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Frontken Corp set for FY27 boost

PETALING JAYA: Frontken Corp Bhd's earnings momentum is expected to build into financial year 2027 (FY27), underpinned by its key Taiwan foundry customer's fully booked capacity, as well as staged capacity expansion from Plant 3 and the Plant 1 extension.

Following the group's results briefing for the third quarter ended Sept 30, 2026 (3Q26), Apex Research raised its core net profit forecasts for Frontken's FY26, FY27, and FY28 by 3.2%, 10.8%, and 18.2% to RM203.7mil, RM229.2mil, and RM256.9mil, respectively.

It noted profit growth is likely to skew towards the second half of FY27 (2H27) as costs are frontloaded into 1H27.

The earnings revision reflects the solid run-rate for the first nine months of FY26 and a stronger 4Q26 performance expected by Frontken's management, the research house said.

Apex Research also cited projected growth in Taiwan in FY27 to FY28 as its Plant 3, Plant 1 extension and Plant 5 come on stream, as well as a new Singapore foundry customer with higher margins ramping-up meaningfully from early 2027.

"Management believes the five facilities will carry the group to 2030 and sees Taiwan sales growth reaching about 20% year-on-year once the Plant 1 extension and Plant 5 ramp," Apex Research noted.

It said the facility upgrade for the new Singapore customer is on track, with modest contribution expected from November, and that management believes Singapore margins could surpass Taiwan's next year.

In addition, the earnings upgrade factored in higher interest income on its RM636.8mil warrant conversion proceeds.

However, this is partly offset by a lower margin from Frontken's Malaysia business and higher depreciation.

The group's enlarged 1.81 billion share base, up from 1.63 billion previously, has also resulted in a trimmed FY27 forecast core earnings per share of 12.6 sen from 12.7 sen, Apex Research said.

Separately, the research house said the group's strong net cash position of RM1.52bil, equivalent to 18% of market capitalisation, offers significant financial flexibility for merger and acquisition opportunities, with the company targeting a Japan deal before end-2026.

It maintained a "buy" call on the stock, raising the target price to RM6.55 a share from RM5.86 previously.