

COMPANY UPDATE

Venture Corporation (VMS SP)

Positive Outlook, Exciting Future Plans And Strengthened Management Team

Venture has reiterated a bullish outlook, with exciting future plans and a strengthened management team showing clear succession planning in its latest annual report. This is consistent with our BUY call on the back of: a) robust demand outlook, b) positive growth guidance from customers that we track, and c) attractive valuation of 2022F ex-cash PE of 13x vs its clients' average PE of 29x along with a dividend yield of 4.6%. Maintain BUY and target price of S\$22.80.

WHAT'S NEW

- At the crossroads of another transformation.** With over three decades of growth since its establishment in 1989, we believe that Venture Corporation (VMS) is at the crossroads of yet another transformation. Over the years, it has gained good traction in selected ecosystems of interests, becoming a leading technology partner of choice for over 100 global companies. It manages a portfolio of more than 5,000 products in the space of life sciences, medical equipment, lifestyle and wellness, test and measurement, networking etc. With the post pandemic climate accelerating advancements in selected high-growth technology domains, VMS is excited about the opportunities it can leverage to capture value.
- Exciting pipeline of new products.** In 2021, VMS made various achievements in new product introductions, including new analytical instruments within the life sciences domain. Growing trends in next-generation sequencing and molecular diagnostics will open up new market potential for its customers and VMS hopes to support them in these new market segments. In the lifestyle and wellness technology domain, VMS is supporting the launch of a new platform of next-generation devices which are expected to come to market in 2022. Positive market momentum is also visible in other domains, where VMS has a strong foothold, namely instrumentation, test & measurement, networking & communications, advanced industrials, and semiconductor-related equipment.
- Clear succession planning with experienced management team.** In Nov 21, VMS announced changes to its executive leadership team. Effective 1 Jan 22, Mr. Wong Ngit Leong has stepped down as CEO while remaining as Executive Chairman of the Board. Lee Ghai Keen, who is appointed CEO, has been with VMS for over 20 years now and has led the group's R&D efforts and global operations over the years. Wong Chee Kheong, who was previously the Senior Vice President of the Group's Healthcare and Wellness Business, Global Supply Base Management & IT, is now the new COO. As VMS sets its sights on growing its presence, both Ghai Keen and Chee Kheong will spearhead VMS' next phase of growth under the guidance of the board. With their combined experience of over 38 years in VMS, the company is confident that the duo will be able to successfully lead the group in the years ahead. In addition, two panels comprising specialists in selected fields have been established to support VMS' strategic directions.

KEY FINANCIALS

Year to 31 Dec (\$m)	2020	2021	2022F	2023F	2024F
Net turnover	3,013	3,107	3,404	3,718	4,037
EBITDA	375	388	419	451	487
Operating profit	334	351	384	417	455
Net profit (rep./act.)	297	312	339	369	402
Net profit (adj.)	297	312	339	369	402
EPS (S\$ cent)	102.3	107.5	116.9	127.0	138.4
PE (x)	17.2	16.3	15.0	13.8	12.7
P/B (x)	2.0	1.9	1.8	1.7	1.6
EV/EBITDA (x)	10.8	10.4	9.6	9.0	8.3
Dividend yield (%)	4.3	4.3	4.6	4.6	4.6
Net margin (%)	9.9	10.0	10.0	9.9	10.0
Net debt/(cash) to equity (%)	(35.9)	(29.7)	(37.8)	(37.2)	(37.3)
ROE (%)	11.7	11.8	12.3	12.7	13.2
Consensus net profit	-	-	345	380	402
UOBKH/Consensus (x)	-	-	0.98	0.97	1.00

Source: Venture, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$17.56
Target Price	S\$22.80
Upside	+29.8%

COMPANY DESCRIPTION

Venture Corporation is a leading global electronics services provider. It provides technology solutions, products and services over a diversified range of high-mix, high-value and complex products.

STOCK DATA

GICS sector	Information Technology
Bloomberg ticker:	VMS SP
Shares issued (m):	290.6
Market cap (S\$m):	5,103.3
Market cap (US\$m):	3,764.9
3-mth avg daily t'over (US\$m):	15.6

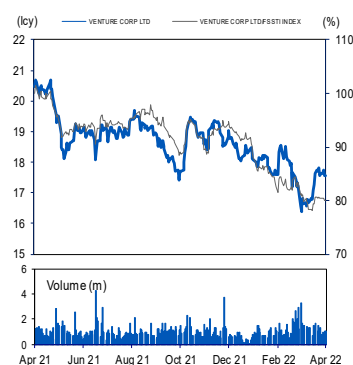
Price Performance (%)

52-week high/low	S\$20.71/S\$16.38				
1mth	3mth	6mth	1yr	YTD	
1.9	(3.1)	0.5	(13.9)	(4.1)	

Major Shareholders

	%
Wong Ngit Liong	7.0
-	-
-	-
FY22 NAV/Share (S\$)	9.73
FY22 Net Cash/Share (S\$)	3.67

PRICE CHART



Source: Bloomberg

ANALYST(S)

John Cheong

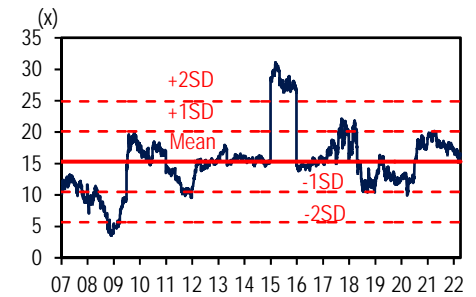
+65 6590 6623

johncheong@uobkayhian.com

STOCK IMPACT

- VMS remains positive on its long-term growth as it continues to engage and collaborate with successful and innovative customers in various high-growth, fast expanding market segments.
- Strong balance sheet and good dividends provide limited share price downside. As of end-21, VMS recorded net cash of S\$808m (accounting for about 15% of its current market cap) and led the pack of US-listed peers which were mostly in net debt positions. More importantly, VMS has consistently paid the same amount of dividends or better than that in the preceding years.
- Positive guidance of key customers:
 - Broadcom: Expects 1Q22 revenue growth of 14% yoy.
 - NCR: 2022 guidance of 12-15% yoy revenue growth and 27-39% yoy EPS growth.
 - Agilent: 2022 guidance of 7% yoy revenue and EPS growth.
 - Fortive: Expects 2022 revenue growth of 7% yoy.
 - Keysight: Expects 2022 revenue growth of 5% yoy.
 - Illumina: Expects 2022 revenue growth of 14-16% yoy.
 - Waters: Expects 2022 revenue growth of 6% yoy.
 - Philip Morris: Expects 2022 revenue growth of 4-6% yoy and EPS growth of 8-11%.

LONG-TERM PE



Source: Bloomberg, UOB Kay Hian

EARNINGS REVISION/RISK

- We maintain our earnings forecasts.

VALUATION/RECOMMENDATION

- Maintain BUY and target price of S\$22.80, pegged to +1SD above its forward mean PE, of 19.5x on 2022F earnings. Currently, VMS offers an attractive dividend yield of 4.6%.

PEER COMPARISON OF CLIENTS

Company	Ticker	Trading Curr (lcy)	Price @ 5 Apr 22 (lcy)	Market Cap (US\$m)	PE		P/B		Yield 2022 (x)	ROE 2022 (x)	Net Gearing (%)
					2022 (x)	2023 (x)	2022 (x)	2023 (x)			
Broadcom	AVGO US	US\$	614.12	250,734	17.3	15.9	12.4	12.3	2.6	63.8	127.4
Agilent Technologies	A US	US\$	133.26	39,993	27.3	24.8	6.7	6.2	0.6	25.9	30.5
Keysight Technologies	KEYS US	US\$	154.95	28,197	22.1	20.4	6.6	5.5	0.2	30.8	1.0
Thermo Fisher Scientific	TMO US	US\$	584.28	228,566	25.9	24.0	5.0	4.8	0.2	21.4	77.8
Fortive Corp	FTV US	US\$	59.85	21,490	19.4	17.5	2.1	2.0	0.5	11.5	34.9
Illumina	ILMN US	US\$	363.84	57,150	87.9	69.3	4.9	4.4	0.0	5.8	11.2
Medtronic	MDT US	US\$	110.5	148,240	19.1	17.5	2.8	2.7	2.3	14.7	26.4
Trimble	TRMB US	US\$	73.25	18,402	25.3	22.3	4.1	3.5	n.a.	14.9	28.5
Philip Morris International	PM US	US\$	95.66	148,281	16.0	14.4	n.a.	n.a.	5.4	(83.1)	n.a.
Average					28.9	25.1	5.6	5.2	1.5	11.8	42.2

Source: Bloomberg, UOB Kay Hian

CREATING IMPACTFUL VALUE IN EMERGING TECHNOLOGY DOMAINS SUCH AS BATTERY TESTING



Source: VMS

EXPANDING CAPABILITIES INTO NEW TECHNOLOGY DOMAINS SUCH AS EV AND LOGISTICS



Source: VMS

PROFIT & LOSS

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Net turnover	3,107.5	3,404.0	3,717.6	4,036.9
EBITDA	387.5	418.9	450.7	487.1
Deprec. & amort.	36.9	35.0	33.3	31.7
EBIT	350.6	383.8	417.4	455.5
Total other non-operating income	2.4	0.8	0.8	0.8
Associate contributions	0.2	0.2	0.2	0.2
Net interest income/(expense)	6.3	6.3	6.3	6.3
Pre-tax profit	359.6	391.2	424.8	462.8
Tax	(47.3)	(51.4)	(55.8)	(60.8)
Minorities	(0.3)	(0.3)	(0.3)	(0.3)
Net profit	312.1	339.5	368.7	401.7
Net profit (adj.)	312.1	339.5	368.7	401.7

BALANCE SHEET

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Fixed assets	215.2	215.4	217.3	220.9
Other LT assets	682.6	682.5	682.5	682.4
Cash/ST investment	807.9	1,066.5	1,101.4	1,166.0
Other current assets	1,929.6	1,629.6	1,775.4	1,923.0
Total assets	3,635.3	3,594.0	3,776.5	3,992.3
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	907.5	758.7	804.6	850.6
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	8.3	8.3	8.3	8.3
Shareholders' equity	2,716.4	2,823.6	2,960.0	3,129.5
Minority interest	3.1	3.4	3.6	3.9
Total liabilities & equity	3,635.3	3,594.0	3,776.5	3,992.3

CASH FLOW

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Operating	101.8	519.0	295.3	325.1
Pre-tax profit	359.6	391.2	424.8	462.8
Tax	(55.9)	(51.4)	(55.8)	(60.8)
Deprec. & amort.	36.9	35.0	33.3	31.7
Associates	(0.2)	(0.2)	(0.2)	(0.2)
Working capital changes	(241.5)	151.2	(100.0)	(101.5)
Non-cash items	(0.5)	0.0	0.0	0.0
Other operating cashflows	3.6	(6.8)	(6.8)	(6.8)
Investing	(2.1)	(28.2)	(28.2)	(28.2)
Capex (growth)	(10.8)	(35.0)	(35.0)	(35.0)
Investments	(0.6)	0.0	0.0	0.0
Proceeds from sale of assets	3.0	0.0	0.0	0.0
Others	6.3	6.8	6.8	6.8
Financing	(225.7)	(232.2)	(232.2)	(232.2)
Dividend payments	(217.8)	(232.2)	(232.2)	(232.2)
Issue of shares	(2.8)	0.0	0.0	0.0
Proceeds from borrowings	5.7	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(10.9)	0.0	0.0	0.0
Net cash inflow (outflow)	(126.0)	258.6	34.8	64.7
Beginning cash & cash equivalent	928.7	807.9	1,066.5	1,101.4
Changes due to forex impact	5.2	0.0	0.0	0.0
Ending cash & cash equivalent	807.9	1,066.5	1,101.4	1,166.0

KEY METRICS

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	12.5	12.3	12.1	12.1
Pre-tax margin	11.6	11.5	11.4	11.5
Net margin	10.0	10.0	9.9	10.0
ROA	9.1	9.4	10.0	10.3
ROE	11.8	12.3	12.7	13.2
Growth				
Turnover	3.1	9.5	9.2	8.6
EBITDA	3.2	8.1	7.6	8.1
Pre-tax profit	4.9	8.8	8.6	9.0
Net profit	5.0	8.8	8.6	9.0
Net profit (adj.)	5.0	8.8	8.6	9.0
EPS	5.1	8.8	8.6	9.0
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(29.7)	(37.8)	(37.2)	(37.3)

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