

# Asustek (2357.TW/2357 TT)

## PC sales recovery in 2024F, with brighter margin outlook

FTSE4Good TIP Taiwan ESG Index stock

### Outperform · Maintained

Price as of November 13 (NT\$)	360.0
12M target price (NT\$)	454.0
Previous target price (NT\$)	435.0
Revised up (%)	4.4
Upside (%)	26.1

#### Key message

- 3Q23 EPS beat our forecast on stronger-than-expected operating margin.
- PC demand recovery in 2024F with better-than-expected operating margin guidance of 4-5% next year.
- AI server to account for over 50% of server sales in 2024F, and 2-3% of total sales.

#### Trading data

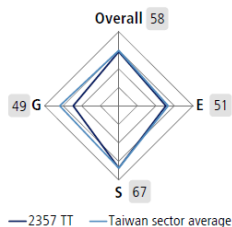
Mkt cap (NT\$/US\$m)	267.4 / 8,275
Outstanding shares (mn)	743
Foreign ownership (mn)	409.1
3M avg. daily trading (mn)	4.54
52-week trading range (NT\$)	248.0 - 428.0

Performance	3M	6M	12M
Absolute (%)	-2.2	27.9	44.6
Relative (%)	-3.6	19.3	24.4

#### Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	14.04A	2.55A	8.34A	(5.15)A
2023	(2.26)A	3.48A	14.94A	6.22F
2024	3.09F	4.59F	13.48F	9.08F

#### ESG score card



Source: Refinitiv, KGI securities

#### Event

Q23 EPS was NT\$14.94, ahead of our forecast and consensus. Management guides the 2024F PC industry to grow by low- to mid-single digits YoY and targets an operating margin of 4-5% in 2024F, stronger than our expectation.

#### Impact

**3Q23 EPS beat on margins.** 3Q23 EPS of NT\$14.94 beat our forecast and consensus by 70-80% due to stronger-than-expected improvement of margins. Brand gross and operating margins rose QoQ to 17.4% and 6.7%, above our estimates thanks to a favorable product mix (driven by new PC launches and increasing penetration of RTX 40 series graphics card), lower sales allowance (15.4% in 3Q23, vs. 17.7% in 2Q23) and better reversal of inventory allowance (3.1% of 3Q23 sales, vs. 2.6% in 2Q23). 1Q-3Q23 EPS fell 35% YoY to NT\$16.16 on margins contraction in 1H23 given inventory digestion.

**Better-than-expected margin recovery in 4Q23F.** Management guides PC sales to fall 15% QoQ in 4Q23F after a strong 3Q23 sales increase of 23% QoQ, which is below our forecast given lukewarm demand in the US and Asia despite healthy channel inventory levels currently. For components sales, Asustek expects growth of 5% QoQ, boosted by VGA (higher penetration of Nvidia's (US) mainstream models) and server sales. Thus, we cut 4Q23F brand sales to a 8% QoQ decline. However, the firm guides brand operating margin to improve YoY to 4-5% in 4Q23F, ahead of our forecast. As a result, we largely maintain 4Q23F EPS and revise up 2023F EPS to NT\$22.36 (up 13% YoY) to reflect stronger 3Q23 earnings.

**PC demand recovery in 2024F; AI server growing fast.** Management now expects the PC industry to grow by low- to mid-single digits next year (vs. a 15% YoY fall in 2023F), down from previous guidance of high single-digit growth, on macro uncertainty. PC demand growth will be driven by replacement demand, new Windows system and AI PC launches, while gaming PC may keep outgrowing the overall industry. Asustek sees an AI PC penetration rate of single digits in 2024F, boosting ASP, and it guides 1Q24F PC sales to fall slightly QoQ, better than our expectation. For server, it targets a single-digit sales weighting in 2023F, mid-single digits next year and double digits in 2025F (implying sales of NT\$50-60bn, up from near NT\$10bn in 2022). AI will drive server sales in 2024F and may account for over 50% of server sales (NT\$10-15bn). Management also targets operating margin to rebound to 4-5% in 2024F, up from 2.7% in 2023F. With PC demand recovery, server sales expansion (to 4-6% of sales) and a better margins outlook, we revise up 2024F EPS to NT\$30.23, up 35% YoY.

#### Valuation & Action

On PC and server sales expansion and a better-than-expected recovery of margins in 2024F, we maintain our Outperform rating. To reflect earnings upward revisions, we raise our target price to NT\$454 (15x 2024F EPS).

#### Risks

Weak NB demand; currency fluctuations.

#### Key financials and valuations

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (NT\$m)	535,239	537,192	485,050	548,674	606,993
Gross profit (NT\$m)	110,316	74,141	71,452	84,758	95,554
Operating profit (NT\$m)	49,326	12,982	13,225	23,846	27,644
Net profit (NT\$m)	44,550	14,691	16,613	22,459	25,248
EPS (NT\$)	59.98	19.78	22.36	30.23	33.99
Cash DPS (NT\$)	42.00	15.00	15.66	21.17	23.79
EPS growth (%)	67.7	(67.0)	13.1	35.2	12.4
PE (x)	6.0	18.2	16.1	11.9	10.6
PB (x)	1.2	1.3	1.2	1.2	1.1
EV/EBITDA (x)	1.8	8.6	6.5	3.7	3.5
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	11.7	4.2	4.3	5.9	6.6
Return on average equity (%)	20.5	6.6	7.7	10.1	11.0

Source: Company data, KGI Research estimates

**Figure 1: Asustek's 3Q23 brand sales fell 5% YoY but rose 17% QoQ on PC demand recovery, but may fall 8% QoQ in 4Q23F**

Brand sales (NT\$bn)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23F	4Q23 guidance	2017	2018	2019	2020	2021	2022	2023F	2024F	
PC	64.3	74.4	88.3	94.3	84.3	76.8	94.3	75.0	60.3	68.7	84.5	71.8	Down 15% QoQ	246.5	220.4	224.6	247.5	321.4	330.4	285.2	314.7	
Mobile	1.0	3.6	2.5	2.1	1.3	0.5	2.7	2.3	1.0	2.1	1.2	1.3		67.3	37.4	23.5	10.7	9.2	6.7	5.7	6.1	
Component	42.1	41.5	38.8	45.1	42.1	37.7	35.8	39.8	40.8	36.4	40.3	42.3	Up 5% QoQ	69.0	73.0	76.6	120.3	167.5	155.3	159.8	190.2	
Other	0.8	0.8	0.5	0.3	0.3	0.2	0.3	0.2	0.2	0.2	0.3	0.3		10.6	12.3	7.8	3.9	2.4	1.0	1.0	1.1	
Total	108.1	120.4	130.1	141.8	128.0	115.2	132.9	117.4	102.4	107.5	126.2	115.6		392.9	352.5	332.5	382.4	500.4	493.5	451.7	512.1	
<b>Product mix (%)</b>																						
PC	59.5	61.8	67.9	66.5	65.9	66.7	70.9	63.9	58.9	63.9	66.9	62.1		62.8	62.5	67.5	64.7	64.2	67.0	63.1	61.5	
Mobile	0.9	3.0	1.9	1.5	1.0	0.4	2.0	2.0	1.0	2.0	1.0	1.1		17.1	10.6	7.1	2.8	1.8	1.4	1.3	1.2	
Component	38.9	34.5	29.8	31.8	32.9	32.7	26.9	33.9	39.9	33.9	31.9	36.6		17.6	20.7	23.0	31.5	33.5	31.5	35.4	37.1	
Other	0.7	0.7	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2		2.7	3.5	2.4	1.0	0.5	0.2	0.2	0.2	
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
<b>Brand sales QoQ (%)</b>																						
PC	(12.0)	15.7	18.7	6.8	(10.6)	(8.9)	22.7	(20.4)	(19.6)	13.9	23.0	(15.0)										
Mobile	(67.5)	271.2	(31.6)	(13.9)	(39.9)	(64.0)	476.9	(11.7)	(56.4)	110.0	(44.2)	8.3										
Component	14.1	(1.2)	(6.7)	16.3	(6.7)	(10.5)	(5.1)	11.3	2.7	(10.8)	10.5	5.0										
Other	(2.4)	11.4	(38.2)	(45.5)	(9.8)	(10.0)	15.4	(11.7)	(12.8)	5.0	46.4	(15.7)										
Total	(4.9)	11.4	8.1	9.0	(9.8)	(10.0)	15.4	(11.7)	(12.8)	5.0	17.4	(8.4)										
<b>Brand sales YoY (%)</b>																						
PC	68.2	34.7	9.1	29.1	31.1	3.3	6.7	(20.5)	(28.5)	(10.6)	(10.4)	(4.3)		(11.5)	(10.6)	1.9	10.2	29.8	2.8	(13.7)	10.3	
Mobile	(58.8)	165.0	(37.3)	(28.9)	31.5	(87.2)	7.6	10.3	(20.0)	366.5	(54.9)	(44.6)		(13.0)	(44.4)	(37.1)	(54.7)	(13.8)	(26.5)	(15.9)	7.5	
Component	89.4	55.0	12.4	22.3	0.1	(9.3)	(7.8)	(11.8)	(3.0)	(3.3)	12.6	6.3		14.9	5.9	4.8	57.2	39.1	(7.2)	2.9	19.0	
Other	(38.6)	(49.7)	136.8	(63.4)	(66.2)	(72.7)	(48.9)	(17.3)	(20.0)	(6.7)	18.4	13.0		(17.8)	16.5	(36.5)	(50.1)	(38.4)	(58.9)	1.3	10.0	
Total	68.8	41.5	8.8	24.7	18.4	(4.3)	2.2	(17.3)	(20.0)	(6.7)	(5.0)	(1.5)		(8.4)	(10.3)	(5.7)	15.0	30.8	(1.4)	(8.5)	13.4	

Source: Company data; KGI Research estimates

**Figure 2: Breakdown of 3Q23 results & 4Q23 forecast revisions vs. consensus (consolidated)**

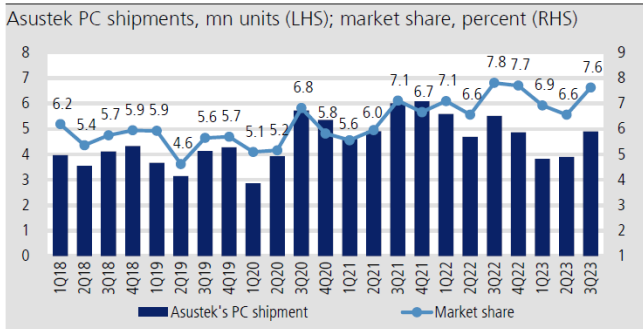
NT\$m	3Q23						4Q23F							
	Actual	KGI forecast	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	135,052	134,216	0.6	16.7	(6.7)	136,463	(1.0)	122,897	140,927	(12.8)	(9.0)	(3.3)	144,177	(14.8)
Gross profits	24,712	20,132	22.7	52.8	34.9	20,776	18.9	19,848	21,703	(8.5)	(19.7)	62.4	22,489	(11.7)
Operating income	9,046	4,966	82.1	427.7	136.7	5,322	70.0	5,592	5,778	(3.2)	(38.2)	-	5,767	(3.0)
Pretax Income	14,133	8,352	69.2	350.8	75.9	8,943	58.0	6,698	6,874	(2.6)	(52.6)	-	7,073	(5.3)
Net income	11,097	5,998	85.0	329.1	79.3	6,397	73.5	4,618	4,629	(0.2)	(58.4)	-	4,940	(6.5)
EPS (NT\$)	14.94	8.07	85.0	329.1	79.3	8.61	73.5	6.22	6.23	(0.2)	(58.4)	-	6.65	(6.5)
Gross margin (%)	18.3	15.0	3.3 ppts	4.3 ppts	5.6 ppts	15.2	3.1 ppts	16.2	15.4	0.7 ppts	(2.1)ppts	6.5 ppts	15.6	0.6 ppts
OP margin (%)	6.7	3.7	3.0 ppts	5.2 ppts	4.1 ppts	3.9	2.8 ppts	4.5	4.1	0.4 ppts	(2.1)ppts	7.9 ppts	4.0	0.6 ppts
Net margin (%)	8.2	4.5	3.7 ppts	6.0 ppts	3.9 ppts	4.7	3.5 ppts	3.8	3.3	0.5 ppts	(4.5)ppts	6.8 ppts	3.4	0.3 ppts

Source: Bloomberg, KGI Research estimates

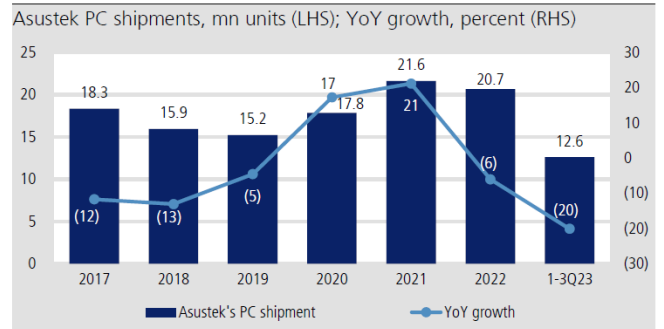
**Figure 3: Breakdown of 2023-25 forecast revisions vs. consensus (consolidated)**

NT\$m	2023F						2024F						2025F			
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	KGI forecast	YoY (%)	Consensus	Diff. (%)
Sales	485,050	502,244	(3.4)	(9.7)	504,774	(3.9)	548,674	572,113	(4.1)	13.1	568,895	(3.6)	606,993	10.6	613,335	(1.0)
Gross profit	71,452	68,726	4.0	(3.6)	69,775	2.4	84,758	85,978	(1.4)	18.6	87,269	(2.9)	95,554	12.7	96,907	(1.4)
Operating income	13,225	9,331	41.7	1.9	9,551	38.5	23,846	22,680	5.1	80.3	22,524	5.9	27,644	15.9	25,344	9.1
Pretax Income	22,531	16,925	33.1	4.2	17,477	28.9	31,253	30,076	3.9	38.7	30,546	2.3	34,789	11.3	33,535	3.7
Net income	16,613	11,524	44.2	13.1	11,933	39.2	22,459	21,530	4.3	35.2	22,176	1.3	25,248	12.4	24,609	2.6
EPS (NT\$)	22.36	15.51	44.2	13.1	16.06	39.2	30.23	28.97	4.3	35.2	29.85	1.3	33.99	12.4	33.13	2.6
Gross margin (%)	14.7	13.7	1.0 ppts	0.9 ppts	13.8	0.9 ppts	15.4	15.0	0.4 ppts	0.7 ppts	15.3	0.1 ppts	15.7	0.3 ppts	15.8	(0.1)ppts
OP margin (%)	2.7	1.9	0.9 ppts	0.3 ppts	1.9	0.8 ppts	4.3	4.0	0.4 ppts	1.6 ppts	4.0	0.4 ppts	4.6	0.2 ppts	4.1	0.4 ppts
Net margin (%)	3.4	2.3	1.1 ppts	0.7 ppts	2.4	1.1 ppts	4.1	3.8	0.3 ppts	0.7 ppts	3.9	0.2 ppts	4.2	0.1 ppts	4.0	0.1 ppts

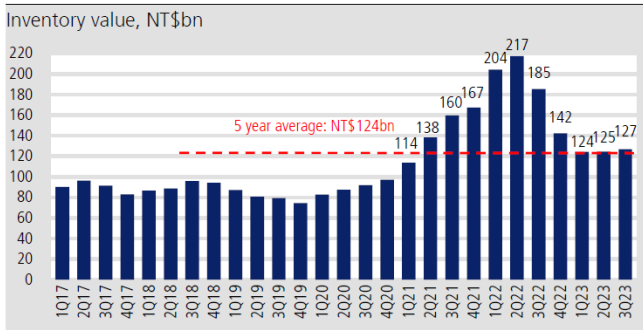
Source: Bloomberg, KGI Research estimates

**Figure 4: Asustek's PC market share rose to 7.6% in 3Q23**


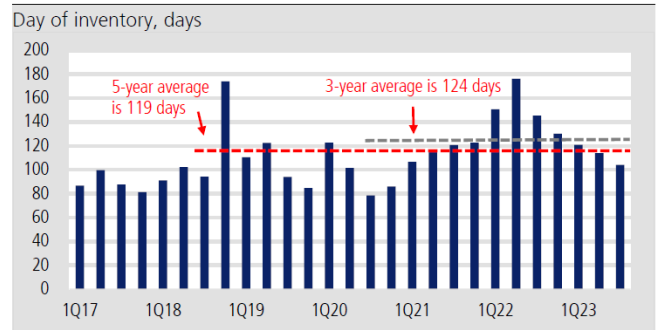
Source: Gartner; KGI Research

**Figure 5: Asustek's PC shipments fell 20% YoY in 1Q-3Q23, while gaming PC shipments grew 12% YoY**


Source: Gartner; KGI Research

**Figure 6: Inventory value kept rising QoQ in 3Q23 on peak season (consolidated)**


Source: Company data; KGI Research

**Figure 7: Asustek's DOI falling QoQ since 3Q22 (consolidated)**


Source: Company data; KGI Research

**Figure 8: Asustek launched ROG Ally in May, which supports all major platforms**


Source: Asustek

**Figure 9: Asustek launches AI server equipped with eight Nvidia HGX H100 GPU**


Source: Asustek

**Figure 10: Peer comparison – Valuations**

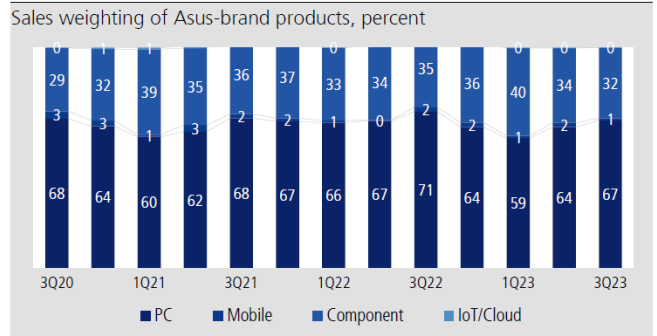
Sector	Company	Ticker	Market cap. (US\$mn)	Share price (LCY)	Rating	Target Price (LCY)	EPS (LCY)		EPS YoY (%)		PE (x)		PB (x)		ROE (%)		Cash yield (%)	
							2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2022	2023F
Motherboard/ graphic cards	Gigabyte	2376 TT	4,429	225.5	Outperform	285.0	7.72	12.47	(24.9)	61.5	29.2	18.1	3.8	3.5	13.3	20.1	2.7	2.1
	Asustek	2357 TT	8,262	360.0	Outperform	454.0	22.36	30.23	13.1	35.2	16.1	11.9	1.2	1.2	7.7	10.1	4.2	4.3
	MSI	2377 TT	4,333	166.0	Neutral	176.0	10.71	12.59	(9.2)	17.5	15.5	13.2	2.7	2.5	18.0	19.4	4.0	3.6
	Asrock	3515 TT	705	187.0	Neutral	228.0	6.67	10.35	(23.3)	55.3	28.0	18.1	2.7	2.6	9.8	14.6	4.3	2.4
Server ODM	Wiwynn	6669 TT	10,480	1,940	Outperform	2,200.0	65.65	99.16	(19.0)	51.0	29.5	19.6	7.1	5.7	26.5	32.2	2.6	1.9
	Inventec	2356 TT	4,827	43.6	Outperform	53.0	1.57	2.42	(8.1)	54.3	27.8	18.0	2.6	2.5	9.4	14.1	3.4	2.9
	Quanta	2382 TT	24,584	206.0	Outperform	310.0	10.13	13.43	34.8	32.6	20.3	15.3	4.5	4.2	22.6	28.4	2.9	3.9
	Hon Hai	2317 TT	41,847	97.7	Outperform	126.0	8.55	10.40	(16.2)	21.6	11.4	9.4	0.9	0.9	8.0	9.3	5.4	4.5

Source: KGI Research; Bloomberg

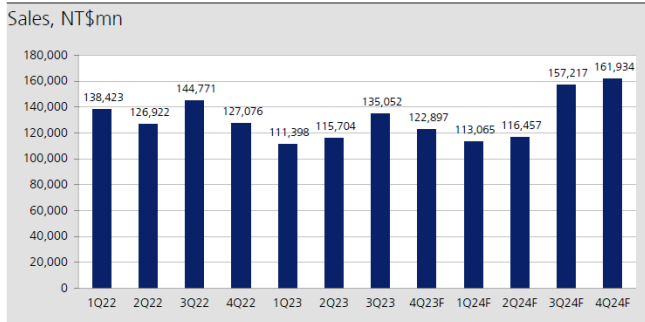
**Figure 11: Company profile**

In 2022, Asustek was the world's fifth largest PC maker, with shipments of 20.7mn units (down 6% YoY) with global market share of 7.3%. The company launched the first ZenFone model in 2013, with shipments growth of 135% YoY to 20mn units for the series in 2015. Asustek's smartphone shipments shrank to 0.8mn units in 2021 and declined 30% YoY to 0.6mn units in 2022. In 2022, PC (NB, desktop) were 67% of brand sales, components (motherboard, graphics card) 32%, and smartphone 1%.

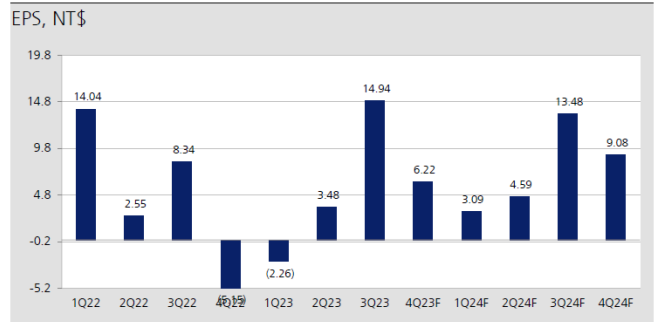
Source: KGI Research

**Figure 12: PC system sales weighting up QoQ in 3Q23**


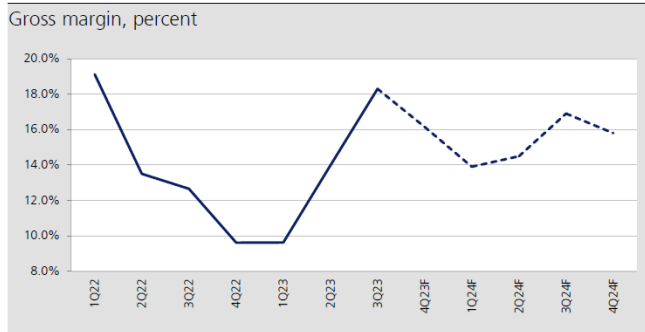
Source: company data; KGI Research

**Figure 13: Sales**


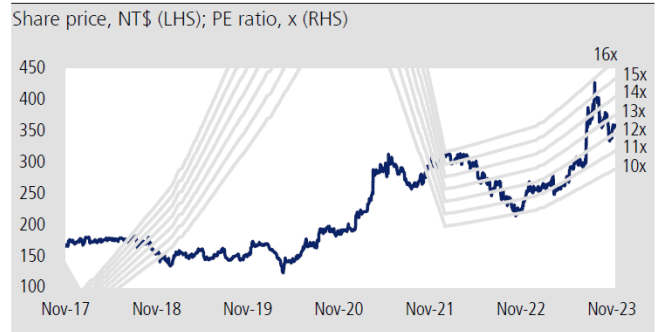
Source: KGI Research

**Figure 14: EPS**


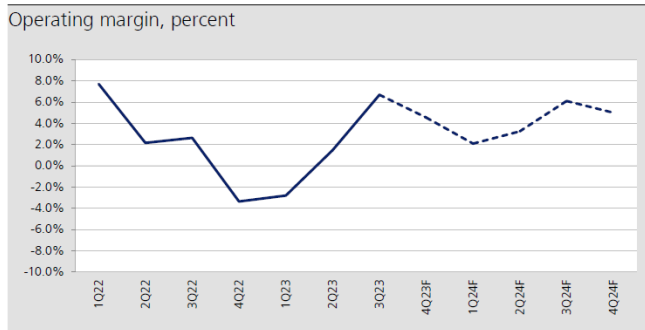
Source: KGI Research

**Figure 15: Gross Margin**


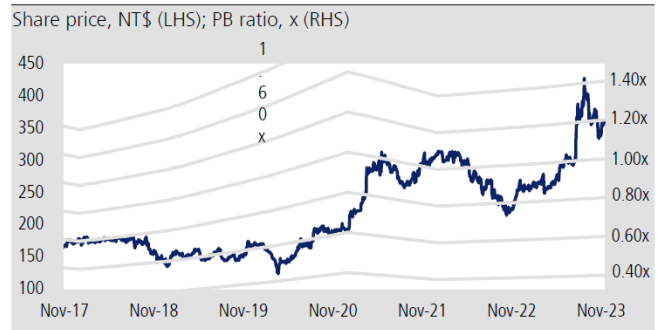
Source: KGI Research

**Figure 16: 12M forward PE band**


Source: TEJ; KGI Research

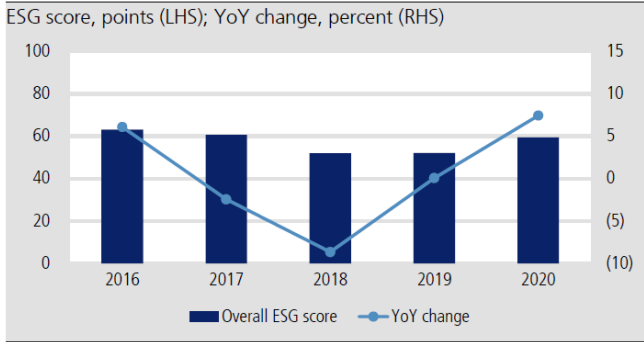
**Figure 17: Operating Margin**


Source: KGI Research

**Figure 18: 12M forward PB band**


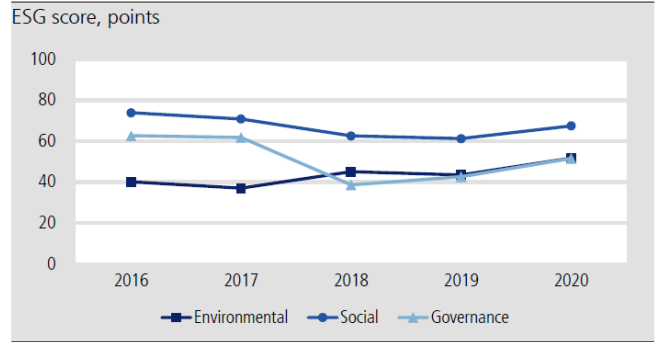
Source: TEJ; KGI Research

Figure 19: Overall ESG score



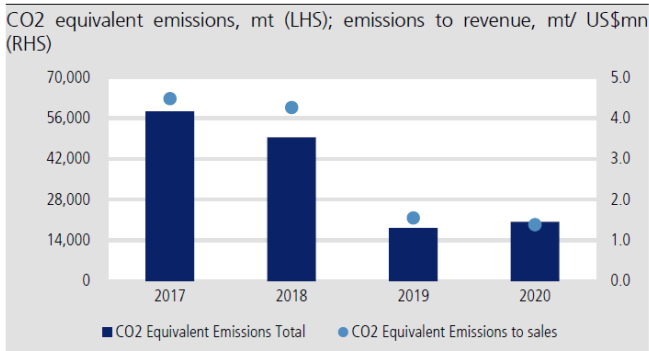
Source: Refinitiv, KGI Research, Company data

Figure 20: ESG scores



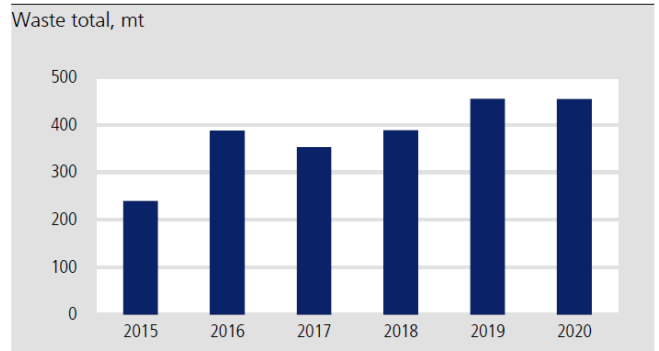
Source: Refinitiv, KGI Research, Company data

Figure 21: CO2 equivalent emissions



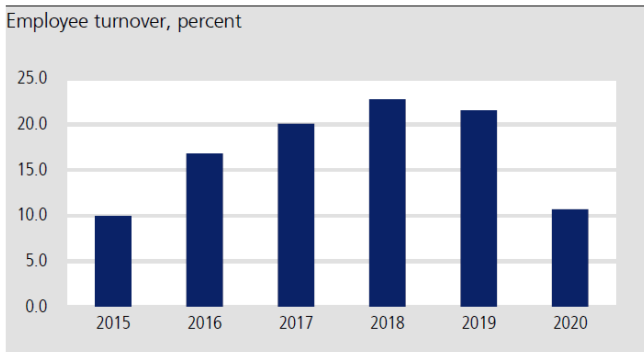
Source: Refinitiv, KGI Research, Company data

Figure 22: Waste total



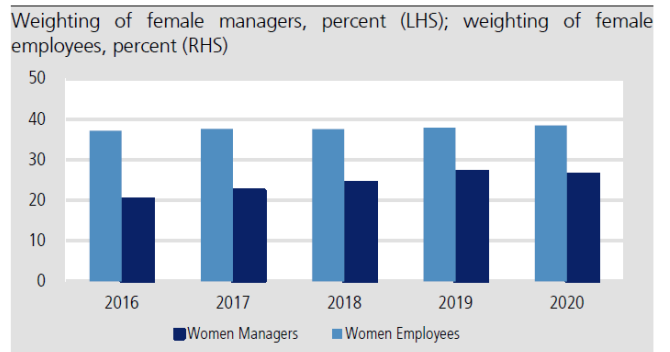
Source: Refinitiv, KGI Research, Company data

Figure 23: Employee turnover



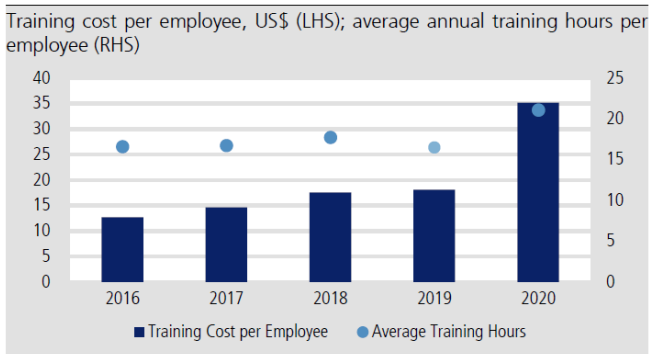
Source: Refinitiv, KGI Research, Company data

Figure 24: Gender diversification



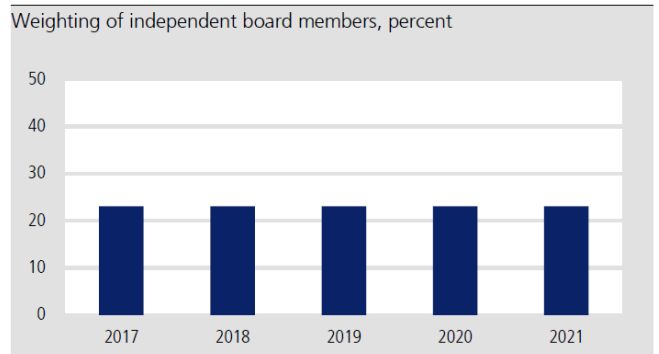
Source: Refinitiv, KGI Research, Company data

Figure 25: Employee training



Source: Refinitiv, KGI Research, Company data

Figure 26: Independent board members



Source: Refinitiv, KGI Research, Company data

**ESG chart definition**

Item	Definition	Remarks
Energy use	Total direct and indirect energy consumption in gigajoules. - the total amount of energy that has been consumed within the boundaries of the company's operations - total energy use = total direct energy consumption + indirect energy consumption - purchased energy and produced energy are included in total energy use - for utilities, transmission/ grid loss as part of its business activities is considered as total energy consumed and data does not consider electricity produced to answer energy use (utility company produces to sell) - for utilities, raw materials such as coal, gas or nuclear used in the production of energy are not considered under 'total energy use'	
Renewable energy purchased	Total primary renewable energy purchased in gigajoules. - energy consumed by the company from various sources and among the purchased energy, how much energy is renewable in nature (solar, wind, hydro, biomass, geothermal) are in scope - if there is no evidence that renewable energy is produced by the company, then we consider the reported energy figure as renewable energy purchased	
Renewable energy use ratio	Renewable energy to total energy used	
CO2 equivalent emissions	Direct CO2 and CO2 equivalent emissions in metric tons. - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)	
CO2 equivalent emissions to sales	Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT\$mn) - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)	
Waste total	Total amount of waste produced in metric tons. - total waste = non-hazardous waste + hazardous waste - only solid waste is taken into consideration, exceptionally if liquid waste is reported in metric tons, then we do the summation to derive total including liquid waste - for sectors like mining, oil & gas, waste generation like tailings, waste rock, coal and fly ash are also considered	
Waste recycling ratio	The waste recycling ratio as reported by the company. - waste recycling ratio = waste recycled/total waste*100 - waste to energy or waste incinerated with energy recovery are considered as waste recycled - waste recovered via composting is considered as recycled waste	
Water withdrawal total	Total water withdrawal in cubic meters. - the total volume of water withdrawn from any water source that was either withdrawn directly by the reporting organization or through intermediaries such as water utilities - different sources of water like wells, town/utility/municipal water, river water, and surface water are considered	
Environmental expenditures	Total amount of environmental expenditures. - all environmental investment & expenditures for environmental protection or to prevent, reduce, control environmental aspects, impacts, and hazards. It also includes disposal, treatment, sanitation, and clean-up expenditures	
Turnover of employees	Percentage of employee turnover. - includes employees who left the company for any reason (voluntary or involuntary), such as resignations, retirement, natural departure/death, medical incapacitation, redundancy, layoffs, restructuring, dismissal, retrenchment or end of a fixed-term contract - employees turnover rate = (employees leaving/average number of employees)*100 - where the average number of employees = (employees at the end of the current year + employees at the end of the previous year)/2 - employees at the end of the current fiscal year = employees at the end of the previous fiscal year + new employees - employees leaving	
Women managers	Percentage of women managers. - percentage of women managers among total managers of the company - if there is a breakdown by category in percentage, such as top, senior, middle, and junior management, then we consider the percentage of middle women managers - percentage of women managers = number of women managers/total number of managers*100	
Women employees	Percentage of women employees. - percentage of women employees to the total number of employees of the company - percentage of women employees = number of women/total number of employees*100	
Training hours total	Total training hours performed by all employees. - consider only employee training hours - includes all types of training given to general employees (such as health & safety, environmental, emergency response, skills & career development training) - if the value is given in days, multiply by 8, assuming that 1 day = 8 hours worked	
Training hours per employee	Training hours per employee per year	

Source: Refinitiv; KGI Research

**Income statement**

	Quarterly								Annually		
	Mar-23A	Jun-23A	Sep-23A	Dec-23F	Mar-24F	Jun-24F	Sep-24F	Dec-24F	Dec-23F	Dec-24F	Dec-25F
<b>Income statement (NT\$m)</b>											
<b>Revenue</b>	<b>111,398</b>	<b>115,704</b>	<b>135,052</b>	<b>122,897</b>	<b>113,065</b>	<b>116,457</b>	<b>157,217</b>	<b>161,934</b>	<b>485,050</b>	<b>548,674</b>	<b>606,993</b>
Cost of goods sold	(100,682)	(99,528)	(110,339)	(103,049)	(97,349)	(99,571)	(130,648)	(136,348)	(413,598)	(463,917)	(511,440)
<b>Gross profit</b>	<b>10,716</b>	<b>16,175</b>	<b>24,713</b>	<b>19,848</b>	<b>15,716</b>	<b>16,886</b>	<b>26,570</b>	<b>25,586</b>	<b>71,452</b>	<b>84,758</b>	<b>95,554</b>
Operating expenses	(13,842)	(14,463)	(15,666)	(14,256)	(13,342)	(13,101)	(16,979)	(17,489)	(58,226)	(60,912)	(67,909)
<b>Operating profit</b>	<b>(3,121)</b>	<b>1,714</b>	<b>9,046</b>	<b>5,592</b>	<b>2,374</b>	<b>3,785</b>	<b>9,590</b>	<b>8,097</b>	<b>13,225</b>	<b>23,846</b>	<b>27,644</b>
Depreciation of fixed assets	(538)	(551)	(566)	(525)	(593)	(593)	(593)	(593)	(2,180)	(2,372)	(2,572)
Amortisation of intangible assets	(118)	(137)	(140)	(111)	(127)	(127)	(127)	(127)	(506)	(506)	(506)
<b>EBITDA</b>	<b>(2,465)</b>	<b>2,402</b>	<b>9,752</b>	<b>6,228</b>	<b>3,094</b>	<b>4,505</b>	<b>10,310</b>	<b>8,816</b>	<b>15,912</b>	<b>26,725</b>	<b>30,723</b>
Interest income	649	716	644	636	442	442	442	442	2,645	1,767	1,439
Investment income	224	282	3,314	280	250	250	2,800	200	4,100	3,500	3,500
Other non-op income	1,065	585	1,289	561	725	725	725	725	3,500	2,900	2,900
<b>Non-operating income</b>	<b>1,938</b>	<b>1,583</b>	<b>5,247</b>	<b>1,478</b>	<b>1,417</b>	<b>1,417</b>	<b>3,967</b>	<b>1,367</b>	<b>10,245</b>	<b>8,167</b>	<b>7,839</b>
Interest expense	(246)	(163)	(159)	(172)	(115)	(115)	(115)	(115)	(740)	(460)	(395)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	-	-	-	(200)	(75)	(75)	(75)	(75)	(200)	(300)	(300)
<b>Non-operating expenses</b>	<b>(246)</b>	<b>(163)</b>	<b>(159)</b>	<b>(372)</b>	<b>(190)</b>	<b>(190)</b>	<b>(190)</b>	<b>(190)</b>	<b>(940)</b>	<b>(760)</b>	<b>(695)</b>
<b>Pre-tax profit</b>	<b>(1,429)</b>	<b>3,135</b>	<b>14,133</b>	<b>6,698</b>	<b>3,601</b>	<b>5,012</b>	<b>13,367</b>	<b>9,273</b>	<b>22,531</b>	<b>31,253</b>	<b>34,789</b>
Current taxation	149	(52)	(2,430)	(1,384)	(756)	(1,052)	(2,807)	(1,979)	(3,718)	(6,594)	(7,340)
Minorities	(402)	(497)	(605)	(696)	(550)	(550)	(550)	(550)	(2,200)	(2,200)	(2,200)
<b>Normalised net profit</b>	<b>(1,682)</b>	<b>2,586</b>	<b>11,097</b>	<b>4,618</b>	<b>2,295</b>	<b>3,409</b>	<b>10,010</b>	<b>6,745</b>	<b>16,613</b>	<b>22,459</b>	<b>25,248</b>
Extraordinary items	(0)	0	0	(0)	-	-	-	-	-	-	-
<b>Net profit</b>	<b>(1,682)</b>	<b>2,586</b>	<b>11,097</b>	<b>4,618</b>	<b>2,295</b>	<b>3,409</b>	<b>10,010</b>	<b>6,745</b>	<b>16,613</b>	<b>22,459</b>	<b>25,248</b>
EPS (NT\$)	(2.26)	3.48	14.94	6.22	3.09	4.59	13.48	9.08	22.36	30.23	33.99
<b>Margins (%)</b>											
Gross profit margin	9.6	14.0	18.3	16.2	13.9	14.5	16.9	15.8	14.7	15.4	15.7
Operating margin	(2.8)	1.5	6.7	4.5	2.1	3.3	6.1	5.0	2.7	4.3	4.6
EBITDA margin	(2.2)	2.1	7.2	5.1	2.7	3.9	6.6	5.4	3.3	4.9	5.1
Pretax profit margin	(1.3)	2.7	10.5	5.5	3.2	4.3	8.5	5.7	4.6	5.7	5.7
Net profit margin	(1.5)	2.2	8.2	3.8	2.0	2.9	6.4	4.2	3.4	4.1	4.2
<b>Sequential growth (%)</b>											
Revenue growth	(12.3)	3.9	16.7	(9.0)	(8.0)	3.0	35.0	3.0			
Gross profit growth	(12.3)	50.9	52.8	(19.7)	(20.8)	7.4	57.3	(3.7)			
Operating profit growth	(26.8)		427.7	(38.2)	(57.5)	59.4	153.4	(15.6)			
EBITDA growth	(31.5)		306.0	(36.1)	(50.3)	45.6	128.9	(14.5)			
Pretax profit growth	(57.6)		350.8	(52.6)	(46.2)	39.2	166.7	(30.6)			
Net profit growth	(56.0)		329.1	(58.4)	(50.3)	48.6	193.6	(32.6)			
<b>YoY growth (%)</b>											
Revenue growth	(19.5)	(8.8)	(6.7)	(3.3)	1.5	0.7	16.4	31.8	(9.7)	13.1	10.6
Gross profit growth	(58.5)	(9.0)	34.9	62.5	46.7	4.4	7.5	28.9	(3.6)	18.6	12.7
Operating profit growth	(129.2)	(37.7)	136.7			120.8	6.0	44.8	1.9	80.3	15.9
EBITDA growth	(121.8)	(29.2)	117.6			87.5	5.7	41.6	2.0	68.0	15.0
Pretax profit growth	(110.4)	(3.4)	75.9			59.9	(5.4)	38.5	4.2	38.7	11.3
Net profit growth	(116.1)	36.4	79.3			31.8	(9.8)	46.1	13.1	35.2	12.4

Source: Company data, KGI Research estimates

### Balance sheet

NT\$m	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Total assets</b>	<b>504,153</b>	<b>471,165</b>	<b>477,034</b>	<b>482,043</b>	<b>497,051</b>
<b>Current assets</b>	<b>348,705</b>	<b>322,198</b>	<b>317,772</b>	<b>312,870</b>	<b>317,496</b>
Cash & ST securities	74,315	74,897	73,295	67,662	47,448
Inventory	167,316	142,472	124,646	126,753	140,120
Accounts receivable	93,243	91,311	106,312	104,938	116,410
Other current assets	13,832	13,518	13,518	13,518	13,518
<b>Non-current assets</b>	<b>155,448</b>	<b>148,967</b>	<b>159,262</b>	<b>169,173</b>	<b>179,555</b>
LT investments	112,826	104,045	114,671	124,954	135,908
Net fixed assets	19,421	19,495	19,165	18,793	18,221
Other assets	23,201	25,426	25,426	25,426	25,426
<b>Total liabilities</b>	<b>257,716</b>	<b>244,276</b>	<b>242,050</b>	<b>237,201</b>	<b>241,506</b>
<b>Current liabilities</b>	<b>238,183</b>	<b>222,677</b>	<b>220,489</b>	<b>215,628</b>	<b>219,937</b>
Accounts payable	95,730	51,368	73,655	69,714	77,066
Interest bearing ST liabilities	9,407	48,908	23,946	18,933	13,937
Other current liabilities	133,045	122,401	122,889	126,981	128,933
<b>Non-current liabilities</b>	<b>19,534</b>	<b>21,599</b>	<b>21,561</b>	<b>21,573</b>	<b>21,569</b>
Long-term debt	155	145	107	120	115
Other L-T liabilities	18,423	20,545	20,545	20,545	20,545
<b>Total equity</b>	<b>246,436</b>	<b>226,889</b>	<b>234,984</b>	<b>244,841</b>	<b>255,545</b>
Share capital	7,428	7,428	7,428	7,428	7,428
Retained earnings reserve	135,085	113,873	118,857	125,595	133,169
Minority interests	14,105	14,508	16,708	18,908	21,108
Preferred shareholders funds	-	-	-	-	-

### Key ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Growth</b>					
Revenue growth	29.7%	0.4%	(9.7%)	13.1%	10.6%
Operating profit growth	97.6%	(73.7%)	1.9%	80.3%	15.9%
EBITDA growth	86.6%	(70.5%)	2.0%	68.0%	15.0%
Net profit growth	67.7%	(67.0%)	13.1%	35.2%	12.4%
EPS growth	67.7%	(67.0%)	13.1%	35.2%	12.4%
<b>Profitability</b>					
Gross profit margin	20.6%	13.8%	14.7%	15.4%	15.7%
Operating margin	9.2%	2.4%	2.7%	4.3%	4.6%
EBITDA margin	9.9%	2.9%	3.3%	4.9%	5.1%
Net profit margin	8.3%	2.7%	3.4%	4.1%	4.2%
Return on average assets	9.9%	3.0%	3.5%	4.7%	5.2%
Return on average equity	20.5%	6.6%	7.7%	10.1%	11.0%
<b>Stability</b>					
Gross debt to equity	3.9%	21.6%	10.2%	7.8%	5.5%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	346.5	29.3	31.5	69.0	89.2
Interest & ST debt coverage (x)	0.9	0.3	0.5	0.6	0.7
Cash flow interest coverage(x)	191.1	(20.6)	47.0	24.2	1.9
Cash flow/int. & ST debt (x)	3.4	(0.3)	1.4	0.6	0.1
Current ratio (x)	1.5	1.4	1.4	1.5	1.4
Quick ratio (x)	0.8	0.8	0.9	0.9	0.8
Net debt (NT\$m)	(58,250)	(20,270)	(43,668)	(43,035)	(27,821)
<b>Per share data</b>					
EPS (NT\$)	59.98	19.78	22.36	30.23	33.99
CFPS (NT\$)	44.01	(21.17)	46.83	14.96	1.01
BVPS (NT\$)	312.79	285.93	293.87	304.18	315.63
Adj BVPS (NT\$)	312.79	285.93	293.83	304.16	315.62
SPS (NT\$)	720.61	723.24	652.94	738.64	817.20
EBITDA/share (NT\$)	71.24	21.01	21.42	35.98	41.36
Cash DPS (NT\$)	42.00	15.00	15.66	21.17	23.79
<b>Activity</b>					
Sales / avg assets	1.19	1.10	1.02	1.14	1.24
Days receivable	63.6	62.0	80.0	70.0	70.0
Days inventory	143.7	112.3	110.0	100.0	100.0
Days payable	82.2	40.5	65.0	55.0	55.0
Cash cycle	125.1	133.9	125.0	115.0	115.0

Source: Company data, KGI Research estimates

### Profit & loss

NT\$m	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Revenue</b>	<b>535,239</b>	<b>537,192</b>	<b>485,050</b>	<b>548,674</b>	<b>606,993</b>
Cost of goods sold	(424,923)	(463,051)	(413,598)	(463,917)	(511,440)
<b>Gross profit</b>	<b>110,316</b>	<b>74,141</b>	<b>71,452</b>	<b>84,758</b>	<b>95,554</b>
Operating expenses	(60,980)	(61,162)	(58,226)	(60,912)	(67,909)
<b>Operating profit</b>	<b>49,326</b>	<b>12,982</b>	<b>13,225</b>	<b>23,846</b>	<b>27,644</b>
<b>Non-operating income</b>	<b>11,523</b>	<b>9,699</b>	<b>10,245</b>	<b>8,167</b>	<b>7,839</b>
Interest income	528	920	2,645	1,767	1,439
Investment income	5,087	5,478	4,100	3,500	3,500
Other non-op income	5,908	3,300	3,500	2,900	2,900
<b>Non-operating expenses</b>	<b>(1,754)</b>	<b>(1,065)</b>	<b>(940)</b>	<b>(760)</b>	<b>(695)</b>
Interest expense	(171)	(763)	(740)	(460)	(395)
Investment loss	(683)	-	-	-	-
Other non-op expenses	(900)	(303)	(200)	(300)	(300)
<b>Pre-tax profit</b>	<b>59,094</b>	<b>21,616</b>	<b>22,531</b>	<b>31,253</b>	<b>34,789</b>
Current taxation	(12,483)	(4,784)	(3,718)	(6,594)	(7,340)
Minorities	(2,056)	(2,141)	(2,200)	(2,200)	(2,200)
Extraordinary items	(6)	(0)	-	-	-
<b>Net profit</b>	<b>44,550</b>	<b>14,691</b>	<b>16,613</b>	<b>22,459</b>	<b>25,248</b>
<b>EBITDA</b>	<b>52,914</b>	<b>15,603</b>	<b>15,912</b>	<b>26,725</b>	<b>30,723</b>
EPS (NT\$)	59.98	19.78	22.36	30.23	33.99

### Cash flow

NT\$m	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Operations cash flow</b>	<b>32,691</b>	<b>(15,721)</b>	<b>34,786</b>	<b>11,112</b>	<b>751</b>
Net profit	44,550	14,691	16,613	22,459	25,248
Depreciation & amortisation	3,588	2,621	2,686	2,879	3,079
Decrease in working capital	(47,177)	(19,145)	25,111	(4,673)	(17,487)
Other operating cash flow	31,731	(13,888)	(9,624)	(9,552)	(10,089)
<b>Investing cash flow</b>	<b>(1,784)</b>	<b>1,445</b>	<b>(3,357)</b>	<b>(3,237)</b>	<b>(3,372)</b>
Sale of ST investment	(1,610)	(370)	-	-	-
New investments	(1,543)	(460)	(1,001)	(730)	(866)
Capital expenditure	(2,178)	(1,524)	(1,850)	(2,000)	(2,000)
Others investing cashflow	3,547	3,798	(506)	(506)	(506)
<b>Free cash flow</b>	<b>(7,290)</b>	<b>(8,417)</b>	<b>36,484</b>	<b>14,514</b>	<b>4,896</b>
<b>Financing cash flow</b>	<b>(17,368)</b>	<b>6,816</b>	<b>(33,031)</b>	<b>(13,509)</b>	<b>(17,592)</b>
Increase in short term debt	3,565	39,480	(25,000)	(5,000)	(5,000)
Increase in long term loans	166	(11)	-	-	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(19,312)	(31,196)	(11,141)	(11,629)	(15,721)
Other financing cashflow	(1,787)	(1,458)	3,111	3,120	3,129
<b>Forex effects</b>	<b>(2,507)</b>	<b>8,971</b>			
<b>Total cash generated</b>	<b>11,033</b>	<b>1,510</b>	<b>(1,602)</b>	<b>(5,634)</b>	<b>(20,213)</b>

### ROIC

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	11.4%	11.4%	12.0%	11.1%	11.2%
<b>= Operating margin</b>	<b>9.2%</b>	<b>2.4%</b>	<b>2.7%</b>	<b>4.3%</b>	<b>4.6%</b>
1 / (Working capital/revenue					
+ Net PPE/revenue	0.1	0.1	0.1	0.1	0.1
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
<b>= Capital turnover</b>	<b>7.9</b>	<b>5.6</b>	<b>6.9</b>	<b>7.8</b>	<b>7.1</b>
Operating margin	9.2%	2.4%	2.7%	4.3%	4.6%
x Capital turnover	7.9	5.6	6.9	7.8	7.1
x (1 - tax rate)	78.9%	77.9%	83.5%	78.9%	78.9%
<b>= After-tax ROIC</b>	<b>57.1%</b>	<b>10.5%</b>	<b>15.7%</b>	<b>26.7%</b>	<b>25.5%</b>

Source: Company data, KGI Research estimates



**Asustek – Recommendation & target price history**


Source: TEJ, KGI Research

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