



## Company Report

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# V.S. INDUSTRY

(VSI MK EQUITY, VSID.KL )

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*Strike when the iron is cold*

**BUY**

(Maintained)

**Rationale for report: Company Update**

Price	RM0.47
Target price	RM0.85
52-week High/Low	RM1.18/RM0.45

### 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)	22.5

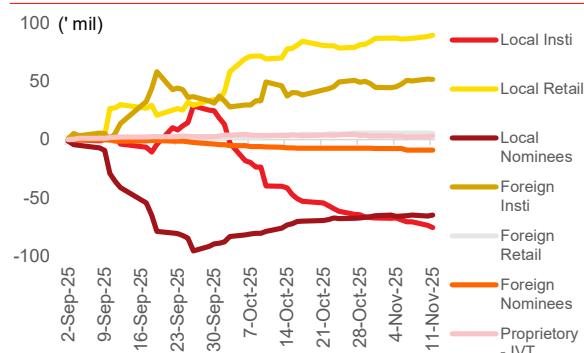
Price performance	3mth	6mth	12mth
Absolute (%)	(37.7)	(40.4)	(53.6)
Relative (%)	(40.5)	(43.6)	(54.3)



### Investment Highlights

**V.S. Industry is currently our top pick for Tech, even if the call has yet to play out. Investor interest is low and pessimism is high, but that is often when inflection points begin. Fundamentals are improving, with losses narrowing and new model ramps underway. We expect profitability to return in the coming quarter, anticipating the worst is behind. Expectations are low and valuations are undemanding, setting the stage for a meaningful rebound when recovery occurs.**

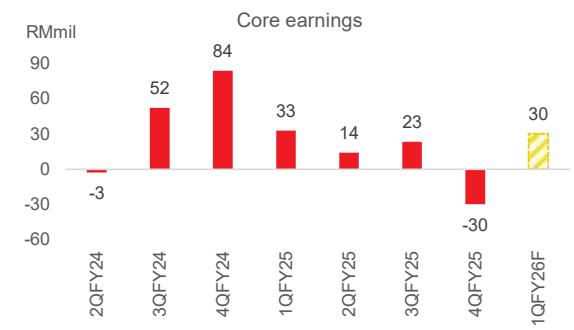
- **Top BUY call with a TP of RM0.85/share, implying 81% upside.** Our valuation is anchored on a target PE of 12.5x and FY27F earnings. PS multiple (see *Exhibit 2*) are at decade lows, historically signaling inflection points and provide a useful lens as they smooth margin volatility and highlight underlying value often missed by PE alone. On normalised earnings, VSI trades at 7x PE, well below its long-term mean of 13x.
- **The turnaround is just ahead.** We expect the group to swing back to profitability in the coming quarter (vs. 4QFY25 core loss of RM30mil) as losses from the Philippines and HT Press narrow. Much of the margin pressure stems from low operating leverage rather than structural issues (see *Exhibit 6*). With new models starting to contribute and management implementing cost-saving initiatives, earnings should gradually improve in subsequent quarters. In our view, this inflection, arriving just as investor interest hits its low, sets the stage for a re-rating once results begin to confirm the recovery story.
- **Am's forecasts already factor conservative assumptions.** Clients remain cautious, with feedback revealing persistent pessimism. Their concerns are valid, higher tariffs and softening end-demand are legitimate risks, and year-end sales will serve as a key litmus test. But the degree of bearishness also illustrates how markets often overshoot both ways. Our numbers already assume a conservative 15% volume decline across key customers (see *Exhibit 4*), yet the company continues to secure new model wins that reinforce the strength of its customer ties. This provides a crucial buffer, helping the group grow revenues even if broader demand stays uneven.
- **Investor interest has faded and that may be the opportunity.** Our latest company visit drew a noticeably smaller crowd compared to previous rounds, a reflection of how sentiment has cooled. But this often marks the point of maximum pessimism, when valuations tend to disconnect from fundamentals. Importantly, the recent share price weakness is no longer due to selling by the founding Beh family. Fund flow data shows the pullback is largely institution-led (see *Exhibit 1*), with institutional ownership falling 2.3pp MoM to 41.6% in October 2025, suggesting much of the de-risking may already be done.

**EXHIBIT 1: INSTI INTEREST AND PESSIMISM HIGH**

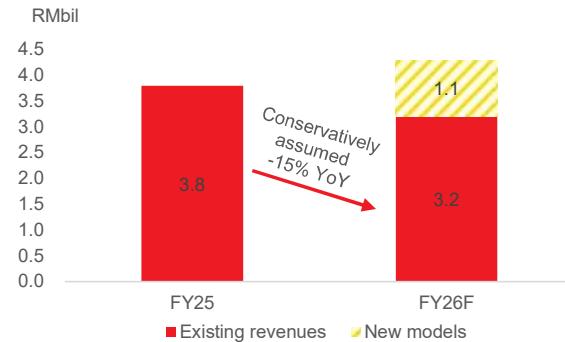
Source: Dibots, Amlnvestment Bank

**EXHIBIT 2: STOCK TRADING AT 10-YEAR LOW PS**

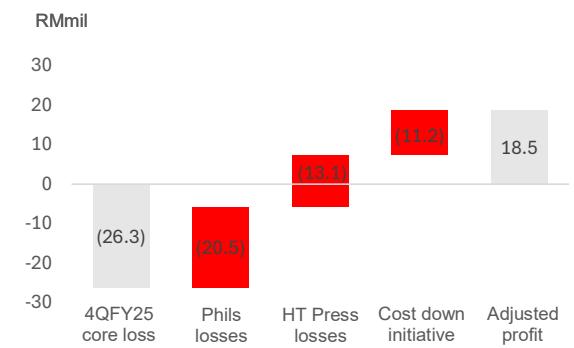
Source: Amlnvestment Bank, Bloomberg

**EXHIBIT 3: EXPECTING RETURN TO PROFITABILITY**

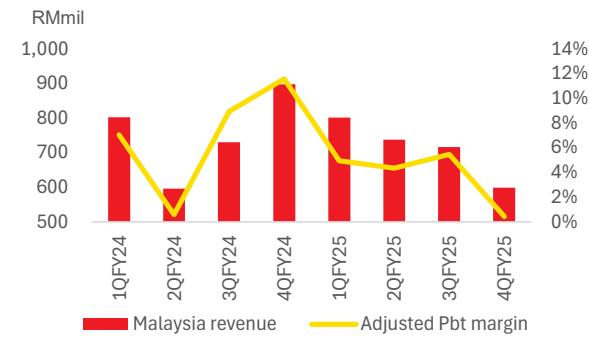
Source: Amlnvestment Bank

**EXHIBIT 4: NEW MODELS HELP OFFSET SOFTEN DEMAND**

Source: Amlnvestment Bank

**EXHIBIT 5: PHILIPPINES AND HT PRESS TURNING AROUND**

Source: VSI, Amlnvestment Bank

**EXHIBIT 6: MARGINS TO NORMALISE AS OPERATING LEVERAGE IMPROVES**

Source: VSI, Amlnvestment Bank

**EXHIBIT 7: VALUATIONS**

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

Source: Amlnvestment Bank

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### Company profile

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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.

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### Investment thesis and catalysts

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**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.

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### Valuation methodology

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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.

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### Risk factors

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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 8: 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)	-	-	-
<b>Pretax profit</b>	<b>268.5</b>	<b>75.0</b>	<b>191.1</b>	<b>358.0</b>	<b>447.7</b>
Taxation	(73.7)	(42.0)	(53.7)	(92.1)	(112.7)
Minorities/pref dividends	9.4	3.7	0.1	0.1	0.1
<b>Net profit</b>	<b>204.3</b>	<b>36.7</b>	<b>137.4</b>	<b>265.9</b>	<b>335.0</b>
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
<b>Total non-current assets</b>	<b>1,174.7</b>	<b>1,205.5</b>	<b>1,162.0</b>	<b>1,124.3</b>	<b>1,091.8</b>
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
<b>Total current assets</b>	<b>2,903.3</b>	<b>2,520.0</b>	<b>2,685.5</b>	<b>2,968.7</b>	<b>3,242.9</b>
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
<b>Total current liabilities</b>	<b>1,165.1</b>	<b>1,156.2</b>	<b>1,096.7</b>	<b>1,253.9</b>	<b>1,368.2</b>
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
<b>Total long-term liabilities</b>	<b>620.1</b>	<b>417.9</b>	<b>530.7</b>	<b>486.2</b>	<b>446.0</b>
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)
<b>Cash flow from operations</b>	<b>299.0</b>	<b>530.8</b>	<b>(89.0)</b>	<b>111.2</b>	<b>246.4</b>
Capital expenditure	(147.4)	(188.3)	(81.0)	(81.0)	(81.0)
Net investments & sale of fixed assets	(35.7)	49.3	-	-	-
Others	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(183.1)</b>	<b>(139.1)</b>	<b>(81.0)</b>	<b>(81.0)</b>	<b>(81.0)</b>
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)
<b>Cash flow from financing</b>	<b>(49.5)</b>	<b>(258.4)</b>	<b>(173.6)</b>	<b>(227.4)</b>	<b>(252.5)</b>
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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