

Company Name : Frontken Corporation Berhad
Date : 30 April 2021
Source : New Straits Times

Frontken Corp Will Be Leading Semiconductor Player With Taiwan Property Purchase, Says JF Apex



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KUALA LUMPUR: Frontken Corp Bhd's (FCB) acquisition of property in Kaohsiung, Taiwan will enable its subsidiary double the capacity to support the rising semiconductor demand as capacity from existing facility is insufficient to support the ever-increasing demand from customers.

JF Apex Securities Bhd in a recent note said in tandem with the significant growth of industry, the acquisition will allow FCB to position itself to cater and service the next few generations of cutting-edge chips.

This as there is an anticipated strong demand as the global semiconductor industry is set to continue its robust growth well into the next decade in relation to emerging technologies such as autonomous driving, artificial intelligence (AI) and 5G.

FCB is a provider of surface metamorphosis and mechanical engineering solutions.

The company serves a wide-range of heavy industries such as semiconductors and oil and gas (O&G).

In addition, the company also specialises in engineering services that include coating, machining and grinding, manufacturing and precision cleaning.

Being optimistic on the company's outlook for O&G division, JF Apex said FCB has experienced higher order from various contracts for provision of manpower supply and also mechanical rotating equipment services with Petroliam Nasional Bhd (Petronas) in O&G division.

"We optimistic that the O&G division will perform better than financial year (FY) 2020 on the back of economic recovery and the higher crude oil price than last FY," the research firm noted.

JF Apex also noted that FCB registered a net cash of RM310.5 million year-to-date (YTD), a 6.5 per cent higher growth from RM291.5 million in last quarter.

The company's strong cash flow position forms a solid foundation to its future expansion.

Earnings-wise, FCB posted a record quarter result of RM103.5 million in revenue for the first quarter (Q1) FY21, up 21.9 per cent year-on-year (YoY) and 2.4 per cent quarter-on-quarter (QoQ) mainly attributable to the significant growth of the semiconductor business.

Meanwhile, the company recorded a lower QoQ net profit of RM24.9 million, down by 1.4 per cent mainly due to surtax on undistributed earnings by Taiwan subsidiary.

"We understand that if excluding the surtax, the net profit for Q1 FY21 will be 9 per cent higher QoQ," the research firm said.

JF Apex is keeping its earnings and revenue forecast for FY21 and FY22 and maintains a Buy call with an unchanged target price of RM3.86.