

Delta Electronics (2308.TW/2308 TT)

Lukewarm near-term sales outlook

FTSE4Good TIP Taiwan ESG Index stock

Neutral · Maintained

Price as of January 10 (NT\$)	291.0
12M target price (NT\$)	297.0
Previous target price (NT\$)	325.0
Revised down (%)	8.6
Upside (%)	2.1

Key message

- 4Q23 sales missed consensus by 8%, with EV solutions a major shortfall.
- Management guides ongoing demand weakness in 1Q24.
- 3. We trim 2024F sales growth to 8% YoY and EPS to NT\$13.10, up 2% YoY.

Trading data

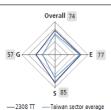
Performance 3M	6M 12N
52-week trading range (NT\$)	277.0 –375.5
3M avg. daily trading (mn)	4.65
Foreign ownership (mn)	1,668
Outstanding shares (mn)	2,598
Mkt cap (NT\$bn/US\$mn)	756 / 24,326

Performance	3M	6M	12M
Absolute (%)	-13.8	-16.5	2.6
Relative (%)	-19.5	-21.4	-15.4

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	2.33A	2.94A	4.26A	3.05A
2023	2.66A	3.14A	3.60A	3.44F
2024	2.62F	3.09F	3.74F	3.64F

ESG score card



Source: TEJ

Event

Delta Electronics reported December sales of NT\$31.7bn, down 6% MoM and 8% YoY.

Impact

4Q23 sales missed consensus by 8% and our estimate by 9%. On sequential monthly sales declines since August, 4Q23 revenue arrived at NT\$100bn, down 7% QoQ and 5% YoY. Management notes weaker-than-estimated demand and order cuts across multiple segments in 4Q23. Notably, EV solutions (EVSBG) sales dropped 21% QoQ to NT\$11.0bn in 4Q23, with the sales weighting retreating from 13% in 3Q23 to 11%, reflecting inventory correction and softening automotive demand amid a high interest rate environment. 2023 revenue totaled NT\$401.2bn, up 4% YoY. Power electronics grew 9% YoY to account for 62% of 2023 revenue, driven by respective 81% and 5% YoY growth in EVSBG and power supply (PSBG), while infrastructure sales fell 3% YoY on the weakness of telecom power. The automation segment was largely flat YoY in 2023. Server power supply and EV-related sales grew a respective 16% and 65% YoY to account for 29% of 2023 revenue.

We trim 2024F sales growth to 8% YoY on near-term demand softness. Management holds a cautious outlook on near-term demand, citing ongoing inventory correction and lackluster order volume for many businesses, as well as seasonal weakness on fewer working days in 1Q24. Regarding the firm's 2024 outlook, management remains positive on AI server-related and passive component businesses, but is cautious on businesses, such as automation, networking, and game console power supplies. On automotive market headwinds, we expect the company to trim its previous growth guidance of 40-50% YoY for EVSBG in 2024. Overall, we trim 2024F sales by 5% to NT\$431.7bn, up 8% YoY but 5% below consensus. We project server power supply, EV-related business, and passive components will be the main growth catalysts in 2024, with revenue up 20%, 22%, and 10% YoY, respectively. We cut 1Q24F sales by 4% to NT\$96.3bn, up 4% YoY, but down 4% QoQ.

We lower 2024F EPS to NT\$13.10 on lower operating leverage & less non-op gains. While we lower 2024F sales, we maintain our gross margin estimate at 29.3%, but trim operating margin to 10.5% to reflect lower operating leverage. We are also cautious on non-op gains in 2024 due to NT-dollar appreciation and less one-off contributions. Post revision, we project operating profit will grow 12% YoY, while EPS will grow 2% YoY in 2024. We now forecast sales will bottom in 1Q24, with momentum to gradually recover from 2Q24.

Valuation & Action

We maintain Neutral, but trim our 12M target price from NT\$325 to NT\$297, based on 21x average 2024-25F EPS of NT\$14.13. We see limited share price catalysts in the near-term.

Risks

Macro headwinds weigh on sales recovery.

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	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (NT\$mn)	314,671	384,443	401,226	431,718	475,325
Gross profit (NT\$mn)	90,209	110,773	115,914	126,357	139,691
Operating profit (NT\$mn)	31,365	41,439	40,288	45,321	53,229
Net profit (NT\$mn)	26,796	32,666	33,350	34,015	39,373
EPS (NT\$)	10.32	12.58	12.84	13.10	15.16
Cash DPS (NT\$)	5.50	9.84	7.00	7.00	8.00
EPS growth (%)	5.1	21.9	2.1	2.0	15.7
PE (x)	28.2	23.1	22.7	22.2	19.2
PB (x)	4.9	4.0	3.9	3.6	3.3
EV/EBITDA (x)	18.2	14.5	13.5	11.9	10.2
Net debt to equity (%)	Net cash				
Dividend yield (%)	1.9	3.4	2.4	2.4	2.7
Return on average equity (%)	17.8	19.1	17.5	16.8	17.8

Source: Company data, KGI Research estimates



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

				4Q23F							1Q24F			
NT\$mn	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	100,020	110,330	(9.3)	(7.2)	(5.3)	108,613	(7.9)	96,348	100,396	(4.0)	(3.7)	3.8	100,740	(4.4)
Gross profit	29,106	32,547	(10.6)	(8.7)	(1.7)	32,000	(9.0)	27,748	29,316	(5.3)	(4.7)	8.5	28,768	(3.5)
Operating profit	9,702	12,467	(22.2)	(18.5)	(10.0)	12,090	(19.8)	8,671	10,441	(17.0)	(10.6)	3.1	10,201	(15.0)
Net income	8,930	9,827	(9.1)	(4.6)	12.9	9,242	(3.4)	6,800	8,293	(18.0)	(23.9)	(1.6)	7,875	(13.6)
EPS (NT\$)	3.44	3.78	(9.1)	(4.6)	12.9	3.53	(2.6)	2.62	3.19	(18.0)	(23.9)	(1.6)	3.01	(13.1)
Gross margin (%)	29.1	29.5	(0.4) ppts	(0.5) ppts	1.1 ppts	29.5	(0.4) ppts	28.8	29.2	(0.4) ppts	(0.3) ppts	1.3 ppts	28.6	0.2 ppts
Op. margin (%)	9.7	11.3	(1.6) ppts	(1.3) ppts	(0.5) ppts	11.1	(1.4) ppts	9.0	10.4	(1.4) ppts	(0.7) ppts	(0.1) ppts	10.1	(1.1) ppts
Net margin (%)	8.9	8.9	0.0 ppts	0.2 ppts	1.4 ppts	8.5	0.4 ppts	7.1	8.3	(1.2) ppts	(1.9) ppts	(0.4) ppts	7.8	(0.8) ppts

Source: Refinitiv, KGI Research

Figure 2: Breakdown of 2023-24 forecast revisions vs. consensus

			20	23F		2024F						
NT\$mn	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	401,235	411,527	(2.5)	4.4	409,746	(2.1)	431,729	452,810	(4.7)	7.6	454,139	(4.9)
Gross profit	115,917	119,229	(2.8)	4.6	117,125	(1.0)	126,360	132,937	(4.9)	9.0	131,782	(4.1)
Operating profit	40,289	43,175	(6.7)	(2.8)	42,696	(5.6)	45,322	51,128	(11.4)	12.5	51,096	(11.3)
Net income	33,350	34,368	(3.0)	2.1	33,641	(0.9)	34,017	39,904	(14.8)	2.0	39,249	(13.3)
EPS (NT\$)	12.84	13.23	(3.0)	2.1	13.11	(2.0)	13.10	15.36	(14.8)	2.0	15.39	(14.9)
Gross margin (%)	28.9	29.0	(0.1) ppts	0.1 ppts	28.6	0.3 ppts	29.3	29.4	(0.1) ppts	0.4 ppts	29.0	0.3 ppts
Op. margin (%)	10.0	10.5	(0.5) ppts	(0.7) ppts	10.4	(0.4) ppts	10.5	11.3	(0.8) ppts	0.5 ppts	11.3	(0.8) ppts
Net margin (%)	8.3	8.4	(0.0) ppts	(0.2) ppts	8.2	0.1 ppts	7.9	8.8	(0.9) ppts	(0.4) ppts	8.6	(0.8) ppts

Source: Refinitiv, KGI Research

Figure 3: Delta Electronics' business structure

Segment	4Q23 sales weighting (%)	Rusiness aroun			2024F sales weighting (%)	Products
		Electric vehicle solution (EVSBG)	81	23	13	On-board charger, DC/DC converter, traction motor, traction inverter
Power electronics	61	Power supply (PSBG)	5	9		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	10	9	Passive component (Cyntec), optical transceiver
		Fan & thermal (FMBG)	-8	5	9	Cooling fan, thermal module
Automation	13	Industrial automation (IABG)	0	2	8	Industrial automation (Servo motor, AC motor drive, PLC, CNC control, HMI, robot arms)
Automation	13	Building automation (BABG)	-1	3	5	Building automation solution, LED lighting fixture, surveillance camera, controller
		Information & communication technology (ICTBG)	-9	-3	17	Telecom power, data center solutions, networking
Infrastructure 26	26	Energy infrastructure system (EISBG)	16	18	7	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

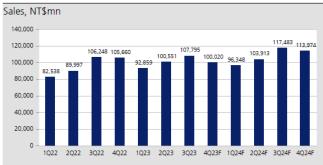


Figure 4: Company profile

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.

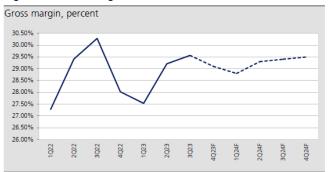
Source: KGI Research





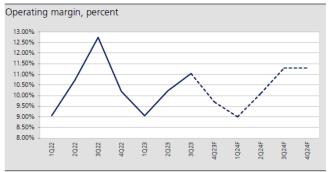
Source: KGI Research

Figure 8: Gross Margin



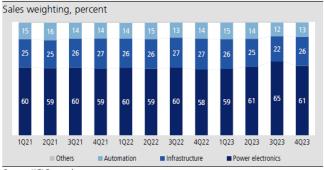
Source: KGI Research

Figure 10: Operating Margin



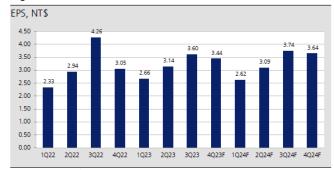
Source: KGI Research

Figure 5: Sales mix



Source: KGI Research

Figure 7: EPS



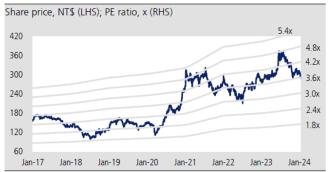
Source: KGI Research

Figure 9: 12M forward PE band



Source: KGI Research

Figure 11: 12M forward PB band



Source: KGI Research

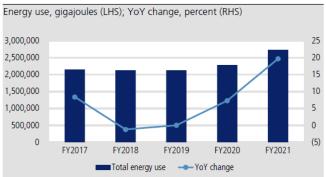


Figure 12: Overall ESG score



Source: Refinitiv; KGI Research; Company data

Figure 14: Energy use



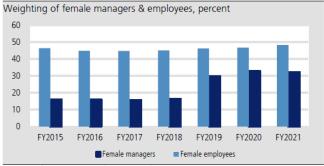
Source: Refinitiv; KGI Research; Company data

Figure 16: Water use to revenue



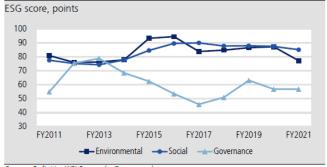
Source: Refinitiv; KGI Research; Company data

Figure 18: Gender diversification



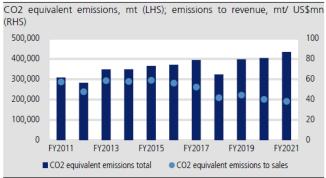
Source: Refinitiv; KGI Research; Company data

Figure 13: ESG score by category



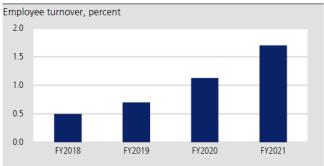
Source: Refinitiv; KGI Research; Company data

Figure 15: CO2 equivalent emissions



Source: Refinitiv; KGI Research; Company data

Figure 17: Employee turnover



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	Total direct and indirect energy consumption in gigajoules. - 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	Total primary renewable energy purchased in gigajoules. - 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	Direct CO2 and CO2 equivalent emissions in metric tons 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	Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT\$mn) - 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	Total amount of waste produced in metric tons. - 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	The waste recycling ratio as reported by the company 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	Total water withdrawal in cubic meters. - 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	Total amount of environmental expenditures 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	Percentage of employee turnover. - 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	1
Women managers	Percentage of women managers. - 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	Percentage of women employees 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	Total training hours performed by all employees. - 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	
	- If the value is given in days, multiply by 6, assuming that I day — 6 hours worked	



	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\$mn)	Wai 25/1	Juli 25/1	3CP 23/1	DCC 25.	111ai 24i	Juli 2-1	5CP 241	DCC 2-11	500 251	DCC 241	500 251
Revenue	92,859	100,551	107,795	100,020	96,348	103,913	117,483	113,974	401,226	431,718	475,325
Cost of goods sold	(67,292)	(71,181)	(75,926)	(70,914)	(68,600)	(73,467)	(82,943)	(80,351)	(285,312)	(305,361)	(335,634)
Gross profit	25,568	29,371	31,870	29,106	27,748	30,447	34,540	33,622	115,914	126,357	139,691
Operating expenses	(17,161)	(19,088)	(19,973)	(19,404)	(19,077)	(19,951)	(21,264)	(20,743)	(75,626)	(81,036)	(86,462)
Operating profit	8,407	10,283	11,897	9,702	8,671	10,495	13,276	12,879	40,288	45,321	53,229
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)
EBITDA	13,472	15,546	17,440	15,336	14,399	16,318	19,195	18,897	61,795	68,808	78,329
Interest income	372	443	543	504	560	622	529	539	1,862	2,249	2,526
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	3,000
Non-operating income	1,312	1,396	1,662	3,034	1,440	1,452	1,259	1,269	7,404	5,419	5,646
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	450	300	300	200	200	2,001	1,000	800
Non-operating expenses	241	270	211	113	(37)	(37)	(136)	(136)	835	(347)	(545)
Pre-tax profit	9,959	11,948	13,771	12,849	10,074	11,910	14,398	14,012	48,527	50,393	58,330
Current taxation	(1,988)	(2,425)	(2,741)	(2,570)	(2,015)	(2,382)	(2,880)	(2,802)	(9,724)	(10,079)	(11,666)
Minorities	(1,063)	(1,374)	(1,667)	(1,349)	(1,259)	(1,489)	(1,800)	(1,751)	(5,454)	(6,299)	(7,291)
Normalised net profit	6,908	8,149	9,363	8,930	6,800	8,039	9,719	9,458	33,350	34,015	39,373
Extraordinary items	0	(0)	0	-	-	-	-	-	-	-	-
Net profit	6,908	8,149	9,363	8,930	6,800	8,039	9,719	9,458	33,350	34,015	39,373
EPS (NT\$)	2.66	3.14	3.60	3.44	2.62	3.09	3.74	3.64	12.84	13.10	15.16
Margins (%)											
Gross profit margin	27.5	29.2	29.6	29.1	28.8	29.3	29.4	29.5	28.9	29.3	29.4
Operating margin	9.1	10.2	11.0	9.7	9.0	10.1	11.3	11.3	10.0	10.5	11.2
EBITDA margin	14.5	15.5	16.2	15.3	14.9	15.7	16.3	16.6	15.4	15.9	16.5
Pretax profit margin	10.7	11.9	12.8	12.8	10.5	11.5	12.3	12.3	12.1	11.7	12.3
Net profit margin	7.4	8.1	8.7	8.9	7.1	7.7	8.3	8.3	8.3	7.9	8.3
Sequential growth (%)											
Revenue growth	(12.1)	8.3	7.2	(7.2)	(3.7)	7.9	13.1	(3.0)			
Gross profit growth	(13.7)	14.9	8.5	(8.7)	(4.7)	9.7	13.4	(2.7)			
Operating profit growth	(22.0)	22.3	15.7	(18.5)	(10.6)	21.0	26.5	(3.0)			
EBITDA growth	(14.5)	15.4	12.2	(12.1)	(6.1)	13.3	17.6	(1.6)			
Pretax profit growth	(13.6)	20.0	15.3	(6.7)	(21.6)	18.2	20.9	(2.7)			
Net profit growth	(12.7)	18.0	14.9	(4.6)	(23.9)	18.2	20.9	(2.7)			
YoY growth (%)											
Revenue growth	12.5	11.7	1.5	(5.3)	3.8	3.3	9.0	14.0	4.4	7.6	10.1
Gross profit growth	13.6	11.0	(1.0)	(1.7)	8.5	3.7	8.4	15.5	4.6	9.0	10.6
Operating profit growth	12.6	6.5	(12.1)	(10.0)	3.1	2.1	11.6	32.7	(2.8)	12.5	17.4
EBITDA growth	12.6	8.6	(4.9)	(2.7)	6.9	5.0	10.1	23.2	2.4	11.4	13.8
Pretax profit growth	16.6	10.3	(9.2)	11.5	1.1	(0.3)	4.6	9.0	5.3	3.8	15.7
Net profit growth	14.0	6.8	(15.4)	12.9	(1.6)	(1.4)	3.8	5.9	2.1	2.0	15.7

Source: Company data, KGI Research estimates



Balance sheet					
NT\$mn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total assets	365,112	425,874	463,022	486,038	519,513
Current assets	196,878	240,450	258,510	280,892	319,347
Cash & ST securities	51,268	63,572	100,426	124,948	157,123
Inventory	66,107	79,844	63,981	63,042	66,896
Accounts receivable	70,885	87,227	75,788	74,588	77,014
Other current assets	8,618	9,807	18,314	18,314	18,314
Non-current assets	168,234	185,423	204,513	205,145	200,165
LT investments	5,017	4,623	10,208	10,328	10,448
Net fixed assets	76,607	86,267	99,334	103,767	102,587
Other assets	86,609	94,534	94,971	91,051	87,131
Total liabilities	178,988	200,507	223,748	224,631	229,625
Current liabilities	108,169	125,013	119,975	120,859	125,853
Accounts payable	54,570	62,716	53,628	54,512	59,506
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
Non-current liabilities	70,818	75,493	103,773	103,773	103,773
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
Total equity	186,125	225,367	239,274	261,406	289,887
Share capital	25,975	25,975	25,975	25,975	25,975
Retained earnings reserve	53,623	65,907	83,625	99,457	120,647
Minority interests	31,338	38,578	44,461	50,760	58,051
Preferred shareholders funds	-	-	-	-	-

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Growth					
Revenue growth	11.3%	22.2%	4.4%	7.6%	10.1%
Operating profit growth	(0.2%)	32.1%	(2.8%)	12.5%	17.4%
EBITDA growth	2.6%	24.4%	2.4%	11.4%	13.8%
Net profit growth	5.1%	21.9%	2.1%	2.0%	15.7%
EPS growth	5.1%	21.9%	2.1%	2.0%	15.7%
Profitability					
Gross profit margin	28.7%	28.8%	28.9%	29.3%	29.4%
Operating margin	10.0%	10.8%	10.0%	10.5%	11.2%
EBITDA margin	15.4%	15.7%	15.4%	15.9%	16.5%
Net profit margin	8.5%	8.5%	8.3%	7.9%	8.3%
Return on average assets	7.6%	8.3%	7.5%	7.2%	7.8%
Return on average equity	17.8%	19.1%	17.5%	16.8%	17.8%
Stability					
Gross debt to equity	26.0%	20.6%	17.7%	16.2%	14.6%
Net debt to equity	Net cash				
Interest coverage (x)	121.7	81.6	42.6	38.4	44.4
Interest & ST debt coverage (x)	0.9	0.9	0.9	0.9	0.9
Cash flow interest coverage(x)	95.9	81.4	70.9	49.5	52.3
Cash flow/int. & ST debt (x)	6.0	17.3	14.3	11.2	11.8
Current ratio (x)	1.8	1.9	2.2	2.3	2.5
Quick ratio (x)	1.2	1.3	1.6	1.8	2.0
Net debt (NT\$mn)	(1,499)	(15,090)	(55,625)	(80,147)	(112,323)
Per share data					
EPS (NT\$)	10.32	12.58	12.84	13.10	15.16
CFPS (NT\$)	10.90	17.91	31.81	25.68	27.09
BVPS (NT\$)	59.59	71.91	75.00	81.09	89.25
Adj BVPS (NT\$)	59.59	71.91	75.00	81.09	89.25
SPS (NT\$)	121.14	148.00	154.46	166.20	182.99
EBITDA/share (NT\$)	18.68	23.24	23.79	26.49	30.16
Cash DPS (NT\$)	5.50	9.84	7.00	7.00	8.00
Activity					
Sales / avg assets	0.90	0.97	0.90	0.91	0.95
Days receivable	82.2	82.8	68.9	63.2	59.1
Days inventory	107.5	106.5	81.9	75.6	72.7
Days payable	88.7	83.6	68.6	65.3	64.7
Cash cycle	101.0	105.7	82.2	73.5	67.2

Source: Company data, KGI Research estimates

Profit & loss					
NT\$mn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue	314,671	384,443	401,226	431,718	475,325
Cost of goods sold	(224,461)	(273,671)	(285,312)	(305,361)	(335,634)
Gross profit	90,209	110,773	115,914	126,357	139,691
Operating expenses	(58,845)	(69,334)	(75,626)	(81,036)	(86,462)
Operating profit	31,365	41,439	40,288	45,321	53,229
Non-operating income	3,520	4,001	7,404	5,419	5,646
Interest income	430	610	1,862	2,249	2,526
Investment income	296	323	225	120	120
Other non-op income	2,795	3,068	5,318	3,050	3,000
Non-operating expenses	743	626	835	(347)	(545)
Interest expense	(295)	(571)	(1,166)	(1,347)	(1,345)
Investment loss	(0)	-	-	-	-
Other non-op expenses	1,038	1,197	2,001	1,000	800
Pre-tax profit	35,628	46,065	48,527	50,393	58,330
Current taxation	(7,128)	(9,075)	(9,724)	(10,079)	(11,666)
Minorities	(1,703)	(4,325)	(5,454)	(6,299)	(7,291)
Extraordinary items	-	(0)	-	-	-
Net profit	26,796	32,666	33,350	34,015	39,373
EBITDA	48,516	60,375	61,795	68,808	78,329
EPS (NT\$)	10.32	12.58	12.84	13.10	15.16

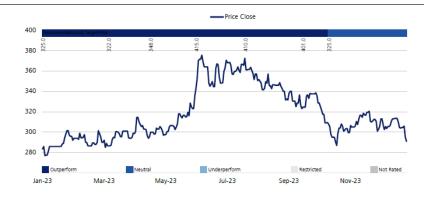
Cash flow					
NT\$mn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Operations cash flow	28,319	46,529	82,630	66,704	70,359
Net profit	26,796	32,666	33,350	34,015	39,373
Depreciation & amortisation	17,151	18,936	21,506	23,487	25,100
Decrease in working capital	(20,506)	(20,062)	18,371	3,023	(1,285)
Other operating cash flow	4,878	14,990	9,403	6,179	7,171
Investing cash flow	(26,481)	(24,719)	(35,246)	(24,000)	(20,000)
Sale of ST investment	178	218	-	-	-
New investments	604	-	(458)	-	_
Capital expenditure	(23,027)	(21,824)	(29,103)	(24,000)	(20,000)
Others investing cashflow	(4,235)	(3,113)	(5,686)	_	-
Free cash flow	(4,977)	6,409	39,051	34,847	42,478
Financing cash flow	(8,337)	(19,739)	(14,526)	(18,183)	(18,183)
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)	(18,183)	(18,183)
Other financing cashflow	421	(2,814)	15,171	(0)	(0)
Forex effects	(2,358)	9,621	3,670	-	- '
Total cash generated	(8,857)	11,692	36,527	24,522	32,176

ROIC					
	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	18.7%	18.0%	18.8%	18.8%	18.2%
= Operating margin	10.0%	10.8%	10.0%	10.5%	11.2%
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	2.6	2.7	2.8	2.9	3.2
Operating margin	10.0%	10.8%	10.0%	10.5%	11.2%
x Capital turnover	2.6	2.7	2.8	2.9	3.2
x (1 - tax rate)	80.0%	80.3%	80.0%	80.0%	80.0%
= After-tax ROIC	20.7%	23.1%	22.1%	24.7%	29.0%

Source: Company data, KGI Research estimates



Delta Electronics - Recommendation & target price history



Date	Rating	larget	Price
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
2022-10-17	Outperform	325.0	268.5

Source: TEJ, KGI Research

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11 January 2024