

ViTrox to achieve another record high in 2Q17, says HLIB Research

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KUALA LUMPUR (Aug 3): Hong Leong Investment Bank Research (HLIB Research) has maintained its "buy" call on Penang-based machine vision and electronics company ViTrox Corp Bhd with a higher target price of RM4.54, and said it expects an earnings upgrade, pegged to a price to earnings (P/E) multiple of 20 time, in line with global peers' average.

In a note today, HLIB Research said it sees ViTrox will achieve another record breaking quarter in 2Q17 after its strong performance in 1Q17.

"We expect a back-to-back record breaking streak in 2Q17 with revenue reaching RM75 million-RM78 million yielding a core net profit of RM20 million-RM23 million," the report said.

In 1Q17, the group achieved revenue of RM69.61 million against RM56.03 million in the corresponding period in the previous year, representing an increase of 24%.

Quarterly profit for 1Q17 stands at RM18.57 million, up 19% year on year from RM15.6 million in 1Q16.

For FY16, full year net profit stood at RM64.95 million, up 46.6% from RM44.32 million a year earlier, whereas revenue rose 46% to RM234.03 million against FY15 revenue of RM160.29 million.

ViTrox's four business units are: machine vision system standard (MVSS), machine vision system tray (MVST), automated board inspection, and electronic communication system.

According to the report, the MVST segment is expected to make a strong comeback in 2H17 as clients gear up for the major product launches towards the end of the year.

Another Penang-based corporation, SRM Integration Malaysia Sdn Bhd (SRM), is also seen to be experiencing robust growth in FY17. This will correspond to ViTrox's revenue attributed to MVSS, as SRM is a major customer for the segment.

Currently, ViTrox and another industry player are at a preliminary stage in exploring ways to further automate production to enhance efficiency and reduce human labour amid migrant worker restrictions by the government, the report said.

For FY17-19, HLIB Research raised its earnings per share forecasts for ViTrox by 8.7%, 22.7% and 22.6%, respectively.

Over the past year, ViTrox's share price has increased by 135.81% from RM1.95 in Aug 2, 2016. Today, the stock opened at RM4.56, up 7 sen from yesterday's closing price of RM 4.49.

As of 11.36am, ViTrox's share price was at RM4.52, bringing a market capitalisation of RM2.11 billion.

<http://www.theedgemarkets.com/article/vitrox-achieve-another-record-high-2q17-says-hlib-research>