

## Singapore

**REDUCE** (no change)

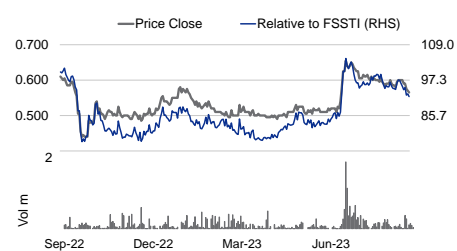
Consensus ratings\*: Buy 1 Hold 0 Sell 1

Current price:	S\$0.565
Target price:	S\$0.51
Previous target:	S\$0.51
Up/downside:	-9.7%
CGS-CIMB / Consensus:	-4.7%
Reuters:	GRAN.SI
Bloomberg:	GVTL SP
Market cap:	US\$140.5m
	S\$191.7m
Average daily turnover:	US\$0.08m
	S\$0.11m
Current shares o/s:	330.8m
Free float:	41.0%

\*Source: Bloomberg

**Key changes in this note**

➤ No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-5.8	10.8	-9.6
Relative (%)	-7.2	11.4	-7.8

**Major shareholders**

	% held
NT SPV 12	26.7
Lee Tiam Nam	15.3

**Analyst(s)**

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# Grand Venture Technology Ltd

## Waiting for a recovery

- We visited Grand Venture Technology (GVT) last Monday, 18 Sep for an operational update from management.
- GVT expects its semicon business to see a recovery in FY24F as it believes its customers' excess inventories could have been depleted by then.
- Reiterate Reduce and TP of S\$0.51. We think GVT could release its 3Q23F business update in the week of 8 Nov 2023.

### Semicon (48% of 1H23 rev): hoping for gradual recovery in FY24F

Management reiterated its earlier comments issued in its 1H23 results release that the outlook for the semiconductor and electronics industry remains affected by geopolitical tensions and weakness in the global economy. Management is optimistic that there are some signs of easing of excess inventory and expects order momentum to pick up towards the year end and into FY24F. Management believes the mid- and long-term outlook of the semiconductor industry is strong due to growing investment and innovation in artificial intelligence and its applications. Hence, GVT continues to grow its capabilities, expand production capacity, and enhance its service offerings to be ready for the next industry uptick. According to management, GVT continues to make strides in onboarding its front-end semiconductor customers in the metrology, inspection, etch and wafer deposition segments of the semicon industry. The group is working on several first-article inspections for its semiconductor customers. A new plant dedicated for front-end customers is on track to be ready by end-4Q23F and production equipment have been installed.

### Others (52% of 1H23 rev): expected to remain stable

For its other businesses (life sciences, medical, electronics and aerospace), orders have been relatively stable. Overall, we expect the life sciences segmental revenue to fall 4% yoy as customers in this segment had overstocked components leading to lower orders in 1Q23 as they digest inventory. For the aerospace business, GVT is optimistic the recovery in global air traffic will lead to an increase in component orders from customers.

### Reiterate Reduce

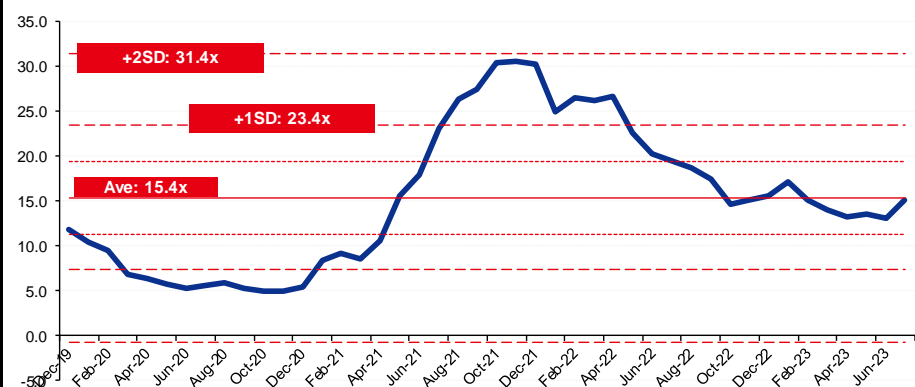
GVT currently trades at 12.5x CY24F EPS forecast, while we value GVT at an unchanged 11.3x CY24F P/E (0.5 s.d. below its 3-year average) given limited visibility of an early recovery. As such, we reiterate our Reduce call as the semicon recovery could be gradual and the pace of orders from new front-end customers could be slow in FY24F. De-rating catalysts include a severe drop in customer orders if the world slips into a recession, and higher-than-expected spending for long-term growth. Upside risks are potential new customer wins with significant purchase orders and accretive M&As which could raise GVT's revenue over FY23-24F, resulting in higher net profits, and a quicker-than-expected return of customer demand.

**Financial Summary**

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (S\$m)	116.3	131.1	108.0	141.6	156.0
Net Profit (S\$m)	17.56	13.33	6.66	15.28	18.18
Core EPS (S\$)	0.053	0.039	0.020	0.045	0.054
Core EPS Growth	138%	(26%)	(50%)	130%	19%
FD Core P/E (x)	9.22	14.37	28.79	12.54	10.55
Price To Sales (x)	1.61	1.46	1.77	1.35	1.23
DPS (S\$)	0.010	0.006	0.004	0.009	0.011
Dividend Yield	1.77%	1.06%	0.69%	1.59%	1.90%
EV/EBITDA (x)	6.35	7.95	9.08	5.94	4.82
P/FCFE (x)	NA	NA	9.76	26.35	NA
Net Gearing	4.9%	31.1%	15.0%	10.5%	(1.3%)
P/BV (x)	1.83	1.62	1.56	1.42	1.28
ROE	24.8%	12.0%	5.5%	11.8%	12.8%
% Change In Core EPS Estimates			0%	0%	0%
CGS-CIMB/Consensus EPS (x)			0.93	1.07	1.05

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: GVT's 12-mth forward rolling P/E (x)



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 2: Peer comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)	Dividend Yield (%)
						CY23F	CY24F		CY23F	CY24F		
AEM Holdings Ltd	AEM SP	Reduce	3.35	2.92	759	32.0	11.7	-3.5%	2.11	1.86	6.7%	0.1%
Aztech Global Ltd	AZTECH SP	Add	0.81	1.11	458	6.4	6.1	18.2%	1.88	1.63	31.9%	7.8%
Grand Venture Technology Ltd	GVTL SP	Reduce	0.57	0.51	141	28.8	12.5	11.8%	1.56	1.42	5.5%	0.7%
ISDN Holdings Ltd	ISDN SP	Reduce	0.38	0.36	124	14.2	10.1	9.1%	0.81	0.77	5.9%	1.8%
Nanofilm Technologies Int'l Ltd	NANO SP	Reduce	0.95	0.91	451	43.4	13.3	13.6%	1.42	1.32	3.3%	0.6%
Venture Corporation	VMS SP	Add	13.08	16.80	2,789	13.5	11.8	-1.8%	1.31	1.27	9.8%	5.7%
<b>Simple average</b>						<b>23.0</b>	<b>10.9</b>	<b>7.9%</b>	<b>1.52</b>	<b>1.38</b>	<b>10.5%</b>	<b>2.8%</b>

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

NOTE: FORECASTS FOR NOT RATED COMPANIES ARE BASED ON BLOOMBERG CONSENSUS ESTIMATES

DATA AS AT 25 SEP 2023



## ESG in a nutshell

Founded in 2012, Grand Venture Technology Limited (GVT) is a services provider for the manufacture of complex precision machining and sheet metal components and modules. The group released its inaugural sustainability report for the year 2020, with the objective of becoming a responsible corporate citizen.

### Keep your eye on

Customer concentration risk.

### Implications

GVT has three key customers (FY20: 5 customers), with each accounting for more than 10% of FY21 revenue. To mitigate this risk, GVT will pursue business opportunities with new customers.

### ESG highlights

Given the nature of its manufacturing operations, GVT's consumption of electricity and water directly impacts the environment and the local community where it operates.

### Implications

GVT seeks to reduce its carbon footprint by: a) deploying solar energy to supplement its current level of energy consumption; and b) adopt green practices, such as switching off lights at its offices where no users are present, using energy-efficient equipment, setting computers to energy-saving mode, and using air-conditioning only where and when function/meeting rooms are used. In FY21, GVT did not incur any fines for non-compliance with environmental laws and/or regulations.

### Trends

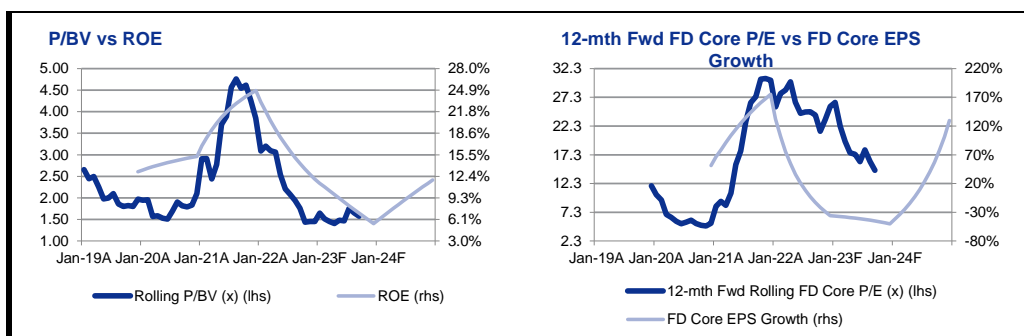
The group is committed to the health and safety of its employees, by providing a safe working environment. GVT views the safety and well-being of its employees as important factors that affect its employees' morale and productivity.

### Implications

The group adopts internal health and safety policies contained within its employee handbook. The health and safety policies are designed to protect the employees' health and safety during work, which include segments such as fire safety, personal protective equipment, housekeeping and cleanliness and reporting process for work-related injuries/incidences. In FY21, the group recorded zero cases of work-related injuries and work-related ill health.

SOURCES: CGS-CIMB RESEARCH

## BY THE NUMBERS



### Profit & Loss

(\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Total Net Revenues</b>	<b>116.3</b>	<b>131.1</b>	<b>108.0</b>	<b>141.6</b>	<b>156.0</b>
<b>Gross Profit</b>	<b>46.5</b>	<b>49.8</b>	<b>43.1</b>	<b>55.1</b>	<b>60.7</b>
<b>Operating EBITDA</b>	<b>30.2</b>	<b>28.7</b>	<b>23.2</b>	<b>34.7</b>	<b>39.4</b>
Depreciation And Amortisation	(8.8)	(14.0)	(15.2)	(16.5)	(17.7)
<b>Operating EBIT</b>	<b>21.4</b>	<b>14.7</b>	<b>7.9</b>	<b>18.2</b>	<b>21.6</b>
Financial Income/(Expense)	(1.7)	(2.4)	(2.0)	(2.0)	(2.0)
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	1.2	1.5	2.0	2.0	2.0
<b>Profit Before Tax (pre-EI)</b>	<b>20.9</b>	<b>13.9</b>	<b>7.9</b>	<b>18.2</b>	<b>21.6</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>20.9</b>	<b>13.9</b>	<b>7.9</b>	<b>18.2</b>	<b>21.6</b>
Taxation	(3.3)	(0.6)	(1.3)	(2.9)	(3.5)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>17.6</b>	<b>13.3</b>	<b>6.7</b>	<b>15.3</b>	<b>18.2</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>17.6</b>	<b>13.3</b>	<b>6.7</b>	<b>15.3</b>	<b>18.2</b>
Recurring Net Profit	17.6	13.3	6.7	15.3	18.2
<b>Fully Diluted Recurring Net Profit</b>	<b>17.6</b>	<b>13.3</b>	<b>6.7</b>	<b>15.3</b>	<b>18.2</b>

### Cash Flow

(\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>EBITDA</b>	<b>30.25</b>	<b>28.70</b>	<b>23.15</b>	<b>34.67</b>	<b>39.36</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(26.13)	(12.93)	7.22	(15.03)	(6.63)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	2.33	1.26	2.55	2.55	(32.73)
Net Interest (Paid)/Received	(1.73)	(2.35)	(2.00)	(2.00)	(2.00)
Tax Paid	(1.62)	(1.30)	(1.27)	(2.91)	(3.46)
<b>Cashflow From Operations</b>	<b>3.10</b>	<b>13.37</b>	<b>29.65</b>	<b>17.28</b>	<b>(5.46)</b>
Capex	(16.26)	(9.73)	(10.00)	(10.00)	(10.00)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	0.30	0.08	0.00	0.00	0.00
<b>Cash Flow From Investing</b>	<b>(15.96)</b>	<b>(9.65)</b>	<b>(10.00)</b>	<b>(10.00)</b>	<b>(10.00)</b>
Debt Raised/(repaid)	4.47	(9.55)	0.00	0.00	0.00
Proceeds From Issue Of Shares	51.08	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00	0.00
Dividends Paid	(1.53)	(2.71)	(1.33)	(3.06)	(3.64)
Preferred Dividends	0.00	0.00	0.00	0.00	0.00
Other Financing Cashflow	0.14	(4.59)	0.00	0.00	0.00
<b>Cash Flow From Financing</b>	<b>54.16</b>	<b>(16.85)</b>	<b>(1.33)</b>	<b>(3.06)</b>	<b>(3.64)</b>
Total Cash Generated	41.30	(13.13)	18.31	4.22	(19.10)
<b>Free Cashflow To Equity</b>	<b>(8.39)</b>	<b>(5.83)</b>	<b>19.65</b>	<b>7.28</b>	<b>(15.46)</b>
<b>Free Cashflow To Firm</b>	<b>(11.13)</b>	<b>6.07</b>	<b>21.65</b>	<b>9.28</b>	<b>(13.46)</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(S\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	46.3	23.1	41.5	45.7	61.9
Total Debtors	30.0	32.0	34.9	45.8	50.4
Inventories	40.9	50.6	44.0	56.4	61.9
Total Other Current Assets	3.8	3.0	3.0	3.0	3.0
<b>Total Current Assets</b>	<b>121.1</b>	<b>108.8</b>	<b>123.4</b>	<b>150.9</b>	<b>177.3</b>
Fixed Assets	56.4	84.4	79.2	72.7	65.0
Total Investments	0.0	0.0	0.0	0.0	0.0
Intangible Assets	2.0	10.2	9.7	9.1	8.6
Total Other Non-Current Assets	3.4	0.7	0.7	0.7	0.7
<b>Total Non-current Assets</b>	<b>61.8</b>	<b>95.3</b>	<b>89.5</b>	<b>82.5</b>	<b>74.3</b>
Short-term Debt	17.6	21.0	21.0	21.0	21.0
Current Portion of Long-Term Debt					
Total Creditors	25.1	23.2	26.6	34.9	38.5
Other Current Liabilities	0.5	0.4	0.4	0.4	0.4
<b>Total Current Liabilities</b>	<b>43.2</b>	<b>44.6</b>	<b>48.0</b>	<b>56.3</b>	<b>59.9</b>
Total Long-term Debt	33.9	38.9	38.9	38.9	38.9
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	1.3	2.6	2.6	2.6	2.6
<b>Total Non-current Liabilities</b>	<b>35.1</b>	<b>41.5</b>	<b>41.5</b>	<b>41.5</b>	<b>41.5</b>
Total Provisions	0.0	0.0	0.0	0.0	0.0
<b>Total Liabilities</b>	<b>78.3</b>	<b>86.1</b>	<b>89.5</b>	<b>97.8</b>	<b>101.4</b>
Shareholders' Equity	104.6	118.1	122.9	135.2	149.7
Minority Interests					
<b>Total Equity</b>	<b>104.6</b>	<b>118.1</b>	<b>122.9</b>	<b>135.2</b>	<b>149.7</b>

### Key Ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	89.3%	12.8%	(17.6%)	31.1%	10.2%
Operating EBITDA Growth	122%	(5%)	(19%)	50%	14%
Operating EBITDA Margin	26.0%	21.9%	21.4%	24.5%	25.2%
Net Cash Per Share (S\$)	(0.02)	(0.11)	(0.05)	(0.04)	0.01
BVPS (S\$)	0.31	0.35	0.36	0.40	0.44
Gross Interest Cover	12.37	6.25	3.96	9.10	10.82
Effective Tax Rate	16.0%	4.0%	16.0%	16.0%	16.0%
Net Dividend Payout Ratio	18.1%	15.3%	20.0%	20.0%	20.0%
Accounts Receivables Days	75.2	86.3	113.1	104.3	112.6
Inventory Days	161.8	205.5	265.6	212.4	226.6
Accounts Payables Days	100.1	108.3	139.9	130.3	140.5
ROIC (%)	29.2%	13.3%	5.0%	12.6%	14.2%
ROCE (%)	18.1%	8.8%	4.4%	9.6%	10.7%
Return On Average Assets	13.9%	8.1%	4.2%	7.7%	8.3%

### Key Drivers

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Semiconductor revenue growth (%)	96.1%	-12.2%	-28.0%	55.0%	14.0%
Life Sciences - revenue growth (%)	74.5%	74.1%	-4.0%	15.0%	5.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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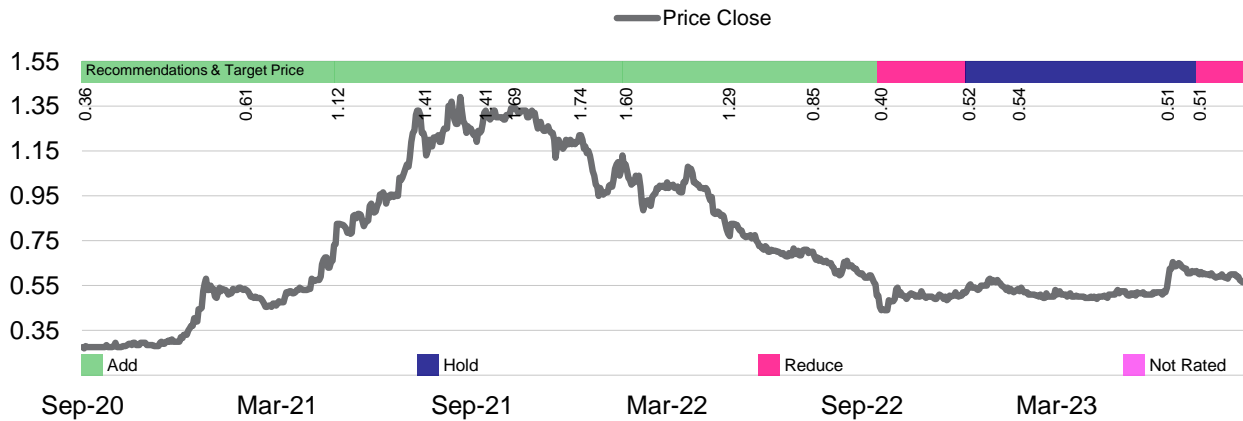
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2023		
632 companies under coverage for quarter ended on 30 June 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	65.3%	0.9%
Hold	25.8%	0.3%
Reduce	8.9%	0.0%

Spitzer Chart for stock being researched ( 2 year data )

Grand Venture Technology Ltd (GVTL SP)



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Definition:

**Add** The stock's total return is expected to exceed 10% over the next 12 months.

**Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

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