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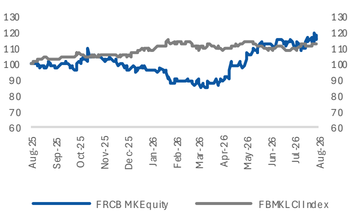
Recommendation:	**BUY**
Current Price:	RM 5.21
Previous Target Price:	RM 5.71
Target Price:	↑ RM 5.86
Capital Upside/Downside:	12.5%
Dividend Yield (%):	1.0%
Total Upside/Downside	**13.5%**

Stock information

Board	MAIN
Sector	Semiconductor
Bursa / Bloomberg Code	0128 / FRCB MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	1,812.9
Market Cap (RM' m)	9,445.4
52-Week Price Range (RM)	5.27-3.61
Beta (x)	0.9
Free float (%)	88.9
3M Average Volume (m)	6.3
3M Average Value (RM' m)	30.1

Top 3 Shareholders	**(%)**
Employees Provident Fund Board	20.1
Dazzle Clean Ltd	8.1
Kumpulan Wang Persaraan	4.7

Share Price Performance



	1M	**3M**	**12M**
Absolute (%)	5.7	17.1	19.8
Relative (%)	1.6	17.2	5.5

Earnings summary

FYE (Dec)	**FY25**	**FY26F**	**FY27F**
Revenue (RM'm)	607.8	710.3	743.6
PATAMI (RM'm)	154.2	197.3	206.8
CNP (RM'm)	166.0	197.3	206.8
EPS - core (sen)	9.3	11.9	12.7
P/E (x)	44.8	36.3	34.1

Source: Company, Apex Securities

Frontken Corporation Berhad

Taiwan Subsidiary Stays the Course

- **FRONTKN's 1HFY26 core net profit of RM88.0m (+2.0% YoY) accounted for 45% of our FY26F forecast and 44% of consensus estimates, which we deem in line given our expectation of stronger earnings in 2HFY26.**
- **We remain bullish on FRONTKN's earnings trajectory into 2HFY26, underpinned by sustained AI-led demand at its Taiwan semiconductor subsidiary, including the brought-forward Plant 2 capacity expansion and continued ramp into its key foundry customer's 2nm node.**
- **We maintain our FY26F/FY27F/FY28F core net profit forecasts of RM197.3m/RM206.8m/RM217.4m.**
- **Maintain BUY with a higher TP of RM5.86 (previously RM5.71), based on a higher P/E of 46.2x (previously 45.0x), applied to FY27F core EPS of 12.7sen.**

Results Inline. FRONTKN reported a 2QFY26 core net profit of RM49.1m (+26.4% QoQ, -7.1% YoY), after adjusting for forex loss (RM0.26m), fair value gains on short-term investments (-RM3.3m), gains on disposal of property, plant and equipment (-RM1.47m), and withholding tax (RM5.9m). This brought 1HFY26 core net profit to RM88.0m (+2.0% YoY). While 1HFY26 earnings accounted for 45% of our FY26F forecast and 44% of consensus estimates, we deem the results in line, as we expect earnings momentum to improve over the remaining quarters.

QoQ. Revenue eased 1.5% QoQ to RM186.9m, as softer Malaysia O&G supply-related sales were only partly cushioned by continued Taiwan semiconductor volume growth. Nevertheless, core net profit still rose 26.4% QoQ to RM49.1m (2QFY25: RM38.9m), driven by stronger Taiwan contribution.

YoY. Group revenue rose 19.5% YoY to RM186.9m, driven by a 106% YoY surge in Malaysia O&G supply-related activities and 7% YoY growth in Taiwan, combined with effective cost control. Core net profit, however, declined 7.1% YoY to RM49.1m (2QFY25: RM 52.9m), due to adjustment of exceptional items.

YTD. 1HFY26 revenue rose 30.4% YoY to RM376.7m, driven by broad-based growth across the Malaysia O&G (+177.6% YoY) and Taiwan semiconductor (+9.0% YoY) segments. Nevertheless, core net profit up 2.0% YoY to RM88.0m after adjusting for a RM4.3m fair value gain, RM1.5m disposal gain, RM0.96m forex loss and RM5.9m withholding tax.

Outlook. We remain constructively positive on the 2HFY26 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. 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 FRONTKN 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. The oil & gas segment continues to benefit from sustained maintenance and production activities, underpinned by relatively stable energy market fundamentals, with resilient demand expected for specialised maintenance and engineering services, and we continue to expect strong growth in this segment going forward.

Earnings Revision. We maintain our FY26F/FY27F/FY28F core net profit forecasts of RM197.3m/RM206.8m/RM217.4m, with no changes to our earnings assumptions.

Valuation & Recommendation. We **maintain our BUY call with a higher TP of RM5.86** (previously RM5.71), based on a higher P/E of 46.2x (previously 45.0x) applied to our unchanged

KDN PP13226/06/2024 (035469)

FY27F core EPS of 12.7sen. We believe the higher valuation is warranted given (i) multi-year earnings visibility from the advanced node ramp at its key foundry customer, (ii) AI-driven semiconductor demand tailwinds, and (iii) a healthy net cash position.

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.

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	12.7	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 Comparison

FYE Dec (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	6MFY26	6MFY25	yoy (%)
Revenue	186.9	156.4	*19.5*	189.8	*(1.5)*	376.7	289.0	*30.4*
EBITDA	68.0	49.6	*37.0*	58.6	*15.9*	126.6	98.2	*28.9*
Pre-tax profit	73.8	47.6	*55.0*	61.3	*20.4*	135.1	96.3	*40.3*
Net profit	47.7	33.5	*42.5*	42.4	*12.7*	90.1	64.6	*39.5*
Core net profit	49.1	52.9	*(7.1)*	38.9	*26.4*	88.0	86.2	*2.0*
Core EPS (sen)	3.0	3.2	*(7.1)*	2.3	*26.4*	5.3	5.2	*2.0*
EBITDA margin (%)	36.4	31.7		30.9		33.6	34.0	
PBT margin (%)	39.5	30.4		32.3		35.9	33.3	
Core net profit margin (%)	26.3	33.8		20.5		23.4	*29.8*	

Source: Company, Apex Securities

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	9.3	11.9	12.7	13.1
P/E (x)	49.8	44.8	36.3	34.1	32.9
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)	46.2
Fair Value (RM)	**5.86**
ESG premium/discount	0.0%
Implied Fair Value (RM)	**5.86**

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 equivalen	**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**

Source: Company, Apex Securities

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Scope 2 emissions 6,384.92 tCO2e in FY25
Waste & Effluent	★★★	A total of 33.23 tonnes of hazardous and non-hazardous waste were recycled in FY25
Energy	★★★	24.0% of total electricity was derived from renewable sources, including a solar PV system in Taiwan and a Power Purchase Agreement (PPA) in Malaysia
Water	★★★	Water consumption 30,647 m^3in FY25

Social

Diversity	★★★	The workforce consists of 63% male and 37% female employees. The Board consists of 25% female directors (2 out of 8)
Human Rights	★★★	Enforce and adopts Code of Ethics and Conduct
Occupational Safety and Health	★★	0.14 per 200,000 hours worked, with 1 reported injury incident
Labour Practices	★★★	Completed 9,150.5 total training hours, averaging 16.4 hours (approximately 2 days) per employee in FY25

Governance

Supply Chain	★★★	77% of spending was on local suppliers
Management	★★	100% of employees (except certain support roles) received training on anti-bribery and corruption policies
Human Rights	★★★	0 substantiated complaints concerning human rights violations

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

As of **Thursday, 06 Aug, 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.