

Asustek (2357.TW/2357 TT)

Sales & operating margin expansion in 2024-25F

FTSE4Good TIP Taiwan ESG Index stock

Outperform · Maintained

Price as of January 9 (NT\$)	455.0
12M target price (NT\$)	540.0
Previous target price (NT\$)	454.0
Revised up (%)	18.9
Upside (%)	18.7

Key message

- Nvidia's (US) RTX 40 SUPER series GPU launch will boost Asustek's graphics card sales.
- AI PC and server sales expansion and graphics card replacement cycle will drive solid earnings growth in 2024-25F.

Trading data

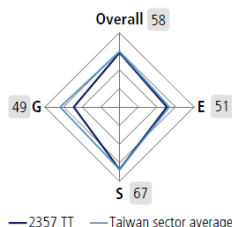
Mkt cap (NT\$bn/US\$m)	338.0 / 10,890
Outstanding shares (mn)	743
Foreign ownership (mn)	437.0
3M avg. daily trading (mn)	3.97
52-week trading range (NT\$)	261.0 -492.0

Performance	3M	6M	12M
Absolute (%)	19.9	55.3	65.5
Relative (%)	13.8	50.1	46.6

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	6.14F
2024	4.85F	4.48F	12.55F	9.81F

ESG score card



Source: Refinitiv, KGI securities

Event

Nvidia (US) launched its new RTX 40 SUPER series GPU on January 8, which will boost Asustek's graphics card sales. We are positive on Asustek's earnings growth in 2024-25F driven by AI PC launches, server sales expansion and a graphics card replacement cycle in 2025F.

Impact

Nvidia's GPU launch to boost Asustek's graphics card sales. Nvidia showcased its new RTX 4080 SUPER, 4070 Ti SUPER and 4070 SUPER GPUs on January 8 at CES 2024. We believe the launch of RTX 40 SUPER series graphics cards this month, which have superior performance to but the same or lower manufacturer's suggested retail price (MSRP) as the initial launch of non-SUPER series, will boost Asustek's graphics card sales in 1H24F. In addition, Nvidia may launch its new RTX 50 series GPU in 2H24-2025F and this will further support a graphics card replacement cycle in 2025F.

Positive 2024-25F outlook with operating margin set to rise. Asustek expects global PC shipments to grow by mid-single digits in 2024F, while the firm's gaming PC shipments will outgrow the PC industry with growth of 5-10%. Asustek will launch more AI PC models in 2H24F, targeting high-end consumer segments first and then penetrating the commercial market. We believe the AI PC will boost PC brands' ASPs and margins in 2H24-2025F. For components, Asustek expects graphics card sales to grow 5-10% in 2024F thanks to new GPU launches, while motherboard sales will be stable. Its server sales weighting will expand from low-single digits in 2023F to mid-single digits this year (value of NT\$20-30bn), driven by AI server. Management guides operating margin will recover to 4-5% in 2024F with more significant increase in 2H24F. To reflect a brighter 1H24F margins outlook, we revise up 2024F EPS to NT\$31.69 (up 42% YoY). We are also positive on Asustek's 2025F earnings growth given: (1) increased AI PC contribution next year; (2) a growing server sales weighting (up to double digits); (3) a graphics card replacement cycle triggered by the RTX 50 series GPU launch. Our 2025F EPS is NT\$35.86, up 13% YoY, with an earnings CAGR of 27% in 2023-25F.

Better-than-expected 1Q24F outlook. Asustek posted 4Q23 brands sales of NT\$111.9bn (down 5% YoY and 11% QoQ), slightly lower than our forecast. Near term, it maintains guidance that PC sales may fall slightly QoQ in 1Q24F, while motherboard shipments may also decline QoQ on slow season. However, graphics card sales may be flat QoQ on new GPU launches, stronger than we previously expected. We fine-tune our 4Q23 EPS forecast to NT\$6.14 and revise up 1Q24F EPS to NT\$4.85 to reflect a bright sales and operating margin outlook.

Valuation & Action

On PC demand recovery and operating margin expansion, we maintain our Outperform rating. We revise up our target price from NT\$454 (15x 2024F EPS) to NT\$540 (16x 2024-25F average EPS) to reflect our raised operating margin forecast and solid earnings growth in 2024-25F.

Risks

Weaker-than-expected NB demand; currency fluctuations.

Key financials and valuations

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (NT\$m)	535,239	537,192	483,471	554,111	618,407
Gross profit (NT\$m)	110,316	74,141	71,197	85,881	96,477
Operating profit (NT\$m)	49,326	12,982	13,154	24,988	29,196
Net profit (NT\$m)	44,550	14,691	16,560	23,538	26,637
EPS (NT\$)	59.98	19.78	22.29	31.69	35.86
Cash DPS (NT\$)	42.00	15.00	15.61	22.18	25.10
EPS growth (%)	67.7	(67.0)	12.7	42.1	13.2
PE (x)	7.6	23.0	20.4	14.4	12.7
PB (x)	1.5	1.6	1.5	1.5	1.4
EV/EBITDA (x)	2.6	11.2	9.0	5.0	4.3
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	9.2	3.3	3.4	4.9	5.5
Return on average equity (%)	20.5	6.6	7.7	10.6	11.5

Source: Company data, KGI Research estimates

Figure 1: Breakdown of 4Q23-1Q24 forecast revisions vs. consensus (consolidated)

NT\$mn	4Q23F							1Q24F						
	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	121,318	122,897	(1.3)	(10.2)	(4.5)	124,294	(2.4)	115,252	113,065	1.9	(5.0)	3.5	115,555	(0.3)
Gross profits	19,593	19,848	(1.3)	(20.7)	60.3	20,572	(4.8)	17,173	15,716	9.3	(12.4)	60.2	17,698	(3.0)
Operating income	5,520	5,592	(1.3)	(39.0)	-	5,340	3.4	4,149	2,374	74.7	(24.8)	-	3,566	16.3
Pretax Income	6,634	6,698	(1.0)	(53.1)	-	6,895	(3.8)	5,257	3,601	46.0	(20.8)	-	4,999	5.2
Net income	4,564	4,618	(1.2)	(58.9)	-	5,190	(12.0)	3,603	2,295	57.0	(21.1)	-	3,636	(0.9)
EPS (NT\$)	6.14	6.22	(1.2)	(58.9)	-	6.99	(12.0)	4.85	3.09	57.0	(21.1)	-	4.90	(0.9)
Gross margin (%)	16.2	16.2	0.0 ppts	(2.1)ppts	6.5 ppts	16.6	(0.4)ppts	14.9	13.9	1.0 ppts	(1.2)ppts	5.3 ppts	15.3	(0.4)ppts
OP margin (%)	4.5	4.5	0.0 ppts	(2.1)ppts	7.9 ppts	4.3	0.3 ppts	3.6	2.1	1.5 ppts	(0.9)ppts	6.4 ppts	3.1	0.5 ppts
Net margin (%)	3.8	3.8	0.0 ppts	(4.5)ppts	6.8 ppts	4.2	(0.4)ppts	3.1	2.0	1.1 ppts	(0.6)ppts	4.6 ppts	3.1	(0.0)ppts

Source: Bloomberg, KGI Research estimates

Figure 2: Breakdown of 2023-25 forecast revisions vs. consensus (consolidated)

NT\$mn	2023F						2024F						2025F					
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	483,471	485,050	(0.3)	(10.0)	488,270	(1.0)	554,111	548,674	1.0	14.6	542,517	2.1	618,407	606,993	1.9	11.6	595,560	3.8
Gross profit	71,197	71,452	(0.4)	(4.0)	72,674	(2.0)	85,881	84,758	1.3	20.6	87,025	(1.3)	96,477	95,554	1.0	12.3	94,497	2.1
Operating income	13,154	13,225	(0.5)	1.3	12,406	6.0	24,988	23,846	4.8	90.0	24,205	3.2	29,196	27,644	5.6	16.8	27,279	7.0
Pretax Income	22,467	22,531	(0.3)	3.9	22,369	0.4	32,621	31,253	4.4	45.2	32,131	1.5	36,549	34,789	5.1	12.0	35,190	3.9
Net income	16,560	16,613	(0.3)	12.7	16,888	(1.9)	23,538	22,459	4.8	42.1	23,447	0.4	26,637	25,248	5.5	13.2	25,985	2.5
EPS (NT\$)	22.29	22.36	(0.3)	12.7	22.73	(1.9)	31.69	30.23	4.8	42.1	31.57	0.4	35.86	33.99	5.5	13.2	34.98	2.5
Gross margin (%)	14.7	14.7	(0.0)ppts	0.9 ppts	14.9	(0.2)ppts	15.5	15.4	0.1 ppts	0.8 ppts	16.0	(0.5)ppts	15.6	15.7	(0.1)ppts	0.1 ppts	15.9	(0.3)ppts
OP margin (%)	2.7	2.7	(0.0)ppts	0.3 ppts	2.5	0.2 ppts	4.5	4.3	0.2 ppts	1.8 ppts	4.5	0.0 ppts	4.7	4.6	0.2 ppts	0.2 ppts	4.6	0.1 ppts
Net margin (%)	3.4	3.4	0.0 ppts	0.7 ppts	3.5	(0.0)ppts	4.2	4.1	0.2 ppts	0.8 ppts	4.3	(0.1)ppts	4.3	4.2	0.1 ppts	0.1 ppts	4.4	(0.1)ppts

Source: Bloomberg, KGI Research estimates

Figure 3: Peer comparison – Valuations

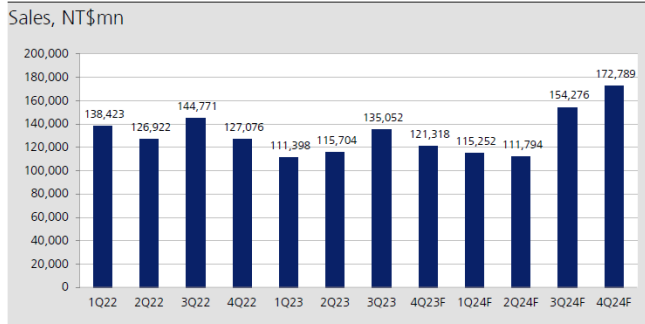
Sector	Company	Ticker	Market cap. (US\$mn)	Share price (LCY)	Rating	Target Price (LCY)	EPS (LCY)			EPS YoY (%)			PE (x)			PB (x)			ROE (%)			Cash yield (%)	
							2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F
Motherboard/graphic cards	Gigabyte	2376 TT	5,161	252.0	Outperform	285.0	7.72	12.47	16.00	(24.9)	61.5	28.3	32.6	20.2	15.7	4.2	3.9	3.6	13.3	20.1	23.6	1.8	3.0
	Asustek	2357 TT	10,888	455.0	Outperform	540.0	22.25	31.69	35.86	12.5	42.1	13.2	20.5	14.4	12.7	1.5	1.5	1.4	7.7	10.6	11.5	3.4	4.9
	MSI	2377 TT	5,158	189.5	Neutral	176.0	10.71	12.59	14.10	(9.2)	17.5	12.0	17.7	15.1	13.4	3.1	2.8	2.6	18.0	19.4	20.0	3.2	3.7
	Asrock	3515 TT	952	243.0	Neutral	245.0	7.01	11.12	12.33	(19.3)	58.6	10.9	34.7	21.9	19.7	3.5	3.3	3.1	10.3	15.6	16.4	1.9	3.1
Server ODM	Wiwynn	6669 TT	9,661	1,715	Outperform	2,200.0	65.65	99.16	120.87	(19.0)	51.0	21.9	26.1	17.3	14.2	6.3	5.0	4.1	26.5	32.2	31.8	2.1	3.2
	Inventec	2356 TT	5,802	50.2	Outperform	53.0	1.57	2.42	2.93	(8.1)	54.3	20.9	32.0	20.7	17.2	3.0	2.9	2.8	9.4	14.1	16.5	2.5	3.9
	Quanta	2382 TT	26,881	216.0	Outperform	310.0	10.13	13.43	17.52	34.8	32.6	30.4	21.3	16.1	12.3	4.7	4.5	4.2	22.6	28.4	34.8	3.7	5.0
	Hon Hai	2317 TT	45,111	101.0	Outperform	126.0	8.55	10.40	12.92	(16.2)	21.6	24.3	11.8	9.7	7.8	0.9	0.9	0.8	8.0	9.3	11.1	4.4	5.3

Source: KGI Research; Bloomberg

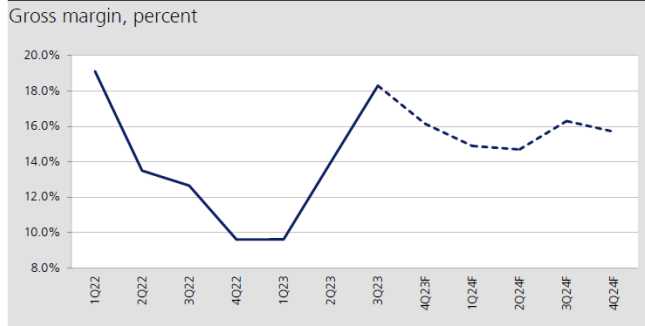
Figure 4: Company profile

In 2022, Asustek was the world's fifth largest PC maker, with shipments of 20.7mn units (down 6% YoY) with global market share of 7.3%. 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 to 0.8mn units in 2021 and declined 30% YoY to 0.6mn units in 2022. In 2022, PC (NB, desktop) were 67% of brand sales, components (motherboard, graphics card) 32%, and smartphone 1%.

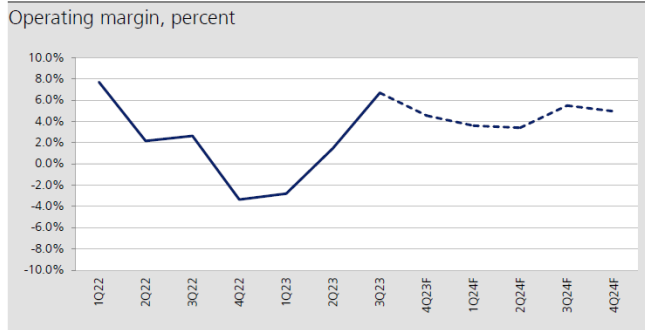
Source: KGI Research

Figure 6: Sales


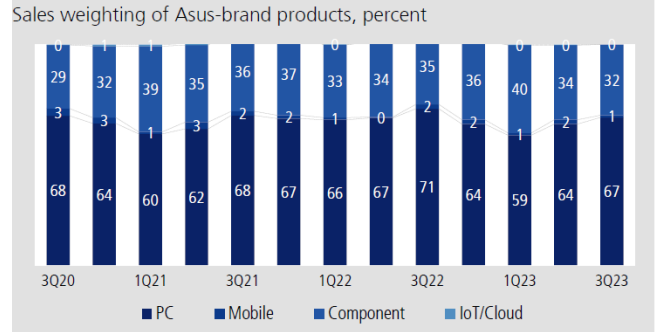
Source: KGI Research

Figure 8: Gross Margin


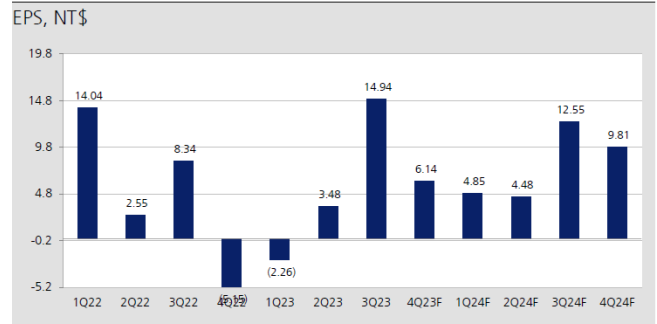
Source: KGI Research

Figure 10: Operating Margin


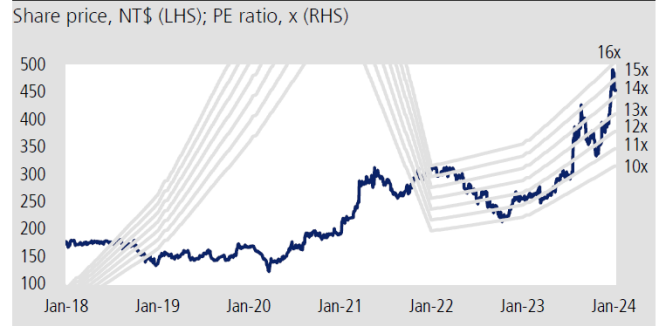
Source: KGI Research

Figure 5: PC system sales weighting up QoQ in 3Q23


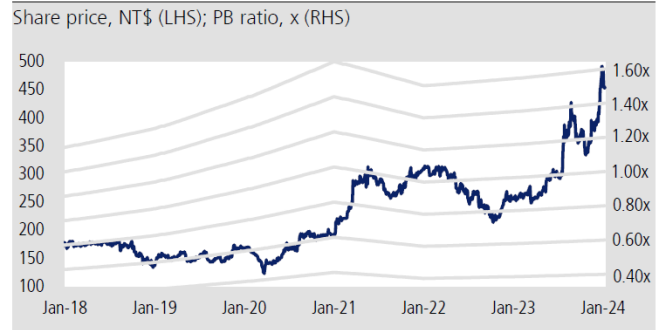
Source: company data; KGI Research

Figure 7: EPS


Source: KGI Research

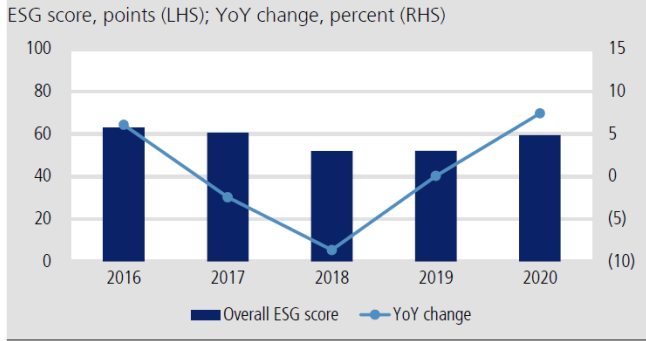
Figure 9: 12M forward PE band


Source: TEJ; KGI Research

Figure 11: 12M forward PB band


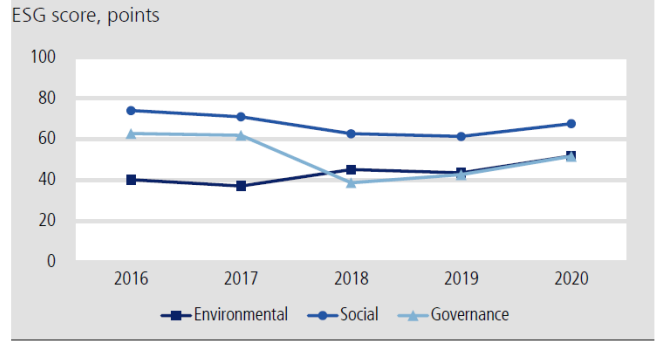
Source: TEJ; KGI Research

Figure 12: Overall ESG score



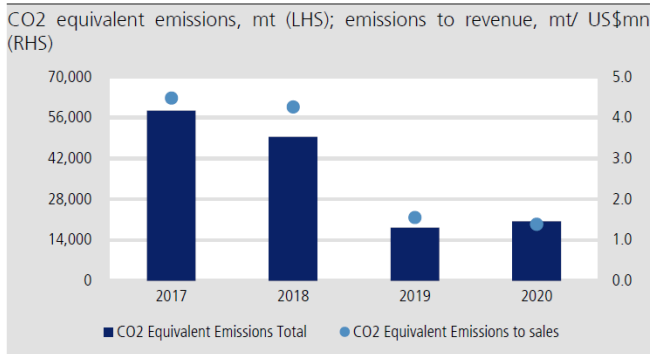
Source: Refinitiv, KGI Research, Company data

Figure 13: ESG scores



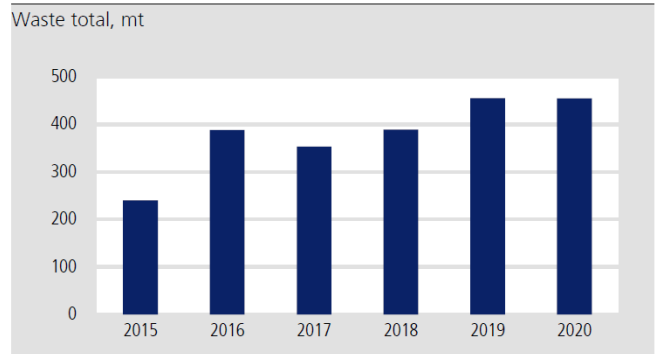
Source: Refinitiv, KGI Research, Company data

Figure 14: CO2 equivalent emissions



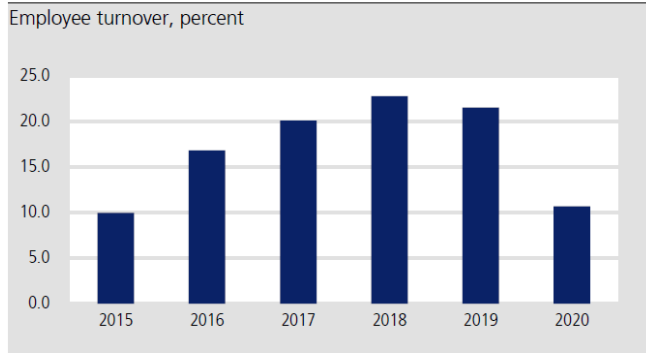
Source: Refinitiv, KGI Research, Company data

Figure 15: Waste total



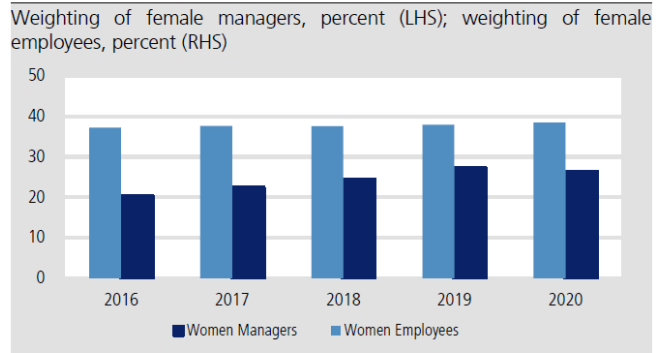
Source: Refinitiv, KGI Research, Company data

Figure 16: Employee turnover



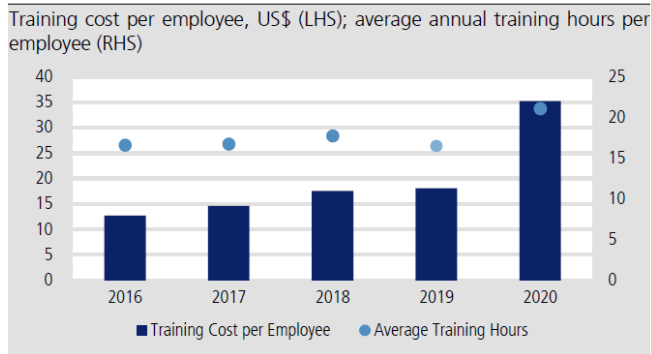
Source: Refinitiv, KGI Research, Company data

Figure 17: Gender diversification



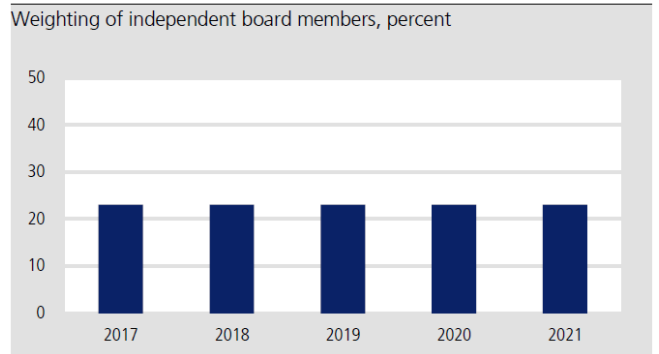
Source: Refinitiv, KGI Research, Company data

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-23F	Mar-24F	Jun-24F	Sep-24F	Dec-24F	Dec-23F	Dec-24F	Dec-25F
Income statement (NT\$m)											
Revenue	111,398	115,704	135,052	121,318	115,252	111,794	154,276	172,789	483,471	554,111	618,407
Cost of goods sold	(100,682)	(99,528)	(110,339)	(101,725)	(98,079)	(95,360)	(129,129)	(145,661)	(412,274)	(468,230)	(521,930)
Gross profit	10,716	16,175	24,713	19,593	17,173	16,434	25,147	27,128	71,197	85,881	96,477
Operating expenses	(13,842)	(14,463)	(15,666)	(14,073)	(13,023)	(12,633)	(16,662)	(18,575)	(58,043)	(60,893)	(67,281)
Operating profit	(3,121)	1,714	9,046	5,520	4,149	3,801	8,485	8,553	13,154	24,988	29,196
Depreciation of fixed assets	(538)	(551)	(566)	(525)	(593)	(593)	(593)	(593)	(2,180)	(2,372)	(2,572)
Amortisation of intangible assets	(118)	(137)	(140)	(111)	(127)	(127)	(127)	(127)	(506)	(506)	(506)
EBITDA	(2,465)	2,402	9,752	6,156	4,869	4,521	9,205	9,273	15,840	27,867	32,275
Interest income	649	716	644	645	519	519	519	519	2,653	2,078	1,779
Investment income	224	282	3,314	280	200	200	2,900	200	4,100	3,500	3,500
Other non-op income	1,065	585	1,289	561	600	600	800	900	3,500	2,900	2,900
Non-operating income	1,938	1,583	5,247	1,486	1,319	1,319	4,219	1,619	10,253	8,478	8,179
Interest expense	(246)	(163)	(159)	(172)	(136)	(136)	(136)	(136)	(740)	(544)	(527)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	-	-	-	(200)	(75)	(75)	(75)	(75)	(200)	(300)	(300)
Non-operating expenses	(246)	(163)	(159)	(372)	(211)	(211)	(211)	(211)	(940)	(844)	(827)
Pre-tax profit	(1,429)	3,135	14,133	6,634	5,257	4,909	12,493	9,961	22,467	32,621	36,549
Current taxation	149	(52)	(2,430)	(1,374)	(1,104)	(1,031)	(2,624)	(2,125)	(3,707)	(6,883)	(7,712)
Minorities	(402)	(497)	(605)	(696)	(550)	(550)	(550)	(550)	(2,200)	(2,200)	(2,200)
Normalised net profit	(1,682)	2,586	11,097	4,564	3,603	3,328	9,320	7,287	16,560	23,538	26,637
Extraordinary items	(0)	0	0	(0)	-	-	-	-	-	-	-
Net profit	(1,682)	2,586	11,097	4,564	3,603	3,328	9,320	7,287	16,560	23,538	26,637
EPS (NT\$)	(2.26)	3.48	14.94	6.14	4.85	4.48	12.55	9.81	22.29	31.69	35.86
Margins (%)											
Gross profit margin	9.6	14.0	18.3	16.2	14.9	14.7	16.3	15.7	14.7	15.5	15.6
Operating margin	(2.8)	1.5	6.7	4.5	3.6	3.4	5.5	5.0	2.7	4.5	4.7
EBITDA margin	(2.2)	2.1	7.2	5.1	4.2	4.0	6.0	5.4	3.3	5.0	5.2
Pretax profit margin	(1.3)	2.7	10.5	5.5	4.6	4.4	8.1	5.8	4.6	5.9	5.9
Net profit margin	(1.5)	2.2	8.2	3.8	3.1	3.0	6.0	4.2	3.4	4.2	4.3
Sequential growth (%)											
Revenue growth	(12.3)	3.9	16.7	(10.2)	(5.0)	(3.0)	38.0	12.0			
Gross profit growth	(12.3)	50.9	52.8	(20.7)	(12.4)	(4.3)	53.0	7.9			
Operating profit growth	(26.8)		427.7	(39.0)	(24.8)	(8.4)	123.2	0.8			
EBITDA growth	(31.5)		306.0	(36.9)	(20.9)	(7.1)	103.6	0.7			
Pretax profit growth	(57.6)		350.8	(53.1)	(20.8)	(6.6)	154.5	(20.3)			
Net profit growth	(56.0)		329.1	(58.9)	(21.1)	(7.6)	180.0	(21.8)			
YoY growth (%)											
Revenue growth	(19.5)	(8.8)	(6.7)	(4.5)	3.5	(3.4)	14.2	42.4	(10.0)	14.6	11.6
Gross profit growth	(58.5)	(9.0)	34.9	60.4	60.3	1.6	1.8	38.5	(4.0)	20.6	12.3
Operating profit growth	(129.2)	(37.7)	136.7				121.7	(6.2)	1.3	90.0	16.8
EBITDA growth	(121.8)	(29.2)	117.6				88.2	(5.6)	1.5	75.9	15.8
Pretax profit growth	(110.4)	(3.4)	75.9				56.6	(11.6)	3.9	45.2	12.0
Net profit growth	(116.1)	36.4	79.3				28.7	(16.0)	12.7	42.1	13.2

Source: Company data, KGI Research estimates

Balance sheet

NTSmn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total assets	504,153	471,165	476,745	487,254	508,828
Current assets	348,705	322,198	317,482	318,082	329,273
Cash & ST securities	74,315	74,897	73,752	69,141	62,634
Inventory	167,316	142,472	124,247	127,932	142,995
Accounts receivable	93,243	91,311	105,966	107,491	110,127
Other current assets	13,832	13,518	13,518	13,518	13,518
Non-current assets	155,448	148,967	159,262	169,173	179,555
LT investments	112,826	104,045	114,671	124,954	135,908
Net fixed assets	19,421	19,495	19,165	18,793	18,221
Other assets	23,201	25,426	25,426	25,426	25,426
Total liabilities	257,716	244,276	241,777	242,105	252,559
Current liabilities	238,183	222,677	220,216	220,532	230,990
Accounts payable	95,730	51,368	73,419	70,362	78,647
Interest bearing ST liabilities	9,407	48,908	23,946	22,433	22,437
Other current liabilities	133,045	122,401	122,852	127,736	129,906
Non-current liabilities	19,534	21,599	21,561	21,573	21,569
Long-term debt	155	145	107	120	115
Other L-T liabilities	18,423	20,545	20,545	20,545	20,545
Total equity	246,436	226,889	234,968	245,149	256,269
Share capital	7,428	7,428	7,428	7,428	7,428
Retained earnings reserve	135,085	113,873	118,841	125,903	133,894
Minority interests	14,105	14,508	16,708	18,908	21,108
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Growth					
Revenue growth	29.7%	0.4%	(10.0%)	14.6%	11.6%
Operating profit growth	97.6%	(73.7%)	1.3%	90.0%	16.8%
EBITDA growth	86.6%	(70.5%)	1.5%	75.9%	15.8%
Net profit growth	67.7%	(67.0%)	12.7%	42.1%	13.2%
EPS growth	67.7%	(67.0%)	12.7%	42.1%	13.2%
Profitability					
Gross profit margin	20.6%	13.8%	14.7%	15.5%	15.6%
Operating margin	9.2%	2.4%	2.7%	4.5%	4.7%
EBITDA margin	9.9%	2.9%	3.3%	5.0%	5.2%
Net profit margin	8.3%	2.7%	3.4%	4.2%	4.3%
Return on average assets	9.9%	3.0%	3.5%	4.9%	5.3%
Return on average equity	20.5%	6.6%	7.7%	10.6%	11.5%
Stability					
Gross debt to equity	3.9%	21.6%	10.2%	9.2%	8.8%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	346.5	29.3	31.4	60.9	70.4
Interest & ST debt coverage (x)	0.9	0.3	0.5	0.6	0.6
Cash flow interest coverage(x)	191.1	(20.6)	47.6	15.8	19.4
Cash flow/int. & ST debt (x)	3.4	(0.3)	1.4	0.4	0.4
Current ratio (x)	1.5	1.4	1.4	1.4	1.4
Quick ratio (x)	0.8	0.8	0.9	0.9	0.8
Net debt (NT\$m)	(58,250)	(20,270)	(44,125)	(41,014)	(34,507)
Per share data					
EPS (NT\$)	59.98	19.78	22.29	31.69	35.86
CFPS (NT\$)	44.01	(21.17)	47.44	11.58	13.75
BVPS (NT\$)	312.79	285.93	293.85	304.59	316.60
Adj BVPS (NT\$)	312.79	285.93	293.80	304.57	316.60
SPS (NT\$)	720.61	723.24	650.81	745.96	832.56
EBITDA/share (NT\$)	71.24	21.01	21.32	37.52	43.45
Cash DPS (NT\$)	42.00	15.00	15.61	22.18	25.10
Activity					
Sales / avg assets	1.19	1.10	1.02	1.15	1.24
Days receivable	63.6	62.0	80.0	71.0	65.0
Days inventory	143.7	112.3	110.0	100.0	100.0
Days payable	82.2	40.5	65.0	55.0	55.0
Cash cycle	125.1	133.9	125.0	116.0	110.0

Source: Company data, KGI Research estimates

Profit & loss

NTSmn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue	535,239	537,192	483,471	554,111	618,407
Cost of goods sold	(424,923)	(463,051)	(412,274)	(468,230)	(521,930)
Gross profit	110,316	74,141	71,197	85,881	96,477
Operating expenses	(60,980)	(61,162)	(58,043)	(60,893)	(67,281)
Operating profit	49,326	12,982	13,154	24,988	29,196
Non-operating income	11,523	9,699	10,253	8,478	8,179
Interest income	528	920	2,653	2,078	1,779
Investment income	5,087	5,478	4,100	3,500	3,500
Other non-op income	5,908	3,300	3,500	2,900	2,900
Non-operating expenses	(1,754)	(1,065)	(940)	(844)	(827)
Interest expense	(171)	(763)	(740)	(544)	(527)
Investment loss	(683)	-	-	-	-
Other non-op expenses	(900)	(303)	(200)	(300)	(300)
Pre-tax profit	59,094	21,616	22,467	32,621	36,549
Current taxation	(12,483)	(4,784)	(3,707)	(6,883)	(7,712)
Minorities	(2,056)	(2,141)	(2,200)	(2,200)	(2,200)
Extraordinary items	(6)	(0)	-	-	-
Net profit	44,550	14,691	16,560	23,538	26,637
EBITDA	52,914	15,603	15,840	27,867	32,275
EPS (NT\$)	59.98	19.78	22.29	31.69	35.86

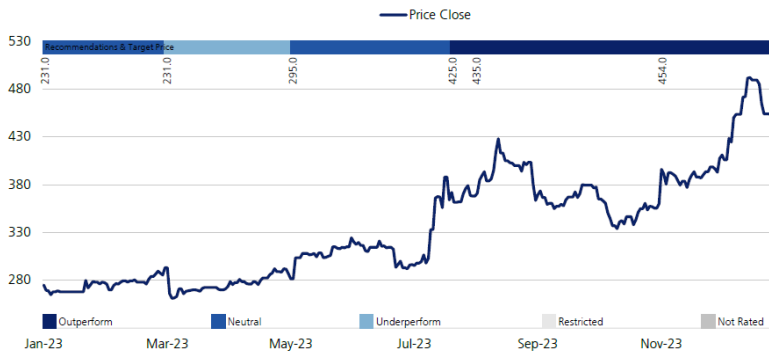
Cash flow

NTSmn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Operations cash flow	32,691	(15,721)	35,243	8,598	10,212
Net profit	44,550	14,691	16,560	23,538	26,637
Depreciation & amortisation	3,588	2,621	2,686	2,879	3,079
Decrease in working capital	(47,177)	(19,145)	25,621	(8,266)	(9,414)
Other operating cash flow	31,731	(13,888)	(9,624)	(9,552)	(10,089)
Investing cash flow	(1,784)	1,445	(3,357)	(3,237)	(3,372)
Sale of ST investment	(1,610)	(370)	-	-	-
New investments	(1,543)	(460)	(1,001)	(730)	(866)
Capital expenditure	(2,178)	(1,524)	(1,850)	(2,000)	(2,000)
Others investing cashflow	3,547	3,798	(506)	(506)	(506)
Free cash flow	(7,290)	(8,417)	36,934	11,822	14,194
Financing cash flow	(17,368)	6,816	(33,031)	(9,972)	(13,348)
Increase in short term debt	3,565	39,480	(25,000)	(1,500)	-
Increase in long term loans	166	(11)	-	-	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(19,312)	(31,196)	(11,141)	(11,592)	(16,477)
Other financing cashflow	(1,787)	(1,458)	3,111	3,120	3,129
Forex effects	(2,507)	8,971	-	-	-
Total cash generated	11,033	1,510	(1,145)	(4,611)	(6,507)

ROIC

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	11.4%	11.4%	12.0%	11.0%	10.9%
= Operating margin	9.2%	2.4%	2.7%	4.5%	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	6.9	7.6	7.8
Operating margin	9.2%	2.4%	2.7%	4.5%	4.7%
x Capital turnover	7.9	5.6	6.9	7.6	7.8
x (1 - tax rate)	78.9%	77.9%	83.5%	78.9%	78.9%
= After-tax ROIC	57.1%	10.5%	15.7%	27.1%	29.0%

Source: Company data, KGI Research estimates

Asustek – Recommendation & target price history


Date	Rating	Target	Price
2023-11-14	Outperform	454.0	396.0
2023-08-13	Outperform	435.0	368.0
2023-08-01	Outperform	425.0	372.0
2023-05-13	Neutral	295.0	281.5
2023-03-11	Underperform	231.0	293.0
2022-11-11	Neutral	231.0	249.0
2022-10-23	Neutral	244.0	229.0
2022-08-12	Neutral	255.0	262.0
2022-07-21	Neutral	272.0	322.0
2022-05-11	Neutral	380.0	349.5

Source: TEJ, KGI Research

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