



Valuetronics Holdings Ltd

Returning to growth, trading around 90% cash

SINGAPORE | TECHNOLOGY (MANUFACTURING) | 1H24 RESULTS

- 1H24 PATMI grew 42% YoY to HKD82.1mn, and above our expectations. Revenue and PATMI were 42%/62% of our FY24e estimates. Revenue decline was due to lower component prices. The company announced a special dividend of HKD4 cents in addition to interim HKD4 cents.
- Earnings growth was driven by (i) gross margin expansion from lower component prices and a weaker renminbi; (ii) an increase in interest income; and (iii) lower operating expenses, especially depreciation.
- We raise our FY24e PATMI forecast by 15% and maintain our BUY recommendation. Our target price is raised from S\$0.61 to S\$0.70. We peg our target price to the industry valuation at 11x PE. With the current cash hoard of HKD1.143bn (or S\$199mn), around 90% of the market capitalisation is net cash. There is visibility of earnings growth over the next two years as Valuetronics' four new customers ramp-up production. The company trades at a dividend yield of 6% and has an outstanding share buyback plan of HKD182mn (or approx. 58mn shares at current share price).

Results at a glance

HKD 000s	1H24	1H23	YoY	Comments
Revenue	891,349	1,051,545	-15.2%	
- CE	234,758	246,089	-4.6%	
- ICE	656,591	805,456	-18.5%	
Gross profit	138,893	131,227	5.8%	
Operating exp.	(76,352)	(78,735)	-3.0%	
Interest income	25,640	5,439	371.4%	Higher interest and cash.
EBITDA	85,878	82,810	3.7%	
PATMI	82,139	57,856	42.0%	
Gross Margins	15.6%	12.5%	3.1%	Lower component cost.
DPS - Interim (cts)	4.0	4.0	0.0%	
-Special	4.0	-	n.m.	

Source: Company, PSR #CE – consumer electronics, ICE – industrial and commercial electronics

The Positives

+ Recovery in margins. There were several drivers for the improvement in margins, namely, lower renminbi, reduction in staff, decline in depreciation and fall in component cost. Despite the increase in capex over the past three years, depreciation fell as most of the spending was on property and fittings which have a slower depreciation rate than equipment.

+ Unprecedented special dividend after interim results. The company announced a HKD4 cents special dividend in addition to the interim HKD4 cents. Valuetronics generated HKD179mn of free cash flow in 1H24 (1H23: HKD112mn), adding to their cash hoard of HKD1.143bn.

The Negative

- Decline in revenue. ICE segment registered an 18.5% decline in revenue. A large reason for the decline was lower component prices rather than weak demand. During the component shortages a year ago, some components had to be purchased at exorbitant spot prices on cash terms that were reimbursed by customers. The supply chain or lead times have normalised.

13 November 2023

BUY (Maintained)

CLOSING PRICE	SGD 0.545
FORECAST DIV	SGD 0.035
TARGET PRICE	SGD 0.700
TOTAL RETURN	34.8%

COMPANY DATA

Bloomberg CODE:	VALUE SP
O/S SHARES (MN):	413.3
MARKET CAP (USD mn / SGD mn):	166 / 225
52 - WK HI/LO (SGD):	0.56 / 0.48
3M Average Daily T/O (mn):	0.33

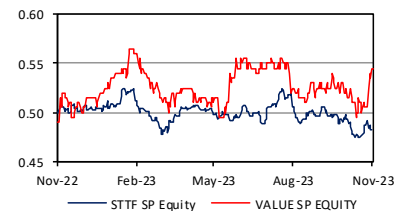
MAJOR SHAREHOLDERS

Tse Chong Hing	18.4%
Chow Kok Kit	7.7%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	4.8	3.8	10.4
STTF RETURN	(2.6)	(5.2)	(0.4)

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Mar, HKD (mn)	FY22	FY23	FY24e	FY25e
Revenue	2,027	2,014	1,874	1,978
EBITDA	173.3	155.9	184.4	200.9
Net Profit	113.5	123.0	151.6	163.8
EPS (SGD cents)	4.6	5.1	6.4	6.9
P/E (X)	11.9	10.7	8.6	7.9
Dividend Yield	4.5%	6.4%	6.4%	6.1%
ROE	8.4%	9.0%	10.9%	11.3%
ROA	5.2%	5.9%	7.2%	7.5%

Source: Company, PSR

VALUATION METHOD

11x PE Multiple FY24e

Paul Chew (+65 6212 1851)
Head of Research
paulchewkl@phillip.com.sg

Outlook

We expect a stronger 2H24. Revenue growth will come from the four new customers (Figure 1) announced by the company. Margin expansion is expected to continue from a higher mix of ICE products, increased volumes and weak renminbi.

Figure 1: Four new customers to support growth

Product	Comment
1. Electronic product for global entertainment conglomerate	Initial shipment expected in 2H24 with full-year revenue contribution in FY25.
2. Network access solutions provider based in Canada	Initial shipment expected in 2H24 with full-year revenue contribution in FY25.
3. Electronic tags in retail stores	Contributing to revenue since 1H24.
4. Liquid cooling system for gaming PC	Contributing to revenue since 1H24.

Source: Company, PSR

Maintain BUY with a higher TP of S\$0.70 (prev. S\$0.61)

Our target price is based on industry valuations of 11x PE 1-year forward earnings.

Financials

Income Statement

Y/E Mar, HKD mn	FY21	FY22	FY23	FY24e	FY25e
Revenue	2,281.5	2,027.4	2,013.7	1,874.3	1,978.0
Gross profit	386.2	274.8	261.7	286.8	306.6
EBITDA	248.6	173.3	155.9	184.4	200.9
Depreciation & amortisation	(54.1)	(58.0)	(53.4)	(57.1)	(59.8)
EBIT	190.9	111.6	100.9	125.7	139.4
Net Finance Inc/(Exp)	5.0	1.7	20.7	39.9	39.5
Profit before tax	208.7	125.7	132.4	167.6	181.0
Taxation	(21.6)	(12.2)	(9.4)	(15.9)	(17.2)
Minority interest	-	-	-	-	-
PATMI	187.1	113.5	123.0	151.6	163.8

Per share data (SGD Cents)

Y/E Mar	FY21	FY22	FY23	FY24e	FY25e
EPS, Reported	7.5	4.6	5.1	6.4	6.9
DPS	3.7	2.5	3.5	3.5	3.3
BVPS	54.3	55.1	56.5	59.4	62.4

Cash Flow

Y/E Mar, HKD mn	FY21	FY22	FY23	FY24e	FY25e
CFO					
Profit before tax	208.7	125.7	132.4	167.6	181.0
Adjustments	57.8	60.4	34.3	59.2	61.8
WC changes	(38.7)	(175.1)	36.3	49.6	(21.3)
Cash generated from ops	227.7	11.0	203.0	276.4	221.5
Tax paid	(14.5)	(22.0)	(4.8)	(15.4)	(16.8)
Cashflow from ops	213.2	(10.9)	198.2	261.0	204.7
CFI					
CAPEX, net	(94.6)	(92.3)	(34.6)	(30.0)	(30.0)
Others	43.6	7.0	23.8	-	-
Cashflow from investments	(51.1)	(85.2)	(10.8)	(30.0)	(30.0)
CFE					
Share issuance, net	1.9	(11.1)	(53.4)	-	-
Loans, net of repayments	-	-	-	-	-
Dividends	(82.7)	(87.1)	(59.4)	(99.4)	(91.1)
Others	(1.3)	-	-	-	-
Cashflow from financing	(82.1)	(98.2)	(112.8)	(99.4)	(91.1)
Net change in cash	80.1	(194.4)	74.5	131.6	83.6
CCE, end	375.7	183.0	1,009.9	1,140.6	1,223.4

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Mar, HKD mn	FY21	FY22	FY23	FY24e	FY25e
ASSETS					
Trade and other receivables	490.5	430.7	463.8	412.3	435.2
Cash	1,129.4	936.7	1,009.9	1,140.6	1,223.4
Inventories	214.1	273.5	203.6	206.2	217.6
Others	0.0	0.0	0.0	0.0	0.0
Total current assets	1,864.7	1,686.2	1,706.7	1,788.4	1,905.5
PPE	201.1	288.1	318.3	286.0	258.9
Others	0.2	0.1	0.1	0.1	0.1
Total non-current assets	376.9	409.5	369.2	340.4	309.0
Total Assets	2,241.6	2,095.7	2,075.9	2,128.9	2,214.5
LIABILITIES					
Accounts payable	365.2	262.7	233.6	234.3	247.2
Bank borrowings	-	1.0	2.0	3.0	4.0
Other payables	446.2	386.0	397.7	397.7	397.7
Others	0.1	0.1	0.1	0.1	0.1
Total current liabilities	889.4	724.1	713.4	714.2	727.1
Deferred tax liabilities	5.1	3.0	0.5	0.5	0.5
Long-term borrowings	-	1.0	2.0	3.0	4.0
Others	-	-	-	-	-
Total non-current liabilities	5.1	3.0	0.5	0.5	0.5
Total Liabilities	894.5	727.1	713.9	714.6	727.6
Equity					
Share capital	43.6	43.6	43.6	43.6	43.6
Shareholder Equity	1,347.1	1,368.6	1,362.0	1,414.2	1,486.9

Valuation Ratios

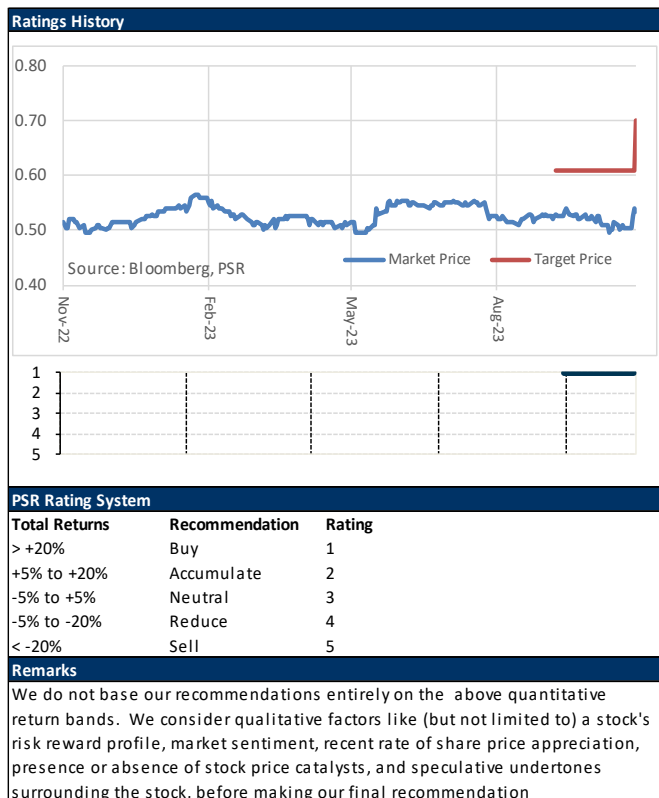
Y/E Mar	FY21	FY22	FY23	FY24e	FY25e
P/E (X)	7.2	11.9	10.7	8.6	7.9
P/B (X)	1.0	1.0	1.0	0.9	0.9
EV/EBITDA (X)	0.9	2.4	1.9	0.9	0.4
Dividend Yield	6.8%	4.5%	6.4%	6.4%	6.1%

Growth & Margins

Growth					
Revenue	-3.1%	-11.1%	-0.7%	-6.9%	5.5%
EBITDA	11.2%	-30.3%	-10.0%	18.3%	8.9%
EBIT	10.8%	-41.6%	-9.6%	24.6%	11.0%
Net profit, adj.	4.6%	-39.3%	8.3%	23.3%	8.0%
Margins					
Gross margin	16.9%	13.6%	13.0%	15.3%	15.5%
EBITDA margin	10.9%	8.5%	7.7%	9.8%	10.2%
EBIT margin	8.4%	5.5%	5.0%	6.7%	7.1%
Net profit margin	8.2%	5.6%	6.1%	8.1%	8.3%

Key Ratios

ROE	14.5%	8.4%	9.0%	10.9%	11.3%
ROA	8.8%	5.2%	5.9%	7.2%	7.5%
Net Gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Net Debt/EBITDA (X)	n.a.	n.a.	n.a.	n.a.	n.a.



Contact Information (Singapore Research Team)
Head of Research

 Paul Chew – paulchewkl@phillip.com.sg
Research Admin

 Qystina Azli - gystina@phillip.com.sg
Technical Analyst

 Zane Aw – zaneawyx@phillip.com.sg
Property | REITs

 Darren Chan – darrenchanrx@phillip.com.sg
Banking & Finance

 Glenn Thum – glenthumjc@phillip.com.sg
Credit Analyst

 Shawn Sng – shawnsngkh@phillip.com.sg
Property | REITs

 Liu Miaomiao – liumm@phillip.com.sg
Conglomerate | Transport

 Peggy Mak – peggymak@phillip.com.sg
US Tech Analyst (Software/Services)

 Ambrish Shah – amshah@phillipventuresifsc.in
US Tech Analyst (Digital Media & Entertainment)

 Jonathan Woo – jonathanwookj@phillip.com.sg
Contact Information (Regional Member Companies)
SINGAPORE

Phillip Securities Pte Ltd
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

JAPAN

Phillip Securities Japan, Ltd.
4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

THAILAND

Phillip Securities (Thailand) Public Co. Ltd
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangkok,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

UNITED STATES

Phillip Capital Inc
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

INDIA

PhillipCapital (India) Private Limited
No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

MALAYSIA

Phillip Capital Management Sdn Bhd
B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

INDONESIA

PT Phillip Securities Indonesia
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

FRANCE

King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

AUSTRALIA

Phillip Capital Limited
Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 8633 9803
Fax +61-03 8633 9899
Website: www.phillipcapital.com.au

TURKEY

PhillipCapital Menkul Degerler
Dr. Cemil Bengü Cad. Hak Is Merkezi
No. 2 Kat. 6A Caglayan
34403 Istanbul, Turkey
Tel: 0212 296 84 84
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

HONG KONG

Phillip Securities (HK) Ltd
11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

CHINA

Phillip Financial Advisory (Shanghai) Co Ltd
No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

UNITED KINGDOM

King & Shaxson Capital Limited
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

CAMBODIA

Phillip Bank Plc
Ground Floor of B-Office Centre,#61-64,
Norodom Blvd Corner Street 306,Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

DUBAI

Phillip Futures DMCC
Member of the Dubai Gold and
Commodities Exchange (DGCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

Important Information

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's license under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES

Where the report contains research analyses or reports from a foreign research house, please note:

- (i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and
- (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.