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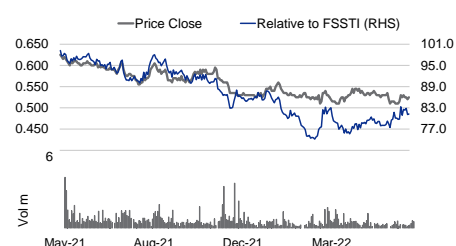


# Valuetronics Holdings Ltd

## Integrated EMS provider

### NON RATED

Current price:	S\$0.525
Consensus Tgt Price:	N/A
Up/downside:	N/A
Reuters:	VLUE.SI
Bloomberg:	VALUE SP
Market cap:	US\$164.9m
	S\$225.8m
Average daily turnover:	US\$0.17m
	S\$0.23m
Current shares o/s:	431.9m
Free float:	74.9%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1	1.9	-16
Relative (%)	1.7	3.9	-18.1

Major shareholders	% held
Tse Chong Hing	17.7
Chow Kok Kit	7.4
HSBC Holdings PLC	5.0

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- Valuetronics is an integrated EMS provider with D&D capability. The company was established in 1992 and listed on the SGX Mainboard in 2007.
- In its results statement, management commented that they were cautiously optimistic of remaining profitable for FY23.
- Based on the closing price of S\$0.525 on 27 May 2022, Valuetronics is trading a historical FY22 P/E/P/BV of 11.5x/0.94x.

### EMS provider with D&D capability

Established in 1992 and headquartered in Hong Kong, Valuetronics was listed on the SGX Mainboard in 2007. The company is an integrated electronics manufacturing services (EMS) company with two business segments, consumer electronics (CE) products and industrial and commercial electronics (ICE) products. Some of the products manufactured by Valuetronics include smart lighting products, printers, temperature sensing devices, communication products, automotive products and medical equipment. The company also offers design and development (D&D) capabilities. Its production facility is located in Huizhou City, Guangdong, in China (110,000 square metre site). The company has also started production at its new 52,541 square metre plant located in Binh Xuyen District, Vinh Phuc Province, Vietnam.

### FY3/22 financial performance

Valuetronics's FY22 revenue fell 11.1% yoy to HK\$2.0bn while net profit fell 39.3% yoy to HK\$113.5m (results released on 26 May 2022). Gross profit margin/net profit margin fell 3.3% pts/2.6% pts yoy to 13.6%/5.6%. Management attributed the margin decline to the shortages of electronic components, which affected its ability to meet orders, and frequent delivery delinquency and consequent productivity losses. In its results statement, management also noted that the ongoing Covid-19 pandemic and lockdowns in major cities disrupted the capacity and logistics of the electronic component industry, compounding the situation.

### Management's outlook for FY23

Management expects Valuetronics to remain profitable in FY23 but believes components shortages and inflationary cost pressure will exert a negative impact on its gross profit margin. In its results statement (posted to SGX), management also highlighted that the revenue rebound in the CE segment that was seen in FY22 is not expected to recur due to lower customer forecasts and the components shortage problem.

### Historical valuation

Based on the closing price of S\$0.525 on 27 May 2022, Valuetronics is trading at a historical FY22 P/E/P/BV of 11.5x/0.94x. Historical FY22 dividend yield is 4.65%. Valuetronics paid dividends over FY08-22. On 25 Feb 2022, Valuetronics announced a HK\$250m share buyback programme.

### Analyst(s)


**William TNG, CFA**

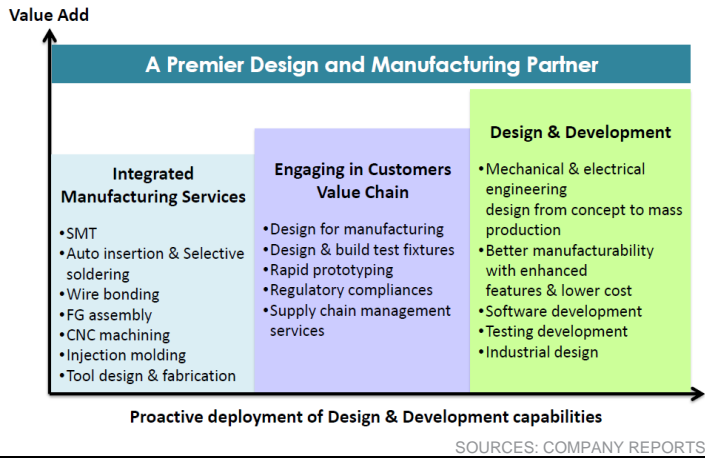
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FYE Mar (HK\$m)	FY18	FY19	FY20	FY21	FY22
Revenue	2,853.7	2,828.8	2,354.4	2,281.5	2,027.4
Gross profit	414.6	430.3	362.8	386.2	247.8
Gross profit margin	14.5%	15.2%	15.4%	16.9%	12.2%
Net profit	204.7	199.5	178.9	187.1	113.5
EPS (HK\$)	0.481	0.462	0.412	0.430	0.261
EPS growth	30.7%	-4.0%	-10.8%	4.4%	-39.3%
P/E (x)	6.3	6.5	7.3	7.0	11.5
DPS (HK\$)	0.270	0.250	0.200	0.210	0.140
Dividend yield	8.96%	8.30%	6.64%	6.97%	4.65%
BVPS (HK\$)	2.475	2.675	2.831	3.092	3.200
P/BV (x)	1.22	1.13	1.06	0.97	0.94
ROE	19.30%	17.20%	14.50%	13.90%	8.29%
Net gearing (x)	net cash	net cash	net cash	net cash	net cash

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 1: Business model**



**Figure 2: Key milestones**

1992	2002	2003	2005	2007	2008	2008
Headquartered in Hong Kong with manufacturing facilities in Danshui Town PRC	Use of ROHS equipment and accredited with TL9000	Adopted work cell management & updated to ISO9001:2000	Became Phillips preferred supplier for its consumer lifestyle segment	Listed on SGX-Mainboard & commenced construction for Daya Bay Facility	Became Phillips preferred supplier for its Lighting segment	Completed Phase 1 construction of Daya Bay Facility
2012	2014	2015	2017	2019	2019	2021
Celebrated 20 <sup>th</sup> anniversary with revenue crossing HK\$2 billion	Adoption of formal dividend policy	Received TS16949 certification	Received 2016 Above & Beyond – Pinnacle Award for Supplier Excellence from Delphi	Awarded 2019 Sustainability Award, Small Cap – Runner Up from SIAS	Established Manufacturing footprint in Vietnam	Completed construction of Vietnam Campus

SOURCES: COMPANY REPORTS

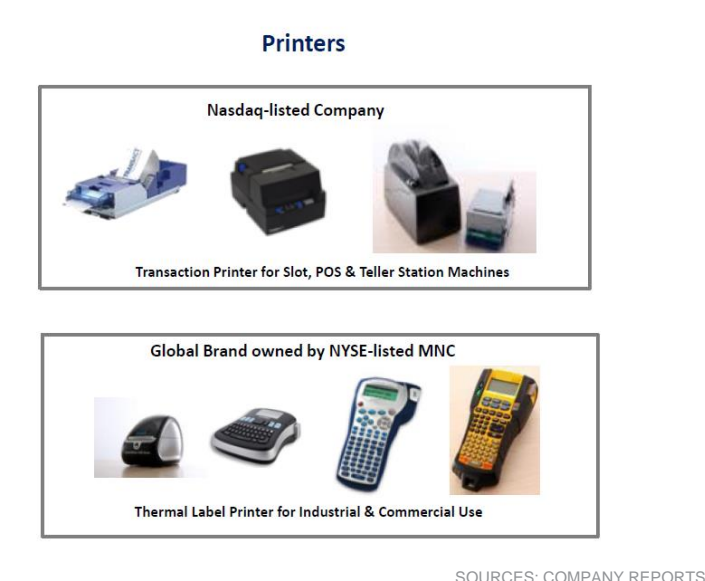
**Figure 3: China facility**



**Figure 4: Vietnam facility**



**Figure 5: ICE product examples**



**Figure 6: CE product examples**

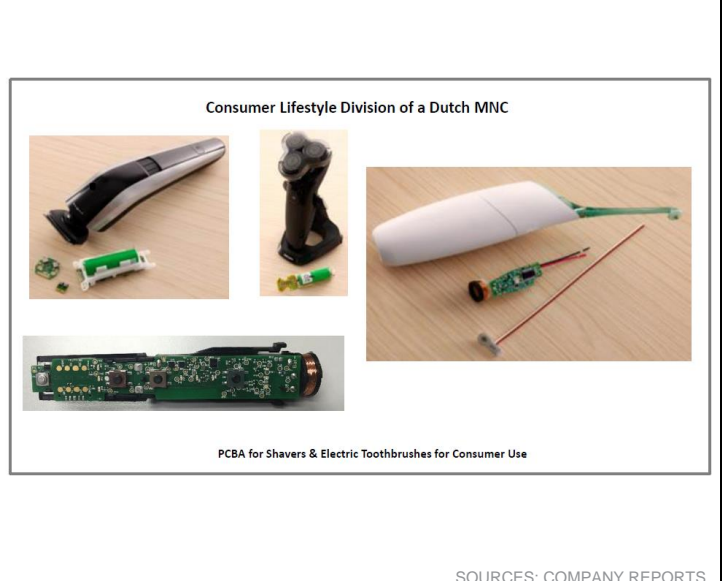
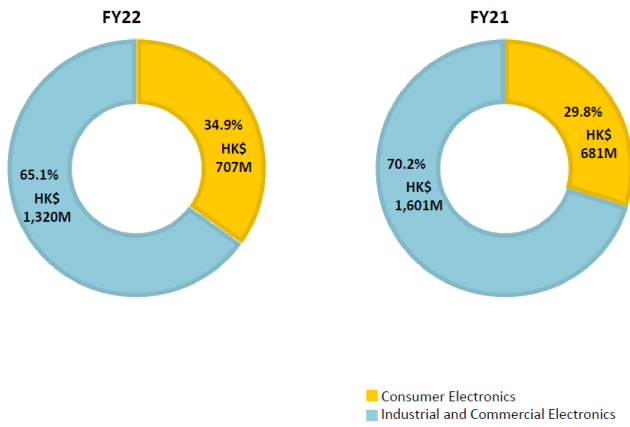
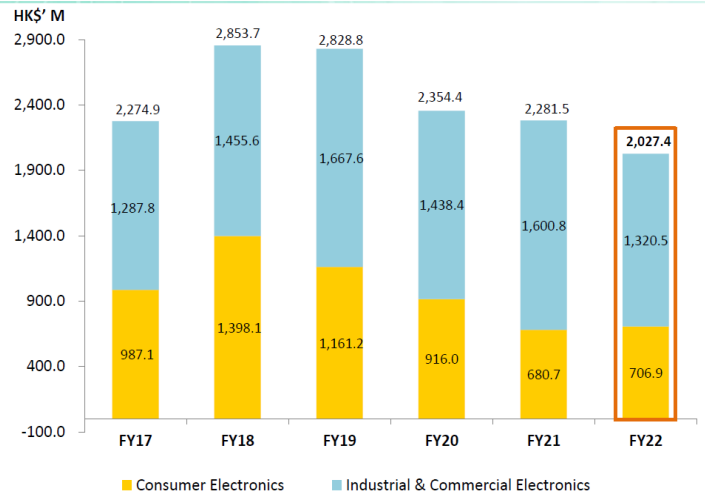


Figure 7: FY21/22 revenue breakdown



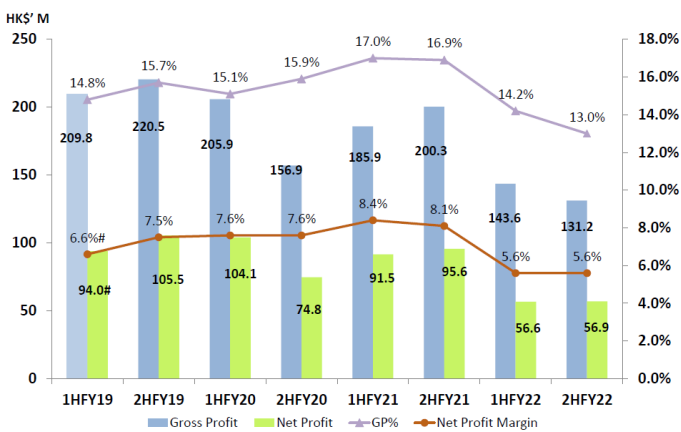
SOURCES: COMPANY REPORTS

Figure 8: FY17-22 revenue trend



SOURCES: COMPANY REPORTS

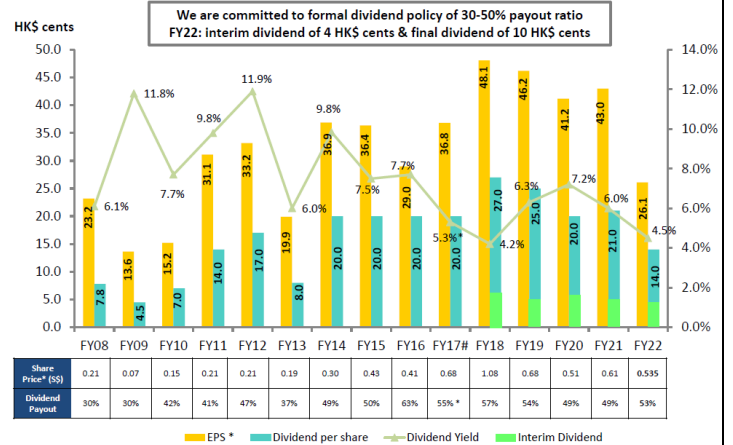
Figure 9: 1H19-2H22 gross profit/net profit trend



# Included the impairment loss of HK\$13.6M recognised in respect of flash floods at the Danshui Factory

SOURCES: COMPANY REPORTS

Figure 10: FY08-22 dividend track record



\* Adjusted for 1:10 bonus issue completed on Jun 2017 # Quantum of dividend increased by 10% under 1:10 bonus issue

SOURCES: COMPANY REPORTS

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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.

<b>Score Range:</b>	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
<b>Description:</b>	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 March 2022		
632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%
Reduce	7.8%	0.2%

### 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, **BCP** - Excellent, Certified, **BCPG** – 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, **CENEL** –



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, **NRF** – 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	
<b>Stock Ratings</b>	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.
<i>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.</i>	
<b>Sector Ratings</b>	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.
<b>Country Ratings</b>	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.

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