Valuetronics (VALUE SP)

1HFY27: Dividend Up 75%; ICE Drives Growth

Highlights

- 1HFY27 revenue of HK$897.3m (+7.3% yoy) and PATMI of HK$89.8m (-3.5% yoy) are ahead of the run-rate, representing 53.8% and 56.1% of our FY27 forecasts respectively.
- Interim dividends surged 75% yoy to 14 HK cents/share, while ICE revenue grew 18.6% yoy to HK$837.9m. Strong net cash of HK$1.15b supports the HK$300m capital return programme.
- Maintain BUY with a 25% lower target price of S$1.40, pegged to 16x FY28F ex-cash PE (+1SD), down from 19x (+2SD) to reflect the broader tech sector de-rating.

1HFY27 Results

Year to 31 Mar (HK$m)	1HFY27	1HFY26	yoy % chg	2HFY26	hoh % chg
Revenue	**897.3**	**836.2**	**7.3**	823.7	8.9
Gross Profit	**167.9**	**164.7**	**1.9**	**155.1**	**8.3**
Gross margin (%)	18.7	19.7	(1.0ppt)	18.9	(0.2ppt)
Profit before tax	**106.3**	**105.0**	**1.3**	**36.1**	**n.m.**
Net profit (continuing ops)	95.9	98.1	(2.2)	70.5	36.0
Net profit (attributable)	**89.8**	**93.0**	**(3.5)**	**24.1**	**271.7**
Dividend (HK cents/share)	**14.0**	**8.0**	**75.0**	**30.0**	**(53.3)**

Source: VALUE, UOB Kay Hian

Analysis

- **Revenue and PATMI ahead of run-rate.** Revenue rose 7.3% yoy to HK$897.3m, driven by higher contributions from ICE's network access solutions and captioned phone customers. Reported PATMI declined 3.5% yoy to HK$89.8m, weighed down by higher component costs and increased taxes following changes to tax incentives in Vietnam. Revenue and PATMI accounted for 53.8% and 56.1% of our FY27 forecasts respectively. PBT grew 1.3% yoy to HK$106.3m despite a 1.0ppt decline in gross profit margin to 18.7% amid semiconductor supply constraints. Excluding discontinued GPU cloud operations, net profit declined 2.2% yoy to HK$95.9m.
- **Interim dividend jumps 75% to 14 HK cents/share.** Management declared an ordinary interim dividend of 8 HK cents/share (1HFY26: 4 HK cents) and a special interim dividend of 6 HK cents/share (1HFY26: 4 HK cents), bringing total interim dividends to 14 HK cents/share (+75% yoy). This represents a payout ratio of approximately 59.8%, in line with its revised dividend policy of 50-70% of net profit, reinforcing management's commitment to enhancing shareholder returns through its HK$300m capital return programme.

Key Financials

Year to 31 Mar (HK$m)	2025	2026	2027F	2028F	2029F
Net turnover	1,729	1,660	1,668	1,714	1,782
EBITDA	219	183	258	265	273
Operating profit	175	137	177	192	205
Net profit (rep./act.)	166	111	160	174	186
Net profit (adj.)	166	149	160	174	186
EPS (HK$)	40.6	36.4	39.0	42.4	45.3
PE (x)	14.0	15.6	14.6	13.4	12.6
P/B (x)	1.6	1.6	1.6	1.6	1.6
EV/EBITDA (x)	4.9	5.8	4.1	4.0	3.9
Dividend yield (%)	4.7	6.7	6.9	7.5	8.0
Net margin (%)	9.6	6.7	9.6	10.1	10.4
Net debt/(cash) to equity (%)	(75.2)	(82.6)	(85.4)	(87.1)	(89.0)
Interest cover (x)	352.8	269.0	207.4	241.1	271.2
ROE (%)	11.7	7.6	10.9	11.8	12.6
Consensus net profit (HK$m)	-	-	163	172	-
UOBKH/Consensus (x)	-	-	0.98	1.01	-

Source: VALUE, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	S$0.93
Target Price	S$1.40
Upside	50.5%
Previous TP	S$1.88

Stock Data

GICS sector	Information Technology
Bloomberg ticker:	VALUE SP
Shares issued (m):	407.9
Market Cap (S$m):	379.4
Market cap (US$m):	296.0
3-mth avg t'over (US$m):	0.6

Price Performance (%)

52-week high/low				S$1.21/S$0.81
1mth	3mth	6mth	1yr	YTD
(8.8)	(6.1)	(16.2)	12.0	8.8

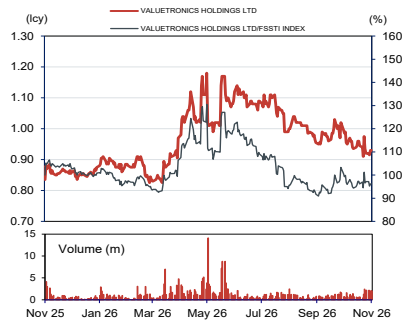
Major Shareholders (%)

Tse Chong Hing	18.57
Chow Kok Kit	7.82

Balance Sheet Metrics

FY27 NAV/Share (HK$)	3.59
FY27 Net Cash/ Share (HK$)	3.06

Price Chart



Source: Bloomberg

Company Description

Valuetronics Holdings Ltd. 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.

- **ICE segment continues to drive revenue growth.** ICE revenue grew 18.6% yoy to HK$837.9m, supported by strong demand from network access and captioned phone customers, accounting for 93.4% of total revenue (1HFY26: 84.5%). This offset a 54.3% decline in Consumer electronics (CE) revenue to HK$59.4m following the phase-out of traditional consumer lifestyle products. Management expects ICE growth to continue in FY27, while CE revenue is expected to decline despite new project wins. Automotive opportunities remain longer-term growth drivers given lengthy qualification cycles.
- **HK$300m capital return programme supported by strong net cash.** VALUE paid HK$65.7m in FY26 special dividends in August and declared a further HK$24.5m special interim dividend for 1HFY27. The group has also utilised HK$31.4m to repurchase 5.1m shares, representing 39% of its HK$80m FY27 buyback allocation. Net cash remained strong at HK$1.15b with no bank borrowings, while operating cash flow stood at HK$76.3m against capex of HK$18.4m. We expect continued execution of the FY27-28 capital return programme to enhance shareholder returns, supported by its strong balance sheet while allowing for future growth.
- **GPU disposal remains ongoing following Trio AI cessation.** Following the cessation of Trio AI's operations in Aug 26, VALUE recorded a HK$6.1m loss from discontinued operations, mainly attributable to depreciation of GPU servers and related hardware. Approximately HK$127.5m of GPU-related assets have been classified as held for sale, with management currently engaging potential buyers to recover value from these assets. A sale could release additional cash, although the timing and proceeds remain uncertain.

Earnings Revision/Risk

- We maintain our earnings estimates. Key risks are component costs and trade policies.

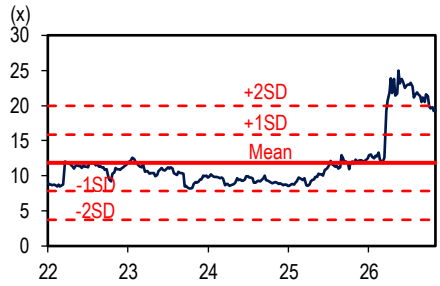
Valuation/Recommendation

- **Maintain BUY with a 25% lower target price of S$1.40,** pegged to 16x FY28F ex-cash PE (+1SD above mean), with 50% discount ascribed to cash. This is lowered from 19x PE (+2SD above mean) previously to account for general sector derating in the tech sector. Higher dividends, progress on capital returns and sustained ICE growth support our positive view.

Share Price Catalyst

- Further execution of the HK$300m capital return programme and GPU asset disposals.
- Continued ICE customer growth and new entertainment product launches.

Historical PE Band



Source: VALUE, UOB Kay Hian

Peer Comparison

Company	Ticker	Trading Curr	Price @ 11-Nov-26	Market Cap	PE			P/B			ROE	Yield
					2025	2026	2027	2025	2026	2027	2026	2026
		(lcy)	(lcy)	(US$m)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
AEM	AEM SP	SGD	7.05	1,755	130.6	25.7	22.5	4.5	4.0	3.6	16.7	1.0
Aztech	AZTECH SP	SGD	0.365	220	7.0	14.1	9.6	1.0	1.2	1.2	7.5	5.5
Frencken	FRKN SP	SGD	1.89	698	20.6	17.9	16.6	1.7	1.6	1.5	9.1	1.7
UMS	UMSH SP	SGD	1.89	1,388	32.3	23.1	19.1	3.1	3.0	2.8	15.0	2.6
Venture	VMS SP	SGD	15.31	3,429	19.4	17.9	16.9	1.6	1.6	1.5	8.8	5.2
Singapore average (Excl AEM)						**19.8**	**18.2**	**15.5**	**1.8**	**1.8**	**1.7**	**10.1**
Coraza Integrated	CORAZA MK	MYR	1.23	150	42.9	30.8	21.6	4.2	3.6	3.1	12.6	n.a.
Greatech	GREATEC MK	MYR	2.53	1,562	73.1	40.8	26.6	6.3	5.4	4.6	14.5	0.1
Inari Amertron	INRI MK	MYR	2.27	2,160	39.3	67.8	31.1	3.1	3.1	3.0	4.6	2.1
Northeast	NE MK	MYR	0.96	174	34.3	19.2	17.1	2.7	n.a.	n.a.	12.7	0.0
Oppstar	OPPSTAR MK	MYR	0.525	83	n.a.	25.0	22.8	2.8	2.6	2.6	n.a.	n.a.
Pentamaster	PENT MK	MYR	5.29	924	60.7	52.9	33.7	4.8	4.4	4.0	8.1	0.4
Sam Engineering	SEQB MK	MYR	3.74	622	56.6	31.2	22.0	2.0	1.8	1.7	5.6	0.7
UWC	UWC MK	MYR	6.68	1,810	181.5	78.5	42.5	15.4	12.9	9.9	17.9	0.0
Vitrox	VITRO MK	MYR	10.06	4,680	142.9	54.1	42.8	16.8	13.7	11.3	26.9	0.5
Malaysia average					**78.9**	**44.5**	**28.9**	**6.5**	**6.0**	**5.0**	**12.9**	**0.5**
Valuetronics	VALUE SP	SGD	0.93	296	19.6	14.6	13.4	1.6	1.6	1.6	10.9	6.9

Source: Bloomberg, UOB Kay Hian

Profit & loss

Year to 31 Mar (HK$m)	2026	2027F	2028F	2029F
Net turnover	**1,660.2**	**1,668.3**	**1,714.2**	**1,782.0**
EBITDA	183.4	257.5	265.4	272.5
Deprec. & amort.	46.6	80.5	73.3	67.4
EBIT	136.8	177.0	192.2	205.1
Total other non-operating income	0.0	(0.0)	0.0	(0.0)
Net interest income/(expense)	(0.7)	(1.2)	(1.1)	(1.0)
Pre-tax profit	130.7	175.8	191.1	204.1
Tax	(19.3)	(15.8)	(17.2)	(18.4)
Minorities	0.0	0.0	0.0	0.0
Net profit	**111.4**	**159.9**	**173.9**	**185.7**
Net profit (adj.)	149.2	159.9	173.9	185.7
Net turnover	**1,660.2**	**1,668.3**	**1,714.2**	**1,782.0**

Balance Sheet

Year to 31 Mar (HK$m)	2026	2027F	2028F	2029F
Fixed assets	366.0	333.0	306.4	281.9
Other LT assets	60.1	60.1	60.1	60.1
Cash/ST investment	1,213.8	1,254.4	1,279.9	1,307.2
Other current assets	544.2	546.7	560.6	581.1
Total assets	**2,184.1**	**2,194.1**	**2,207.0**	**2,230.3**
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	709.4	719.5	732.3	755.6
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	5.4	5.4	5.4	5.4
Shareholders' equity	1,469.3	1,469.3	1,469.3	1,469.3
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	**2,184.1**	**2,194.1**	**2,207.0**	**2,230.3**

Cash flow

Year to 31 Mar (HK$m)	2026	2027F	2028F	2029F
Operating	**182.2**	**248.1**	**246.0**	**255.9**
Pre-tax profit	130.7	175.8	191.1	204.1
Tax	(2.8)	(15.8)	(17.2)	(18.4)
Deprec. & amort.	47.3	80.5	73.3	67.4
Associates	0.0	0.0	0.0	0.0
Working capital changes	46.1	7.6	(1.1)	2.8
Non-cash items	(0.1)	0.0	0.0	0.0
Other operating cashflows	(39.0)	0.0	0.0	0.0
Investing	**(3.9)**	**(47.6)**	**(46.6)**	**(42.9)**
Capex (growth)	(47.0)	(47.6)	(46.6)	(42.9)
Investment	0.0	0.0	0.0	0.0
Proceeds from sale of assets	0.1	0.0	0.0	0.0
Others	43.1	0.0	0.0	0.0
Financing	**(110.9)**	**(159.9)**	**(173.9)**	**(185.7)**
Dividend payments	(110.3)	(159.9)	(173.9)	(185.7)
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(0.6)	0.0	0.0	0.0
Net cash inflow (outflow)	**67.5**	**40.6**	**25.6**	**27.3**
Beginning cash & cash equivalent	**1,093.8**	**1,213.8**	**1,254.4**	**1,279.9**
Changes due to forex impact	9.3	0.0	0.0	0.0
Ending cash & cash equivalent	**1,170.6**	**1,254.4**	**1,279.9**	**1,307.2**

Key Metric

Year to 31 Mar (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	11.0	15.4	15.5	15.3
Pre-tax margin	7.9	10.5	11.1	11.5
Net margin	6.7	9.6	10.1	10.4
ROA	5.1	7.3	7.9	8.4
ROE	7.6	10.9	11.8	12.6
Growth				
Turnover	(4.0)	0.5	2.8	4.0
EBITDA	(16.1)	40.4	3.1	2.7
Pre-tax profit	(25.2)	34.5	8.7	6.8
Net profit	(33.1)	43.5	8.7	6.8
Net profit (adj.)	(10.4)	7.2	8.7	6.8
EPS	(10.4)	7.2	8.7	6.8
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	(82.6)	(85.4)	(87.1)	(89.0)
Interest cover (x)	269.0	207.4	241.1	271.2

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