VITROX CORPORATION

(VITRO MK EQUITY, VTRX.KL)

HOLD

(DOWNGRADED)

Price: RM10.12
Target Price (% return): RM10.25 (+2%)
52-week High/Low: RM11.30/RM3.94

Technology
Rationale for report: Company Result

Running into constraints

Vitrox delivered strong 9M26 earnings, up 173% YoY to RM263mil and ahead of consensus. AI infrastructure remains a key growth driver, with its QX AXI equipment being made the standard by a major hyperscaler. However, we see growth momentum moderating amid a high base, easing book-to-bill ratio and emerging supply constraints. With upside surprises becoming harder to deliver, we downgrade to Hold (from BUY) at an unchanged TP of RM10.25/share.

- **Downgrade to Hold.** We value Vitrox at an unchanged TP of RM10.25/share, which is based on a target PE and blended CY27/28 EPS. Upside surprises are likely to become harder to come by amid supply constraints and moderating demand momentum.
- **Beat consensus.** 9M26 core profit surged 173% YoY to RM263mil, coming in line with our estimates at 68%, but ahead of consensus at 83%. Growth was primarily driven by AI infrastructure deployment, with communication now accounting for 42% of group revenue. Notably, its QX AXI (automated x-ray inspection) equipment has been adopted as the standard by a major hyperscaler, which now contributes 15% of group revenue.
- **Momentum slowing.** While order visibility remains strong, we expect growth to moderate as the high growth base becomes increasingly difficult to sustain. The book-to-bill ratio eased to 1.1x from 1.5x in the previous quarter. 4Q26 revenue is guided at between RM403mil (+39% YoY, -17% QoQ) and RM459mil (+58% YoY, -5% QoQ). ABI (automated board inspection) backlog stands at RM399mil, providing revenue visibility into 1H27. Looking ahead, key growth catalysts include inspection solutions for cold plates, next-generation AI accelerator boards and advanced packaging.
- **Supply constraints emerging as a bottleneck.** Following the significant order pull-in during 3Q26, the company has had to draw down its inventory to support near-term demand, leaving a tighter material buffer for subsequent quarters. AXI equipment output is constrained by the supply of X-ray tubes. While the procurement and R&D teams are actively exploring alternative sources across different countries and suppliers, challenges remain in bridging gaps in pricing and technical specifications.

Analyst (s)

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Key Changes

Target Price:	⇔
EPS:	⇔

Stock and Financial Data

Shares Outstanding (million)	1,891.8
Market Cap (RMmil)	19,145.4
Book Value (RM/Share)	0.60
P/BV (x)	16.9
ROE (%)	12.4
Net Gearing (%)	-
Free Float	35.8
Avg Daily Value (RMmil)	36.1

Major Shareholders

Chu Jenn Weng	(24.7%)
Siaw Kok Tong	(16.4%)
Yeoh Shih Hoong	(8.1%)

Price performance	3mth	6mth	12mth
Absolute(%)	9.8	75.4	123.9
Relative(%)	17.9	90.6	124.2

Source: ViTrox Corporation, AmInvestment Bank Bhd.

YE to Dec	FY25	FY26F	FY27F	FY28F
Revenue (RM mil)	843.1	1,623.2	1,780.1	1,937.1
Core net profit (RM mil)	143.2	388.5	450.2	490.9
FD Core EPS (sen)	7.6	20.5	23.8	26.0
FD Core EPS growth (%)	48.1	171.4	15.9	9.1
Consensus Net Profit (RM mil)	-	317.0	404.7	461.3
DPS (sen)	1.3	6.2	7.1	7.8
PE (x)	133.7	49.3	42.5	39.0
EV/EBITDA (x)	97.6	40.1	36.4	33.1
Div yield (%)	0.3	1.6	1.8	2.0
ROE (%)	12.4	30.1	27.9	25.2
Net Gearing (%)	nm	nm	nm	nm

Source: ViTrox Corporation, AmInvestment Bank Bhd.

Price Chart

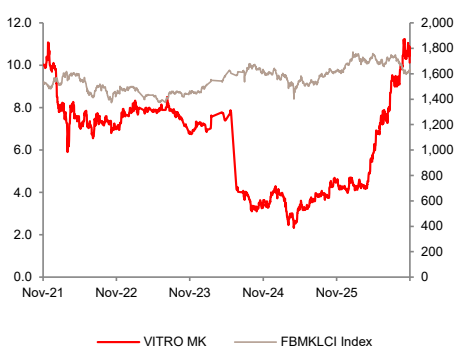
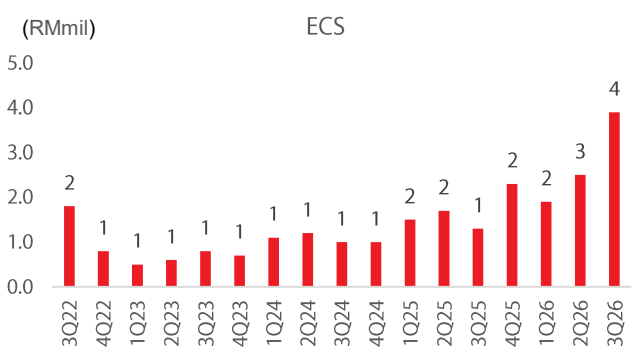


EXHIBIT 1. 3Q26 Earnings Summary

FYE Dec	3Q26	3Q25	YoY (%)	2Q26	QoQ (%)	9M26	9M25	YoY (%)
Revenue	485	229	112.2	375	29.4	1,127	553	103.9
Ebitda	140	51	172.0	100	40.0	311	130	138.9
Depreciation and amortisation	-4	-4	16.9	-4	-0.2	-13	-11	14.8
Ebit	136	48	184.3	96	41.8	298	119	150.8
Finance income	2	4	-39.1	3	-24.7	9	10	-12.9
Finance costs	-1	-1	-31.2	-1	-2.5	-3	-3	-9.1
JV/Associates	1	1	87.6	1	130.0	3	0	-882.4
EI	-1	0	408.5	2	-183.1	-8	-9	-12.6
Pbt	137	50	171.0	100	36.8	298	116	157.7
Tax	-19	-16	15.8	-15	21.0	-45	-30	51.3
MI	1	0	25.2	1	-7.5	1	1	49.2
Patami	119	35	241.6	85	39.4	255	87	192.9
Core Patami	120	35	242.9	83	44.0	263	96	172.9
EPS (sen)	6.3	1.8	242.1	4.5	39.4	13.5	4.6	192.4
DPS (sen)	0.0	0.0	n/a	1.2	-100.0	1.2	0.7	68.6
Profitability ratios (%)								
EBITDA margin	28.9	22.5	6.3	26.7	2.2	27.6	23.6	4.0
EBIT margin	28.0	20.9	7.1	25.5	2.5	26.4	21.5	4.9
PBT margin	28.2	22.1	6.1	26.7	1.5	26.5	20.9	5.5
Net profit margin	24.7	15.3	9.4	22.2	2.5	23.3	17.4	5.9
Tax rate	13.8	32.4	-18.6	15.5	-1.7	15.2	25.6	-10.4
Revenue breakdown (RMm)								
ECS	4	1	200.0	3	56.0	8	5	84.4
EDU	3	3	0.0	3	-21.2	8	5	60.0
ABI	305	127	139.4	238	28.2	695	335	107.9
MVS-T	139	79	74.7	112	23.3	342	166	106.6
MVS-S	35	18	96.1	19	88.3	73	43	68.9
Unit shipment								
AOI	87	108	-19.4	143	-39.2	328	284	15.5
AXI	154	41	275.6	98	57.1	309	107	188.8
MVS-T	79	52	51.9	70	12.9	209	105	99.0
MVS-S	1,173	372	215.3	667	75.9	2,421	964	151.1

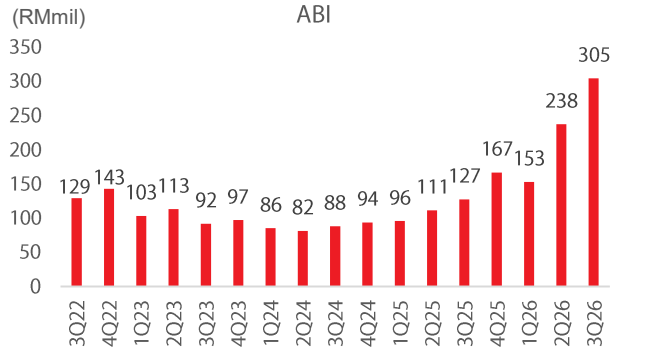
Source: Vitrox, AmInvestment Bank Bhd.

EXHIBIT 2. ECS Revenue



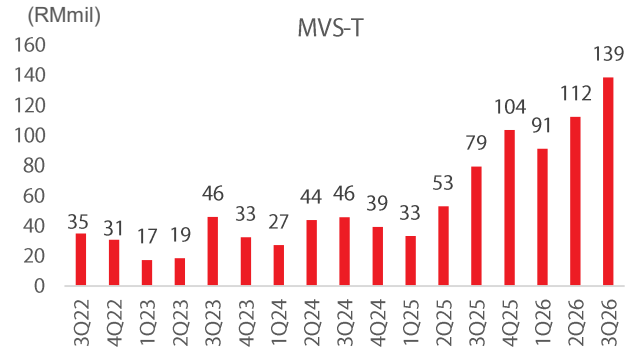
Source: Vitrox, AmInvestment Bank Bhd.

EXHIBIT 3. ABI Revenue



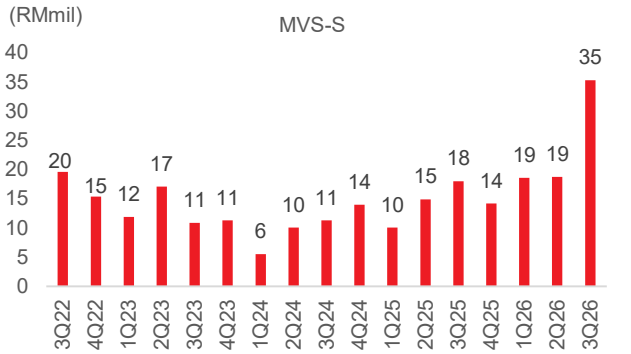
Source: Vitrox, AmInvestment Bank Bhd.

EXHIBIT 4. MVS-T Revenue



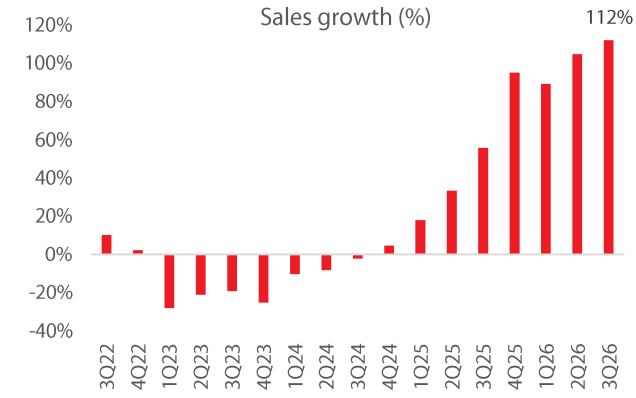
Source: Vitrox, AmInvestment Bank Bhd.

EXHIBIT 5. MVS-S Revenue



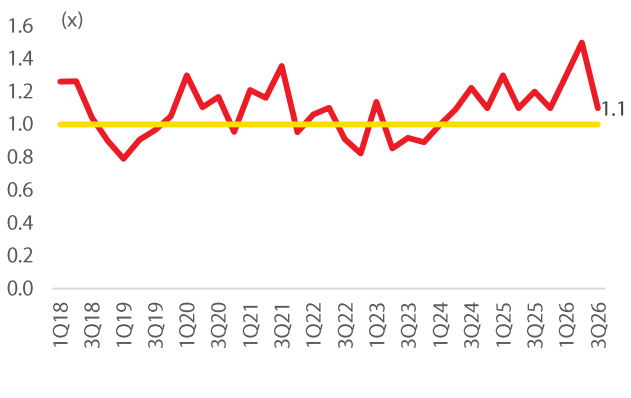
Source: Vitrox, AmInvestment Bank Bhd.

EXHIBIT 6. YoY Sales growth



Source: Vitrox, AmInvestment Bank Bhd.

EXHIBIT 7. Book-to-bill ratio



Source: Vitrox, AmInvestment Bank Bhd.

EXHIBIT 8. Valuations

Target PE (x)	40.0x
Blended CY27/28 EPS	24.87 sen
ESG Premium	+3%
Target price	RM10.25/share

Source: AmInvestment Bank Bhd.

Company profile

Vitrox is a machine vision company. Through its MVS (machine vision solution) and ABI (automated board inspection) segments, the group serves the top 10 OSAT (outsourced semiconductor assembly and test) and EMS (electronics manufacturing services) customers.

Utilising high resolution cameras and image processing algorithms, its equipment help customers inspect components and PCBs (printed circuit boards) for visual defects and dimensional inconsistencies. By detecting defects early, this prevents faulty products from advancing in the production line, reducing the expense of rework and waste. Less defects also translate to fewer product returns, warranty claims and the risk of brand damage down the road.

Investment thesis and catalysts

Supply chain relocation. Companies are increasingly adopting a China plus One strategy, in response to higher tariffs due to the US-China trade war. Vitrox benefits from capex associated with the establishment of new EMS and OSAT facilities.

Advanced packaging. Semiconductor packages are becoming more complex, with advanced packaging technologies such as ball grid array, chip scale packages, flip-chip and quad flat no-lead packages. These packages require X-ray inspection to detect defects like solder voids or hidden joints, which optical inspection alone cannot reveal.

Rising quality standards. Certain industries such as automotive, aerospace and healthcare demand high quality and defect free products. AOI and AXI machines help manufacturers achieve these demands, by providing a precise and non-destructive way of testing.

Valuation

We value Vitrox based on a target PE of 40x and blended CY27/28 EPS. We peg valuations to its 5-year average. Our target PE is at a premium to peers, as we account for the group's strong management team, product leadership and customer diversity.

Risk factors

Due to its diversified customer base and end market exposure, revenues are correlated to the ups and downs on the semiconductor cycle.

In terms of currency, 90% of the group's sales are conducted in USD. We estimate every 1% increase/decrease in the USD/MYR rate increases/decreases earnings by 2%.

Trading liquidity for the stock is low, as the founders hold 56% of the group. The group also has a strong following of long-term shareholders.

Financial Summary

Income Statement (RMmil)

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue	552.3	843.1	1,623.2	1,780.1	1,937.1
EBITDA	114.5	192.9	470.7	516.2	561.7
Depreciation/Amortisation	(12.8)	(15.2)	(15.8)	(18.8)	(22.1)
Operating income (EBIT)	101.6	177.7	454.9	497.4	539.7
Other income & associates	(0.6)	-	-	-	-
Net interest	8.5	9.0	2.2	2.8	5.8
Exceptional items	(6.3)	(9.9)	-	-	-
Pretax profit	**103.3**	**176.8**	**457.1**	**500.2**	**545.5**
Taxation	(13.9)	(44.9)	(68.6)	(50.0)	(54.5)
Minorities/pref dividends	0.9	1.5	-	-	-
Net profit	**90.4**	**133.3**	**388.5**	**450.2**	**490.9**
Core net profit	96.7	143.2	388.5	450.2	490.9

Balance Sheet (RMmil)

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Fixed assets	300.7	323.3	377.5	528.7	606.6
Intangible assets	8.8	3.3	3.3	3.3	3.3
Other long-term assets	76.5	88.9	82.7	82.7	82.7
Total non-current assets	**386.0**	**415.5**	**463.4**	**614.6**	**692.6**
Cash & equivalent	340.1	409.2	364.2	467.1	668.7
Stock	201.4	299.2	481.9	528.5	575.1
Trade debtors	237.0	374.5	588.7	645.6	702.5
Other current assets	44.4	45.5	45.5	45.5	45.5
Total current assets	**822.9**	**1,128.5**	**1,480.3**	**1,686.7**	**1,991.8**
Trade creditors	101.4	256.2	344.2	377.5	410.8
Short-term borrowings	13.0	21.5	14.0	14.0	14.0
Other current liabilities	33.6	54.2	54.2	54.2	54.2
Total current liabilities	**148.0**	**331.9**	**412.3**	**445.6**	**478.9**
Long-term borrowings	34.9	71.1	78.7	78.7	78.7
Other long-term liabilities	7.0	12.6	12.6	12.6	12.6
Total long-term liabilities	**41.9**	**83.7**	**91.2**	**91.2**	**91.2**
Shareholders' funds	**1,021.5**	**1,132.3**	**1,450.2**	**1,774.6**	**2,124.3**
Minority interests	(2.4)	(3.9)	(3.9)	(3.9)	(3.9)
BV/share (RM)	0.54	0.60	0.77	0.94	1.12

Cash Flow (RMmil)

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Pretax profit	103.3	176.8	457.1	500.2	545.5
Depreciation/Amortisation	12.8	15.2	15.8	18.8	22.1
Net change in working capital	(72.0)	(79.2)	(308.8)	(70.2)	(70.2)
Others	(4.2)	(35.7)	(70.7)	(52.8)	(60.3)
Cash flow from operations	**39.9**	**77.1**	**93.4**	**396.0**	**437.0**
Capital expenditure	(23.0)	(36.6)	(70.0)	(170.0)	(100.0)
Net investments & sale of fixed assets	(15.9)	-	-	-	-
Others	-	4.8	7.7	8.3	11.4
Cash flow from investing	**(38.8)**	**(31.8)**	**(62.3)**	**(161.7)**	**(88.6)**
Debt raised/(repaid)	(12.6)	53.6	-	-	-
Equity raised/(repaid)	0.1	-	-	-	-
Dividends paid	(32.6)	(22.7)	(70.6)	(125.8)	(141.2)
Others	(3.9)	(4.6)	(5.6)	(5.6)	(5.6)
Cash flow from financing	**(49.0)**	**26.3**	**(76.1)**	**(131.4)**	**(146.7)**
Net cash flow	**(47.9)**	**71.6**	**(45.0)**	**103.0**	**201.6**
Net cash/(debt) b/f	**389.0**	**340.1**	**409.2**	**364.2**	**467.1**
Net cash/(debt) c/f	**340.1**	**409.2**	**364.2**	**467.1**	**668.7**

Key Ratios

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue growth (%)	(3.9)	52.7	92.5	9.7	8.8
EBITDA growth (%)	(18.4)	68.5	144.0	9.7	8.8
Pretax margin (%)	18.7	21.0	28.2	28.1	28.2
Net profit margin (%)	16.4	15.8	23.9	25.3	25.3
Interest cover (x)	nm	nm	nm	nm	nm
Effective tax rate (%)	13.5	25.4	15.0	10.0	10.0
Dividend payout (%)	36.1	17.0	18.2	27.9	28.8
Debtors turnover (days)	141	132	108	127	127
Stock turnover (days)	132	108	88	104	104
Creditors turnover (days)	72	77	68	74	74

Source: Company, AmInvestment Bank Bhd.

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