UOBKayHian

Company – Results | Singapore

Monday, 17 August 2026

Frencken Group (FRKN SP)

1H26: Earnings In Line With Expectation; Expect A Better 2H26

Highlights

- 1H26 earnings of S$19m (-2% yoy) is in line with expectation, meeting 43% of our full-year estimate. 2Q26 earnings of S$11m grew 14% yoy/41% qoq.
- 1H26 revenue fell 1% to S$427m mainly due to weaker semiconductor and analytical life sciences segments. Performance improved in the medical, automotive and industrial automation segments.
- Frencken expects 2H26 revenue to improve yoy and hoh. Maintain BUY with an unchanged target price of S$3.30.

1H26 Results

Year to 31 Dec (S$m)	1H26	1H25	yoy%
Revenue	427.8	431.4	(1)
PATMI	19.3	20.0	(3)
Gross margin	15.0%	14.2%	0.8ppt
Net margin	4.5%	4.6%	(0.1ppt)

Source: Frencken, UOB Kay Hian

Analysis

- **1H26 earnings of S$19m (-2% yoy) is in line with expectation,** accounting for 43% of our full-year estimate**.** In addition, Frencken Group (Frencken) gained traction in 2Q26, with earnings of S$11m uop 14% yoy/41% qoq.
- **Revenue fell across two key segments, but offset by increase in other segments.** Frencken's 1H26 revenue fell 1% yoy to S$427m mainly due to weaker semiconductor (-1% yoy) and analytical life sciences segments (-14% yoy). This was offset by better performance in the medical (+10% yoy), automotive (+10% yoy) and industrial automation (+10% yoy) segments.
- **2H26 revenue expected to be higher than 2H25 and 1H26.** The expected yoy revenue growth of key segments in 2H26 is as follows: a) semiconductor (higher), b) medical (higher), c) automotive (higher), d) analytical life sciences (stable) and e) industrial automation (lower). Demand outlook from a major front-end semiconductor equipment OEM in Asia remains solid, particularly for certain semiconductor programmes in volume production. In Europe, the mechatronics division is well positioned to support an anticipated ramp-up in activities for a major front-end semiconductor equipment customer.

Key Financials

Year to 31 Dec (S$m)	2024	2025	2026F	2027F	2028F
Net turnover	794	865	930	997	1,070
EBITDA	74	75	84	90	96
Operating profit	44	44	52	55	59
Net profit (rep./act.)	37	39	45	49	52
Net profit (adj.)	37	39	45	49	52
EPS (S$ cent)	8.7	9.2	10.6	11.4	12.2
PE (x)	30.3	28.7	24.9	23.1	21.6
P/B (x)	2.6	2.4	2.2	2.1	1.9
EV/EBITDA (x)	13.6	13.5	12.1	11.2	10.5
Dividend yield (%)	1.0	1.0	1.2	1.3	1.4
Net margin (%)	4.7	4.5	4.9	4.9	4.9
Net debt/(cash) to equity (%)	(16.7)	(29.4)	(23.7)	(25.2)	(28.2)
Interest cover (x)	13.6	18.5	19.2	19.2	19.2
ROE (%)	8.9	8.6	9.1	9.2	9.2
Consensus net profit (S$m)	-	-	44	50	58
UOBKH/Consensus (x)	-	-	1.02	0.96	0.90

Source: Frencken, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	S$2.63
Target Price	S$3.30
Upside	25.5%

Stock Data

Sector	Information Technology
Bloomberg ticker	FRKN SP
Shares issued (m)	429.3
Market cap (S$m)	1,129.1
Market cap (US$m)	882.9
3-mth avg daily t'over (US$m)	13.1

Price Performance (%)

52-week high/low: S$3.54/S$1.31

1mth	3mth	6mth	1yr	YTD
(4.7)	(22.9)	40.6	70.8	90.6

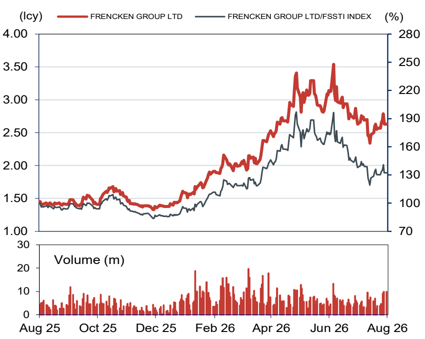
Major Shareholders (%)

Dato' Seri Gooi Soon Chai	23.77

Balance Sheet Metrics

FY26 NAV/Share (S$)	1.20
FY26 Net Cash/Share (S$)	0.28

Price Chart



Source: Bloomberg

Company Description

Frencken is a global integrated technology solutions company. The group provides ODM and OEM services for the automotive, healthcare, industrial, analytical & life sciences and semiconductor industries.

- **To reach S$1b in annual revenue and sustain growth beyond this milestone,** Frencken plans to employ a two-pronged strategy comprising organic expansion initiatives, and strategic investments/M&As to add new growth engines. Frencken is exploring and evaluating investment opportunities that could complement existing businesses, bring new capabilities, and/or enhance growth potential. Based on the current trajectory of its core businesses and barring any unforeseen events, Frencken envisages crossing the S$1b annual revenue mark by 2028, if not earlier.
- **To capitalise on the semiconductor upcycle which is expected to stretch through at least 2027 and possibly 2028,** Frencken's Mechatronics Asia and Mechatronics Europe will continue to align its capacity and capabilities to key customers' needs and product roadmap. With a new facility in Singapore that is scheduled to be ready by 2H27, Frencken believes its mechatronics division will be better positioned to address the production needs of its key customers.
- **According to SEMI, global sales of total semiconductor manufacturing equipment are projected to reach a record high in 2026**. This growth momentum is anticipated to continue through 2028 as AI-related demand for more powerful chips will drive investments across the semiconductor capital equipment market.

Valuation/Recommendation

- **Maintain BUY and target price of S$3.30,** pegged to 29x 2027F PE, based on 3SD above mean PE. The 3SD in our PE multiple peg is to capture the recovery of the semiconductor cycle and to account for Frencken's strengths because of its local-for-local manufacturing capabilities and diversified geographical manufacturing facilities.

Earnings Revision/Risk

- We maintain our financial estimates.

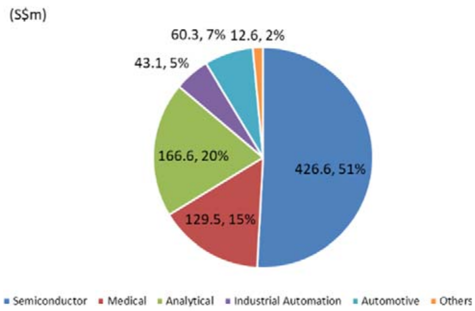
Share Price Catalyst

- Higher-than-expected factory utilisation rates and better cost management

Long-term Historical PE Band

Source: UOB Kay Hian

Revenue By Segment (2025)



Source: Frencken, UOB Kay Hian

Peer Comparison

Company	Ticker	Trading Curr (lcy)	Price @ 14 Aug 26 (lcy)	Market Cap (US$m)	PE 2026 (x)	PE 2027 (x)	P/B 2026 (x)	P/B 2027 (x)	EV/EBITDA 2026 (x)	EV/EBITDA 2027 (x)	ROE 2026 (%)	Yield 2026 (%)
AEM	AEM SP	SGD	10.46	2,613	38.1	33.4	6.0	5.3	27.0	24.1	16.7	0.7
UMS	UMSH SP	SGD	2.72	1,889	33.6	28.6	5.3	4.8	21.4	18.7	16.2	1.8
Venture	VMS SP	SGD	16.90	3,797	19.9	19.0	1.7	1.7	12.9	12.3	8.7	4.7
Singapore average					30.5	27.0	4.3	3.9	20.4	18.4	13.9	2.4
Kulicke & Soffa	KLIC US	USD	95.80	5,013	24.8	16.2	n.a.	n.a.	17.8	10.0	22.7	0.9
ASML	ASML NA	EUR	1608.4	721,437	44.0	31.4	23.8	17.3	34.4	25.7	60.2	0.6
Applied Materials	AMAT US	USD	534.54	424,403	42.5	29.9	16.2	13.0	36.1	25.2	42.7	0.4
Lam Research	LRCX US	USD	337.01	421,708	58.2	36.1	33.8	21.6	48.6	29.4	65.1	0.3
KLA Corp	KLAC US	USD	209.37	273,552	56.9	38.0	43.1	26.0	44.9	30.6	87.5	2.8
Teradyne	TER US	USD	410.52	64,181	46.6	35.8	17.3	14.0	35.5	27.8	42.0	0.1
Global average					45.5	31.3	26.8	18.4	36.2	24.8	53.4	0.8
UWC	UWC MK	MYR	6.70	1,810	75.3	50.0	12.2	9.4	48.1	31.3	18.4	0.0
Sam Engineering	SEQB MK	MYR	4.50	745	39.1	29.0	2.2	2.1	15.2	13.4	6.5	0.6
Coraza Integrated	CORAZA MK	MYR	1.19	145	29.0	23.3	3.5	3.1	12.2	10.3	10.8	n.a.
Greatech	GREATEC MK	MYR	2.73	1,680	37.9	28.4	5.8	4.9	27.3	19.9	16.8	0.1
Inari Amertron	INRI MK	MYR	2.42	2,274	47.5	35.6	3.3	3.2	25.9	20.4	7.0	1.9
Northeast	NE MK	MYR	1.16	210	24.2	21.1	n.a.	n.a.	15.9	13.1	12.0	n.a.
Oppstar	OPPSTAR MK	MYR	0.735	116	61.3	61.3	3.7	3.3	123.9	26.6	6.1	n.a.
Pentamaster	PENT MK	MYR	5.51	959	51.0	35.1	4.6	4.1	25.4	19.5	8.8	0.3
Vitrox	VITRO MK	MYR	9.29	4,307	59.2	46.9	13.2	11.1	47.8	39.5	23.6	0.4
Malaysia average					47.2	36.7	6.1	5.2	38.0	21.5	12.2	0.6
Frencken	FRKN SP	SGD	2.63	883	24.9	23.1	2.2	2.1	13.5	12.5	9.1	1.2

Source: Bloomberg, UOB Kay Hian

Profit & loss

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Net turnover	865.1	930.3	997.2	1,070.3
EBITDA	75.2	83.9	90.1	96.3
Deprec. & amort.	30.8	32.4	34.7	37.0
EBIT	44.3	51.5	55.4	59.3
Total other non-operating income	9.1	9.3	10.0	10.7
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(4.1)	(4.4)	(4.7)	(5.0)
Pre-tax profit	49.4	56.4	60.7	65.0
Tax	(10.1)	(11.3)	(12.1)	(13.0)
Minorities	(0.2)	0.0	0.0	0.0
Net profit	39.1	45.2	48.6	52.0
Net profit (adj.)	39.1	45.2	48.6	52.0

Balance Sheet

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Fixed assets	185.9	193.6	198.9	202.0
Other LT assets	30.0	30.5	31.3	32.1
Cash/ST investment	161.9	143.9	160.4	187.0
Other current assets	362.5	436.6	452.1	477.4
Total assets	740.2	804.6	842.8	898.6
ST debt	21.7	21.7	21.7	21.7
Other current liabilities	173.6	204.9	207.6	223.2
LT debt	0.6	0.6	0.6	0.6
Other LT liabilities	65.5	61.4	66.6	74.4
Shareholders' equity	475.3	512.5	547.5	584.9
Minority interest	3.6	3.6	3.6	3.6
Total liabilities & equity	740.2	804.6	847.5	908.3

Cash flow

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Operating	103.5	27.7	75.5	87.0
Pre-tax profit	49.4	56.4	60.7	65.0
Tax	(11.1)	(9.9)	(10.7)	(12.4)
Deprec. & amort.	30.8	32.4	34.7	37.0
Associates	0.0	0.0	0.0	0.0
Working capital changes	47.1	(51.2)	(9.2)	(2.6)
Non-cash items	(12.7)	0.0	0.0	0.0
Other operating cashflows	0.0	0.0	0.0	0.0
Investing	(16.5)	(36.3)	(39.3)	(39.2)
Capex (growth)	(13.1)	(40.0)	(40.0)	(40.0)
Investment	0.0	0.0	0.0	0.0
Proceeds from sale of assets	0.5	0.0	0.0	0.0
Others	(4.0)	3.7	0.7	0.8
Financing	(42.6)	(16.9)	(19.7)	(21.2)
Dividend payments	(11.1)	(11.1)	(13.5)	(14.6)
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(64.4)	0.0	0.0	0.0
Others/interest paid	32.9	(5.8)	(6.2)	(6.6)
Net cash inflow (outflow)	44.4	(25.5)	16.5	26.6
Beginning cash & cash equivalent	159.2	161.9	143.9	160.4
Changes due to forex impact	(41.7)	7.5	0.0	0.0
Ending cash & cash equivalent	161.9	143.9	160.4	187.0

Key Metric

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	8.7	9.0	9.0	9.0
Pre-tax margin	5.7	6.1	6.1	6.1
Net margin	4.5	4.9	4.9	4.9
ROA	5.3	5.8	5.9	6.0
ROE	8.6	9.1	9.2	9.2
Growth				
Turnover	8.9	7.5	7.2	7.3
EBITDA	1.3	11.6	7.4	6.9
Pre-tax profit	7.2	14.3	7.6	7.1
Net profit	5.4	15.4	7.6	7.1
Net profit (adj.)	5.4	15.4	7.6	7.1
EPS	5.4	15.4	7.6	7.1
Leverage				
Debt to total capital	4.4	4.1	3.9	3.6
Debt to equity	4.7	4.3	4.1	3.8
Net debt/(cash) to equity	(29.4)	(23.7)	(25.2)	(28.2)
Interest cover (x)	18.5	19.2	19.2	19.2