

Singapore

ADD (no change)

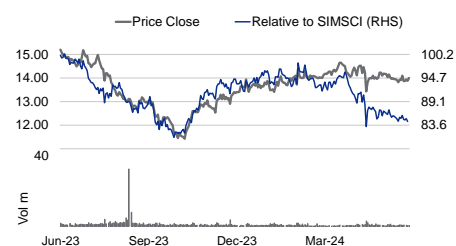
Consensus ratings*: Buy 7 Hold 6 Sell 0

Current price:	S\$14.00
Target price:	S\$15.93
Previous target:	S\$15.93
Up/downside:	13.8%
CGSI / Consensus:	7.1%
Reuters:	VENM.SI
Bloomberg:	VMS SP
Market cap:	US\$3,005m
	S\$4,060m
Average daily turnover:	US\$6.84m
	S\$9.21m
Current shares o/s:	291.1m
Free float:	92.9%

*Source: Bloomberg

Key changes in this note

➤ No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-0.1	-0.1	-10.7
Relative (%)	-0.3	-7.9	-17.4

Major shareholders

	% held
Wong Ngit Liong	7.1
Schroders	6.8

Analyst(s)



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Venture Corporation

On track for qoq revenue recovery

- We provide an update on Venture Corporation.
- In its 1Q24 business update, Venture guided that 2Q24F/2H24F revenue is expected to be stronger qoq and hoh.
- We reiterate Add as we expect Venture to see a resumption in EPS growth in FY24-26F, supported by its 5.40% dividend yield (over FY24-26F).

Targeting stronger 2Q24F and 2H24F

In its 1Q24 business update, Venture guided that it is targeting for 2Q24F revenue to improve qoq and 2H24F revenue to be stronger hoh. Venture also commented in its 1Q24 business update that it is onboarding new customers in the EMS++, Precision Engineering and Ventech Group businesses, including customers in the medtech and lifestyle sectors, as well as promising technology domains. Based on customers' feedback, Venture also sees demand strengthening in several technology domains for the rest of 2024F. In its 1Q24 business update meeting, Venture also commented that its new Batu Kawan facility could add an additional 10% to the group's total floor area and that the company is exploring with customers to gradually commence production at this new factory.

Customer concentration increased in FY23

Based on its 2023 annual report, we note that customer concentration risk has increased for Venture. According to the report, Venture has 2 major customers that each accounted for more than 10% of revenue in 2023 versus one such customer in 2022.

Some indirect benefit from the Artificial Intelligence (AI) trend

With more AI centric data centres, the demand for networking related components/modules used in such data centres will increase, in our view. This could benefit Venture which supplies components/modules to Broadcom Inc (AVGO US, NR, CP:US\$1802.52), Marvell Technology Inc (MRVL US, NR, CP:US\$73.14) and Lumentum Holdings Inc (LITE US, NR, CP:US\$49.58).

Reiterate Add

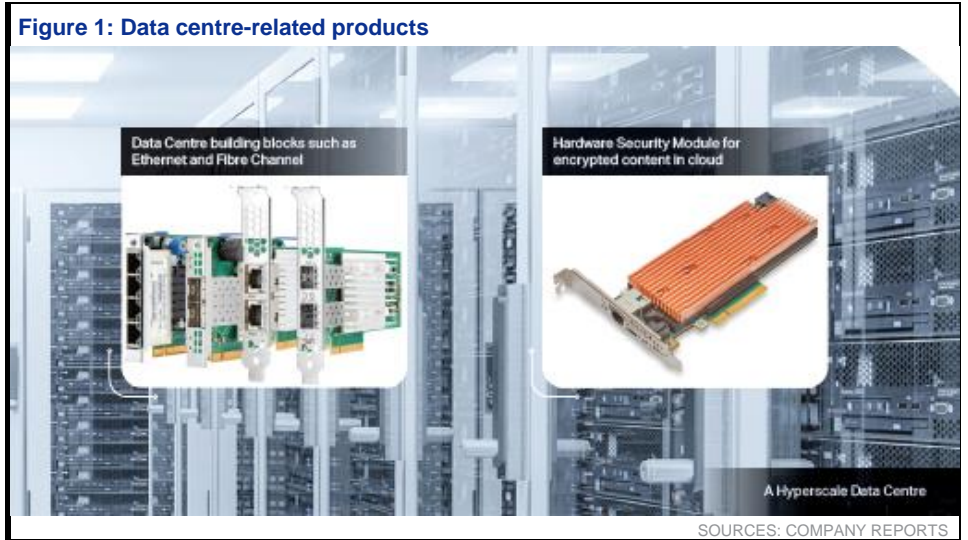
We reiterate our Add call on Venture as we expect it to see a resumption in EPS growth in FY24-26F (as customers' orders pick up) and share price support from its 5.40% dividend yield (over FY24-26F). We retain our valuation basis of 14.6x FY25F P/E (15-year average) and TP of S\$15.93. Re-rating catalysts: new product launches by customers and better-than-expected revenue opportunities over FY24-26F as further business opportunities arise from companies keen to diversify their production orders from China to Malaysia. Key downside risks: a) potential supply chain disruptions affecting the availability of parts and components, b) labour shortages potentially lowering its production output and c) a worsening global economic outlook potentially further reducing orders from customers.

Financial Summary

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue (S\$m)	3,864	3,025	3,146	3,299	3,448
Net Profit (S\$m)	369.6	270.0	290.0	316.9	333.3
Core EPS (S\$)	1.28	0.94	1.00	1.09	1.15
Core EPS Growth	18.4%	(26.9%)	6.6%	9.3%	5.2%
FD Core P/E (x)	11.01	15.06	14.02	12.83	12.20
Price To Sales (x)	1.04	1.33	1.29	1.23	1.18
DPS (S\$)	0.75	0.75	0.75	0.75	0.75
Dividend Yield	5.36%	5.36%	5.36%	5.36%	5.36%
EV/EBITDA (x)	6.96	9.19	7.89	7.09	6.49
P/FCFE (x)	16.66	8.15	9.87	14.86	14.07
Net Gearing	(27.7%)	(36.3%)	(42.0%)	(42.5%)	(43.3%)
P/BV (x)	1.43	1.43	1.40	1.35	1.30
ROE	13.3%	9.5%	10.1%	10.7%	10.9%
% Change In Core EPS Estimates			0%	0%	0%
EPS/Consensus EPS (x)			1.00	1.01	1.01

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 1: Data centre-related products




SOURCES: COMPANY REPORTS

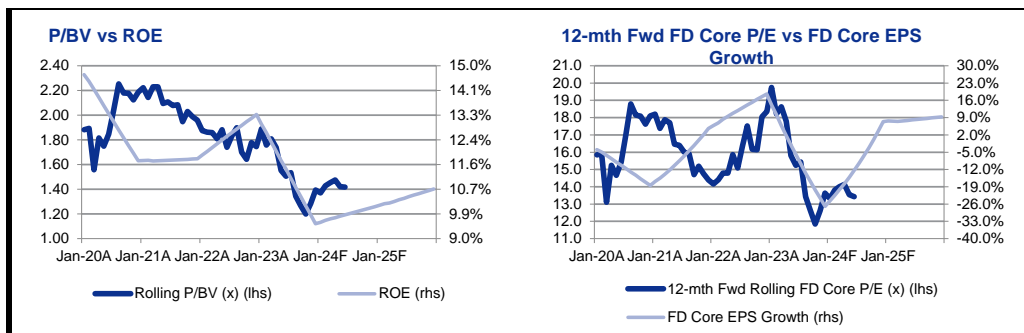
Figure 2: Peers Comparison

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 (%)
						CY24F	CY25F		CY24F	CY24F	CY24F
Venture Corporation	VMS SP	ADD	14.00	15.93	3,005	14.0	12.8	6.8%	1.40	10.2%	5.4%
US											
Benchmark Electronics	BHE US	NR	39.94	NA	1,440	19.2	16.4	na	1.28	7.2%	1.7%
Celastica Inc	CLS US	NR	59.09	NA	7,101	18.2	16.4	29.6%	3.60	17.7%	na
Flextronics International	FLEX US	NR	31.62	NA	12,700	13.7	11.4	11.8%	2.45	18.1%	na
Jabil Circuit	JBL US	NR	126.2	NA	15,223	14.9	11.7	4.2%	6.91	46.9%	0.3%
Plexus Corp	PLXS US	NR	103.1	NA	2,824	20.5	15.5	4.0%	2.11	11.5%	na
Sanmina-SCI Corp	SANM US	NR	67.60	NA	3,749	12.4	na	na	1.62	14.1%	na
Simple Average (US)						16.5	14.3	12.4%	2.99	19.2%	1.0%
Simple Average (all co)						16.1	14.0	11.3%	2.77	18.0%	2.4%

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG
NOTE: FORECASTS FOR NOT RATED COMPANIES ARE BLOOMBERG CONSENSUS ESTIMATES
DATA AS AT 20 JUN 2024

		Refinitiv ESG Scores					
ESG in a nutshell		C+	A+	C+	D+	B-	B
		ESG Score	ESG Controversies Score	ESG Combined Score	ESG Environment Pillar Score	ESG Social Pillar Score	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 FY22. 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>							
Keep your eye on	Implications						
Customer concentration risk.	<p>Due to non-disclosure agreements with customers, Venture does not name its major customers. Based on its FY23 annual report, we note that it has two major customers that each accounts for more than 10% of its revenue (FY22; 1 customer was more than 10% of revenue). The loss of these customers will negatively affect Venture. We do not assume that Venture will lose these customers.</p>						
ESG highlights	Implications						
Based on our channel checks, we believe that Venture is involved in manufacturing e-cigarettes.	<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>						
Trends	Implications						
Venture’s main source of energy usage is electricity from the grid. Venture’s carbon emission intensity by revenue rose from 25.17 TCO _{2e} /S\$m in 2022 to 26.77 TCO _{2e} /S\$m in 2023.	<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>						
SOURCES: CGS-CIMB RESEARCH, REFINITIV							

BY THE NUMBERS



Profit & Loss

(\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Net Revenues	3,864	3,025	3,146	3,299	3,448
Gross Profit	940	770	793	838	876
Operating EBITDA	467	328	361	394	419
Depreciation And Amortisation	(33)	(31)	(33)	(33)	(33)
Operating EBIT	434	296	328	361	386
Financial Income/(Expense)	9	27	24	24	19
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	6	7	2	2	2
Profit Before Tax (pre-EI)	449	331	355	387	407
Exceptional Items	0	0	0	0	0
Pre-tax Profit	449	331	355	387	407
Taxation	(79)	(60)	(64)	(70)	(73)
Exceptional Income - post-tax					
Profit After Tax	370	271	291	318	334
Minority Interests	(0)	(1)	(1)	(1)	(1)
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	370	270	290	317	333
Recurring Net Profit	370	270	290	317	333
Fully Diluted Recurring Net Profit	370	270	290	317	333

Cash Flow

(\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
EBITDA	467.2	327.5	360.9	393.7	418.6
Cash Flow from Inv. & Assoc.	(0.3)	(0.2)	(0.0)	(0.0)	(0.0)
Change In Working Capital	(152.6)	263.4	119.3	(46.4)	(46.6)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	6.4	4.1	1.4	1.8	1.2
Net Interest (Paid)/Received	(0.5)	(0.7)	(0.8)	(0.8)	(0.8)
Tax Paid	(51.1)	(72.6)	(63.8)	(69.7)	(73.3)
Cashflow From Operations	269.1	521.4	416.9	278.5	299.1
Capex	(32.7)	(47.5)	(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	7.8	24.9	25.0	25.0	20.0
Cash Flow From Investing	(24.9)	(22.6)	(5.0)	(5.0)	(10.0)
Debt Raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Proceeds From Issue Of Shares	5.3	0.8	0.0	0.0	0.0
Shares Repurchased	(2.9)	(7.9)	0.0	0.0	0.0
Dividends Paid	(218.1)	(218.2)	(217.8)	(217.8)	(217.8)
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
Cash Flow From Financing	(215.7)	(225.4)	(217.8)	(217.8)	(217.8)
Total Cash Generated	28.5	273.4	194.1	55.7	71.2
Free Cashflow To Equity	244.2	498.8	411.9	273.5	289.1
Free Cashflow To Firm	244.7	499.5	412.6	274.3	289.8

SOURCES: CGSI RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(S\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Cash And Equivalents	813	1,056	1,251	1,308	1,380
Total Debtors	906	677	776	814	850
Inventories	1,065	823	645	674	705
Total Other Current Assets	49	49	49	49	49
Total Current Assets	2,833	2,605	2,720	2,844	2,983
Fixed Assets	248	273	271	268	266
Total Investments	26	26	26	26	26
Intangible Assets	641	641	640	640	640
Total Other Non-Current Assets	4	9	9	9	9
Total Non-current Assets	918	950	947	944	941
Short-term Debt	11	9	9	9	9
Current Portion of Long-Term Debt					
Total Creditors	533	392	431	452	472
Other Current Liabilities	349	296	296	296	296
Total Current Liabilities	893	697	736	757	777
Total Long-term Debt	13	19	19	19	19
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0	0	0	0	0
Total Non-current Liabilities	13	19	19	19	19
Total Provisions	2	2	2	2	2
Total Liabilities	909	717	756	777	798
Shareholders' Equity	2,840	2,834	2,906	3,004	3,119
Minority Interests	3	4	4	5	6
Total Equity	2,843	2,838	2,911	3,009	3,125

Key Ratios

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue Growth	24.3%	(21.7%)	4.0%	4.9%	4.5%
Operating EBITDA Growth	21.9%	(29.9%)	10.2%	9.1%	6.3%
Operating EBITDA Margin	12.1%	10.8%	11.5%	11.9%	12.1%
Net Cash Per Share (S\$)	2.71	3.54	4.21	4.41	4.66
BVPS (S\$)	9.77	9.76	10.01	10.34	10.74
Gross Interest Cover	840.1	408.9	431.8	474.9	507.7
Effective Tax Rate	17.6%	18.2%	18.0%	18.0%	18.0%
Net Dividend Payout Ratio	48.6%	66.0%	61.6%	56.3%	53.6%
Accounts Receivables Days	81.98	95.55	84.53	87.91	88.06
Inventory Days	132.0	152.8	114.1	97.8	97.8
Accounts Payables Days	73.45	74.84	63.97	65.47	65.58
ROIC (%)	22.8%	14.6%	18.4%	21.7%	22.6%
ROCE (%)	15.8%	11.3%	12.2%	12.9%	13.1%
Return On Average Assets	11.9%	8.3%	9.1%	9.7%	10.1%

Key Drivers

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue growth (%)	24.3%	-21.7%	4.0%	4.9%	4.5%

SOURCES: CGSI RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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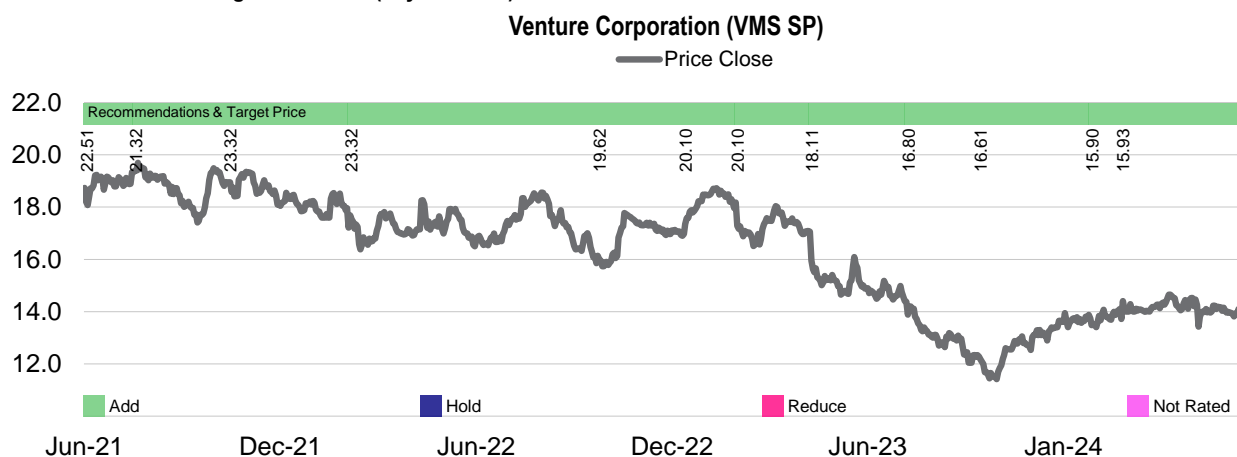
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2024		
634 companies under coverage for quarter ended on 31 March 2024		
	Rating Distribution (%)	Investment Banking clients (%)
Add	65.5%	1.3%
Hold	24.1%	0.2%
Reduce	10.4%	0.3%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework

Stock Ratings

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.

Reduce The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Definition:

Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

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Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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