



FRENCKEN GROUP LIMITED
(Company Registration No. 199905084D)

Announcement

BUSINESS UPDATE FOR 3Q22 and 9M22

The Board of Directors of Frencken Group Limited (“**Frencken**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to provide a voluntary update on the Group’s business and financial performance for the three months ended 30 September 2022 (“3Q22”) and the nine months ended 30 September 2022 (“9M22”).

FINANCIAL SNAPSHOT

For 3Q22, Group revenue was relatively stable at S\$195.3 million compared to S\$196.5 million in 3Q21, notwithstanding the negative impact of currency translation arising from the depreciation of the Euro against the Singapore Dollar, as well as the slower-than-anticipated recovery of the global automotive industry. The Group would have reported higher revenue of S\$205.1 million in 3Q22 assuming a constant EUR/SGD exchange rate vis-a-vis 3Q21.

While the Group has worked on costs sharing arrangement with customers during 3Q22, the inflationary cost pressures remain unabated particularly in Europe. Business costs in Europe continued climbing at a fast pace in 3Q22 due to soaring energy expenses and increased manpower costs as a result of the labour crunch, revised minimum wage and collective bargaining. Together with higher material costs, these inflationary pressures have affected the Group’s Europe operations directly as well as indirectly through its supply chain. To compensate for the continued surge in operating costs, the Group is undertaking renegotiations with customers for cost sharing. In addition, the Group’s subsidiary in the USA also incurred a one-time, non-cash write-down of S\$2.4 million due mainly to inventory adjustment and obsolescence.

Consequent to cost pressures and the exceptional write-down, the Group registered lower net profit of around S\$11.0 million in 3Q22, a decrease of 25.7% from S\$14.8 million in 3Q21. Excluding the exceptional write-down, the Group would have registered net profit of S\$13.0 million in 3Q22.

For 9M22, the Group recorded revenue of S\$584.3 million, up 2.2% from S\$571.8 million in 9M21. Topline growth was dampened by lower sales of the IMS Division and the negative impact of currency translation on sales of the Europe operations. Assuming a constant EUR/SGD exchange rate vis-a-vis 9M21, the Group would have registered revenue growth of 5.9% to S\$605.3 million for 9M22.

The Group’s net profit in 9M22 declined 19.5% to S\$37.1 million from S\$46.1 million in 9M21. Net profit, excluding the exceptional write-down, would have amounted to S\$39.1 million in 9M22.

S\$'000	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	9M21	9M22
Revenue	181,533	193,765	196,455	195,316	198,355	190,580	195,320	571,753	584,255
Net Profit	14,694	16,641	14,768	12,624	12,837	13,309	10,974*	46,103	37,120*
Gross profit margin	17.3%	17.6%	17.1%	15.3%	15.4%	15.9%	13.7%	17.3%	15.0%
Net profit margin	8.1%	8.6%	7.5%	6.5%	6.5%	7.0%	5.6%	8.1%	6.4%

*included exceptional costs of S\$2.0 million

3Q22 REVENUE ANALYSIS

The Mechatronics Division recorded stable revenue of S\$169.3 million in 3Q22, compared to S\$168.9 million in 3Q21. This was in spite of the translational currency impact of the weaker EUR/SGD exchange rate on sales of semiconductor, medical, analytical & life sciences segments; and lower orders at the industrial automation segment.

The performance of the Mechatronics Division's main business segments are provided below:

- **Semiconductor** segment's sales increased 16.3% yoy to S\$83.3 million
- **Medical** segment's sales increased 2.5% yoy to S\$26.0 million
- **Analytical & life sciences** segment's sales decreased 8.3% yoy to S\$35.0 million
- **Industrial automation** segment's sales decreased 34.8% yoy to S\$18.6 million.

Assuming a constant EUR/SGD exchange rate vis-a-vis 3Q21, sales of the semiconductor and medical segments would have grown 21% and 13% respectively while the analytical & life sciences segment would have recorded stable sales.

The IMS Division reported revenue of S\$25.7 million in 3Q22, down 6.4% from S\$27.5 million in 3Q21. The performance of the division's main business segments are provided below:

- **Automotive** segment's sales decreased 7.1% yoy to S\$18.6 million
- **Consumer and industrial electronics** segment's sales dipped 1.5% to S\$5.1 million.

GROSS PROFIT

The Group's gross profit declined 20.2% yoy to S\$26.8 million in 3Q22. This translated to a lower gross profit margin of 13.7% in 3Q22 compared to 17.1% in 3Q21. For 9M22, the Group's gross profit margin also softened to 15.0% from 17.3% in 9M21. The contraction in 3Q22 and 9M22 gross profit margin was due mainly to inflationary cost pressures at the Europe operations.

BALANCE SHEET

As at 30 September 2022, the Group had total assets of S\$729.9 million including cash and cash equivalents of S\$159.4 million. Total liabilities stood at S\$345.0 million, of which total borrowings made up S\$124.8 million. The Group had shareholders' equity of S\$380.1 million, equivalent to net asset value of 89.02 cents per share. The Group's financial position remained sound with net cash of S\$34.5 million at the end of 3Q22.

As at 30 September 2022 (S\$'000)	
Total Assets	729,863
Total Liabilities	344,968
Cash and cash equivalents	159,394
Total Borrowings *	124,846
Net Cash	34,548

* Total Borrowings = Total Borrowings excluding Lease Liabilities

BUSINESS SEGMENT OUTLOOK

The global business environment continues to face headwinds arising from geopolitical tensions, supply constraints, cost inflation and rising interest rates. In the face of heightened economic and market uncertainty, the Group believes that its highly diverse exposure to multiple market segments and customers in the high technology industry will continue to provide resilience.

For its semiconductor business, the Group serves several customers in the front-end and back-end capital equipment industry. While there are concerns of a cyclical slowdown in the semiconductor industry, the extent and outlook varies across the Group's customer spectrum. The Group continues to secure new programs in the medical, and analytical & life sciences segments which will help to buffer against any potential slowdown in the semiconductor industry and lower order flows from the industrial automation segment.

On the cost management front, the Group expects its cost sharing efforts with customers in Europe to yield positive effect from 4Q22. In addition, the Group has entered into discussions and agreements with certain customers to allow for a more proactive approach in future with regard to managing supply chain and operational costs.

The anticipated recovery of the automotive industry is impeded by continuing supply chain challenges as well as inflationary cost pressures. As a result of constraints faced by customers, the Group's automotive business is experiencing lower volume on top of rising material and operational costs. At this juncture, there is limited visibility to ascertain when a full recovery will take place.

Based on current indicators and barring unforeseen circumstances or deterioration in the business environment, the Group expects its revenue in 2H22 to remain stable compared to 1H22.

Anticipated performances of the Group's key business segments in 2H22 as compared to 1H22:

- **Semiconductor** segment is expected to post stable revenue;
- **Medical** segment's revenue is anticipated to increase;
- **Analytical & life sciences** segment is expected to post slightly lower revenue;
- **Industrial Automation** segment's revenue is anticipated to decrease; and
- **Automotive** segment is expected to record higher revenue.

On behalf of the Board,

Dennis Au
Executive Director

28 November 2022

About Frencken Group Limited

Frencken Group is a Global Integrated Technology Solutions Company that serves world-class multinational companies in the analytical & life sciences, automotive, healthcare, industrial and semiconductor industries.

Frencken Group operates on a worldwide scale through its established local presence of 18 operating sites and over 3,600 employees across Asia, Europe and the USA. Working in partnership with its growing base of global customers, the Group unites the strengths of its strategically located businesses to create value for a wide variety of end-user markets.

Leveraging on its advanced technological and manufacturing capabilities, Frencken Group provides comprehensive Original Design, Original Equipment and Diversified Integrated Manufacturing solutions. The Group's extensive solutions span from product conceptualization, integrated design, prototyping, new product introductions, supply chain design and management, state-of-the-art value and volume manufacturing services to logistics solutions.

MEDIA AND INVESTOR RELATIONS CONTACT

OCTANT CONSULTING

phone (65) 62963583

Herman Phua | mobile 9664 7582 | email herman@octant.com.sg

Lisa Heng | mobile 9090 9887 | email lisa@octant.com.sg