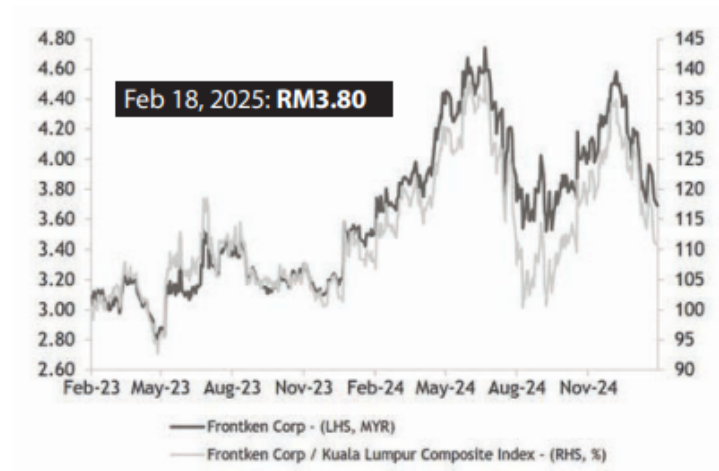


Company Name : Frontken Corporation Berhad
Date : 19 February 2025
Source : The Sun Daily

Frontken Corporation Bhd

Buy. Target price: RM4.95



Source: Maybank Investment Bank

FRCB'S share price has corrected 19% since Dec 26, 2024, in part due to sentiment-related selling afflicting the tech sector following the release of US' Interim Final Ruling on AI Diffusion. We believe the sell down has been overdone and current valuations at 30x FY25E PER are attractive vis-a-vis its 5Y 12M Fwd PER Mean of 36x.

We gather from our previous meeting with management that FRCB's core operations are running smoothly across all key markets (TW, SG, MY). For its semicon ops, TW (record segmental revenue Q3'24), continued to see an uptick in activity to date. In SG, its key wafer fabs customers had also guided for more robust run-rates in Q4'24/1H'25, whilst its Kulim plant in MY has restored operations fully in Nov 2024 following a plant fire.

Management had also disclosed during the last analyst briefing in Oct 2024 that it was exploring the vertical acquisition of 100% equity interest in a US-based company for US\$40-50 million (RM177-221 million). We expect the deal to be fully-funded internally owing to FRCB's healthy net cash balances of RM367 million (end-Q3'24). Assuming (i) the acquisition is completed by end-Q1'25 at US\$50 million, (ii) at a multiple of 10-12x PER, and (iii) target co's CY24' earnings are replicated in CY25/26, the acquisition will likely uplift FRCB's earnings by 7-9%/8-10% in FY25/26 respectively.

Although we do not rule out downside risks to front-end volume loading in TW, SG & MY from a turbulent macro climate (US tariff threats, high inflation, weak global aggregate demand), we believe a marginal shortfall will likely be mitigated by a successful value-accretive acquisition.

BUY with RM4.95 TP. – **Maybank Investment Bank, Feb 18**