

Singapore

ADD (no change)

Consensus ratings*: Buy 8 Hold 4 Sell 0

Current price:	S\$13.73
Target price:	S\$15.90
Previous target:	S\$16.61
Up/downside:	15.8%
CGS-CIMB / Consensus:	6.9%
Reuters:	VENM.SI
Bloomberg:	VMS SP
Market cap:	US\$2,974m
	S\$3,985m
Average daily turnover:	US\$8.32m
	S\$11.17m
Current shares o/s:	291.1m
Free float:	92.9%

*Source: Bloomberg

Key changes in this note

- FY23F EPS forecast reduced by 1.3%.
- FY24F EPS forecast reduced by 7.2%.
- FY25F EPS forecast reduced by 4.3%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2.5	19.9	-24.7
Relative (%)	2.7	17.2	-19.9

Major shareholders	% held
Wong Ngit Liong	7.1
Schrodgers	6.8

Analyst(s)



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Venture Corporation

FY23F net profit could fall 27.9% yoy

- Venture reports FY23F results on 22 Feb 2024. We think FY23F net profit could fall 27.9% yoy as customers' orders could remain weak.
- The overall revenue outlook may continue to remain weak over FY24-25F. Hence, we reduce our FY24-25F revenue forecasts by 1.5-2.0%.
- We reiterate our Add call with a lower TP of S\$15.90 as our FY25F 2.0% cut in revenue forecast leads to a 4.3% decrease in EPS forecast.

Read through from Plexus (PLXS US, NR, CP: US\$99.50)

On 16 Jan 2024, Plexus announced that it would not meet its 1QFY9/24F revenue guidance of US\$990m to US\$1.03bn (issued in Oct 2023) as the company experienced continued market-driven inventory corrections and incrementally weaker demand from the Healthcare/Lifesciences and Industrial market sectors. Plexus now expects 1Q24F revenue of US\$980m-985m (1.0-4.4%) lower than previously guided. In its 9M23 business update press release, Venture said its performance was affected by softened demand and inventory adjustments from its customers. We think the read through from Plexus is that 4Q23F demand environment could similarly remain weak for Venture.

Key customers' revenue growth outlook has slowed

We note that Bloomberg consensus revenue growth expectations for Venture's customers have slowed from 1.24%/5.20%/7.81% for FY23F/FY24F/FY25F as at 6 Oct 2023 to -negative 0.72%/2.58%/6.85% as at 17 Jan 2024. Similarly, for Venture's Lifesciences customers, Bloomberg consensus FY23-25F revenue growth expectations (as at 6 Oct 2023) of 0.16%/5.71%/7.83% have now slowed to -2.95%/0.51%/7.33% as at 17 Jan 2024.

Lowering FY23-25F forecasts

Given the read through from Plexus and the slower revenue growth expectations by Bloomberg consensus as at 17 Jan 2024, we reduce our FY23-25F revenue forecasts by 0.5-2.0% to be conservative. Hence, we cut our FY23-25F EPS forecasts by 1.3-7.2%. We expect FY23F net profit to fall 27.9% yoy to S\$266.6m while 4Q23F net profit could be S\$66.3m (flat qoq, -35.4% yoy). Our DPS forecasts of S\$0.75 over FY23-25F are intact.

Reiterate Add, TP lowered to S\$15.90 due to EPS forecast cut

We reiterate our Add call on Venture given its 5.46% dividend yield (over FY23-25F) and potential for EPS growth resumption in FY24-25F. We retain our valuation basis of 14.6x FY25F P/E (15-year average). Given the FY25F EPS forecast reduction, we lower our TP to S\$15.90 (S\$16.61 previously). Re-rating catalysts include: new product launches by customers and better-than-expected revenue opportunities over FY24-25F as further business opportunities arise from corporations keen to diversify their production orders from China to Malaysia. Key downside risks include: 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-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (S\$m)	3,107	3,864	3,147	3,273	3,421
Net Profit (S\$m)	312.1	369.6	266.6	291.3	316.9
Core EPS (S\$)	1.08	1.28	0.92	1.00	1.09
Core EPS Growth	5.0%	18.4%	(27.9%)	8.3%	8.8%
FD Core P/E (x)	12.80	10.79	14.98	13.72	12.61
Price To Sales (x)	1.27	1.02	1.26	1.22	1.17
DPS (S\$)	0.75	0.75	0.75	0.75	0.75
Dividend Yield	5.46%	5.46%	5.46%	5.46%	5.46%
EV/EBITDA (x)	8.26	6.79	8.26	7.07	6.38
P/FCFE (x)	44.92	16.34	6.26	11.79	14.37
Net Gearing	(29.2%)	(27.7%)	(41.8%)	(44.8%)	(45.4%)
P/BV (x)	1.47	1.40	1.38	1.35	1.31
ROE	11.8%	13.3%	9.3%	10.0%	10.5%
% Change In Core EPS Estimates			(1.26%)	(7.23%)	(4.28%)
EPS/Consensus EPS (x)			0.98	0.95	0.95

SOURCES: CGS-CIMB RESEARCH, 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	3,147.5	3,273.4	3,420.7	(0.5)	(1.5)	(2.0)
Pre-tax profit	329.8	383.4	404.2	325.6	355.7	386.9	(1.3)	(7.2)	(4.3)
Net profit	270.0	314.0	331.1	266.6	291.3	316.9	(1.3)	(7.2)	(4.3)
Number of shares (m)	291.0	291.0	291.0	291.0	291.0	291.0	0.0	0.0	0.0
								<u>chg (% pts)</u>	
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 (%)	10.4	11.5	11.6	10.3	10.9	11.3	(0.1)	(0.7)	(0.3)
Net profit margin (%)	8.5	9.5	9.5	8.5	8.9	9.3	(0.1)	(0.6)	(0.2)

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 2: Revenue growth rate expectations of Venture's customers

	As at		Comments
	17 Jan 2024	6 Oct 2023	
CY23F	-0.72%	1.24%	Bloomberg consensus now expects CY23F yoy revenue decline of 0.72% versus yoy growth of 1.24% previously.
CY24F	2.58%	5.20%	CY24F revenue growth expectations by Bloomberg consensus has declined to 2.58% from 5.20% previously.
CY25F	6.85%	7.81%	Bloomberg consensus now sees CY25F revenue growth of 6.85% from a higher 7.81% previously.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG CONSENSUS ESTIMATES AS AT 17 JAN 2024

Figure 3: Revenue growth rate expectations of Venture's lifesciences customers

	As at		Comments
	17 Jan 2024	6 Oct 2023	
CY23F	-2.95%	0.16%	Bloomberg consensus now expects CY23F yoy revenue decline of 2.95% versus yoy growth of 0.16% previously.
CY24F	0.51%	5.71%	CY24F revenue growth expectations by Bloomberg consensus has declined to 0.51% from 5.71% previously.
CY25F	7.33%	7.83%	Bloomberg consensus now sees CY25F revenue growth of 7.33% from a higher 7.83% previously.

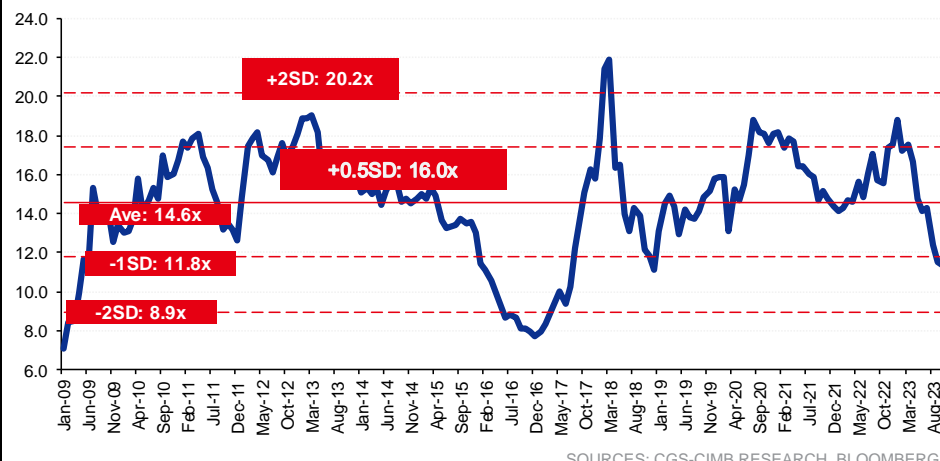
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG CONSENSUS ESTIMATES AS AT 17 JAN 2024

Figure 4: Peer comparison

Company	Bloomberg Ticker	Bloomberg Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)		3-year EPS CAGR (%)	P/BV (x) CY23F	Recurring ROE (%) CY23F	Dividend Yield (%) CY23F
						CY23F	CY24F				
Venture Corporation	VMS SP	ADD	13.73	15.90	2,974	14.7	12.7	-3.0%	1.38	9.4%	5.5%
US											
Benchmark Electronics	BHE US	NR	25.83	NA	963	12.7	12.1	16.0%	0.90	6.9%	2.4%
Celestica Inc	CLS US	NR	30.90	NA	3,647	13.1	11.5	36.9%	na	na	na
Flextronics International	FLEX US	NR	22.98	NA	10,016	13.1	8.1	20.5%	1.73	18.6%	na
Jabil Circuit	JBL US	NR	124.6	NA	15,710	20.3	13.2	17.7%	6.95	37.5%	0.3%
Plexus Corp	PLXS US	NR	98.35	NA	2,733	19.5	16.4	11.5%	2.19	11.9%	na
Sanmina-SCI Corp	SANM US	NR	51.14	NA	2,928	9.5	8.9	4.0%	na	14.7%	na
Simple Average (US)						14.7	11.7	17.8%	2.94	17.9%	1.4%
Simple Average (all co)						14.7	11.8	14.8%	2.63	16.5%	2.7%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG
NOTE: FORECASTS FOR NOT RATED COMPANIES ARE BLOOMBERG CONSENSUS ESTIMATES
DATA AS AT 24 JAN 2024

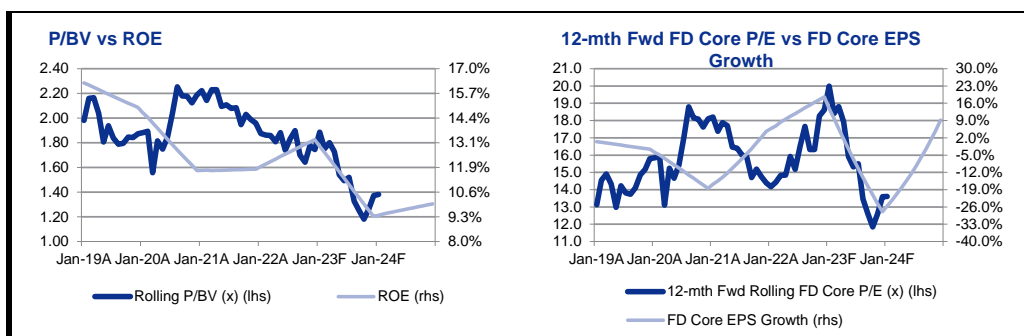
Figure 5: 12-month forward rolling P/E (x)



Refinitiv ESG Scores	
<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: #90EE90; padding: 5px; border: 1px solid black; text-align: center;">C+</div> <div style="background-color: #90EE90; padding: 5px; border: 1px solid black; text-align: center;">A+</div> <div style="background-color: #90EE90; padding: 5px; border: 1px solid black; text-align: center;">C+</div> <div style="background-color: #FFDAB9; padding: 5px; border: 1px solid black; text-align: center;">D+</div> <div style="background-color: #90EE90; padding: 5px; border: 1px solid black; text-align: center;">B-</div> <div style="background-color: #90EE90; padding: 5px; border: 1px solid black; text-align: center;">B</div> </div>	
ESG Score ESG Controversies Score ESG Combined Score ESG Environment Pillar Score ESG Social Pillar Score ESG Government Pillar Score	
<p>ESG in a nutshell</p> <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>Keep your eye on</p> <p>Customer concentration risk.</p>	<p>Implications</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>ESG highlights</p> <p>Based on our channel checks, we believe that Venture is involved in manufacturing e-cigarettes.</p>	<p>Implications</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>Trends</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 TCO₂e/\$\$m in 2021 to 22.1 TCO₂e/\$\$m in 2022.</p>	<p>Implications</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>

SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS



Profit & Loss

(\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Net Revenues	3,107	3,864	3,147	3,273	3,421
Gross Profit	810	940	773	825	869
Operating EBITDA	383	467	334	378	409
Depreciation And Amortisation	(37)	(33)	(34)	(36)	(36)
Operating EBIT	346	434	299	342	373
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
Profit Before Tax (pre-EI)	360	449	326	356	387
Exceptional Items	0	0	0	0	0
Pre-tax Profit	360	449	326	356	387
Taxation	(47)	(79)	(59)	(64)	(70)
Exceptional Income - post-tax					
Profit After Tax	312	370	267	292	317
Minority Interests	(0)	(0)	(0)	(0)	(0)
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	312	370	267	291	317
Recurring Net Profit	312	370	267	291	317
Fully Diluted Recurring Net Profit	312	370	267	291	317

Cash Flow

(\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
EBITDA	383.3	467.2	333.6	377.8	409.0
Cash Flow from Inv. & Assoc.	(0.2)	(0.3)	(0.0)	(0.0)	(0.0)
Change In Working Capital	(241.5)	(152.6)	366.7	42.3	(44.5)
(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)	(58.6)	(64.0)	(69.6)
Cashflow From Operations	101.8	269.1	642.6	356.4	295.6
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
Cash Flow From Investing	(2.1)	(24.9)	(5.0)	(17.5)	(17.5)
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
Cash Flow From Financing	(225.7)	(215.7)	(218.3)	(218.3)	(218.3)
Total Cash Generated	(126.0)	28.5	419.3	120.6	59.8
Free Cashflow To Equity	88.9	244.2	637.5	338.9	278.1
Free Cashflow To Firm	100.2	244.7	638.3	339.6	278.8

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	1,232	1,353	1,414
Total Debtors	829	906	776	807	843
Inventories	1,049	1,065	813	671	699
Total Other Current Assets	51	49	49	49	49
Total Current Assets	2,738	2,833	2,870	2,880	3,005
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
Total Non-current Assets	898	918	914	909	903
Short-term Debt	9	11	11	11	11
Current Portion of Long-Term Debt					
Total Creditors	644	533	517	448	469
Other Current Liabilities	255	349	349	349	349
Total Current Liabilities	907	893	877	808	829
Total Long-term Debt	5	13	13	13	13
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0	0	0	0	0
Total Non-current Liabilities	5	13	13	13	13
Total Provisions	4	2	2	2	2
Total Liabilities	916	909	893	824	844
Shareholders' Equity	2,716	2,840	2,888	2,961	3,060
Minority Interests	3	3	4	4	4
Total Equity	2,719	2,843	2,892	2,965	3,064

Key Ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	3.1%	24.3%	(18.5%)	4.0%	4.5%
Operating EBITDA Growth	2.6%	21.9%	(28.6%)	13.2%	8.3%
Operating EBITDA Margin	12.3%	12.1%	10.6%	11.5%	12.0%
Net Cash Per Share (S\$)	2.73	2.71	4.15	4.57	4.78
BVPS (S\$)	9.35	9.77	9.92	10.18	10.51
Gross Interest Cover	819.0	840.1	394.0	450.2	491.2
Effective Tax Rate	13.1%	17.6%	18.0%	18.0%	18.0%
Net Dividend Payout Ratio	60.6%	48.6%	67.1%	61.4%	56.5%
Accounts Receivables Days	89.97	81.98	97.55	88.51	88.06
Inventory Days	135.5	132.0	144.4	110.9	98.0
Accounts Payables Days	82.69	73.45	80.74	72.18	65.58
ROIC (%)	20.9%	22.8%	14.7%	20.6%	23.2%
ROCE (%)	13.2%	15.8%	11.2%	12.0%	12.7%
Return On Average Assets	10.3%	11.9%	8.0%	9.1%	9.7%

Key Drivers

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue growth (%)	3.1%	24.3%	-18.5%	4.0%	4.5%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	N/A

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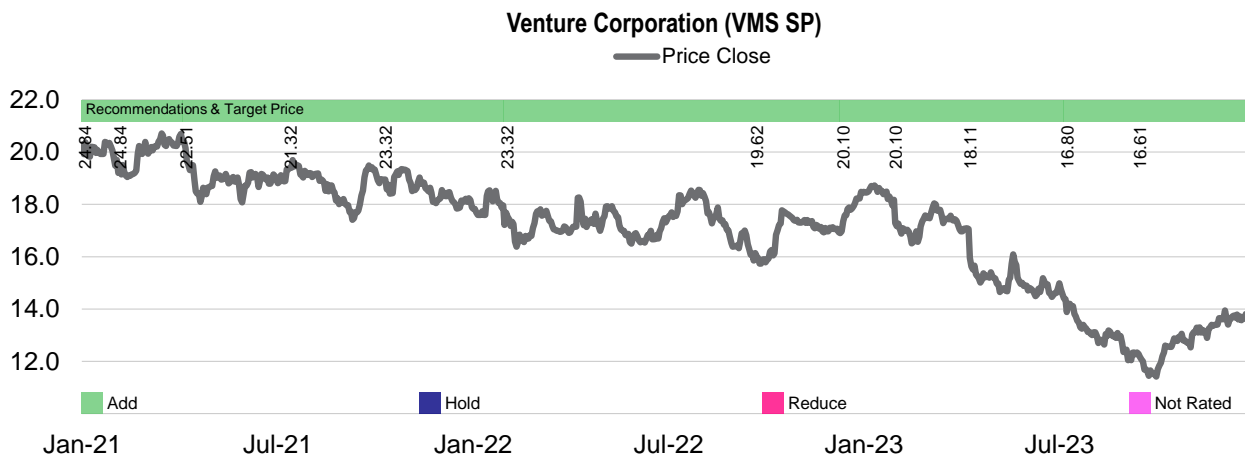
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2023		
636 companies under coverage for quarter ended on 31 December 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	67.5%	1.3%
Hold	22.5%	0.0%
Reduce	10.1%	0.2%

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.
<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>	
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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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