

Singapore

ADD (no change)

Consensus ratings*: Buy 2 Hold 0 Sell 0

Current price:	S\$0.485
Target price:	S\$0.62
Previous target:	S\$0.62
Up/downside:	27.8%
CGSI / Consensus:	1.6%
Reuters:	GRAN.SI
Bloomberg:	GVTL SP
Market cap:	US\$122.5m
	S\$164.6m
Average daily turnover:	US\$0.04m
	S\$0.06m
Current shares o/s:	330.8m
Free float:	41.0%

*Source: Bloomberg

Key changes in this note

- FY24F EPS forecast reduced by 19.6%.
- FY25F EPS forecast unchanged.
- FY26F forecasts introduced.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-5.8	-4	-7.6
Relative (%)	-6.2	-6.5	-4.2

Major shareholders	% held
NT SPV 12	26.7
Lee Tiam Nam	15.3

Analyst(s)

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Grand Venture Technology Ltd

GVT guides 1H24F revenue of S\$58m-64m

- FY23 revenue of S\$111.3m (-15.1% yoy) was 3.0%/2.0% above our/Bloomberg consensus' forecasts.
- FY23 net profit of S\$5.5m (-58.4% yoy) was 2.7%/5.2% below our/Bloomberg consensus' forecasts.
- Reiterate Add (unchanged S\$0.62 TP) as we expect the semicon industry recovery to drive GVT's net profit recovery over FY24-26F.

FY23 net profit fell 58.4% yoy

Grand Venture Technology's (GVT) FY23 revenue fell 15.1% yoy to S\$111.3m (3.0%/2.0% above our/Bloomberg consensus' forecasts), mainly due to the slowdown in the semicon industry, which led to a 26.6% yoy drop in GVT's semicon revenue. Its other business segments' revenue were largely unchanged in FY23. Lower utilisation rates and higher operating costs arising from investments to secure business with new front-end semicon customers led to a 58.4% yoy decline in FY23 net profit to S\$5.5m (2.7%/5.2% below our/Bloomberg consensus' forecast). A final DPS of 0.1Scts was declared.

GVT targets 1H24F revenue to be S\$58m-64m

In its FY23 results commentary, GVT provided a target revenue of S\$58m-64m in 1H24F (+7.7-18.8% yoy). According to management, the group is starting to see an easing of excess inventory and expects order momentum to pick up towards FY24F. GVT believes that the mid- and long-term outlook of the semiconductor industry's prospects remain strong on the back of rapid investment and innovation in artificial intelligence and its applications. Management said that GVT is continuing to make strides in onboarding its front-end semiconductor customers in the metrology, inspection, etch and wafer deposition segments. It is also working on several first-article inspections for its semiconductor and life sciences customers. Meanwhile, the group will maintain a prudent approach in its cost and operations management.

Reiterate Add on net profit recovery

As GVT's semicon recovery remains 2H24F loaded, we reduce our FY24F revenue expectations by 14.9%, leading to a 19.6% decrease in our EPS forecast. For FY25F, we lower our revenue forecast by 8.7% but expect gross profit margin to improve by 2.48% pts; hence, our FY25F EPS forecast is unchanged. We reiterate our Add call on GVT as we think the worst is over and net profit growth should resume over FY24-26F. Our TP of S\$0.62 is based on FY25F P/E of 11.6x, the average P/E multiple in its last net profit upcycle (FY19-21). Downside risks to our Add call: 1) the expected semicon industry recovery not materialising over FY24-25F, 2) sluggish demand from customers, and 3) orders from new front-end customers not materialising or further delayed. Re-rating catalysts: 1) potential new customer wins with significant purchase orders, 2) accretive M&As, which could raise GVT's revenue over FY24-25F resulting in higher net profits, and 3) a quicker-than-expected return of customer demand.

Financial Summary

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue (S\$m)	131.1	111.3	120.6	142.4	156.8
Net Profit (S\$m)	13.33	5.54	10.38	18.18	20.00
Core EPS (S\$)	0.039	0.016	0.031	0.054	0.059
Core EPS Growth	(25.9%)	(58.4%)	87.2%	75.2%	10.0%
FD Core P/E (x)	12.34	29.68	15.86	9.05	8.23
Price To Sales (x)	1.25	1.48	1.36	1.16	1.05
DPS (S\$)	0.006	0.001	0.006	0.011	0.012
Dividend Yield	1.24%	0.21%	1.26%	2.21%	2.43%
EV/EBITDA (x)	7.01	9.46	6.12	4.33	3.53
P/FCFE (x)	NA	NA	5.91	15.89	7.47
Net Gearing	31.1%	31.1%	8.5%	2.8%	(9.1%)
P/BV (x)	1.39	1.39	1.30	1.17	1.05
ROE	12.0%	4.7%	8.5%	13.6%	13.4%
% Change In Core EPS Estimates			(19.6%)	(0.0%)	
EPS/Consensus EPS (x)			0.85	1.07	

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 1: Results comparison

FYE Dec (S\$ m)	2H23	2H22	yoy chg	1H23	hoh chg	FY23	FY22	yoy chg	Prev FY23F
Revenue	57.43	64.02	-10.3%	53.87	6.6%	111.30	131.09	-15.1%	108.04
Cost of sales	(43.14)	(46.28)	-6.8%	(40.35)	6.9%	(83.48)	(95.29)	-12.4%	(81.00)
Gross profit	14.30	17.74	-19.4%	13.52	5.7%	27.82	35.80	-22.3%	27.04
Gross profit margin	24.89%	27.71%	-2.81% pts	25.10%	-0.20% pts	24.99%	27.31%	-2.32% pts	25.03%
Operating expenses	(12.28)	(12.26)	0.2%	(9.46)	29.9%	(21.74)	(21.92)	-0.8%	(20.26)
Profit before tax (PBT)	2.01	5.48	-63.2%	4.06	-50.4%	6.08	13.88	-56.2%	6.79
PBT margin	3.51%	8.55%	-5.05% pts	7.54%	-4.04% pts	5.46%	10.59%	-5.13% pts	6.28%
Tax	0.13	0.72	-82.1%	(0.66)	-119.4%	(0.53)	(0.56)	-5.0%	(1.09)
Effective tax rate	Credit	Credit	na	16.22%	na	8.74%	4.03%	+4.71% pts	16.00%
Net profit	2.14	6.19	-65.4%	3.40	-37.1%	5.54	13.33	-58.4%	5.70
Net profit margin	3.73%	9.67%	-5.90% pts	6.32%	-2.60% pts	4.98%	10.17%	-5.20% pts	5.28%
EPS (Scts)	0.63	1.83	-65.6%	1.00	-37.0%	1.63	3.94	-58.6%	1.68

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 2: Earnings revision

(S\$m)	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F
Revenue	141.60	155.97	120.56	142.38	(14.9)	(8.7)
Gross margin	27.01%	27.53%	29.28%	30.01%	2.27%	2.48%
Operating expenses	(21.88)	(21.29)	(22.65)	(21.09)	3.5	(1.0)
Net profit	12.91	18.18	10.38	18.18	(19.6)	(0.0)
EPS (S\$)	0.0380	0.0536	0.0306	0.0536	(19.6)	(0.0)
No. of shares (m)	339.29	339.29	339.29	339.29	0.0	0.0

SOURCES: CGSI ESTIMATES, COMPANY REPORTS

Figure 3: Peer comparison

Company	Bloomberg Ticker	Price Recom.	(lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x) CY23F	P/E (x) CY24F	3-year EPS CAGR (%)	P/BV (x) CY23F	Recurring ROE (%) CY23F	Dividend Yield (%) CY23F
Singapore											
Grand Venture Technology Ltd	GVTL SP	ADD	0.485	0.62	122	29.7	15.9	11.9%	1.39	4.6%	0.2%
Benchmark Electronics Inc	BHE US	NR	29.73	NA	1,061	16.4	15.7	7.9%	0.98	6.1%	2.2%
Celestica Inc	CLS US	NR	40.43	NA	4,803	19.8	14.2	38.4%	2.72	14.2%	0.0%
Flex Ltd	FLEX US	NR	28.15	NA	11,856	16.1	12.0	15.5%	2.13	17.8%	0.0%
Freuncken Group Ltd	FRKN SP	Add	1.50	1.37	477	24.6	16.5	-1.6%	1.55	6.4%	1.2%
SAM Engineering & Equipment	SEQB MK	Hold	4.85	4.18	687	31.1	26.6	9.5%	2.54	9.3%	0.4%
UWC BHD	UWC MK	NR	3.44	NA	800	68.9	34.3	20.7%	8.44	15.6%	0.2%
Simple Average excluding GVT						29.5	19.9	15.1%	3.06	11.6%	0.7%

DATA AS AT 26 FEB 2024

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Note: Estimates for Not Rated (NR) companies are based on Bloomberg consensus



ESG in a nutshell

Founded in 2012, Grand Venture Technology Limited (GVT) is a services provider for the manufacture of complex precision machining and sheet metal components and modules. The group released its inaugural sustainability report for the year 2020, with the objective of becoming a responsible corporate citizen.

Keep your eye on

Customer concentration risk.

Implications

GVT has three key customers (FY20: 5 customers), with each accounting for more than 10% of FY22 revenue. To mitigate this risk, GVT said it will pursue business opportunities with new customers.

ESG highlights

Given the nature of its manufacturing operations, GVT's consumption of electricity and water directly impacts the environment and the local community where it operates.

Implications

GVT seeks to reduce its carbon footprint by: a) deploying solar energy to supplement its current level of energy consumption; and b) adopt green practices, such as switching off lights at its offices where no users are present, using energy-efficient equipment, setting computers to energy-saving mode, and using air-conditioning only where and when function/meeting rooms are used. In FY22, GVT did not incur any fines for non-compliance with environmental laws and/or regulations.

Trends

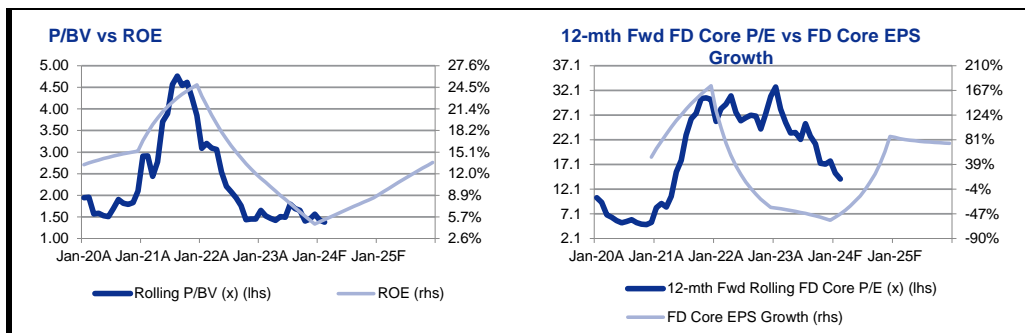
The group is committed to the health and safety of its employees, by providing a safe working environment. GVT views the safety and well-being of its employees as important factors that affect its employees' morale and productivity.

Implications

The group adopts internal health and safety policies contained within its employee handbook. The health and safety policies are designed to protect the employees' health and safety during work, which include segments such as fire safety, personal protective equipment, housekeeping and cleanliness and reporting process for work-related injuries/incidences. In FY22, the group recorded zero cases of work-related injuries and work-related ill health.

SOURCES: CGSI RESEARCH

BY THE NUMBERS



Profit & Loss

(\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Net Revenues	131.1	111.3	120.6	142.4	156.8
Gross Profit	49.8	42.4	51.3	60.0	65.3
Operating EBITDA	28.7	21.3	28.6	38.9	42.6
Depreciation And Amortisation	(14.0)	(14.6)	(16.0)	(17.2)	(18.5)
Operating EBIT	14.7	6.7	12.7	21.6	24.1
Financial Income/(Expense)	(2.4)	(2.3)	(2.3)	(2.3)	(2.3)
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	1.5	1.7	2.0	2.3	2.0
Profit Before Tax (pre-EI)	13.9	6.1	12.4	21.6	23.8
Exceptional Items					
Pre-tax Profit	13.9	6.1	12.4	21.6	23.8
Taxation	(0.6)	(0.5)	(2.0)	(3.5)	(3.8)
Exceptional Income - post-tax					
Profit After Tax	13.3	5.5	10.4	18.2	20.0
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	13.3	5.5	10.4	18.2	20.0
Recurring Net Profit	13.3	5.5	10.4	18.2	20.0
Fully Diluted Recurring Net Profit	13.3	5.5	10.4	18.2	20.0

Cash Flow

(\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
EBITDA	28.70	21.28	28.63	38.87	42.59
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(12.93)	(3.93)	11.12	(15.50)	(6.78)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	1.26	1.22	2.35	2.75	2.35
Net Interest (Paid)/Received	(2.35)	(2.35)	(2.30)	(2.30)	(2.30)
Tax Paid	(1.30)	(0.70)	(1.98)	(3.46)	(3.81)
Cashflow From Operations	13.37	15.52	37.82	20.36	32.04
Capex	(9.73)	(10.24)	(10.00)	(10.00)	(10.00)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	0.08	0.00	0.00	0.00	0.00
Cash Flow From Investing	(9.65)	(10.24)	(10.00)	(10.00)	(10.00)
Debt Raised/(repaid)	(9.55)	(5.53)	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00				
Shares Repurchased	0.00	0.00	0.00	0.00	0.00
Dividends Paid	(2.71)	(1.02)	(2.08)	(3.64)	(4.00)
Preferred Dividends	0.00	0.00	0.00	0.00	0.00
Other Financing Cashflow	(4.59)	0.01	0.00	0.00	0.00
Cash Flow From Financing	(16.85)	(6.54)	(2.08)	(3.64)	(4.00)
Total Cash Generated	(13.13)	(1.25)	25.75	6.72	18.04
Free Cashflow To Equity	(5.83)	(0.24)	27.82	10.36	22.04
Free Cashflow To Firm	6.07	7.64	30.12	12.66	24.34

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	23.1	19.1	45.0	51.9	70.1
Total Debtors	32.0	30.6	33.0	46.0	50.7
Inventories	50.6	56.7	46.7	54.6	60.3
Total Other Current Assets	3.0	3.1	3.1	3.1	3.1
Total Current Assets	108.8	109.6	127.9	155.6	184.2
Fixed Assets	84.4	83.5	77.6	70.3	61.9
Total Investments	0.0	0.0	0.0	0.0	0.0
Intangible Assets	10.2	9.5	8.9	8.4	7.9
Total Other Non-Current Assets	0.7	0.8	0.8	0.8	0.8
Total Non-current Assets	95.3	93.8	87.3	79.5	70.5
Short-term Debt	21.0	23.0	23.0	23.0	23.0
Current Portion of Long-Term Debt					
Total Creditors	23.2	26.2	29.7	35.1	38.7
Other Current Liabilities	0.4	0.4	0.4	0.4	0.4
Total Current Liabilities	44.6	49.6	53.1	58.5	62.1
Total Long-term Debt	38.9	32.9	32.9	32.9	32.9
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	2.6	2.3	2.3	2.3	2.3
Total Non-current Liabilities	41.5	35.1	35.1	35.1	35.1
Total Provisions	0.0	0.0	0.0	0.0	0.0
Total Liabilities	86.1	84.8	88.3	93.6	97.2
Shareholders' Equity	118.1	118.1	126.5	141.0	157.0
Minority Interests					
Total Equity	118.1	118.1	126.5	141.0	157.0

Key Ratios

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue Growth	12.8%	(15.1%)	8.3%	18.1%	10.2%
Operating EBITDA Growth	(5.1%)	(25.9%)	34.6%	35.8%	9.5%
Operating EBITDA Margin	21.9%	19.1%	23.8%	27.3%	27.2%
Net Cash Per Share (S\$)	(0.11)	(0.11)	(0.03)	(0.01)	0.04
BVPS (S\$)	0.35	0.35	0.37	0.42	0.46
Gross Interest Cover	6.25	2.85	5.50	9.41	10.48
Effective Tax Rate	4.0%	8.7%	16.0%	16.0%	16.0%
Net Dividend Payout Ratio	15.3%	6.1%	20.0%	20.0%	20.0%
Accounts Receivables Days	86.3	102.7	96.6	101.3	112.6
Inventory Days	205.5	284.4	273.2	224.4	229.1
Accounts Payables Days	108.3	130.9	147.8	143.6	147.1
ROIC (%)	13.3%	4.2%	8.0%	15.5%	16.3%
ROCE (%)	8.8%	3.8%	7.1%	11.4%	11.8%
Return On Average Assets	8.10%	3.87%	6.06%	9.10%	9.10%

Key Drivers

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Semiconductor revenue growth (%)	-12.2%	-26.6%	10.0%	30.0%	13.0%
Life Sciences - revenue growth (%)	74.1%	-4.0%	10.0%	10.0%	10.0%

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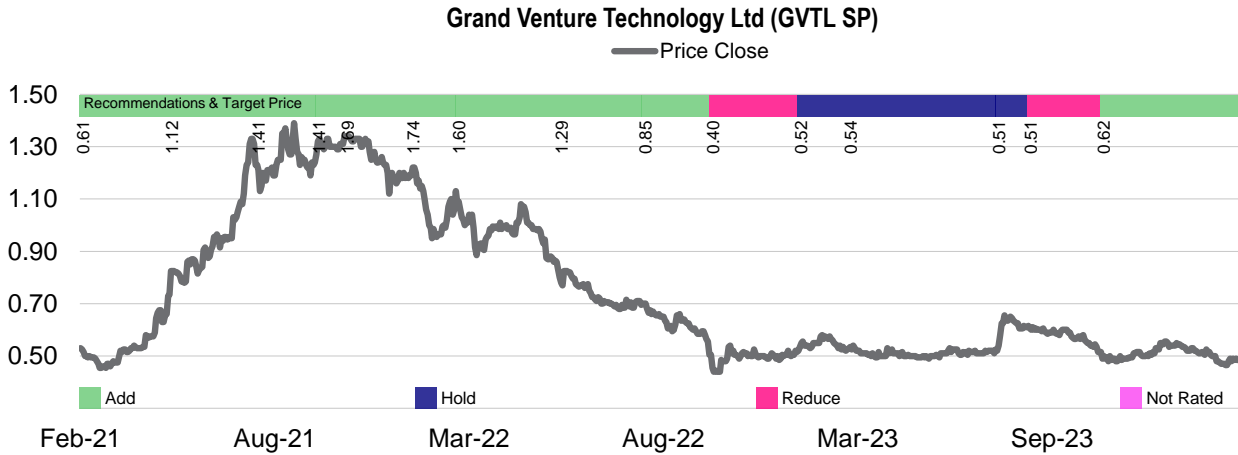
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2023		
636 companies under coverage for quarter ended on 31 December 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	67.5%	1.3%
Hold	22.5%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

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.