

# FRENCKEN GROUP LIMITED

INCORPORATED IN SINGAPORE



*Global Contract Manufacturer  
of High Tech Capital and Consumer Equipment*

## **2Q FY2010 Results Presentation**

- ❖ **Financial Review**
  - ❖ **2Q10**
  - ❖ **1H10**
- ❖ **Business Review and Outlook**
  - ❖ **Mechatronics Division**
  - ❖ **EMS Division**
- ❖ **Questions and Answers**

# FRENCKEN GROUP LIMITED

2Q10 RESULTS – DIVISION REVENUE ANALYSIS

2Q FY2010 Results Briefing

(\$\$ m)	1Q10	2Q10	2Q09	Chg y-o-y
<b><u>Mechatronics Europe</u></b>				
Semiconductor	10.3	10.6	2.9	258%
Medical	12.0	12.6	9.6	32%
Analytical	6.6	7.7	7.8	(2%)
Others	2.7	2.3	2.8	(16%)
	31.6	33.2	23.1	44%
<b><u>Mechatronics Asia #</u></b>				
Semiconductor	6.5	10.3	0.6	1717%
Medical	0.5	0.8	0.1	517%
Analytical	3.6	5.0	0.8	518%
Industrial Automation	8.5	32.3	3.2	908%
Others	2.8	4.7	1.2	288%
	21.9	53.1	5.9	798%
<b><u>EMS</u></b>				
Telco (Keypads & Others)	2.5	-	4.1	N.M.
Office Automation	9.2	8.8	3.7	137%
Automotive	4.6	4.6	3.1	49%
Others (Include Telco)	0.9	3.1	0.9	225%
	17.2	16.5	11.8	40%
<b>Total</b>	<b>70.7</b>	<b>102.8</b>	<b>40.8</b>	<b>152%</b>

#Mechatronics (Asia) - 2Q09 comprises 1 month revenue results (June 2009)  
 - 1Q10 & 2Q10 comprises 3 months revenue results



# FRENCKEN GROUP LIMITED

2Q10 RESULTS – P&L SNAPSHOT

2Q FY2010 Results Briefing

<b>(\$\$ m)</b>	<b>2Q10</b>	<b>2Q09</b>	<b>Chg y-o-y</b>
Revenue	102.8	40.8	152%
Gross Profit (GP)	13.6	2.6	413%
Profit/(Loss) Before Tax	6.9	(0.3)	2475%
Negative Goodwill	-	13.4	N.M.
Net Profit	5.8	13.4	(57%)
<i>NP Margin before negative goodwill</i>	<i>5.6%</i>	<i>(0.2%)</i>	<i>3282%</i>
<i>Effective Tax Rate before negative goodwill</i>	<i>16.2%</i>	<i>N.M.</i>	<i>N.M.</i>

\*N.M. – Not Meaningful

AB/5

# FRENCKEN GROUP LIMITED

2Q10 RESULTS – P&L SNAPSHOT

2Q FY2010 Results Briefing

## Excluding Mechatronics Asia

(\$\$ m)	2Q10	2Q09	Chg y-o-y
Revenue	49.7	34.9	42%
Gross Profit (GP)	4.9	1.4	229%
Profit/(Loss) Before Tax (before negative goodwill)	2.2	(0.9)	339%
Net Profit/(Loss) (before negative goodwill)	1.8	(0.6)	370%

## Mechatronics Asia #

(\$\$ m)	2Q10	2Q09	Chg y-o-y
Revenue	53.1	5.9	798%
Gross Profit (GP)	8.7	1.2	644%
Profit Before Tax	4.7	0.6	675%
Net Profit	4.0	0.6	601%

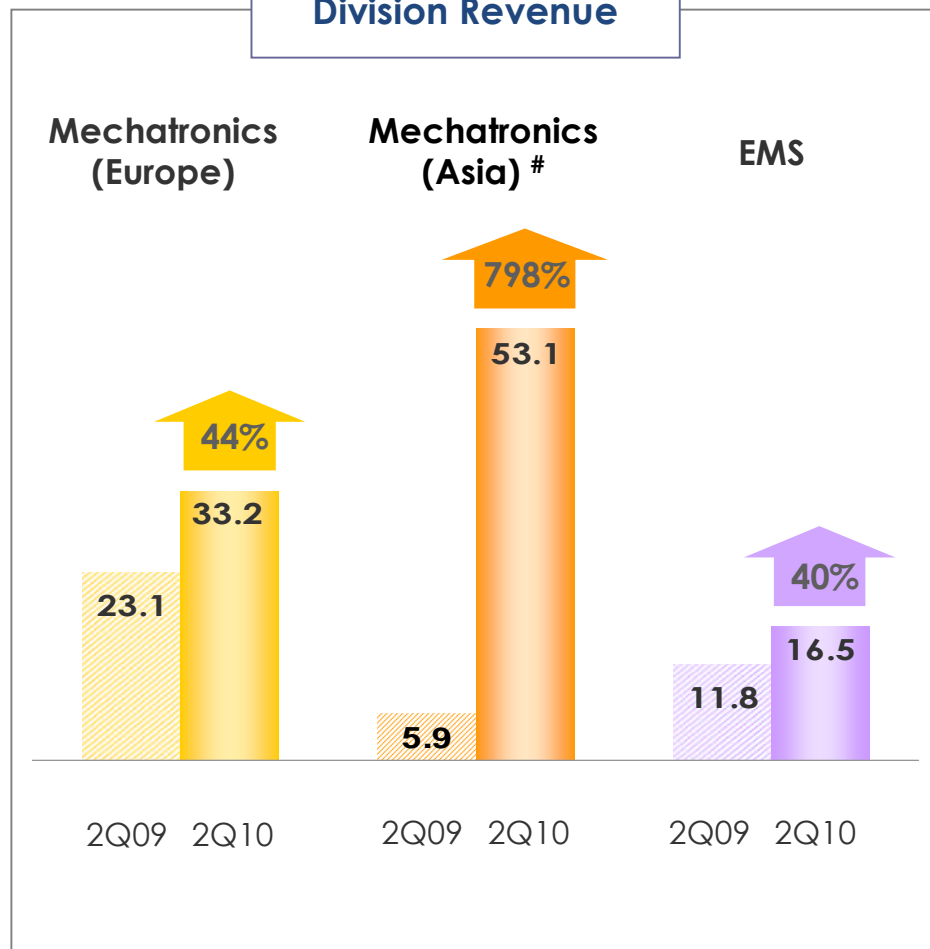
#Mechatronics (Asia) - 2Q09 comprises 1 month results (June 2009)  
 - 2Q10 comprises 3 months results

# FRENCKEN GROUP LIMITED

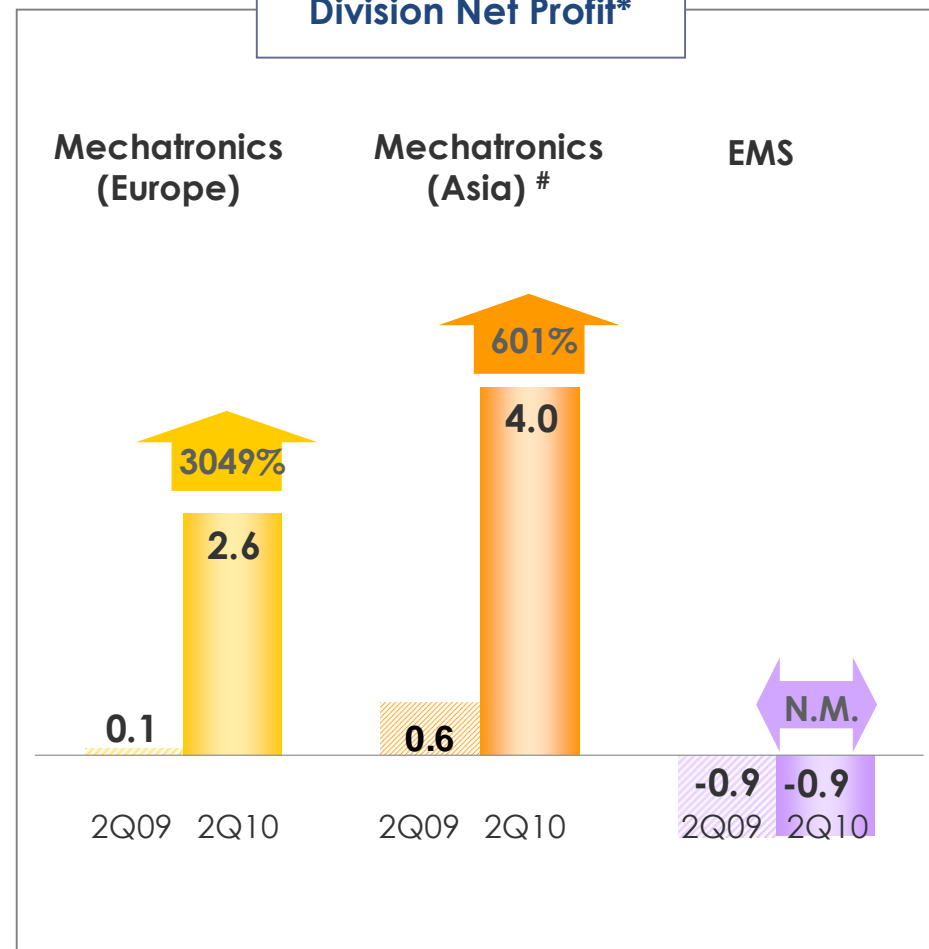
2Q10 RESULTS – P&L SNAPSHOT

2Q FY2010 Results Briefing

## Division Revenue



## Division Net Profit\*



#Mechatronics (Asia) - 2Q09 comprises 1 month results (June 2009)  
- 2Q10 comprises 3 months results

\*Note: Excludes Investment Division  
N.M. – Not Meaningful

# FRENCKEN GROUP LIMITED



1H10 RESULTS – P&L SNAPSHOT

2Q FY2010 Results Briefing

<b>(\$\$ m)</b>	<b>1H10</b>	<b>1H09</b>	<b>Chg y-o-y</b>
Revenue	173.5	79.6	118%
Gross Profit (GP)	23.3	5.4	331%
Profit/(Loss) Before Tax	11.2	0.1	18188%
Negative Goodwill	-	13.4	N.M.
Net Profit	8.8	13.5	(35%)
<i>NP Margin before negative goodwill</i>	<i>5.1%</i>	<i>0.1%</i>	<i>7982%</i>
<i>Effective Tax Rate before negative goodwill</i>	<i>21.0%</i>	<i>18.0%</i>	<i>16%</i>

\*N.M. – Not Meaningful

AB/8

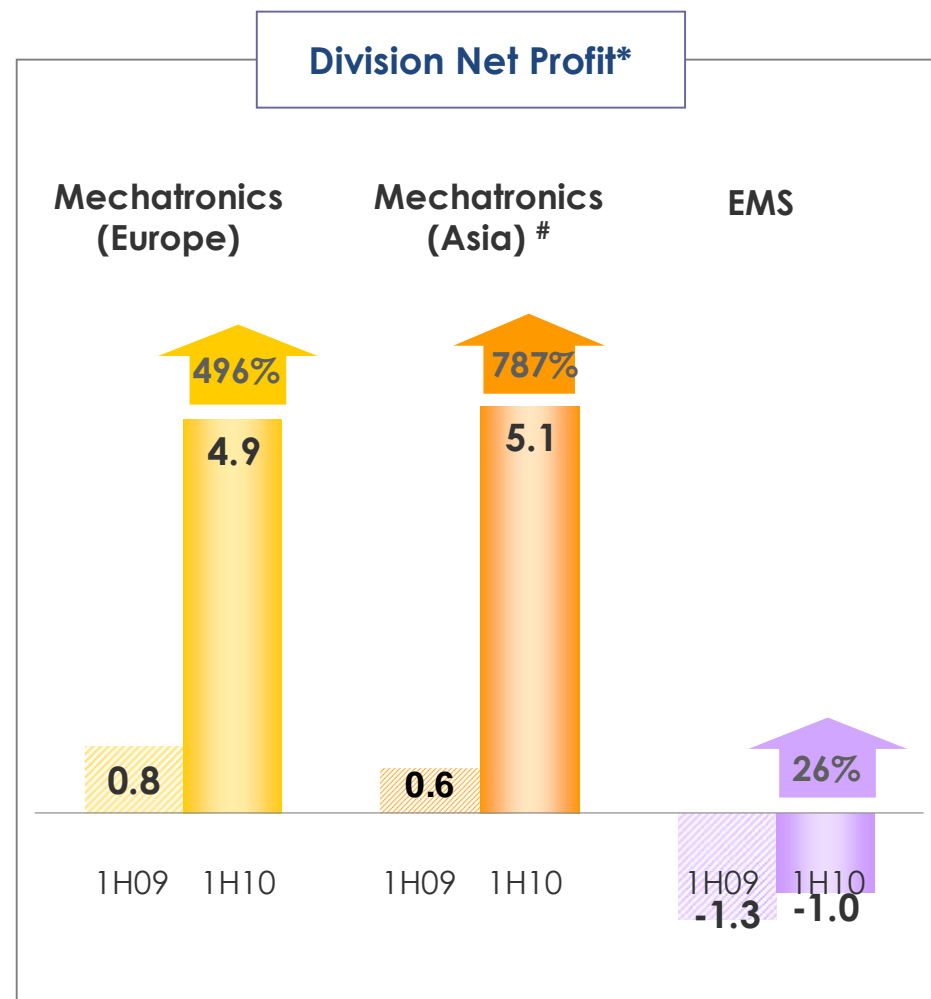
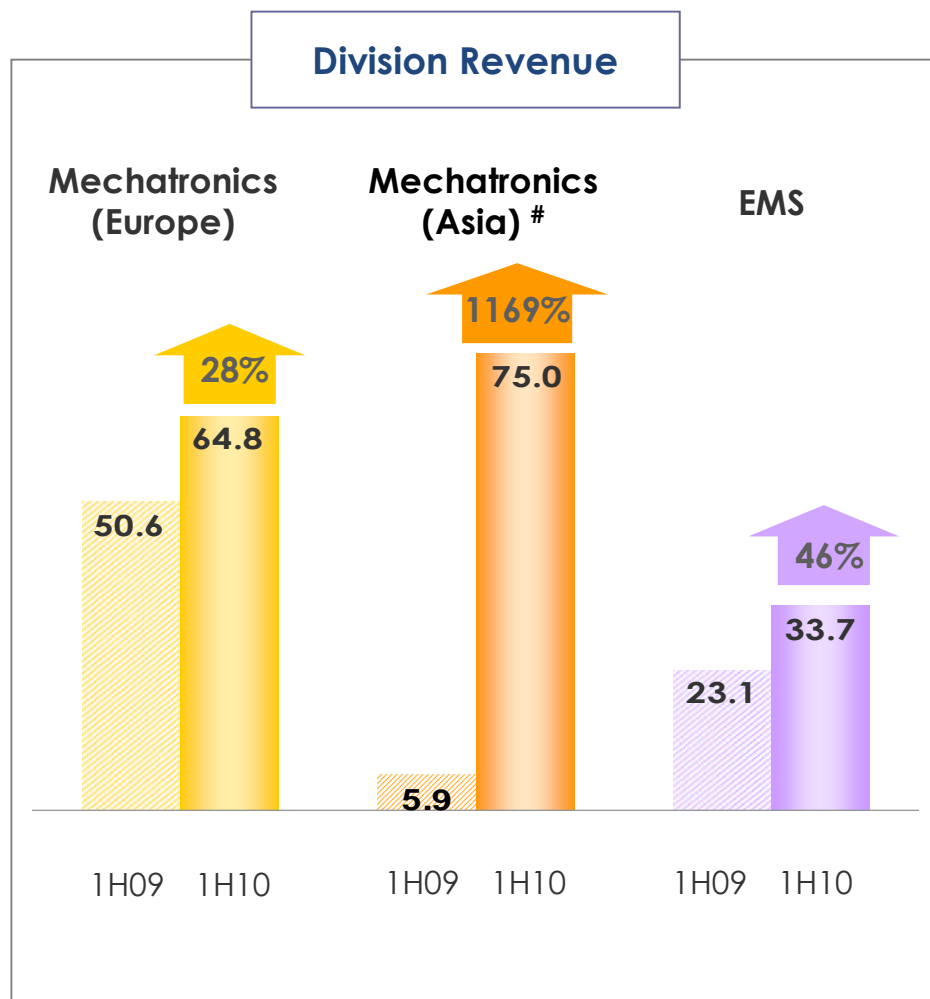


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1H10 RESULTS – P&L SNAPSHOT

2Q FY2010 Results Briefing



#Mechatronics (Asia) - 1H09 comprises 1 month results (June 2009)  
 - 1H10 comprises 6 months results

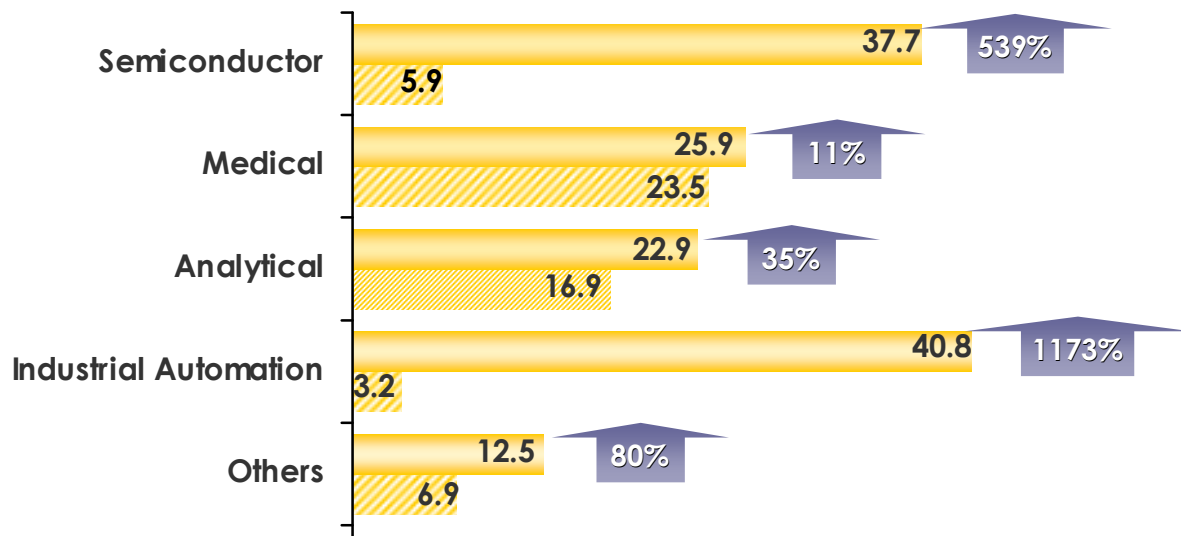
\*Note: Excludes Investment Division

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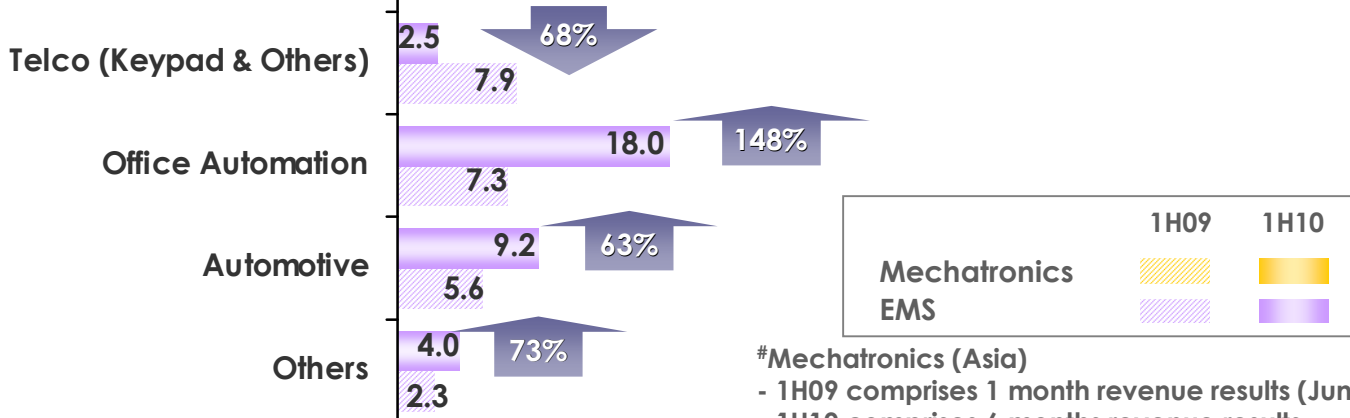
1H10 RESULTS – GROUP REVENUE ANALYSIS

2Q FY2010 Results Briefing

## MECHATRONICS (\$\$ m)#

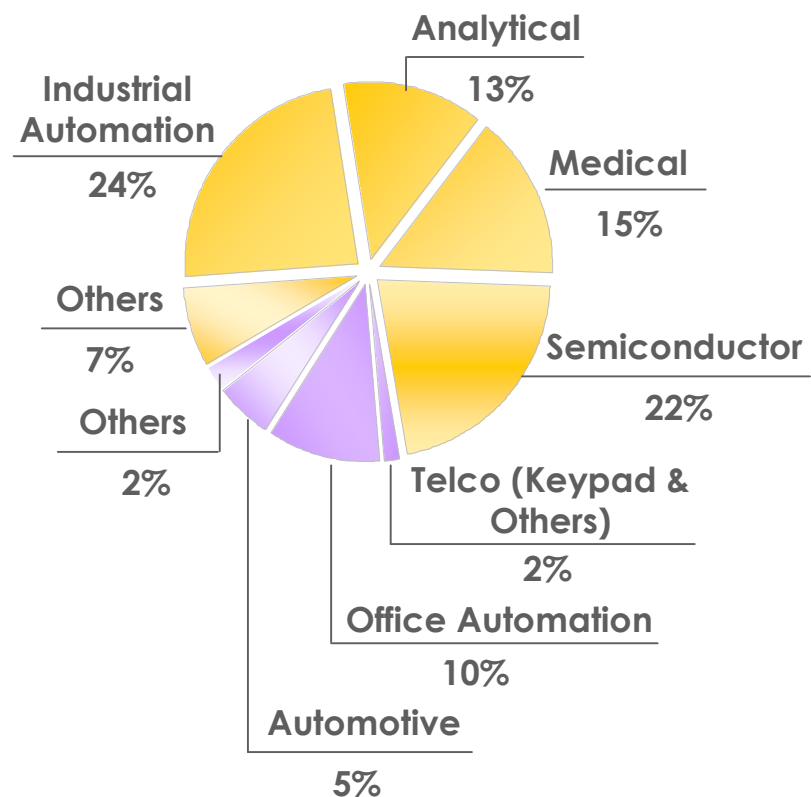


## EMS (\$\$ m)



#Mechatronics (Asia)  
 - 1H09 comprises 1 month revenue results (June 2009)  
 - 1H10 comprises 6 months revenue results

## Breakdown by Business Segment



**Breakdown by Division:**  
 Mechatronics – 81%  
 EMS – 19%

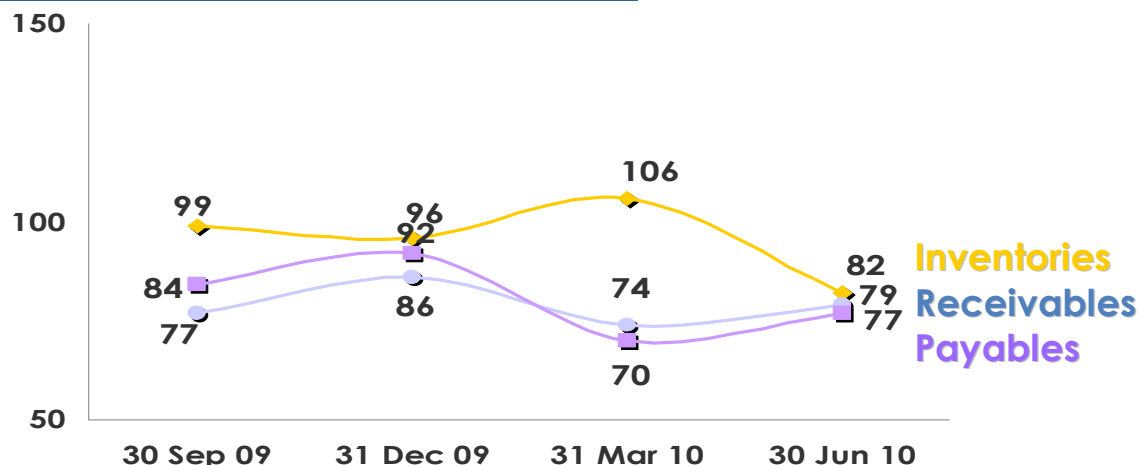
# FRENCKEN GROUP LIMITED



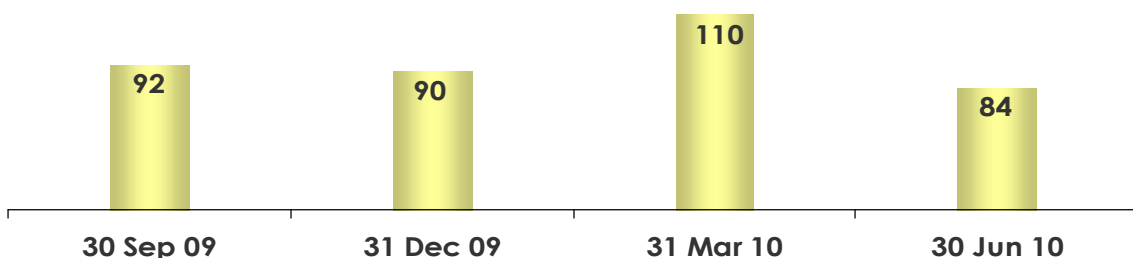
WORKING CAPITAL MANAGEMENT

2Q FY2010 Results Briefing

## Turnover Days



## Cash Conversion Cycle (Days)



Cash Conversion Cycle (Days) = Days sales outstanding + Days inventory outstanding – Days payables outstanding

(\$ m)	30 Jun 10	31 Dec 09
Inventories	68.1	55.5
Trade Receivables	75.7	54.2
Trade Payables	51.9	34.2

(\$ m)	30 Jun 10
Net Profit	8.8
<i>Non-Cash</i>	9.0
<i>Working Capital</i>	(19.6)
<i>Taxes &amp; Interest</i>	(2.6)
Net cash flow from operations	(4.4)
Capital expenditure	(3.2)
Free cash flow	(7.6)

# FRENCKEN GROUP LIMITED

STRONG BALANCE SHEET

2Q FY2010 Results Briefing

Balance Sheet (\$\$ m)	30 Jun 10	31 Dec 09
Shareholders' equity	190.9	195.3
Total borrowings	44.0	32.3
Cash and cash equivalents	55.7	61.2

Financial Indicators	30 Jun 10	30 Jun 09
Gross gearing (%)	23.1	15.4
Net asset value per share (\$\$ cents)	51.85	53.65
EPS (\$\$ cents)		
- Before negative goodwill	2.35	0.02
- After negative goodwill	2.35	4.19

## **Mechatronics Division Business Review & Outlook**

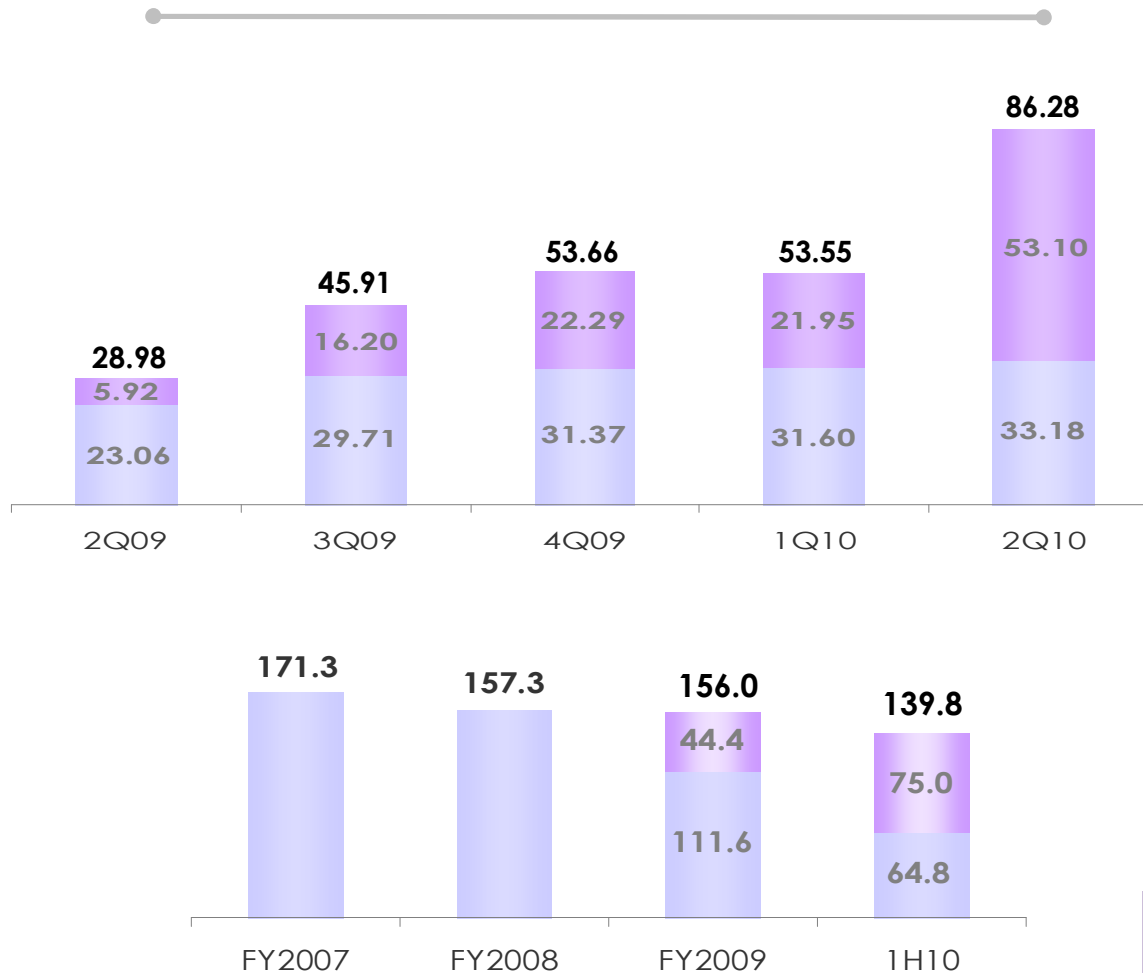
# MECHATRONICS DIVISION



SALES

2Q FY2010 Results Briefing

Revenue: +198%



Currency: SGD million



## 2Q10 Review

- Sales increased 198% y-o-y and 61% q-o-q due to exceptionally high contribution from the Asian operations
- Sales from the European operations increased 44% y-o-y and 5% q-o-q. (In Euro terms, sales increased 60% y-o-y and 14% q-o-q).
- Sales from the Asian operations increased 142% q-o-q  
- Not comparable y-o-y as only 1 month of sales recorded in 2Q09

1H10 sales ~ 90% of FY2009 sales

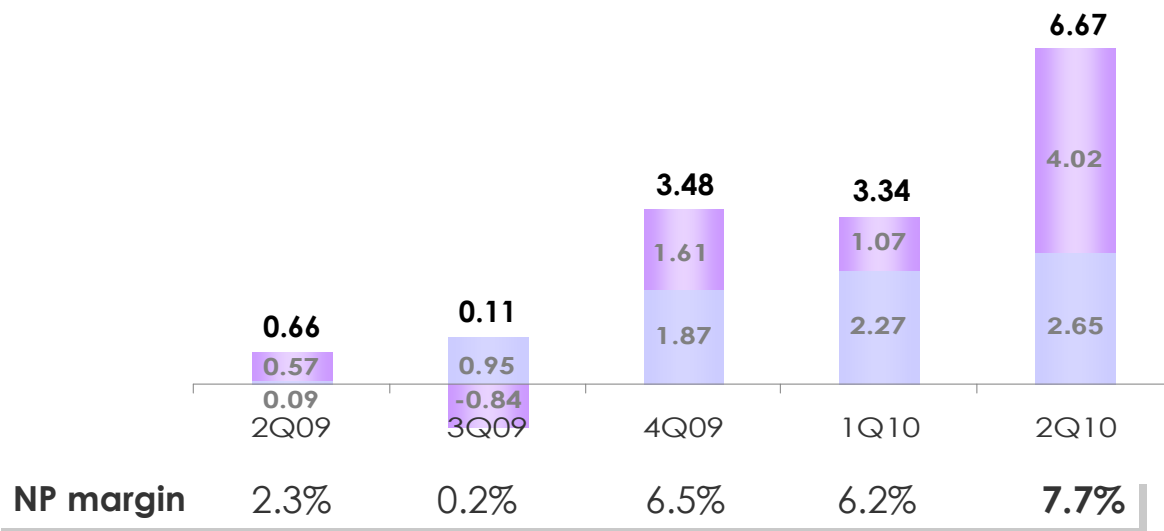
Figures are inclusive of additional contributions from the Asia operations wef 1 June 2009– i.e. 7 months in FY2009 and 6 months in FY2010

# MECHATRONICS DIVISION

NET PROFIT & NET PROFIT MARGIN

2Q FY2010 Results Briefing

Division Net Profit: **+913%**

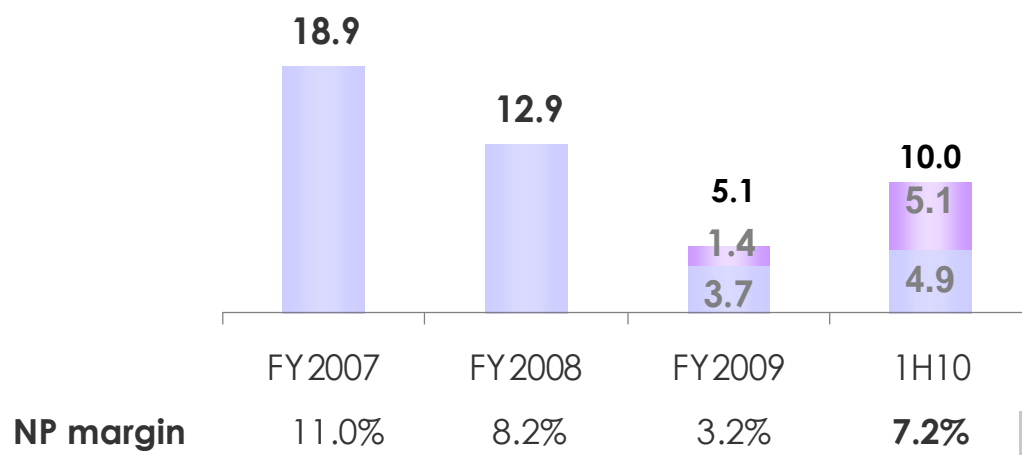


Currency: SGD million

■ Mechatronics Europe  
■ Mechatronics Asia

## 2Q10 Review

- Overall net profit increased 913% y-o-y and 100% q-o-q.
- Net profit for Mechatronics Europe increased 2844% y-o-y and 16.7% q-o-q (In Euro terms, it increased by 3,423% y-o-y and 35.3% q-o-q).

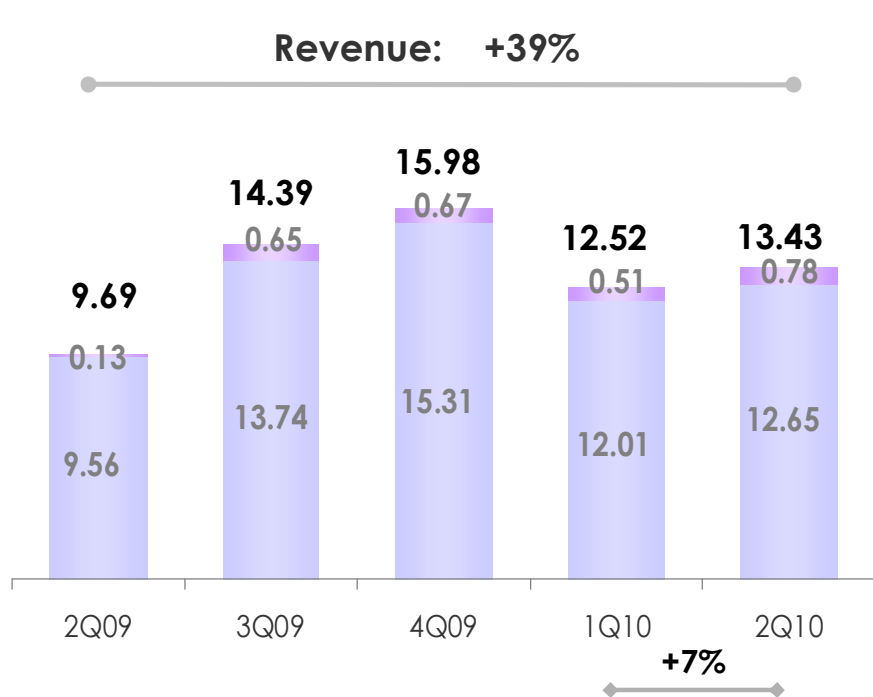


Figures are inclusive of additional contributions from the Asia operations wef 1 June 2009– i.e. 7 months in FY2009 and 6 months in FY2010

# MECHATRONICS DIVISION

SALES ANALYSIS – MEDICAL SEGMENT

2Q FY2010 Results Briefing



Currency: SGD million

Mechatronics Europe

Mechatronics Asia

## 2Q10 Review

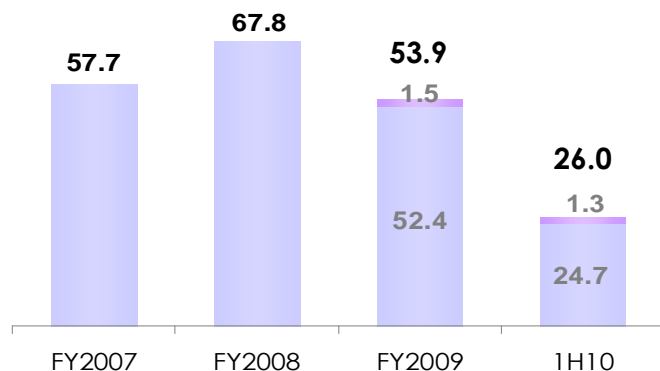
- Sales increased 39% y-o-y and 7% q-o-q

### Europe

- Sales rose by 32% y-o-y and 5% q-o-q (In Euro terms, sales rose by 46.7% yoy and 13.9% q-o-q).
- Indication of an uptrend for the remaining quarters of FY2010

### Asia

- Sales rose by 51% q-o-q; albeit from a low base - Comparative y-o-y growth not meaningful as only 1 month of sales recorded in 2Q 09



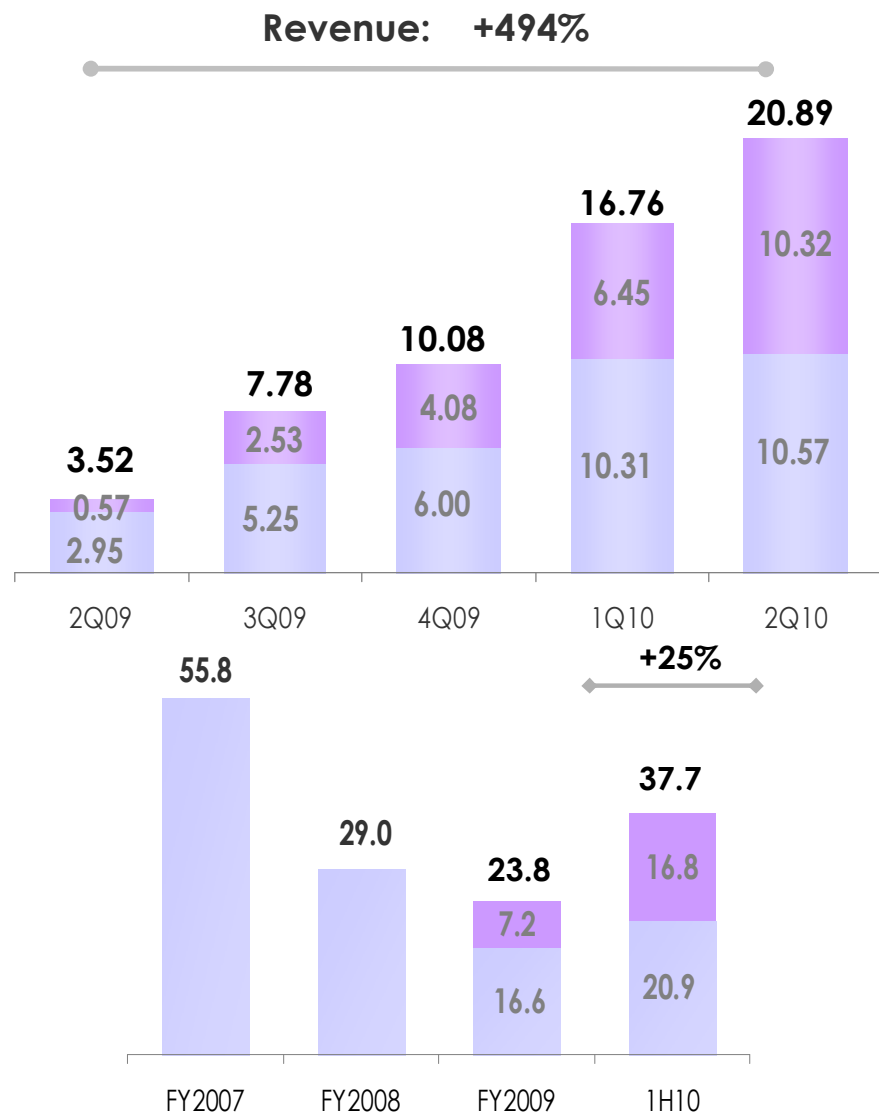
Figures are inclusive of additional contributions from the Asia operations wef 1 June 2009– i.e. 7 months in FY2009 and 6 months in FY2010



# MECHATRONICS DIVISION

SALES ANALYSIS – SEMICONDUCTOR SEGMENT

2Q FY2010 Results Briefing



Currency: SGD million

■ Mechatronics Europe

■ Mechatronics Asia

## 2Q10 Review

- Sales increased 494% y-o-y and 25% q-o-q
- Strong growth due to the significant improvement in market conditions

### Europe

- Sales increased 258% y-o-y and 3% q-o-q. (In Euro terms, sales increased 298% y-o-y and 11% q-o-q).

### Asia

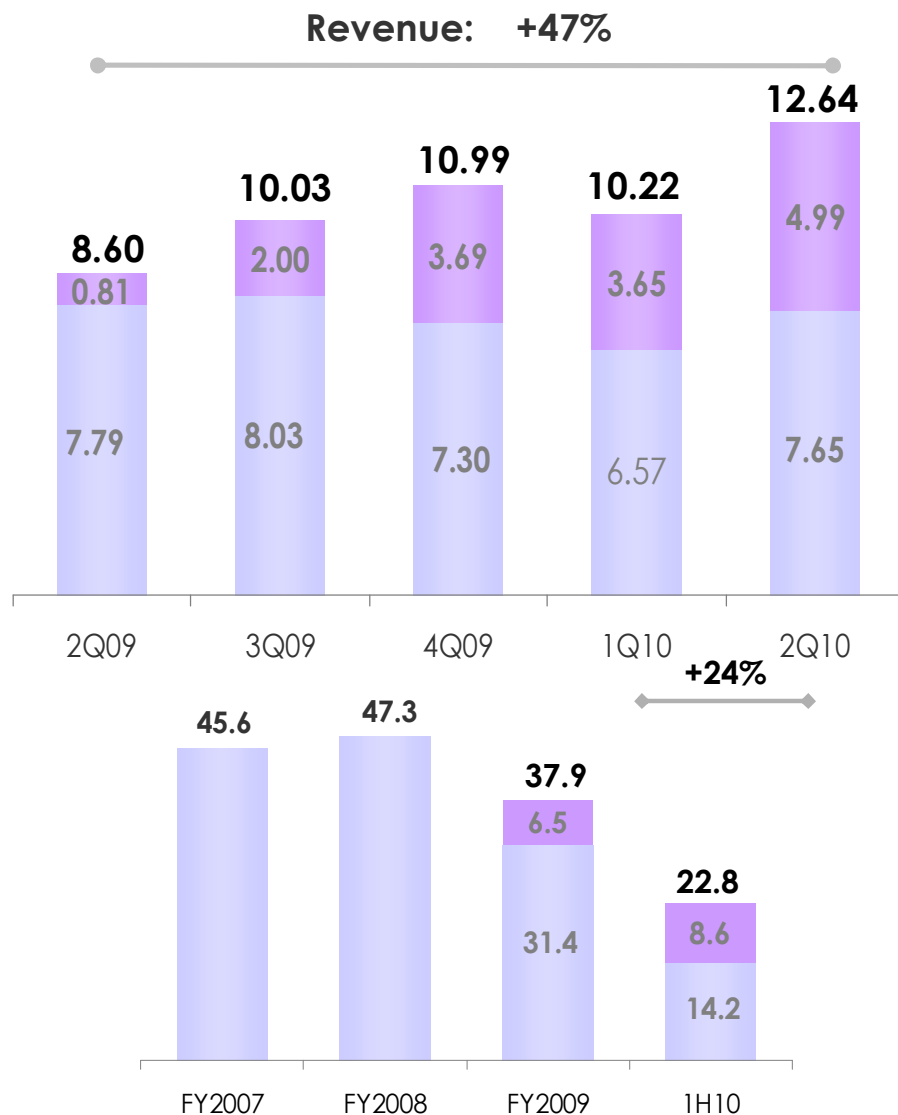
- Sales increased 60% q-o-q.  
- Comparative y-o-y growth not meaningful as only 1 month of recorded in 2Q09

Figures are inclusive of additional contributions from the Asia operations wef 1 June 2009– i.e. 7 months in FY2009 and 6 months in FY2010

# MECHATRONICS DIVISION

SALES ANALYSIS – ANALYTICAL SEGMENT

2Q FY2010 Results Briefing



Currency: SGD million

Mechatronics Europe

Mechatronics Asia

## 2Q10 Review

- Sales increased 47% y-o-y and 24% q-o-q

### Europe

- Sales down 2% y-o-y but gained 16% q-o-q. (In Euro terms, sales increased 8.5% y-o-y and 25.3% q-o-q).
- Based on customers' near term forecasts, demand is expected to firm up over the next few quarters

### Asia

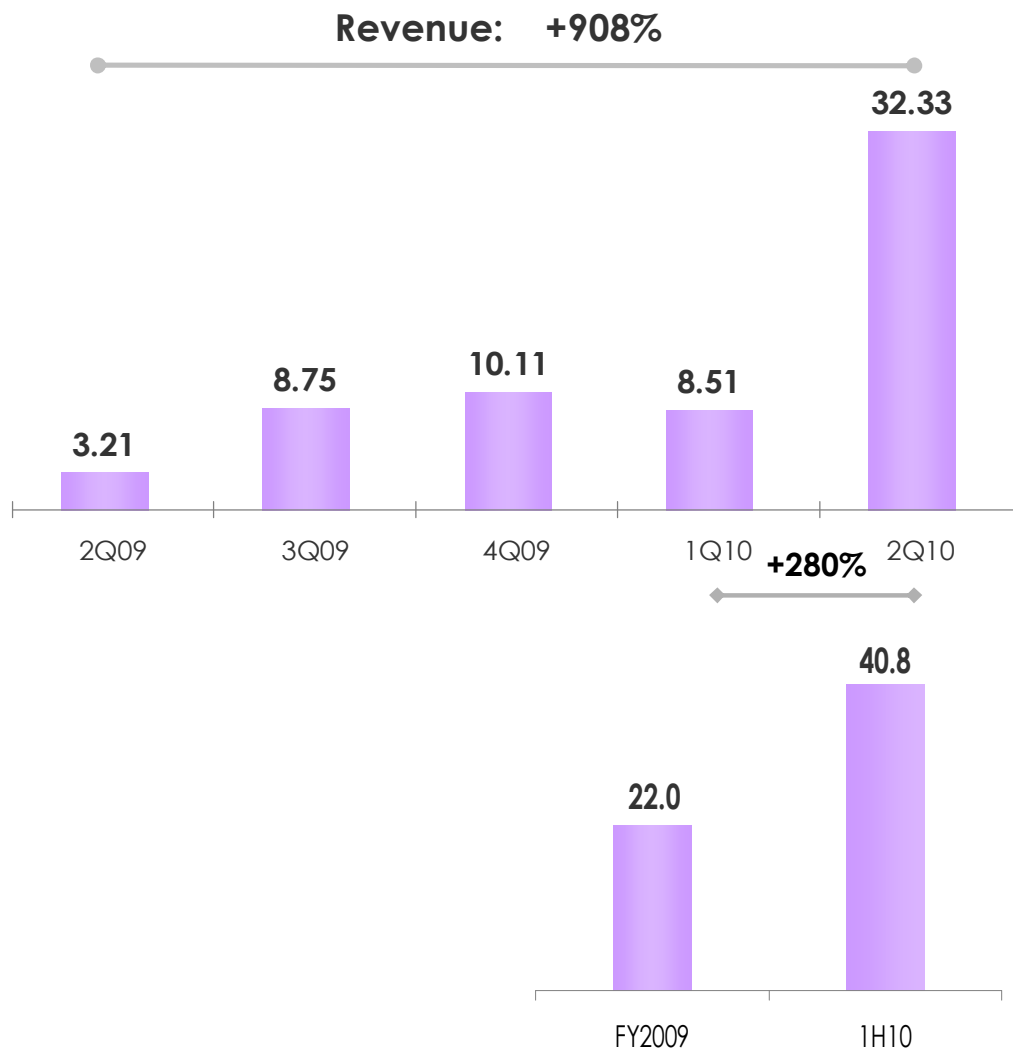
- Sales increased 37% q-o-q though y-o-y growth is not meaningful since 1 month of sales was recorded in 2Q09
- Making good inroads into this product segment and prospects remain positive

Figures are inclusive of additional contributions from the Asia operations wef 1 June 2009– i.e. 7 months in FY2009 and 6 months in FY2010

# MECHATRONICS DIVISION (ASIA)

SALES ANALYSIS – INDUSTRIAL AUTOMATION SEGMENT

2Q FY2010 Results Briefing



Currency: SGD million

## 2Q10 Review

### Asia

- Sales increased 280% q-o-q  
- Growth y-o-y not meaningful as 1 month of sales recorded in 2Q09
- Robust sales of automated production equipment for data storage products
- Revenue from this segment continues to be subject to high volatility
- Do not foresee sustainability of this growth for the rest of FY2010

**Figures are inclusive of additional contributions from the Asia operations wef 1 June 2009– i.e. 7 months in FY2009 and 6 months in FY2010**

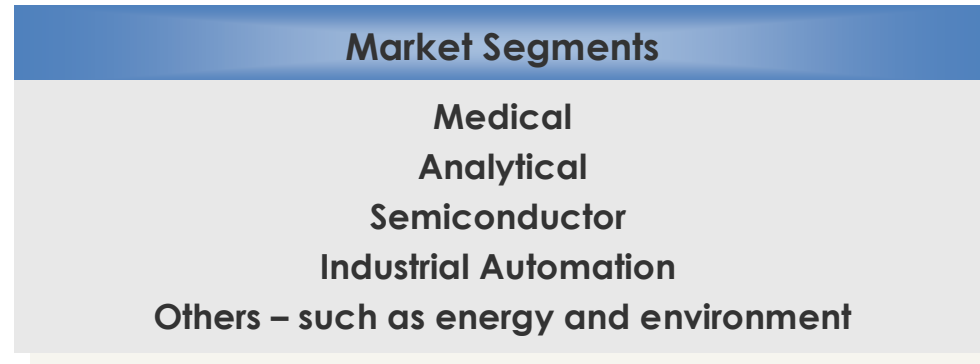
# MECHATRONICS DIVISION



NEW PROJECT PLANS

2Q FY2010 Results Briefing

Mechatronics Europe	<b>Medical</b>	<ul style="list-style-type: none"> <li>• Redesign project to enhance an existing product close to realisation phase for market introduction at the end of FY2010 (project for a succeeding product launched).</li> <li>• Finalisation phase of project for the pathology market with commercial production anticipated in 4Q10 – first systems installed at end-user's sites.</li> </ul>
	<b>Semiconductor</b>	<ul style="list-style-type: none"> <li>• Continuing engagement in next generation (EUV) lithography equipment.</li> <li>• In discussion with customer to take over design responsibilities of selected modules for improvement and enhancement of complex key modules for lithography equipment and pick &amp; place machines.</li> </ul>
	<b>Analytical</b>	<ul style="list-style-type: none"> <li>• Finalisation phase of development project with commercial production starting in 3Q10</li> <li>• New development project for market introduction targeted for 4Q10 is ongoing.</li> </ul>
Mechatronics Asia	<b>Medical</b>	<ul style="list-style-type: none"> <li>• Increasing production in Wuxi, China of oncology modules for an existing customer</li> <li>• Increasing volume production of components for an existing customer of in-vitro diagnostic and surgical microscope products</li> <li>• Ongoing engagement in prototype parts for 2 new diagnostic products. Secured pilot volume production with orders to be fulfilled from end 4Q10</li> </ul>
	<b>Semiconductor</b>	<ul style="list-style-type: none"> <li>• On going qualification and pilot production of modules for 2 new customers. Series production to commence in 2H10 as planned</li> </ul>
	<b>Analytical</b>	<ul style="list-style-type: none"> <li>• Ongoing qualification of new parts and modules for 2 new instruments for an existing customer. Commercial production commenced in 3Q10 as planned</li> </ul>
	<b>Ind Automation</b>	<ul style="list-style-type: none"> <li>• Co-development projects for new automation stations for an existing customer. Prototype build completed and expect commercial production to commence in 4Q10</li> </ul>
	<b>Others</b>	<ul style="list-style-type: none"> <li>• Ongoing evaluation stage of new projects for precision machining and sheet-metal modules for a number of new customers</li> </ul>



## Ongoing Initiatives

- Accelerate and enhance design and development capability and capacity in Europe to support the enlarged manufacturing facilities in Asia
- Strengthen New Product Introduction (NPI) team in Asia for smooth transfer of projects from customers and also within the Group
- Accelerate sales expansion opportunities via strategic partnerships with existing and new customers by leveraging the Group's value chain proposition and enlarged geographical footprint
- Strengthen overall manufacturing capability in Asia to capitalise on new opportunities in key and emerging markets
- Build up global sourcing, procurement and total supply chain – seek out best value components and strategic suppliers worldwide to enhance Group's overall competitiveness

# MECHATRONICS DIVISION

DIVISION OUTLOOK

2Q FY2010 Results Briefing

- Increased interest and order intake from existing and potential customers resulting from the geographical expansion and global integration of the Mechatronics Division
- Prospects of securing new projects are bright and order forecasts from customers continue on an increasing trend at both Europe and Asia operations
- Prospects for FY2010 look positive – barring any unforeseen circumstances

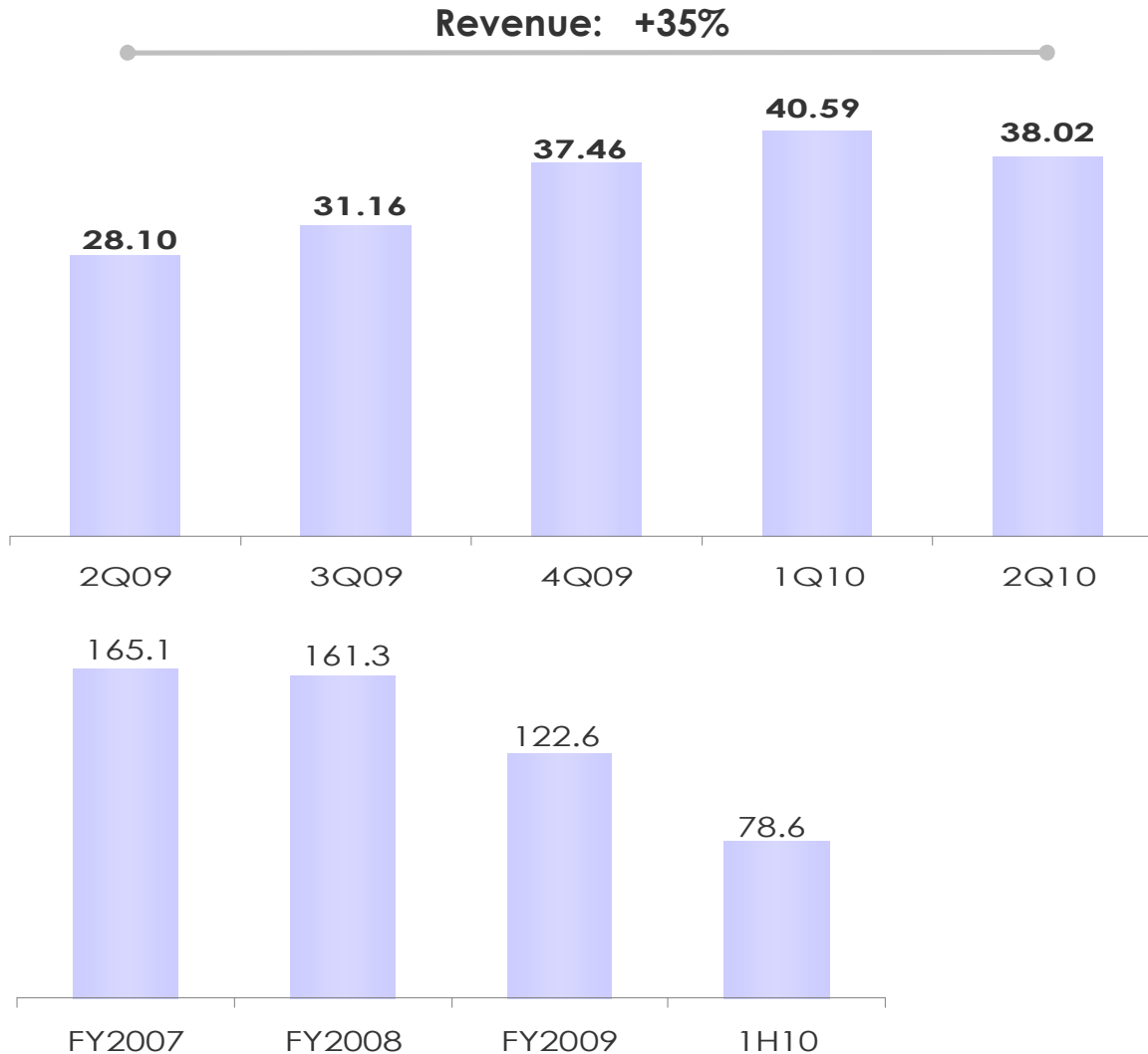
## EMS Division Business Review & Outlook

# EMS DIVISION



SALES

2Q FY2010 Results Briefing



Currency: RM million

## 2Q10 Review

- Sales increased 35% y-o-y and decreased marginal 6% q-o-q
- Absence of keypad sales due to discontinuation of this product segment wef 2Q10
- Increased sales of office automation and automotive segments

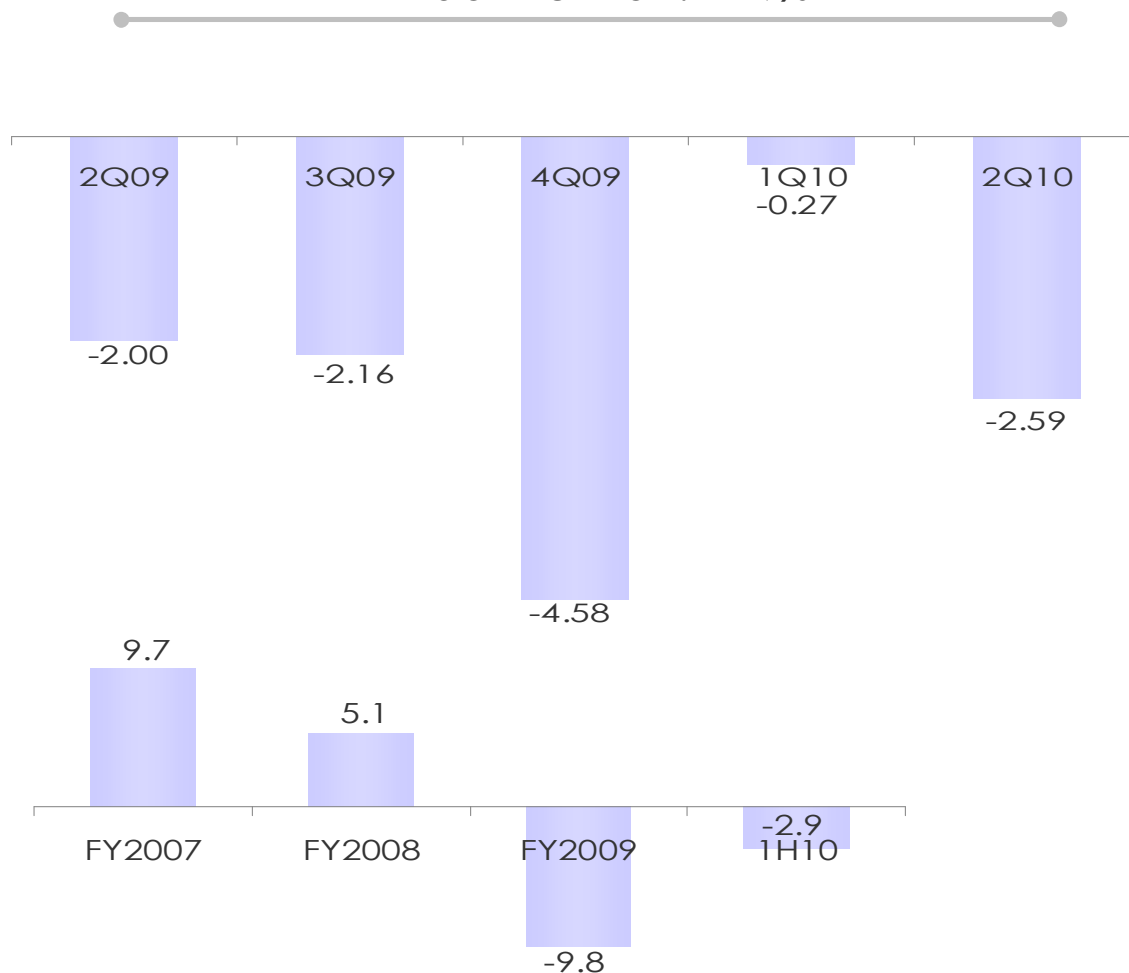


# EMS DIVISION

NET PROFIT & NET PROFIT MARGIN

2Q FY2010 Results Briefing

Division Net Profit: **-29%**



Currency: RM million

Net Profit Margin	
2Q09	-7.1%
3Q09	-6.9%
4Q09	-12.2%
1Q10	-0.7%
<b>2Q10</b>	<b>-6.8%</b>

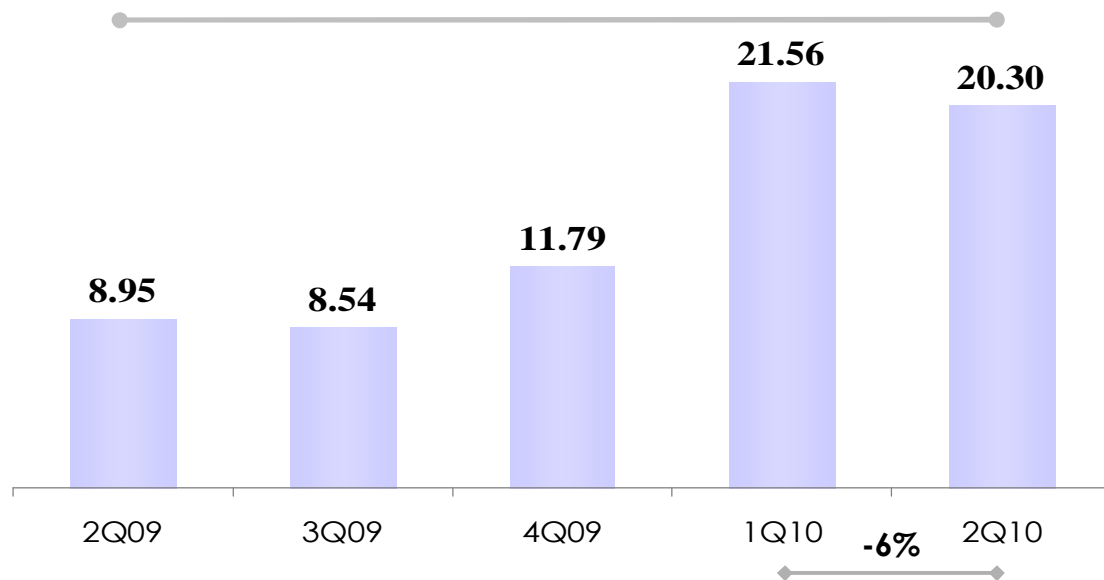
Net Profit Margin	
FY2007	5.9%
FY2008	3.2%
FY2009	-8.0%
<b>1H10</b>	<b>-3.6%</b>

# EMS DIVISION

SALES ANALYSIS – OFFICE AUTOMATION SEGMENT

2Q FY2010 Results Briefing

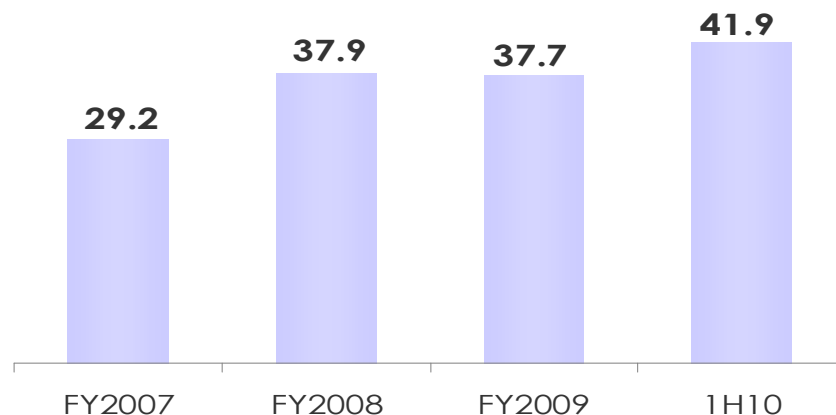
+127%



Currency: RM million

## 2Q10 Review

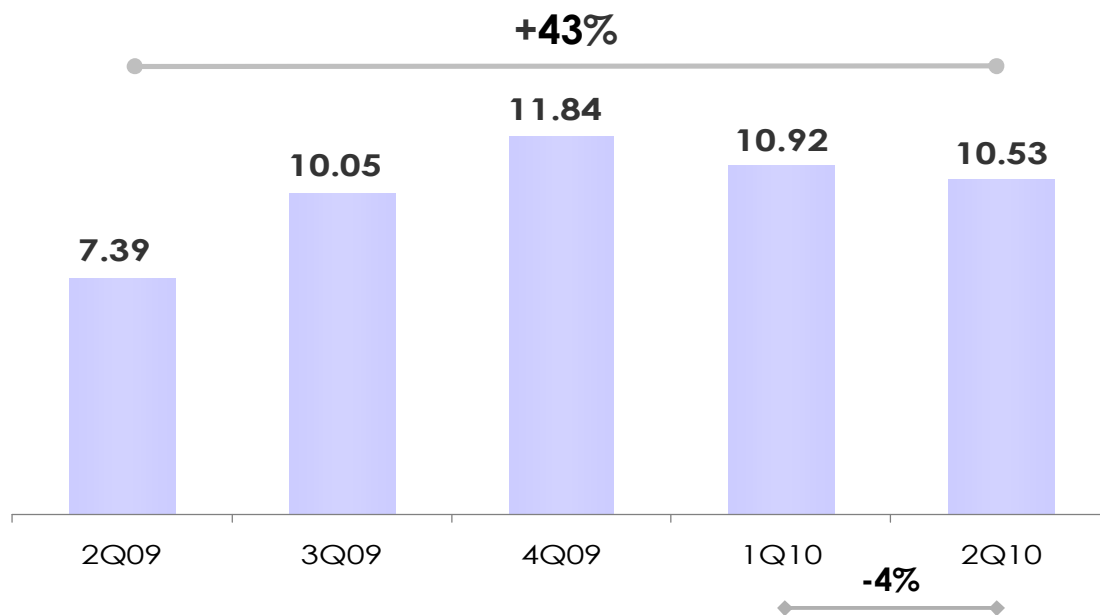
- Sales increased 127% y-o-y and decreased 6% q-o-q
- Expansion in range of products for an existing customer
- Sales remained stable but subject to some volatility due to the timing of billings on tooling for industrialisation projects



# EMS DIVISION

SALES ANALYSIS – AUTOMOTIVE SEGMENT

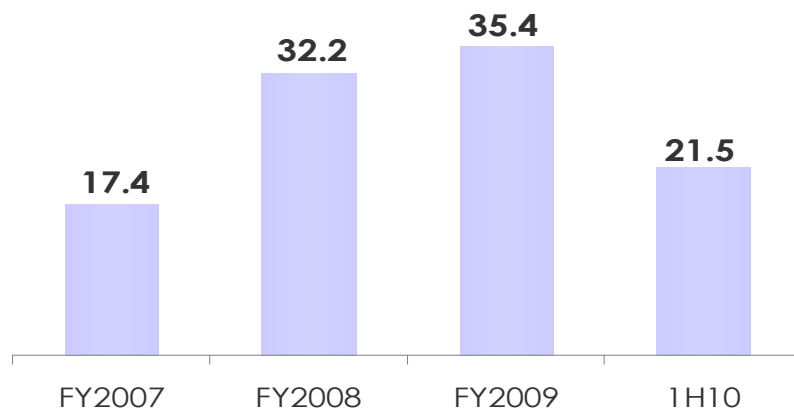
2Q FY2010 Results Briefing



Currency: RM million

## 2Q10 Review

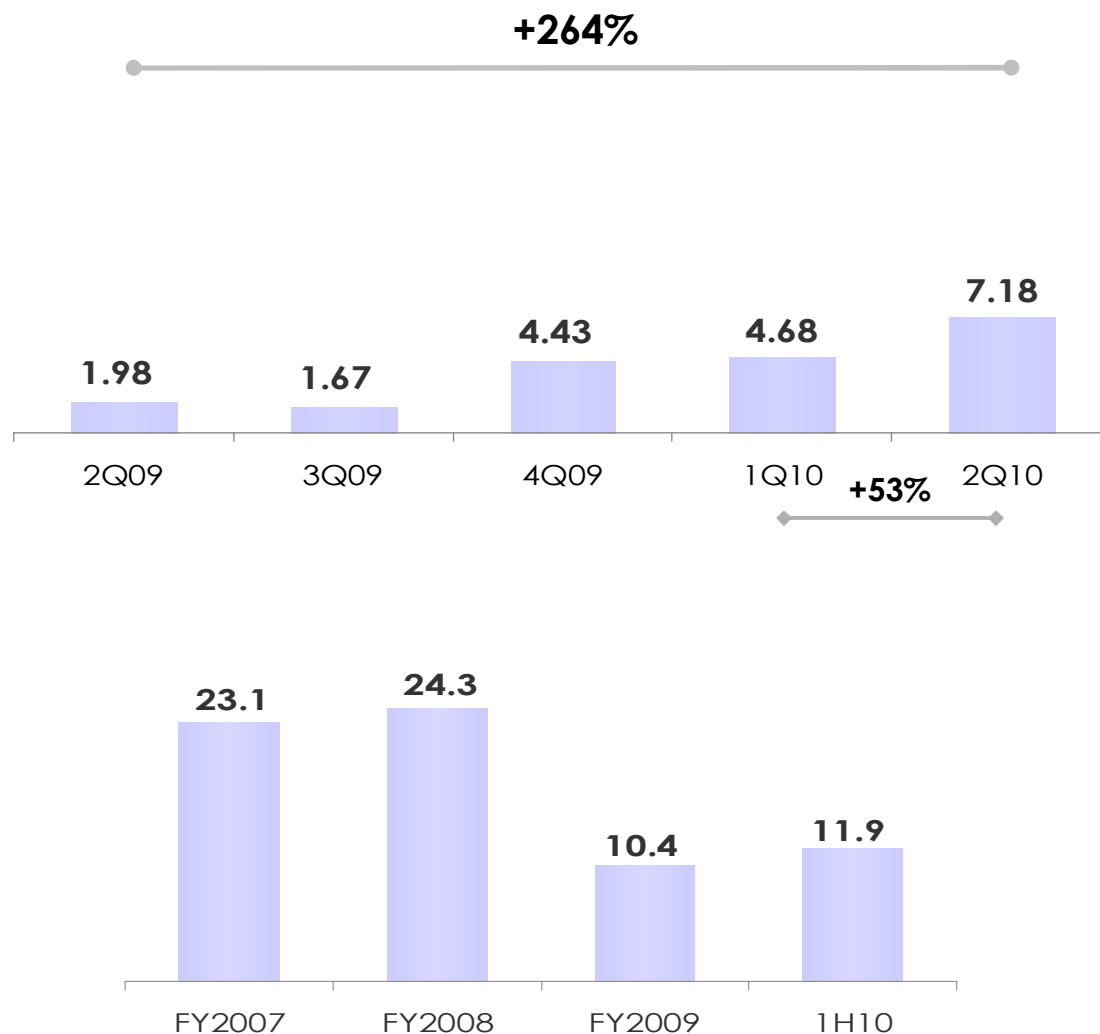
- Sales increased 43% y-o-y and softened marginal 4% q-o-q
- Recovery of automotive industry, especially in the USA
- Sales remained stable but subject to some volatility on billings of tooling for industrialisation projects



# EMS DIVISION

SALES ANALYSIS – OTHERS (INCLUDES TELCO) SEGMENT

2Q FY2010 Results Briefing



Currency: RM million

## 2Q10 Review

- Sales increased 264% y-o-y and 53% q-o-q
- Sales of parts and products for telco business segment has been reclassified to “Others” segment (following the discontinuance of the keypad business in February 2010)

## Office Automation

- Commercial production (of a delayed industrialisation project) commenced in June 2010 albeit at lower volumes than originally forecasted
- Another project (that was delayed to end 2Q10) commenced commercial production in June 2010.
- New industrialisation project launched in 1Q10 is currently at the tooling launch phase. Target to commence commercial production in mid FY2011

## Automotive

- Awarded a significant project for serial production from an existing customer. Presently at the tooling launch phase. Commercial production anticipated to commence in 2Q/3Q 2011
- Awarded another significant project from an existing customer with commercial production anticipated in 3Q/4Q 2011
- A number of smaller projects in the industrialisation phase with commercial production anticipated to commence in 2Q/3Q 2011

- Continuing the operational enhancement and rationalisation of the newly consolidated entity towards a leaner and more cost effective outfit
- Realigning the division's operations to better support and focus on the growing automotive and niche office automation business segments
- Carrying out feasibility studies on the geographical expansion of the automotive business into China
- Focus on expansion of our customer base in the automotive business segment

- No major commercial production launch of existing industrialisation projects expected for the remainder of FY2010
- Significant industrialisation activities for 3 major projects are ongoing - with substantial sales revenue potential from 2H FY2011 onwards
- Prospects of securing new projects in the automotive business segment remain positive
- In the short term, contribution from the office automation and automotive product segments are not expected to fully offset the loss of contribution from the keypad business segment for FY2010 and 1HFY2011

# FRENCKEN GROUP LIMITED

SAFE HARBOUR FOR FORWARD-LOOKING STATEMENTS

2Q FY2010 Results Briefing

This presentation contains certain statements that are not statements of historical fact, i.e. forward-looking statements. Investors can identify some of these statements by forward-looking items such as 'expect', 'believe', 'plan', 'intend', 'estimate', 'anticipate', 'may', 'will', 'would', and 'could' or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. These forward-looking statements are based on current expectations, projections and assumptions about future events. Although Frencken Group Limited believes that these expectations, projections, and assumptions are reasonable, these forward-looking statements are subject to the risks (whether known or unknown), uncertainties and assumptions about Frencken Group Limited and its business operations.

Some of the key factors that could cause such differences are, among others, the following:

- changes in the political, social and economic conditions and regulatory environment in the jurisdictions where we conduct business or expect to conduct business;
- the risk that we may be unable to realise our anticipated growth strategies and expected internal growth;
- changes in and new developments in technologies and trends;
- changes in currency exchange rates;
- changes in customer preferences and needs;
- changes in competitive conditions in our customers' industries and our ability to compete under these conditions;
- changes in pricing for our products; and
- changes in our future capital needs and the availability of financing and capital to fund these needs.

Given these risks, uncertainties and assumptions, the forward-looking events referred to in this presentation may not occur and actual results may differ materially from those expressly or impliedly anticipated in these forward-looking statements. Investors are advised not to place undue reliance on these forward-looking statements.

Investors should assume that the information in this presentation is accurate only as of the date it is issued. Frencken Group Limited's business, financial conditions, results of operations and prospects may have changed since that day. Frencken Group Limited has no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.



# Q&A

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