Frontken

Strong Growth, Capacity Expansion Gathers Pace

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OUTPERFORM ↔

Price: RM4.72

Target Price: RM5.72 ↔

Frontken's 9MFY26 net profit of RM147m accounted for 72% of our and 73% of consensus full-year forecasts. We deem the results largely in line with expectations, with earnings anticipated to strengthen progressively in 2HFY26. The performance was underpinned by sustained momentum in its Taiwan semiconductor operations (+11% YoY), supported by the accelerating advanced-node ramp-up at TSMC. Notably, TSMC's 2nm revenue contribution increased from 3% to 8%, translating into ~200% QoQ growth in absolute revenue, while revenue from advanced nodes (≤7nm) rose 21% QoQ. Looking ahead, we expect semiconductor contributions to remain strong, supported by increasing orders from customers in Taiwan, Singapore and Malaysia, particularly as advanced-node production continues to ramp up. We maintain our earnings forecasts and TP of RM5.72. Reiterate OUTPERFORM.

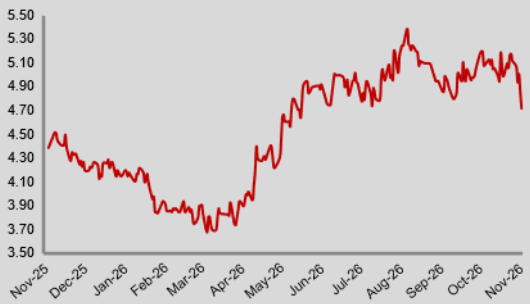
Frontken's 9MFY26 revenue of RM558m accounted for 72%/73% of our/consensus full-year forecasts, broadly in line with expectations. We expect earnings momentum to sustain into the coming quarters, underpinned by elevated foundry activity, particularly the continued ramp-up of advanced-node production by its key Taiwan customer. No dividend was declared for the quarter.

YoY, 9MFY26 revenue surged 24% to RM558m, driven primarily by a 114% YoY increase in revenue from its Malaysia operations, largely attributable to stronger oil & gas contributions. Meanwhile, Taiwan operations also delivered a solid performance, with revenue growing 21% YoY in TWD terms on the back of robust semiconductor demand. However, the strengthening of MYR against TWD moderated the growth to 10% YoY in MYR terms. The stronger topline, coupled with a more favourable sales mix, lifted net profit by 33% YoY (45% in TWD terms).

QoQ, group revenue eased 3% to RM181m, primarily dragged by a 31% QoQ decline in Malaysia's oil & gas revenue following an exceptionally strong preceding quarter. This was partly cushioned by a 6% QoQ increase in Taiwan revenue, supported by stronger orders from foundry customers. Despite the softer topline, PBT rose 4% QoQ to RM77m, benefiting from a more favourable sales mix as lower contributions from the lower-margin oil & gas segment improved overall profitability. Consequently, net profit jumped 20% QoQ to RM57m.

Outlook. Post-briefing, we remain positive on Frontken's growth prospects, supported by sustained AI-driven semiconductor demand and an increasingly visible capacity expansion pipeline. In Taiwan, with Plants 1 and 2 already operating at near full capacity, mgmt is progressing with its expansion plans, with Plant 3 expected to commence full production in January 2027, followed by ~20% capacity increase at Plant 1 in 2H2027. More importantly, the newly acquired Plant 5 will further strengthen its capabilities in advanced cleaning processes, particularly for 2nm and below technologies, with meaningful contributions expected from 2028 onwards. We believe this capacity additions are timely, given the continued ramp-up in advanced-node production, while an increasing mix of higher-value cleaning services could also support margin expansion. Meanwhile, Singapore is poised for stronger growth as more wafer fabs come online and ramp up production across both logic and memory segments, supported by Frontken's recent customer and equipment qualifications. Beyond organic expansion, management is exploring overseas opportunities, particularly in Japan, backed by its sizeable RM1.5bn cash position. Overall, we expect Frontken to benefit from a

Share Price Performance



KLCI	1,748.17
YTD KLCI chg	4.1%
YTD stock price chg	24.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	FRCB MK EQUITY
Market Cap (RM m)	8557.1
Shares Outstanding	1812.9
52-week range (H)	5.40
52-week range (L)	3.61
3-mth avg. daily vol.	6,138,565
Free Float	89%
Beta	1.0

Major Shareholders

Employees Provident Fund	20.1%
Dazzle Clean	8.1%
KWAP	4.7%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	608	773	895
EBIT	205	265	338
PBT	230	297	357
Net Profit	**160**	**204**	**251**
Consensus	-	202	245
Earnings Revision	-	-	-
Core EPS (sen)	9.8	11.6	14.3
EPS Growth (%)	17.1	27.3	22.9
NDPS (sen)	2.0	4.0	4.0
BV/Share (RM)	0.6	0.4	0.5
Core PER (x)	42.8	44.8	36.5
P/BV (x)	0.6	0.7	0.8
Gearing (x)	0.0	0.0	0.0

multi-year expansion cycle, with additional capacity and a more favourable business mix supporting sustained earnings growth over the coming years.

Forecasts. We maintain our earnings forecasts unchanged following the in-line results, with the anticipated stronger contributions from its semiconductor operations in the coming quarters remaining intact.

Valuations. We maintain our TP of RM5.72, pegged to an unchanged 40x FY27F PER (+1SD above its 5-year forward average). This represents a ~20% premium to peers' forward mean, which we believe is justified by Frontken's exposure to the world's leading foundries at the forefront of the AI supercycle, as well as its continued involvement in customers' latest technology advancements. There is no adjustment to our TP based on ESG, given its 3-star rating as appraised by us (see Page 4).

Investment case. We like Frontken due to its: (i) strong positioning in the AI cycle, (ii) proven track record with global leading foundries, and (iii) solid capabilities, enabling it to support the most advanced semiconductor nodes.

Risks to our call include: (i) slowdown in the AI-driven cycle which could affect the demand for equipment cleaning, (ii) customer concentration risk, with largest accounting for ~32% of its total revenue, and (iii) loss of market share from key customers to competing foundries.

Results Highlights

	3Q26	2Q26	QoQ Chg	3Q25	YoY Chg	9M26	9M25	YoY Chg
Revenue	181.0	186.9	-3%	161.9	12%	557.8	450.9	24%
EBITDA	73.1	68.0	7%	66.4	10%	199.7	164.6	21%
EBIT	67.9	62.8	8%	60.9	11%	184.0	148.5	24%
PBT	76.9	73.8	4%	67.2	14%	212.0	163.5	30%
Taxation	(15.6)	(21.4)	-27%	(15.0)	4%	(51.2)	(40.6)	26%
MI	4.2	4.7	-12%	4.3	-4%	13.6	10.4	30%
PATMI	57.2	47.7	20%	47.9	19%	147.3	112.5	31%
EPS (sen)	3.2	2.7	16%	3.0	5%	8.6	7.1	21%
EBITDA Margin	40%	36%	4.0 ppt	41%	-0.6 ppt	36%	37%	-0.7 ppt
EBIT Margin	37%	34%	3.9 ppt	38%	-0.1 ppt	33%	33%	0.1 ppt
PBT Margin	42%	39%	3.0 ppt	42%	1.0 ppt	38%	36%	1.7 ppt
PATMI Margin	32%	26%	6.1 ppt	30%	2.0 ppt	26%	25%	1.5 ppt
Tax Rate	20%	29%	-8.7 ppt	22%	-2.1 ppt	24%	25%	-0.7 ppt

Source: Kenanga Research

Geographical Breakdown

FYE Dec (RM m)	**3Q26**	**2Q26**	**QoQ Chg**	**3Q25**	**YoY Chg**	**9M26**	**9M25**	**YoY Chg**
Taiwan	132.2	124.5	6%	118.7	11%	366.1	333.4	10%
Malaysia	30.1	44.0	-31%	25.4	18%	137.5	64.1	114%
Singapore	14.7	14.4	2%	13.5	8%	42.1	40.2	5%
Philippines	4.0	4.1	-2%	4.2	-5%	12.0	13.1	-8%
Total	**181.0**	**186.9**	**-3%**	**161.9**	**12%**	**557.8**	**450.9**	**24%**

Source: Kenanga Research

Malaysian Technology Peers Comparison

Name	Rating	Last Price (RM)	TP (RM)	Upside	Mkt 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.
AMBEST GROUP BHD	OP	1.13	1.80	59.3%	576.3	Y	06/2027	3.0	6.9	151.6%	128.0%	37.4	16.4	7.7	22.1%	0.0	0.0%
D&O GREEN TECHNOLOGIES BHD	MP	0.410	0.440	7.3%	508.2	Y	12/2026	(1.7)	2.0	-287.6%	51.9%	N.A.	20.6	1.0	-22.7%	1.0	2.4%
FRONTKEN BHD	OP	4.72	5.72	21.2%	8,557.1	Y	12/2026	12.3	15.2	27.3%	22.9%	38.3	31.1	6.7	18.5%	4.0	0.8%
INARI AMERTRON BHD	OP	2.12	2.77	30.7%	8,216.3	Y	06/2027	8.1	8.7	61.3%	8.2%	26.3	24.3	2.9	11.0%	7.3	3.4%
KELINGTON GROUP BHD	OP	7.64	10.10	32.2%	6,726.2	Y	12/2026	21.7	27.3	30.6%	26.0%	35.2	28.0	8.6	27.8%	15.0	2.0%
LGMS BHD	OP	0.515	0.600	16.5%	234.8	Y	12/2026	2.2	3.0	-2.0%	38.0%	23.5	17.0	1.9	8.0%	2.0	3.9%
MALAYSIAN PACIFIC INDUSTRIES	MP	36.20	43.70	20.7%	7,218.2	Y	06/2027	134.1	149.1	41.9%	11.2%	27.0	24.3	3.0	11.6%	40.0	1.1%
NATIONGATE HOLDINGS BHD	OP	1.82	2.14	17.6%	4,096.3	Y	12/2026	1.8	10.3	-58.0%	462.4%	99.2	17.6	4.1	4.1%	2.0	1.1%
OPPSTAR BHD	UP	0.520	0.750	44.2%	336.4	Y	03/2027	2.1	2.3	-14.9%	8.8%	24.3	22.3	2.5	10.8%	0.0	0.0%
PIE INDUSTRIAL BHD	MP	1.49	1.51	1.3%	572.2	Y	12/2026	5.9	8.4	0.4%	42.3%	25.2	17.7	0.9	3.5%	0.0	0.0%
SKP RESOURCES BHD	UP	0.320	0.270	-15.6%	477.0	Y	03/2027	2.5	3.5	-19.4%	42.0%	13.0	9.1	0.5	3.7%	0.0	0.0%
SKYECHIP BHD	OP	2.42	3.64	50.4%	4,346.4	Y	03/2027	3.6	4.6	34.8%	25.4%	66.5	53.0	8.1	18.4%	70.0	28.9%
UNISEM (M) BHD	UP	3.70	3.55	-4.1%	6,344.5	Y	12/2026	5.0	10.9	27.5%	133.8%	74.4	33.8	2.4	2.8%	2.0	0.5%
UWC BHD	OP	6.29	7.83	24.5%	6,943.0	Y	07/2027	15.9	19.6	87.2%	22.8%	39.5	32.2	9.3	26.6%	0.0	0.0%
PENTAMASTER CORP BHD	MP	4.88	5.40	10.7%	3,471.2	Y	12/2026	11.2	15.1	29.0%	34.6%	43.4	32.2	4.1	9.7%	2.0	0.4%
INFOMINA BHD	OP	1.76	2.40	36.4%	1,050.8	Y	05/2027	7.6	9.6	30.5%	26.5%	23.1	18.2	5.5	26.1%	3.0	1.7%
SECTOR AGGREGATE					**59,098.6**					**30.9%**	**41.5%**	**38.7**	**27.3**	**4.1**	**10.7%**		**3.1%**

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	☆		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Technology & Innovation	★	★	★	☆	
	Supply Chain Management	★	★	★		
	Energy Efficiency	★	★	★		
	Effluent/Water Management	★	★	★		
	Waste Management	★	★	★		
	Ethical Practices	★	★	★	☆	
	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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