Venture Corporation (VMS SP)

3Q26: Broadening Growth Led By Portfolio B; Maintain BUY

Highlights

- 9M26 revenue of S$2,145.1m and PATMI of S$187.1m met 80.4% and 76.6% of our full-year forecasts respectively; earnings were broadly in line.
- Portfolio B grew 38.1% yoy on production ramp-ups and market share gains; recovery in life science segment supported Portfolio A's growth.
- Maintain BUY with a target price of S$18.30, pegged to 20.2x 2027F PE. Broadening demand and a strong balance sheet support our view.

3Q26 & 9M26 Results

(S$m)	3Q26	3Q25	yoy %	2Q26	qoq %	9M26	9M25	yoy %
Revenue	790.4	627.2	26.0	726.2	8.8	2,145.1	1,889.1	13.6
Net profit (PATMI)	67.8	55.6	21.9	63.0	7.6	187.1	168.6	11.0
Net margin (%)	8.6	8.9	(0.3)ppt	8.7	(0.1)ppt	8.7	8.9	(0.2)ppt

Source: Venture Corporation, UOB Kay Hian

Analysis

- **Growth accelerates into 3Q26.** Venture Corporation's (VMS) revenue rose 26.0% yoy to S$790.4m, accelerating from 12.5% in 2Q26 and 1.9% in 1Q26. PATMI increased 21.9% yoy to S$67.8m, while revenue and earnings grew 8.8% and 7.6% qoq respectively. For 3Q26, revenue and profit accounted for 29.6% and 27.8% of our full-year forecasts respectively. 9M26 revenue rose 13.6% to S$2,145.1m and PATMI grew 11.0% to S$187.1m, representing 80.4% and 76.6% of our full-year forecasts respectively. Revenue was ahead of the 9M run rate, while earnings were broadly in line.
- **Portfolio B remains the main growth driver.** Revenue grew 38.1% yoy to about S$560m, with the company reporting a S$154m increase across its technology domains. Production ramp-ups and market-share gains supported the test & measurement instrumentation, networking & communications, and semiconductor-related equipment segments. The portfolio contributed about 71% of group revenue. VMS' 1H26 presentation linked additional businesses in these domains to multiple end-markets, including AI-related infrastructure. The 3Q update points to sustained demand and deeper customer engagements, supporting our positive view on the recovery.

Key Financials

Year to 31 Dec (S$m)	2024	2025	2026F	2027F	2028F
Net turnover	2,736	2,535	2,741	2,860	2,998
EBITDA	294	277	292	309	320
Operating profit	261	243	266	284	296
Net profit (rep./act.)	245	227	247	261	271
Net profit (adj.)	245	227	247	261	271
EPS (S$ cent)	84.8	78.9	85.7	90.8	94.1
PE (x)	16.9	18.1	16.7	15.7	15.2
P/B (x)	1.4	1.5	1.5	1.4	1.4
EV/EBITDA (x)	9.7	10.3	9.7	9.2	8.9
Dividend yield (%)	5.2	5.6	5.6	5.6	5.6
Net margin (%)	9.0	9.0	9.0	9.1	9.0
Net debt/(cash) to equity (%)	(45.6)	(46.0)	(44.7)	(43.6)	(42.6)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	8.6	8.0	8.8	9.2	9.4
Consensus net profit (S$m)	-	-	253	275	293
UOBKH/Consensus (x)	-	-	0.97	0.95	0.92

Source: Venture Corporation, UOB Kay Hian

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BUY (Maintained)

Share Price	S$14.29
Target Price	S$18.30
Upside	28.1%
Previous TP	S$21.10

Stock Data

Sector	Information Technology
Bloomberg ticker	VMS SP
Shares issued (m)	287.2
Market cap (S$m)	4,103.9
Market cap (US$m)	3,204.0
3-mth avg daily t'over (US$m, est.)	10.2

Price Performance (%)

52-week high/low				S$18.75/S$14.09
1mth	3mth	6mth	1yr	YTD
(13.9)	(11.8)	(21.8)	(5.6)	(5.6)

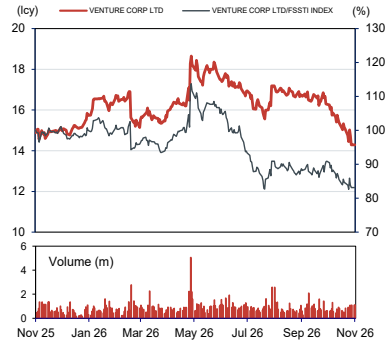
Major Shareholders (%)

Silchester International Investors	7.95
Wong Ngit Liong	7.23
Ameriprise Financial Inc	6.98

Balance Sheet Metrics (2026F)

FY26 NAV/Share (S$)	9.81
FY26 Net Cash/Share (S$)	4.39

Price Chart



Source: Bloomberg

Company Description

Venture provides technology solutions, products and services across high-mix, high-value and complex products. Its domains span life sciences, medtech, communications, test and measurement, semiconductors and advanced industrial applications.

- **Portfolio A begins to contribute to growth.** Revenue increased 4.0% yoy to about S$231m, reversing the decline in 2Q26. The life science segment delivered steady growth, while work on the next-generation lifestyle consumer product continued. Management sees encouraging recovery signs in the life science segment, broadening growth beyond Portfolio B.
- **Inventory investment supports customer demand.** Working capital reached S$1.06b at end-September, up by S$229.2m from end-25 and about S$127.4m from end-June. Management attributed this to front-loading critical components and meeting growing demand. The inventory build supports delivery resilience, while conversion into shipments and cash remains an important execution measure.
- **Balance-sheet capacity underpins flexibility.** Management described operating activities as highly cash-generative and the net-cash position as strong, supporting investment, dividends and buybacks. NAV/share was S$9.54 vs S$9.45 a year earlier. The 1H26 disclosure reported S$1.11b net cash and zero debt; the 3Q update did not quantify net cash.
- **Margins remain resilient amid higher costs.** Net margin eased to 8.6% from 8.9% in 3Q25 and 8.7% in 2Q26, as earnings growth lagged revenue. Management highlighted high value-added solutions and productivity improvements amid inflationary costs. The 9M26 margin was 8.7% vs 8.9% a year ago. Sustaining efficiency as volumes rise remains key to stronger earnings conversion.
- **Shareholder returns remain a support.** The interim ordinary dividend rose 20% to 30 S cents, incorporating the prior year's special dividend. Our 80 S cents annual DPS estimate implies a 5.4% yield. VMS continued buybacks in October; issued shares excluding treasury shares stood at 287.2m after the 20 October purchase.
- **Management expects full-year growth.** Robust demand underpins its test & measurement instrumentation, networking & communications, and semiconductor-related equipment businesses, with life science adding another recovery driver. VMS remains focused on strategic collaborations, new customer wins and differentiated capabilities. Its R&D engineering and high-mix, high-value manufacturing capabilities support these opportunities.

Valuation/Recommendation

- **Maintain BUY with a lower target price of S$18.30** (S$21.10 previously), implying an upside of 28.1%. Our target price is pegged to a lower 20.2x 2027F PE, or 1.5SD above the historical mean, compared to 23.7x 2027F PE previously (+3.0SD above historical mean), as the sector de-rated. At S$14.29, VMS trades at 16.7x 2026F and 15.7x 2027F PE. Broadening demand, engineering capabilities and a strong balance sheet support the premium target multiple.

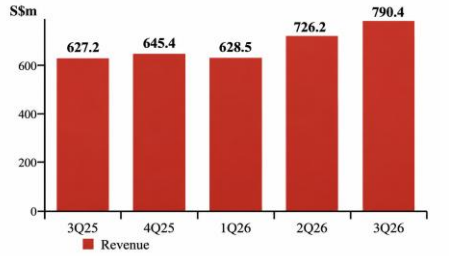
Earnings Revision/Risks

- We raise 2026-28 revenue forecasts by 2.7%/2.1%/1.9% respectively and earnings forecasts by 1.0%/2.0%/1.9%, reflecting Portfolio B production ramp-ups and market-share gains, alongside a recovery in demand for the life science business segment. Softer margins temper the 2026 earnings upgrade. Key risks include programme delays, adverse product mix, cost pressures and currency movements.

Share Price Catalyst

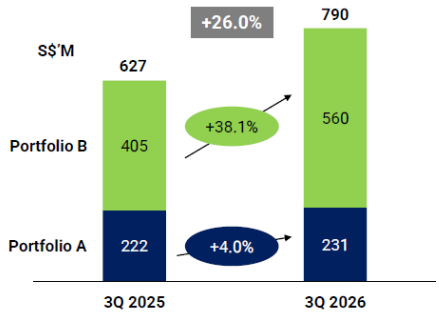
- Stronger customer orders and production ramp-ups.
- Further recovery in the life science business segment.
- Progress in next-generation products.
- Improved margin conversion and continued shareholder distributions.

Quarterly Revenue (S$m)



Source: Venture Corporation

Portfolio Revenue (S$m)



Source: Venture Corporation

Historical PE Band



Souce: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Net turnover	**2,534.5**	**2,741.3**	**2,859.8**	**2,997.6**
EBITDA	277.2	292.5	309.3	320.1
Deprec. & amort.	33.9	26.8	25.5	24.3
EBIT	243.3	265.6	283.8	295.8
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**	**309.0**	**327.1**	**339.2**
Tax	(56.8)	(61.7)	(65.3)	(67.7)
Minorities	(0.7)	(0.7)	(0.7)	(0.7)
Net profit	**227.0**	**246.6**	**261.1**	**270.8**
Net profit (adj.)	227.0	246.6	261.1	270.8

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	1,261.6	1,245.7	1,232.1
Other current assets	1,358.1	1,334.2	1,389.5	1,453.5
Total assets	**3,602.2**	**3,564.8**	**3,613.9**	**3,675.3**
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	791.6	722.6	740.1	760.1
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	2,823.6	2,854.6	2,895.2
Minority interest	5.1	5.8	6.4	7.1
Total liabilities & equity	**3,602.2**	**3,564.8**	**3,613.9**	**3,675.3**

Cash Flow

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Operating	**251.5**	**189.8**	**210.2**	**212.5**
Pre-tax profit	284.4	309.0	327.1	339.2
Tax	(53.4)	(61.7)	(65.3)	(67.7)
Deprec. & amort.	33.9	26.8	25.5	24.3
Associates	(0.2)	(0.2)	(0.2)	(0.2)
Working capital changes	26.9	(45.0)	(37.8)	(43.9)
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**	**(21.9)**	**(15.9)**	**(13.6)**
Beginning cash & cash equivalent	**1,316.7**	**1,283.6**	**1,261.6**	**1,245.7**
Changes due to forex impact	(40.6)	0.0	0.0	0.0
Ending cash & cash equivalent	**1,283.6**	**1,261.6**	**1,245.7**	**1,232.1**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	10.9	10.7	10.8	10.7
Pre-tax margin	11.2	11.3	11.4	11.3
Net margin	9.0	9.0	9.1	9.0
ROA	6.2	6.9	7.3	7.4
ROE	8.0	8.8	9.2	9.4
Growth				
Turnover	(7.4)	8.2	4.3	4.8
EBITDA	(5.7)	5.5	5.8	3.5
Pre-tax profit	(7.2)	8.6	5.9	3.7
Net profit	(7.4)	8.7	5.9	3.7
Net profit (adj.)	(7.4)	8.7	5.9	3.7
EPS	(6.9)	8.7	5.9	3.7
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)	(44.7)	(43.6)	(42.6)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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