



# Venture Corporation Limited

## Policy headwinds

### SINGAPORE | TECHNOLOGY (MANUFACTURING) | FY24 RESULTS

- FY24 results were below expectations. Revenue and PATMI were 96% of expectations. 4Q24 net profit declined 9.2% YoY to S\$61.2mn as revenue contracted 10.1% YoY. Earnings are at 8-year lows. DPS of 75 cents was maintained at a record payout ratio of 89% (FY23: 81%).
- Venture's guidance is "short-term business environment is deemed uncertain". We believe the new US administration policies have resulted in (i) Customers turning more cautious in their orders due to tariff uncertainty and (ii) Proposed cuts in the US National Institute of Health budget will curtail spending on life science equipment from research institutes and labs.
- We lower our FY25e revenue and PATMI by 12% and 10%, respectively. Our NEUTRAL recommendation is maintained, but we have lowered our TP to S\$11.80 (prev. S\$13.00) to 14x PE FY25e, a slight premium to the 2-year average of 13x. The company is targeting growth in FY25. However, similar to last year's guidance, it may be revised downwards due to the current uncertain environment. The dividend yield of 5.8%, net cash of S\$1.3bn, and 8.3mn share buyback plan is supportive of the share price.

#### Results at a glance

SGDmn	4Q24	4Q23	YoY	Comments
Revenue	662.0	736.5	-10.1%	
Net profit	61.2	67.4	-9.2%	
Net margin	9.2%	9.2%	0.1%	
Net cash	1,316.7	1,056.3	24.7%	Record net cash.

Source: Company, PSR

#### The Positive

+ **Spewing out cash.** Venture continues to spew out cash. Free cash flow (FCF) in FY24 is S\$465mn (FY23: S\$473mn) as the company winds down its huge S\$1bn inventory in FY23. Another driver of FCF is the slowdown in CAPEX after the completion of the new plant in Penang. The company maintains a dividend of 75 cents and represents a record dividend payout ratio of 89% in FY24. The company ended FY24 with net cash of S\$1.3bn (FY23: S\$1.0bn).

#### The Negative

- **Limited growth drivers.** Revenue has been falling for eight consecutive quarters. 4Q24 revenue of S\$662mn is the lowest since FY16. There has been a lack of revenue drivers. Recent softness in revenue is due to a fall in consumer lifestyle products due to a decline in product exchanges and softer sales in emerging markets.

#### Outlook

The guidance by Venture for FY25 was uncertain in the short term, but growth is still targeted. Products driving growth are centred around data centres. These include networking and communication cards in data centres, testing and measurement of power supply equipment, semiconductor front-end tools, and customers shifting production out of China. Life science and medicine still require time to scale up their operations. We believe weakness will persist in the near term due to (i) Uncertainty in tariffs has resulted in customers adopting a more "wait and see" position regarding their orders and (ii) Proposed cuts in the US National Institute of Health budget will curtail spending by research institutes and lab on life science equipment. A key life science customer is also facing additional challenges in China.

#### Maintain NEUTRAL with a lower TP of S\$11.80 (prev. S\$13.00)

We lower our FY25e revenue and PATMI by 12% and 10%, respectively.

24 February 2025

#### NEUTRAL (Maintained)

CLOSING PRICE	SGD 12.94
FORECAST DIV	SGD 0.75
TARGET PRICE	SGD 11.80
TOTAL RETURN	-3.0%

#### COMPANY DATA

BLOOMBERG CODE:	VMS SP
O/S SHARES (MN):	289
MARKET CAP (USD mn / SGD mn):	2799 / 3739
52 - WK HI/LO (SGD):	15.64 / 12.11
3M Average Daily T/O (mn):	0.62

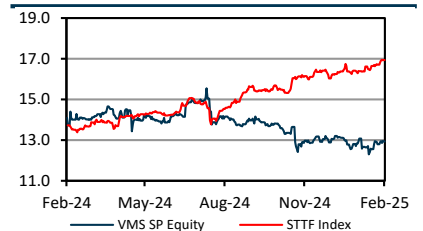
#### MAJOR SHAREHOLDERS

Silchester International	9.0%
Wong Ngit Liong	7.2%
Ameriprise Financial	7.1%

#### TOTAL PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	0.9	0.6	(1.6)
STTF	3.8	5.4	4.0

#### PRICE VS. STTF



Source: Bloomberg, PSR

#### KEY FINANCIALS

Y/E Dec, SGD mn	FY23	FY24	FY25e	FY26e
Revenue	3,025	2,736	2,626	2,758
EBITDA	330.1	294.1	293.2	320.2
Net Profit	270.0	245.0	243.5	248.2
P/E (X)	14.0	15.3	15.4	15.1
Dividend Yield	5.8%	5.8%	5.8%	6.2%
ROE	9.5%	8.5%	8.4%	8.4%
ROA	7.6%	6.6%	6.5%	6.5%

Source: Company, PSR

#### VALUATION METHOD

14x PE Multiple FY25e

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Figure 1: Snapshot of 2H24 results

SGD '000	2H24	2H23	YoY	Comments
Revenue	1,351,711	1,442,808	-6.3%	Weakness in consumer lifestyle.
Gross profit	357,131	373,314	-4.3%	
R&D expense	(11,359)	(17,355)	-34.5%	
Employee exp.	(161,197)	(160,148)	0.7%	
EBIT	125,315	140,215	-10.6%	
PATMI	121,403	130,025	-6.6%	
GP margin	26.4%	25.9%	0.5%	
DPS - Interim (cents)	50.0	50.0	0.0%	89% payout ratio.

Source: Company, PSR

## Financials

### Income Statement

Y/E Dec, SGD '000	FY22	FY23	FY24	FY25e	FY26e
<b>Revenue</b>	<b>3,863,721</b>	<b>3,025,028</b>	<b>2,735,927</b>	<b>2,626,490</b>	<b>2,757,814</b>
Gross profit	942,153	774,758	714,965	681,948	719,832
<b>EBITDA</b>	<b>470,960</b>	<b>330,061</b>	<b>294,130</b>	<b>293,154</b>	<b>320,206</b>
Depreciation & Amortisation	(32,851)	(31,481)	(32,775)	(33,997)	(35,972)
<b>EBIT</b>	<b>438,109</b>	<b>298,580</b>	<b>261,355</b>	<b>259,157</b>	<b>284,234</b>
Net Finance Inc/(Exp)	8,715	27,436	41,414	35,595	16,547
Profit before tax	448,896	330,761	306,587	297,752	303,581
Taxation	(78,782)	(60,034)	(60,837)	(53,595)	(54,645)
<b>PATMI</b>	<b>369,617</b>	<b>270,017</b>	<b>245,029</b>	<b>243,457</b>	<b>248,236</b>

### Per share data (SGD Cents)

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
EPS, reported	126.6	92.5	84.8	84.2	85.9
DPS	75.0	75.0	75.0	75.0	80.0
BVPS	9.7	9.7	10.0	10.1	10.2

### Cash Flow

Y/E Dec, SGD '000	FY22	FY23	FY24	FY25e	FY26e
<b>CFO</b>					
<b>Profit before tax</b>	<b>448,896</b>	<b>330,761</b>	<b>306,587</b>	<b>297,752</b>	<b>303,581</b>
Adjustments	24,326	642	(6,537)	(1,370)	19,603
WC changes	(152,566)	263,357	247,761	17,510	(44,650)
Cash generated from ops	320,656	594,760	547,811	313,893	278,533
Tax paid	(51,054)	(72,618)	(64,164)	(53,595)	(54,645)
Others	(517)	(724)	(1,137)	0	0
<b>Cashflow from ops</b>	<b>269,085</b>	<b>521,418</b>	<b>482,510</b>	<b>260,297</b>	<b>223,889</b>
<b>CFI</b>					
CAPEX, net	(32,724)	(47,527)	(16,554)	(30,000)	(30,000)
Others	7,846	24,883	27,049	35,395	16,347
<b>Cashflow from investments</b>	<b>(24,878)</b>	<b>(22,644)</b>	<b>10,495</b>	<b>5,395</b>	<b>(13,653)</b>
<b>CFE</b>					
Share issuance, net	5,320	776	0	0	0
Loans, net of repayments	0	0	0	0	0
Dividends	(218,115)	(218,233)	(217,537)	(218,676)	(218,676)
Others	(13,933)	(19,013)	(31,417)	0	0
<b>Cashflow from financing</b>	<b>(226,728)</b>	<b>(236,470)</b>	<b>(248,954)</b>	<b>(218,676)</b>	<b>(218,676)</b>
Net change in cash	17,479	262,304	244,051	47,017	(8,440)
<b>CCE, end</b>	<b>812,593</b>	<b>1,056,303</b>	<b>1,316,706</b>	<b>1,363,723</b>	<b>1,355,283</b>

Source: Company, Phillip Securities Research (Singapore) Estimates

### Balance Sheet

Y/E Dec, SGD '000	FY22	FY23	FY24	FY25e	FY26e
<b>ASSETS</b>					
PPE	224,934	247,502	249,589	245,328	239,117
Others	693,563	702,053	723,788	724,024	724,285
<b>Total non-current assets</b>	<b>918,497</b>	<b>949,555</b>	<b>973,377</b>	<b>969,352</b>	<b>963,402</b>
Receivables	944,278	713,126	708,499	723,797	757,942
Cash	812,593	1,056,303	1,316,706	1,363,723	1,355,283
Inventories	1,065,300	822,895	686,431	682,887	717,032
Others	10,735	12,904	14,933	14,933	14,933
<b>Total current assets</b>	<b>2,832,906</b>	<b>2,605,228</b>	<b>2,726,569</b>	<b>2,785,341</b>	<b>2,845,189</b>
<b>Total Assets</b>	<b>3,751,403</b>	<b>3,554,783</b>	<b>3,699,946</b>	<b>3,754,692</b>	<b>3,808,592</b>
<b>LIABILITIES</b>					
Accounts payables	706,561	546,197	632,606	661,871	685,510
Tax payable	54,567	46,805	46,664	46,664	46,664
Bank loan	0	0	0	0	0
Others	121,211	94,731	94,062	94,062	94,062
<b>Total current liabilities</b>	<b>893,139</b>	<b>696,714</b>	<b>785,164</b>	<b>814,429</b>	<b>838,068</b>
Deferred tax liabilities	1,888	1,670	2,037	2,037	2,037
<b>Total non-current liabilities</b>	<b>15,373</b>	<b>20,215</b>	<b>20,458</b>	<b>20,458</b>	<b>20,458</b>
<b>Total Liabilities</b>	<b>908,512</b>	<b>716,929</b>	<b>805,622</b>	<b>834,887</b>	<b>858,526</b>
<b>EQUITY</b>					
Non-controlling Interests	3,207	3,747	4,511	5,211	5,911
Shareholder's Equity	2,839,684	2,834,107	2,889,813	2,914,594	2,944,155

### Valuation Ratios

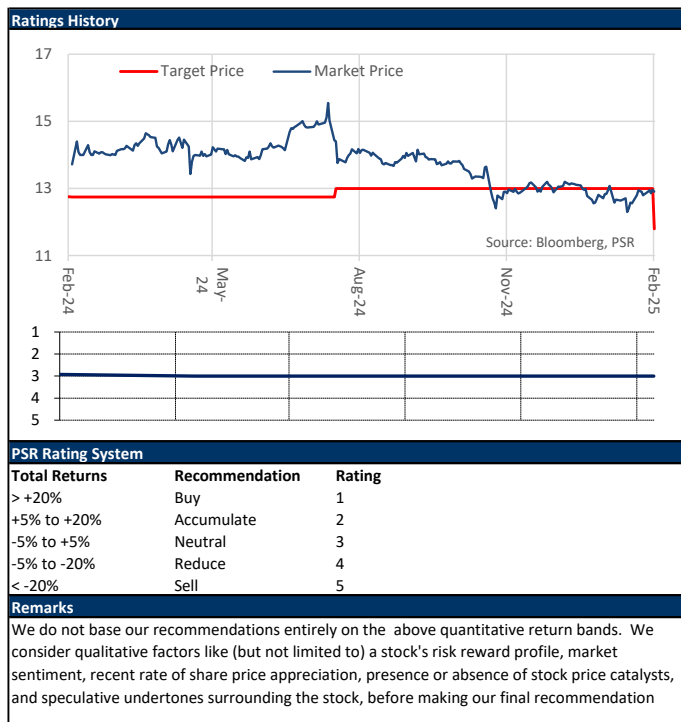
Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/E (X)	10.2	14.0	15.3	15.4	15.1
P/B (X)	1.3	1.3	1.3	1.3	1.3
EV/EBITDA (X)	6.2	8.2	8.3	8.1	7.5

### Growth & Margins

<b>Growth</b>					
Revenue	24.3%	-21.7%	-9.6%	-4.0%	5.0%
EBITDA	21.5%	-29.9%	-10.9%	-0.3%	9.2%
EBIT	24.9%	-31.8%	-12.5%	-0.8%	9.7%
PATMI	18.4%	-26.9%	-9.3%	-0.6%	2.0%
<b>Margins</b>					
Gross margin	24.4%	25.6%	26.1%	26.0%	26.1%
EBITDA margin	12.2%	10.9%	10.8%	11.2%	11.6%
EBIT margin	11.3%	9.9%	9.6%	9.9%	10.3%
Net profit margin	9.6%	8.9%	9.0%	9.3%	9.0%

### Key Ratios

ROE	13.0%	9.5%	8.5%	8.4%	8.4%
ROA	9.9%	7.6%	6.6%	6.5%	6.5%
Dividend Yield	5.8%	5.8%	5.8%	5.8%	6.2%
Dividend Payout Ratio	59.2%	81.1%	88.5%	89.1%	93.2%



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