



# Venture Corporation Limited

## Revenue close to record levels

### SINGAPORE | TECHNOLOGY MANUFACTURING | 3Q22 UPDATE

- 9M22 PAT was within expectations at 71% of our FY22e forecast. 3Q22 PAT jumped 27% YoY to S\$97.4mn. The improvement was in part due to lockdowns in Malaysia a year ago.
- The company said that growth was across all sectors. We believe the strong US dollar was another tailwind to growth.
- We lift our FY22e revenue by 4% but maintain earnings as we lower margin assumptions. Our BUY recommendation and target price is unchanged at S\$20.80, based on 16x PE FY22e. Venture's dividend yield and valuation are attractive. However, we are cautious for FY23e and lower our revenue growth rate to 3% (prev. 7%). Macro uncertainty may push customers to turn cautious on their forward orders.

#### Results at a glance

SGDmn	3Q22	3Q21	YoY	Comments
Revenue	1,022.6	769.9	32.8%	2nd highest September quarterly revenue.
PBT	118.9	88.2	34.8%	
PBT margin	11.6%	11.5%	0.2%	
Net profit	97.4	77.0	26.5%	
Net margin	9.5%	10.0%	-0.5%	
Net cash	700.7	852.7	-17.8%	Inventory was up S\$345mn YoY to S\$1.25bn.

Source: Company, PSR #Note – Only selected financials are provided in the 3Q22 update.

#### The Positive

**+ Broad based revenue growth.** Revenue growth was broad-based across all verticals. The S\$1bn revenue per quarter is back to FY17 levels and the 2<sup>nd</sup> highest for a September quarter.

#### The Negative

**- Inventory is elevated; higher effective tax.** Inventory is up S\$345mn YoY to S\$1.25bn. The jump is to cater to rising sales demand and buffer for any supply disruptions. Another drag to earnings was the higher effective tax of 18% in 3Q22 (3Q21: 12.6%) due to lower tax incentives.

#### Outlook

Venture is expanding capacity in Malaysia to cater to improving demand. The trend to outsource more production into SE Asia away from China is a multi-year tailwind for Venture. However, macro uncertainty could dampen customer orders in the near term.

#### Maintain BUY with a unchanged TP of S\$20.80

Our FY22e revenue is increase by 4% but net margins lowered on declining gross margins and higher effective tax rate.

6 November 2022

#### BUY (Maintained)

CLOSING PRICE	SGD 16.13
FORECAST DIV	SGD 0.80
TARGET PRICE	SGD 20.80
<b>TOTAL RETURN</b>	<b>33.9%</b>

#### COMPANY DATA

BLOOMBERG CODE:	VMS SP
O/S SHARES (MN):	291
MARKET CAP (USD mn / SGD mn):	3341 / 4696
52 - WK HI/LO (SGD):	19.42 / 15.71
3M Average Daily T/O (mn):	0.73

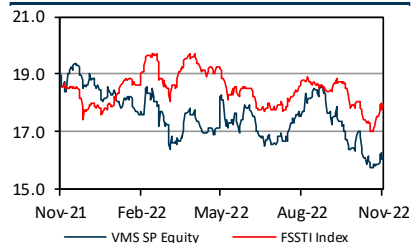
#### MAJOR SHAREHOLDERS

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

#### PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	(2.9)	(6.8)	(8.1)
STI RETURN	(0.2)	(3.1)	3.9

#### PRICE VS. STI



Source: Bloomberg, PSR

#### KEY FINANCIALS

Y/E Dec, SGD mn	FY20	FY21	FY22e	FY23e
Revenue	3,013	3,107	3,791	3,905
EBITDA	375.4	387.7	481.4	499.8
Net Profit	297.3	312.1	379.8	394.7
P/E (X)	15.7	15.0	12.4	11.9
Dividend Yield	4.6%	4.6%	5.0%	5.3%
ROE	11.5%	11.5%	13.2%	13.0%
ROA	9.2%	8.6%	9.9%	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
<b>Revenue</b>	<b>3,633,431</b>	<b>3,012,894</b>	<b>3,107,457</b>	<b>3,791,098</b>	<b>3,904,830</b>
Gross profit	907,505	796,450	811,973	987,185	1,036,280
<b>EBITDA</b>	<b>447,488</b>	<b>375,384</b>	<b>387,711</b>	<b>481,437</b>	<b>499,818</b>
Depreciation & Amortisation	-38,692	-41,607	-36,879	-34,391	-40,730
<b>EBIT</b>	<b>408,796</b>	<b>333,777</b>	<b>350,832</b>	<b>447,045</b>	<b>459,089</b>
Net Finance Inc/(Exp)	-523	-470	-423	-200	0
Profit before tax	420,024	342,830	359,588	457,745	470,111
Taxation	-56,643	-45,426	-47,266	-77,817	-75,218
<b>PATMI</b>	<b>363,130</b>	<b>297,325</b>	<b>312,051</b>	<b>379,778</b>	<b>394,743</b>

### Per share data (SGD Cents)

Y/E Dec	FY19	FY20	FY21	FY22e	FY23e
EPS, reported	125.3	102.5	107.4	130.1	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
<b>CFO</b>					
<b>Profit before tax</b>	<b>420,024</b>	<b>342,830</b>	<b>359,588</b>	<b>457,745</b>	<b>470,111</b>
Adjustments	28,504	40,938	40,141	25,490	31,666
WC changes	-156,795	114,872	-241,543	-205,534	191,071
Cash generated from ops	291,733	498,640	158,186	277,701	692,849
Tax paid	-61,509	-45,020	-55,928	-77,817	-75,218
Others	-523	-470	-423	0	0
<b>Cashflow from ops</b>	<b>229,701</b>	<b>453,150</b>	<b>101,835</b>	<b>199,884</b>	<b>617,631</b>
<b>CFI</b>					
CAPEX, net	-35,071	-27,768	-10,793	-20,000	-20,000
Others	10,329	7,880	8,704	9,200	9,322
<b>Cashflow from investments</b>	<b>-24,742</b>	<b>-19,888</b>	<b>-2,089</b>	<b>-10,800</b>	<b>-10,678</b>
<b>CFE</b>					
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
<b>Cashflow from financing</b>	<b>-204,986</b>	<b>-214,252</b>	<b>-225,721</b>	<b>-217,926</b>	<b>-232,454</b>
Net change in cash	-27	219,010	-125,975	-28,842	374,499
<b>CCE, end</b>	<b>714,467</b>	<b>928,740</b>	<b>807,934</b>	<b>779,092</b>	<b>1,153,591</b>

Source: Company, Phillip Securities Research (Singapore) Estimates

### Balance Sheet

Y/E Dec, SGD '000	FY19	FY20	FY21	FY22e	FY23e
<b>ASSETS</b>					
PPE	231,739	226,704	215,169	200,529	179,569
Others	697,170	689,533	682,571	682,522	682,492
<b>Total non-current assets</b>	<b>928,909</b>	<b>916,237</b>	<b>897,740</b>	<b>883,050</b>	<b>862,062</b>
Receivables	916,237	721,377	860,125	1,092,387	1,007,088
Cash	714,467	928,740	807,934	779,092	1,153,591
Inventories	706,150	656,453	1,049,429	1,061,507	976,208
Others	8,482	16,760	20,033	20,033	20,033
<b>Total current assets</b>	<b>2,345,336</b>	<b>2,323,330</b>	<b>2,737,521</b>	<b>2,953,020</b>	<b>3,156,920</b>
<b>Total Assets</b>	<b>3,274,245</b>	<b>3,239,567</b>	<b>3,635,261</b>	<b>3,836,070</b>	<b>4,018,981</b>
<b>LIABILITIES</b>					
Accounts payables	659,981	555,784	799,952	838,759	859,230
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
<b>Total current liabilities</b>	<b>755,294</b>	<b>636,228</b>	<b>907,499</b>	<b>946,306</b>	<b>966,777</b>
Deferred tax liabilities	3,040	3,365	3,512	3,512	3,512
<b>Total non-current liabilities</b>	<b>20,358</b>	<b>14,210</b>	<b>8,312</b>	<b>8,312</b>	<b>8,312</b>
<b>Total Liabilities</b>	<b>775,652</b>	<b>650,438</b>	<b>915,811</b>	<b>954,618</b>	<b>975,089</b>
<b>EQUITY</b>					
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	2,878,205	3,040,494

### Valuation Ratios

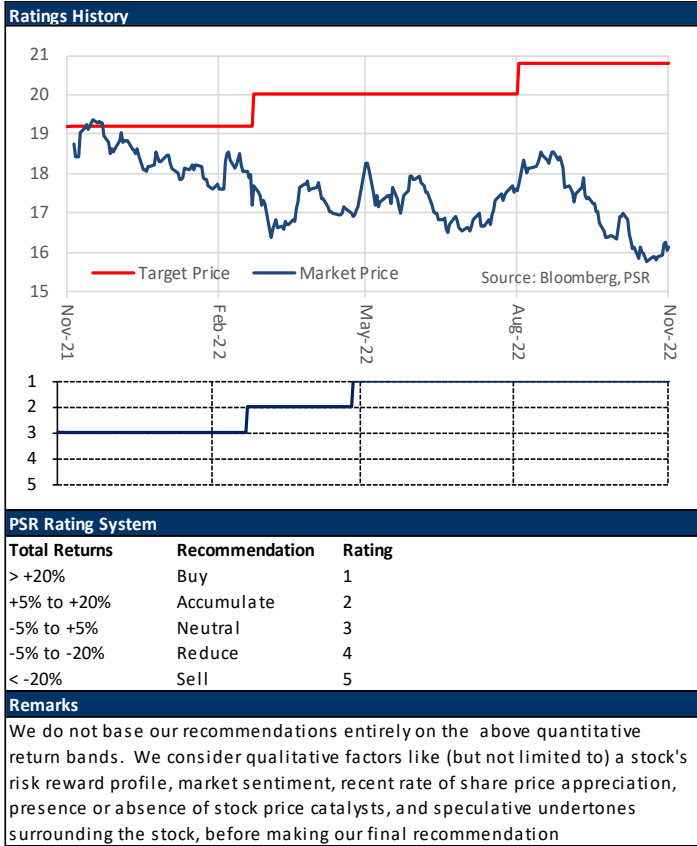
Y/E Dec	FY19	FY20	FY21	FY22e	FY23e
P/E (X)	12.9	15.7	15.0	12.4	11.9
P/B (X)	1.9	1.8	1.7	1.6	1.5
EV/EBITDA (X)	8.8	10.0	10.0	8.1	7.0

### Growth & Margins

<b>Growth</b>					
Revenue	4.3%	-17.1%	3.1%	22.0%	3.0%
EBITDA	-1.4%	-16.1%	3.3%	24.2%	3.8%
EBIT	-3.4%	-18.4%	5.1%	27.4%	2.7%
PATMI	-1.9%	-18.1%	5.0%	21.7%	3.9%
<b>Margins</b>					
Gross margin	25.0%	26.4%	26.1%	26.0%	26.5%
EBITDA margin	12.3%	12.5%	12.5%	12.7%	12.8%
EBIT margin	11.3%	11.1%	11.3%	11.8%	11.8%
Net profit margin	10.0%	9.9%	10.0%	10.0%	10.1%

### Key Ratios

ROE	14.5%	11.5%	11.5%	13.2%	13.0%
ROA	11.1%	9.2%	8.6%	9.9%	9.8%
Dividend Yield	4.3%	4.6%	4.6%	5.0%	5.3%
Dividend Payout Ratio	55.8%	73.2%	69.8%	61.5%	62.8%



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