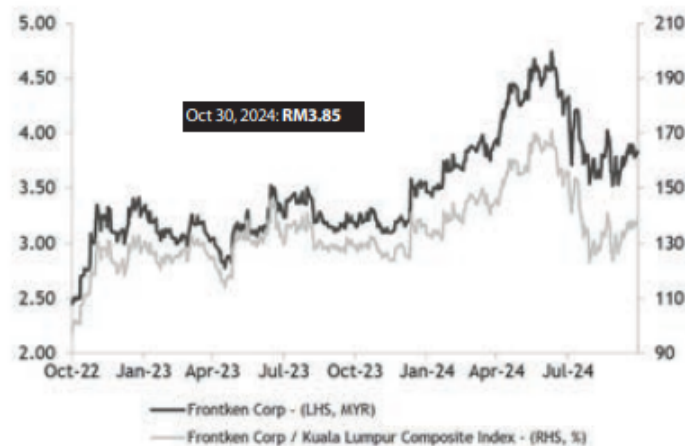


Company Name : Frontken Corporation Berhad
Date : 01 November 2024
Source : The Sun Daily

Frontken Corporation Bhd

Buy. Target price: RM4.95



Source: Maybank Investment Bank

FRCB'S earnings delivery rebounded strongly in Q3'24 with marked sequential improvements across key markets. Ex-one offs (-RM0.7 million), FRCB's registered Q3'24 core net profit (CNP) of RM36 million (+37% YoY, +11% QoQ). Cumulatively, 9M'24 CNP of RM95.1 million (+21% YoY) fell short of estimates, coming in at just 63% of ours and consensus' FY24. Buoyed by a stronger-than-expected sequential pickup in MY and SG turnover, FRCB's Q3'24 group turnover of RM144.3 million (+8% YoY, +7% QoQ) was its highest quarterly turnover on record.

Despite record TW turnover (driven by continued ramp-up in operations at its P2 Kaohsiung plant), segmental TW EBIT margins contracted 2ppts QoQ to 41% due to increased headcount in anticipation of stronger volume loading from its key foundry customer next year. Positively, SG and MY EBIT margins rebounded with sequential improvements of +3ppts/+5ppts after a weak Q2'24 (Kulim plant fire, O&G invoice timing issues). SG run-rates continue to track higher in QtD-Q4'24, underpinned by improving order visibility from semicon customers. In MY, FRCB's Kulim plant is back to full operational capacity, while its O&G invoicing uncertainties seem resolved as we gather its customers are in the process of renewing their contracts.

There are several risk factors for our earnings estimates, target price and rating for Frontken Corp. A sharp downturn in the global markets for electronics and/or oil & gas will affect the demand for Frontken Corp's services. Additionally, forex volatility, especially USD/RM and TWD/RM, will also affect Frontken Corp's earnings, as about 10%/35% of the Group's revenue is denominated in USD/TWD.

BUY with RM4.95 TP. – **Maybank Investment Bank, Oct 30**