Sunningdale reports marginal 1.8% yoy decline in revenue for 3Q2020; profitability improved due to temporary lower payroll cost, government support and tight cost controls

- Revenue declines 1.8% yoy to S$180.6 million, attributable to the slowdown across global automotive markets due to COVID-19
- Despite the decline in revenue, gross profit margin improves 2.3 percentage points to 14.8%, driven by the completion of relocation of the Group's parts operations from one plant in Shanghai to Chuzhou, change in product mix, tightened cost controls, improved operational efficiency, governments' stimulus grants and waiver of foreign worker levy
- Group's Automotive and Consumer/IT segments have shown gradual signs of recovery, while the healthcare segment continues to receive new enquiries for COVID-19 related projects
- Group completes acquisition of Moldworx, LLC, a plastics company based in the United States to accelerate growth for its healthcare business segment

SINGAPORE – 9 November 2020 – Singapore Exchange Mainboard-listed Sunningdale Tech Ltd. ("Sunningdale Tech" or "the Group"), a leading manufacturer of precision plastic components, has announced its financial results for the third quarter ("3Q2020") ended 30 September 2020.

Financial Highlights

(S$'000)	3Q2020	3Q2019	Change
Revenue	180,575	183,800	(1.8)%
Gross Profit	26,815	22,963	16.8%
Gross Profit Margin (%)	14.8	12.5	2.3 pts
Net profit	10,393	5,574	86.5%
Core Net Profit (excluding FX gains/losses, retrenchment costs, onerous rental, gains/losses on the disposal of PPE, allowance for impairment on PPE, government grants due to COVID-19 and reduction of social security contribution and FWL)	8,754	5,564	57.3%
Earnings per Share – Basic (Sing cents)	5.41	2.92	85.2%
Net Asset Value per Share (Sing $)	2.00	1.94	3.3%

The Group reported a 1.8% year-on-year ("yoy") decline in revenue to S$180.6 million for 3Q2020. This decline was mainly attributable to a decrease in revenue from the Automotive segment which was impacted by the global slowdown in automotive sales. Revenue from the Automotive segment declined 7.0% yoy to S$59.6 million for 3Q2020, mainly due to full and partial lockdowns implemented by the Government of India, coupled with lower demand from customers due to COVID-19 disruptions and end-of-life for certain projects.

The Group recorded a 16.8% yoy increase in gross profit to S$26.8 million for 3Q2020. Correspondingly, gross profit margin also improved, expanding 2.3 percentage points to 14.8% for the same period. This improvement was driven by the completion of relocation of the Group's parts operations from one plant in Shanghai to Chuzhou, changes in product mix, tightened cost controls and the reduction and exemption of social security contributions required by the Human Resource Social Security Bureau in China, coupled with the waiver of foreign worker levy in Singapore. Without the reduction and exemption on social security contribution and waiver of foreign worker levy, the gross profit margin would be 13.9%.

Overall, the Group posted net profit attributable to shareholders of S$10.4 million for 3Q2020, compared to S$5.6 million for 3Q2019. Having taken into account adjustments for net foreign exchange gains/losses, retrenchment costs, onerous rent, allowance for impairment on property, plant and equipment ("PPE"), net gains/losses on disposal of PPE, government grants due to COVID-19 and reduction and exemption on social security contribution and foreign worker levy (FWL), the Group recorded a 57.3% yoy increase in core net profit to S$8.8 million for 3Q2020.

The Group continued to generate strong positive operating cash flows amounting to S$52.9 million for 9M2020. This bolstered balance sheet strength as the Group recorded a net cash position of S$20.1 million as at 30 September 2020 (31 December 2019: net debt S$1.0 million).

(S$'000)	3Q2020	3Q2019	Change
Profit/(loss) for the period	10,393	5,574	86.5%
Adjustments:			
Net foreign exchange (gain)/loss	1,482	(400)	(470.5)%
Retrenchment costs	128	174	(26.4)%
Onerous rent[1]	-	243	(100.0)%
Allowance for impairment on PPE	71	-	100.0%
Net loss/(gain) on disposal of PPE	71	(27)	(363.0)%
Government grants due to COVID-19	(1,361)	-	100.0%
Reduction and exemption on social security contribution and FWL	(2,030)	-	100.0%
Core Net Profit	8,754	5,564	57.3%

Recent Corporate Developments

On 7 November 2020, the Group's wholly-owned subsidiary, Sunningdale Tech Inc. ("STI"), entered into a Membership Interest Purchase Agreement ("MIPA") with Moldworx, LLC and its subsidiaries ("Moldworx"), a plastics company based in the United States, to acquire all of the issued and outstanding limited liability company membership interests of Moldworx. The acquisition was completed on the same day as the MIPA and STI now owns 100.0% of Moldworx.

The purchase consideration of (i) US$4.0 million, plus (ii) the incremental tax liability payment of US$93,060 and (iii) closing cash of US$136,178.47 was wholly satisfied in cash and was funded by the Company's internal resources.

Moldworx 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. In line with the Group's strategic intent to accelerate growth for its healthcare business segment, the acquisition of US-based Moldworx will allow the Group to capitalise on the large number of healthcare original equipment manufacturers and large market size in the US.

[1]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.

Furthermore, some of the Company's healthcare customers 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.

Group CEO & Executive Director Mr Khoo Boo Hor said, ***"Despite facing headwinds in the form of pricing pressure coupled with market uncertainties due to the COVID-19 pandemic and US-China trade tensions, the Group performed fairly for 3Q2020. While our fastest growing Healthcare segment experienced flat growth due to some project delays by customers, lower end-demand for non-essential surgical procedures during the COVID-19 period and worldwide material shortages, we continued to receive new enquiries for COVID-19 related projects. Furthermore, our Automotive and Consumer/IT segments have shown gradual signs of recovery.***

We are also pleased to have completed the acquisition of US-based plastics manufacturer Moldworx, LLC. The acquisition is in line with our forward-looking plans to accelerate growth for our Healthcare segment as it will allow us to capture new business opportunities in the large US market.

Looking ahead, we 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 of our customers. Internally, we will continue to focus on what we can control. This includes tightening our cost controls, boosting productivity and implementing overall operational excellence across our various business segments and manufacturing facilities. Last but not least, we will continue monitoring market conditions closely while aggressively pursuing business development initiatives to secure new projects.

As we move into the remainder of the year, we remain confident in our resilient business model and healthy balance sheet as the long-term sustainability of our operations remains on track."

- The End -

About Sunningdale Tech Ltd. (Bloomberg Code: SUNN:SP)

Sunningdale Tech Ltd is a leading manufacturer of precision plastic components. The Group provides one-stop, turnkey plastic solutions, with capabilities ranging from product & mould designs, mould fabrication, injection moulding, complementary finishings, through to the precision assembly of complete products.

Boasting a total factory space of more than 3 million sq feet, with more than 1,000 injection moulding machines and a tooling capacity of 2,000 moulds per year, Sunningdale Tech is focusing on serving four key business segments – automotive, consumer/IT/environment, healthcare and tooling.

With manufacturing facilities across Singapore, Malaysia (Johor, Penang), China (Chuzhou, Guangzhou, Shanghai, Suzhou, Tianjin and Zhongshan), Latvia (Riga), Mexico (Guadalajara), Indonesia (Batam), Thailand (Rayong), India (Chennai) and United States (Arizona). Sunningdale Tech is strategically positioned to target and capture opportunities in diverse business sectors globally using third-party logistic partners.

For more information, please visit http://www.sdaletech.com.

Issued for and on behalf of Sunningdale Tech Ltd. by Financial PR

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