

Company Name : Frontken Corporation Berhad
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HLIB Research Reiterates 'buy', Maintains Target Price Of RM4.10 For Frontken

KUALA LUMPUR (Nov 4): Hong Leong Investment Bank (HLIB) Research has reiterated its "buy" call for Frontken Corp Bhd, with an unchanged target price (TP) of RM4.10, after the group's results met the research house's expectations.

The research house's analyst Tan J Young said in a note today that the group's all-time-high core net profit of RM22 million (up 7% quarter-on-quarter and 21% year-on-year) for the third quarter ended Sept 30, 2020 (3QFY20) was expected.

According to Tan, the outperformance was mainly driven by Frontken's Taiwan semiconductor business, coupled with vigilance in cost discipline, despite an oil and gas (O&G) industry-wide slowdown.

"We justify the valuation based on its unique exposure to leading-edge semiconductor front-end supply chains which are currently in high demand on the back of national strategic and security interests," said Tan, who maintained his earnings forecasts for the group.

Tan said he likes Frontken for its expected multi-year growth ahead on the back of a sustainable global semiconductor market outlook, robust fab investment, leading-edge technology (7nm and below) and its strong balance sheet with net cash of RM263 million or 25 sen per share to support its Taiwan expansion.

According to Tan, the group's new lines in Taiwan are expected to begin operations in November, while it is planning to build a new facility to cater for 3/2nm demand.

Frontken announced yesterday that its net profit for 3QFY20 rose 12.03% to RM21.34 million, from RM19.05 million a year ago, underpinned by improved revenue from semiconductors and a better profit margin.

The group's revenue for 3QFY20 grew 8.89% to RM94.79 million — from RM87.05 million a year ago.

For the cumulative first nine months ended Sept 30, 2020 (9MFY20), the group's net profit increased by 15.12% to RM58.68 million, from RM50.97 million a year ago, while revenue for the period rose 6.48% to RM267.28 million from RM251.02 million previously.

At 10.50am today, Frontken had added 0.28% or one sen to RM3.54, valuing it at RM3.73 billion.