

Vitrox upbeat on another record year

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KUALA LUMPUR: Vitrox Corp Bhd, which has just achieved a year of record revenue and net profit, is bullish on an even better year ahead in 2017, in which it expects double-digit growth for both its top and bottom line, driven by new products, and continued customer-base expansion into new territories.

The way its first quarter ending March 31, 2017 (1QFY17) is shaping up is already lending strength to the company's anticipation of another set of strong results, according to president and managing director Chu Jenn Weng.

The group, whose sales have grown for eight quarters since 1QFY15, according to Chu, is primarily in the development of 3D and line-scan vision solutions for semiconductor integrated circuit inspection.

It recorded a near 47% year-on-year jump in net profit for its financial year ended Dec 31, 2016 (FY16), at RM64.95 million, while revenue climbed near in tandem with RM234.03 million from RM160.29 million.

The better revenue was due to improved contribution from its automated board inspection, which grew 51% y-o-y on higher demand from a wider customer base. Its improved earnings were mainly due to lower provision for taxation with a five-year pioneer status granted by the government to undertake activities relating to the design, development and manufacture of embedded high-density electronic modules.

Lean management practice, with a cash conversion cycle that measures outcome from money spent over activities undertaken, according to Chu, also helped. These measures, he said, had trimmed the group's outstanding inventories and receivables by 26% since they were implemented in 2015.

Vitrox, which was listed at just 60 sen in 2005, has seen its share price climb steadily over the years, to peak at its all-time high of RM4.44 last Friday, in tandem with the improvement in its financials. Revenue expanded by RM70 million in the first five years, a growth it subsequently achieved in just four years, and then in three.

"We are looking at [achieving] more than RM300 million revenue in the short term. The growth [we are charting] is not a one-off thing. There is a pattern [you can see], our growth is gaining momentum. And we want to make sure our bottomline grows in tandem with the topline," he said.

To keep its pace of growth, Vitrox has three long-term strategies. First: the introduction of one new product every six months by each of its four business units. Second: to push for 20% growth in customer base annually via expansion to new territories. Third: training up the talents it needs.

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

MVSS and MVST manufacture 2D and 3D inspection systems, as well as tray-based vision handlers for back-end semiconductor assemblies and test industry. MVSS contributes 16% to Vitrox's revenue, while MVST makes up 18%. ABI, which makes advanced 2D and 3D optical X-ray inspection for the smart manufacturing technology sector, is the largest revenue contributor at 64%, while the ECS, for system automation and control, contributes 2%.

Vitrox, said Chu, also takes its R&D very seriously, which is why it invests 15% of its revenue into R&D alone, annually. That is 15 times more than the national average, he claimed, adding that the company counts on innovation to meet new customer needs.

One of its newest products is V-One, a platform used as a service and data analytics tool for smart manufacturing, which could potentially evolve into a business unit on its own, said Chu.

The product helps to collect, analyse and take proactive action to improve machine-to-machine communication and collaboration, essentially enabling factories to achieve "lights off" productivity where labour is not required.

"We feel this could take off in a few years. We are only at phase one of a five-year plan to complete it, but already there is a lot of interest," said Chu. He also shared that the company's book-to-bill ratio as at January this year stood at 1.07, with a backlog orders of RM40 million.

Looking forward, Chu sees good growth in the semiconductor sector for 2017 and 2018 due to the adoption of the Industrial 4.0 smart manufacturing technology by multinational companies (MNCs).

Further, Vitrox, which recently joined the billion-ringgit market cap club, also sees opportunity in the 'Made in China 2025'

initiative, which will result in industries in China rushing to upgrade to meet the country's smart manufacturing goal.

"We will benefit from the upgrading of machines by these industries in order to improve productivity and cost. For instance, the automotive sector, which has more electronic software inclusion now, would require machine vision inspection to check products for safety. Other segments include Internet of Things (IoT), industry IoT (IIoT) and wearables, [which] are growing," he said.

Chu also predict that the back-end semiconductor segment would become less cyclical, supported by IIoT. He added that the machine vision segment has a compound annual growth rate (CAGR) of more than 9% between 2015 and 2020 as the miniaturisation of parts increase calling for more technology on inspection.

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