Company Name : **Frontkent Corporation Berhad**
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Source : **The Star**

Improved 2H showing forecast for Frontken Corp

PETALING JAYA: Frontken Corp Bhd, whose first-half (1H24) earnings missed analyst expectations due to a drop in operating margins, is expected to post a better performance in 2H24, with its growth trajectory still intact.

Phillip Capital Research said Frontken's operating margins dropped by 1.6 percentage points (pp) in Taiwan, 1.2 pp in Singapore and 14.6 pp in Malaysia due to weaker oil and gas (O&G) revenue and front-loaded hiring costs.

The company is involved in engineering and providing maintenance and analysis services to semiconductor companies.

Despite these challenges, Phillip Capital Research has maintained a "buy" rating on Frontken, but revised its earnings per share (EPS) forecast down by between 4% and 17% to account for the lower-than-expected margins.

The research house also lowered its 12-month target price on the company to RM6 a share from RM6.29, based on an unchanged target price-earnings (PE) multiple of 52 times on its 2025 EPS.

"We like Frontken for its niche semiconductor exposure, consistent margin growth, and robust earnings prospects," Phillip Capital Research said.

The research house said key risks for Frontken include customer concentration and potential shortfall in volume demand.

Similarly, Apex Securities Research expects Frontken to deliver better performance in 2H24, driven by seasonal factors and increased plant productivity.

The research house said it believed Frontken is well-positioned to benefit from the anticipated global recovery in the electrical and electronics sector in 2025 and sustained demand for artificial intelligence chips.

"Key Taiwanese clients are expected to begin ramping up production of advanced two nanometre chips in 2Q25, which bodes well for Frontken's topline and margins following the greater complexity in processes involved," the research house noted.

However, Apex Securities has revised its earnings forecast on Frontken for FY24 downward by 13%, mainly due to lower margins in the O&G segment and its Taiwan subsidiary.

The research firm downgraded Frontken to a "hold" rating, with an unchanged target price of RM4.33 a share.