



FRENCKEN GROUP LIMITED
(Company Registration No. 199905084D)

Announcement

BUSINESS UPDATE FOR 1Q23

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 2023 (“1Q23”).

1Q23 BUSINESS OVERVIEW

The business environment for companies in the technology sector remained challenging during 1Q23 amid the steep cyclical downturn in the semiconductor industry and ongoing global geopolitical and economic uncertainties.

Against this backdrop, the Group’s revenue declined 13.0% year-on-year (yoy) to S\$172.5 million in 1Q23. The Mechatronics Division’s revenue decreased in 1Q23 as more robust sales from its Europe operations were offset by sharply lower sales of the industrial automation and semiconductor businesses at its Asia operations. The IMS Division also posted lower revenue in 1Q23 due to decreased sales of the automotive and consumer & industrial segments.

The decline in revenue, coupled with continuing inflationary cost pressures and higher depreciation expenses due to the Group’s capital investments to upgrade and expand its global manufacturing facilities, led to a contraction in gross profit margin to 12.3% in 1Q23 from 15.4% in 1Q22. Consequently, profit attributable to equity holders of the Company (“PATMI”) declined 59.5% to S\$5.2 million in 1Q23 from S\$12.8 million in 1Q22.

REVENUE ANALYSIS

The Group’s revenue of S\$172.5 million in 1Q23 includes S\$148.8 million from the Mechatronics Division and S\$22.9 million from the IMS Division.

The Mechatronics Division’s revenue softened 13.9% yoy to S\$148.8 million in 1Q23. The sales performance of this division’s main business segments in 1Q23 is provided below:

- **Semiconductor** segment’s revenue decreased 24.0% yoy to S\$57.9 million. Sales to a key customer in Europe were higher in 1Q23 compared to 1Q22. However, this was insufficient to compensate for the decline in sales in Asia, which contributed a significant portion to the semiconductor segment’s revenue in 1Q22.
- **Medical** segment’s revenue increased 30.5% yoy to S\$30.1 million due mainly to higher sales to a significant European customer.
- **Analytical & life sciences** segment’s revenue rose 2.6% yoy to S\$39.9 million, buoyed by ongoing programs in Europe and higher sales in Asia.
- **Industrial automation** segment’s revenue decreased 40.1% yoy to S\$18.7 million. This segment’s revenue is typically lumpy and dependent on the capital expenditure requirements of a key customer.

Segmental revenue of the Europe operations was adversely affected by the 6.4% depreciation of the Euro against the Group's reporting currency in SGD in 1Q23 compared to 1Q22.

The IMS Division's revenue softened 9.9% yoy to S\$22.9 million in 1Q23. The sales performance of its main business segments is provided below:

- **Automotive** segment's revenue eased 7.3% yoy to S\$17.9 million.
- **Consumer and industrial electronics** segment's revenue declined 22.2% yoy to S\$3.7 million.

BALANCE SHEET HIGHLIGHTS

As at 31 March 2023, the Group had total assets of S\$726.9 million, including cash and cash equivalents of S\$162.3 million. Total liabilities stood at S\$326.4 million, of which total borrowings comprised S\$113.8 million. The Group had shareholders' equity of S\$396.0 million, equivalent to a net asset value of 92.73 cents per share. At the end of 1Q23, the Group remained in a sound financial position with net cash of S\$48.5 million and a total debt-to-equity ratio of 28.7%.

BUSINESS SEGMENT OUTLOOK

The Group expects the business environment to remain challenging in 2023 amid ongoing global geopolitical and economic uncertainties, and the cyclical downturn in the semiconductor industry. Backed by its diverse exposure to multiple market segments in the high technology industry and the strength of its balance sheet, Frencken is confident of weathering the current headwinds and will continue to focus on investments in programs for existing and new customers. This will ensure the Group will be well positioned to capitalise on a recovery in the global economy and technology sector.

Given the challenging operating conditions, the Group maintains a cautious view for FY2023. Based on current indicators and barring unforeseen circumstances, the Group expects revenue in 1H23 to soften compared to 2H22.

Anticipated performances of the Group's key business segments in 1H23 as compared to 2H22:

- **Semiconductor** segment is expected to post softer revenue;
- **Medical** segment is expected to register stable 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

19 May 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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