

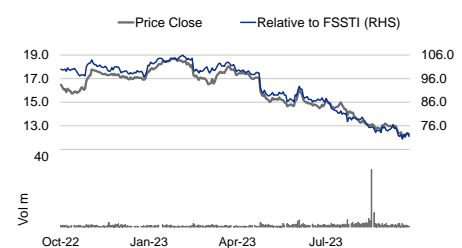
Singapore

**ADD** (no change)

Consensus ratings*: Buy 5 Hold 6 Sell 1	
Current price:	S\$12.27
Target price:	S\$16.61
Previous target:	S\$16.80
Up/downside:	35.4%
CGS-CIMB / Consensus:	6.7%
Reuters:	VENM.SI
Bloomberg:	VMS SP
Market cap:	US\$2,611m
	S\$3,568m
Average daily turnover:	US\$21.03m
	S\$28.42m
Current shares o/s:	291.1m
Free float:	92.9%
*Source: Bloomberg	

**Key changes in this note**

- FY23F-25F EPS reduced by 2.4-4.5%.
- Rollover of valuation to FY25F.
- TP reduced by 1.1% to S\$16.61 from S\$16.60 previously.



Source: Bloomberg

<b>Price performance</b>	1M	3M	12M
Absolute (%)	-3.8	-15.7	-27.1
Relative (%)	-3.5	-17.3	-30

<b>Major shareholders</b>	% held
Wong Ngit Liong	7.1
Schroders	6.8

**Analyst(s)**

**William TNG, CFA**  
T (65) 6210 8676  
E william.tng@cgs-cimb.com

# Venture Corporation

## 3Q23F net profit likely still weak

- Venture Corporation Ltd (Venture) reported its 3Q business update on 4 Nov last year. We think it could be reporting its 3Q23 update on 3 Nov 2023.
- We project 3Q23F net profit decline of 34.3% yoy and 3.6% qoq to S\$64.0m as its customers continued to deplete their inventories during the quarter.
- Our TP is reduced slightly to S\$16.61 as we roll over our valuation to FY25F P/E and apply a lower 14.6x P/E multiple (15-year average).

### 2H23F likely to be weaker than 1H23

Our earlier view post Venture's 1H23 results announcement was that its 2H23F net profit could mirror its 1H23 net profit. We now think it would likely post a 3Q23F net profit decline of 34.3% yoy and 3.6% qoq to S\$64.0m as its customers had continued to digest inventories during the quarter. Hence, we cut our FY23F net profit forecast by 4.5% to S\$270m. Note that Venture's 1H23 results were disappointing, with revenue declining 11.9% yoy to S\$1,582.2m, while net profit fell 19.7% yoy to S\$140.0m. The 11.9% decline in 1H23 revenue was due to softening demand and ongoing inventory destocking at its customers' end.

### FY24-25F outlook likely to remain cautious

We remain cautious on Venture's revenue outlook for FY24-25F as we believe demand from customers could remain soft. We project FY24F and FY25F revenue growth at 5.0%, which appears reasonable against Bloomberg consensus revenue growth expectations (as at 6 Oct 2023) of 5.2%/7.8% (simple average) for Venture's customers. We cut FY24-25F net profit by 2.4-2.9% as we believe its net profit margins could be pressured by the slow revenue growth; we trim our FY24-25F net profit margin forecasts by 0.2-0.3% pt.

### Lower S\$16.61 TP on rollover

As we roll over our valuation to FY25F P/E and use a target P/E multiple of 14.6x (15-year average), our TP declines slightly to S\$16.61. Previously, we used Venture's 23-year average forward P/E of 15.2x. We also trim our FY25F EPS forecast by 2.9% as the slower revenue growth could lead to 0.3% pt decrease in net profit margin. This leads to a lower TP of S\$16.61. We reiterate our Add call, given its 6.11% dividend yield and potential for EPS growth resumption in FY24-25F. We expect Venture to maintain its FY23-25F DPS at S\$0.75 as its net cash balance as at end-Jun 2023 was S\$895.6m and we expect limited capex requirements over FY23-25F. Re-rating catalysts are new product launches by customers, further improvements in component availability, and further business opportunities arising from corporations that are keen to diversify their production orders from China to Malaysia. Key downside risks are: a) the ongoing supply chain disruptions affecting the availability of parts and components, impacting its production, b) labour shortages potentially lowering its production output, and c) a worsening global economic outlook potentially further reducing orders from customers.

<b>Financial Summary</b>	<b>Dec-21A</b>	<b>Dec-22A</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
Revenue (S\$m)	3,107	3,864	3,164	3,323	3,489
Net Profit (S\$m)	312.1	369.6	270.0	314.0	331.1
Core EPS (S\$)	1.08	1.28	0.94	1.08	1.14
Core EPS Growth	5.0%	18.4%	(26.9%)	15.2%	5.4%
FD Core P/E (x)	11.44	9.65	13.21	11.37	10.79
Price To Sales (x)	1.14	0.92	1.12	1.07	1.02
DPS (S\$)	0.75	0.75	0.75	0.75	0.75
Dividend Yield	6.11%	6.11%	6.11%	6.11%	6.11%
EV/EBITDA (x)	7.17	5.89	6.92	5.50	5.08
P/FCFE (x)	40.15	14.60	5.62	10.03	12.65
Net Gearing	(29.2%)	(27.7%)	(41.6%)	(44.9%)	(45.4%)
P/BV (x)	1.31	1.26	1.23	1.20	1.15
ROE	11.8%	13.3%	9.4%	10.7%	10.9%
% Change In Core EPS Estimates			(4.45%)	(2.39%)	(2.86%)
EPS/Consensus EPS (x)			0.91	0.97	0.95

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 1: Earnings revisions**

(S\$m)	Old			New			% chg		
	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F
Revenue	3,164.4	3,322.6	3,488.8	3,164.4	3,322.6	3,488.8	0.0	0.0	0.0
Pre-tax profit	345.1	392.8	416.1	329.8	383.4	404.2	(4.4)	(2.4)	(2.9)
Net profit	282.6	321.7	340.8	270.0	314.0	331.1	(4.5)	(2.4)	(2.9)
Number of shares (m)	291.0	291.0	291.0	291.0	291.0	291.0	0.0	0.0	0.0
								chg (% pts)	
Effective tax rate (%)	18.0	18.0	18.0	18.0	18.0	18.0	0.0	0.0	0.0
Pre-tax profit margin (%)	10.9	11.8	11.9	10.4	11.5	11.6	(0.5)	(0.3)	(0.3)
Net profit margin (%)	8.9	9.7	9.8	8.5	9.5	9.5	(0.4)	(0.2)	(0.3)

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 2: Revenue growth outlook of Venture's key customers as at 6 Oct 2023**

Customer	BB Code	FYE	CY23F	CY24F	CY25F
ABB	ABBN SW	Dec	9.84%	3.76%	4.58%
Agilent	A US	Oct	0.29%	4.01%	5.89%
Broadcom	AVGO US	Oct	8.06%	9.20%	8.35%
Marvell	MRVL US	Jan	-4.10%	15.68%	15.67%
Danaher	DHR US	Dec	-9.73%	2.58%	7.88%
Fortive	FTV US	Dec	4.73%	4.77%	5.76%
Honeywell	HON US	Dec	4.28%	5.37%	4.89%
HP	HPQ US	Oct	-12.15%	2.41%	2.48%
IBM	IBM US	Dec	2.75%	3.70%	5.59%
Illumina	ILMN US	Dec	0.35%	11.10%	11.86%
Ingenico	WLN FP	Dec	8.77%	8.77%	8.69%
Keysight	KEYS US	Oct	-1.21%	0.18%	8.80%
Medtronic	MDT US	Apr	1.51%	4.07%	10.35%
NCR	NCR US	Dec	1.77%	4.03%	4.11%
Lumentum	LITE US	Jun	-10.03%	-4.12%	12.36%
Oracle	ORCL US	May	11.38%	7.97%	9.09%
Philip Morris	PM US	Dec	11.83%	5.97%	7.24%
Quantum Corp	QMCO US	Mar	-8.90%	-0.41%	na
Raytheon	RTX US	Dec	8.55%	9.05%	6.89%
Stratysys	SSYS US	Dec	-1.07%	7.99%	13.36%
Thermo Fischer	TMO US	Dec	-2.90%	6.04%	7.55%
Toshiba Tec	6502 JP	Mar	-2.54%	1.15%	2.41%
Trimble Inc	TRMB US	Dec	5.21%	5.42%	9.74%
Waters	WAT US	Dec	3.14%	6.03%	6.16%
<b>Simple average</b>			<b>1.24%</b>	<b>5.20%</b>	<b>7.81%</b>

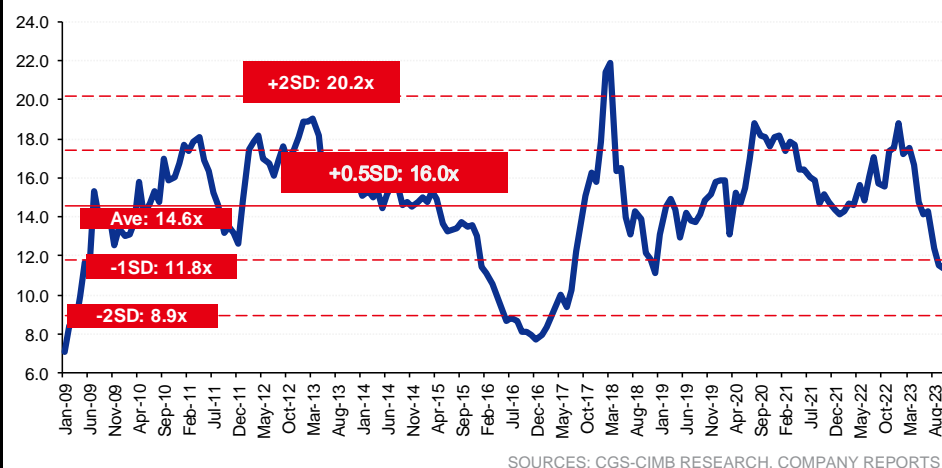
SOURCES: BLOOMBERG

Figure 3: 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	CY23F	CY23F
Venture Corporation	VMS SP	ADD	12.27	16.61	2,611	12.5	11.1	-2.0%	1.23	9.8%	6.1%
<b>US</b>											
Benchmark Electronics	BHE US	NR	24.14	NA	877	12.0	10.1	na	0.81	6.9%	2.7%
Celestica Inc	CLS US	NR	26.42	NA	3,350	11.6	10.5	28.9%	na	na	na
Flextronics International	FLEX US	NR	26.40	NA	11,880	15.1	9.8	15.6%	2.00	18.5%	na
Jabil Circuit	JBL US	NR	130.0	NA	17,538	21.1	13.2	17.9%	6.36	34.3%	0.2%
Plexus Corp	PLXS US	NR	93.29	NA	2,604	17.6	14.5	2.7%	2.19	13.5%	na
Sanmina-SCI Corp	SANM US	NR	53.15	NA	3,089	8.7	na	na	na	na	na
<b>Simple Average (US)</b>						<b>14.4</b>	<b>11.6</b>	<b>16.3%</b>	<b>2.84</b>	<b>18.3%</b>	<b>1.5%</b>
<b>Simple Average (all co)</b>						<b>14.1</b>	<b>11.5</b>	<b>12.6%</b>	<b>2.52</b>	<b>16.6%</b>	<b>3.0%</b>

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG  
NOTE: FORECASTS FOR NOT RATED COMPANIES ARE BLOOMBERG CONSENSUS ESTIMATES  
DATA AS AT 11 OCT 2023

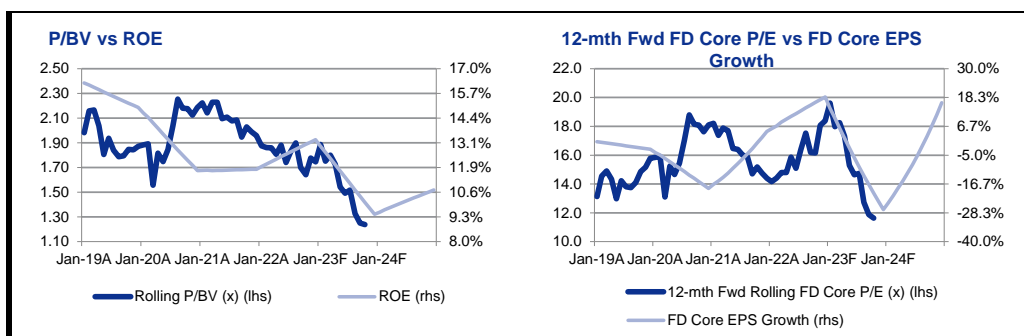
Figure 4: 12-month forward rolling P/E (x)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

ESG in a nutshell		Refinitiv ESG Scores					
		<b>C+</b> ESG Score	<b>A+</b> ESG Controversies Score	<b>C+</b> ESG Combined Score	<b>D+</b> ESG Environment Pillar Score	<b>B-</b> ESG Social Pillar Score	<b>B</b> ESG Government Pillar Score
<p>Venture Corporation Ltd is an electronic equipment and parts company headquartered in Singapore. Venture maintained its C+ ESG Grade from Refinitiv from FY20 to FY21. Venture was conferred Runner-up, Most Transparent Company Award (Technology Category), by the Securities Investors Association (Singapore) (SIAS) in 2022, according to Venture's 2022 Annual Report.</p>							
<p><b>Keep your eye on</b></p> <p>Customer concentration risk.</p>	<p><b>Implications</b></p> <p>Due to non-disclosure agreements with customers, Venture does not name its major customers. Based on its FY22 annual report, we note that it has one major customer that accounts for more than 10% of its revenue. The loss of this customer will negatively affect Venture. We do not assume that Venture will lose this customer.</p>						
<p><b>ESG highlights</b></p> <p>Based on our channel checks, we believe that Venture is involved in the manufacturing e-cigarettes.</p>	<p><b>Implications</b></p> <p>Although our valuation methodology does not impute any discount for involvement in e-cigarettes, we note that some investors may be constrained in investing in companies with exposure to smoking.</p>						
<p><b>Trends</b></p> <p>Venture's main source of energy usage is electricity from the grid. Venture successfully reduced its carbon emission intensity by revenue from 27.6 TCO<sub>2</sub>e/\$m in 2021 to 22.1 TCO<sub>2</sub>e/\$m in 2022.</p>	<p><b>Implications</b></p> <p>We have not imputed any carbon costs in our forecasts. We note that Venture has adopted measures to reduce electricity usage, such as replacing traditional lighting with energy efficient LED lighting and replacing older air conditioning systems with newer and more energy efficient inverter type air conditioners.</p>						
<small>SOURCES: CGS-CIMB RESEARCH, REFINITIV</small>							

## BY THE NUMBERS



### Profit & Loss

(\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Total Net Revenues</b>	<b>3,107</b>	<b>3,864</b>	<b>3,164</b>	<b>3,323</b>	<b>3,489</b>
<b>Gross Profit</b>	<b>810</b>	<b>940</b>	<b>777</b>	<b>853</b>	<b>886</b>
<b>Operating EBITDA</b>	<b>383</b>	<b>467</b>	<b>338</b>	<b>405</b>	<b>426</b>
Depreciation And Amortisation	(37)	(33)	(34)	(36)	(36)
<b>Operating EBIT</b>	<b>346</b>	<b>434</b>	<b>304</b>	<b>370</b>	<b>391</b>
Financial Income/(Expense)	6	9	24	12	12
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	7	6	2	2	2
<b>Profit Before Tax (pre-EI)</b>	<b>360</b>	<b>449</b>	<b>330</b>	<b>383</b>	<b>404</b>
Exceptional Items	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>360</b>	<b>449</b>	<b>330</b>	<b>383</b>	<b>404</b>
Taxation	(47)	(79)	(59)	(69)	(73)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>312</b>	<b>370</b>	<b>270</b>	<b>314</b>	<b>331</b>
Minority Interests	(0)	(0)	(0)	(0)	(0)
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>312</b>	<b>370</b>	<b>270</b>	<b>314</b>	<b>331</b>
Recurring Net Profit	312	370	270	314	331
<b>Fully Diluted Recurring Net Profit</b>	<b>312</b>	<b>370</b>	<b>270</b>	<b>314</b>	<b>331</b>

### Cash Flow

(\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>EBITDA</b>	<b>383.3</b>	<b>467.2</b>	<b>337.8</b>	<b>405.5</b>	<b>426.3</b>
Cash Flow from Inv. & Assoc.	(0.2)	(0.3)	(0.0)	(0.0)	(0.0)
Change In Working Capital	(241.5)	(152.6)	360.9	36.8	(54.5)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	16.6	6.4	1.7	1.1	1.5
Net Interest (Paid)/Received	(0.4)	(0.5)	(0.8)	(0.8)	(0.8)
Tax Paid	(55.9)	(51.1)	(59.4)	(69.0)	(72.8)
<b>Cashflow From Operations</b>	<b>101.8</b>	<b>269.1</b>	<b>640.2</b>	<b>373.5</b>	<b>299.7</b>
Capex	(10.8)	(32.7)	(30.0)	(30.0)	(30.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0	0.0
Other Investing Cashflow	8.7	7.8	25.0	12.5	12.5
<b>Cash Flow From Investing</b>	<b>(2.1)</b>	<b>(24.9)</b>	<b>(5.0)</b>	<b>(17.5)</b>	<b>(17.5)</b>
Debt Raised/(repaid)	(10.9)	0.0	0.0	0.0	0.0
Proceeds From Issue Of Shares	5.7	5.3	0.0	0.0	0.0
Shares Repurchased	(2.8)	(2.9)	0.0	0.0	0.0
Dividends Paid	(217.8)	(218.1)	(218.3)	(218.3)	(218.3)
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
Other Financing Cashflow	0.0	0.0	0.0	0.0	0.0
<b>Cash Flow From Financing</b>	<b>(225.7)</b>	<b>(215.7)</b>	<b>(218.3)</b>	<b>(218.3)</b>	<b>(218.3)</b>
Total Cash Generated	(126.0)	28.5	416.9	137.8	63.9
<b>Free Cashflow To Equity</b>	<b>88.9</b>	<b>244.2</b>	<b>635.2</b>	<b>356.0</b>	<b>282.2</b>
<b>Free Cashflow To Firm</b>	<b>100.2</b>	<b>244.7</b>	<b>635.9</b>	<b>356.8</b>	<b>282.9</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	808	813	1,230	1,368	1,433
Total Debtors	829	906	780	819	860
Inventories	1,049	1,065	818	677	713
Total Other Current Assets	51	49	49	49	49
<b>Total Current Assets</b>	<b>2,738</b>	<b>2,833</b>	<b>2,876</b>	<b>2,913</b>	<b>3,055</b>
Fixed Assets	228	248	244	238	233
Total Investments	26	26	26	26	26
Intangible Assets	640	641	641	640	640
Total Other Non-Current Assets	4	4	4	4	4
<b>Total Non-current Assets</b>	<b>898</b>	<b>918</b>	<b>914</b>	<b>909</b>	<b>903</b>
Short-term Debt	9	11	11	11	11
Current Portion of Long-Term Debt					
Total Creditors	644	533	520	455	478
Other Current Liabilities	255	349	349	349	349
<b>Total Current Liabilities</b>	<b>907</b>	<b>893</b>	<b>880</b>	<b>815</b>	<b>838</b>
Total Long-term Debt	5	13	13	13	13
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0	0	0	0	0
<b>Total Non-current Liabilities</b>	<b>5</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>13</b>
Total Provisions	4	2	2	2	2
<b>Total Liabilities</b>	<b>916</b>	<b>909</b>	<b>896</b>	<b>831</b>	<b>853</b>
Shareholders' Equity	2,716	2,840	2,891	2,987	3,100
Minority Interests	3	3	4	4	4
<b>Total Equity</b>	<b>2,719</b>	<b>2,843</b>	<b>2,895</b>	<b>2,991</b>	<b>3,104</b>

### Key Ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	3.1%	24.3%	(18.1%)	5.0%	5.0%
Operating EBITDA Growth	2.6%	21.9%	(27.7%)	20.1%	5.1%
Operating EBITDA Margin	12.3%	12.1%	10.7%	12.2%	12.2%
Net Cash Per Share (S\$)	2.73	2.71	4.14	4.62	4.84
BVPS (S\$)	9.35	9.77	9.94	10.26	10.65
Gross Interest Cover	819.0	840.1	399.5	486.6	514.0
Effective Tax Rate	13.1%	17.6%	18.0%	18.0%	18.0%
Net Dividend Payout Ratio	60.6%	48.6%	66.3%	57.0%	54.0%
Accounts Receivables Days	89.97	81.98	97.27	88.10	87.86
Inventory Days	135.5	132.0	143.9	110.7	97.5
Accounts Payables Days	82.69	73.45	80.52	72.26	65.43
ROIC (%)	20.9%	22.8%	15.0%	22.2%	24.1%
ROCE (%)	13.2%	15.8%	11.3%	12.9%	13.1%
Return On Average Assets	10.3%	11.9%	8.1%	9.8%	10.1%

### Key Drivers

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue growth (%)	313.9%	2433.7%	-1810.0%	500.0%	500.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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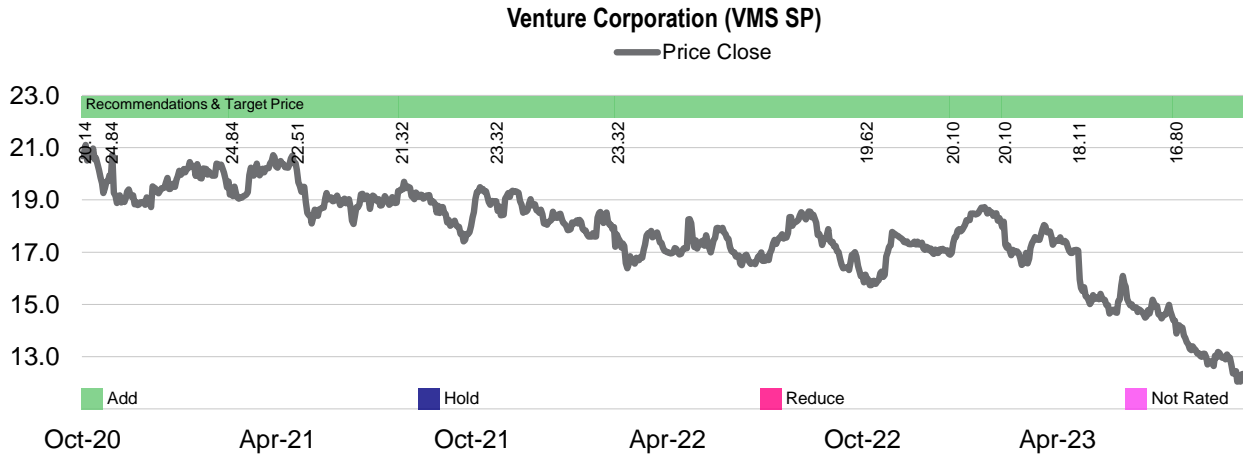
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634 companies under coverage for quarter ended on 30 September 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	66.7%	0.9%
Hold	23.7%	0.0%
Reduce	9.6%	0.2%

**Spitzer Chart for stock being researched ( 2 year data )**



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