

# Elite Material (2383.TW/2383 TT)

## Strong orders for 800Gb switch & server

### Outperform · Maintained

Price as of July 31 (NT\$)	438.0
12M target price (NT\$)	610
Previous target price (NT\$)	615
Revised down (%)	0.8
Upside (%)	39.3

#### Key message

1. 2Q24 operating profit missed consensus by 4%.
2. 3Q24F sales to grow 6-9% QoQ on full capacity utilization, boosted by demand for 800Gb switches & servers.
3. Leading global supplier of high-end substrate.

#### Trading data

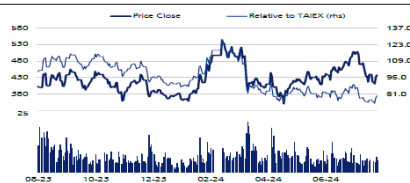
Mkt cap (NT\$bn/US\$mn)	150.9 / 4,631
Outstanding shares (mn)	344.6
Foreign ownership (mn)	89.75
3M avg. daily trading (mn)	4.64
52-week trading range (NT\$)	350.5 – 545

Performance	3M	6M	12M
Absolute (%)	6.3	-5	5.8
Relative (%)	-2.5	-29.1	-23.7

#### Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	3.98A	3.25A	3.93A	4.08A
2023	1.44A	3.00A	6.04A	5.92A
2024	5.76A	7.07F	8.10F	7.31F

#### Share price chart



Source: TEJ

#### Event

In 2Q24, gross and operating margins were a respective 27.4% and 18.9%, below consensus of 29.6% and 20.4%. However, EPS of NT\$7.07 was slightly higher than consensus, thanks to a better tax rate and higher non-operating income.

#### Impact

**2Q24 operating profit missed consensus by 4%.** Gross margin narrowed 2ppts QoQ to 27.4% in 2Q24, due to a poor product mix, higher copper costs and incremental price adjustments. That said, earnings beat consensus slightly on a non-operating contribution of NT\$51mn (forex gains of over NT\$80mn and fire insurance claim payments of over NT\$50mn), as well as the tax rate returning to the normal 18.2%. The product mix was similar to that of 1Q24, with networking, handheld device and automotive at 55-60%, 25-30% and 15-20%.

**Full capacity utilization in 3Q24F on demand for 800Gb switch & server.** We forecast sales will grow by 6-9% QoQ in 3Q24F, with production capacity fully utilized. By segment, infrastructure networking and handheld device sales will both increase by single digits QoQ, while automotive and industrial will decrease by single digits QoQ. The company has been raising prices to factor in higher copper costs. All told, we forecast gross margin will widen by 2.1ppts QoQ to 29.5% in 3Q24F, for EPS of NT\$8.1.

**Leading global supplier of high-end substrate.** Elite Material's high-speed and halogen-free substrate market share were a respective 28% and 33% in 2023, the highest among peers. Other highlights are: (1) AI server CCL contributed 26-27% of sales in 2Q24. In 3Q24, 800Gb switch, general-type server and AI server will have clearer visibility; (2) we expect GB200 SW tray will account for the bulk of supply and computing tray will come in second. However, next-generation R-series platform will soon take the top spot; (3) in 2Q24, of infrastructure networking sales, 44% were for servers, 44% for switches and 12% for satellites. We expect 800G switches will account for over 10% of all switches in 2H24F, with the remainder largely 400G switches; and (4) 2024F capex will be NT\$8.4bn. Monthly production capacity will reach a respective 4.3mn and 5.5mn sheets in 2024-25F. In addition, the company plans to issue a convertible bond of NT\$6bn to expand capacity.

#### Valuation & Action

Elite Material continues to lead in the AI server and 800G switch materials fields. We have trimmed our 2024-25F earnings by 2% and 1% respectively. We adjust our target price to NT\$610, on 20x 2024 and 2025 average EPS forecast. Maintain Outperform.

#### Risks

Weaker-than-expected client demand; competitors gain development lead.

#### Key financials and valuations

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (NT\$mn)	38,500	38,673	41,296	61,138	69,322
Gross profit (NT\$mn)	10,069	9,710	11,333	17,440	20,089
Operating profit (NT\$mn)	6,923	6,225	7,346	12,184	14,380
Net profit (NT\$mn)	5,493	5,073	5,488	9,716	11,287
EPS (NT\$)	16.50	15.24	16.35	28.22	32.78
Cash DPS (NT\$)	10.00	8.50	10.00	17.00	20.00
EPS growth (%)	45.6	(7.7)	7.3	72.6	16.2
PE (x)	26.5	28.7	26.8	15.5	13.4
PB (x)	7.4	6.6	5.6	4.9	4.3
EV/EBITDA (x)	18.7	20.7	17.1	11.6	10.0
Net debt to equity (%)	Net cash	Net cash	2.7	25.2	24.1
Dividend yield (%)	2.3	1.9	2.3	3.9	4.6
Return on average equity (%)	30.1	24.3	22.5	33.9	34.7

Source: Company data; KGI Research estimates

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

NT \$mn	2Q24					3Q24F				
	Actual	KGI	Diff. (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	Consensus	Diff. (%)
Sales	15,449	15,449	(0.0)	14,973	3.2	16,614	15,449	7.5	15,892	4.5
Gross profits	4,235	4,589	(7.7)	4,433	(4.5)	4,901	4,932	(0.6)	4,791	2.3
Operating profit	2,924	3,268	(10.5)	3,049	(4.1)	3,545	3,583	(1.1)	3,370	5.2
Net income	2,433	2,505	(2.9)	2,355	3.3	2,789	2,819	(1.1)	2,642	5.6
EPS (NT\$)	7.07	7.28	(2.9)	6.89	2.6	8.10	8.19	(1.1)	7.72	5.0
Gross margin (%)	27.4	29.7	(2.3)ppts	29.6	(2.2)ppts	29.5	31.9	(2.4)ppts	30.1	(0.6)ppts
OP margin (%)	18.9	21.2	(2.2)ppts	20.4	(1.4)ppts	21.3	23.2	(1.9)ppts	21.2	0.1 ppts
Net margin (%)	15.7	16.2	(0.5)ppts	15.7	0.0 ppts	16.8	18.2	(1.5)ppts	16.6	0.2 ppts

Source: Bloomberg; KGI Research

**Figure 2: Breakdown of 2024-25 forecast revisions vs. consensus**

NT \$mn	2024F					2025F				
	Revision	Previous	Chg. (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	Consensus	Diff. (%)
Sales	61,138	60,539	1.0	58,950	3.7	69,322	68,476	1.2	64,620	7.3
Gross profit	17,440	17,824	(2.2)	17,449	(0.0)	20,089	20,262	(0.9)	19,077	5.3
Operating profit	12,184	12,566	(3.0)	12,175	0.1	14,380	14,558	(1.2)	13,431	7.1
Net profit	9,716	9,817	(1.0)	9,480	2.5	11,287	11,316	(0.3)	10,453	8.0
EPS (NT\$)	28.22	28.51	(1.0)	27.71	1.9	32.78	32.87	(0.3)	30.56	7.3
Gross margin (%)	28.5	29.4	(0.9)ppts	29.6	(1.1)ppts	29.0	29.6	(0.6)ppts	29.5	(0.5)ppts
OP margin (%)	19.9	20.8	(0.8)ppts	20.7	(0.7)ppts	20.7	21.3	(0.5)ppts	20.8	(0.0)ppts
Net margin (%)	15.9	16.2	(0.3)ppts	16.1	(0.2)ppts	16.3	16.5	(0.2)ppts	16.2	0.1 ppts

Source: Bloomberg; KGI Research

**Figure 3: Peer comparison – Valuations**

Company	Ticker	Mkt Cap (US\$m)	Price (LCY)	EPS (LCY)			PE (x)			PB (x)			ROE (%)			Dividend yield (%)		
				2023	2024F	2025F	2023	2024F	2025F	2023	2024F	2025F	2023	2024F	2025F	2023	2024F	2025F
EMC	2383 TT	4,591	438.00	16.35	28.22	32.78	26.8	15.5	13.4	5.61	4.94	4.34	22.5	33.9	34.7	2.3	3.9	4.6
TUC	6274 TT	1,324	160.00	3.05	9.86	12.92	52.5	16.2	12.4	3.75	3.39	2.78	7.0	20.8	23.5	2.5	4.1	5.4
ITEQ	6213 TT	1,006	91.00	1.86	5.14	7.60	48.8	17.7	12.0	1.70	1.59	1.44	3.4	9.3	12.6	1.6	3.3	4.9
VENTEC	6672 TT	156	71.90	6.08	NA	NA	11.8	NA	NA	1.60	NA	NA	13.7	NA	NA	4.7	NA	NA
Kingboard	1888 HK	2,808	7.03	0.29	0.55	0.83	24.2	12.7	8.5	1.47	1.42	1.37	6.0	11.1	15.5	2.3	3.6	5.3

Source: Bloomberg; KGI Research

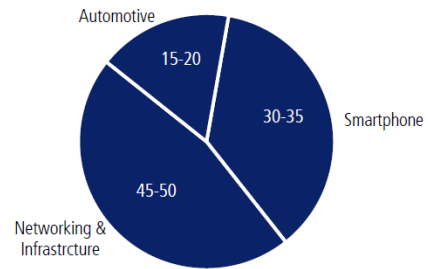
**Figure 4: Company profile**

Established in 1992, Elite Material Co. (EMC) is one of the four largest producers of CCL in Taiwan, and is the world's largest halogen-free substrate supplier. The firm specializes in production of CCL, PP, and multi-stacked PCB (M/L). In 2022, EMC derived 40-45% of sales from smartphones, 35-40% from networking & infrastructure, and 15-20% from automotive. Monthly capacity is currently 3.85mn sheets of CCL, 13.1mn meters of PP, 800k square feet of M/L, and 40k panels of MCCL.

Source: KGI Research

**Figure 5: 2023 product mix**

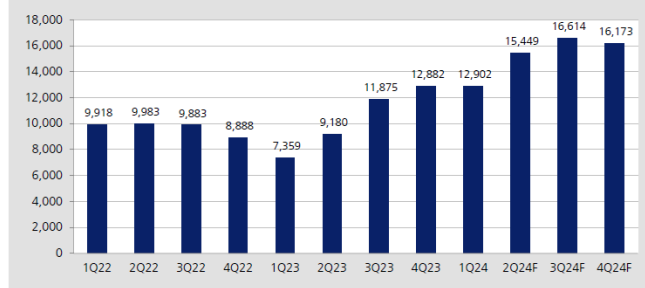
Sales weighting, percent



Source: Company data; KGI Research

**Figure 6: Sales**

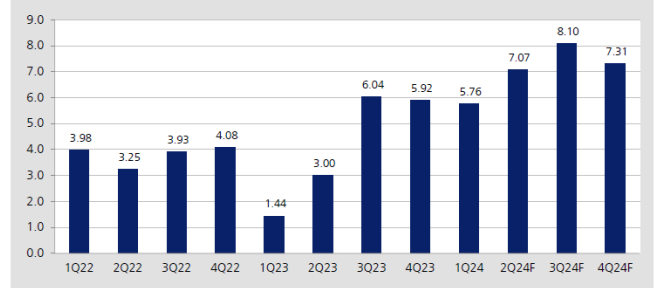
Sales, NT\$m



Source: KGI Research

**Figure 7: EPS**

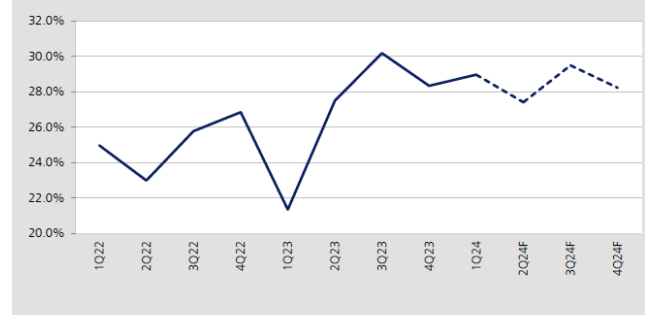
EPS, NT\$



Source: KGI Research

**Figure 8: Gross Margin**

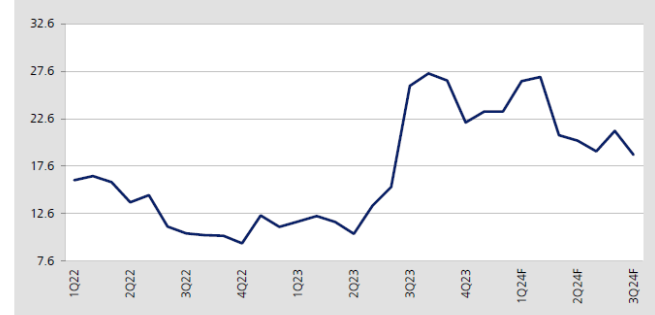
Gross margin, percent



Source: KGI Research

**Figure 9: Rolling PE**

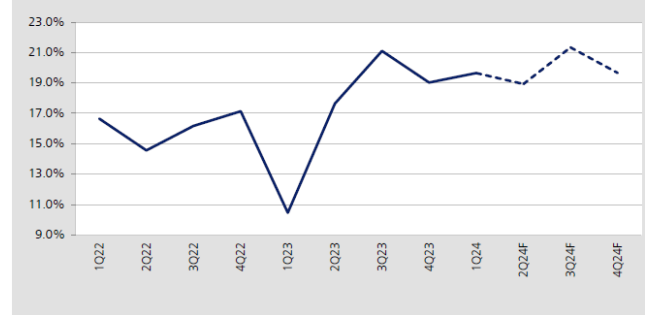
Rolling PE, times



Source: KGI Research

**Figure 10: Operating Margin**

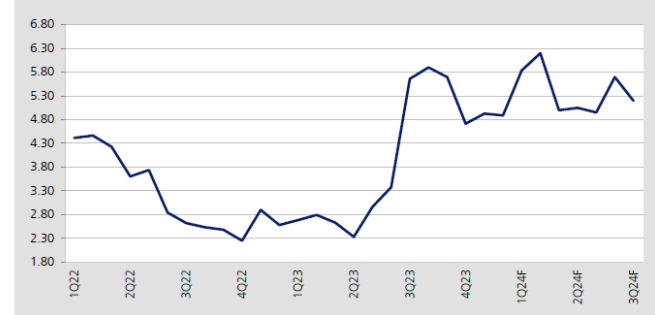
Operating margin, percent



Source: KGI Research

**Figure 11: Rolling PB**

Rolling PB, times



Source: KGI Research

## Income statement

	Quarterly								Annually		
	Mar-23A	Jun-23A	Sep-23A	Dec-23A	Mar-24A	Jun-24F	Sep-24F	Dec-24F	Dec-23A	Dec-24F	Dec-25F
<b>Income statement (NT\$m)</b>											
Revenue	7,359	9,180	11,875	12,882	12,902	15,449	16,614	16,173	41,296	61,138	69,322
Cost of goods sold	(5,787)	(6,655)	(8,290)	(9,231)	(9,164)	(11,214)	(11,713)	(11,607)	(29,964)	(43,698)	(49,233)
Gross profit	1,572	2,525	3,584	3,651	3,738	4,235	4,901	4,566	11,333	17,440	20,089
Operating expenses	(803)	(906)	(1,078)	(1,200)	(1,202)	(1,311)	(1,356)	(1,387)	(3,987)	(5,256)	(5,709)
Operating profit	769	1,619	2,506	2,451	2,536	2,924	3,545	3,179	7,346	12,184	14,380
Depreciation of fixed assets	(264)	(280)	(338)	(372)	(390)	(365)	(365)	(339)	(1,254)	(1,458)	(1,538)
Amortisation of intangible assets	(11)	(12)	(12)	(13)	(13)	(14)	(14)	(14)	(48)	(55)	(60)
EBITDA	1,044	1,911	2,857	2,837	2,939	3,302	3,923	3,533	8,648	13,697	15,978
Interest income	21	30	36	33	27	27	27	27	121	108	108
Investment income	-	-	-	-	-	-	-	-	-	-	-
Other non-op income	-	-	-	-	-	125	80	80	-	285	320
Non-operating income	21	30	36	33	27	152	107	107	121	393	428
Interest expense	(72)	(85)	(77)	(85)	(101)	(101)	(101)	(101)	(319)	(404)	(404)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	10	24	108	129	152	-	-	-	271	152	-
Non-operating expenses	(62)	(61)	32	44	51	(101)	(101)	(101)	(47)	(252)	(404)
Pre-tax profit	729	1,588	2,574	2,528	2,614	2,975	3,551	3,185	7,420	12,325	14,404
Current taxation	(249)	(588)	(552)	(542)	(637)	(542)	(762)	(669)	(1,931)	(2,609)	(3,117)
Minorities	-	-	-	-	1	-	-	(1)	-	-	-
Normalised net profit	480	1,000	2,022	1,986	1,978	2,433	2,789	2,515	5,488	9,716	11,287
Extraordinary items	(0)	0	(0)	0	(0)	-	-	0	-	-	-
Net profit	480	1,000	2,022	1,986	1,978	2,433	2,789	2,515	5,488	9,716	11,287
EPS (NT\$)	1.44	3.00	6.04	5.92	5.76	7.07	8.10	7.31	16.35	28.22	32.78
<b>Margins (%)</b>											
Gross profit margin	21.4	27.5	30.2	28.3	29.0	27.4	29.5	28.2	27.4	28.5	29.0
Operating margin	10.5	17.6	21.1	19.0	19.7	18.9	21.3	19.7	17.8	19.9	20.7
EBITDA margin	14.2	20.8	24.1	22.0	22.8	21.4	23.6	21.8	20.9	22.4	23.0
Pretax profit margin	9.9	17.3	21.7	19.6	20.3	19.3	21.4	19.7	18.0	20.2	20.8
Net profit margin	6.5	10.9	17.0	15.4	15.3	15.7	16.8	15.6	13.3	15.9	16.3
<b>Sequential growth (%)</b>											
Revenue growth	(17.2)	24.7	29.3	8.5	0.2	19.7	7.5	(2.7)			
Gross profit growth	(34.1)	60.6	41.9	1.9	2.4	13.3	15.7	(6.8)			
Operating profit growth	(49.5)	110.5	54.8	(2.2)	3.4	15.3	21.2	(10.3)			
EBITDA growth	(39.6)	82.9	49.5	(0.7)	3.6	12.4	18.8	(9.9)			
Pretax profit growth	(52.9)	117.8	62.1	(1.8)	3.4	13.8	19.4	(10.3)			
Net profit growth	(64.7)	108.5	102.2	(1.8)	(0.4)	23.0	14.6	(9.8)			
<b>YoY growth (%)</b>											
Revenue growth	(25.8)	(8.0)	20.2	44.9	75.3	68.3	39.9	25.5	6.8	48.0	13.4
Gross profit growth	(36.6)	9.9	40.6	53.0	137.8	67.7	36.7	25.1	16.7	53.9	15.2
Operating profit growth	(53.4)	11.4	56.8	61.0	229.7	80.6	41.4	29.7	18.0	65.9	18.0
EBITDA growth	(43.4)	16.7	59.9	64.0	181.4	72.8	37.3	24.6	23.6	58.4	16.7
Pretax profit growth	(56.3)	9.7	57.9	63.2	258.5	87.3	37.9	26.0	17.8	66.1	16.9
Net profit growth	(63.8)	(7.6)	54.7	46.1	312.4	143.2	37.9	26.7	8.2	77.0	16.2

Source: Company data; KGI Research estimates

## Balance sheet

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
<b>Total assets</b>	<b>36,565</b>	<b>43,382</b>	<b>53,427</b>	<b>67,054</b>	<b>76,280</b>
<b>Current assets</b>	<b>25,844</b>	<b>26,580</b>	<b>33,675</b>	<b>40,355</b>	<b>46,361</b>
Cash & ST securities	6,645	10,444	9,259	4,896	6,241
Inventory	5,465	4,236	6,135	8,922	10,080
Accounts receivable	13,274	11,683	17,327	25,582	29,085
Other current assets	459	217	955	955	955
<b>Non-current assets</b>	<b>10,721</b>	<b>16,803</b>	<b>19,752</b>	<b>26,699</b>	<b>29,919</b>
LT investments	-	-	6	6	6
Net fixed assets	8,469	14,680	16,655	23,602	26,822
Other assets	2,253	2,123	3,092	3,092	3,092
<b>Total liabilities</b>	<b>16,791</b>	<b>21,308</b>	<b>26,617</b>	<b>36,617</b>	<b>41,629</b>
<b>Current liabilities</b>	<b>14,485</b>	<b>15,760</b>	<b>23,073</b>	<b>29,882</b>	<b>33,909</b>
Accounts payable	8,128	6,513	10,489	15,254	17,234
Interest bearing ST liabilities	2,917	5,299	7,866	7,260	8,323
Other current liabilities	3,440	3,947	4,718	7,368	8,352
<b>Non-current liabilities</b>	<b>2,306</b>	<b>5,548</b>	<b>3,544</b>	<b>6,735</b>	<b>7,720</b>
Long-term debt	721	4,218	2,109	5,300	6,285
Other L-T liabilities	1,293	1,019	1,137	1,137	1,137
<b>Total equity</b>	<b>19,774</b>	<b>22,075</b>	<b>26,809</b>	<b>30,437</b>	<b>34,651</b>
Share capital	3,329	3,329	3,432	3,432	3,432
Retained earnings reserve	12,298	13,361	15,864	19,491	23,705
Minority interests	21	-	-	-	-
Preferred shareholders funds	-	-	-	-	-

## Key ratios

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
<b>Growth</b>					
Revenue growth	41.5%	0.4%	6.8%	48.0%	13.4%
Operating profit growth	47.8%	(10.1%)	18.0%	65.9%	18.0%
EBITDA growth	44.4%	(8.4%)	23.6%	58.4%	16.7%
Net profit growth	48.9%	(7.7%)	8.2%	77.0%	16.2%
EPS growth	45.6%	(7.7%)	7.3%	72.6%	16.2%
<b>Profitability</b>					
Gross profit margin	26.2%	25.1%	27.4%	28.5%	29.0%
Operating margin	18.0%	16.1%	17.8%	19.9%	20.7%
EBITDA margin	19.8%	18.1%	20.9%	22.4%	23.0%
Net profit margin	14.3%	13.1%	13.3%	15.9%	16.3%
Return on average assets	17.1%	12.7%	11.3%	16.1%	15.7%
Return on average equity	30.1%	24.3%	22.5%	33.9%	34.7%
<b>Stability</b>					
Gross debt to equity	18.4%	43.1%	37.2%	41.3%	42.2%
Net debt to equity	Net cash	Net cash	2.7%	25.2%	24.1%
Interest coverage (x)	91.6	35.2	24.3	31.5	36.7
Interest & ST debt coverage (x)	0.7	0.5	0.5	0.6	0.6
Cash flow interest coverage(x)	52.7	40.7	9.1	12.3	25.3
Cash flow/int. & ST debt (x)	1.3	1.4	0.4	0.6	1.2
Current ratio (x)	1.8	1.7	1.5	1.4	1.4
Quick ratio (x)	1.4	1.4	1.2	1.1	1.1
Net debt (NT\$m)	(3,003)	(926)	716	7,663	8,367
<b>Per share data</b>					
EPS (NT\$)	16.50	15.24	16.35	28.22	32.78
CFPS (NT\$)	12.08	22.52	8.61	14.38	29.63
BVPS (NT\$)	59.33	66.31	78.12	88.69	100.97
Adj BVPS (NT\$)	59.33	66.31	79.86	88.41	100.65
SPS (NT\$)	115.64	116.16	123.01	177.58	201.36
EBITDA/share (NT\$)	22.95	21.03	25.76	39.78	46.41
Cash DPS (NT\$)	10.00	8.50	10.00	17.00	20.00
<b>Activity</b>					
Sales / avg assets	1.20	0.97	0.85	1.01	0.97
Days receivable	125.8	110.3	153.1	153.1	153.1
Days inventory	70.2	53.4	74.7	74.7	74.7
Days payable	104.3	82.1	127.8	127.8	127.8
Cash cycle	91.7	81.6	100.1	100.1	100.1

Source: Company data; KGI Research estimates

## Profit & loss

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
<b>Revenue</b>	<b>38,500</b>	<b>38,673</b>	<b>41,296</b>	<b>61,138</b>	<b>69,322</b>
Cost of goods sold	(28,431)	(28,962)	(29,964)	(43,698)	(49,233)
<b>Gross profit</b>	<b>10,069</b>	<b>9,710</b>	<b>11,333</b>	<b>17,440</b>	<b>20,089</b>
Operating expenses	(3,146)	(3,485)	(3,987)	(5,256)	(5,709)
<b>Operating profit</b>	<b>6,923</b>	<b>6,225</b>	<b>7,346</b>	<b>12,184</b>	<b>14,380</b>
<b>Non-operating income</b>	<b>76</b>	<b>62</b>	<b>121</b>	<b>393</b>	<b>428</b>
Interest income	52	62	121	108	108
Investment income	24	-	-	-	-
Other non-op income	-	-	-	285	320
<b>Non-operating expenses</b>	<b>(87)</b>	<b>8</b>	<b>(47)</b>	<b>(252)</b>	<b>(404)</b>
Interest expense	(76)	(184)	(319)	(404)	(404)
Investment loss	(10)	-	-	-	-
Other non-op expenses	(1)	193	271	152	-
<b>Pre-tax profit</b>	<b>6,912</b>	<b>6,296</b>	<b>7,420</b>	<b>12,325</b>	<b>14,404</b>
Current taxation	(1,412)	(1,220)	(1,931)	(2,609)	(3,117)
Minorities	(7)	(3)	-	-	-
Extraordinary items	-	0	(0)	-	-
<b>Net profit</b>	<b>5,493</b>	<b>5,073</b>	<b>5,488</b>	<b>9,716</b>	<b>11,287</b>
<b>EBITDA</b>	<b>7,642</b>	<b>7,000</b>	<b>8,648</b>	<b>13,697</b>	<b>15,978</b>
EPS (NT\$)	16.50	15.24	16.35	28.22	32.78

## Cash flow

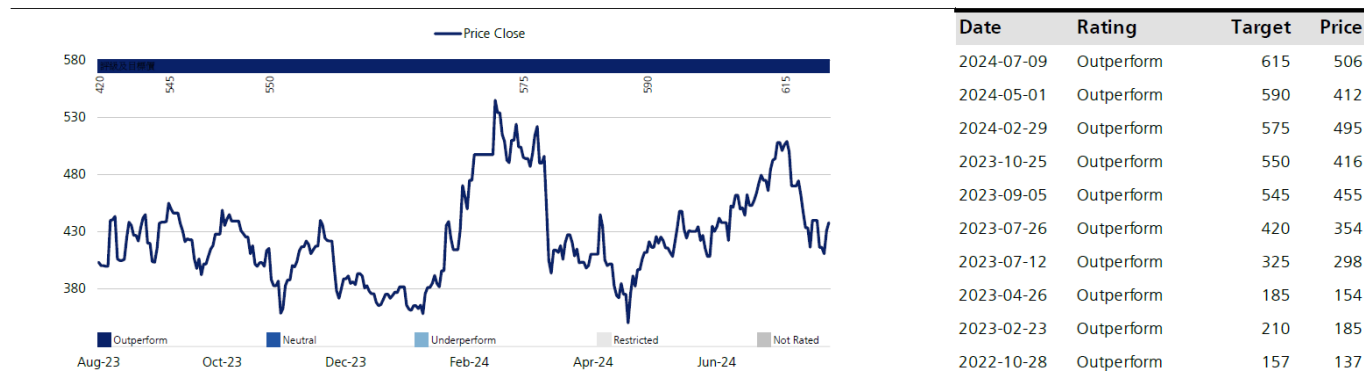
NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
<b>Operations cash flow</b>	<b>4,022</b>	<b>7,498</b>	<b>2,890</b>	<b>4,952</b>	<b>10,203</b>
Net profit	5,493	5,073	5,488	9,716	11,287
Depreciation & amortisation	719	774	1,302	1,513	1,598
Decrease in working capital	(2,844)	1,353	(4,019)	(6,277)	(2,682)
Other operating cash flow	652	298	118	-	-
<b>Investing cash flow</b>	<b>(2,618)</b>	<b>(6,596)</b>	<b>(4,057)</b>	<b>(8,460)</b>	<b>(4,818)</b>
Sale of ST investment	-	(21)	-	-	-
New investments	-	-	-	-	-
Capital expenditure	(2,470)	(6,493)	(3,281)	(8,405)	(4,758)
Others investing cashflow	(148)	(82)	(776)	(55)	(60)
<b>Free cash flow</b>	<b>885</b>	<b>610</b>	<b>(612)</b>	<b>(3,619)</b>	<b>5,366</b>
<b>Financing cash flow</b>	<b>(420)</b>	<b>2,687</b>	<b>109</b>	<b>(855)</b>	<b>(4,040)</b>
Increase in short term debt	1,984	2,575	1,441	-	-
Increase in long term loans	(265)	3,657	1,512	2,585	2,049
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(2,333)	(3,333)	(2,830)	(3,439)	(6,089)
Other financing cashflow	194	(211)	(15)	-	(0)
<b>Forex effects</b>	<b>(73)</b>	<b>211</b>	<b>(126)</b>		
<b>Total cash generated</b>	<b>910</b>	<b>3,802</b>	<b>(1,185)</b>	<b>(4,363)</b>	<b>1,345</b>

## ROIC

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	8.2%	9.0%	9.7%	8.6%	8.2%
<b>= Operating margin</b>	<b>18.0%</b>	<b>16.1%</b>	<b>17.8%</b>	<b>19.9%</b>	<b>20.7%</b>
1 / (Working capital/revenue	0.2	0.1	0.2	0.2	0.2
+ Net PPE/revenue	0.2	0.4	0.4	0.4	0.4
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
<b>= Capital turnover</b>	<b>2.3</b>	<b>1.8</b>	<b>1.6</b>	<b>1.7</b>	<b>1.7</b>
Operating margin	18.0%	16.1%	17.8%	19.9%	20.7%
x Capital turnover	2.3	1.8	1.6	1.7	1.7
x (1 - tax rate)	79.6%	80.6%	74.0%	78.8%	78.4%
<b>= After-tax ROIC</b>	<b>32.8%</b>	<b>24.0%</b>	<b>20.6%</b>	<b>26.0%</b>	<b>26.9%</b>

Source: Company data; KGI Research estimates

## EMC – Recommendation & target price history



Source: TEJ; KGI Research

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