

# ASEH (3711.TW/3711 TT)

## Not all recoveries are created equal

FTSE4Good TIP Taiwan ESG Index stock

### Neutral · Maintained

Price as of February 1 (NT\$)	133.0
12M target price (NT\$)	130.0
Previous target price (NT\$)	103.0
Revised up (%)	26.2
Downside (%)	2.3

#### Key message

- We are less optimistic on this counter given growing competition from Chinese peers, which could cap any recovery in 2024F.
- Shares are trading at a 2024F PE of 14x and PB of 1.8x, vs. three-year averages of 10x and 1.6x, which we consider fairly valued.

#### Trading data

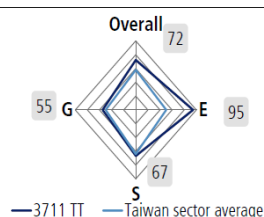
Mkt cap (NT\$/bn/US\$/mn)	583 / 18,615
Outstanding shares (mn)	4,384
Foreign ownership (mn)	3,416
3M avg. daily trading (mn)	8.52
52-week trading range (NT\$)	100.5 –137.0

Performance	3M	6M	12M
Absolute (%)	16.2	16.7	30.4
Relative (%)	4.2	12.3	13.9

#### Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	3.01A	3.69A	4.03A	3.68A
2023	1.36A	1.80A	2.04A	2.18F
2024	1.37F	2.06F	3.01F	3.29F

#### ESG score card



Source: Refinitiv

#### Event

ASEH guides IC-ATM sales this year will grow in-line with the overall logic semiconductor industry (up 6-10%) and that its EMS business will likely be flattish or grow slightly. This is well below recent street bullish forecasts of strong double-digit growth for its IC-ATM business.

#### Impact

**Strength of recovery may underperform the overall industry.** Due to ongoing market bifurcation (China-for-China policy), coupled with ASP pressure, we are seeing increasing share allocation by Taiwanese fabless customers to Chinese OSAT peers, effectively leading to share loss for ASEH. This trend is especially pronounced in mid- to low-end packaging solutions, as well as 4G, mainstream 5G SoC, WiFi/ BT and Ethernet applications. Further, IDM customers with higher exposure to auto and industrial applications are still undergoing inventory correction, which could continue for another 3-6 months. As such, the strength of ASEH's IC-ATM sales recovery this year could be just lukewarm, in our view.

**Advanced packaging business will not move the needle.** Although ASEH has seen significant progress in advanced packaging technology (i.e. CoWoS, PLP FanOut), and expects higher sales contribution from this business this year, we believe the sales weighting will be insignificant in 2024F and may not be able to offset the headwinds faced by its traditional IC-ATM business.

1Q24F guidance below consensus. ASEH guides 1Q24F IC-ATM and EMS sales to be flattish YoY, implying that 1Q24 sales to decline high-teens percent QoQ, which is below consensus of 13.1% QoQ decline. The firm also expects 1Q24F IC-ATM gross margin to be at a similar level to 1Q23, and guides EMS operating margin to approach the 1Q23 level of 2.3%, implying a consolidated gross margin of roughly 15.0%, versus consensus of 15.9%.

#### Valuation & Action

We forecast 2024F sales and EPS to grow 7.3% and 31.9% YoY to NT\$624.7bn and NT\$9.74, 4.7% and 5.8% below consensus of NT\$655.3bn and NT\$10.34. Although we believe 1Q24F will mark a business trough for ASEH, and expect to see a cyclical recovery of the overall semiconductor industry this year, we are less optimistic on this counter given growing competition from Chinese peers, which could cap any recovery in 2024F. Shares are trading at a 2024F PE of 14x and PB of 1.8x, vs. three-year averages of 10x and 1.6x, respectively, which we consider fairly valued. We adjust our target price from NT\$103, on 1.4x 2024F BVPS, to NT\$130, based on 1.8x 2024F BVPS. Maintain Neutral.

#### Risks

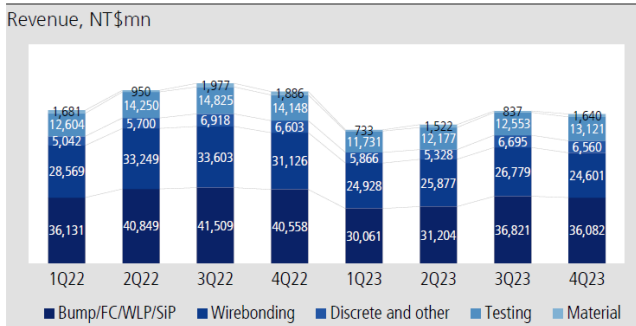
Strong tech demand and economy; easing packaging and testing competition.

#### Key financials and valuations

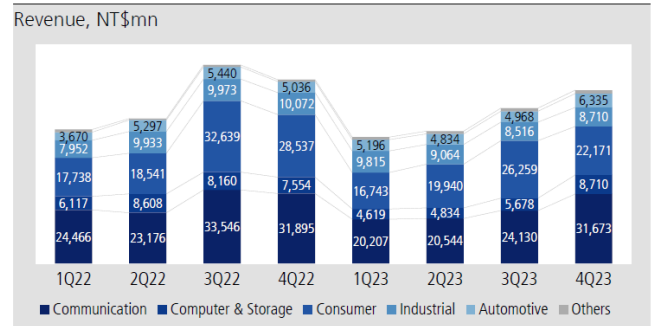
	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Revenue (NT\$m)	476,979	569,997	670,873	581,914	624,679
Gross profit (NT\$m)	77,984	110,369	134,930	91,757	106,886
Operating profit (NT\$m)	34,876	62,124	80,176	40,328	57,377
Net profit (NT\$m)	27,593	63,908	62,090	31,725	41,970
EPS (NT\$)	6.47	14.84	14.53	7.39	9.74
Cash DPS (NT\$)	4.20	7.00	8.80	4.35	5.75
EPS growth (%)	63.2	129.5	(2.1)	(49.1)	31.9
PE (x)	20.6	9.0	9.2	18.0	13.7
PB (x)	2.6	2.3	1.9	2.0	1.8
EV/EBITDA (x)	7.8	5.5	4.8	6.4	4.9
Net debt to equity (%)	60.0	48.1	38.9	32.0	11.7
Dividend yield (%)	3.2	5.3	6.6	3.3	4.3
Return on average equity (%)	13.2	26.7	22.1	10.6	13.7

Source: Company data, KGI Research estimates

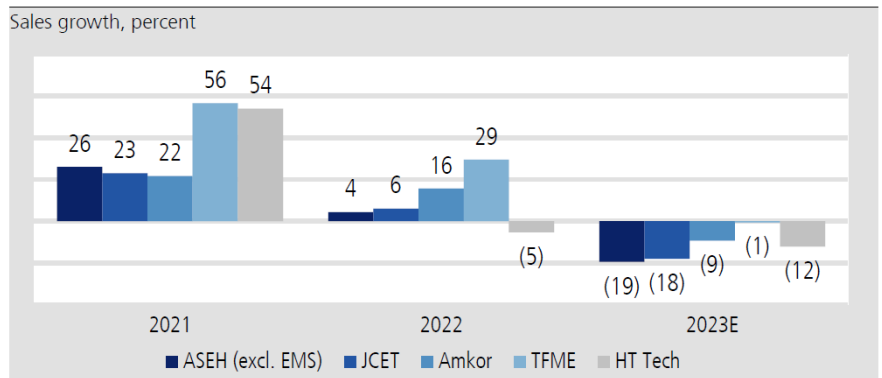
**4Q23 EPS beat consensus on non-operating income.** 4Q23 gross margin came in at 16.0%, flattish QoQ and down 3.2ppts YoY, higher than our forecast and consensus of 15.7% and 15.7% by 0.3ppts and 0.3ppts, respectively. EPS arrived at NT\$2.18, up 6.9% QoQ and down 40.7% YoY, 14.8% and 8.6% above our estimate and consensus of a respective NT\$1.90 and NT\$2.01 on non-operating income.

**Figure 1: ASEH's IC-ATM sales breakdown**


Source: Company data, KGI Research

**Figure 2: ASEH's EMS sales breakdown**


Source: Company data, KGI Research

**Figure 3: OSAT sales growth (in US dollar terms)**


Source: Bloomberg, KGI Research

**Figure 4: Breakdown of 4Q23 results & 1Q24 forecast revisions vs. KGI & consensus**

NT\$mn	4Q23						1Q24F							
	Actual	KGI forecast	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Revenue	160,581	160,676	(0.1)	4.2	(9.5)	160,517	0.0	131,400	129,803	1.2	(18.2)	0.4	139,519	(5.8)
Gross profit	25,761	25,275	1.9	3.4	(24.5)	25,161	2.4	19,431	19,506	(0.4)	(24.6)	0.5	22,224	(12.6)
Operating profit	11,815	13,063	(9.6)	3.6	(40.3)	11,538	2.4	8,656	8,862	(2.3)	(26.7)	12.5	10,202	(15.2)
Net profit	9,392	8,179	14.8	7.0	(40.3)	8,783	6.9	5,904	6,228	(5.2)	(37.1)	1.5	7,636	(22.7)
EPS (NT\$)	2.18	1.90	14.8	6.9	(40.7)	2.01	8.6	1.37	1.45	(5.3)	(37.2)	1.0	1.75	(21.5)
Gross margin (%)	16.0	15.7	0.3 ppts	(0.1)ppts	(3.2)ppts	15.7	0.4 ppts	14.8	15.0	(0.2)ppts	(1.3)ppts	0.0 ppts	15.9	(1.1)ppts
OP margin (%)	7.4	8.1	(0.8)ppts	(0.0)ppts	(3.8)ppts	7.2	0.2 ppts	6.6	6.8	(0.2)ppts	(0.8)ppts	0.7 ppts	7.3	(0.7)ppts
Net margin (%)	5.8	5.1	0.8 ppts	0.2 ppts	(3.0)ppts	5.5	0.4 ppts	4.5	4.8	(0.3)ppts	(1.4)ppts	0.0 ppts	5.5	(1.0)ppts

Source: Company data, Bloomberg, KGI Research estimates

**Figure 5: Breakdown of 2023 results & 2024 forecast revisions vs. KGI & consensus**

NT\$mn	2023						2024F					
	Actual	KGI forecast	Diff. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Revenue	581,914	582,009	(0.0)	(13.3)	581,720	0.0	624,679	624,586	0.0	7.3	655,348	(4.7)
Gross profit	91,757	91,271	0.5	(32.0)	91,150	0.7	106,886	103,699	3.1	16.5	113,382	(5.7)
Operating profit	40,328	41,576	(3.0)	(49.7)	40,450	(0.3)	57,377	54,200	5.9	42.3	59,525	(3.6)
Net profit	31,725	30,513	4.0	(48.9)	30,642	3.5	41,970	40,116	4.6	32.3	44,483	(5.6)
EPS (NT\$)	7.39	7.10	4.0	(49.1)	7.20	2.6	9.74	9.32	4.5	31.9	10.34	(5.8)
Gross margin (%)	15.8	15.7	0.1 ppts	(4.3)ppts	15.7	0.1 ppts	17.1	16.6	0.5 ppts	1.3 ppts	17.3	(0.2)ppts
OP margin (%)	6.9	7.1	(0.2)ppts	(5.0)ppts	7.0	(0.0)ppts	9.2	8.7	0.5 ppts	2.3 ppts	9.1	0.1 ppts
Net margin (%)	5.5	5.2	0.2 ppts	(3.8)ppts	5.3	0.2 ppts	6.7	6.4	0.3 ppts	1.3 ppts	6.8	(0.1)ppts

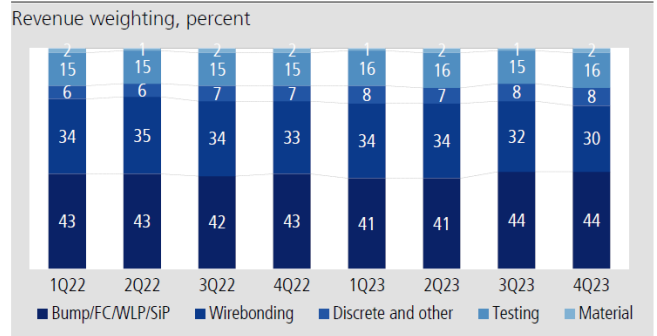
Source: Company data, Bloomberg, KGI Research estimates

**Figure 6: Company profile**

Established in 1984, ASE Technology Holding's (ASEH) is the world's leading back-end packaging and testing (P&T) service provider. The firm has branches in Taiwan, China, Korea, Malaysia, Singapore, Japan, the US and Europe. ASEH was the first P&T firm to adopt copper wire-bonding technology. Clients include Broadcom (US), MediaTek (2454 TT, NT\$930, N), Marvell (US), Qualcomm (US) and STMicroelectronics (CH). Consolidated revenue in 4Q23 was NT\$160.6bn, of which 51% was from IC-ATM.

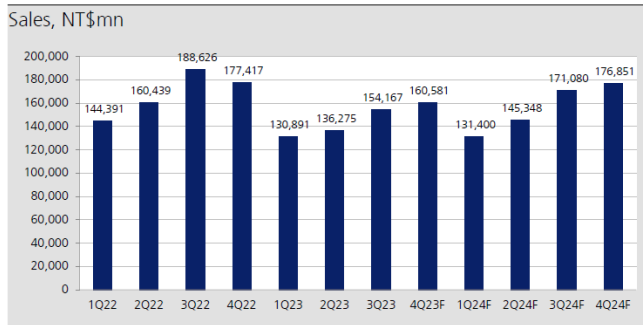
Source: Company data, KGI Research

**Figure 7: IC-ATM sales by service type**



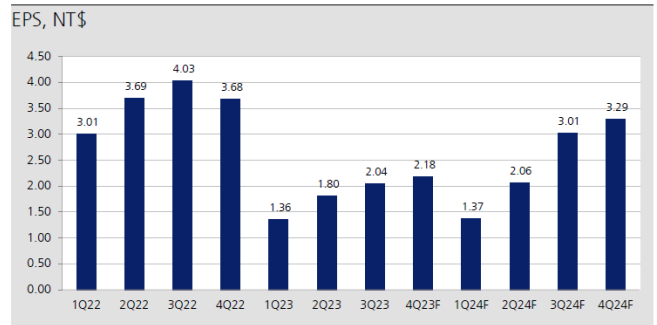
Source: Company data, KGI Research

**Figure 8: Sales**



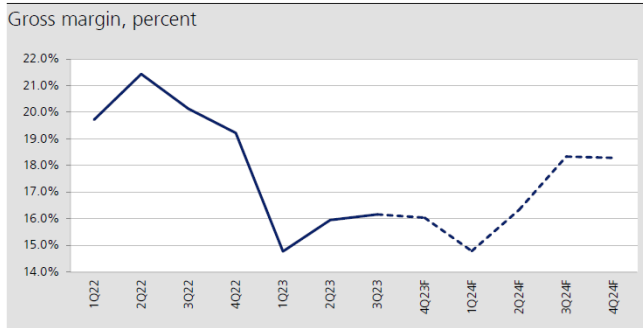
Source: KGI Research

**Figure 9: EPS**



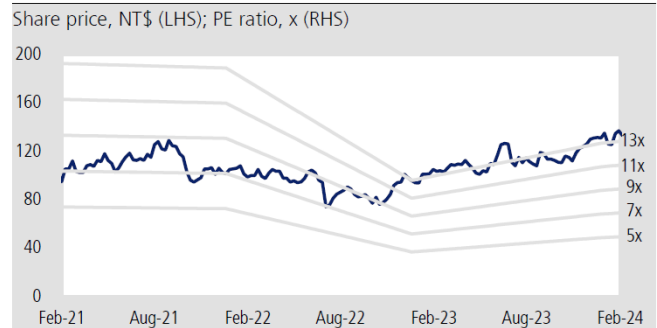
Source: KGI Research

**Figure 10: Gross Margin**



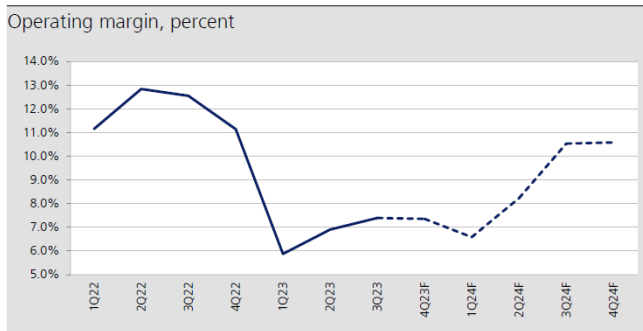
Source: KGI Research

**Figure 11: 12M forward PE band**



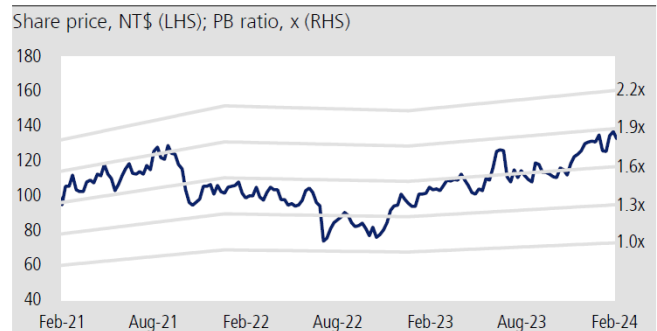
Source: TEJ, KGI Research estimates

**Figure 12: Operating Margin**



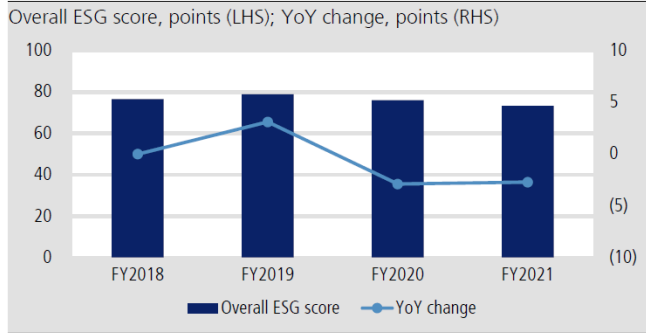
Source: KGI Research

**Figure 13: 12M forward PB band**



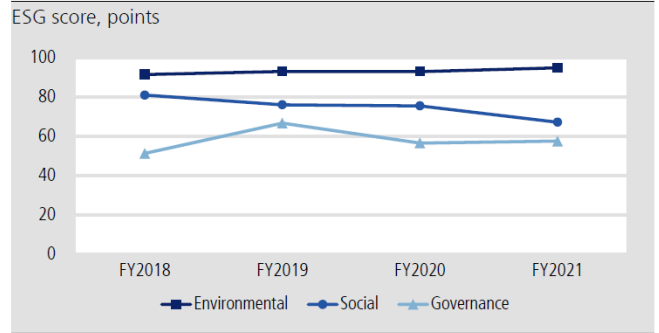
Source: TEJ, KGI Research estimates

**Figure 14: Overall ESG score**



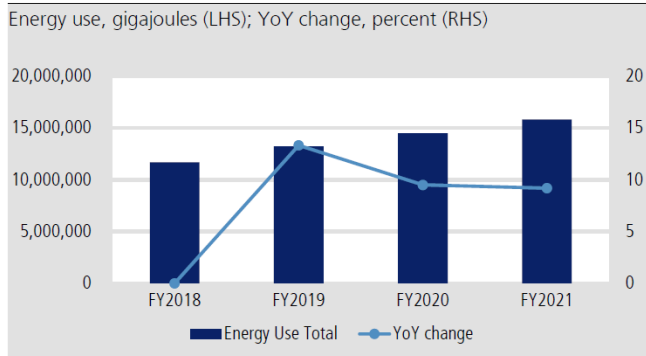
Source: Refinitiv, Company data

**Figure 15: ESG score by category**



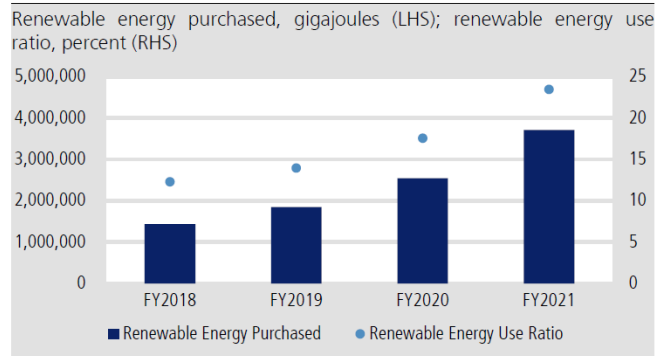
Source: Refinitiv, Company data

**Figure 16: Energy use**



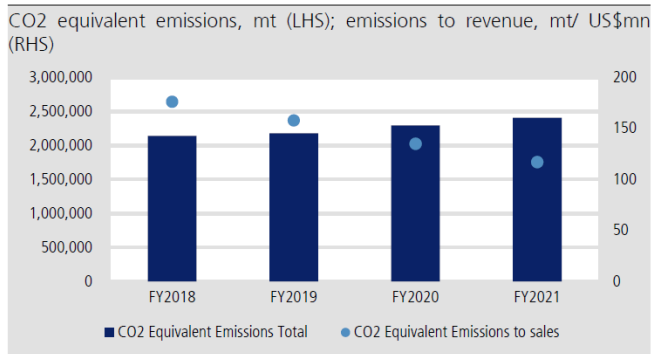
Source: Refinitiv, Company data

**Figure 17: Renewable energy**



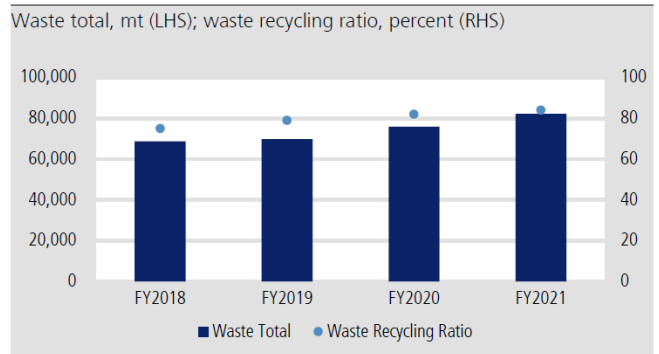
Source: Refinitiv, Company data

**Figure 18: CO2 equivalent emissions**



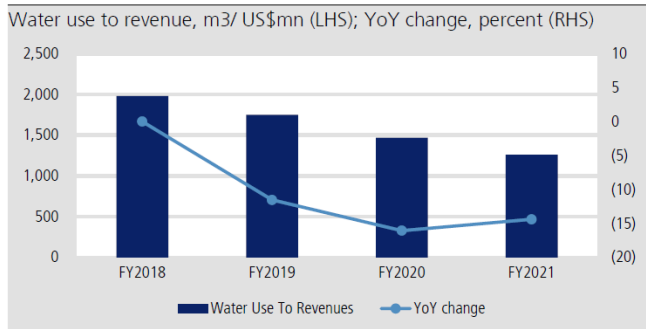
Source: Refinitiv, Company data

**Figure 19: Waste total**



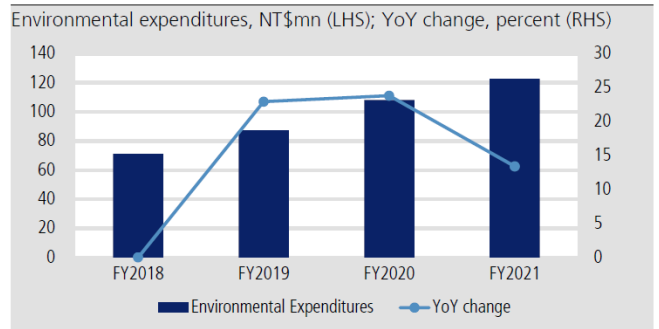
Source: Refinitiv, Company data

**Figure 20: Water use to revenue**



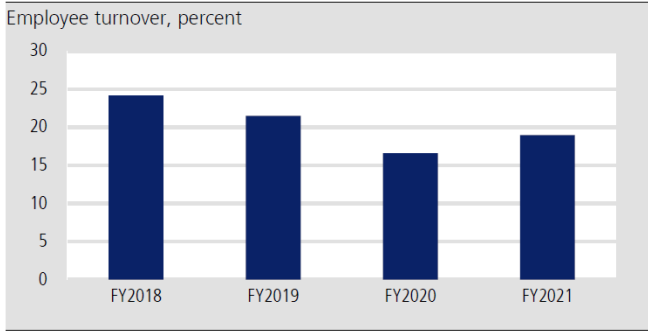
Source: Refinitiv, Company data

**Figure 21: Environmental expenditures**



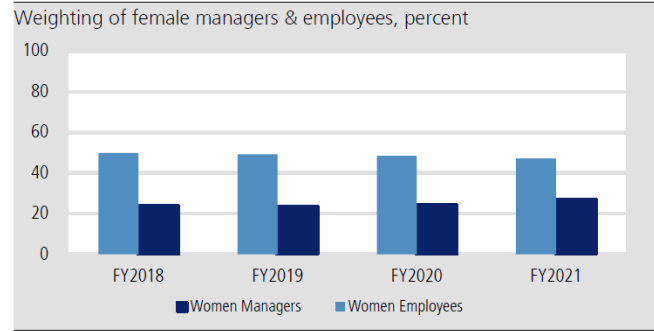
Source: Refinitiv, Company data

**Figure 22: Employee turnover**



Source: Refinitiv, Company data

**Figure 23: Gender diversification**



Source: Refinitiv, 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\$m) - 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-22A	Dec-23F	Dec-24F
<b>Income statement (NT\$m)</b>											
<b>Revenue</b>	<b>130,891</b>	<b>136,275</b>	<b>154,167</b>	<b>160,581</b>	<b>131,400</b>	<b>145,348</b>	<b>171,080</b>	<b>176,851</b>	<b>670,873</b>	<b>581,914</b>	<b>624,679</b>
Cost of goods sold	(111,552)	(114,535)	(129,251)	(134,820)	(111,969)	(121,607)	(139,709)	(144,508)	(535,943)	(490,157)	(517,792)
<b>Gross profit</b>	<b>19,339</b>	<b>21,741</b>	<b>24,916</b>	<b>25,761</b>	<b>19,431</b>	<b>23,741</b>	<b>31,372</b>	<b>32,343</b>	<b>134,930</b>	<b>91,757</b>	<b>106,886</b>
Operating expenses	(11,644)	(12,329)	(13,510)	(13,947)	(10,775)	(11,773)	(13,344)	(13,617)	(54,754)	(51,429)	(49,510)
<b>Operating profit</b>	<b>7,696</b>	<b>9,412</b>	<b>11,405</b>	<b>11,815</b>	<b>8,656</b>	<b>11,968</b>	<b>18,027</b>	<b>18,725</b>	<b>80,176</b>	<b>40,328</b>	<b>57,377</b>
Depreciation of fixed assets	(13,462)	(13,510)	(13,591)	(17,455)	(15,018)	(15,018)	(15,018)	(15,018)	(51,521)	(58,018)	(60,072)
Amortisation of intangible assets	(978)	(978)	(977)	2,932	-	-	-	-	(3,931)	-	-
<b>EBITDA</b>	<b>22,135</b>	<b>23,900</b>	<b>25,974</b>	<b>26,337</b>	<b>23,674</b>	<b>26,986</b>	<b>33,045</b>	<b>33,744</b>	<b>135,627</b>	<b>98,345</b>	<b>117,449</b>
Interest income	339	359	385	385	385	385	385	385	655	1,468	1,540
Investment income	37	41	761	-	-	-	-	-	1,406	839	-
Other non-op income	449	620	608	4,676	-	-	-	-	2,093	6,354	-
<b>Non-operating income</b>	<b>825</b>	<b>1,020</b>	<b>1,754</b>	<b>5,061</b>	<b>385</b>	<b>385</b>	<b>385</b>	<b>385</b>	<b>4,154</b>	<b>8,661</b>	<b>1,540</b>
Interest expense	(1,423)	(1,466)	(1,643)	(1,687)	(500)	(500)	(500)	(500)	(4,010)	(6,219)	(2,000)
Investment loss	(12)	-	-	(2,822)	-	-	-	-	-	(2,834)	-
Other non-op expenses	785	1,144	736	0	(250)	(250)	(250)	(250)	1,306	2,665	(1,000)
<b>Non-operating expenses</b>	<b>(651)</b>	<b>(322)</b>	<b>(907)</b>	<b>(4,509)</b>	<b>(750)</b>	<b>(750)</b>	<b>(750)</b>	<b>(750)</b>	<b>(2,704)</b>	<b>(6,388)</b>	<b>(3,000)</b>
<b>Pre-tax profit</b>	<b>7,870</b>	<b>10,111</b>	<b>12,252</b>	<b>12,367</b>	<b>8,291</b>	<b>11,603</b>	<b>17,662</b>	<b>18,360</b>	<b>81,626</b>	<b>42,600</b>	<b>55,916</b>
Current taxation	(1,778)	(1,914)	(2,890)	(2,461)	(1,872)	(2,196)	(4,167)	(3,654)	(16,399)	(9,043)	(11,889)
Minorities	(276)	(457)	(586)	(514)	(514)	(514)	(514)	(514)	(3,137)	(1,832)	(2,057)
<b>Normalised net profit</b>	<b>5,817</b>	<b>7,740</b>	<b>8,776</b>	<b>9,392</b>	<b>5,904</b>	<b>8,892</b>	<b>12,981</b>	<b>14,192</b>	<b>62,090</b>	<b>31,725</b>	<b>41,970</b>
Extraordinary items	(0)	(0)	0	-	-	-	-	-	-	-	-
<b>Net profit</b>	<b>5,817</b>	<b>7,740</b>	<b>8,776</b>	<b>9,392</b>	<b>5,904</b>	<b>8,892</b>	<b>12,981</b>	<b>14,192</b>	<b>62,090</b>	<b>31,725</b>	<b>41,970</b>
EPS (NT\$)	1.36	1.80	2.04	2.18	1.37	2.06	3.01	3.29	14.53	7.39	9.74
<b>Margins (%)</b>											
Gross profit margin	14.8	16.0	16.2	16.0	14.8	16.3	18.3	18.3	20.1	15.8	17.1
Operating margin	5.9	6.9	7.4	7.4	6.6	8.2	10.5	10.6	12.0	6.9	9.2
EBITDA margin	16.9	17.5	16.8	16.4	18.0	18.6	19.3	19.1	20.2	16.9	18.8
Pretax profit margin	6.0	7.4	7.9	7.7	6.3	8.0	10.3	10.4	12.2	7.3	9.0
Net profit margin	4.4	5.7	5.7	5.8	4.5	6.1	7.6	8.0	9.3	5.5	6.7
<b>Sequential growth (%)</b>											
Revenue growth	(26.2)	4.1	13.1	4.2	(18.2)	10.6	17.7	3.4			
Gross profit growth	(43.3)	12.4	14.6	3.4	(24.6)	22.2	32.1	3.1			
Operating profit growth	(61.1)	22.3	21.2	3.6	(26.7)	38.3	50.6	3.9			
EBITDA growth	(35.0)	8.0	8.7	1.4	(10.1)	14.0	22.5	2.1			
Pretax profit growth	(61.1)	28.5	21.2	0.9	(33.0)	40.0	52.2	4.0			
Net profit growth	(63.0)	33.1	13.4	7.0	(37.1)	50.6	46.0	9.3			
<b>YoY growth (%)</b>											
Revenue growth	(9.3)	(15.1)	(18.3)	(9.5)	0.4	6.7	11.0	10.1	17.7	(13.3)	7.3
Gross profit growth	(32.1)	(36.8)	(34.4)	(24.5)	0.5	9.2	25.9	25.5	22.3	(32.0)	16.5
Operating profit growth	(52.2)	(54.3)	(51.8)	(40.3)	12.5	27.2	58.1	58.5	29.1	(49.7)	42.3
EBITDA growth	(25.3)	(30.4)	(31.0)	(22.6)	7.0	12.9	27.2	28.1	16.3	(27.5)	19.4
Pretax profit growth	(52.8)	(52.2)	(48.1)	(38.8)	5.3	14.8	44.2	48.5	1.6	(47.8)	31.3
Net profit growth	(54.9)	(51.6)	(49.8)	(40.3)	1.5	14.9	47.9	51.1	(2.8)	(48.9)	32.3

Source: Company data, KGI Research estimates

### Balance sheet

NT\$m	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
<b>Total assets</b>	<b>583,091</b>	<b>672,934</b>	<b>707,068</b>	<b>701,984</b>	<b>727,398</b>
<b>Current assets</b>	<b>224,013</b>	<b>292,358</b>	<b>300,367</b>	<b>308,747</b>	<b>348,011</b>
Cash & ST securities	55,881	79,007	64,866	88,558	149,904
Inventory	61,988	73,245	92,826	72,057	65,901
Accounts receivable	91,834	115,462	114,647	120,103	104,177
Other current assets	14,310	24,644	28,029	28,029	28,029
<b>Non-current assets</b>	<b>359,078</b>	<b>380,577</b>	<b>406,701</b>	<b>393,237</b>	<b>379,387</b>
LT investments	29,049	43,988	40,194	38,525	38,525
Net fixed assets	233,207	239,868	268,235	256,440	242,590
Other assets	96,822	96,721	98,272	98,272	98,272
<b>Total liabilities</b>	<b>348,834</b>	<b>398,302</b>	<b>387,143</b>	<b>387,588</b>	<b>392,067</b>
<b>Current liabilities</b>	<b>171,897</b>	<b>210,928</b>	<b>222,261</b>	<b>222,706</b>	<b>227,185</b>
Accounts payable	73,268	84,470	78,997	79,442	83,921
Interest bearing ST liabilities	40,541	48,749	44,567	44,567	44,567
Other current liabilities	58,088	77,709	98,696	98,696	98,696
<b>Non-current liabilities</b>	<b>176,938</b>	<b>187,374</b>	<b>164,882</b>	<b>164,882</b>	<b>164,882</b>
Long-term debt	151,513	159,530	137,799	137,799	137,799
Other L-T liabilities	20,323	21,254	20,355	27,083	27,083
<b>Total equity</b>	<b>234,257</b>	<b>274,633</b>	<b>319,925</b>	<b>314,396</b>	<b>335,331</b>
Share capital	43,516	44,087	43,680	43,680	43,680
Retained earnings reserve	32,132	75,450	97,883	111,349	132,284
Minority interests	15,622	14,556	18,640	18,640	18,640
Preferred shareholders funds	-	-	-	-	-

### Key ratios

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
<b>Growth</b>					
Revenue growth	15.4%	19.5%	17.7%	(13.3%)	7.3%
Operating profit growth	48.2%	78.1%	29.1%	(49.7%)	42.3%
EBITDA growth	16.4%	35.4%	16.3%	(27.5%)	19.4%
Net profit growth	63.8%	131.6%	(2.8%)	(48.9%)	32.3%
EPS growth	63.2%	129.5%	(2.1%)	(49.1%)	31.9%
<b>Profitability</b>					
Gross profit margin	16.3%	19.4%	20.1%	15.8%	17.1%
Operating margin	7.3%	10.9%	12.0%	6.9%	9.2%
EBITDA margin	18.1%	20.5%	20.2%	16.9%	18.8%
Net profit margin	5.8%	11.2%	9.3%	5.5%	6.7%
Return on average assets	4.8%	10.2%	9.0%	4.5%	5.9%
Return on average equity	13.2%	26.7%	22.1%	10.6%	13.7%
<b>Stability</b>					
Gross debt to equity	82.0%	75.8%	57.0%	58.0%	54.4%
Net debt to equity	60.0%	48.1%	38.9%	32.0%	11.7%
Interest coverage (x)	11.3	29.4	21.4	7.9	29.0
Interest & ST debt coverage (x)	0.4	0.6	0.6	0.4	0.5
Cash flow interest coverage(x)	21.7	28.9	27.7	17.2	64.3
Cash flow/int. & ST debt (x)	1.7	1.6	2.3	2.1	2.8
Current ratio (x)	1.3	1.4	1.4	1.4	1.5
Quick ratio (x)	0.9	1.0	0.9	1.1	1.2
Net debt (NT\$m)	140,516	132,205	124,326	100,633	39,288
<b>Per share data</b>					
EPS (NT\$)	6.47	14.84	14.53	7.39	9.74
CFPS (NT\$)	17.60	18.98	25.97	24.95	29.85
BVPS (NT\$)	50.24	58.99	68.98	67.71	72.50
Adj BVPS (NT\$)	51.25	60.41	70.48	68.86	73.51
SPS (NT\$)	111.82	132.39	156.94	135.48	145.01
EBITDA/share (NT\$)	20.19	27.09	31.73	22.90	27.26
Cash DPS (NT\$)	4.20	7.00	8.80	4.35	5.75
<b>Activity</b>					
Sales / avg assets	0.84	0.91	0.97	0.83	0.87
Days receivable	70.5	73.9	62.4	75.3	61.0
Days inventory	56.9	58.2	63.2	53.7	46.6
Days payable	67.2	67.1	53.8	59.2	59.3
Cash cycle	60.1	65.0	71.8	69.8	48.3

Source: Company data, KGI Research estimates

### Profit & loss

NT\$m	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
<b>Revenue</b>	<b>476,979</b>	<b>569,997</b>	<b>670,873</b>	<b>581,914</b>	<b>624,679</b>
Cost of goods sold	(398,994)	(459,628)	(535,943)	(490,157)	(517,792)
<b>Gross profit</b>	<b>77,984</b>	<b>110,369</b>	<b>134,930</b>	<b>91,757</b>	<b>106,886</b>
Operating expenses	(43,108)	(48,244)	(54,754)	(51,429)	(49,510)
<b>Operating profit</b>	<b>34,876</b>	<b>62,124</b>	<b>80,176</b>	<b>40,328</b>	<b>57,377</b>
<b>Non-operating income</b>	<b>2,141</b>	<b>2,918</b>	<b>4,154</b>	<b>8,661</b>	<b>1,540</b>
Interest income	521	542	655	1,468	1,540
Investment income	663	1,264	1,406	839	-
Other non-op income	957	1,112	2,093	6,354	-
<b>Non-operating expenses</b>	<b>(1,283)</b>	<b>(15,293)</b>	<b>(2,704)</b>	<b>(6,388)</b>	<b>(3,000)</b>
Interest expense	(3,460)	(2,831)	(4,010)	(6,219)	(2,000)
Investment loss	-	-	-	(2,834)	-
Other non-op expenses	2,176	18,125	1,306	2,665	(1,000)
<b>Pre-tax profit</b>	<b>35,734</b>	<b>80,335</b>	<b>81,626</b>	<b>42,600</b>	<b>55,916</b>
Current taxation	(6,457)	(14,322)	(16,399)	(9,043)	(11,889)
Minorities	(1,684)	(2,106)	(3,137)	(1,832)	(2,057)
Extraordinary items	-	(0)	0	-	-
<b>Net profit</b>	<b>27,593</b>	<b>63,908</b>	<b>62,090</b>	<b>31,725</b>	<b>41,970</b>
<b>EBITDA</b>	<b>86,135</b>	<b>116,649</b>	<b>135,627</b>	<b>98,345</b>	<b>117,449</b>
EPS (NT\$)	6.47	14.84	14.53	7.39	9.74

### Cash flow

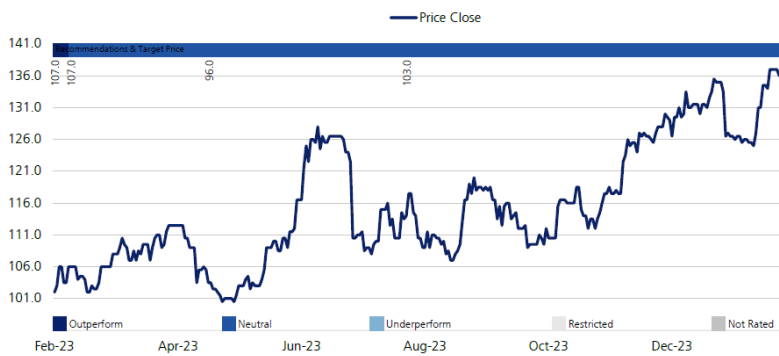
NT\$m	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
<b>Operations cash flow</b>	<b>75,061</b>	<b>81,734</b>	<b>111,001</b>	<b>107,169</b>	<b>128,603</b>
Net profit	27,593	63,908	62,090	31,725	41,970
Depreciation & amortisation	51,259	54,524	55,452	58,018	60,072
Decrease in working capital	(8,923)	(37,629)	(26,372)	15,758	26,560
Other operating cash flow	5,131	931	19,830	1,669	(0)
<b>Investing cash flow</b>	<b>(60,946)</b>	<b>(49,092)</b>	<b>(73,952)</b>	<b>(46,222)</b>	<b>(46,222)</b>
Sale of ST investment	(154)	9	43	-	-
New investments	5,928	23,715	(118)	-	-
Capital expenditure	(62,077)	(70,906)	(72,640)	(46,222)	(46,222)
Others investing cashflow	(4,642)	(1,910)	(1,237)	-	-
<b>Free cash flow</b>	<b>5,100</b>	<b>(7,015)</b>	<b>16,577</b>	<b>59,320</b>	<b>85,587</b>
<b>Financing cash flow</b>	<b>(21,995)</b>	<b>(5,871)</b>	<b>(62,459)</b>	<b>(37,254)</b>	<b>(21,035)</b>
Increase in short term debt	(1,502)	10,043	1,866	-	-
Increase in long term loans	(6,783)	12,300	(33,056)	-	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(8,521)	(18,083)	(29,991)	(37,254)	(19,035)
Other financing cashflow	(5,189)	(4,602)	(1,073)	-	(2,000)
<b>Forex effects</b>	<b>(712)</b>	<b>(2,236)</b>	<b>7,377</b>	-	-
<b>Total cash generated</b>	<b>(8,593)</b>	<b>24,535</b>	<b>(18,033)</b>	<b>23,693</b>	<b>61,345</b>

### ROIC

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
1 - COGS/revenue					
- Operating exp./revenue	9.0%	8.5%	8.2%	8.8%	7.9%
<b>= Operating margin</b>	<b>7.3%</b>	<b>10.9%</b>	<b>12.0%</b>	<b>6.9%</b>	<b>9.2%</b>
1 / (Working capital/revenue					
+ Net PPE/revenue	0.1	0.1	0.1	0.1	0.0
+ Other assets/revenue)	0.5	0.4	0.4	0.4	0.4
<b>= Capital turnover</b>	<b>1.8</b>	<b>1.9</b>	<b>2.0</b>	<b>1.5</b>	<b>1.8</b>
Operating margin	7.3%	10.9%	12.0%	6.9%	9.2%
x Capital turnover	1.8	1.9	2.0	1.5	1.8
x (1 - tax rate)	81.9%	82.2%	79.9%	78.8%	78.7%
<b>= After-tax ROIC</b>	<b>10.5%</b>	<b>17.3%</b>	<b>19.2%</b>	<b>8.0%</b>	<b>12.7%</b>

Source: Company data, KGI Research estimates



**ASEH – Recommendation & target price history**


Date	Rating	Target	Price
2023-10-26	Neutral	103.0	112.0
2023-07-27	Neutral	103.0	114.0
2023-04-27	Neutral	96.0	101.0
2023-04-19	Neutral	96.0	103.5
2023-02-09	Neutral	107.0	106.0
2022-11-14	Outperform	107.0	91.7
2022-10-27	Neutral	80.0	78.7
2022-10-14	Neutral	75.0	75.8
2022-08-19	Neutral	80.0	90.0
2022-07-28	Neutral	82.0	87.8

Source: TEJ, KGI Research

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