

## Delta Electronics (2308.TW/2308 TT)

### Margin upside overlooked amid strong AI demand

#### Outperform · Maintained

Price as of June 24 (NT\$)	376.5
12M target price (NT\$)	490.0
Previous target price (NT\$)	352.0
Revised up (%)	39.2
Upside (%)	30.1

#### Key message

- We lift 2024-25F revenue growth to 8% and 13%, on strong demand for AI & passive components, despite EV weakness.
- Our respective 2024-25F gross margin forecasts are 1.1ppts and 2.0ppts above consensus, on a more optimal product mix and fewer inventory write-offs.
- We raise 2024-25F EPS by 9% & 19%, for respective growth of 11% and 28%.

#### Trading data

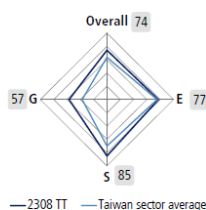
Mkt cap (NT\$bn/US\$m)	978 / 30,205
Outstanding shares (mn)	2,598
Foreign ownership (mn)	1,683
3M avg. daily trading (mn)	8.62
52-week trading range (NT\$)	277.0 –383.0

Performance	3M	6M	12M
Absolute (%)	5.2	23.2	3.4
Relative (%)	-7.6	-6.4	-29.2

#### Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2023	2.66A	3.14A	3.60A	3.45A
2024	2.22A	3.38F	4.42F	4.20F
2025	3.30F	4.49F	5.25F	5.10F

#### ESG score card



Source: TEJ

#### Event

We spoke with Delta Electronics management for business updates.

#### Impact

**AI & passive components the spotlights.** Delta has been riding the AI server boom on the firm's dominant position in both the AC and DC power supply markets, and is poised to benefit from upcoming AI server migrations to Blackwell GPUs, owing to increasing content value and further market share gains. We expect a server power supply revenue CAGR of 23% in 2023-26F, for a 20% revenue contribution in 2025F, up from 16% in 2023. AI is also fueling passive component and liquid cooling demand. Coupled with new auto projects, we project passive component revenue growth of 32% in 2024F, while demand for liquid-to-air cooling retrofits will boost ICTBG revenue in 2H24F. We foresee accelerating YoY revenue growth to 15% in 2H24F, up from 2% in 1H24.

**Margins to beat consensus on a better product mix & fewer inventory write-offs.** We think the effect of a more optimal product mix on gross margin will likely be greater than consensus expects, as gross margin on both AI server power supplies and passive components are significantly above the firm's average. Furthermore, we foresee narrowed negative gross margin impact from inventory write-off in the coming quarters, from 1.4ppts in 1Q24, providing more gross margin upside. Our respective 2024-25 gross margin forecasts of 31.3% and 32.3% are 1.1ppts and 2.0ppts above consensus.

**We raise 2024-25F EPS by 9% & 19%.** We trim mobility revenue growth in 2024F to 6%, on weak EV demand in Europe and US, but raise our 2024-25F revenue forecast to 8% and 13% growth, respectively, to factor in strong revenue momentum from server power supplies, passive components and liquid cooling. We project operating profit growth of 21% and 29% in 2024-25F, for EPS of NT\$14.21 and NT\$18.13, 7% and 11% higher than consensus, respectively.

#### Valuation & Action

We reiterate our Outperform rating and raise our 12M target price from to NT\$490, based on 27x 2025F EPS (up from 23x), the higher-end of the historical PE band of 15-27x. We believe the firm's strong presence in the AI server supply chain, as well as an expected earnings uptrend, should serve as share price catalysts.

#### Risks

Macro headwinds weigh on revenue and operating margin.

#### Key financials and valuations

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue (NT\$m)	384,443	401,227	434,845	490,544	543,156
Gross profit (NT\$m)	110,773	117,213	136,120	158,436	174,456
Operating profit (NT\$m)	41,439	40,950	49,554	64,023	72,011
Net profit (NT\$m)	32,666	33,393	36,912	47,105	52,806
EPS (NT\$)	12.58	12.86	14.21	18.13	20.33
Cash DPS (NT\$)	9.84	6.43	7.11	9.07	10.16
EPS growth (%)	21.9	2.2	10.5	27.6	12.1
PE (x)	29.9	29.3	26.5	20.8	18.5
PB (x)	5.2	4.9	4.3	3.8	3.5
EV/EBITDA (x)	18.9	18.3	15.5	12.6	11.2
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	2.6	1.7	1.9	2.4	2.7
Return on average equity (%)	19.1	17.3	17.4	19.6	19.6

Source: Company data; KGI Research estimates

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

NT\$m	2Q24F							3Q24F						
	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Revenue	105,152	105,187	(0.0)	15.2	4.6	102,553	2.5	119,333	118,368	0.8	13.5	10.7	117,039	2.0
Gross profit	32,972	31,766	3.8	22.4	12.3	30,827	7.0	38,358	36,339	5.6	16.3	20.4	35,701	7.4
Operating profit	11,732	10,624	10.4	58.6	14.1	10,243	14.5	15,566	13,731	13.4	32.7	30.8	13,342	16.7
Net income	8,767	8,141	7.7	52.1	7.6	7,939	10.4	11,477	10,219	12.3	30.9	22.6	10,111	13.5
EPS (NT\$)	3.38	3.13	7.7	52.1	7.6	3.06	10.3	4.42	3.93	12.3	30.9	22.6	3.93	12.5
Gross margin (%)	31.4	30.2	1.2 ppts	1.8 ppts	2.1 ppts	30.1	1.3 ppts	32.1	30.7	1.4 ppts	0.8 ppts	2.6 ppts	30.5	1.6 ppts
Op. margin (%)	11.2	10.1	1.1 ppts	3.1 ppts	0.9 ppts	10.0	1.2 ppts	13.0	11.6	1.4 ppts	1.9 ppts	2.0 ppts	11.4	1.6 ppts
Net margin (%)	8.3	7.7	0.6 ppts	2.0 ppts	0.2 ppts	7.7	0.6 ppts	9.6	8.6	1.0 ppts	1.3 ppts	0.9 ppts	8.6	1.0 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	434,845	429,990	1.1	8.4	429,940	1.1	490,544	474,217	3.4	12.8	486,660	0.8
Gross profit	136,120	130,171	4.6	16.1	129,790	4.9	158,436	144,544	9.6	16.4	147,541	7.4
Operating profit	49,554	44,645	11.0	21.0	44,492	11.4	64,023	52,587	21.7	29.2	56,964	12.4
Net income	36,912	33,775	9.3	10.5	34,441	7.2	47,105	39,709	18.6	27.6	42,290	11.4
EPS (NT\$)	14.21	13.00	9.3	10.5	13.26	7.2	18.13	15.29	18.6	27.6	16.31	11.2
Gross margin (%)	31.3	30.3	1.0 ppts	2.1 ppts	30.2	1.1 ppts	32.3	30.5	1.8 ppts	1.0 ppts	30.3	2.0 ppts
Op. margin (%)	11.4	10.4	1.0 ppts	1.2 ppts	10.3	1.0 ppts	13.1	11.1	2.0 ppts	1.7 ppts	11.7	1.3 ppts
Net margin (%)	8.5	7.9	0.6 ppts	0.2 ppts	8.0	0.5 ppts	9.6	8.4	1.2 ppts	1.1 ppts	8.7	0.9 ppts

Source: Bloomberg; KGI Research

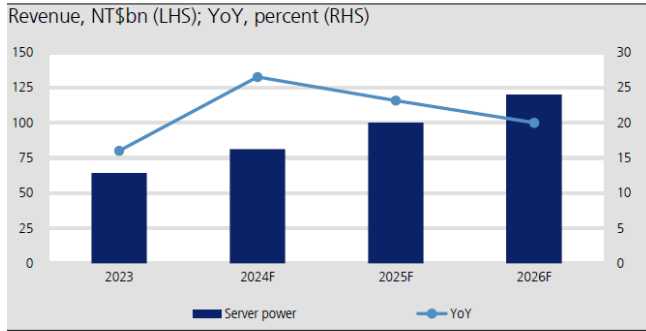
Figure 3: Delta Electronics' business structure

Segment	1Q24 revenue weighting (%)	Business group	2023 revenue growth (%)	2024F revenue growth (%)	2024F revenue weighting (%)	Products
Power electronics	51	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	32	11	Passive component (Cyntec), optical transceiver
		Fan & thermal (FMBG)	-8	4	9	Cooling fan, thermal module
Mobility	12	Electric vehicle solution (EVSBG)	81	6	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	-6	4	Building automation solution, LED lighting fixture, surveillance camera, controller
Infrastructure	24	Information & communication technology (ICTBG)	-9	1	17	Telecom power, data center solutions, networking
		Energy infrastructure system (EISBG)	16	-3	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

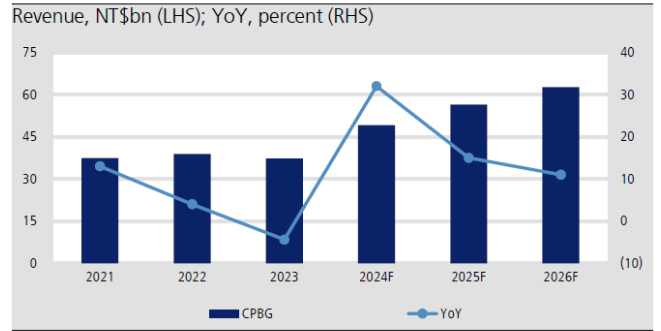
Source: Company data; KGI Research

**Figure 4: We project a server power supply revenue CAGR of 23% in 2023-26F, thanks to AI proliferation**



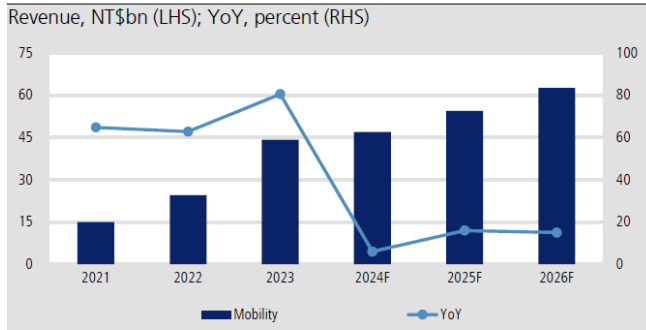
Source: Company data; KGI Research

**Figure 5: We project passive component (CPBG) revenue growth of 32% in 2024F**



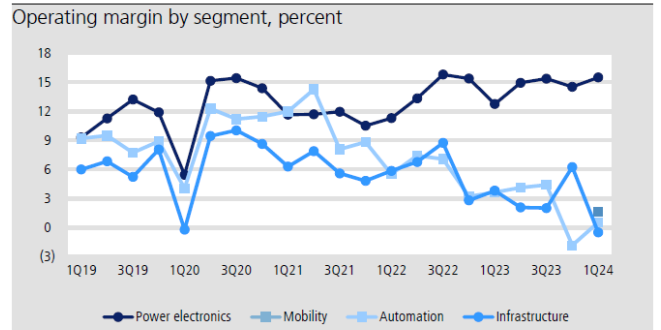
Source: Company data; KGI Research

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



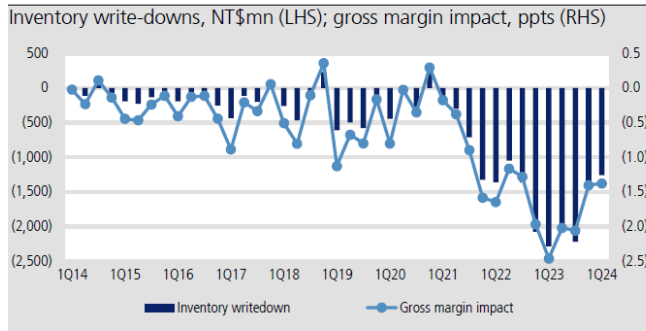
Source: Company data; KGI Research

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



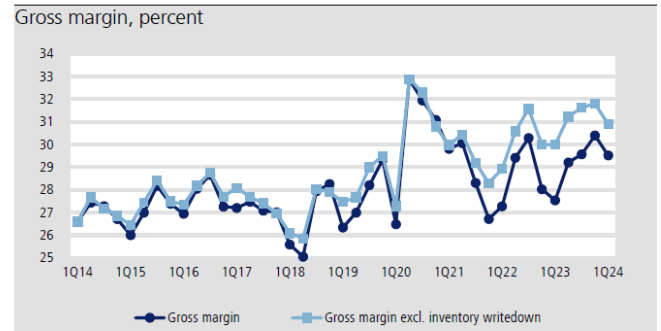
Source: Company data; KGI Research

**Figure 8: Negative gross margin impact of >1ppt in the past 10 quarters on inventory write-downs**



Source: Company data; KGI Research

**Figure 9: Gross margin impact from inventory write-downs to narrow in the coming quarters**



Source: Company data; KGI Research

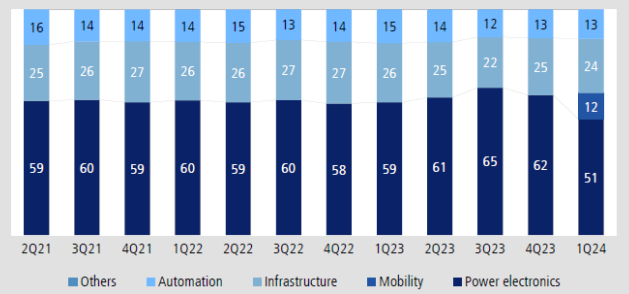
**Figure 10: Company profile**

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 51%, 12%, 13% and 27% of 1Q24 revenue.

Source: KGI Research

**Figure 11: Revenue mix**

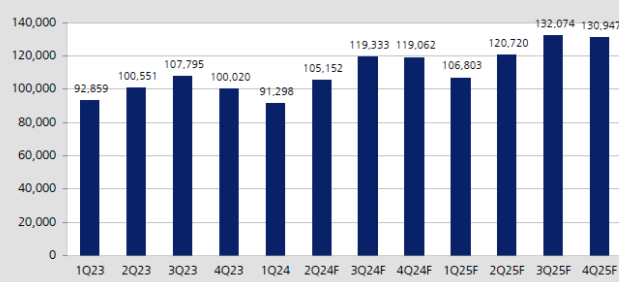
Revenue breakdown, percent



Source: KGI Research

**Figure 12: Revenue**

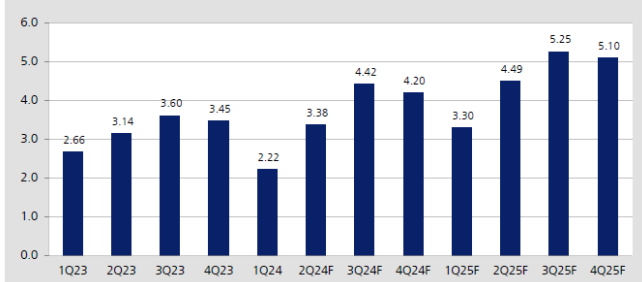
Revenue, NT\$m



Source: KGI Research

**Figure 13: EPS**

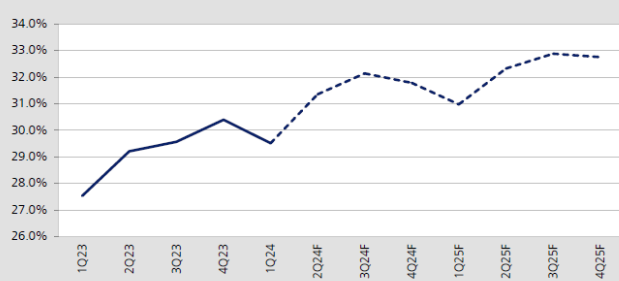
EPS, NT\$



Source: KGI Research

**Figure 14: Gross margin**

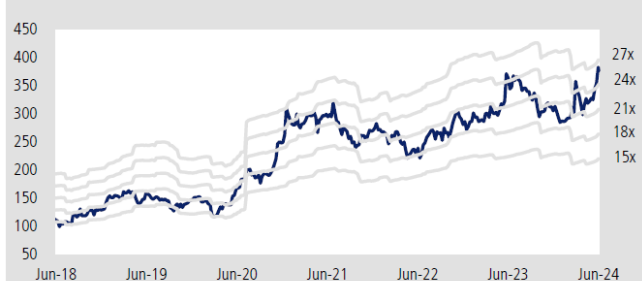
Gross margin, percent



Source: KGI Research

**Figure 15: 12M forward PE band**

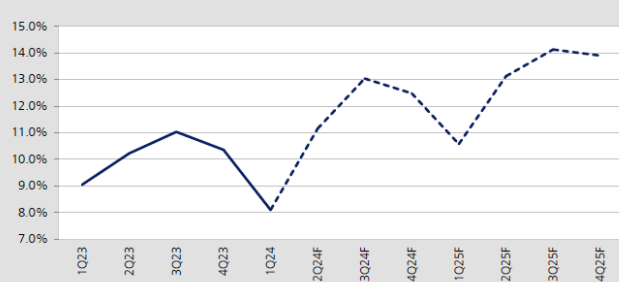
Share price, NT\$ (LHS); PE ratio, x (RHS)



Source: KGI Research

**Figure 16: Operating margin**

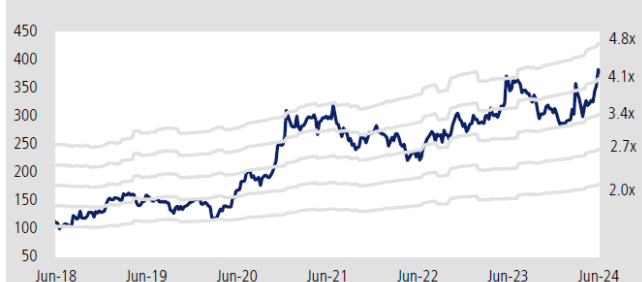
Operating margin, percent



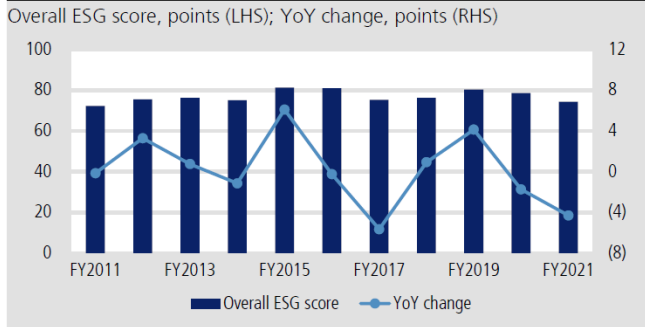
Source: KGI Research

**Figure 17: 12M forward PB band**

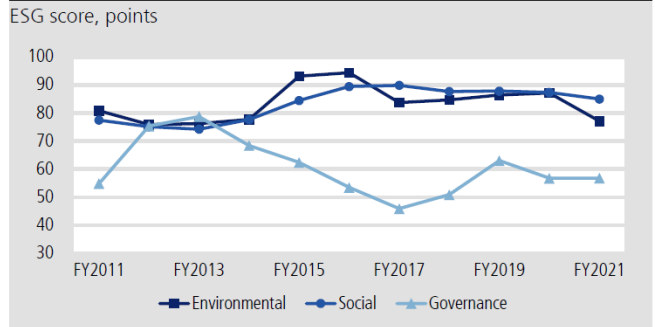
Share price, NT\$ (LHS); PE ratio, x (RHS)



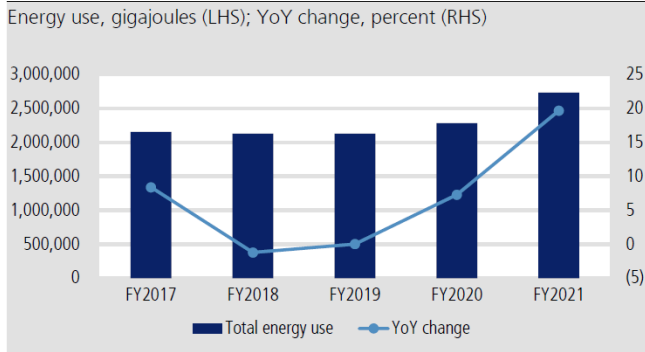
Source: KGI Research

**Figure 18: Overall ESG score**


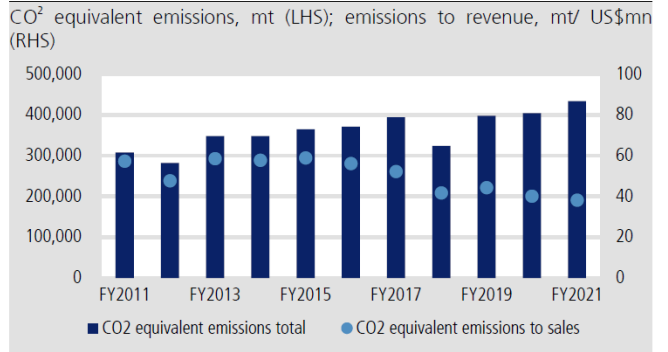
Source: Refinitiv; KGI Research; Company data

**Figure 19: ESG score by category**


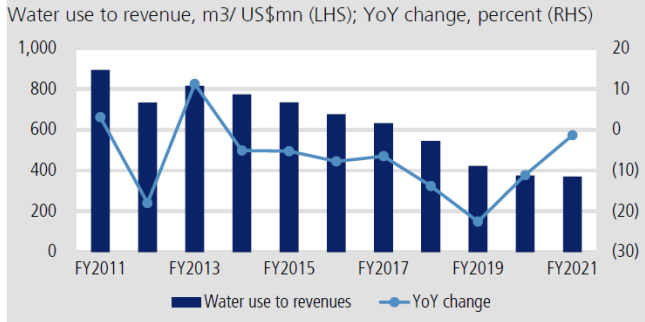
Source: Refinitiv; KGI Research; Company data

**Figure 20: Energy use**


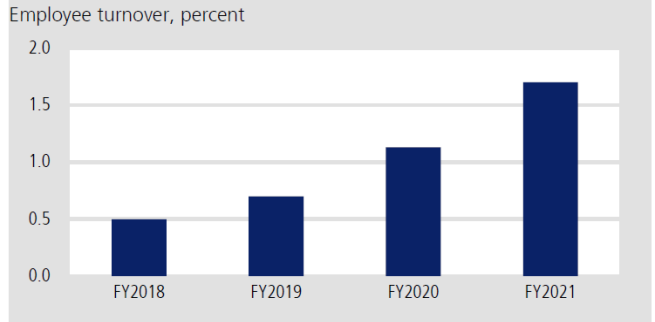
Source: Refinitiv; KGI Research; Company data

**Figure 21: CO<sup>2</sup> equivalent emissions**


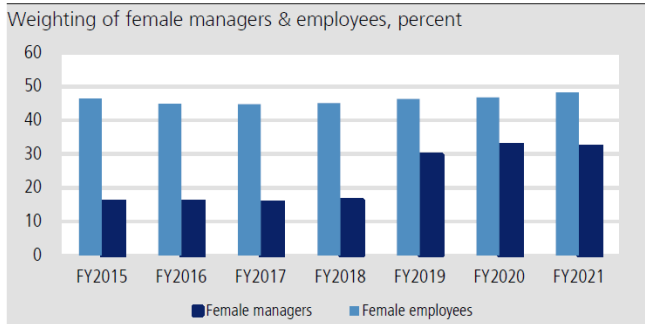
Source: Refinitiv; KGI Research; Company data

**Figure 22: Water use to revenue**


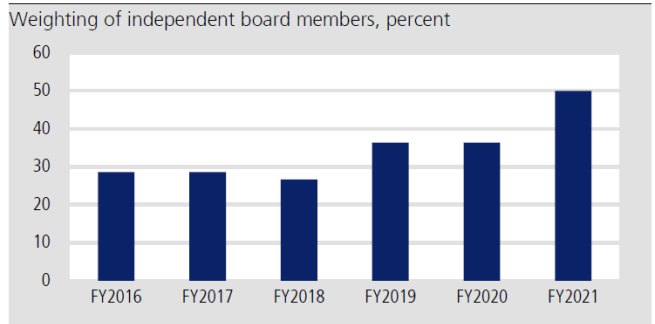
Source: Refinitiv; KGI Research; Company data

**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"> <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; Company data, KGI Research

**Income statement**

	Quarterly								Annually		
	Mar-24A	Jun-24F	Sep-24F	Dec-24F	Mar-25F	Jun-25F	Sep-25F	Dec-25F	Dec-24F	Dec-25F	Dec-26F
<b>Income statement (NT\$m)</b>											
<b>Revenue</b>	<b>91,298</b>	<b>105,152</b>	<b>119,333</b>	<b>119,062</b>	<b>106,803</b>	<b>120,720</b>	<b>132,074</b>	<b>130,947</b>	<b>434,845</b>	<b>490,544</b>	<b>543,156</b>
Cost of goods sold	(64,349)	(72,180)	(80,975)	(81,221)	(73,717)	(81,693)	(88,644)	(88,054)	(298,725)	(332,108)	(368,700)
<b>Gross profit</b>	<b>26,949</b>	<b>32,972</b>	<b>38,358</b>	<b>37,841</b>	<b>33,086</b>	<b>39,027</b>	<b>43,430</b>	<b>42,894</b>	<b>136,120</b>	<b>158,436</b>	<b>174,456</b>
Operating expenses	(19,554)	(21,241)	(22,793)	(22,979)	(21,788)	(23,178)	(24,764)	(24,684)	(86,566)	(94,413)	(102,445)
<b>Operating profit</b>	<b>7,395</b>	<b>11,732</b>	<b>15,566</b>	<b>14,862</b>	<b>11,298</b>	<b>15,848</b>	<b>18,666</b>	<b>18,210</b>	<b>49,554</b>	<b>64,023</b>	<b>72,011</b>
Depreciation of fixed assets	(4,785)	(4,881)	(4,978)	(5,078)	(5,179)	(5,283)	(5,389)	(5,496)	(19,721)	(21,347)	(23,107)
Amortisation of intangible assets	(1,054)	(1,055)	(1,055)	(1,055)	(1,055)	(1,055)	(1,055)	(1,055)	(4,219)	(4,220)	(4,220)
<b>EBITDA</b>	<b>13,233</b>	<b>17,667</b>	<b>21,599</b>	<b>20,995</b>	<b>17,532</b>	<b>22,186</b>	<b>25,110</b>	<b>24,761</b>	<b>73,494</b>	<b>89,590</b>	<b>99,338</b>
Interest income	701	716	667	633	692	719	694	688	2,716	2,794	3,182
Investment income	24	30	150	30	30	30	165	30	234	255	270
Other non-op income	841	700	800	800	825	825	825	825	3,141	3,300	3,300
<b>Non-operating income</b>	<b>1,566</b>	<b>1,446</b>	<b>1,617</b>	<b>1,463</b>	<b>1,547</b>	<b>1,574</b>	<b>1,684</b>	<b>1,543</b>	<b>6,091</b>	<b>6,349</b>	<b>6,752</b>
Interest expense	(340)	(340)	(330)	(320)	(310)	(301)	(292)	(283)	(1,329)	(1,185)	(1,132)
Investment loss	(32)	-	-	-	-	-	-	-	(32)	-	-
Other non-op expenses	177	150	150	150	150	150	150	150	627	600	600
<b>Non-operating expenses</b>	<b>(195)</b>	<b>(190)</b>	<b>(180)</b>	<b>(170)</b>	<b>(160)</b>	<b>(151)</b>	<b>(142)</b>	<b>(133)</b>	<b>(734)</b>	<b>(585)</b>	<b>(532)</b>
<b>Pre-tax profit</b>	<b>8,765</b>	<b>12,988</b>	<b>17,003</b>	<b>16,156</b>	<b>12,685</b>	<b>17,272</b>	<b>20,209</b>	<b>19,620</b>	<b>54,912</b>	<b>69,786</b>	<b>78,232</b>
Current taxation	(1,798)	(2,598)	(3,401)	(3,231)	(2,537)	(3,454)	(4,042)	(3,924)	(11,027)	(13,957)	(15,646)
Minorities	(1,204)	(1,623)	(2,125)	(2,019)	(1,586)	(2,159)	(2,526)	(2,453)	(6,972)	(8,723)	(9,779)
<b>Normalised net profit</b>	<b>5,764</b>	<b>8,767</b>	<b>11,477</b>	<b>10,905</b>	<b>8,563</b>	<b>11,658</b>	<b>13,641</b>	<b>13,244</b>	<b>36,912</b>	<b>47,105</b>	<b>52,806</b>
Extraordinary items	(0)	-	-	-	-	-	-	-	-	-	-
<b>Net profit</b>	<b>5,764</b>	<b>8,767</b>	<b>11,477</b>	<b>10,905</b>	<b>8,563</b>	<b>11,658</b>	<b>13,641</b>	<b>13,244</b>	<b>36,912</b>	<b>47,105</b>	<b>52,806</b>
EPS (NT\$)	2.22	3.38	4.42	4.20	3.30	4.49	5.25	5.10	14.21	18.13	20.33
<b>Margins (%)</b>											
Gross profit margin	29.5	31.4	32.1	31.8	31.0	32.3	32.9	32.8	31.3	32.3	32.1
Operating margin	8.1	11.2	13.0	12.5	10.6	13.1	14.1	13.9	11.4	13.1	13.3
EBITDA margin	14.5	16.8	18.1	17.6	16.4	18.4	19.0	18.9	16.9	18.3	18.3
Pretax profit margin	9.6	12.4	14.2	13.6	11.9	14.3	15.3	15.0	12.6	14.2	14.4
Net profit margin	6.3	8.3	9.6	9.2	8.0	9.7	10.3	10.1	8.5	9.6	9.7
<b>Sequential growth (%)</b>											
Revenue growth	(8.7)	15.2	13.5	(0.2)	(10.3)	13.0	9.4	(0.9)			
Gross profit growth	(11.4)	22.4	16.3	(1.3)	(12.6)	18.0	11.3	(1.2)			
Operating profit growth	(28.6)	58.6	32.7	(4.5)	(24.0)	40.3	17.8	(2.4)			
EBITDA growth	(17.7)	33.5	22.3	(2.8)	(16.5)	26.5	13.2	(1.4)			
Pretax profit growth	(32.4)	48.2	30.9	(5.0)	(21.5)	36.2	17.0	(2.9)			
Net profit growth	(35.8)	52.1	30.9	(5.0)	(21.5)	36.2	17.0	(2.9)			
<b>YoY growth (%)</b>											
Revenue growth	(1.7)	4.6	10.7	19.0	17.0	14.8	10.7	10.0	8.4	12.8	10.7
Gross profit growth	5.4	12.3	20.4	24.5	22.8	18.4	13.2	13.4	16.1	16.4	10.1
Operating profit growth	(12.0)	14.1	30.8	43.4	52.8	35.1	19.9	22.5	21.0	29.2	12.5
EBITDA growth	(1.8)	13.6	23.8	30.6	32.5	25.6	16.3	17.9	17.5	21.9	10.9
Pretax profit growth	(12.0)	8.7	23.5	24.6	44.7	33.0	18.9	21.4	12.9	27.1	12.1
Net profit growth	(16.6)	7.6	22.6	21.5	48.6	33.0	18.9	21.4	10.5	27.6	12.1

Source: Company data; KGI Research estimates

## Balance sheet

NTSmn	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
<b>Total assets</b>	<b>425,874</b>	<b>457,747</b>	<b>500,968</b>	<b>547,169</b>	<b>597,021</b>
<b>Current assets</b>	<b>240,450</b>	<b>259,958</b>	<b>286,781</b>	<b>328,294</b>	<b>375,203</b>
Cash & ST securities	63,572	92,620	108,909	130,339	151,899
Inventory	79,844	76,227	76,131	84,661	95,375
Accounts receivable	87,227	79,380	90,370	101,923	116,558
Other current assets	9,807	11,732	11,371	11,371	11,371
<b>Non-current assets</b>	<b>185,423</b>	<b>197,788</b>	<b>214,187</b>	<b>218,875</b>	<b>221,818</b>
LT investments	4,623	3,505	4,301	4,556	4,826
Net fixed assets	86,267	98,002	109,109	117,762	124,655
Other assets	94,534	96,282	100,777	96,557	92,337
<b>Total liabilities</b>	<b>200,507</b>	<b>215,011</b>	<b>223,997</b>	<b>232,825</b>	<b>243,645</b>
<b>Current liabilities</b>	<b>125,013</b>	<b>126,085</b>	<b>132,141</b>	<b>140,969</b>	<b>151,789</b>
Accounts payable	62,716	53,539	57,144	65,972	76,792
Interest bearing ST liabilities	2,119	5,875	7,002	7,002	7,002
Other current liabilities	60,179	66,671	67,995	67,995	67,995
<b>Non-current liabilities</b>	<b>75,493</b>	<b>88,927</b>	<b>91,856</b>	<b>91,856</b>	<b>91,856</b>
Long-term debt	44,337	51,420	53,864	53,864	53,864
Other L-T liabilities	28,853	34,951	35,545	35,545	35,545
<b>Total equity</b>	<b>225,367</b>	<b>242,735</b>	<b>276,971</b>	<b>314,344</b>	<b>353,376</b>
Share capital	25,975	25,975	25,975	25,975	25,975
Retained earnings reserve	65,907	83,904	95,768	115,189	143,300
Minority interests	38,578	43,572	51,416	60,139	69,918
Preferred shareholders funds	-	-	-	-	-

## Key ratios

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
<b>Growth</b>					
Revenue growth	22.2%	4.4%	8.4%	12.8%	10.7%
Operating profit growth	32.1%	(1.2%)	21.0%	29.2%	12.5%
EBITDA growth	24.4%	3.6%	17.5%	21.9%	10.9%
Net profit growth	21.9%	2.2%	10.5%	27.6%	12.1%
EPS growth	21.9%	2.2%	10.5%	27.6%	12.1%
<b>Profitability</b>					
Gross profit margin	28.8%	29.2%	31.3%	32.3%	32.1%
Operating margin	10.8%	10.2%	11.4%	13.1%	13.3%
EBITDA margin	15.7%	15.6%	16.9%	18.3%	18.3%
Net profit margin	8.5%	8.3%	8.5%	9.6%	9.7%
Return on average assets	8.3%	7.6%	7.7%	9.0%	9.2%
Return on average equity	19.1%	17.3%	17.4%	19.6%	19.6%
<b>Stability</b>					
Gross debt to equity	20.6%	23.6%	22.0%	19.4%	17.2%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	81.6	42.5	42.3	59.9	70.1
Interest & ST debt coverage (x)	0.9	0.9	0.9	0.9	0.9
Cash flow interest coverage(x)	81.4	60.7	46.2	59.0	66.4
Cash flow/int. & ST debt (x)	17.3	10.1	7.4	8.5	9.2
Current ratio (x)	1.9	2.1	2.2	2.3	2.5
Quick ratio (x)	1.3	1.5	1.6	1.7	1.8
Net debt (NT\$m)	(15,090)	(30,161)	(43,489)	(64,919)	(86,479)
<b>Per share data</b>					
EPS (NT\$)	12.58	12.86	14.21	18.13	20.33
CFPS (NT\$)	17.91	27.37	23.64	26.90	28.92
BVPS (NT\$)	71.91	76.67	86.83	97.86	109.13
Adj BVPS (NT\$)	71.91	76.67	86.83	97.86	109.13
SPS (NT\$)	148.00	154.46	167.41	188.85	209.10
EBITDA/share (NT\$)	23.24	24.08	28.29	34.49	38.24
Cash DPS (NT\$)	9.84	6.43	7.11	9.07	10.16
<b>Activity</b>					
Sales / avg assets	0.97	0.91	0.91	0.94	0.95
Days receivable	82.8	72.2	76.1	75.8	78.3
Days inventory	106.5	98.0	93.3	93.0	94.4
Days payable	83.6	68.8	70.0	72.5	76.0
Cash cycle	105.7	101.4	99.3	96.4	96.7

Source: Company data; KGI Research estimates

## Profit &amp; loss

NTSmn	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
<b>Revenue</b>	<b>384,443</b>	<b>401,227</b>	<b>434,845</b>	<b>490,544</b>	<b>543,156</b>
Cost of goods sold	(273,671)	(284,013)	(298,725)	(332,108)	(368,700)
<b>Gross profit</b>	<b>110,773</b>	<b>117,213</b>	<b>136,120</b>	<b>158,436</b>	<b>174,456</b>
Operating expenses	(69,334)	(76,263)	(86,566)	(94,413)	(102,445)
<b>Operating profit</b>	<b>41,439</b>	<b>40,950</b>	<b>49,554</b>	<b>64,023</b>	<b>72,011</b>
<b>Non-operating income</b>	<b>4,001</b>	<b>6,519</b>	<b>6,091</b>	<b>6,349</b>	<b>6,752</b>
Interest income	610	2,070	2,716	2,794	3,182
Investment income	323	222	234	255	270
Other non-op income	3,068	4,227	3,141	3,300	3,300
<b>Non-operating expenses</b>	<b>626</b>	<b>1,173</b>	<b>(734)</b>	<b>(585)</b>	<b>(532)</b>
Interest expense	(571)	(1,171)	(1,329)	(1,185)	(1,132)
Investment loss	-	-	(32)	-	-
Other non-op expenses	1,197	2,344	627	600	600
<b>Pre-tax profit</b>	<b>46,065</b>	<b>48,642</b>	<b>54,912</b>	<b>69,786</b>	<b>78,232</b>
Current taxation	(9,075)	(9,762)	(11,027)	(13,957)	(15,646)
Minorities	(4,325)	(5,488)	(6,972)	(8,723)	(9,779)
Extraordinary items	-	0	-	-	-
<b>Net profit</b>	<b>32,666</b>	<b>33,393</b>	<b>36,912</b>	<b>47,105</b>	<b>52,806</b>
<b>EBITDA</b>	<b>60,375</b>	<b>62,540</b>	<b>73,494</b>	<b>89,590</b>	<b>99,338</b>
EPS (NT\$)	12.58	12.86	14.21	18.13	20.33

## Cash flow

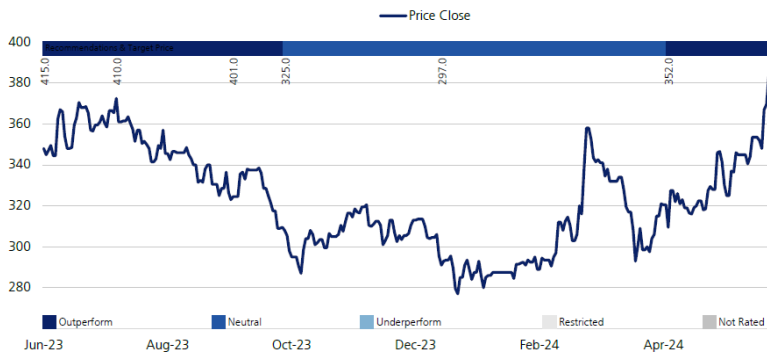
NTSmn	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
<b>Operations cash flow</b>	<b>46,529</b>	<b>71,086</b>	<b>61,398</b>	<b>69,886</b>	<b>75,113</b>
Net profit	32,666	33,393	36,912	47,105	52,806
Depreciation & amortisation	18,936	21,590	23,940	25,567	27,327
Decrease in working capital	(20,062)	2,466	(7,457)	(11,254)	(14,529)
Other operating cash flow	14,990	13,638	8,002	8,468	9,509
<b>Investing cash flow</b>	<b>(24,719)</b>	<b>(33,502)</b>	<b>(34,789)</b>	<b>(30,000)</b>	<b>(30,000)</b>
Sale of ST investment	218	213	-	-	-
New investments	-	89	1	-	-
Capital expenditure	(21,824)	(27,830)	(29,798)	(30,000)	(30,000)
Others investing cashflow	(3,113)	(5,974)	(4,992)	-	-
<b>Free cash flow</b>	<b>6,409</b>	<b>24,945</b>	<b>22,069</b>	<b>31,311</b>	<b>36,186</b>
<b>Financing cash flow</b>	<b>(19,739)</b>	<b>(10,478)</b>	<b>(13,501)</b>	<b>(18,456)</b>	<b>(23,553)</b>
Increase in short term debt	(2,321)	874	1,581	-	-
Increase in long term loans	421	9,452	1,990	-	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(15,026)	(27,455)	(16,702)	(18,456)	(23,553)
Other financing cashflow	(2,814)	6,651	(369)	(0)	(0)
<b>Forex effects</b>	<b>9,621</b>	<b>(1,198)</b>	<b>3,791</b>	-	-
<b>Total cash generated</b>	<b>11,692</b>	<b>25,909</b>	<b>16,899</b>	<b>21,430</b>	<b>21,560</b>

## ROIC

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
1 - COGS/revenue					
- Operating exp./revenue	18.0%	19.0%	19.9%	19.2%	18.9%
<b>= Operating margin</b>	<b>10.8%</b>	<b>10.2%</b>	<b>11.4%</b>	<b>13.1%</b>	<b>13.3%</b>
1 / (Working capital/revenue	0.1	0.1	0.1	0.1	0.1
+ Net PPE/revenue	0.2	0.2	0.3	0.2	0.2
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
<b>= Capital turnover</b>	<b>2.7</b>	<b>2.7</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>
Operating margin	10.8%	10.2%	11.4%	13.1%	13.3%
x Capital turnover	2.7	2.7	2.6	2.6	2.6
x (1 - tax rate)	80.3%	79.9%	79.9%	80.0%	80.0%
<b>= After-tax ROIC</b>	<b>23.1%</b>	<b>21.9%</b>	<b>23.3%</b>	<b>27.0%</b>	<b>27.3%</b>

Source: Company data; KGI Research estimates



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


Date	Rating	Target	Price
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
2023-02-23	Outperform	325.0	290.0

Source: TEJ; KGI Research

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