

Company Name : Frontken Corporation Berhad
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Frontken poised to grow through M&A in the US

PETALING JAYA: Frontken Corp Bhd is positioning itself for its next major growth phase, underpinned by expanding capacity in Taiwan and Singapore, prospective mergers and acquisitions (M&A) in the United States, and sustained semiconductor demand driven by artificial intelligence (AI) and leading-edge chip technologies.

According to Maybank Investment Bank Research (Maybank IB Research), the company, a provider of support services to the semiconductor, surface treatment and mechanical engineering industries, flagged potential US-based M&A and joint-venture opportunities to broaden its service capabilities and customer reach, with some of these developments possibly happening next year.

"We believe this could be opportunistic for Frontken's future growth, enhancing customer stickiness and long-term service visibility. The ongoing capacity optimisation and prospective M&A initiatives enables long-term growth for Frontken," the research house said.

Similarly, Hong Leong Investment Bank Research (HLIB Research) said it believes continued strong earnings delivery and clear M&A execution would act as key re-rating catalysts for the stock, and help to absorb the incremental share overhang from warrant conversion.

It said that Frontken is evaluating the acquisition of a US company specialising in dry-cleaning products and processes, which complements its wet-cleaning expertise and broadens its service range.

"Both share common customers. The deal, estimated in the hundreds of millions of ringgit, could be comfortably funded by existing net cash and completed next year," the research house added.

It also highlighted the company is also eyeing a potential tie-up with a US cleaning company, involving a licensing or royalty-based model for Frontken's cleaning technology.

"The partner has facilities in the United States, Japan, and Europe, offering Frontken exposure in new markets where

Taiwan Semiconductor Manufacturing Co Ltd is expanding," HLIB Research added.

In addition, it pointed out that Frontken is also evaluating a potential acquisition or tie-up with a larger US-based company owned by a private-equity firm, with a deal size that could exceed RM1bil and funding likely sourced from the RM2bil warrant conversion proceeds.

Both HLIB Research and Maybank IB Research remain optimistic about the group's trajectory, reiterating their "buy" calls and describing Frontken as well-placed to capture long-term structural tailwinds in the semiconductor cycle.

HLIB Research maintained its RM4.95 target price, while Maybank IB Research reaffirmed its RM5.19 target price, based on 43 times 2026 price-earnings ratio.

Both research houses expect a stronger fourth quarter for the group, supported by seasonal trends and new capacity, with HLIB Research emphasising that the fourth quarter is typically the strongest for Frontken.