

COMPANY RESULTS

VSTECs (VST MK)

4Q24: Within Expectations; Anticipating Growth To Resume In 2025

VSTECs' 4Q24 earnings came in strong at RM21.4m (+13% yoy, +10% qoq), driven by a recovery in consumer spending. Thus, 2024 core net profit accounted for 96% of our full-year estimate. We believe the new AI diffusion framework will not impact VSTECs' earnings meaningfully, given its current limited exposure to GPU servers. A key inflection point may come as the government rolls out new DC incentives, helping VSTECs unlock its TAM. Maintain BUY. Target price: RM5.02.

4Q24 RESULTS

Year to 31 Dec (RMm)	4Q24	qoq% chg	yoy % chg	2024	yoy % chg
Revenue	819.2	(2.7)	1.5	2,901.7	6.4
Gross Profit	47.9	(2.1)	13.5	172.3	12.0
EBITDA	25.7	6.4	9.9	86.5	9.1
EBIT	25.7	10.3	13.8	84.0	10.3
PBT	27.6	4.3	10.8	93.1	12.5
Tax expense	(6.2)	(10.6)	762.1	(22.6)	46.9
PATAMI	21.4	9.5	(11.4)	70.6	4.7
Core PATAMI	21.4	9.6	13.0	70.3	13.3
Margins (%)		qoq ppt chg	yoy ppt chg		yoy ppt chg
Gross Profit	5.84	0.03	(0.02)	5.9	0.3
EBITDA	3.14	0.27	(0.15)	3.0	0.1
PBT	3.37	0.22	(0.03)	3.2	0.2
Core Net Profit	2.61	0.29	0.04	2.4	0.1

Source: VSTECs, UOB Kay Hian

RESULTS

- **Within expectations.** VSTECs' 4Q24 core net profit came in at RM21.4m (+13% yoy, +10% qoq) on revenue of RM841.8m (+2% yoy; -3% qoq). The yoy and qoq growth in earnings was driven by robust performance in ICT distribution (+9% yoy, +10% qoq) alongside higher forex and forward contract gains of RM5.5m. The growth in ICT distribution was fuelled by the recovery in consumer spending (buoyed by Google Pixel and iPhone16). This resulted in 2024 core net profit accounting for 96% of our full-year estimate, and we deem the results within expectations.
- **VSTECs declared an interim dividend of 4.1 sen and a special dividend of 0.8sen,** bringing total 2024 DPS to 7.7sen, translating to a net dividend yield of 2.2%. This represents a payout ratio of 39%.

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	2,727.2	2,901.7	3,413.8	3,868.3	4,339.7
EBITDA	82.7	84.2	104.9	127.2	140.4
Operating profit	79.6	87.6	107.2	129.8	141.7
Net profit (rep./act.)	67.4	70.6	86.2	104.0	113.7
Net profit (adj.)	62.0	70.3	86.2	104.0	113.7
EPS (sen)	17.4	19.7	24.2	29.2	31.9
PE (x)	19.7	17.4	14.2	11.8	10.8
P/B (x)	2.7	2.4	2.2	2.0	1.8
EV/EBITDA (x)	13.4	13.3	10.4	8.4	7.4
Dividend yield (%)	1.9	1.9	3.5	3.0	3.3
Net margin (%)	2.3	2.4	2.5	2.7	2.6
Net debt/(cash) to equity (%)	(25.7)	(21.1)	(24.8)	(25.4)	(28.1)
Interest cover (x)	62.7	226.4	277.0	335.4	366.1
ROE (%)	14.8	14.0	15.8	17.0	16.5

Source: VSTECs, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM3.43
Target Price	RM5.02
Upside	+46.3%

COMPANY DESCRIPTION

VSTECs is the leading distributor of ICT products to consumers and enterprises in Malaysia. Founded in 1985, the Group distributes a wide range of ICT products to both consumer and enterprise and provides IT services in the form of pre-sales, integration, and post-sales in support of the brands represented.

STOCK DATA

GICS sector	ICT Distributor
Bloomberg ticker:	VSTECs MK
Shares issued (m):	356.6
Market cap (RMm):	1,223.0
Market cap (US\$m):	276.2
3-mth avg daily t'over (US\$m):	0.4

Price Performance (%)

52-week high/low	RM4.52/RM1.49			
1mth	3mth	6mth	1yr	YTD
(1.4)	(7.3)	11.4	128.7	(15.1)

Major Shareholders

VSTECs Holding Ltd	45.6
Sengin Sdn Bhd	12.2
Dasar Technologies Sdn Bhd	8.6

FY24 NAV/Share (RM)	1.53
FY24 Net Cash/Share (RM)	0.38

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PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net Turnover	2,901.7	3,413.8	3,868.3	4,339.7
EBITDA	84.2	104.9	127.2	140.4
Depreciation & Amortisation	3.4	(2.3)	(2.6)	(1.3)
EBIT	87.6	107.2	129.8	141.7
Associate Contributions				
Net Interest Income/(Expense)	(0.4)	(0.4)	(0.4)	(0.4)
Pre-tax Profit	93.1	113.8	137.3	150.1
Tax	(22.6)	(27.6)	(33.3)	(36.4)
Minorities	0.0	0.0	0.0	0.0
Net Profit	70.6	86.2	104.0	113.7
Net Profit (Adjusted)	70.3	86.2	104.0	113.7

CASH FLOW

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Operating	10.5	72.5	57.4	76.1
Pre-tax Profit	93.1	113.8	137.3	150.1
Tax	20.1	(27.6)	(33.3)	(36.4)
Depreciation & Amortisation	6.3	2.3	2.6	1.3
Working Capital Changes	(62.2)	(23.0)	(57.1)	(47.8)
Other Operating Cashflows	(0.4)	9.3	10.5	10.2
Investing	1.6	(1.0)	(1.0)	(1.0)
Capex (Growth)	1.2	(1.0)	(1.0)	(1.0)
Investments	0.0	0.0	0.0	0.0
Proceeds from Sale of Assets	0.2	0.0	0.0	0.0
Others	0.2	0.0	0.0	0.0
Financing	(56.5)	(42.3)	(35.6)	(38.0)
Dividend Payments	(23.5)	(43.1)	(36.4)	(39.8)
Issue of Shares	(1.9)	0.0	0.0	0.0
Proceeds from Borrowings	(0.4)	(0.4)	(0.4)	(0.4)
Loan Repayment	(0.2)	0.0	0.0	0.0
Others/Interest Paid	2.2	0.8	0.8	1.8
Net Cash Inflow (Outflow)	(44.5)	29.2	20.8	37.1
Beginning Cash & Cash Equivalent	150.9	106.4	135.6	156.3
Changes Due to Forex Impact	0.0	0.0	0.0	0.0
Ending Cash & Cash Equivalent	106.4	135.6	156.3	193.4

BALANCE SHEET

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Fixed Assets	4.1	2.7	1.1	0.8
Other LT Assets	56.5	57.0	57.0	58.0
Cash/ST Investment	106.4	135.6	156.3	193.4
Other Current Assets	705.3	760.8	866.6	977.1
Total Assets	872.2	956.1	1,081.1	1,229.4
ST Debt	2.0	2.0	2.0	2.0
Other Current Liabilities	357.1	389.8	438.4	501.1
LT Debt	0.1	0.0	0.0	0.0
Other LT Liabilities	1.9	12.5	18.8	25.9
Shareholders' Equity	502.4	545.5	613.1	687.0
Minority Interest	0.0	0.0	0.0	1.0
Total Liabilities & Equity	872.2	952.5	1,075.1	1,220.9

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA Margin	2.9	3.1	3.3	3.2
Pre-tax Margin	3.2	3.3	3.5	3.5
Net Margin	2.4	2.5	2.7	2.6
ROA	8.1	9.0	9.6	9.3
ROE	14.0	15.8	17.0	16.5
Growth				
Turnover	6.4	17.6	13.3	12.2
EBITDA	1.8	24.5	21.3	10.3
Pre-tax Profit	12.5	22.1	20.7	9.4
Net Profit	4.7	22.1	20.7	9.4
Net Profit (Adjusted)	13.3	22.6	20.7	9.4
EPS	13.3	22.6	20.7	9.4
Leverage				
Debt to Total Capital	0.1	0.0	0.0	0.0
Debt to Equity	0.1	0.1	0.1	0.1
Net Debt/(Cash) to Equity	(21.1)	(24.8)	(25.4)	(28.1)
Interest Cover (x)	226.4	277.0	335.4	366.1

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