JUL - SEP 2020

■ Automotive ■ Consumer/IT
■ Healthcare ■ Mould Fabrication



JUL - SEP 2019

■ Automotive ■ Consumer/IT
■ Healthcare ■ Mould Fabrication



Balance Sheet Summary

(\$'000)	As at 30.09.2020	As at 31.12.2019
Cash & cash equivalents	123,272	103,366
Short term debt (excluding lease liabilities)	65,102	63,698
Long term debt (excluding lease liabilities)	38,066	40,670
Shareholder's equity	384,441	369,542
Gearing ratio	0.27	0.28
NAV/Share (\$)	2.00	1.93

Business Review

Segmental Revenue

The Group's revenue decreased 1.8% year-on-year ("yoy") from \$183.8 million for 3Q2019 to \$180.6 million for 3Q2020. The decline in revenue was mainly attributed to a decrease in revenue from the Group's Automotive business segment.

Revenue from the Group's Automotive segment decreased 7.0% yoy to \$59.6 million for 3Q2020. This was mainly due to (i) after the partial resumption of work on 11 May 2020 in India, another full lockdown order began from 19 June 2020 to 5 July 2020. Thereafter, the Government in India implemented a partial lockdown from 6 July 2020 to 31 August 2020; (ii) demand from certain customers was lower due to COVID-19; and (iii) certain projects end-of-life.

Gross Profit

The Group's gross profit increased 16.8% yoy from \$23.0 million for 3Q2019 to \$26.8 million for 3Q2020. Correspondingly, the Group's gross profit margin increased from 12.5% for 3Q2019 to 14.8% for 3Q2020. This was mainly due to (i) the completion of the relocation of the Group's parts operations from one plant in Shanghai to Chuzhou; (ii) change in product mix; (iii) tightened cost controls, temporary lower payroll cost and the implementation of shorter work weeks in plants where orders are low; (iv) improvements in operational efficiency; and (v) reduction and exemption of social security contribution by the Human Resource and Social Security Bureau in China. Without the reduction and exemption on social security contribution and exemption on the social contribution and foreign worker levy, the gross margin would be 13.9% for 3Q2020.

Core Net Profit

(\$'000)	Jul-Sep 2020	Jul-Sep 2019	Change
Net profit for the period reported	10,393	5,574	86.5%
Adjustments:			
Net foreign exchange loss/(gain)	1,482	(400)	(470.5)%
Retrenchment costs	128	174	(26.4)%



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Onerous rent*	–	243	(100.0)%
Allowance for impairment on PPE	71	–	100.0%
Net loss/(gain) on disposal of PPE	71	(27)	(363.0)%
Government grant on Covid-19	(1,361)	–	100.0%
Reduction and exemption on social security contribution and foreign worker levy	(2,030)	–	100.0%
Core net profit/(loss)	8,754	5,564	57.3%

*Onerous rent refers to rent paid at the Group's operations in Shanghai and Thailand despite the shifting of operations from these locations. The Group was required to pay rent at these vacant premises during 2Q19 as the rental agreements will expire at a later date.

The Group achieved a net profit of \$10.4 million for 3Q2020 compared to \$5.6 million for 3Q2019. This increase in core net profit was mainly due to (i) the completion of the relocation of the Group's parts operations from one plant in Shanghai to Chuzhou; (ii) change in product mix; (iii) tightened cost controls, temporary lower payroll cost and the implementation of shorter work weeks in plants where orders are low; (iv) improvement in operational efficiency; and (v) reduction and exemption of social security contribution by the Human Resource and Social Security Bureau in China. Excluding the impact from foreign exchange loss/(gain), retrenchment costs, onerous rental, allowance for impairment on property, plant and equipment ("PPE"), net loss/(gain) on the disposal of PPE and various grants received by the Group due to COVID-19 and reduction and exemption on social contribution, core net profit would have been \$8.8 million for 3Q2020 as compared to \$5.6 million for 3Q2019, representing a 57.3% yoy increase.

Cash Flow Update

Net cash flows from operating activities amounted to \$52.9 million for 9M2020 as compared to \$24.0 million for 9M2019. Net cash flows used in investing activities amounted to \$14.7 million for 9M2020 as compared to net cash flows from investing activities of \$4.9 million for 9M2019. This was due to higher net proceeds received from the disposal of PPE for 9M2019 as compared to 9M2020. In addition, the Group made less payments for the purchase of PPE for 9M2020 (\$15.3 million) as compared to 9M2019 (\$24.0 million). Net cash flows used in financing activities amounted to \$20.5 million for 9M2020 as compared to \$23.9 million for 9M2019.

Recent Corporate Development

On 7 November 2020, the Group's wholly-owned subsidiary, Sunningdale Tech Inc ("STI"), had entered into a Membership Interest Purchase Agreement (the "MIPA") with Moldworx, LLC (the "Target"), MW Tech Inc. (the "Seller HoldCo"), Joseph Motyka ("Motyka") and James Taylor and Julie Taylor, as Trustees of the Taylor Family Trust U/A/D August 26, 2010 (together with Motyka, the "Sellers") to acquire (the "Acquisition") all of the issued and outstanding limited liability company membership interests of the Target (the "Interests"). The Acquisition was completed on the same day as the execution of the MIPA and STI owns 100% of the Interests.

The Target is a limited liability company incorporated in Arizona whose core business is providing mold design, mold fabrication and injection molding services to companies that manufacture components for consumers and the medical industry.

It is the Company's strategic intent to acquire a plastics company in the United States to accelerate its growth in the healthcare business segment by capitalising on the large number of healthcare original equipment manufacturers and large market size there. Some of the Company's healthcare customers



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in the United States have also indicated strong interest to expand their business relationship with the Company if it has a presence there. The Group considered this a faster start to a US presence than the alternative of building up greenfield, and that the time savings and capex required, make the acquisition a speedier route to market entry.

Under the MIPA, STI agreed to acquire the Target on a cash-free and debt-free basis. Pursuant to the MIPA, the purchase consideration paid by STI for 100% of the Interests (the "**Purchase Price**") is US\$4 million plus (i) the incremental tax liability payment of US\$93,060, and (ii) closing cash of US\$136,178.47.

The Purchase Price was arrived at on a willing-seller, willing buyer basis after arms' length negotiations, and taking into account, *inter alia*, various factors such as the financial position, business prospects and existing assets of the Target. The book value and net tangible asset value of the Target based on the accounts as at 31 December 2019 was approximately US\$86,000 (equivalent to S\$116,713 based on an exchange rate of US\$1 to S\$1.3523 as of 31 December 2019).

The Consideration was wholly satisfied in cash and was funded by the Company's internal resources.

Neither the Sellers nor the Seller HoldCo is related to the Directors or the controlling shareholders of the Company and their respective associates.

Outlook

The Group continues to face headwinds in the form of pricing pressure and market uncertainties due to the US-China trade war. In addition, the COVID-19 pandemic continues to cause considerable uncertainties for the Group's ongoing operations, especially with a second wave emerging from countries such as the US and Europe with stricter measures being imposed.

During the first half of the year, the Group was impacted due to mandatory government closures of its facilities in China, Singapore, Malaysia, Mexico and India. Although all of the Group's operations have since resumed, uncertainties regarding the possibility of future lockdowns remain. The Group is closely monitoring the situation across all of the locations where its plants are located, especially in Malaysia and Mexico where there have recently been stricter measures enforced by local governments.

On a segmental basis, the Automotive segment, which was impacted due to the global decline in automotive sales, has shown gradual signs of recovery. Due to the prevailing market uncertainties however, some automotive OEMs are deferring new launches, resulting in fewer new projects.

The Consumer/IT segment experienced a general improvement in 3Q2020, partly due to customers trying to replenish inventory following the lockdowns in 2Q2020 and pull-up in preparation for the seasonal holidays.

The Group's fastest growing healthcare segment experienced flat growth in 3Q2020 due to some project delays by customers, lower end-demand for non-essential surgical procedures during the COVID-19 period and worldwide material shortages.

Notwithstanding the current market conditions, the Group continues to receive enquiries from both new and existing customers for new projects in the Healthcare and Consumer/IT segments.

The Group will remain vigilant as we are unable to predict if lock ups and shut downs will recur, nor are we able to quantify the economic impact on end-demand due to market uncertainties as visibility is poor and forecasts remain volatile in the short-term.



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Looking ahead, the Group will continue to focus on what it can control and manage. The Group remains committed to tightening cost controls, boosting productivity and implementing overall operational excellence across its manufacturing facilities. The Group will also monitor the evolving COVID-19 situation closely and take the necessary measures to safeguard its employees and operations.

The Group remains confident in its resilient business model and healthy balance sheet as the long-term sustainability of its operations remain on track.

By Order of the Board

KHOO BOO HOR
Executive Director & Chief Executive Officer
9 November 2020