

ViTrox on the prowl for M&A

SAM FONG/THE EDGE

BY LIEW JIA TENG

Since its inception in 2000, Penang-based automated test equipment (ATE) manufacturer ViTrox Corp Bhd has relied solely on organic growth. This could change in the coming years as the group is on the hunt for mergers and acquisitions in a bid to enhance its earnings prospects.

ViTrox was established with a capital of only RM20,000, operating from the bedroom of co-founder, CEO and president Chu Jenn Weng. Today, the company is one of the leading providers of automated vision inspection systems and equipment for the semiconductor and electronic packaging industries.

In an interview with *The Edge*, Chu stresses that any acquisition by ViTrox must create synergies and generate additional income for the group.

"We have never undertaken any M&A since day one, but we are on the lookout now. This is one area that we want to pursue. We are looking for potential targets in the related industry that we could achieve synergy with," he says.

Listed on the Main Market of Bursa Malaysia since 2005 and with



Chu (left) and Siaw established ViTrox in 2000 with a capital of only RM20,000

a market capitalisation of RM2.98 billion, ViTrox is the second largest semiconductor and semiconductor-related firm in the country after Inari Amertron Bhd, which is valued at RM7.1 billion.

Chu reveals that ViTrox has not set a limit to the number of M&A targets as its priority is to achieve a wider customer base and product portfolio, so that it can provide customers with more value.

"We are actively, but not overly aggressively, looking at M&A. We do not intend to undertake any hostile takeover. They (M&A targets) can be local or overseas, listed abroad or non-listed, customer, supplier, or even competitor."

Chu says ViTrox, which has RM151 million cash in hand, is able to raise fresh capital at any time when necessary, with various options available, including

Revenue distribution by country (2016)



share issuance and bank facility.

He adds that if an acquisition materialises, the company could soon revisit its target to attain RM500 million in revenue with 500 employees. To recap, ViTrox had hoped to hit the mark in 2015 under its Vision 555 but this was pushed forward to this year.

Note that ViTrox's revenue target of RM500 million is divided into two parts — RM350 million from organic growth and the remaining RM150 million from M&A.

"If you look at our results last year, we are almost there. We achieved RM327 million in FY2017 (financial year ended Dec 31, 2017), which was

very close to our target, considering that we did not have any M&A," Chu explains.

In FY2017, ViTrox's net profit rose 28% to RM83.02 million — exceeding analysts' consensus forecast of RM82 million — up from RM64.85 million the year before. The group's revenue jumped 40% year on year to RM327.49 million.

"For FY2018, ViTrox should be able to achieve RM350 million from organic growth. But whether we will achieve RM500 million — that depends on whether we have M&A. In terms of headcount, we are also on track," Chu comments.

Diversified customer base

ViTrox senior vice-president and co-founder Steven Siaw Kok Tong highlights that the group's revenue and profit are currently at a record high. Besides that, it had recorded 11 quarters of consecutive revenue growth since 1QFY2015.

"I would attribute this to the execution of the long-term strategy defined many years ago, which is now bearing fruit. We have been expanding our customer base since 2007 so that we have a diversified clientele that is not subject to market volatility," he says.

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