Frencken Group (FRKN SP)

3Q26: Strong Momentum; More Positive Growth Outlook

Highlights

- 9M26 revenue and PATMI rose to S$666m (+3.6% yoy) and S$32m (+8.1% yoy), and accounted for 71.6% and 71.5% of our full-year forecasts respectively, in line with expectations.
- 3Q26 revenue rose 12.8% yoy to S$239m, driven by semiconductor (+25.9% yoy) and medical (+26.1% yoy) growth.
- Frencken expects 2H26 revenue to improve yoy and hoh. The strong momentum is expected to continue into 2027. Maintain BUY. Target price: S$2.15.

3Q26/9M26 Results

Year to 31 Dec (S$m)	3Q26	2Q26	3Q25	qoq%	yoy%	9M26	yoy%
Revenue	238.5	225.8	211.5	5.6	12.8	666.3	3.6
Gross profit	37.9	35.5	31.3	7.0	21.1	101.9	10.9
Gross profit margin	15.9%	15.7%	14.8%	0.2ppt	1.1ppt	15.3%	1.0ppt
Net profit	13.0	11.3	9.9	15.5	31.3	32.3	8.1
Net profit margin	5.5%	5.0%	4.7%	0.4ppt	0.8ppt	4.8%	0.2ppt

Source: Frencken, UOB Kay Hian

Analysis

- **9M26 results broadly in line with expectations.** Frencken reported 3Q26 revenue of S$238.5m (+12.8% yoy, +5.6% qoq), driven by strong semiconductor sales in Asia and improving business activities in Europe. PATMI rose 31.3% yoy and 15.5% qoq to S$13.0m, supported by gross margin expanding 1.1ppt yoy to 15.9%. 9M26 revenue and PATMI increased 3.6% and 8.1% yoy to S$666.3m and S$32.3m respectively, representing 71.6% and 71.5% of our full-year forecasts.
- **Semiconductor and medical segments drove revenue growth.** The mechatronics division's 3Q26 revenue rose 13.4% yoy to S$214.3m, driven by semiconductor (+25.9% yoy to S$124.8m) and medical (+26.1% yoy to S$39.9m) sales. Semiconductor growth was supported by strong Asian sales and sequential improvements in Europe, while medical benefitted from higher European orders. Meanwhile, analytical life sciences (-8.6% yoy) and industrial automation (-39.9% yoy) declined due to softer European demand and lower orders from a major customer. Automotive revenue rose 10.0% yoy to S$17.2m on higher radar antenna sales.
- **Positive 2H26 outlook maintained; semiconductor remains key growth driver.** Management expects 2H26 and 2026 revenue and net profit to increase yoy, supported by strong customer demand. Semiconductor growth in Asia will be driven by additional customer programmes, while Europe continues to recover despite supply constraints.

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	10.2	10.3	11.0
PE (x)	19.6	18.6	16.7	16.6	15.5
P/B (x)	1.7	1.5	1.3	1.2	1.2
EV/EBITDA (x)	8.0	7.8	7.0	6.5	6.1
Dividend yield (%)	1.5	1.5	1.7	1.8	1.9
Net margin (%)	4.7	4.5	4.9	4.9	4.9
Net debt/(cash) to equity (%)	(16.7)	(29.4)	(35.9)	(36.5)	(38.4)
Interest cover (x)	13.6	18.5	19.2	19.2	19.2
ROE (%)	8.9	8.6	8.3	7.7	7.8
Consensus net profit (S$m)	-	-	45	55	64
UOBKH/Consensus (x)	-	-	1.00	0.88	0.82

Source: Frencken, Bloomberg, UOB Kay Hian

Analyst(s)

John Cheong
johncheong@uobkh.com
+65 6590 6623

BUY (Maintained)

Share Price	S$1.70
Target Price	S$2.15
Upside	26.5%
Previous TP	S$3.30

Stock Data

Sector	Information Technology
Bloomberg ticker	FRKN SP
Shares issued (m)	473.6
Market cap (S$m)	805.1
Market cap (US$m)	624.5
3-mth avg daily t'over (US$m)	9.9

Price Performance (%)

52-week high/low				S$3.54/S$1.31
1mth	3mth	6mth	1yr	YTD
(25.1)	(37.3)	(39.5)	17.2	23.2

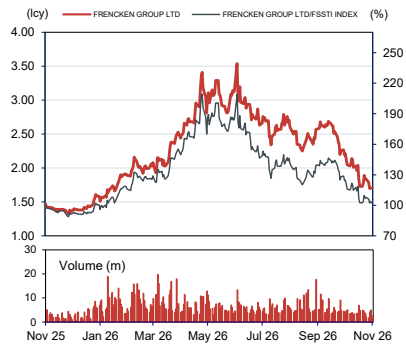
Major Shareholders (%)

Dato' Seri Gooi Soon Chai	23.77

Balance Sheet Metrics

FY26 NAV/Share (S$)	1.29
FY26 Net Cash/Share (S$)	0.46

Price Chart



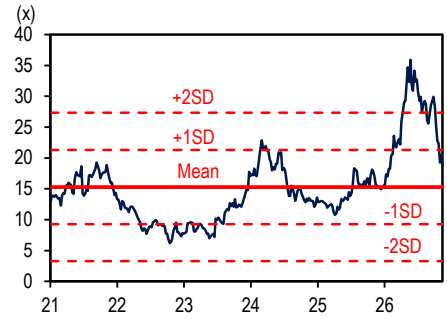
Source: Bloomberg

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.

- Medical and automotive revenue are also expected to grow yoy in 2H26, although medical growth may moderate following the strong tender-driven 3Q26 performance. Meanwhile, analytical life sciences revenue should remain stable, while industrial automation revenue is expected to decline due to lower orders from a major data storage solutions provider.
- **Capacity expansion to support semiconductor growth into 2027.** Frencken expects continued growth in 2027, supported by favourable semiconductor industry conditions, a healthy order pipeline and improving customer demand. Frencken's European mechatronics operations are ramping activities for a major front-end equipment customer, with order inflows expected to increase in 2027. The group's new Singapore facility, scheduled to come on-stream in 2H27, will provide additional capacity to support production growth. However, geopolitical uncertainties, foreign exchange volatility and evolving trade policies remain potential risks.
- **Strategic investments and new business pillars to support S$1b revenue target.** Frencken remains confident of achieving S$1b in annual revenue by 2028 or earlier, supported by organic expansion, strategic investments and M&A. Following its Sep 26 share placement, which raised approximately S$97.1m in net proceeds, the group held net cash of S$166.8m, providing financial flexibility for expansion. Frencken is also exploring technology businesses with recurring revenue potential and developing plastic gearboxes for service robots and humanoids, although this remains at the prototype stage.

Long-term Historical PE Band



Source: UOB Kay Hian

Valuation/Recommendation

- **Maintain BUY with a 35% lower target price of S$2.15 (previously S$3.30),** implying 26.5% upside. Our target price is pegged to 21x 2027F PE (+1SD above historical mean), down from 29x (+3SD), reflecting the overall sector de-rating. The premium to historical mean remains supported by the semiconductor upcycle, Frencken's local-for-local manufacturing capabilities and diversified geographical presence.

Earnings Revision/Risk

- We maintain our financial estimates. Potential risks include ongoing supply chain constraints, rising operating costs and delays in customer programmes, although healthy semiconductor demand and ongoing capacity expansion should support growth.

Share Price Catalyst

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

Peer Comparison

		Trading	Price @	Market	---------- PE ----------		---------- P/B ----------		------ EV/EBITDA ----		ROE	Yield
Company	Ticker	Curr	19 Nov 26	Cap	2026	2027	2026	2027	2026	2027	2026	2026
		(lcy)	(lcy)	(US$m)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
AEM	AEM SP	SGD	6.30	1,559	18.2	17.4	3.5	3.0	13.1	12.2	20.7	1.4
UMS	UMSH SP	SGD	1.73	1,263	21.2	17.5	2.7	2.5	13.7	11.6	15.0	2.9
Venture	VMS SP	SGD	14.46	3,219	16.9	15.9	1.5	1.5	10.3	9.8	8.8	5.5
Singapore average					**18.7**	**16.9**	**2.6**	**2.3**	**12.4**	**11.2**	**14.8**	**3.3**
Kulicke & Soffa	KLIC US	USD	66.99	3,506	19.2	12.1	3.6	n.a.	n.a.	6.7	20.2	1.2
ASML	ASML NA	EUR	1309.4	558,760	31.5	22.9	20.3	13.8	25.4	18.3	70.0	0.7
Applied Materials	AMAT US	USD	352.3	279,584	27.7	18.4	10.7	8.6	23.7	15.3	43.4	0.6
Lam Research	LRCX US	USD	211.67	264,412	36.6	21.9	21.2	14.8	30.2	17.6	65.1	0.5
KLA Corp	KLAC US	USD	144.88	189,069	39.4	25.0	29.8	20.5	31.1	20.4	87.5	4.1
Teradyne	TER US	USD	235.21	36,722	24.9	19.2	9.8	7.6	19.4	14.8	42.9	0.2
Global average					**29.9**	**19.9**	**15.9**	**13.1**	**26.0**	**15.5**	**54.8**	**1.2**
UWC	UWC MK	MYR	5.83	1,566	68.5	37.1	11.2	8.7	41.6	26.3	17.9	0.0
Sam Engineering	SEQB MK	MYR	3.46	570	28.8	20.4	1.7	1.6	12.8	10.4	5.6	0.7
Coraza Integrated	CORAZA MK	MYR	1.13	137	28.3	19.8	3.3	2.8	11.8	9.1	12.6	n.a.
Greatech	GREATEC MK	MYR	2.51	1,536	40.5	26.4	5.4	4.6	28.6	18.8	14.2	0.1
Inari Amertron	INRI MK	MYR	2.23	2,105	66.6	31.4	3.1	2.9	38.4	18.0	4.6	2.1
Northeast	NE MK	MYR	0.985	177	19.7	17.6	n.a.	n.a.	9.5	8.7	12.7	0.0
Oppstar	OPPSTAR MK	MYR	0.42	66	30.0	22.1	2.1	2.1	n.a.	n.a.	n.a.	n.a.
Pentamaster	PENT MK	MYR	4.95	857	50.0	31.7	4.1	3.7	22.9	16.9	8.1	0.3
Vitrox	VITRO MK	MYR	9.31	4,293	50.1	39.6	12.7	10.5	42.5	34.6	26.9	0.5
Malaysia average					**42.5**	**27.4**	**5.5**	**4.6**	**26.0**	**17.9**	**12.8**	**0.5**
Frencken	FRKN SP	SGD	1.70	624	16.1	14.9	1.4	1.3	8.2	7.6	9.1	1.9

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	241.0	257.5	284.1
Other current assets	362.5	436.6	452.1	477.4
Total assets	**740.2**	**901.7**	**939.9**	**995.7**
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	609.6	644.6	682.0
Minority interest	3.6	3.6	3.6	3.6
Total liabilities & equity	**740.2**	**901.7**	**944.6**	**1,005.4**

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)**	**80.2**	**(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	91.3	(6.2)	(6.6)
Net cash inflow (outflow)	**44.4**	**71.6**	**16.5**	**26.6**
Beginning cash & cash equivalent	**159.2**	**161.9**	**241.0**	**257.5**
Changes due to forex impact	(41.7)	7.5	0.0	0.0
Ending cash & cash equivalent	**161.9**	**241.0**	**257.5**	**284.1**

Key Metric

Year to 31 Dec (%)	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	5.5	5.3	5.4
ROE	8.6	8.3	7.7	7.8
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	11.0	0.8	7.1
Leverage				
Debt to total capital	4.4	3.5	3.3	3.1
Debt to equity	4.7	3.7	3.5	3.3
Net debt/(cash) to equity	(29.4)	(35.9)	(36.5)	(38.4)
Interest cover (x)	18.5	19.2	19.2	19.2

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