



FRENCKEN GROUP LIMITED
(Company Registration No. 199905084D)

Announcement

BUSINESS UPDATE FOR 1Q22

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 31 March 2022 (“1Q22”).

FINANCIAL SNAPSHOT

For 1Q22, the Group’s revenue grew 9.3% year-on-year (yoy) to S\$198.4 million, driven primarily by double-digit sales growth of the Mechatronics Division. Higher sales of the semiconductor, analytical & life sciences and industrial automation segments in 1Q22 were partially offset by softer sales of the automotive segment which was affected by constrained customer demand as a result of semiconductor chip supply chain challenges and disruptions arising from the military conflict in Ukraine.

On a quarter-on-quarter (qoq) basis, Group revenue increased marginally from S\$195.3 million in 4Q21.

S\$'000	1Q21	2Q21	3Q21	4Q21	1Q22	y-o-y change	q-o-q change
Revenue	181,533	193,765	196,455	195,316	198,355	9.3%	1.6%
Net Profit	14,694	16,641	14,768	12,624	12,837	(12.6)%	1.7%
Gross Profit Margin	17.3%	17.6%	17.1%	15.3%	15.4%	(1.9)ppt	0.1ppt
Net Profit Margin	8.1%	8.6%	7.5%	6.5%	6.5%	(1.6)ppt	-

** Footnote (a)

The Group reported profit attributable to equity holders of the Company (“PATMI”) of S\$12.8 million in 1Q22, a decrease of 12.6% yoy from S\$14.7 million in 1Q21. This was due mainly to a decline in gross profit margin and higher selling and distribution, administrative and general expenses amid heightened supply chain challenges from the second half of FY2021. Higher prices of materials, freight and energy in 1Q22 compared to 1Q21 have driven up input costs and the Group is working on cost mitigation actions.

On a qoq basis however, the Group’s PATMI in 1Q22 edged up by 1.7% from S\$12.6 million in 4Q21.

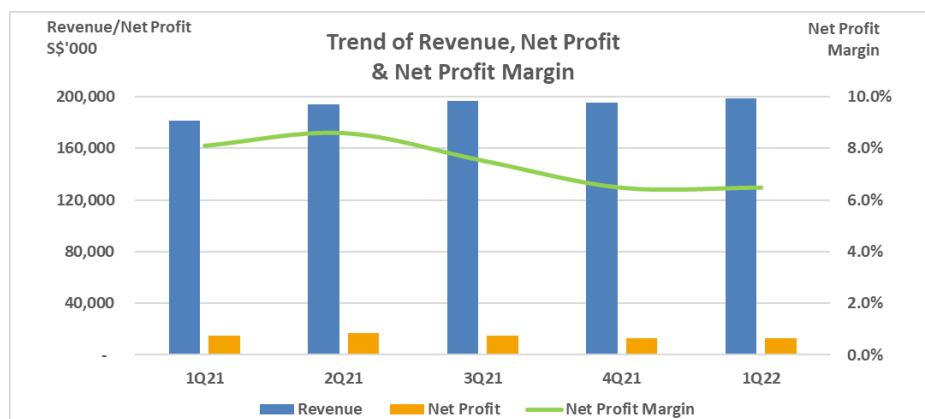
GROSS PROFIT

The Group’s gross profit eased 2.5% yoy to S\$30.5 million in 1Q22. Gross profit margin declined 1.9 percentage points (ppt) to 15.4% in 1Q22 from 17.3% in 1Q21 owing mainly to rising raw material prices amid supply chain disruptions and increased production overhead costs. The higher production overhead costs were due mainly to increases in depreciation expenses, electricity costs as well as rent, repair and maintenance costs.

** (a) Excluding EUR/SGD translational impact, 1Q22 yoy comparison would improve by an additional 2.4%.

The higher depreciation expenses in 1Q22 were attributable to significant capital investments of around S\$28.6 million during FY2021. These were in relation to upgrading and expansion programs for the Group's global manufacturing facilities and the acquisition of Avimac Pte Ltd in Singapore as part of its strategy to add space, capacity and capability to generate sustainable growth.

On qoq basis, gross profit margin in 1Q22 was stable compared to 4Q21.



REVENUE SNAPSHOT

The Group's revenue of S\$198.3 million in 1Q22 comprised sales of S\$172.8 million from the Mechatronics Division and S\$25.4 million from the IMS Division.

The Mechatronics Division's revenue increased 12.1% yoy to S\$172.8 million and accounted for 87.1% of Group revenue in 1Q22. The sales performance of its main business segments are provided below:

- **Semiconductor** segment's sales increased yoy 15.5% to S\$76.1 million
- **Medical** segment's sales was relatively stable yoy at S\$23.0 million
- **Analytical & life sciences** segment's sales grew 16.7% yoy to S\$38.9 million
- **Industrial automation** segment's sales increased 8.7% yoy to S\$31.2 million.

The IMS Division's revenue softened 6.9% yoy to S\$25.4 million to account for 12.8% of Group revenue in 1Q22. The sales performance of its main business segments is provided below:

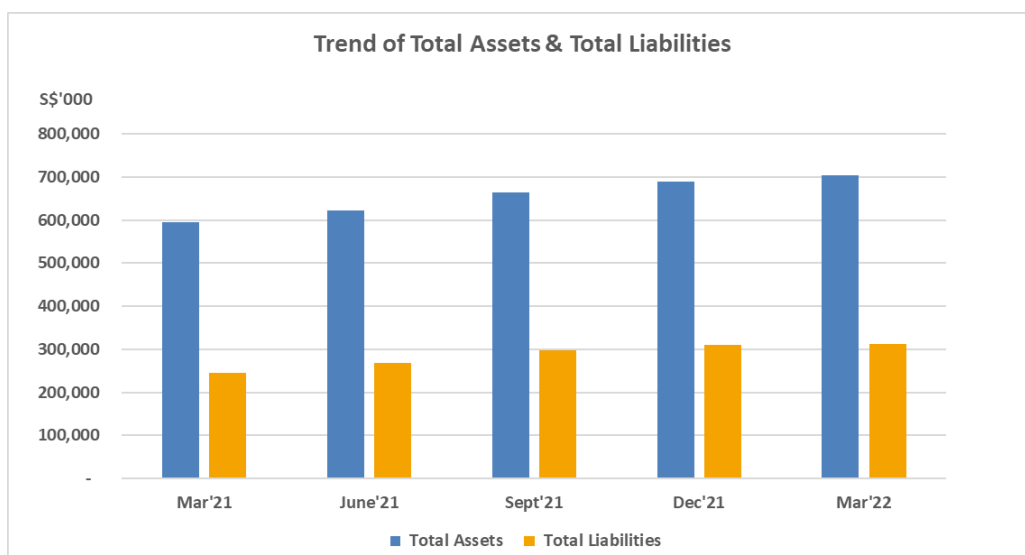
- **Automotive** segment's sales decreased 10.7% yoy to S\$19.3 million
- **Consumer and industrial electronics** segment's sales improved 3.5% yoy to S\$4.8 million.

BALANCE SHEET

As at 31 March 2022, the Group had total assets of S\$703.2 million including cash and cash equivalents of S\$178.2 million. Total liabilities stood at S\$311.9 million, of which total borrowings made up S\$105.4 million. The Group had shareholders' equity of S\$388.4 million, equivalent to net asset value of 90.96 cents per share. The Group's financial position remained strong with net cash of S\$72.8 million at the end of 1Q22.

As at 31 March 2022 (S\$'000)	
Total Assets	703,159
Total Liabilities	311,931
Cash and cash equivalents	178,180
Total Borrowings *	105,367
Net Cash	72,813

* Total Borrowings = Total Borrowings excluding Lease Liabilities



BUSINESS SEGMENT OUTLOOK

Amid the pandemic and geopolitical tensions, the global business landscape continues to be weighed down by a host of challenges ranging from supply chain disruptions, higher cost pressures from raw materials, labour and freight, rising energy prices and workforce disruptions. These factors not only affect the Group's operations, but also the production schedules of some customers which could in turn lead to deferment in orders to the Group.

With diverse exposure to multiple market segments in the high technology industry, Frencken continued to post higher revenue in 1Q22. However, the mounting supply chain challenges since the second half of 2021 had exerted pressure on the Group's profit margins. The Group envisages this pressure to show signs of easing potentially from the second half of 2022 as it continues to work on mitigating cost inflation through operational initiatives.

In tandem with its strategy to achieve sustainable, long-term growth, the Group made significant capital investments in FY2021 to add capacity and enhance capabilities, as well as expand its pool of skilled personnel. These investments for the future will see increased costs in the interim as the Group sets up and qualifies new facilities to grow potential revenue drivers.

Despite contending with various external challenges, coupled with near-term impact from its capacity expansion initiatives, the Group believes the profitable performance in 1Q22 and strong balance sheet demonstrates resilience from the high level of diversity in its business model. In FY2022, the Group will be actively working on preparation of new sites and production facilities in Europe, Singapore and Malaysia to cater for future business growth.

Based on current indicators and barring any unforeseen circumstances or unforeseen deterioration in the business environment, the Group expects a moderate increase in its revenue in 1H22 as compared to 2H21.

Anticipated performances of the Group's key business segments in 1H22 as compared to 2H21:

- **Semiconductor** segment is expected to post higher revenue;
- **Medical** segment is expected to register lower revenue;
- **Analytical & life sciences** segment is anticipated to register higher revenue;
- **Industrial Automation** segment is anticipated to post stable revenue and
- **Automotive** segment is expected to show marginal improvement in revenue

On behalf of the Board,

Dennis Au
Executive Director

17 May 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.

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