VSTECS BERHAD

(VST MK EQUITY, VSTE.KL)

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

BUY

(MAINTAINED)

Price: RM1.29
Target Price (% return): RM2.40 (+89%)
52-week High/Low: RM2.18/RM1.12

Technology
Rationale for report: Company Result

Enterprise demand drives growth

We retain BUY on VSTECS at an unchanged TP of RM2.40/share, underpinned by resilient ICT distribution and strong enterprise demand. 9M26 earnings remain in line with expectations, with enterprise revenue growing 46% YoY on healthy public-sector spending and order visibility extending into 1H27. ICT distribution also remains robust, supported by new product launches, although channel inventory normalisation has moderated sequential momentum. Following a 26% share price correction over the past three months, valuations have de-rated to an attractive 10x forward PE, offering an appealing entry point.

- **Retain BUY at unchanged TP of RM2.40/share.** This is based on 16x blended CY27/28F EPS. Following a 26% share price correction over the past three months, valuations have become more attractive at 10x forward PE, offering an appealing entry point.
- **In line with expectations.** 9M26 core profit rose 20% YoY to RM74mil, accounting for 63% of our full-year forecast and 64% of consensus estimates. We deem the performance broadly in line, given the seasonally stronger 4Q, which historically contributes around 35% of full-year earnings.
- **Enterprise-led growth, with healthy order visibility.** Enterprise revenue was particularly strong, growing 46% YoY, with the public sector accounting for 60% of segment revenue. Spending momentum and order books remain healthy heading into 1H27, reflected in longer lead times of 4–6 months, up from three months previously. GPU sales remain small at a single-digit percentage of revenue, providing potential upside as demand develops. However, power availability remains a key bottleneck despite strong enquiries. On US restrictions on China's access to AI technology, VSTECS only serves local businesses and sells to authorised partners.
- **ICT distribution remains robust, despite softer sequential momentum.** ICT distribution revenue grew 18% YoY, supported by new product launches and healthy demand for smartphones and more affordable laptops. However, momentum softened QoQ as channel partners had earlier brought forward purchases to stock up ahead of anticipated memory price increases.

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)	-	114.8	131.3	152.7
DPS (sen)	10.8	3.6	4.3	5.3
PE (x)	13.8	11.9	10.1	8.1
EV/EBITDA (x)	11.1	9.1	7.8	6.7
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)	1,399.5
Book Value (RM/Share)	0.53
P/BV (x)	2.4
ROE (%)	18.3
Net Gearing (%)	-
Free Float	21.4
Avg Daily Value (RMmil)	2.8

Major Shareholders

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

Price performance	3mth	6mth	12mth
Absolute(%)	(26.1)	(34.2)	(3.7)
Relative(%)	(18.3)	(27.5)	(0.7)

Source: VSTECS Berhad, AmInvestment Bank Bhd.

Price Chart

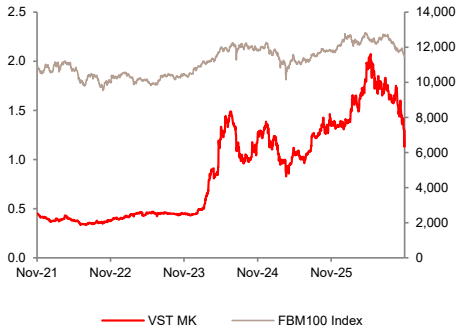
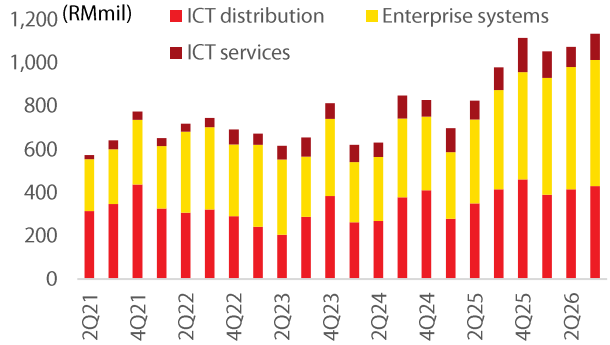


EXHIBIT 1. 3Q26 Earnings Summary

FYE Dec	3Q26	3Q25	YoY (%)	2Q26	QoQ (%)	9MFY26	9MFY25	YoY (%)
Revenue	1,134	992	14.3	1,078	5.2	3,259	2,502	30.2
Ebitda	42	34	23.2	39	8.6	113	83	36.0
Depreciation and ammortisation	-1	-1	-1.3	-1	1.8	-4	-3	-17.5
Ebit	41	33	24.0	38	9.0	109	80	36.7
Finance income	0	1	-48.5	1	-73.7	2	2	-4.6
Finance costs	-1	0	-213.3	0	-97.7	-1	0	-242.6
JV/Associates	0	1	nm	1	nm	1	3	-54.9
EI	2	2	-16.8	4	-57.1	9	2	>100
Pbt	41	35	16.4	40	1.8	112	85	31.4
Tax	-10	-9	-13.0	-10	-7.4	-28	-21	-32.5
Pat	30	26	17.6	30	0.0	83	64	31.1
Core net profit	28	24	20.8	26	9.6	74	62	20.1
EPS (sen)	2.80	7.20	-61.1	2.80	0.0	12.00	17.90	-33.0
DPS (sen)	0.93	2.80	-66.8	0.00	nm	0.93	2.80	-66.8
Profitability ratios								
Ebitda margin (%)	3.7	3.5	0.3ppt	3.6	0.1ppt	3.5	3.3	0.1ppt
Ebit margin (%)	3.6	3.3	0.3ppt	3.5	0.1ppt	3.3	3.2	0.2ppt
Pbt margin (%)	3.6	3.5	0.1ppt	3.7	-0.1ppt	3.4	3.4	0.0ppt
Tax rate (%)	25.4	27.4	-1.9ppt	25.0	0.4ppt	25.3	25.1	0.2ppt
Core profit margin (%)	2.5	2.4	0.1ppt	2.4	0.1ppt	2.3	2.5	-0.2ppt
Revenue Breakdown (RMm)								
ICT distribution	429	414	3.6	414	3.6	1,234	1,042	18.4
Enterprise systems	584	459	27.2	566	3.0	1,690	1,155	46.2
ICT services	121	105	15.0	92	31.5	335	302	10.9
Segment PBT (RMm)								
ICT distribution	10	5	>100	3	>100	18	15	23.7
Enterprise systems	27	22	22.7	28	-4.4	75	51	47.4
ICT services	4	6	-43.6	7	-46.6	15	15	4.7

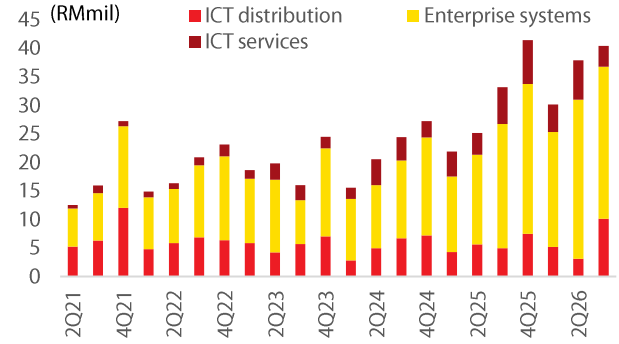
Source: VSTECS, AmInvestment Bank Bhd.

EXHIBIT 2. Revenue breakdown



Source: VSTECS, AmInvestment Bank Bhd.

EXHIBIT 3. PBT breakdown



Source: VSTECS, AmInvestment Bank Bhd.

EXHIBIT 4. 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.

DISCLOSURE AND DISCLAIMER

This report is prepared for information purposes only and it is issued by AmInvestment Bank Berhad ("AmInvestment") without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures or investment products. AmInvestment recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmInvestment believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmInvestment has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constituteAmInvestment's views as of this date and are subject to change without notice. Notwithstanding that, AmInvestment has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmInvestment's affiliates and/or related corporations (collectively, "AmBank Group").

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmInvestment's prior written consent. AmInvestment, AmBank Group and its respective directors, officers, employees and agents ("Relevant Person") accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmInvestment is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located. If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.

This report has been prepared by AmInvestment Bank pursuant to the Research Incentive Program under Bursa Research Incentive Scheme Plus (“Bursa RISE+”) administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaims any and all liability, howsoever arising, out of or in relation to the administration of Bursa Research Incentive Program and/or this report.