STOCK IDEA

Retail Research

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VSTECS (VSTECS | 5162)

Last Price: RM3.75 | Technical Call: BUY | Target Price: RM4.50

Bursa Code: **VSTECS, 5162**	Support 1: **RM3.70**	Entry: **RM3.70–3.75**
Sector: **Technology**	Support 2: **RM3.47**	Target: **RM4.10, RM4.50**
Market Cap: **RM1,350mil**	Resistance 1: **RM4.10**	Exit: **RM3.45**
Shariah Compliant: **Yes**	Resistance 2: **RM4.50**	

Company Profile. VSTECS is a leading distributor of Information and Communication Technology (ICT) in Malaysia, serving consumers and enterprises through 3 segments: (i) ICT distribution, (ii) enterprise systems, and (iii) ICT services. Its portfolio includes notebooks, smartphones, software, network infrastructure, servers, and enterprise solutions from over 40 top brands. As an associate of VSTECS Holdings (Singapore), one of Asia Pacific's top ICT distributors, the group connects with more than 25,000 channel partners across China, Thailand, Malaysia, and Singapore.

Growth Strategies. (i) ICT Distribution: Growth is anchored in expanding its portfolio in AI, cybersecurity, and automation, capitalising on the AI-driven device replacement cycle while extending nationwide coverage into underserved towns. (ii) Enterprise Systems: This segment is set to rebound in 2025 with public sector project rollouts, backed by a strong order book and integrated ICT services. Rising investments in data centers, AI infrastructure, and digital transformation are expected to drive further growth. (iii) ICT Services: Expansion will be driven by growing demand for cloud solutions, cybersecurity, and IT services, with hyperscaler and co-location data center launches in Malaysia acting as key catalysts for faster cloud adoption and new growth opportunities.

Financial Performance. In 1HFY25, VSTECS posted higher revenue of RM1.51bil (+21.7% YoY) and a PAT of RM37.9mil (+28.2% YoY). The improvement was mainly driven by higher sales across all three business segments, a higher gross profit margin, lower operating costs and expenses, and a better product mix.

Valuation. VSTECS is trading at an FY26F P/E of 12.8x, below the Bursa Technology Index's 25.5x. By comparison, SNS Network Technology, which provides ICT solutions—including products, services, repairs, upgrades, and broadband—trades at a higher FY26F P/E of 21x.

Technical Analysis. We expect further upside for VSTECS after it broke above the RM3.70 resistance and surged close to its 52-week high a few sessions ago. In view of the bullish upside gap formed on 14 Aug, together with its rising EMAs, the upward momentum is likely to pick up further. A bullish bias may emerge above the RM3.70 level, with stop-loss set at RM3.45, below the 21-day EMA. Towards the upside, near-term resistance level is seen at RM4.10, followed by RM4.50.

Source: AmInvestment Bank, Bloomberg, Company Reports

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