

COMPANY UPDATE

Valuetronics (VALUE SP)

Foray Into The AI Industry With Goal For Further Expansion In The Near Term

VALUE is entering the AI industry via a JV with SinnetCloud Group to provide GPU and AI related value-added services in Hong Kong. VALUE's JV partner had started pre-sales to a group of potential clients even before forming this JV. VALUE is looking to make further investments in this new business in the near term if it does well. VALUE sees good growth opportunities given limited competition in Hong Kong and the JV partner's strong capabilities. Maintain BUY. Target price: S\$0.78.

WHAT'S NEW

- Foray into AI industry with established JV partner.** On 24 Jun 24, Valuetronics (VALUE) announced that it was entering the AI industry via a partnership with the SinnetCloud Group, which is an experienced graphics processing unit (GPU) and AI solutions provider and affiliated to Shenzhen-listed Beijing Sinnet Technology Co (300383.SZ). VALUE will invest HK\$7.7m in cash for a 55% interest in the JV, Trio AI, to provide GPU and AI related value-added cloud services. VALUE will acquire the GPU-enabled servers and ancillary hardware required for the JV and lease them back to Trio AI for a term of 60 months at a rent calculated to principally cover the preliminary equipment acquisition cost not exceeding HK\$60m.
- Plans to invest further to grow the JV if it gains traction.** VALUE expects to fully deploy the targeted investments in the next few months and will invest more monies if there is good demand. We understand that SinnetCloud Group has already started pre-selling the GPU and AI related value-added cloud services even before the formation of this JV. It is targeting Hong Kong-based customers including start-up, fintech, health tech and media tech.
- Positive industry dynamics in the GPU and AI related value-added cloud services in Hong Kong.** There is limited competition in this space at this point due to western sanctions on the GPU being sold to the HK China market. Demand for these services is also good due to limited ability by the smaller start-ups to access costly GPU infrastructure, data rationalisation and development of large language models. In addition, VALUE will be sourcing for GPUs locally by leveraging on the strong network of the JV, which will be cheaper than the GPUs from overseas markets.
- Expect share buyback and attractive dividend payout to continue, which serve as indicators of positive future performance.** Right after the announcement of the JV partnership, VALUE bought back 593,100 shares on 25 Jun 24, which is a positive signal on its prospects. Also, to recap, for FY24, VALUE 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.

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)	12.7	9.7	8.9	8.4	8.0
P/B (x)	1.1	1.1	1.0	1.0	1.0
EV/EBITDA (x)	1.8	1.6	1.4	1.4	1.4
Dividend yield (%)	5.4	6.8	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	190
UOBKH/Consensus (x)	-	-	1.02	1.02	1.00

Source: Valuetronics, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.635
Target Price	S\$0.780
Upside	+22.8%

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):	408.8
Market cap (S\$m):	261.6
Market cap (US\$m):	192.8
3-mth avg daily t'over (US\$m):	0.3

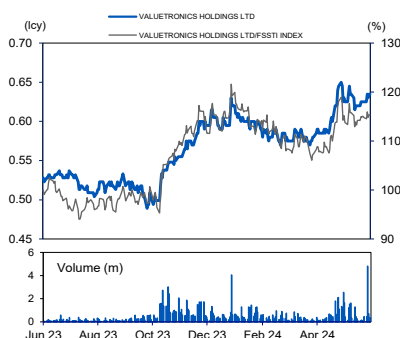
Price Performance (%)

52-week high/low	S\$0.650/S\$0.489			
1mth	3mth	6mth	1yr	YTD
(1.5)	10.3	6.7	21.3	7.6

Major Shareholders

Tse Chong Hing	18.0
Chow Kok Kit	7.5
FY25 NAV/Share (HK\$)	3.55
FY25 Net Cash/Share (HK\$)	3.07

PRICE CHART



Source: Bloomberg

ANALYST(S)

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

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

### STOCK IMPACT

- **The JV partnership presents an opportunity for VALUE to enter the AI industry.** It seeks to learn more about AI-related hardware, potentially opening a window to manufacturing opportunities for such hardware, including hardware assembly, high-performance computing cooling solutions, and more — all of which fall within the existing manufacturing capabilities of the Group.
- **Positive outlook from 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 and 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

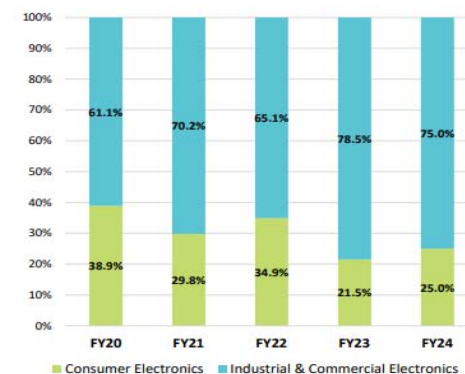
- Winning of more new customers and higher-than-expected contributions of new customers.
- Higher-than-expected dividends and share buybacks.

### PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price @ 27 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	0.975	555	7.0	6.5	1.9	1.7	4.0	3.7	29.2	8.7	(60.6)
Fu Yu	FUYU SP	SGD	0.126	71	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	(37.2)
Hon Hai	2317 TT	TWD	212.5	90,506	18.9	14.7	1.8	1.7	9.6	7.9	9.5	2.7	(24.5)
Sanmina	SANM US	USD	65.98	3,659	12.4	10.6	1.6	1.5	6.9	6.0	13.8	n.a.	(11.0)
Venture	VMS SP	SGD	14.26	3,048	14.8	14.3	1.4	1.4	9.2	8.9	9.8	5.3	(36.3)
<b>Average</b>					<b>13.3</b>	<b>11.5</b>	<b>1.7</b>	<b>1.6</b>	<b>7.4</b>	<b>6.6</b>	<b>15.6</b>	<b>5.6</b>	<b>(33.9)</b>
Valuetronics	VALUE SP	SGD	0.635	191	8.9	8.3	1.0	1.0	1.4	1.4	11.9	7.1	(83.2)

Source: Bloomberg, UOB Kay Hian

### REVENUE CONTRIBUTION BY SEGMENT (FY20-FY24)



Source: VALUE, UOB Kay Hian

### HISTORICAL PE BAND



Source: Bloomberg, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Mar (HK\$m)	2024	2025F	2026F	2027F
Net turnover	1,669.9	1,803.5	1,947.8	2,069.5
EBITDA	213.3	245.5	249.8	252.4
Deprec. & amort.	44.8	57.6	50.1	43.6
EBIT	168.5	187.9	199.7	208.8
Net interest income/(expense)	(0.5)	(1.2)	(1.3)	0.0
Pre-tax profit	167.9	186.7	198.4	208.8
Tax	(8.3)	(16.8)	(17.9)	(18.8)
Net profit	159.6	169.9	180.5	190.0
Net profit (adj.)	159.6	169.9	180.5	190.0

### CASH FLOW

Year to 31 Mar (HK\$m)	2024	2025F	2026F	2027F
Operating	233.7	232.1	235.6	237.8
Pre-tax profit	167.9	186.7	198.4	208.8
Tax	(10.1)	(16.8)	(17.9)	(18.8)
Deprec. & amort.	44.8	57.6	50.1	43.6
Working capital changes	85.3	4.6	5.0	4.2
Non-cash items	(1.0)	0.0	0.0	0.0
Other operating cashflows	(53.2)	0.0	0.0	0.0
Investing	35.7	(23.6)	(20.5)	(17.8)
Capex (growth)	(21.1)	(23.6)	(20.5)	(17.8)
Investments	0.0	0.0	0.0	0.0
Proceeds from sale of assets	1.6	0.0	0.0	0.0
Others	55.2	0.0	0.0	0.0
Financing	(113.7)	(107.0)	(117.3)	(123.5)
Dividend payments	(99.2)	(107.0)	(117.3)	(123.5)
Issue of shares	0.0	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(14.5)	0.0	0.0	0.0
Net cash inflow (outflow)	155.8	101.5	97.8	96.5
Beginning cash & cash equivalent	1,009.9	1,164.5	1,266.0	1,363.7
Changes due to forex impact	(1.2)	0.0	0.0	0.0
Ending cash & cash equivalent	1,164.5	1,266.0	1,363.7	1,460.2

### BALANCE SHEET

Year to 31 Mar (HK\$m)	2024	2025F	2026F	2027F
Fixed assets	261.9	227.8	198.2	172.5
Other LT assets	73.9	73.9	73.9	73.9
Cash/ST investment	1,164.5	1,266.0	1,363.7	1,460.2
Other current assets	588.6	633.0	680.9	721.4
<b>Total assets</b>	<b>2,088.9</b>	<b>2,200.7</b>	<b>2,316.8</b>	<b>2,428.0</b>
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	685.1	734.1	787.0	831.6
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	4.2	4.2	4.2	4.2
Shareholders' equity	1,399.6	1,462.4	1,525.6	1,592.1
<b>Total liabilities &amp; equity</b>	<b>2,088.9</b>	<b>2,200.7</b>	<b>2,316.8</b>	<b>2,428.0</b>

### KEY METRICS

Year to 31 Mar (%)	2024	2025F	2026F	2027F
<b>Profitability</b>				
EBITDA margin	12.8	13.6	12.8	12.2
Pre-tax margin	10.1	10.3	10.2	10.1
Net margin	9.6	9.4	9.3	9.2
ROA	7.7	7.9	8.0	8.0
ROE	11.6	11.9	12.1	12.2
<b>Growth</b>				
Turnover	(17.1)	8.0	8.0	6.3
EBITDA	13.5	15.1	1.8	1.0
Pre-tax profit	26.8	11.2	6.3	5.3
Net profit	29.8	6.4	6.3	5.3
Net profit (adj.)	29.8	6.4	6.3	5.3
EPS	29.8	9.1	6.3	5.3
<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	(83.2)	(86.6)	(89.4)	(91.7)
Interest cover (x)	397.2	202.0	190.3	n.a.

## 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 2024, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W