



Venture Corporation Limited

Recovery back-loaded

SINGAPORE | TECHNOLOGY (MANUFACTURING) | 2H23 RESULTS

- 2023 results were within expectations. Both revenue and PATMI were 99% of our FY23 forecast. Earnings weakness persisted into the 4Q23, with PAT declining 25% YoY to S\$67.4mn. The final dividend was unchanged at 50 cents and full-year at 75 cents.
- The outlook provided by the company, we believe, is for revenue softness to persist into 1H24 before recovery in the later part of the year. We believe driving growth will be new products by customers in semiconductor equipment, data centres connections, and medical and luxury consumer products.
- We nudge our FY24e earnings to be 2% higher and maintain our NEUTRAL recommendation. Our target price is raised modestly to S\$12.75 (prev. S\$12.50), based on a 2 year historical PE ratio of 13x. The dividend yield of 5.5% is reasonable, and the balance sheet is healthy, with record cash holdings of S\$1bn. Visibility to earnings growth is poor and depends on customer confidence to launch new products.

Results at a glance

SGD '000	2H23	2H22	YoY	Comments
Revenue	1,442,808	2,067,600	-30.2%	4 quarters of YoY contraction
Gross profit	373,314	490,039	-23.8%	
R&D expense	(17,355)	(9,234)	87.9%	
Employee exp.	(160,148)	(189,396)	-15.4%	
EBIT	140,201	228,889	-38.7%	
PATMI	130,011	195,338	-33.4%	
GP margin	25.9%	23.7%	2.2%	
DPS - Final (cents)	50.0	50.0	0.0%	

Source: Company, PSR

The Positive

+ Record net cash. Free cash flow generated was a record S\$478mn (FY23: S\$236mn). The large jump in operating cash was from the decline in inventories of S\$220mn. Net cash on the balance sheet surged to record S\$1.05bn. Inventory is beginning to normalise to S\$822mn but remains higher than pre-pandemic levels of S\$706mn, despite the lower revenue. Interest income has almost tripled to S\$28mn, accounting for 8% of earnings.

The Negative

- Sluggish revenue and earnings. The net profit for Venture is at a seven-year low. An inability to capture higher growth products plus delays in new product introductions and laclustre ramp-up in volumes have been major reasons for the multi-year decline in earnings.

Outlook

The company's outlook is for 2H24 to be stronger than 1H24. This is not new and has been the typical seasonality for Venture. We believe it implies softer revenues in the near term and a possible ramp-up later in the year. Visibility is poor as it depends on customer confidence and the ability to launch new products. Growth segments for Venture will include semiconductor equipment, data centres connections, and medical and luxury consumer products.

Maintain NEUTRAL with a higher TP of S\$12.75 (prev. S\$12.50)

Our FY24e earnings are raised a marginal by 2% to S\$287mn.

26 February 2024

NEUTRAL (Maintained)

CLOSING PRICE	SGD 13.72
FORECAST DIV	SGD 0.80
TARGET PRICE	SGD 12.75
TOTAL RETURN	-1.2%

COMPANY DATA

BLOOMBERG CODE:	VMS SP
O/S SHARES (MN):	290
MARKET CAP (USD mn / SGD mn):	2965 / 3982
52 - WK HI/LO (SGD):	18.2 / 11.36
3M Average Daily T/O (mn):	0.89

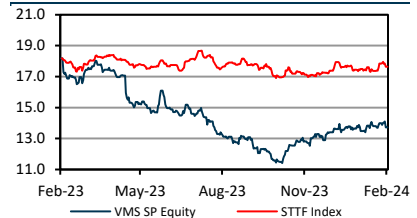
MAJOR SHAREHOLDERS

Wong Ngit Liong	7.1%
Ameriprise Financial	6.0%
Schroders PLC	6.0%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	(0.1)	7.2	0.8
STTF	1.9	2.7	(1.4)

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, SGD mn	FY22	FY23	FY24e	FY25e
Revenue	3,864	3,025	3,116	3,272
EBITDA	471.0	330.1	352.3	376.5
Net Profit	369.6	270.0	286.7	297.9
P/E (X)	10.8	14.8	14.0	13.4
Dividend Yield	5.5%	5.5%	5.8%	5.8%
ROE	13.0%	9.5%	9.9%	10.0%
ROA	9.9%	7.6%	7.6%	7.7%

Source: Company, PSR

VALUATION METHOD

13x PE Multiple FY24e

Paul Chew (+65 6212 1851)

Head Of Research

paulchewkl@phillip.com.sg

Financials

Income Statement

Y/E Dec, SGD '000	FY21	FY22	FY23	FY24e	FY25e
Revenue	3,107,457	3,863,721	3,025,028	3,115,779	3,271,568
Gross profit	811,973	942,153	774,758	802,755	836,550
EBITDA	387,711	470,960	330,061	352,333	376,530
Depreciation & Amortisation	-36,879	-32,851	-31,481	-32,591	-34,943
EBIT	350,832	438,109	298,580	319,742	341,588
Net Finance Inc/(Exp)	6,346	8,715	27,436	28,042	19,629
Profit before tax	359,588	448,896	330,761	349,784	363,517
Taxation	-47,266	-78,782	-60,034	-62,961	-65,433
PATMI	312,051	369,617	270,017	286,673	297,934

Per share data (SGD Cents)

Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
EPS, reported	107.0	126.6	92.5	98.2	102.1
DPS	75.0	75.0	75.0	80.0	80.0
BVPS	9.4	9.8	9.8	10.0	10.2

Cash Flow

Y/E Dec, SGD '000	FY21	FY22	FY23	FY24e	FY25e
CFO					
Profit before tax	359,588	448,896	330,761	349,784	363,517
Adjustments	40,141	24,326	642	5,084	15,645
WC changes	-241,543	-152,566	263,357	49,378	-52,968
Cash generated from ops	158,186	320,656	594,760	404,247	326,193
Tax paid	-55,928	-51,054	-72,618	-62,961	-65,433
Others	-423	-517	-724	0	0
Cashflow from ops	101,835	269,085	521,418	341,286	260,760
CFI					
CAPEX, net	-10,793	-32,724	-47,527	-35,000	-35,000
Others	8,704	7,846	24,883	27,842	19,429
Cashflow from investments	-2,089	-24,878	-22,644	-7,158	-15,571
CFE					
Share issuance, net	5,724	5,320	776	0	0
Loans, net of repayments	0	0	0	0	0
Dividends	-217,822	-218,115	-218,233	-218,676	-233,254
Others	-13,623	-13,933	-19,013	0	0
Cashflow from financing	-225,721	-226,728	-236,470	-218,676	-233,254
Net change in cash	-125,975	17,479	262,304	115,452	11,936
CCE, end	807,934	812,593	1,056,303	1,171,755	1,183,691

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

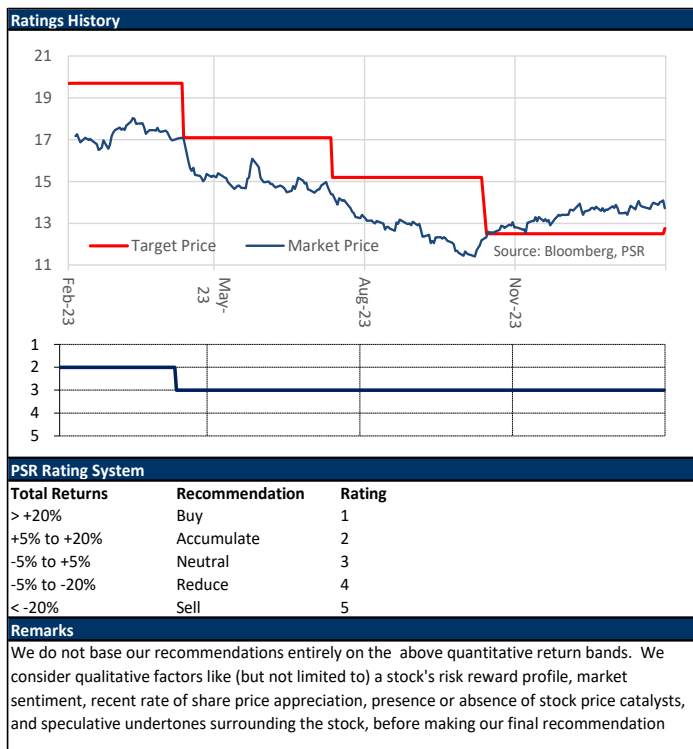
Y/E Dec, SGD '000	FY21	FY22	FY23	FY24e	FY25e
ASSETS					
PPE	215,169	224,934	247,502	249,519	249,260
Others	682,571	693,563	702,053	701,860	701,745
Total non-current assets	897,740	918,497	949,555	951,379	951,005
Receivables	860,125	944,278	713,126	845,803	886,309
Cash	807,934	812,593	1,056,303	1,171,755	1,183,691
Inventories	1,049,429	1,065,300	822,895	810,102	850,608
Others	20,033	10,735	12,904	12,904	12,904
Total current assets	2,737,521	2,832,906	2,605,228	2,840,565	2,933,511
Total Assets	3,635,261	3,751,403	3,554,783	3,791,944	3,884,516
LIABILITIES					
Accounts payables	799,952	706,561	546,197	715,460	743,502
Tax payable	25,764	54,567	46,805	46,805	46,805
Bank loan	0	0	0	0	0
Others	73,052	121,211	94,731	94,731	94,731
Total current liabilities	907,499	893,139	696,714	865,977	894,019
Deferred tax liabilities	3,512	1,888	1,670	1,670	1,670
Total non-current liabilities	8,312	15,373	20,215	20,215	20,215
Total Liabilities	915,811	908,512	716,929	886,192	914,234
EQUITY					
Non-controlling Interests	3,098	3,207	3,747	3,897	4,047
Shareholder's Equity	2,716,352	2,839,684	2,834,107	2,902,105	2,966,785

Valuation Ratios

Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
P/E (X)	12.8	10.8	14.8	14.0	13.4
P/B (X)	1.5	1.4	1.4	1.4	1.3
EV/EBITDA (X)	8.2	6.7	8.8	8.0	7.4

Growth & Margins

Growth					
Revenue	3.1%	24.3%	-21.7%	3.0%	5.0%
EBITDA	3.3%	21.5%	-29.9%	6.7%	6.9%
EBIT	5.1%	24.9%	-31.8%	7.1%	6.8%
PATMI	5.0%	18.4%	-26.9%	6.2%	3.9%
Margins					
Gross margin	26.1%	24.4%	25.6%	25.8%	25.6%
EBITDA margin	12.5%	12.2%	10.9%	11.3%	11.5%
EBIT margin	11.3%	11.3%	9.9%	10.3%	10.4%
Net profit margin	10.0%	9.6%	8.9%	9.2%	9.1%
Key Ratios					
ROE	11.5%	13.0%	9.5%	9.9%	10.0%
ROA	8.6%	9.9%	7.6%	7.6%	7.7%
Dividend Yield	5.5%	5.5%	5.5%	5.8%	5.8%
Dividend Payout Ratio	70.1%	59.2%	81.1%	81.5%	78.4%



Contact Information (Singapore Research Team)
Head of Research

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

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

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

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

 Glenn Thum – glennthumjc@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 Entertainment/Semicons)

 Jonathan Woo – jonathanwookj@phillip.com.sg
US Tech Analyst (Hardware/E-commerce/ETF)

 Helena Wang – helenawang@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

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

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

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

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

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

THAILAND

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

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

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

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

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

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

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

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

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

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