



Venture Corporation Limited

Worst performance since 2016

SINGAPORE | TECHNOLOGY (MANUFACTURING)| 1Q24 UPDATE

- 1Q24 results were within expectations. Both revenue and PATMI were 21% of our FY24e forecast. Net profit declined 18% YoY to S\$60.1mn. We believe earnings were supported by strong interest income.
- Revenue in 1Q24 declined around 19% YoY to S\$666.7mn, the weakest in eight years or 2016. The weakness was attributed to destocking in the life science, network, and communications segments.
- We maintain our FY24e earnings. We expect seasonality in demand to raise earnings sequentially in the coming quarters. Our NEUTRAL recommendation and target price of S\$12.75, based on a 2-year historical PE ratio of 13x, is unchanged. The dividend yield of 5.6% is well supported by record net cash of S\$1.19bn. Share buybacks is another avenue the company will pursue to return capital to shareholders.

Results at a glance

SGDmn	1Q24	1Q23	YoY	Comments
Revenue	666.7	821.7	-18.9%	
Net profit	60.1	73.6	-18.3%	Interest income supported earnings.
Net margin	9.0%	9.0%	0.1%	
Net cash	1,190.0	920.2	29.3%	Record net cash.

Source: Company, PSR Note# Limited financials were provided in the 1Q24 update.

The Positive

+ Cash piling up. Venture piles up net cash to record S\$1.19bn (1Q23: S\$920mn). Management said the cash improvement is due to working capital optimisation. We think it is also due to the lower sales performance. We believe the high cash levels is now the biggest growth driver with increased interest income.

The Negative

- Revenue plunging to 8-year lows. Revenue has dialled back down to 2016 levels. 1Q24 revenue of S\$666.7mn is modestly above 1Q16 S\$630.7mn. The near-term weakness was attributed to de-stocking in life science, network and communications segments.

Outlook

Venture is guiding sequential improvement in revenue from 1Q24 to 2Q24. Thereafter, 2H24 revenue will be higher than 1H24. We believe the visibility of customer orders has improved. A growth area is data centre networking products. With the rollout of AI, more data centres need to upgrade their interconnectivity within the centre and to other data centres. The supply chain migration from China to SE Asia is still underway. A challenge to this transition is the localisation of the entire supply chain around the core product. Venture's strategy is to redesign the products and capitalise on the existing supply chain capabilities. This can lower customer costs and create differentiation.

Maintain NEUTRAL with an unchanged TP of S\$12.75

Our FY24e earnings are unchanged at S\$287mn.

6 May 2024

NEUTRAL (Maintained)

CLOSING PRICE	SGD 14.22
FORECAST DIV	SGD 0.80
TARGET PRICE	SGD 12.75
TOTAL RETURN	-4.7%

COMPANY DATA

BLOOMBERG CODE:	VMS SP
O/S SHARES (MN):	290
MARKET CAP (USD mn / SGD mn):	3034 / 4125
52 - WK HI/LO (SGD):	17.26 / 11.36
3M Average Daily T/O (mn):	0.68

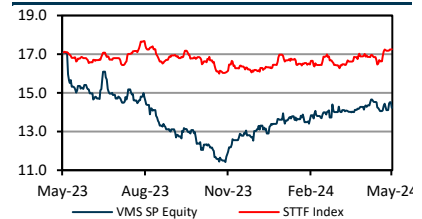
MAJOR SHAREHOLDERS

Wong Ngit Liong	7.1%
Ameriprise Financial	6.5%
Vanguard Group	5.7%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	1.8	8.3	6.7
STTF	3.1	5.9	3.1

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)	11.2	15.4	14.5	13.9
Dividend Yield	5.3%	5.3%	5.6%	5.6%
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

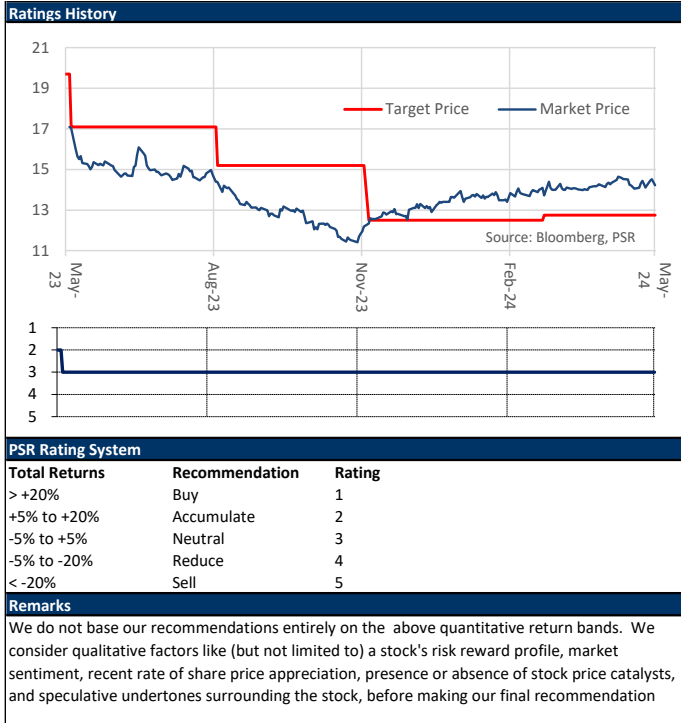
Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
P/E (X)	13.3	11.2	15.4	14.5	13.9
P/B (X)	1.5	1.5	1.5	1.4	1.4
EV/EBITDA (X)	8.5	7.0	9.3	8.4	7.8

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	5.3%	5.3%	5.3%	5.6%	5.6%
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

US Tech Analyst (Hardware/E-commerce/ETF)

Helena Wang – helenawang@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

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.phillipcapi.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.phillipcapi.com

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.phillipcapi.com.tr

DUBAI

Phillip Futures DMCC
Member of the Dubai Gold and
Commodities Exchange (DGCE)
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 a range 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 to 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.