

VS Industry (VSI MK)

4QFY26: Turning The Corner; Deep Value Beckons

Highlights

- 4QFY26 marked a return to profitability, supported by stronger volume ramp-up across its customer base and narrowing losses from loss-making divisions. We expect the recovery to gain further traction in FY27, underpinned by improving utilisation, new model launches and a steady recovery in customer orders.
- VS trades at just 8.7x FY27F PE (-1SD below historical mean) and 0.4x FY27F P/B (-2SD), well below the trough valuations seen during the MCO period (0.83-0.88x P/B), suggesting limited downside with asymmetrical upside potential.
- Maintain BUY with a higher target price of RM0.35. Key re-rating catalysts include further order normalisation, improving capacity utilisation, sustained earnings recovery, and potential new customer wins.

4QFY26 Results

Year to 31 Jul (RMm)	4QFY26	qoq%	yoy%	FY26	yoy%
Sales	998.6	24.2	16.3	3,650.8	(3.6)
Gross Profit	30.7	458.3	N.A.	115.9	(49.9)
EBIT	(13.0)	62.2	49.6	(22.7)	(123.8)
PBT	(18.3)	48.3	40.2	(32.9)	(143.9)
Net Profit	(22.0)	33.3	33.5	(53.8)	(246.6)
Core net profit	21.4	165.0	216.1	(16.6)	(132.3)
Sales breakdown					
Malaysia	775.8	45.2	3.6	3,016.9	5.7
Indonesia	85.7	38.0	13.3	344.9	9.9
PBT					
Malaysia	(14.5)	(50.2)	13.0	(1.5)	(101.6)
Indonesia	2.6	(341.5)	8.0	3.1	178.1

Source: VS, UOB Kay Hian

Analysis

- Within expectations.** VS Industry (VS) reported a 4QFY26 core net profit of RM21.4m (3QFY26: -RM32.9m; 4QFY25: -RM18.4m), which narrowed its FY26 core net loss to RM16.6m (9MFY26: -RM38.0). The results are broadly in line with our expectations but above consensus core net loss estimates of RM32.0m.

Key Financials

Year to 31 Jul (RMm)	2025	2026	2027F	2028F	2029F
Net turnover	3,788	3,651	4,003	4,562	4,772
EBITDA	223	119	281	318	333
Operating profit	96	(23)	156	188	201
Net profit (rep./act.)	37	(54)	106	130	140
Net profit (adj.)	51	(17)	106	130	140
EPS (sen)	1	(1)	3	3	4
PE (x)	18.0	(55.8)	8.7	7.1	6.6
P/B (x)	0.4	0.4	0.4	0.4	0.4
EV/EBITDA (x)	3.8	7.4	3.9	3.7	3.4
Dividend yield (%)	3.4	1.7	3.4	4.2	4.5
Net margin (%)	1.0	(1.5)	2.6	2.9	2.9
Net debt/(cash) to equity (%)	(6.1)	(5.1)	(5.1)	(5.1)	(5.1)
Interest cover (x)	11.4	8.8	16.7	18.9	19.8
ROE (%)	1.7	(2.6)	4.9	5.9	6.2
Consensus net profit			70.8	100.5	-
UOBKH/Consensus (x)			1.5	1.3	-

Source: VSI, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	RM0.235
Target Price	RM0.35
Upside	+48.9%
Previous TP	RM0.34

Stock Data

Sector	Information Technology
Bloomberg ticker	VSI MK
Shares issued (m)	3,854.5
Market cap (RMm)	905.8
Market cap (US\$m)	221.9
3-mth avg daily t'over (US\$m)	2.1

Price Performance (%)

52-week high/low			RM0.66/RM0.17	
1mth	3mth	6mth	1yr	YTD
4.4	20.5	0.0	(59.5)	(51.5)

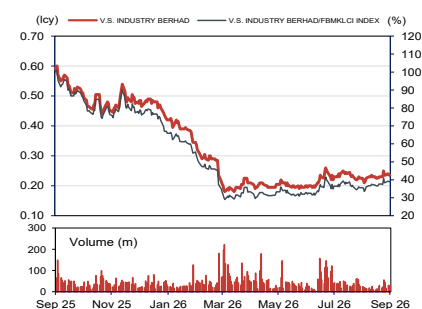
Major Shareholders (%)

Beh Hwee Sze	7.4
Beh Hwee Lee	7.4
Aberdeen	7.2

Balance Sheet Metrics

2027 NAV/Share (RM)	0.57
2027 Net Debt/Share (RM)	0.02

Price Chart



Source: Bloomberg

Company Description

VS Industry is involved in the manufacturing of plastic parts and components, contract manufacturing, precision mould making, the sub-assembly of electronic and electrical equipment and other secondary processes. It has plants in Malaysia, China, and Indonesia.

- **FY26 revenue fell 4% yoy to RM3.7b** due to softer loadings from key customers amid subdued consumer sentiments. Stripping out RM32.9m of exceptional items (EI), VS recorded a core net loss of RM16.6m, dragged by operational losses from both Malaysia and the Philippines alongside cost-down initiatives from key customers.
- **Qoq recovery in 4QFY26.** Revenue rose 24% qoq on higher loadings in both Malaysia and the Philippines. Excluding impairments, VS returned to the black with a core net profit of RM21.4m, partly supported by pre-festive inventory build-up and replenishment following weak order flow in the previous quarter.
- **Indonesia profitable; Philippines turning the corner.** Indonesia remained profitable, with FY26 pre-tax profit more than doubling to RM3.1m (FY25: RM1.1m), as higher orders from existing customers backfilled the exit of a key PCBA customer. The Philippines is nearing an inflection point, with quarterly pre-tax loss narrowing to RM3.0m in 4QFY26 from RM7.0m in 3QFY26 as utilisation improved on additional models entered production. We understand that the Philippines plant reached breakeven in Aug 26. The commencement of third production line alongside a programme reportedly transferred from a competitor should provide further utilisation upside in FY27.
- **Orders picking up into 1QFY27.** Management is seeing a steady recovery in customer orders ahead of the year-end festive season and expects the momentum to continue into the coming quarter. Key customers are also scheduled to launch new models in FY27, which should support further loadings.
- **Diversification provides further re-rating potential.** VS continues to explore new opportunities beyond its core consumer electronics to broaden its customer mix, with new customer discussions underway. Its established manufacturing capabilities, technical know-how, spare capacity and ability to scale production should support the securing of new programmes, particularly as customers diversify their manufacturing footprint. Successful conversion of these opportunities could provide an additional catalyst for earnings growth and a potential re-rating.

Sales Assumption

(RMm)	FY26	FY27F	FY28F	FY29F
Sales	3,651	4,003	4,562	4,772
Key Customer	2,390	2,523	2,925	3,071
Customer Z	187	206	227	249
China	40	72	72	72
Indonesia	220	330	330	330
New Key Customers	300	500	600	600
Others	514	372	409	450
Core Net Margin	-0.5%	2.6%	2.9%	2.9%

Source: VS, UOB Kay Hian

Earnings Revision/Risk

- Post model updates, we raised our FY27-28 earnings forecasts by 4-5% for housekeeping purposes.

Valuation/Recommendation

- Maintain BUY with a slightly higher target price of RM0.35 (from RM0.34), based on an unchanged 12x 2027F PE (which is -0.5SD to the 10-year mean).

Environmental, Social, Governance (ESG) Updates**Environmental**

- VS has been certified with the ISO 14001:2015 Environment Management System for assembly services for mechanical and electrical products.

Social

- VS held an In-House Vaccination Programme in Aug 21 and achieved a 99.8% vaccination record for the entire workforce.
- It is proactively engaging with migrant worker rights specialists and independent auditors to improve the welfare of migrant workers in Malaysia.

Governance

- The company has in place an Anti-Corruption Framework which fulfils the requirements in the Guidelines on Adequate Procedures to Section 17A (5) of the Malaysian Anti-Corruption Commission Act 2009.

Profit & Loss

Year to 31 Jul (RMm)	2026	2027F	2028F	2029F
Net turnover	3,651	4,003	4,562	4,772
EBITDA	119	281	318	333
Deprec. & amort.	142	126	130	132
EBIT	(23)	156	188	201
Associates	3	3	3	3
Net interest income/(expense)	(13)	(17)	(17)	(17)
Pre-tax profit	(33)	141	174	187
Tax	(22)	(37)	(46)	(49)
Minorities	1	2	2	2
Net profit	(54)	106	130	140
Net profit (adj.)	(17)	106	130	140

Cash Flow

Year to 31 Jul (RMm)	2026	2027F	2028F	2029F
Operating	207	(19)	148	244
Pre-tax profit	(33)	141	174	187
Tax	(18)	(37)	(46)	(49)
Deprec. & amort.	142	126	130	132
Working capital changes	54	(293)	(154)	(69)
Non-cash items	38	38	38	38
Other operating cashflows	25	6	6	6
Investing	(159)	(150)	(150)	(150)
Capex (growth)	(163)	(150)	(150)	(150)
Investments	(2)	0	0	0
Proceeds from sale of assets	6	0	0	0
Others	0	0	0	0
Financing	(235)	(68)	(75)	(78)
Dividend payments	(15)	(32)	(39)	(42)
Issue of shares	0	1	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	(198)	(15)	(15)	(15)
Others/interest paid	(21)	(21)	(21)	(21)
Net cash inflow (outflow)	(186)	(237)	(77)	16
Beginning cash & cash equivalent	859	663	426	349
Changes due to forex impact	(14)	0	0	0
Ending cash & cash equivalent	659	426	349	365

Balance Sheet

Year to 31 Jul (RMm)	2026	2027F	2028F	2029F
Fixed assets	930	955	975	993
Other LT assets	294	296	299	301
Cash/ST investment	663	435	366	391
Other current assets	1,786	1,919	2,160	2,250
Total assets	3,673	3,605	3,800	3,936
ST debt	310	310	310	310
Other current liabilities	930	789	895	934
LT debt	311	311	311	311
Other LT liabilities	61	61	61	61
Shareholders' equity	2,062	2,137	2,228	2,326
Minority interest	(2)	(3)	(5)	(7)
Total liabilities & equity	3,673	3,605	3,800	3,936

Key Metric

Year to 31 Jul (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	3.3	7.0	7.0	7.0
Pre-tax margin	(0.9)	3.5	3.8	3.9
Net margin	(1.5)	2.6	2.9	2.9
ROA	(1.5)	2.9	3.5	3.7
ROE	(2.6)	4.9	5.9	6.2
Growth				
Turnover	(5.1)	7.9	28.6	36.4
EBITDA	(65.3)	36.9	60.1	69.3
Pre-tax profit	(201.5)	123.9	185.0	208.8
Net profit	(345.3)	264.1	357.1	393.3
Net profit (adj.)	(132.3)	539.6	23.0	7.3
EPS	(185.2)	149.1	215.6	241.5
Leverage				
Debt to total capital	30.1	29.1	27.9	26.8
Debt to equity	30.1	29.1	27.9	26.7
Net debt/(cash) to equity	(0.0)	8.7	11.4	9.9
Interest cover	8.8	16.7	18.9	19.8

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