

Frencken Group Ltd

Expect a stable 2H25e PATMI

SINGAPORE | TECHNOLOGY (MANUFACTURING) | 1H25 RESULTS

- 1H25 revenue/PATMI were within our expectations, at 49%/48% of our FY25e forecasts. 1H25 revenue/PATMI increase of 20%/9% YoY was driven by strength in the semiconductor segment, due to stable sales growth to a key European customer and a rebound in Asia sales. Frencken's outlook for its semiconductor segment is more muted due to potential order volatility from its customers. Nonetheless, we remain optimistic about the demand for advanced chip equipment components over the next two years, driven by Hyperscalers' strong demand for AI chips and rising sovereign AI investments.
- Frencken held its groundbreaking ceremony for its upcoming manufacturing facility in Kaki Bukit on 12 Aug 2025. Construction of the S\$63mn facility is expected to be completed 1Q27. The facility is 1.4 times the size of Frencken Mechatronics Singapore's current combined operations in Changi North and Seletar Aerospace Link, and will eventually consolidate its Mechatronics operations in Singapore.
- We maintain BUY with unchanged TP of S\$1.76. Our FY25e revenue/PATMI forecasts are unchanged. Frencken's current valuation is attractive at 16x historical P/E, compared to its local peers' 28x historical P/E. We view Frencken's CAPEX in its upcoming manufacturing facility positively, as the new facility can enhance Frencken's operational efficiency and enable it to handle more complex projects at a larger scale.

Results at a glance

US\$ bn	2Q25	2Q24	YoY	Comments
Revenue	215.6	179.1	20.4%	
- Semicon	109.5	77.3	41.6%	Rebound in sales from Asia operations
- Analytical Life Sci	41.2	44.0	-6.2%	Lower customer demand in Europe
- Medical	31.0	29.3	5.7%	Higher customer orders in Asia
- Industrial Automatn	9.1	4.7	95.5%	Increased orders from key customer
- Automotive	15.1	15.4	-1.5%	
Gross Profit	28.9	28.7	0.7%	
Gross Margin	13.4%	16.0%	-2.6%	Higher operating costs in Europe
PATMI	9.9	9.1	8.7%	
Net margins	4.6%	5.1%	-0.5%	Higher manpower costs

Source: Company, PSR

The Positives

+ Strong demand from Semiconductor segment. Semiconductor 2Q25 revenue (51% of 2Q25 revenue) increased 42% YoY, driven by a recovery in demand in some segments of the semiconductor equipment sector. Management guided semiconductor revenue to remain stable HoH in 2H25e, representing a YoY increase of about 4%. The muted growth outlook is due to potential order volatility from its customers. A key USA-based semiconductor equipment customer expects revenue and earnings to be down QoQ in 3Q25e due to nonlinear demand from leading-edge customers. However, we are still optimistic about the demand for advanced chip equipment over the next two years, as hyperscalers are more optimistic in their CAPEX guidance for AI infrastructure including AI chips, and sovereign demand is rising as well.

+ Strength in Medical and Industrial Automation segments. Medical revenue (14% of 2Q25 revenue) increased 6% YoY due to higher customer orders in Asia. Industrial automation revenue (4% of 2Q25 revenue) also rose 96% YoY due to increased orders from a key customer in data storage solutions. As management guided medical/industrial automation revenue to be stable/higher HoH in 2H25e, we believe the higher customer orders in the medical and industrial automation segments will continue in 2H25e.

20 August 2025

BUY (Maintained)

CLOSING PRICE	SGD 1.45
FORECAST DIV	SGD 0.03
TARGET PRICE	SGD 1.76
TOTAL RETURN	23.4%

COMPANY DATA

Bloomberg CODE:	FRKN SP EQUITY
O/S SHARES (MN):	427
MARKET CAP (USD mn / SGD mn):	496 / 636
52 - WK HI/LO (SGD):	1.72 / 0.83
3M Average Daily T/O (mn):	4.20

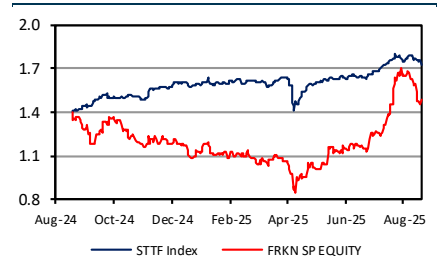
MAJOR SHAREHOLDERS

Precico Singapore Pte Ltd	9.8%
Sinn Hin Co Sdn Bhd	4.9%

TOTAL RETURN (%)

	1MTH	3MTH	YTD
COMPANY	0.0	25.0	31.6
STTF Index	1.3	9.1	15.2

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, SGD (mn)	FY23	FY24	FY25e	FY26e
Revenue	742.9	794.3	876.2	962.6
EBITDA	76.1	82.1	87.2	93.5
Net Profit	32.0	36.6	41.5	46.5
EPS (SGD cents)	7.6	8.7	9.8	11.0
P/E (X)	16.7	14.6	12.9	11.3
Dividend Yield	1.8%	2.1%	2.3%	2.7%
ROE	7.9%	8.4%	8.9%	9.3%
ROA	4.4%	5.0%	5.2%	5.5%

Source: Company, PSR

VALUATION METHOD

18x PE Multiple FY25e

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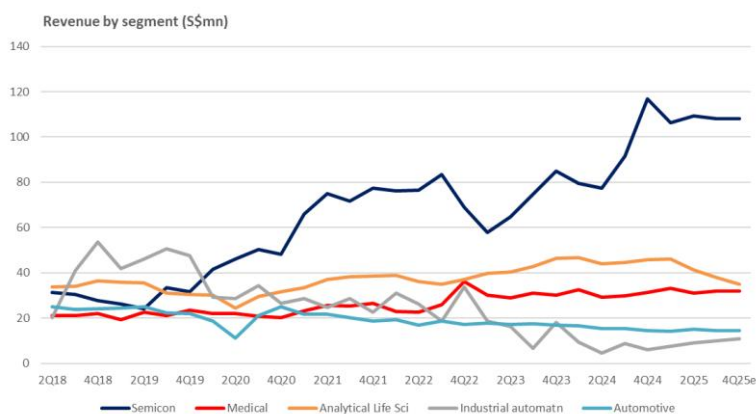
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The Negatives

- **Headwinds from Europe.** Gross margins in 2Q25 contracted 2.6ppt YoY due to higher operating costs in Europe, causing 2Q25 net margins to contract 0.5ppt YoY. Analytical life sciences revenue (19% of 2Q25 revenue) also decreased by 6% YoY because of lower customer demand in Europe amid uncertain market conditions, which we believe will persist going into 2H25e.

Figure 1: We believe the expected decline in analytical life science and automotive revenue will be supported by stable semiconductor, medical, and rising industrial automation revenue.



Source: Company, PSR

Maintain BUY with unchanged TP of S\$1.76

Our FY25e revenue/PATMI forecasts are unchanged. Frencken's current valuation is attractive at 16x historical P/E, compared to its local peers' 28x historical P/E.

Financials

Income Statement

Y/E Dec, SGD '000	FY22	FY23	FY24	FY25e	FY26e
Revenue	786,107	742,859	794,333	876,182	962,602
Gross profit	118,980	98,004	115,338	127,046	139,577
EBITDA	94,453	76,125	82,128	87,213	93,485
Depreciation & amortisation	(27,810)	(29,787)	(30,609)	(30,261)	(30,916)
EBIT	66,643	46,338	51,519	56,952	62,569
Net finance costs	(3,598)	(4,804)	(5,473)	(5,042)	(4,480)
Share of results from assoc	2	4	(2)	-	-
Profit before tax	63,047	41,538	46,044	51,910	58,089
Income tax expense	(11,410)	(9,552)	(9,415)	(10,382)	(11,618)
PATMI	51,637	31,986	36,629	41,528	46,472

Per share data (SGD cents)

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
EPS	12.1	7.6	8.7	9.8	11.0
BVPS	0.9	0.9	1.0	1.1	1.2
DPS	3.6	2.3	2.6	2.9	3.3

Cash Flow

Y/E Dec, SGD '000	FY22	FY23	FY24	FY25e	FY26e
CFO					
Profit after tax	51,637	31,986	36,629	41,528	46,472
Adjustments	43,306	43,516	49,245	49,433	50,146
WC changes	(44,101)	(8,743)	(23,010)	(14,021)	(22,170)
Cash generated from ops	50,842	66,759	62,864	76,940	74,448
Tax paid	(8,839)	(11,752)	(8,125)	(7,886)	(8,663)
Finance costs paid	(4,177)	(6,043)	(6,691)	(6,133)	(6,738)
Cashflow from ops	37,826	48,964	48,048	62,921	59,047
CFI					
CAPEX, net	(42,600)	(26,845)	(13,101)	(26,285)	(28,878)
Others	(1,878)	(452)	1,984	2,357	2,530
Cashflow from investments	(44,478)	(27,297)	(11,117)	(23,928)	(26,348)
CFE					
Loans issuance, net of repayments	(2,271)	(10,071)	3,263	3,263	3,263
Dividends paid	(17,636)	(15,544)	(9,737)	(12,592)	(14,073)
Others	(10,518)	(10,235)	(9,093)	(9,011)	(9,222)
Cashflow from financing	(30,425)	(35,850)	(15,567)	(18,339)	(20,033)
Net change in cash	(42,342)	(19,073)	25,231	20,654	12,666
CCE, end	110,268	91,195	116,426	137,080	149,746

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, SGD '000	FY22	FY23	FY24	FY25e	FY26e
ASSETS					
Cash and cash equivalents	166,989	142,631	159,199	178,260	189,241
Trade receivables	123,207	171,193	137,774	168,035	184,609
Inventories	228,821	203,396	226,465	238,081	257,054
Others	13,386	11,257	16,389	13,390	14,514
Total current assets	532,403	528,477	539,827	597,767	645,418
PPE	127,541	129,816	119,997	124,083	130,006
Right-of-use assets	38,965	49,333	47,312	46,714	47,873
Goodwill	21,503	21,348	22,017	21,905	21,177
Other	4,796	6,312	5,991	5,665	5,838
Total non-current assets	192,805	206,809	195,317	198,367	204,894
Total Assets	725,208	735,286	735,144	796,134	850,312

LIABILITIES

Trade payable	108,312	124,802	94,503	121,093	133,037
Borrowings	107,721	91,569	86,458	89,721	92,984
Others	73,927	65,869	70,001	70,535	73,989
Total current liabilities	289,960	282,240	250,962	281,349	300,010
Lease liabilities	32,422	42,276	38,549	40,174	41,171
Others	6,407	5,492	8,125	8,906	9,701
Total non-current liabilities	38,829	47,768	46,674	49,080	50,872
Total Liabilities	328,789	330,008	297,636	330,429	350,882

Equity

Share capital	2,345	2,345	2,345	2,345	2,345
Shareholder Equity	396,419	405,278	437,508	465,705	499,430

Valuation Ratios

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/E (X)	10.5	16.7	14.6	12.9	11.3
P/B (X)	1.4	1.4	1.2	1.2	1.1
EV/EBITDA (X)	6.5	5.7	5.2	4.6	4.1

Growth & Margins

Growth

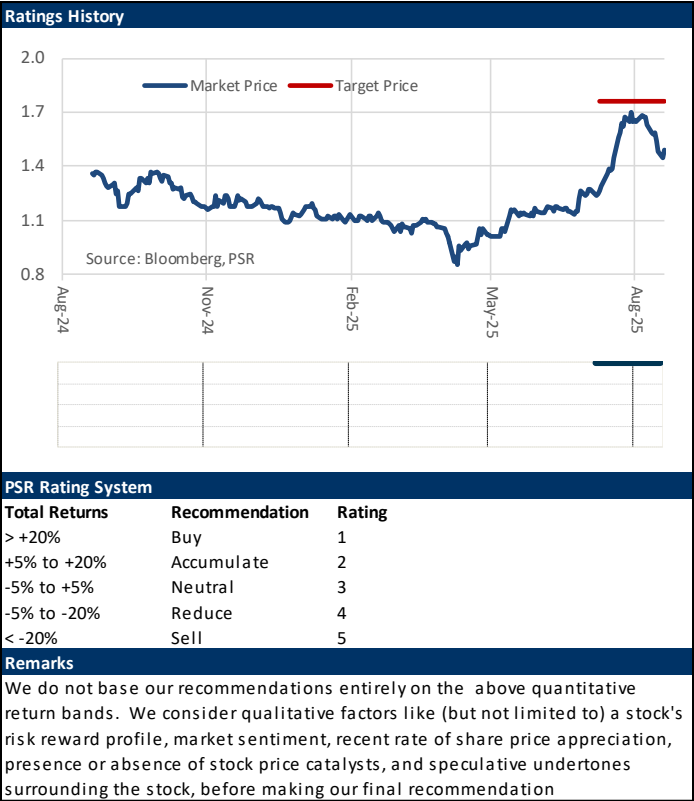
Revenue	2.5%	-5.5%	6.9%	10.3%	9.9%
EBITDA	-0.5%	-19.4%	7.9%	6.2%	7.2%
EBIT	-7.3%	-30.5%	11.2%	10.5%	9.9%
Net profit	-12.6%	-38.1%	14.5%	13.4%	11.9%

Margins

Gross margin	15.1%	13.2%	14.5%	14.5%	14.5%
EBITDA margin	12.0%	10.2%	10.3%	10.0%	9.7%
EBIT margin	8.5%	6.2%	6.5%	6.5%	6.5%
Net profit margin	6.6%	4.3%	4.6%	4.7%	4.8%

Key Ratios

ROE	13.0%	7.9%	8.4%	8.9%	9.3%
ROA	7.1%	4.4%	5.0%	5.2%	5.5%
Net Gearing	CASH	CASH	CASH	CASH	CASH



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