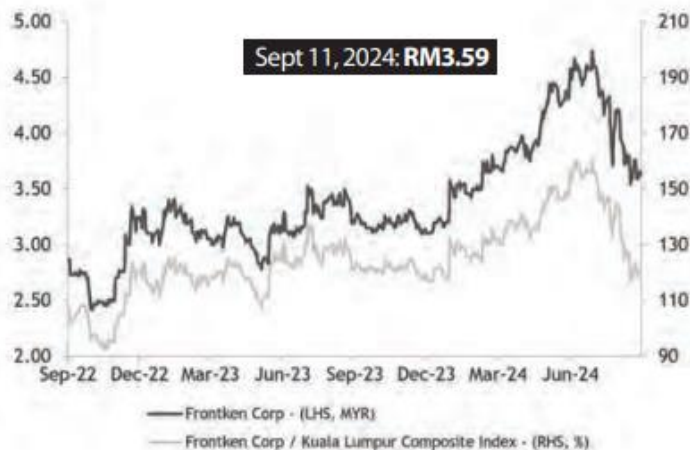


**Company Name** : Frontken Corporation Berhad  
**Date** : 12 September 2024  
**Source** : The Sun Daily

## Frontken Corporation Bhd

Buy. Target price: RM4.20



Source: Maybank Investment Bank

**FRONTKEN'S O&G** exposure is derived from its engineering segment in 3 key geographical markets – MY, SG and PH. MY accounts for 70-80% of the O&G sub-segment's turnover, primarily from umbrella contracts with Petronas Group (PG). Frontken is an approved PG sub-contractor for both upstream and downstream works. O&G segmental EBIT margin is in the high single-digits (vs. MY/SG semicon margins in the double-digit range).

Despite Frontken's Q2'24 MY turnover falling short, management highlighted that its O&G ops has historically never been loss-making. Based on monthly work order flows in Jul/Aug, management expects segmental turnover to rebound QoQ in Q3'24. Its MY semicon ops that was affected by the Kulim plant fire in May 2024 is currently also operating above breakeven utilisation, with a full recovery expected by Q4'24. Management has also guided it will recoup roughly half of the RM1 million fire-induced losses via insurance claims in 2H'24.

In SG, we gather that QtD-Q3'24 volume loading is seeing encouraging pick-up (+c.20% vs 1Q/Q2'24) from its memory-centric semicon customers. Semicon growth momentum will be further supported by its TW ops that continues to deliver monthly record volumes on the back of its leading foundry customer's ramp up of next-gen 3nm process nodes. With the foundry expecting a 25-36% increase in 3nm revenue this year (buoyed by the launch of the latest N. American flagship smartphone line-up last night), we believe this bodes well for Frontken's 2H'24 prospects.

BUY with RM4.20 TP. – **Maybank Investment Bank, Sept 11**