

Singapore Company Focus

Frencken Group Limited

Bloomberg: FRKN SP | Reuters: FREN.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

15 Apr 2019

BUY

(Initiating Coverage)

Last Traded Price (12 Apr 2019): S\$0.60 (STI : 3,331.98)

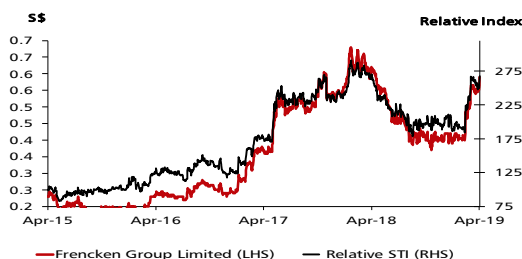
Price Target 12-mth: S\$0.75 (25% upside)

Potential Catalyst: New customers and products; positive US-China trade developments

Analyst

Lee Keng LING +65 6682 3703 leekeng@db.com

Price Relative



Forecasts and Valuation

FY Dec (\$m)	2017A	2018A	2019F	2020F
Revenue	515	626	677	741
EBITDA	45.2	61.5	67.6	73.4
Pre-tax Profit	40.4	40.2	47.7	51.8
Net Profit	33.4	30.0	35.7	38.8
Net Pft (Pre Ex.)	23.0	33.9	35.7	38.8
EPS (S cts)	8.03	7.12	8.48	9.22
EPS Pre Ex. (S cts)	5.52	8.05	8.48	9.22
EPS Gth (%)	105	(11)	19	9
EPS Gth Pre Ex (%)	41	46	5	9
Diluted EPS (S cts)	8.03	7.12	8.48	9.22
Net DPS (S cts)	2.39	2.14	2.54	2.76
BV Per Share (S cts)	59.4	62.8	68.8	75.2
PE (X)	7.5	8.4	7.1	6.5
PE Pre Ex. (X)	10.9	7.5	7.1	6.5
P/Cash Flow (X)	7.2	10.1	4.5	5.9
EV/EBITDA (X)	5.5	4.2	3.5	3.1
Net Div Yield (%)	4.0	3.6	4.2	4.6
P/Book Value (X)	1.0	1.0	0.9	0.8
Net Debt/Equity (X)	CASH	0.0	CASH	CASH
ROAE (%)	13.5	11.3	12.3	12.2

Consensus EPS (S cts):

Other Broker Recs: B: 1 S: 0 H: 0

ICB Industry : Industrials

ICB Sector: Electronic & Electrical Equipment

Principal Business: Frencken Group is a high-technology capital equipment, automotive and consumer product solution provider of complete and integrated one-stop outsourcing solutions to a diversified customer base comprising of renowned global companies.

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

Beauty of diversification

- Initiate coverage with BUY and 25% potential upside to S\$0.75 TP
- Diversification of business segments, manufacturing facilities and customer base brings resilience and stability
- Benefitting from technological advancement and rising transformation trend
- Attractive valuations - trading at steep discount to peers PE and offers c.4% dividend yield

Diversification brings resilience and stability. Frencken has a strong presence in a wide variety of industries and business segments, with a global customer base. It operates five key segments - Automotive, Analytical & Life Science, Medical, Semiconductor and Industrial & Industrial Automation. Design and manufacturing sites are located close to customers and span across three regions - USA, Europe and Asia, in 16 locations.

Beneficiary of technological advancement. The accelerating scope of technological changes, like data analytics and Internet of Things (IoT), as well as the transformation of the Automotive industry and advances in the Analytical and Medical segments are some of the key drivers for Frencken's business.

Attractive valuation with c.4% yield. At 7.1x FY19F and 6.5x FY20F earnings, Frencken is trading at about 40% discount to peers' average of 12x PE, which is too steep, in our view. Furthermore, the stock is supported by a dividend yield of about 4% to 5%, based on a 30% payout ratio.

Valuation:

Initiate with BUY, TP: S\$0.75 for 25% upside. We believe a target valuation of 8.5x PE based on blended FY19F and F20F earnings is fair, pegged to a 20% discount to peer average, given its smaller scale. This valuation peg also coincides with its +1SD PE band. Accordingly, we derive a target price of S\$0.75 per share, which translates to an upside of 25% from the current price.

Key Risks to Our View:

Dependent on global market conditions. As Frencken has exposure to customers in the US, EU and Asia, a broad global economic slowdown could impact demand and earnings.

At A Glance

Issued Capital (m shrs)	422
Mkt. Cap (S\$m/US\$m)	253 / 188
Major Shareholders (%)	
Low Heang Thong	6.32
Micro Compact Sdn Bhd	6.23
Precico Singapore	6.19
Free Float (%)	81.26
3m Avg. Daily Val (US\$m)	0.46



Live more, Bank less

Investment Summary

Initiate with BUY, TP: S\$0.75 for 25% potential upside. We initiate coverage on Frencken with a BUY call and target price of S\$0.75, which implies potential upside of 25% from current price. We like Frencken for its diversification in terms of business segments, location of manufacturing facilities and customer base. We believe that current PE valuation of 7.1x FY19F and 6.5x FY20F earnings, standing at about 40% discount to peers' average of 12x, is too steep. Furthermore, the stock is supported by a dividend yield of about 4% to 5%, based on a 30% payout ratio.

Diversification brings resilience and stability. Frencken is present in a wide variety of markets and business segments, with a global customer base.

Frencken has two key business divisions - Mechatronics and Integrated Manufacturing Services (IMS) - which can be further classified under five key business segments – Automotive, Analytical & Life Science, Industrial Automation, Medical and Semiconductor.

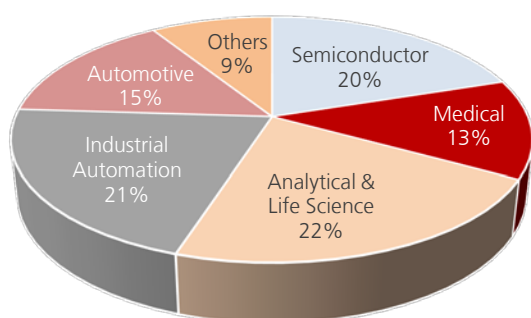
Analytical & Life Science, Medical, Semiconductor and Industrial & Industrial Automation. The diversification helps to buffer the Group from adverse impact from a cyclical downturn of a particular industry and in turn brings resilience and stability to the Group.

Frencken's design and manufacturing sites span across three regions – USA, Europe and Asia, in 16 locations. For now, there is no urgent need for Frencken to diversify out of China as China only accounts for five (excluding the Chuzhou plant expected to be ready in mid 2019) out of the 16 locations.

Attractive valuation with c.4% yield. At current PE valuation of 7.1x FY19F and 6.5x FY20F earnings, Frencken is trading at about 40% discount to peers' average of 12x, which is too steep, in our view. Furthermore, the stock is supported by a dividend yield of about 4% to 5%, based on a 30% payout ratio.

Diversification with five key segments

% of FY18 revenue



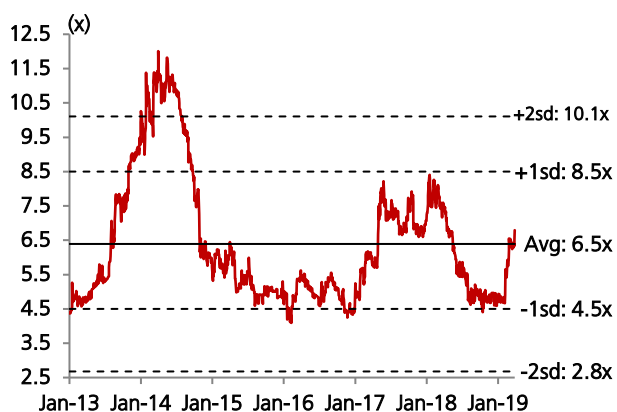
Source: Company, DBS Bank

16 manufacturing sites

Mechatronics Division	IMS Division
6 Global Centres	10 Global Centres (excl. Chuzhou, China in mid 2019)
Eindhoven, Netherlands	Noida, India
Reuver, Netherlands	Bangkok, Thailand
Bangi, Malaysia	Selangor, Malaysia
Singapore	Johor, Malaysia
Wuxi, China	Singapore
Spokane, USA	Jakarta, Indonesia
	Zhuhai (Jinding and Nanshui), China
	Tianjin, China
	Chuzhou, China (mid 2019)
	Rotterdam, Netherlands
	Grenchen, Switzerland

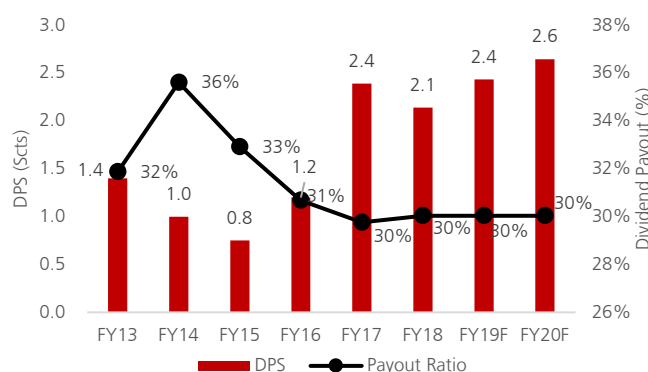
Source: Company, DBS Bank

12-month forward PE



Source: Company, DBS Bank

DPS and payout ratio



Source: Company, DBS Bank

Diversified blue chip customer base; largest customer accounts for 20% of total revenue. Frencken's customers are mainly market leaders in their respective sectors. In the automotive segment, its customers are tier #1 and OEM automotive companies. In the semiconductor space, its customers are market leaders for wafer fabrication, diagnostics and backend integrated circuit process equipment. In FY18, the top four major customers accounted for 48% of the trade receivables. These four customers are involved in different spectrum of industries and are exposed to a variety of end markets to which they sell. The largest customer, which is from the Mechatronics division, accounts for 25.6% of the revenue for this division, and 20% of total revenue.

Frencken's customers are also located globally, with about 51% from Asia (13% from China), 42% from Europe, 5% from USA and the balance 2% from other regions, based on FY18 revenue. A diversified customer base would help to minimise any negative impact from the ongoing US-China trade war.

Offers full suite of services. One of Frencken's competitive edge is that it is a one-stop global integrated technology solutions provider.

The Group offers end-to-end solutions across the entire customer value chain - from product conceptualisation, integrated design, prototyping and new product introductions, to supply chain design and management, state-of-the-art value and volume manufacturing and logistics services.

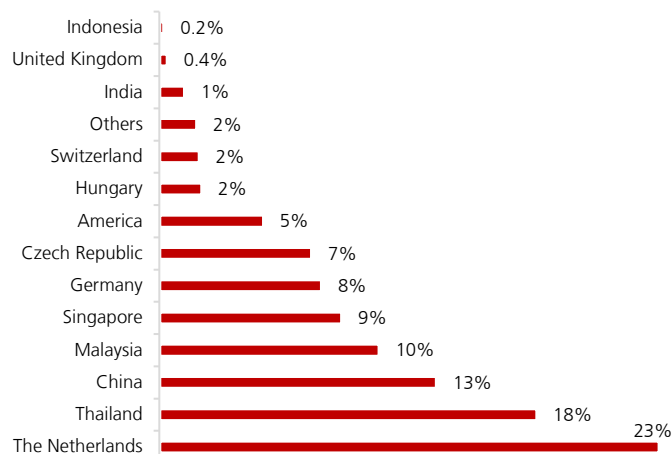
Customers (selected) – by segment



Source: Company website

Customers – by location

FY18 Revenue (%) - Based on location of customer



Source: Company; DBS Bank

Integrated solutions provider



Source: Company

Valuation & Peers Comparison

Trading at steep discount to peers, which is unwarranted. At current PE of 7.1x FY19F and 6.5x FY20F earnings, Frencken is trading at about 40% discount to peers' average PE of 11.8x FY19F and 10.6x FY20F earnings, and also to SGX-listed peer, Venture Corporation. The discount is too steep, in our view. Furthermore, the stock is supported by a dividend yield of about 4% to 5% based on a 30% payout ratio.

Expect PE to move back to 8.5x, at +1SD of mean. Frencken's PE has been hovering within 4.5x (-1SD of its mean valuation) and 8.5x (+1SD of mean) in the last three to four years. With the continued restructuring and rationalisation exercise in place to optimise productivity and improve efficiencies and

profitability, we believe Frencken should trade up to +1SD of its mean i.e. 8.5x.

Initiate BUY with TP of S\$0.75. We believe a valuation of 8.5x PE based on blended FY19F and F20F earnings is fair, pegged to a 20% discount to peer average, given its smaller scale. This valuation peg also coincides with the +1SD PE band. Target price works out to S\$0.75 per share, which translates to an upside of 25% from the current price.

Initiate coverage with a BUY rating and TP of S\$0.75.

Peers Comparison

BB Code	Name	Price (Local Curr)	Mkt Cap (US\$m)	FY End	Hist PE (x)	Curr Yr PE (x)	Next Yr PE (x)	P/B (x)	P/S (x)	EV/EBITDA (x)	ROE (%)	Op Mgn (%)	Net Mgn (%)
FRKN SP	FRENCKEN GROUP	0.55	170.7	Dec-18	6.8	7.6	6.4	0.9	0.4	2.9	11.7	7.3	4.8
VMS SP	VENTURE CORP	18.76	4,002.5	Dec-18	16.0	14.0	13.1	2.3	1.7	7.4	16.4	11.8	10.6
FLEX US	FLEX LTD	10.93	5,699.1	Mar-18	19.1	9.6	8.7	1.9	0.2	5.1	4.6	2.5	1.7
JBL US	JABIL INC	29.16	4,457.9	Aug-18	13.0	9.8	8.6	2.4	0.2	4.4	8.5	2.5	0.4
CLS US	CELESTICA INC	8.75	1,197.9	Dec-18	11.5	9.6	7.2	0.9	0.2	7.8	7.3	1.6	1.5
PLXS US	PLEXUS CORP	64.97	2,008.5	Sep-18	15.3	17.4	14.8	2.2	0.7	9.0	14.5	4.1	0.5
BHE US	BENCHMARK ELECTRONICS	28.31	1,140.7	Dec-18	22.2	16.3	13.7	1.1	0.5	5.6	1.8	2.3	0.9
SANM US	SANMINA CORP	31.32	2,143.2	Sep-18	15.1	10.1	9.0	1.4	0.3	6.4	6.4	1.7	(1.3)
2354 TT	FOXCONN TECHNOLOGY	65.40	3,003.5	Dec-18	10.1	10.4	10.3	0.9	0.7	2.8	7.8	6.1	6.4
2317 TT	HON HAI PRECISION	82.40	37,088.0	Dec-18	8.7	10.3	9.6	0.9	0.2	5.2	11.2	2.6	2.4
4938 TT	PEGATRON CORP	53.30	4,519.9	Dec-18	12.5	10.9	10.4	0.9	0.1	6.2	7.5	0.9	0.8
Average (ex Frencken)					14.3	11.8	10.6	1.5	0.5	6.0	8.6	3.6	2.4

Source: DBS Bank, Bloomberg Finance L.P.

Sensitivity analysis for TP

Discount to		Target price (\$\$) peg to earnings for :-		
peers FY1 PE	Peers PE (x)	FY19F	FY20F	Blended FY19F/FY20F
10%	10.6	0.90	0.98	0.94
20%	9.5	0.80	0.87	0.84
30%	8.3	0.70	0.76	0.73

Discount to		Target price (\$\$) peg to earnings for :-		
peers FY2 PE	Peers PE (x)	FY19F	FY20F	Blended FY19F/FY20F
10%	9.5	0.81	0.88	0.84
20%	8.5	0.72	0.78	0.75
30%	7.4	0.63	0.68	0.65

Source: DBS Bank, Bloomberg Finance L.P.

Critical Factors

Earnings momentum. Frencken's earnings recovered strongly in FY16, after a prolonged period of negative earnings growth from FY11 to FY15. During that period, besides challenging market conditions, the Group was also hit by impairment losses for subsidiaries and deferred development costs, and optimisation exercise was taken and some subsidiaries were wound up for a leaner structure. A sustainable and improvement of its earnings momentum should continue to re-rate the stock.

Technology advancements and rising transformation trend. The accelerating technological advancements and market trends in cloud computing, big data, artificial intelligence (AI), augmented reality (AR), virtual reality (VR), proliferation of connected devices and Internet of Things (IOT), as well as the transformation of the automotive industry and advances in the analysis of biotech genomics are drivers for Frencken's business. Among the rising trends are electric cars and connectivity technologies (e.g. smart Wi-Fi systems).

Frencken collaborates closely with existing and new customers to develop the next generation of products and technology. Its Mechatronics Division has the capability to provide leading edge technologies that mirror customers' needs, timely solutions, coupled with high quality support to customers on a global scale. Its IMS Division has been gaining traction in securing new programmes from existing and new customers in the automotive segment.

Exposure to higher growth segments. Among the five key business segments, we expect Analytical & Life Sciences, Industrial & Industrial Automotive and Automotive segments to

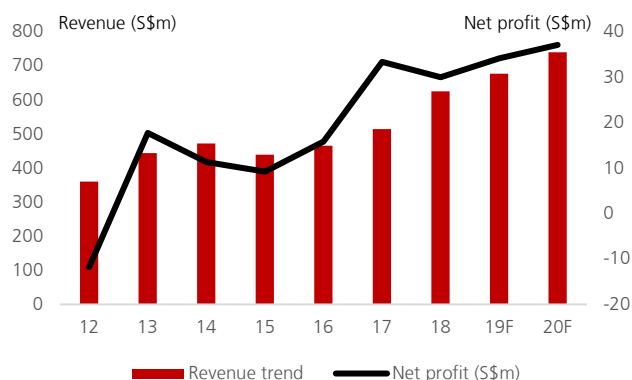
be the main growth drivers. The proliferation and advancement of technology is giving rise to greater research and analysis, and demand for high-tech products to improve efficiencies and to raise productivity. Frencken is in a sweet spot with its exposure to ever-evolving technologies, especially in the Analytical & Life Sciences and Industrial & Industrial Automotive segments.

For the semiconductor industry, uncertainties still prevail in the near term. In the longer term, Gartner expects good long-term revenue growth with a CAGR (2017 to 2022) of 5.1%, outpacing 2011 to 2016 CAGR of 2.6%. After a strong 2018 with 13.4% revenue expansion, Gartner forecasts slower growth of 2.6% for 2019, picking up to 8% growth in 2020. We could see a structural change in the semiconductor industry, led by major enablers like AI, IoT and 5D.

Optimisation for a leaner organisation structure. The strategic divestment of loss-making Precico Group Sdn Bhd (PESB), a wholly-owned subsidiary, in FY17 enabled the Group to unlock the value of this business unit at a profit. In FY15, Frencken took a hit to wind up certain subsidiaries in Malaysia and China.

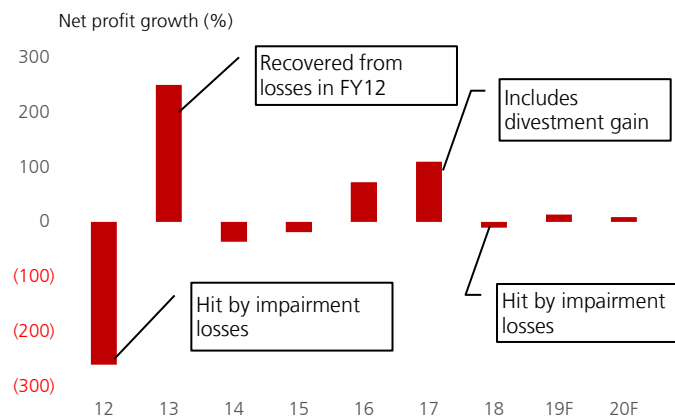
Operational efficiencies to drive margins. Frencken has implemented various programmes to realise operational efficiencies to drive margins. Major initiatives implemented include the rebranding of Frencken as a global integrated technology solution company, the drive to identify and eliminate waste, and to unite the strengths of all its strategically located businesses while centralising and leveraging its resources to support its growing customer base. Its prudent control of expenses should lead to improving margins.

Revenue and earnings trend



Source: Company, DBS Bank

Earnings momentum



Source: Company, DBS Bank

A look at Company's listed history – what drives its share price?



Source: DBS Bank, Bloomberg Finance L.P.

Financials

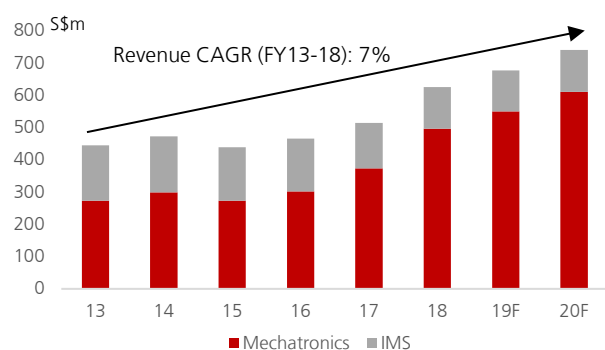
Uptrend in revenue intact. Revenue has been trending up in recent years, at 7% CAGR during FY13 to FY18. We expect this uptrend to continue, projecting another 8% to 9% growth in FY19F and FY20F, as the Group continues to gain wallet share from its existing customers and build market share through the acquisition of new customers and product segments.

Slightly more volatile earnings but gross margins steady. Net earnings have been relatively more volatile compared to revenue, partly affected by impairment charges and gain / loss

from disposal of subsidiaries, as the Group undertook several exercises to restructure and rationalise to build a stronger base.

Gross margins have been trending up slowly, from 14%-15% during FY13-16 to about 16% in FY17-18. We expect Frencken to at least maintain gross margins at this level. Net margins, excluding FY17 which included a divestment gain, also improved, on the back of the efforts by the Group to raise operational efficiency and control costs to improve profitability.

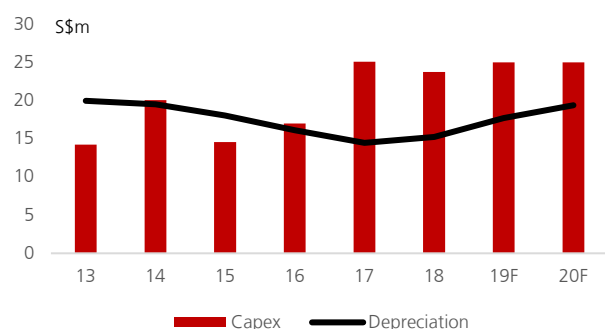
Revenue trend



Source: DBS Bank, Company

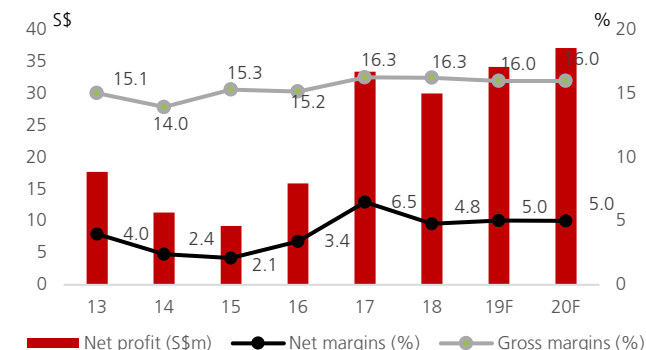
Capex to remain higher than depreciation. Going forward, we expect the Group to continue acquiring property, plant and equipment to expand the business. Thus, capex is expected to remain higher than depreciation expense.

Capex vs depreciation



Source: DBS Bank, Company

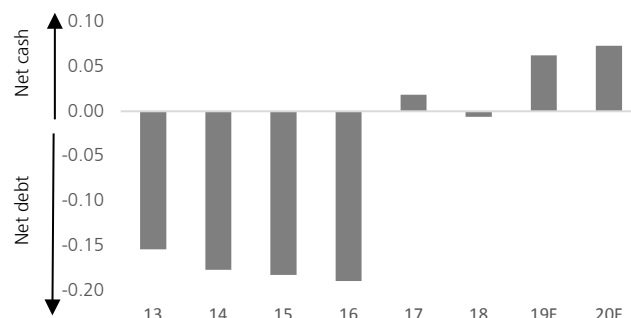
Net profit and margins trend



Source: DBS Bank, Company

Expect to move back to net cash position. The bulk of Frencken's borrowing is in short term borrowings and forms an integral part of the Group's cash management. The borrowings are mainly denominated in EUR, USD, SGD, INR and MYR and bear interest at rates ranging from 1.36% to 11.75% (for FY18). We expect the Group to move back to net cash position in FY19F, barring any major capex outlay.

Net cash / (debt) to equity



Source: DBS Bank, Company

Key Assumptions

FY Dec	2015A	2016A	2017A	2018A	2019F	2020F
Gross Margin %	15.3	15.2	16.3	16.3	16.3	16.3
% of SGA	11.9	11.8	11.6	9.80	9.80	9.80

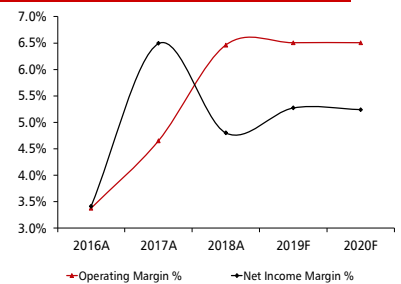
Segmental Breakdown

FY Dec	2015A	2016A	2017A	2018A	2019F	2020F
Revenues (\$\$m)						
Mechatronics	274	302	373	497	550	611
IMS	166	164	142	129	127	130
Total	439	466	515	626	677	741
Operating profit (EBIT) (\$\$m)						
Mechatronics	12.8	13.5	19.0	30.3	39.7	44.0
IMS	5.09	9.08	2.97	1.95	1.93	1.91
Total	17.9	22.5	22.0	32.3	41.7	45.9
Operating profit (EBIT) Margins (%)						
Mechatronics	4.7	4.5	5.1	6.1	7.2	7.2
IMS	3.1	5.5	2.1	1.5	1.5	1.5
Total	4.1	4.8	4.3	5.2	6.2	6.2

Income Statement (\$\$m)

FY Dec	2015A	2016A	2017A	2018A	2019F	2020F
Revenue	439	466	515	626	677	741
Cost of Goods Sold	(372)	(396)	(431)	(524)	(567)	(620)
Gross Profit	67.3	70.8	83.9	102	110	121
Other Opng (Exp)/Inc	(52.1)	(55.0)	(59.9)	(61.3)	(66.4)	(72.6)
Operating Profit	15.2	15.8	24.0	40.4	44.1	48.2
Other Non Opg (Exp)/Inc	6.81	5.90	6.35	4.64	4.64	4.64
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(1.3)	(1.4)	(0.3)	(1.0)	(1.0)	(1.0)
Exceptional Gain/(Loss)	(6.0)	0.0	10.5	(3.9)	0.0	0.0
Pre-tax Profit	14.7	20.3	40.4	40.2	47.7	51.8
Tax	(5.1)	(4.3)	(6.6)	(9.8)	(11.7)	(12.7)
Minority Interest	(0.4)	(0.1)	(0.4)	(0.3)	(0.3)	(0.3)
Preference Dividend	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit	9.22	15.9	33.4	30.0	35.7	38.8
Net Profit before Except.	15.2	15.9	23.0	33.9	35.7	38.8
EBITDA	40.2	37.8	45.2	61.5	67.6	73.4
Growth						
Revenue Gth (%)	(7.1)	6.2	10.4	21.5	8.3	9.4
EBITDA Gth (%)	4.1	(6.0)	19.6	35.9	10.0	8.6
Opg Profit Gth (%)	24.0	3.5	52.0	68.8	9.0	9.4
Net Profit Gth (Pre-ex) (%)	25.9	4.7	44.5	47.7	5.3	8.7
Margins & Ratio						
Gross Margins (%)	15.3	15.2	16.3	16.3	16.3	16.3
Opg Profit Margin (%)	3.5	3.4	4.6	6.5	6.5	6.5
Net Profit Margin (%)	2.1	3.4	6.5	4.8	5.3	5.2
ROAE (%)	4.5	7.5	13.5	11.3	12.3	12.2
ROA (%)	2.7	4.4	8.0	6.5	7.2	7.3
ROCE (%)	5.3	5.2	7.1	9.6	9.5	9.6
Div Payout Ratio (%)	32.9	30.7	29.8	30.0	30.0	30.0
Net Interest Cover (x)	11.4	11.6	70.8	40.5	44.2	48.3

Margins Trend



Gain from disposal of subsidiary

Impairment loss for goodwill attributable to The Netherlands plant

Impairment loss; disposal loss and indemnity compensation and post contractual remuneration

Source: Company, DBS Bank

Quarterly / Interim Income Statement (\$m)

FY Dec	3Q2017	4Q2017	1Q2018	2Q2018	3Q2018	4Q2018
Revenue	129	125	139	147	164	176
Cost of Goods Sold	(109)	(107)	(116)	(123)	(139)	(146)
Gross Profit	20.7	18.4	23.1	24.2	25.2	29.3
Other Oper. (Exp)/Inc	(14.1)	(11.7)	(14.2)	(14.7)	(13.1)	(14.7)
Operating Profit	6.64	6.66	8.87	9.53	12.1	14.6
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	0.01	(0.1)	0.01	(0.4)	(0.2)	(0.4)
Exceptional Gain/(Loss)	0.27	0.0	0.0	0.0	(4.1)	0.14
Pre-tax Profit	6.93	6.59	8.88	9.09	7.83	14.4
Tax	(1.9)	(1.0)	(2.1)	(2.1)	(2.4)	(3.2)
Minority Interest	0.0	(0.1)	(0.1)	0.0	(0.1)	(0.1)
Net Profit	5.01	5.51	6.76	7.00	5.26	11.0
Net profit bef Except.	4.74	5.51	6.76	7.00	9.30	10.9
EBITDA	10.5	10.6	12.7	13.8	16.4	18.5

Growth

Revenue Gth (%)	2.6	(2.9)	10.6	6.3	11.2	7.2
EBITDA Gth (%)	(11.7)	1.0	20.6	8.4	18.8	13.2
Opg Profit Gth (%)	(20.3)	0.3	33.3	7.4	26.7	21.0
Net Profit Gth (Pre-ex) (%)	(28.5)	16.3	22.6	3.6	32.9	16.9

Margins

Gross Margins (%)	16.0	14.6	16.7	16.4	15.3	16.7
Opg Profit Margins (%)	5.1	5.3	6.4	6.5	7.4	8.3
Net Profit Margins (%)	3.9	4.4	4.9	4.7	3.2	6.3

Source: Company, DBS Bank

Revenue Trend



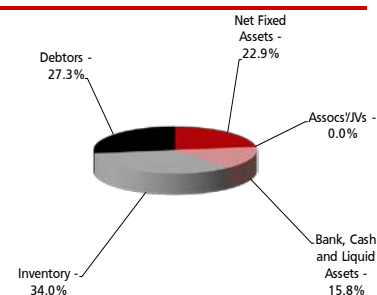
Balance Sheet (\$m)

FY Dec	2015A	2016A	2017A	2018A	2019F	2020F
Net Fixed Assets	97.7	100	93.9	97.4	105	110
Invt in Associates & JVs	0.0	0.0	0.0	0.0	0.0	0.0
Other LT Assets	32.4	33.2	32.1	26.9	32.8	32.7
Cash & ST Invt	14.7	18.5	68.2	67.1	88.0	94.2
Inventory	98.9	109	112	145	139	152
Debtors	87.4	90.7	100	116	117	128
Other Current Assets	8.32	11.4	13.5	11.9	11.9	11.9
Total Assets	339	363	420	464	493	529

ST Debt	50.1	57.4	61.7	67.5	67.5	67.5
Creditor	45.0	51.5	61.9	79.2	76.3	83.5
Other Current Liab	32.6	33.2	39.9	42.8	49.9	50.9
LT Debt	1.79	1.32	1.87	1.21	1.21	1.21
Other LT Liabilities	4.40	4.82	5.25	5.47	5.47	5.47
Shareholder's Equity	204	213	247	265	290	317
Minority Interests	1.97	2.02	2.34	2.63	2.95	3.27
Total Cap. & Liab.	339	363	420	464	493	529

Non-Cash Wkg. Capital	117	127	124	150	142	157
Net Cash/(Debt)	(37.2)	(40.3)	4.55	(1.6)	19.3	25.5
Debtors Turn (avg days)	72.6	71.0	71.1	67.6	63.0	63.0
Creditors Turn (avg days)	46.4	49.6	54.3	56.9	50.8	50.8
Inventory Turn (avg days)	102.0	105.1	98.3	104.0	92.5	92.5
Asset Turnover (x)	1.3	1.3	1.2	1.3	1.4	1.4
Current Ratio (x)	1.6	1.6	1.8	1.8	1.8	1.9
Quick Ratio (x)	0.8	0.8	1.0	1.0	1.1	1.1
Net Debt/Equity (X)	0.2	0.2	CASH	0.0	CASH	CASH
Net Debt/Equity ex MI (X)	0.2	0.2	CASH	0.0	CASH	CASH
Capex to Debt (%)	28.1	29.0	39.4	34.5	36.4	36.4

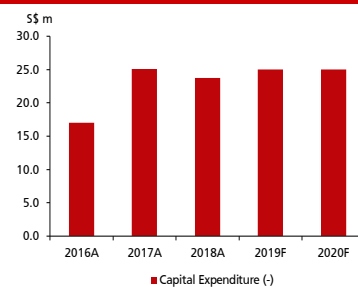
Source: Company, DBS Bank

Asset Breakdown

Cash Flow Statement (\$m)

FY Dec	2015A	2016A	2017A	2018A	2019F	2020F
Pre-Tax Profit	14.7	20.3	40.4	40.2	47.7	51.8
Dep. & Amort.	18.2	16.2	14.9	16.4	18.9	20.6
Tax Paid	(5.1)	(4.3)	(6.6)	(9.8)	(11.7)	(12.7)
Assoc. & JV Inc/(loss)	0.0	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	(13.6)	(11.9)	(5.6)	(26.8)	1.70	(16.8)
Other Operating CF	5.11	(1.7)	(8.3)	5.10	0.0	0.0
Net Operating CF	19.3	18.5	34.9	25.1	56.6	42.9
Capital Exp.(net)	(14.6)	(17.0)	(25.1)	(23.7)	(25.0)	(25.0)
Other Invts.(net)	0.0	0.0	0.0	0.0	0.0	0.0
Invts in Assoc. & JV	0.0	0.0	38.6	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0	0.0
Other Investing CF	(2.7)	(2.5)	0.70	0.56	0.0	0.0
Net Investing CF	(17.2)	(19.5)	14.2	(23.2)	(25.0)	(25.0)
Div Paid	(4.1)	(3.0)	(5.0)	(10.1)	(10.7)	(11.7)
Chg in Gross Debt	(5.8)	5.23	9.82	7.33	0.0	0.0
Capital Issues	0.03	0.37	1.91	0.95	0.0	0.0
Other Financing CF	0.67	0.0	0.0	0.0	0.0	0.0
Net Financing CF	(9.2)	2.56	6.77	(1.8)	(10.7)	(11.7)
Currency Adjustments	0.42	0.17	(1.3)	0.34	0.0	0.0
Chg in Cash	(6.7)	1.65	54.6	0.46	20.9	6.23
Opg CFPS (\$ cts)	8.13	7.47	9.72	12.3	13.0	14.2
Free CFPS (\$ cts)	1.17	0.36	2.35	0.32	7.50	4.24

Capital Expenditure



Expect capex to remain high as the Group continues to expand the business

Source: Company, DBS Bank

Key Risks

Dependent on global market conditions. As Frencken has exposure to customers in the US, EU and Asia, a broad global economic slowdown could have an impact on Frencken's operations due to its vulnerability to business cycles. Political and policy risks could also affect Frencken's businesses in these regions. A case in point is the on-going US-China trade war.

Forex exposure. A weakening USD against SGD, RMB and RM could impact Frencken's earnings, though the impact is minimal. Our sensitivity analysis shows that **every 5% appreciation of USD against SGD, RMB and RM will increase net profit by 2%.**

Vulnerable to industry cycles. Some industries that Frencken is exposed to, like the semiconductor industry, is cyclical in nature. A sudden swing in the cycle could affect Frencken's operations, especially its inventory level and thus, profitability.

No long-term commitment for orders

Customers generally do not commit to orders in advance. In certain cases, especially for top global customers in the automotive industry, Frencken would need to go through a strict qualifying process to meet industry standards throughout its manufacturing and testing processes, before being appointed as an automotive supplier. There is also no certainty that Frencken would get the orders even after being appointed as a qualified supplier.

SWOT Analysis

Strengths	Weakness
<ul style="list-style-type: none"> Diversified business segments - Automotive, Analytical & Life Science, Medical, Semiconductor and Industrial & Industrial Automation. Offers full suite of services; a one-stop global integrated technology solutions provider 16 operating sites across Asia, Europe and USA Broad blue-chip customer base; largest customer accounts for about 20% of total revenue 	<ul style="list-style-type: none"> Dependent on global market conditions. Frencken has exposure to customers in the US, Europe and Asia No long-term commitment for orders Forex exposure
Opportunities	Threats
<ul style="list-style-type: none"> Beneficiary of accelerating technology advancements and transformation trends Exposure to higher growth segments - Analytical & Life Sciences and Industrial & Industrial Automotive 	<ul style="list-style-type: none"> Dependent on global market conditions Vulnerable to various industry cycles. Some industries, like semiconductor, is cyclical in nature

Source: DBS Bank

Company Background

Corporate History.

Frencken Group is a Global Integrated Technology Solutions Group that was listed on the Singapore Exchange in May 2005.

The Group provides comprehensive original design, original equipment and diversified integrated manufacturing solutions for world-class multinational companies in the automotive, healthcare, industrial, life sciences and semiconductor industries.

Over the years, besides organic growth, Frencken has expanded its capabilities and range of services via M&A, including the merger of SGX-listed ETLA Ltd in 2009 and the acquisition of another SGX-listed company, Juken Technology, in 2012, to transform itself to an integrated solutions player today.

Frencken now offers end-to-end solutions across the entire customer value chain - from product conceptualisation, integrated design, prototyping and new product introductions, to supply chain design and management, state-of-the-art value and volume manufacturing and logistics services.

With 16 operating sites and 3,500 employees across Asia, Europe and the USA, Frencken offers global reach backed by local expertise.

Frencken has two key divisions:- Mechatronics and IMS divisions.

1) Mechatronics Division

Frencken designs and manufactures high precision and complex systems for renowned global OEMs in the healthcare, life sciences, semiconductor and industrial automation markets. The Group serves market and technology leaders from six global centres spread across Europe, Asia and the USA.

Frencken has core competencies in development and engineering, complex and high precision components, high level assembly, global supply chain management and process and quality control.

Build to customer's Product Design

- Optimise product design for manufacturability
- Develop a manufacturing process for quality and repeatability
- Optimise the manufacturing process for cost, quality and on-time delivery

Build to customer's Requirements

- Jointly develop product specifications
- Product Conceptualisation
- Develop and build prototype
- Develop process for production
- Production and managing the product's life cycle

Build to customer's Roadmap

- Good grasp of market drivers and requirements, mapped to the customer's solutions roadmap
- Develop a solution / product from conceptualisation to serial production
- Product fits into the customer's desired offering
- Frencken, your product design partner

6 Global Centres

- Eindhoven, Netherlands
- Reuver, Netherlands
- Bangi, Malaysia
- Singapore
- Wuxi, China
- Spokane, USA

2) IMS Division

Frencken offers integrated contract design and manufacturing services to the automotive, office automation, consumer and industrial electronics segments. With more than 30 years of experience, the Group has built extensive in-house capabilities and boasts 10 design and manufacturing facilities worldwide.

IMS

Proven track record in product design, tooling design + manufacturing, and manufacturing + finishing of hi-precision plastic injection parts conforming to stringent automotive standards.

Secondary processes for automotive decorative finishing, modules and final assembly +test.

IMS Coating

Frencken's proprietary technology PVD (Physical Vapour Deposition) solution - "Sustainable Green" environmentally friendly PVD surface coating technologies for plastic.

It is a cost effective surface coating for automotive interior panels and parts utilising Frencken's "Green" coating processes.

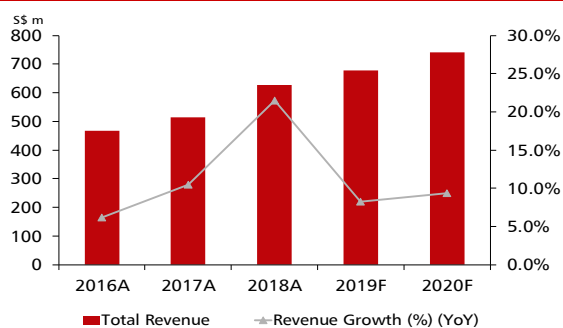
IMS Filter

Conceptualisation, design and manufacture of high quality, reliable + efficient oil filtration solutions for automotive industry.

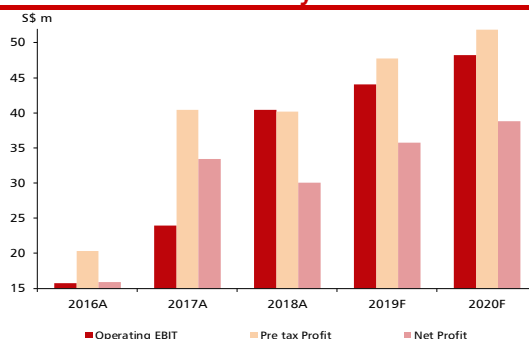
Automotive gearbox and engine filters. Designed to customers' needs and specifications for superior filtration. Delivering cost effective performance and superior reliability.

10 Global Centres

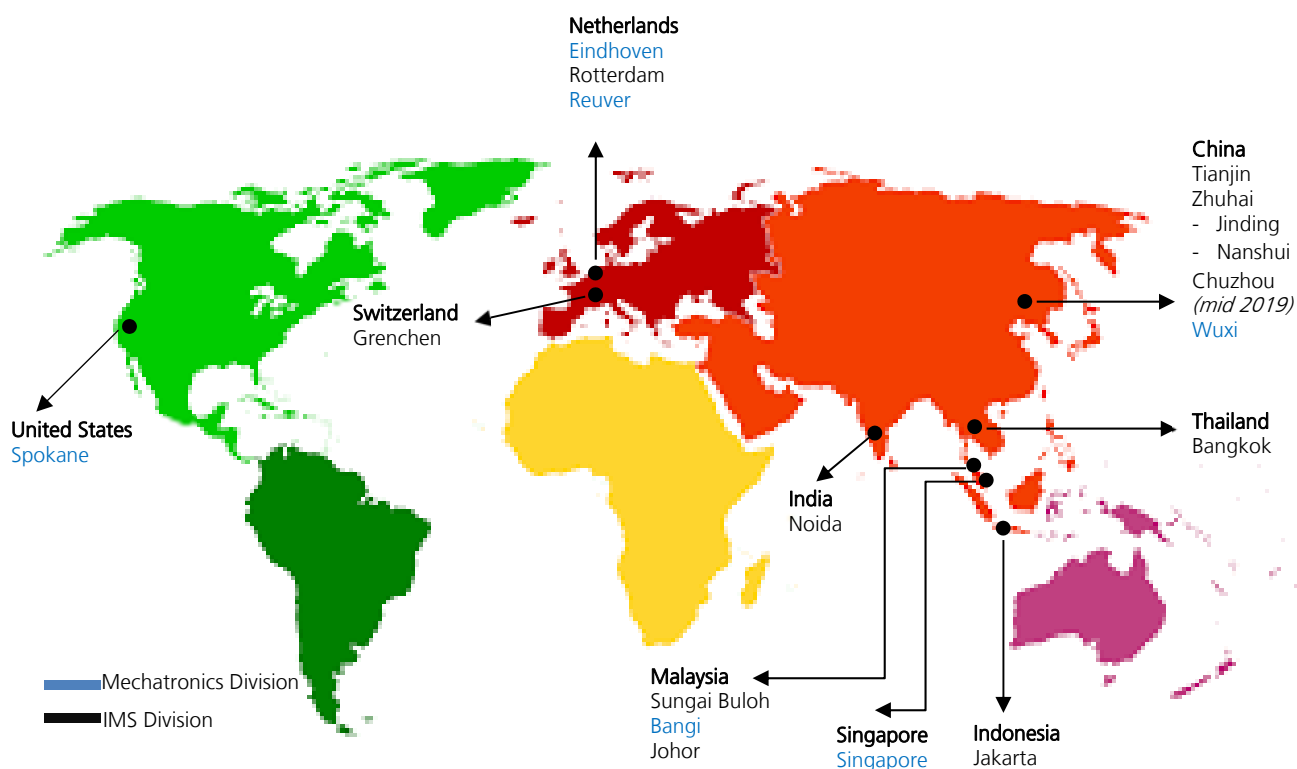
- Noida, India
- Bangkok, Thailand
- Selangor, Malaysia
- Johor, Malaysia
- Singapore
- Jakarta, Indonesia
- Zhuhai, China
- Tianjin, China
- Rotterdam, Netherlands
- Grenchen, Switzerland

Sales Trend

Source: Company, DBS Bank


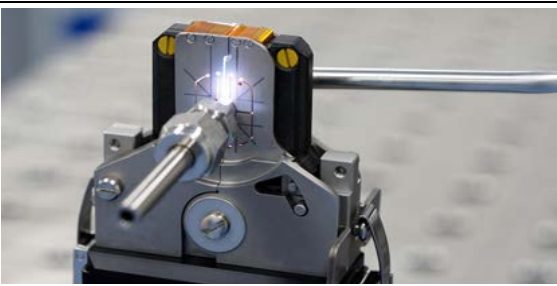



Profitability Trend

Source: Company, DBS Bank

16 Design and Manufacturing Sites

Source: Company, DBS Bank

Five Key Segments

Automotive		Automotive <ul style="list-style-type: none"> - Gearbox Filters - Interior plastic decorative parts - Dashboard clusters, pointers and clocks - Eco-PVD <p>Accounted for 15% of FY18 revenue (19% in FY17)</p>
Analytical & Life Sciences		Analytical & Life Sciences <p>Components and sub-assembly for :</p> <ul style="list-style-type: none"> - Scanning electron microscope - Mass spectrometry - Gas / Liquid chromatography - Spectroscopy - Vacuum systems <p>Accounted for 22% of FY18 revenue (22% in FY17)</p>
Medical		Medical <p>Components and sub-assembly for :</p> <ul style="list-style-type: none"> - CV (cardiovascular) patient tables - Histopathology digital scanners - X-Ray gantry and telescopic tubes - Micro motor for heart implants <p>Accounted for 13% of FY18 revenue (14% in FY17)</p>
Semiconductor		Semiconductor <p>Components and sub-assembly for :</p> <ul style="list-style-type: none"> - Wafer Fabrication Tools (Lithography, PVD) - Die bonding - IC testers and manipulators - Vacuum solutions <p>Accounted for 20% of FY18 revenue (23% in FY17)</p>
		Industrial & Industrial Automation <p>Components and sub-assembly for :</p> <ul style="list-style-type: none"> - Industrial automation - Electric motors for custom applications - Industrial robots - Electrical switch-gear for industrial and home applications <p>Accounted for 25% of FY18 revenue (14% in FY17)</p>

Source: Company, DBS Bank

Management & Strategy

Helmed by industry veteran. Mr Dennis Au came on board after the demise of the founder, Mr Gooi Soon Hock, in late 2014. Mr Au was appointed as President of the Group in 2015 and as Executive Director in 2016. He is responsible for charting the Group's strategic direction, setting the organisation's goals, overseeing its global operations and driving its performance.

Mr Au has over 30 years of experience in the high technology industry in the aerospace and defense, automotive, communications and semiconductor markets.

Key Directors / Management Team

Management team	Responsibility
Dato' Gooi Soon Chai <i>Chairman and Non-Independent, Non-Executive Director</i>	<p>With 30 years of experience, Dato' Gooi has amassed a wealth of knowledge and extensive network of contacts in the global technology industry.</p> <p>He is presently Senior Vice President of Keysight Technologies (previously Agilent Technologies), and President of Keysight's Electronic Industrial Solutions Group, driving Keysight's business, focusing on high-growth applications in automotive and energy, consumer electronics, education and semiconductor industries.</p> <p>Dato' Gooi holds a Bachelor of Science degree with first class honors in engineering from University of London and a Masters of Science in computing science from Imperial College of Science and Technology, London.</p>
Dennis Au <i>President / Executive Director</i>	<p>Dennis Au was appointed as President of the Group in 2015 and as Executive Director in 2016. He is responsible for charting the Group's strategic direction, setting the organisation's goals, overseeing its global operations and driving its performance.</p> <p>In addition to his role as the Group's President, Mr Au also holds the position of Chief Executive Officer of the Mechatronics Division, and oversees the division's business development and expansion plans in Europe, Asia and the USA.</p> <p>Mr Au has over 30 years of experience in the high technology industry for aerospace & defense, automotive, communications and semiconductor markets.</p> <p>He was previously a Vice President and General Manager of Keysight Technologies for the Korea and the South Asia Pacific region.</p> <p>Mr Au holds a Bachelor of Engineering (Electronic, Electrical and Systems) from the National University of Malaysia.</p>
David Chin Yean Choon <i>Chief Financial Officer</i>	<p>Mr Chin has overall responsibility of the treasury and cash flow management, risk management evaluation, corporate finance, audit and tax compliance, systems, in addition to the financial reporting of the Group.</p> <p>He has extensive exposure in financial management, having held several key positions in several companies both in Indonesia and Malaysia, including Coopers & Lybrand and P.T. Smart Corp.</p> <p>He is a Chartered Accountant by profession, a fellow of the Institute of Chartered Accountants in England and Wales as well as a Chartered Accountant of the Malaysian Institute of Accountants.</p>
Wang Liang Horng <i>Vice President, Operations</i>	<p>Mr Wang joined the Group in 2015 as Vice President, Operations. He is responsible for providing operational leadership for all the Group's programs, enhancing the relationships with customers worldwide and overseeing the implementation of strategic initiatives at both the business divisions.</p> <p>Mr Wang has over 20 years of experience in the semiconductor equipment and high technology industries. He previously worked in Agilent Technologies (current Keysight Technologies) and HPQ.</p>

Source: Company, DBS Bank

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

Completed Date: 15 Apr 2019 07:48:17 (SGT)

Dissemination Date: 15 Apr 2019 08:09:05 (SGT)

Sources for all charts and tables are DBS Bank unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by DBS Bank Ltd. This report is solely intended for the clients of DBS Bank Ltd, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS Bank Ltd.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd, its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group")) have not conducted due diligence on any of the companies, verified any information or sources or taken into account any other factors which we may consider to be relevant or appropriate in preparing the research. Accordingly, we do not make any representation or warranty as to the accuracy, completeness or correctness of the research set out in this report. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group, may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed, it may not contain all material information concerning the company (or companies) referred to in this report and the DBS Group is under no obligation to update the information in this report.

This publication has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating research publication relating to any issuer.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBSVUSA, a US-registered broker-dealer, does not have its own investment banking or research department, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months and does not engage in market-making.

ANALYST CERTIFICATION

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant) and the research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. DBS Group has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the DBS Group and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of DBS Group's compensation to any specific investment banking function of the DBS Group.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd, DBS HK, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS") or their subsidiaries and/or other affiliates have proprietary positions in Venture Corporation, recommended in this report as of 31 Mar 2019.
2. Neither DBS Bank Ltd nor DBS HK market makes in equity securities of the issuer(s) or company(ies) mentioned in this Research Report.

Compensation for investment banking services:

3. DBSVUSA does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.


Disclosure of previous investment recommendation produced:

4. DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates in the preceding 12 months.

¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interests that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	<p>This report is being distributed in Australia by DBS Bank Ltd, DBSVS or DBSV HK. DBS Bank Ltd holds Australian Financial Services Licence no. 475946.</p> <p>DBSVS and DBSV HK are exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. Both DBS Bank Ltd and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, and DBSV HK is regulated by the Hong Kong Securities and Futures Commission under the laws of Hong Kong, which differ from Australian laws.</p> <p>Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.</p>
Hong Kong	<p>This report has been prepared by a person(s) who is not licensed by the Hong Kong Securities and Futures Commission to carry on the regulated activity of advising on securities in Hong Kong pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). This report is being distributed in Hong Kong and is attributable to DBS Bank (Hong Kong) Limited, a registered institution registered with the Hong Kong Securities and Futures Commission to carry on the regulated activity of advising on securities pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).</p> <p>For any query regarding the materials herein, please contact Carol Wu (Reg No. AH8283) at dbsvhk@dbs.com</p>
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	<p>This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR"). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.</p> <p style="text-align: right;">  Wong Ming Tek, Executive Director, ADBSR </p>
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.

Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.
United Kingdom	<p>This report is produced by DBS Bank Ltd which is regulated by the Monetary Authority of Singapore.</p> <p>This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom.</p> <p>In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.</p>
Dubai International Financial Centre	This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608 - 610, 6 th Floor, Gate Precinct Building 5, PO Box 506538, DIFC, Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United Arab Emirates	This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.
United States	This report was prepared by DBS Bank Ltd. DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

DBS Regional Research Offices

HONG KONG

DBS (Hong Kong) Ltd

Contact: Carol Wu
13th Floor One Island East,
18 Westlands Road,
Quarry Bay, Hong Kong
Tel: 852 3668 4181
Fax: 852 2521 1812
e-mail: dbsvhk@dbs.com

MALAYSIA

AllianceDBS Research Sdn Bhd

Contact: Wong Ming Tek (128540 U)
19th Floor, Menara Multi-Purpose,
Capital Square,
8 Jalan Munshi Abdullah 50100
Kuala Lumpur, Malaysia.
Tel.: 603 2604 3333
Fax: 603 2604 3921
e-mail: general@alliancedbs.com

SINGAPORE

DBS Bank Ltd

Contact: Janice Chua
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
Fax: 65 65353 418
e-mail: equityresearch@dbs.com
Company Regn. No. 196800306E

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
e-mail: research@th.dbs.com
Company Regn. No 0105539127012
Securities and Exchange Commission, Thailand

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: research@id.dbsvickers.com