

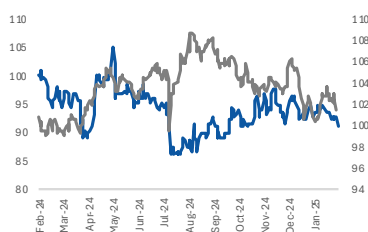
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Recommendation:	BUY
Current Price:	RM3.72
Previous Target Price:	RM5.38
Target Price:	↓ RM4.37
Capital Upside/ Downside:	17.5%
Dividend Yield (%):	1.3%
Total Upside/ Downside:	18.8%

Stock information	
Board	MAIN
Sector	Semiconductor
Bursa/ Bloomberg Code	0128/ FRCB MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	1,586.7
Market Cap (RM' m)	5,902.4
52-Week Price Range (RM)	4.78-3.33
Beta (x)	0.7
Free float (%)	79.9
3M Average Volume (m)	2.9
3M Average Value (RM' m)	12.1

Top 3 Shareholders	(%)
Dazzle Clean Ltd	16.0
Oversea-Chinese Banking Corp Ltd	9.8
Uob Kay Hian Hong Kong Ltd	8.0

Share Price Performance



	1M	3M	12M
Absolute (%)	-8.4	-10.1	0.3
Relative (%)	-8.0	-8.1	-1.0

Frontken Corporation Berhad

Conclude stellar FY24

Executive Summary

- Frontken reported FY24 core net profit of RM136.8m (+22.2% yoy), in line with expectations at 98.5% of our RM139m forecast and 97% of consensus RM141m, driven by both strong semiconductor and O&G demand.
- 4QFY24 CNP grew +28.2% yoy, +7.9% qoq to RM38.1m, supported by higher margins in Singapore (+25.4ppts yoy) from cost efficiencies. The Kulim plant's full recovery offset weaker Taiwan subsidiary performance (-4.2% qoq revenue, -6% qoq profit) due to forex impact and additional hiring. No change for fy25f and fy26f earnings forecast.
- Maintain BUY but lower TP to RM4.37 (from RM5.38) after adjusting PER to 35x (from 43x) to reflect semiconductor sector headwinds and cautious market sentiment.

Results within expectations. FY24 core net profit (CNP) of RM136.8m (+22.2% yoy) came in line with forecasts, reaching 98.5% of our RM139m estimate and 97% of the consensus forecast of RM141m.

YoY. 4QFY24 CNP rose 28.2% yoy to RM38.1m, boosted by stronger demand in both the semiconductor and O&G businesses. Performance was also supported by higher margins in the Singapore operation (+25.4 ppts), driven by improved cost efficiency from lower labour and material costs in 4Q. Quarterly revenue climbed 13.7% yoy to RM149.5m.

QoQ. CNP increased 7.9% qoq, aided by the recovery of the Kulim plant to full operation and stronger Singapore performance, which helped offset a slight drop in Taiwan's subsidiary revenue (-4.2% qoq) and operating profit (-6% qoq). The Taiwan operation saw an unfavourable forex impact; using the same exchange rate as the previous quarter, revenue and operating profit would have grown by 7% and 1%, respectively. Meanwhile, Taiwan's margin (-9.7 ppts qoq) was affected by additional hiring in anticipation of long-term demand. Revenue for the quarter grew 3.6% qoq.

Dividend. Declared a 2 sen/share dividend, payable on 21 Apr 2025, bringing the full-year FY24 dividend to 3.7 sen.

Outlook. We expect semiconductor segment demand to remain strong, but the near-term outlook is clouded by uncertainties from the Trump administration's tariff policies, which could pose headwinds for global semiconductor investments. Meanwhile, we are encouraged by the O&G segment's performance this quarter and expect it to stay resilient in FY25F amid rising industry activity.

Earnings Revision. We keep our forecasts for FY25F and FY26F unchanged.

Valuation. Maintain our **BUY** recommendation on Frontken but lower our target price to **RM4.37** (previously RM5.38), reflecting a reduced PER of 35x (down from 43x)—the five-year mean forward PER—to account for weaker market sentiment and multiple headwinds in the semiconductor industry.

Risk. Forex fluctuations, particularly in Taiwan, could affect reported revenue. In addition, the lingering risk of Trump-era tariffs may undermine fab investment confidence.

Earnings Summary

FYE Sep (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	517.2	500.1	569.2	800.9	838.4
EBITDA	185.1	178.6	201.1	296.3	310.2
Pre-tax profit	174.8	167.1	198.4	275.0	287.1
Net profit	123.3	112.0	136.8	197.5	206.2
Core net profit	123.3	112.0	136.8	197.5	206.2
Core EPS (sen)	7.8	7.1	8.6	12.5	13.0
P/E (x)	47.7	52.6	43.0	29.8	28.5
P/B (x)	10.0	8.6	7.6	6.9	6.0
EV/EBITDA (x)	33.8	35.6	32.1	21.9	21.2
Dividend Yield (%)	1.1%	0.6%	1.0%	1.3%	1.4%
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, Apex Securities

Results Note

Wednesday, 26 Feb, 2025

Results Comparison

FYE Dec (RM m)	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	12MFY24	12MFY23	yoy (%)	Comments
Revenue	149.5	131.5	13.7	144.3	3.6	569.2	500.1	13.8	Better sales from both semiconductor and O&G
EBITDA	52.5	46.6	12.7	50.5	3.9	201.1	178.6	12.6	
Pre-tax profit	53.1	42.2	25.9	48.7	9.0	198.4	167.1	18.8	
Net profit	42.3	33.3	27.2	38.9	8.8	151.1	124.3	21.5	
Core net profit	38.1	29.7	28.2	35.3	7.9	136.8	112.0	22.2	
Core EPS (sen)	2.4	1.9	28.2	2.2	7.9	8.6	7.1	22.2	
EBITDA margin (%)	35.1	35.4		35.0		35.3	35.7		
PBT margin (%)	35.5	32.1		33.7		34.9	33.4		
Core net profit margin (%)	25.5	22.6		24.5		24.0	22.4		

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	12M FY24	12M FY23	yoy (%)	Comments
Revenue									
Singapore	17.1	17.4	(17)	16.8	17	65.9	64.1	2.9	
Malaysia	32.2	23.3	37.9	22.8	41.3	102.5	93.1	10.0	
Philippines	4.1	3.9	6.8	4.4	(7.2)	17.4	15.1	15.4	
Indonesia	-	-	-	-	-	-	0.1	(100.0)	
Taiwan	96.1	86.9	10.5	100.3	(4.2)	383.4	327.8	17.0	
Total	149.5	131.5	13.7	144.3	3.6	569.2	500.1	13.8	
Operating Profit									
Singapore	7.2	2.9	147.6	3.4	12.8	16.3	10.7	52.3	
Malaysia	4.8	4.1	17.9	1.9	50.1	12.8	16.3	(21.7)	
Philippines	0.8	0.5	52.3	0.9	(14.6)	3.6	2.1	70.5	
Indonesia	(0.1)	0.2	nm	0.2	nm	(0.3)	1.3	nm	
Taiwan	38.3	33.6	14.0	40.7	(6.0)	159.5	133.6	19.4	
Total	51.0	41.3	23.4	47.2	8.2	191.9	164.0	17.0	
Operating margin (%)									
Singapore	42.2%	16.8%		20.2%		24.8%	16.7%		
Malaysia	15.0%	17.5%		8.5%		12.5%	17.5%		
Philippines	19.7%	13.8%		21.4%		20.7%	14.0%		
Indonesia	N/A	N/A		N/A		N/A	1655.8%		
Taiwan	39.9%	38.6%		40.6%		41.6%	40.8%		
Aggregate Total	34.1%	31.4%		32.7%		33.7%	32.8%		

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	517.2	500.1	569.2	800.9	838.4
EBITDA	185.1	178.6	201.1	296.3	310.2
Depreciation & Amortisation	-17.6	-20.2	-20.7	-25.4	-27.2
EBIT	167.5	158.3	180.4	271.0	283.1
Net Finance Income/ (Cost)	-0.8	-1.1	-0.8	-0.9	-0.9
Other Operating Income	8.1	9.8	18.8	5.0	5.0
Pre-tax Profit	174.8	167.1	198.4	275.0	287.1
Tax	-39.6	-42.7	-47.3	-66.0	-68.9
Profit After Tax	135.2	124.3	151.1	209.0	218.2
Minority Interest	11.9	12.4	14.3	11.5	12.0
Net Profit	123.3	112.0	136.8	197.5	206.2
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	123.3	112.0	136.8	197.5	206.2

Key Ratios

FYE Sep	FY22	FY23	FY24	FY25F	FY26F
EPS (sen)	7.8	7.1	8.6	12.5	13.0
P/E (x)	47.7	52.6	43.0	29.8	28.5
P/B (x)	10.0	8.6	7.6	6.9	6.0
EV/EBITDA (x)	33.8	35.6	32.1	21.9	21.2
DPS (sen)	4.2	2.2	3.7	5.0	5.2
Dividend Yield (%)	1.1%	0.6%	1.0%	1.3%	1.4%
EBITDA margin (%)	35.8%	35.7%	35.3%	37.0%	37.0%
EBIT margin (%)	32.4%	31.7%	31.7%	33.8%	33.8%
PBT margin (%)	33.8%	33.4%	34.9%	34.3%	34.2%
PAT margin (%)	26.1%	24.9%	26.5%	26.1%	26.0%
NP margin (%)	23.8%	22.4%	24.0%	24.7%	24.6%
CNP margin (%)	23.8%	22.4%	24.0%	24.7%	24.6%
ROE (%)	21.0%	16.3%	17.7%	23.2%	21.0%
ROA (%)	15.3%	12.6%	13.8%	18.0%	16.7%
Gearing (%)	3.4%	0.0%	0.0%	0.0%	0.0%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations

	FY25F
Core EPS (RM)	0.125
P/E multiple (x)	35.0
Fair Value (RM)	4.37
ESG premium/discount	0.0%
Implied Fair Value (RM)	4.37

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash	342.5	419.7	518.6	554.1	631.6
Receivables	124.1	119.0	140.6	160.2	167.7
Inventories	213	22.3	212	24.0	25.2
Other current assets	17.8	16.9	14.6	20.0	21.0
Total Current Assets	505.6	577.9	695.0	758.3	845.4
Fixed Assets	229.3	236.2	226.6	253.5	271.6
Intangibles	33.7	33.7	33.7	33.7	33.7
Other non-current assets	37.2	37.7	33.2	49.3	84.9
Total Non-current assets	300.1	307.7	293.6	336.5	390.2
Short-term Debt	19.7	0.1	0.0	0.1	0.1
Payables	27.7	23.0	27.3	36.0	37.7
Other Current Liabilities	138.5	143.4	160.5	162.7	170.6
Total Current Liabilities	185.9	166.4	187.8	198.8	208.4
Long-term Debt	0.0	0.1	0.0	0.0	0.0
Other non-current liabilities	32.0	31.2	27.8	42.8	45.2
Total Non-current Liabilities	32.0	31.2	27.8	42.8	45.2
Shareholder's equity	548.5	641.2	720.6	798.2	921.9
Minority interest	39.5	46.7	52.3	55.0	60.0
Equity	587.9	687.9	772.9	853.2	981.9

Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Pre-tax Profit	174.8	167.1	198.4	275.0	287.1
Depreciation & amortisation	17.6	20.2	20.7	25.4	27.2
Changes in working capital	-29.8	8.2	0.4	-15.7	5.3
Others	-19.7	-51.5	-52.9	-72.3	-51.2
Operating cash flow	142.9	144.0	166.6	212.5	268.4
Net capex	-52.6	-15.1	-24.8	32.2	-9.1
Others	-6.1	6.4	12.0	-6.5	-6.3
Investing cash flow	-58.7	-8.7	-12.8	25.7	-15.4
Dividends paid	-64.4	-40.8	-61.5	-79.0	-82.5
Others	13.8	-31.0	41.5	-89.0	-91.8
Financing cash flow	-50.6	-71.8	-20.0	-168.0	-174.3
Net cash flow	33.5	63.5	133.9	70.2	78.7
Forex	-8.5	13.4	-30.7	2.1	2.1
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	302.4	327.4	404.4	507.6	579.9
Ending cash	327.4	404.4	507.6	579.9	660.7
FD cannot classify as cash equivalent	15.1	15.3	11.0	25.8	29.1

ESG Matrix Framework:**Environment**

Parameters	Rating	Comments
Climate	★★★	Committed to net-zero carbon emissions by 2050, integrating sustainability into business operations
Waste & Effluent	★★★	Active waste recovery and recycling programs, incorporating circular economy principles to minimize waste
Energy	★★★	Increased investment in renewable energy technologies, including solar panel installations
Water	★★★	Implemented water efficiency measures and reduction of water consumption through process optimization
Compliance	★★★	Fully adheres to ISO 14001 environmental standards, ensuring compliance with global sustainability benchmarks

Social

Diversity	★★★	Maintains a diverse and inclusive workplace, with employees from 10 nationalities and 19% female workforce
Human Rights	★★★	Zero incidents of labour rights violations and committed to non-discriminatory hiring practices
Occupational Safety and Health	★★★	Zero workplace fatalities and ongoing employee safety training programs
Labour Practices	★★★	98% employee retention rate, strong emphasis on staff training and upskilling

Governance

CSR Strategy	★★★	Focuses on sustainable innovation, including R&D investments in green chemistry and eco-friendly products
Management	★★★	Strong governance framework with zero reported corruption incidents, fully compliant with anti-bribery laws
Stakeholders	★★★	4x analyst briefings per annum, 1x AGM per annum

Overall ESG Scoring: ★★★**Recommendation Framework:****BUY:** Total returns* are expected to exceed 10% within the next 12 months.**HOLD:** Total returns* are expected to be within +10% to – 10% within the next 12 months.**SELL:** Total returns* are expected to be below -10% within the next 12 months.**TRADING BUY:** Total returns* are expected to exceed 10% within the next 3 months.**TRADING SELL:** Total returns* are expected to be below -10% within the next 3 months.

*Capital gain

Sector Recommendations:**OVERWEIGHT:** The industry defined by the analyst is expected to exceed 10% within the next 12 months.**NEUTRAL:** The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.**UNDERWEIGHT:** The industry defined by the analyst, is expected to be below -10% within the next 12 months.**ESG Rating Framework:**

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.