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Hi-P reports a 19.9% yoy rise in net profit to S$10.1 million for 1Q2018

- Higher sales volume drives a 15.1% yoy increase in revenue to S$281.1 million
- Robust operating cash flow generation bolsters balance sheet strength as net cash position improves to S$137.0 million as at 31 March 2018 (31 December 2017: S$77.6 million)

Singapore – 2 May 2018, SGX Mainboard-listed Hi-P International Limited (Bloomberg Ticker: HIP SP, "Hi-P", "赫比国际有限公司" or "the Group"), a global contract manufacturer of smart phones, tablet computers and other consumer electronics, has announced its financial results for the first quarter ("1Q2018") ended 31 March 2018.

Financial Highlights

(S$'000)	1Q2018	1Q2017	% Change
Revenue	281,096	244,190	15.1
Gross Profit	37,795	33,444	13.0
Gross Profit Margin (%)	13.4	13.7	(0.3 pts)
Profit After Tax	10,074	8,400	19.9
Net Profit Margin (%)	3.6	3.4	0.2 pts
Earnings per Share (Sing Cents)	1.25	1.04	20.2
Net Asset Value per Share (Sing Cents)	68.12	71.74	(5.0)

Despite an increasingly competitive landscape, the Group's revenue increased 15.1% year-on-year ("yoy") to S$281.1 million for 1Q2018. This growth in topline was driven by higher sales volume.

In line with the increase in revenue, gross profit increased 13.0% yoy to S$37.8 million for 1Q2018, where gross profit margin decreased slightly from 13.7% for 1Q2017 to 13.4% for 1Q2018.

As a result of the weakening of the US Dollar against the Chinese Renminbi and Singapore Dollar, the Group reported a S$13.0 million net foreign exchange loss. This was partially offset by net fair value gain on hedging instruments amounting to S$1.7 million. These factors were the primary reasons behind the Group's 212.0% yoy increase in other expenses to S$11.3 million.

The Group's total selling, distribution and administrative expenses decreased 15.1% yoy to S$16.3 million for 1Q2018 mainly due to the reversal of bonuses.

The Group's income tax declined to S$2.0 million. This translated to a lower effective tax rate of 16.8%.

As a result of the above, the Group reported a 19.9% yoy increase in net profit to S$10.1 million for 1Q2018.

The Group's robust core business operations continued to generate positive operating cash flows amounting to S$68.1 million for 1Q2018. This contributed to a strengthening of the Group's balance sheet as cash and cash equivalents and restricted bank deposits increased to S$372.2 million as at 31 March 2018. Consequently, the Group's net cash position improved to S$137.0 million (31 December 2017: S$77.6 million).

"The threat of a trade war between the US and China has increased the level of uncertainty across worldwide supply chains. Against this backdrop, the overall market has become more conservative as both customers and suppliers project forecasts in a more cautious manner. This has caused us to revise our guidance for the year.

In light of the difficult business landscape, we have proactively adopted measures to strengthen the management team. In addition, our business development team has put in more effort to diversify our customer base and increase market share with existing customers. Furthermore, the team is focused on market changes to grab business for new products related to artificial intelligence.

Operationally, we are implementing measures to further improve operational efficiency, capacity utilisation, manufacturing yield and tightening cost controls. Efforts to enhance the level of automation at our facilities are also ongoing. Backed by our strong balance sheet, we continue to explore value-driven opportunities for mergers and acquisitions to ensure our long-term growth and sustainability."

Mr. Yao Hsiao Tung (姚晓东), Executive Chairman & CEO

Outlook

According to the International Data Corporation ("IDC") Worldwide Quarterly Mobile Phone Tracker, worldwide smartphone shipments declined 0.5% in 2017[1], the first year-over-year decline the market has experienced since the introduction of what we now know as smartphones. However, the IDC expects shipment volumes to return to low single-digit growth in 2018 and the overall market to experience a compound annual growth rate of 2.8% over 2017-2022 with volumes forecast to reach 1.68 billion units in 2022.

The Group has identified the Internet of Things ("IoT") segment as another key avenue for growth. Accordingly, the IDC expects worldwide spending on the Internet of Things ("IoT") to reach $772.5 billion in 2018, an increase of 14.6% over the $674.0 billion that will be spent in 2017[2].

Taking into account the industry outlook for the smartphone and consumer electronics markets and to overcome the industry and business challenges, the Group will focus its efforts on:

- Targeted business development initiatives to further diversify the Group's customer base
- Increasing order allocation amongst existing customers
- Enhancing capacity utilisation, driving manufacturing yield improvement, increasing automation and tightening cost controls
- Exploring inorganic growth initiatives that are synergistic to the Group's operations

[1] IDC, Smartphones Hit Pivotal Stage as Worldwide Shipment Volumes Decline 0.5% in 2017, But Return to Growth is Expected, February 2018
[2] IDC, IDC Forecasts Worldwide Spending on the Internet of Things to Reach $772 Billion in 2018, December 2017

The Group continues to strive for sustainable growth and be one of the top contract manufacturers in Asia, by providing a one-stop dedicated solution to fulfill its customers' needs - from product development, component manufacturing to complete product assembly.

Barring any other unforeseen circumstances, the Group wishes to guide its performance as follows:

- The Group expects similar revenue but lower profit for 2Q2018 as compared to 2Q2017
- The Group expects higher revenue and profit for 2H2018 as compared to 1H2018
- The Group expects similar revenue but lower profit for FY2018 as compared to FY2017

-- The End --

About Hi-P International Limited (Bloomberg Code: HIP.SP)

Hi-P started out in 1980 as a tooling specialist in Singapore and has since grown to become one of the region's largest and fastest-growing integrated contract manufacturers today.

The Group provides a one stop solution to customers in various industries, including telecommunications, consumer electronics, computing & peripherals, lifestyle, medical and industrial devices from design, electro-mechanical parts, modules to complete product manufacturing services.

The Group has 13 manufacturing plants globally located across six locations in the People's Republic of China (Shanghai, Chengdu, Tianjin, Xiamen, Suzhou and Nantong), Poland, Singapore and Thailand. Hi-P has marketing and engineering support centres in PRC, Singapore, Taiwan and the USA.

The Group's customers include many of the world's biggest names in mobile phones, tablets, household & personal care appliances, computing & peripherals, lifestyle, medical devices and industrial devices.

For more information, please log on to www.hi-p.com

Issued for and on behalf of Hi-P International Limited by Financial PR

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