Elite Advanced Laser (3450.TW/3450 TT)

Solid AOC & laser diode COS demand

Outperform · Initiated

Price as of September 23 (NT$)	184.0
12M target price (NT$)	270.0
Previous target price (NT$)	N/A
Unchanged / Revised up (down) (%)	N/A
Upside (%)	46.7

Key message

1. Active optical cable business to benefit from reduced order allocation from US clients to Chinese suppliers and spec upgrade to 800G in 2H25F.
2. Packaging & testing demand has been rising.
3. Adding capacity to meet client demand.

Trading data

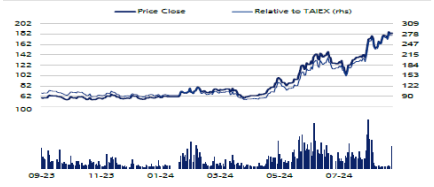
Mkt cap (NT$bn/US$mn)	26.81 / 839
Outstanding shares (mn)	145.7
Foreign ownership (mn)	37.12
3M avg. daily trading (mn)	19.33
52-week trading range (NT$)	55.20 –186.5

Performance	3M	6M	12M
Absolute (%)	50.8	142.1	214.5
Relative (%)	55	131.9	178.2

Quarterly EPS

NT$	1Q	2Q	3Q	4Q
2023	(0.28)A	(0.09)A	(0.14)A	(0.01)A
2024	0.31A	0.47A	1.17F	1.83F
2025	1.22F	2.04F	2.62F	3.09F

Share price chart



Source: TEJ

Event

We initiate coverage of Elite Advanced Laser (Elite) with Outperform. We expect the firm to: (1) register substantial growth in shipments of 400GbE active optical cables (AOC) in 2025, while shipments of 800GbE AOC will likely begin in 2H25; and (2) benefit from growing demand for packaging & testing services on proliferation of AI-related applications.

Impact

AOC business to benefit from growing order allocation from US clients to suppliers outside of China, as well as spec upgrade to 800G in 2H25F. Elite's US clients have been raising order allocation to non-Chinese suppliers to minimize geopolitical risk. We therefore expect the firm's AOC sales to register solid growth in 2025. The firm sells AOC product to large cloud operators in the US, mainly via Centera Photonics (TW; unlisted), a subsidiary it acquired in 4Q22, and its market share will continue to grow due to client strategies to reduce reliance on Chinese suppliers. We believe spec upgrade from 400G to 800G in 2H25 will increase product ASP.

Packaging & testing demand is rising. Packaging & testing services contributed respective sales of NT$1.3bn and NT$743mn to Elite's parent company in 2022-23, for sales weightings of 19.2% and 13.8%. We believe aggressive development of AI applications by leading US optical communication firms will create more demand for VCSEL- and EML-related packaging & testing, boding well for Elite. Specifically, we estimate Elite's standalone sales will grow 13% YoY to NT$1.07bn in 2024, and further by 56.4% YoY to NT$1.67bn in 2025.

Adding capacity to meet client demand. We believe Elite is aggressively expanding capacity to address surging demand for AOC and laser packaging. We forecast monthly shipments of AOC will increase from 10k units in 2Q24 to over 80k units by 2Q25, while monthly shipments of laser products, could grow from 700-800k units to more than 1.0mn units in the same period. All considered, we forecast respective 2024-25 sales of NT$7.69bn and NT$14.6bn, up 42.4% and 89.9% YoY, while 2024 EPS will turn positive at NT$3.78, before climbing 137% YoY to NT$8.97 in 2025.

Valuation & Action

We see Elite as a major beneficiary of growing demand for optical communications due to the proliferation of AI applications, and US clients raising order allocation to non-Chinese suppliers. We initiate coverage with Outperform and a target price of NT$270, based on 30x 2025F EPS of NT$8.97, versus the historical PE range of 20-40x.

Risks

Disappointing data center demand; intensifying competition.

Key financials and valuations

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (NT$mn)	7,198	6,776	5,399	7,690	14,602
Gross profit (NT$mn)	1,693	1,292	805	1,908	4,328
Operating profit (NT$mn)	1,113	671	197	1,188	3,473
Net profit (NT$mn)	371	192	(76)	551	1,307
EPS (NT$)	2.55	1.32	(0.52)	3.78	8.97
Cash DPS (NT$)	1.80	0.50	-	2.00	6.00
EPS growth (%)	54.0	(48.3)	(139.7)	0.0	137.4
PE (x)	72.2	139.7	N.A.	48.7	20.5
PB (x)	6.6	6.8	7.0	6.6	6.0
EV/EBITDA (x)	21.2	26.4	36.3	12.7	7.8
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	1.0	0.3	0.0	1.1	3.3
Return on average equity (%)	9.4	4.8	(2.0)	14.0	30.5

Source: Company data, KGI Research estimates

Valuation

We initiate coverage of Elite with Outperform and a 12-month target price of NT$270, based on 30x 2025F EPS of NT$8.97, implying 47% upside. We expect the firm to register substantial growth in AOC and laser packaging sales in 2025.

Valuation

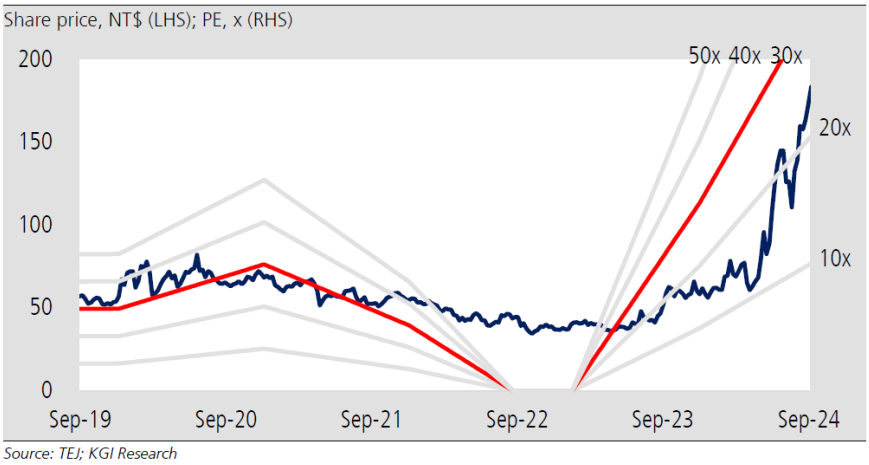
We initiate coverage of Elite with Outperform and a 12-month target price of NT$270, based on 30x 2025F EPS of NT$8.97, implying 46.7% upside.

The firm is mainly engaged in the R&D and manufacturing of high-precision optoelectronics and power semiconductors. Optical information and communication products, as well as power semiconductor products, accounted for a respective 23% and 77% of 2022 sales, and 18% and 82% of 2023 sales. End-market applications are very diverse, including: (1) consumer products, such as printers and projectors; (2) industrial products, mainly high-power lasers; (3) automotive products, mainly LiDAR-related; (4) telecom-related products, mainly GPON lasers and electro-absorption modulated lasers (EML); (5) datacom-related products, including data center transceivers and AOC; (6) AI/ML-related products, including transceiver, AOC, linear-drive pluggable optics (LPO), external laser source (ELS), and external laser small form-factor pluggable (ELSFP).

We believe AOC-related products and laser packaging will be the primary sales growth drivers in 2025. The firm is selling AOC products to large cloud operators in the US via subsidiary Centera Photonics, which it acquired in 4Q22. Regarding its laser packaging business, we expect Elite to strengthen cooperation with large networking IC solution providers in North America, and some joint projects with leading optical communication product vendors in North America will also drive substantial sales growth. We estimate 2025 consolidated sales will grow 89.9% YoY to NT$14.6bn, with EPS of NT$8.97, up 137% YoY.

In addition to module manufacturing capabilities related to optical communications, Elite also has semiconductor and laser-related packaging capabilities. Therefore, the company's share valuation is generally higher than that of mid-stream and downstream and optical communications passive components peers. The historical PE range is 20-40x, the average of 30x being higher than the 20x of the optical communications industry. Shares are trading at 21x our 2025F EPS of NT$8.97, implying potential upside of approximately 46.7%.

Figure 1: PE band



Source: TEJ; KGI Research

Figure 2: Breakdown of 2Q24 results & 3Q24 forecasts

	2Q24			3Q24F		
NT$mn	Actual	QoQ (%)	YoY (%)	KGI forecast	QoQ (%)	YoY (%)
Sales	1,705	32.6	32.0	2,120	24.4	50.7
Gross profit	395	53.5	112.4	545	38.2	200.0
Operating income	221	154.0	635.5	363	64.0	1,414.1
Pretax income	216	34.5	105.6	397	83.7	553.2
Net income	69	55.3	-	170	146.8	-
EPS (NT$)	0.47	55.3	-	1.17	146.8	-
Gross margin (%)	23.2	3.2 ppts	8.8 ppts	25.7	2.6 ppts	12.8 ppts
OP margin (%)	13.0	6.2 ppts	10.6 ppts	17.1	4.1 ppts	15.4 ppts
Net margin (%)	4.0	0.6 ppts	5.1 ppts	8.0	4.0 ppts	9.5 ppts

Source: KGI Research estimates

Figure 3: Breakdown of 2024-25 forecasts

	2024F		2025F	
NT$mn	KGI forecast	YoY (%)	KGI forecast	YoY (%)
Sales	7,690	42.4	14,602	89.9
Gross profit	1,908	137.0	4,328	126.8
Operating income	1,188	504.4	3,473	192.3
Pretax income	1,366	383.5	3,533	158.6
Net income	551	-	1,307	137.4
EPS (NT$)	3.78	-	8.97	137.4
Gross margin (%)	24.8	9.9 ppts	29.6	4.8 ppts
OP margin (%)	15.4	11.8 ppts	23.8	8.3 ppts
Net margin (%)	7.2	8.6 ppts	9.0	1.8 ppts

Source: KGI Research estimates

Figure 4: Comparison – Peer valuations

Company	Code	Market cap	Share	EPS (LCY)		EPS CAGR (%)	PER (x)		PBR (x)		ROE (%)		Dividend yield (%)	
		(US$ mn)	price (LCY)	2024F	2025F	(2023-2025F)	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F
LandMark Optoelectronics*	3081 TT	748	259.0	-0.81	4.46	N.M.	N.M.	58.1	6.4	6.1	(2.0)	10.8	0.2	1.2
Browave	3163 TT	377	160.5	4.50	4.94	(6.3)	35.7	32.5	N.M.	N.M.	13.6	14.4	1.9	2.2
TrueLight	3234 TT	146	42.0	N.A.	N.A.	N.M.	N.M.	N.M.	N.M.	N.M.	N.A.	N.A.	N.A.	N.A.
FOCI	3363 TT	571	176.5	N.A.	N.A.	N.M.	N.M.	N.M.	N.M.	N.M.	N.A.	N.A.	N.A.	N.A.
Elite Advanced Laser*	3450 TT	837	184.0	3.78	8.97	N.M.	48.7	20.5	6.6	6.0	14.0	30.5	1.1	3.3
Apac Opto Electronics	4908 TT	251	103.0	N.A.	N.A.	N.M.	N.M.	N.M.	N.M.	N.M.	N.A.	N.A.	N.A.	N.A.
PCL Technologies*	4977 TT	275	110.0	0.52	3.92	(6.9)	211.2	28.1	2.1	2.0	1.0	7.5	0.9	3.2
LuxNet*	4979 TT	620	141.0	4.23	5.51	28.4	33.3	25.6	5.7	4.7	17.9	19.3	1.4	1.7
Jess-Link Products	6197 TT	640	168.0	N.A.	N.A.	N.M.	N.M.	N.M.	N.M.	N.M.	N.A.	N.A.	N.A.	N.A.
Ezconn	6442 TT	877	371.5	11.46	14.84	144.0	32.4	25.0	11.5	9.9	N.M.	N.M.	1.9	2.9
ShunSin Technology Holding	6451 TT	788	235.0	N.A.	N.A.	N.M.	N.M.	N.M.	N.M.	N.M.	N.A.	N.A.	N.A.	N.A.
Peer Average							**72.3**	**31.6**	**6.5**	**5.7**	**8.9**	**16.5**	**1.2**	**2.4**

Source: Bloomberg; KGI Research

*Note: * indicates KGI estimates*

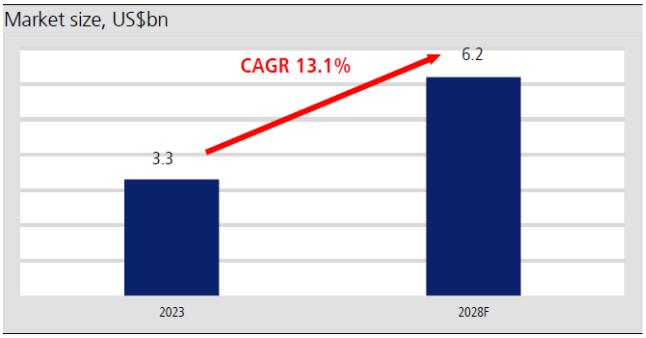
Investment thesis

We believe increasing demand for data transmission products from data centers due to the proliferation of AI applications, as well as rising order allocation to non-Chinese suppliers by US clients, will shore up Elite's sales and earnings. We forecast 2025 sales will grow 89.9% YoY to NT$14.6bn, with EPS of NT$8.97, up 137% YoY.

AOC sales to grow markedly in 2025F

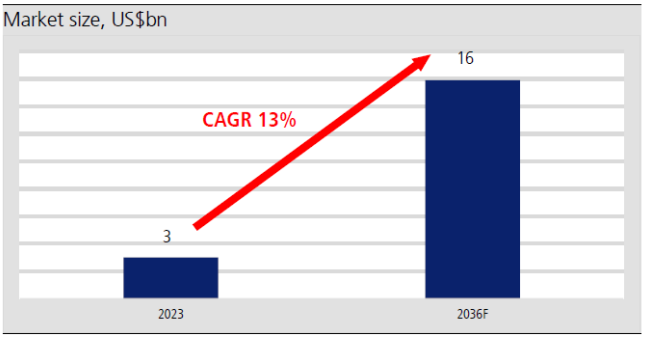
The proliferation of AI applications has been driving demand for data center transmission related products, including high-speed switches and transceiver modules. According to GII, global sales of AOC will grow from US$3.3bn in 2023 to US$6.2bn by 2028, for a CAGR of 13.1%. Research Nester estimates global AOC market output will rise from US$3.0bn in 2023 to US$16.0bn in 2036, for a CAGR of 13%.

Figure 5: GII estimates AOC market output will grow from US$3.3bn in 2023 to US$6.2bn in 2028



Source: GII; KGI Research

Figure 6: Research Nester forecasts AOC market size will expand from US$3.0bn in 2023 to US$16.0bn in 2036



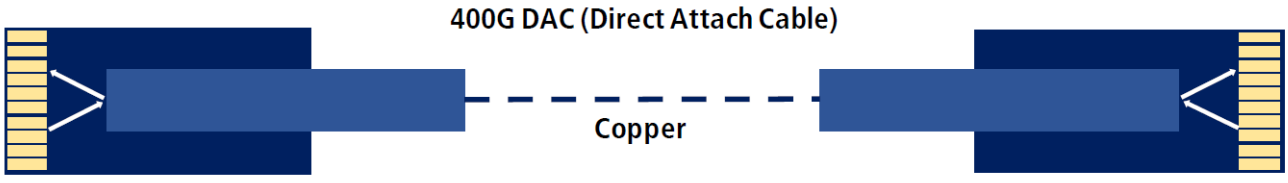
Source: Research Nester; KGI Research

In addition to the most commonly known optical transceiver modules, there are several other options for data transmission between servers that will meet different requirements of transmission distance, cost, flexibility, and reliability, including direct attach cable (DAC), active copper cable (ACC), active electrical cable (AEC), active optical cable (AOC) and optical transceiver module. We provide a brief description of all options below.

DAC – The most economic option for short-distance data transmission

A DAC is essentially a copper cable with high electrical conductivity that links two connector plugs. Compared to optical fiber, copper wire is inferior in terms of flexibility (bendability), weight (heavier), and signal loss during transmission. There's also a limit to the distance that copper wires can transfer signals at high speed while ensuring reliability. Therefore, the transmission distance of DAC is within 3m in scenarios that are sensitive to signal reliability in data centers. DACs only transfer electrical signals, which means they do not come with any optical communication components, and they do not carry any signal processing IC. This explains why DAC is the most affordable option for data transmission.

Figure 7: Schematic of DAC

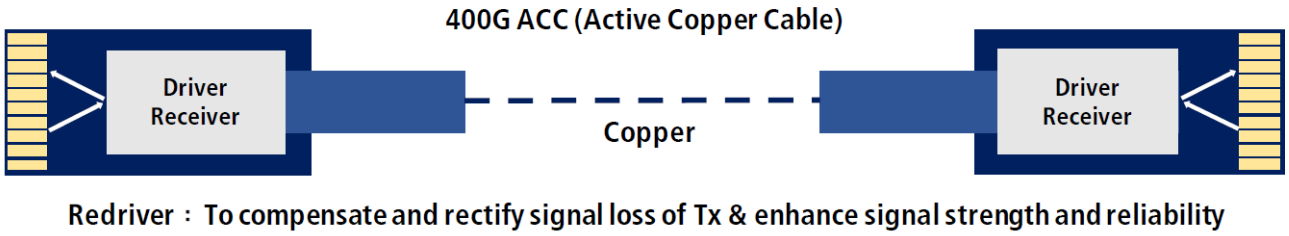


Source: fs; KGI Research

ACC – DAC with redriver to boost signal reliability

An ACC is a DAC with redriver IC, which adjusts and rectifies signals through equalization and pre-emphasis to boost signal integrity. The addition of redriver IC, which requires electricity to function, means more power consumption than a DAC. However, the component helps extend the distance of high-speed transmission to around 5m (2-3m longer than DAC).

Figure 8: Schematic of ACC

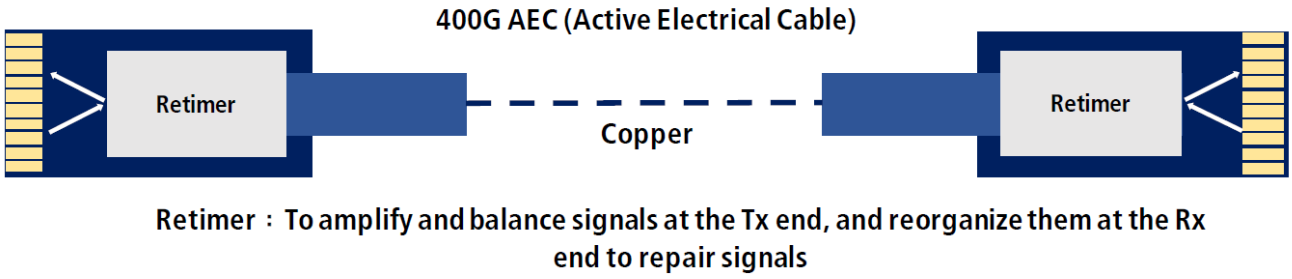


Source: fs; KGI Research

AEC – DAC with retimer to ensure better signal integrity

The main difference between AEC and ACC is that that the former uses a retimer, which, compared to a redriver, provides even better transmission reliability, as it can repair data signals and reduce noise. Retimers are able to amplify and balance signals at the Tx end, and reorganize them at the Rx end to repair signals. As a result, quality of transferred signals and transmission distance are better with AEC than ACC, and understandably, the cost of AEC is higher as it utilizes retimers.

Figure 9: Schematic of AEC



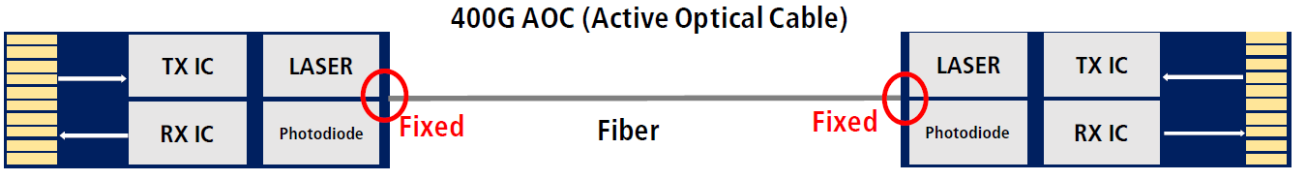
Source: fs; KGI Research

AOC – Uses optical fiber to transmit signals

AOC differs from the above-mentioned products in that DAC, ACC, and AEC all use copper cable to transmit signals, whereas AOC, like optical transceiver modules – a product well known to the market – uses optical fiber. Modules at the two ends of AOC can convert electrical signals into optical signals via embedded special optical transceiver chips. In AOC, optical transceiver modules and optical fiber are non-detachable. This is an advantage, as the ends of the optical fiber are more concealed and pollution free, providing a high degree of reliability. However, this is also a disadvantage, because the whole module needs to be replaced in the case of AOC malfunction (including modules and fiber). The solution for optical transceiver module and connection disruption issues is to replace a single optical transceiver module. On the other hand, as the optical fiber is non-detachable and transmission distance needs to be determined before AOC are shipped, it is difficult to adjust AOC post-shipment and deploy structured cabling. Due to optical-electrical conversion, AOC are more complex and cost more than DAC, ACC, or AEC. However, with high reliability, less electromagnetic interference (EMI), lightweight

cables, and fixed length of optical fiber, AOC are extremely competitive for connection within 30m.

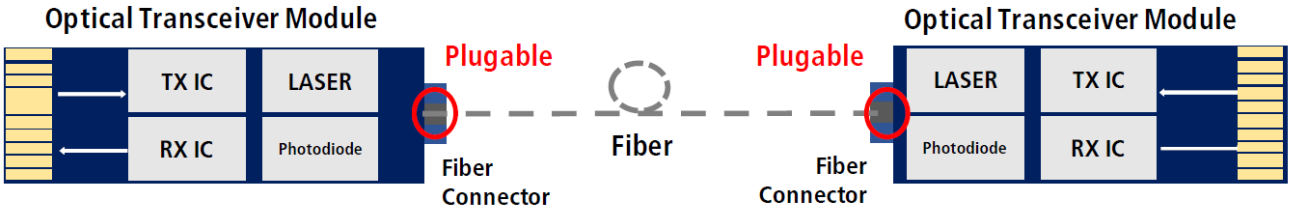
Figure 10: Schematic of AOC



Source: fs; KGI Research

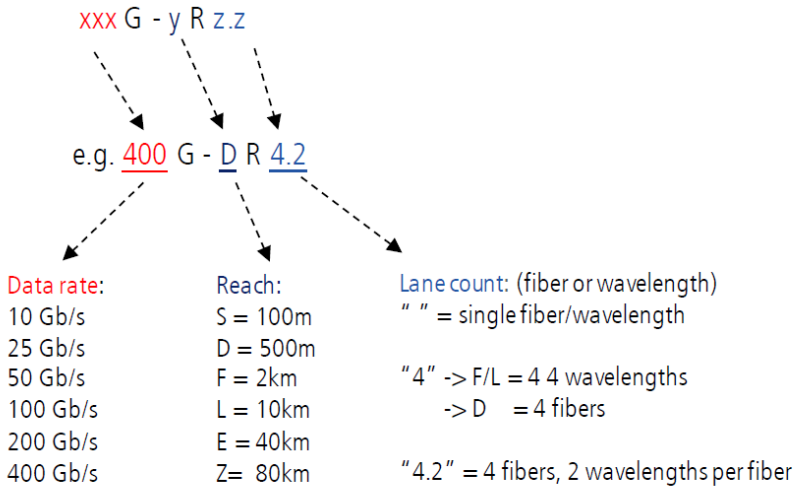
Optical transceiver modules have been a well-known product on the market over the past few years. As the main interface for high-speed network transmission, the primary function of optical transceiver modules is conversion and integration of electrical signals and optical signals. The main difference between optical transceiver modules and AOC is that the former is pluggable, as detailed in our 2020 industry report, "Optical communication — The last mile of 5G & datacenter infrastructure". Therefore, transmission distance can be adjusted as needed. The advantage is greater flexibility and the longest transmission distance. The disadvantage is that, due to the pluggable design, reliability is not as high as that of AOC.

Figure 11: Schematic of optical transceiver module



Source: fs; KGI Research

Figure 12: Optical transceiver module specs & models



Source: KGI Research

Figure 13: Comparison – Connection methods

	DAC	AOC	2 Transceivers + Structured Cabling
Max Reach	< 15m	100m	Per TIA/IEEE Standard
Cable Type	Twinax Copper	Fiber Optic	Twisted pair copper or fiber optic
Power Consumption	< 1w	1-2w	1-2w
Weight	Heaviest weight	Lightest weight	Depending on structured cabling deployed
Bend Radius	24AWG-38mm 26AWG-33mm 28AWG-25mm 30AWG-23mm	25mm	Depending on structured cabling deployed
Application	Top of Rack (ToR) Adjacent racks	Top of Rack (ToR) Middle of Row End of Row Zone-to-zone	Top of Rack (ToR) Middle of Row End of Row Zone-to-zone
EMI	Weak	Strong	Strong
Price	Low	Middle	High

Source: KGI Research

We believe Elite will see sales growth of AOC products in 2025, as US clients are increasing their supplier weightings of non-China manufacturers due to geopolitical risk. AOC products will mainly be shipped by subsidiary Centera Photonics to large cloud platform operators in North America. Market share will therefore rise.

In 2Q24, operating margin was 13%, significantly higher than 6.8% in 1Q24 thanks to rising AOC shipments. In 2Q24, consolidated sales totaled NT$1.71bn, up 32.6% QoQ from NT$1.29bn in 1Q24, for a net increase of NT$420mn. Centera Photonics posted sales of NT$48mn in 1Q24, and grew sales 554% QoQ in 2Q24 to NT$314mn, for a net increase of NT$266mn. The bottom-line improved from a net loss of NT$13mn in 1Q24 to net profit of NT$52mn in 2Q24.

Figure 14: Centera Photonics 1Q23-2Q24 sales & earnings

NT$mn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
Sales	28	4	4	2	48	314
Net profit	-49	-28	-55	-32	-13	52

Source: Company data; KGI Research

We expect Centera Photonics AOC sales to continue to grow in 2024-25F. We predict product specs will be upgraded from the current 400G to 800G in 2H25, which will boost the unit price. We forecast monthly production capacity of 400G AOC will reach 35-40k units in 4Q24F, with cumulative shipments in 2024F of 183k units. Capacity will expand to 80k-100k units per month in 2Q25F, with shipments of 750k units of 400G products and 36k units of 800G products in 2025F. As a result, Centera Photonics sales will grow to a respective NT$1.98bn and NT$8.19bn in 2024-25F, up 5,121% and 313% YoY, significantly higher than the 13% YoY growth projected by the aforementioned third-party research institution.

Figure 15: Breakdown of sales forecasts for Elite & its subsidiaries

NT$mn	1Q24	2Q24	3Q24F	4Q24F	1Q25F	2Q25F	3Q25F	4Q25F
Elite's Standalone	176	205	315	369	338	410	445	473
GEM	1,061	1,186	1,195	1,201	1,050	1,188	1,234	1,277
Centera	48	314	610	1,010	1,228	1,864	2,290	2,806
Total	**1,285**	**1,705**	**2,120**	**2,580**	**2,616**	**3,462**	**3,969**	**4,556**

Source: Company data; KGI Research

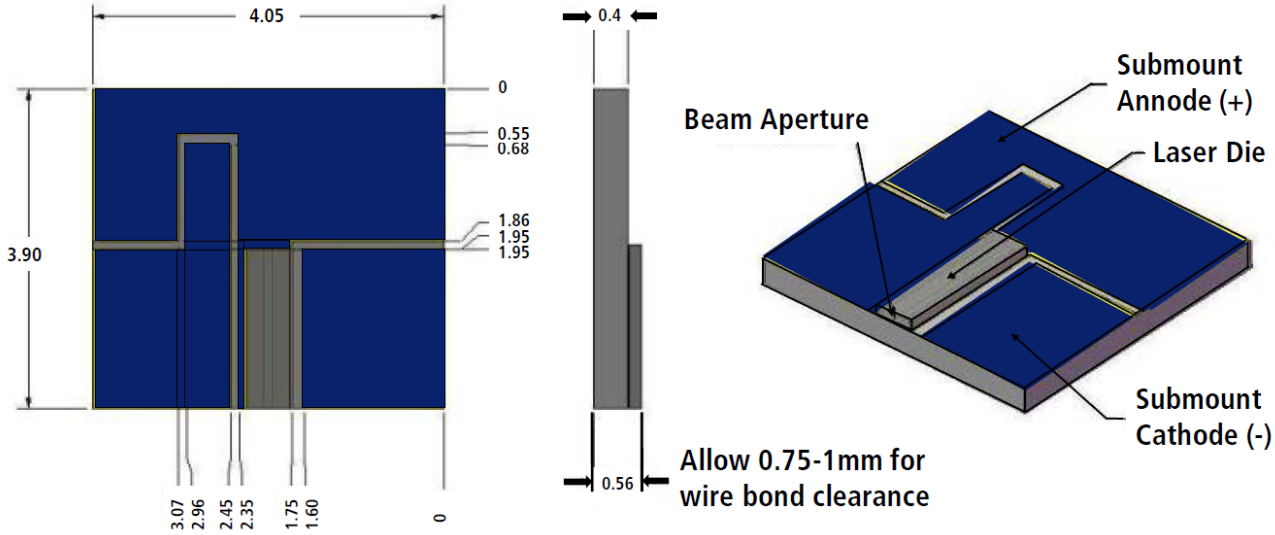
Investment thesis

We are upbeat on Elite as we expect the company to benefit from demand for packaging & testing services as US clients aggressively develop AI. Among them, two leading optical communications firms started to show stronger demand for Elite's services in 1H24. We forecast respective standalone sales of NT$1.07bn and NT$1.67bn in 2024-25, up 13% and 56.4% YoY.

Demand for packaging & testing services to grow

According to Elite's standalone financial statements, packaging & testing service sales totaled a respective NT$1.3bn and NT$743mn in 2022-23, accounting for 19.2% and 13.8% of NT$6.78bn and NT$5.4bn in sales. We expect the firm to benefit from demand for laser-related packaging services on the proliferation of AI applications by US clients. Among them, two leading optical communications firms began to show strong demand for Elite's services in 1H24. We forecast monthly demand for chip-on-submount (CoS) laser will increase from 700-800k units to over 1.0mn units, while the existing TO-CAN business will taper off. For GEM Services (6525 TT, NT$64.4, NR), we expect power semiconductor packaging & testing sales to slightly grow YoY in 2025. All told, we forecast Elite, on a standalone basis, will post respective sales of NT$1.07bn and NT$1.67bn in 2024-25, up 13% and 56.4% YoY, while GEM Services will report sales of NT$4.64bn and NT$4.75bn, up 5.1% and 2.3% YoY.

Figure 16: CoS often used in laser packaging



Source: laser diode source; KGI Research

Investment risk

The time frame for developing digital signal processors (DSP) used in Elite AOC products needs to be monitored. As AOC products are mainly shipped via Centera Photonics, non-controlling interests have to be deducted from net profit. The progress of production capacity expansion will affect output.

Development of DSP used in 800G AOC products requires monitoring

By and large, the market forecasts demand for 800G optical transceiver modules will increase from around 10mn units in 2024 to 15-20mn units in 2025. We believe demand for Elite AOC products will not be crowded out as they are positioned differently from optical transceiver modules. Digital signal processors (DSP), a component used in AOC products, is made by both US, UK, and Taiwan IC companies. As Taiwan and UK produced DSP are cheaper than their US counterparts, Elite's choice of Taiwan and UK DSP suppliers over US firms will help lower costs and increase earnings. According to our research, US-made DSP will mature in 2H24, while Taiwan-made DSP will mature in 2H25 and UK-made DSP will mature in 1H25. The time required for 800G DSP to mature will affect Elite's 800G AOC product pricing and cost.

Net profit must exclude non-controlling interests

As Elite does not own 100% of subsidiaries that are consolidated into its financial statements, non-controlling interests must be deducted in accordance with the stakes not held by Elite when recognizing 100% of sales. Take 2Q24 financial statements as an example. The company held 51% of GEM Services. GEM Services net profit was NT$162mn, of which NT$79.4mn (NT$162mn multiplied by 49%) had to be deducted from Elite's consolidated earnings. The company also held a 56.4% stake in Centera Photonics. Centera Photonics profit was NT$52.2mn, of which NT$22.75mn (NT$52.2mn multiplied by 43.6%) had to be deducted. The total deduction was NT$102mn. We have calculated non-controlling interests since 4Q22 when Centera Photonics was acquired. As AOC products are delivered to clients mainly via Centera Photonics, sales are fully recognized, while earnings are adjusted in accordance with shares held.

Figure 17: Non-controlling interest calculations

		4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
GEM	Net profit (NT$mn)	116	160	155	136	115	156	162
	Shares held by Elite (%)	51	51	51	51	51	51	51
	Non-controlling interests (100%-Shares held by Elite) (NT$mn)	**57.0**	**78.4**	**76.1**	**66.6**	**56.3**	**76.7**	**79.4**
Centera	Net profit (NT$mn)	1.4	-49.3	-27.5	-54.9	-31.8	-13.4	52.2
	Shares held by Elite (%)	58.0	58.0	57.5	57.5	56.4	56.4	56.4
	Non-controlling interests (100%-Shares held by Elite) (NT$mn)	**0.6**	**-20.7**	**-11.7**	**-23.4**	**-13.9**	**-5.9**	**22.8**
	Total non-controlling interests (NT$mn)	**57.6**	**57.6**	**64.4**	**43.2**	**42.5**	**70.8**	**102.2**

Source: Company data; KGI Research

Production capacity expansion progress to affect output

In response to strong demand from European and US clients, Elite is expanding production capacity. The progress of expansion is closely related to sales and earnings. More importantly, it will determine whether Elite can satisfy client demand in a timely manner. If not, investors should be wary of the risk of clients transferring orders to competitors.

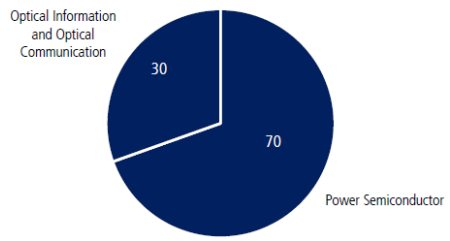
Figure 18: Company profile

Elite Advanced Laser was founded in 2000. Headquartered in Chung Ho District, New Taipei City, Taiwan, the company mainly provides laser packaging, module assembly, and related testing services for the optical information and communications sectors. Products are divided into the optical information and optical communication group, and the power semiconductor group, with respective sales weightings of 30% and 70% in 2Q24.

Source: KGI Research

Figure 19: 2Q24 product mix

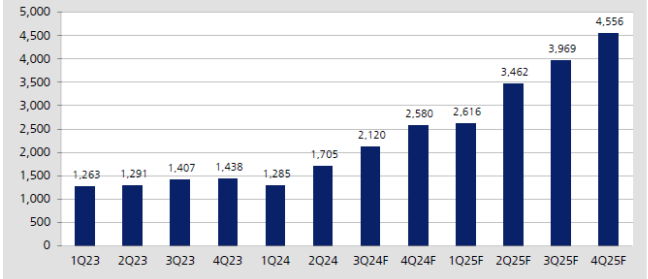
Product weighting, percent



Source: KGI Research

Figure 20: Sales

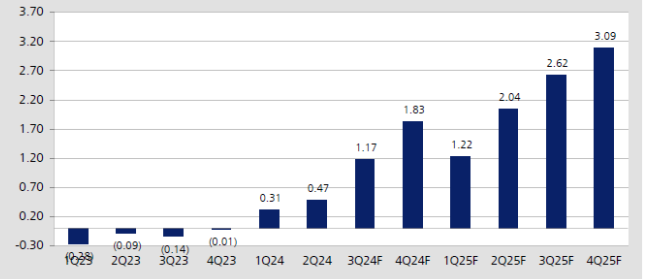
Sales, NT$mn



Source: KGI Research

Figure 22: EPS

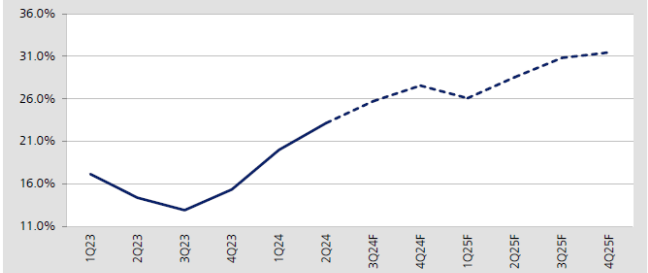
EPS, NT$



Source: KGI Research

Figure 21: Gross Margin

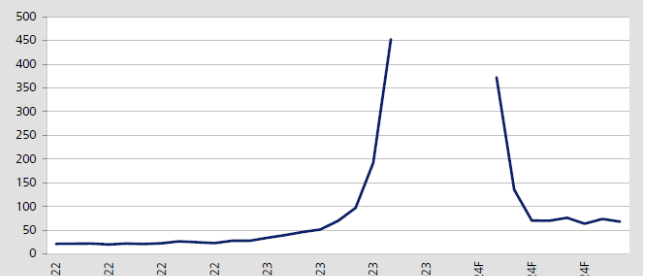
Gross margin, percent



Source: KGI Research

Figure 22: Rolling PE

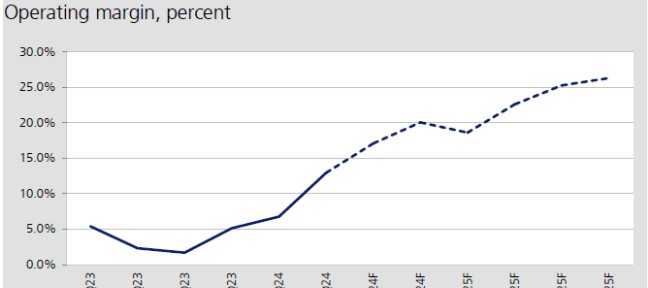
Rolling PE, times



Source: KGI Research

Figure 23: Operating Margin

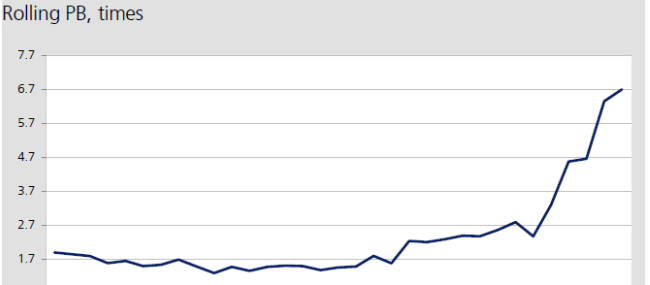
Operating margin, percent



Source: KGI Research

Figure 24: Rolling PB

Rolling PB, times



Source: KGI Research

Income statement

	Quarterly								Annually		
	Mar-24A	Jun-24A	Sep-24F	Dec-24F	Mar-25F	Jun-25F	Sep-25F	Dec-25F	Dec-23A	Dec-24F	Dec-25F
Income statement (NT$mn)											
Revenue	**1,285**	**1,705**	**2,120**	**2,580**	**2,616**	**3,462**	**3,969**	**4,556**	**5,399**	**7,690**	**14,602**
Cost of goods sold	(1,028)	(1,310)	(1,575)	(1,869)	(1,933)	(2,473)	(2,746)	(3,122)	(4,594)	(5,782)	(10,274)
Gross profit	**257**	**395**	**545**	**711**	**682**	**989**	**1,223**	**1,433**	**805**	**1,908**	**4,328**
Operating expenses	(170)	(174)	(183)	(194)	(195)	(206)	(220)	(234)	(609)	(720)	(855)
Operating profit	**87**	**221**	**363**	**517**	**487**	**783**	**1,004**	**1,199**	**197**	**1,188**	**3,473**
Depreciation of fixed assets	(215)	(213)	(480)	(1,013)	(515)	(515)	(515)	(515)	(874)	(1,920)	(2,060)
Amortisation of intangible assets	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(4)	(4)	(4)
EBITDA	**302**	**434**	**844**	**1,532**	**1,003**	**1,298**	**1,520**	**1,715**	**1,074**	**3,112**	**5,536**
Interest income	11	14	10	10	10	10	10	10	43	45	40
Investment income	5	4	5	5	5	5	5	5	22	19	20
Other non-op income	1	2	40	117	-	-	-	-	20	160	-
Non-operating income	**17**	**20**	**55**	**132**	**15**	**15**	**15**	**15**	**84**	**224**	**60**
Interest expense	(1)	(2)	(20)	(57)	-	-	-	-	(8)	(80)	-
Investment loss	-	-	(0)	(1)	-	-	-	-	-	(1)	-
Other non-op expenses	58	(23)	0	(0)	-	-	-	-	9	35	-
Non-operating expenses	**56**	**(24)**	**(20)**	**(58)**	**-**	**-**	**-**	**-**	**2**	**(46)**	**-**
Pre-tax profit	**161**	**216**	**397**	**591**	**502**	**798**	**1,019**	**1,214**	**283**	**1,366**	**3,533**
Current taxation	(43)	(43)	(91)	(136)	(116)	(183)	(234)	(279)	(136)	(313)	(812)
Minorities	(71)	(102)	(136)	(193)	(208)	(317)	(403)	(484)	(208)	(502)	(1,413)
Normalised net profit	**47**	**71**	**170**	**262**	**178**	**297**	**381**	**450**	**(61)**	**551**	**1,307**
Extraordinary items	(3)	(2)	0	5	-	-	-	-	(15)	0	-
Net profit	**44**	**69**	**170**	**267**	**178**	**297**	**381**	**450**	**(76)**	**551**	**1,307**
EPS (NT$)	0.31	0.47	1.17	1.83	1.22	2.04	2.62	3.09	(0.52)	3.78	8.97
Margins (%)											
Gross profit margin	20.0	23.2	25.7	27.6	26.1	28.6	30.8	31.5	14.9	24.8	29.6
Operating margin	6.8	13.0	17.1	20.1	18.6	22.6	25.3	26.3	3.6	15.4	23.8
EBITDA margin	23.5	25.5	39.8	59.4	38.4	37.5	38.3	37.6	19.9	40.5	37.9
Pretax profit margin	12.5	12.7	18.7	22.9	19.2	23.0	25.7	26.7	5.2	17.8	24.2
Net profit margin	3.5	4.0	8.0	10.3	6.8	8.6	9.6	9.9	(1.4)	7.2	9.0
Sequential growth (%)											
Revenue growth	(10.6)	32.6	24.4	21.7	1.4	32.4	14.6	14.8			
Gross profit growth	16.4	53.5	38.2	30.4	(4.0)	44.9	23.7	17.2			
Operating profit growth	17.4	154.0	64.0	42.7	(5.8)	60.6	28.2	19.5			
EBITDA growth	1.3	43.7	94.2	81.6	(34.5)	29.5	17.0	12.9			
Pretax profit growth	224.2	34.5	83.7	48.8	(15.1)	58.8	27.7	19.2			
Net profit growth		55.3	146.8	56.6	(33.1)	66.6	28.3	18.2			
YoY growth (%)											
Revenue growth	1.8	32.0	50.7	79.4	103.5	103.1	87.2	76.6	(20.3)	42.4	89.9
Gross profit growth	18.5	112.4	200.0	222.1	165.4	150.5	124.3	101.6	(37.7)	137.0	126.8
Operating profit growth	27.1	635.5	1414.1	598.1	459.8	254.1	176.8	131.7	(70.7)	504.4	192.3
EBITDA growth	5.9	76.0	246.5	413.3	231.8	198.9	80.1	12.0	(27.3)	189.7	77.9
Pretax profit growth	140.5	105.6	553.2	1092.4	212.3	268.7	156.4	105.3	(70.7)	383.5	158.6
Net profit growth					301.4	330.4	123.7	68.8	(139.7)		137.4

Source: Company data, KGI Research estimates

Balance sheet

NT$mn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Total assets	**9,932**	**10,186**	**8,943**	**10,094**	**13,170**
Current assets	**4,596**	**4,627**	**4,030**	**6,316**	**10,741**
Cash & ST securities	2,071	2,555	1,985	3,746	6,489
Inventory	472	527	380	477	850
Accounts receivable	1,358	996	1,019	1,448	2,757
Other current assets	695	549	645	645	645
Non-current assets	**5,336**	**5,559**	**4,913**	**3,778**	**2,428**
LT investments	153	159	166	184	204
Net fixed assets	4,362	4,670	4,451	3,298	1,928
Other assets	820	729	296	296	296
Total liabilities	**3,871**	**3,948**	**2,987**	**3,377**	**4,607**
Current liabilities	**2,680**	**2,570**	**1,895**	**2,398**	**3,620**
Accounts payable	1,066	877	689	865	1,542
Interest bearing ST liabilities	83	124	25	60	23
Other current liabilities	1,531	1,570	1,181	1,473	2,055
Non-current liabilities	**1,191**	**1,377**	**1,092**	**979**	**987**
Long-term debt	276	367	180	68	75
Other L-T liabilities	819	936	876	876	876
Total equity	**6,061**	**6,238**	**5,956**	**6,717**	**8,563**
Share capital	1,457	1,457	1,457	1,457	1,457
Retained earnings reserve	1,391	1,290	1,118	1,377	1,810
Minority interests	2,023	2,269	2,151	2,653	4,066
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Growth					
Revenue growth	15.9%	(5.9%)	(20.3%)	42.4%	89.9%
Operating profit growth	25.4%	(39.7%)	(70.7%)	504.4%	192.3%
EBITDA growth	19.5%	(16.6%)	(27.3%)	189.7%	77.9%
Net profit growth	54.0%	(48.3%)	(139.7%)		137.4%
EPS growth	54.0%	(48.3%)	(139.7%)		137.4%
Profitability					
Gross profit margin	23.5%	19.1%	14.9%	24.8%	29.6%
Operating margin	15.5%	9.9%	3.6%	15.4%	23.8%
EBITDA margin	24.6%	21.8%	19.9%	40.5%	37.9%
Net profit margin	5.2%	2.8%	(1.4%)	7.2%	9.0%
Return on average assets	4.1%	1.9%	(0.8%)	5.8%	11.2%
Return on average equity	9.4%	4.8%	(2.0%)	14.0%	30.5%
Stability					
Gross debt to equity	5.9%	7.9%	3.4%	1.9%	1.1%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	256.2	121.1	37.8	18.1	
Interest & ST debt coverage (x)	0.9	0.9	0.9	0.9	1.0
Cash flow interest coverage(x)	294.6	201.1	90.5	26.3	
Cash flow/int. & ST debt (x)	14.3	12.3	21.5	15.0	103.6
Current ratio (x)	1.7	1.8	2.1	2.6	3.0
Quick ratio (x)	1.5	1.6	1.9	2.4	2.7
Net debt (NT$mn)	(1,712)	(2,051)	(1,763)	(3,601)	(6,374)
Per share data					
EPS (NT$)	2.55	1.32	(0.52)	3.78	8.97
CFPS (NT$)	8.60	11.09	4.77	14.46	16.10
BVPS (NT$)	27.71	27.25	26.12	27.90	30.87
Adj BVPS (NT$)	27.71	27.25	26.12	27.90	30.87
SPS (NT$)	49.41	46.51	37.06	52.79	100.23
EBITDA/share (NT$)	12.16	10.14	7.37	21.36	38.00
Cash DPS (NT$)	1.80	0.50	-	2.00	6.00
Activity					
Sales / avg assets	0.79	0.67	0.56	0.81	1.26
Days receivable	68.9	53.6	68.9	68.9	68.9
Days inventory	31.3	35.1	30.2	30.2	30.2
Days payable	70.7	58.4	54.8	54.8	54.8
Cash cycle	29.5	30.4	44.3	44.3	44.3

Source: Company data, KGI Research estimates

Profit & loss

NT$mn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue	**7,198**	**6,776**	**5,399**	**7,690**	**14,602**
Cost of goods sold	(5,505)	(5,484)	(4,594)	(5,782)	(10,274)
Gross profit	**1,693**	**1,292**	**805**	**1,908**	**4,328**
Operating expenses	(579)	(621)	(609)	(720)	(855)
Operating profit	**1,113**	**671**	**197**	**1,188**	**3,473**
Non-operating income	**30**	**47**	**84**	**224**	**60**
Interest income	6	17	43	45	40
Investment income	11	15	22	19	20
Other non-op income	13	15	20	160	-
Non-operating expenses	**(58)**	**248**	**2**	**(46)**	**-**
Interest expense	(4)	(8)	(8)	(80)	-
Investment loss	-	-	-	(1)	-
Other non-op expenses	(54)	256	9	35	-
Pre-tax profit	**1,085**	**966**	**283**	**1,366**	**3,533**
Current taxation	(294)	(254)	(136)	(313)	(812)
Minorities	(420)	(456)	(208)	(502)	(1,413)
Extraordinary items	-	(63)	(15)	0	-
Net profit	**371**	**192**	**(76)**	**551**	**1,307**
EBITDA	**1,772**	**1,478**	**1,074**	**3,112**	**5,536**
EPS (NT$)	2.55	1.32	(0.52)	3.78	8.97

Cash flow

NT$mn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Operations cash flow	**1,253**	**1,616**	**695**	**2,107**	**2,345**
Net profit	371	192	(76)	551	1,307
Depreciation & amortisation	659	806	878	1,924	2,063
Decrease in working capital	(219)	178	(207)	(350)	(1,005)
Other operating cash flow	442	441	101	(18)	(20)
Investing cash flow	**(1,659)**	**(866)**	**(616)**	**(771)**	**(693)**
Sale of ST investment	-	-	(5)	-	-
New investments	-	-	-	-	-
Capital expenditure	(1,699)	(923)	(612)	(767)	(690)
Others investing cashflow	40	57	1	(4)	(4)
Free cash flow	**(452)**	**551**	**157**	**1,719**	**3,039**
Financing cash flow	**220**	**(425)**	**(641)**	**425**	**1,092**
Increase in short term debt	-	-	(86)		
Increase in long term loans	262	46	(200)	(77)	(30)
New ordinary shares issued	-	(1)	-		
Ordinary dividends paid	(488)	(610)	(421)	-	(291)
Other financing cashflow	446	139	66	502	1,413
Forex effects	**(39)**	**147**	**(13)**		
Total cash generated	**(227)**	**471**	**(574)**	**1,761**	**2,744**

ROIC

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	8.0%	9.2%	11.3%	9.4%	5.9%
= Operating margin	**15.5%**	**9.9%**	**3.6%**	**15.4%**	**23.8%**
1 / (Working capital/revenue	(0.0)	(0.1)	0.0	0.0	0.0
+ Net PPE/revenue	0.6	0.7	0.8	0.4	0.1
+ Other assets/revenue)	0.1	0.1	0.0	0.0	0.0
= Capital turnover	**1.5**	**1.4**	**1.2**	**2.2**	**5.6**
Operating margin	15.5%	9.9%	3.6%	15.4%	23.8%
x Capital turnover	1.5	1.4	1.2	2.2	5.6
x (1 - tax rate)	72.9%	73.7%	52.0%	77.1%	77.0%
= After-tax ROIC	**16.7%**	**10.5%**	**2.2%**	**25.7%**	**102.1%**

Source: Company data, KGI Research estimates

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