

Company Report

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VITROX CORPORATION

(VITRO MK EQUITY, VTRX.KL)

TECHNOLOGY

28 Jul 2025

What's being assumed?

SELL

(Downgraded)

Rationale for report: Company Result

Price RM3.97
Fair Value RM2.75
52-week High/Low RM4.30/RM2.28

Key Changes

Fair value

EPS



YE to Dec	FY24	FY25F	FY26F	FY27F
Revenue (RM mil)	552.3	674.4	698.2	855.3
Core net profit (RM mil)	98.7	140.3	146.6	182.2
FD Core EPS (sen)	5.2	7.4	7.7	9.6
FD Core EPS growth (%)	(19.2)	42.0	4.5	24.3
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	1.6	2.2	2.3	2.9
PE (x)	76.1	53.5	51.2	41.2
EV/EBITDA (x)	61.8	43.3	41.3	33.5
Div yield (%)	0.4	0.6	0.6	0.7
ROE (%)	9.1	13.1	12.4	14.1
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	1,891.8
Market Cap (RMmil)	7,510.6
Book Value (RM/Share)	0.54
P/BV (x)	7.4
ROE (%)	9.1
Net Gearing (%)	-

Major Shareholders	Chu Jenn Weng (26.6%) Siaw Kok Tong (17.7%) Yeoh Shih Hoong (8.6%)
Free Float	30.8
Avg Daily Value (RMmil)	5.5

Price performance	3mth	6mth	12mth
Absolute (%)	31.5	(0.5)	(0.8)
Relative (%)	30.4	0.7	4.4



Investment Highlights

Vitrox's 2Q25 earnings (+26% YoY) was boosted by stockpiling, but the strength has surprisingly extended into 3Q25, as trade deals improve investment clarity at the customer level. That said, the stock has seen a strong rerating driven by a flight to quality, elevating the risk of disappointment should its current growth trajectory falter. With share price pricing in a best-case scenario, we downgrade Vitrox to SELL at a lower target price of RM2.75/share (from RM2.40)

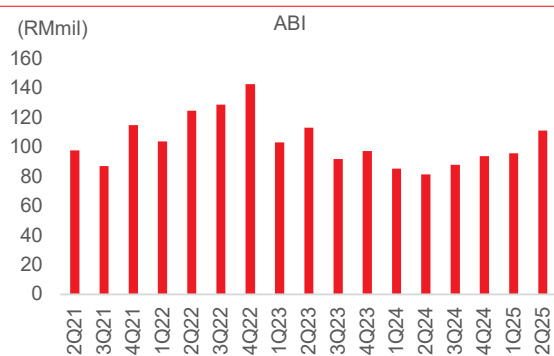
- **Downgrade to SELL.** We value Vitrox at a revised TP of RM2.75/share (from RM2.40). This is based on an unchanged target PE of 31x. We use a blended CY26/27 EPS to capture a 12-month view. However, we downgrade the stock to SELL (from U-PF), as we believe share price is already pricing in a best-case scenario.
- **What's being assumed?** Anchoring it to its 5-year average PE of 39x, the market is currently pricing in forward earnings of RM192mil (+38% YoY). During the last five years, the group has only managed to achieved growth within that region during the Covid-19 era, which was driven by work from home demand. Based on Am's and consensus earnings projections, the group is trading at an implied PE of 51x and 44x, which is roughly 1sd above its 5-year average.
- **AI still as small contributor.** Although AI revenues (+32% YoY) represents a structural growth opportunity, estimated contributions are currently at 11% of 1H25 group revenues. Hence, concerted growth will still be required from its other end markets to meet present expectations. We expect FY26F earnings to be flattish, taking the view that tariffs will induce a slowdown in end demand.
- **3Q25 revenue strength to sustain on trade clarity.** Management is guiding for 3Q25 revenues of between RM175mil (+19% YoY, -4% QoQ) and RM198mil (+35% YoY, +8% QoQ). This is driven by a resumption of investments by its customers, as the announcements of trade deals provide better clarity. 1H25 earnings beat our expectations, forming 75% of our previous estimates, due to stockpiling. We had previously preemptively trimmed out numbers, anticipating delays in capex decisions amid tariff uncertainty. We raise FY25F earnings by 70%. Our FY26F and FY27F earnings are adjusted slightly by 3% and 1%.

EXHIBIT 1: 2Q25 EARNINGS SUMMARY

FYE Dec	2Q25	2Q24	YoY (%)	1Q25	QoQ (%)	1H25	1H24	YoY (%)
Revenue	183	137	33.4	141	29.7	324	257	26.2
Ebitda	48	33	46.5	31	53.6	79	53	49.7
Depreciation and amortisation	-4	-3	18.2	-4	-1.2	-8	-6	19.1
Ebit	44	29	49.6	27	61.3	71	46	53.9
Finance income	3	3	9.9	3	14.2	6	6	3.6
Finance costs	-1	-1	33.1	-1	105.9	-2	-2	-2.5
JV/Associates	0	0	793.3	-1	-65.4	-1	0	313.5
El	-8	0	2,395.8	-1	489.5	-9	0	7,128.6
Pbt	38	31	22.0	27	38.3	65	50	30.8
Tax	-10	-3	214.5	-4	188.0	-14	-5	169.8
MI	0	0	38.7	0	28.3	1	0	28.9
Patami	28	28	0.1	24	16.4	52	45	15.4
Core Patami	36	28	26.4	25	41.0	61	45	35.1
EPS (sen)	1.5	1.5	0.7	1.3	16.4	2.8	3.3	-16.1
DPS (sen)	0.7	1.1	-36.4	0.0	n/a	0.7	1.1	-36.4
Profitability ratios (%)								
EBITDA margin	26.0	23.7	2.3	22.0	4.1	24.3	20.5	3.8
EBIT margin	24.0	21.4	2.6	19.3	4.7	21.9	18.0	3.9
PBT margin	20.7	22.7	-1.9	19.4	1.3	20.2	19.4	0.7
Net profit margin	19.6	20.7	-1.1	18.1	1.6	18.9	17.7	1.2
Tax rate	26.5	10.3	16.1	12.4	14.0	20.5	10.1	10.5
Revenue breakdown (RMm)								
ECS	2	1	41.7	2	13.3	3	2	39.1
ABI	111	82	36.7	96	16.3	207	167	24.1
MVS-T	53	44	21.0	33	59.5	86	71	21.3
MVS-S	15	10	47.5	10	47.5	25	16	60.3
Unit shipment								
AOI	120	40	200.0	56	114.3	176	99	77.8
AXI	32	29	10.3	34	-5.9	66	57	15.8
MVS-T	33	26	26.9	20	65.0	53	44	20.5
MVS-S	358	269	33.1	234	53.0	592	428	38.3

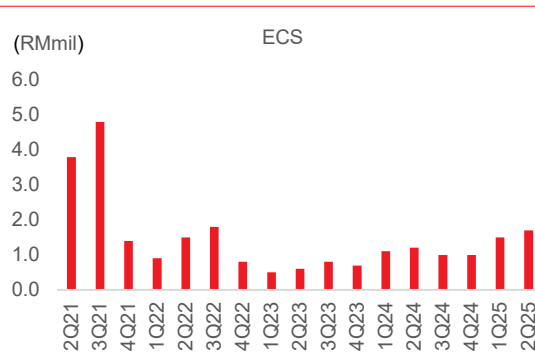
Source: Vitrox

EXHIBIT 2: ABI REVENUE



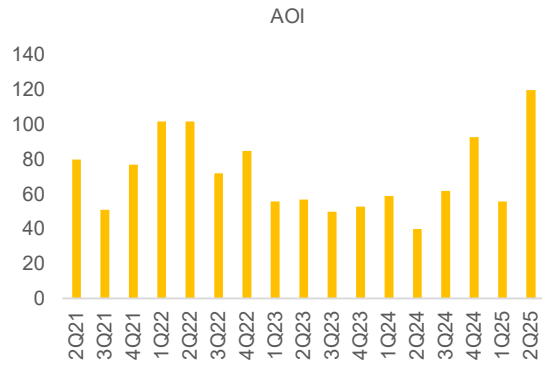
Source: Vitrox

EXHIBIT 3: ECS REVENUE



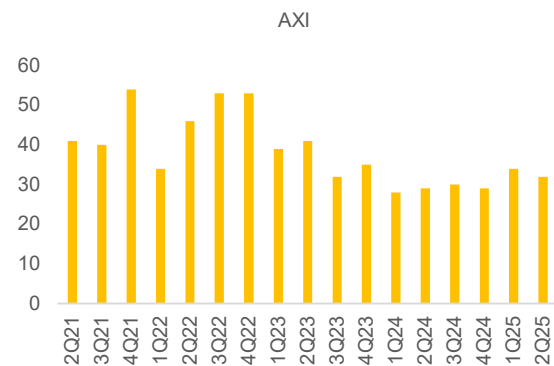
Source: Vitrox

EXHIBIT 4: AOI UNITS SOLD



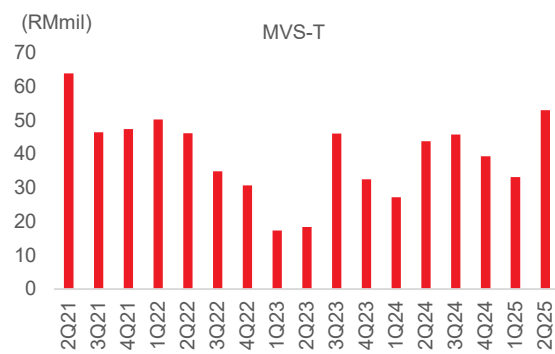
Source: Vitrox

EXHIBIT 5: AXI UNITS SOLD



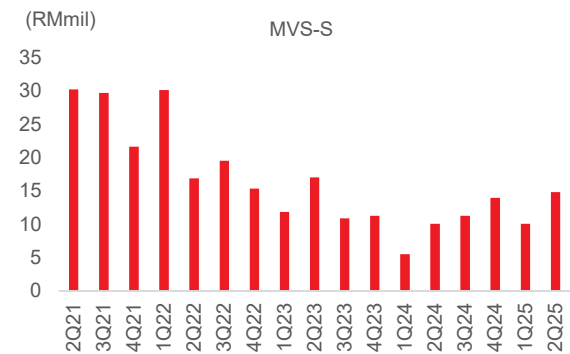
Source: Vitrox

EXHIBIT 6: MVS-T REVENUE



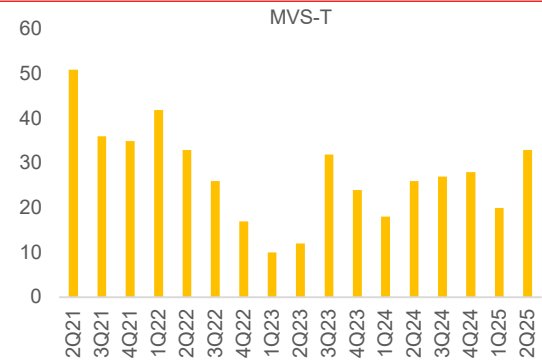
Source: Vitrox

EXHIBIT 7: MVS-S REVENUE



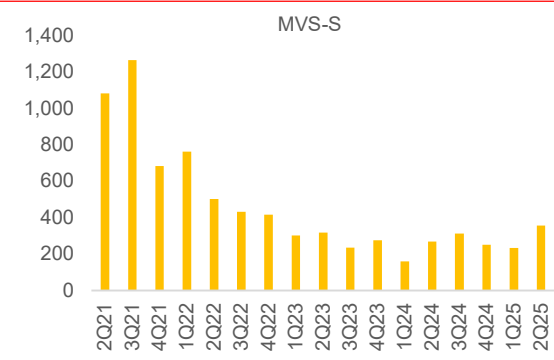
Source: Vitrox

EXHIBIT 8: MVS-T UNITS SOLD

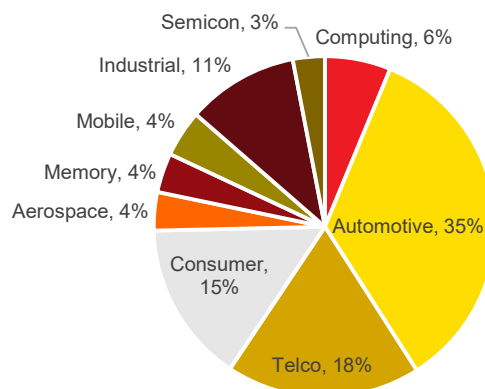


Source: Vitrox

EXHIBIT 9: MVS-S UNITS SOLD



Source: Vitrox

EXHIBIT 10: REVENUE BREAKDOWN BY END MARKET

Source: Vitrox

EXHIBIT 11: CHANGE IN EARNINGS

RMmil	FY25F			FY26F			FY27F		
	Old	New	%	Old	New	%	Old	New	%
Revenue	467	674	+45%	623	698	+12%	780	855	+10%
Earnings	82	140	+70%	141	146	+3%	179	182	+1%

Source: AmlInvestment Bank

EXHIBIT 12: VALUATIONS

Target PE (x)	31x
Blended FY26/27 EPS	8.69 sen (from 7.5 sen)
ESG premium	x3.0% premium
12-month target price	RM2.75 (from RM2.40)

Source: AmlInvestment Bank

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

Priced to perfection. The stock has seen a strong rerating driven by a flight to quality, elevating the risk of disappointment should its current growth trajectory falter. Vitrox currently trades at 1sd above its 5-year average PE.

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 methodology

We value Vitrox based on a target PE of 31x and blended CY26/27 EPS. We peg valuations to 1sd below its 5-year average, due to the ongoing trade war, leading to an uncertain end demand environment. That said, our target PE remains 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.

EXHIBIT 13: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	574.9	552.3	674.4	698.2	855.3
EBITDA	140.3	116.8	165.2	171.1	209.5
Depreciation/Amortisation	(11.1)	(12.8)	(13.9)	(14.2)	(14.5)
Operating income (EBIT)	129.2	104.0	151.3	156.8	195.0
Other income & associates	-	(0.6)	-	-	-
Net interest	6.2	8.5	4.5	6.0	7.3
Exceptional items	6.1	(8.6)	-	-	-
Pretax profit	141.6	103.3	155.9	162.8	202.4
Taxation	(14.0)	(13.9)	(15.6)	(16.3)	(20.2)
Minorities/pref dividends	0.7	0.7	-	-	-
Net profit	128.3	90.1	140.3	146.6	182.2
Core net profit	122.2	98.7	140.3	146.6	182.2
Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Fixed assets	290.2	300.7	342.7	348.5	354.0
Intangible assets	5.6	8.8	8.8	8.8	8.8
Other long-term assets	65.3	76.5	76.5	76.5	76.5
Total non-current assets	361.1	386.0	428.1	433.9	439.4
Cash & equivalent	389.0	340.1	400.8	486.7	535.2
Stock	198.6	201.4	235.3	243.7	298.5
Trade debtors	191.1	237.0	260.5	269.6	330.3
Other current assets	26.6	44.4	44.4	44.4	44.4
Total current assets	805.3	822.9	941.0	1,044.3	1,208.3
Trade creditors	115.2	101.4	157.5	163.1	199.7
Short-term borrowings	13.5	13.0	7.2	7.2	7.2
Other current liabilities	25.7	33.6	33.6	33.6	33.6
Total current liabilities	154.3	148.0	198.3	203.8	240.5
Long-term borrowings	48.9	34.9	40.7	40.7	40.7
Other long-term liabilities	5.7	7.0	7.0	7.0	7.0
Total long-term liabilities	54.7	41.9	47.7	47.7	47.7
Shareholders' funds	958.9	1,021.5	1,125.6	1,229.1	1,362.0
Minority interests	(1.5)	(2.4)	(2.4)	(2.4)	(2.4)
BV/share (RM)	1.01	0.54	0.59	0.65	0.72
Cash Flow (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	141.6	103.3	155.9	162.8	202.4
Depreciation/Amortisation	11.1	12.8	13.9	14.2	14.5
Net change in working capital	3.5	(72.0)	(1.3)	(11.9)	(78.8)
Others	(12.2)	(17.3)	(20.1)	(22.3)	(27.6)
Cash flow from operations	144.0	26.8	148.3	142.8	110.5
Capital expenditure	(75.1)	(23.0)	(56.0)	(20.0)	(20.0)
Net investments & sale of fixed assets	8.0	(15.9)	-	-	-
Others	8.8	13.1	7.4	8.9	10.2
Cash flow from investing	(58.3)	(25.8)	(48.6)	(11.1)	(9.8)
Debt raised/(repaid)	(12.6)	(12.6)	-	-	-
Equity raised/(repaid)	0.6	0.1	-	-	-
Dividends paid	(51.0)	(32.6)	(36.2)	(43.0)	(49.3)
Others	(4.3)	(3.9)	(2.9)	(2.9)	(2.9)
Cash flow from financing	(67.2)	(49.0)	(39.0)	(45.9)	(52.2)
Net cash flow	18.5	(47.9)	60.7	85.8	48.5
Net cash/(debt) b/f	370.4	389.0	340.1	400.8	486.7
Net cash/(debt) c/f	389.0	340.1	400.8	486.7	535.2
Key Ratios (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	(23.4)	(3.9)	22.1	3.5	22.5
EBITDA growth (%)	(30.6)	(16.8)	41.5	3.5	22.5
Pretax margin (%)	24.6	18.7	23.1	23.3	23.7
Net profit margin (%)	22.3	16.3	20.8	21.0	21.3
Interest cover (x)	nm	nm	nm	nm	nm
Effective tax rate (%)	9.9	13.5	10.0	10.0	10.0
Dividend payout (%)	39.8	36.2	25.8	29.4	27.1
Debtors turnover (days)	141	141	135	139	128
Stock turnover (days)	127	132	118	125	116
Creditors turnover (days)	85	72	70	84	77

Source: Company, AmlInvestment Bank Bhd estimates

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