

10 in 10 – Grand Venture Technology (SGX Code: JLB)

10 Questions in 10 Minutes with SGX-listed companies



10 Questions for Grand Venture Technology

Company Overview

Grand Venture Technology (“GVT”) is a manufacturing solutions and service provider for the semiconductor, analytical life sciences, electronics and other industries, with operations in Singapore, Malaysia (Penang) and the People’s Republic of China (Suzhou). The Group serves some of the largest Original Equipment Manufacturers (“OEMs”) by providing a range of engineering, assembly, testing and product lifecycle management services for the manufacture of complex precision machining and sheet metal components and modules. [Link to StockFacts company page](#)

SGX Code: JLB	BBG: GVTL SP	RIC: GRAN.SI
Market cap on 30 Nov (S\$m)		66.8
Price on 30 Nov (S\$)		0.285
52 wk high/low		0.320 - 0.190
ADTV (S\$)		42,157
Shares Outstanding (m)		234.3
Float		27.5%
P/E (LTM)		21.3
P/B (LTM)		2.1
Dividend Yield		-

Source: Bloomberg (30 Nov 2020)

1. Describe GVT’s financial performance over the past few years. What strategies have you put in place to maintain or accelerate this growth trajectory?

- GVT has enjoyed rapid growth over the past few years. With our products progressing from incubation stage to mass production, revenue in FY2019 more than doubled and net assets grew nearly 10x (if exclude share issuances, net assets grew approximately 5x) since FY2016.
- Our focus will continue to be on (i) enlargement of our customer base in both existing and new markets, by leveraging on our capabilities and technological know-how, (ii) investment in our operational and engineering capabilities and (iii) expansion via merger and acquisition (M&A), joint ventures and partnerships.
- The above strategies have helped to mitigate against the headwinds in FY2019 as trade tensions between US and China intensified, which exerted downward pressures on our Semiconductor segment. This was, however, offset by growth driven by our Life Sciences segment. The Group recorded strong performance in 1H FY2020, which we expect such growth to continue for the rest of FY2020.

Revenue S\$m



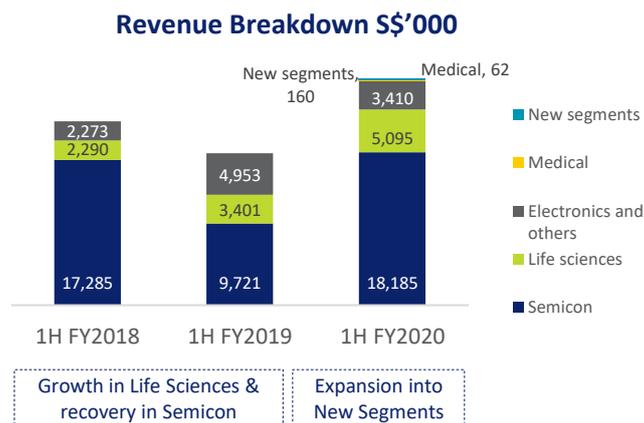
Net Assets S\$m



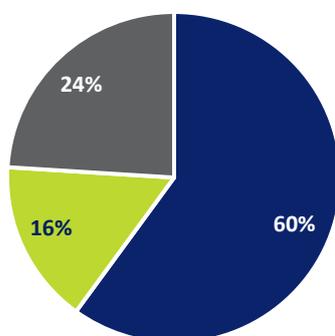
Source: Company data

2. How has GVT's business profile and revenue streams evolved since listing to-date?

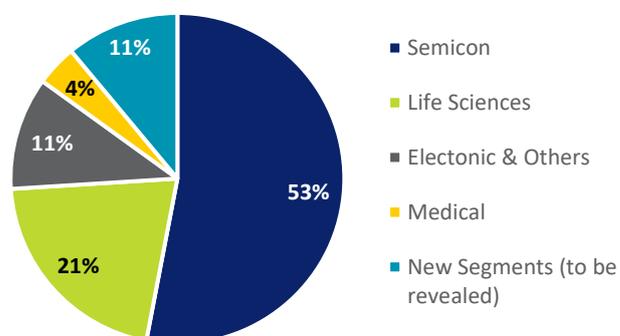
- GVT remains committed to its strategies laid out in the Offer Document (refer to Q1). GVT's revenue streams remained resilient amidst recent US-China trade tensions and COVID-19 pandemic. Our core fundamentals and competencies have propelled us to higher growth in 1H FY2020 with expansion of existing (e.g. Life Sciences) and new segments (e.g. Medical).
- Our efforts to acquire customers in new segments and achieve diversification are beginning to yield results and could further bolster the quality of our revenue and earnings.
- Whilst Semiconductor will remain as the key driver of the Group's revenue, we aim to grow our other segments (Life Sciences, Medical and other new segments to be revealed) in the coming years.



FY2019 Revenue Breakdown (%)



FY2021 Target Revenue Breakdown (%)



3. GVT is adding factory capacity in the Penang facility. Can you provide an update on the expansion of your operations in Malaysia?

- The new factory acquired is under renovation and would be operational during the fourth quarter of 2020 as originally planned. We believe that this acquisition is timely as we are seeing increased demand and volume at our Penang facility to serve the Semiconductor segment.

4. As part of GVT's digital transformation to a "Smart Factory", it has leveraged Industrial 4.0 to improve business and operational efficiency. Can you elaborate on the measures you have adopted?

- We are running a high-mix, low-volume business. Hence, we believe that our precision manufacturing process could produce an infinite combination and permutation of parts, process and specifications. As our business continues to grow and expand, the capabilities behind managing and executing such complex manufacturing works will have to be enhanced too. Technology is our answer.
- Going forward, we believe Industrial 4.0 (i4.0) would form the fundamentals of our manufacturing processes. Automation, Artificial Intelligence (AI), Robotics, Virtual Reality (VR) are tools to enable higher efficiency, accuracy and capabilities as we engage in more complex and advanced manufacturing works.
- For instance, the ecosystem of i4.0 would enable real-time assessment of our machine's efficiency and stock level, enabling our engineers to analyse, plan and make decisions based on data. This could reduce uncertainties and enhance operational efficiencies. Automation of mundane works such as changing of tools, loading of parts, manual recording of data will enable our workers to take on more high value-adding works. Such deployment of technology will improve our manufacturing processes, resulting in higher quality products.
- Most importantly, we will be able to enhance customers' satisfaction. Our team can access data on-the-fly and be able to respond to customers' concerns as well as requests with faster turn-around time.

5. What is the Group's current dividend policy? Will the Group maintain or change this policy going forward?

- The Group has not announced dividend payouts since IPO, as cash resources were reserved for business growth. Accordingly, such investments have now contributed to business expansions, leading to healthy cash flows generated from operations. The Group, therefore, is reviewing our dividend policy and will announce any developments on this front.

6. How has COVID-19 impacted your operations in Singapore, Malaysia and China? What measures have you taken to mitigate the impact?

- Our participation in the Medical, Life Sciences and Semiconductor supply chain makes us an essential services provider, hence we were permitted to continue operating despite lockdowns in Malaysia and Singapore. Our China operations, however, were temporarily shut down but have since resumed operations.



GVT's business presence

- Our i4.0 initiatives have been timely as we embark on Group-wide digitalisation. Whilst travel between our countries of operations was not possible, our current infrastructure and digital capabilities have enabled seamless communication across our facilities. Under new operational-norms, we have been successful in planning and coordinating production across our facilities. Going forward, we will continue to deliver and fulfil our customers' demand (which remained high despite COVID-19 pandemic).
- We see opportunities during a crisis. Through our strong support to our customers during the pandemic, we were informed that one customer is currently looking at upgrading our status to "Preferred Supplier".

7. What are the factors that are critical to GVT's success against competitors?

- We remain nimble, open-minded, forward-looking and are always challenging boundaries. We listen and work intimately with our customers to partner not only in Design for Manufacturing (DFM), Design for Assembly (DFA) but also to the extent of product life cycle management.
- We remain committed to investing and enhancing our engineering and capabilities to cater to the needs of our customers. We provide manufacturing of advance materials such as quartz, ceramics and plastics to cater for the niche and specific needs of our customers.
- Last, but not least, we remain committed to our employees and very much focused on talent acquisition and talent retention.

8. What notable developments can shareholders expect from GVT in the coming year?

- We expect our business to continue in its growth trajectory and hope to see normalcy in the supply chain as businesses resume operations.
- During 2020, we have obtained ISO13485:2016 certification, which recognises our ability to provide medical devices and related services that consistently meet customer and applicable regulatory requirements. This cemented our capabilities footprint and propelled expansions in the Life Sciences and Medical segments.
- We believe that contribution from these segments will expand in 2020 and 2021, while the Semiconductor segment is also expected to grow concurrently. The evolution of our revenue streams is discussed under question 2 of the report.

9. How does the Group ensure energy, waste and water efficiency at manufacturing facilities?

- The Group adopts standard costing process to track direct manufacturing costs. This includes energy and water consumption estimates at the individual machine level. With the deployment of i4.0, the efficiency of our machines are being optimised to ensure minimal wastage as well as energy and water consumption.
- We are also looking to deploying solar energy at our facilities to supplement our current level of energy consumption.

10. What is GVT's value proposition to its shareholders and potential investors?

- We believe that there remain significant growth potential in our business as we stay true to our course in converting underlying potential to tangible results.
- GVT is run by seasoned veterans in the industry. The Management team has clear, practical and achievable business plan which is already evident in the Group's rapid and sustained growth since 2015. Our current growth is purely organic and we have yet to tap into potential synergies as we look to also expand via M&As and partnerships in the near term.
- Backed by strong corporate governance, the Group deploys its resources in optimising Return of Investment (ROI) for our shareholders. We believe our business model is future-proof as we focus on i4.0 initiatives and build capabilities in advance precision manufacturing and advance materials (including quartz, ceramics, plastics). At the same time, the Group will continue to diversify revenue streams in Semiconductor, Life Sciences, Medical, Electronic and others to cushion against cyclical and structural challenges.

EMBRACING INDUSTRIAL 4.0



As part of GVT's digital transformation to a "Smart Factory", it leverages Industrial 4.0 to improve business flow and operational efficiency.

Source: Company data

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Designed to be a short read, 10 in 10 provides insights into SGX-listed companies through a series of 10 Q&As with management. Through these Q&As, management will discuss current business objectives, key revenue drivers as well as the industry landscape. Expect to find wide-ranging topics that go beyond usual company financials.

This report contains factual commentary from the company's management and is based on publicly announced information from the company.

For more, visit sgx.com/research.

For company information, visit <https://www.gvt.com.sg/>
Click [here](#) for 1HFY2020 Financial Results

Notes

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