

Singapore

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Overweight *(no change)*
Highlighted Companies
AEM Holdings Ltd
ADD, TP S\$6.85, S\$4.48 close

AEM provides semiconductor and electronics test solutions. Its manufacturing plants are in Singapore, Malaysia (Penang), China (Suzhou), and Finland (Lieto).

Grand Venture Technology Ltd
ADD, TP S\$1.60, S\$0.99 close

GVT is a service provider for the manufacture of complex precision machining, sheet metal components and mechatronics modules. It has factories in Singapore, Malaysia, and China.

Summary Valuation Metrics

| P/E (x) | Dec-22F | Dec-23F | Dec-24F |
|------------------------------|---------|---------|---------|
| AEM Holdings Ltd | 11.23 | 10.22 | 9.81 |
| Grand Venture Technology Ltd | 11.27 | 8.94 | 8.02 |
| P/BV (x) | Dec-22F | Dec-23F | Dec-24F |
| AEM Holdings Ltd | 2.80 | 2.32 | 1.97 |
| Grand Venture Technology Ltd | 2.60 | 2.11 | 1.74 |
| Dividend Yield | Dec-22F | Dec-23F | Dec-24F |
| AEM Holdings Ltd | 2.23% | 2.45% | 2.55% |
| Grand Venture Technology Ltd | 1.78% | 2.24% | 2.49% |

Analyst(s)
William TNG, CFA

T (65) 6210 8676

E william.tng@cgs-cimb.com

Semiconductor

Global semicon sales grew 26.2% in 2021

- The Semiconductor Industry Association (SIA) today announced that global semiconductor revenue grew by 26.8% yoy in Jan 2022.
- World Semiconductor Trade Statistics (WSTS) said global semiconductor sales grew by 26.2% yoy in 2021. It expects a growth of 10.4% in 2022F.
- Our Add picks for the Singapore semicon sector are AEM and Grand Venture.

Global semiconductor sales rose 26.8% yoy in Jan 2022

- The Semiconductor Industry Association (SIA) today announced that global semiconductor revenue was US\$50.7bn for Jan 2022, up 26.8% yoy. Month-on-month, global semiconductor sales fell by 0.2% in Jan 2022.
- According to its 18 Mar 2022 update, World Semiconductor Trade Statistics (WSTS) noted that global semiconductor sales were US\$556bn in 2021, a 26.2% yoy increase.
- WSTS expects global semiconductor sales to grow by 10.4% yoy in 2022F to US\$613.5bn. Revenue growth in 2022F is expected to be driven by the sensor chip category (+17.2% yoy), followed by logic chips (+17.1% yoy), WSTS said.

AEM Holdings Ltd (AEM SP, Add, TP S\$6.85)

- AEM Holdings remains our top pick for the Singapore semicon sector.
- Temasek Holdings (Private) Limited (Temasek) recently acquired shares in AEM on the open market for S\$3.99 (on 7 Mar 2022), S\$4.17 (on 14 Mar 2022) and S\$4.25 (on 16 Mar 2022), raising its stake in AEM to 11.1%.
- On 18 Mar 2022, AEM announced the appointment of its Chief Operating Officer, broadening its management bandwidth.
- Potential re-rating catalysts for AEM are upward revisions to revenue guidance in the coming months and further new customer wins.
- Upside to our FY22F earnings forecast could come from potential accretive M&A (AEM's cash balance as at end Dec-2021 was S\$216.2m).
- Downside risks are delivery delays due to lockdowns/movement restriction extensions, order push back by customers and margin pressure arising from higher operating costs.
- A company-specific risk is an arbitration order filed against AEM in the US. In its announcement on SGX, AEM said that based on preliminary analysis, the claims appear to lack factual and/or legal support. The arbitration is still in the early stages and the claimant has not quantified its demands. The arbitration hearing is currently expected to conclude in 2023. In the meantime, management has guided that its operations are unaffected by the arbitration.

Grand Venture Technology Ltd (GVTL SP, Add, TP S\$1.60)

- We also have a positive view on Grand Venture Technology (GVT), with its management focused on growing the company further.
- GVT management's ambition to grow the company could pose downside risks to our FY22F earnings forecast as operating costs/capex/interest expenses may trend upwards if higher capex is necessary in FY22F to assure potential customers of GVT's manufacturing commitments. M&A may also affect our FY22F earnings depending on funding structure and potential integration costs for such M&A.
- Downside risks are operational disruptions (such as workers being possibly infected by Covid-19, power restrictions in its China plant, higher-than-expected spending for long-term growth affecting our FY22-23F net profit expectations).
- Re-rating catalysts are stronger-than-expected results, potential new customer wins and more accretive M&A.

Figure 1: Sector Comparisons

| Company | Bloomberg Ticker | Recom. | Price | Target Price | Market Cap | P/E (x) | | 3-year EPS | P/BV (x) | | Recurring ROE (%) | Dividend Yield (%) |
|------------------------------|------------------|--------|------------|--------------|------------|-------------|------------|--------------|-------------|-------------|-------------------|--------------------|
| | | | (lcl curr) | (lcl curr) | (US\$ m) | CY22F | CY23F | CAGR (%) | CY21F | CY22F | CY21F | CY21F |
| AEM Holdings Ltd | AEM SP | Add | 4.48 | 6.85 | 1,022 | 11.2 | 10.2 | 7.4% | 3.45 | 2.80 | 31.8% | 1.7% |
| Frencken Group Ltd | FRKN SP | Add | 1.66 | 2.06 | 523 | 10.2 | 9.3 | 16.5% | 1.87 | 1.66 | 16.6% | 2.5% |
| Grand Venture Technology Ltd | GVTL SP | Add | 0.99 | 1.60 | 246 | 11.3 | 8.9 | 71.8% | 3.19 | 2.60 | 28.8% | 1.0% |
| ISDN Holdings Ltd | ISDN SP | Add | 0.63 | 0.96 | 202 | 9.1 | 8.0 | 17.3% | 1.39 | 1.25 | 14.0% | 2.3% |
| UMS Holdings Ltd | UMSH SP | Add | 1.18 | 1.63 | 580 | 10.8 | 10.5 | 18.8% | 2.85 | 2.49 | 20.2% | 4.2% |
| Simple average | | | | | | 10.5 | 9.4 | 26.4% | 2.55 | 2.16 | 22.3% | 2.4% |

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS
DATA AS AT 22 MAR 2022

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Corporate Governance Report:

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

| | | | | | |
|---------------------|-----------|-----------|---------|----------|------------------|
| 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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| Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021 | | |
|--|-------------------------|--------------------------------|
| 619 companies under coverage for quarter ended on 31 December 2021 | | |
| | Rating Distribution (%) | Investment Banking clients (%) |
| Add | 71.1% | 1.5% |
| Hold | 21.8% | 0.0% |
| Reduce | 7.1% | 0.0% |

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BGP** – Excellent, Certified, **BPCG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a,

n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRG** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

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.

Sector Ratings

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. |

Country Ratings

Definition:

| | |
|-------------|--|
| Overweight | An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark. |
| Neutral | A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark. |
| Underweight | An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark. |