

Asia Vital Components (3017.TW/3017 TT)

Order outlook solid; margins in uptrend

Outperform · Maintained

Price as of October 29 (NT\$)	626
12M target price (NT\$)	885
Previous target price (NT\$)	830
Revised up (%)	6.6
Upside (%)	41.4

Key message

- 3Q24 sales stronger than expected; we raise 3Q24F EPS to NT\$6.04 on margins uptrend.
- 3D VC and liquid cooling to drive sales in 2H24F and 2025F, respectively, as well as server-related sales growth and margin expansion.
- Cold plate module, fan, and chassis, coupled with QD and manifold will boost liquid cooling sales weighting from 5-10% in 2024F to almost 20% in 2025F.

Trading data

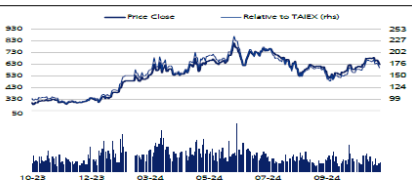
Mkt cap (NT\$/US\$mn)	242.6 / 7,556	
Outstanding shares (mn)	387.6	
Foreign ownership (mn)	159.6	
3M avg. daily trading (mn)	7.52	
52-week trading range (NT\$)	283.5 –811	

Performance	3M	6M	12M
Absolute (%)	6.1	0	111.1
Relative (%)	2.7	-11.9	69

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	2.11A	3.10A	3.51A	3.06A
2023	2.85A	3.18A	3.72A	4.44A
2024	4.08A	5.08A	6.04F	6.20F

Share price chart



Source: TEJ

Event

3Q24 sales growth was stronger than expected at 16% QoQ and 21% YoY. We expect to see gross and operating margin expansion in 3Q24F on a better product mix, while sales and margin uptrends will be intact in 4Q24F.

Impact

Air cooling driving 2H24F sales; liquid cooling sales to double in 2025F. Asia Vital Components (AVC) is one of two 3D VC suppliers for Hopper AI server, and it expects 2.0-2.5mn units to be shipped in 2024F. 3D VC capacity start-up in Vietnam will ensure shipments increase to over 3mn units in 2025F, also serving Blackwell 300A Ultra's air cooling needs after 2Q25F. Meanwhile, AVC has GB200 liquid cooling orders from several US CSPs such as AWS, Meta, Google and Microsoft, and will commence shipments of cold plate module, chassis and fan first, later moving to rack manifold (with quick disconnect (QD)) and coolant distribution unit (CDU). We estimate the sales contribution of liquid cooling will rise from around 3% in 1H24 to 5-10% in 2024F, and further to 15-20% or more next year, assuming contribution from CDU, manifold, and Fositek's (6805 TT, NT\$813, OP) QD module sales, spurred by capacity expansion in Vietnam. We expect the server-related sales weighting to top 40% in 2025F from around 36% this year, boosting margin uptrends in 2025F.

Decent 3Q24F sales & earnings; 4Q24-2025F uptrends intact. We think stronger-than-expected 3Q24F sales will cause earnings upside, due mainly to the expansion of gross, operating and pretax margins on a better product mix and increased sales. We forecast gross margin to go up to 23.8% and operating margin to 16.3%, and we raise 3Q24F EPS to NT\$6.04. AVC guides 4Q24F sales to grow 5-10% QoQ, and we expect some liquid cooling sales contribution from GB200 in 4Q24F will boost margin uptrends. Our 2024F EPS is revised up to NT\$21.4 (up 52% YoY). Based on orders from most US CSPs for GB200 liquid cooling products, management is also positive on the 2025F sales growth outlook. We forecast sales to grow 34% next year, with server-related sales up to 45-50%, including thermal module, fan, chassis, rail kit and QD on growing AI server demand. We expect AVC to benefit significantly from the GB200 AI server boom, and we raise 2025F EPS to NT\$31.61 (up 48% YoY).

Valuation & Action

Our target price is raised from NT\$830 to NT\$885, based on 28x 2025F EPS. We maintain our Outperform rating.

Risks

Weak PC and server demand; NT-dollar appreciation; rising raw material costs.

Key financials and valuations

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (NT\$mn)	47,333	56,017	59,194	71,066	95,295
Gross profit (NT\$mn)	8,386	10,850	12,388	16,615	24,204
Operating profit (NT\$mn)	4,827	6,306	7,421	10,905	17,769
Net profit (NT\$mn)	2,901	4,162	5,305	8,204	12,117
EPS (NT\$)	8.21	11.78	14.11	21.40	31.61
Cash DPS (NT\$)	4.30	5.42	7.00	10.70	15.81
EPS growth (%)	51.4	43.5	19.7	51.7	47.7
PE (x)	76.2	53.1	44.4	29.2	19.8
PB (x)	17.8	14.3	10.9	9.2	7.5
EV/EBITDA (x)	37.8	29.5	27.5	18.3	12.0
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	0.7	0.9	1.1	1.7	2.5
Return on average equity (%)	25.2	29.8	28.3	34.1	41.6

Source: Company data; KGI Research estimates

Figure 1: Capacity at AVC's Vietnam plant

(k/month)	NB fan	NB thermal module	Server fan	Server thermal module	3D VC	Cold plate	Manifold	CDU	Server chassis
V1-V2	100	150	1500	300	250				150
V3-V4	200	200	500			65 (Phase 1) 250 (Phase 2)	15	1	
Total	300	350	2000	300	250	65 (Phase 1) 250 (Phase 2)	15	1	150

Source: Company data; KGI Research

Figure 2: Thermal solution transition to liquid cooling to create much higher content value for thermal plays

Parts of liquid cooling solution	Overseas Major suppliers	Domestic suppliers	Cost (US\$)
Cold plate module	CoolIT Systems Motivair	Cooler Master Taisol AVC Auras FCN Delta	1,500-2,500 (per server)
CDU/sidecar	CoolIT Systems Vertiv nVent Motivair	AVC Auras Delta Kaori Hon Hai Lite-On MGCooling Cooler Master KENMEC FCN	40,000-60,000 (per rack; in-rack)
Manifold & quick connector	CoolIT Systems Colder Product Co. (CPC) CEIN Parker Staubli Motivair	AVC Kaori Lotes Delta FCN	10,000-15,000 (quick connector 4,000-6,000)
RDHx & fan door	nVent CoolIT Systems Motivair	KENMEC Delta MGCooling	2,000-4,000
Rack			5,000
Total			70,000-90,000

Source: Auras Technology; KGI Research

Figure 3: Increasing server thermal product & chassis sales in 2023-25F

Sales (NT\$mn)	Application	Sales (NT\$mn)					Sales weighting (%)					Sales YoY (%)			
		2021	2022	2023	2024F	2025F	2021	2022	2023	2024F	2025F	2022	2023	2024F	2025F
Thermal products (Thermal module + FAN)	3C	10,395	11,391	9,745	10,427	10,949	22	20	16	15	11	10	(14)	7	5
	Telecom	6,917	7,284	8,463	9,055	9,960	15	13	14	13	10	5	16	7	10
	Server	7,544	10,390	12,079	18,360	34,884	16	19	20	26	37	38	16	52	90
	Others	775	2,141	1,567	1,876	1,914	2	4	3	3	2	176	(27)	20	2
Thermal products subtotal		25,631	31,206	31,854	39,718	57,707	54	56	54	56	61	22	2	25	45
Chassis	PC/AIO	2,069	2,377	1,455	1,499	1,514	4	4	2	2	2	15	(39)	3	1
	Server	3,911	5,123	6,235	7,357	10,300	8	9	11	10	11	31	22	18	40
Chassis subtotal		5,980	7,500	7,690	8,856	11,814	13	13	13	12	12	25	3	15	33
TMG total		31,610	37,959	39,420	48,575	69,521	67	68	67	68	73	20	4	23	43
System assembly and peripheral products	Tiny PC / AIO	8,955	10,474	10,685	10,898	11,225	19	19	18	15	12	17	2	2	3
	Others	1,746	1,823	3,323	3,491	1,442	4	3	6	5	2	4	82	5	(59)
SIG subtotal		10,701	12,297	14,007	14,389	12,667	23	22	24	20	13	15	14	3	(12)
Fositek (hinge)		5,020	5,013	5,767	8,102	13,107	11	9	10	11	14	(0)	15	40	62
Total		47,333	56,017	59,194	71,066	95,295	100	100	100	100	100	18	6	20	34

Source: Company data; KGI Research estimates

Figure 4: Breakdown of 3Q24 & 4Q24 forecast revisions vs. consensus

NT\$m	3Q24F							4Q24F						
	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	19,065	18,462	3.3	15.7	20.9	18,495	3.1	20,209	19,754	2.3	6.0	20.9	20,461	(1.2)
Gross profits	4,537	4,375	3.7	19.6	32.8	4,326	4.9	4,911	4,840	1.5	8.2	34.7	4,936	(0.5)
Operating income	3,108	2,972	4.5	28.0	47.6	2,875	8.1	3,435	3,398	1.1	10.6	42.2	3,391	1.3
Pretax Income	3,500	3,264	7.2	19.2	57.7	3,073	13.9	3,829	3,690	3.8	9.4	53.7	3,614	5.9
Net income	2,315	2,121	9.1	18.9	62.3	2,038	13.6	2,378	2,244	6.0	2.7	42.3	2,403	(1.1)
EPS (NT\$)	6.04	5.53	9.1	18.9	62.3	5.32	13.6	6.20	5.85	6.0	2.7	39.6	6.27	(1.1)
Gross margin (%)	23.8	23.7	0.1 ppts	0.8 ppts	2.1 ppts	23.4	0.4 ppts	24.3	24.5	(0.2)ppts	0.5 ppts	2.5 ppts	24.1	0.2 ppts
OP margin (%)	16.3	16.1	0.2 ppts	1.6 ppts	2.9 ppts	15.5	0.8 ppts	17.0	17.2	(0.2)ppts	0.7 ppts	2.5 ppts	16.6	0.4 ppts
Net margin (%)	12.1	11.5	0.7 ppts	0.3 ppts	3.1 ppts	11.0	1.1 ppts	11.8	11.4	0.4 ppts	(0.4)ppts	1.8 ppts	11.7	0.0 ppts

Source: KGI Research estimates; Bloomberg

Figure 5: Breakdown of 2024-25 forecasts vs. consensus

NT\$m	2024F						2025F					
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	71,066	70,009	1.5	20.1	70,757	0.4	95,295	91,549	4.1	34.1	92,277	3.3
Gross profit	16,615	16,382	1.4	34.1	16,499	0.7	24,204	23,245	4.1	45.7	23,298	3.9
Operating income	10,905	10,732	1.6	46.9	10,632	2.6	17,769	16,898	5.2	62.9	16,069	10.6
Pretax Income	12,593	12,219	3.1	56.9	11,795	6.8	19,050	18,240	4.4	51.3	17,159	11.0
Net income	8,204	7,876	4.2	54.6	7,861	4.4	12,117	11,356	6.7	47.7	11,207	8.1
EPS (NT\$)	21.40	20.55	4.2	51.7	20.51	4.4	31.61	29.63	6.7	47.7	29.24	8.1
Gross margin (%)	23.4	23.4	(0.0)ppts	2.5 ppts	23.3	0.1 ppts	25.4	25.4	0.0 ppts	2.0 ppts	25.2	0.2 ppts
OP margin (%)	15.3	15.3	0.0 ppts	2.8 ppts	15.0	0.3 ppts	18.6	18.5	0.2 ppts	3.3 ppts	17.4	1.2 ppts
Net margin (%)	11.5	11.3	0.3 ppts	2.6 ppts	11.1	0.4 ppts	12.7	12.4	0.3 ppts	1.2 ppts	12.1	0.6 ppts

Source: KGI Research estimates; Bloomberg

Figure 6: 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 (%)	
							2023	2024F	2025F	2023	2024F	2025F	2023	2024F	2025F	2023	2024F	2025F	2023	2024F	2025F	2023	2024F
Cooling fan	Sunonwealth	2421 TT	843	98.9	Outperform	130.0	5.16	5.83	7.23	18.9	13.0	24.0	19.2	17.0	13.7	3.7	3.5	3.3	21.5	21.4	24.8	3.5	4.2
	Nidec Corp*	6594 JP	24,824	3,184.0	Not rated	N.A.	32.13	125.07	165.43	(72.3)	289.3	32.3	99.1	25.5	19.2	2.7	2.4	2.1	2.8	10.1	11.2	1.1	1.2
	Sun Max Tech*	6591 TT	60	51.0	Not rated	N.A.	3.40	N.M.	N.M.	(50.7)	N.A.	N.A.	15.0	N.A.	N.A.	1.0	N.A.	N.A.	6.8	N.M.	N.M.	5.4	N.A.
	Minebea Mitsumi*	6479 JP	7,628	2,732.0	Not rated	N.A.	178.23	123.27	188.41	4.8	(30.8)	52.8	15.3	22.2	14.5	1.8	1.7	1.4	12.5	7.7	10.4	1.5	1.5
	AVC	3017 TT	7,476	626.0	Outperform	885.0	14.11	21.40	31.61	19.7	51.7	47.7	44.4	29.2	19.8	10.9	9.2	7.5	28.3	24.1	41.6	1.1	1.7
Thermal module /cooling fan	Delta Elec	2308 TT	32,859	406.0	Outperform	528.0	12.86	15.27	19.54	2.2	18.8	28.0	31.6	26.6	20.8	5.3	4.6	4.0	17.3	18.5	20.6	1.6	1.9
	Vertiv	VRT US	42,642	113.6	Not rated	N.A.	1.21	2.64	3.37	505.0	118.0	27.7	93.9	43.1	33.7	21.5	21.1	18.9	26.6	43.4	53.5	0.0	0.1
	Dover Corporation	DOV US	26,404	192.5	Not rated	N.A.	7.56	8.17	9.43	1.2	8.1	15.4	25.5	23.6	20.4	5.3	4.6	4.3	22.5	23.5	19.9	1.1	1.1
Thermal module	Nidec CCI*	6230 TT	562	209.0	Not rated	N.A.	7.02	N.M.	N.M.	(1.1)	N.A.	N.A.	29.8	N.A.	N.A.	3.1	N.A.	N.A.	10.9	N.M.	N.M.	0.5	N.A.
	Auras	3324 TT	1,847	652.0	Outperform	990.0	14.28	22.02	38.30	(2.7)	54.2	73.9	45.7	29.6	17.0	12.2	7.5	6.1	20.2	26.9	38.9	1.0	1.5
	Foxconn Tech*	2354 TT	3,230	73.3	Not rated	N.A.	3.01	2.98	2.96	(0.3)	(1.0)	(0.7)	24.4	24.6	24.8	1.0	0.7	0.7	4.1	4.0	3.9	2.0	2.0
	Fujikura Ltd*	5803 JP	10,211	5,279.0	Not rated	N.A.	148.27	164.86	257.41	4.5	11.2	56.1	35.6	32.0	20.5	5.4	4.6	3.7	16.7	15.8	19.2	0.6	0.9
	Furukawa Elect*	5801 JP	1,718	3,718.0	Not rated	N.A.	225.80	32.64	214.14	57.5	(85.5)	556.1	16.5	113.9	17.4	0.9	0.9	0.8	5.5	0.6	4.6	2.2	1.6

*Bloomberg consensus

Source: KGI Research estimates

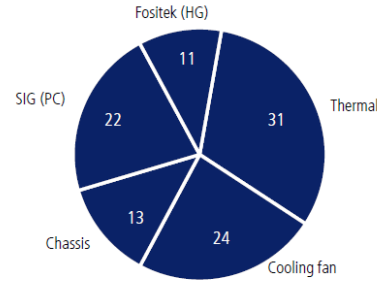
Figure 7: Company profile

Established in 1991, Asia Vital Components (AVC) is primarily a thermal solutions provider for 3C (43% of 2023 total sales), servers (31%), networking (14%), and others (3%). AVC's thermal products include thermal modules, cooling fans, and VC. Thermal (module and cooling fan) business contributed 54% of 2023 revenue. AVC also provides chassis and cabinets (13% of 2023 total sales), system assemblies and manufacturer interface peripherals (24%), and hinges (10%) from subsidiary Fositek (6805 TT, NT\$813, OP).

Source: KGI Research

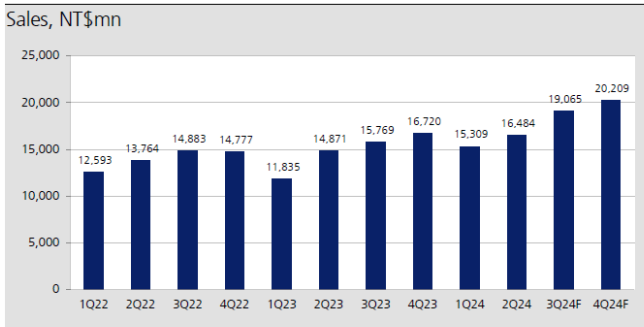
Figure 8: Thermal module and fan products accounted for 55% of 1-3Q24 sales.

1-3Q24 sales weighting, percent



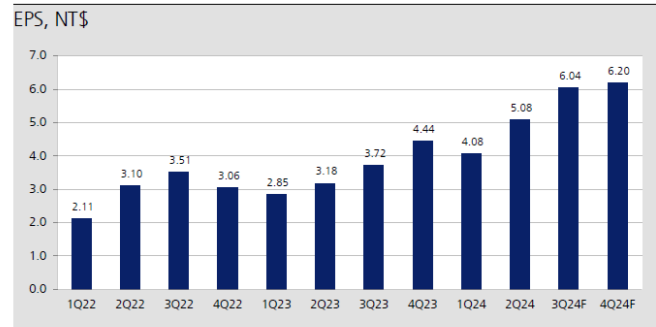
Source: Company data; KGI Research

Figure 9: Sales



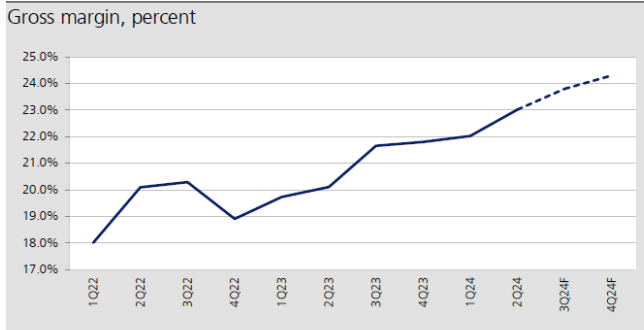
Source: KGI Research

Figure 10: EPS



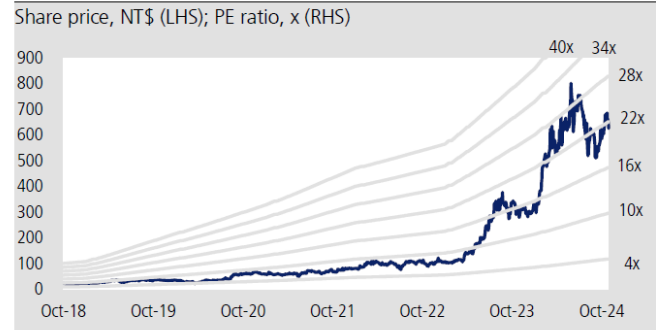
Source: KGI Research

Figure 11: Gross Margin



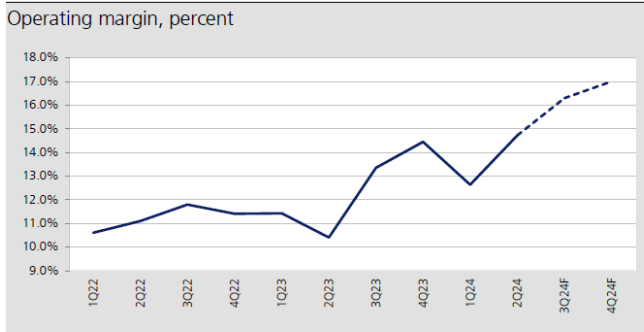
Source: KGI Research

Figure 12: 12M forward PE band



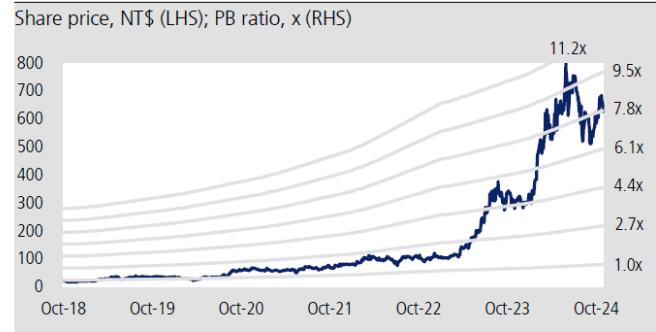
Source: TEJ; KGI Research estimates

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-23A	Dec-23A	Mar-24A	Jun-24A	Sep-24F	Dec-24F	Dec-23A	Dec-24F	Dec-25F
Income statement (NTSmn)											
Revenue	11,835	14,871	15,769	16,720	15,309	16,484	19,065	20,209	59,194	71,066	95,295
Cost of goods sold	(9,498)	(11,880)	(12,353)	(13,075)	(11,936)	(12,690)	(14,527)	(15,298)	(46,806)	(54,451)	(71,091)
Gross profit	2,336	2,991	3,416	3,645	3,372	3,794	4,537	4,911	12,388	16,615	24,204
Operating expenses	(984)	(1,444)	(1,310)	(1,229)	(1,437)	(1,367)	(1,430)	(1,475)	(4,967)	(5,710)	(6,435)
Operating profit	1,352	1,547	2,105	2,416	1,935	2,427	3,108	3,435	7,421	10,905	17,769
Depreciation of fixed assets	(427)	(452)	(498)	(512)	(537)	(572)	(798)	(1,284)	(1,889)	(3,191)	(3,805)
Amortisation of intangible assets	(13)	(14)	(18)	(21)	(21)	(21)	(17)	(9)	(65)	(67)	(67)
EBITDA	1,792	2,013	2,621	2,949	2,492	3,020	3,922	4,728	9,375	14,162	21,641
Interest income	46	121	76	145	96	153	120	112	388	481	450
Investment income	14	-	32	9	26	-	5	9	55	40	35
Other non-op income	231	340	136	267	375	506	400	419	974	1,700	1,300
Non-operating income	291	461	244	421	497	659	525	540	1,416	2,221	1,785
Interest expense	(116)	(105)	(106)	(107)	(102)	(105)	(106)	(110)	(434)	(423)	(404)
Investment loss	-	(26)	-	-	-	(46)	-	46	(26)	-	-
Other non-op expenses	(90)	-	(24)	(239)	-	0	(28)	(83)	(353)	(110)	(100)
Non-operating expenses	(206)	(131)	(129)	(346)	(102)	(151)	(133)	(147)	(812)	(533)	(504)
Pre-tax profit	1,437	1,877	2,220	2,491	2,330	2,935	3,500	3,829	8,025	12,593	19,050
Current taxation	(369)	(532)	(634)	(676)	(579)	(775)	(945)	(1,101)	(2,211)	(3,400)	(5,144)
Minorities	(62)	(144)	(160)	(145)	(186)	(213)	(240)	(350)	(510)	(989)	(1,790)
Normalised net profit	1,007	1,201	1,426	1,671	1,564	1,947	2,315	2,378	5,305	8,204	12,117
Extraordinary items	(0)	(0)	0	0	0	0	-	(0)	-	-	-
Net profit	1,007	1,201	1,426	1,671	1,564	1,947	2,315	2,378	5,305	8,204	12,117
EPS (NT\$)	2.85	3.18	3.72	4.44	4.08	5.08	6.04	6.20	14.11	21.40	31.61
Margins (%)											
Gross profit margin	19.7	20.1	21.7	21.8	22.0	23.0	23.8	24.3	20.9	23.4	25.4
Operating margin	11.4	10.4	13.4	14.5	12.6	14.7	16.3	17.0	12.5	15.3	18.6
EBITDA margin	15.1	13.5	16.6	17.6	16.3	18.3	20.6	23.4	15.8	19.9	22.7
Pretax profit margin	12.1	12.6	14.1	14.9	15.2	17.8	18.4	18.9	13.6	17.7	20.0
Net profit margin	8.5	8.1	9.0	10.0	10.2	11.8	12.1	11.8	9.0	11.5	12.7
Sequential growth (%)											
Revenue growth	(19.9)	25.7	6.0	6.0	(8.4)	7.7	15.7	6.0			
Gross profit growth	(16.4)	28.0	14.2	6.7	(7.5)	12.5	19.6	8.2			
Operating profit growth	(19.8)	14.4	36.1	14.8	(19.9)	25.4	28.0	10.6			
EBITDA growth	(15.5)	12.3	30.2	12.5	(15.5)	21.2	29.8	20.5			
Pretax profit growth	(15.0)	30.6	18.3	12.2	(6.5)	26.0	19.2	9.4			
Net profit growth	(6.9)	19.4	18.7	17.2	(6.4)	24.5	18.9	2.7			
YoY growth (%)											
Revenue growth	(6.0)	8.0	6.0	13.1	29.4	10.8	20.9	20.9	5.7	20.1	34.1
Gross profit growth	3.0	8.1	13.1	30.5	44.4	26.9	32.8	34.7	14.2	34.1	45.7
Operating profit growth	1.2	1.3	19.9	43.3	43.1	56.8	47.6	42.2	17.7	46.9	62.9
EBITDA growth	2.0	3.2	19.5	39.0	39.1	50.0	49.6	60.3	16.9	51.1	52.8
Pretax profit growth	17.1	11.8	17.4	47.2	62.1	56.4	57.7	53.7	23.7	56.9	51.3
Net profit growth	34.9	9.6	15.1	54.5	55.4	62.1	62.3	42.3	27.4	54.6	47.7

Source: Company data; KGI Research estimates

Balance sheet

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Total assets	50,865	60,474	71,667	81,875	97,337
Current assets	38,631	45,486	54,892	64,726	78,920
Cash & ST securities	13,671	21,640	29,091	34,876	40,193
Inventory	15,618	17,360	17,235	19,995	26,177
Accounts receivable	6,270	4,730	6,533	7,821	10,516
Other current assets	3,073	1,756	2,033	2,033	2,033
Non-current assets	12,234	14,988	16,775	17,149	18,417
LT investments	445	524	664	729	802
Net fixed assets	7,711	9,694	11,350	11,659	12,854
Other assets	4,078	4,770	4,760	4,760	4,760
Total liabilities	36,780	43,051	45,820	50,937	58,550
Current liabilities	27,976	32,880	36,833	43,030	51,360
Accounts payable	16,379	14,082	18,773	21,780	28,513
Interest bearing ST liabilities	5,028	7,970	7,583	8,588	8,228
Other current liabilities	6,569	10,828	10,478	12,663	14,619
Non-current liabilities	8,804	10,171	8,987	7,906	7,190
Long-term debt	5,398	6,589	5,377	4,296	3,580
Other L-T liabilities	2,214	2,555	2,740	2,740	2,740
Total equity	14,085	17,423	25,847	30,938	38,787
Share capital	3,533	3,533	3,833	3,833	3,833
Retained earnings reserve	6,681	9,280	12,893	16,995	23,053
Minority interests	1,672	1,927	3,817	4,807	6,597
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Growth					
Revenue growth	19.3%	18.3%	5.7%	20.1%	34.1%
Operating profit growth	48.1%	30.6%	17.7%	46.9%	62.9%
EBITDA growth	42.4%	25.3%	16.9%	51.1%	52.8%
Net profit growth	51.4%	43.5%	27.4%	54.6%	47.7%
EPS growth	51.4%	43.5%	19.7%	51.7%	47.7%
Profitability					
Gross profit margin	17.7%	19.4%	20.9%	23.4%	25.4%
Operating margin	10.2%	11.3%	12.5%	15.3%	18.6%
EBITDA margin	13.5%	14.3%	15.8%	19.9%	22.7%
Net profit margin	6.1%	7.4%	9.0%	11.5%	12.7%
Return on average assets	6.3%	7.5%	8.0%	10.7%	13.5%
Return on average equity	25.2%	29.8%	28.3%	34.1%	41.6%
Stability					
Gross debt to equity	74.0%	83.6%	50.1%	41.6%	30.4%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	33.6	24.8	19.5	30.8	48.1
Interest & ST debt coverage (x)	0.5	0.4	0.5	0.6	0.7
Cash flow interest coverage(x)	19.5	32.5	23.8	24.6	34.2
Cash flow/int. & ST debt (x)	0.5	1.1	1.3	1.2	1.6
Current ratio (x)	1.4	1.4	1.5	1.5	1.5
Quick ratio (x)	0.8	0.9	1.0	1.0	1.0
Net debt (NT\$m)	(2,489)	(5,490)	(13,997)	(19,857)	(26,251)
Per share data					
EPS (NT\$)	8.21	11.78	14.11	21.40	31.61
CFPS (NT\$)	8.04	25.02	27.45	27.08	36.03
BVPS (NT\$)	35.13	43.86	57.47	68.17	83.98
Adj BVPS (NT\$)	35.13	43.86	58.58	68.17	83.98
SPS (NT\$)	133.97	158.55	157.41	185.40	248.61
EBITDA/share (NT\$)	18.12	22.70	24.93	36.95	56.46
Cash DPS (NT\$)	4.30	5.42	7.00	10.70	15.81
Activity					
Sales / avg assets	1.03	1.01	0.90	0.93	1.06
Days receivable	48.3	30.8	40.3	40.3	40.3
Days inventory	146.4	140.3	134.4	134.4	134.4
Days payable	153.5	113.8	146.4	146.4	146.4
Cash cycle	41.2	57.3	28.3	28.3	28.3

Source: Company data; KGI Research estimates

Profit & loss

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue	47,333	56,017	59,194	71,066	95,295
Cost of goods sold	(38,947)	(45,167)	(46,806)	(54,451)	(71,091)
Gross profit	8,386	10,850	12,388	16,615	24,204
Operating expenses	(3,559)	(4,544)	(4,967)	(5,710)	(6,435)
Operating profit	4,827	6,306	7,421	10,905	17,769
Non-operating income	383	869	1,416	2,221	1,785
Interest income	26	88	388	481	450
Investment income	17	37	55	40	35
Other non-op income	340	744	974	1,700	1,300
Non-operating expenses	(442)	(686)	(812)	(533)	(504)
Interest expense	(146)	(272)	(434)	(423)	(404)
Investment loss	(17)	(4)	(26)	-	-
Other non-op expenses	(279)	(410)	(353)	(110)	(100)
Pre-tax profit	4,768	6,489	8,025	12,593	19,050
Current taxation	(1,438)	(1,871)	(2,211)	(3,400)	(5,144)
Minorities	(429)	(456)	(510)	(989)	(1,790)
Extraordinary items	-	(0)	0	-	-
Net profit	2,901	4,162	5,305	8,204	12,117
EBITDA	6,404	8,022	9,375	14,162	21,641
EPS (NT\$)	8.21	11.78	14.11	21.40	31.61

Cash flow

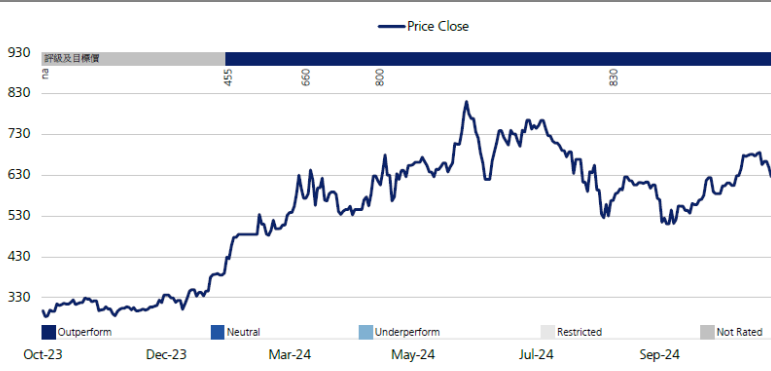
NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Operations cash flow	2,841	8,840	10,324	10,379	13,810
Net profit	2,901	4,162	5,305	8,204	12,117
Depreciation & amortisation	1,577	1,716	1,954	3,257	3,872
Decrease in working capital	(2,834)	(3,224)	2,231	(1,042)	(2,144)
Other operating cash flow	1,198	6,186	834	(40)	(35)
Investing cash flow	(2,160)	(4,194)	(3,907)	(3,592)	(5,104)
Sale of ST investment	16	(42)	(27)	-	-
New investments	-	-	(50)	(25)	(38)
Capital expenditure	(1,567)	(3,666)	(3,657)	(3,500)	(5,000)
Others investing cashflow	(609)	(485)	(173)	(67)	(67)
Free cash flow	488	(743)	5,840	6,609	9,633
Financing cash flow	1,159	2,082	872	(1,003)	(3,388)
Increase in short term debt	1,389	2,360	573	-	-
Increase in long term loans	154	1,927	(2,078)	(75)	(1,076)
New ordinary shares issued	-	-	2,850	-	-
Ordinary dividends paid	(989)	(1,519)	(1,915)	(1,917)	(4,102)
Other financing cashflow	605	(686)	1,441	989	1,790
Forex effects	(34)	406	(381)		
Total cash generated	1,807	7,134	6,908	5,784	5,317

ROIC

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
1 - COGS/revenue	7.5%	8.1%	8.4%	8.0%	6.8%
- Operating exp./revenue					
= Operating margin	10.2%	11.3%	12.5%	15.3%	18.6%
1 / (Working capital/revenue	0.0	(0.0)	(0.1)	(0.1)	(0.0)
+ Net PPE/revenue	0.2	0.2	0.2	0.2	0.1
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
= Capital turnover	4.3	5.5	6.2	8.2	9.5
Operating margin	10.2%	11.3%	12.5%	15.3%	18.6%
x Capital turnover	4.3	5.5	6.2	8.2	9.5
x (1 - tax rate)	69.8%	71.2%	72.5%	73.0%	73.0%
= After-tax ROIC	30.9%	44.3%	56.7%	92.0%	129.3%

Source: Company data; KGI Research estimates

AVCsia Vital Components – Recommendation & target price history



Date	Rating	Target	Price
2024-08-23	Outperform	830	612
2024-08-10	Outperform	830	568
2024-05-11	Outperform	800	638
2024-04-15	Outperform	800	616
2024-03-09	Outperform	660	574
2024-01-30	Outperform	455	430

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. 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.