

MITA No. 010/06/2008

17 March 2009

Venture Corp

Maintain

BUY

Previous Rating: BUY

S\$4.77

Fair Value: S\$5.64

Stock Code: VENM.SI
 Reuters: V03
 ISIN Code: VMS SP
 Bloomberg: Update
 Event: Update

General Data

Issued Capital (m)	274
Mkt Cap (S\$m/US\$m)	1,308/853
Major Shareholder	
Aberdeen Asset Mgmt (17.1%)	
Free Float (%)	68.0
NTA per share (S\$)	6.41
Daily Vol 3-mth ('000)	1,134
52Wk High (S\$)	12.020
52Wk Low (S\$)	3.900

Still Fundamentally Sound

1Q09 will be a very tough quarter. We recently caught up with Venture Corp (VMS) for a quick update. As with most, if not all, manufacturing companies, 1Q09 is turning out to be a very tough quarter for VMS, given the drastic slowdown in global economy. As a recap, Singapore's NODX (non-oil domestic exports) fell 34.8% YoY in Jan - the most in 22 years - weighed by a sharp 38.4% plunge in electronic exports. And the picture for Feb is not much better - Bloomberg's survey expects NODX to slide 27.5% and electronic exports by 32.0%. Things are also unlikely to improve much in March either, says management, as the end market continues to be very weak.

Uncertainty about HP orders. In any case, we are not too surprised, given that one of its biggest customers - HP - has recently guided for current quarter earnings to come in below estimates. Venture derives as much as 28% of its revenue from Printing and Imaging. And speaking of HP, market has also been swirling with talks that it is looking to revamp its printer supply chain; this follows the PC giant's recent venture with Hon Hai (Foxconn) to set up a PC factory in Turkey. Those said to be affected by the shake up include Cal-Comp, Jabil and VMS. But we understand that the reallocation change likely involves HP's consumer products like inkjet printers - while this would affect VMS' OEM business, its ODM business (mainly industrial printers) should remain largely intact.

Working to contain costs. In light of greater uncertainty and the slower orders, VMS has put several measures to contain costs and improve efficiency. Key among them include reducing non-essential staff by letting contract workers go; stopping over-time and reducing shift schedules; negotiating all contracts like utilities to bring cost down. VMS will also manage its inventory more actively and reduce holding cost. And we believe that its experienced and proven management team will be the differentiating factor in making everything work.

Paring our estimates further. Following the recent developments, we have pared our FY09 estimates for revenue by 1.4% and earnings by 7.0% (assuming a further S\$12m MTM loss); FY10 revenue estimate pared by 5.8% and earnings by 6.6%. Based on an unchanged valuation of 8x FY09F PER, our fair value eases from S\$6.06 to S\$5.64. As we also expect VMS to maintain its generous dividend payout (S\$0.50/share this year 11% yield), we retain our **BUY** rating.

Carey Wong
 (65) 6531 9808
 e-mail: carey@ocbc-research.com

Year to 31 Dec	Turnover (S\$m)	EBITDA (S\$m)	Net Profit (S\$m)	EPS (cents)	EPS Growth (%)	PER (x)	Div Yield (%)
FY 07	3,872.8	365.7	300.0	110.0	-	4.3	12.2
FY 08	3,784.1	341.1	166.7	60.8	-44.8	7.8	10.5
FY 09F	3,209.0	256.7	193.3	70.5	16.0	6.8	10.5
FY 10F	3,123.3	253.0	212.9	77.6	10.1	6.1	10.5

Please refer to the important disclosures at the back of this document.

Venture's Key Financial Data

EARNINGS FORECAST

Year Ended 31 Dec (S\$ m)	FY07	FY08	FY09F	FY10F
Revenue	3,872.8	3,784.1	3,209.0	3,123.3
EBITDA	365.7	341.1	256.7	253.0
Depreciation & amortisation	-65.5	-60.8	-53.6	-48.2
Net interest	5.8	6.5	9.0	15.8
Associates	4.7	0.2	0.2	0.0
CDO Adjustments	-16.2	-114.5	-12.0	0.0
Exceptionals	0.0	0.0	0.0	0.0
Pre-tax profit	294.6	172.6	200.3	220.6
Tax	8.1	-5.0	-6.0	-6.6
Minority interests	-2.7	-0.9	-1.0	-1.0
Net profit	300.0	166.7	193.3	212.9
Earnings per share (cents)	110.0	60.8	70.5	77.6
Fully diluted earnings per share (cents)	110.0	60.8	70.5	77.6

BALANCE SHEET

As at 31 Dec (S\$ m)	FY07	FY08	FY09F	FY10F
Cash	493.3	513.8	613.9	670.9
Other current assets	1,243.9	1,270.9	1,039.3	1,013.6
Fixed assets	206.8	196.0	177.4	129.2
Other long term assets	1,104.5	935.6	875.6	858.6
Total assets	3,048.5	2,916.3	2,706.2	2,672.3
Current liabilities less debt	593.4	666.9	515.1	504.4
Debt	510.3	321.5	200.0	100.0
Other long term liabilities	49.4	29.1	35.0	35.0
Total liabilities	1,153.0	1,017.5	750.1	639.4
Shareholders equity	1,884.5	1,895.6	1,951.8	2,027.6
Minority interests	10.9	3.2	4.2	5.2
Total equity and liabilities	3,048.5	2,916.3	2,706.2	2,672.3
NTA per share (cents)	631.0	641.1	667.8	701.6

CASH FLOW				
Year Ended 31 Dec (S\$ m)	FY07	FY08	FY09F	FY10F
Operating profit before working cap. changes	368.2	354.0	304.5	305.0
Working capital changes	81.4	34.5	77.6	15.0
Interest and tax	0.4	-9.3	11.7	9.2
Net cash from operations	450.0	379.2	393.8	329.2
Capex	-39.7	-32.6	-35.0	-35.0
Other investing flows	54.2	10.4	0.0	0.0
Investing cash flow	14.6	-22.2	-35.0	-35.0
Change in equity	21.9	0.0	0.0	0.0
Net change in debt	-121.2	-189.1	-121.5	-100.0
Dividends paid	-154.6	-137.1	-137.1	-137.1
Financing cash flow	-253.9	-326.2	-258.7	-237.1
Other adjustments	-46.3	-10.4	0.0	0.0
Net cash flow	164.3	20.4	100.1	57.0
Cash at beginning of year	329.0	493.3	513.8	613.9
Add: Bank overdraft	0.0	0.0	0.0	0.0
Cash at end of year	493.3	513.8	613.9	670.9
Key Ratios				
PER (x)	4.3	7.8	6.8	6.1
Price/NTA (x)	0.8	0.7	0.7	0.7
EV/EBITDA (x)	3.6	3.3	3.5	2.9
Dividend yield (%)	12.2	10.5	10.5	10.5
ROIC (%)	12.5	7.5	9.0	10.0
ROE (%)	15.9	8.8	9.9	10.5
Net gearing (%)	0.9	Net Cash	Net Cash	Net Cash
PE to growth (x)	NA	-0.2	0.4	0.6

Source: Company data, OIR estimates

SHAREHOLDING DECLARATION:

The analyst/analysts who wrote this report holds NIL shares in the above security.

RATINGS AND RECOMMENDATIONS:

OCBC Investment Research's (OIR) technical comments and recommendations are short-term and trading oriented.

- However, OIR's fundamental views and ratings (Buy, Hold, Sell) are medium-term calls within a 12-month investment horizon. OIR's Buy = More than 10% upside from the current price; Hold = Trade within +/- 10% from the current price; Sell = More than 10% downside from the current price.

- For companies with less than S\$150m market capitalization, OIR's Buy = More than 30% upside from the current price; Hold = Trade within +/- 30% from the current price; Sell = More than 30% downside from the current price.

DISCLAIMER FOR RESEARCH REPORT

This report is solely for information and general circulation only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our written consent. This report should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities mentioned herein. Whilst we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee its accuracy or completeness, and you should not act on it without first independently verifying its contents. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. You may wish to seek advice from a financial adviser regarding the suitability of the securities mentioned herein, taking into consideration your investment objectives, financial situation or particular needs, before making a commitment to invest in the securities. OCBC Investment Research Pte Ltd, OCBC Securities Pte Ltd and their respective connected and associated corporations together with their respective directors and officers may have or take positions in the securities mentioned in this report and may also perform or seek to perform broking and other investment or securities related services for the corporations whose securities are mentioned in this report as well as other parties generally.

Privileged/Confidential information may be contained in this message. If you are not the addressee indicated in this message (or responsible for delivery of this message to such person), you may not copy or deliver this message to anyone. Opinions, conclusions and other information in this message that do not relate to the official business of my company shall not be understood as neither given nor endorsed by it.

For OCBC Investment Research Pte Ltd

Co.Reg.no.: 198301152E



Carmen Lee
Head of Research