

Research Team

(603) 7890 8888

researchteam@apexsecurities.com.my

Recommendation:	BUY
Current Price:	RM4.65
Previous Target Price:	RM4.60
Target Price:	↑ RM5.71
Capital Upside/Downside:	22.8%
Dividend Yield (%):	1.1%
Total Upside/Downside	23.9%

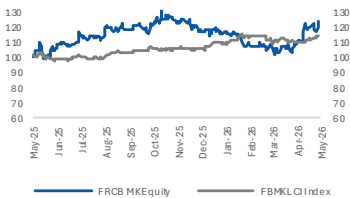
Stock information

Board	MAIN
Sector	Semiconductor
Bursa / Bloomberg Code	0128 / FRCB MK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	1,726.4
Market Cap (RM' m)	8,027.7
52-Week Price Range (RM)	4.83-3.51
Beta (x)	0.9
Free float (%)	88.2
3M Average Volume (m)	4.7
3M Average Value (RM' m)	19.4

Top 3 Shareholders (%)

Employees Provident Fund Board	17.4
Dazzle Clean Ltd	8.1
Kumpulan Wang Persaraan	5.0

Share Price Performance



	1M	3M	12M
Absolute (%)	19.2	20.5	28.1
Relative (%)	14.1	18.8	12.1

Earnings summary

FYE (Dec)	FY25	FY26F	FY27F
Revenue (RM'm)	710.3	743.6	777.3
PATAMI (RM'm)	197.3	206.8	217.4
CNP (RM'm)	197.3	206.8	217.4
EPS - core (sen)	12.1	12.7	13.3
P/E(x)	35.7	34.1	32.4

Source: Company, Apex Securities

Frontken Corporation Berhad

Strong Start to FY26 on Malaysia O&G Surge

- Frontken registered 1QFY26 core net profit of RM38.9m (+16.4% YoY, -1.5% QoQ), bringing its YTD core earnings to 20% of our FY26 forecast of RM197.3m, broadly in line with our (20%) and consensus (20%) expectations.
- Reported PATAMI grew 36% YoY to RM42.4m, lifted by an exceptional surge in Malaysia revenue (+266% YoY) on stronger oil & gas supply-related activities, alongside double-digit Taiwan growth despite TWD/MYR headwinds. However, group EBITDA margin compressed to 30.9% (1QFY25: 36.6%; 4QFY25: 39.5%) due to lower-margin O&G mix.
- We maintain our earnings forecasts and also introduce our FY28 forecast of RM217.4m. We roll forward our valuation base to FY27F core EPS of 12.7 sen, lifting our TP to RM5.71 (from RM4.60), pegged to a 45x PE multiple (5-year mean). Maintain BUY.

Results inline. Frontken posted 1QFY26 core net profit of RM38.9m (-1.5% QoQ, +16.4% YoY), in line with both our and consensus forecast, coming in at 20% of both our FY26 forecast. 1QFY26 results were arrived after adjusting for forex gains (RM2.4m), fair value gains on short-term investments (RM1.1m) and impairment gain on financial assets (-RM0.5m). The deviation from peak quarterly margins reflects an unfavourable mix shift towards lower-margin O&G supply activities in Malaysia, partly cushioned by sustained semicon momentum in Taiwan.

QoQ. Revenue rose 21% QoQ on Malaysia's O&G turnaround surge (+168% QoQ), partially offset by softer Taiwan (-5% QoQ, reflecting both fewer working days and continued MYR/TWD strength). Core net profit slipped 1.5% QoQ as the Malaysia's O&G impacted margin (7.4% vs Taiwan's 46.3%) is structurally lower than the prior quarter's mix. Taiwan operating profit also fell 8% QoQ to RM50.6m on FX translation drag, while Malaysia's operating profit jumped to RM4.7m (4QFY25: RM0.6m) on higher absolute O&G revenue, albeit at compressed margins.

YoY. Group revenue surged 43.2% YoY to RM189.8m, driven by exceptional Malaysia growth (+266% YoY to RM63.4m) on higher oil & gas supply-related activities, and Taiwan growth of +11% YoY to RM109.4m (or +20% on a like-for-like TWD basis reflecting continued semicon volume strength from key foundry customer's advanced node ramp). Despite the strong topline, EBITDA margin compressed 575bps YoY to 30.9% as the high-volume but lower-margin O&G mix diluted blended profitability. Effective tax rate eased to 23.3% (1QFY25: 29.9%) on more favourable overseas earnings mix as well as lower tax rates on overseas subsidiaries, lifting core net profit by 16.4% YoY to RM38.9m.

Balance Sheet. Frontken remains in a robust net cash position, comprising cash and bank balances of RM305.6m, fixed deposits of RM270.2m, and short-term investments of RM285.4m. Trade receivables jumped to RM158.0m (FY25: RM120.2m) reflecting the higher Malaysia O&G billings, while trade payables rose to RM37.7m (FY25: RM19.3m). 1QFY26 generated operating cash flow of RM37.6m (vs RM48.1m in 1QFY25) – the lower print stemmed from the working capital build-up alongside the surge in Malaysia O&G activity. Capital commitments approved but not provided for stood at RM22.1m as of 31 Mar 2026, signalling continued capacity investments.

Outlook. We remain constructively positive on the FY26 outlook with multiple capacity expansion initiatives advancing in Taiwan. AGTC's TFT/LCD cleaning lines relocation remains on track for Q4 2026 completion, while additional cleaning lines at Plant 2 have been completed with qualification underway and commencement targeted for Q2/Q3 2026. Notably, the broader Plant 2 expansion has been brought forward from the originally planned 2027 timeline, with additional lines and equipment to increase capacity – a strong signal of robust forward demand visibility from its key foundry customer and, in our view, a potential catalyst for upward earnings revisions in subsequent quarters as the new lines ramp into volume. Management is also in discussion to acquire a new piece of land 650m from Plant 1 to support future expansion. The expedited capacity build-up positions Frontken to capture its key foundry customer's 2nm production ramp into 2H26, while previously negotiated pricing improvements should help cushion ongoing TWD/MYR forex pressure. In Singapore, ramp-up

from a new semiconductor customer ahead of schedule, with revenue contribution starting from May 2026 (vs original 2H26 guidance). Management projects ~20% YoY revenue growth for the Singapore segment in FY26, accompanied by operating margin expansion as scale efficiencies kick in – a combination that should drive disproportionate bottom-line accretion at the group level. In oil & gas, stronger crude prices continue to support activity levels across the industry, and we continue to expect double-digit growth in this segment going forward. Separately, M&A opportunities to penetrate the US market remain under active negotiation; we understand the prospective target may be loss-making in the near term given its lag in technology and productivity standards, but we view it as a strategic long-term positive – Frontken's process expertise and operational rigour should drive meaningful margin uplift post-integration, mirroring the successful playbook executed at its Taiwan operations. Earnings dilution in the initial 1-2 years would be the trade-off for establishing a beachhead in the world's largest semicon market.

Forecast. We maintain our earnings forecast. The 1QFY26 result represents 20% of our full-year forecast, which we view as adequate given the typical 2H weighting. We continue to expect record FY26 earnings of RM197.3m (+19% YoY) on Taiwan's semicon momentum, supported by Malaysia O&G recovery and Singapore's new customer ramp. We also introduce FY28 earnings forecast of **RM217.4m**.

Valuation & Recommendation. We roll forward our valuation base from FY26F to FY27F core EPS of 12.7 sen (from 12.1 sen previously), lifting our TP to **RM5.71 (from RM4.60)**. Our ascribed PE multiple of **c.45x** represents Frontken's 5-year historical average – we view this as justified, and conservative given (i) the multi-year visibility from advanced node ramp at its key foundry customer, (ii) AI-led semicon demand tailwinds, and (iii) a healthy net cash buffer. At the current price, the stock trades at 35.7x FY26F core PE, which we view as undemanding given Frontken's clear growth trajectory. Maintain BUY with **23.9%** total upside.

Risks. Continued MYR strength against TWD eroding translation gains; slowdown in semiconductor capex cycle; oil price volatility affecting O&G activity levels; geopolitical tensions disrupting supply chain; loss of key foundry customer.

Results Comparison

FYE Dec (RM m)	1QFY26	1QFY25	yoy (%)	4QFY25	qoq (%)	3MFY26	3MFY25	yoy (%)
Revenue	189.8	132.6	43.2	156.9	21.0	189.8	132.6	43.2
EBITDA	58.6	48.6	20.7	62.0	(5.4)	58.6	48.6	20.7
Pre-tax profit	61.3	48.7	25.8	62.3	(1.6)	61.3	48.7	25.8
Net profit	42.4	31.1	36.3	43.8	(3.4)	42.4	31.1	36.3
Core net profit	38.9	33.4	16.4	39.4	(1.5)	38.9	33.4	16.4
Core EPS (sen)	2.3	2.0	16.4	2.4	(1.5)	2.3	2.0	16.4
EBITDA margin (%)	30.9	36.6		39.5	(25.7)	30.9	36.6	(15.7)
PBT margin (%)	32.3	36.7		39.7	(7.8)	32.3	36.7	(12.1)
Core net profit margin (%)	20.5	25.2		25.1	(7.1)	20.5	25.2	(18.7)

Source: Company, Apex Securities

Earnings Summary

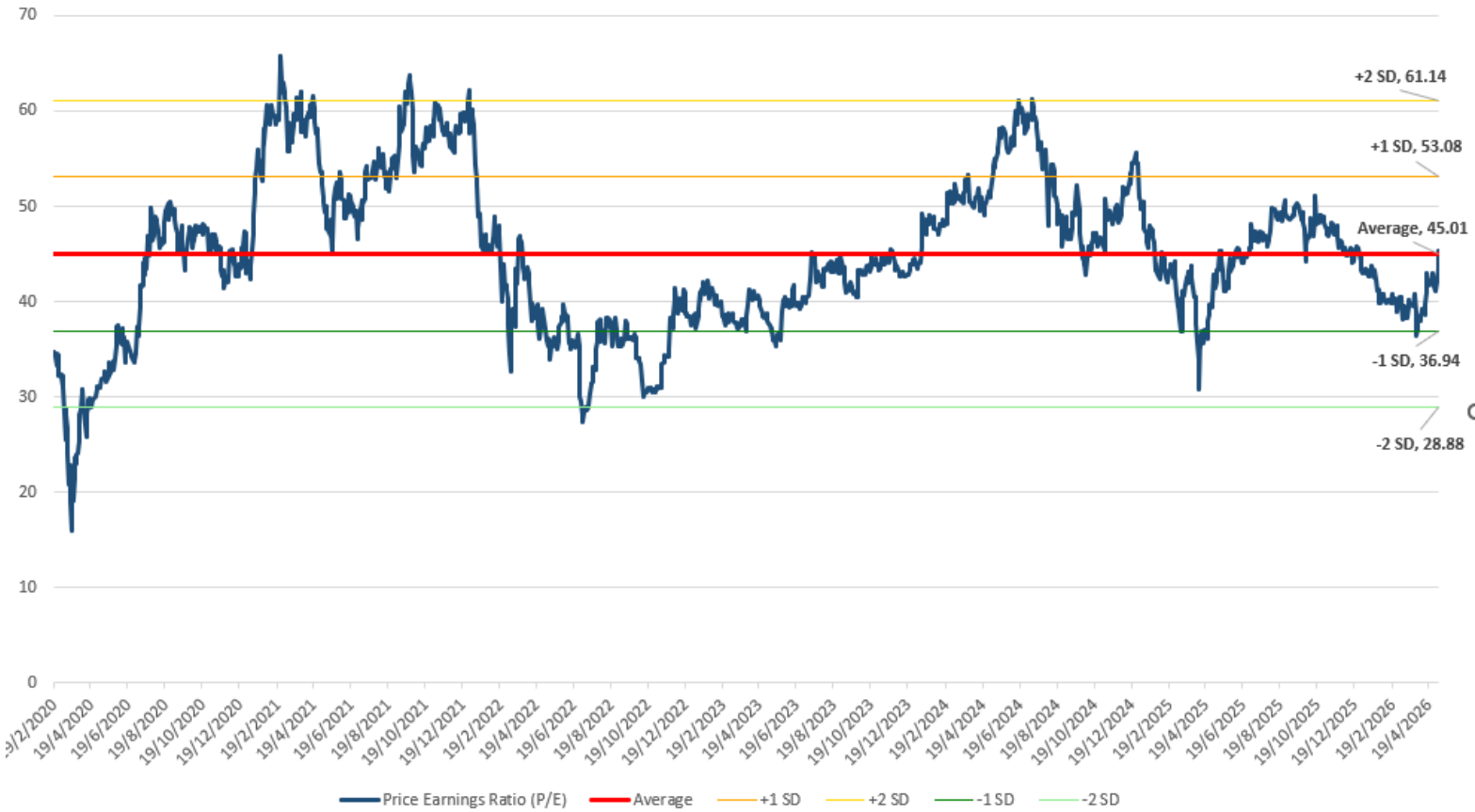
FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	569.2	607.8	710.3	743.6	777.3
EBITDA	201.1	226.6	288.9	301.8	316.0
Pre-tax profit	198.4	223.7	285.2	299.0	314.4
Net profit	136.8	154.2	197.3	206.8	217.4
Core net profit	136.8	154.2	197.3	206.8	217.4
Core EPS (sen)	8.3	9.3	11.9	12.5	13.1
P/E (x)	49.8	44.8	35.7	34.1	32.4
P/B (x)	8.8	6.3	5.7	5.1	4.6
EV/EBITDA (x)	34.9	29.5	22.8	21.5	15.9
Dividend Yield (%)	0.8%	0.9%	1.1%	1.2%	1.2%
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, Apex Securities

Results Note

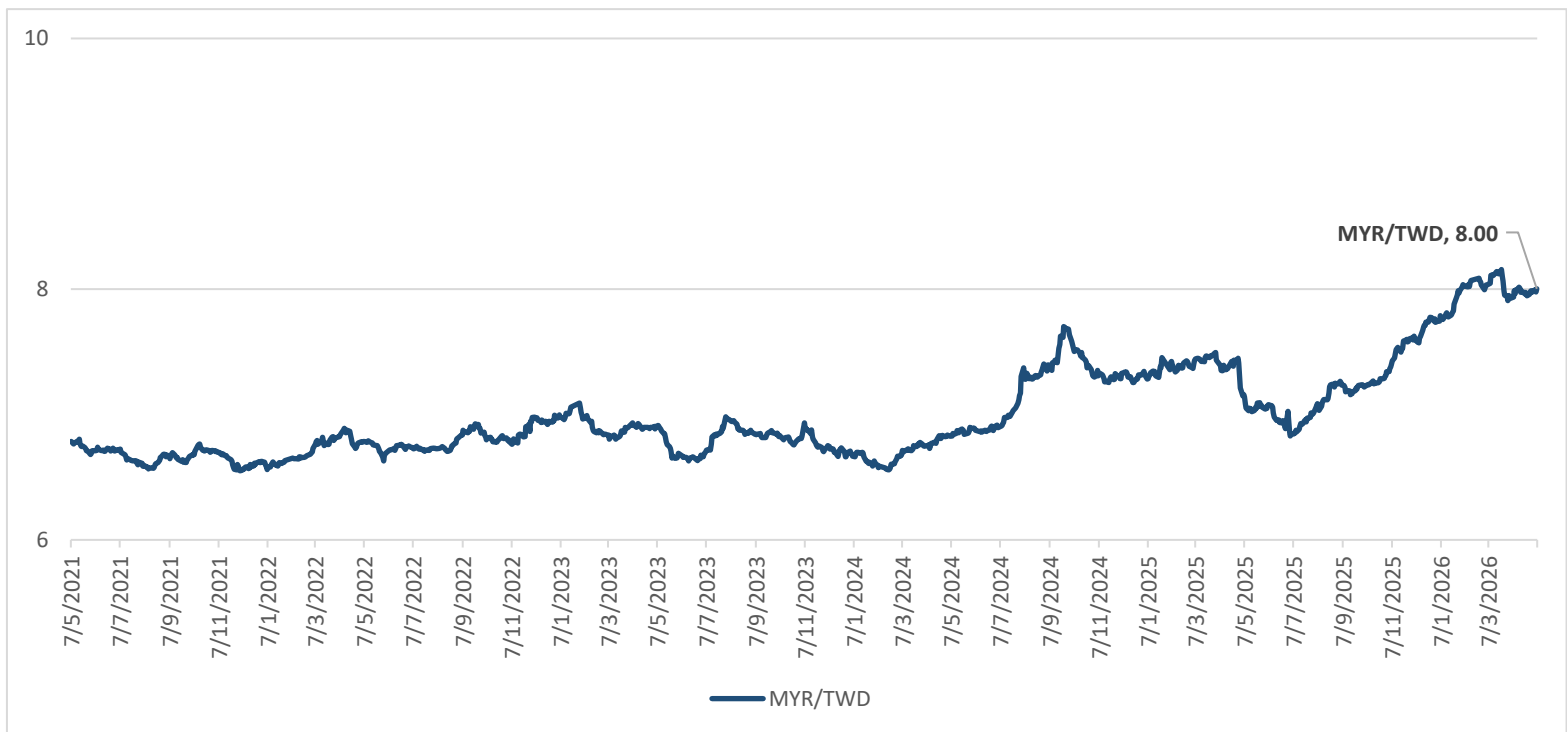
Thursday, 07 May, 2026

Figure 1: P/E Band



Source: Bloomberg, Apex Securities

Figure 2: 5 year MYR/TWD Chart



Source: Bloomberg, Apex Securities

Results Note

Thursday, 07 May, 2026

Financial Highlights

Income Statement

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	569.2	607.8	710.3	743.6	777.3
EBITDA	201.1	226.6	288.9	301.8	316.0
EBIT	180.4	205.1	267.4	278.6	368.3
Net finance income	18.0	18.6	17.8	20.4	23.0
Pre-tax Profit	198.4	223.7	285.2	299.0	314.4
Tax	-47.3	-55.2	-68.5	-71.8	-75.4
Profit After Tax	151.1	168.5	216.8	227.2	238.9
Minority Interest	14.3	14.3	19.5	20.5	21.5
Net Profit	136.8	154.2	197.3	206.8	217.4
Exceptionals	6.1	-11.7	0.0	0.0	0.0
Core Net Profit	130.7	166.0	197.3	206.8	217.4

Key Ratios

FYE Dec	FY24	FY25	FY26F	FY27F	FY28F
Core EPS (sen)	8.7	9.7	12.1	12.7	13.3
P/E(x)	49.8	44.8	35.7	34.1	32.4
P/B(x)	8.8	6.3	5.7	5.1	4.6
EV/EBITDA(x)	34.9	29.5	22.8	21.5	15.9
DPS (sen)	3.7	4.2	4.8	5.1	5.3
Dividend Yield (%)	0.8%	0.9%	1.1%	1.2%	1.2%
EBITDA margin (%)	37.3%	40.7%	40.7%	40.6%	40.6%
EBIT margin (%)	33.7%	37.7%	37.7%	37.5%	47.4%
PBT margin (%)	36.8%	40.2%	40.2%	40.2%	40.4%
PAT margin (%)	27.7%	30.5%	30.5%	30.6%	30.7%
NP margin (%)	25.4%	27.8%	27.8%	27.8%	28.0%
CNP margin (%)	27.3%	27.8%	27.8%	27.8%	28.0%
ROE (%)	21.5%	18.1%	16.1%	15.1%	14.3%
ROA (%)	16.8%	15.2%	13.7%	13.0%	12.5%
Gearing (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations

	FY27F
Core EPS (RM)	0.127
P/E multiple (x)	45.0
Fair Value (RM)	5.71
ESG premium/discount	0.0%
Implied Fair Value (RM)	5.71

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash and bank balances	353.2	366.2	468.3	590.3	721.2
Receivables	155.1	132.0	152.3	158.9	165.6
Inventories	21.2	21.7	21.9	21.9	22.0
Other current assets	165.4	475.0	475.0	475.0	475.0
Total Current Assets	695.0	994.9	1117.4	1246.1	1383.7
Property, plant and equipment	226.6	238.4	256.9	273.8	289.2
Intangibles	33.8	33.8	33.8	33.8	33.8
Other non-current assets	33.2	34.6	34.6	34.6	34.6
Total Non-current assets	293.6	306.8	325.3	342.2	357.6
Short-term Debt	0.0	0.0	0.0	0.0	0.0
Payables	159.8	149.4	152.7	153.7	154.8
Other Current Liabilities	27.9	34.5	34.5	34.5	34.5
Total Current Liabilities	187.8	183.9	187.1	188.2	189.2
Long-term Debt	0.0	0.0	0.0	0.0	-0.1
Other non-current liabilities	27.8	27.8	27.8	27.8	27.8
Total Non-current Liabilities	27.8	27.8	27.8	27.7	27.7
Shareholder's equity	720.6	1036.1	1154.4	1278.5	1408.9
Minority interest	52.3	53.9	73.4	93.9	115.4
Equity	772.9	1090.0	1227.9	1372.4	1524.3

Cash Flow

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Pre-tax Profit	198.4	223.7	285.2	299.0	314.4
Depreciation	17.3	18.2	21.5	23.1	24.6
Changes in working capital	0.4	10.1	-17.2	-5.6	-5.6
Tax paid	-40.6	-48.9	-68.5	-71.8	-75.4
Others	-8.9	-0.4	0.0	0.0	0.0
Operating cash flow	166.6	202.8	221.0	244.8	257.9
Net capex	-24.8	-42.6	-40.0	-40.0	-40.0
Others	12.0	-257.4	0.0	0.0	0.0
Investing cash flow	-12.8	-300.0	-40.0	-40.0	-40.0
Dividends paid	-61.5	-67.4	-78.9	-82.7	-87.0
Others	41.5	268.1	0.0	0.0	0.0
Financing cash flow	-20.0	200.7	-78.9	-82.7	-87.0
Net cash flow	133.9	103.5	102.1	122.0	130.9
Forex	-30.7	-38.4	0.0	0.0	0.0
Beginning cash & cash equivalent	404.4	507.6	572.7	674.8	796.8
Ending cash & cash equivalent	507.6	572.7	674.8	796.8	927.7
FD & short-term investments	-154.4	-206.5	-206.5	-206.5	-206.5
Cash and bank balances	353.2	366.2	468.3	590.3	721.2

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	★★★	Enforce and adopts Code of Ethics and Conduct
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

Disclaimer: The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.

As of **Thursday, 07 May, 2026**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.