AmInvestment Bank

Company Report

17 Aug 2026

VSTECS BERHAD

(VST MK EQUITY, VSTE.KL)

BURSA RISE+
Brought to you by Bursa Malaysia
Supported by Capital Market Development Fund

BUY
(MAINTAINED)

Price: RM1.83
Target Price (% return): RM2.40 (+35%)
52-week High/Low: RM2.18/RM1.19

Technology
Rationale for report: Company Result

Memory tailwinds offset near-term risks

VSTECS continues to deliver resilient execution, with revenue exceeding RM1bil for a third consecutive quarter. Elevated memory prices should remain a net positive through higher product ASPs and resilient demand, while AI continues to underpin the medium-term outlook. Although AI project deployments remain constrained by data centre availability, management's pipeline remains robust, reinforcing confidence in sustained enterprise earnings growth.

- **Retain BUY at a bonus-issue adjusted TP of RM2.40/share.** This is based on unchanged TP of 16x and blended CY27/28 EPS.
- **RM1bil revenue for third consecutive quarter.** Core 1H26 earnings rose 20% YoY to RM46mil, accounting for 39% of our full-year forecast and broadly in line with historical seasonality. Revenue remained above the RM1bil mark for the third straight quarter, supported by broad-based growth across all business segments. ICT distribution expanded 28% YoY, enterprise solutions surged 59% YoY, while ICT services grew 9% YoY, reflecting healthy demand across both commercial and public sector customers.
- **Inflated memory prices have net positive impact.** While higher memory prices present both opportunities and risks, we believe the overall impact remains favourable for the group. Consumer demand has proven resilient as customers brought forward purchases ahead of further price increases, while higher component costs translated into higher product ASPs, more than offsetting any moderation in unit demand. More importantly, as computing devices increasingly become essential rather than discretionary purchases, any purchasing delays are likely to be temporary. This view is reinforced by vendor expectations that memory prices could remain elevated over the next two years.
- **AI remains biggest catalyst over next few years.** Enterprise growth this quarter was driven primarily by stronger public sector project deliveries rather than AI-related deployments. Nevertheless, management highlighted that AI enquiries remain robust, with the project pipeline reaching the hundreds of millions of ringgit. The key constraint is no longer demand, but data centre availability, which has delayed project implementation. Given the inherently lumpy nature of enterprise projects, we leave our forecasts unchanged for now, while continuing to expect AI and data centre-related businesses to contribute approximately 16% of FY26F revenue.

YE to December	FY25	FY26F	FY27F	FY28F
Revenue (RM mil)	3,597.4	4,651.6	5,767.8	7,782.1
Core net profit (RM mil)	101.5	118.1	138.7	172.2
FD Core EPS (sen)	9.4	11.0	12.9	16.0
FD Core EPS growth (%)	30.8	16.4	17.5	24.1
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	10.8	3.6	4.3	5.3
PE (x)	19.4	16.7	14.2	11.4
EV/EBITDA (x)	15.9	12.9	10.9	9.1
Div yield (%)	5.9	2.0	2.3	2.9
ROE (%)	18.3	19.3	19.9	21.4
Net Gearing (%)	nm	nm	4.3	19.8

Source: VSTECS Berhad, AmInvestment Bank Bhd.

Analyst (s)

Paul Yap Ee Xing, CFA
paul.ee-xing@ambankgroup.com
+603 2036 2281

Key Changes

Target Price:	⇔
EPS:	⇔

Stock and Financial Data

Shares Outstanding (million)	1,076.6
Market Cap (RMmil)	1,970.1
Book Value (RM/Share)	0.53
P/BV (x)	3.4
ROE (%)	18.3
Net Gearing (%)	-
Free Float	29.7
Avg Daily Value (RMmil)	5.1

Major Shareholders

VSTECS Holdings Ltd	(45.6%)
Sengin Sdn Bhd	(12.2%)

Price performance	3mth	6mth	12mth
Absolute(%)	-	31.8	50.0
Relative(%)	-	32.8	36.9

Source: VSTECS Berhad, AmInvestment Bank Bhd.

Price Chart

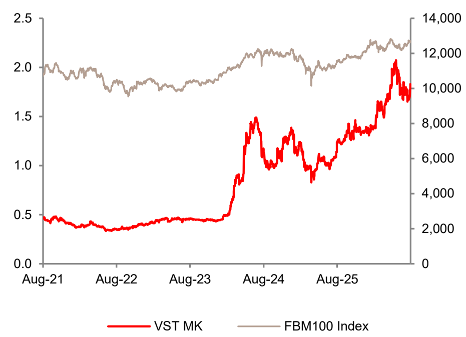
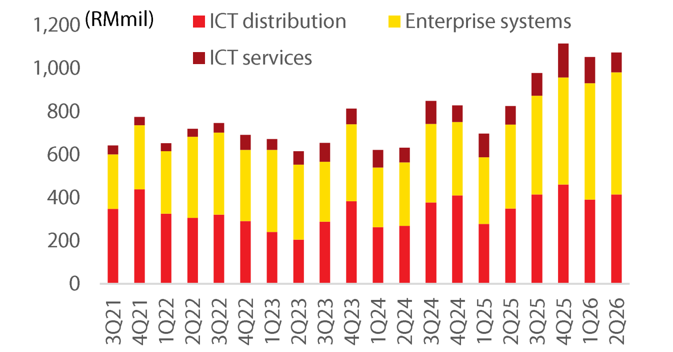


EXHIBIT 1. 2Q26 Earnings Summary

FYE Dec	2Q26	2Q25	YoY (%)	1Q26	QoQ (%)	6MFY26	6MFY25	YoY (%)
Revenue	1,078	819	31.7	1,047	3.0	2,125	1,511	40.7
Ebitda	39	26	50.8	31	24.0	70	49	45.0
Depreciation and ammortisation	-1	-1	-20.2	-1	-1.1	-2	-2	-27.5
Ebit	38	25	52.1	30	25.0	68	47	45.7
Finance income	1	1	21.0	1	87.2	2	2	11.6
Finance costs	0	0	-483.0	0	-301.3	0	0	-302.1
JV/Associates	1	1	27.0	0	>100	2	2	-12.5
EI	4	-1	nm	3	33.9	8	0	nm
Pbt	40	27	49.1	31	28.7	71	50	42.0
Tax	-10	-7	-45.5	-8	-18.3	-18	-12	-47.3
Pat	30	20	50.3	23	32.4	53	38	40.3
Core net profit	26	21	24.7	20	32.2	46	38	19.7
EPS (sen)	2.80	5.70	-50.9	6.40	-56.3	9.20	10.70	-14.0
DPS (sen)	0.00	0.00	nm	0.00	nm	0.00	0.00	nm
Profitability ratios								
Ebitda margin (%)	3.6	3.2	0.5ppt	3.0	0.6ppt	3.3	3.2	0.1ppt
Ebit margin (%)	3.5	3.0	0.5ppt	2.9	0.6ppt	3.2	3.1	0.1ppt
Pbt margin (%)	3.7	3.3	0.4ppt	3.0	0.7ppt	3.3	3.3	0.0ppt
Tax rate (%)	25.0	25.8	-0.8ppt	26.5	-1.6ppt	25.1	24.2	0.9ppt
Core profit margin (%)	2.4	2.5	-0.1ppt	1.9	0.5ppt	2.1	2.5	-0.4ppt
Revenue Breakdown (RMm)								
ICT distribution	414	349	18.6	390	6.2	805	628	28.2
Enterprise systems	566	389	45.8	539	5.0	1,106	697	58.8
ICT services	92	86	6.4	122	-24.8	214	197	8.8
Segment PBT (RMm)								
ICT distribution	3	6	-44.6	5	-40.0	8	10	-16.2
Enterprise systems	28	16	77.7	20	38.6	48	29	65.8
ICT services	7	4	79.3	5	41.7	12	8	43.0

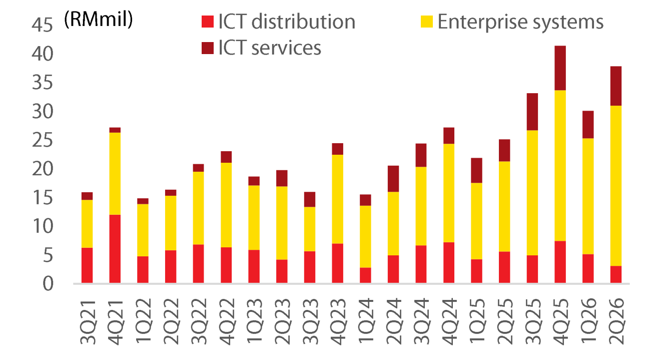
Source: VSTECS, AmInvestment Bank Bhd.

EXHIBIT 2. Revenue breakdown



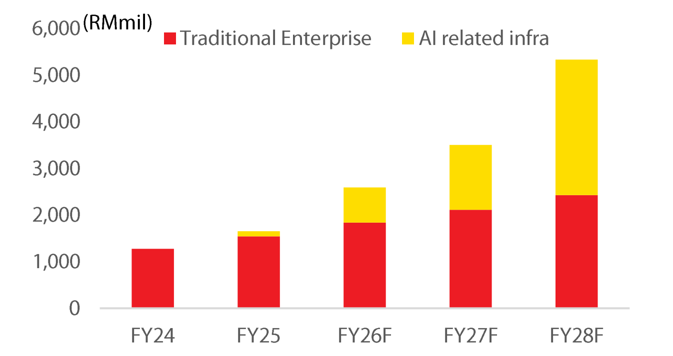
Source: VSTECS, AmInvestment Bank Bhd.

EXHIBIT 3. PBT breakdown



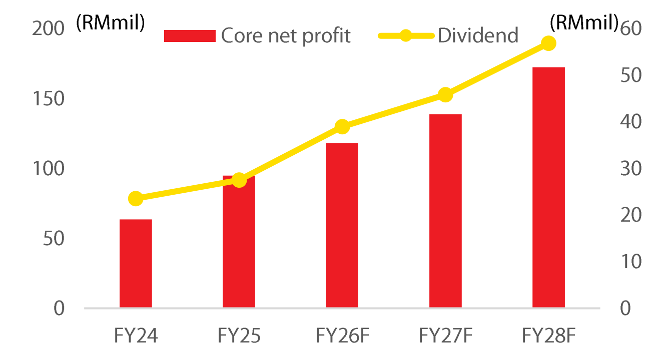
Source: VSTECS, AmInvestment Bank Bhd.

EXHIBIT 4. Enterprise revenue breakdown



Source: VSTECS, AmInvestment Bank Bhd.

EXHIBIT 5. Dividend



Source: VSTECS, AmInvestment Bank Bhd.

EXHIBIT 6. Valuations

Target PE (x)	16.0x
Blended CY27/28 EPS	14.44
ESG Premium	+3%
Target price	RM2.40

Source: AmInvestment Bank Bhd.

Background

VSTECS Berhad ("VSTECS") is a leading distributor of Information and Communication Technology (ICT) products and services in Malaysia, serving both the consumer and enterprise markets. The group distributes a comprehensive portfolio of ICT solutions, including notebooks, personal computers (PCs), smartphones, tablets, printers, software, networking and communication infrastructure, servers, and enterprise software. VSTECS represents more than 50 global principals, positioning the group as a key intermediary between international OEMs and Malaysia's downstream ICT ecosystem.

VSTECS operates one of the largest ICT distribution platforms in the country, supported by a nationwide reseller network of over 4,000 partners comprising retailers, system integrators, value-added resellers and corporate dealers. This extensive channel reach enables VSTECS to scale new product launches efficiently, penetrate diverse customer segments, and support both mass-market retail demand and complex enterprise-level deployments.

The group is organised across three core business segments:

- **ICT Distribution.** anchored by consumer devices and commercial computing products
- **Enterprise Systems.** covering servers, networking, data-centres, enterprise software; and
- **ICT Services.** which provides cloud-related services, managed solutions and recurring support offerings.

VSTECS Berhad was listed on the Main Market of Bursa Malaysia in 2010, the company is a 46%-owned associate of VSTECS Holdings (Singapore) Limited, which in turn is a wholly owned subsidiary of VSTECS Holdings Limited, a technology distribution group listed on the Hong Kong Stock Exchange. This association provides VSTECS Malaysia with regional scale, procurement leverage, and access to multinational vendor relationships, strengthening its competitive positioning relative to local peers.

Investment thesis and catalysts

Rising IT spend flows. AI-driven infrastructure needs, faster hardware refresh cycles and ongoing cloud migration are pushing IT budgets higher, with data-centre fit-outs and enterprise upgrades accelerating. VSTECS is well placed to capture this uplift through its broad portfolio and strong positioning in enterprise and data-centre ecosystems.

Stronger margins and stickier relationships from Enterprise clients. Enterprise Systems and ICT Services earn higher margins (~4% vs. ~1.5–2% in Distribution) and offer longer project cycles, recurring services and deeper integration, leading to stronger visibility and customer stickiness. As Enterprise Systems grow toward becoming the largest segment, overall earnings quality improves.

Leveraging wider-group scale for a structural edge. VSTECS benefits from the regional scale and long-standing vendor partnerships of the wider group, enhancing procurement leverage, produc1t breadth and access to exclusive mandates—strengthening execution, supporting margin stability and securing early participation in new tech cycles.

Valuation Methodology

We value VSTECS based on a PE of 16.0x and Blended CY27/28 EPS. Our target PE is based on +1sd above its 5-year average and translates to a PEG of 0.7x. Our target PE is in line with similarly listed peer SNS Network Technology and at a meaningful discount to NationGate Holdings' 5-year average PE, reflecting a VSTECS's distributor-centric risk profile. We also apply a +3.0% premium on our fundamental fair value based on the group's 4-star ESG rating

We believe VSTECS's dominant market presence and channel reach, together with its deliberate shift toward higher-margin, stickier enterprise customers, more than offset structural commoditisation within the ICT Distribution business.

Risk factors

Global Memory Shortage. Amid the AI infrastructure build-out, hyperscalers' surging demand for enterprise-grade memory, particularly high-bandwidth memory (HBM), has led major manufacturers such as Micron, Samsung and SK Hynix to reallocate production capacity toward higher-margin components. This supply shift has crowded out availability for consumer end-markets, resulting in a memory shortage for smartphones and PCs and driving a sharp increase in memory prices in recent months. In response to rising input costs, major PC vendors—including Lenovo, Dell, HP and Asus—have announced 15–20% price increases for PCs and notebooks, exacerbating affordability pressures.

The memory shortage collides with two industry forces, the Windows 10 end-of-life refresh cycle and aggressive AI-PC marketing efforts. IDC forecasts global PC unit shipments to decline by 4.9–8.9% YoY. Given that PCs and notebooks account for ~50–60% of ICT Distribution revenue, this poses near-term downside risk to our top-line forecasts. That said, we expect the impact to be offset by MYR strengthening and VSTECS's increasing exposure to higher-margin Enterprise and cloud-related segments.

Delays in Public Sector. Currently, approximately 60% of VSTECS's Enterprise Systems segment is derived from the public sector, Any delays in the roll-out, approval or funding of government projects could disrupt revenue timing, leading to potential downside risk to our earnings forecasts despite demand remaining intact.

Geopolitical and supply-chain risks. As a distributor of leading global technology brands, VSTECS is exposed to supply-chain disruptions, trade tensions and vendor-concentration risks. Near-term growth is expected to be driven by lumpy colocation data-centre projects, and any disruption to project execution, hardware availability or cross-border logistics could delay deliveries, potentially leading to temporary build-ups in inventory and receivables, and increased working-capital volatility.

Financial Summary

Income Statement (RMmil)

YE to December	FY24	FY25	FY26F	FY27F	FY28F
Revenue	2,901.7	3,597.4	4,651.6	5,767.8	7,782.1
EBITDA	90.0	119.7	152.0	184.5	235.6
Depreciation/Amortisation	(3.4)	-	(0.8)	(0.5)	(0.3)
Operating income (EBIT)	86.5	119.7	151.2	184.0	235.3
Other income & associates	3.9	6.8	6.8	6.8	6.8
Net interest	2.7	2.3	(2.6)	(8.2)	(15.5)
Exceptional items	-	-	-	-	-
Pretax profit	**93.1**	**128.8**	**155.4**	**182.5**	**226.6**
Taxation	(22.6)	(30.7)	(37.3)	(43.8)	(54.4)
Minorities/pref dividends	-	-	-	-	-
Net profit	**70.6**	**98.2**	**118.1**	**138.7**	**172.2**
Core net profit	77.6	101.5	118.1	138.7	172.2

Balance Sheet (RMmil)

YE to December	FY24	FY25	FY26F	FY27F	FY28F
Fixed assets	4.1	8.3	10.6	13.5	17.4
Intangible assets	0.6	0.6	0.6	0.6	0.6
Other long-term assets	55.9	54.8	49.8	45.0	40.5
Total non-current assets	**60.5**	**63.7**	**61.0**	**59.1**	**58.4**
Cash & equivalent	106.4	89.0	129.1	165.8	102.6
Stock	247.7	273.7	354.1	439.4	593.9
Trade debtors	451.3	651.9	842.9	1,045.2	1,410.2
Other current assets	12.0	0.2	0.2	0.2	0.2
Total current assets	**817.4**	**1,014.7**	**1,326.3**	**1,650.6**	**2,106.9**
Trade creditors	350.8	470.0	608.1	754.6	1,019.9
Short-term borrowings	2.3	23.1	80.4	138.6	191.1
Other current liabilities	20.3	11.7	11.7	11.7	11.7
Total current liabilities	**373.4**	**504.9**	**700.2**	**904.9**	**1,222.7**
Long-term borrowings	2.1	0.4	34.8	59.6	82.0
Other long-term liabilities	-	0.1	0.1	0.1	0.1
Total long-term liabilities	**2.1**	**0.5**	**34.9**	**59.7**	**82.1**
Shareholders' funds	**502.4**	**573.1**	**652.2**	**745.2**	**860.5**
Minority interests	-	-	-	-	-
BV/share (RM)	0.47	0.53	0.61	0.69	0.80

Cash Flow (RMmil)

YE to December	FY24	FY25	FY26F	FY27F	FY28F
Pretax profit	93.1	128.8	155.4	182.5	226.6
Depreciation/Amortisation	3.4	-	0.8	0.5	0.3
Net change in working capital	(178.9)	(250.0)	(274.4)	(395.3)	(447.7)
Others	92.8	106.0	99.6	211.8	147.9
Cash flow from operations	**10.5**	**(15.2)**	**(18.7)**	**(0.4)**	**(73.0)**
Capital expenditure	(1.2)	(6.3)	(2.3)	(2.9)	(3.9)
Net investments & sale of fixed assets	0.3	0.1	-	-	-
Others	2.4	11.0	11.0	11.0	11.0
Cash flow from investing	**1.6**	**4.8**	**8.7**	**8.1**	**7.1**
Debt raised/(repaid)	(12.6)	113.6	176.5	158.8	143.0
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(23.5)	(27.5)	(39.0)	(45.8)	(56.8)
Others	(20.4)	(93.2)	(87.4)	(84.1)	(83.5)
Cash flow from financing	**(56.5)**	**(7.0)**	**50.1**	**29.0**	**2.6**
Net cash flow	**(44.5)**	**(17.4)**	**40.1**	**36.7**	**(63.2)**
Net cash/(debt) b/f	**150.9**	**106.4**	**89.0**	**129.1**	**165.8**
Net cash/(debt) c/f	**106.4**	**89.0**	**129.1**	**165.8**	**102.6**

Key Ratios

YE to December	FY24	FY25	FY26F	FY27F	FY28F
Revenue growth (%)	6.4	24.0	29.3	24.0	34.9
EBITDA growth (%)	9.1	33.1	26.9	21.4	27.7
Pretax margin (%)	3.2	3.6	3.3	3.2	2.9
Net profit margin (%)	2.4	2.7	2.5	2.4	2.2
Interest cover (x)	nm	nm	58.4	22.4	15.2
Effective tax rate (%)	24.2	23.8	24.0	24.0	24.0
Dividend payout (%)	3,003.8	2,702.7	3,300.0	3,300.0	3,300.0
Debtors turnover (days)	53	56	59	60	58
Stock turnover (days)	28	26	25	25	24
Creditors turnover (days)	41	42	42	43	42

Source: Company, AmInvestment Bank Bhd.

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