Venture Corporation (VMS SP)

1H26: Momentum Supported By Demand For AI-related Infrastructure

Highlights

- VMS' 1H26 PATMI of S$119.3m formed 50% of our full-year forecast, in line with expectations, supported by an improving business momentum.
- Strong AI infrastructure demand drives growth, with Portfolio B rising S$102m yoy. This was partially offset by a S$21m yoy decline in Portfolio A.
- Maintain BUY with a 2.2% higher target price of S$21.10, pegged to 23.7x 2027F PE or 3.0SD above VMS' long-term historical mean.

1H26 Results

Year to 31 Dec (S$m)	2Q26	2Q25	yoy % chg	1H26	1H25	yoy % chg
Revenue	726.2	645.3	12.5	1,354.7	1,261.9	7.4
Net profit	63.0	57.4	9.7	119.3	113.0	5.6
Net margin (%)	8.7	8.9	(0.2ppt)	8.8	9.0	(0.2ppt)

Source: VMS, UOB Kay Hian

Analysis

- **Results in line.** Venture Corporation's (VMS) 1H26 revenue rose 7.4% yoy to S$1,354.7m, while PATMI grew 5.6% yoy to S$119.3m, accounting for 51%/ 50% of our full-year forecasts respectively, in line with expectations. Growth was driven largely by VMS' portfolio B. Net margin declined but remained stable at 8.8% (1H25: 9.0%). Encouragingly, revenue growth accelerated to 12.5% yoy in 2Q26 compared with 1.9% yoy in 1Q26, indicating that the recovery gained momentum.
- **AI, data centre and semiconductor demand drove growth.** Growth was driven by Portfolio B, which recorded a S$102m increase (25.7% yoy) driven by higher demand for AI-related infrastructure as VMS secured additional business across multiple end markets. This more than offsets the S$21m decline in Portfolio A (-8.5% yoy), mainly due to lower replacement volumes in the lifestyle consumer segment.
- **Higher ordinary dividend declared.** VMS declared an interim ordinary dividend of 30 S cents in 1H26 (+20% yoy), representing a payout ratio of around 72% of 1H26 PATMI. Management incorporated last year's special dividend into the ordinary dividend, reflecting improved financial performance and its commitment to sustainable shareholder returns. VMS has also repurchased about S$46m of shares under its share buyback plan to date.

Key Financials

Year to 31 Dec (S$m)	2024	2025	2026F	2027F	2028F
Net turnover	2,736	2,535	2,669	2,802	2,942
EBITDA	294	277	290	303	314
Operating profit	261	243	263	277	290
Net profit (rep./act.)	245	227	244	256	266
Net profit (adj.)	245	227	244	256	266
EPS (S$ cent)	84.8	78.9	84.9	89.0	92.4
PE (x)	19.1	20.5	19.1	18.2	17.5
P/B (x)	1.6	1.7	1.7	1.6	1.6
EV/EBITDA (x)	11.5	12.2	11.7	11.2	10.8
Dividend yield (%)	4.6	4.9	4.9	4.9	4.9
Net margin (%)	9.0	9.0	9.2	9.1	9.0
Net debt/(cash) to equity (%)	(45.6)	(46.0)	(45.4)	(44.1)	(42.9)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	8.6	8.0	8.7	9.0	9.3
Consensus net profit (S$m)	-	-	244	259	273
UOBKH/Consensus (x)	-	-	1.00	0.99	0.97

Source: VMS, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	S$16.21
Target Price	S$21.10
Upside	+30.2%
Previous TP	S$20.65

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Stock Data

GICS Sector	Information Technology
Bloomberg ticker	VMS SP
Shares issued (m)	287.3
Market cap (S$m)	4,657.5
Market cap (US$m)	3,633.3
3-mth avg daily t'over (US$m)	12.2

Price Performance (%)

52-week high/low				S$17.1/S$10.88
1mth	3mth	6mth	1yr	YTD
(3.7)	(11.3)	(0.3)	27.4	7.1

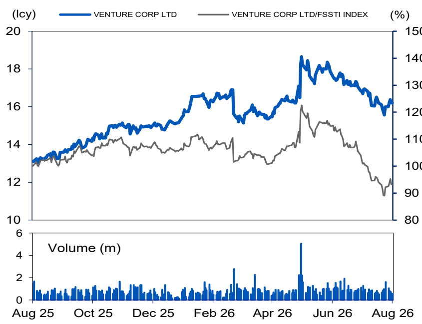
Major Shareholders

	%
Silchester Int'l Investors	7.95
Wong Ngit Liong	7.22
Ameriprice Financial	6.97

Balance Sheet Metrics

FY26 NAV/Share (S$)	9.81
FY26 Net Cash/Share (S$)	4.46

Price Chart



Source: Bloomberg

Company Description

Venture Corporation is a leading global electronics services provider. It provides technology solutions, products and services over a diversified range of high-mix, high-value and complex products.

Stock Impact

- **Fortress balance sheet provides flexibility for growth.** VMS maintained a robust net cash position of S$1.1b with zero debt as at end-1H26, even after dividend payments, share buybacks and a higher inventory position. Its strong balance sheet provides capacity to support working-capital requirements, fund investments in new opportunities and maintain shareholder distributions.
- **Growth opportunities are gaining traction.** Management indicated that the growth initiatives introduced earlier in the year are beginning to gain traction, supported by continued demand in networking & communications and semiconductor related equipment. VMS continues to invest across multiple technology domains and deepened strategic partnerships with customers on technology development, supporting a broader and more sustainable long-term growth pipeline.

Valuation/Recommendation

- **Maintain BUY with a 2.2% higher target price of S$21.10 (S$20.65 previously),** following our earnings revision and pegged to an unchanged 23.7x 2027F PE or 3SD above VMS' historical mean**.** The raised valuation multiple peg reflects stronger conviction in its earnings visibility, balance sheet strength and upcoming growth drivers. Currently, VMS is trading at around 18x 2027F PE (15% discount to peers) and offers a decent dividend yield of around 5%.

Earnings Revision/Risk

- We raised our 2026/27 revenue and earnings forecasts by 0.3%/0.3% and 2.5%/2.0% respectively as management reflected stronger business growth and improved momentum across multiple technology domains.

Share Price Catalyst

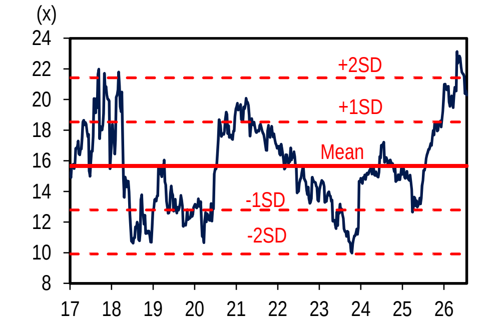
- Positive surprise in future revenue guidance and winning of more new customers.

Portfolios A And B

Portfolio A
1. Life science, genomics, molecular diagnostics and related materials technology
2. Medical devices and equipment
3. Healthcare & wellness technology, lifestyle consumer tech, health improvement products
Portfolio B
4. Instrumentation, test & measurement technology
5. Networking & communications, security & safety, building automation, industrial IOT
6. Advanced payment systems
7. Advanced industrial technology, computing & productivity systems, printing & imaging, related components technology and others

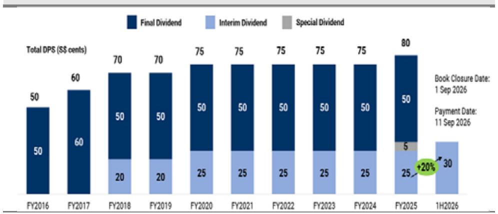
Source: VMS

Long-term Historical PE Band



Source: Bloomberg, UOB Kay Hian

Dividend Track Record



Source: VMS, UOB Kay Hian

Profit & Loss

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Net turnover	2,534.5	2,668.8	2,802.3	2,942.4
EBITDA	277.2	289.5	302.9	313.8
Deprec. & amort.	33.9	26.8	25.5	24.3
EBIT	243.3	262.7	277.4	289.5
Total other non-operating income	2.8	5.0	5.0	5.0
Associate contributions	0.2	0.2	0.2	0.2
Net interest income/(expense)	38.1	38.1	38.1	38.1
Pre-tax profit	284.4	306.1	320.7	332.9
Tax	(56.8)	(61.1)	(64.0)	(66.4)
Minorities	(0.7)	(0.7)	(0.7)	(0.7)
Net profit	227.0	244.3	256.0	265.7
Net profit (adj.)	227.0	244.3	256.0	265.7

Balance Sheet

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Fixed assets	244.2	252.8	262.7	273.8
Other LT assets	716.3	716.2	716.0	715.8
Cash/ST investment	1,283.6	1,281.8	1,256.1	1,236.8
Other current assets	1,358.1	1,302.6	1,364.3	1,429.1
Total assets	3,602.2	3,553.3	3,599.1	3,655.6
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	791.6	713.4	732.7	753.0
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	12.8	12.8	12.8	12.8
Shareholders' equity	2,792.7	2,821.2	2,847.1	2,882.7
Minority interest	5.1	5.8	6.4	7.1
Total liabilities & equity	3,602.2	3,553.3	3,599.1	3,655.6

Cash Flow

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Operating	251.5	209.9	200.4	206.8
Pre-tax profit	284.4	306.1	320.7	332.9
Tax	(53.4)	(61.1)	(64.0)	(66.4)
Deprec. & amort.	33.9	26.8	25.5	24.3
Associates	(0.2)	(0.2)	(0.2)	(0.2)
Working capital changes	26.9	(22.6)	(42.4)	(44.6)
Non-cash items	(0.7)	0.0	0.0	0.0
Other operating cashflows	(39.4)	(39.1)	(39.1)	(39.1)
Investing	16.9	4.1	4.1	4.1
Capex (growth)	(25.2)	(35.0)	(35.0)	(35.0)
Investment	(2.8)	0.0	0.0	0.0
Proceeds from sale of assets	0.1	0.0	0.0	0.0
Others	44.9	39.1	39.1	39.1
Financing	(261.0)	(215.8)	(230.2)	(230.2)
Dividend payments	(230.2)	(215.8)	(230.2)	(230.2)
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(30.9)	0.0	0.0	0.0
Net cash inflow (outflow)	7.4	(1.8)	(25.6)	(19.3)
Beginning cash & cash equivalent	1,316.7	1,283.6	1,281.8	1,256.1
Changes due to forex impact	(40.6)	0.0	0.0	0.0
Ending cash & cash equivalent	1,283.6	1,281.8	1,256.1	1,236.8

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	10.9	10.8	10.8	10.7
Pre-tax margin	11.2	11.5	11.4	11.3
Net margin	9.0	9.2	9.1	9.0
ROA	6.2	6.8	7.2	7.3
ROE	8.0	8.7	9.0	9.3
Growth				
Turnover	(7.4)	5.3	5.0	5.0
EBITDA	(5.7)	4.5	4.6	3.6
Pre-tax profit	(7.2)	7.6	4.8	3.8
Net profit	(7.4)	7.6	4.8	3.8
Net profit (adj.)	(7.4)	7.6	4.8	3.8
EPS	(6.9)	7.6	4.8	3.8
Leverage				
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	(46.0)	(45.4)	(44.1)	(42.9)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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