



Computime FY18/19 Interim Results Presentation





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1H FY18/19 Results Highlights

Sales momentum slowdown due to:

- Increasing volatility of the global macro-economic environment
- US tariff uncertainties
- Escalating component costs

Targeted action plan and stabilization of component market →

Sales momentum and profitability gradually accelerated in the later part of 1H FY18/19

Gross profit margin

Managed to maintain at last year's level through targeted initiatives

SALUS

Encouraging revenue growth of 36% driven by sales channel expansion and new product launches

Realigned business into 2 segments to best leverage core competencies and resources

Smart Solutions (SS)

- **Focus:** Products and total solutions within IoT space
- **Nature:** Technology and market-driven, design intensive, need innovation, fast moving business decision and agile execution
- **Businesses**
 - Connected Solutions (Non-branded)
 - SALUS (Branded)

Catalysts for growth:

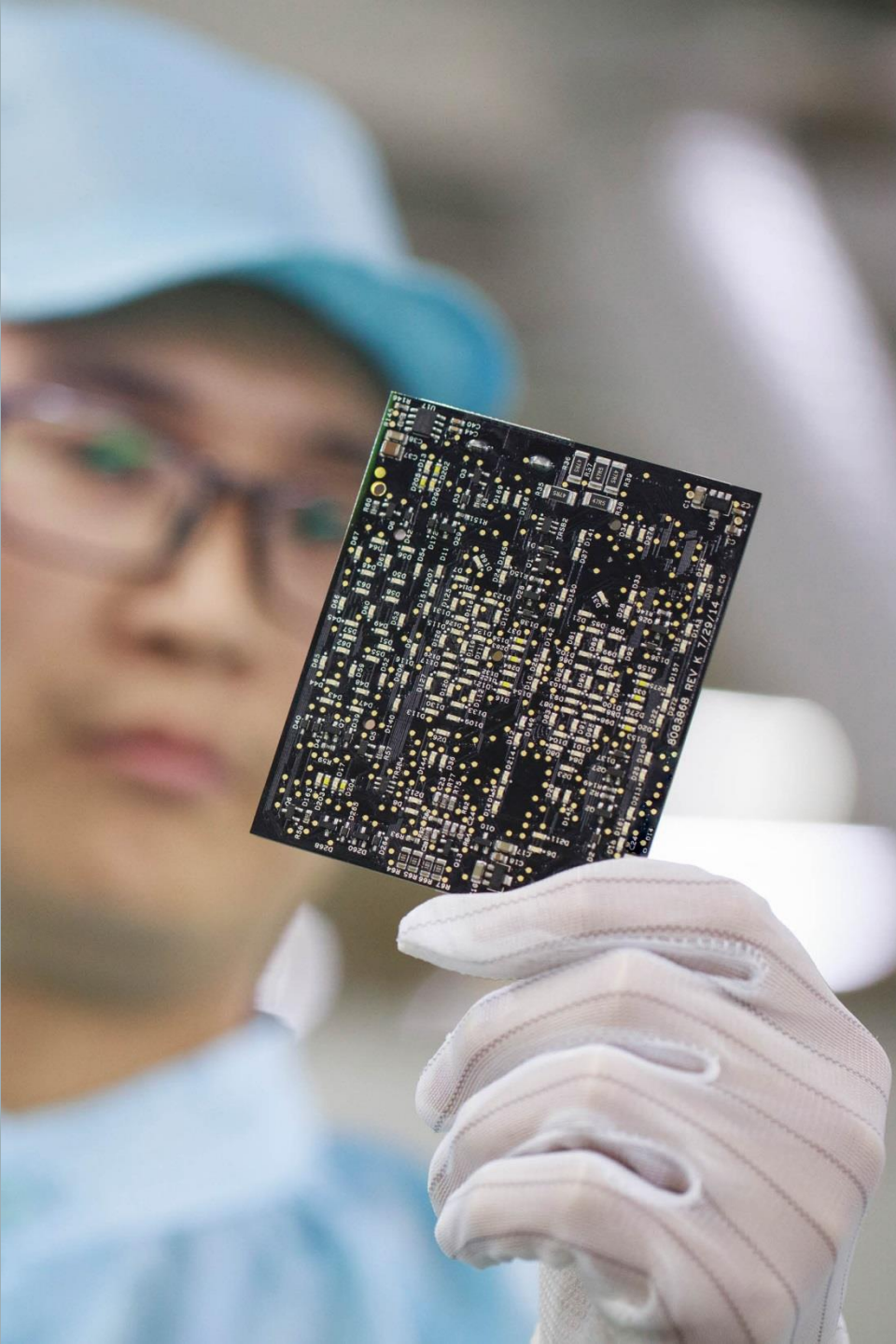
- Expanded into new sales channels (e.g. insurance companies; utilities companies)
- Wider application of smart technologies into different market segments (e.g. elderly care; smart buildings; smart vehicles)
- Large scale projects/products (e.g. large solution providers)

Contract Manufacturing Services (CMS)

- **Focus:** Driving profitability, key account management, factory operational efficiencies and cost savings
- **Nature:** Cost sensitive, service driven, attention to details, consistency and discipline in business execution

Catalysts for growth:

- Continuous improvement in productivity and operating efficiency
- Smart enhancement – adding connected features to products especially high growth categories (e.g. health & fitness; medical; smart home; power tool; POS)



Financial & Business Review

Income Statement Summary

| (HK\$ m) | 1H FY18/19 | 1H FY17/18 | Change |
|--|----------------|---------------|-----------|
| Revenue | 1,532.4 | 1,911.8 | -19.8% |
| Gross profit | 224.4 | 280.0 | -19.9% |
| Gross profit margin | 14.6% | 14.6% | Flat |
| Total operating expenses | 185.6 | 207.8 | -10.7% |
| Total operating expenses to revenue ratio | 12.1% | 10.9% | +1.2% pts |
| Finance costs | 13.1 | 8.3 | +58.8% |
| Net profit | 24.9 | 53.6 | -53.5% |
| Basic earnings per share (HK cents) | 2.97 | 6.41 | -53.7% |

Positive impact

- Re-negotiated rebates & discounts
- Enhancement in manufacturing productivity
- Favorable product mix
- RMB depreciation

Negative impact

- Significant increase in component costs

- Lower economy of scale in leveraging fixed costs at lower revenue level
- Translation loss of RMB fixed deposits

- Increase in interest rates

Smart Solutions (SS)

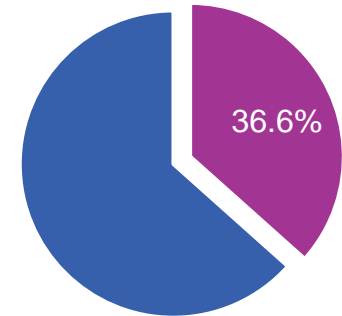
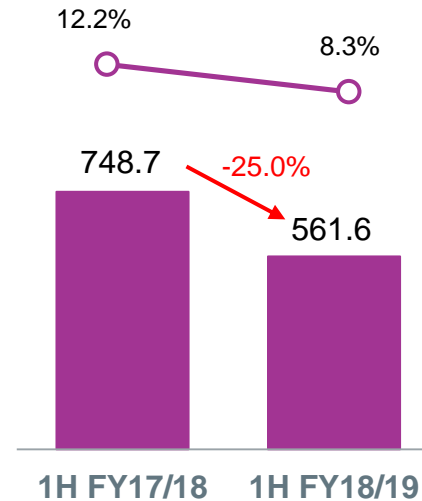
SALUS (Branded)



Connected Solutions (Non-branded)



Segment Performance



■ Revenue (HK\$ m) ○ Segment Margin

Revenue Contribution (1H FY18/19)

Segment Highlights

- **Reasons for revenue decline:** A key customer has slowed down its inventory build-up in response to slower sell-through. A few other key customers have taken a prudent approach in view of uncertainties over newly imposed US tariffs
- **Reason for segment margin decline:** The slowdown in revenue contribution from high margin customers has driven down segment margin from 12.2% to 8.3%

Smart Solutions (SS) – SALUS

Business Performance

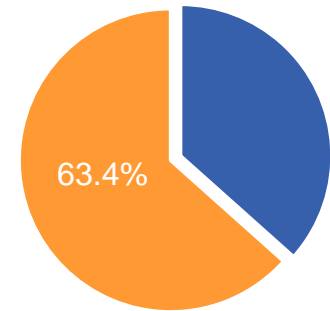
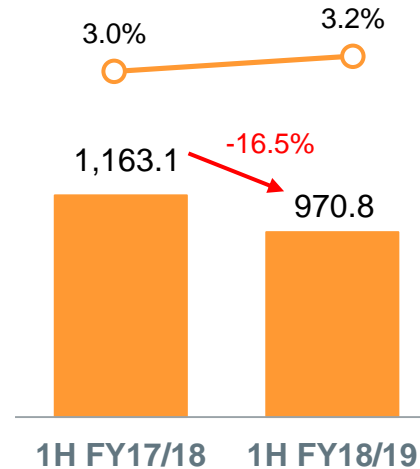
- **Revenue** grew 36% in 1H FY18/19
 - Across-the-board growth in all European and North American regions, driven by successful business strategies to expand sales channels and new product launches
- **Europe**
 - Continued to secure orders from wholesalers and distributors
 - Won new customers including an insurance provider and a home security company
- **North America**
 - Benefited from rising brand recognition
 - Very encouraging sales growth



Contract Manufacturing Services (CMS)



Segment Performance



Revenue Contribution
(1H FY18/19)

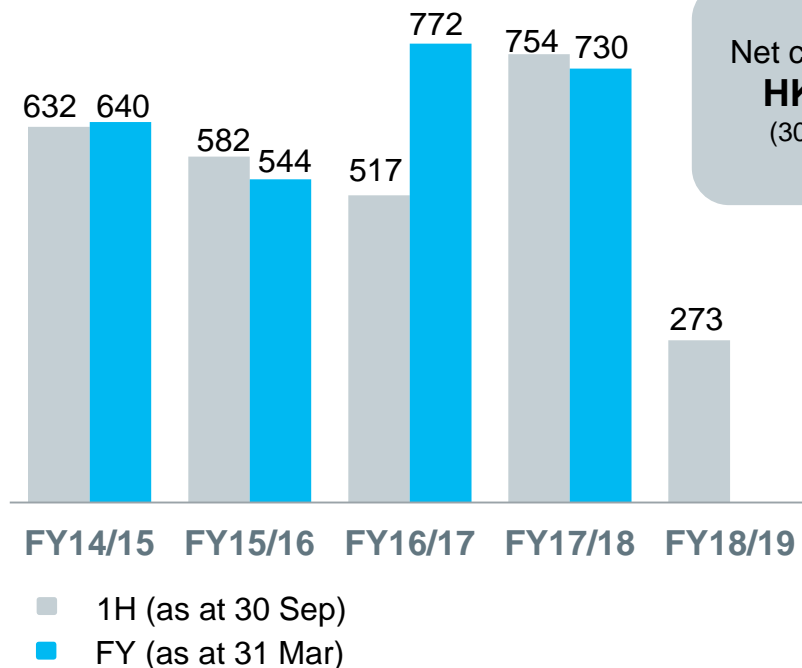
■ Revenue (HK\$ m) ○ Segment Margin

Segment Highlights

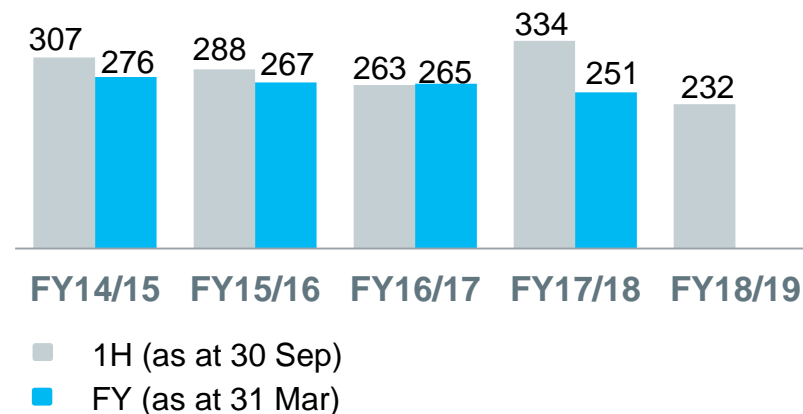
- **Reasons for revenue decline:** Phase out of low margin customers and slowdown in sales in some customers
- **Segment margin improved:** Favorable product mix

Financial Position

Cash and Cash Equivalents (HK\$ m)



Debt (HK\$ m)



Cash balance stood at HK\$272.6m as at the end of the Period, while net cash position landed at HK\$40.3 million. This represents a reduction of net cash by HK\$438.7 million in 1H FY18/19 attributable mainly to an increase in inventory in an effort to satisfy customer needs and demand in the later part of FY18/19. Once the scheduled shipment is effected in 2H, inventory will come down correspondingly.

Targeted action plan formulated and in the process of implementation to drive down inventory and increase efficiency of cash conversion cycle.



Outlook

Outlook – Businesses

Connected Solutions

- Actively rolling out initiatives to mitigate trade dispute impact to re-accelerate sales momentum
- Won some strategic accounts recently, including a large constructor for multinational hotel chains
- Evaluating opportunities and new product lines in wider scope of smart technologies including smart property and smart healthcare

SALUS

- Recently launched an industry-leading thermostat with advanced energy-saving features; overwhelming market response
- More innovative products being developed and scheduled for timely launches
- Continue business strategies to expand sales channels
- Strong growth momentum to continue into 2H FY18/19



CMS

- Reshaped our sourcing strategies to mitigate volatility in component price and availability
- Accelerated momentum in order uptake
- Higher margin commercial and industrial products will be a growth and profit driver
- Additional business expansion opportunities in connected medical devices and point-of-sale devices

Outlook – Strategies

Targeted action plan

- Macro environment not expected to meaningfully improve within this financial year
- To step up targeted action plan
 - Sales – proactively expedite sell-through; further rationalize trading terms
 - Operations – become more agile and competitive

Clear strategic focus

- Despite short term volatility, strategic focus stays clear – to drive Computime into a technology-driven company
- Backed by four decades of operating history and a solid track record of performance enhancement, confident in realizing the huge business potentials mapped out

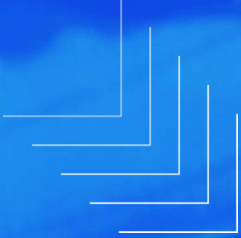


Computime



Q&A





Thank You

