



FRENCKEN GROUP LIMITED
(Company Registration No. 199905084D)

Announcement

BUSINESS UPDATE FOR 3Q23

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 2023 (“3Q23”).

3Q23 BUSINESS OVERVIEW

Companies operating in the technology sector continued to face challenging business conditions during 3Q23 amid the ongoing slowdown in the global semiconductor industry, inflationary cost pressures, elevated interest rate environment and heightened global geopolitical uncertainties.

For 3Q23, the Group reported revenue of S\$184.4 million which was a decline of 5.6% year-on-year (yoy) from 3Q22. Gross profit margin in 3Q23 contracted to 12.4% from 13.7% in 3Q22 due to lower revenue, inflationary cost pressures and increased depreciation expenses that arose from capital investments to upgrade and expand the Group’s global manufacturing facilities. Consequently, the Group’s profit attributable to equity holders of the Company (“PATMI”) declined 35.1% to S\$7.1 million in 3Q23 from S\$11.0 million in 3Q22.

On a sequential basis however, the Group’s revenue and PATMI gradually improved from 1Q23 to 3Q23.

	1Q23	2Q23	3Q23	9M23	9M22
Revenue (S\$ m)	172.5	178.5	184.4	535.4	584.3
PATMI (S\$ m)	5.2	6.9	7.1	19.2	37.1
Gross profit margin	12.3%	12.4%	12.4%	12.4%	15.0%

For the nine months ended 30 September 2023 (“9M23”), the Group reported revenue of S\$535.4 million and net profit of S\$19.2 million, which were lower compared to the previous nine-month period a year ago due to the aforementioned macroeconomic factors.

REVENUE ANALYSIS

The Mechatronics Division’s revenue eased yoy in 3Q23 as higher sales from the semiconductor, medical and analytical & life sciences segments of its Europe operations were offset by lower sales of the industrial automation and semiconductor businesses of its Asia operations. Specifically, the Mechatronics Division’s revenue softened 5.8% yoy to S\$159.5 million in 3Q23. The sales performance of this division’s main business segments in 3Q23 is provided below:

- **Semiconductor segment**
Revenue decreased 10.5% yoy to S\$74.6 million. While this segment registered increased sales in Europe due to higher orders from a key semiconductor equipment customer, it was insufficient to fully compensate for lower sales in Asia which was affected by the industry slowdown. On a qoq basis, this segment’s revenue in 3Q23 improved 15.0% as compared to S\$64.9 million in 2Q23.

- **Medical segment**
Revenue increased 19.5% yoy to S\$31.1 million due mainly to higher sales to a significant customer in Europe.
- **Analytical & life sciences segment**
Revenue increased 22.4% yoy to S\$42.9 million, buoyed by higher sales in Europe and Asia.
- **Industrial automation segment**
Revenue decreased significantly by 63.5% yoy to S\$6.8 million. Revenue of this segment is typically lumpy and dependent on a key customer's capital expenditure requirements.

Revenue of the IMS Division dipped marginally by 5.7% yoy to S\$24.3 million in 3Q23 due mainly to lower sales of the automotive and consumer & industrial electronics segments. The automotive segment's revenue decreased 5.8% yoy to S\$17.6 million while revenue from the consumer and industrial electronics segment declined 4.0% yoy to S\$4.9 million.

BALANCE SHEET HIGHLIGHTS

As at 30 September 2023, the Group had total assets of S\$687.9 million, including cash and cash equivalents of S\$136.1 million. Total liabilities stood at S\$292.6 million, of which total borrowings comprised S\$99.5 million. The Group had shareholders' equity of S\$391.1 million, equivalent to a net asset value of 91.58 cents per share. At the end of 9M23, the Group remained in a sound financial position with net cash of S\$36.6 million and a total debt-to-equity ratio of 25.4%.

BUSINESS SEGMENT OUTLOOK

The business environment is expected to remain challenging amid prevailing uncertainties in the macroeconomic backdrop. However, Frencken is confident of weathering the current headwinds due to the strength of its balance sheet and diverse exposure to multiple market segments in the high technology industry. The Group will continue to focus on its programs for existing and new customers to ensure it is well positioned for a recovery in the global economy and technology sector.

Based on current indicators and barring unforeseen circumstances, the Group expects revenue in 2H23 to be stable as compared to 1H23.

Anticipated performances of the Group's key business segments in 2H23 as compared to 1H23:

- **Semiconductor** segment is expected to post higher revenue, lifted mainly by increased sales in Europe and stable sales in Asia;
- **Medical** segment is expected to register higher revenue;
- **Analytical & life sciences** segment's revenue is anticipated to increase;
- **Industrial Automation** segment's revenue is expected to decrease and
- **Automotive** segment is anticipated to register stable revenue.

On behalf of the Board,

Dennis Au
Executive Director

22 November 2023

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 19 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.

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