Company Name **: Frontken Corporation Berhad**
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Frontken's Prospects Brighten On AI Demand

PETALING JAYA: Frontken Corp Bhd's earnings are expected to be supported by sustained artificial intelligence (AI)-driven semiconductor demand, the continued ramp-up in advanced-node foundry production in Taiwan, and stronger contributions from its oil and gas engineering business.

Apex Research said Frontken reported a core net profit of RM49.1mil for the second quarter of financial year 2026 (2Q26), after adjusting for foreign-exchange loss (RM0.26mil), fair value gains on short-term investments (minus RM3.3mil), gains on disposal of property, plant and equipment (minus RM1.47mil), and withholding tax (RM5.9mil).

This brought the group’s core net profit to RM88mil in the first half of financial year 2026 (1H26).

The research house said while 1H26 earnings accounted for 45% of its financial year 2026 (FY26) forecast and 44% of consensus estimates, it deemed the results in line, as the research house expects earnings momentum to improve over the remaining quarters.

“We remain constructively positive on the 2H26 outlook, with multiple capacity expansion initiatives advancing in Taiwan.

“Ares Green Tech Corp’s thin film transistor/liquid crystal display cleaning lines relocation remains on track for 4Q26 completion, while additional cleaning lines at Plant 2 have been completed with qualification underway and commencement targeted for 2Q26/3Q26,” Apex Research said in a report yesterday.

The research house added that 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 650 metres from Plant 1 to support future expansion,” Apex Research said.

The research house said the expedited capacity build-up positions Frontken to capture its key foundry customer’s two nanometre (nm) production ramp into 2H26, while previously negotiated pricing improvements should help cushion ongoing Taiwan dollar/ringgit foreign-exchange pressure.

“The oil and 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," Apex Research added.

It maintained its "buy" call on Frontken with a higher target price of RM5.86 (previously RM5.71), based on a higher price-to-earnings (PE) ratio of 46.2 times (previously 45 times), applied to its unchanged FY27 core earnings per share of 12.7 sen.

Meanwhile, Kenanga Research said AI-driven semiconductor demand continues to show no signs of slowing, with utilisation at leading foundries remaining high, particularly for advanced nodes (less than seven nm).

The research house said it is also observing a structural shift whereby mature-node capacity is increasingly being converted to support advanced technologies, a trend that benefits Frontken given that management indicated that about 70% of its revenue is already tied to leading-edge nodes.

"We are increasingly confident that TSMC's two-nm production will be ramped up over the coming quarters.

"The customer has now separately disclosed two-nm as contributing 3% of revenue, and historically, each new node disclosure has been followed by a meaningful ramp in subsequent quarters," Kenanga Research said.

It added this should be further supported by Apple's expected September 2026 launch of the iPhone 18, powered by the A20 chip built on the two-nm process.

"Overall, as new capacity comes online to meet accelerating demand, we expect Frontken's semiconductor segment to deliver a stronger earnings ramp in 2H26," Kenanga Research said.

Kenanga Research has an “outperform” call on Frontken with a higher target price of RM5.72 (from RM5.10) after rolling forward its earnings base to FY27 and raising its FY27 profit forecast by 7%, while keeping its targeted PE unchanged at 40 times (plus one standard deviation above its five-year forward average).

Hong Leong Investment Bank (HLIB) Research noted Frontken’s growth trajectory is well understood, underpinned by sustained high fab utilisation (which drives greater cleaning frequency) and continued capacity buildout in Taiwan and Singapore.

The research house said, instead, investors are likely to focus more on margin expansion as its key foundry customer continues to scale advanced node production and is reportedly looking to hike prices.

“Furthermore, we expect margin expansion for Frontken should start to emerge towards the end of 2026 and become more apparent in 2027,” the research house said.

HLIB Research maintained a “buy” call on Frontken with a target price of RM5.75 based on an unchanged PE of 40 times 2027.