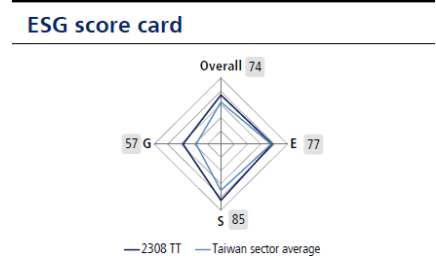


Delta Electronics (2308.TW/2308 TT)

Product mix-driven margin expansion to carry over

Outperform · Maintained	
Price as of August 1 (NT\$)	424.0
12M target price (NT\$)	528
Previous target price (NT\$)	490.0
Revised up (%)	7.8
Upside (%)	24.5
Key message	
1. 2Q24 EPS of NT\$3.83 was a strong beat thanks to record-high gross margin of 34.1%, which we think is sustainable. 2. We project accelerating YoY revenue growth in 3Q-4Q24F, supported by AI and passive components strength. 3. We raise 2024-25F by a respective 7% & 8% on higher margin assumptions.	
Trading data	
Mkt cap (NT\$/bn/US\$mn)	1,101 / 33,795
Outstanding shares (mn)	2,598
Foreign ownership (mn)	1,686
3M avg. daily trading (mn)	9.47
52-week trading range (NT\$)	277.0 -434.0
Performance	3M 6M 12M
Absolute (%)	32.3 48.8 13.8
Relative (%)	21.3 22.8 -17.7

Quarterly EPS					
NT\$	1Q	2Q	3Q	4Q	
2023	2.66A	3.14A	3.60A	3.45A	
2024	2.22A	3.83A	4.58F	4.64F	
2025	3.77F	4.70F	5.59F	5.48F	



Source: TEJ

Event

Delta Electronics reported 2Q24 EPS of NT\$3.83, 22% ahead of consensus, boosted by a record-high gross margin of 34.1%, up 4.6ppts QoQ, beating consensus by 3.8ppts.

Impact

Gross margin strength to sustain in coming quarters. Inventory writedown reversals added only 0.4ppts to the gross margin gain in 2Q24, implying that gross margin would be 33.8% excluding the addition, still up 2.9ppts QoQ, mainly on a favorable mix, as server power and passive components revenue were both up 30%+ YoY in the quarter, vs. a corporate average of 3% YoY. We therefore believe gross margin strength is to sustain for at least the next several quarters given no major inventory writedown in the near future. We project both 3Q24F and 4Q24F gross margins at 34.0%.

Accelerating YoY revenue growth in 2H24F. Delta said global macro uncertainties are weighing on telecom, networking and automation businesses, and the firm has lowered mobility segment sales guidance to slight growth in 2024F. Meantime, liquid cooling will soon be joining AI server power and passive components as growth catalysts on ramping liquid-to-air cooling retrofit shipments in 4Q24F, for 3Q-4Q24F revenue of NT\$118.7bn and NT\$120.7bn, up a respective 10% and 21% YoY. Management also notes that its thermal fan, cold plate and CDU are all on Nvidia's (US) reference vendor list. We project a server power revenue CAGR of 24% in 2023-26F, and see server-related business accounting for over 30% of Delta's revenue in 2025F, including 3% from liquid cooling.

2024-25F EPS growth of 19% & 29%. Management reiterates opex growth of 15% in 2024F, citing continuous R&D efforts. We raise 2024-25F gross margin by 1.8ppts and 1.3ppts to 33.1% and 33.6%, and accordingly revise up EPS forecasts by 7% and 8% to NT\$15.27 and NT\$19.54, 13% and 17% higher than consensus, based on 8% and 16% revenue growth.

Valuation & Action

We maintain Outperform and raise our 12M target price to NT\$528, based on 27x 2025F EPS (target PE unchanged). We regard the current PE valuation of 22x (historical band of 15-27x) as attractive as we believe the firm's presence in the AI server supply chain is strong and expect an earnings uptrend, which will serve as share price catalysts.

Risks

Macro headwinds; AI server supply chain constraints.

Key financials and valuations

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue (NT\$mn)	384,443	401,227	434,143	504,440	558,478
Gross profit (NT\$mn)	110,773	117,213	143,619	169,284	183,762
Operating profit (NT\$mn)	41,439	40,950	54,136	70,891	77,231
Net profit (NT\$mn)	32,666	33,393	39,660	50,764	55,410
EPS (NT\$)	12.58	12.86	15.27	19.54	21.33
Cash DPS (NT\$)	9.84	6.43	7.63	9.77	10.67
EPS growth (%)	21.9	2.2	18.8	28.0	9.2
PE (x)	33.7	33.0	27.8	21.7	19.9
PB (x)	5.9	5.5	4.8	4.2	3.8
EV/EBITDA (x)	21.3	20.7	16.2	13.0	11.8
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	2.3	1.5	1.8	2.3	2.5
Return on average equity (%)	19.1	17.3	18.5	20.6	20.0

Source: Company data; KGI Research estimates

Figure 1: Breakdown of 2Q24 results & 3Q24 forecast revisions vs. consensus

NT\$m	2Q24							3Q24F						
	Actual	KGI	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Revenue	103,444	105,152	(1.6)	13.3	2.9	103,151	0.3	118,689	119,333	(0.5)	14.7	10.1	117,863	0.7
Gross profit	35,302	32,972	7.1	31.0	20.2	31,246	13.0	40,301	38,358	5.1	14.2	26.5	36,310	11.0
Operating profit	13,133	11,732	11.9	77.6	27.7	10,523	24.8	16,622	15,566	6.8	26.6	39.7	13,745	20.9
Net income	9,948	8,767	13.5	72.6	22.1	8,141	22.2	11,896	11,477	3.7	19.6	27.1	10,352	14.9
EPS (NT\$)	3.83	3.38	13.5	72.6	22.1	3.14	22.1	4.58	4.42	3.7	19.6	27.1	4.06	12.8
Gross margin (%)	34.1	31.4	2.8 ppts	4.6 ppts	4.9 ppts	30.3	3.8 ppts	34.0	32.1	1.8 ppts	(0.2) ppts	4.4 ppts	30.8	3.1 ppts
Op. margin (%)	12.7	11.2	1.5 ppts	4.6 ppts	2.5 ppts	10.2	2.5 ppts	14.0	13.0	1.0 ppts	1.3 ppts	3.0 ppts	11.7	2.3 ppts
Net margin (%)	9.6	8.3	1.3 ppts	3.3 ppts	1.5 ppts	7.9	1.7 ppts	10.0	9.6	0.4 ppts	0.4 ppts	1.3 ppts	8.8	1.2 ppts

Source: Bloomberg; KGI Research

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. (%)
Revenue	434,143	434,845	(0.2)	8.2	431,685	0.6	504,440	490,544	2.8	16.2	491,896	2.6
Gross profit	143,619	136,120	5.5	22.5	131,366	9.3	169,284	158,436	6.8	17.9	150,987	12.1
Operating profit	54,136	49,554	9.2	32.2	45,635	18.6	70,891	64,023	10.7	30.9	58,707	20.8
Net income	39,660	36,912	7.4	18.8	35,221	12.6	50,764	47,105	7.8	28.0	43,531	16.6
EPS (NT\$)	15.27	14.21	7.4	18.8	13.55	12.7	19.54	18.13	7.8	28.0	16.78	16.5
Gross margin (%)	33.1	31.3	1.8 ppts	3.9 ppts	30.4	2.7 ppts	33.6	32.3	1.3 ppts	0.5 ppts	30.7	2.9 ppts
Op. margin (%)	12.5	11.4	1.1 ppts	2.3 ppts	10.6	1.9 ppts	14.1	13.1	1.0 ppts	1.6 ppts	11.9	2.1 ppts
Net margin (%)	9.1	8.5	0.6 ppts	0.8 ppts	8.2	1.0 ppts	10.1	9.6	0.5 ppts	0.9 ppts	8.8	1.2 ppts

Source: Bloomberg; KGI Research

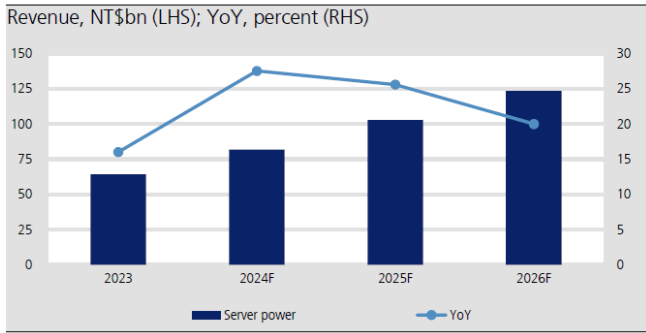
Figure 3: Delta Electronics' business structure

Segment	2Q24 revenue weighting (%)	Business group	2023 revenue growth (%)	2024F revenue growth (%)	2024F revenue weighting (%)	Products
Power electronics	53	Power supply (PSBG)	5	14	34	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	29	11	Passive component (Cyntec), optical transceiver
		Fan & thermal (FMBG)	-8	4	9	Cooling fan, thermal module
Mobility	11	Electric vehicle solution (EVSBG)	81	4	11	On-board charger, DC/DC converter, traction motor, traction inverter
Automation	13	Industrial automation (IABG)	0	3	8	Industrial automation (Servo motor, AC motor drive, PLC, CNC control, HMI, robot arms)
		Building automation (BABG)	-1	-12	4	Building automation solution, LED lighting fixture, surveillance camera, controller
Infrastructure	22	Information & communication technology (ICTBG)	-9	9	19	Telecom power, data center solutions, networking
		Energy infrastructure system (EISBG)	16	-17	5	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

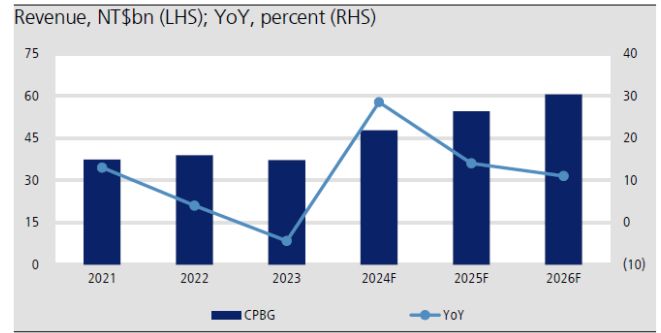
Source: Company data; KGI Research

Figure 4: We project a server power supply revenue CAGR of 24% in 2023-26F, thanks to AI proliferation



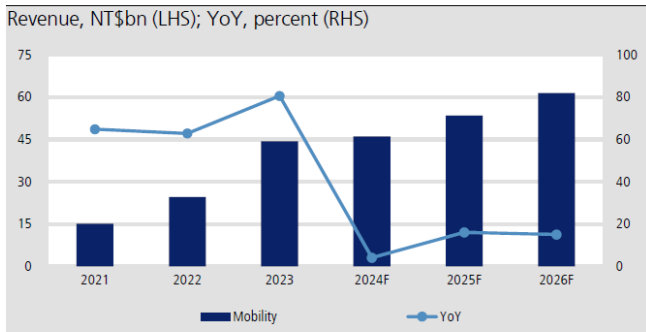
Source: Company data; KGI Research

Figure 5: We project passive component (CPBG) revenue growth of 29% in 2024F



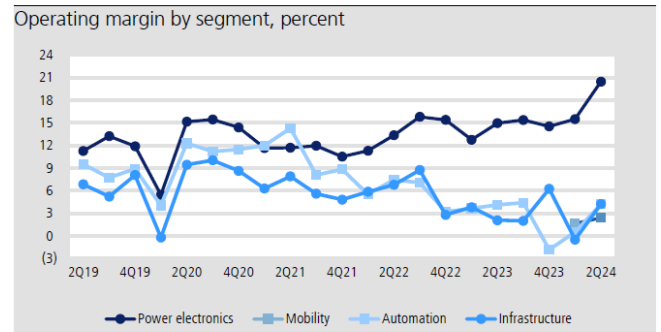
Source: Company data; KGI Research

Figure 6: We trim mobility revenue growth in 2024-25F to 4% & 16%, respectively



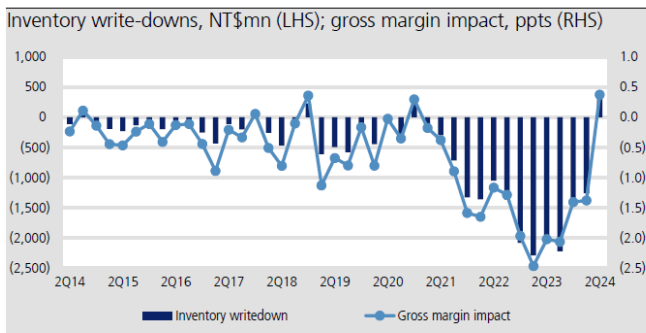
Source: Company data; KGI Research

Figure 7: Strength in AI server power supplies & passive components creating a more desirable product mix



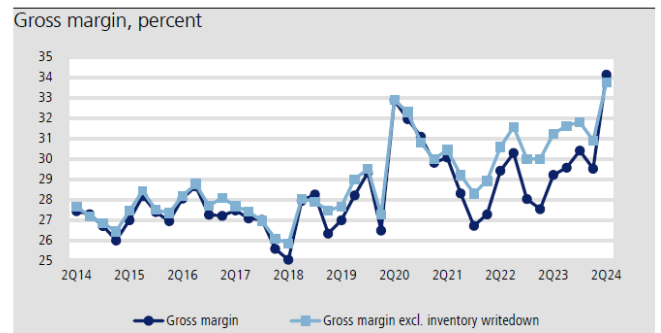
Source: Company data; KGI Research

Figure 8: Net inventory write-off reversal in 2Q24 for first time since 4Q20



Source: Company data; KGI Research

Figure 9: Gross margin still up 2.9ppts QoQ in 2Q24 excluding impact of inventory writedown



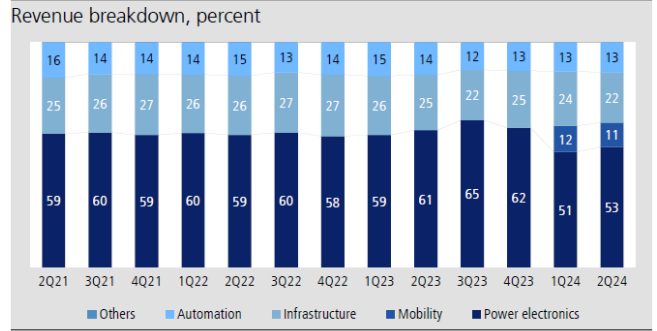
Source: Company data; KGI Research

Figure 10: 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, mobility, automation, and infrastructure accounted for a respective 53%, 11%, 13% and 22% of 2Q24 revenue.

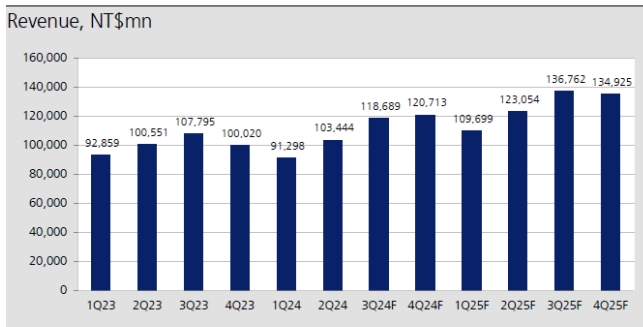
Source: KGI Research

Figure 11: Revenue mix



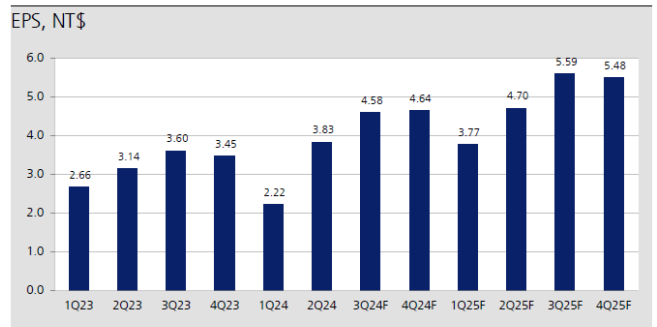
Source: KGI Research

Figure 12: Revenue



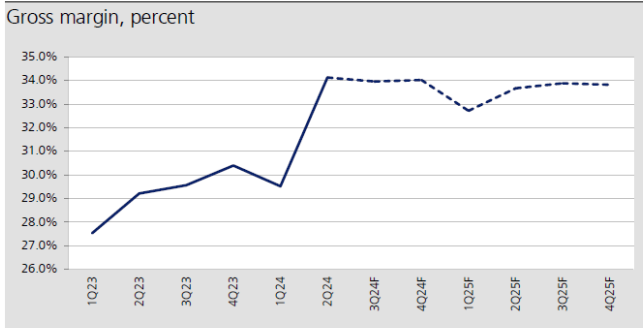
Source: KGI Research

Figure 13: EPS



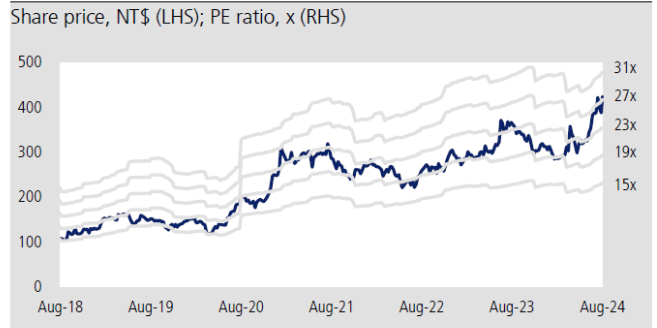
Source: KGI Research

Figure 14: Gross margin



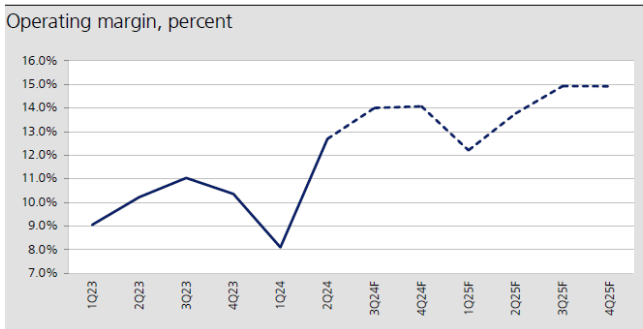
Source: KGI Research

Figure 15: 12M forward PE band



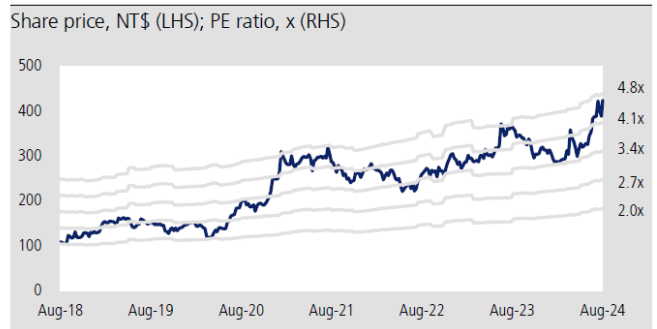
Source: KGI Research

Figure 16: Operating margin



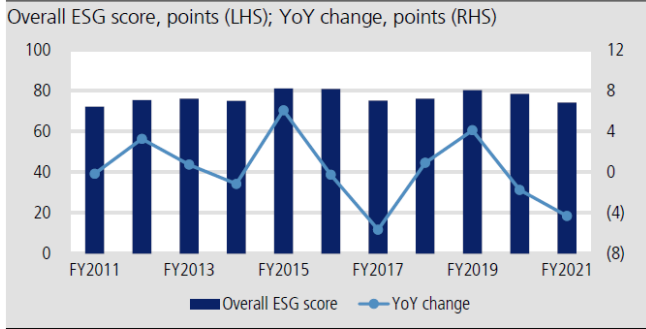
Source: KGI Research

Figure 17: 12M forward PB band



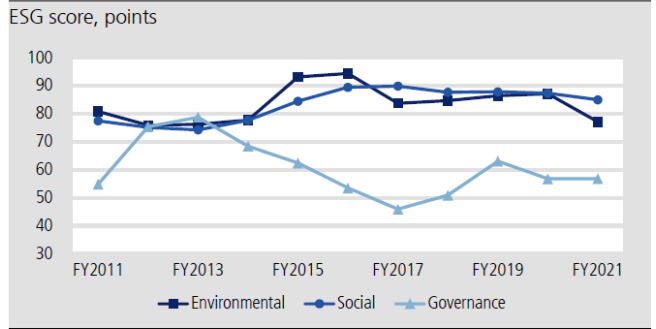
Source: KGI Research

Figure 18: Overall ESG score



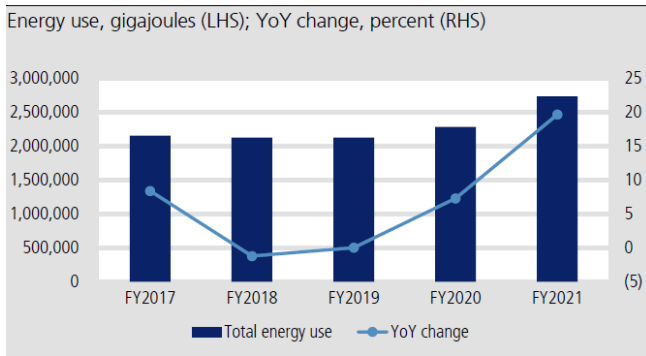
Source: Refinitiv; KGI Research; Company data

Figure 19: ESG score by category



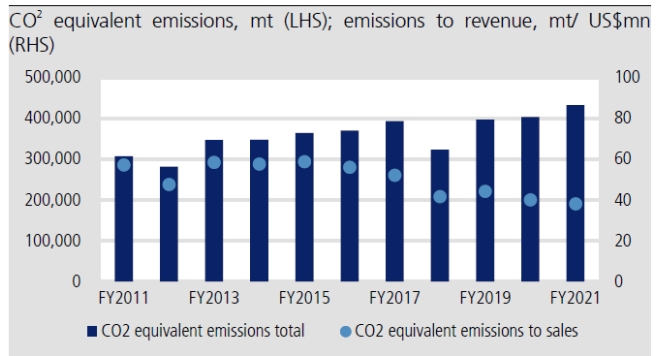
Source: Refinitiv; KGI Research; Company data

Figure 20: Energy use



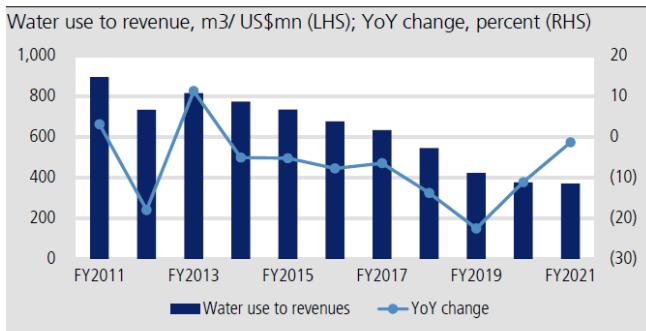
Source: Refinitiv; KGI Research; Company data

Figure 21: CO² equivalent emissions



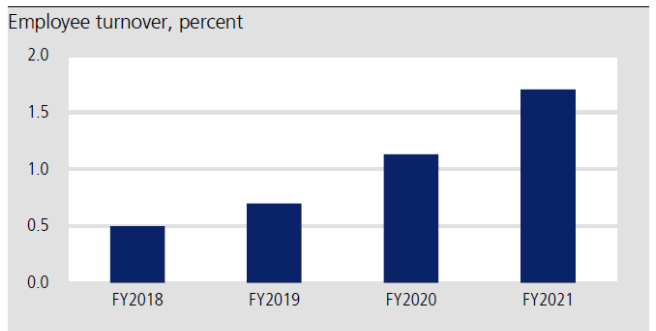
Source: Refinitiv; KGI Research; Company data

Figure 22: Water use to revenue



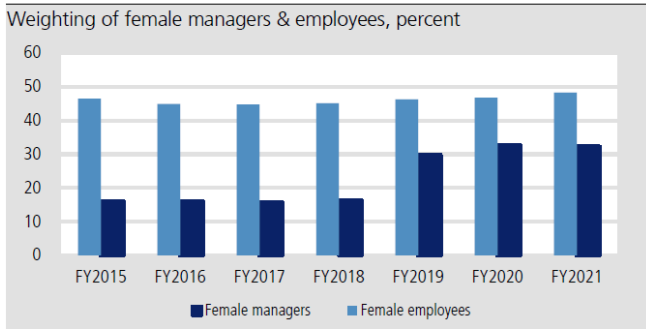
Source: Refinitiv; KGI Research; Company data

Figure 23: Employee turnover



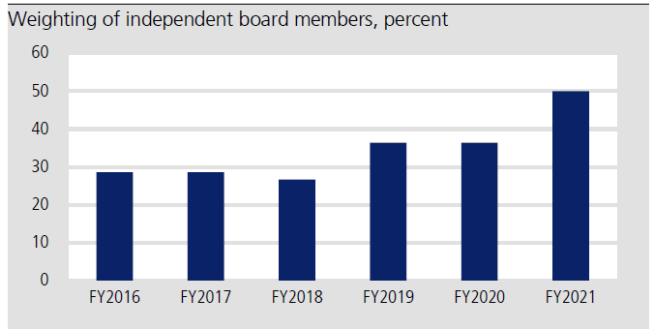
Source: Refinitiv; KGI Research; Company data

Figure 24: Gender diversification



Source: Refinitiv; KGI Research; Company data

Figure 25: 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; Company data, KGI Research

Income statement

	Quarterly								Annually		
	Mar-24A	Jun-24A	Sep-24F	Dec-24F	Mar-25F	Jun-25F	Sep-25F	Dec-25F	Dec-24F	Dec-25F	Dec-26F
Income statement (NTSmn)											
Revenue	91,298	103,444	118,689	120,713	109,699	123,054	136,762	134,925	434,143	504,440	558,478
Cost of goods sold	(64,349)	(68,142)	(78,388)	(79,644)	(73,813)	(81,620)	(90,424)	(89,298)	(290,524)	(335,156)	(374,715)
Gross profit	26,949	35,302	40,301	41,068	35,886	41,434	46,338	45,627	143,619	169,284	183,762
Operating expenses	(19,554)	(22,169)	(23,678)	(24,082)	(22,488)	(24,488)	(25,916)	(25,501)	(89,483)	(98,393)	(106,532)
Operating profit	7,395	13,133	16,622	16,986	13,397	16,946	20,422	20,126	54,136	70,891	77,231
Depreciation of fixed assets	(4,785)	(5,202)	(5,306)	(5,412)	(5,521)	(5,631)	(5,744)	(5,859)	(20,706)	(22,754)	(24,630)
Amortisation of intangible assets	(1,054)	(1,038)	(1,055)	(1,055)	(1,055)	(1,055)	(1,055)	(1,055)	(4,201)	(4,220)	(4,220)
EBITDA	13,233	19,373	22,984	23,453	19,973	23,632	27,221	27,039	79,043	97,865	106,081
Interest income	701	893	712	686	717	773	733	716	2,992	2,939	3,453
Investment income	24	89	140	30	30	100	160	30	283	320	350
Other non-op income	841	1,053	825	825	850	850	850	850	3,544	3,400	3,500
Non-operating income	1,566	2,035	1,677	1,541	1,597	1,723	1,743	1,596	6,819	6,659	7,303
Interest expense	(340)	(354)	(343)	(333)	(323)	(313)	(304)	(295)	(1,370)	(1,235)	(1,179)
Investment loss	(32)	1	-	-	-	-	-	-	(31)	-	-
Other non-op expenses	177	221	150	150	150	150	150	150	698	600	600
Non-operating expenses	(195)	(132)	(193)	(183)	(173)	(163)	(154)	(145)	(703)	(635)	(579)
Pre-tax profit	8,765	15,036	18,106	18,344	14,821	18,505	22,011	21,577	60,252	76,915	83,955
Current taxation	(1,798)	(3,082)	(3,712)	(3,761)	(3,038)	(3,794)	(4,512)	(4,423)	(12,352)	(15,768)	(17,211)
Minorities	(1,204)	(2,006)	(2,499)	(2,531)	(2,001)	(2,498)	(2,971)	(2,913)	(8,240)	(10,383)	(11,334)
Normalised net profit	5,764	9,948	11,896	12,052	9,782	12,214	14,527	14,241	39,660	50,764	55,410
Extraordinary items	(0)	(0)	-	-	-	-	-	-	-	-	-
Net profit	5,764	9,948	11,896	12,052	9,782	12,214	14,527	14,241	39,660	50,764	55,410
EPS (NT\$)	2.22	3.83	4.58	4.64	3.77	4.70	5.59	5.48	15.27	19.54	21.33
Margins (%)											
Gross profit margin	29.5	34.1	34.0	34.0	32.7	33.7	33.9	33.8	33.1	33.6	32.9
Operating margin	8.1	12.7	14.0	14.1	12.2	13.8	14.9	14.9	12.5	14.1	13.8
EBITDA margin	14.5	18.7	19.4	19.4	18.2	19.2	19.9	20.0	18.2	19.4	19.0
Pretax profit margin	9.6	14.5	15.3	15.2	13.5	15.0	16.1	16.0	13.9	15.2	15.0
Net profit margin	6.3	9.6	10.0	10.0	8.9	9.9	10.6	10.6	9.1	10.1	9.9
Sequential growth (%)											
Revenue growth	(8.7)	13.3	14.7	1.7	(9.1)	12.2	11.1	(1.3)			
Gross profit growth	(11.4)	31.0	14.2	1.9	(12.6)	15.5	11.8	(1.5)			
Operating profit growth	(28.6)	77.6	26.6	2.2	(21.1)	26.5	20.5	(1.4)			
EBITDA growth	(17.7)	46.4	18.6	2.0	(14.8)	18.3	15.2	(0.7)			
Pretax profit growth	(32.4)	71.5	20.4	1.3	(19.2)	24.9	18.9	(2.0)			
Net profit growth	(35.8)	72.6	19.6	1.3	(18.8)	24.9	18.9	(2.0)			
YoY growth (%)											
Revenue growth	(1.7)	2.9	10.1	20.7	20.2	19.0	15.2	11.8	8.2	16.2	10.7
Gross profit growth	5.4	20.2	26.5	35.1	33.2	17.4	15.0	11.1	22.5	17.9	8.6
Operating profit growth	(12.0)	27.7	39.7	63.9	81.2	29.0	22.9	18.5	32.2	30.9	8.9
EBITDA growth	(1.8)	24.6	31.8	45.8	50.9	22.0	18.4	15.3	26.4	23.8	8.4
Pretax profit growth	(12.0)	25.8	31.5	41.5	69.1	23.1	21.6	17.6	23.9	27.7	9.2
Net profit growth	(16.6)	22.1	27.1	34.3	69.7	22.8	22.1	18.2	18.8	28.0	9.2

Source: Company data; KGI Research estimates

Balance sheet

NTSmn	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total assets	425,874	457,747	507,989	555,067	607,103
Current assets	240,450	259,958	293,797	337,529	388,066
Cash & ST securities	63,572	92,620	108,815	135,915	168,400
Inventory	79,844	76,227	76,946	86,501	94,945
Accounts receivable	87,227	79,380	95,718	102,796	112,403
Other current assets	9,807	11,732	12,317	12,317	12,317
Non-current assets	185,423	197,788	214,192	217,538	219,038
LT investments	4,623	3,505	3,980	4,300	4,650
Net fixed assets	86,267	98,002	108,025	115,271	120,641
Other assets	94,534	96,282	102,187	97,967	93,747
Total liabilities	200,507	215,011	226,507	232,268	242,942
Current liabilities	125,013	126,085	129,060	134,821	145,495
Accounts payable	62,716	53,539	59,501	65,262	75,936
Interest bearing ST liabilities	2,119	5,875	3,133	3,133	3,133
Other current liabilities	60,179	66,671	66,426	66,426	66,426
Non-current liabilities	75,493	88,927	97,446	97,446	97,446
Long-term debt	44,337	51,420	57,987	57,987	57,987
Other L-T liabilities	28,853	34,951	37,150	37,150	37,150
Total equity	225,367	242,735	281,482	322,800	364,162
Share capital	25,975	25,975	25,975	25,975	25,975
Retained earnings reserve	65,907	83,904	102,471	123,490	152,375
Minority interests	38,578	43,572	51,010	61,393	72,727
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Growth					
Revenue growth	22.2%	4.4%	8.2%	16.2%	10.7%
Operating profit growth	32.1%	(1.2%)	32.2%	30.9%	8.9%
EBITDA growth	24.4%	3.6%	26.4%	23.8%	8.4%
Net profit growth	21.9%	2.2%	18.8%	28.0%	9.2%
EPS growth	21.9%	2.2%	18.8%	28.0%	9.2%
Profitability					
Gross profit margin	28.8%	29.2%	33.1%	33.6%	32.9%
Operating margin	10.8%	10.2%	12.5%	14.1%	13.8%
EBITDA margin	15.7%	15.6%	18.2%	19.4%	19.0%
Net profit margin	8.5%	8.3%	9.1%	10.1%	9.9%
Return on average assets	8.3%	7.6%	8.2%	9.6%	9.5%
Return on average equity	19.1%	17.3%	18.5%	20.6%	20.0%
Stability					
Gross debt to equity	20.6%	23.6%	21.7%	18.9%	16.8%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	81.6	42.5	45.0	63.3	72.2
Interest & ST debt coverage (x)	0.9	0.9	0.9	0.9	1.0
Cash flow interest coverage(x)	81.4	60.7	45.4	62.3	74.5
Cash flow/int. & ST debt (x)	17.3	10.1	13.8	17.6	20.4
Current ratio (x)	1.9	2.1	2.3	2.5	2.7
Quick ratio (x)	1.3	1.5	1.7	1.9	2.0
Net debt (NT\$m)	(15,090)	(30,161)	(42,999)	(70,098)	(102,583)
Per share data					
EPS (NT\$)	12.58	12.86	15.27	19.54	21.33
CFPS (NT\$)	17.91	27.37	23.94	29.62	33.83
BVPS (NT\$)	71.91	76.67	88.73	100.64	112.20
Adj BVPS (NT\$)	71.91	76.67	88.73	100.64	112.20
SPS (NT\$)	148.00	154.46	167.14	194.20	215.00
EBITDA/share (NT\$)	23.24	24.08	30.43	37.68	40.84
Cash DPS (NT\$)	9.84	6.43	7.63	9.77	10.67
Activity					
Sales / avg assets	0.97	0.91	0.90	0.95	0.96
Days receivable	82.8	72.2	80.7	74.4	73.5
Days inventory	106.5	98.0	96.9	94.2	92.5
Days payable	83.6	68.8	75.0	71.1	74.0
Cash cycle	105.7	101.4	102.7	97.5	92.0

Source: Company data; KGI Research estimates

Profit & loss

NTSmn	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue	384,443	401,227	434,143	504,440	558,478
Cost of goods sold	(273,671)	(284,013)	(290,524)	(335,156)	(374,715)
Gross profit	110,773	117,213	143,619	169,284	183,762
Operating expenses	(69,334)	(76,263)	(89,483)	(98,393)	(106,532)
Operating profit	41,439	40,950	54,136	70,891	77,231
Non-operating income	4,001	6,519	6,819	6,659	7,303
Interest income	610	2,070	2,992	2,939	3,453
Investment income	323	222	283	320	350
Other non-op income	3,068	4,227	3,544	3,400	3,500
Non-operating expenses	626	1,173	(703)	(635)	(579)
Interest expense	(571)	(1,171)	(1,370)	(1,235)	(1,179)
Investment loss	-	-	(31)	-	-
Other non-op expenses	1,197	2,344	698	600	600
Pre-tax profit	46,065	48,642	60,252	76,915	83,955
Current taxation	(9,075)	(9,762)	(12,352)	(15,768)	(17,211)
Minorities	(4,325)	(5,488)	(8,240)	(10,383)	(11,334)
Extraordinary items	-	0	-	-	-
Net profit	32,666	33,393	39,660	50,764	55,410
EBITDA	60,375	62,540	79,043	97,865	106,081
EPS (NT\$)	12.58	12.86	15.27	19.54	21.33

Cash flow

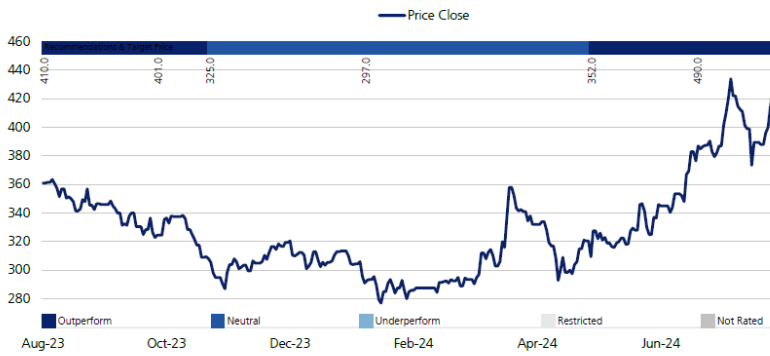
NTSmn	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Operations cash flow	46,529	71,086	62,179	76,929	87,867
Net profit	32,666	33,393	39,660	50,764	55,410
Depreciation & amortisation	18,936	21,590	24,908	26,974	28,850
Decrease in working capital	(20,062)	2,466	(11,386)	(10,872)	(7,377)
Other operating cash flow	14,990	13,638	8,998	10,063	10,984
Investing cash flow	(24,719)	(33,502)	(35,189)	(30,000)	(30,000)
Sale of ST investment	218	213	-	-	-
New investments	-	89	1	-	-
Capital expenditure	(21,824)	(27,830)	(29,459)	(30,000)	(30,000)
Others investing cashflow	(3,113)	(5,974)	(5,731)	-	-
Free cash flow	6,409	24,945	22,899	38,240	48,651
Financing cash flow	(19,739)	(10,478)	(15,215)	(19,830)	(25,382)
Increase in short term debt	(2,321)	874	(1,833)	-	-
Increase in long term loans	421	9,452	5,658	-	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(15,026)	(27,455)	(16,702)	(19,830)	(25,382)
Other financing cashflow	(2,814)	6,651	(2,338)	(0)	(0)
Forex effects	9,621	(1,198)	4,887	-	-
Total cash generated	11,692	25,909	16,663	27,100	32,485

ROIC

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
1 - COGS/revenue					
- Operating exp./revenue	18.0%	19.0%	20.6%	19.5%	19.1%
= Operating margin	10.8%	10.2%	12.5%	14.1%	13.8%
1 / (Working capital/revenue	0.1	0.1	0.1	0.1	0.1
+ Net PPE/revenue	0.2	0.2	0.2	0.2	0.2
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
= Capital turnover	2.7	2.7	2.5	2.6	2.7
Operating margin	10.8%	10.2%	12.5%	14.1%	13.8%
x Capital turnover	2.7	2.7	2.5	2.6	2.7
x (1 - tax rate)	80.3%	79.9%	79.5%	79.5%	79.5%
= After-tax ROIC	23.1%	21.9%	24.6%	29.1%	29.8%

Source: Company data; KGI Research estimates

Delta Electronics – Recommendation & target price history



Date	Rating	Target	Price
2024-06-24	Outperform	490.0	376.5
2024-05-02	Outperform	352.0	309.5
2024-03-01	Neutral	297.0	293.5
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

Source: TEJ, KGI Research

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