Company Name : **VS Industry Berhad**
Date : **3 April 2026**
Source : **The Star**

CORPORATE

Red ink spreads at VSI as 3Q losses loom

Regional setbacks, supply woes drag performance

PETALING JAYA: Analysts have turned cautious on integrated electronics manufacturing services company VS Industry Bhd (VSI) following its results briefing, where management guided for another loss-making quarter in the third quarter of its financial year ending July 31, 2026 (3Q26).

In its report to clients, Hong Leong Investment Bank (HLIB) Research said February to March sales from Customer X remained tepid, broadly in line with guidance from other Customer X suppliers such as SKP Resources Bhd.

"We believe this reflects cautious inventory build-up by brand owners amid heightened uncertainty during the February period following the US Supreme Court's ruling on President Donald Trump's tariffs and the US-Iran war.

"As such, management expects another loss-making quarter in the 3Q, albeit with narrower quarter-on-quarter, as supply disruptions in the Philippines start to ease," it said.

HLIB Research said the group's 2Q core loss of RM31mil marked the group's third quarterly loss in its history, driven by losses across Malaysia (RM10mil), the Philippines

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Indonesia also slipped into the red following a major customer's decision to consolidate production in-house, it added.

hinge on Customer X's order flow and the ramp-up of its Philippine operations," the research house said.

weaker festive season sales, while performance from other customers was broadly in line with forecasts.

In addition, a weaker US dollar acted as an earnings headwind during the quarter.

Separately, it said the Iran war has introduced fresh uncertainty, making an already fragile operating backdrop more challenging.

"On the back of this, we lowered earnings by 21% to 80%.

"The big deviation reflects the impact of operating leverage, as revenues are reduced by only 5% to 9%," said AmInvest Research.

More optimistically, the research house said it forecasts revenue to rebound in FY26 and FY27, driven by new models and

(RM19mil) and Indonesian operations.

In Malaysia, orders from customer X unexpectedly declined sharply since December 2025, resulting in negative operating leverage across its Malaysia sites, it said.

Meanwhile, the Philippine losses widened from RM9mil in the previous quarter, as the ramp-up of second models faced mass production hiccups due to supply disruptions of core components – leaving labour deployed but without corresponding revenue generation.

HLIB Research has lowered the financial year 2026 (FY26) to FY28 earnings to minus RM27.2mil, RM52.5mil, and RM74.1mil (from RM43.8mil, RM101.7mil, and RM150.5mil respectively), reflecting prolonged losses in the Philippines and limited near-term recovery in customer X orders.

It said VSI's management has guided for a potential turnaround in 4Q26, adding that it views this as preliminary given the still-volatile operating environment.

"In our view, VSI's recovery will largely

HLIB Research added that the Philippine plant carries a cost structure heavily skewed towards fixed costs (an 80 to 20 ratio), making operating leverage a key determinant of performance.

An analyst who tracks VSI is also not as optimistic, saying that he reckons the turnaround could only come in FY27, no thanks to global uncertainties.

AmInvestment Bank (AmInvest) Research in its report said VSI's 2Q came in below expectations with the shortfall coming from Customer X, likely reflecting customer wins.

Margins are expected to improve to 5% as volumes normalise, benefitting from operating leverage, AmInvest Research further noted.

The research house said despite short-term margin pain from tariff sharing, the group is expected to emerge stronger with deeper customer ties.

Management's crisis track record and growing revenues suggest continued market share gains, it added.

At last look, the stock stood at 19.5 sen.