

#MARKET NEWS

US stocks were higher on Tuesday, as gains in the real estate, consumer staples and information technology sectors led shares higher. At the close of the NYSE, the DJIA gained 0.36% while the S&P 500 index rose 0.15%, and the NASDAQ Composite index advanced 0.15%. Falling stocks outnumbered advancing ones on the NYSE by 1,729 to close at 1,093 and 66 ended unchanged; on the Nasdaq Stock Exchange, 2,768 declined and 1,458 advanced, while 147 ended unchanged. (Source: WSJ, Bloomberg)

During the last trading session, the FSSTI index fell 9.93pt to 3,338.94. Among the top active stocks were Genting Singapore (-0.6%), Seatrium (-0.6%), Singtel (+0.8%), Medtecs International (+0.7%) and SATS (+2.1%). The FTSE ST Mid Cap index rose 0.1% while the FTSE ST Small Cap Index was up 0.1%. The broader market 272 gainers and 281 losers with total trading value of S\$1.17b.

WHAT'S IN THE PACK

Singapore Company Results:

Valuetronics - FY24: Earnings within expectations; new customers to start the next chapter of growth.

(VALUE SP/BUY/S\$0.640/Target: S\$0.78)

VALUE's FY24 net profit of HK\$160m (+30% yoy) was in line with our expectations. FY24 gross profit grew 1% yoy as margins expanded from...

Singapore Technical Analysis:

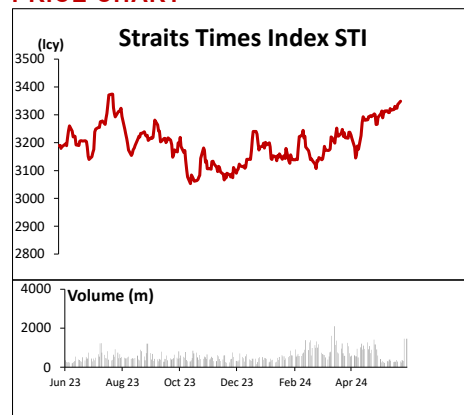
Riverstone Holdings (RSTON SP) - Trading BUY

The price is trading above the cloud, keeping the uptrend intact. Conversion and base lines remain in a bullish crossover. The MACD is strong and bullish and a bullish crossover is likely...

Medtecs International (MED SP) - Trading BUY

This chart outlook remains bullish as the price is trading above the cloud. The price is currently trading at the base line support. The MACD remains bullish...

PRICE CHART



KEY INDICES

	Prev Close	1M %	YTD %
DJIA	38711.3	0.1	2.7
S&P 500	5291.3	3.2	10.9
FTSE 100	8232.0	0.2	6.5
AS30	7994.1	1.2	2.1
CSI 300	3615.7	0.3	5.4
FSSTI	3338.9	1.4	3.0
HSCEI	6554.3	0.1	13.6
HSI	18444.1	(0.2)	8.2
JCI	7099.3	(0.5)	(2.4)
KLCI	1615.4	1.6	11.1
KOSPI	2662.1	(0.5)	0.3
Nikkei 225	38837.5	1.6	16.1
SET	1337.3	(2.4)	(5.5)
TWSE	21356.6	5.0	19.1
BDI	1813	(3.4)	(13.4)
CPO (RM/mt)	4060	5.2	9.2
Brent Crude (US\$/bbl)	77	(7.0)	0.2

Source: Bloomberg

TOP TRADING TURNOVER

Company	Price (\$S)	Chg (%)	5-day ADT (\$S)
Seatrium	1.78	(0.6)	165.7
DBS Group Holdings	35.83	(0.7)	159.5
Mapletree Logistics Trust	1.34	0.0	134.6
City Developments	5.63	0.9	115.6
Jardine Cycle & Carriage	26.98	2.1	102.3

TOP GAINERS

Company	Price (\$S)	Chg (%)	5-day ADT (\$S)
Tianjin Pharmaceutical Da -S	2.55	4.5	0.4
First Resources	1.44	2.9	1.5
Riverstone Holdings	0.92	2.2	1.9
SATS	2.90	2.1	32.4
Jardine Cycle & Carriage	26.98	2.1	102.3

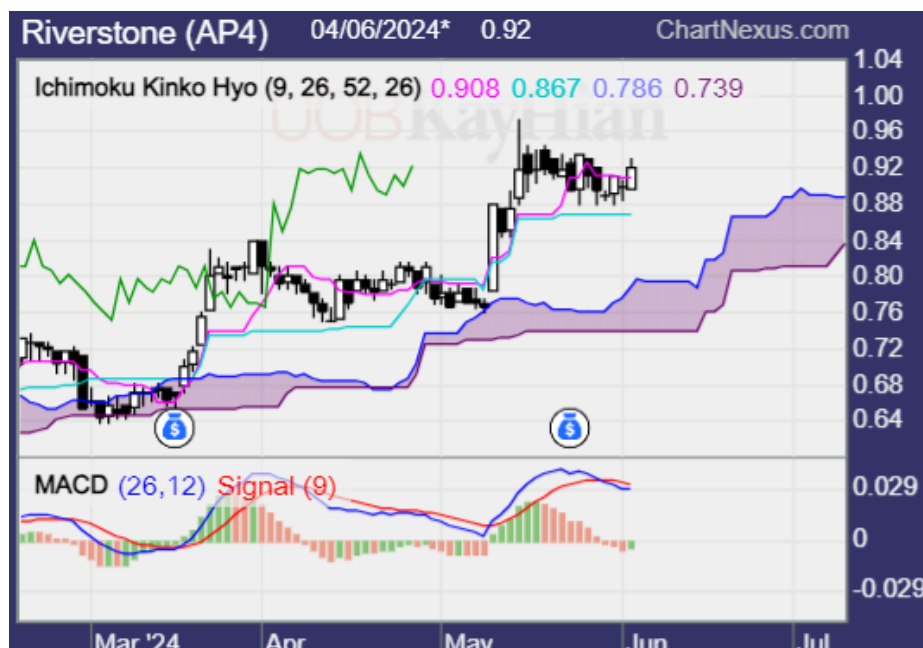
TOP LOSERS

Company	Price (\$S)	Chg (%)	5-day ADT (\$S)
Nio Inc-Class A	5.38	(2.9)	1.4
Singapore Tech Engineering	4.04	(2.4)	21.9
Far East Hospitality Trust	0.61	(2.4)	1.1
DFI Retail Group Holdings	1.93	(2.0)	2.5
Que Real Estate Investment	0.27	(1.9)	0.4

*ADT: Average daily turnover

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TRADERS' CORNER



Riverstone Holdings (RSTON SP)

Trading buy range: S\$0.905-0.910

Last price: S\$0.920

Target price: S\$1.000

Protective stop: S\$0.870

The price is trading above the cloud, keeping the uptrend intact. Conversion and base lines remain in a bullish crossover. The MACD is strong and bullish and a bullish crossover is likely. These could increase chances of the stock price moving higher.

The potential upside target is S\$1.00. Stop-loss could be placed at S\$0.87.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S\$1.12.



Medtecs International (MED SP)

Trading buy range: S\$0.150-0.151

Last price: S\$0.152

Target price: S\$0.173

Protective stop: S\$0.144

This chart outlook remains bullish as the price is trading above the cloud. The price is currently trading at the base line support. The MACD remains bullish. These could increase chances of the stock price rebounding to move higher.

The potential upside target is S\$0.173. Stop-loss could be placed at S\$0.144.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

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FROM THE REGIONAL MORNING NOTES...
Valuetronics (VALUE SP)

FY24: Earnings Within Expectations; New Customers To Start The Next Chapter Of Growth

VALUE's FY24 net profit of HK\$160m (+30% yoy) was in line with our expectations. FY24 gross profit grew 1% yoy as margins expanded from its rebalanced customer portfolio, offsetting revenue decline due to lower material costs, improved supply chain visibility and lower labour costs. The outlook is encouraging with four new customers contributing their first full-year revenue in FY25 along with other potential new customers. Maintain BUY with an 8% higher target price of S\$0.78.

FY24/2HFY24 RESULTS

Year to 31 Mar (HK\$m)	FY24	FY23	yoy % chg	2HFY24	hoh % chg
Revenue	1,669.9	2,013.7	(17.1)	778.5	(12.7)
Gross Profit	265.2	261.7	1.3	126.3	(9.1)
Gross Margin (%)	15.9	13.0	2.9ppt	16.2	0.6ppt
Net profit	159.6	123.0	29.8	77.4	(5.7)
Net margin (%)	9.6	6.1	3.5ppt	9.9	0.7ppt

Source: VALUE, UOB Kay Hian

RESULTS

- Earnings in line with expectations.** Valuetronics' (VALUE) FY24 net profit of HK\$160m (+30% yoy) was in line with our expectations, equal to our full-year estimate. Revenue fell 17% yoy to HK\$1,670m, on lower demand from some existing industrial and commercial electronics (ICE) and consumer electronics (CE) customers. However, gross profit improved 1.3% yoy to S\$265m. Interest income also jumped 160% yoy to HK\$55m from US Fed rate hikes, contributing to the improved net margin (+3.5ppt yoy)..
- Gross margin expansion on better portfolio mix.** The revenue decline due to softer demand from VALUE's existing ICE (-21% yoy) and CE (-4% yoy) customers was partially offset by the higher contributions from its new customers. This rebalanced portfolio has led to an enhanced FY24 gross margin of 16% (+2.9ppt yoy). Gross margin expansion was also attributable to the following factors: a) stabilising material costs from component shortage relief due to improved supply chain visibility, and b) lower labour costs and manufacturing overheads in China due to depreciation of the Renminbi.
- 25% yoy higher total dividend for FY24.** VALUE has proposed a final dividend of 9 HK cents/share and a special dividend of 8 HK cents/share. This brings total dividend to 25 HK cents/share, translating to an attractive 64.6% payout ratio and 6.7% yield. VALUE's strong free cash flow generation of HK\$213m and low capital expenditure moving forward will allow it to continue rewarding shareholders. To recap, VALUE has incurred an average of HK\$90m capex annually across FY20-22 for its new Vietnam facility, before returning to relatively low levels (FY24: HK\$21m).

KEY FINANCIALS

Year to 31 Mar (HK\$m)	2023	2024	2025F	2026F	2027F
Net turnover	2,014	1,670	1,803	1,948	2,070
EBITDA	188	213	245	250	252
Operating profit	133	168	188	200	209
Net profit (rep./act.)	123	160	170	180	190
Net profit (adj.)	123	160	170	180	190
EPS (HK\$ cent)	29.1	37.8	41.2	43.8	46.1
PE (x)	12.8	9.8	9.0	8.5	8.1
P/B (x)	1.2	1.1	1.0	1.0	1.0
EV/EBITDA (x)	1.9	1.7	1.4	1.4	1.4
Dividend yield (%)	5.4	6.7	7.0	7.7	8.1
Net margin (%)	6.1	9.6	9.4	9.3	9.2
Net debt/(cash) to equity (%)	(74.2)	(83.2)	(86.6)	(89.4)	(91.7)
Interest cover (x)	370.0	397.2	202.0	190.3	n.a.
ROE (%)	9.0	11.6	11.9	12.1	12.2
Consensus net profit	-	-	167	177	-
UOBKH/Consensus (x)	-	-	1.02	1.02	-

Source: VALUE, Bloomberg, UOB Kay Hian

STOCK IMPACT

- **Limited demand from existing customers in the face of macroeconomic headwinds...** The challenging macro environment has weakened business confidence and led to slower inventory intake by some of VALUE's existing customers or new project and product introductions by new customers. Elevated interest rates boost VALUE's interest income, but with inflationary pressures, expansion and capital expenditure plans are likely held up. VALUE faces some headwinds as end customers' demand soften, potentially extending into FY25.
- **...likely mitigated by first full-year contributions from new customers.** VALUE has successfully diversified its customer base, with new customers like a Canada-based ICE customer providing network access solutions and a CE customer supplying electronic products to a leading global entertainment conglomerate. These new customers have contributed in 2HFY24, and will make their first full-year contributions in FY25. With their high growth potential and more favourable margins, VALUE is likely to reap earnings growth in FY25.
- **Potential new customers with Vietnam plant as leverage.** Amid geopolitical uncertainties, VALUE's newly constructed Vietnam campus strategically positions it to meet changing customer needs. We believe that this manufacturing facility will aid VALUE in its customer diversification efforts. As of end-FY24, VALUE's new Vietnam plant operates at around 50% utilisation rate, suggesting further upside potential moving forward.

EARNINGS REVISION/RISK

- We maintain our FY25/26 earnings forecasts while adding FY27 forecasts.

VALUATION/RECOMMENDATION

- **Maintain BUY with an 8% higher PE-based target price of S\$0.78**, pegged to 10.8x PE for FY25. This is based on 1SD above VALUE's historical PE mean to account for potential strong demand from its four new customers.
- **VALUE has strong cash balance of HK\$1.1b** that is equivalent to around 80% of its market cap. VALUE is currently trading at only 2x FY24 ex-cash PE and offers an attractive FY25 dividend yield of around 7%.

SHARE PRICE CATALYST

- Winning of more new customers and higher-than-expected contributions of new customers.
- Higher-than-expected dividends and share buybacks.

PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price @ 4 Jun 24 (lcy)	Market Cap (US\$m)	PE		P/B		EV/EBITDA		ROE 2024 (%)	Yield 2024 (%)	Net Gearing (%)
					2024 (x)	2025 (x)	2024 (x)	2025 (x)	2024 (x)	2025 (x)			
Aztech	AZTECH SP	SGD	0.96	550	6.9	6.4	1.9	1.7	3.9	3.6	29.2	8.9	(60.6)
Fu Yu	FUYU SP	SGD	0.129	73	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	(37.2)
Hon Hai	2317 TT	TWD	171	73,166	15.5	12.1	1.4	1.3	7.5	6.3	9.4	3.4	(24.5)
Sanmina	SANM US	USD	66.88	3,709	12.6	10.7	1.6	1.5	7.0	6.1	13.8	n.a.	(11.0)
Venture	VMS SP	SGD	13.99	3,011	14.6	14.0	1.4	1.4	8.9	8.6	9.8	5.4	(36.3)
Average					12.4	10.8	1.6	1.5	6.8	6.2	15.5	5.9	(33.9)
Valuetronics	VALUE SP	SGD	0.640	195	8.9	8.4	1.0	1.0	1.4	1.4	11.9	7.0	(83.2)

Source: Bloomberg, UOB Kay Hian

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