

Company Report
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V.S.INDUSTRY

(VSI MK EQUITY, VSID.KL)

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Clear inflection point
BUY
(Maintained)
Rationale for report: Company Result

Price	RM0.47
Target price	RM0.85
52-week High/Low	RM1.18/RM0.42

Key Changes

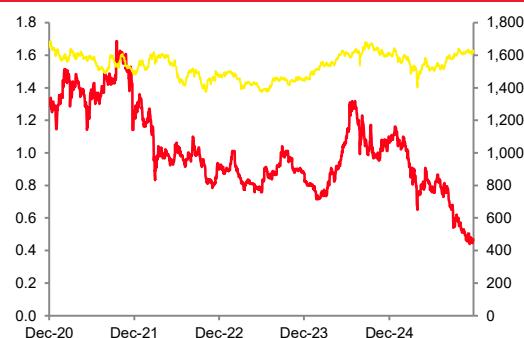
Target price	↔
EPS	↔

YE to July	FY25	FY26F	FY27F	FY28F
Revenue (RM mil)	3,787.8	4,284.0	5,241.1	5,961.1
Core net profit (RM mil)	42.2	137.4	265.9	335.0
FD Core EPS (sen)	1.1	3.5	6.7	8.5
FD Core EPS growth (%)	(77.1)	225.4	93.5	26.0
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	2.0	1.7	3.4	4.3
PE (x)	43.9	13.5	7.0	5.5
EV/EBITDA (x)	7.9	6.2	4.4	3.8
Div yield (%)	2.5	2.2	4.2	5.3
ROE (%)	1.7	6.3	11.6	13.7
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	3,940.2
Market Cap (RMmil)	1,851.9
Book Value (RM/Share)	0.55
P/BV (x)	0.9
ROE (%)	1.7
Net Gearing (%)	-
Major Shareholders	EPF (8.6%) Beh Kim Leng (7.7%) Beh Hwee Sze (7.4%)
Free Float	59.4
Avg Daily Value (RMmil)	25.9

Price performance	3mth	6mth	12mth
Absolute (%)	(30.9)	(38.9)	(57.3)
Relative (%)	(32.2)	(42.6)	(57.4)



— VSI MK — FBMKLCI Index

Investment Highlights

VS Industry's (VSI) return to profitability marks a clear inflection point. Although external uncertainties are still present, we expect the group to emerge from this episode on a stronger footing. Customer partnerships are strengthening (continues to secure new models) and demand should eventually normalise, as macro conditions stabilise. We reiterate **BUY** at a TP of RM0.85 and +81% upside, with valuations offering a once in a decade opportunity.

- **Trading below book value.** Recent share price pressure has been driven by institutional outflows. Local institutional ownership fell 5pp MoM to 37% in Nov 25, the lowest in five years. However, at these levels, value is hard to ignore. The group is trading below book value at 0.8x and at decade low PS & PB valuations. Operational performance is already improving and we expect valuation gaps to narrow on sustained execution.
- **Margins look better than headline suggests.** VSI swung back to a core profit of RM28mil vs. losses of RM30mil last quarter. We deem this in line, at 20% of ours and 21% of consensus estimates. Reported margins were at 2.6%, but this still absorbs RM9mil losses from Philippines and RM2mil from HT Press. Showing last quarter's tariff related fears were overblown, stripping these items off, Patami margins would've been 3.7%.
- **Why we expect earnings to improve from here?** We expect Philippines to breakeven and eventually turn profitable, as volumes ramp. Philippines currently generate sales at US\$5mil/month, short of the US\$10mil/month required to breakeven. A new model is expected to commence production in Dec 2025, lifting throughput, with aims to breakeven in Mar 2026. Following that, a new pool cleaner customer is scheduled to start production towards end 1Q26. Having said that, the recovery is unlikely to be linear. We expect 2QFY26 to be seasonally softer as customers trim inventory and a stronger ringgit temper revenues.
- **Healthy cash flows and improving balance sheet.** The group returned to a net cash position in FY25. Dividend payments were resumed in the quarter at 0.4sen/share. It also repaid the first tranche of its Sukuk Wakalah programme, amounting to RM200mil, upon maturity on 22 Sep 2025. We estimate this improves earnings by ~4%, based on interest savings. A remaining RM300mil tranche is due on 21 Sep 2027.

EXHIBIT 1: 1Q26 EARNINGS SUMMARY

FYE July (RMmil)	1QFY26	1QFY25	YoY (%)	4QFY25	QoQ (%)
Revenue	1,079	1,111	-2.9	859	25.6
Ebitda	34	80	-57.0	-5	nm
Depreciation and amortisation	0	-29	nm	-36	nm
Ebit	34	51	-32.4	-41	nm
Finance income	6	6	-2.5	7	-14.1
Finance costs	6	-11	nm	7	-14.1
JV/Associates	1	0	nm	0	50.7
Et	3	-2	nm	-3	nm
Pbt	49	44	11.7	-31	nm
Taxation	-18	-15	-26.2	-4	-380.6
Discontinued operations	0	0	nm	0	nm
MI	0	1	-83.7	1	-82.8
Patami	31	31	0.1	-33	nm
Core Patami	28	33	-14.3	-30	nm
EPS (sen)	0.8	0.8	0.0	-0.9	nm
DPS (sen)	0.4	0.4	0.0	0.0	nm
Profitability ratio (%)					
Ebitda margin	3.2	7.2	-4.0	-0.6	3.7
Ebit margin	3.2	4.6	-1.4	-4.8	8.0
Pbt margin	4.5	3.9	0.6	-3.6	8.1
Tax rate	38.2	33.3	4.9	-12.4	50.6
Patami margin	2.6	3.0	-0.3	-3.5	6.1
Revenue and Pbt by country					
Revenue					
Malaysia + Singapore + Philippines	1,002	1,000	0.2	749	33.7
Indonesia	77	111	-30.7	76	1.8
Pbt					
Malaysia + Singapore + Philippines	46	38	21.1	-33	nm
Indonesia	2	6	-69.4	2	-27.2

Source: VS Industry, AmlInvestment Bank

EXHIBIT 2: VALUATIONS

Target PE (x)	12.5x
FY27F EPS	6.7sen
ESG premium	-
12-month target price	RM0.85/share

Source: AmlInvestment Bank

EXHIBIT 3: 10-YEAR FORWARD PE**EXHIBIT 4: 10-YEAR FORWARD P/S****EXHIBIT 5: 10-YEAR FORWARD P/B**

Company profile

V.S. Industry is a top 50 EMS (electronics manufacturing services) provider. Manufacturing facilities are located in Malaysia, Indonesia, China and Vietnam. Recently, the group also announced plans to enter Philippines.

The group's main customers are Customer X (household appliance), US based (household appliance), coffee brewer and pool cleaner. Combined, they contributed to 76% of FY24 revenues.

To differentiate itself, the group offers vertically integrated services to its customers, which include mould design & fabrication, PCBA (printed circuit board assembly), plastic injection moulding, final assembly and supply chain management.

Investment thesis and catalysts

Recovery expected. We forecast revenue to rebound in FY26F and FY27F, driven by new models and customer wins. Margins are expected to improve to 5% as volumes normalise, benefitting from operating leverage.

Insider Selling Likely Over. Recent selling pressure was largely due to pledged shares by Datuk Beh and his son. This appears mostly done, while Datuk Gan and his son, who is more involved in day-to-day operations, have been buying shares, signaling confidence.

Stronger Long-Term Outlook. Despite short-term margin pain from tariff sharing, the group is expected to emerge stronger with deeper customer ties. Management's crisis track record and growing revenues suggest continued market share gains.

Valuation methodology

We value VSI based on a target PE of 12.5x and FY27F EPS. Our target PE is one standard deviation below its five-year historical average, reflecting present trade war uncertainties.

Risk factors

As its main customers contribute to 76% of FY24 revenues, any downward revisions in customer orders can impact revenues.

For costs and currency fluctuations, the group has a cost pass through mechanism in place with customers, albeit at a roughly two quarters time lag.

EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 31 July)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	4,248.1	3,787.8	4,284.0	5,241.1	5,961.1
EBITDA	399.7	225.8	328.0	491.9	577.0
Depreciation/Amortisation	(126.2)	(127.0)	(126.1)	(120.2)	(115.1)
Operating income (EBIT)	273.5	98.8	202.0	371.7	461.9
Other income & associates	-	(1.1)	1.5	1.5	1.5
Net interest	(18.4)	(19.5)	(12.4)	(15.2)	(15.7)
Exceptional items	13.4	(3.2)	-	-	-
Pretax profit	268.5	75.0	191.1	358.0	447.7
Taxation	(73.7)	(42.0)	(53.7)	(92.1)	(112.7)
Minorities/pref dividends	9.4	3.7	0.1	0.1	0.1
Net profit	204.3	36.7	137.4	265.9	335.0
Core net profit	184.6	42.2	137.4	265.9	335.0
Balance Sheet (RMmil, YE 31 July)	FY24	FY25	FY26F	FY27F	FY28F
Fixed assets	909.9	1,008.1	963.0	923.8	889.7
Intangible assets	2.0	-	-	-	-
Other long-term assets	262.8	197.4	199.0	200.5	202.1
Total non-current assets	1,174.7	1,205.5	1,162.0	1,124.3	1,091.8
Cash & equivalent	755.0	858.7	515.1	318.0	231.0
Stock	848.1	600.1	855.3	1,046.4	1,190.1
Trade debtors	1,283.6	1,040.6	1,294.5	1,583.7	1,801.2
Other current assets	16.5	20.6	20.6	20.6	20.6
Total current assets	2,903.3	2,520.0	2,685.5	2,968.7	3,242.9
Trade creditors	814.1	688.9	820.9	1,004.4	1,142.3
Short-term borrowings	336.8	454.3	262.7	236.5	212.8
Other current liabilities	14.3	13.0	13.0	13.0	13.0
Total current liabilities	1,165.1	1,156.2	1,096.7	1,253.9	1,368.2
Long-term borrowings	571.3	332.9	445.7	401.1	361.0
Other long-term liabilities	48.8	85.0	85.0	85.0	85.0
Total long-term liabilities	620.1	417.9	530.7	486.2	446.0
Shareholders' funds	2,293.1	2,153.1	2,221.8	2,354.8	2,522.3
Minority interests	(0.4)	(1.7)	(1.8)	(1.8)	(1.9)
BV/share (RM)	0.58	0.55	0.56	0.60	0.64
Cash Flow (RMmil, YE 31 July)	FY24	FY25	FY26F	FY27F	FY28F
Pretax profit	268.5	75.0	191.1	358.0	447.7
Depreciation/Amortisation	126.2	127.0	126.1	120.2	115.1
Net change in working capital	(36.0)	336.9	(377.0)	(296.9)	(223.3)
Others	(59.7)	(8.0)	(29.1)	(70.1)	(93.0)
Cash flow from operations	299.0	530.8	(89.0)	111.2	246.4
Capital expenditure	(147.4)	(188.3)	(81.0)	(81.0)	(81.0)
Net investments & sale of fixed assets	(35.7)	49.3	-	-	-
Others	-	-	-	-	-
Cash flow from investing	(183.1)	(139.1)	(81.0)	(81.0)	(81.0)
Debt raised/(repaid)	10.2	(160.3)	(78.7)	(70.8)	(63.8)
Equity raised/(repaid)	45.1	19.1	-	-	-
Dividends paid	(76.8)	(77.3)	(68.7)	(133.0)	(167.5)
Others	0.7	(1.6)	(26.2)	(23.6)	(21.2)
Cash flow from financing	(49.5)	(258.4)	(173.6)	(227.4)	(252.5)
Net cash flow	66.5	133.4	(343.6)	(197.1)	(87.0)
Net cash/(debt) b/f	689.3	755.0	858.7	515.1	318.0
Net cash/(debt) c/f	755.0	858.7	515.1	318.0	231.0
Key Ratios (YE 31 July)	FY24	FY25	FY26F	FY27F	FY28F
Revenue growth (%)	(6.7)	(10.8)	13.1	22.3	13.7
EBITDA growth (%)	(5.6)	(43.5)	45.3	49.9	17.3
Pretax margin (%)	6.3	2.0	4.5	6.8	7.5
Net profit margin (%)	4.8	1.0	3.2	5.1	5.6
Interest cover (x)	14.9	5.1	16.2	24.4	29.4
Effective tax rate (%)	27.4	56.0	28.1	25.7	25.2
Dividend payout (%)	37.6	210.7	50.0	50.0	50.0
Debtors turnover (days)	106	112	99	100	104
Stock turnover (days)	74	70	62	66	68
Creditors turnover (days)	69	72	64	64	66

Source: Company, AmlInvestment Bank Bhd estimates

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