

Company Name : Frontken Corporation Berhad
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Frontken Q3 Earnings Within Expectation, Says HLIB

KUALA LUMPUR: Frontken Corp Bhd's all-time high third quarter (Q3) core net profit of RM22 million met Hong Leong Investment Bank (HLIB) Research's expectation.

This brought Frontken's nine month's sum to RM59 million which matched the research house's expectation at 71 per cent but slightly missed consensus at 69 per cent.

HLIB said the outperformance was mainly driven by Taiwan semi business coupled with relentless vigilance in cost discipline despite oil and gas (O&G) industrywide slowdown.

ADVERTISING

It said Frontken's nine-month 2020 one-off adjustments include property, plant and equipment (PPE) disposal gain (RM1.5 million), allowance for impairment losses on receivables (RM256,000), foreign exchange loss (RM102,000) and withholding tax (RM1 million) imposed on the dividend declared by its Taiwanese subsidiary Ares Green Tech Corp (AGTC).

Year-on-year's revenue saw a solid growth of nine per cent driven by Taiwan (32 per cent) and Philippines (six per cent) which fully offset the contractions in Singapore (-23 per cent), Malaysia (-24 per cent) and Indonesia (-20 per cent) attributable to the slowdown in O&G.

It said despite that and higher charge, core earnings rose at a quicker pace of 21 per cent thanks to margin improvement resulting from continual efforts to elevate efficiency across the group.

Besides that, HLIB said Frontken's top and bottom lines gained seven per cent and 15 per cent, respectively, year to date.

"We note that Taiwan revenue expanded by 27 per cent with corresponding earnings growth of 49 per cent on the back of margin improvement of five percentage points to 34 per cent," it said.

For the nine-month period, semiconductor contributed 86 per cent of revenue while the rest is from O&G business.

HLIB has reiterated its Buy call on Frontken with an unchanged target price of RM4.10.