



Analysts upbeat on ViTrox Corp's prospects going forward

KUALA LUMPUR (April 23): Analysts are upbeat on ViTrox Corp Bhd's prospects going forward, backed by insatiable demand for its products.

Hong Leong Investment Bank (HLIB) Research raised its target price (TP) for ViTrox to RM17.95, from RM16.88, after lifting its price-to-earnings (PE) multiple from 45 times to 48 times pegged to the financial year ending Dec 31, 2022 (FY22) earnings per share.

The research firm opined that global contract manufacturers' (CM/EMS) large scale relocation, expansion, and order diversion activities will create an insatiable demand for its products.

Furthermore, its analyst Tan J Young said in a note today that ViTrox's technology leadership and asset-light business model will continue to drive growth going forward, adding that it is a good opportunity to accumulate with the recent share price pullback.

HLIB reiterated its 'buy' rating for ViTrox.

To recap, the group posted a net profit of RM30.7 million for the first quarter ended March 31, 2021 (1QFY21) from RM21.07 million as its revenue grew on strong demand for its machine vision system, one of its core products that are used in the semiconductor and electronics packaging industries for equipment inspection.

It posted a revenue of RM129.88 million compared with RM90.29 million a year earlier.

"1Q21 core net profit of RM31m (-13% q-o-q, +51% YoY) was ViTrox's second highest ever recorded, accounting for 14% of HLIB and consensus full year estimates. This is deemed to be in line as 1Q is traditionally the weakest quarter," said Tan.

Meanwhile, AmInvestment Bank Research maintained its 'sell' recommendation on the company, while keep its forecasts and fair value unchanged at RM12.03, pegged to an FY22 PE of 35 times.

"Our target PE of 35x is at a slight premium above our benchmark target PE for large-cap automated test equipment (ATE) players of 33x, given the group's technology leadership and higher market cap.

The benchmark 33x PE represents a 50% premium over the 3- year historical forward PE of 22x as prospects brighten for the ATE sector riding on innovations such as 3D sensors, Industry 4.0, electric and autonomous vehicles, and 5G. Accelerated by the Covid-19 pandemic, these innovations have also benefitted from the US-China tech decoupling," said the research firm.

However, it is cautiously optimistic on the outlook of the group for FY21, driven by stronger demand across all business units tied to rising demand relating to 5G, electric vehicles (EVs), computing, and artificial intelligence (AI), the group plans to expand manufacturing capacity by at least 30% in 2021.

However, AmInvestment said the group is currently dealing with a global shortage of certain raw materials used in its products and this has been causing a longer material lead time.

"We continue to like ViTrox but valuations for the stock are currently expensive, trading at FY21-FY22 PE of 42-50x.

"ViTrox's positive prospects arise from its leadership in MVS [Machine Vision System] and ABI [automated board inspection], alongside its following key merits [such as] market diversification efforts targeting high-growth regions i.e. Taiwan and China; and its focus on product innovation and improvements in lead time to strengthen its portfolio offerings," it added.

At the time of writing, ViTrox was unchanged at RM16.08, valuing the group at RM7.59 billion.