

# Delta Electronics (2308.TW/2308 TT)

## Muted earnings growth in 2024F; valuation fair

FTSE4Good TIP Taiwan ESG Index stock

### Neutral · Maintained

Price as of March 1 (NT\$)	293.5
12M target price (NT\$)	297.0
Previous target price (NT\$)	297.0
Unchanged (%)	0.0
Upside (%)	1.2

#### Key message

- 2023 EPS was NT\$12.86, up 2% YoY, in line with consensus.
- AI server power, EV components and passive components to fuel 2024F sales growth of 8%.
- We maintain 2024F EPS at NT\$13.10, up 2% YoY but 12% below consensus.

#### Trading data

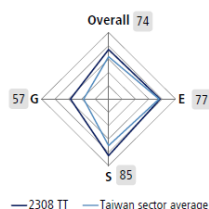
Mkt cap (NT\$/US\$mn)	762 / 24,078
Outstanding shares (mn)	2,598
Foreign ownership (mn)	1,619
3M avg. daily trading (mn)	4.68
52-week trading range (NT\$)	277.0 – 375.5

Performance	3M	6M	12M
Absolute (%)	-8.1	-15.2	1.4
Relative (%)	-16.7	-29	-20

#### Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	2.33A	2.94A	4.26A	3.05A
2023	2.66A	3.14A	3.60A	3.45F
2024	2.48F	3.08F	3.92F	3.62F

#### ESG score card



Source: TEJ

#### Event

Delta posted 2023 EPS of NT\$12.86 and announced a cash dividend of NT\$6.43 per share.

#### Impact

**4Q23 EPS of NT\$3.45 in line with consensus.** 4Q23 gross margin was up 0.8ppts QoQ to 30.4%, 1.0ppts and 1.3ppts above consensus and our estimate, reflecting a favorable product mix. Operating margin, however, dropped 0.7ppts QoQ to 10.4%, on continued expansion of operating expense despite sales contraction QoQ. As a result, operating profit was down 13% QoQ and 4% YoY to NT\$10.4bn. For the full year, sales grew 4% to NT\$401.2bn but operating profit declined 1% to NT\$40.9bn. EPS grew 2% last year to NT\$12.86, with non-op income of above normal levels contributing 16% of 2023 pre-tax profit. EV related businesses were main sales growth drivers, with EV solutions (EVSBG) and EV charging sales up 81% and 20% YoY for a combined sales weighting of 13.6%. Power electronics accounted for 62% of 2023 sales, but made up 88% of operating profit. Automation and infrastructure segments saw muted sales on macro headwinds last year, with operating margins sliding further to 3.1% and 2.0%.

#### AI server & EV to fuel 2024F sales growth; we maintain 2024F sales growth of 8%.

Management reiterates a positive growth outlook for server power supply and EV businesses, but has cut EVSBG sales growth from 40-50% to 20-30% in 2024F on near-term auto industry headwinds. Specifically, AI server power supply sales could more than double in 2024F on multiple project wins, offsetting lukewarm demand seen recently for power supply used in general purpose server. Delta continues to see EVSBG sales outgrow the market on new model deliveries, and monthly sales recovered in January. Furthermore, new auto projects will fuel components segment sales growth of over 20% this year, according to the firm. Nevertheless, Delta continues to see demand weakness across multiple businesses such as networking, building automation and game console power supply. We maintain 2024F sales growth of 8% YoY, of which server power supply and EV businesses will grow 16% and 21%, for a combined sales weighting of 32%.

**We maintain 2024F EPS at NT\$13.10, up 2% YoY, on lower non-op gains.** While slightly raising 2024F gross margin to 29.7%, up 0.5ppts YoY, we maintain operating margin at 10.5%, up 0.3ppts YoY, for operating profit growth of 11%. As we expect non-op gains to normalize, we maintain our 2024 EPS forecast at NT\$13.10, up 2% YoY and 12% below consensus. Near term, we estimate 1Q24F sales of NT\$95.6bn, up 3% YoY, and EPS of NT\$2.48, down 28% QoQ and 7% YoY.

#### Valuation & Action

We maintain our 12M target price at NT\$297, based on 21x average 2024-25F EPS of NT\$14.12. We deem the current valuation as fair. Delta's cash dividend of NT\$6.43 per share implies a 2.2% yield. Maintain Neutral.

#### Risks

Macro headwinds weigh on sales recovery.

#### Key financials and valuations

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (NT\$mn)	314,671	384,443	401,227	433,792	477,265
Gross profit (NT\$mn)	90,209	110,773	117,213	128,682	141,706
Operating profit (NT\$mn)	31,365	41,439	40,950	45,448	53,080
Net profit (NT\$mn)	26,796	32,666	33,393	34,039	39,345
EPS (NT\$)	10.32	12.58	12.86	13.10	15.15
Cash DPS (NT\$)	5.50	9.84	6.43	6.55	7.57
EPS growth (%)	5.1	21.9	2.2	1.9	15.6
PE (x)	28.5	23.3	22.8	22.4	19.4
PB (x)	4.9	4.1	3.9	3.6	3.3
EV/EBITDA (x)	18.4	14.7	13.5	12.1	10.5
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	1.9	3.4	2.2	2.2	2.6
Return on average equity (%)	17.8	19.1	17.5	16.7	17.6

Source: Company data, KGI Research estimates

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

NT\$m	4Q23							1Q24F						
	Actual	KGI	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	100,020	100,020	0.0	(7.2)	(5.3)	106,744	(6.3)	95,567	96,348	(0.8)	(4.5)	2.9	99,383	(3.8)
Gross profit	30,405	29,106	4.5	(4.6)	2.7	31,369	(3.1)	27,523	27,748	(0.8)	(9.5)	7.6	28,339	(2.9)
Operating profit	10,364	9,702	6.8	(12.9)	(3.8)	11,563	(10.4)	8,123	8,671	(6.3)	(21.6)	(3.4)	9,876	(17.7)
Net income	8,973	8,930	0.5	(4.2)	13.4	8,959	0.2	6,429	6,800	(5.4)	(28.3)	(6.9)	7,546	(14.8)
EPS (NT\$)	3.45	3.44	0.5	(4.2)	13.4	3.41	1.3	2.48	2.62	(5.4)	(28.3)	(6.9)	2.90	(14.5)
Gross margin (%)	30.4	29.1	1.3 ppts	0.8 ppts	2.4 ppts	29.4	1.0 ppts	28.8	28.8	0.0 ppts	(1.6) ppts	1.3 ppts	28.5	0.3 ppts
Op. margin (%)	10.4	9.7	0.7 ppts	(0.7) ppts	0.2 ppts	10.8	(0.5) ppts	8.5	9.0	(0.5) ppts	(1.9) ppts	(0.6) ppts	9.9	(1.4) ppts
Net margin (%)	9.0	8.9	0.0 ppts	0.3 ppts	1.5 ppts	8.4	0.6 ppts	6.7	7.1	(0.3) ppts	(2.2) ppts	(0.7) ppts	7.6	(0.9) ppts

Source: Refinitiv, KGI Research

**Figure 2: Breakdown of 2023 results & 2024 forecast revisions vs. consensus**

NT\$m	2023						2024F					
	Actual	KGI	Diff. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	401,227	401,226	0.0	4.4	408,165	(1.7)	433,792	431,718	0.5	8.1	450,705	(3.8)
Gross profit	117,213	115,914	1.1	5.8	118,251	(0.9)	128,682	126,357	1.8	9.8	132,284	(2.7)
Operating profit	40,950	40,288	1.6	(1.2)	42,275	(3.1)	45,448	45,321	0.3	11.0	50,317	(9.7)
Net income	33,393	33,350	0.1	2.2	33,378	0.0	34,039	34,015	0.1	1.9	38,580	(11.8)
EPS (NT\$)	12.86	12.84	0.1	2.2	12.88	(0.2)	13.10	13.10	0.1	1.9	14.85	(11.8)
Gross margin (%)	29.2	28.9	0.3 ppts	0.4 ppts	29.0	0.2 ppts	29.7	29.3	0.4 ppts	0.5 ppts	29.4	0.3 ppts
Op. margin (%)	10.2	10.0	0.2 ppts	(0.6) ppts	10.4	(0.2) ppts	10.5	10.5	(0.0) ppts	0.3 ppts	11.2	(0.7) ppts
Net margin (%)	8.3	8.3	0.0 ppts	(0.2) ppts	8.2	0.1 ppts	7.8	7.9	(0.0) ppts	(0.5) ppts	8.6	(0.7) ppts

Source: Refinitiv, KGI Research

**Figure 3: Delta Electronics' business structure**

Segment	4Q23 sales weighting (%)	Business group	2023 sales growth (%)	2024F sales growth (%)	2024F sales weighting (%)	Products
Power electronics	61	Electric vehicle solution (EVSBG)	81	23	13	On-board charger, DC/DC converter, traction motor, traction inverter
		Power supply (PSBG)	5	9	32	DT power, NB power, server power, home appliance power, game console power, offline UPS, printer power, and other; medical device power, industrial power module
		Component (CPBG)	-4	20	10	Passive component (Cyntec), optical transceiver
		Fan & thermal (FMBG)	-8	5	9	Cooling fan, thermal module
Automation	13	Industrial automation (IABG)	0	0	8	Industrial automation (Servo motor, AC motor drive, PLC, CNC control, HMI, robot arms)
		Building automation (BABG)	-1	-3	4	Building automation solution, LED lighting fixture, surveillance camera, controller
Infrastructure	26	Information & communication technology (ICTBG)	-9	0	17	Telecom power, data center solutions, networking
		Energy infrastructure system (EISBG)	16	10	6	Off-board EV-charger, renewable energy (solar inverter & wind power converter), energy storage system, display, power-conditioning system

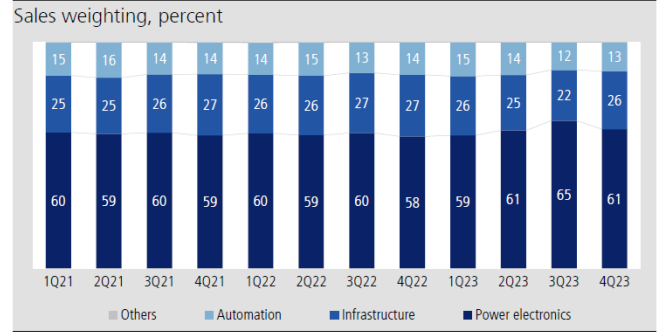
Note: Industrial and medical power supplies (2% of revenue combined) were moved from EISBG to PSBG, effective 1Q21

Source: Company data; KGI Research

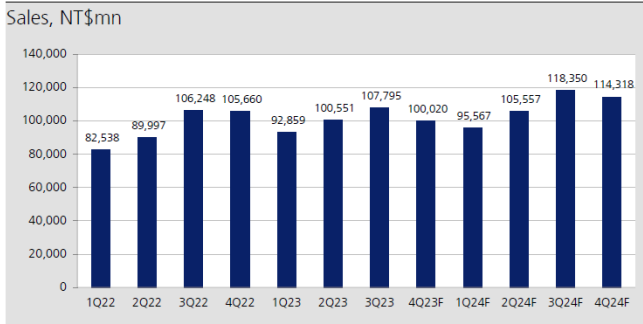
**Figure 4: Company profile**

Established in 1971, Delta Electronics is a leading global supplier of electronics components. Some of its products command significant global market share. Post the acquisition of Delta Electronics (Thailand) in April 2019, the firm now operates production facilities in China, Taiwan, Thailand, India, and Slovakia. Power electronics, automation, and infrastructure accounted for a respective 59%, 14%, and 27% of 2023 sales.

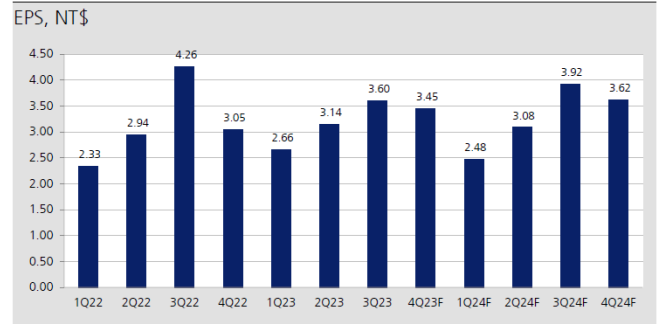
Source: KGI Research

**Figure 5: Sales mix**


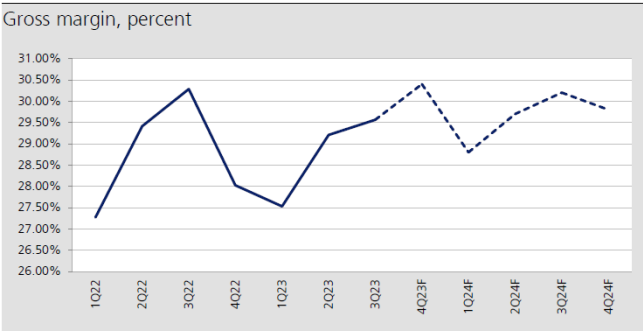
Source: KGI Research

**Figure 6: Sales**


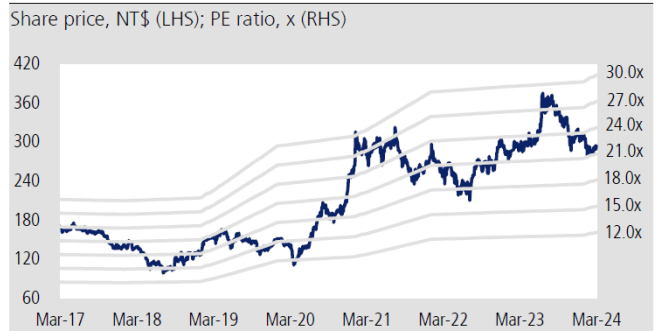
Source: KGI Research

**Figure 7: EPS**


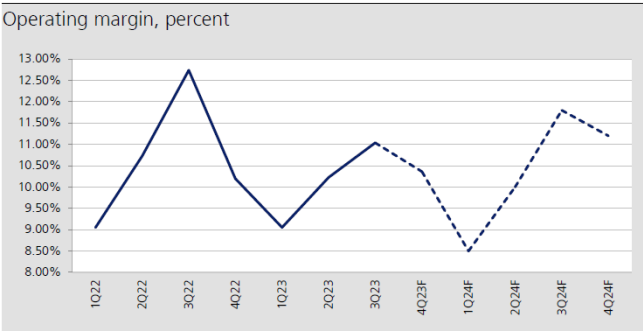
Source: KGI Research

**Figure 8: Gross Margin**


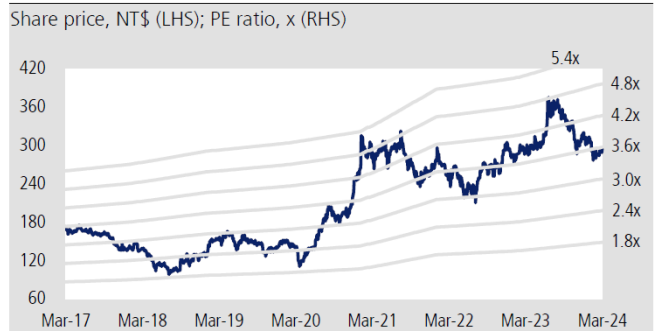
Source: KGI Research

**Figure 9: 12M forward PE band**


Source: KGI Research

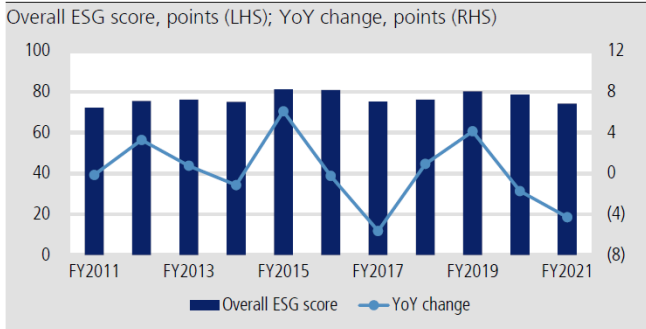
**Figure 10: Operating Margin**


Source: KGI Research

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


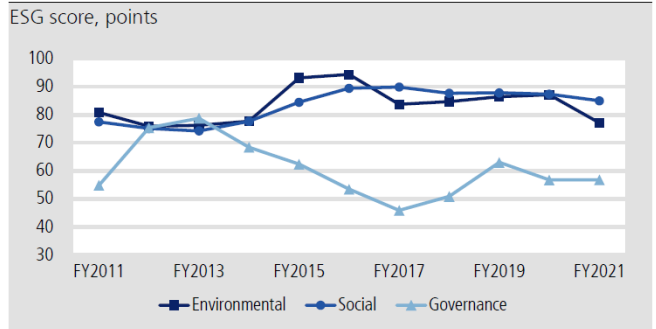
Source: KGI Research

**Figure 12: Overall ESG score**



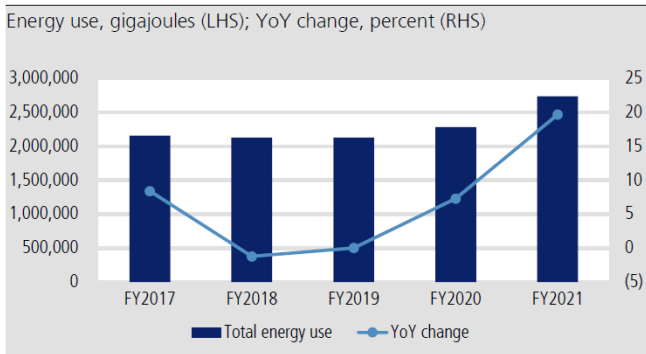
Source: Refinitiv; KGI Research; Company data

**Figure 13: ESG score by category**



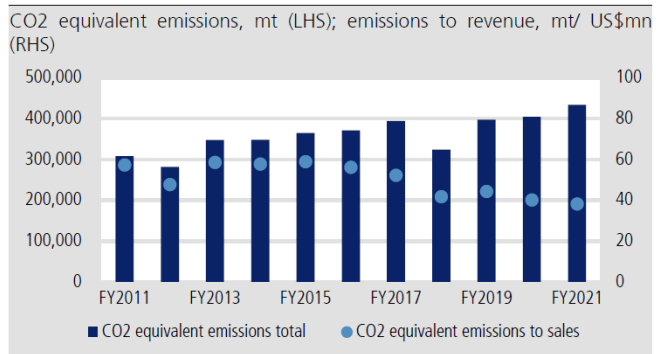
Source: Refinitiv; KGI Research; Company data

**Figure 14: Energy use**



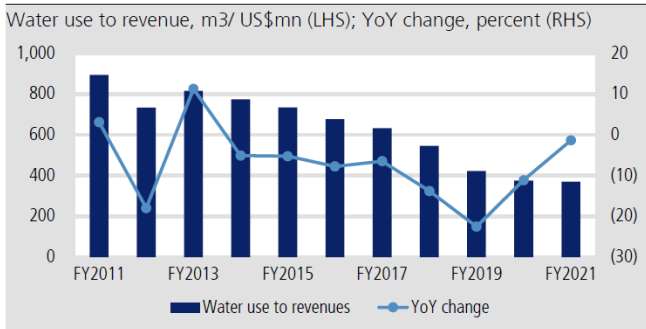
Source: Refinitiv; KGI Research; Company data

**Figure 15: CO2 equivalent emissions**



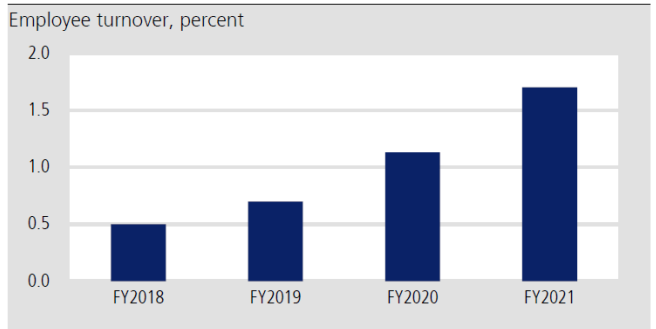
Source: Refinitiv; KGI Research; Company data

**Figure 16: Water use to revenue**



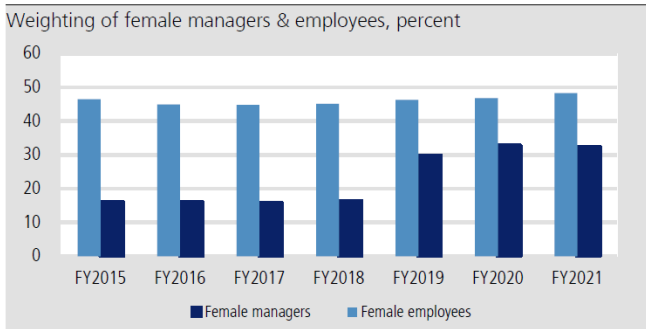
Source: Refinitiv; KGI Research; Company data

**Figure 17: Employee turnover**



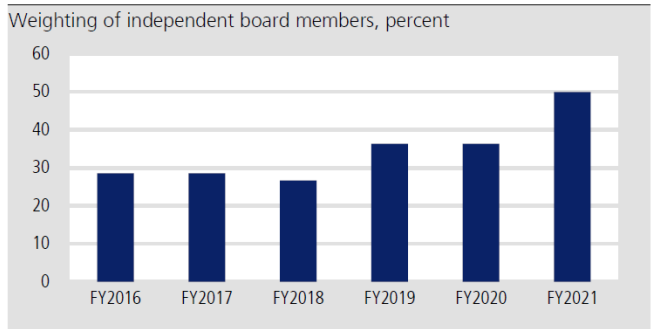
Source: Refinitiv; KGI Research; Company data

**Figure 18: Gender diversification**



Source: Refinitiv; KGI Research; Company data

**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"> <li>- the total amount of energy that has been consumed within the boundaries of the company's operations</li> <li>- total energy use = total direct energy consumption + indirect energy consumption</li> <li>- purchased energy and produced energy are included in total energy use</li> <li>- 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)</li> <li>- for utilities, raw materials such as coal, gas or nuclear used in the production of energy are not considered under 'total energy use'</li> </ul>	
Renewable energy purchased	<p>Total primary renewable energy purchased in gigajoules.</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- if there is no evidence that renewable energy is produced by the company, then we consider the reported energy figure as renewable energy purchased</li> </ul>	
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"> <li>- direct emissions from sources that are owned or controlled by the company (scope 1 emissions)</li> <li>- following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)</li> </ul>	
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"> <li>- direct emissions from sources that are owned or controlled by the company (scope 1 emissions)</li> <li>- following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)</li> </ul>	
Waste total	<p>Total amount of waste produced in metric tons.</p> <ul style="list-style-type: none"> <li>- total waste = non-hazardous waste + hazardous waste</li> <li>- 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</li> <li>- for sectors like mining, oil &amp; gas, waste generation like tailings, waste rock, coal and fly ash are also considered</li> </ul>	
Waste recycling ratio	<p>The waste recycling ratio as reported by the company.</p> <ul style="list-style-type: none"> <li>- waste recycling ratio = waste recycled/total waste*100</li> <li>- waste to energy or waste incinerated with energy recovery are considered as waste recycled</li> <li>- waste recovered via composting is considered as recycled waste</li> </ul>	
Water withdrawal total	<p>Total water withdrawal in cubic meters.</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- different sources of water like wells, town/utility/municipal water, river water, and surface water are considered</li> </ul>	
Environmental expenditures	<p>Total amount of environmental expenditures.</p> <ul style="list-style-type: none"> <li>- all environmental investment &amp; expenditures for environmental protection or to prevent, reduce, control environmental aspects, impacts, and hazards. It also includes disposal, treatment, sanitation, and clean-up expenditures</li> </ul>	
Turnover of employees	<p>Percentage of employee turnover.</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- employees turnover rate = (employees leaving/average number of employees)*100</li> <li>- where the average number of employees = (employees at the end of the current year + employees at the end of the previous year)/2</li> <li>- employees at the end of the current fiscal year = employees at the end of the previous fiscal year + new employees - employees leaving</li> </ul>	
Women managers	<p>Percentage of women managers.</p> <ul style="list-style-type: none"> <li>- percentage of women managers among total managers of the company</li> <li>- 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</li> <li>- percentage of women managers = number of women managers/total number of managers*100</li> </ul>	
Women employees	<p>Percentage of women employees.</p> <ul style="list-style-type: none"> <li>- percentage of women employees to the total number of employees of the company</li> <li>- percentage of women employees = number of women/total number of employees*100</li> </ul>	
Training hours total	<p>Total training hours performed by all employees.</p> <ul style="list-style-type: none"> <li>- consider only employee training hours</li> <li>- includes all types of training given to general employees (such as health &amp; safety, environmental, emergency response, skills &amp; career development training)</li> <li>- if the value is given in days, multiply by 8, assuming that 1 day = 8 hours worked</li> </ul>	
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
<b>Income statement (NT\$m)</b>											
<b>Revenue</b>	<b>92,859</b>	<b>100,551</b>	<b>107,795</b>	<b>100,020</b>	<b>95,567</b>	<b>105,557</b>	<b>118,350</b>	<b>114,318</b>	<b>401,227</b>	<b>433,792</b>	<b>477,265</b>
Cost of goods sold	(67,292)	(71,181)	(75,926)	(69,616)	(68,044)	(74,206)	(82,608)	(80,251)	(284,013)	(305,110)	(335,559)
<b>Gross profit</b>	<b>25,568</b>	<b>29,371</b>	<b>31,870</b>	<b>30,405</b>	<b>27,523</b>	<b>31,350</b>	<b>35,742</b>	<b>34,067</b>	<b>117,213</b>	<b>128,682</b>	<b>141,706</b>
Operating expenses	(17,161)	(19,088)	(19,973)	(20,041)	(19,400)	(20,795)	(21,776)	(21,263)	(76,263)	(83,234)	(88,626)
<b>Operating profit</b>	<b>8,407</b>	<b>10,283</b>	<b>11,897</b>	<b>10,364</b>	<b>8,123</b>	<b>10,556</b>	<b>13,965</b>	<b>12,804</b>	<b>40,950</b>	<b>45,448</b>	<b>53,080</b>
Depreciation of fixed assets	(4,082)	(4,290)	(4,541)	(4,654)	(4,747)	(4,842)	(4,939)	(5,038)	(17,567)	(19,567)	(21,180)
Amortisation of intangible assets	(984)	(973)	(1,002)	(980)	(980)	(980)	(980)	(980)	(3,939)	(3,920)	(3,920)
<b>EBITDA</b>	<b>13,472</b>	<b>15,546</b>	<b>17,440</b>	<b>15,998</b>	<b>13,851</b>	<b>16,378</b>	<b>19,885</b>	<b>18,822</b>	<b>62,456</b>	<b>68,935</b>	<b>78,180</b>
Interest income	372	443	543	506	559	598	508	518	1,864	2,183	2,314
Investment income	10	24	162	30	30	30	30	30	225	120	120
Other non-op income	931	929	957	2,500	850	800	700	700	5,318	3,050	3,120
<b>Non-operating income</b>	<b>1,312</b>	<b>1,396</b>	<b>1,662</b>	<b>3,036</b>	<b>1,439</b>	<b>1,428</b>	<b>1,238</b>	<b>1,248</b>	<b>7,406</b>	<b>5,353</b>	<b>5,554</b>
Interest expense	(254)	(238)	(337)	(337)	(337)	(337)	(336)	(336)	(1,166)	(1,347)	(1,345)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	494	508	549	(99)	300	225	225	225	1,452	975	1,000
<b>Non-operating expenses</b>	<b>241</b>	<b>270</b>	<b>211</b>	<b>(436)</b>	<b>(37)</b>	<b>(112)</b>	<b>(111)</b>	<b>(111)</b>	<b>286</b>	<b>(372)</b>	<b>(345)</b>
<b>Pre-tax profit</b>	<b>9,959</b>	<b>11,948</b>	<b>13,771</b>	<b>12,964</b>	<b>9,525</b>	<b>11,871</b>	<b>15,092</b>	<b>13,940</b>	<b>48,642</b>	<b>50,429</b>	<b>58,289</b>
Current taxation	(1,988)	(2,425)	(2,741)	(2,607)	(1,905)	(2,374)	(3,018)	(2,788)	(9,762)	(10,086)	(11,658)
Minorities	(1,063)	(1,374)	(1,667)	(1,383)	(1,191)	(1,484)	(1,887)	(1,743)	(5,488)	(6,304)	(7,286)
<b>Normalised net profit</b>	<b>6,908</b>	<b>8,149</b>	<b>9,363</b>	<b>8,973</b>	<b>6,429</b>	<b>8,013</b>	<b>10,187</b>	<b>9,410</b>	<b>33,393</b>	<b>34,039</b>	<b>39,345</b>
Extraordinary items	0	(0)	0	-	-	-	-	-	-	-	-
<b>Net profit</b>	<b>6,908</b>	<b>8,149</b>	<b>9,363</b>	<b>8,973</b>	<b>6,429</b>	<b>8,013</b>	<b>10,187</b>	<b>9,410</b>	<b>33,393</b>	<b>34,039</b>	<b>39,345</b>
EPS (NT\$)	2.66	3.14	3.60	3.45	2.48	3.08	3.92	3.62	12.86	13.10	15.15
<b>Margins (%)</b>											
Gross profit margin	27.5	29.2	29.6	30.4	28.8	29.7	30.2	29.8	29.2	29.7	29.7
Operating margin	9.1	10.2	11.0	10.4	8.5	10.0	11.8	11.2	10.2	10.5	11.1
EBITDA margin	14.5	15.5	16.2	16.0	14.5	15.5	16.8	16.5	15.6	15.9	16.4
Pretax profit margin	10.7	11.9	12.8	13.0	10.0	11.2	12.8	12.2	12.1	11.6	12.2
Net profit margin	7.4	8.1	8.7	9.0	6.7	7.6	8.6	8.2	8.3	7.8	8.2
<b>Sequential growth (%)</b>											
Revenue growth	(12.1)	8.3	7.2	(7.2)	(4.5)	10.5	12.1	(3.4)			
Gross profit growth	(13.7)	14.9	8.5	(4.6)	(9.5)	13.9	14.0	(4.7)			
Operating profit growth	(22.0)	22.3	15.7	(12.9)	(21.6)	29.9	32.3	(8.3)			
EBITDA growth	(14.5)	15.4	12.2	(8.3)	(13.4)	18.2	21.4	(5.3)			
Pretax profit growth	(13.6)	20.0	15.3	(5.9)	(26.5)	24.6	27.1	(7.6)			
Net profit growth	(12.7)	18.0	14.9	(4.2)	(28.3)	24.6	27.1	(7.6)			
<b>YoY growth (%)</b>											
Revenue growth	12.5	11.7	1.5	(5.3)	2.9	5.0	9.8	14.3	4.4	8.1	10.0
Gross profit growth	13.6	11.0	(1.0)	2.7	7.6	6.7	12.1	12.0	5.8	9.8	10.1
Operating profit growth	12.6	6.5	(12.1)	(3.8)	(3.4)	2.7	17.4	23.5	(1.2)	11.0	16.8
EBITDA growth	12.6	8.6	(4.9)	1.5	2.8	5.4	14.0	17.7	3.4	10.4	13.4
Pretax profit growth	16.6	10.3	(9.2)	12.5	(4.4)	(0.6)	9.6	7.5	5.6	3.7	15.6
Net profit growth	14.0	6.8	(15.4)	13.4	(6.9)	(1.7)	8.8	4.9	2.2	1.9	15.6

Source: Company data, KGI Research estimates

### Balance sheet

NT\$m	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Total assets</b>	<b>365,112</b>	<b>425,874</b>	<b>460,982</b>	<b>487,969</b>	<b>523,114</b>
<b>Current assets</b>	<b>196,878</b>	<b>240,450</b>	<b>256,470</b>	<b>276,823</b>	<b>306,949</b>
Cash & ST securities	51,268	63,572	101,039	117,438	137,576
Inventory	66,107	79,844	61,328	63,406	67,939
Accounts receivable	70,885	87,227	75,789	77,664	83,119
Other current assets	8,618	9,807	18,314	18,314	18,314
<b>Non-current assets</b>	<b>168,234</b>	<b>185,423</b>	<b>204,513</b>	<b>211,145</b>	<b>216,165</b>
LT investments	5,017	4,623	10,208	10,328	10,448
Net fixed assets	76,607	86,267	99,334	109,767	118,587
Other assets	86,609	94,534	94,971	91,051	87,131
<b>Total liabilities</b>	<b>178,988</b>	<b>200,507</b>	<b>221,631</b>	<b>224,977</b>	<b>230,510</b>
<b>Current liabilities</b>	<b>108,169</b>	<b>125,013</b>	<b>117,858</b>	<b>121,204</b>	<b>126,738</b>
Accounts payable	54,570	62,716	51,511	54,857	60,391
Interest bearing ST liabilities	4,442	2,119	4,612	4,612	4,612
Other current liabilities	49,157	60,179	61,735	61,735	61,735
<b>Non-current liabilities</b>	<b>70,818</b>	<b>75,493</b>	<b>103,773</b>	<b>103,773</b>	<b>103,773</b>
Long-term debt	43,914	44,337	37,836	37,836	37,836
Other L-T liabilities	25,538	28,853	63,693	63,693	63,693
<b>Total equity</b>	<b>186,125</b>	<b>225,367</b>	<b>239,351</b>	<b>262,992</b>	<b>292,604</b>
Share capital	25,975	25,975	25,975	25,975	25,975
Retained earnings reserve	53,623	65,907	83,668	101,005	123,330
Minority interests	31,338	38,578	44,495	50,799	58,085
Preferred shareholders funds	-	-	-	-	-

### Key ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Growth</b>					
Revenue growth	11.3%	22.2%	4.4%	8.1%	10.0%
Operating profit growth	(0.2%)	32.1%	(1.2%)	11.0%	16.8%
EBITDA growth	2.6%	24.4%	3.4%	10.4%	13.4%
Net profit growth	5.1%	21.9%	2.2%	1.9%	15.6%
EPS growth	5.1%	21.9%	2.2%	1.9%	15.6%
<b>Profitability</b>					
Gross profit margin	28.7%	28.8%	29.2%	29.7%	29.7%
Operating margin	10.0%	10.8%	10.2%	10.5%	11.1%
EBITDA margin	15.4%	15.7%	15.6%	15.9%	16.4%
Net profit margin	8.5%	8.5%	8.3%	7.8%	8.2%
Return on average assets	7.6%	8.3%	7.5%	7.2%	7.8%
Return on average equity	17.8%	19.1%	17.5%	16.7%	17.6%
<b>Stability</b>					
Gross debt to equity	26.0%	20.6%	17.7%	16.1%	14.5%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	121.7	81.6	42.7	38.4	44.3
Interest & ST debt coverage (x)	0.9	0.9	0.9	0.9	0.9
Cash flow interest coverage(x)	95.9	81.4	71.4	46.8	49.9
Cash flow/int. & ST debt (x)	6.0	17.3	14.4	10.6	11.3
Current ratio (x)	1.8	1.9	2.2	2.3	2.4
Quick ratio (x)	1.2	1.3	1.7	1.8	1.9
Net debt (NT\$m)	(1,499)	(15,090)	(56,238)	(72,638)	(92,775)
<b>Per share data</b>					
EPS (NT\$)	10.32	12.58	12.86	13.10	15.15
CFPS (NT\$)	10.90	17.91	32.05	24.29	25.85
BVPS (NT\$)	59.59	71.91	75.02	81.69	90.28
Adj BVPS (NT\$)	59.59	71.91	75.02	81.69	90.28
SPS (NT\$)	121.14	148.00	154.46	167.00	183.74
EBITDA/share (NT\$)	18.68	23.24	24.04	26.54	30.10
Cash DPS (NT\$)	5.50	9.84	6.43	6.55	7.57
<b>Activity</b>					
Sales / avg assets	0.90	0.97	0.90	0.91	0.94
Days receivable	82.2	82.8	68.9	65.5	63.6
Days inventory	107.5	106.5	78.8	76.1	73.9
Days payable	88.7	83.6	66.2	65.8	65.7
Cash cycle	101.0	105.7	81.6	75.8	71.8

Source: Company data, KGI Research estimates

### Profit & loss

NT\$m	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Revenue</b>	<b>314,671</b>	<b>384,443</b>	<b>401,227</b>	<b>433,792</b>	<b>477,265</b>
Cost of goods sold	(224,461)	(273,671)	(284,013)	(305,110)	(335,559)
<b>Gross profit</b>	<b>90,209</b>	<b>110,773</b>	<b>117,213</b>	<b>128,682</b>	<b>141,706</b>
Operating expenses	(58,845)	(69,334)	(76,263)	(83,234)	(88,626)
<b>Operating profit</b>	<b>31,365</b>	<b>41,439</b>	<b>40,950</b>	<b>45,448</b>	<b>53,080</b>
<b>Non-operating income</b>	<b>3,520</b>	<b>4,001</b>	<b>7,406</b>	<b>5,353</b>	<b>5,554</b>
Interest income	430	610	1,864	2,183	2,314
Investment income	296	323	225	120	120
Other non-op income	2,795	3,068	5,318	3,050	3,120
<b>Non-operating expenses</b>	<b>743</b>	<b>626</b>	<b>286</b>	<b>(372)</b>	<b>(345)</b>
Interest expense	(295)	(571)	(1,166)	(1,347)	(1,345)
Investment loss	(0)	-	-	-	-
Other non-op expenses	1,038	1,197	1,452	975	1,000
<b>Pre-tax profit</b>	<b>35,628</b>	<b>46,065</b>	<b>48,642</b>	<b>50,429</b>	<b>58,289</b>
Current taxation	(7,128)	(9,075)	(9,762)	(10,086)	(11,658)
Minorities	(1,703)	(4,325)	(5,488)	(6,304)	(7,286)
Extraordinary items	-	(0)	-	-	-
<b>Net profit</b>	<b>26,796</b>	<b>32,666</b>	<b>33,393</b>	<b>34,039</b>	<b>39,345</b>
<b>EBITDA</b>	<b>48,516</b>	<b>60,375</b>	<b>62,456</b>	<b>68,935</b>	<b>78,180</b>
EPS (NT\$)	10.32	12.58	12.86	13.10	15.15

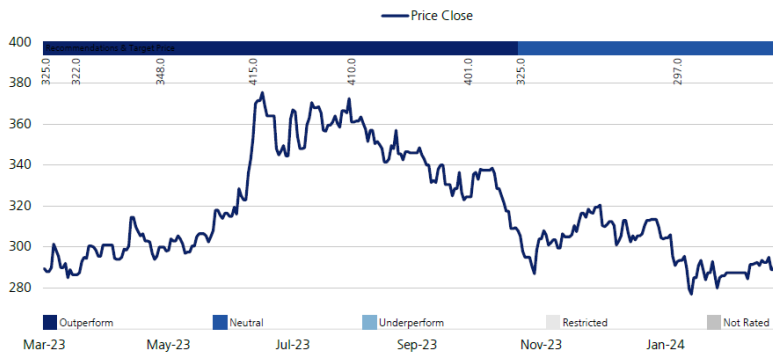
### Cash flow

NT\$m	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Operations cash flow</b>	<b>28,319</b>	<b>46,529</b>	<b>83,243</b>	<b>63,102</b>	<b>67,157</b>
Net profit	26,796	32,666	33,393	34,039	39,345
Depreciation & amortisation	17,151	18,936	21,506	23,487	25,100
Decrease in working capital	(20,506)	(20,062)	18,907	(608)	(4,454)
Other operating cash flow	4,878	14,990	9,437	6,184	7,166
<b>Investing cash flow</b>	<b>(26,481)</b>	<b>(24,719)</b>	<b>(35,246)</b>	<b>(30,000)</b>	<b>(30,000)</b>
Sale of ST investment	178	218	-	-	-
New investments	604	-	(458)	-	-
Capital expenditure	(23,027)	(21,824)	(29,103)	(30,000)	(30,000)
Others investing cashflow	(4,235)	(3,113)	(5,686)	-	-
<b>Free cash flow</b>	<b>(4,977)</b>	<b>6,409</b>	<b>40,104</b>	<b>25,317</b>	<b>29,190</b>
<b>Financing cash flow</b>	<b>(8,337)</b>	<b>(19,739)</b>	<b>(14,526)</b>	<b>(16,702)</b>	<b>(17,020)</b>
Increase in short term debt	2,396	(2,321)	(587)	-	-
Increase in long term loans	4,597	421	(3,551)	-	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(15,751)	(15,026)	(25,560)	(16,702)	(17,020)
Other financing cashflow	421	(2,814)	15,171	(0)	(0)
<b>Forex effects</b>	<b>(2,358)</b>	<b>9,621</b>	<b>3,670</b>	-	-
<b>Total cash generated</b>	<b>(8,857)</b>	<b>11,692</b>	<b>37,140</b>	<b>16,400</b>	<b>20,137</b>

### ROIC

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	18.7%	18.0%	19.0%	19.2%	18.6%
<b>= Operating margin</b>	<b>10.0%</b>	<b>10.8%</b>	<b>10.2%</b>	<b>10.5%</b>	<b>11.1%</b>
1 / (Working capital/revenue	0.1	0.1	0.1	0.1	0.1
+ Net PPE/revenue	0.2	0.2	0.2	0.3	0.2
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
<b>= Capital turnover</b>	<b>2.6</b>	<b>2.7</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>
Operating margin	10.0%	10.8%	10.2%	10.5%	11.1%
x Capital turnover	2.6	2.7	2.8	2.8	2.8
x (1 - tax rate)	80.0%	80.3%	79.9%	80.0%	80.0%
<b>= After-tax ROIC</b>	<b>20.7%</b>	<b>23.1%</b>	<b>22.6%</b>	<b>23.3%</b>	<b>25.1%</b>

Source: Company data, KGI Research estimates

**Delta Electronics – Recommendation & target price history**


Date	Rating	Target	Price
2024-01-10	Neutral	297.0	291.0
2023-10-24	Neutral	325.0	308.0
2023-09-28	Outperform	401.0	324.5
2023-08-01	Outperform	410.0	372.5
2023-06-13	Outperform	415.0	343.0
2023-04-28	Outperform	348.0	300.0
2023-03-17	Outperform	322.0	286.5
2023-02-23	Outperform	325.0	290.0
2023-02-07	Outperform	325.0	296.0
2022-10-27	Outperform	325.0	258.0

Source: TEJ, KGI Research

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