Frontken Berhad

The TSMC in the Precision Cleaning Space

By Tan Woon Pin I woonpin@kenanga.com.my

We initiate coverage on Frontken with an OUTPERFORM rating at a TP of RM4.70 by pegging a P/E of 40x to FY26E EPS. Frontken, an engineering service provider with unrivalled equipment cleaning expertise, is well-positioned to capitalize on the AI capex cycle, thanks to its strong relationships with the world's leading foundries. With the street forecasting major foundries' revenue to grow at a 25% CAGR until 2027, we see FY26F/FY27F as continued expansion years for Frontken on revenue growth annually of +15% thanks to high utilization rate on the foundries amid strong AI demand. We forecast Frontken's earnings to grow +21% in FY26F and +16% in FY27F respectively.

Capitalize on higher semiconductor equipment cleaning volumes. With industry revenues expected to grow at a 25% CAGR through 2027, we estimate TSMC's fab utilization will remain elevated at approximately 95%, up from 90% in FY25 (exhibit 3), supported by sustained demand for AI accelerators and advanced-node technologies. As TSMC's advanced-node capacity reaches full utilization and is reportedly secured through 2026, the resulting capacity tightness is creating a surge in demand for equipment cleaning services across the foundry ecosystem, with excess demand already beginning to flow to tier-2 foundries. This growing reliance on AI-driven chips, coupled with the need to maintain optimal operating conditions, positions Frontken's unrivalled cleaning expertise to capture the increasing volume of cleaning services. As TSMC grows, rising maintenance and repair spending along with Frontken's deeper involvement in advanced nodes is estimated to lift Frontken's wallet share from 10.9% in 2025 to ~12% by 2027 (exhibit 4).

Progression to more advanced nodes lifted the cleaning intensity… As chip sizes continue to shrink, tighter process windows, higher pattern density, and greater sensitivity to particle contamination drive the need for more frequent and stringent chamber cleaning. With 2nm having entered production as at end-2025, followed by 1.6nm in 2026–27 and 1.4nm by 2027–28, the number of depositions, etch, and patterning steps per wafer is set to rise further. This increase will exacerbate tool contamination, further shortening cleaning cycles and escalate the need for more advanced cleaning solutions.

…which should be margin accretive. We foresee a notable uptick in value-added service needs and this trend is already observable in TSMC's steadily increasing repair and maintenance expenditures, which have been consistently growing over the past cycles. By regression analysis, every RM100m increase in TSMC's repair and maintenance spending correlates to approximately RM10m in revenue contribution for Frontken. We view this increasing workflow complexity as a positive for Frontken, as it is margin accretive. Frontken's gross margin (GPM) has already shown significant expansion, increasing from ~45% in FY20 to ~47.6% in FY25. Looking forward, we forecast GPM to rise to 48.2% in FY26 and 49.1% by FY27.

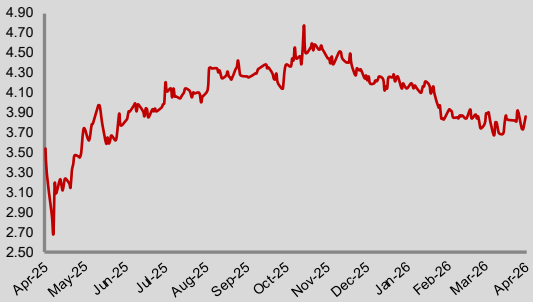
Initiate with OUTPERFORM call and target price of RM4.70. Our valuation is based on FY26 PER of 40x (+1SD above its 5Y average mean P/E of 34.2x) to reflect the current AI upcycle which we think could run into 2027; this target price implies a FY27 PER of 35x. As of March 30, 2026, Frontken has ~440 million outstanding warrants at a

OUTPERFORM

Price : **RM3.87**

Target Price : **RM4.70**

Share Price Performance



KLCI	1,698.3
YTD KLCI chg	1.1%
YTD stock price chg	-7.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	FRCB MK EQUITY
Market Cap (RM m)	6,400.3
Shares Outstanding	1,653.8
52-week range (H)	4.83
52-week range (L)	2.63
3-mth avg daily vol:	3,153,681
Free Float	85%
Beta	1.0

Major Shareholders

Employee Prominent Funds	15.8%
Dazzle Clean Ltd	10.9%
AIA Bhd	3.9%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	608	698	805
EBIT	205	250	296
PBT	230	272	315
Net Profit	160	194	225
Core Net Profit	160	194	225
Consensus (CNP)	-	198	225
Earnings Revision	-	-	-
Core EPS (sen)	9.8	11.7	13.6
Core EPS Growth (%)	17.1	21.0	16.0
NDPS (sen)	2.00	4.00	4.00
BVPS (RM)	0.6	0.4	0.5
Core PER (x)	42.8	33.0	28.5
PBV (x)	0.6	0.7	0.7
Net Gearing (x)	0.03	0.02	0.02
Net Div. Yield (%)	0.5	1.0	1.0

strike price of RM4, with exercise rights set to expire on April 30, 2026. While the warrants are currently out of the money, should they move into the money by the expiry date, full conversion is a rational expectation, and after factoring in the cash proceeds from the exercise on a per-share basis (RM0.85), the resulting dilution would reduce our target price by approximately 15 cents.

Investment Merits: We like Frontken due to its 1) strong positioning in the AI cycle. 2) proven track record with global leading foundries and 3) solid capabilities, enabling it to support the most advanced semiconductor nodes. Frontken has a 3-star ESG rating as appraised by us, i.e. no adjustment to our TP.

Key risks to our call include: (1) Slowdown in the AI-driven cycle which could affect the demand for equipment cleaning. 2) Customer concentration risk, with largest accounting for ~32% of its total revenue. 3) Loss of market share from key customers to competing foundries. 4) Geopolitical tensions or conflict, which could disrupt the supply of critical gases such as helium, essential for production, and affect foundry output.

COMPANY OVERVIEW

Frontken Corporation Berhad (Frontken) is a specialised engineering services provider focused primarily on the semiconductor industry, offering advanced precision cleaning, surface treatment, and maintenance solutions for high-precision process equipment. The Group supports semiconductor manufacturers across the equipment lifecycle, from decontamination of newly manufactured parts to routine maintenance and refurbishment of critical process chamber components. Leveraging deep technical expertise and proprietary process know-how, Frontken has established a strong position within the high-value front-end semiconductor ecosystem, particularly in segments characterised by high process complexity and entry barriers. The ongoing migration towards advanced nodes has structurally increased tool utilization and cleaning intensity, supporting sustained demand for Frontken's specialized services. Frontken's operations can be categorised into three main segments:

- **Advanced Precision Cleaning (Semiconductor).** Advanced precision cleaning and surface treatment of vacuum process equipment parts used in semiconductor and TFT manufacturing, including decontamination of newly manufactured parts, routine maintenance cleaning, and kit management.
- **Advanced Surface Treatment & Specialty Coating.** Surface enhancement services such as thermal spray and arc spray coatings, precision anodization, and precision texturing and polishing to extend component lifespan and improve equipment performance.
- **Engineering Services (Industrial).** Engineering and maintenance services for rotating equipment, including mechanical fitting, dynamic balancing, heat treatment, on-site machining, and laser alignment, serving oil & gas and petrochemical customers.

The Group serves a global customer base across the semiconductor and industrial sectors, with operating facilities in Singapore, Malaysia, Taiwan, the Philippines, and Indonesia, supported by approximately 1,380 employees.

KEY MANAGEMENT

1. **Nicholas Ng Wai Pin (Chairman / Chief Executive Officer)**

   Nicholas is the Chairman and Chief Executive Officer of Frontken Corporation Berhad, having been redesignated to the role on 19 January 2012 after previously serving as Senior Independent Non-Executive Director. He holds a Bachelor of Laws from the University of Auckland and was admitted as a Barrister and Solicitor of the High Court of New Zealand in 1989, before continuing his legal career in Malaysia with Shook Lin & Bok, where he was admitted as an Advocate and Solicitor of the High Court of Malaya in 1993. Nicholas later held senior corporate leadership roles, including Director and CEO of a Bursa-listed oil and gas services company, COO of a Singapore Exchange-listed company, and CEO of an Australian Securities Exchange-listed company, and is currently Executive Chairman of Ares Green Technology Corporation, a subsidiary of FCB.

2. **Tay Kiang Meng (Executive Director / Chief Scientist)**

   Mr Tay holds a First Class Honours degree in Manufacturing Systems Engineering from the University of Portsmouth, and a Master's degree and PhD in Engineering from Brunel University, United Kingdom. He leads the Group's technology roadmap and oversees R&D, quality systems, semiconductor manufacturing technologies, and advanced materials engineering initiatives. With over 20 years of experience in technology development and R&D, Dr Tay has led major innovations in semiconductor-related manufacturing technologies, having begun his career at the Gintic Institute of Manufacturing Technology, Singapore, and has received multiple academic and research honours.

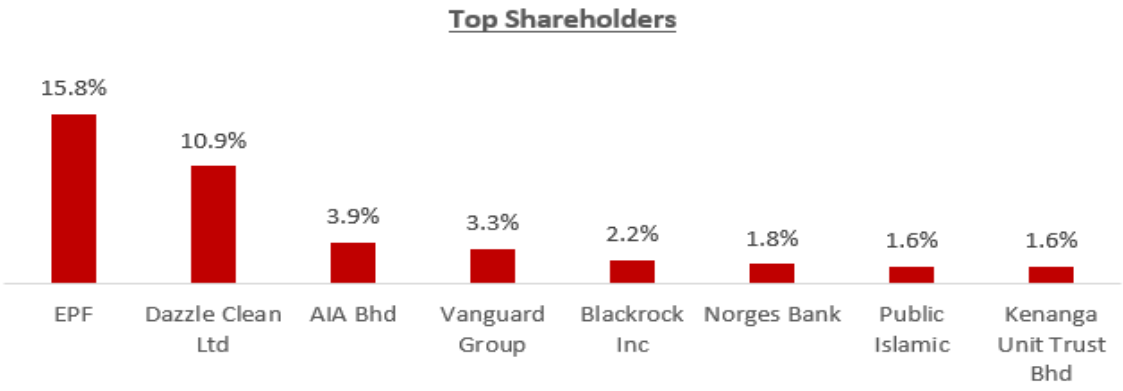
3. **Wong Chee Wai (Chief Financial Officer)**

   Wong Chee Wai is an Associate Member of the Chartered Institute of Management Accountants and a Chartered Accountant of the Malaysian Institute of Accountants. He has more than 30 years of experience in audit, accounting, finance, taxation, treasury, and budget management, gained through roles in audit firms and various organisations. Mr

Wong joined Frontken Corporation Berhad in 2009 as Senior Finance Manager and was subsequently promoted to Financial Controller and Senior Financial Controller before assuming his current role as Chief Financial Officer.

Key Shareholders

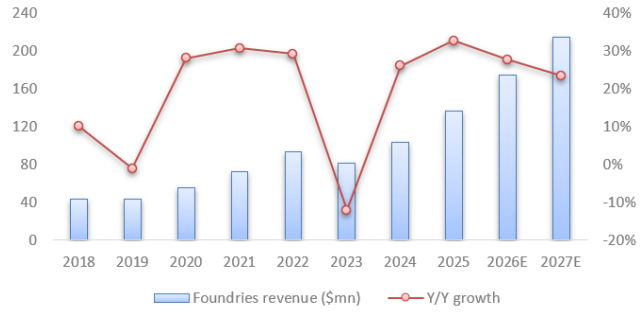
Exhibit 1: Frontken's Top Shareholders



Source: Bloomberg, Kenanga Research

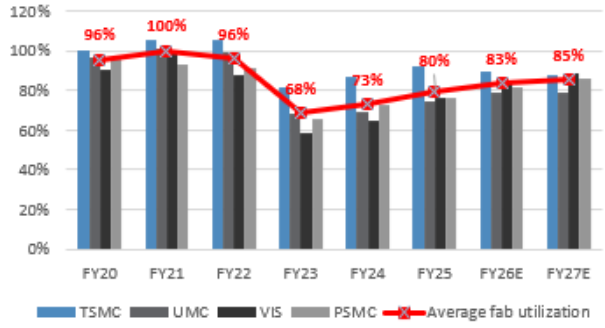
FOCUS CHARTS

Exhibit 2: Street forecasts major Taiwanese foundries' revenue to grow at a 25% CAGR by 2027…



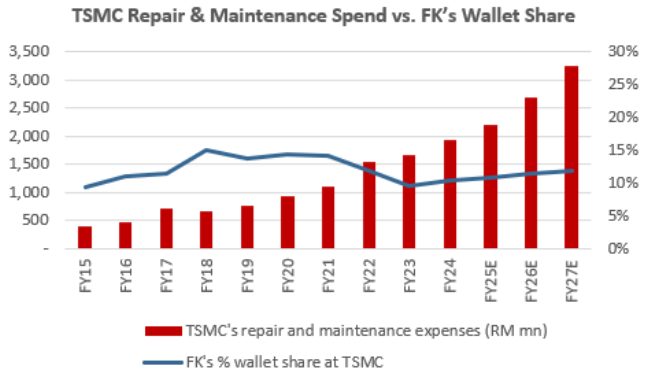
Source: Bloomberg, Kenanga Research

Exhibit 3: …supported by high utilization mainly in advanced nodes



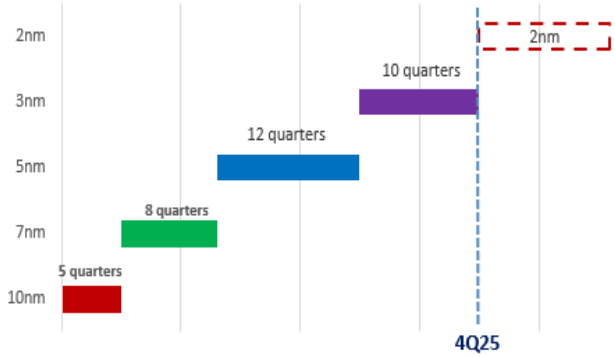
Source: SEMI

Exhibit 4: As TSMC grows, its maintenance and repair spend rises, boosting Frontken's wallet share



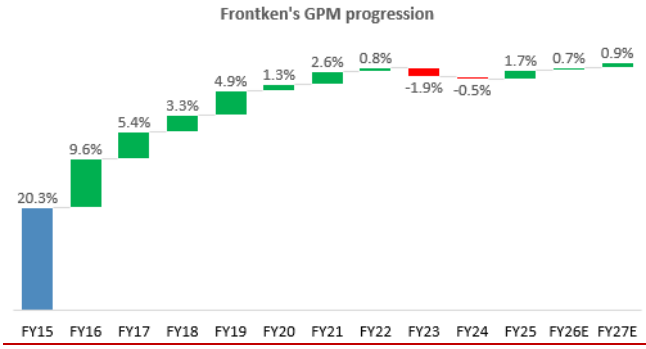
Source: Company

Exhibit 5: 2nm expected to reach mid-single-digit revenue contribution to TSMC by 1H26



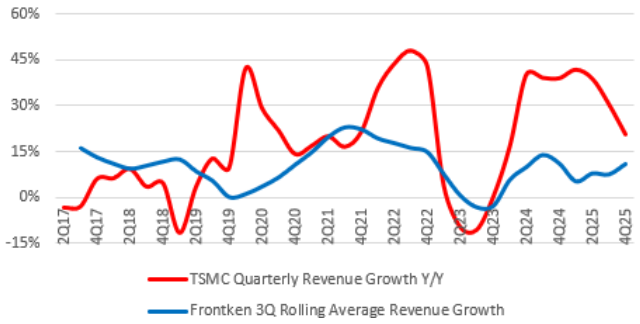
Source: Company

Exhibit 6: Gradual progression in advanced nodes helps boost margins



Source: Company, Kenanga Research

Exhibit 7: Frontken's 3Q moving-average revenue growth tracks TSMC's cycle

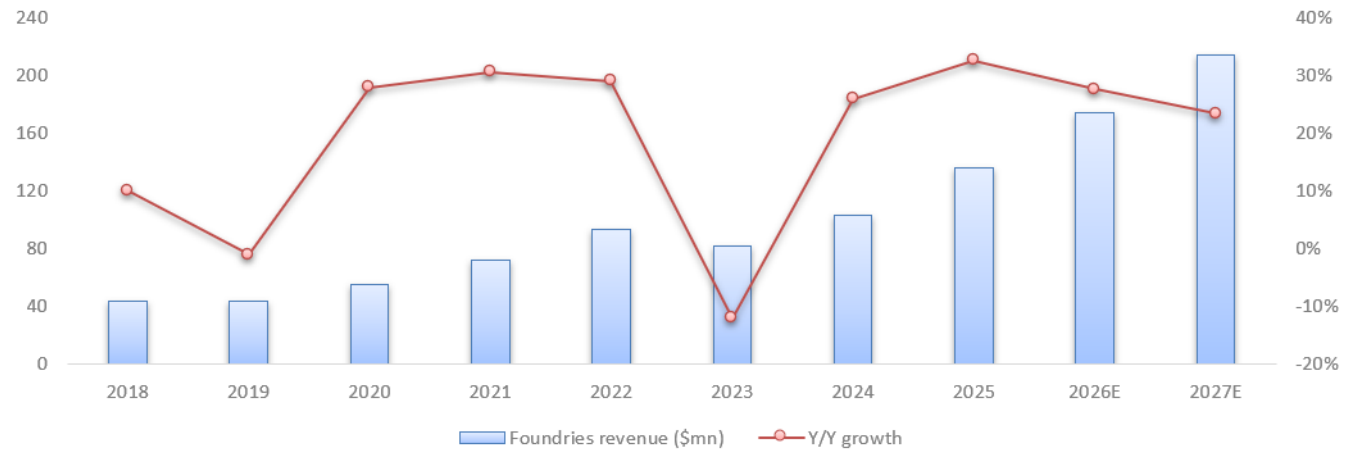


Source: Company

INVESTMENT MERITS

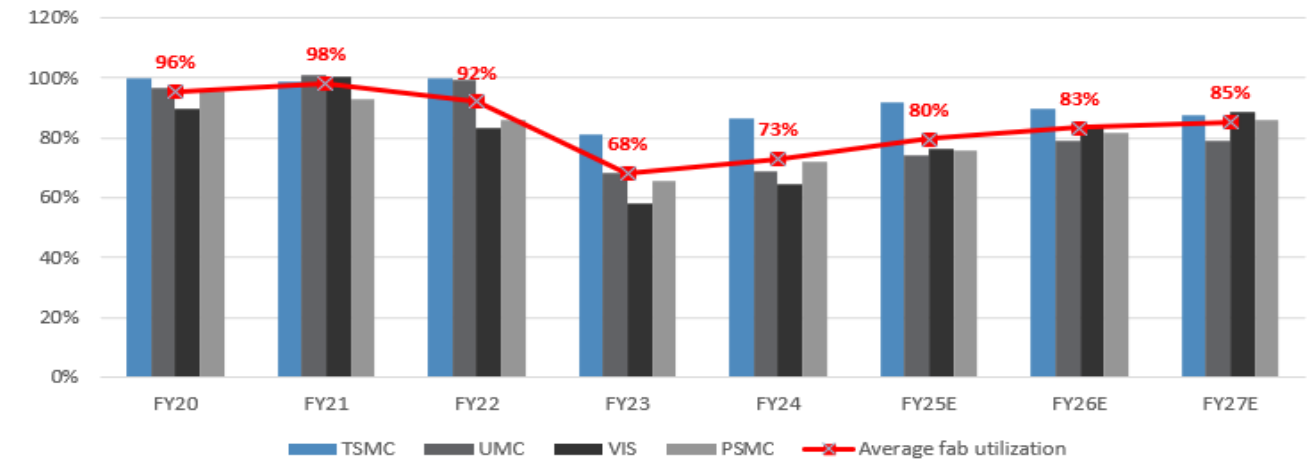
1. **AI-driven foundry demand translates into higher equipment cleaning volumes**

Exhibit 8: Street Forecasts Imply ~25% CAGR Revenue Growth to ~US$214bn for Major Taiwanese Foundries by 2027



Source: Bloomberg, Kenanga Research

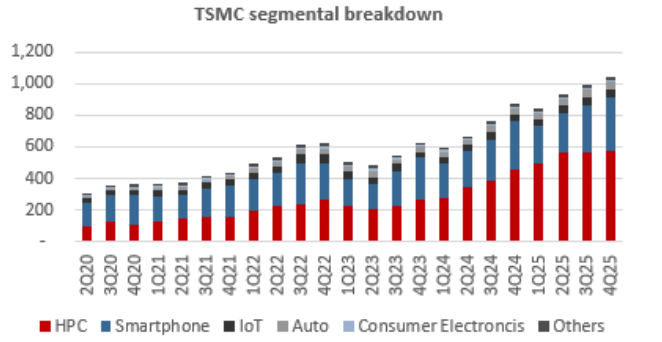
Exhibit 9: Sustained AI-related demand, led by TSMC, is lifting fab utilization levels and reversing the post-cycle trough



Source: Bloomberg, Kenanga Research

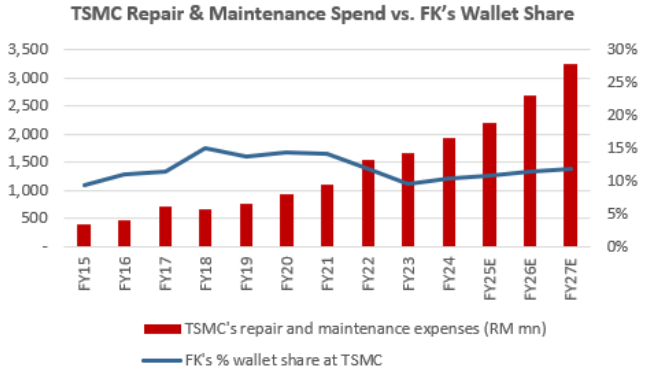
- **AI demand is supporting revenue growth and a sustained foundry upcycle, lifting utilization rates across the industry, led by TSMC.** Street forecasts point to strong top-line momentum for major Taiwanese foundries, with industry revenues expected to grow at 25% CAGR through 2027 (exhibit 8), driven primarily by AI accelerators, high-performance computing, and advanced-node adoption. Based on our estimates, TSMC's fab utilization has recovered to around ~90% in FY25, and we forecast utilization to remain elevated at ~95% in FY26–FY27 (exhibit 9), underpinned by sustained AI accelerator and advanced-node demand. With TSMC's advanced-node capacity already running at full utilization and reportedly fully secured through 2026, capacity tightness is increasingly creating spillover effects across the foundry ecosystem, with excess demand gradually flowing into tier-2 foundries and lifting their utilization as well. This trend is already observable, with industry sources reporting that Micron and SanDisk have turned to Powerchip Semiconductor Manufacturing Corp (PSMC) to fast-track memory output amid tightening supply conditions. While advanced nodes are benefitting from strong demand for flagship and AI-centric chips, mature nodes are also seeing healthy order flows supported by peripheral ICs, power management, and connectivity components. Higher fab loading levels also necessitate more frequent cleaning and maintenance of critical process equipment, hence translating into increased service volumes for Frontken.

Exhibit 10: HPC is the primary driver of TSMC's revenue growth



Source: Company, Kenanga Research

Exhibit 11: HPC-driven fab intensity is lifting repair and maintenance spend

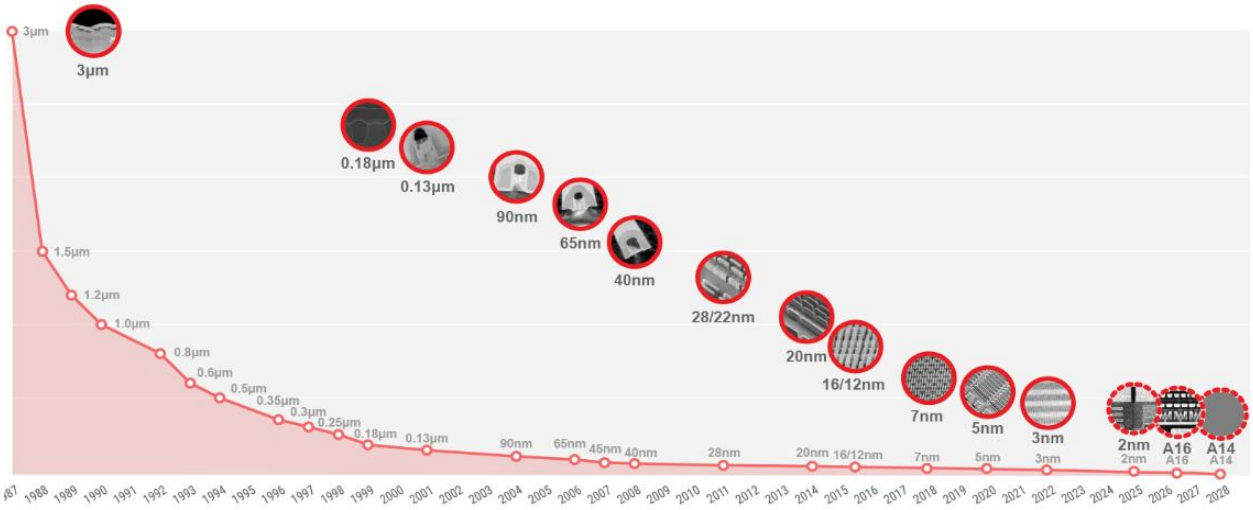


Source: Company, Kenanga Research

- **The growing contribution from High Performance Computing (HPC) workloads is structurally raising fab operating intensity at TSMC.** The rapid expansion of AI training and inference demand has shifted TSMC's revenue mix increasingly toward HPC products (exhibit 10), which are predominantly manufactured on advanced nodes. These workloads require higher tool utilization, longer run-hours, tighter process windows, and more frequent process tuning, collectively sustaining high utilization levels at the leading edge and increasing overall fab operating intensity.
- **Elevated fab activity is driving a sustained increase in repair and maintenance activity.** Higher advanced-node production translates into shorter maintenance cycles and more frequent cleaning of critical process equipment, resulting in a steady increase in TSMC's repair and maintenance expenditure over the cycle (exhibit 11). While Frontken's wallet share at TSMC has remained relatively stable, the expansion of overall R&M spending enlarges the addressable service pool, translating into higher absolute service volumes for Frencken as fab activity becomes more intensive and technologically demanding. We understand that Frontken remains a preferred partner to TSMC and is primarily involved in the most demanding processes at advanced and leading-edge nodes, reinforcing its positioning within TSMC's critical equipment maintenance ecosystem.

2. Progression to more advanced nodes leads to higher cleaning intensity

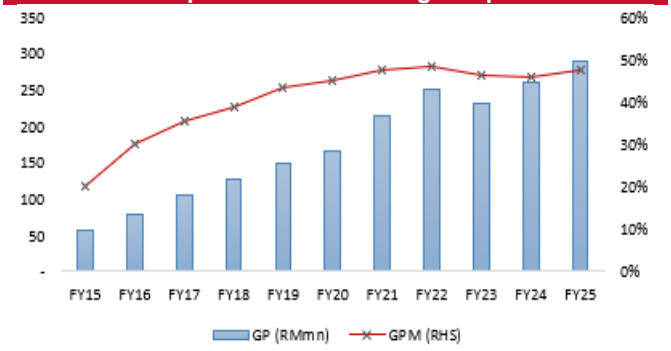
Exhibit 12: Sustained AI-related demand, led by TSMC, is lifting fab utilization levels and reversing the post-cycle trough



Source: Bloomberg, Kenanga Research

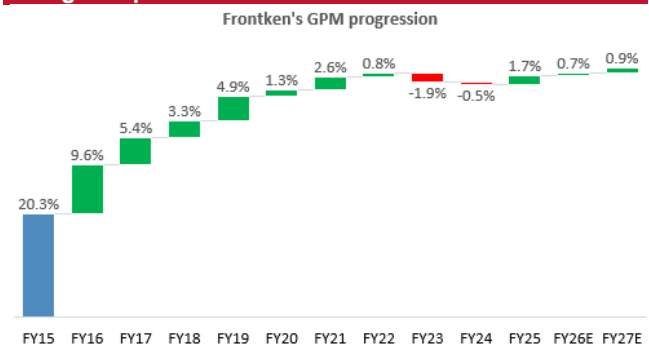
- **The progression toward more advanced process nodes structurally increases cleaning intensity across semiconductor manufacturing equipment…**As feature sizes shrink, tighter process windows, higher pattern density, and greater sensitivity to particle contamination necessitate more frequent and stringent chamber cleaning. With 2nm having entered into production in end-2025, followed by 1.6nm in 2026–27 and 1.4nm by 2027–28 (exhibit 12), the number of depositions, etch, and patterning steps per wafer is set to increase further, accelerating tool contamination rates and shortening allowable maintenance intervals. Advanced nodes therefore require shorter cleaning cycles, higher precision, and more complex maintenance procedures, particularly for critical front-end process tools. This node-driven escalation in cleaning intensity is structural in nature and underpins sustained demand for specialised cleaning and maintenance services as leading foundries continue to push toward smaller geometries.

Exhibit 13: Rising contribution from advanced-node services underpins Frontken's margin expansion



Source: Kenanga Research

Exhibit 14: Waterfall Illustration of Frontken's Gross Margin Expansion



Source: Company, Kenanga Research

- **…which supports margin expansion for Frontken.** Higher cleaning frequency, tighter tolerances, and greater technical complexity at advanced nodes translate into higher value-added service requirements and more complex workflows. This is reflected in Frontken's gross margin progression, with GPM targeted to improve from around 45% in FY20 to an expected ~48% in FY25 (exhibit 13), alongside rising exposure to advanced-node cleaning and maintenance work. As TSMC and other leading foundries continue to migrate toward 3nm, 2nm and sub-2nm nodes, the increasing complexity and criticality of cleaning services should support firmer pricing and a richer service mix (exhibit 14).

Exhibit 15: Sustained AI-related demand, led by TSMC, is lifting fab utilzation levels and reversing the post-cycle trough

Company	Product	2024 1Q	2Q	3Q	4Q	2025 1Q	2Q	3Q	4Q	2026 1Q	2Q	3Q	4Q	2027 1Q	2Q	3Q	4Q
NVIDIA	B300A									4nm							
	Rubin													3nm			
AMD	MI325					5nm											
	MI350									3nm							
	MI450													3nm			
	Venice																2nm
Google	TPU v6e								4nm								
	TPU v6p													3nm			
	TPU v7p													3nm			
Microsoft	MAIA 1					5nm											
	MAIA2																3nm
Amazon	Trainium 2.5 Cayman									5nm							
	Trainium 3 Mariana													3nm			
Meta	MTIA 2								5nm								
	MTIA 3																3nm
Apple	iPhone 19 (A19)									3nm							
	iPhone 18 (A20)												2nm				
	Macbook (M6)																2nm
	Vision Pro (R2)																2nm
Mediatek	Dimensity 9600																2nm
Qualcomm	Snapdragon 8 Elite Gen 5																2nm

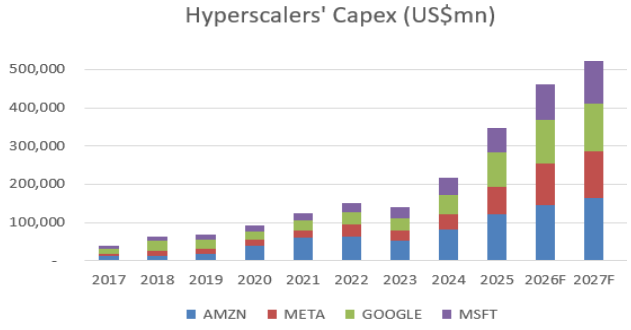
Source: Bloomberg, Kenanga Research

- **TSMC's customer pipeline points to a broad-based and visible ramp in leading-edge demand over the next several years.** Major customers including NVIDIA, AMD, Google, Microsoft, Amazon and Meta are progressively transitioning their AI accelerators and in-house silicon from 5nm and 4nm toward 3nm and, subsequently, 2nm over the FY25–FY27 period, complemented by continued advanced-node adoption from Apple, MediaTek and Qualcomm across consumer and mobile platforms. In 2026, we expect the majority of AI accelerators to migrate to N3, with some early adoption of N2, alongside continued tight capacity at N4 and N3 and a modest recovery in non-AI demand. The ramp of N2 should begin contributing meaningfully to revenue growth in 2H26, with N2 reaching mid-single digit percentage of total revenues in 2026, supported by a faster-than-prior-cycle ramp driven by Apple, Qualcomm, MediaTek and AMD. The staggered but overlapping nature of these product ramps provides TSMC with strong multi-year visibility at advanced nodes, reinforcing sustained fab loading, high utilization and structurally elevated operating intensity as the industry enters the sub-3nm era.

How long can the upcycle run?

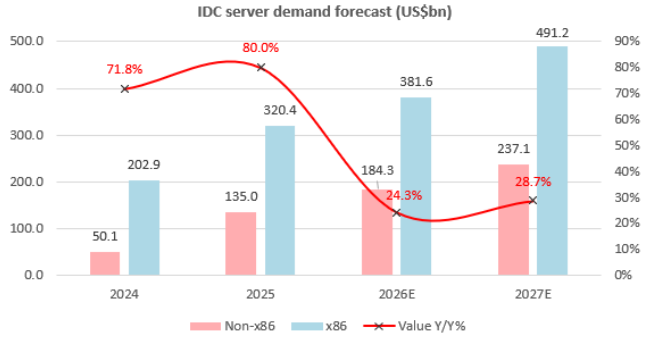
We opine that the current AI-driven foundry upcycle is likely to be multi-year in nature rather than a short-lived cyclical rebound.

Exhibit 16: HPC is the primary driver of TSMC's revenue growth



Source: Company, Kenanga Research

Exhibit 17: HPC-driven fab intensity is lifting repair and maintenance spend



Source: Company, Kenanga Research

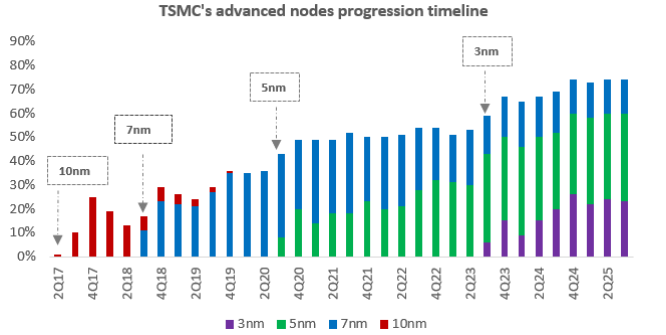
- **Hyperscaler capex trends point to a structural, multi-year AI investment cycle.** Based on consensus estimates, combined capex among the major hyperscalers is expected to grow by ~24% in CY26 and a further ~14% in CY27, with total capex exceeding US$500bn by 2027 (exhibit 16). Importantly, hyperscaler capex is set to more than double between 2024 and 2027, signalling a planned and sustained build-out of AI-related infrastructure rather than a short-lived investment spike. This pattern suggests that AI capacity additions are being embedded into long-term infrastructure

roadmaps, providing continued demand visibility for servers, advanced-node semiconductors, and foundry capacity over an extended, multi-year horizon.

- **The sustainability of the current AI-driven foundry upcycle is increasingly underpinned by strong and visible growth in global server demand.** According to IDC, the worldwide server market is firmly in an expansion phase through at least 2026, driven primarily by AI workloads, with non-x86 (AI-accelerated) servers growing significantly faster than the broader server market (exhibit 17). This expansion has largely overshadowed macro-level challenges, including slower economic activity, supply-chain disruptions, geopolitical tensions, and rising tariffs. Importantly, the debate around AI model efficiency reducing the need for infrastructure investment has faded, as efficiency gains have not meaningfully slowed the pace of AI training and inference demand. IDC expects the server market to grow at a ~28.7% CAGR through 2029, pointing to a multi-year demand runway that supports a more prolonged and structurally driven upcycle for foundries, particularly at advanced nodes tied to AI server deployments.

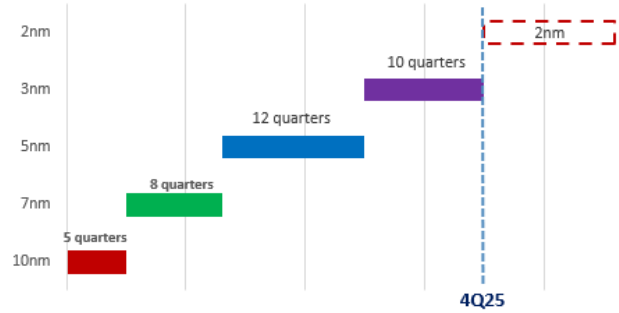
How fast can 2nm contribute meaningfully for Frontken?

Exhibit 18: Rising Contribution from Advanced Nodes in TSMC's Revenue Mix



Source: Company, Kenanga Research

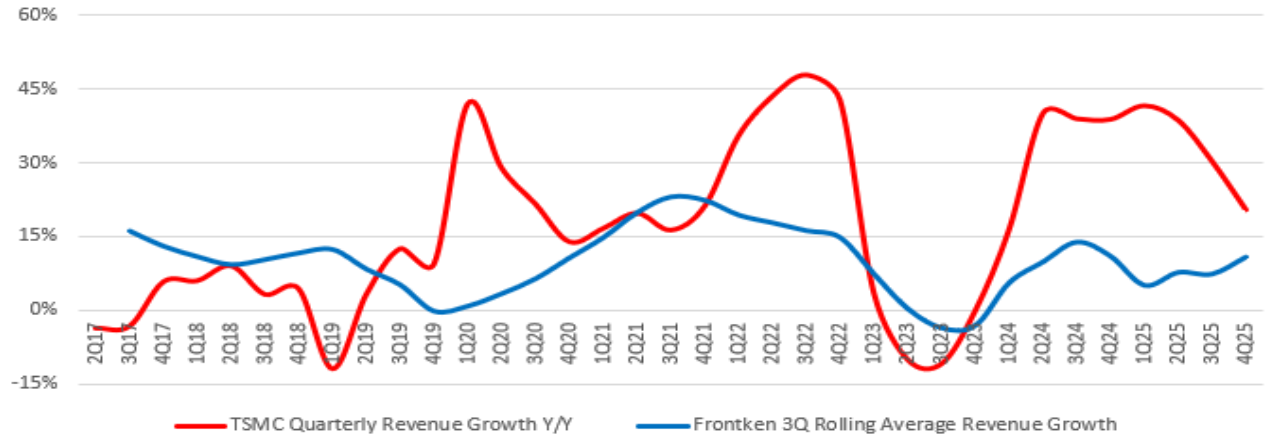
Exhibit 19: 2nm expected to reach mid-single-digit revenue contribution to TSMC by 1H26.



Source: Company, Kenanga Research

- **TSMC's revenue mix continues to shift structurally toward advanced nodes, which is directly supportive of Frontken's service demand profile.** As illustrated by the progression timeline (exhibit 18), the contribution from 7nm, 5nm and, more recently, 3nm has expanded steadily over time. At the same time, the interval between successive node introductions has lengthened meaningfully, indicating that each advanced node now remains in production for longer before the next transition occurs. This combination of deeper penetration and extended lifecycle results in prolonged periods of high utilization and operating intensity at advanced nodes. Against this backdrop, TSMC has disclosed that it has commenced volume production of chips using its N2 (2nm-class) process, fulfilling its previously communicated plan for volume manufacturing in 4Q. We expect N2 to scale meaningfully over the coming quarters and reach a mid-single-digit percentage contribution to TSMC's revenue by 1H26, which should translate into incrementally higher cleaning frequency and service intensity for Frontken
- **The scale and breadth of TSMC's 2nm ramp further strengthens the earnings visibility for Frontken.** TSMC is rapidly expanding 2nm capacity at both Fab 22 (Kaohsiung) and Baoshan, with monthly output expected to approach 100k wafers by end-year, driven by demand from Apple, AMD, MediaTek and Qualcomm. Notably, the N2 ramp departs from historical patterns, with production scaling simultaneously across mobile, AI and HPC designs rather than sequentially. This broader and faster utilization ramp increases chamber contamination rates and shortens maintenance cycles, particularly for critical front-end tools. Looking ahead, the introduction of N2P and A16 (1.6Å) in end-2026—with added process complexity such as backside power delivery—should further raise cleaning difficulty and service value, reinforcing Frontken's exposure to higher-volume, higher-complexity advanced-node work.

Exhibit 20: Frontken's 3Q Moving-Average Revenue Growth Tracks TSMC's Cycle



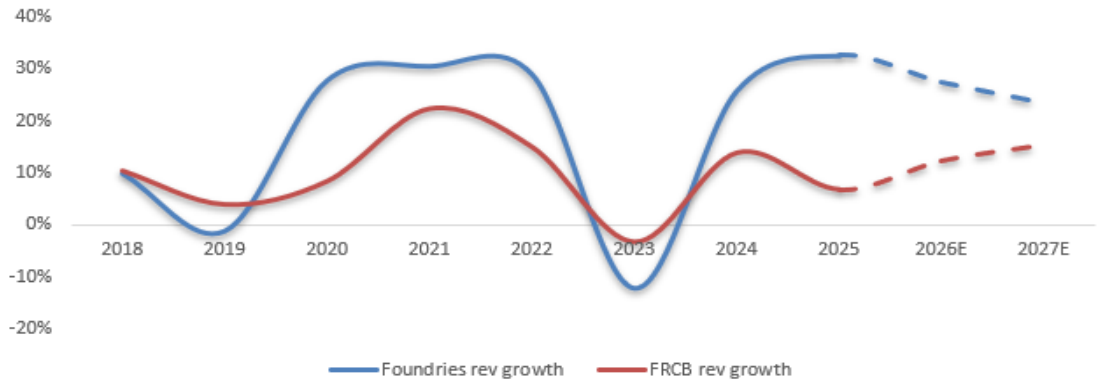
Source: Bloomberg, Kenanga Research

- **As illustrated in exhibit 20, Frontken's revenue growth has historically followed TSMC's cycle with a lag of approximately two to three quarters**, reflecting the downstream nature of its exposure to fab utilization and maintenance intensity. In practice, increases in wafer output and process intensity at TSMC tend to translate into higher cleaning and maintenance orders only after production ramps stabilize and tools accumulate sufficient run-hours. Applying this historical relationship, with TSMC having commenced volume production of its N2 (2nm-class) process in 4Q25, we expect meaningful 2nm-related cleaning orders for Frontken to emerge as early as 2Q26. This lagged but visible flow-through provides incremental earnings visibility for Frontken as TSMC's advanced-node production continues to scale.

FINANCIAL HIGHLIGHTS

Financial review. Frontken demonstrated a strong financial performance from FY2020 to FY2025, despite the semiconductor downcycle in 2H2022–2024. The company's business model, focusing on equipment cleaning for top foundries, allowed it to maintain stable earnings and become less vulnerable to the downcycle. During this period, revenue grew at an 11% compound annual growth rate (CAGR), rising from RM368 million in FY2020 to RM608 million in FY2025. Profit After Tax (PAT) nearly doubled, increasing from RM82 million to RM160 million. While revenue grew by 65% over the period, the increase in PAT was accompanied by a notable improvement in net margins, which consistently exceeded 20%. This growth was largely driven by Frontken's increasing involvement in advanced semiconductor nodes, benefiting from its first-mover advantage in nodes such as 5nm, 3nm, and 2nm, stemming from the company's expertise and its status as a preferred vendor for top foundries. Notably, recent growth was driven by AI applications, as top foundries operated their advanced nodes at high utilization, which led to an increased demand for more frequent equipment cleaning, thereby benefiting Frontken.

Exhibit 21: Frontken's Revenue Growth Aligns with Foundries' Performance



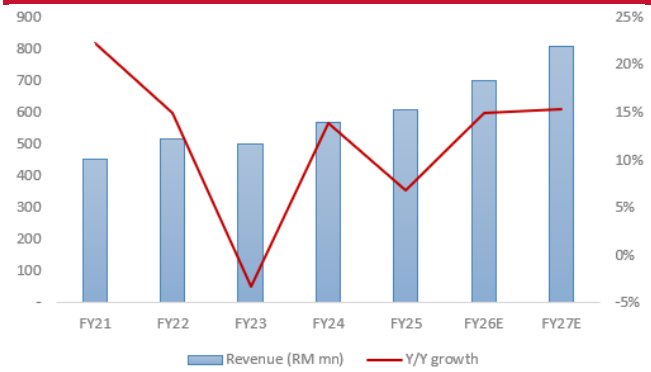
Source: Bloomberg, Kenanga Research

Financial forecast. We see FY26F/FY27F as another growth years, with revenue projected at RM698m/RM805m (+15% y/y) on the back of high utilization rate on the foundries amid strong AI demand. Earnings are expected to grow +21% in FY26F and +16%

in FY27F, lifting net margins to 28% (vs. 26% in FY25). Notably, our revenue growth projections for Frontken are believed to be not aggresive, as market consensus expects major foundries' revenues to grow +28% and +23% in FY26 and FY27, respectively. Historically, Frontken's revenue has shown a strong correlation with the revenue growth of major foundries, with a correlation coefficient of 0.76.

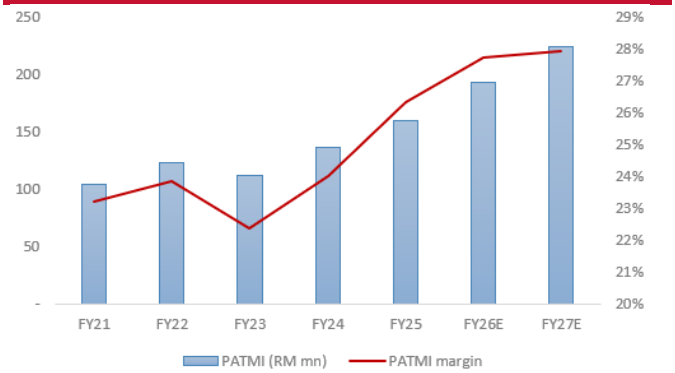
Dividend policy. Frontken does not have a formal dividend policy. However, since FY21, the company has consistently paid a dividend per share ranging from 2 to 4 sen, with an average payout ratio of approximately 40% during this period. We forecast a dividend per share of 4 sen for both FY26 and FY27.

Exhibit 22: Revenue and Growth



Source: Company, Kenanga Research

Exhibit 23: Net Profit and Margin



Source: Company, Kenanga Research

VALUATION

We initiate coverage on Frontken with an **OUTPERFORM** rating and a target price (TP) of **RM4.70**, based on a **40x FY26F PER**, which is +1SD above its 5-year forward average and c.20% premium to its peers' forward mean of 33x and 46% premium to its regional peers' forward mean PE (see Exhibit 23); this target price implies a FY27F PER of 35x. We believe the premium is justified due to Frontken's exposure to the world's largest foundries, which are at the forefront of the AI supercycle, and its continuous involvement in its customers' latest product innovations. With utilization across advanced nodes expected to remain high due to AI applications, Frontken is well-positioned to capture key structural growth drivers such as increasing chip complexity, advanced node migration, and the rise of AI and high-performance computing. As one of the few listed Malaysian players with direct exposure to the front-end semiconductor space, Frontken offers scarcity value and long-term re-rating potential.

As of March 30, 2026, Frontken has ~440 million outstanding warrants at a strike price of RM4, with exercise rights set to expire on April 30, 2026. While the warrants are currently out of the money, should they move into the money by the expiry date, full conversion is a rational expectation, and after factoring in the cash proceeds from the exercise on a per-share basis (RM0.85), the resulting dilution would reduce our target price by approximately 15 cents.

Exhibit 24: Comparison of local and regional peers in the industry

Company	Country	Ticker	Market Cap (RM m)	Revenue (RM m)	Net Margin (%)	1-yr Average Fwd PER (x)
Malaysia						
UWC	Malaysia	UWC MK	4478.7	386.2	10.5	44.1
KGB	Malaysia	KGRB MK	3913.1	1273.6	11.9	21.9
SAMEE	Malaysia	SAMEE MK	2132.5	1480.5	6.2	41.4
Vitrox	Malaysia	VITRO MK	8140.9	843.1	15.8	43.0
Regional						
Komico	Korea	183300 KS	2992.2	1701.3	11.0	23.0
Wonik	Korea	240810 KS	15136.7	2741.4	9.2	40.4
Shih Her	Taiwan	3551 TT	1352.6	411.6	16.0	18.6
Ultra Clean	US	UCTT US	9853.1	8806.2	-8.8	27.8
Simple Average			***6000.0***	***2205.5***	***9.0***	***32.5***
Frontken	**Malaysia**	**FRCB MK Equity**	**6135.7**	**607.8**	**25.4**	**40.0**

Source: Bloomberg, Kenanga Research

KEY RISKS

1. **Slowdown in AI-driven cycle**– A slowdown in the adoption and growth of AI technologies could impact Frontken's revenue growth.
2. **Customer Concentration Risk** – Frontken remains exposed to high customer concentration, with TSMC accounting for 32% of its total revenue, which could create vulnerability to any shifts in TSMC's business performance.
3. **Market Share Loss of its main customers to other foundries** – Frontken faces the risk of TSMC losing market share to competitors like Intel and Samsung, which could affect its growth prospects.
4. **Geopolitical tensions or conflict,** which could disrupt the supply of critical gases such as helium, essential for production, and negatively affect foundry output.

Income Statement

FYE Mar (RM m)	2023A	2024A	2025A	2026F	2027F
Revenue	500.1	569.2	607.8	698.5	805.3
EBITDA	178.6	201.1	227.3	272.4	319.0
Depreciation	-20.2	-20.7	-22.1	-22.8	-22.9
Operating Profit	158.3	180.4	205.1	249.6	296.1
Interest Income	4.4	12.6	9.8	26.1	2.4
Interest Expense	3.5	6.6	10.5	6.6	6.6
PBT	167.1	198.4	229.7	272.2	314.7
Taxation	-42.7	-47.3	-55.2	-62.6	-71.6
Minority Interest	12.4	14.3	14.3	15.7	18.3
Net Profit	112.0	136.8	160.2	193.9	224.9
Core Net Profit	112.0	136.8	160.2	193.9	224.9

Balance Sheet

FYE Mar (RM m)	2023A	2024A	2025A	2026F	2027F
Fixed Assets	236.2	226.6	238.4	313.4	305.7
Intangible Assets	-	-	-	-	-
Other FA	71.4	66.9	68.4	60.1	56.9
Inventories	22.3	21.2	21.7	29.4	33.3
Receivables	119.0	140.6	120.2	169.7	195.7
Other CA	120.4	180.0	486.8	486.8	486.8
Cash	316.2	353.2	366.2	418.2	571.7
Total Assets	885.5	988.5	1301.7	1477.6	1650.1
Payables	142.3	159.8	149.4	164.3	168.8
ST Borrowings	0.1	0.0	0.0	0.1	0.1
Other ST Liability	143.4	160.5	164.6	164.6	164.6
LT Borrowings	0.1	0.0	0.0	0.1	0.1
Other LT Liability	31.2	27.8	27.8	27.8	27.8
Minorities Int.	46.7	52.3	53.9	69.7	87.9
Net Assets	**687.9**	**772.9**	**1090.0**	**1234.4**	**1402.3**
Share Capital	114.7	151.9	440.0	440.0	440.0
Reserves	-526.5	-552.6	-596.1	-724.7	-874.3
Equity	**687.9**	**772.9**	**1090.0**	**1234.4**	**1402.3**

Cashflow Statement

FYE Mar (RM m)	2022A	2023A	2024A	2025F	2026F
Operating CF	144.5	165.5	202.8	183.5	234.1
Investing CF	-8.7	-4.6	-300.0	-64.2	-4.2
Financing CF	-72.4	-64.4	200.7	-66.4	-76.4

Financial Data & Ratios

FYE Mar	2023A	2024A	2025F	2026F	2027F
Growth (%)					
Turnover	-3.3	13.8	6.8	14.9	15.3
EBITDA	-3.9	12.6	13.0	19.9	17.1
Operating Profit	-5.9	13.9	13.7	21.7	18.6
PBT	-8.0	21.5	15.5	20.1	16.0
Net Profit	-9.2	22.2	17.1	21.0	16.0
Core Net Profit	-3.3	13.8	6.8	14.9	15.3
Profitability (%)					
EBITDA Margin	-4%	13%	13%	20%	17%
Operating Margin	-6%	14%	14%	22%	19%
PBT Margin	-8%	22%	15%	20%	16%
Core Net Margin	-9%	22%	17%	21%	16%
Effective Tax Rate	26%	24%	24%	23%	23%
ROA	14%	15%	15%	15%	15%
ROE	20%	21%	22%	21%	19%
DuPont Analysis					
Net Margin (%)	-9%	22%	17%	21%	16%
Assets Turnover (x)	0.62	0.64	0.57	0.56	0.55
Leverage Factor (x)	- 3.48	1.52	2.23	1.78	2.22
ROE (%)	20%	21%	22%	21%	19%
Leverage					
Debt/Asset (x)	1.1%	0.0%	6.9%	5.8%	4.7%
Debt/Equity (x)	1.2%	0.0%	8.6%	7.2%	5.6%
Net (Cash)/Debt	91	81	-16	-14	72
Net Debt/Equity (x)	-0.2	-0.2	0.0	0.0	-0.1
Valuations					
Core EPS (sen)	7.1	8.6	9.8	11.9	12.0
NDPS (sen)	2.20	4.00	2.00	4.00	4.00
BVPS (RM)	0.4	0.5	0.6	0.7	0.7
Core PER (x)	45.5	66.6	38.7	32.0	31.8
Net Div. Yield (%)	0.58	1.05	0.53	1.05	1.05
P/BV (x)	5.0	17.5	19.0	15.5	16.6

Source: Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div. Yld.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
TECHNOLOGY																	
D&O GREEN TECHNOLOGIES BHD	MP	0.450	0.470	4.4%	557.8	Y	12/2026	2.1	2.3	132.7%	39.9%	21.2	19.8	0.8	3.8%	1.0	2.2%
FRONTKEN BHD	OP	3.87	4.70	21.4%	6,400.3	Y	12/2026	11.7	13.6	21.0%	16.0%	33.0	28.5	5.5	17.6%	4.0	1.0%
INARI AMERTRON BHD	OP	1.35	2.05	51.9%	5,136.9	Y	06/2026	5.7	7.5	-14.6%	30.6%	23.5	18.0	1.8	7.2%	5.0	3.7%
KELINGTON GROUP BHD	OP	4.92	6.15	25.0%	3,882.0	Y	12/2026	20.5	21.9	23.4%	6.8%	24.0	22.5	5.5	26.1%	13.0	2.6%
LGMS BHD	OP	0.490	0.580	18.4%	223.4	Y	12/2026	2.9	3.6	30.4%	21.8%	16.8	13.8	1.7	10.5%	2.0	4.1%
MALAYSIAN PACIFIC INDUSTRIES	MP	29.08	35.30	21.4%	5,798.5	Y	06/2026	104.4	120.3	35.2%	15.2%	27.8	24.2	2.6	9.7%	35.0	1.2%
NATIONGATE HOLDINGS BHD	MP	0.655	0.850	29.8%	1,482.0	Y	12/2026	4.7	5.7	7.8%	21.1%	13.9	11.5	1.4	10.2%	2.0	3.1%
OPPSTAR BHD	MP	0.210	0.280	33.3%	134.7	Y	03/2026	(1.6)	1.0	-184.7%	-40.0%	N.A.	21.3	1.1	-8.0%	0.0	0.0%
PIE INDUSTRIAL BHD	MP	1.23	1.40	13.8%	472.4	Y	12/2026	8.1	8.8	37.6%	8.0%	15.2	14.1	0.7	4.8%	0.0	0.0%
SKP RESOURCES BHD	MP	0.360	0.530	47.2%	562.4	Y	03/2026	5.7	4.4	-24.4%	-22.5%	6.4	8.2	0.5	8.0%	0.0	0.0%
UNISEM (M) BHD	UP	2.68	2.22	-17.2%	4,323.1	Y	12/2026	7.6	9.2	94.1%	21.8%	35.4	29.1	2.0	5.8%	6.0	2.2%
UWC BHD	OP	3.99	4.70	17.8%	4,401.5	Y	07/2026	9.0	14.3	143.3%	59.0%	44.5	28.0	7.6	18.7%		0.0%
PENTAMASTER CORP BHD	OP	2.93	4.25	45.1%	2,084.2	Y	12/2026	12.1	13.1	39.0%	8.1%	24.2	22.4	2.4	10.4%	2.0	0.7%
INFOMINA BHD	OP	1.05	1.90	81.0%	631.3	Y	05/2026	5.6	7.6	60.7%	34.8%	18.6	13.8	3.2	18.3%	1.0	1.0%
SECTOR AGGREGATE					**36,090.5**					**21.5%**	**20.0%**	**25.7**	**21.4**	**2.6**	**10.2%**		**1.6%**

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Community Investment	★	★	★	★	
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★	☆	
SPECIFIC	Product Quality & Safety	★	★	★	☆	
	Effluent & Waste Management	★	★	★	★	
	Digitalisation & Innovation	★	★	★	☆	
	Use of Biodegradable Materials	★	★	★	☆	
	Supply Chain Management	★	★	★		
	Energy Efficiency	★	★	★		
	OVERALL	★	★	★	☆	

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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