

ViTrox Corp (BUY ↔, EPS ↔)

INDUSTRY: OVERWEIGHT

EARNINGS EVALUATION

22 August 2014

Price Target: RM2.78 (↔)

Share Price: RM2.64

2Q14 Results – Another Outstanding Record

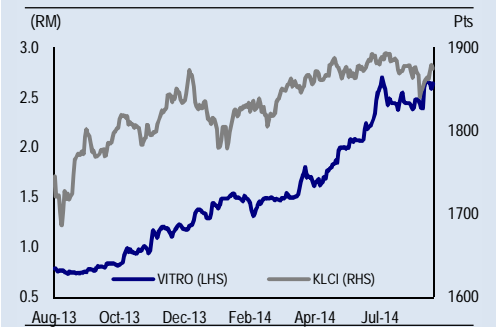
Results	<ul style="list-style-type: none"> Outdid itself by registering another record breaking quarterly results of RM65.1m turnover and RM20.0m core PAT. 1H14 top line of RM87.9m was translated into higher-than-expected a core net profit of RM24.0m, accounting for 68.4% of HLIB full year estimate.
Deviations	<ul style="list-style-type: none"> Revenue mix as highest-margin-MVS sales outpaced ABI and ECS.
Dividend	<ul style="list-style-type: none"> None (2Q13: none).
Highlights	<ul style="list-style-type: none"> 2Q14 revenue more than doubled yoy as sales of all three product lines surged, with MVS, ABI and ECS grew by 142%, 118% and 102% yoy, respectively. Higher demand from customers is attributable to the improving business outlook in the semiconductor and electronics industries. Sequentially, turnover almost tripled as MVS, ABI and ECS sales grew by 263%, 137% and 50% qoq, respectively. In view of positive market outlooks in the semiconductor and electronics industries, ViTrox is optimistic on the growth prospect in FY14 with focus on market expansion activities, customer relationship building and product innovation.
Comments	<ul style="list-style-type: none"> Analyst briefing will be hosted this morning which we expect to grasp better understanding of the company outlook. Referring to SEMI June preliminary data, semiconductor equipment industry's book-to-bill ratio was 1.09, sustaining above parity level since Sept 2013. 3-moht average of worldwide bookings in June 2014 was USD1.47bn (+4.3% mom and +10.0% yoy). 3-moht average of worldwide billings in June 2014 was USD1.34bn (-4.8% mom and +10.4% yoy). Global Industry Analysts projected the global market for surface mount technology (SMT) equipment to reach USD5.3bn by 2018, driven by recovery in electronics and semiconductor industries, new products and the need to upgrade older production lines. Furthermore, Asia-Pacific represents the largest market worldwide, while Latin America is projected to emerge as the fastest growing marking with a CAGR of 7.2% from 2010 to 2018.
Risks	<ul style="list-style-type: none"> FOREX, downturn in semiconductor demand and equipment spending, patent infringement and technology imitation.
Forecasts	<ul style="list-style-type: none"> Unchanged pending analyst briefing.
Rating	BUY ↔, TP: RM2.78 ↔
Valuation	<ul style="list-style-type: none"> Positives - undisputed 3D-AOI and AXI technology leader, great potential in winning more market share in the advent of global semiconductor recovery. Negatives - MVS-S sales is dependent on single customer, majority of sales are non-recurring, highly competitive 2D-AOI market and prone to rapid advances in technology.
	<ul style="list-style-type: none"> Reiterate BUY with unchanged TP of RM2.78, pegged to 1SD above 5-year historical average P/E multiple of 16.2x (see Figure #4) reflecting its solid exponential growth ahead.

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KLCI	1874.8
Expected share price return	5.3%
Expected dividend return	1.1%
Expected total return	6.4%

Share price

Information

Bloomberg Ticker	VITRO MK
Bursa Code	0097
Issued Shares (m)	232.7
Market cap (RM m)	614.4
3-mth avg. volume ('000)	239.1
SC Shariah-Compliant	Yes

Price Performance	1M	3M	12M
Absolute	8.2	42.9	232.1
Relative	7.8	43.0	209.1

Major shareholders

Chu Jenn Weng	29.5%
Siaw Kok Tong	21.2%
Yeoh Shih Hoong	11.3%

Summary Earnings Table

FYE 31 Dec	2013A	2014E	2015E	2016E
Revenue (RM'k)	106,104	152,811	169,824	185,793
EBITDA	22,582	35,293	38,490	41,308
Pre-tax Profit	24,807	35,912	40,920	46,334
PATAMI	24,063	35,039	39,925	45,208
Adj PATAMI	24,063	35,039	39,925	45,208
Rep. EPS sen	10.35	15.07	17.17	19.44
Adj. EPS sen	10.35	15.07	17.17	19.44
Net DPS sen	2.25	3.01	3.43	3.89
Net DY (%)	0.85	1.14	1.30	1.47
P/E (x)	25.5	17.5	15.4	13.6
P/BV (x)	4.7	3.8	3.2	2.7
EV/EBITDA (x)	25.9	16.2	14.3	12.7
Net D/E %	NetCash	NetCash	NetCash	NetCash
ROA %	14.4	17.5	17.0	16.5
ROE %	18.3	21.8	20.7	19.7
HLIB				

Figure #1 2Q14 Results Comparison

RMm	2Q13	1Q14	2Q14	YoY (%)	QoQ (%)	Comments
Revenue	28,356	22,828	65,103	129.6	185.2	YoY: Higher mainly due to increase in sales from all product lines, where MVS, ABI and ECS sales grew by 142%, 118% and 102% yoy, respectively. QoQ: Higher mainly due to increase in sales from all product lines, where MVS, ABI and ECS sales grew by 263%, 137% and 50% qoq, respectively.
EBITDA	5,670	4,236	20,391	259.6	381.4	Improved thanks to higher level of economy of scale and change in product mix as the highest-margin-MVS sales growth outpaced ABI and ECS.
EBITDA Margin %	20.0%	18.6%	31.3%			...margin improvements.
EBIT	4,967	3,439	19,325	289.1	461.9	Filtered down from EBITDA.
PBT	6,891	4,229	20,606	199.0	387.3	Filtered down from EBIT.
Reported PAT	6,483	3,987	19,996	208.4	401.5	Filtered down from PBT.
PATAMI	6,483	3,987	19,996	208.4	401.5	
Normalised PATAMI	6,483	3,987	19,996	208.4	401.5	
Reported EPS (sen)	2.79	1.71	8.60	208.4	401.5	Filtered down from PAT.
Adjusted EPS (sen)	2.79	1.71	8.60	208.4	401.5	

Company Data

Figure #2 1H14 Results Comparison

RMm	1H13	1H14	YoY (%)	Comments
Revenue	41,281	87,931	113.0	More than doubled due to robust sales from all product lines.
EBITDA	5,801	24,627	324.5	YoY: Improved thanks to higher level of economy of scale and change in product mix as the highest-margin-MVS sales growth outpaced ABI and ECS.
EBITDA Margin %	14.1%	28.0%		...margin improvements.
EBIT	4,444	22,764	412.2	Filtered down from EBITDA.
PBT	7,610	24,835	226.3	Filtered down from EBIT.
Reported PAT	6,941	23,983	245.5	Filtered down from PBT.
PATAMI	6,941	23,983	245.5	
Normalised PATAMI	6,941	23,983	245.5	
Reported EPS (sen)	2.99	10.32	245.5	Filtered down from PAT.
Adjusted EPS (sen)	2.99	10.32	245.5	

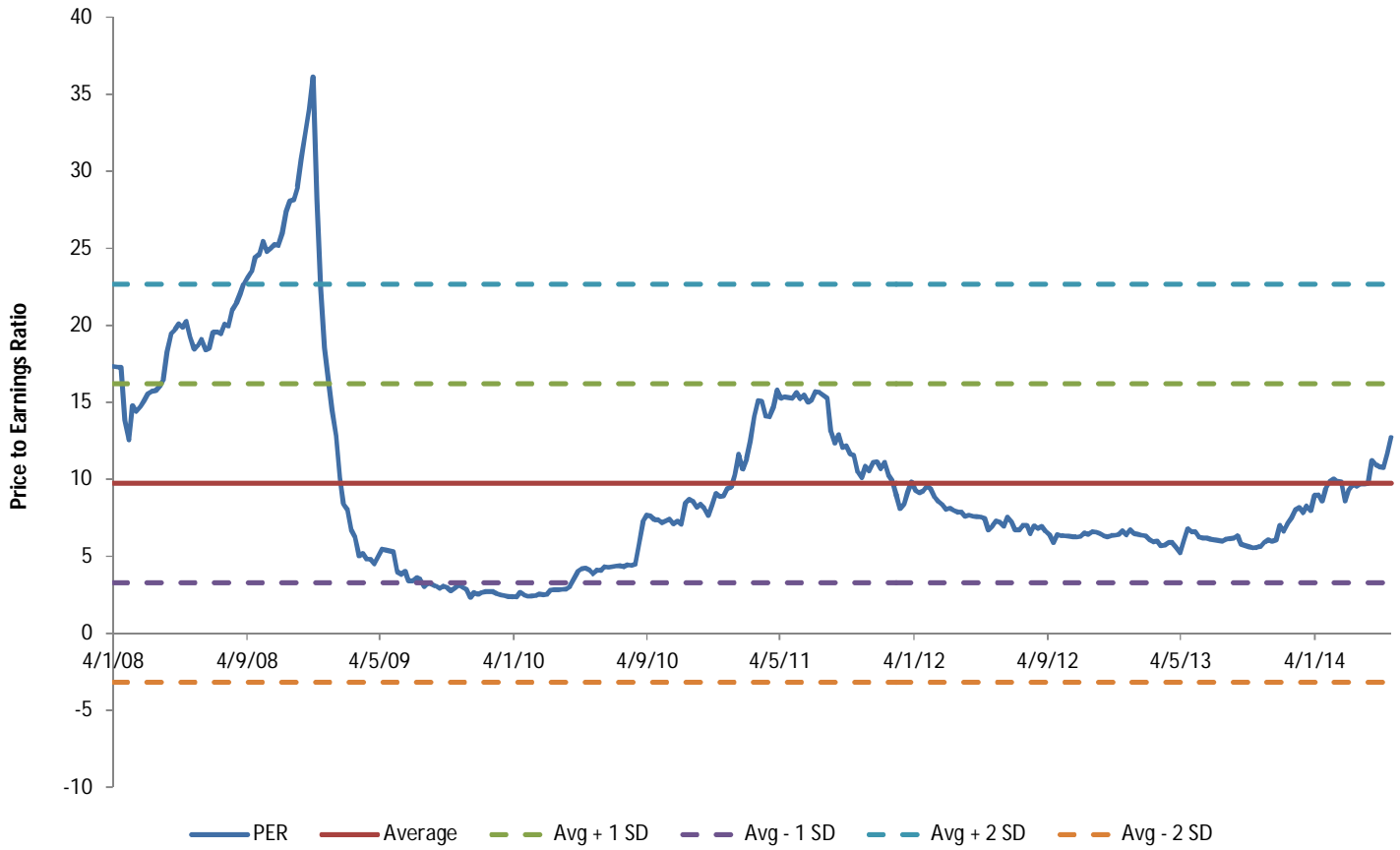
Company Data

Figure #3 1H14 Results vs HLIB

RMm	Actual 1H14	HLIB FY14 Est.	Actual vs HLIB (%)	Comments
Revenue	87,931	152,811	57.5	Above expectations.
EBITDA	24,627	35,293	69.8	Above expectations.
EBITDA Margin %	28.0%	23.1%		
EBIT	22,764	32,178	70.7	
PBT	24,835	35,912	69.2	Above expectations.
Reported PAT	23,983	35,039	68.4	Above expectations.
PATAMI	23,983	35,039	68.4	
Normalised PATAMI	23,983	35,039	68.4	Above expectations.
Reported EPS (sen)	10.32	15.07	68.4	
Adjusted EPS (sen)	10.32	15.07	68.4	Above expectations.

Company Data, HLIB

Figure #4 ViTrox's Historical 1-Year Forward P/E Band



Bloomberg, HLIB

ViTrox Corporation Berhad (BUY, PT: RM2.78, CP: RM2.64)

Income statement

FYE 31 Dec (RM'k)	2012A	2013A	2014A	2015E	2016E
Revenue	88,853	106,104	152,811	169,824	185,793
COGS	(72,731)	(83,522)	(117,518)	(131,333)	(144,485)
EBITDA	16,122	22,582	35,293	38,490	41,308
D&A	(2,684)	(2,847)	(3,115)	(3,276)	(3,422)
EBIT	13,438	19,735	32,178	35,214	37,886
Net Interest Income	8,101	5,072	3,734	5,706	8,448
Associates	0	0	0	0	0
Exceptionals	0	0	0	0	0
PBT	21,539	24,807	35,912	40,920	46,334
Tax	(1,066)	(744)	(873)	(995)	(1,126)
PAT	20,473	24,063	35,039	39,925	45,208
Minority Interests	0	0	0	0	0
PATAMI	20,473	24,063	35,039	39,925	45,208
Adj. PATAMI	20,473	24,063	35,039	39,925	45,208
Basic Shares (m)	232.50	232.50	232.50	232.50	232.50
Rep. EPS sen	8.81	10.35	15.07	17.17	19.44
Adj. EPS sen	8.81	10.35	15.07	17.17	19.44
Adj. FD EPS sen	8.81	10.35	15.07	17.17	19.44

Quarterly financial summary

FYE 31 Dec (RM'k)	2Q13	3Q13	4Q13	1Q14	2Q14
Revenue	28,356	36,305	28,518	22,828	65,103
COGS	(22,686)	(24,523)	(23,519)	(18,592)	(44,712)
EBITDA	5,670	11,782	4,999	4,236	20,391
D&A	(703)	(703)	(787)	(797)	(1,066)
EBIT	4,967	11,079	4,212	3,439	19,325
Net Interest Income	1,924	728	1,178	790	1,281
Associates	0	0	0	0	0
Exceptionals	0	0	0	0	0
PBT	6,891	11,807	5,390	4,229	20,606
Tax	(408)	56	(131)	(242)	(610)
PAT	6,483	11,863	5,259	3,987	19,996
Minority Interests	0	0	0	0	0
PATAMI	6,483	11,863	5,259	3,987	19,996
Adj. PATAMI	6,483	11,863	5,259	3,987	19,996
Basic Shares (m)	232.5	232.5	232.5	232.5	232.5
Rep. EPS sen	2.79	5.10	2.26	1.71	8.60
Adj. EPS sen	2.79	5.10	2.26	1.71	8.60
Adj. FD EPS sen	2.79	5.10	2.26	1.71	8.60

Balance sheet

FYE 31 Dec (RM'k)	2012A	2013A	2014A	2015E	2016E
Cash	43,915	40,458	52,745	75,244	101,189
Receivables	39,203	51,787	62,507	68,306	74,783
Inventories	27,972	36,978	44,936	49,377	54,358
Investments	0	0	0	0	0
Fixed Assets	30,060	31,939	33,748	35,396	36,897
Intangibles	2,602	3,966	3,966	3,966	3,966
Other Assets	1,816	2,256	2,256	2,256	2,256
Ttl Assets	145,568	167,384	200,158	234,544	273,449
Payables	16,793	17,281	20,836	22,769	24,928
Short Term Debt	1,249	1,338	1,338	1,338	1,338
Long Term Debt	1,249	1,338	1,338	1,338	1,338
Other Liabilities	11,842	16,207	16,207	16,207	16,207
Ttl Liab	31,133	36,164	39,719	41,652	43,811
S/H Funds	114,435	131,220	160,439	192,893	229,638
Minority Interests	0	0	0	0	0
Total S/H Equity	114,435	131,220	160,439	192,893	229,638
Ttl Liab&S/H Fds	145,568	167,384	200,158	234,544	273,449

Valuation Ratios

FYE 31 Dec (RM'k)	2012A	2013A	2014A	2015E	2016E
PER (x)	29.98	25.51	17.52	15.37	13.58
Adj. PER (x)	29.98	25.51	17.52	15.37	13.58
FD PER (x)	29.98	25.51	17.52	15.37	13.58
Net DPS sen	1.00	2.25	3.01	3.43	3.89
Net DY (%)	0.38	0.85	1.14	1.30	1.47
Book/share sen	49.22	56.44	69.01	82.96	98.77
P/Book (x)	5.36	4.68	3.83	3.18	2.67
FCF/share sen	(0.35)	1.53	7.79	12.89	14.80
FCF yield (%)	(0.13)	0.58	2.95	4.88	5.61
Mkt Cap	613,800	613,800	613,800	613,800	613,800
Net Cash(Debt)	41,417	37,782	50,069	72,568	98,513
EV	572,383	576,018	563,731	541,232	515,287
EV/EBITDA (x)	35.5	25.5	16.0	14.1	12.5
ROE (%)	17.89	18.34	21.84	20.70	19.69
Current Ratio (x)	6.11	5.97	6.35	7.10	7.84
Quick Ratio (x)	4.58	4.28	4.59	5.29	6.00
Interest Cover (x)	NoDebt	NoDebt	43.99	48.14	51.79

Cashflow Analysis

FYE 31 Dec (RM'k)	2012A	2013A	2014A	2015E	2016E
EBITDA	16,122	22,582	35,293	38,490	41,308
Net Interest	8,101	5,072	3,734	5,706	8,448
Tax Paid	(1,066)	(744)	(873)	(995)	(1,126)
Working Cap Chgs	(16,717)	(21,102)	(15,123)	(8,307)	(9,299)
Other	(3,364)	1,544	0	0	0
Operating CF	3,076	7,352	23,031	34,894	39,331
FCF	(824)	3,567	18,107	29,970	34,407
CAPEX	(3,900)	(3,785)	(4,924)	(4,924)	(4,924)
Asset Sales	2,803	0	0	0	0
Acquisitions	0	0	0	0	0
Other	1,148	(476)	0	0	0
Investing CF	51	(4,261)	(4,924)	(4,924)	(4,924)
Dividends	(4,639)	(5,203)	(5,820)	(7,472)	(8,462)
Debt Chgs	3,970	(397)	0	0	0
Other	(667)	(956)	0	0	0
Financing CF	(1,336)	(6,556)	(5,820)	(7,472)	(8,462)
Net Cashflow	1,791	(3,465)	12,287	22,499	25,945

Other Ratios

FYE 31 Dec (RM'k)	2012A	2013A	2014A	2015E	2016E
Sales Growth (%)	12.2	19.4	44.0	11.1	9.4
EBITDA Growth (%)	(16.5)	40.1	56.3	9.1	7.3
EBIT Growth (%)	(22.7)	46.9	63.0	9.4	7.6
PBT Growth (%)	(6.4)	15.2	44.8	13.9	13.2
PAT Growth (%)	(7.9)	17.5	45.6	13.9	13.2
EBITDA Margin (%)	18.1	21.3	23.1	22.7	22.2
EBIT Margin (%)	15.1	18.6	21.1	20.7	20.4
PBT Margin (%)	24.2	23.4	23.5	24.1	24.9
Net Profit Margin (%)	23.0	22.7	22.9	23.5	24.3
Net Debt/Equity (%)	NetCash	NetCash	NetCash	NetCash	NetCash
CAPEX/Sales (%)	24.2	16.8	14.0	12.8	11.9

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Equity rating definitions

BUY	Positive recommendation of stock under coverage. Expected absolute return of more than +10% over 12-months, with low risk of sustained downside.
TRADING BUY	Positive recommendation of stock not under coverage. Expected absolute return of more than +10% over 6-months. Situational or arbitrage trading opportunity.
HOLD	Neutral recommendation of stock under coverage. Expected absolute return between -10% and +10% over 12-months, with low risk of sustained downside.
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NEUTRAL	The sector, based on weighted market capitalization, is expected to have absolute return between -5% and +5% over 12-months.
UNDERWEIGHT	The sector, based on weighted market capitalization, is expected to have absolute return of less than -5% over 12-months.