

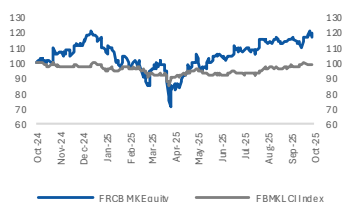
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Recommendation:	BUY
Current Price:	RM 4.56
Previous Target Price:	RM 5.36
Target Price:	↓ RM 5.18
Capital Upside/ Downside:	13.6%
Dividend Yield (%):	1.2%
Total Upside/ Downside	14.8%

Stock information	
Board	MAIN
Sector	Semiconductor
Bursa / Bloomberg Code	0128 / FRCB MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	1,594.8
Market Cap (RM' m)	7,272.3
52-Week Price Range (RM)	4.59-2.63
Beta (x)	0.9
Freefloat (%)	81.0
3M Average Volume (m)	4.1
3M Average Value (RM' m)	17.8

Top 3 Shareholders	(%)
Dazzle Clean Ltd	14.9
Employees Provident Fund Board	10.9
AiaBhd	4.0

Share Price Performance



	1M	3M	12M
Absolute (%)	4.8	12.0	20.0
Relative (%)	4.1	6.0	22.3

Earnings summary

FYE (Dec)	FY24	FY25F	FY26F
Revenue (RM'm)	569.2	666.1	741.0
PATAMI (RM'm)	136.8	183.1	215.4
CNP (RM'm)	130.7	183.1	215.4
EPS - core (sen)	8.7	11.6	13.6
P/E(x)	52.6	39.4	33.5

Source: Company, Apex Securities

Frontken Corporation Berhad

Growth momentum still intact

- We project Frontken's 3QFY25 core earnings to come in at the range of RM55-60m (+4% to +14% QoQ, +53% to +67% YoY), bringing 9MFY25F sum to RM138m-143m (+46% to +51% YoY), led by customer's process nodes advancement and high fab utilisation.
- Reintroduced FY25/26F earnings forecasts at RM183m/RM215m, representing adjustments of +2%/-12% versus our previous forecasts. Also, we introduce FY27F forecast at RM233m.
- Maintain BUY rating but with a slightly lower TP of RM5.18, based on PE multiple of 38x on revised FY26F core EPS of 13.6 sen.

Results preview. We project Frontken's 3QFY25 core earnings to come in at the range of RM55-60m (+4% to +14% QoQ, +53% to +67% YoY), bringing 9MFY25F sum to RM138m-143m (+46% to +51% YoY). This represents 75%-78% of our revised full-year forecast.

Customer T entering 2nm mass production by end-25. Located in Kaohsiung (Fab 20) and Hsinchu (Fab 22), two 2nm process production plants by Customer T are preparing for mass production by end-25 with the target of achieving 100k wafers per month in 2026. Despite currently under pilot manufacturing stage, Customer T's 2nm capacity has reportedly been fully booked out for the entirety of 2026. This reflects persistent demand-supply tightness in advanced nodes, supporting Customer T's continued growth trajectory. Evidently, Customer T reported a total revenue growth of 36% YoY in 9MFY25 to TWD2,763bn, boosted by robust orders for advanced processes (≤ 7 nm) from AI/HPC applications.

Still room for margin expansion. Given Customer T's continued advancement in process nodes and sustained high fab utilisation, we expect Frontken to continue benefitting from the positive spill-over effect through burgeoning demand for advanced precision cleaning of front-end wafer fab equipment. With 2nm processes poised to enter mass production, the frequency and complexity of component cleaning are set to intensify due to heightened sensitivity to contamination. As such, this augurs well for Frontken's pricing power as more sophisticated cleaning techniques will be required for tighter contamination control, thereby supporting further margin expansion in the coming quarters.

Capacity expansions on the horizon. To cater to the insatiable demand for advanced-node precision cleaning, AGTC has recently added new lines at both its P1 and P2 facilities in Taiwan. In addition, it acquired a 3.8k sqm plot of land near P1 for RM23m in 1Q25 to develop its third plant (P3). Management previously highlighted that P3 will be substantially larger than P1 and P2, featuring a multi-storey layout to accommodate future capacity growth. Separately, Customer T's ongoing expansion in the US offers another long-term growth avenue for Frontken. Fab 1 in Arizona has already commenced volume production on 4 nm processes since 4Q24, while Fab 2 (2 nm/3 nm) and Fab 3 (2 nm/A16) are slated to be operational by 2030. Currently, Customer T ships back certain parts to Taiwan facilities for servicing. Management indicated that it is exploring potential partnerships in the US to support Customer T's operations, while not ruling out a greenfield expansion should the volume justify the required investment. We note these developments have yet to be imputed in our forecasts.

Forecasts. With the change in analyst, we have revamped our financial model and reintroduced FY25/26F earnings at RM183m/RM215m, representing adjustments of +2%/-12% versus our previous forecasts. Also, we introduce FY27F forecast at RM233m. Frontken is scheduled to release its 3QFY25 results by the end of this month.

Valuation. We maintain **BUY** rating but with a slightly lower TP of **RM5.18**, based on PE multiple of 38x on revised FY26F core EPS of 13.6 sen. Our ascribed PE multiple represents +0.5SD above Frontken's 5-year historical average PE of 35x.

Company Update

Thursday, 16 Oct, 2025

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	500.1	569.2	666.1	741.0	788.7
EBITDA	178.6	201.1	274.2	319.8	344.6
EBIT	158.3	180.4	253.8	298.6	321.7
Net finance income	8.7	18.0	10.9	12.9	15.8
Pre-tax Profit	167.1	198.4	264.7	311.4	337.5
Tax	-42.7	-47.3	-63.5	-74.7	-81.0
Profit After Tax	124.3	151.1	201.2	236.7	256.5
Minority Interest	12.4	14.3	18.1	21.3	23.1
Net Profit	112.0	136.8	183.1	215.4	233.4
Exceptionals	0.8	6.1	0.0	0.0	0.0
Core Net Profit	111.2	130.7	183.1	215.4	233.4

Key Ratios

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Core EPS (sen)	7.1	8.7	11.6	13.6	14.7
P/E (x)	63.9	52.5	39.3	33.4	30.9
P/B (x)	10.4	9.3	8.0	6.8	5.9
EV/EBITDA (x)	42.6	36.9	25.9	21.7	19.7
DPS (sen)	2.2	3.7	4.6	5.4	5.9
Dividend Yield (%)	0.5%	0.8%	1.1%	1.2%	1.3%
EBITDA margin (%)	35.7%	35.3%	41.2%	43.2%	43.7%
EBIT margin (%)	31.7%	31.7%	38.1%	40.3%	40.8%
PBT margin (%)	33.4%	34.9%	39.7%	42.0%	42.8%
PAT margin (%)	24.9%	26.5%	30.2%	31.9%	32.5%
NP margin (%)	22.4%	24.0%	27.5%	29.1%	29.6%
CNP margin (%)	22.2%	23.0%	27.5%	29.1%	29.6%
ROE (%)	16.2%	16.9%	20.3%	20.5%	19.2%
ROA (%)	12.6%	13.2%	16.3%	16.9%	16.2%
Gearing (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations

Valuations	FY26F
Core EPS (RM)	0.136
P/E multiple (x)	38.0
Fair Value (RM)	5.18
ESG premium/discount	0.0%
Implied Fair Value (RM)	5.18

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash and bank balances	316.2	353.2	452.1	568.9	705.4
Receivables	135.9	155.1	179.0	197.5	209.3
Inventories	22.3	21.2	21.4	21.5	21.6
Other current assets	103.5	165.4	165.4	165.4	165.4
Total Current Assets	577.9	695.0	818.0	953.4	1101.7
Property, plant and equipment	236.2	226.6	236.2	255.0	272.0
Intangibles	33.8	33.8	33.8	33.8	33.8
Other non-current assets	37.7	33.2	33.2	33.2	33.2
Total Non-current assets	307.7	293.6	303.2	321.9	339.0
Short-term Debt	0.1	0.0	0.0	0.0	0.0
Payables	142.3	159.8	164.5	168.1	170.4
Other Current Liabilities	24.0	27.9	27.9	27.9	27.9
Total Current Liabilities	166.4	187.8	192.5	196.0	198.3
Long-term Debt	0.1	0.0	0.0	0.0	0.0
Other non-current liabilities	31.2	27.8	27.8	27.8	27.8
Total Non-current Liabilities	31.2	27.8	27.8	27.8	27.8
Shareholder's equity	641.2	720.6	830.4	959.7	1099.7
Minority interest	46.7	52.3	70.5	91.8	114.8
Equity	687.9	772.9	900.9	1051.4	1214.5

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax Profit	167.1	198.4	264.7	311.4	337.5
Depreciation	16.6	17.3	20.4	21.3	22.9
Changes in working capital	8.2	0.4	-19.5	-15.0	-9.6
Tax paid	-46.8	-40.6	-63.5	-74.7	-81.0
Others	-0.5	-8.9	0.0	0.0	0.0
Operating cash flow	144.5	166.6	202.1	242.9	269.8
Net capex	-15.1	-24.8	-30.0	-40.0	-40.0
Others	6.4	12.0	0.0	0.0	0.0
Investing cash flow	-8.7	-12.8	-30.0	-40.0	-40.0
Dividends paid	-40.8	-61.5	-73.2	-86.2	-93.4
Others	-31.5	41.5	0.0	0.0	0.0
Financing cash flow	-72.4	-20.0	-73.2	-86.2	-93.4
Net cash flow	63.5	133.9	98.9	116.8	136.5
Forex	13.5	-30.7	0.0	0.0	0.0
Beginning cash & cash equivalent	327.4	404.4	507.6	606.5	723.3
Ending cash & cash equivalent	404.4	507.6	606.5	723.3	859.8
FD & short-term investments	-88.2	-154.4	-154.4	-154.4	-154.4
Cash and bank balances	316.2	353.2	452.1	568.9	705.4

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Frontken implemented GHG emissions monitoring and control systems; committed to sustainability efforts.
Waste & Effluent	★★★	Maintains proper waste disposal procedures including scheduled waste handling as per regulations.
Energy	★★★	Upgraded chiller systems and other high energy-consuming equipment for improved efficiency.
Water	★★★	Tracks water usage, with some recycling efforts noted; however, limited reporting on reduction targets.
Compliance	★★★	Compliant with ISO 14001:2015 for Environmental Management System across Malaysian operations.

Social

Diversity	★★★	Workforce includes 66% male and 34% female; continues efforts to promote diversity.
Human Rights	★★★	Zero-tolerance policy for discrimination; Code of Conduct enforces fair and ethical practices.
Occupational Safety and Health	★★★	Achieved zero fatalities and reported incidents; regular safety drills and audits conducted.
Labour Practices	★★★	Compliant with labour laws; compensation and benefits aligned with local regulations.

Governance

CSR Strategy	★★★	CSR initiatives focused on education and community aid; donations to schools and NGOs.
Management	★★★	Board consists of experienced professionals; 43% Independent Directors, 1/7 female director.
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 + dividend yield

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.