

Company Name : Frontken Corporation Berhad
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JF APEX REPORT

'Buy' call on Frontken with RM3.86 target price

KUALA LUMPUR: Frontken Corp Bhd's acquisition of a property in Kaohsiung, Taiwan, will enable its subsidiary to double production capacity to support the rising semiconductor demand.

JF Apex Securities Bhd said the acquisition would allow Frontken to cater to the next generations of cutting-edge chips.

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 and fifth-generation mobile technology.

Frontken is a provider of surface metamorphosis and mechanical engineering solutions. It serves a wide range of heavy industries, including semiconductors and oil and gas (O&G).

It specialises in engineering services, which include coating, machining and grinding, manufacturing and precision cleaning.

JF Apex said Frontken had won contracts for the provision of labour supply and mechanical rotating equipment services from

Petroleum Nasional Bhd.

"We are optimistic that the O&G division will perform better on the back of an economic recovery and the higher crude oil price," the research firm noted.

JF Apex said Frontken's net cash had risen 6.5 per cent year-to-date to RM310.5 million from RM291.5 million in the fourth quarter of last year.

Revenue soared 21.9 per cent year-on-year to RM103.5 million in the first quarter and 2.4 per cent quarter-on-quarter, mainly attributable to the significant growth of the semiconductor business.

Its net profit fell 1.4 per cent quarter-on-quarter to RM24.9 million, mainly due to surtax on undistributed earnings by its Taiwan subsidiary.

"Excluding the surtax, Frontken's net profit for the first quarter of its financial year 2021 will be nine per cent higher quarter-on-quarter."

JF Apex has maintained its "buy" call on Frontken with an unchanged target price of RM3.86.