

## Gigabyte (2376.TW/2376 TT)

### Strong AI server sales to boost growth in 2H23-2024F

#### Outperform · Maintained

Price as of October 16 (NT\$)	265.5
12M target price (NT\$)	360.0
Previous target price (NT\$)	360.0
Unchanged (%)	0.0
Upside (%)	35.6

#### Key message

Gigabyte reported growing server sales, particularly for AI GPUs, which resulted in September sales growth of 36% MoM and lifted 3Q23 sales above our expectations. The sales uptrend will continue in 4Q23. As such, we revise up 2023-24F sales. We maintain Outperform, with a target price of NT\$360 (23x average 2024-25F EPS), as EPS will trend upwards due to server sales growth.

#### Trading data

Mkt cap (NT\$bn/US\$m)	168.8 / 5,238
Outstanding shares (mn)	636
Foreign ownership (mn)	143.3
3M avg. daily trading (mn)	26.02
52-week trading range (NT\$)	83.10 - 354.5

Performance	3M	6M	12M
Absolute (%)	-10.3	97.4	223.4
Relative (%)	-6.6	92.9	196.6

#### Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	4.83A	1.55A	1.84A	2.08A
2023	1.61A	1.40A	3.05F	3.36F
2024	3.24F	3.20F	3.65F	4.15F

#### Share price chart



Source: TEJ

#### Event

Gigabyte reported growing server sales, particularly for AI GPUs, which resulted in September sales growth of 36% MoM and lifted 3Q23 sales above our expectations. The sales uptrend will continue in 4Q23. As such, we revise up 2023-24F sales.

#### Impact

**Strong AI server sales to boost growth in 2H23F.** The firm registered September sales of NT\$16.3bn, up 36% MoM and 86% YoY, with 3Q23 sales reaching NT\$36.9bn, up 41% QoQ and 53% YoY, exceeding our forecast. Management notes better-than-expected sales of server-based AI GPUs boosted August-September sales, while shipments of motherboards (up 5% YoY and 8% QoQ to 2.8mn units) and graphics cards (up 13% YoY and 38% QoQ to 1.1mn units) also saw solid growth in 3Q23. Server sales weighting rose from 20-22% in July to over 40% in September, implying that the 3Q23 server sales weighting expanded to around 35%, versus 27% in 2Q23. Over 50% of 3Q23 server sales were AI server products, versus 30-35% in 2Q23, which is stronger than we had expected on better GPU supply. We thus revise up our 2023 sales weighting estimate for AI server products to 50%. In addition, we revise up our total server sales forecast to NT\$41-42bn, up 105-110% YoY.

**Positive server order growth & solid earnings outlook in 2024.** We forecast stable shipments and sales of motherboards and graphics cards in 2024 on anticipation of higher consumption and new models. Server sales growth will remain the main catalyst for 2024F sales growth. According to an announcement by one of its clients, Taiga Cloud (DE), a generative AI cloud service provider and part of the Northern Data Group, has entered into a strategic European partnership with Gigabyte. Gigabyte will supply Taiga Cloud with 20 Nvidia H100 GPU pods, valued at €400mn (around NT\$13.5bn), from late 4Q23. As Gigabyte will ship L10/rack to Taiga Cloud, we forecast this order will contribute an additional 30-40% to server sales in 2024. As such, we revise up our 2024 total server sales forecast from NT\$48bn to NT\$70.7bn, up 70% YoY, with the possibility of an additional 30% YoY growth in 2025. As such, the server sales weighting will rise from 19% in 2022 to 32% in 2023F, to 41% in 2024F, and to 47% in 2025F. However, we lower our gross and operating margin estimates to reflect a higher AI server sales weighting. We forecast respective 2023-25 EPS of NT\$9.42 (down 8% YoY, but operating profit up 13% YoY), NT\$14.25 (up 51% YoY), and NT\$17.02 (up 19% YoY).

#### Valuation & Action

We maintain Outperform, with a target price of NT\$360 (23x average 2024-25F EPS), as EPS will trend upwards due to server sales growth.

#### Risks

Tight server GPU supply; weak motherboard and graphics card demand.

#### Key financials and valuations

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (NT\$m)	121,905	107,264	131,286	173,538	204,417
Gross profit (NT\$m)	29,590	16,616	16,312	22,316	26,369
Operating profit (NT\$m)	14,487	5,845	6,621	10,332	12,542
Net profit (NT\$m)	13,338	6,539	5,989	9,056	10,817
EPS (NT\$)	21.01	10.29	9.42	14.25	17.02
Cash DPS (NT\$)	12.00	6.20	5.68	8.59	10.26
EPS growth (%)	205.4	(51.1)	(8.4)	51.2	19.4
PE (x)	12.6	25.8	28.2	18.6	15.6
PB (x)	4.5	4.7	4.4	4.0	3.7
EV/EBITDA (x)	8.9	21.4	19.3	13.2	11.0
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	4.5	2.3	2.1	3.2	3.9
Return on average equity (%)	41.1	17.8	16.1	22.6	24.6

Source: Company data, KGI Research estimates

**Figure 1: Breakdown of 3Q-4Q23 forecast revisions vs. consensus**

NT\$m	3Q23F							4Q23F						
	Revision	Previous	Diff (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	36,900	31,883	15.7	41.2	52.5	31,998	15.3	40,221	32,521	23.7	9.0	44.7	34,838	15.5
Gross profits	4,649	4,145	12.2	50.5	54.9	4,237	9.7	5,028	4,553	10.4	8.1	93.6	4,783	5.1
Operating income	2,066	1,594	29.6	110.3	649.4	1,754	17.8	2,293	1,984	15.6	10.9	211.0	2,087	9.9
Pretax income	2,360	1,827	29.2	83.7	54.5	1,889	24.9	2,491	2,229	11.7	5.6	104.0	2,302	8.2
Net income	1,936	1,499	29.2	117.7	65.6	1,519	27.5	2,138	1,939	10.3	10.4	61.9	1,887	13.3
EPS (NT\$)	3.05	2.36	29.2	117.7	65.6	2.39	27.5	3.36	3.05	10.3	10.4	61.9	2.97	13.3
Gross margin (%)	12.6	13.0	(0.4)ppts	0.8 ppts	0.2 ppts	13.2	(0.6)ppts	12.5	14.0	(1.5)ppts	(0.1)ppts	3.2 ppts	13.7	(1.2)ppts
OP margin (%)	5.6	5.0	0.6 ppts	1.8 ppts	4.5 ppts	5.5	0.1 ppts	5.7	6.1	(0.4)ppts	0.1 ppts	3.0 ppts	6.0	(0.3)ppts
Net margin (%)	5.2	4.7	0.5 ppts	1.8 ppts	0.4 ppts	4.7	0.5 ppts	5.3	6.0	(0.6)ppts	0.1 ppts	0.6 ppts	5.4	(0.1)ppts

Source: Bloomberg; KGI Research estimates

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

NT\$m	2023F						2024F						2025F					
	Previous	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Previous	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Previous	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	131,286	118,568	10.7	22.4	123,261	6.5	173,538	142,754	21.6	32.2	150,321	15.4	204,417	166,219	23.0	17.8	188,410	8.5
Gross profit	16,312	15,333	6.4	(1.8)	15,896	2.6	22,316	21,199	5.3	36.8	22,377	(0.3)	26,369	25,437	3.7	18.2	28,827	(8.5)
Operating income	6,621	5,840	13.4	13.3	6,226	6.3	10,332	10,047	2.8	56.0	11,182	(7.6)	12,542	12,498	0.4	21.4	14,640	(14.3)
Pretax income	7,480	6,685	11.9	(11.4)	7,158	4.5	11,310	11,180	1.2	51.2	12,301	(8.1)	13,511	13,668	(1.1)	19.5	15,721	(14.1)
Net income	5,989	5,353	11.9	(8.4)	5,574	7.4	9,056	8,952	1.2	51.2	9,737	(7.0)	10,817	10,943	(1.1)	19.4	12,433	(13.0)
EPS (NT\$)	9.42	8.42	11.9	(8.4)	8.77	7.4	14.25	14.08	1.2	51.2	15.32	(7.0)	17.02	17.21	(1.1)	19.4	19.56	(13.0)
Gross margin (%)	12.4	12.9	(0.5)ppts	(3.1)ppts	12.9	(0.5)ppts	12.9	14.9	(2.0)ppts	0.4 ppts	14.9	(2.0)ppts	12.9	15.3	(2.4)ppts	0.0 ppts	15.3	(2.4)ppts
OP margin (%)	5.0	4.9	0.1 ppts	(0.4)ppts	5.1	(0.0)ppts	6.0	7.0	(1.1)ppts	0.9 ppts	7.4	(1.5)ppts	6.1	7.5	(1.4)ppts	0.2 ppts	7.8	(1.6)ppts
Net margin (%)	4.6	4.5	0.0 ppts	(1.5)ppts	4.5	0.0 ppts	5.2	6.3	(1.1)ppts	0.7 ppts	6.5	(1.3)ppts	5.3	6.6	(1.3)ppts	0.1 ppts	6.6	(1.3)ppts

Source: Bloomberg; KGI Research estimates

**Figure 3: Gigabyte sales weighting by product**

Sales weighting (%)	2019	2020	2021	2022	2023F	2024F
Motherboard	33	30	25	21	19	16
Graphics card	45	40	45	45	37	31
Cloud server	21	20	17	19	32	41
Others	1	10	13	16	12	13
Total	100	100	100	100	100	100
Sales (NT\$b)	2019	2020	2021	2022	2023F	2024F
Motherboard	20	25	30	23	25	28
Graphics card	28	34	55	48	48	53
Cloud server	13	17	20	20	42	71
Others	1	8	16	17	16	22
Total	62	85	122	107	131	174
Sales YoY (%)	2019	2020	2021	2022	2023F	2024F
Motherboard		26	20	(26)	12	10
Graphics card		22	62	(13)	1	10
Cloud server		30	19	(0)	107	70
Others		856	94	3	(4)	36
Total		37	44	(12)	22	32

Source: Company data; KGI Research estimates

**Figure 4: New CPUs with higher pin counts to drive motherboard replacement demand & ASP in 2024F**

	Coffee Lake	Comet Lake	Rocket Lake	Alder Lake	Raptor Lake	Raptor Lake refresh	Arrow Lake	Ryzen 3000 (Matisse)	Ryzen 3000 XT (Matisse Refresh)	Ryzen 4000	Ryzen 5000 (Vermeer)	Ryzen 7000 (Raphael)	Ryzen 8000 (Granite Ridge)
	4Q17	2Q20	1Q21	4Q21	4Q22	3Q23F	2024F	3Q19	3Q20	1Q20	4Q20	3Q22	2024F
Time for launch													
Process (node)	14nm++	14nm++++	14nm+++++	Intel 7 (10nm)	Intel 7 (10nm)	Intel 7 (10nm)	Intel 20A	TSMC N7	TSMC N7	TSMC N7	TSMC N7+	TSMC N5	TSMC N3
Microarchitecture (P-Core)	Skylake	Skylake	Cypress Cove	Golden Cove	Raptor Cove	Raptor Cove	Lion Cove	Zen 2	Zen 2	Zen 2	Zen 3	Zen 4	Zen 5
CPU sockets (desktop)	LGA 1151	LGA 1200	LGA 1200	LGA 1700	LGA 1700	LGA 1700	LGA 1851	AM4	AM4	AM4 (LGA 1331)	AM4 (LGA 1331)	AM5 (LGA 1718)	AM5 (LGA 1718)
DRAM	DDR4	DDR4	DDR4	DDR4 / DDR5	DDR4 / DDR5	DDR4 / DDR5	DDR5	DDR4	DDR4	DDR4	DDR4	DDR5	DDR5
PCIe	Gen 3	Gen 3	Gen 4	Gen 5	Gen 5	Gen 5	Gen 5	Gen 4	Gen 4	Gen 4	Gen 3	Gen 5	Gen 5

Source: Company data; KGI Research

Figure 5: Peer comparison – Financial data

Ticker	Company	Sales YoY (%)			GM (%)			OPM (%)			OP YoY (%)			EPS (NT\$)			EPS YoY (%)		
		2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F
2357 TT	Asustek	0.4	(6.5)	13.9	13.8	13.7	15.0	2.4	1.9	4.0	(73.7)	(28.1)	143.1	19.78	15.51	28.97	(67.0)	(21.6)	86.8
2377 TT	MSI	(10.6)	(1.3)	11.3	14.3	14.1	14.5	5.9	6.3	6.9	(46.5)	5.4	20.7	11.79	11.54	13.99	(41.1)	(2.2)	21.2
2376 TT	Gigabyte	(12.0)	22.4	32.2	15.5	12.4	12.9	5.4	5.0	6.0	(59.7)	13.3	56.0	10.29	9.42	14.25	(51.1)	(8.4)	51.2
3515 TT	Asrock	(13.4)	7.3	15.3	21.6	19.7	21.0	6.9	5.4	8.0	(61.2)	(16.9)	72.1	8.69	6.67	10.35	(55.8)	(23.3)	55.3

Source: Company data; Bloomberg; KGI Research estimates

Figure 6: Graphics card &amp; server ODM 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
	Gigabyte	2376 TT	5,219	265.5	Outperform	360.0	9.42	14.25	(8.4)	51.2	28.2	18.6	4.4	4.0	16.1	22.6	2.3	2.1
Motherboard/ graphic cards	Asustek	2357 TT	8,338	363.0	Outperform	435.0	15.51	28.97	(21.6)	86.8	23.4	12.5	1.2	1.2	5.4	9.7	4.1	3.0
	MSI	2377 TT	4,285	164.0	Outperform	210.0	11.54	13.99	(2.2)	21.2	14.2	11.7	2.6	2.4	19.3	21.4	4.0	3.9
	Asrock	3515 TT	771	204.5	Neutral	228.0	6.67	10.35	(23.3)	55.3	30.7	19.8	2.9	2.8	9.8	14.6	3.9	2.2
	Wiwynn	6669 TT	8,597	1,590	Outperform	2,165.0	67.25	93.25	(17.1)	38.7	23.6	17.1	5.8	4.7	27.1	30.4	3.1	2.3
Server ODM	Inventec	2356 TT	5,125	46.2	Neutral	62.0	1.52	2.41	(11.1)	58.6	30.4	19.2	2.7	2.7	9.1	14.1	3.2	2.6
	Quanta	2382 TT	26,458	221.5	Outperform	310.0	8.75	11.15	16.5	27.3	25.3	19.9	4.9	4.6	19.6	23.8	2.7	3.2
	Hon Hai	2317 TT	45,871	107.0	Outperform	140.0	8.45	10.78	(17.2)	27.6	12.7	9.9	1.0	0.9	7.9	9.7	5.0	4.1

Source: Company data; Bloomberg; KGI Research estimates

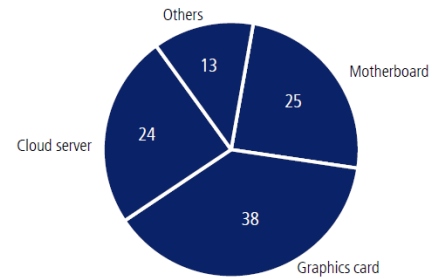
Figure 7: Company profile

Established in 1986, Gigabyte is a motherboard vendor based in Taiwan. The firm provides motherboards and graphics cards for PCs, and also manufactures server products for global data center operators. The 2022 sales weighting of graphics cards was 44-45%, followed by motherboards at 21%, server products at 19%, and others at 16%. In 2022, the firm shipped 10mn motherboards (down 17% from 12mn in 2021) and 3.8mn graphics cards (down 14% from 4.4mn in 2021).

Source: KGI Research

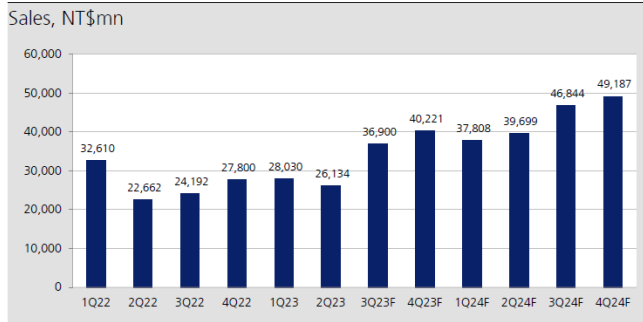
Figure 8: 1H23 server sales weighting up to 24% from 19% in 2022

1H23 sales weighting, percent



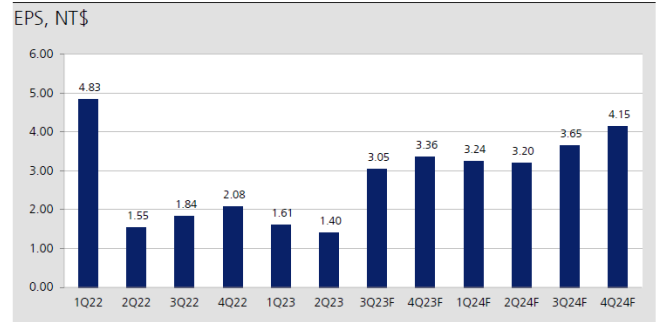
Source: company data; KGI Research

Figure 9: Sales



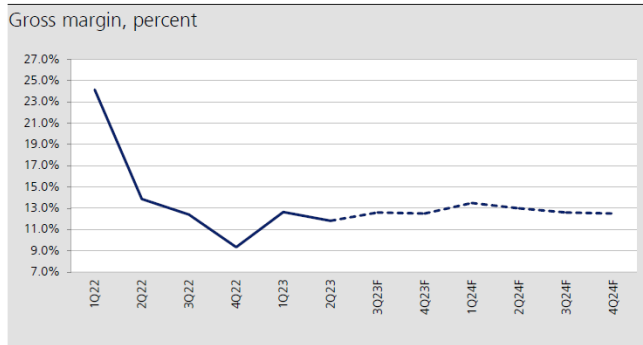
Source: KGI Research

Figure 10: EPS



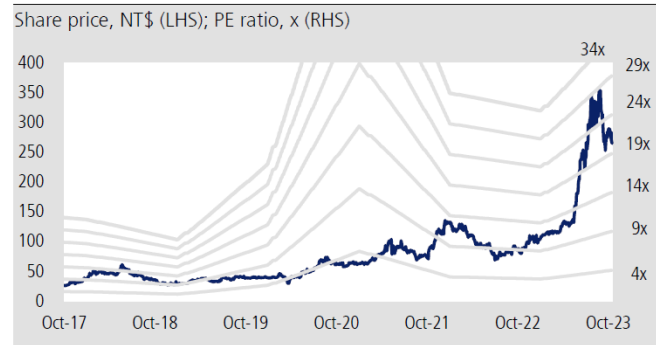
Source: KGI Research

Figure 11: Gross Margin



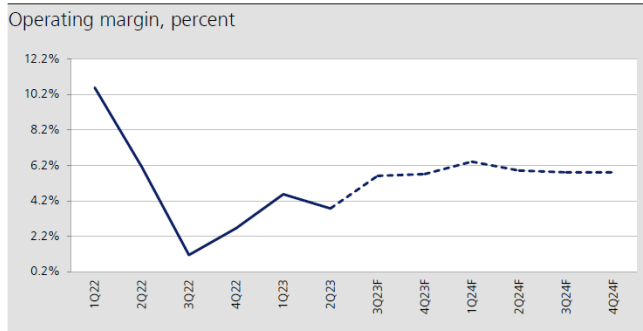
Source: KGI Research

Figure 12: 12M forward PE band



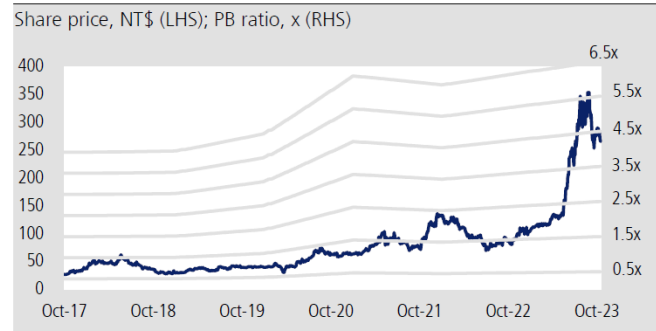
Source: TEJ; KGI Research estimates

Figure 13: Operating Margin



Source: KGI Research

Figure 14: 12M forward PB band



Source: TEJ; KGI Research estimates

## Income statement

	Quarterly								Annually		
	Mar-23A	Jun-23A	Sep-23F	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>28,030</b>	<b>26,134</b>	<b>36,900</b>	<b>40,221</b>	<b>37,808</b>	<b>39,699</b>	<b>46,844</b>	<b>49,187</b>	<b>131,286</b>	<b>173,538</b>	<b>204,417</b>
Cost of goods sold	(24,484)	(23,044)	(32,251)	(35,194)	(32,704)	(34,538)	(40,942)	(43,038)	(114,973)	(151,222)	(178,048)
<b>Gross profit</b>	<b>3,546</b>	<b>3,090</b>	<b>4,649</b>	<b>5,028</b>	<b>5,104</b>	<b>5,161</b>	<b>5,902</b>	<b>6,148</b>	<b>16,312</b>	<b>22,316</b>	<b>26,369</b>
Operating expenses	(2,266)	(2,107)	(2,583)	(2,735)	(2,684)	(2,819)	(3,185)	(3,295)	(9,691)	(11,984)	(13,827)
<b>Operating profit</b>	<b>1,280</b>	<b>982</b>	<b>2,066</b>	<b>2,293</b>	<b>2,420</b>	<b>2,342</b>	<b>2,717</b>	<b>2,853</b>	<b>6,621</b>	<b>10,332</b>	<b>12,542</b>
Depreciation of fixed assets	(165)	(172)	(176)	(191)	(193)	(193)	(193)	(193)	(704)	(773)	(916)
Amortisation of intangible assets	(26)	(30)	(22)	(9)	(22)	(22)	(22)	(22)	(87)	(87)	(87)
<b>EBITDA</b>	<b>1,470</b>	<b>1,184</b>	<b>2,264</b>	<b>2,493</b>	<b>2,635</b>	<b>2,557</b>	<b>2,932</b>	<b>3,068</b>	<b>7,412</b>	<b>11,191</b>	<b>13,544</b>
Interest income	48	97	73	75	58	58	58	58	293	231	202
Investment income	-	1	1	3	3	3	3	3	5	10	10
Other non-op income	104	205	220	121	150	200	188	213	650	750	770
<b>Non-operating income</b>	<b>152</b>	<b>303</b>	<b>295</b>	<b>199</b>	<b>210</b>	<b>260</b>	<b>248</b>	<b>273</b>	<b>948</b>	<b>991</b>	<b>982</b>
Interest expense	(1)	(1)	(1)	0	(1)	(1)	(1)	(1)	(3)	(3)	(3)
Investment loss	(1)	-	(0)	0	-	-	-	-	(2)	-	-
Other non-op expenses	(85)	-	(0)	(0)	(3)	(3)	(3)	(3)	(85)	(10)	(10)
<b>Non-operating expenses</b>	<b>(87)</b>	<b>(1)</b>	<b>(1)</b>	<b>0</b>	<b>(3)</b>	<b>(3)</b>	<b>(3)</b>	<b>(3)</b>	<b>(90)</b>	<b>(13)</b>	<b>(13)</b>
<b>Pre-tax profit</b>	<b>1,344</b>	<b>1,284</b>	<b>2,360</b>	<b>2,491</b>	<b>2,627</b>	<b>2,599</b>	<b>2,962</b>	<b>3,122</b>	<b>7,480</b>	<b>11,310</b>	<b>13,511</b>
Current taxation	(320)	(395)	(425)	(356)	(570)	(564)	(643)	(484)	(1,496)	(2,262)	(2,702)
Minorities	0	0	1	3	2	2	2	2	5	8	8
<b>Normalised net profit</b>	<b>1,025</b>	<b>890</b>	<b>1,936</b>	<b>2,138</b>	<b>2,058</b>	<b>2,037</b>	<b>2,321</b>	<b>2,640</b>	<b>5,989</b>	<b>9,056</b>	<b>10,817</b>
Extraordinary items	(0)	0	-	(0)	-	-	-	-	-	-	-
<b>Net profit</b>	<b>1,025</b>	<b>890</b>	<b>1,936</b>	<b>2,138</b>	<b>2,058</b>	<b>2,037</b>	<b>2,321</b>	<b>2,640</b>	<b>5,989</b>	<b>9,056</b>	<b>10,817</b>
EPS (NT\$)	1.61	1.40	3.05	3.36	3.24	3.20	3.65	4.15	9.42	14.25	17.02
<b>Margins (%)</b>											
Gross profit margin	12.6	11.8	12.6	12.5	13.5	13.0	12.6	12.5	12.4	12.9	12.9
Operating margin	4.6	3.8	5.6	5.7	6.4	5.9	5.8	5.8	5.0	6.0	6.1
EBITDA margin	5.2	4.5	6.1	6.2	7.0	6.4	6.3	6.2	5.6	6.4	6.6
Pretax profit margin	4.8	4.9	6.4	6.2	6.9	6.5	6.3	6.3	5.7	6.5	6.6
Net profit margin	3.7	3.4	5.2	5.3	5.4	5.1	5.0	5.4	4.6	5.2	5.3
<b>Sequential growth (%)</b>											
Revenue growth	0.8	(6.8)	41.2	9.0	(6.0)	5.0	18.0	5.0			
Gross profit growth	36.5	(12.9)	50.5	8.1	1.5	1.1	14.4	4.2			
Operating profit growth	73.6	(23.2)	110.3	10.9	5.5	(3.2)	16.0	5.0			
EBITDA growth	57.5	(19.5)	91.2	10.1	5.7	(2.9)	14.7	4.6			
Pretax profit growth	10.1	(4.5)	83.7	5.6	5.4	(1.0)	13.9	5.4			
Net profit growth	(22.4)	(13.2)	117.7	10.4	(3.7)	(1.0)	13.9	13.8			
<b>YoY growth (%)</b>											
Revenue growth	(14.0)	15.3	52.5	44.7	34.9	51.9	26.9	22.3	22.4	32.2	17.8
Gross profit growth	(55.0)	(1.7)	54.9	93.6	44.0	67.0	26.9	22.3	(1.8)	36.8	18.2
Operating profit growth	(62.9)	(28.9)	649.4	211.0	89.1	138.4	31.5	24.4	13.3	56.0	21.4
EBITDA growth	(59.4)	(24.0)	384.9	167.1	79.2	115.9	29.5	23.0	12.7	51.0	21.0
Pretax profit growth	(65.8)	(27.1)	54.5	104.0	95.4	102.4	25.5	25.3	(11.4)	51.2	19.5
Net profit growth	(66.6)	(9.4)	65.6	61.9	100.9	129.0	19.8	23.5	(8.4)	51.2	19.4

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>69,178</b>	<b>63,572</b>	<b>69,370</b>	<b>80,342</b>	<b>89,898</b>
<b>Current assets</b>	<b>60,298</b>	<b>54,803</b>	<b>59,799</b>	<b>70,126</b>	<b>79,132</b>
Cash & ST securities	21,536	17,435	13,423	9,637	7,968
Inventory	26,590	21,777	27,621	36,230	42,774
Accounts receivable	10,828	14,131	17,295	22,799	26,929
Other current assets	1,345	1,460	1,460	1,460	1,460
<b>Non-current assets</b>	<b>8,880</b>	<b>8,769</b>	<b>9,571</b>	<b>10,216</b>	<b>10,766</b>
LT investments	3,305	2,440	2,646	2,764	2,929
Net fixed assets	4,207	4,947	5,543	6,070	6,455
Other assets	1,368	1,382	1,382	1,382	1,382
<b>Total liabilities</b>	<b>31,675</b>	<b>27,627</b>	<b>31,052</b>	<b>38,434</b>	<b>43,701</b>
<b>Current liabilities</b>	<b>30,750</b>	<b>26,967</b>	<b>30,391</b>	<b>37,773</b>	<b>43,041</b>
Accounts payable	15,910	13,996	17,752	23,286	27,491
Interest bearing ST liabilities	-	-	-	-	-
Other current liabilities	14,840	12,970	12,639	14,488	15,549
<b>Non-current liabilities</b>	<b>926</b>	<b>660</b>	<b>660</b>	<b>660</b>	<b>660</b>
Long-term debt	200	-	-	-	-
Other L-T liabilities	661	601	601	601	601
<b>Total equity</b>	<b>37,503</b>	<b>35,945</b>	<b>38,319</b>	<b>41,908</b>	<b>46,197</b>
Share capital	6,357	6,357	6,357	6,357	6,357
Retained earnings reserve	21,751	19,400	21,779	25,376	29,673
Minority interests	15	11	6	(2)	(10)
Preferred shareholders funds	-	-	-	-	-

**Key ratios**

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Growth</b>					
Revenue growth	44.1%	(12.0%)	22.4%	32.2%	17.8%
Operating profit growth	243.5%	(59.7%)	13.3%	56.0%	21.4%
EBITDA growth	208.4%	(56.6%)	12.7%	51.0%	21.0%
Net profit growth	204.9%	(51.0%)	(8.4%)	51.2%	19.4%
EPS growth	205.4%	(51.1%)	(8.4%)	51.2%	19.4%
<b>Profitability</b>					
Gross profit margin	24.3%	15.5%	12.4%	12.9%	12.9%
Operating margin	11.9%	5.4%	5.0%	6.0%	6.1%
EBITDA margin	12.4%	6.1%	5.6%	6.4%	6.6%
Net profit margin	10.9%	6.1%	4.6%	5.2%	5.3%
Return on average assets	22.5%	9.9%	9.0%	12.1%	12.7%
Return on average equity	41.1%	17.8%	16.1%	22.6%	24.6%
<b>Stability</b>					
Gross debt to equity	0.5%	0.0%	0.0%	0.0%	0.0%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	2,985.3	1,477.0	2,577.6	4,063.1	4,866.9
Interest & ST debt coverage (x)	1.0	1.0	1.0	1.0	1.0
Cash flow interest coverage(x)	1,547.5	1,016.3	524.9	476.2	1,923.5
Cash flow/int. & ST debt (x)	1,547.5	1,016.3	524.9	476.2	1,923.5
Current ratio (x)	2.0	2.0	2.0	1.9	1.8
Quick ratio (x)	1.1	1.2	1.1	0.9	0.8
Net debt (NT\$m)	(18,728)	(16,266)	(12,253)	(8,467)	(6,799)
<b>Per share data</b>					
EPS (NT\$)	21.01	10.29	9.42	14.25	17.02
CFPS (NT\$)	13.16	9.15	2.40	2.09	8.40
BVPS (NT\$)	58.97	56.53	60.27	65.93	72.69
Adj BVPS (NT\$)	59.06	56.53	60.27	65.93	72.69
SPS (NT\$)	192.05	168.74	206.53	272.99	321.57
EBITDA/share (NT\$)	23.89	10.35	11.66	17.60	21.31
Cash DPS (NT\$)	12.00	6.20	5.68	8.59	10.26
<b>Activity</b>					
Sales / avg assets	2.06	1.62	1.98	2.32	2.40
Days receivable	32.4	48.1	48.1	48.1	48.1
Days inventory	105.1	87.7	87.7	87.7	87.7
Days payable	62.9	56.4	56.4	56.4	56.4
Cash cycle	74.6	79.4	79.4	79.4	79.4

Source: Company data, KGI Research estimates

**Profit & loss**

NT\$m	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Revenue</b>	<b>121,905</b>	<b>107,264</b>	<b>131,286</b>	<b>173,538</b>	<b>204,417</b>
Cost of goods sold	(92,315)	(90,648)	(114,973)	(151,222)	(178,048)
<b>Gross profit</b>	<b>29,590</b>	<b>16,616</b>	<b>16,312</b>	<b>22,316</b>	<b>26,369</b>
Operating expenses	(15,104)	(10,771)	(9,691)	(11,984)	(13,827)
<b>Operating profit</b>	<b>14,487</b>	<b>5,845</b>	<b>6,621</b>	<b>10,332</b>	<b>12,542</b>
<b>Non-operating income</b>	<b>1,650</b>	<b>2,608</b>	<b>948</b>	<b>991</b>	<b>982</b>
Interest income	75	120	293	231	202
Investment income	74	3	5	10	10
Other non-op income	1,502	2,484	650	750	770
<b>Non-operating expenses</b>	<b>(24)</b>	<b>(8)</b>	<b>(90)</b>	<b>(13)</b>	<b>(13)</b>
Interest expense	(5)	(6)	(3)	(3)	(3)
Investment loss	(17)	(2)	(2)	-	-
Other non-op expenses	(2)	-	(85)	(10)	(10)
<b>Pre-tax profit</b>	<b>16,112</b>	<b>8,446</b>	<b>7,480</b>	<b>11,310</b>	<b>13,511</b>
Current taxation	(2,778)	(1,911)	(1,496)	(2,262)	(2,702)
Minorities	3	4	5	8	8
Extraordinary items	1	(0)	-	-	-
<b>Net profit</b>	<b>13,338</b>	<b>6,539</b>	<b>5,989</b>	<b>9,056</b>	<b>10,817</b>
<b>EBITDA</b>	<b>15,167</b>	<b>6,578</b>	<b>7,412</b>	<b>11,191</b>	<b>13,544</b>
EPS (NT\$)	21.01	10.29	9.42	14.25	17.02

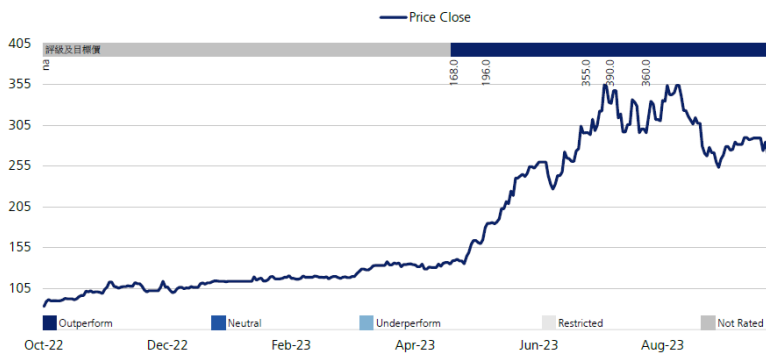
**Cash flow**

NT\$m	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Operations cash flow</b>	<b>8,355</b>	<b>5,815</b>	<b>1,524</b>	<b>1,326</b>	<b>5,341</b>
Net profit	13,338	6,539	5,989	9,056	10,817
Depreciation & amortisation	680	733	791	859	1,002
Decrease in working capital	(7,422)	(606)	(5,253)	(8,580)	(6,468)
Other operating cash flow	1,759	(850)	(3)	(10)	(10)
<b>Investing cash flow</b>	<b>(1,204)</b>	<b>(915)</b>	<b>(1,590)</b>	<b>(1,495)</b>	<b>(1,542)</b>
Sale of ST investment	(113)	507	-	-	-
New investments	(393)	(13)	(203)	(108)	(155)
Capital expenditure	(587)	(1,122)	(1,300)	(1,300)	(1,300)
Others investing cashflow	(111)	(288)	(87)	(87)	(87)
<b>Free cash flow</b>	<b>4,598</b>	<b>3,440</b>	<b>(552)</b>	<b>(842)</b>	<b>3,180</b>
<b>Financing cash flow</b>	<b>(3,695)</b>	<b>(7,776)</b>	<b>(3,946)</b>	<b>(3,618)</b>	<b>(5,467)</b>
Increase in short term debt	(303)	-	-	-	-
Increase in long term loans	-	(200)	-	-	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(3,178)	(7,620)	(3,941)	(3,610)	(5,459)
Other financing cashflow	(147)	(22)	(5)	(8)	(8)
<b>Forex effects</b>	<b>(93)</b>	<b>213</b>			
<b>Total cash generated</b>	<b>3,364</b>	<b>(2,663)</b>	<b>(4,012)</b>	<b>(3,787)</b>	<b>(1,668)</b>

**ROIC**

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	12.4%	10.0%	7.4%	6.9%	6.8%
<b>= Operating margin</b>	<b>11.9%</b>	<b>5.4%</b>	<b>5.0%</b>	<b>6.0%</b>	<b>6.1%</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>9.9</b>	<b>6.9</b>	<b>6.1</b>	<b>6.0</b>	<b>5.9</b>
Operating margin	11.9%	5.4%	5.0%	6.0%	6.1%
x Capital turnover	9.9	6.9	6.1	6.0	5.9
x (1 - tax rate)	82.8%	77.4%	80.0%	80.0%	80.0%
<b>= After-tax ROIC</b>	<b>97.1%</b>	<b>29.2%</b>	<b>24.4%</b>	<b>28.6%</b>	<b>28.9%</b>

Source: Company data, KGI Research estimates

**Gigabyte – Recommendation & target price history**


Date	Rating	Target	Price
2023-09-08	Outperform	360.0	307.5
2023-08-13	Outperform	360.0	300.5
2023-07-26	Outperform	390.0	333.0
2023-07-14	Outperform	355.0	296.0
2023-05-25	Outperform	196.0	180.0
2023-05-13	Outperform	168.0	139.0
2023-05-09	Outperform	168.0	139.0

Source: TEJ, KGI Research

**All the above named KGI analyst(s) is SFC licensed person accredited to KGI Asia Ltd to carry on the relevant regulated activities. Each of them and/or his/her associate(s) does not have any financial interest in the respectively covered stock, issuer and/or new listing applicant.**

**Disclaimer**

All the information contained in this report is not intended for use by persons or entities located in or residing in jurisdictions which restrict the distribution of this information by KGI Asia Limited ("KGI") or an affiliate of KGI. Such information shall not constitute investment advice, or an offer to sell, or an invitation, solicitation or recommendation to subscribe for or invest in any securities or investment products or services nor a distribution of information for any such purpose in any jurisdiction. In particular, the information herein is not for distribution and does not constitute an offer to sell or the solicitation of any offer to buy any securities in the United States of America, or to or for the benefit of United States persons (being residents of the United States of America or partnerships or corporations organised under the laws of the United States of America or any state, territory or possession thereof). All the information contained in this report is for general information and reference purpose only without taking into account of any particular investor's objectives, financial situation or needs. Such information is not intended to provide professional advice and should not be relied upon in that regard.

Some of KGI equity research and earnings estimates are available electronically on [www.kgi.com.hk](http://www.kgi.com.hk). Please contact your KGI representative for information. The information and opinions in this report are those of KGI internal research activity. KGI does not make any representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. The information and opinions contained in this report are subject to change without any notice. No person accepts any liability whatsoever for any loss however arising from any use of this report or its contents. This report is not to be construed as an invitation or offer to buy or sell securities and/or to participate in any investment activity. This report is being supplied solely for informational purposes and may not be redistributed, reproduced or published (in whole or in part) by any means for any purpose without the prior written consent of KGI. Members of the KGI group and their affiliates may provide services to any companies and affiliates of such companies mentioned herein. Members of the KGI group, their affiliates and their directors, officers and employees may from time to time have a position in any securities mentioned herein.