

## COMPANY RESULTS

### Valuetronics (VALUE SP)

FY23: Slightly Above Expectations, Conservative Amid Global Headwinds

**FY23 net profit of HK\$123m (+8.3% yoy/+12.6% hoh) was slightly above our forecast, forming 106% of our full-year estimate, due to a lower-than-expected revenue decline. VALUE's outlook remains conservative as it expects the ripple effect of the supply chain bottlenecks to last beyond 2023. Other uncertainties include the Russia-Ukraine conflict, US Fed rate hikes and rising inflationary pressures. Maintain HOLD with an 8% higher PE-based target price of S\$0.56 (\$0.52 previously).**

#### FY23 RESULTS

Year to 31 Mar (HK\$m)	FY23	FY22	yoy % chg	2HFY23	hoh % chg
Revenue	2,013.7	2,027.4	(0.7)	962.1	(8.5)
Gross Profit	261.7	274.8	(4.8)	130.5	(0.6)
Gross Margin (%)	13.0	13.6%	(0.6ppt)	13.6%	1.1ppt
Net profit	123.0	113.5	8.3	65.1	12.6
Net margin (%)	6.1%	5.6%	0.5ppt	6.8%	1.3ppt

Source: VALUE, UOB Kay Hian

#### RESULTS

- Results slightly above expectations; other income more than doubled.** Valuetronics' (VALUE) FY23 net profit of HK\$123m (+8.3% yoy) was slightly above our expectations, beating our estimate by 6%. The beat was largely attributable to a 117.5% yoy jump in other income to HK\$32m (FY22: HK\$14.7m), where interest income rose to HK\$21.2m (FY22: HK\$2.3m) from the US Fed rate hikes. Revenue fell marginally by 0.7% yoy due to continued shortages of certain key electronic components that affected VALUE's ability to meet orders. Gross margin fell 0.6ppt to 13% due to higher component prices caused by tight supply, although the company observed modest improvement in the component shortage in 2HFY23.
- The ICE segment's revenue rose due to greater customer demand.** VALUE's industrial and commercial electronics (ICE) segment's revenue increased by 19.7% yoy to HK\$1,580.3m in FY23 (FY22: HK\$1,320.5m) due to higher demand from some customers. On the consumer electronic (CE) front, revenue fell by 38.7% yoy to HK\$433.4m in FY23 (FY22: HK\$706.9m), as a result of poorer demand in end-markets.
- Cautious outlook due to various potential headwinds.** VALUE remains conservative on its outlook as it expects the ripple effect of the supply chain bottlenecks to continue into FY24. The company also expects lower demand, as consumer purchasing power and business confidence weakens from: a) the Russia-Ukraine conflict, b) US Fed rate hikes, and c) rising inflationary pressures.

#### KEY FINANCIALS

Year to 31 Mar (HK\$m)	2022	2023	2024F	2025F	2026F
Net turnover	2,027	2,014	2,175	2,349	2,537
EBITDA	188	188	214	220	228
Operating profit	126	133	151	165	181
Net profit (rep./act.)	114	123	134	146	160
Net profit (adj.)	114	123	134	146	160
EPS (HK\$ cent)	26.0	29.1	31.6	34.6	37.8
PE (x)	12.4	11.1	10.2	9.3	8.6
P/B (x)	1.0	1.0	0.9	0.9	0.8
EV/EBITDA (x)	1.7	1.7	1.5	1.5	1.4
Dividend yield (%)	4.3	4.3	3.9	4.3	4.7
Net margin (%)	5.6	6.1	6.1	6.2	6.3
Net debt/(cash) to equity (%)	(68.4)	(74.2)	(78.0)	(81.1)	(83.8)
Interest cover (x)	322.5	370.0	166.4	158.2	152.0
ROE (%)	8.4	9.0	9.5	9.8	10.1
Consensus net profit	-	-	123	129	-
UOBKH/Consensus (x)	-	-	1.09	1.13	-

Source: VALUE, Bloomberg, UOB Kay Hian

## HOLD

(Maintained)

Share Price	S\$0.555
Target Price	S\$0.560
Upside	+0.9%
(Previous TP)	S\$0.520)

#### COMPANY DESCRIPTION

Valuetronics Holdings offers original equipment manufacturing and original design manufacturing services. The company serves customers in the telecommunications, industrial, commercial electronic products and consumer electronic products industries.

#### STOCK DATA

GICS sector	Information Technology
Bloomberg ticker:	VALUE SP
Shares issued (m):	413.9
Market cap (S\$m):	229.7
Market cap (US\$m):	170.5
3-mth avg daily t'over (US\$m):	0.1

#### Price Performance (%)

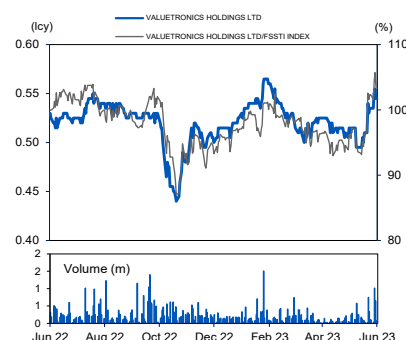
52-week high/low S\$0.565/S\$0.440

1mth	3mth	6mth	1yr	YTD
8.8	4.7	9.9	4.7	6.7

#### Major Shareholders

	%
Tse Chong Hing	18.0
Chow Kok Kit	7.5
FY23 NAV/Share (S\$)	3.41
FY23 Net Cash/Share (S\$)	2.66

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

**John Cheong**  
+65 6590 6623  
johncheong@uobkayhian.com

**Heidi Mo**  
+65 6590 6630  
heidimo@uobkayhian.com

- **Proposes final dividend and special dividend.** VALUE has recommended a final dividend of 10 HK cents/share and a special dividend of 6 HK cents/share for 2HFY23. Together with the interim dividend of 4 HK cents/share for 1HFY23, the total dividend amounts to 20 HK cents/share (FY22: 14 HK cents/share). This represents a higher payout ratio of 68.7% (FY22: 53.6%).

### STOCK IMPACT

- **Future prospects for Vietnam segment.** Upon VALUE's newly-constructed Vietnam campus commencing operations, the group has consolidated its facilities into one campus site since Jun 22 to optimise operations and costs. The group has since acquired two new customers – a hardware provider customer for retail chain stores and a customer providing cooling solutions for high performance computing environments – and successfully commenced initial shipments at the end of FY23. With full-year contribution expected from the two new customers in FY24, we maintain a positive outlook on the segment going forward.

- **Contributions from new ICE & CE customers.** Back in FY22, VALUE acquired two new ICE customers, including a hardware provider customer for retail chain stores and a customer providing cooling solutions for high performance computing environments. Initial shipments to these two customers had begun in end-FY23, and higher earnings are expected from the first full-year contribution in FY24. More recently, VALUE has acquired another two new customers, including an electronic products supplier for a global entertainment conglomerate and a Canada-based customer providing network access solutions that are from the CE and ICE segments respectively. Management expects to have shipments scheduled in 2HFY24 and ramp up on production in FY25.

### EARNINGS REVISION/RISK

- **We raise our FY24-25 earnings forecasts by 9%/13% while adding FY26 forecasts,** after raising our revenue forecasts by 5-6% and reducing our gross margin assumptions by 0.6ppt to 13%/13% for FY24/25 respectively (down from 13.6%/13.6%). This is to account for the first full-year contribution from two new customers and the rising production costs due to inflationary pressures.

### VALUATION/RECOMMENDATION

- **Maintain HOLD with an 8% higher target price of S\$0.56 (S\$0.52 previously),** pegged to peers' average of 10.2x PE for FY23. We roll over our valuation base year to FY24.

### SHARE PRICE CATALYST

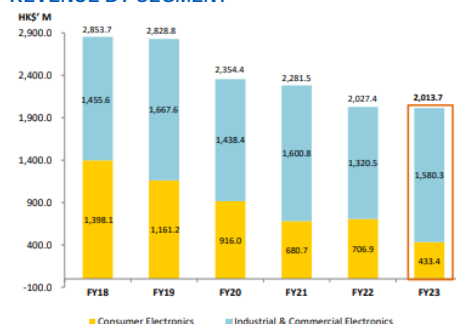
- Positive outlook on Vietnam market.
- Higher-than-expected dividends and potential M&As.
- Proactive management amid market challenges.

### PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price @ 8-Jun-23 (lcy)	Market Cap (US\$m)	PE		P/B		EV/EBITDA		ROE 2023 (%)	Yield 2023 (%)	Net Gearing (%)
					2023 (x)	2024 (x)	2023 (x)	2024 (x)	2023 (x)	2024 (x)			
Aztech	AZTECH SP	SGD	0.69	395	5.9	5.5	1.5	1.3	2.3	2.2	27.8	7.6	(82.5)
Fu Yu	FUYU SP	SGD	0.178	100	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	(43.1)
Hon Hai	2317 TT	TWD	107	48,284	12.1	9.5	0.9	0.9	5.5	5.0	8.2	4.7	(15.4)
Sanmina	SANM US	USD	52.96	3,081	8.7	8.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	(13.2)
Venture	VMS SP	SGD	14.67	3,165	13.3	12.9	1.5	1.4	8.5	8.2	11.1	5.5	(27.7)
<b>Average</b>					<b>10.0</b>	<b>9.0</b>	<b>1.3</b>	<b>1.2</b>	<b>5.4</b>	<b>5.1</b>	<b>15.7</b>	<b>5.9</b>	<b>(36.4)</b>
Valuetronics	VALUE SP	SGD	0.555	167	12.1	n.a.	0.9	n.a.	1.4	n.a.	7.5	3.3	(73.2)

Source: Bloomberg, UOB Kay Hian

### REVENUE BY SEGMENT



Source: VALUE, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Mar (HK\$m)	2023	2024F	2025F	2026F
Net turnover	2,013.7	2,174.8	2,348.8	2,536.7
EBITDA	187.9	214.4	220.2	228.4
Deprec. & amort.	55.0	62.9	54.7	47.6
EBIT	132.9	151.5	165.4	180.8
Net interest income/(expense)	(0.5)	(1.3)	(1.4)	(1.5)
Pre-tax profit	132.4	150.2	164.1	179.3
Tax	(9.4)	(16.5)	(18.0)	(19.7)
Net profit	123.0	133.7	146.0	159.6
Net profit (adj.)	123.0	133.7	146.0	159.6

### BALANCE SHEET

Year to 31 Mar (HK\$m)	2023	2024F	2025F	2026F
Fixed assets	286.0	248.9	216.5	188.4
Other LT assets	83.1	83.1	83.1	83.1
Cash/ST investment	1,009.9	1,124.4	1,241.2	1,361.7
Other current assets	696.8	750.2	807.9	870.2
<b>Total assets</b>	<b>2,075.9</b>	<b>2,206.6</b>	<b>2,348.7</b>	<b>2,503.4</b>
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	713.4	763.9	818.4	877.3
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	0.5	0.5	0.5	0.5
Shareholders' equity	1,362.0	1,442.2	1,529.8	1,625.6
<b>Total liabilities &amp; equity</b>	<b>2,075.9</b>	<b>2,206.6</b>	<b>2,348.7</b>	<b>2,503.4</b>

### CASH FLOW

Year to 31 Mar (HK\$m)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>198.2</b>	<b>193.7</b>	<b>197.6</b>	<b>203.8</b>
Pre-tax profit	132.4	150.2	164.1	179.3
Tax	(4.8)	(16.5)	(18.0)	(19.7)
Deprec. & amort.	55.0	62.9	54.7	47.6
Working capital changes	36.3	(2.9)	(3.1)	(3.4)
Non-cash items	(1.9)	0.0	0.0	0.0
Other operating cashflows	(18.9)	0.0	0.0	0.0
<b>Investing</b>	<b>(10.8)</b>	<b>(25.7)</b>	<b>(22.4)</b>	<b>(19.5)</b>
Capex (growth)	(34.6)	(25.7)	(22.4)	(19.5)
Investments	0.0	0.0	0.0	0.0
Proceeds from sale of assets	2.6	0.0	0.0	0.0
Others	21.2	0.0	0.0	0.0
<b>Financing</b>	<b>(112.8)</b>	<b>(53.5)</b>	<b>(58.4)</b>	<b>(63.8)</b>
Dividend payments	(59.4)	(53.5)	(58.4)	(63.8)
Issue of shares	0.0	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(53.4)	0.0	0.0	0.0
<b>Net cash inflow (outflow)</b>	<b>74.5</b>	<b>114.5</b>	<b>116.8</b>	<b>120.5</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>936.7</b>	<b>1,009.9</b>	<b>1,124.4</b>	<b>1,241.2</b>
Changes due to forex impact	(1.3)	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>1,009.9</b>	<b>1,124.4</b>	<b>1,241.2</b>	<b>1,361.7</b>

### KEY METRICS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	9.3	9.9	9.4	9.0
Pre-tax margin	6.6	6.9	7.0	7.1
Net margin	6.1	6.1	6.2	6.3
ROA	5.9	6.2	6.4	6.6
ROE	9.0	9.5	9.8	10.1
<b>Growth</b>				
Turnover	(0.7)	8.0	8.0	8.0
EBITDA	(0.0)	14.1	2.7	3.7
Pre-tax profit	5.3	13.4	9.2	9.3
Net profit	8.3	8.7	9.2	9.3
Net profit (adj.)	8.3	8.7	9.2	9.3
EPS	11.8	8.7	9.2	9.3
<b>Leverage</b>				
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	(74.2)	(78.0)	(81.1)	(83.8)
Interest cover (x)	370.0	166.4	158.2	152.0

## Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

**This report is prepared for general circulation.** It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

## IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

### Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2023, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W