

Auras Technology (3324.TW/3324 TT)

Beneficiary of liquid cooling trend in server & auto

Outperform · Maintained

Price as of November 15 (NT\$)	333.0
12M target price (NT\$)	445.0
Previous target price (NT\$)	405.0
Revised up (%)	9.9
Upside (%)	33.6

Key message

- 3Q23 EPS of NT\$5.71 beat on strong gross and operating margins.
- 4Q23-2024F outlook positive with server the main driver, as rising thermal design power will fuel thermal solution upgrade from air cooling to liquid cooling, boosting ASP & gross margin.
- We raise 2023-25F EPS to NT\$15.86, NT\$21.09 and NT\$15.86 to reflect rising margins.

Trading data

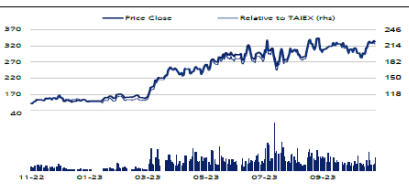
Mkt cap (NT\$bn/US\$m)	29.45 / 907	
Outstanding shares (mn)	88.43	
Foreign ownership (mn)	17.23	
3M avg. daily trading (mn)	5.45	
52-week trading range (NT\$)	140.5 – 344.0	

Performance	3M	6M	12M
Absolute (%)	17.3	43.8	135.3
Relative (%)	13.2	33.1	117.5

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	3.42A	4.15A	4.74A	2.37A
2023	3.22A	2.78A	5.71A	4.14F
2024	3.99F	4.30F	6.57F	6.22F

Share price chart



Source: TEJ

Event

Auras held an investor meeting. The firm is positive on 2024F business outlook and expects server to be the major sales driver. It also expects the sales contribution of liquid cooling to exceed that of air cooling after 4Q24F.

Impact

3Q23 EPS beat consensus. 3Q23 EPS arrived at NT\$ 5.71, up 106% QoQ and 21% YoY, beating consensus and our estimate. Gross margin of 26.5% and operating margin of 13.7% both rose QoQ and YoY to reach historical levels and beat our forecasts and consensus on a better product mix, increased sales and a favorable NT dollar and material costs trend. Gross margin was up 5.9ppts QoQ, with 1ppt coming from forex gains and lower material costs, and the bulk from sales scale and product mix benefits, which should continue in coming quarters and years. The server sales weighting expanded to 25% in 3Q23, versus 23% in 1H23, with some liquid cooling sales contribution (double the 2Q23 level), which also benefited gross margin. Coupled with forex gains, 3Q23 EPS beat and 1Q-3Q23 EPS was NT\$11.71, down 5% YoY on a sales decline of 10%.

Stable 4Q23F sales & margins; positive on 2024F sales & margin outlook. The firm guides stable 4Q23F sales QoQ, and we forecast 3% QoQ growth on drivers of gaming NB, motherboard (new CPUs) and server. After mass production of liquid cooling cold plate, the sales contribution will grow from 1-2% in 1H23 to 3-4% in 2H23F, mainly on two major clients. Cooling distribution unit (CDU) will be added to the product offering in 2024F, which will boost sales strongly given the high price of over US\$10k per unit. Server and liquid cooling sales expansion will boost gross margin significantly to above 25%, serving as the main margin driver next year. Auras targets a server sales contribution increase to 30% in 2024F, with total sales growth aiming for 20% YoY. This implies server sales growth of around 50% thanks to a rising ASP, in line with our expectation. The firm also expects 2024F NB sales recovery (up by single digits) on a rebound of gaming and AI NB, which mostly use vapor chamber (VC) technology. Smartphone and auto will also register robust sales growth in 2024F. The firm said most CSPs are aggressive in designing liquid cooling solutions for AI server given the growing thermal design power (TDP) of GPUs and CPUs. With an ASP 5-10x higher for liquid cooling solutions vs. air cooling, Auras expects liquid cooling sales contribution to exceed that of air cooling after 4Q24F to comprise for around 10% of total sales, as it will expand the cold plate product offering to integrate with CDU, rack, quick connector and manifold. We thus expect server profit contribution to go up to 40-50% in 2024-25F. To reflect a better 2H23-2024F margin outlook, we raise 2023F EPS to NT\$15.86 (up 8% YoY), 2024F EPS to NT\$21.09 (up 33% YoY) and 2025F EPS to NT\$26.47 (up 26% YoY).

Valuation & Action

We maintain Outperform on decent 2H23F and 2024F margins and EPS growth, and raise our target price from NT\$405 to NT\$445, on 20x average 2024-25F fully-diluted EPS.

Risks

Material price hikes; weak demand.

Key financials and valuations

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (NT\$m)	14,258	13,857	12,965	15,692	19,069
Gross profit (NT\$m)	2,663	2,722	3,130	4,046	4,995
Operating profit (NT\$m)	1,379	1,173	1,460	2,198	2,813
Net profit (NT\$m)	1,133	1,264	1,365	1,816	2,279
EPS (NT\$)	13.12	14.68	15.86	21.09	26.47
Cash DPS (NT\$)	6.00	6.50	6.84	9.09	11.41
EPS growth (%)	1.9	11.9	8.0	33.0	25.5
PE (x)	25.4	22.7	21.0	15.8	12.6
PB (x)	6.2	5.3	4.7	4.0	3.4
EV/EBITDA (x)	15.4	17.3	15.6	10.7	8.4
Net debt to equity (%)	4.5	4.6	Net cash	Net cash	Net cash
Dividend yield (%)	1.8	2.0	2.1	2.7	3.4
Return on average equity (%)	24.3	24.5	23.0	26.6	28.6

Source: Company data, KGI Research estimates

Figure 1: Breakdown of 3Q23 results & 4Q23 forecast revisions vs. consensus

NT\$m	3Q23							4Q23F						
	Actual	KG I forecast	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	3,492	3,493	(0.0)	34.5	4.7	3,312	5.4	3,597	3,633	(1.0)	3.0	4.9	3,537	1.7
Gross profits	927	821	12.9	73.1	34.7	755	22.7	935	854	9.5	0.9	30.4	830	12.7
Operating income	478	402	19.0	221.4	77.3	374	27.9	468	425	10.0	(2.2)	45.6	472	(0.9)
Pretax income	599	534	12.0	99.9	10.7	440	36.0	480	425	12.9	(19.8)	83.7	436	10.2
Net income	492	433	13.5	105.6	20.6	352	39.6	357	320	11.5	(27.5)	74.9	342	4.4
EPS (NT\$)	5.71	5.03	13.5	105.5	20.6	4.09	39.6	4.14	3.72	11.5	(27.5)	74.7	3.97	4.4
Gross margin (%)	26.5	23.5	3.0 ppts	5.9 ppts	5.9 ppts	22.8	3.7 ppts	26.0	23.5	2.5 ppts	(0.5)ppts	5.1 ppts	23.5	2.5 ppts
OP margin (%)	13.7	11.5	2.2 ppts	8.0 ppts	5.6 ppts	11.3	2.4 ppts	13.0	11.7	1.3 ppts	(0.7)ppts	3.6 ppts	13.3	(0.3)ppts
Net margin (%)	14.1	12.4	1.7 ppts	4.9 ppts	1.9 ppts	10.6	3.4 ppts	9.9	8.8	1.1 ppts	(4.2)ppts	4.0 ppts	9.7	0.3 ppts

Source: Bloomberg, KGI Research estimates

Figure 2: Breakdown of 2023-25 forecast revisions vs. consensus

NT\$m	2023F					2024F					2025F							
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	12,965	13,003	(0.3)	(6.4)	12,989	(0.2)	15,692	16,021	(2.1)	21.0	14,960	4.9	19,069	18,563	2.7	21.5	16,779	13.7
Gross profit	3,130	2,943	6.4	15.0	2,904	7.8	4,046	3,757	7.7	29.3	3,468	16.7	4,995	4,426	12.9	23.5	4,136	20.8
Operating income	1,460	1,341	8.9	24.4	1,321	10.5	2,198	1,956	12.4	50.5	1,744	26.0	2,813	2,589	8.7	28.0	2,192	28.3
Pretax income	1,731	1,612	7.4	6.3	1,546	12.0	2,295	2,051	11.9	32.5	1,872	22.5	2,873	2,653	8.3	25.2	2,304	24.7
Net income	1,365	1,270	7.5	8.0	1,220	11.9	1,816	1,621	12.0	33.0	1,472	23.3	2,279	2,102	8.4	25.5	1,829	24.6
EPS (NT\$)	15.86	14.75	7.5	8.0	14.18	11.9	21.09	18.83	12.0	33.0	17.10	23.3	26.47	24.42	8.4	25.5	21.25	24.6
Gross margin (%)	24.1	22.6	1.5 ppts	4.5 ppts	22.4	1.8 ppts	25.8	23.5	2.3 ppts	1.6 ppts	23.2	2.6 ppts	26.2	23.8	2.4 ppts	0.4 ppts	24.7	1.5 ppts
OP margin (%)	11.3	10.3	0.9 ppts	2.8 ppts	10.2	1.1 ppts	14.0	12.2	1.8 ppts	2.7 ppts	11.7	2.3 ppts	14.8	13.9	0.8 ppts	0.7 ppts	13.1	1.7 ppts
Net margin (%)	10.5	9.8	0.8 ppts	1.4 ppts	9.4	1.1 ppts	11.6	10.1	1.5 ppts	1.0 ppts	9.8	1.7 ppts	11.9	11.3	0.6 ppts	0.4 ppts	10.9	1.1 ppts

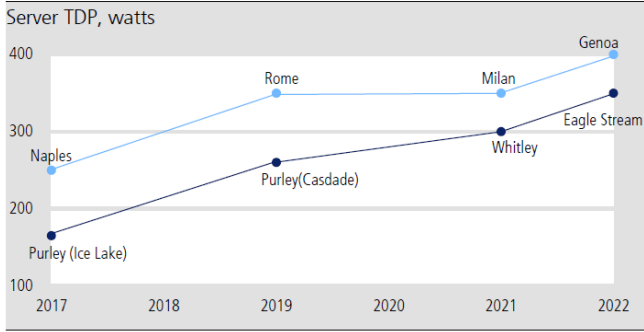
Source: Bloomberg, KGI Research estimates

Figure 3: Product mix forecasts

Sales weighting (%)	2019	2020	2021	2022	2023F	2024F	2024F guidance	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23F
	NB	23	31	34	36	36	33	32	34	31	35	37	36	39	36	33	31	39	39
DT	9	7	7	6	10	7	7	10	6	6	5	4	5	8	8	10	11	9	9
Gaming PC & VGA & MB	27	33	35	29	25	22	22	37	41	32	33	34	29	25	28	33	21	23	24
Server	17	16	16	22	24	30	30	12	16	17	19	17	20	25	26	23	23	25	25
Smartphone	19	9	4	4	3	5	5	4	3	4	3	5	3	3	3	2	4	3	4
Auto/others	5	4	4	3	1	3	4	4	3	6	3	4	4	3	1	1	2	1	1
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Sales (NT\$m)																			
NB	2,357	3,786	4,902	4,975	4,726	5,104	4,979	1,150	928	1,296	1,527	1,363	1,290	1,180	1,141	1,017	1,013	1,362	1,335
DT	922	855	934	869	1,251	1,151	1,089	326	180	222	206	151	165	267	285	328	286	314	323
Gaming PC & VGA & MB	2,716	4,031	5,045	4,036	3,289	3,519	3,423	1,270	1,227	1,185	1,362	1,287	959	834	955	1,082	545	803	858
Server	1,742	1,954	2,305	3,042	3,134	4,700	4,667	412	479	630	784	644	662	834	903	754	597	873	909
Smartphone	1,985	1,099	499	504	418	711	778	137	90	148	124	189	99	100	116	66	104	105	144
Auto/others	512	489	573	431	146	505	622	137	90	222	124	151	132	120	27	33	52	35	26
Total	10,248	12,214	14,258	13,857	12,965	15,692	15,558	3,433	2,993	3,704	4,127	3,786	3,309	3,335	3,428	3,280	2,596	3,492	3,597
Sales YoY (%)																			
NB	14	61	29	1	(5)	8	5	90	4	6	44	18	39	(9)	(25)	(25)	(22)	15	17
DT	(7)	(7)	9	(7)	44	(8)	(13)	142	0	65	(49)	(54)	(8)	20	38	117	73	18	13
Gaming PC & VGA & MB	14	48	25	(20)	(19)	7	4	183	21	4	(4)	1	(22)	(30)	(30)	(16)	(43)	(4)	(10)
Server	26	12	18	32	3	50	49	(3)	0	10	64	56	38	32	15	17	(10)	5	1
Smartphone	332	(45)	(55)	1	(17)	70	86	(74)	(62)	(12)	(20)	38	11	(32)	(7)	(65)	5	5	25
Others	34	(5)	17	(25)	(66)	246	326	53	(50)	89	21	10	47	(46)	(78)	(78)	(61)	(71)	(2)
Total	34	19	17	(3)	(6)	21	20	53	0	10	14	10	11	(10)	(17)	(13)	(22)	5	5
Sales QoQ (%)																			
NB								9	(19)	40	18	(11)	(5)	(9)	(3)	(11)	(0)	35	(2)
DT								(20)	(45)	24	(7)	(27)	9	61	7	15	(13)	10	3
Gaming PC & graphics cards								(11)	(3)	(3)	15	(5)	(25)	(13)	15	13	(50)	47	7
Server								(14)	16	31	25	(18)	3	26	8	(16)	(21)	46	4
Smartphone								(11)	(35)	65	(16)	53	(48)	1	15	(43)	58	1	38
Auto/others								35	(35)	148	(44)	22	(13)	(9)	(78)	22	58	(33)	(25)
Total								(5)	(13)	24	11	(8)	(13)	1	3	(4)	(21)	35	3

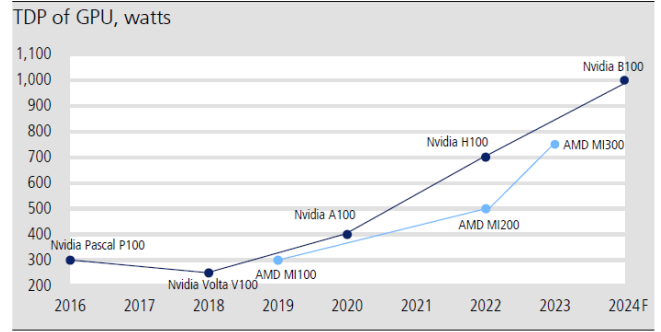
Source: company data; KGI Research estimates

Figure 4: Rising TDP trend for server CPU



Source: Company data, KGI Research

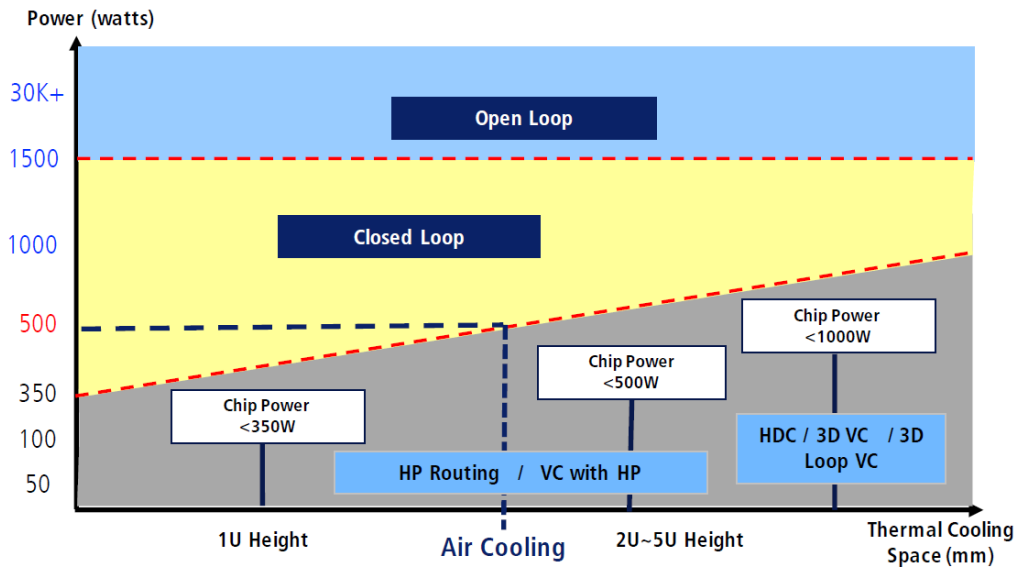
Figure 5: Higher TDP for GPU



Source: Company data, KGI Research

Figure 6: Migration of air cooling migration to liquid cooling on increasing heat generated by rising computing performance

Thermal cooling, mm (x-axis); power, watts (y-axis)



Source: Auras, KGI Research

Figure 7: Peer comparison – Valuations

Sector	Company	Ticker	Market cap. (US\$m)	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
Cooling fan	Sunonwealth	2421 TT	766	98.8	Outperform	130.0	5.78	7.08	33.2	22.6	17.1	13.9	4.4	4.0	26.8	30.2	2.6	4.2
	Nidec Corp*	6594 JP	22,745	5,779.0	Not rated	N.A.	138.97	315.25	(39.9)	126.8	41.6	18.3	2.8	2.5	7.0	12.7	1.1	1.2
	Minebea Mitsumi*	6479 JP	7,830	2,777.5	Not rated	N.A.	181.92	146.46	7.2	(19.5)	15.3	19.0	2.3	1.9	13.2	8.8	1.3	1.5
Thermal module/ Cooling fan	AVC*	3017 TT	3,713	313.5	Not rated	N.A.	13.32	16.86	7.5	26.5	23.5	18.6	6.7	5.9	28.0	30.8	1.7	2.0
	Delta Elec	2308 TT	24,598	306.5	Neutral	325.0	13.26	15.47	5.4	16.7	23.1	19.8	4.3	3.9	18.5	20.6	3.2	2.4
Thermal module	Nidec CCI*	6230 TT	335	125.5	Not rated	N.A.	8.56	7.91	12.8	(7.6)	14.7	15.9	N.A.	N.A.	N.M.	N.M.	0.9	N.A.
	Auras	3324 TT	909	333.0	Outperform	445.0	15.86	21.09	8.0	33.0	21.0	15.8	4.7	4.0	23.0	26.6	2.1	2.7
	Taisol*	3338 TT	162	59.6	Not rated	N.A.	2.74	3.53	(10.6)	28.8	21.8	16.9	2.9	2.8	13.0	16.2	3.4	3.2
	Foxconn Tech*	2354 TT	2,312	52.9	Not rated	N.A.	4.34	5.41	39.7	24.7	12.2	9.8	0.5	0.5	5.8	7.0	3.0	2.8
	Fujikura Ltd*	5803 JP	2,133	1,092.0	Not rated	N.A.	159.49	153.97	65.9	(3.5)	6.8	7.1	1.6	1.1	18.5	14.7	0.9	2.4
	Furukawa Elect*	5801 JP	1,090	2,336.5	Not rated	N.A.	219.11	147.86	51.5	(32.5)	10.7	15.8	0.6	0.6	5.4	3.4	2.6	2.6

Source: KGI Research; *Bloomberg consensus

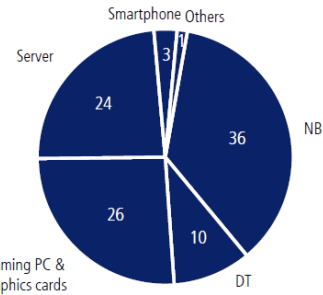
Figure 8: Company profile

Established in 1998, Auras is a top-three thermal solution maker in Taiwan, serving the NB/DT, graphics card, gaming PC, server, and smartphone industries. Top clients include MSI (2377 TT, NT\$168, N), Dell (US), HP (US), Asustek (2357 TT, NT\$391.5, OP), and Samsung (KR). 2022 application sales mix was NB (36%), DT (6%), graphics cards/gaming PC (29%), server (22%), smartphone (4%), and others (3%). 2022-23F sales growth will be mainly driven by server.

Source: KGI Research

Figure 9: NB, gaming PC & graphics card, & server solutions contribute bulk of sales

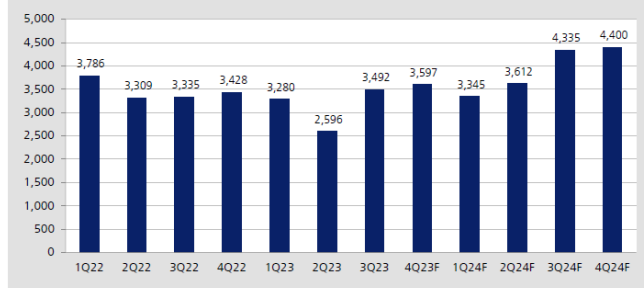
Sales weighting in 1-3Q23, percent



Source: company data; KGI Research

Figure 10: Sales

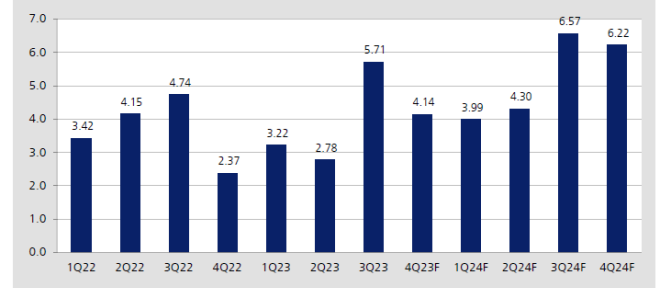
Sales, NT\$m



Source: KGI Research

Figure 11: EPS

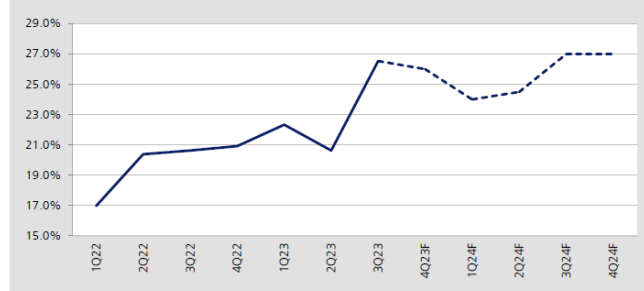
EPS, NT\$



Source: KGI Research

Figure 12: Gross Margin

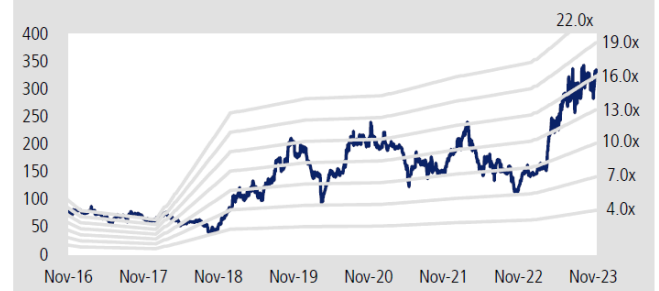
Gross margin, percent



Source: KGI Research

Figure 13: 12M forward PE band

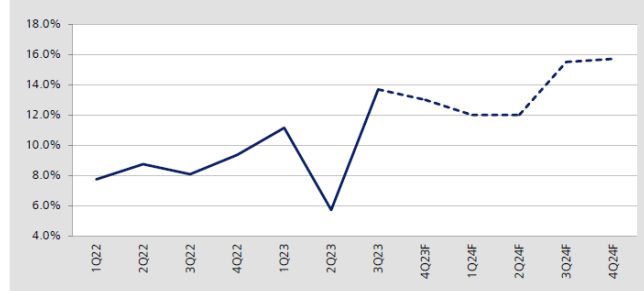
Share price, NT\$ (LHS); PE ratio, x (RHS)



Source: TEJ; KGI Research estimates

Figure 14: Operating Margin

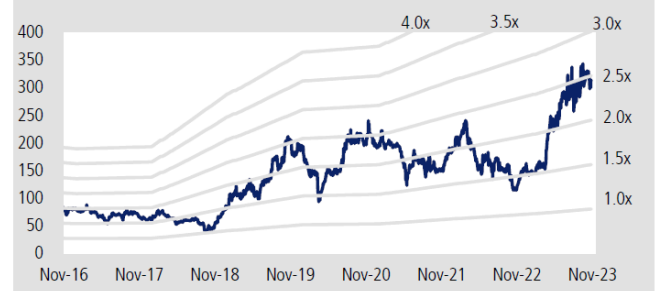
Operating margin, percent



Source: KGI Research

Figure 15: 12M forward PB band

Share price, NT\$ (LHS); PB ratio, x (RHS)



Source: TEJ; KGI Research estimates

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
Income statement (NT\$m)											
Revenue	3,280	2,596	3,492	3,597	3,345	3,612	4,335	4,400	12,965	15,692	19,069
Cost of goods sold	(2,548)	(2,061)	(2,565)	(2,661)	(2,542)	(2,727)	(3,165)	(3,212)	(9,835)	(11,646)	(14,074)
Gross profit	733	535	927	935	803	885	1,170	1,188	3,130	4,046	4,995
Operating expenses	(367)	(387)	(449)	(468)	(401)	(452)	(499)	(497)	(1,670)	(1,849)	(2,182)
Operating profit	366	149	478	468	401	433	672	691	1,460	2,198	2,813
Depreciation of fixed assets	(115)	(111)	(108)	(18)	(108)	(108)	(108)	(108)	(351)	(433)	(516)
Amortisation of intangible assets	(7)	(8)	(8)	(14)	(9)	(9)	(9)	(9)	(37)	(37)	(37)
EBITDA	487	268	594	499	519	551	790	808	1,848	2,668	3,366
Interest income	2	6	4	7	5	5	5	5	19	19	16
Investment income	0	-	-	5	3	3	3	3	5	10	10
Other non-op income	32	148	125	55	45	45	45	45	360	180	145
Non-operating income	34	154	128	67	52	52	52	52	384	209	171
Interest expense	(10)	(3)	(7)	(7)	(7)	(7)	(7)	(7)	(27)	(27)	(26)
Investment loss	-	(1)	(0)	(4)	(1)	(1)	(1)	(1)	(5)	(5)	(5)
Other non-op expenses	(37)	0	0	(43)	(20)	(20)	(20)	(20)	(80)	(80)	(80)
Non-operating expenses	(47)	(4)	(8)	(54)	(28)	(28)	(28)	(28)	(112)	(112)	(111)
Pre-tax profit	353	300	599	480	426	458	696	715	1,731	2,295	2,873
Current taxation	(76)	(58)	(101)	(111)	(77)	(82)	(125)	(175)	(346)	(459)	(575)
Minorities	0	(2)	(6)	(12)	(5)	(5)	(5)	(5)	(20)	(20)	(20)
Normalised net profit	277	239	492	357	344	370	566	535	1,365	1,816	2,279
Extraordinary items	(0)	(0)	(0)	0	-	-	-	-	-	-	-
Net profit	277	239	492	357	344	370	566	535	1,365	1,816	2,279
EPS (NT\$)	3.22	2.78	5.71	4.14	3.99	4.30	6.57	6.22	15.86	21.09	26.47
Margins (%)											
Gross profit margin	22.3	20.6	26.5	26.0	24.0	24.5	27.0	27.0	24.1	25.8	26.2
Operating margin	11.1	5.7	13.7	13.0	12.0	12.0	15.5	15.7	11.3	14.0	14.8
EBITDA margin	14.9	10.3	17.0	13.9	15.5	15.3	18.2	18.4	14.3	17.0	17.7
Pretax profit margin	10.7	11.5	17.1	13.4	12.7	12.7	16.1	16.3	13.4	14.6	15.1
Net profit margin	8.5	9.2	14.1	9.9	10.3	10.3	13.1	12.2	10.5	11.6	11.9
Sequential growth (%)											
Revenue growth	(4.3)	(20.9)	34.5	3.0	(7.0)	8.0	20.0	1.5			
Gross profit growth	2.2	(26.9)	73.1	0.9	(14.2)	10.3	32.2	1.5			
Operating profit growth	13.9	(59.3)	221.4	(2.2)	(14.2)	8.0	55.0	2.8			
EBITDA growth	7.7	(45.1)	121.9	(15.9)	4.0	6.2	43.3	2.4			
Pretax profit growth	34.8	(15.0)	99.9	(19.8)	(11.4)	7.5	52.1	2.7			
Net profit growth	35.8	(13.7)	105.6	(27.5)	(3.6)	7.7	52.8	(5.4)			
YoY growth (%)											
Revenue growth	(13.4)	(21.5)	4.7	4.9	2.0	39.1	24.1	22.3	(6.4)	21.0	21.5
Gross profit growth	14.0	(20.6)	34.7	30.4	9.6	65.3	26.3	27.0	15.0	29.3	23.5
Operating profit growth	24.7	(48.6)	77.3	45.6	9.8	191.5	40.6	47.7	24.4	50.5	28.0
EBITDA growth	11.9	(36.8)	49.2	10.3	6.5	106.0	33.0	61.9	8.1	44.4	26.2
Pretax profit growth	(5.4)	(33.8)	10.7	83.7	20.7	52.8	16.3	48.9	6.3	32.5	25.2
Net profit growth	(5.7)	(33.1)	20.6	74.9	24.1	54.8	15.0	50.1	8.0	33.0	25.5

Source: Company data, KGI Research estimates

Balance sheet

NT\$mn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total assets	11,895	11,743	12,416	14,197	16,458
Current assets	8,978	8,420	8,652	10,090	12,081
Cash & ST securities	1,494	1,492	2,255	2,493	2,917
Inventory	2,292	2,072	1,830	2,161	2,619
Accounts receivable	4,745	4,490	4,201	5,071	6,179
Other current assets	448	365	365	365	365
Non-current assets	2,917	3,323	3,764	4,107	4,377
LT investments	109	128	170	196	233
Net fixed assets	2,442	2,715	3,114	3,431	3,665
Other assets	366	480	480	480	480
Total liabilities	6,986	5,933	5,825	6,575	7,547
Current liabilities	5,670	5,620	4,351	5,392	6,129
Accounts payable	4,091	2,848	2,516	2,971	3,600
Interest bearing ST liabilities	416	1,498	517	904	806
Other current liabilities	1,162	1,273	1,318	1,518	1,723
Non-current liabilities	1,317	313	1,475	1,182	1,417
Long-term debt	1,299	255	1,416	1,124	1,359
Other L-T liabilities	9	0	0	0	0
Total equity	4,909	5,810	6,590	7,622	8,912
Share capital	884	884	884	884	884
Retained earnings reserve	2,722	3,304	4,065	5,076	6,346
Minority interests	166	244	264	284	304
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Growth					
Revenue growth	16.7%	(2.8%)	(6.4%)	21.0%	21.5%
Operating profit growth	(11.7%)	(14.9%)	24.4%	50.5%	28.0%
EBITDA growth	(3.9%)	(10.0%)	8.1%	44.4%	26.2%
Net profit growth	1.9%	11.6%	8.0%	33.0%	25.5%
EPS growth	1.9%	11.9%	8.0%	33.0%	25.5%
Profitability					
Gross profit margin	18.7%	19.6%	24.1%	25.8%	26.2%
Operating margin	9.7%	8.5%	11.3%	14.0%	14.8%
EBITDA margin	13.3%	12.3%	14.3%	17.0%	17.7%
Net profit margin	7.9%	9.1%	10.5%	11.6%	11.9%
Return on average assets	10.3%	10.7%	11.3%	13.6%	14.9%
Return on average equity	24.3%	24.5%	23.0%	26.6%	28.6%
Stability					
Gross debt to equity	34.9%	30.2%	29.3%	26.6%	24.3%
Net debt to equity	4.5%	4.6%	Net cash	Net cash	Net cash
Interest coverage (x)	62.2	43.4	64.7	85.6	110.0
Interest & ST debt coverage (x)	0.8	0.5	0.8	0.7	0.8
Cash flow/interest coverage(x)	62.1	32.3	71.8	56.6	71.7
Cash flow/int. & ST debt (x)	3.3	0.8	3.6	1.6	2.3
Current ratio (x)	1.6	1.5	2.0	1.9	2.0
Quick ratio (x)	1.2	1.1	1.6	1.5	1.5
Net debt (NT\$mn)	221	269	(313)	(456)	(743)
Per share data					
EPS (NT\$)	13.12	14.68	15.86	21.09	26.47
CFPS (NT\$)	16.72	14.41	22.67	17.84	21.96
BVPS (NT\$)	53.65	62.97	71.57	83.02	97.38
Adj BVPS (NT\$)	54.94	64.67	73.50	85.26	100.01
SPS (NT\$)	165.15	160.99	150.63	182.31	221.55
EBITDA/share (NT\$)	21.99	19.86	21.47	31.00	39.11
Cash DPS (NT\$)	6.00	6.50	6.84	9.09	11.41
Activity					
Sales / avg assets	1.29	1.17	1.07	1.18	1.24
Days receivable	121.5	118.3	118.3	118.3	118.3
Days inventory	72.1	67.9	67.9	67.9	67.9
Days payable	128.8	93.4	93.4	93.4	93.4
Cash cycle	64.8	92.8	92.8	92.8	92.8

Source: Company data, KGI Research estimates

Profit & loss

NT\$mn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue	14,258	13,857	12,965	15,692	19,069
Cost of goods sold	(11,595)	(11,135)	(9,835)	(11,646)	(14,074)
Gross profit	2,663	2,722	3,130	4,046	4,995
Operating expenses	(1,284)	(1,549)	(1,670)	(1,849)	(2,182)
Operating profit	1,379	1,173	1,460	2,198	2,813
Non-operating income	139	550	384	209	171
Interest income	2	10	19	19	16
Investment income	-	10	5	10	10
Other non-op income	138	529	360	180	145
Non-operating expenses	(97)	(95)	(112)	(112)	(111)
Interest expense	(23)	(38)	(27)	(27)	(26)
Investment loss	(3)	(1)	(5)	(5)	(5)
Other non-op expenses	(71)	(55)	(80)	(80)	(80)
Pre-tax profit	1,421	1,628	1,731	2,295	2,873
Current taxation	(268)	(341)	(346)	(459)	(575)
Minorities	(21)	(23)	(20)	(20)	(20)
Extraordinary items	-	(0)	-	-	-
Net profit	1,133	1,264	1,365	1,816	2,279
EBITDA	1,899	1,709	1,848	2,668	3,366
EPS (NT\$)	13.12	14.68	15.86	21.09	26.47

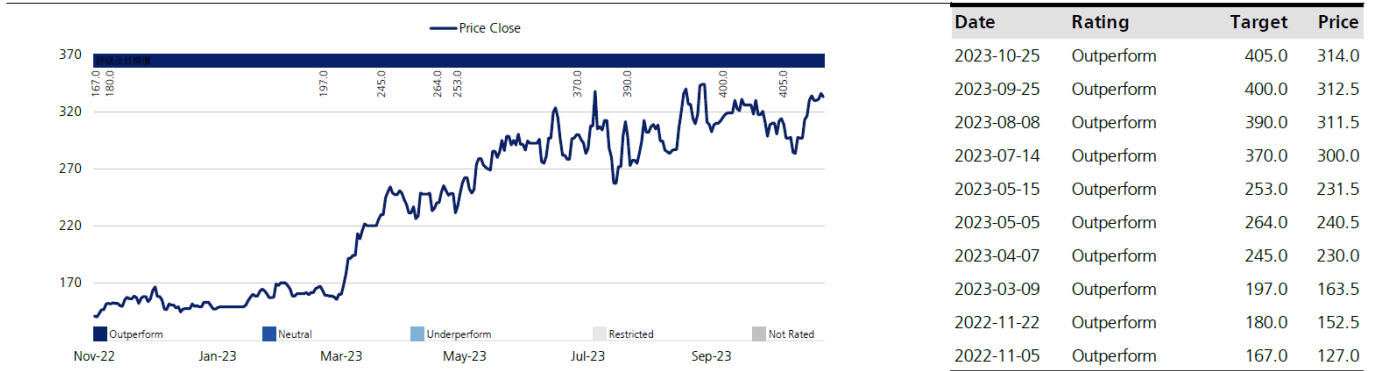
Cash flow

NT\$mn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Operations cash flow	1,444	1,241	1,951	1,535	1,890
Net profit	1,133	1,264	1,365	1,816	2,279
Depreciation & amortisation	520	536	388	470	553
Decrease in working capital	(202)	(758)	198	(746)	(937)
Other operating cash flow	(6)	199	(0)	(5)	(5)
Investing cash flow	(1,038)	(633)	(829)	(808)	(819)
Sale of ST investment	-	-	-	-	-
New investments	(84)	-	(42)	(21)	(32)
Capital expenditure	(1,030)	(615)	(750)	(750)	(750)
Others investing cashflow	75	(18)	(37)	(37)	(37)
Free cash flow	373	61	967	696	1,080
Financing cash flow	(303)	(629)	(360)	(490)	(647)
Increase in short term debt	327	(71)	-	-	-
Increase in long term loans	350	10	180	95	137
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(482)	(517)	(560)	(604)	(804)
Other financing cashflow	(51)	(52)	20	20	20
Forex effects	(14)	12			
Total cash generated	88	(10)	763	238	425

ROIC

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	9.0%	11.2%	12.9%	11.8%	11.4%
= Operating margin	9.7%	8.5%	11.3%	14.0%	14.8%
1 / (Working capital/revenue					
+ Net PPE/revenue	0.2	0.2	0.2	0.2	0.2
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
= Capital turnover	3.0	2.5	2.3	2.4	2.5
Operating margin	9.7%	8.5%	11.3%	14.0%	14.8%
x Capital turnover	3.0	2.5	2.3	2.4	2.5
x (1 - tax rate)	81.2%	79.0%	80.0%	80.0%	80.0%
= After-tax ROIC	23.4%	16.5%	20.3%	26.5%	29.7%

Source: Company data, KGI Research estimates

Auras – Recommendation & target price history


Source: TEJ, KGI Research

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