

# Parade Technologies (4966.TWO/4966 TT)

## Returning to business growth track

### Outperform · Maintained

Price as of November 29 (NT\$)	1,075
12M target price (NT\$)	1,250
Previous target price (NT\$)	1,250
Unchanged (%)	0.0
Upside (%)	16.3

#### Key message

- We project a healthy 5-10% YoY increase in global PC/NB shipments in 2024, paving the way to recovery.
- The firm will capitalize on spec upgrade narrative as demand normalizes.
- We project 2024 sales and EPS will grow a respective 33% and 96% YoY, reaching NT\$18.2bn and NT\$49.87.

#### Trading data

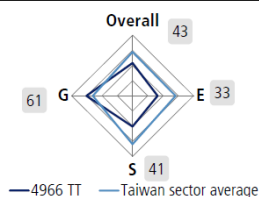
Mkt cap (NT\$bn/US\$m)	87.31 / 2,770
Outstanding shares (mn)	81.22
Foreign ownership (mn)	44.43
3M avg. daily trading (mn)	1.15
52-week trading range (NT\$)	773 -1,210

Performance	3M	6M	12M
Absolute (%)	24.1	1.9	37.5
Relative (%)	19.6	-2.5	19.4

#### Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	20.91A	22.51A	12.38A	5.69A
2023	4.51A	5.44A	7.71A	7.73F
2024	7.43F	9.76F	16.49F	16.20F

#### ESG score card



Source: Refinitiv

#### Event

We anticipate Parade Technologies (Parade) will return to the growth track, driven by several key factors, including: (1) healthy 5-10% YoY growth in global PC/NB shipments in 2024F; (2) OLED display market expansion, which will enhance Parade's DisplayPort segment revenue; and (3) advancements in USB4 and PCIe 5.0 technologies, poised to strengthen the company's high-speed interface business.

#### Impact

**Healthy PC/NB shipment recovery, following AI PC/NB strengthening business.** There has been a resurgence in general PC/NB restocking demand over the past two quarters, a trend we expect to persist into 4Q23. Additionally, we project a healthy 5-10% YoY increase in global PC/NB shipments in 2024. Consequently, we anticipate a decent demand rebound in 2024, which should pave the road to recovery for Parade, benefiting both their display and high-speed interface solution segments. On another note, while current edge AI applications remain somewhat limited, the emerging edge AI PC/NB domain, spearheaded by key players like Microsoft (US), Intel (US), AMD (US), and various PC/NB OEMs, is likely to initiate an upgrade cycle for PCs. This shift is expected to accelerate the transition to USB4 retimers, in line with platform upgrades, and also promote peripheral enhancements in 2024-25.

**Revisiting the theme of specification migration.** We believe Parade will capitalize on the spec upgrade narrative as demand normalizes, especially in its high-speed interface segment, including USB4, PCIe 5.0, HDMI 2.1, and DP 2.1, which will support YoY revenue and earnings recovery in 2024-25F. In the display solution segment, we foresee Parade continuing to thrive with its integrated solutions, such as touch-embedded TCON (TTCON), TCON with an embedded source driver (TED), and TCON with an embedded source driver and touch (tTED). Its bundled offerings, like TCON with SIPI source driver, also show promise. Additionally, we are optimistic about the increasing adoption of OLED displays by standard-plus customers in their products, starting with tablets and then extending to PCs/NBs. Those trends could position Parade to benefit from spec upgrades, potentially bolstering long-term sales and gross margin.

#### Valuation & Action

We believe the aforementioned drivers justify an enhanced 2024 sales outlook for Parade. We project 2024 sales and EPS will grow a respective 33% and 96% YoY, reaching NT\$18.2bn and NT\$49.87. We maintain Outperform, with a target price of NT\$1,250, based on 25x 2024F EPS.

#### Risks

Low PC/NB demand; intensifying competition in high-speed interface IC.

#### Key financials and valuations

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Revenue (NT\$m)	15,280	19,995	20,055	13,662	18,164
Gross profit (NT\$m)	6,732	9,531	9,316	6,000	8,125
Operating profit (NT\$m)	3,684	5,830	5,267	1,957	4,098
Net profit (NT\$m)	3,506	5,245	4,898	2,008	3,956
EPS (NT\$)	44.86	66.29	61.35	25.42	49.87
Cash DPS (NT\$)	21.74	32.42	30.77	12.67	24.88
EPS growth (%)	42.2	47.8	(7.5)	(58.6)	96.2
PE (x)	24.0	16.2	17.5	42.3	21.6
PB (x)	6.8	6.0	4.9	4.3	3.7
EV/EBITDA (x)	18.2	11.6	13.3	28.7	14.8
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	2.0	3.0	2.9	1.2	2.3
Return on average equity (%)	29.3	38.6	30.4	10.5	17.9

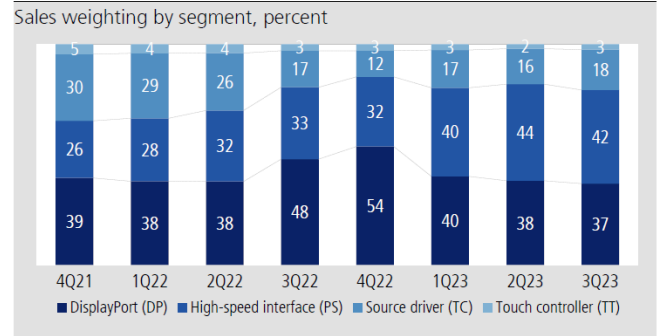
Source: Company data, KGI Research estimates

**Figure 1: Company profile**

Founded in 2005 and listed on the TPEX in 2011, Parade Technologies (Parade) is a leading fabless design house for mixed-signal IC for a variety of popular displays and high-speed interface standards used in computers, consumer electronics, and panels. With headquarters in Silicon Valley and a design center in Shanghai, China, Parade has subsidiaries in Nanjing, China and Seoul, South Korea, along with branch offices in Hong Kong and Taiwan. As a cofounder and board member of VESA, Parade develops standards for DP and eDP.

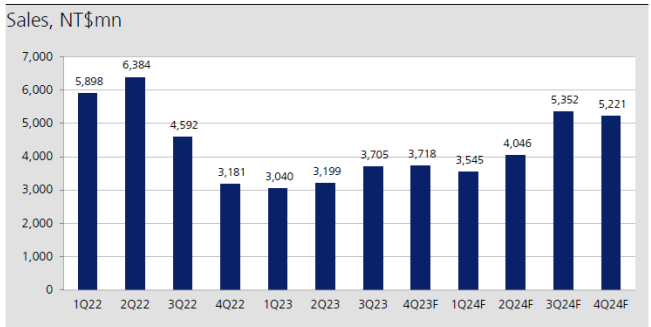
Source: Company data, KGI Research

**Figure 2: Sales mix**



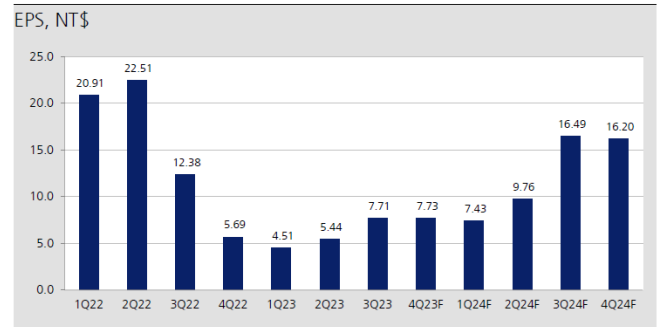
Source: Company data, KGI Research

**Figure 3: Sales**



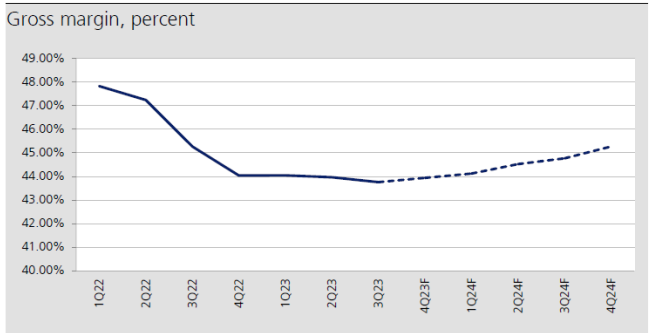
Source: KGI Research

**Figure 4: EPS**



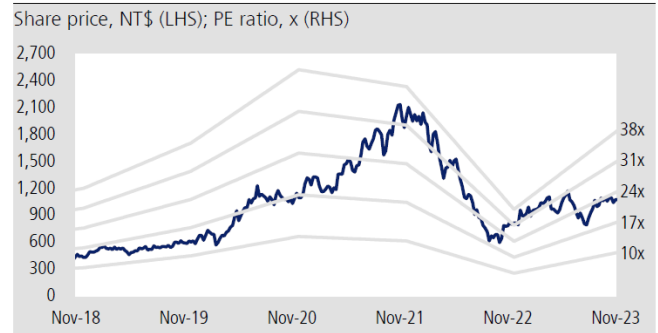
Source: KGI Research

**Figure 5: Gross Margin**



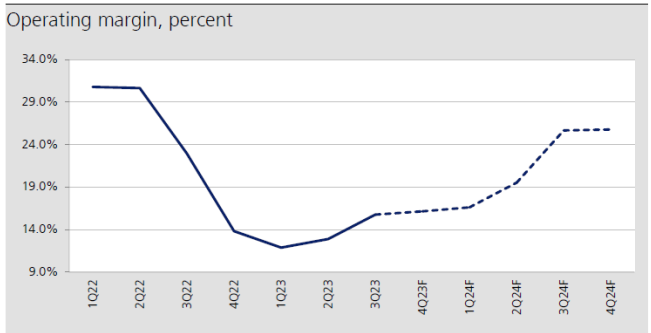
Source: KGI Research

**Figure 6: 12M forward PE band**



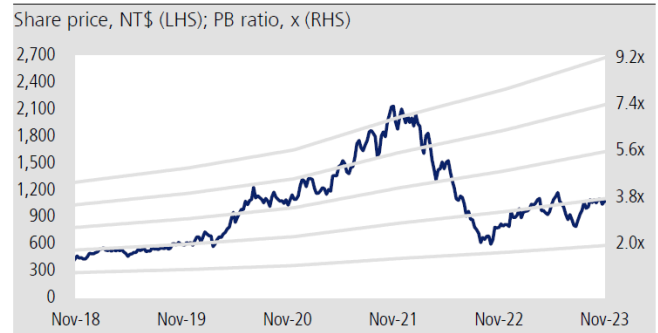
Source: TEJ, KGI Research estimates

**Figure 7: Operating Margin**



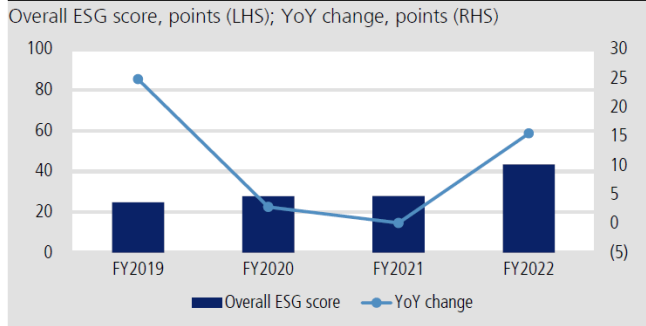
Source: KGI Research

**Figure 8: 12M forward PB band**



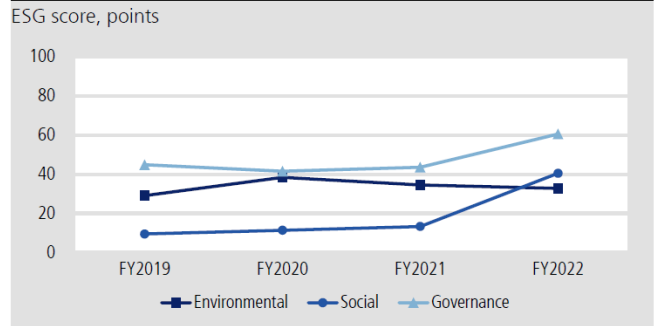
Source: TEJ, KGI Research estimates

**Figure 9: Overall ESG score**



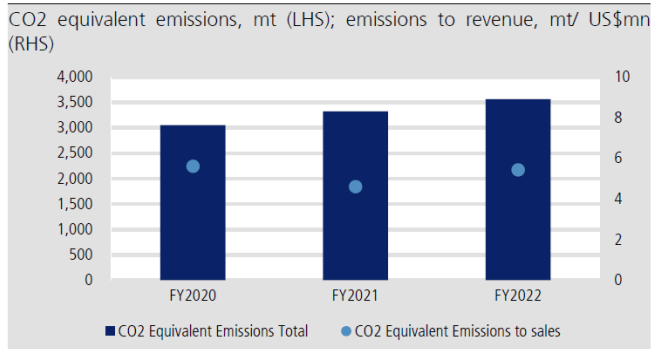
Source: Refinitiv, Company data

**Figure 10: ESG score by category**



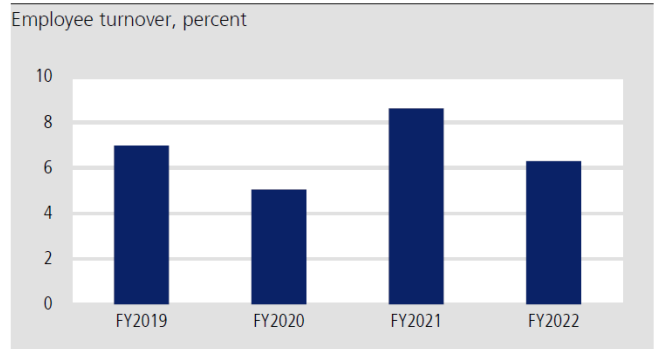
Source: Refinitiv, Company data

**Figure 11: CO2 equivalent emissions**



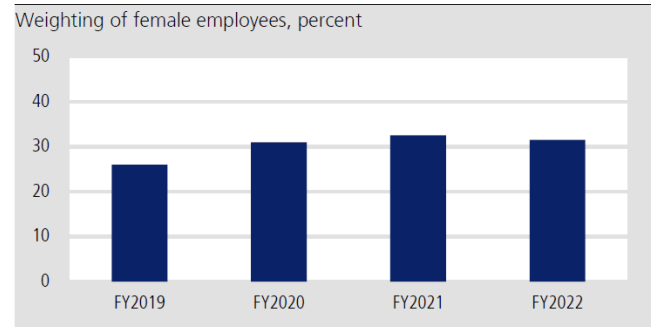
Source: Refinitiv, Company data

**Figure 12: Employee turnover**



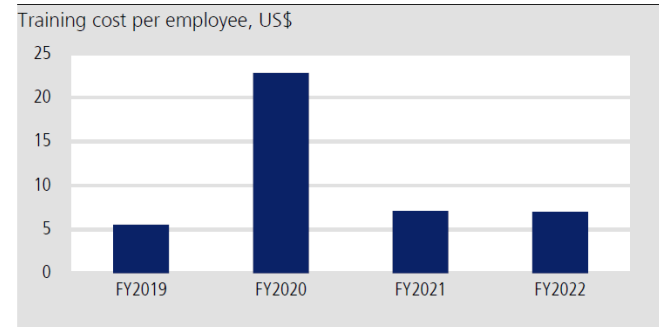
Source: Refinitiv, Company data

**Figure 13: Gender diversification**



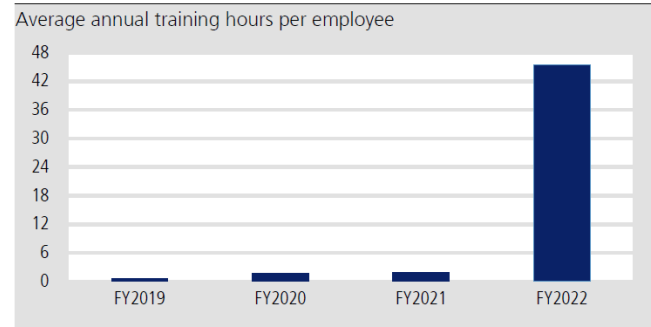
Source: Refinitiv, Company data

**Figure 14: Training cost per employee**



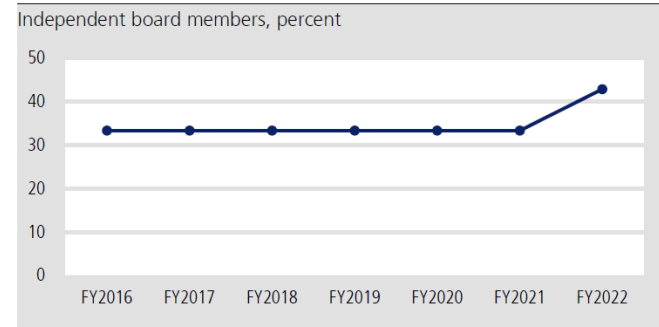
Source: Refinitiv, Company data

**Figure 15: Average training hours**



Source: Refinitiv, Company data

**Figure 16: Independent board members**



Source: Refinitiv, Company data

**ESG chart definition**

Item	Definition	Remarks
Energy use	<p>Total direct and indirect energy consumption in gigajoules.</p> <ul style="list-style-type: none"> <li>- the total amount of energy that has been consumed within the boundaries of the company's operations</li> <li>- total energy use = total direct energy consumption + indirect energy consumption</li> <li>- purchased energy and produced energy are included in total energy use</li> <li>- 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)</li> <li>- for utilities, raw materials such as coal, gas or nuclear used in the production of energy are not considered under 'total energy use'</li> </ul>	
Renewable energy purchased	<p>Total primary renewable energy purchased in gigajoules.</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- if there is no evidence that renewable energy is produced by the company, then we consider the reported energy figure as renewable energy purchased</li> </ul>	
Renewable energy use ratio	Renewable energy to total energy used	
CO2 equivalent emissions	<p>Direct CO2 and CO2 equivalent emissions in metric tons.</p> <ul style="list-style-type: none"> <li>- direct emissions from sources that are owned or controlled by the company (scope 1 emissions)</li> <li>- following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)</li> </ul>	Parade first disclosed this data in its 2020 CSR report.
CO2 equivalent emissions to sales	<p>Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT\$mn)</p> <ul style="list-style-type: none"> <li>- direct emissions from sources that are owned or controlled by the company (scope 1 emissions)</li> <li>- following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)</li> </ul>	Parade first disclosed this data in its 2020 CSR report.
Waste total	<p>Total amount of waste produced in metric tons.</p> <ul style="list-style-type: none"> <li>- total waste = non-hazardous waste + hazardous waste</li> <li>- 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</li> <li>- for sectors like mining, oil &amp; gas, waste generation like tailings, waste rock, coal and fly ash are also considered</li> </ul>	
Waste recycling ratio	<p>The waste recycling ratio as reported by the company.</p> <ul style="list-style-type: none"> <li>- waste recycling ratio = waste recycled/total waste*100</li> <li>- waste to energy or waste incinerated with energy recovery are considered as waste recycled</li> <li>- waste recovered via composting is considered as recycled waste</li> </ul>	
Water withdrawal total	<p>Total water withdrawal in cubic meters.</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- different sources of water like wells, town/utility/municipal water, river water, and surface water are considered</li> </ul>	
Environmental expenditures	<p>Total amount of environmental expenditures.</p> <ul style="list-style-type: none"> <li>- all environmental investment &amp; expenditures for environmental protection or to prevent, reduce, control environmental aspects, impacts, and hazards. It also includes disposal, treatment, sanitation, and clean-up expenditures</li> </ul>	
Turnover of employees	<p>Percentage of employee turnover.</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- employees turnover rate = (employees leaving/average number of employees)*100</li> <li>- where the average number of employees = (employees at the end of the current year + employees at the end of the previous year)/2</li> <li>- employees at the end of the current fiscal year = employees at the end of the previous fiscal year + new employees - employees leaving</li> </ul>	
Women managers	<p>Percentage of women managers.</p> <ul style="list-style-type: none"> <li>- percentage of women managers among total managers of the company</li> <li>- 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</li> <li>- percentage of women managers = number of women managers/total number of managers*100</li> </ul>	
Women employees	<p>Percentage of women employees.</p> <ul style="list-style-type: none"> <li>- percentage of women employees to the total number of employees of the company</li> <li>- percentage of women employees = number of women/total number of employees*100</li> </ul>	
Training hours total	<p>Total training hours performed by all employees.</p> <ul style="list-style-type: none"> <li>- consider only employee training hours</li> <li>- includes all types of training given to general employees (such as health &amp; safety, environmental, emergency response, skills &amp; career development training)</li> <li>- if the value is given in days, multiply by 8, assuming that 1 day = 8 hours worked</li> </ul>	
Training hours per employee	Training hours per employee per year	

Source: Refinitiv, Company data, KGI Research

**Income statement**

	Quarterly								Annually		
	Mar-23A	Jun-23A	Sep-23A	Dec-23F	Mar-24F	Jun-24F	Sep-24F	Dec-24F	Dec-22A	Dec-23F	Dec-24F
<b>Income statement (NT\$m)</b>											
<b>Revenue</b>	<b>3,040</b>	<b>3,199</b>	<b>3,705</b>	<b>3,718</b>	<b>3,545</b>	<b>4,046</b>	<b>5,352</b>	<b>5,221</b>	<b>20,055</b>	<b>13,662</b>	<b>18,164</b>
Cost of goods sold	(1,701)	(1,793)	(2,084)	(2,085)	(1,981)	(2,245)	(2,956)	(2,857)	(10,740)	(7,662)	(10,039)
<b>Gross profit</b>	<b>1,339</b>	<b>1,406</b>	<b>1,621</b>	<b>1,634</b>	<b>1,564</b>	<b>1,801</b>	<b>2,396</b>	<b>2,363</b>	<b>9,316</b>	<b>6,000</b>	<b>8,125</b>
Operating expenses	(978)	(994)	(1,037)	(1,034)	(975)	(1,011)	(1,022)	(1,018)	(4,049)	(4,043)	(4,027)
<b>Operating profit</b>	<b>361</b>	<b>412</b>	<b>584</b>	<b>600</b>	<b>589</b>	<b>790</b>	<b>1,374</b>	<b>1,345</b>	<b>5,267</b>	<b>1,957</b>	<b>4,098</b>
Depreciation of fixed assets	(80)	(91)	(82)	(103)	(147)	(150)	(155)	14	(313)	(356)	(438)
Amortisation of intangible assets	(82)	(88)	(88)	(100)	(117)	(117)	(117)	(48)	(341)	(357)	(400)
<b>EBITDA</b>	<b>523</b>	<b>591</b>	<b>754</b>	<b>803</b>	<b>853</b>	<b>1,057</b>	<b>1,645</b>	<b>1,379</b>	<b>5,921</b>	<b>2,671</b>	<b>4,935</b>
Interest income	46	43	61	67	52	55	62	65	64	218	233
Investment income	-	-	-	-	-	-	-	-	-	-	-
Other non-op income	3	1	0	-	-	-	-	-	4	-	-
<b>Non-operating income</b>	<b>49</b>	<b>44</b>	<b>61</b>	<b>67</b>	<b>52</b>	<b>55</b>	<b>62</b>	<b>65</b>	<b>68</b>	<b>218</b>	<b>233</b>
Interest expense	-	-	-	-	-	-	-	-	-	-	-
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	(10)	19	14	10	10	10	10	10	40	37	40
<b>Non-operating expenses</b>	<b>(10)</b>	<b>19</b>	<b>14</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>40</b>	<b>37</b>	<b>40</b>
<b>Pre-tax profit</b>	<b>400</b>	<b>475</b>	<b>660</b>	<b>677</b>	<b>651</b>	<b>855</b>	<b>1,445</b>	<b>1,420</b>	<b>5,375</b>	<b>2,212</b>	<b>4,371</b>
Current taxation	(46)	(46)	(48)	(64)	(62)	(81)	(137)	(135)	(477)	(204)	(415)
Minorities	-	-	-	-	-	-	-	-	-	-	-
<b>Normalised net profit</b>	<b>353</b>	<b>429</b>	<b>612</b>	<b>613</b>	<b>589</b>	<b>774</b>	<b>1,308</b>	<b>1,285</b>	<b>4,898</b>	<b>2,008</b>	<b>3,956</b>
Extraordinary items	0	(0)	0	-	-	-	-	-	-	(0)	-
<b>Net profit</b>	<b>353</b>	<b>429</b>	<b>612</b>	<b>613</b>	<b>589</b>	<b>774</b>	<b>1,308</b>	<b>1,285</b>	<b>4,898</b>	<b>2,008</b>	<b>3,956</b>
EPS (NT\$)	4.51	5.44	7.71	7.73	7.43	9.76	16.49	16.20	61.35	25.42	49.87
<b>Margins (%)</b>											
Gross profit margin	44.0	44.0	43.8	43.9	44.1	44.5	44.8	45.3	46.5	43.9	44.7
Operating margin	11.9	12.9	15.8	16.1	16.6	19.5	25.7	25.8	26.3	14.3	22.6
EBITDA margin	17.2	18.5	20.3	21.6	24.1	26.1	30.7	26.4	29.5	19.5	27.2
Pretax profit margin	13.1	14.9	17.8	18.2	18.4	21.1	27.0	27.2	26.8	16.2	24.1
Net profit margin	11.6	13.4	16.5	16.5	16.6	19.1	24.4	24.6	24.4	14.7	21.8
<b>Sequential growth (%)</b>											
Revenue growth	(4.5)	5.3	15.8	0.4	(4.7)	14.1	32.3	(2.5)			
Gross profit growth	(4.4)	5.0	15.3	0.8	(4.3)	15.2	33.0	(1.4)			
Operating profit growth	(17.9)	14.2	41.6	2.8	(1.8)	34.0	73.9	(2.1)			
EBITDA growth	(14.2)	13.0	27.6	6.5	6.3	23.9	55.6	(16.2)			
Pretax profit growth	(19.4)	19.0	38.7	2.7	(3.9)	31.3	69.0	(1.8)			
Net profit growth	(22.2)	21.5	42.6	0.2	(3.9)	31.3	69.0	(1.8)			
<b>YoY growth (%)</b>											
Revenue growth	(48.5)	(49.9)	(19.3)	16.9	16.6	26.5	44.4	40.4	0.3	(31.9)	32.9
Gross profit growth	(52.5)	(53.4)	(22.0)	16.6	16.8	28.1	47.8	44.7	(2.3)	(35.6)	35.4
Operating profit growth	(80.1)	(78.9)	(44.6)	36.5	63.2	91.5	135.2	124.2	(9.7)	(62.8)	109.4
EBITDA growth	(73.4)	(72.2)	(38.2)	31.7	63.2	78.9	118.2	71.8	(9.5)	(54.9)	84.8
Pretax profit growth	(78.0)	(75.9)	(39.5)	36.6	62.9	79.8	119.1	109.6	(7.5)	(58.8)	97.6
Net profit growth	(78.7)	(76.1)	(38.3)	35.0	66.8	80.3	113.7	109.6	(6.6)	(59.0)	97.0

Source: Company data, KGI Research estimates

**Balance sheet**

NTS\$mn	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
<b>Total assets</b>	<b>16,569</b>	<b>19,385</b>	<b>22,072</b>	<b>23,666</b>	<b>26,402</b>
<b>Current assets</b>	<b>12,198</b>	<b>13,281</b>	<b>13,131</b>	<b>14,502</b>	<b>17,494</b>
Cash & ST securities	8,520	9,202	6,975	8,621	12,652
Inventory	1,615	2,098	4,468	3,419	2,629
Accounts receivable	1,579	1,395	1,066	1,710	1,462
Other current assets	484	587	621	752	752
<b>Non-current assets</b>	<b>4,371</b>	<b>6,104</b>	<b>8,941</b>	<b>9,164</b>	<b>8,908</b>
LT investments	-	-	-	-	-
Net fixed assets	367	488	496	380	124
Other assets	4,004	5,616	8,445	8,784	8,784
<b>Total liabilities</b>	<b>3,885</b>	<b>4,923</b>	<b>4,341</b>	<b>3,207</b>	<b>2,611</b>
<b>Current liabilities</b>	<b>3,711</b>	<b>4,787</b>	<b>4,259</b>	<b>3,156</b>	<b>2,560</b>
Accounts payable	1,241	1,131	399	1,334	1,143
Interest bearing ST liabilities	-	-	-	-	-
Other current liabilities	2,470	3,657	3,860	1,822	1,417
<b>Non-current liabilities</b>	<b>174</b>	<b>136</b>	<b>81</b>	<b>51</b>	<b>51</b>
Long-term debt	-	-	-	-	-
Other L-T liabilities	-	-	-	51	51
<b>Total equity</b>	<b>12,684</b>	<b>14,462</b>	<b>17,731</b>	<b>20,458</b>	<b>23,791</b>
Share capital	808	809	812	812	812
Retained earnings reserve	8,662	10,738	13,538	14,542	17,875
Minority interests	-	-	-	-	-
Preferred shareholders funds	-	-	-	-	-

**Key ratios**

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
<b>Growth</b>					
Revenue growth	29.4%	30.9%	0.3%	(31.9%)	32.9%
Operating profit growth	53.6%	58.2%	(9.7%)	(62.8%)	109.4%
EBITDA growth	44.3%	57.2%	(9.5%)	(54.9%)	84.8%
Net profit growth	44.0%	49.6%	(6.6%)	(59.0%)	97.0%
EPS growth	42.2%	47.8%	(7.5%)	(58.6%)	96.2%
<b>Profitability</b>					
Gross profit margin	44.1%	47.7%	46.5%	43.9%	44.7%
Operating margin	24.1%	29.2%	26.3%	14.3%	22.6%
EBITDA margin	27.3%	32.7%	29.5%	19.5%	27.2%
Net profit margin	22.9%	26.2%	24.4%	14.7%	21.8%
Return on average assets	23.1%	29.2%	23.6%	8.8%	15.8%
Return on average equity	29.3%	38.6%	30.4%	10.5%	17.9%
<b>Stability</b>					
Gross debt to equity	0.0%	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)					
Interest & ST debt coverage (x)	1.0	1.0	1.0	1.0	1.0
Cash flow/interest coverage(x)					
Cash flow/int. & ST debt (x)					
Current ratio (x)	3.3	2.8	3.1	4.6	6.8
Quick ratio (x)	2.9	2.3	2.0	3.5	5.8
Net debt (NT\$mn)	(8,520)	(9,202)	(6,975)	(8,621)	(12,652)
<b>Per share data</b>					
EPS (NT\$)	44.86	66.29	61.35	25.42	49.87
CFPS (NT\$)	48.64	83.18	31.85	46.04	71.11
BVPS (NT\$)	157.01	178.85	218.39	252.06	293.12
Adj BVPS (NT\$)	162.29	182.80	222.07	259.00	299.95
SPS (NT\$)	195.50	252.73	251.18	172.97	229.00
EBITDA/share (NT\$)	53.28	82.72	74.16	33.81	62.22
Cash DPS (NT\$)	21.74	32.42	30.77	12.67	24.88
<b>Activity</b>					
Sales / avg assets	1.01	1.11	0.97	0.60	0.73
Days receivable	37.8	25.5	19.4	45.7	29.5
Days inventory	69.2	73.2	151.9	162.8	95.8
Days payable	53.1	39.4	13.6	63.6	41.7
Cash cycle	53.8	59.2	157.7	145.0	83.6

Source: Company data, KGI Research estimates

**Profit & loss**

NTS\$mn	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
<b>Revenue</b>	<b>15,280</b>	<b>19,995</b>	<b>20,055</b>	<b>13,662</b>	<b>18,164</b>
Cost of goods sold	(8,548)	(10,463)	(10,740)	(7,662)	(10,039)
<b>Gross profit</b>	<b>6,732</b>	<b>9,531</b>	<b>9,316</b>	<b>6,000</b>	<b>8,125</b>
Operating expenses	(3,048)	(3,702)	(4,049)	(4,043)	(4,027)
<b>Operating profit</b>	<b>3,684</b>	<b>5,830</b>	<b>5,267</b>	<b>1,957</b>	<b>4,098</b>
<b>Non-operating income</b>	<b>33</b>	<b>7</b>	<b>68</b>	<b>218</b>	<b>233</b>
Interest income	29	3	64	218	233
Investment income	-	-	-	-	-
Other non-op income	5	4	4	-	-
<b>Non-operating expenses</b>	<b>(18)</b>	<b>(28)</b>	<b>40</b>	<b>37</b>	<b>40</b>
Interest expense	-	-	-	-	-
Investment loss	-	-	-	-	-
Other non-op expenses	(18)	(28)	40	37	40
<b>Pre-tax profit</b>	<b>3,699</b>	<b>5,809</b>	<b>5,375</b>	<b>2,212</b>	<b>4,371</b>
Current taxation	(193)	(564)	(477)	(204)	(415)
Minorities	-	-	-	-	-
Extraordinary items	-	0	0	(0)	-
<b>Net profit</b>	<b>3,506</b>	<b>5,245</b>	<b>4,898</b>	<b>2,008</b>	<b>3,956</b>
<b>EBITDA</b>	<b>4,164</b>	<b>6,544</b>	<b>5,921</b>	<b>2,671</b>	<b>4,935</b>
EPS (NT\$)	44.86	66.29	61.35	25.42	49.87

**Cash flow**

NTS\$mn	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
<b>Operations cash flow</b>	<b>3,802</b>	<b>6,581</b>	<b>2,543</b>	<b>3,637</b>	<b>5,640</b>
Net profit	3,506	5,245	4,898	2,008	3,956
Depreciation & amortisation	480	715	654	713	837
Decrease in working capital	(666)	(464)	(2,515)	1,340	847
Other operating cash flow	481	1,085	(495)	(423)	(0)
<b>Investing cash flow</b>	<b>(1,610)</b>	<b>(2,365)</b>	<b>(2,758)</b>	<b>(433)</b>	<b>(581)</b>
Sale of ST investment	-	-	-	-	-
New investments	-	-	-	-	-
Capital expenditure	(227)	(296)	(172)	(149)	(182)
Others investing cashflow	(1,383)	(2,069)	(2,586)	(284)	(400)
<b>Free cash flow</b>	<b>2,805</b>	<b>4,776</b>	<b>2,427</b>	<b>3,323</b>	<b>4,812</b>
<b>Financing cash flow</b>	<b>(1,341)</b>	<b>(3,250)</b>	<b>(3,244)</b>	<b>(1,752)</b>	<b>(1,028)</b>
Increase in short term debt	-	-	-	-	-
Increase in long term loans	-	-	-	-	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(1,217)	(1,753)	(2,622)	(2,439)	(1,028)
Other financing cashflow	(58)	(100)	(34)	(73)	-
<b>Forex effects</b>	<b>(436)</b>	<b>(284)</b>	<b>1,233</b>	<b>193</b>	<b>-</b>
<b>Total cash generated</b>	<b>414</b>	<b>682</b>	<b>(2,226)</b>	<b>1,646</b>	<b>4,031</b>

**ROIC**

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
1 - COGS/revenue					
- Operating exp./revenue	19.9%	18.5%	20.2%	29.6%	22.2%
<b>= Operating margin</b>	<b>24.1%</b>	<b>29.2%</b>	<b>26.3%</b>	<b>14.3%</b>	<b>22.6%</b>
1 / (Working capital/revenue	(0.0)	(0.0)	0.1	0.2	0.1
+ Net PPE/revenue	0.0	0.0	0.0	0.0	0.0
+ Other assets/revenue)	0.0	0.1	0.2	0.4	0.3
<b>= Capital turnover</b>	<b>22.3</b>	<b>12.1</b>	<b>3.0</b>	<b>1.7</b>	<b>2.5</b>
Operating margin	24.1%	29.2%	26.3%	14.3%	22.6%
x Capital turnover	22.3	12.1	3.0	1.7	2.5
x (1 - tax rate)	94.8%	90.3%	91.1%	90.8%	90.5%
<b>= After-tax ROIC</b>	<b>508.7%</b>	<b>319.6%</b>	<b>71.9%</b>	<b>22.5%</b>	<b>51.6%</b>

Source: Company data, KGI Research estimates

**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 organized 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. 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.