

Catcher Technology (2474.TW/2474 TT)

Notebook demand recovery to boost sales in 2025F

FTSE4Good TIP Taiwan ESG Index stock

Neutral · Maintained

Price as of May 13 (NT\$)	229.5
12M target price (NT\$)	255.0
Previous target price (NT\$)	255.0
Unchanged (%)	0.0
Upside (%)	11.1

Key message

- 1Q24 EPS of NT\$6.73 beat consensus & our estimate on higher margins & forex gains.
- We expect 2Q24F sales to grow 23% QoQ, despite a YoY fall, and 2H24-2025F sales to grow YoY, with improved margins.
- We expect Catcher to ride on a NB replacement demand increase in 2025F.

Trading data

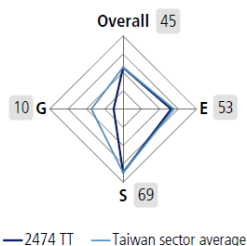
Mkt cap (NT\$/US\$mn)	156.1 / 4,817
Outstanding shares (mn)	680
Foreign ownership (mn)	225.7
3M avg. daily trading (mn)	1.96
52-week trading range (NT\$)	166.5 – 229.5

Performance	3M	6M	12M
Absolute (%)	18.6	22.4	24.4
Relative (%)	3.3	-1.5	-10.1

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	2.81A	4.88A	7.06A	0.40A
2023	1.25A	6.59A	6.59A	(1.02)A
2024	6.73A	4.89F	5.08F	3.53F

ESG score card



Source: Refinitiv, KGI securities

Event

Catcher Technology's 1Q24 EPS of NT\$6.73 beat consensus and our estimate on higher margins and forex gains. With a new model launch for Apple (US), the firm's 2Q24F sales outlook is quite positive, and 2H24F sales will be stronger than 1H24F, resulting in YoY sales and margin rebounds in 2024F.

Impact

1Q24 EPS beat. 1Q24 EPS of NT\$6.73 beat our forecast and consensus, on better gross and operating margins, as well as forex gains. Gross margin of 27.9% and operating margin of 7.9% both improved QoQ and YoY, which were also better than we had expected, thanks to sales growth on the back of new product launches from Apple, growing gaming NB case sales, and NT dollar depreciation. However, a key client is exerting strong pricing pressure, weighing on margins. Coupled with forex gains of NT\$2.9bn, EPS was a strong beat. The firm derives over 97% of sales from notebooks (NB), with limited contributions from the auto and medical segments. A growing gaming sales weighting, from less than 5% in 2023 to 5-6% in 1Q24, has benefited the firm's margins.

Bright sales outlook for rest of 2024F. Catcher registered April sales of NT\$1.47bn, up 8% QoQ, but still down 33% YoY. Based on a new client's MacBook Air model launch, and stable commercial and gaming NB sales, we expect 2Q24F sales to grow 23% QoQ. Despite an expected YoY fall for sales in 2Q24F, we forecast 2H24-2025F sales to see YoY growth, and 2H24F sales will be stronger than 1H24F sales on several new model rollouts by NB clients. With the firm's utilization rate improving, gross margin should expand to 30% in 2Q24F, and grow further in 2H24F. On the back of stable operating expenses, we expect an operating margin improvement will be more apparent in 2H24F, resulting in higher EPS. As for AI NB, we expect more models to roll out after 3Q24, which may stimulate some replacement demand in the commercial market. Due to the suspension of technical support for Windows 10 in 4Q25F, we think most NB replacement demand will arise in 2025F, contributing to Catcher's sales growth. The non-NB business will provide very minimal sales contributions during 2024-25F, and new ventures into semi equipment for precision metal parts and medical devices will take some time to bear fruit. We expect Catcher's main sales growth driver will be a rebound in NB demand. Our 2024F EPS forecast is upped to NT\$20.22, up 52% YoY, to reflect better 1H24F margin and EPS, and our 2025F EPS forecast is NT\$13.77, down YoY on higher forex gain expected in 2024F while operating profit is in a growth

Valuation & Action

Our target price is revised up from NT\$190 to NT\$255, on 15x average 2024-25F EPS. Maintain Neutral.

Risks

Slow new business development; ASP pressure; weak NB demand.

Key financials and valuations

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (NT\$mn)	41,095	27,821	18,074	18,769	20,372
Gross profit (NT\$mn)	13,569	8,867	4,934	5,553	6,345
Operating profit (NT\$mn)	8,760	4,969	1,627	2,438	3,081
Net profit (NT\$mn)	8,575	10,902	9,151	13,757	9,367
EPS (NT\$)	11.31	15.14	13.33	20.22	13.77
Cash DPS (NT\$)	10.00	10.00	10.00	10.00	10.00
EPS growth (%)	(59.1)	33.9	(12.0)	51.7	(31.9)
PE (x)	20.3	15.2	17.2	11.4	16.7
PB (x)	1.2	1.0	1.0	1.0	1.1
EV/EBITDA (x)	12.1	15.5	17.3	15.7	13.9
Net debt to equity (%)	16.5	Net cash	22.1	26.4	31.8
Dividend yield (%)	4.4	4.4	4.4	4.4	4.4
Return on average equity (%)	5.5	6.9	5.7	8.9	6.3

Source: Company data; KGI Research estimates

Figure 1: Breakdown of 1Q24 results & 2Q24 forecast revisions vs. consensus

NT\$m	1Q24							2Q24F						
	Actual	KGI forecast	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	3,659	3,510	4.2	10.6	3.3	3,643	0.4	4,500	4,387	2.6	23.0	(34.7)	4,151	8.4
Gross profits	1,020	807	26.3	24.6	25.6	916	11.3	1,350	1,185	14.0	32.4	14.0	1,063	27.0
Operating income	288	35	720.9	444.1	-	174	65.6	585	307	90.5	103.1	90.5	315	85.7
Pretax Income	5,899	2,580	128.6	-	405.2	4,038	46.1	4,752	2,852	66.6	(19.4)	66.6	3,375	40.8
Net income	4,576	1,806	153.4	-	417.7	2,642	73.2	3,327	1,996	66.6	(27.3)	66.6	2,232	49.0
EPS (NT\$)	6.73	2.65	153.4	-	438.0	3.85	73.2	4.89	2.93	66.6	(27.3)	66.7	3.22	49.0
Gross margin (%)	27.9	23.0	4.9 ppts	3.1 ppts	4.9 ppts	25.2	2.7 ppts	30.0	27.0	3.0 ppts	2.1 ppts	3.0 ppts	25.6	4.4 ppts
OP margin (%)	7.9	1.0	6.9 ppts	6.3 ppts	8.3 ppts	4.8	3.1 ppts	13.0	7.0	6.0 ppts	5.1 ppts	6.0 ppts	7.6	5.4 ppts
Net margin (%)	125.1	51.5	73.6 ppts	146.3 ppts	100.1 ppts	72.5	52.5 ppts	73.9	45.5	28.4 ppts	(51.1)ppts	28.4 ppts	53.8	20.1 ppts

Source: KGI Research; Bloomberg

Figure 2: Breakdown of 2024-25 forecast revisions vs. consensus

NT\$m	2024F						2025F					
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	18,769	19,998	(6.1)	3.8	19,095	(1.7)	20,372	22,336	(8.8)	8.5	21,114	(3.5)
Gross profit	5,553	5,622	(1.2)	12.5	5,423	2.4	6,345	6,626	(4.2)	14.3	N/A	N/A
Operating income	2,438	2,157	13.0	49.9	2,160	12.9	3,081	2,809	9.7	26.4	2,822	9.2
Pretax Income	19,107	12,336	54.9	55.4	14,416	32.5	13,010	10,772	20.8	(31.9)	15,243	(14.6)
Net income	13,757	8,635	59.3	50.3	10,322	33.3	9,367	7,541	24.2	(31.9)	10,721	(12.6)
EPS (NT\$)	20.22	12.69	59.3	51.7	15.17	33.3	13.77	11.08	24.2	(31.9)	15.76	(12.6)
Gross margin (%)	29.6	28.1	1.5 ppts	2.3 ppts	28.4	1.2 ppts	31.1	29.7	1.5 ppts	1.6 ppts	N/A	N/A
OP margin (%)	13.0	10.8	2.2 ppts	4.0 ppts	11.3	1.7 ppts	15.1	12.6	2.5 ppts	2.1 ppts	13.4	1.8 ppts
Net margin (%)	73.3	43.2	30.1 ppts	22.7 ppts	54.1	19.2 ppts	46.0	33.8	12.2 ppts	(27.3)ppts	50.8	(4.8)ppts

Source: KGI Research; Bloomberg

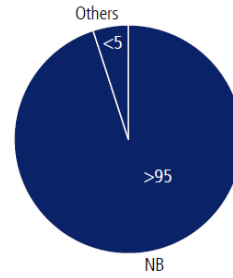
Figure 3: Company profile

Established in 1984, Catcher supplies metal casings to the consumer electronics, communications, and computer industries. After its Taizhou plant was sold to Lens (CN) in 4Q20, NB casing sales rose to around 87-90% in 2022, with 10% from tablets and less than 3% from wearables and automotive products. Catcher's top clients, Apple (US), Dell (US), HP (US), Asustek (2357 TT, NT\$466, OP) and Gigabyte (2376 TT, NT\$313, OP), accounted for over 95% of consolidated revenue in 2022. The company has production networks in China and Taiwan, and more new business should come from Taiwan in the future.

Source: KGI Research

Figure 4: Notebooks the major sales contributor in 2023

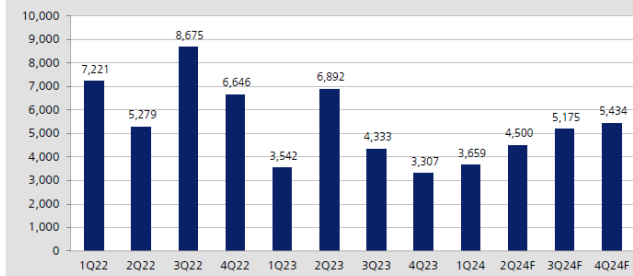
2023 sales weighting, percent



Source: Company data; KGI Research

Figure 5: Sales

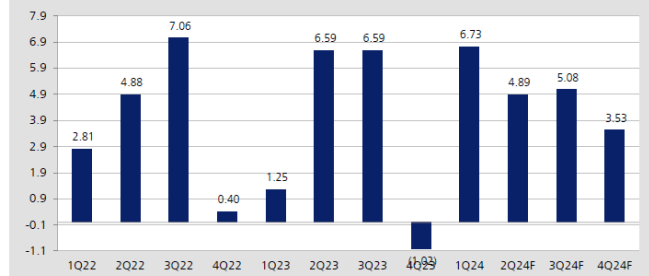
Sales, NT\$m



Source: KGI Research

Figure 6: EPS

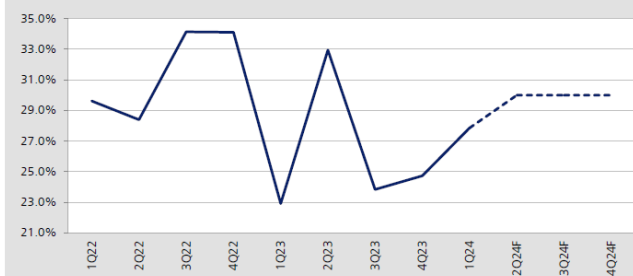
EPS, NT\$



Source: KGI Research

Figure 7: Gross Margin

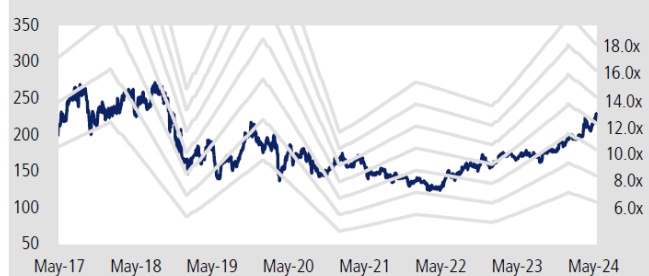
Gross margin, percent



Source: KGI Research

Figure 8: 12M forward PE band

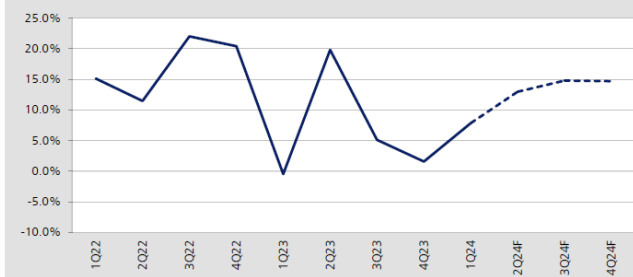
Share price, NT\$ (LHS); PE ratio, x (RHS)



Source: TEJ; KGI Research estimates

Figure 9: Operating Margin

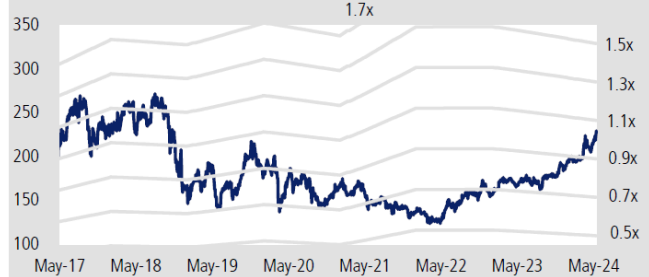
Operating margin, percent



Source: KGI Research

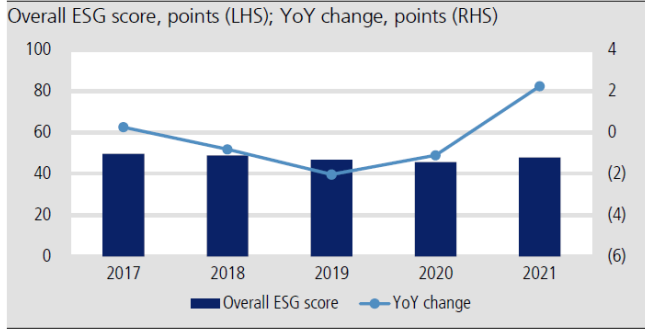
Figure 10: 12M forward PB band

Share price, NT\$ (LHS); PB ratio, x (RHS)



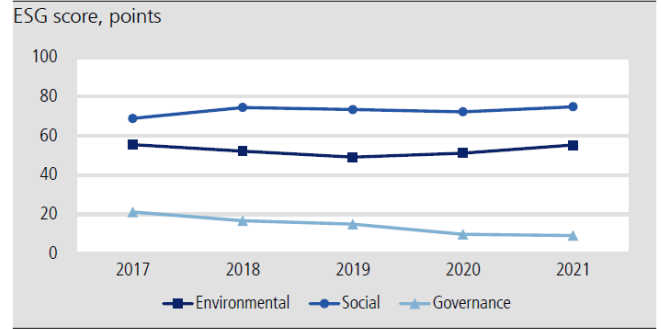
Source: TEJ; KGI Research estimates

Figure 11: Overall ESG score



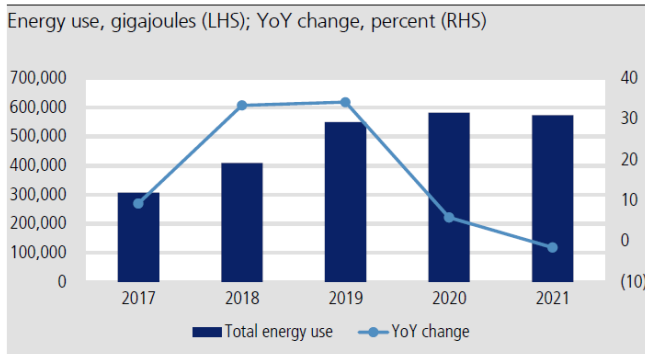
Source: Refinitiv; KGI Research; Company data

Figure 12: ESG score by category



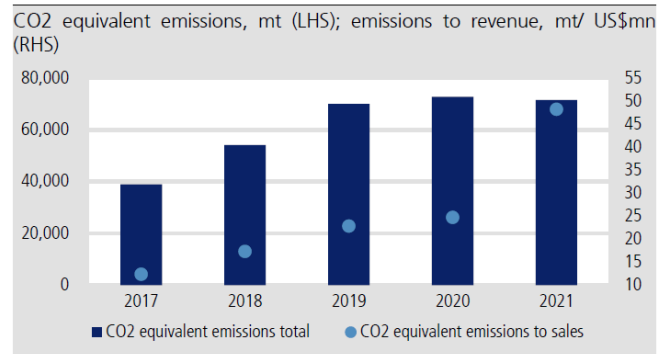
Source: Refinitiv; KGI Research; Company data

Figure 13: Energy use



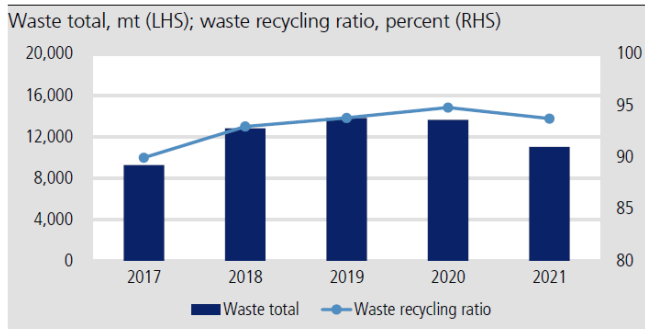
Source: Refinitiv; KGI Research; Company data

Figure 14: CO2 equivalent emissions



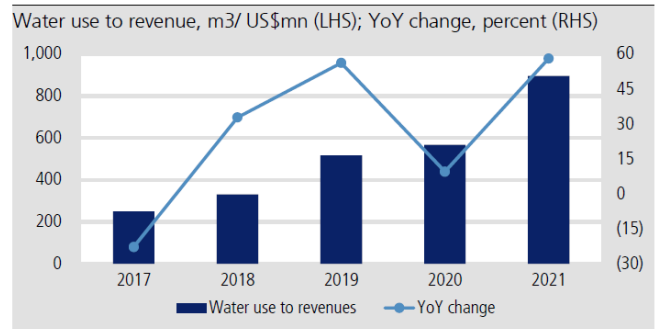
Source: Refinitiv; KGI Research; Company data

Figure 15: Waste total



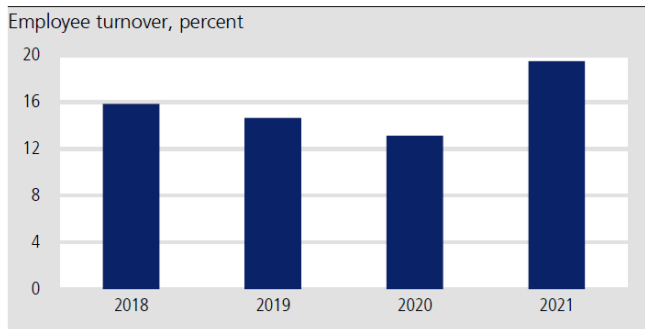
Source: Refinitiv; KGI Research; Company data

Figure 16: Water use to revenue



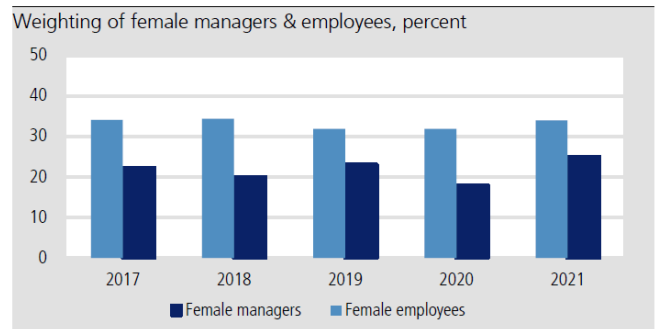
Source: Refinitiv; KGI Research; Company data

Figure 17: Employee turnover



Source: Refinitiv; KGI Research; Company data

Figure 18: Gender diversification



Source: Refinitiv; KGI Research; Company data

ESG chart definition

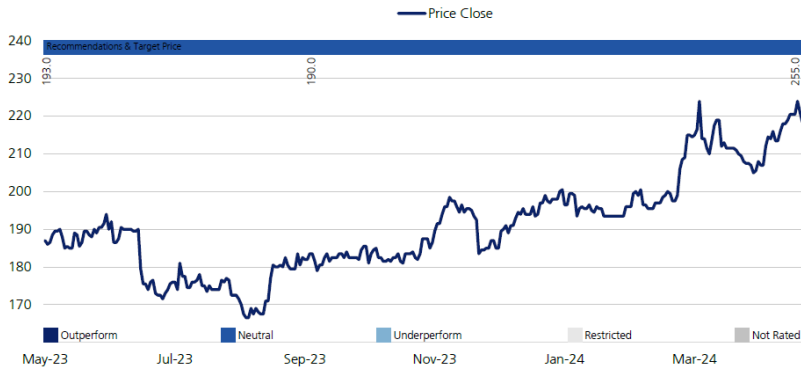
Item	Definition	Remarks
Energy use	<p>Total direct and indirect energy consumption in gigajoules.</p> <ul style="list-style-type: none"> - the total amount of energy that has been consumed within the boundaries of the company's operations - total energy use = total direct energy consumption + indirect 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\$mn)</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-24F	Sep-24F	Dec-24F	Dec-23A	Dec-24F	Dec-25F
Income statement (NT\$m)											
Revenue	3,542	6,892	4,333	3,307	3,659	4,500	5,175	5,434	18,074	18,769	20,372
Cost of goods sold	(2,730)	(4,621)	(3,300)	(2,489)	(2,639)	(3,150)	(3,623)	(3,804)	(13,140)	(13,216)	(14,027)
Gross profit	812	2,271	1,033	818	1,020	1,350	1,553	1,630	4,934	5,553	6,345
Operating expenses	(828)	(904)	(811)	(765)	(731)	(765)	(787)	(831)	(3,307)	(3,115)	(3,264)
Operating profit	(16)	1,367	223	53	288	585	766	799	1,627	2,438	3,081
Depreciation of fixed assets	(740)	(708)	(694)	(613)	(588)	(592)	(592)	(596)	(2,755)	(2,369)	(2,322)
Amortisation of intangible assets	(6)	(7)	(6)	(6)	(4)	(5)	(5)	(5)	(25)	(20)	(20)
EBITDA	730	2,082	924	671	880	1,182	1,363	1,401	4,407	4,826	5,423
Interest income	2,150	2,643	2,695	2,913	2,850	2,684	2,684	2,518	10,401	10,738	9,874
Investment income	37	-	40	28	41	38	38	34	105	150	175
Other non-op income	24	3,252	2,632	13	3,088	2,196	2,196	1,303	5,921	8,782	2,798
Non-operating income	2,210	5,895	5,368	2,954	5,979	4,917	4,917	3,855	16,426	19,670	12,847
Interest expense	(239)	(282)	(326)	(344)	(369)	(375)	(375)	(382)	(1,191)	(1,501)	(1,418)
Investment loss	-	(1)	-	-	-	-	-	-	-	-	-
Other non-op expenses	(788)	0	-	(3,781)	-	(375)	(375)	(750)	(4,569)	(1,500)	(1,500)
Non-operating expenses	(1,027)	(283)	(326)	(4,125)	(369)	(750)	(750)	(1,132)	(5,760)	(3,001)	(2,918)
Pre-tax profit	1,167	6,979	5,264	(1,117)	5,899	4,752	4,933	3,523	12,293	19,107	13,010
Current taxation	(284)	(2,496)	(778)	416	(1,323)	(1,426)	(1,480)	(1,121)	(3,142)	(5,350)	(3,643)
Minorities	(0)	(0)	(0)	0	(0)	-	-	0	(0)	-	-
Normalised net profit	884	4,483	4,486	(701)	4,576	3,327	3,453	2,401	9,151	13,757	9,367
Extraordinary items	(0)	0	0	0	(0)	-	-	0	-	-	-
Net profit	884	4,483	4,486	(701)	4,576	3,327	3,453	2,401	9,151	13,757	9,367
EPS (NT\$)	1.25	6.59	6.59	(1.02)	6.73	4.89	5.08	3.53	13.33	20.22	13.77
Margins (%)											
Gross profit margin	22.9	32.9	23.8	24.7	27.9	30.0	30.0	30.0	27.3	29.6	31.1
Operating margin	(0.4)	19.8	5.1	1.6	7.9	13.0	14.8	14.7	9.0	13.0	15.1
EBITDA margin	20.6	30.2	21.3	20.3	24.1	26.3	26.3	25.8	24.4	25.7	26.6
Pretax profit margin	33.0	101.3	121.5	(33.8)	161.2	105.6	95.3	64.8	68.0	101.8	63.9
Net profit margin	25.0	65.1	103.5	(21.2)	125.1	73.9	66.7	44.2	50.6	73.3	46.0
Sequential growth (%)											
Revenue growth	(46.7)	94.6	(37.1)	(23.7)	10.6	23.0	15.0	5.0			
Gross profit growth	(64.2)	179.7	(54.5)	(20.8)	24.6	32.4	15.0	5.0			
Operating profit growth	(101.2)		(83.7)	(76.2)	444.1	103.1	30.9	4.3			
EBITDA growth	(65.7)	185.1	(55.6)	(27.3)	31.1	34.3	15.3	2.8			
Pretax profit growth	301.3	497.8	(24.6)	(121.2)		(19.4)	3.8	(28.6)			
Net profit growth	208.7	407.3	0.1	(115.6)		(27.3)	3.8	(30.5)			
YoY growth (%)											
Revenue growth	(51.0)	30.6	(50.0)	(50.2)	3.3	(34.7)	19.4	64.3	(35.0)	3.8	8.5
Gross profit growth	(62.0)	51.4	(65.1)	(63.9)	25.6	(40.5)	50.2	99.3	(44.4)	12.5	14.3
Operating profit growth	(101.4)	125.3	(88.3)	(96.1)		(57.2)	244.0	1408.5	(67.3)	49.9	26.4
EBITDA growth	(63.9)	37.5	(66.4)	(68.5)	20.6	(43.2)	47.6	108.6	(47.7)	9.5	12.4
Pretax profit growth	(61.7)	55.7	(39.7)	(484.1)	405.2	(31.9)	(6.3)		(25.6)	55.4	(31.9)
Net profit growth	(57.0)	27.6	(11.1)	(345.0)	417.7	(25.8)	(23.0)		(16.1)	50.3	(31.9)

Source: Company data; KGI Research estimates

Catcher Technology – Recommendation & target price history


Date	Rating	Target	Price
2024-05-13	Neutral	255.0	229.5
2023-11-11	Neutral	190.0	187.5
2023-09-18	Neutral	190.0	183.5
2023-05-10	Neutral	193.0	185.5
2022-11-09	Neutral	180.0	176.5
2022-08-09	Neutral	162.0	179.5
2022-05-10	Neutral	147.0	155.5
2022-02-24	Neutral	140.0	149.0
2021-11-08	Neutral	175.0	163.0
2021-10-13	Neutral	170.0	161.0

Source: TEJ; KGI Research

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