



Passion to grow your business™

V.S. INDUSTRY BERHAD

CORPORATE PRESENTATION

June 2016

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A QUICK GLANCE

- One of the world's top 50 Integrated Electronics Manufacturing Services (EMS) providers.
- Offers **integrated** services from product mold design to tool fabrication; injection molding; finishing process; PCB assembly, sub-assembly and full assembly.
- Serves as **OEM & ODM** to customers who are mainly from the USA, Europe & Japan.
- Plant facilities in Malaysia, China, Indonesia & Vietnam with a combined 3.5 mln sq ft. built-up space. Staff force at approx. 10,000 people.
- More than **30 years** of experience & track record, having established in 1982.
- Export-based; currency dealing in USD, RM & RMB.
- **43.9%**-owned subsidiary, VS Int'l Group (VSIG), listed on HKSE with a market cap of **HKD886 mln.**
- Financials: 5-year (FY10-FY15) revenue & net profit **CAGR of 19% & 40%** respectively.

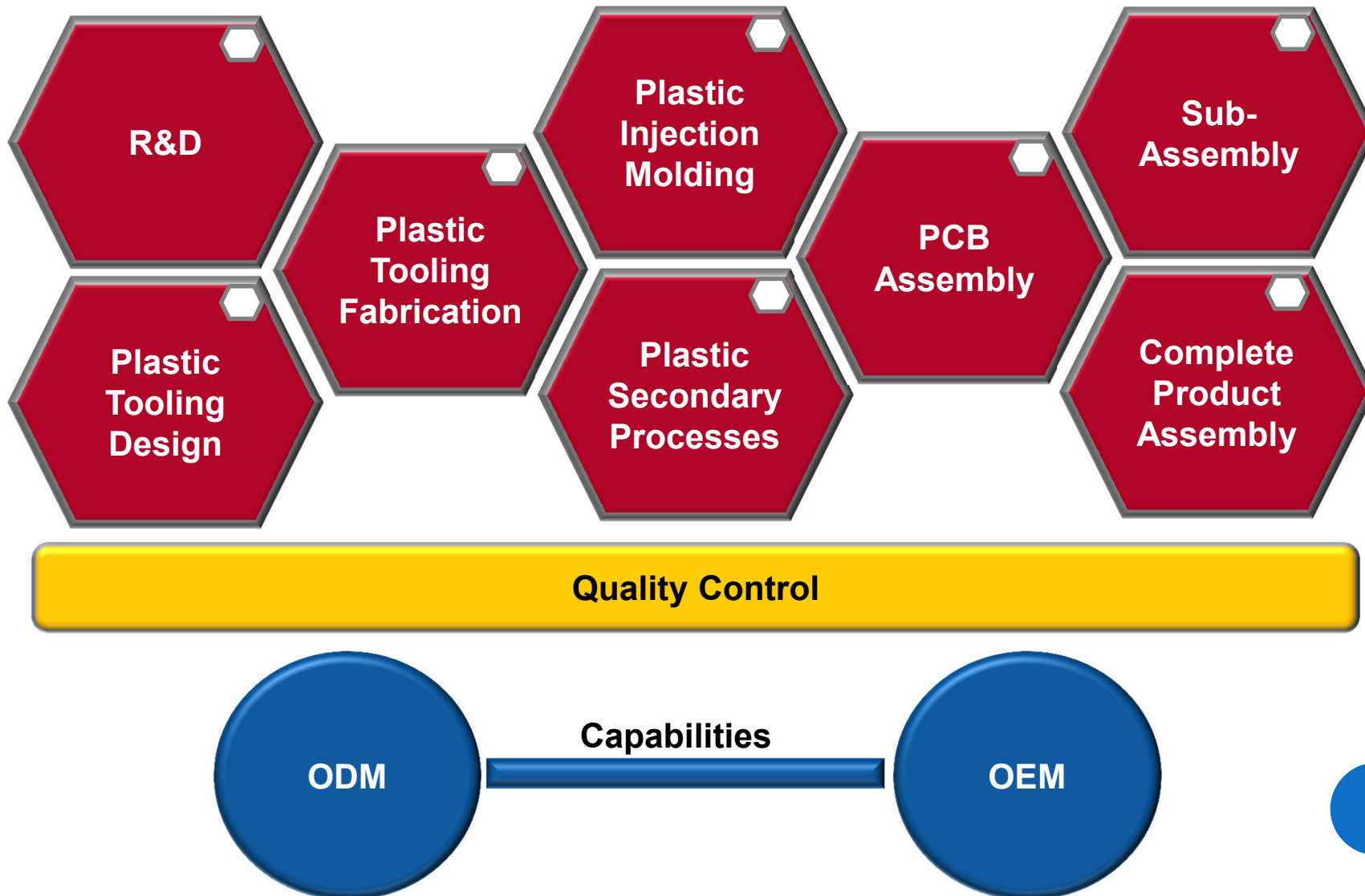
Bursa: VS, 6963; Bloomberg: VSI MK

Share price	RM1.20
Listing	Main Market
Shariah status	Shariah-compliant
Market cap.	RM1,402 mln
Issued cap.	1,168.8 mln shares
52w Hi-Low	RM0.76-RM1.69
<u>Major shareholders:</u>	
Datuk Beh & family (20.6%)	
Datuk SY Gan & family (7.0%)	

Financials & Key Ratios (FYE July)

FY15 revenue	RM1,936.9 mln
FY15 net profit	RM132.7 mln / 12.9 sen EPS
NA/share	74 sen
Dividend policy	40% of net profit
FY15 PER	9.4x
FY15 P/NA	1.6x
FY15 ROE	20.4%
Net gearing	0.07x (Jan 2016)
Net yield	~4%

INTEGRATED EMS PROVIDER



OUR ACHIEVEMENTS THUS FAR

- ✓ Top 50 largest EMS providers in the world in 2015 (ranked 31st);
- ✓ Top 5 largest EMS providers in ASEAN (ranked 4th);
- ✓ Regional presence in China, Indonesia & Vietnam;
- ✓ Revenue reaching RM2.0 bln with market cap. of RM1.4 bln, having come a long way from a humble beginning in 1982;
- ✓ One of very few EMS providers in Malaysia with in-house PCB Assembly and battery pack assembly lines;
- ✓ Possess OEM & ODM capabilities backed by strong in-house R&D team;
- ✓ Equipped with ample production capacity to support clients' growing demand;
- ✓ Successful employee retention schemes to keep talents.

MULTIPLE LOCATIONS ACROSS ASIA



LOCATION	DESCRIPTION
Johor, Malaysia	9 facilities 1.3 mln sq. ft. BU 40 acres land
Zhuhai, China	6 factories 1.5 mln sq. ft. BU 78 acres of land
Qingdao, China	1 factory 416k sq. ft. BU 13 acres
Jakarta, Indonesia	1 factory 247k sq. ft. BU 7 acres of land
Hanoi, Vietnam	5 factories 463k sq. ft. BU 16 acres

Total combined 3.5 mln sq. ft. built-up space with workforce of 10,000 people*

OUR KEY PRODUCTS

Sub-Assembly

- Vacuum cleaner components
- Energy storage devices components
- Automotive components

Complete Product Assembly

- Coffee brewers
- Vacuum cleaners
- Robotic pool cleaners
- Air purifiers
- Automatic paper dispensers

PCB Assembly

- PCB using Surface Mount Technology (SMT); Auto Insertion (AI) and Chip on Board (COB) technology

PICTURES



PRIVATE & CONFIDENTIAL

OUR PARTNERS IN MALAYSIA



For Malaysia ops
Sub- & Complete
Product Assembly

KEURIG **dyson**
GREEN MOUNTAIN

 **ZODIAC**[®]
a better life[™]

Valeo

Panasonic


SMART[™]
Technologies

HOZELOCK

 **HAKKO**

SICK
Sensor Intelligence.

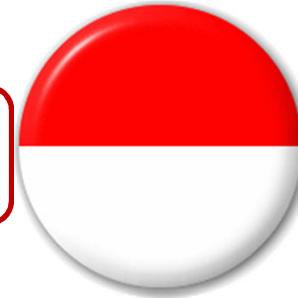
HITACHI
Inspire the Next

 **OUTPOST**
CENTRAL.com

OUR PARTNERS IN CHINA & INDONESIA



For China ops
Sub- & Complete
Product Assembly



For Indonesia ops
Sub-assembly*



FLUIDICENERGY™



Georgia-Pacific



SANKEN

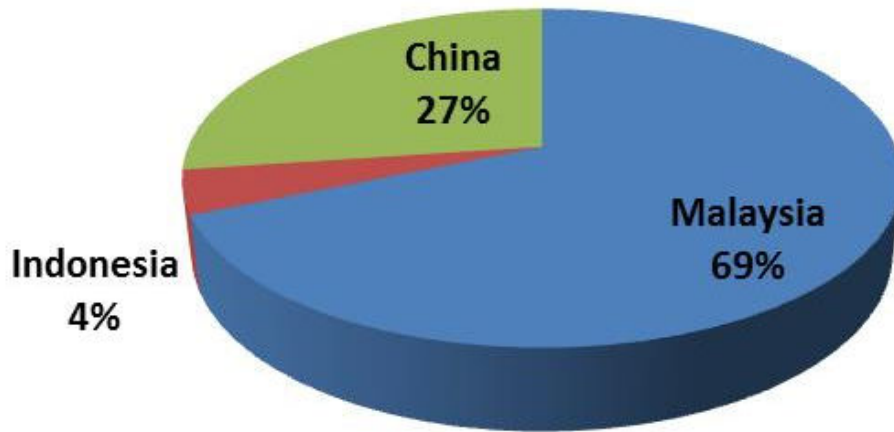
EPSON

**Currently doing sub-assembly.
Plans to go into full-assembly in the near future.*

REVENUE & PROFIT MIX

Geographically, Malaysia is the largest contributor to Group revenue and profit.

FY15 revenue mix by production country

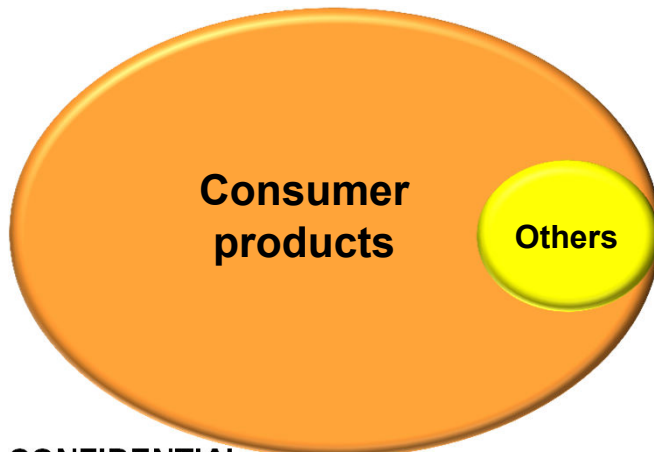


FY15 segmental profit mix

Country	RM mln
Malaysia	170.3
Indonesia	(3.6)
China	(7.6)

Note: Vietnam ops is at associate level.

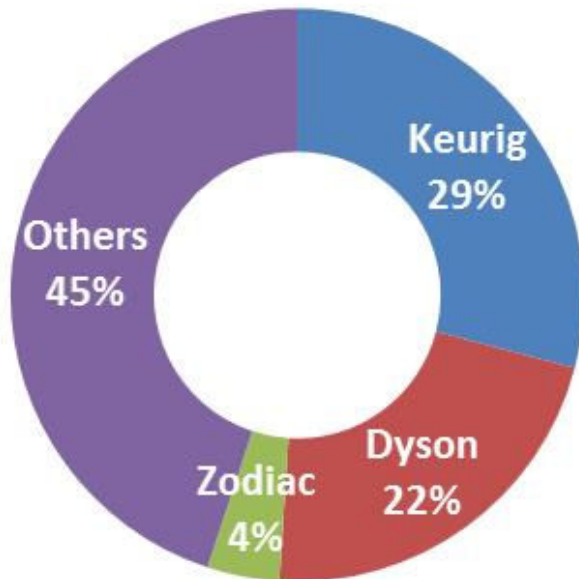
Consumer products segment is the largest contributor to Group revenue.



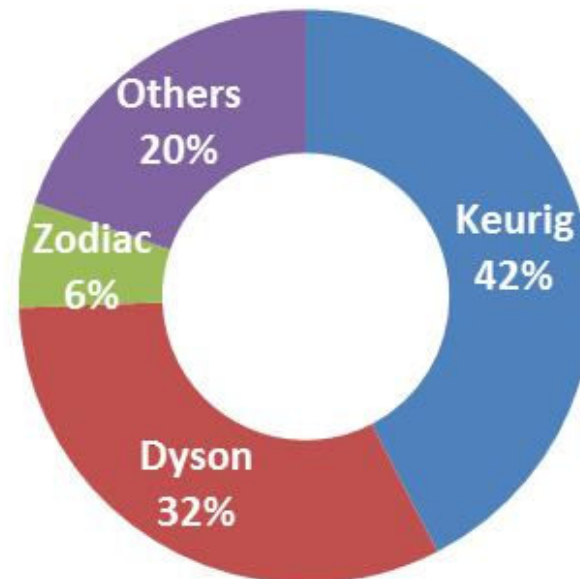
- More than 90% of our output is for consumer products segment.
- Balance is for clients in automotive, medical devices, machinery etc.

REVENUE MIX BY CLIENTS

FY15 Group Revenue



FY15 Malaysia Ops Revenue



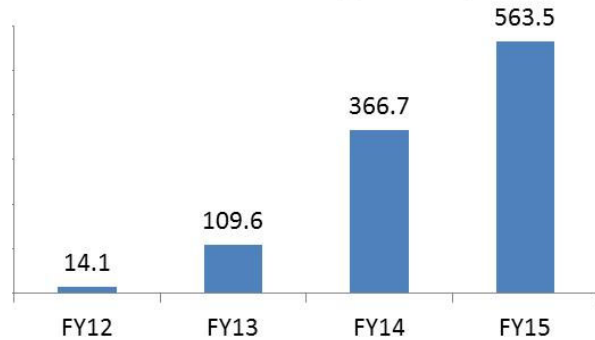
Top 3 customers (Keurig, Dyson & Zodiac) contributed:

- 55% of Group turnover.
- 80% of Malaysia turnover.

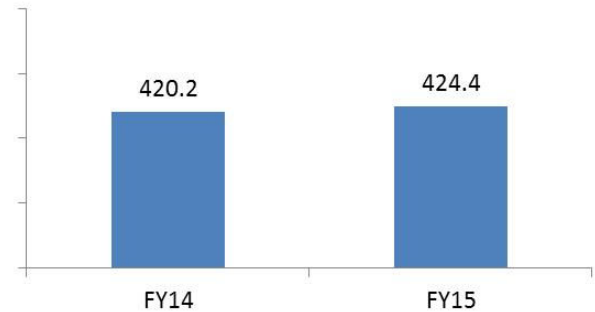
No over-reliance on a single customer at Group level.

GROWING WITH OUR KEY CUSTOMERS

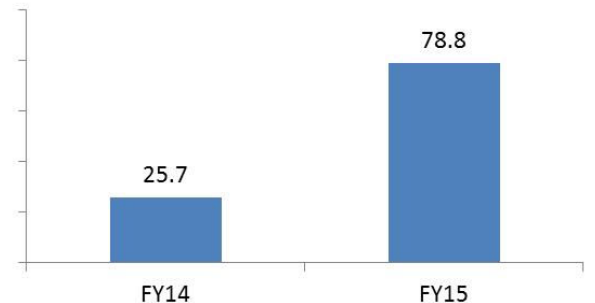
Revenue from Keurig (RM mln)



Revenue from Dyson (RM mln)



Revenue from Zodiac (RM mln)



- Green Mountain (Keurig's company)'s revenue grew from USD3.8 bln in FYE Sept-12 to USD4.5 bln in FY15.
- The much higher-than-proportionate growth rate of VS' revenue from Keurig signifies the growing confidence in VS' quality & delivery.
- VS serves as both OEM and ODM for Keurig.
- VS is the only Contract Manufacturer to Keurig outside China.
- Expects double-digit growth in FY16 production vol.

- Current revenue from Dyson consists of 2 contracts –
 - 1) Box built full assembly.
 - 2) PCB assembly & battery packs assembly.
- Production vol. for PCB & battery packs set to grow by double-digits in FY16.
- Opportunity to do more complete product assembly works.

- VS is the sole manufacturer of Zodiac for robotic pool cleaner in the world.
- Serves as OEM & ODM for Zodiac.
- Gradual sales and production vol. growth going forward.

OPS TURNAROUND IN CHINA & INDONESIA

(RM mln)	FY14	FY15	1HFY16
China			
Revenue	567.6	525.9	314.4
PBT	(8.8)	(7.6)	3.8
Indonesia			
Revenue	66.7	80.8	56.1
PBT	(2.6)	(3.6)	3.8

CHINA

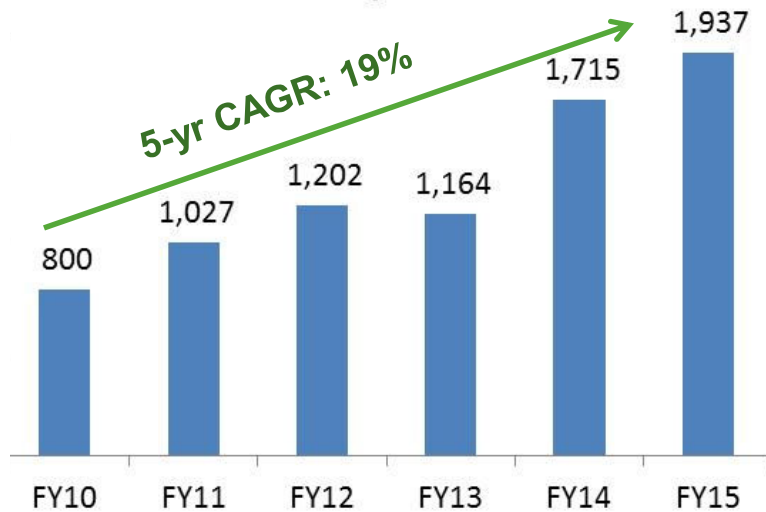
- Main issue with China ops was under-utilization.
- Depreciation and fixed overheads pulled performance down .
- Production is gradually picking up now with several key customers.
- Expects performance to continue improving.
- Any new major contract will boost earnings further given depreciation and fixed overheads are already factored in.

INDONESIA

- Also an issue of underutilization after moving into new factory (larger space with higher depreciation and fixed overhead costs).
- Production has since picked up.
- Mostly does plastic injection & sub-assembly work for USA & Japanese customers.
- Exploring opportunity to do complete product assembly for one of the existing clients.
- Optimistic on the contribution from Indonesia going forward.

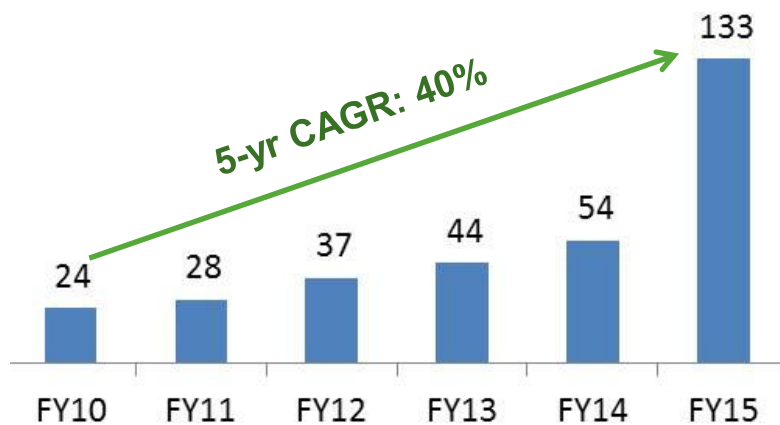
GROWING REVENUE & NET PROFIT

FY10-FY15 Group Revenue



- Drop in FY13 revenue was mainly due to lower revenue from both Malaysia & Indonesia ops.
- FY14 jump in revenue was owing to consolidation of VSIG (VS' China ops) as subsidiary, plus improved sales in Malaysia.
- Improvement in FY15 revenue was mainly a result of rising customer orders in Malaysia.

FY10-FY15 Group Net Profit



- Earnings in FY10-FY11 affected by losses from discontinued operations.
- Outlook gradually improved thereafter.
- FY15 net profit surged 146% y-o-y on improved profit margin from better product mix & on forex gain.
- Even after stripping forex gain of ~RM38 mln, FY15 core net profit still almost doubled y-o-y, signifying improvement in underlying business.

SNAPSHOT OF P&L PERFORMANCE

RM mln (FYE July)	FY13	FY14	FY15	1HFY16
Revenue	1,163.9	1,715.1	1,936.9	1,113.6
Gross profit	106.2	197.9	287.2	192.6
EBITDA	112.0	119.5	239.2	156.0
PBT	49.4	42.0	159.7	110.7
Net profit	43.9	53.6	132.7	87.7
EPS*	4.8	5.9	12.9	7.2
GP margin	9.1%	11.5%	14.8%	17.3%
EBITDA margin	9.6%	7.0%	12.4%	14.0%
PBT margin	4.2%	2.4%	8.2%	9.9%
Net profit margin	3.8%	3.1%	6.9%	7.9%

On track to reach record RM2.0 bln revenue mark in FY16 with net profit surpassing that of FY15, based on current trend & barring unforeseen circumstances.

Improving profitability due to better revenue mix, economies of scale and forex gain.

* Based on weighted average outstanding share base, adjusted for 5-for-1 share split effective Sept 2015.

PROFITABILITY ADJUSTED FOR FOREX GAIN

RM mln (FYE July)	FY13	FY14	FY15	1HFY16
Revenue	1,163.9	1,715.1	1,936.9	1,113.6
PBT	49.4	42.0	159.7	110.7
Less: Forex (gain)/loss	(0.9)	2.8	(37.7)	(12.8)
Adj. PBT	48.5	44.7	122.0	97.8
PBT margin	4.2%	2.4%	8.2%	9.9%
Adj. PBT margin	4.2%	2.6%	6.3%	8.8%

- Stripping out forex (gain)/loss effect, adj. PBT and adj. PBT margin registered healthy growth, underpinned by:-
 - ✓ Better revenue mix;
 - ✓ Robust production volume growth;
 - ✓ Higher economies of scale; and
 - ✓ Turnaround in China & Indonesia operations.
- Note: To recap, the adj. FY14 PBT margin declined to 2.6% from 4.2% in FY13 due to consolidation of the then loss-making VSIG (China ops) as a subsidiary.

HALF-YEARLY COMPARISON

RM mln (FYE July)	1HFY15	1HFY16	Y-o-y change
Revenue	1,009.9	1,113.6	10.3%
Gross profit	148.9	192.6	29.4%
EBITDA	108.2	156.0	44.2%
PBT	68.2	110.7	62.4%
Net profit	53.5	87.7	63.8%
Less: Forex (gain)	(5.2)	(12.8)	
Adj. PBT	62.9	97.8	55.4%
GP margin	14.7%	17.3%	
EBITDA margin	10.7%	14.0%	
PBT margin	6.7%	9.9%	
Net profit margin	5.3%	7.9%	
Adj. PBT margin	6.2%	8.8%	

Higher revenue due to increase in both sales volume & ASP

Larger-than-proportionate increase in net profit due to:-

- ✓ Higher GP margin;
- ✓ Profit from China & Indonesia;
- ✓ Lower interest cost & higher interest income;
- ✓ Lower effective tax arising from tax incentives; and
- ✓ Forex gain.

Healthy expansion in PBT margin adjusted for forex gain

SOLID FUNDAMENTALS TO SUPPORT GROWTH

RM mln (FYE July)	FY14	FY15	1HFY16
Total Assets	1,551.7	1,855.7	1,932.5
Total Liabilities	910.7	876.1	862.7
S/holders Eq.	526.2	777.0	860.3
Non-controlling int.	114.8	202.6	209.4
Total borrowings	409.8	412.2	382.1
Cash holdings	123.5	243.7	321.5
Net Operating Cash Flow	46.4	56.5	158.7
Net assets/share			
Net gearing	0.5x	0.2x	0.1x
ROA	3.6%	7.8%	7%-8%*
ROE	10.7%	20.4%	18%-19%*

Growing asset base to support double-digit revenue growth.

Growing cash holdings provide good support for business expansions.

Positive NOCFs provide healthy internally generated funds to help finance investing needs.

Ample flexibility to gear up should attractive business opportunities come along.

Healthy double-digit ROE

* Estimation

SEASONAL FACTORS: 1Q & 4Q STRONGEST

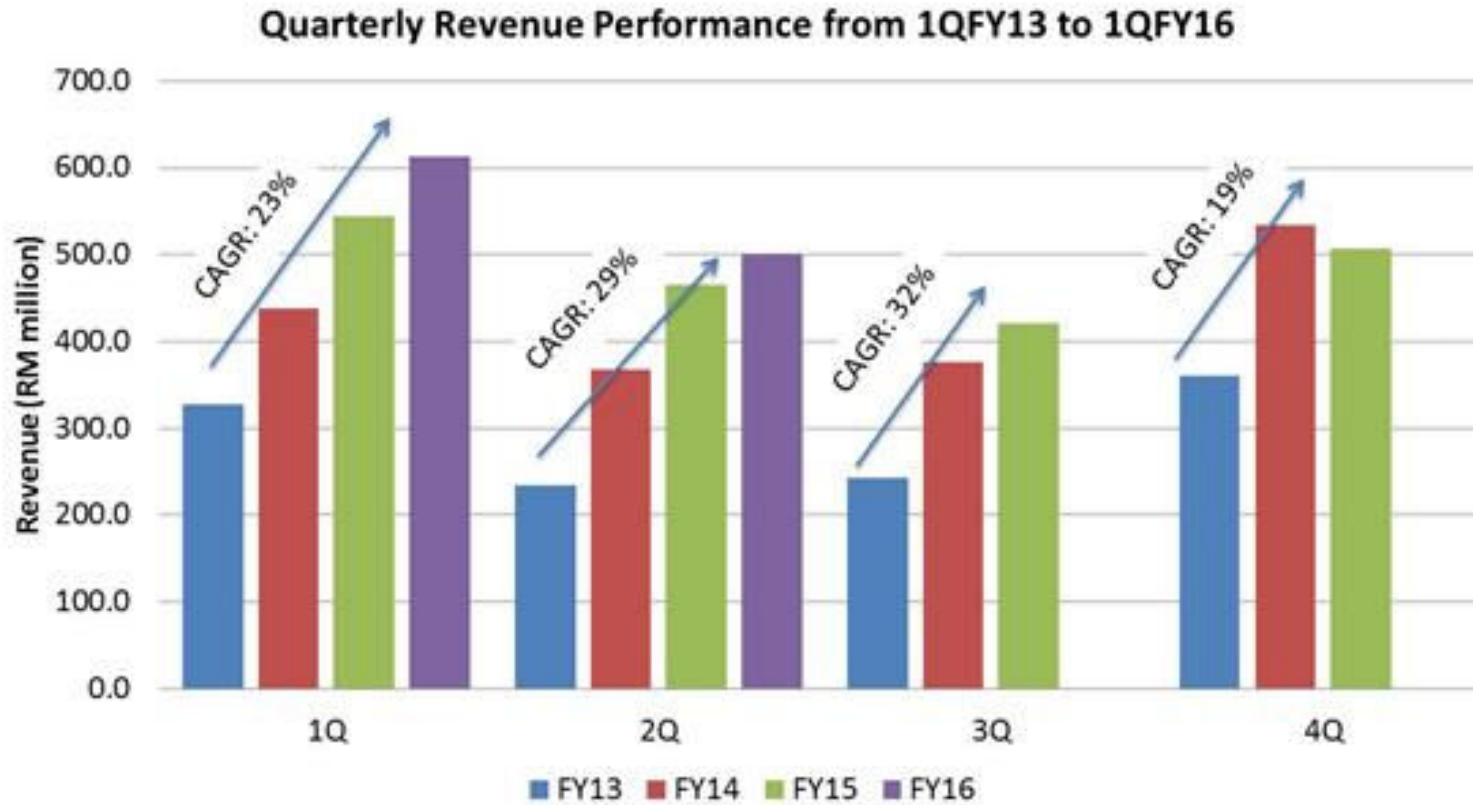
Revenue & profit are strongest in 1Q & 4Q due to seasonal factors when clients step up orders catering to year-end festive shopping seasons (eg. Thanksgiving, Black Friday sale, Christmas & New Year).

	1Q	2Q	3Q	4Q
FY13	0.28	0.20	0.21	0.31
FY14	0.25	0.21	0.22	0.31
FY15	0.28	0.24	0.22	0.26
Average	0.27	0.22	0.21	0.29

- The seasonality index provides a perspective as to how results differ on a quarterly basis.
- As a rule of thumb, performance in the 1H provides an indication as to how 2H performance may be on core operations basis.

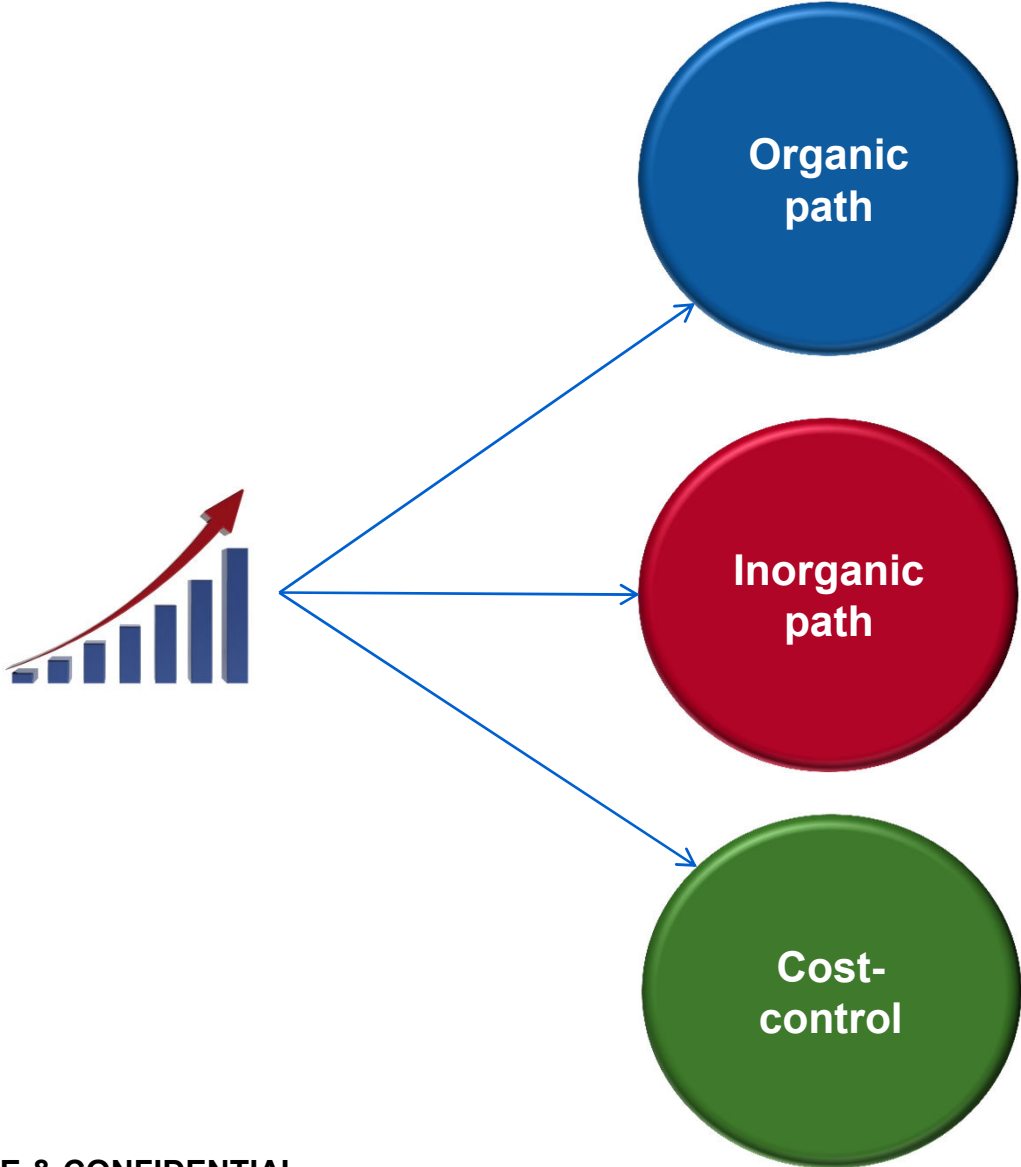
HEALTHY Y-O-Y QUARTERLY GROWTH

Quarterly revenue registered healthy year-on-year growth



Revenue (mln)	1Q	2Q	3Q	4Q
FY13	327.8	233.9	242.3	359.8
FY14	437.3	367.4	376.0	534.5
FY15	544.6	465.4	420.1	506.8
FY16	612.5	501.1	-	-

EARNINGS GROWTH CATALYSTS



ORGANIC EARNINGS DRIVERS



- ✓ Secure more orders from existing customers:-
 - both current & new product models.
- ✓ Seek to expand customer base in the consumer products.
- ✓ Selective in choosing jobs that will boost profit margins.
- ✓ Opportunity for more complete product assembly jobs.
- ✓ Turnaround in China & Indonesia operations to boost earnings.

INORGANIC EARNINGS DRIVERS



- ✓ Expects mid- to long-term benefits from acquisition of Seeing Machines.
- ✓ Still actively looking for partners in the consumer products with synergistic benefits.
 - Possibly in the form of strategic stake or JV.
- ✓ Focused on value creation through synergy.

KEEPING COST IN CHECK



- ✓ Ongoing push for higher automation to increase productivity & reduce labour force.
- ✓ No major capex in near term given ample existing capacity to grow.
- ✓ Economies of scale enable better procurement bargaining power & reduce fixed overhead cost effect.

REWARDING SHAREHOLDERS

- Dividend policy: **Min. 40% net profit payout.**
- **Quarterly dividend declaration.**
- Historical dividend payout track record:-



RM'mln	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Net profit	5.2	24.3	27.7	37.4	43.9	53.6	132.7
Dividend	2.3	11.7	16.3	27.2	9.1	22.5	53.9
Payout ratio	44.6%	48.1%	58.9%	72.7%	67.1%*	42.0%	40.6%

**calculation based on core net profit after deducting one-off acquisition gain*

Additional rewards:

- Jan 2016: Bonus issue of warrants on the basis of 1 warrant for 4 shares
- Sept 2015: Share split on the basis of 1 share divided into 5 shares

SEES GROWTH IN SEEING MACHINES LTD

- On 22 March 2016, VS, through its wholly-owned subsidiary, VSIV, acquired 12.1% in Seeing Machines Ltd (SML) for RM39.3 mln cash, via subscription of **new shares** in SML.
- Funding for the acquisition is via VS' internally generated funds.
- VS is the single largest investor in SML following the share subscription.
- VS Executive Director, YK Ng, is appointed onto the board of SML as Non-Executive Director.
- Headquartered in Australia, SML is listed on the AIM market of the London Stock Exchange (ticker: SEE).
- SML focuses on vehicle operator monitoring systems, developing advanced real-time driver fatigue and distraction detection technology.
- Solutions are used in Fleet, Automotive, Mining, Aviation, Rail & Consumer Electronics.
- SML will utilize the proceeds to fund its automotive programs and ongoing automotive product developments.



SML: COMMERCIALIZED SOLUTIONS

- No impact on VS earnings in the short term as this is an investment.
- But in the longer term, VS sees positive outcome arising from this strategic investment in the form of R&D collaboration and possibly manufacturing opportunity.
- Successful commercialization of SML's solutions:
 - ✓ Signed global product development, licensing and distribution agreement with Caterpillar Inc. in Sept 2015 for SML's Driver Safety Solution (DSS), in return for USD17.5 mln licensing fees over 4 years plus royalty fees.
 - ✓ Secured a major follow-on order from one of the world's largest car manufacturers in March 2016, in partnership in with Takata. SML's Driver Monitoring Solution (DMS) to be installed in the car maker's selected 2017 models.
- Ongoing discussions with 14 other car makers, of which 9 are performing validation tests.
- SML's partners:-



seeingmachines



SML PROFITABLE AS OF 1H16 (FYE JUNE)

Year ended 30 June (A\$000)	2015	2014	2013	2012
Revenue	21,202	17,762	12,736	7,824
Gross Profit, Other and grant income	10,742	11,019	8,536	5,108
Research and development	-6,571	-2,553	-1,400	-1,604
Sales and marketing	-9,496	-4,382	-2,485	-1,883
Occupancy & infrastructure	-2,199	-867	-812	-746
Corporate and administration	-6,012	-5,335	-3,236	-2,608
Other	3,370	-585	-49	-2
Total expenses	-20,908	-13,722	-7,982	-6,843
Net profit (loss) before tax	-10,166	-2,703	554	-1,735
Earnings per share (A\$)	-0.0130	-0.0041	0.0012	-0.0042

Period ended (A\$000)	Half Year 31 Dec 2015	Half Year 31 Dec 2014	Full Year 30 June 2015
Revenue	<u>29,321</u>	<u>5,867</u>	<u>18,984</u>
Gross Profit	20,905	2,672	8,523
Other income	2,300	3,570	5,587
Gross contribution	23,205	6,242	14,110
Research and development	-4,219	-1,820	-6,571
Sales, customer support and marketing	-3,892	-5,266	-9,495
Occupancy & infrastructure	-892	-770	-2,199
Corporate and administration	-2,936	-2,696	-6,011
Total expenses	-11,939	-10,552	-24,276
Net Profit (loss) before tax	<u>11,266</u>	-4,310	-10,166
Earnings per share (A\$) - basic	0.012	-0.004	-0.0130

- 1HFY16 revenue & profit were mainly driven by licensing fees from Caterpillar

INVESTMENT HIGHLIGHTS

Leading EMS Service Provider

- Top 5 EMS providers in ASEAN
- Integrated services with OEM & ODM capabilities
- Regional presence

Experienced Management

- Senior management includes founding members with over 30 years of experience in the industry
- Focused on value creation for stakeholders; business growth & profit sustainability

Solid & Diversified Clientele

- Solid support from top 3 clients who collectively contribute c.55% to Group turnover
- Not overly reliant on any single client

Healthy Financials

- 5-year revenue & net profit CAGR of 19% & 40% respectively
- Improving profit margins, back by solid balance sheet
- Healthy net dividend yield at ~4%

Growth Catalysts In Place

- Identified new opportunities from existing clients
- Potential new clients in consumer products industry
- M&A/JV activities to accelerate earnings growth
- Aiming for sustained earnings growth over the next few years



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**THANK
YOU**