



Venture Corporation Limited

Riding on easing of lockdowns and improving supply chain

SINGAPORE | TECHNOLOGY MANUFACTURING | 1H22 RESULTS

- 1H22 Revenue/PATMI was within expectations at 53%/48% of our FY22e earnings. 2Q22 PATMI jumped 21% YoY to S\$90mn, back to pre-pandemic levels.
- Venture is coping with the supply chain constraint by piling up inventories. 2Q22 registered a 63% jump in inventories or S\$483mn rise to S\$1.25bn.
- The guidance for 2H22 is positive with customer demand remaining unabated. We lift our earnings by 5%, to account for a stronger 2H22. Our target price is modestly nudged up to S\$20.80, based on 16x PE FY22e, its 5-year average. There is no change to our BUY recommendation. The dividend yield is healthy at 4.5% with earnings rebounding from lockdowns a year ago and improvement in the supply chain.

Results at a glance

SGDmn	2Q22	2Q21	YoY	Comments
Revenue	906.8	745.5	21.6%	2nd highest Jun quarter revenue.
PBT	110.2	86.7	27.1%	
PBT margin	12.2%	11.6%	0.5%	
Net profit	90.5	75.1	20.6%	
Net margin	10.0%	10.1%	-0.1%	
Net cash	704.3	989.6	-28.8%	Inventory was up S\$483mn YoY to S\$1.25bn.
DPS - Interim (cents)	25.0	25.0	0.0%	

Source: Company, PSR

The Positive

+ Customer demand robust. Revenue growth was broad-based across all verticals. Some demand continues to be unmet due to supply chain challenges. Revenue in 2Q22 was the 2nd highest since 2Q18.

The Negative

- Increase in effective tax rate. The higher effective tax was a negative surprise. It jumped to 18% in 1H22 due to lower tax incentives in Singapore. The effective tax was trending around 14% pre-pandemic. A possible reason for the decline in incentives is the lower CAPEX and R&D expenses over the past several years.

Outlook

FY22e is on track to become a recovery year for Venture. Demand from customers is healthy and unabated, especially from last year's disruption that included factory shutdowns in Malaysia and the inability to fulfil demand.

Maintain BUY with a higher TP of S\$20.80 (prev. S\$20.00)

We lift our FY22e revenue and earnings forecast by 7% and 5% respectively. Our effective tax rate for FY22e is raised from 14% to 17%.

8 August 2022

BUY (Maintained)

CLOSING PRICE	SGD 17.73
FORECAST DIV	SGD 0.80
TARGET PRICE	SGD 20.80
TOTAL RETURN	21.8%

COMPANY DATA

BLOOMBERG CODE:	VMS SP
O/S SHARES (MN):	291
MARKET CAP (USD mn / SGD mn):	3736 / 5160
52 - WK HI/LO (SGD):	19.7 / 16.24
3M Average Daily T/O (mn):	0.75

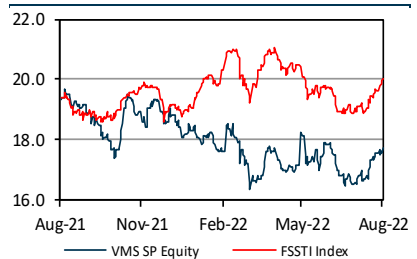
MAJOR SHAREHOLDERS

Wong Ngit Liong	7.1%
Schroders PLC	6.8%
BlackRock Inc	6.0%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	6.8	(0.1)	(0.4)
STI RETURN	5.1	(1.2)	7.2

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, SGD mn	FY20	FY21	FY22e	FY23e
Revenue	3,013	3,107	3,651	3,907
EBITDA	375.4	387.7	482.0	500.1
Net Profit	297.3	312.1	380.0	395.0
P/E (X)	17.3	16.5	13.6	13.1
Dividend Yield	4.2%	4.2%	4.5%	4.8%
ROE	11.5%	11.5%	13.2%	13.0%
ROA	9.2%	8.6%	10.0%	9.8%

Source: Company, PSR

VALUATION METHOD

16x PE Multiple FY22e

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Financials

Income Statement

Y/E Dec, SGD '000	FY19	FY20	FY21	FY22e	FY23e
Revenue	3,633,431	3,012,894	3,107,457	3,651,262	3,906,850
Gross profit	907,505	796,450	811,973	969,084	1,036,815
EBITDA	447,488	375,384	387,711	482,046	500,077
Depreciation & Amortisation	-38,692	-41,607	-36,879	-34,391	-40,730
EBIT	408,796	333,777	350,832	447,654	459,347
Net Finance Inc/(Exp)	-523	-470	-423	-200	0
Profit before tax	420,024	342,830	359,588	458,007	470,374
Taxation	-56,643	-45,426	-47,266	-77,861	-75,260
PATMI	363,130	297,325	312,051	379,996	394,964

Per share data (SGD Cents)

Y/E Dec	FY19	FY20	FY21	FY22e	FY23e
EPS, reported	125.3	102.5	107.4	130.2	135.3
DPS	70.0	75.0	75.0	80.0	85.0
BVPS	8.6	8.9	9.4	9.9	10.5

Cash Flow

Y/E Dec, SGD '000	FY19	FY20	FY21	FY22e	FY23e
CFQ					
Profit before tax	420,024	342,830	359,588	458,007	470,374
Adjustments	28,504	40,938	40,141	25,837	31,662
WC changes	-156,795	114,872	-241,543	-152,397	137,287
Cash generated from ops	291,733	498,640	158,186	331,447	639,323
Tax paid	-61,509	-45,020	-55,928	-77,861	-75,260
Others	-523	-470	-423	0	0
Cashflow from ops	229,701	453,150	101,835	253,586	564,063
CFI					
CAPEX, net	-35,071	-27,768	-10,793	-20,000	-20,000
Others	10,329	7,880	8,704	8,853	9,327
Cashflow from investments	-24,742	-19,888	-2,089	-11,147	-10,673
CFE					
Share issuance, net	7,698	15,554	5,724	0	0
Loans, net of repayments	-4,021	-1,120	0	0	0
Dividends	-201,694	-216,900	-217,822	-217,926	-232,454
Others	-6,969	-11,786	-13,623	0	0
Cashflow from financing	-204,986	-214,252	-225,721	-217,926	-232,454
Net change in cash	-27	219,010	-125,975	24,514	320,937
CCE, end	714,467	928,740	807,934	832,448	1,153,384

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

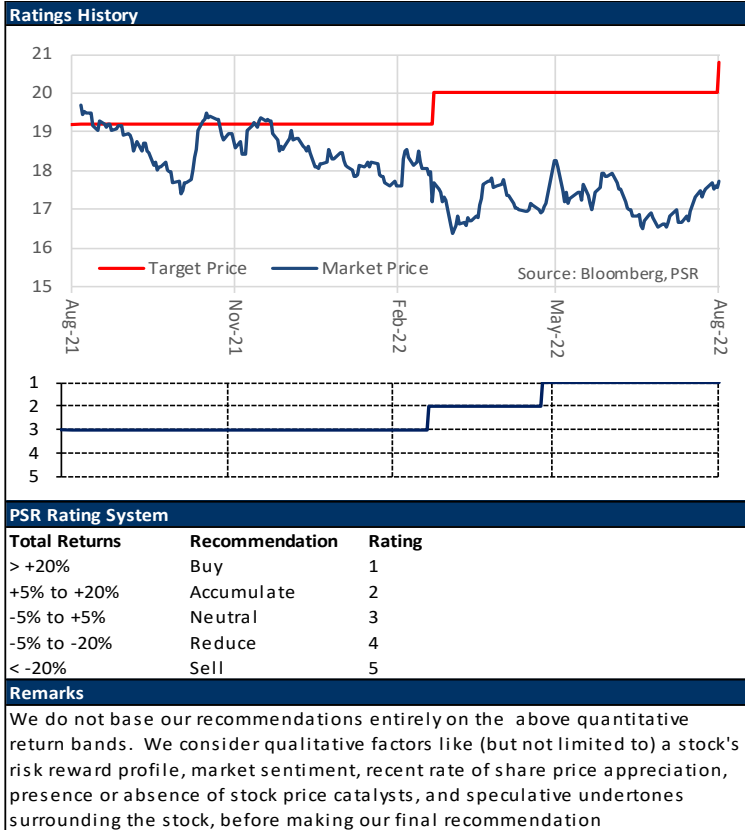
Y/E Dec, SGD '000	FY19	FY20	FY21	FY22e	FY23e
ASSETS					
PPE	231,739	226,704	215,169	200,529	179,569
Others	697,170	689,533	682,571	682,522	682,492
Total non-current assets	928,909	916,237	897,740	883,050	862,062
Receivables	916,237	721,377	860,125	1,053,233	1,007,593
Cash	714,467	928,740	807,934	832,448	1,153,384
Inventories	706,150	656,453	1,049,429	1,022,353	976,713
Others	8,482	16,760	20,033	20,033	20,033
Total current assets	2,345,336	2,323,330	2,737,521	2,928,067	3,157,722
Total Assets	3,274,245	3,239,567	3,635,261	3,811,118	4,019,784
LIABILITIES					
Accounts payables	659,981	555,784	799,952	813,588	859,594
Tax payable	34,274	34,187	25,764	25,764	25,764
Bank loan	1,058	0	0	0	0
Others	49,380	36,152	73,052	73,052	73,052
Total current liabilities	755,294	636,228	907,499	921,135	967,141
Deferred tax liabilities	3,040	3,365	3,512	3,512	3,512
Total non-current liabilities	20,358	14,210	8,312	8,312	8,312
Total Liabilities	775,652	650,438	915,811	929,447	975,453
EQUITY					
Non-controlling Interests	2,395	2,679	3,098	3,248	3,398
Shareholder's Equity	2,496,198	2,586,450	2,716,352	2,878,422	3,040,933

Valuation Ratios

Y/E Dec	FY19	FY20	FY21	FY22e	FY23e
P/E (X)	14.1	17.3	16.5	13.6	13.1
P/B (X)	2.1	2.0	1.9	1.8	1.7
EV/EBITDA (X)	9.9	11.2	11.2	8.9	8.0

Growth & Margins

Growth					
Revenue	4.3%	-17.1%	3.1%	17.5%	7.0%
EBITDA	-1.4%	-16.1%	3.3%	24.3%	3.7%
EBIT	-3.4%	-18.4%	5.1%	27.6%	2.6%
PATMI	-1.9%	-18.1%	5.0%	21.8%	3.9%
Margins					
Gross margin	25.0%	26.4%	26.1%	26.5%	26.5%
EBITDA margin	12.3%	12.5%	12.5%	13.2%	12.8%
EBIT margin	11.3%	11.1%	11.3%	12.3%	11.8%
Net profit margin	10.0%	9.9%	10.0%	10.4%	10.1%
Key Ratios					
ROE	14.5%	11.5%	11.5%	13.2%	13.0%
ROA	11.1%	9.2%	8.6%	10.0%	9.8%
Dividend Yield	3.9%	4.2%	4.2%	4.5%	4.8%
Dividend Payout Ratio	55.8%	73.2%	69.8%	61.4%	62.8%



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