

ViTrox not resting on its laurels as it is 'not the best yet'

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Some 10 years ago, ViTrox used to have one customer that contributed 85% to its revenue. But today, none of its customers contribute more than 10% each to its revenue.

In fact, the company has about 300 customers from various regions, with a revenue contribution of 25% from Malaysia, 25% from the US and Mexico, 24% from China, 10% from Taiwan and 16% from the rest of the world.

Siaw says ViTrox's customers can be grouped into two major segments, namely semiconductor, and printed circuit board assembly (PCBA) and surface mount technology (SMT).

"These two sectors have different cycles. When one is undergoing a downturn, the other could mitigate. Ten years ago, we only relied on the semiconductor sector, which was very cyclical during the personal computer (PC) era. Today, the cycle has been shortened as semiconductor is used in many applications."

Meanwhile, the SMT industry is less cyclical and relatively stable because the players are involved in not just electronic manufacturing but also mechanical manufacturing.

In FY2017, the PCBA/SMT segment made up 63% of ViTrox's sales composition, followed by semiconductor (35%) and electronics (2%).

The company's customers — Foxconn, Flex, Jabil Circuit, Celes-

tica, Benchmark Electronics and Venture — are among the top 15 largest electronics manufacturing services (EMS) providers worldwide.

"As for the local EMS players such as VS Industry Bhd and SKP Resources Bhd, we have not reached them yet. We are still working on it but they are our potential customers," says Siaw.

Humble beginnings

It is interesting to note that adjusting for bonus issues, the value of ViTrox's shares has skyrocketed 54 times since its listing in 2005. It took 12 years for the company to achieve a market capitalisation of RM3 billion.

While such a milestone would be the envy of many listed companies, ViTrox is not resting on its laurels. Chu believes the company should work harder because it is "not the best yet".

"If you look at Google, Facebook and Alibaba, they spent less time than us to achieve something much bigger than we have. In the Malaysian context, yes, we have done a good job. But even then, the likes of AirAsia Bhd and Inari have done better than us, while their corporate histories are not longer than ours," he explains.

Chu recalls how he and Siaw started ViTrox in his bedroom, with one PC. Their initial capital was borrowed from friends.

Chu and Siaw used to work at Hewlett Packard in the machine vision group, which was not a core department of HP. They worked on the development of a vision system to help the company improve its manufacturing output.

An opportunity presented itself when an ex-colleague from Ipoh asked if they could supply a vision system to him.

"We said yes! I left HP first while Steven continued to work at HP in the morning, then came to help me at night. We spent six months developing the software and successfully delivered our first machine," says Chu.

Chu and Siaw sold the first machine in 1998 for RM45,000, which was enough to cover the cost.

"Our first customer was very happy and it started making repeat orders. We went on to make a profit the second year, so Steven also left HP," says Chu.

He adds that back then, there were not many options available in the local market, so customers had no choice but to import systems from Japan, Europe and the US at a higher price.

"We see ourselves as a local supplier that can offer more affordable pricing with better service and support."

They established ViTrox in 2000, and the company has grown from two employees to 481 today. **E**