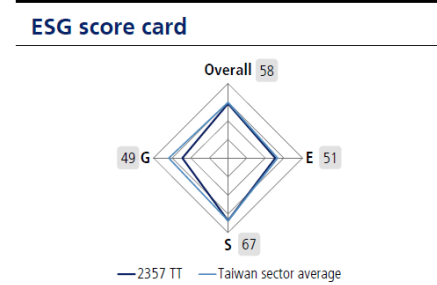


Asustek (2357.TW/2357 TT)

2Q24 EPS beat; guidance up for sales & margins in 2024F

| FTSE4Good TIP Taiwan ESG Index stock | | | |
|---|----------------|-----------|------------|
| Outperform · Maintained | | | |
| Price as of August 7 (NT\$) | 469.5 | | |
| 12M target price (NT\$) | 640 | | |
| Previous target price (NT\$) | 540 | | |
| Revised up (%) | 18.5 | | |
| Upside (%) | 36.3 | | |
| Key message | | | |
| 1. 2Q24 EPS of NT\$15.9 soundly beat our forecast on outstanding operating margin. | | | |
| 2. 3Q24 brand sales & margins guidance ahead of our forecast. | | | |
| 3. Ongoing AI server sales and AI PC launches will drive earnings growth in 2024-25F. | | | |
| Trading data | | | |
| Mkt cap (NT\$bn/US\$m) | 348.7 / 10,701 | | |
| Outstanding shares (mn) | 743 | | |
| Foreign ownership (mn) | 391.1 | | |
| 3M avg. daily trading (mn) | 5.58 | | |
| 52-week trading range (NT\$) | 334.0 -540 | | |
| Performance | | | |
| | 3M | 6M | 12M |
| Absolute (%) | 2.1 | 3.9 | 26.7 |
| Relative (%) | -1 | -13.8 | 1.4 |

| Quarterly EPS | | | | |
|----------------------|---------|--------|--------|---------|
| NT\$ | 1Q | 2Q | 3Q | 4Q |
| 2022 | 14.04A | 2.55A | 8.34A | (5.15)A |
| 2023 | (2.26)A | 3.48A | 14.94A | 5.29A |
| 2024 | 7.33A | 15.90A | 10.58F | 7.68F |



Source: Refinitiv, KGI securities

Event

Asustek Computer's 2Q24 EPS was NT\$15.9, widely beating our forecast and consensus on outstanding operating margin. 3Q24 sales guidance trends ahead of our forecast, and management is positive on the development of the AI PC and server business.

Impact

2Q24 EPS a huge beat. 2Q24 EPS of NT\$15.9 soundly beat our forecast and consensus, thanks to higher margins and non-op income. Brand gross margin of 18.3% and operating margin of 7.8% both widely beat our forecast, by 3.6-4ppts, driven by inventory reversal gains (1-2% of 2Q24 brand sales), IP royalty income (NT\$1bn, 0.7%) and PC margins improvement, with higher gaming PC shipments. Combined with higher non-op income from dividends, interest income and forex gains, 2Q24 earnings were a strong beat. 2Q24 brand inventory value grew by 13% QoQ, due to strategic inventory restocking for new products, including AI servers, PCs, motherboards & graphics cards.

Promising 3Q24F guidance. Management guides system sales (PCs and smartphones) to grow by 15-20% QoQ in 3Q24 on AI PC launches, and components & server sales (motherboards, graphics cards, servers & other components) to grow 5-10% QoQ, on AI server demand and the peak season for motherboard and graphic cards, both ahead of our forecast and consensus. We revise up our brand sales forecast to 13% QoQ growth in 3Q24F. The firm guides 2H24F operating margin to be at the higher-end of 4-5%, better than our expectation. To reflect higher sales and margin guidance but lower non-op income, as some dividend income has recognized in 2Q24, we cut 3Q24F EPS to NT\$10.58. Leading position in the AI PC market; solid server sales growth in 2024-25F. After Qualcomm's AI PC launch in June, Asustek has held market share of over 20% in the AI PC market, and the firm targets a leading position in this market with market share over 25% following new CPU launches from AMD (US) and Intel (US) in 2H24F. With increasing market penetration of AI PCs, which carry ASP US\$100-150 above non-AI PCs, we expect the firm's PC sales to grow in 2H24-2025F. Asustek's server sales grew substantially QoQ in 2Q24, with a sales weighting of 10-15%, implying sales of NT\$13-20bn. Management expects server sales to quintuple 2022's level this year, which means server sales of over NT\$50bn in 2024F, at a double digit percentage of overall brand sales. The firm will have a better market position for next-gen AI GPU platforms, and add more CSP clients. To reflect stronger 2Q24 results and brighter 2H24F guidance, we revise up 2024F EPS to NT\$41.48, up 93% YoY. On growing PC and server sales, we forecast 2025F EPS at NT\$38.34, down 8% YoY, given a higher comparison base from reversal of inventory write-downs and non-op income.

Valuation & Action

To reflect our higher earnings forecast on solid sales and margins guidance, we revise up our target price from NT\$540 to NT\$640, on 16x 2024-25F EPS. Maintain Outperform.

Risks

Weak NB demand; currency fluctuations.

Key financials and valuations

| | Dec-21A | Dec-22A | Dec-23A | Dec-24F | Dec-25F |
|------------------------------|----------|----------|----------|----------|----------|
| Revenue (NT\$m) | 535,239 | 537,192 | 482,314 | 585,905 | 654,025 |
| Gross profit (NT\$m) | 110,316 | 74,141 | 72,394 | 98,819 | 104,545 |
| Operating profit (NT\$m) | 49,326 | 12,982 | 11,164 | 31,521 | 30,849 |
| Net profit (NT\$m) | 44,550 | 14,691 | 15,928 | 30,810 | 28,473 |
| EPS (NT\$) | 59.98 | 19.78 | 21.44 | 41.48 | 38.34 |
| Cash DPS (NT\$) | 42.00 | 15.00 | 17.00 | 31.11 | 28.75 |
| EPS growth (%) | 67.7 | (67.0) | 8.4 | 93.4 | (7.6) |
| PE (x) | 7.8 | 23.7 | 21.9 | 11.3 | 12.2 |
| PB (x) | 1.5 | 1.6 | 1.5 | 1.4 | 1.4 |
| EV/EBITDA (x) | 2.7 | 11.6 | 9.3 | 3.9 | 4.2 |
| Net debt to equity (%) | Net cash | Net cash | Net cash | Net cash | Net cash |
| Dividend yield (%) | 8.9 | 3.2 | 3.6 | 6.6 | 6.1 |
| Return on average equity (%) | 20.5 | 6.6 | 7.0 | 12.6 | 11.3 |

Source: Company data; KGI Research estimates

Figure 1: Asustek's 2Q24 brand sales beat guidance on stronger PC & server sales; 3Q24 sales guidance ahead of our forecast

| Brand sales (NT\$b) | 1Q22 | 2Q22 | 3Q22 | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24F | 4Q24F | 3Q24 guidance | 2020 | 2021 | 2022 | 2023 | 2024F | 2025F |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|--------|--------|--------|--------|--------|-------|
| PC | 84.3 | 76.8 | 94.3 | 75.0 | 60.3 | 68.7 | 84.5 | 65.9 | 62.8 | 75.2 | 88.8 | 84.0 | Up 15-20% QoQ | 247.5 | 321.4 | 330.4 | 279.3 | 310.7 | 330.2 |
| Mobile | 1.3 | 0.5 | 2.7 | 2.3 | 1.0 | 2.1 | 1.2 | 1.1 | 1.0 | 1.1 | 1.3 | 1.4 | | 10.7 | 9.2 | 6.7 | 5.5 | 4.8 | 5.0 |
| Component | 42.1 | 37.7 | 35.8 | 39.8 | 40.8 | 36.4 | 40.3 | 44.7 | 47.9 | 55.9 | 59.4 | 56.3 | Up 5-10% QoQ | 120.3 | 167.5 | 155.3 | 162.3 | 219.5 | 263.4 |
| Other | 0.3 | 0.2 | 0.3 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | 2.4 | 4.1 | 4.5 | 4.5 | | 3.9 | 2.4 | 1.0 | 1.0 | 15.5 | 17.1 |
| Total | 128.0 | 115.2 | 132.9 | 117.4 | 102.4 | 107.5 | 126.2 | 111.9 | 114.1 | 136.3 | 154.0 | 146.2 | | 382.4 | 500.4 | 493.5 | 448.0 | 550.5 | 615.7 |
| Product mix (%) | | | | | | | | | | | | | | | | | | | |
| PC | 65.9 | 66.7 | 70.9 | 63.9 | 58.9 | 63.9 | 66.9 | 58.8 | 55.0 | 55.2 | 57.6 | 57.5 | | 64.7 | 64.2 | 67.0 | 62.3 | 56.4 | 53.6 |
| Mobile | 1.0 | 0.4 | 2.0 | 2.0 | 1.0 | 2.0 | 1.0 | 1.0 | 0.9 | 0.8 | 0.8 | 1.0 | | 2.8 | 1.8 | 1.4 | 1.2 | 0.9 | 0.8 |
| Component | 32.9 | 32.7 | 26.9 | 33.9 | 39.9 | 33.9 | 31.9 | 39.9 | 42.0 | 41.0 | 38.6 | 38.5 | | 31.5 | 33.5 | 31.5 | 36.2 | 39.9 | 42.8 |
| Other | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 2.1 | 3.0 | 2.9 | 3.1 | | 1.0 | 0.5 | 0.2 | 0.2 | 2.8 | 2.8 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Brand sales QoQ (%) | | | | | | | | | | | | | | | | | | | |
| PC | (10.6) | (8.9) | 22.7 | (20.4) | (19.6) | 13.9 | 23.0 | (22.0) | (4.7) | 19.8 | 18.0 | (5.3) | | | | | | | |
| Mobile | (39.9) | (64.0) | 476.9 | (11.7) | (56.4) | 110.0 | (44.2) | (8.3) | (9.1) | 10.0 | 18.2 | 7.7 | | | | | | | |
| Component | (6.7) | (10.5) | (5.1) | 11.3 | 2.7 | (10.8) | 10.5 | 11.0 | 7.2 | 16.6 | 6.3 | (5.2) | | | | | | | |
| Other | (9.8) | (10.0) | 15.4 | (11.7) | (12.8) | 5.0 | 46.4 | (13.7) | 792.1 | 68.3 | 11.2 | (1.5) | | | | | | | |
| Total | (9.8) | (10.0) | 15.4 | (11.7) | (12.8) | 5.0 | 17.4 | (11.3) | 1.9 | 19.4 | 13.0 | (5.1) | | | | | | | |
| Brand sales YoY (%) | | | | | | | | | | | | | | | | | | | |
| PC | 31.1 | 3.3 | 6.7 | (20.5) | (28.5) | (10.6) | (10.4) | (12.2) | 4.1 | 9.5 | 5.1 | 27.5 | | 10.2 | 29.8 | 2.8 | (15.5) | 11.3 | 6.3 |
| Mobile | 31.5 | (87.2) | 7.6 | 10.3 | (20.0) | 366.5 | (54.9) | (53.1) | (2.3) | (48.8) | 8.3 | 27.3 | | (54.7) | (13.8) | (26.5) | (18.9) | (12.3) | 4.2 |
| Component | 0.1 | (9.3) | (7.8) | (11.8) | (3.0) | (3.3) | 12.6 | 12.4 | 17.3 | 53.3 | 47.5 | 26.0 | | 57.2 | 39.1 | (7.2) | 4.5 | 35.3 | 20.0 |
| Other | (66.2) | (72.7) | (48.9) | (17.3) | (20.0) | (6.7) | 18.4 | 15.7 | 1083.5 | 1796.9 | 1339.9 | 1544.0 | | (50.1) | (38.4) | (58.9) | 2.0 | 1440.5 | 10.0 |
| Total | 18.4 | (4.3) | 2.2 | (17.3) | (20.0) | (6.7) | (5.0) | (4.6) | 11.5 | 26.8 | 22.0 | 30.6 | | 15.0 | 30.8 | (1.4) | (9.2) | 22.9 | 11.8 |

Source: Company data; KGI Research estimates

Figure 2: Breakdown of 2Q24 results & 3Q24 forecast revisions vs. consensus (consolidated)

| NT\$m | 2024 | | | | | | 3Q24F | | | | | | | |
|------------------|---------|--------------|-----------|----------|----------|-----------|-----------|----------|----------|-----------|-----------|-----------|-----------|-----------|
| | Actual | KGI forecast | Diff. (%) | QoQ (%) | YoY (%) | Consensus | Diff. (%) | Revision | Previous | Chg. (%) | QoQ (%) | YoY (%) | Consensus | Diff. (%) |
| Sales | 144,907 | 131,433 | 10.3 | 19.1 | 25.2 | 134,059 | 8.1 | 163,744 | 149,833 | 9.3 | 13.0 | 21.2 | 152,234 | 7.6 |
| Gross profits | 28,022 | 20,635 | 35.8 | 43.5 | 73.2 | 21,592 | 29.8 | 26,690 | 23,973 | 11.3 | (4.8) | 8.0 | 25,414 | 5.0 |
| Operating income | 11,498 | 5,126 | 124.3 | 137.2 | 570.7 | 5,397 | 113.1 | 8,023 | 6,892 | 16.4 | (30.2) | (11.3) | 7,674 | 4.6 |
| Pretax Income | 15,649 | 6,324 | 147.5 | 115.1 | 399.2 | 6,987 | 124.0 | 10,719 | 11,190 | (4.2) | (31.5) | (24.2) | 11,570 | (7.3) |
| Net income | 11,804 | 4,534 | 160.3 | 116.7 | 356.4 | 4,706 | 150.8 | 7,855 | 8,427 | (6.8) | (33.5) | (29.2) | 8,752 | (10.2) |
| EPS (NT\$) | 15.90 | 6.10 | 160.3 | 116.7 | 356.4 | 6.34 | 150.8 | 10.58 | 11.35 | (6.8) | (33.5) | (29.2) | 11.79 | (10.2) |
| Gross margin (%) | 19.3 | 15.7 | 3.6 ppts | 3.3 ppts | 5.4 ppts | 16.1 | 3.2 ppts | 16.3 | 16.0 | 0.3 ppts | (3.0)ppts | (2.0)ppts | 16.7 | (0.4)ppts |
| OP margin (%) | 7.9 | 3.9 | 4.0 ppts | 4.0 ppts | 6.5 ppts | 4.0 | 3.9 ppts | 4.9 | 4.6 | 0.3 ppts | (3.0)ppts | (1.8)ppts | 5.0 | (0.1)ppts |
| Net margin (%) | 8.1 | 3.4 | 4.7 ppts | 3.7 ppts | 5.9 ppts | 3.5 | 4.6 ppts | 4.8 | 5.6 | (0.8)ppts | (3.3)ppts | (3.4)ppts | 5.7 | (1.0)ppts |

Source: Bloomberg; KGI Research estimates

Figure 3: Breakdown of 2024-25 forecast revisions vs. consensus (consolidated)

| NT\$m | 2024F | | | | | | 2025F | | | | | |
|------------------|----------|----------|----------|----------|-----------|-----------|----------|----------|----------|-----------|-----------|-----------|
| | Revision | Previous | Chg. (%) | YoY (%) | Consensus | Diff. (%) | Revision | Previous | Chg. (%) | YoY (%) | Consensus | Diff. (%) |
| Sales | 585,905 | 558,789 | 4.9 | 21.5 | 554,991 | 5.6 | 654,025 | 621,280 | 5.3 | 11.6 | 629,464 | 3.9 |
| Gross profit | 98,819 | 88,449 | 11.7 | 36.5 | 90,719 | 8.9 | 104,545 | 98,984 | 5.6 | 5.8 | 102,244 | 2.3 |
| Operating income | 31,521 | 23,722 | 32.9 | 182.3 | 24,993 | 26.1 | 30,849 | 28,419 | 8.6 | (2.1) | 29,759 | 3.7 |
| Pretax Income | 42,545 | 32,514 | 30.8 | 92.6 | 33,677 | 26.3 | 39,586 | 36,548 | 8.3 | (7.0) | 37,911 | 4.4 |
| Net income | 30,810 | 23,419 | 31.6 | 93.4 | 25,057 | 23.0 | 28,473 | 26,673 | 6.7 | (7.6) | 28,006 | 1.7 |
| EPS (NT\$) | 41.48 | 31.53 | 31.6 | 93.4 | 33.74 | 23.0 | 38.34 | 35.91 | 6.7 | (7.6) | 37.71 | 1.7 |
| Gross margin (%) | 16.9 | 15.8 | 1.0 ppts | 1.9 ppts | 16.3 | 0.5 ppts | 16.0 | 15.9 | 0.1 ppts | (0.9)ppts | 16.2 | (0.3)ppts |
| OP margin (%) | 5.4 | 4.2 | 1.1 ppts | 3.1 ppts | 4.5 | 0.9 ppts | 4.7 | 4.6 | 0.1 ppts | (0.7)ppts | 4.7 | (0.0)ppts |
| Net margin (%) | 5.3 | 4.2 | 1.1 ppts | 2.0 ppts | 4.5 | 0.7 ppts | 4.4 | 4.3 | 0.1 ppts | (0.9)ppts | 4.4 | (0.1)ppts |

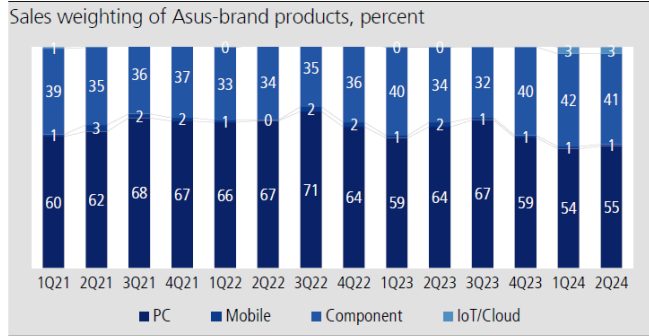
Source: Bloomberg; KGI Research estimates

Figure 4: Company profile

In 2023, Asustek was the world's fifth largest PC maker, with shipments of 17.1mn units (down 17% YoY), and global market share of 7.1%. The company launched the first ZenFone model in 2013, with shipments growth of 135% YoY to 20mn units for the series in 2015. Asustek's smartphone shipments shrank further in 2023 from 0.8mn units in 2021 and 0.6mn units in 2022. In 2023, PC (NB, desktop) were 63% of brand sales, components (motherboard, graphics card) 36%, and smartphone 1%.

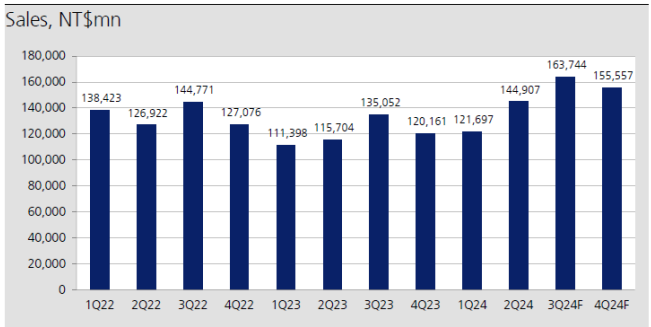
Source: KGI Research

Figure 5: PC system sales weighting grew QoQ in 2Q24



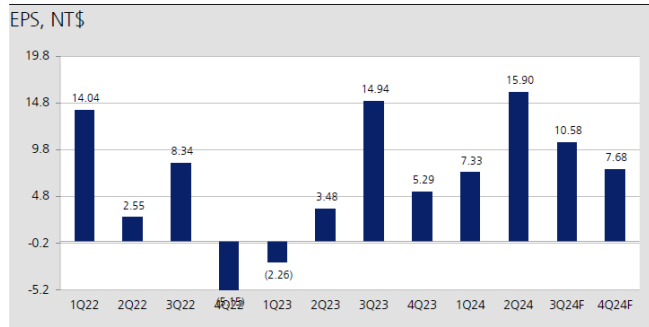
Source: Company data; KGI Research

Figure 6: Sales



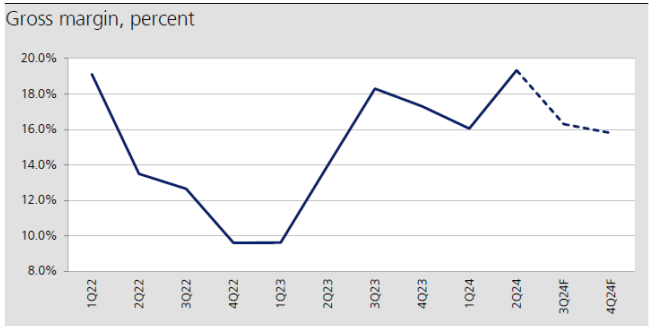
Source: KGI Research

Figure 7: EPS



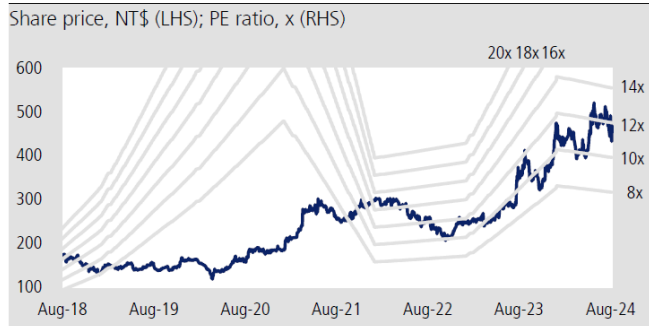
Source: KGI Research

Figure 8: Gross Margin



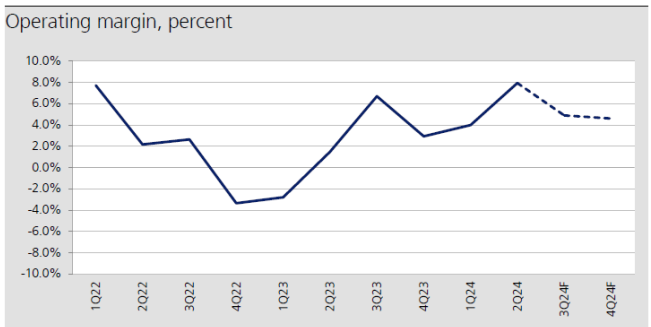
Source: KGI Research

Figure 9: 12M forward PE band



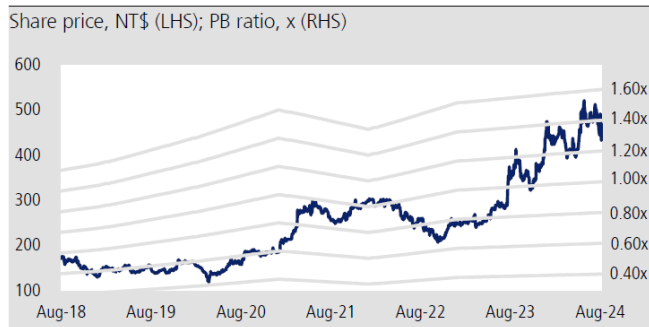
Source: TEJ; KGI Research estimates

Figure 10: Operating Margin



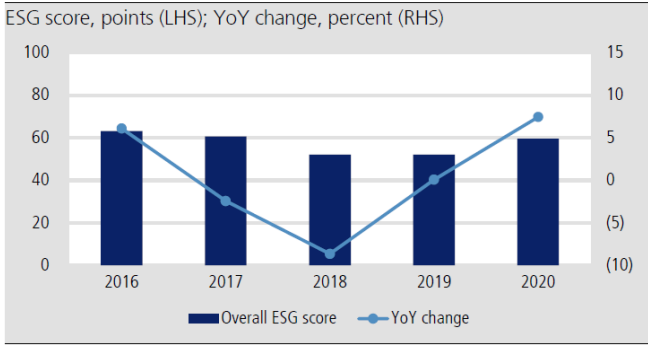
Source: KGI Research

Figure 11: 12M forward PB band



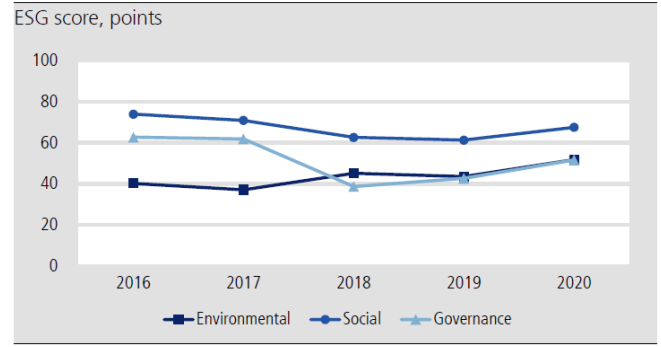
Source: TEJ; KGI Research estimates

Figure 12: Overall ESG score



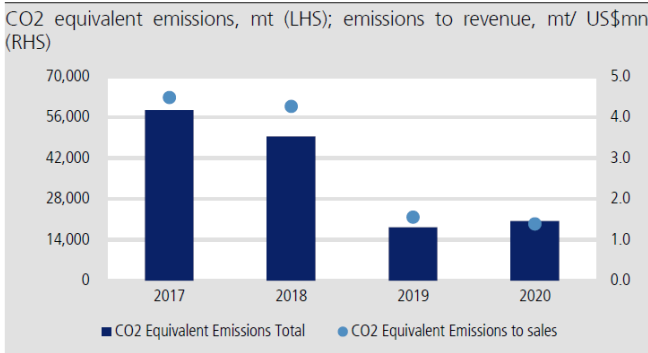
Source: Refinitiv; KGI Research; Company data

Figure 13: ESG scores



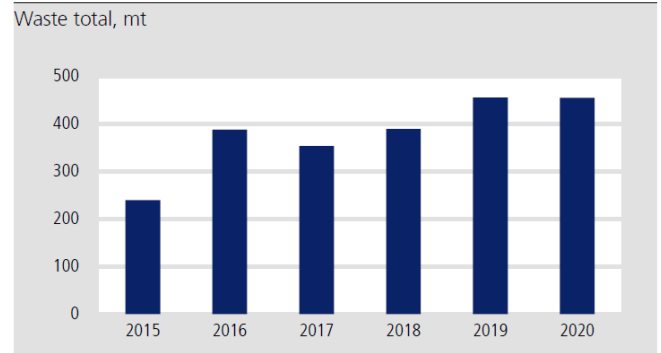
Source: Refinitiv; KGI Research; Company data

Figure 14: CO2 equivalent emissions



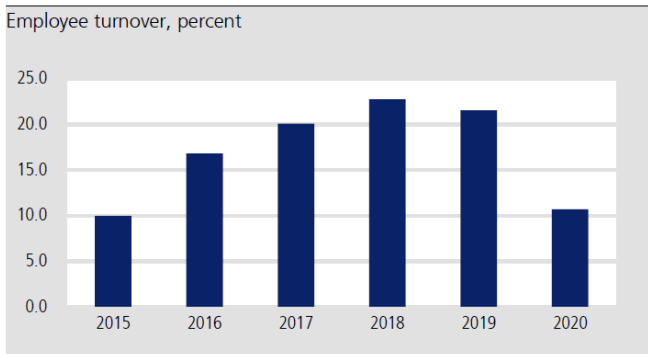
Source: Refinitiv; KGI Research; Company data

Figure 15: Waste total



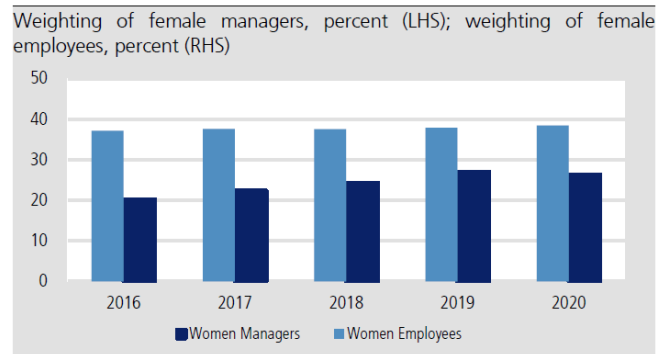
Source: Refinitiv; KGI Research; Company data

Figure 16: Employee turnover



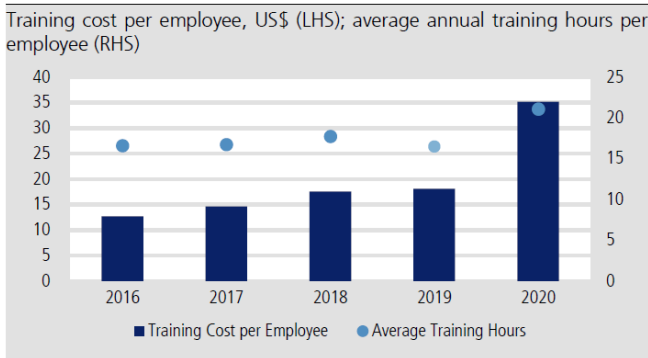
Source: Refinitiv; KGI Research; Company data

Figure 17: Gender diversification



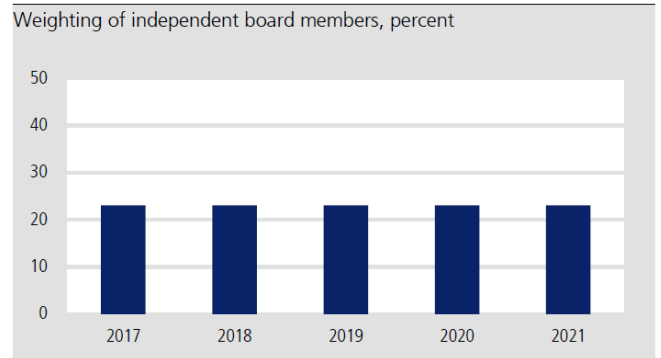
Source: Refinitiv; KGI Research; Company data

Figure 18: Employee training



Source: Refinitiv; KGI Research; Company data

Figure 19: Independent board members



Source: Refinitiv; KGI Research; 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"> - 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 | <p>Total primary renewable energy purchased in gigajoules.</p> <ul style="list-style-type: none"> - 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 | <p>Direct CO2 and CO2 equivalent emissions in metric tons.</p> <ul style="list-style-type: none"> - 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 | <p>Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT\$m)</p> <ul style="list-style-type: none"> - 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 | <p>Total amount of waste produced in metric tons.</p> <ul style="list-style-type: none"> - 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 | <p>The waste recycling ratio as reported by the company.</p> <ul style="list-style-type: none"> - 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 | <p>Total water withdrawal in cubic meters.</p> <ul style="list-style-type: none"> - 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 | <p>Total amount of environmental expenditures.</p> <ul style="list-style-type: none"> - 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 | <p>Percentage of employee turnover.</p> <ul style="list-style-type: none"> - 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 | <p>Percentage of women managers.</p> <ul style="list-style-type: none"> - 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 | <p>Percentage of women employees.</p> <ul style="list-style-type: none"> - 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 | <p>Total training hours performed by all employees.</p> <ul style="list-style-type: none"> - 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-23A | Mar-24A | Jun-24A | Sep-24F | Dec-24F | Dec-23A | Dec-24F | Dec-25F |
| Income statement (NT\$mn) | | | | | | | | | | | |
| Revenue | 111,398 | 115,704 | 135,052 | 120,161 | 121,697 | 144,907 | 163,744 | 155,557 | 482,314 | 585,905 | 654,025 |
| Cost of goods sold | (100,682) | (99,528) | (110,339) | (99,371) | (102,165) | (116,888) | (137,054) | (130,979) | (409,920) | (487,087) | (549,480) |
| Gross profit | 10,716 | 16,175 | 24,713 | 20,790 | 19,532 | 28,018 | 26,690 | 24,578 | 72,394 | 98,819 | 104,545 |
| Operating expenses | (13,842) | (14,463) | (15,666) | (17,270) | (14,684) | (16,524) | (18,667) | (17,422) | (61,241) | (67,297) | (73,696) |
| Operating profit | (3,121) | 1,714 | 9,046 | 3,525 | 4,848 | 11,498 | 8,023 | 7,156 | 11,164 | 31,521 | 30,849 |
| Depreciation of fixed assets | (538) | (551) | (566) | (596) | (568) | (585) | (565) | (543) | (2,250) | (2,262) | (2,462) |
| Amortisation of intangible assets | (118) | (137) | (140) | (126) | (147) | (154) | (127) | (80) | (521) | (507) | (507) |
| EBITDA | (2,465) | 2,402 | 9,752 | 4,246 | 5,563 | 12,237 | 8,716 | 7,779 | 13,935 | 34,290 | 33,818 |
| Interest income | 649 | 716 | 644 | 847 | 822 | 871 | 841 | 830 | 2,855 | 3,364 | 2,730 |
| Investment income | 224 | 282 | 3,314 | 159 | 383 | 546 | 600 | 471 | 3,979 | 2,000 | 1,700 |
| Other non-op income | 1,065 | 585 | 1,289 | 1,850 | 1,342 | 2,863 | 1,400 | 594 | 4,788 | 6,200 | 5,000 |
| Non-operating income | 1,938 | 1,583 | 5,247 | 2,855 | 2,547 | 4,280 | 2,841 | 1,895 | 11,623 | 11,564 | 9,430 |
| Interest expense | (246) | (163) | (159) | (125) | (119) | (130) | (125) | (127) | (693) | (501) | (494) |
| Investment loss | - | - | - | - | - | - | - | - | - | - | - |
| Other non-op expenses | - | - | - | - | - | - | (20) | (20) | - | (40) | (200) |
| Non-operating expenses | (246) | (163) | (159) | (125) | (119) | (130) | (145) | (147) | (693) | (541) | (694) |
| Pre-tax profit | (1,429) | 3,135 | 14,133 | 6,255 | 7,276 | 15,649 | 10,719 | 8,904 | 22,094 | 42,545 | 39,586 |
| Current taxation | 149 | (52) | (2,430) | (1,871) | (1,059) | (3,127) | (2,144) | (2,604) | (4,204) | (8,934) | (8,313) |
| Minorities | (402) | (497) | (605) | (458) | (769) | (717) | (720) | (593) | (1,962) | (2,800) | (2,800) |
| Normalised net profit | (1,682) | 2,586 | 11,097 | 3,927 | 5,447 | 11,804 | 7,855 | 5,707 | 15,928 | 30,810 | 28,473 |
| Extraordinary items | (0) | 0 | 0 | - | 0 | (0) | - | 0 | - | - | - |
| Net profit | (1,682) | 2,586 | 11,097 | 3,927 | 5,447 | 11,804 | 7,855 | 5,707 | 15,928 | 30,810 | 28,473 |
| EPS (NT\$) | (2.26) | 3.48 | 14.94 | 5.29 | 7.33 | 15.90 | 10.58 | 7.68 | 21.44 | 41.48 | 38.34 |
| Margins (%) | | | | | | | | | | | |
| Gross profit margin | 9.6 | 14.0 | 18.3 | 17.3 | 16.0 | 19.3 | 16.3 | 15.8 | 15.0 | 16.9 | 16.0 |
| Operating margin | (2.8) | 1.5 | 6.7 | 2.9 | 4.0 | 7.9 | 4.9 | 4.6 | 2.3 | 5.4 | 4.7 |
| EBITDA margin | (2.2) | 2.1 | 7.2 | 3.5 | 4.6 | 8.4 | 5.3 | 5.0 | 2.9 | 5.9 | 5.2 |
| Pretax profit margin | (1.3) | 2.7 | 10.5 | 5.2 | 6.0 | 10.8 | 6.5 | 5.7 | 4.6 | 7.3 | 6.1 |
| Net profit margin | (1.5) | 2.2 | 8.2 | 3.3 | 4.5 | 8.1 | 4.8 | 3.7 | 3.3 | 5.3 | 4.4 |
| Sequential growth (%) | | | | | | | | | | | |
| Revenue growth | (12.3) | 3.9 | 16.7 | (11.0) | 1.3 | 19.1 | 13.0 | (5.0) | | | |
| Gross profit growth | (12.3) | 50.9 | 52.8 | (15.8) | (6.1) | 43.5 | (4.8) | (7.9) | | | |
| Operating profit growth | (26.8) | | 427.7 | (61.0) | 37.5 | 137.2 | (30.2) | (10.8) | | | |
| EBITDA growth | (31.5) | | 306.0 | (56.5) | 31.0 | 120.0 | (28.8) | (10.7) | | | |
| Pretax profit growth | (57.6) | | 350.8 | (55.7) | 16.3 | 115.1 | (31.5) | (16.9) | | | |
| Net profit growth | (56.0) | | 329.1 | (64.6) | 38.7 | 116.7 | (33.5) | (27.4) | | | |
| YoY growth (%) | | | | | | | | | | | |
| Revenue growth | (19.5) | (8.8) | (6.7) | (5.4) | 9.2 | 25.2 | 21.2 | 29.5 | (10.2) | 21.5 | 11.6 |
| Gross profit growth | (58.5) | (9.0) | 34.9 | 70.2 | 82.3 | 73.2 | 8.0 | 18.2 | (2.3) | 36.5 | 5.8 |
| Operating profit growth | (129.2) | (37.7) | 136.7 | | | 570.7 | (11.3) | 103.0 | (14.0) | 182.3 | (2.1) |
| EBITDA growth | (121.8) | (29.2) | 117.6 | | | 409.4 | (10.6) | 83.2 | (10.7) | 146.1 | (1.4) |
| Pretax profit growth | (110.4) | (3.4) | 75.9 | | | 399.2 | (24.2) | 42.3 | 2.2 | 92.6 | (7.0) |
| Net profit growth | (116.1) | 36.4 | 79.3 | | | 356.4 | (29.2) | 45.3 | 8.4 | 93.4 | (7.6) |

Source: Company data; KGI Research estimates

Balance sheet

| NT\$m | Dec-21A | Dec-22A | Dec-23A | Dec-24F | Dec-25F |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| Total assets | 504,153 | 471,165 | 480,082 | 516,945 | 535,875 |
| Current assets | 348,705 | 322,198 | 307,177 | 337,575 | 350,424 |
| Cash & ST securities | 74,315 | 74,897 | 82,299 | 75,563 | 68,141 |
| Inventory | 167,316 | 142,472 | 122,790 | 133,084 | 150,542 |
| Accounts receivable | 93,243 | 91,311 | 86,817 | 113,659 | 116,470 |
| Other current assets | 13,832 | 13,518 | 15,270 | 15,270 | 15,270 |
| Non-current assets | 155,448 | 148,967 | 172,905 | 179,370 | 185,451 |
| LT investments | 112,826 | 104,045 | 126,932 | 133,658 | 140,202 |
| Net fixed assets | 19,421 | 19,495 | 20,082 | 19,821 | 19,359 |
| Other assets | 23,201 | 25,426 | 25,891 | 25,891 | 25,891 |
| Total liabilities | 257,716 | 244,276 | 221,100 | 246,309 | 254,158 |
| Current liabilities | 238,183 | 222,677 | 197,552 | 222,782 | 230,625 |
| Accounts payable | 95,730 | 51,368 | 56,967 | 73,196 | 82,798 |
| Interest bearing ST liabilities | 9,407 | 48,908 | 16,273 | 14,793 | 14,786 |
| Other L-T liabilities | 133,045 | 122,401 | 124,312 | 134,793 | 133,040 |
| Non-current liabilities | 19,534 | 21,599 | 23,547 | 23,527 | 23,534 |
| Long-term debt | 155 | 145 | 162 | 141 | 148 |
| Other L-T liabilities | 18,423 | 20,545 | 22,401 | 22,401 | 22,401 |
| Total equity | 246,436 | 226,889 | 258,982 | 270,636 | 281,717 |
| Share capital | 7,428 | 7,428 | 7,428 | 7,428 | 7,428 |
| Retained earnings reserve | 135,085 | 113,873 | 117,271 | 124,974 | 132,092 |
| Minority interests | 14,105 | 14,508 | 19,166 | 21,966 | 24,766 |
| Preferred shareholders funds | - | - | - | - | - |

Key ratios

| | Dec-21A | Dec-22A | Dec-23A | Dec-24F | Dec-25F |
|---------------------------------|----------|----------|----------|----------|----------|
| Growth | | | | | |
| Revenue growth | 29.7% | 0.4% | (10.2%) | 21.5% | 11.6% |
| Operating profit growth | 97.6% | (73.7%) | (14.0%) | 182.3% | (2.1%) |
| EBITDA growth | 86.6% | (70.5%) | (10.7%) | 146.1% | (1.4%) |
| Net profit growth | 67.7% | (67.0%) | 8.4% | 93.4% | (7.6%) |
| EPS growth | 67.7% | (67.0%) | 8.4% | 93.4% | (7.6%) |
| Profitability | | | | | |
| Gross profit margin | 20.6% | 13.8% | 15.0% | 16.9% | 16.0% |
| Operating margin | 9.2% | 2.4% | 2.3% | 5.4% | 4.7% |
| EBITDA margin | 9.9% | 2.9% | 2.9% | 5.9% | 5.2% |
| Net profit margin | 8.3% | 2.7% | 3.3% | 5.3% | 4.4% |
| Return on average assets | 9.9% | 3.0% | 3.3% | 6.2% | 5.4% |
| Return on average equity | 20.5% | 6.6% | 7.0% | 12.6% | 11.3% |
| Stability | | | | | |
| Gross debt to equity | 3.9% | 21.6% | 6.3% | 5.5% | 5.3% |
| Net debt to equity | Net cash | Net cash | Net cash | Net cash | Net cash |
| Interest coverage (x) | 346.5 | 29.3 | 32.9 | 86.0 | 81.1 |
| Interest & ST debt coverage (x) | 0.9 | 0.3 | 0.6 | 0.7 | 0.7 |
| Cash flow interest coverage(x) | 191.1 | (20.6) | 75.2 | 12.3 | 29.1 |
| Cash flow/int. & ST debt (x) | 3.4 | (0.3) | 3.1 | 0.4 | 0.9 |
| Current ratio (x) | 1.5 | 1.4 | 1.6 | 1.5 | 1.5 |
| Quick ratio (x) | 0.8 | 0.8 | 0.9 | 0.9 | 0.9 |
| Net debt (NT\$m) | (58,250) | (20,270) | (62,792) | (57,556) | (50,134) |
| Per share data | | | | | |
| EPS (NT\$) | 59.98 | 19.78 | 21.44 | 41.48 | 38.34 |
| CFPS (NT\$) | 44.01 | (21.17) | 70.13 | 8.33 | 19.33 |
| BVPS (NT\$) | 312.79 | 285.93 | 322.87 | 334.79 | 345.94 |
| Adj BVPS (NT\$) | 312.79 | 285.93 | 322.87 | 334.82 | 345.99 |
| SPS (NT\$) | 720.61 | 723.24 | 649.35 | 788.89 | 880.66 |
| EBITDA/share (NT\$) | 71.24 | 21.01 | 18.76 | 46.17 | 45.54 |
| Cash DPS (NT\$) | 42.00 | 15.00 | 17.00 | 31.11 | 28.75 |
| Activity | | | | | |
| Sales / avg assets | 1.19 | 1.10 | 1.01 | 1.18 | 1.24 |
| Days receivable | 63.6 | 62.0 | 65.7 | 71.0 | 65.0 |
| Days inventory | 143.7 | 112.3 | 109.3 | 100.0 | 100.0 |
| Days payable | 82.2 | 40.5 | 50.7 | 55.0 | 55.0 |
| Cash cycle | 125.1 | 133.9 | 124.3 | 116.0 | 110.0 |

Source: Company data; KGI Research estimates

Profit & loss

| NT\$m | Dec-21A | Dec-22A | Dec-23A | Dec-24F | Dec-25F |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue | 535,239 | 537,192 | 482,314 | 585,905 | 654,025 |
| Cost of goods sold | (424,923) | (463,051) | (409,920) | (487,087) | (549,480) |
| Gross profit | 110,316 | 74,141 | 72,394 | 98,819 | 104,545 |
| Operating expenses | (60,980) | (61,162) | (61,241) | (67,297) | (73,696) |
| Operating profit | 49,326 | 12,982 | 11,164 | 31,521 | 30,849 |
| Non-operating income | 11,523 | 9,699 | 11,623 | 11,564 | 9,430 |
| Interest income | 528 | 920 | 2,855 | 3,364 | 2,730 |
| Investment income | 5,087 | 5,478 | 3,979 | 2,000 | 1,700 |
| Other non-op income | 5,908 | 3,300 | 4,788 | 6,200 | 5,000 |
| Non-operating expenses | (1,754) | (1,065) | (693) | (541) | (694) |
| Interest expense | (171) | (763) | (693) | (501) | (494) |
| Investment loss | (683) | - | - | - | - |
| Other non-op expenses | (900) | (303) | - | (40) | (200) |
| Pre-tax profit | 59,094 | 21,616 | 22,094 | 42,545 | 39,586 |
| Current taxation | (12,483) | (4,784) | (4,204) | (8,934) | (8,313) |
| Minorities | (2,056) | (2,141) | (1,962) | (2,800) | (2,800) |
| Extraordinary items | (6) | (0) | 0 | - | - |
| Net profit | 44,550 | 14,691 | 15,928 | 30,810 | 28,473 |
| EBITDA | 52,914 | 15,603 | 13,935 | 34,290 | 33,818 |
| EPS (NT\$) | 59.98 | 19.78 | 21.44 | 41.48 | 38.34 |

Cash flow

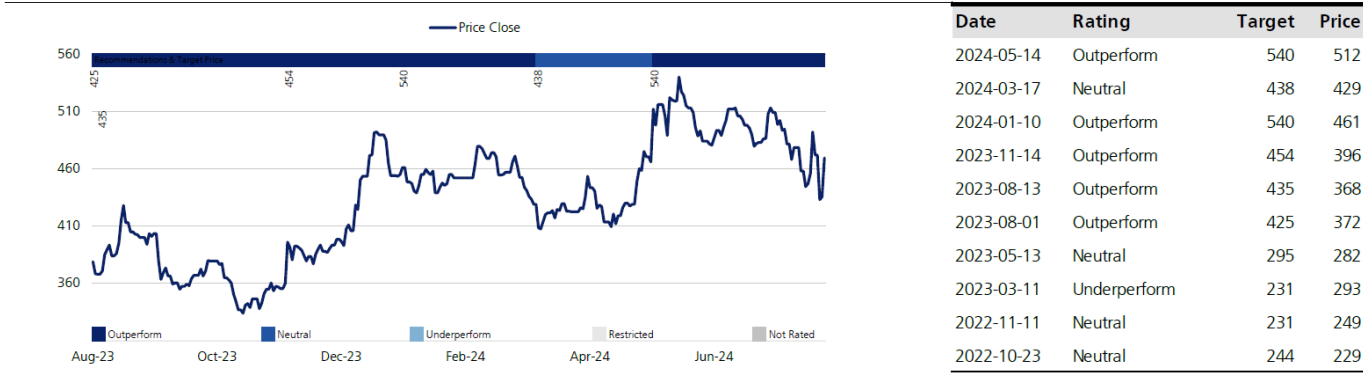
| NT\$m | Dec-21A | Dec-22A | Dec-23A | Dec-24F | Dec-25F |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Operations cash flow | 32,691 | (15,721) | 52,087 | 6,183 | 14,356 |
| Net profit | 44,550 | 14,691 | 15,928 | 30,810 | 28,473 |
| Depreciation & amortisation | 3,588 | 2,621 | 2,771 | 2,769 | 2,969 |
| Decrease in working capital | (47,177) | (19,145) | 29,523 | (20,907) | (10,667) |
| Other operating cash flow | 31,731 | (13,888) | 3,865 | (6,489) | (6,418) |
| Investing cash flow | (1,784) | 1,445 | 2,206 | (2,744) | (2,633) |
| Sale of ST investment | (1,610) | (370) | (940) | - | - |
| New investments | (1,543) | (460) | (14) | (237) | (126) |
| Capital expenditure | (2,178) | (1,524) | (1,688) | (2,000) | (2,000) |
| Others investing cashflow | 3,547 | 3,798 | 4,849 | (507) | (507) |
| Free cash flow | (7,290) | (8,417) | 39,125 | 4,257 | 14,165 |
| Financing cash flow | (17,368) | 6,816 | (45,240) | (10,176) | (19,145) |
| Increase in short term debt | 3,565 | 39,480 | (32,649) | (1,500) | - |
| Increase in long term loans | 166 | (11) | 40 | - | - |
| New ordinary shares issued | - | - | - | - | - |
| Ordinary dividends paid | (19,312) | (31,196) | (11,141) | (12,627) | (23,108) |
| Other financing cashflow | (1,787) | (1,458) | (1,490) | 3,951 | 3,963 |
| Forex effects | (2,507) | 8,971 | 851 | | |
| Total cash generated | 11,033 | 1,510 | 9,904 | (6,737) | (7,421) |

ROIC

| | Dec-21A | Dec-22A | Dec-23A | Dec-24F | Dec-25F |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| 1 - COGS/revenue | | | | | |
| - Operating exp./revenue | 11.4% | 11.4% | 12.7% | 11.5% | 11.3% |
| = Operating margin | 9.2% | 2.4% | 2.3% | 5.4% | 4.7% |
| 1 / (Working capital/revenue | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| + Net PPE/revenue | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| + Other assets/revenue) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| = Capital turnover | 7.9 | 5.6 | 7.1 | 7.5 | 7.2 |
| Operating margin | 9.2% | 2.4% | 2.3% | 5.4% | 4.7% |
| x Capital turnover | 7.9 | 5.6 | 7.1 | 7.5 | 7.2 |
| x (1 - tax rate) | 78.9% | 77.9% | 81.0% | 79.0% | 79.0% |
| = After-tax ROIC | 57.1% | 10.5% | 13.3% | 31.8% | 27.0% |

Source: Company data; KGI Research estimates

Asustek – Recommendation & target price history



Source: TEJ; KGI Research

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