

**Singapore**

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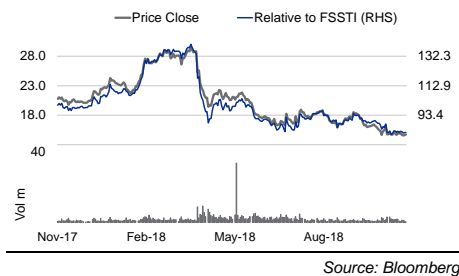
Consensus ratings\*: Buy 7 Hold 1 Sell 2

Current price:	S\$14.72
Target price:	S\$17.44
Previous target:	S\$17.44
Up/downside:	18.5%
CGS-CIMB / Consensus:	-6.5%
Reuters:	VENM.SI
Bloomberg:	VMS SP
Market cap:	US\$3,086m
	S\$4,242m
Average daily turnover:	US\$15.14m
	S\$20.80m
Current shares o/s	288.1m
Free float:	93.0%

\*Source: Bloomberg

**Key financial forecasts**

	Dec-18F	Dec-19F	Dec-20F
Net Profit (S\$m)	363.0	376.9	408.5
Core EPS (S\$)	1.26	1.31	1.42
Core EPS Growth	(0.80%)	3.81%	8.39%
FD Core P/E (x)	11.61	11.25	10.38
Recurring ROE	16.1%	15.3%	15.3%
P/BV (x)	1.80	1.66	1.52
DPS (S\$)	0.60	0.60	0.60
Dividend Yield	4.08%	4.08%	4.08%



Price performance	1M	3M	12M
Absolute (%)	-9.1	-20.4	-30.3
Relative (%)	-9.8	-14.3	-19.5

Major shareholders	% held
Wong Ngit Liong	7.0
Blackrock	6.0
Schroders	5.0

**Analyst(s)**

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# Venture Corporation

## Optimistic on the long-term outlook

- We hosted an NDR for Venture on 23 Nov 2018.
- The company remains confident on its long-term prospects.
- Trade tariffs could prove to be positive for Venture. Meanwhile, the company has various experienced professionals to address the succession issue.

**NDR**

- We hosted an NDR for Venture on 23 Nov 2018 which was attended by 15 investors.
- At the NDR, Venture shared its optimism on the long-term outlook and that it maintained its determined focus to remain an outstanding partner to its customers.
- We maintain our Add rating with TP of S\$17.44 based on 12.3x FY20F P/E (0.5 s.d. below the 11-year average of 15.3x).
- Catalysts include stronger-than-expected customer orders while a key risk is delay in customer orders.

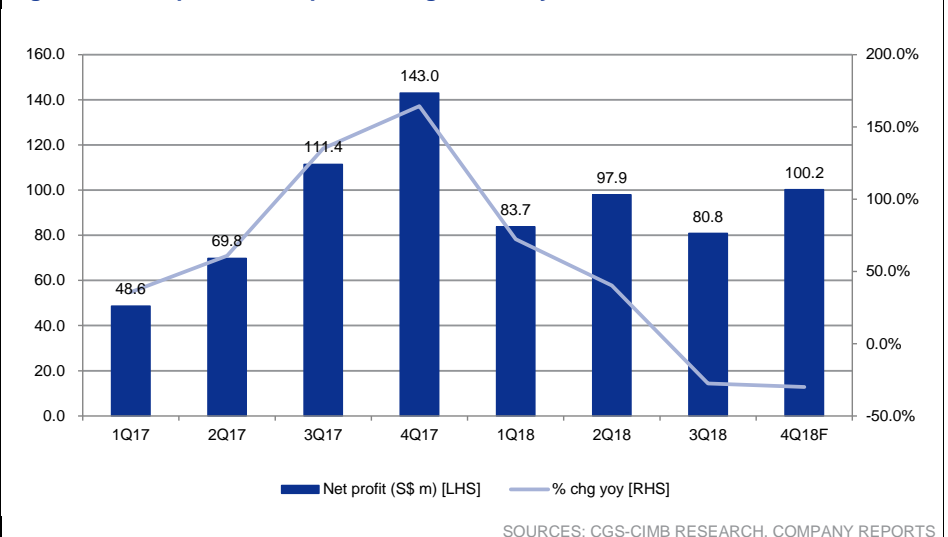
**Innovating into the future**

- Chairman and CEO, Mr. NL Wong, shared that he remains optimistic on the long-term growth outlook for the company.
- Venture will continue to go beyond operational excellence and has allocated resources to identify new business clusters/technology domains where it can add value and justify better margins.

**Key takeaways from the NDR**

- Venture thinks it will benefit from the current US-China trade tension but global manufacturing supply chains will take time to change.
- According to management, Venture generally tries to aim for a 6-10% net profit margin range. This, however, requires the whole corporation to work in tandem, in our view, and Venture would have to continuously add new differentiating capabilities.
- Venture has more than 50-60 key professionals in the company that are part of the team that is driving future growth for the company.

**Figure 1: We expect a V-shaped earnings recovery in 4Q18F**



**Figure 2: Peers comparison**

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)		3-year EPS CAGR (%)	P/BV (x) CY18F	Recurring ROE (%) CY18F	Dividend Yield (%) CY18F
						CY18F	CY19F				
Venture Corporation	VMS SP	Add	14.72	17.44	3,091	11.7	11.3	3.9%	1.80	16.3%	4.1%
<b>US</b>											
Benchmark Electronics	BHE US	NR	23.29	NA	1,018	16.6	13.9	na	na	na	na
Celestica Inc	CLS US	NR	9.82	NA	1,358	9.0	7.7	25.6%	1.01	11.5%	0.0%
Flextronics International	FLEX US	NR	8.13	NA	4,281	10.0	6.7	22.9%	1.33	17.2%	0.0%
Jabil Circuit	JBL US	NR	24.36	NA	3,943	48.7	7.8	74.4%	2.03	11.0%	1.3%
Plexus Corp	PLXS US	NR	58.72	NA	1,848	146.8	14.6	20.2%	2.02	4.4%	na
Sanmina-SCI Corp	SANM US	NR	26.22	NA	1,790	na	8.9	45.7%	na	-1.4%	0.0%
<b>Simple Average (US)</b>						<b>11.9*</b>	<b>10.0</b>	<b>37.8%</b>	<b>1.60</b>	<b>8.5%</b>	<b>1.3%</b>
<b>Simple Average (all co)</b>						<b>11.8</b>	<b>10.1</b>	<b>32.1%</b>	<b>1.7</b>	<b>12.1%</b>	<b>2.7%</b>

As at 23 Nov 2018

SOURCES: BLOOMBERG, CGS-CIMB RESEARCH, COMPANY REPORTS

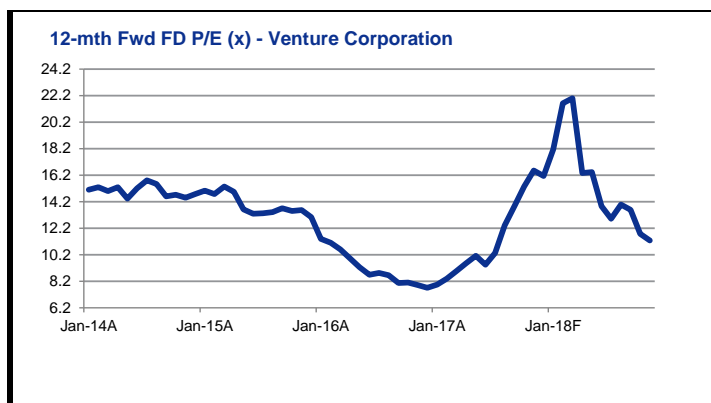
\*Excluding Jabil &amp; Plexus

Forecasts for all NR companies are based on Bloomberg consensus estimates

## BY THE NUMBERS

Profit & Loss				
(\$m)	Dec-17A	Dec-18F	Dec-19F	Dec-20F
<b>Total Net Revenues</b>	<b>4,005</b>	<b>3,604</b>	<b>3,784</b>	<b>3,974</b>
<b>Gross Profit</b>	<b>965</b>	<b>991</b>	<b>1,041</b>	<b>1,093</b>
<b>Operating EBITDA</b>	<b>457</b>	<b>443</b>	<b>480</b>	<b>520</b>
Depreciation And Amortisation	(31)	(30)	(31)	(33)
<b>Operating EBIT</b>	<b>426</b>	<b>413</b>	<b>449</b>	<b>487</b>
Financial Income/(Expense)	3	8	3	3
Pretax Income/(Loss) from Assoc.	2	0	0	0
Non-Operating Income/(Expense)	14	6	2	2
<b>Profit Before Tax (pre-EI)</b>	<b>444</b>	<b>427</b>	<b>454</b>	<b>492</b>
Exceptional Items	0	0	0	0
<b>Pre-tax Profit</b>	<b>444</b>	<b>427</b>	<b>454</b>	<b>492</b>
Taxation	(71)	(64)	(77)	(84)
Exceptional Income - post-tax				
<b>Profit After Tax</b>	<b>373</b>	<b>363</b>	<b>377</b>	<b>408</b>
Minority Interests	0	0	0	0
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
<b>Net Profit</b>	<b>373</b>	<b>363</b>	<b>377</b>	<b>408</b>
Recurring Net Profit	362	363	377	408
<b>Fully Diluted Recurring Net Profit</b>	<b>362</b>	<b>363</b>	<b>377</b>	<b>408</b>

Cash Flow				
(\$m)	Dec-17A	Dec-18F	Dec-19F	Dec-20F
EBITDA	456.7	443.0	480.4	520.0
Cash Flow from Inv. & Assoc.	(1.7)	0.0	0.0	0.0
Change In Working Capital	13.8	(227.6)	(42.1)	(44.2)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	2.4	2.4	2.4	2.4
Net Interest (Paid)/Received	2.8	8.0	3.0	3.0
Tax Paid	(50.3)	(91.9)	(64.1)	(77.2)
<b>Cashflow From Operations</b>	<b>423.8</b>	<b>133.8</b>	<b>379.6</b>	<b>404.0</b>
Capex	(37.0)	(88.5)	(30.0)	(30.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	23.0	6.0	1.0	1.0
<b>Cash Flow From Investing</b>	<b>(14.0)</b>	<b>(82.5)</b>	<b>(29.0)</b>	<b>(29.0)</b>
Debt Raised/(repaid)	(56.3)	104.2	0.0	0.0
Proceeds From Issue Of Shares	46.2	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(140.7)	(170.8)	(172.9)	(172.9)
Preferred Dividends				
Other Financing Cashflow	24.5	0.0	0.0	0.0
<b>Cash Flow From Financing</b>	<b>(126.3)</b>	<b>(66.6)</b>	<b>(172.9)</b>	<b>(172.9)</b>
Total Cash Generated	283.5	(15.2)	177.8	202.1
<b>Free Cashflow To Equity</b>	<b>353.5</b>	<b>155.5</b>	<b>350.6</b>	<b>375.0</b>
<b>Free Cashflow To Firm</b>	<b>410.8</b>	<b>52.4</b>	<b>351.6</b>	<b>376.0</b>



Balance Sheet				
(\$m)	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Cash And Equivalents	752	729	889	1,080
Total Debtors	824	948	995	1,045
Inventories	700	644	677	710
Total Other Current Assets	0	0	0	0
<b>Total Current Assets</b>	<b>2,276</b>	<b>2,321</b>	<b>2,561</b>	<b>2,836</b>
Fixed Assets	198	257	257	255
Total Investments	30	24	26	28
Intangible Assets	640	640	640	640
Total Other Non-Current Assets	1	20	20	20
<b>Total Non-current Assets</b>	<b>868</b>	<b>941</b>	<b>943</b>	<b>943</b>
Short-term Debt	31	109	109	109
Current Portion of Long-Term Debt				
Total Creditors	910	750	788	827
Other Current Liabilities	34	15	15	15
<b>Total Current Liabilities</b>	<b>974</b>	<b>874</b>	<b>912</b>	<b>951</b>
Total Long-term Debt	0	26	26	26
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	0	0	0
<b>Total Non-current Liabilities</b>	<b>0</b>	<b>26</b>	<b>26</b>	<b>26</b>
Total Provisions	2	3	3	3
<b>Total Liabilities</b>	<b>976</b>	<b>904</b>	<b>941</b>	<b>981</b>
Shareholders' Equity	2,166	2,356	2,560	2,796
Minority Interests	2	2	2	2
<b>Total Equity</b>	<b>2,168</b>	<b>2,358</b>	<b>2,562</b>	<b>2,798</b>

Key Ratios				
	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue Growth	39.3%	(10.0%)	5.0%	5.0%
Operating EBITDA Growth	85.0%	(3.0%)	8.4%	8.2%
Operating EBITDA Margin	11.4%	12.3%	12.7%	13.1%
Net Cash Per Share (\$\$)	2.54	2.06	2.62	3.28
BVPS (\$\$)	7.61	8.18	8.89	9.70
Gross Interest Cover	420.6	408.2	443.8	481.4
Effective Tax Rate	16.0%	15.0%	17.0%	17.0%
Net Dividend Payout Ratio	38.5%	40.5%	38.1%	35.1%
Accounts Receivables Days	67.39	83.78	87.86	88.10
Inventory Days	79.42	93.87	87.86	88.10
Accounts Payables Days	64.99	82.67	80.79	81.01
ROIC (%)	28.0%	29.1%	25.8%	27.3%
ROCE (%)	20.2%	18.0%	17.4%	17.4%
Return On Average Assets	14.9%	13.1%	13.3%	13.4%

Key Drivers				
	Dec-17A	Dec-18F	Dec-19F	Dec-20F
ASP Change (% , Main Product)	0.0%	0.0%	0.0%	0.0%
Unit sales growth (% , main prod)	6.8%	6.8%	6.8%	6.8%
No. Of Lines (main Product)	N/A	N/A	N/A	N/A
Rev per line (US\$, main prod)	N/A	N/A	N/A	N/A
ASP chg (% , 2ndary prod)	N/A	N/A	N/A	N/A
Unit sales grth (% , 2ndary prod)	N/A	N/A	N/A	N/A
No. Of Lines (secondary Product)	N/A	N/A	N/A	N/A
Rev per line (US\$, 2ndary prod)	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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<b>Score Range:</b>	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
<b>Description:</b>	Excellent	Very Good	Good	N/A	

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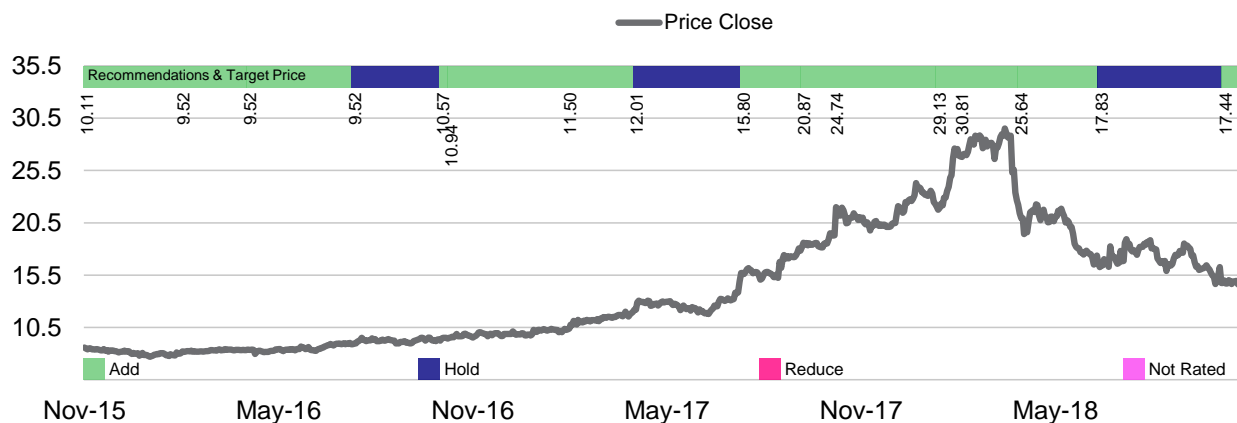
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2018		
759 companies under coverage for quarter ended on 30 September 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	60.5%	4.2%
Hold	25.8%	2.4%
Reduce	13.7%	0.4%

#### Spitzer Chart for stock being researched ( 2 year data )

#### Venture Corporation (VMS SP)





**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017**

**AAV** – Very Good, n/a, **ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AMATA** – Very Good, n/a, **ANAN** – Excellent, n/a, **AOT** – Excellent, Declared, **AP** – Excellent, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Declared, **BGP** – Excellent, Certified, **BPCG** – Very Good, n/a, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – not available, n/a, **BH** – Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Declared, **BLA** – Very Good, Certified, **BPP** – Good, n/a, **BR** – Good, Declared, **BTS** – Excellent, Certified, **CBG** – Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** – Excellent, Certified, **DELTA** – Excellent, n/a, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **GFPT** – Excellent, Declared, **GGC** – not available, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** – Excellent, n/a, **GUNKUL** – Excellent, Declared, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **ICHI** – Excellent, n/a, **III** – not available, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KGI** – Very Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, n/a, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Very Good, Declared, **MALEE** – Very Good, n/a, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSL** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **SAMART** – Excellent, n/a, **SAPPE** – Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** – Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Very Good, Declared, **SCCC** – Excellent, Declared, **SIM** – Excellent, n/a, **SIRI** – Very Good, Declared, **SPA** – Good, n/a, **SPALI** – Excellent, n/a, **SPRC** – Excellent, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, n/a, **TCAP** – Excellent, Certified, **THAI** – Very Good, n/a, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Excellent, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Very Good, Declared, **TMB** – Excellent, Certified, **TNR** – Good, n/a, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – not available, n/a, **TRUE** – Excellent, Declared, **TTW** – Very Good, n/a, **TU** – Excellent, Declared, **TVO** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

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- Companies certified by CAC

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**Stock Ratings**

- Add** Definition: The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** Definition: The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** Definition: 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**

- Overweight** Definition: An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** Definition: A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** Definition: An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

- Overweight** Definition: An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.

Neutral  
Underweight

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

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