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Issuer: Frencken Group Limited

Stock code: E28

Meeting details:

Date: 25 Apr 2025

Time: 2.30 p.m.

Venue: Pan Pacific Hotel, Ocean 6 (Level 2), 7 Raffles Boulevard, Marina Square, Singapore 039595

Q1. For the year ended 31 December 2024, group revenue grew 6.9% to \$794.3 million, with net profit attributable to shareholders increasing 14.3% to \$37.1 million.

The semiconductor segment led the performance, rebounding strongly on the back of growing demand in Europe. Management noted that the group's semiconductor business "*expanded steadily even during the industry's downturn in FY2023*", supported by increased customer orders and new product introduction (NPI) programmes.

Segment revenue rose 29.4% to \$365.5 million, driven by a key European customer and a recovery in Asian sales.

- (i) **Does the group own any intellectual property related to its semiconductor products or manufacturing processes, such as relating to Reticle Masking (ReMa) modules?**
- (ii) **What are the key risk factors identified by the board in the semiconductor business, and how is management addressing them?**
- (iii) **Does the group currently have spare capacity within its semiconductor manufacturing network to support continued growth? What was the average plant utilisation rate in FY2024?**

Q2. In 2024, the group invested in a new manufacturing facility in the USA where will produce various solutions, including linear motors used in wafer fabrication equipment. Further investment in ultra cleaning equipment is planned for FY2025 to support existing operations and anticipated growth.

- (i) What were the board’s strategic and operational considerations in selecting the USA as a manufacturing base? How do the uncertainties in the macroeconomy impact the group’s plans, such as the planned 2025 expansion in ultra cleaning equipment?**
- (ii) What will be the level of automation at the new USA manufacturing facility and what is the cost advantage of the new site?**
- (iii) In light of rising geopolitical tensions and trade protectionism, how has the board reassessed the group’s manufacturing footprint, customer exposure, and long-term capex strategy?**

Q3. Finance costs rose 13.9% to \$6.9 million in FY202, largely due to higher utilisation of working capital financing while finance income received was only \$1.4 million (page 91). Of the total finance costs, \$5.33 million related to bank borrowings, and \$1.53 million to lease liabilities.

FINANCIAL HIGHLIGHTS

	2023	2024	CHANGE
3. Solvency Profile	\$'000	\$'000	%
Cash and cash equivalents	142,631	159,199	11.6
Borrowings	92,049	86,605	(5.9)
Net cash	50,582	72,594	43.5
Interest cover ratio ⁽²⁾	7.9	7.7	(2.5)

(Adapted from company annual report)

As shown in the financial highlights, the group reported net cash holdings of \$72.6 million.

- (i) **Given the group's substantial net cash position, what measures has management taken—or is the board considering—to optimise working capital efficiency and reduce unnecessary financing costs? Has the board provided guidance on liquidity and treasury management discipline?**

In addition, the group has short-term funds of \$61.2 million placed with financial institutions in Malaysia (page 142). Based on the group's currency risk disclosure on page 159, the group has cash and cash equivalents in Malaysian ringgit (MYR) amounting to \$71.7 million.

23 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
Short-term funds placed with Malaysian financial institutions	61,182	46,595	-	-
Fixed deposits	18,424	21,247	16,800	17,000
Cash and bank balances	79,593	74,789	331	1,752
	159,199	142,631	17,131	18,752
Less: Bank overdrafts (Note 27)	(42,609)	(51,238)	-	-
Less: Deposits pledged as securities	(164)	(198)	-	-
Cash and cash equivalents in the statement of cash flows	116,426	91,195	17,131	18,752

- (ii) **What is the strategic rationale for holding a significant portion of cash in MYR? Has the board given specific guidance on managing currency risk, especially in relation to operating needs, natural hedging and capital allocation?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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