13 August, 2026 **BIMB Securities Research**

VSTECS Berhad (VST MK)

Inline

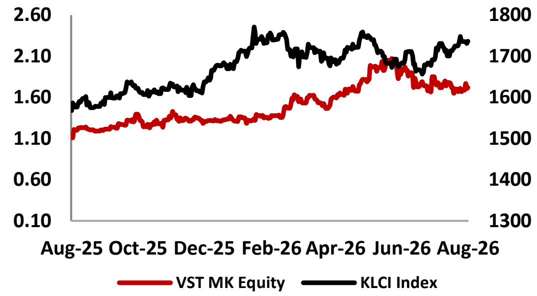
BUY

Share Price	**RM1.75**
Target Price	**RM2.14 +22%**

Poised for a Stronger 2HFY26

- **Key highlights.** 6MFY26 CNP came in at RM44.4mn (+6.9% YoY), broadly in line with our estimates, accounting for 38.2% of our full-year forecast. We derive core earnings after excluding net exceptional gains of RM7.6mn, comprising of RM6.9mn debt recovery from Logicalis and other gains of RM0.7mn. Nevertheless, we expect the company to make up for the slower earnings recognition in 1HFY26, driven by robust AI infrastructure demand and stronger project rollout in the coming quarters, with quarterly earnings likely to surpass 2QFY26 levels.
- **YoY.** 2QFY26 CNP increased 5.0% YoY to RM22.7mn, despite revenue rising 31.7% YoY to RM1.1bn. The strong top-line growth was largely driven by the Enterprise Systems segment, where revenue surged 46.2% YoY on higher public sector and enterprise project deliveries. That said, earnings growth was moderated by margin compression, particularly within the Enterprise Systems segment, with segmental PBT margin declining to 3.7% from 4.0%. Meanwhile, ICT Services remained a bright spot, with segmental PBT jumping 80.1% YoY on the back of higher-margin cloud services.
- **QoQ.** 2QFY26 CNP rose 4.7% QoQ to RM22.7mn, broadly tracking the 3.0% QoQ increase in revenue. This was attributed to stronger contribution across all segments, while core margin remained stable at 2.1%.
- **Earnings Revision.** No change.
- **Outlook.** We expect earnings momentum to improve in 2HFY26, supported by stronger enterprise project deliveries and continued public sector spending. Despite industry-wide component shortages and elevated hardware costs, demand for ICT infrastructure remains resilient across both enterprise and government segments. Meanwhile, the increasing contribution from recurring revenue streams and value-added services should support margin resilience and enhance earnings quality over the longer term.
- **Our call.** Maintain **BUY** on VSTECS with an unchanged TP of **RM2.14** pegged to 17.2x FY27F PER (+0.5SD above its three-year historical average), applied to our FY27F EPS of 12.5 sen. We believe the upcycle in AI infrastructure spending, coupled with the government's digitalisation agenda, will strengthen the company's earnings growth prospects.

Price Chart (RM)



Share Performance (%)	**1m**	**3m**	**12m**
Absolute	(5.9)	(3.7)	56.2
vs FBM KLCI	(8.4)	(3.0)	38.8

Stock Data	
ESG Rating	Good
Mkt Cap (RM)	1,861.2
Free float (%)	1.1
Issued shares (m)	37.0
52w H/L (RM)	2.18 / 1.12
3m avg daily volume (m)	2,558,570

Major Shareholders (%)	
VSTECS Holdings Ltd	45.6
Sengin Sdn Bhd	12.2
CGS INTERNATIONAL	5.3

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Results Review

Technology

Equity

Table 1: Quarterly figures

FYE 31 Dec (RM mn)	Quarterly 2Q25	1Q26	2Q26	Change (%) QoQ	YoY	Cumulative 6M25	6M26	YTD %	BIMB FY26F	6M/F
Revenue	818.9	1046.9	1078.2	3.0	31.7	1510.5	2125.1	40.7	4,284.8	49.6
EBITDA	25.8	31.4	39.0	24.0	50.8	48.5	70.4	45.0	148.9	47.3
Pretax profit	**26.8**	**31.1**	**40.0**	**28.7**	**49.1**	**50.0**	**71.0**	**42.0**	**152.5**	**46.6**
PATAMI	20.2	22.9	30.3	32.4	50.3	37.9	53.2	40.3	116.3	45.7
Core PATAMI	**21.6**	**21.7**	**22.7**	**4.7**	**5.0**	**41.5**	**44.4**	**6.9**	**116.3**	**38.2**
EPS (sen)	2.0	2.0	2.1	4.7	5.0	3.9	4.2	6.9	10.9	38.2
EBITDA margin (%)	3.2	3.0	3.6	0.6	0.5	3.2	3.3	0.1	3.5	
PBT margin (%)	3.3	3.0	3.7	0.7	0.4	3.3	3.3	0.0	3.6	
Core profit margin (%)	2.6	2.1	2.1	0.0	-0.5	2.8	2.1	-0.7	2.7	
Effective tax rate	24.8	26.3	24.2	-8.1	-2.4	24.2	25.1	3.7		

Source: BIMB Securities, Company

Table 2: Quarterly segments breakdown

FYE Dec (RM mn)	1QFY25	4QFY25	1QFY26	QoQ Chg	YoY Chg	3MFY25	3MFY26	YTD Chg
Revenue:								
ICT Distribution	348.1	388.7	416.2	7.1%	19.6%	624.8	804.9	28.8%
Enterprise systems	387.7	539.0	567.0	5.2%	46.2%	695.4	1105.9	59.0%
ICT Services	83.1	119.2	95.1	-20.3%	14.4%	190.4	214.3	12.6%
Segmental PBT:								
ICT Distribution	5.6	5.2	6.5	25.8%	16.1%	9.9	11.7	18.3%
Enterprise systems	15.7	20.1	21.0	4.2%	33.6%	28.9	41.1	41.9%
ICT Services	3.8	4.8	6.9	42.3%	80.1%	8.2	11.7	43.4%
PBT Margin:								
ICT Distribution	*1.6%*	*1.3%*	*1.6%*	*0.2%*	*0.0%*	*1.6%*	*1.5%*	*0%*
Enterprise systems	*4.0%*	*3.7%*	*3.7%*	*0.0%*	*-0.3%*	*4.2%*	*3.7%*	*-0.4%*
ICT Services	*4.6%*	*4.0%*	*7.2%*	*3.2%*	*2.6%*	*4.3%*	*5.5%*	*1.2%*

Source: BIMB Securities, Company

Table 3: Earnings forecast

FYE Dec (RMmn)	2024	2025	2026F	2027F	2028F
Turnover	2901.7	3608.2	4284.8	4976.4	5541.0
EBITDA	90.0	124.5	148.9	172.6	192.3
Pretax profit	93.1	129.2	152.5	174.8	193.3
Core Net Profit	**70.6**	**98.5**	**116.3**	**133.3**	**147.4**
EPS (sen)	6.6	9.2	10.9	12.5	13.8
PER (x)	27.0	19.3	16.4	14.3	12.9
DPS (sen)	2.6	3.6	4.2	5.0	5.5
Div. Yield (%)	4.4%	6.1%	2.4%	2.8%	3.1%
P/B (x)	3.8	3.3	3.0	2.6	2.3
Key Ratios (%)					
ROE	14.3%	18.7%	18.1%	18.4%	18.1%
EBITDA margin	3.1%	3.4%	3.5%	3.5%	3.5%
Pretax margin	3.2%	3.6%	3.6%	3.5%	3.5%
Net margin	2.5%	3.0%	2.7%	2.7%	2.7%

Source: Bloomberg, BIMB Securities

DEFINITION OF RATINGS
BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
HOLD	Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL	Share price may fall by more than 15% in the next 3 months.
SELL	Share price may fall by more than 10% over the next 12 months.
NOT RATED	Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

Applicability of ratings
The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

Printed and published by

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