

# Gigabyte (2376.TW/2376 TT)

## Better-than-expected 4Q23-1Q24F sales on AI server

### Outperform · Maintained

Price as of February 16 (NT\$)	381.0
12M target price (NT\$)	415.0
Previous target price (NT\$)	285.0
Revised up (%)	45.6
Upside (%)	8.9

#### Key message

- On better 4Q23 and 1Q24 sales than we had expected previously given stronger server sales, we upped 2023-24 sales.
- We expect server sales will grow around 90% to NT\$99bn in 2024, vs NT\$52bn in 2023 (up 158% YoY) on growing AI server demand and new clients.
- Given better sales & improving operating margin, EPS is upped to NT\$14.47 in 2024F and NT\$18.71 in 2025F.

#### Trading data

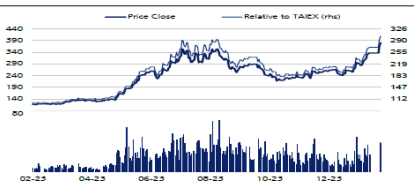
Mkt cap (NT\$bn/US\$m)	242.2 / 7,729
Outstanding shares (mn)	636
Foreign ownership (mn)	152.3
3M avg. daily trading (mn)	14.36
52-week trading range (NT\$)	116.5 –381.0

Performance	3M	6M	12M
Absolute (%)	63.5	13.9	214.9
Relative (%)	55.1	0.8	195.2

#### Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	4.83A	1.55A	1.84A	2.08A
2023	1.61A	1.40A	2.33A	2.83F
2024	2.94F	2.64F	4.25F	4.65F

#### Share price chart



Source: TEJ

#### Event

Gigabyte benefited from an AI server sales expansion in 2023, which will continue in 2024F. Coupled with growing sales from new RTX 40 Super-series graphics card launches and improving motherboard demand, we are positive on 2024F EPS outlook.

#### Impact

**4Q23-1Q24F sales revised upward.** Gigabyte had stronger-than-expected 4Q23 sales of NT\$45.5bn, up 23% QoQ and 64% YoY, on strong growth in server sales. The firm also had robust January sales of NT\$16.9bn, up 32% MoM and 106% YoY, a historical high level. Sales were boosted by strong graphics card and motherboard shipments growth, of 40-60% MoM, and stable server sales. The firm registered NT\$21-23bn sales from server/networking business in 4Q23, vs NT\$15bn in 3Q23, causing overall 4Q23 sales to beat our estimate by 13%, on growing AI server sales. With server sales expected to grow moderately QoQ in 1Q24F, and new RTX 40 Super-series GPU launches increasing shipments of graphics cards and motherboards to a limited degree in the 1Q24 low season, we revise up 1Q24F sales to a decline of 2% QoQ, but an increase of almost 60% YoY. On higher-than-expected sales, our 4Q23F and 1Q24F EPS are also revised up by 19% and 56% to NT\$2.83 and NT\$2.94. Our 2023F EPS forecast is accordingly upped to NT\$8.16, down 21% YoY.

**Positive outlook in 2024F; server sales weighting to surpass 50%.** The firm is positive on motherboard and graphics card sales growth in 2024F, due to a demand recovery after inventory digestion, and improving macroeconomic conditions. Coupled with new GPU debuts for graphics cards, including the RTX 40 Super-series in 1Q24 and the RTX 50-series in 4Q24F, we expect sales of motherboards and graphics cards will grow this year. Server/networking sales should be the main catalyst for 2024F sales and earnings growth, with expanding AI server demand and new client additions. Server/networking sales grew to around NT\$52bn in 2023, up 158% YoY, with an AI server sales contribution of over 50%. On more project and client wins, we expect server/networking sales to expand from NT\$6bn in 1Q23 to NT\$22bn in 4Q23F, and to expand further to NT\$25-30bn in 4Q24F. Server sales will grow 90% YoY to NT\$98-99bn in 2024F, and comprise over 50% of sales, vs. 38% in 2023. Stronger-than-expected server/networking sales lead us to revise up 2024F sales and EPS. Although gross margin improvement may be capped by growing server sales, we expect rising operating margin on a larger sales scale. Our revised 2024F EPS is NT\$14.47, up 77% YoY, with 2025F EPS of NT\$18.71, up 29% YoY.

#### Valuation & Action

Our target price is revised up to NT\$415, on 25x average 2024-25F EPS, to reflect a 2023-25F EPS CAGR of 50%. We maintain Outperform on solid earnings growth.

#### Risks

Tight server GPU supply; weak motherboard and graphics card demand.

#### Key financials and valuations

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (NT\$m)	121,905	107,264	136,704	195,913	226,136
Gross profit (NT\$m)	29,590	16,616	17,375	25,974	30,164
Operating profit (NT\$m)	14,487	5,845	5,246	10,556	13,948
Net profit (NT\$m)	13,338	6,539	5,190	9,196	11,892
EPS (NT\$)	21.01	10.29	8.16	14.47	18.71
Cash DPS (NT\$)	12.00	6.20	4.92	8.72	11.28
EPS growth (%)	205.4	(51.1)	(20.6)	77.2	29.3
PE (x)	18.1	37.0	46.7	26.3	20.4
PB (x)	6.5	6.7	6.4	5.8	5.2
EV/EBITDA (x)	13.3	31.9	35.6	19.5	15.0
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	3.1	1.6	1.3	2.3	3.0
Return on average equity (%)	41.1	17.8	14.0	23.1	27.0

Source: Company data, KGI Research estimates

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

NT\$m	4Q23F							1Q24F						
	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	45,527	40,345	12.8	23.0	63.8	43,391	4.9	44,616	37,924	17.6	(2.0)	59.2	42,908	4.0
Gross profits	5,827	5,325	9.4	18.6	124.4	5,760	1.2	6,202	5,120	21.1	6.4	74.9	5,831	6.4
Operating income	1,867	1,452	28.5	67.1	153.2	1,999	(6.6)	2,186	1,327	64.7	17.1	70.8	2,240	(2.4)
Pretax income	2,015	1,659	21.5	9.4	65.0	2,165	(6.9)	2,381	1,528	55.8	18.1	77.1	2,557	(6.9)
Net income	1,797	1,516	18.5	21.5	36.1	1,716	4.7	1,866	1,198	55.8	3.8	82.1	2,022	(7.7)
EPS (NT\$)	2.83	2.38	18.5	21.5	36.1	2.70	4.7	2.94	1.88	55.8	3.8	82.1	3.18	(7.7)
Gross margin (%)	12.8	13.2	(0.4)ppts	(0.5)ppts	3.5 ppts	13.3	(0.5)ppts	13.9	13.5	0.4 ppts	1.1 ppts	1.3 ppts	13.6	0.3 ppts
OP margin (%)	4.1	3.6	0.5 ppts	1.1 ppts	1.4 ppts	4.6	(0.5)ppts	4.9	3.5	1.4 ppts	0.8 ppts	0.3 ppts	5.2	(0.3)ppts
Net margin (%)	3.9	3.8	0.2 ppts	(0.0)ppts	(0.8)ppts	4.0	(0.0)ppts	4.2	3.2	1.0 ppts	0.2 ppts	0.5 ppts	4.7	(0.5)ppts

Source: Bloomberg; KGI Research estimates

**Figure 2: Breakdown of 2023-25 forecast revisions vs. consensus**

NT\$m	2023F						2024F						2025F					
	Previous	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Previous	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Previous	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	136,704	131,522	3.9	27.4	134,417	1.7	195,913	174,069	12.5	43.3	180,955	8.3	226,136	205,042	10.3	15.4	216,529	4.4
Gross profit	17,375	16,873	3.0	4.6	17,265	0.6	25,974	23,159	12.2	49.5	24,903	4.3	30,164	26,840	12.4	16.1	29,634	1.8
Operating income	5,246	4,832	8.6	(10.2)	5,549	(5.5)	10,556	8,946	18.0	101.2	10,556	0.0	13,948	11,773	18.5	32.1	13,553	2.9
Pretax income	6,487	6,130	5.8	(23.2)	6,790	(4.5)	11,485	9,898	16.0	77.1	11,637	(1.3)	14,855	12,706	16.9	29.3	14,571	2.0
Net income	5,190	4,909	5.7	(20.6)	5,224	(0.6)	9,196	7,926	16.0	77.2	9,194	0.0	11,892	10,173	16.9	29.3	11,538	3.1
EPS (NT\$)	8.16	7.72	5.7	(20.6)	8.22	(0.6)	14.47	12.47	16.0	77.2	14.46	0.0	18.71	16.00	16.9	29.3	18.15	3.1
Gross margin (%)	12.7	12.8	(0.1)ppts	(2.8)ppts	12.8	(0.1)ppts	13.3	13.3	(0.0)ppts	0.5 ppts	13.8	(0.5)ppts	13.3	13.1	0.2 ppts	0.1 ppts	13.7	(0.3)ppts
OP margin (%)	3.8	3.7	0.2 ppts	(1.6)ppts	4.1	(0.3)ppts	5.4	5.1	0.2 ppts	1.6 ppts	5.8	(0.4)ppts	6.2	5.7	0.4 ppts	0.8 ppts	6.3	(0.1)ppts
Net margin (%)	3.8	3.7	0.1 ppts	(2.3)ppts	3.9	(0.1)ppts	4.7	4.6	0.1 ppts	0.9 ppts	5.1	(0.4)ppts	5.3	5.0	0.3 ppts	0.6 ppts	5.3	(0.1)ppts

Source: Bloomberg; KGI Research estimates

**Figure 3: Gigabyte sales weighting by product**

Sales weighting (%)	2019	2020	2021	2022	2023F	2024F
Motherboard	33	30	25	21	21	17
Graphics card	45	40	45	45	35	28
Cloud server / networking	21	20	17	19	38	50
Others	1	10	13	16	5	5
Total	100	100	100	100	100	100
Sales (NT\$b)	2019	2020	2021	2022	2023F	2024F
Motherboard	20	25	30	23	29	33
Graphics card	28	34	55	48	48	55
Cloud server / networking	13	17	20	20	52	99
Others	1	8	16	17	7	9
Total	62	85	122	107	137	196
Sales YoY (%)	2019	2020	2021	2022	2023F	2024F
Motherboard		26	20	(26)	30	12
Graphics card		22	62	(13)	1	15
Cloud server / networking		30	19	(0)	158	90
Others		856	94	3	(57)	24
Total		37	44	(12)	27	43

Source: Company data; KGI Research estimates

**Figure 4: New CPUs with higher pin counts to drive motherboard replacement demand & ASP in 2024F**

	Coffee Lake	Comet Lake	Rocket Lake	Alder Lake	Raptor Lake	Raptor Lake refresh	Arrow Lake	Ryzen 3000 (Matisse)	Ryzen 3000 XT (Matisse Refresh)	Ryzen 4000	Ryzen 5000 (Vermeer)	Ryzen 7000 (Raphael)	Ryzen 8000 (Granite Ridge)
Time for launch	4Q17	2Q20	1Q21	4Q21	4Q22	3Q23F	2024F	3Q19	3Q20	1Q20	4Q20	3Q22	2024F
Process (node)	14nm++	14nm++++	14nm+++++	Intel 7 (10nm)	Intel 7 (10nm)	Intel 7 (10nm)	Intel 20A	TSMC N7	TSMC N7	TSMC N7	TSMC N7+	TSMC N5	TSMC N3
Microarchitecture (P-Core)	Skylake	Skylake	Cypress Cove	Golden Cove	Raptor Cove	Raptor Cove	Lion Cove	Zen 2	Zen 2	Zen 2	Zen 3	Zen 4	Zen 5
CPU sockets (desktop)	LGA 1151	LGA 1200	LGA 1200	LGA 1700	LGA 1700	LGA 1700	LGA 1851	AM4	AM4	AM4 (LGA 1331)	AM4 (LGA 1331)	AM5 (LGA1718)	AM5 (LGA1718)
DRAM	DDR4	DDR4	DDR4	DDR4 / DDR5	DDR4 / DDR5	DDR4 / DDR5	DDR5	DDR4	DDR4	DDR4	DDR4	DDR5	DDR5
PCIe	Gen 3	Gen 3	Gen 4	Gen 5	Gen 5	Gen 5	Gen 5	Gen 4	Gen 4	Gen 4	Gen 3	Gen 5	Gen 5

Source: Company data; KGI Research

**Figure 5: Graphics card & server ODM peer comparison – Valuations**

Sector	Company	Ticker	Market cap. (US\$mn)	Share price (LCY)	Rating	Target Price (LCY)	EPS (LCY)			EPS YoY (%)			PE (x)			PB (x)			ROE (%)			Cash yield (%)	
							2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F
Motherboard/ graphic cards	Asustek	2357 TT	11,355	479.5	Outperform	540.0	22.29	31.69	35.86	12.7	42.1	13.2	21.5	15.1	13.4	1.6	1.6	1.5	7.7	10.6	11.5	3.3	4.6
	Gigabyte	2376 TT	7,722	381.0	Outperform	415.0	8.16	14.47	18.71	(20.6)	77.2	29.3	46.7	26.3	20.4	6.4	5.8	5.2	14.0	23.1	27.0	1.3	2.3
	MSI	2377 TT	5,145	191.0	Neutral	176.0	10.71	12.59	14.10	(9.2)	17.5	12.0	17.8	15.2	13.5	3.1	2.8	2.6	18.0	19.4	20.0	3.1	3.7
	Asrock	3515 TT	977	252.0	Neutral	245.0	7.01	11.12	12.33	(19.3)	58.6	10.9	35.9	22.7	20.4	3.6	3.4	3.3	10.3	15.6	16.4	1.9	2.9
Server ODM	Wwynn	6669 TT	12,738	2,285	Outperform	2,280.0	68.88	102.53	125.45	(15.0)	48.8	22.3	33.2	22.3	18.2	8.3	6.6	5.4	27.7	33.1	32.7	1.7	2.5
	Inventec	2356 TT	6,646	58.1	Outperform	53.0	1.57	2.42	2.93	(8.1)	54.3	20.9	37.0	24.0	19.9	3.4	3.3	3.2	9.4	14.1	16.5	2.2	3.3
	Quanta	2382 TT	30,604	248.5	Outperform	310.0	10.13	13.43	17.52	34.8	32.6	30.4	24.5	18.5	14.2	5.4	5.1	4.8	22.6	28.4	34.8	3.3	4.3
	Hon Hai	2317 TT	44,863	101.5	Outperform	126.0	8.55	10.40	12.92	(16.2)	21.6	24.3	11.9	9.8	7.9	0.9	0.9	0.8	8.0	9.3	11.1	4.4	5.3

Source: Company data; Bloomberg; KGI Research estimates

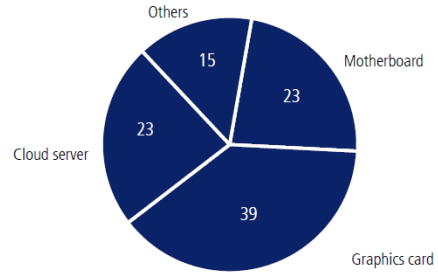
**Figure 6: Company profile**

Established in 1986, Gigabyte is a motherboard vendor based in Taiwan. The firm provides motherboards and graphics cards for PCs, and manufactures server products for global data center operators. The 2022 sales weighting of graphics cards was 44-45%, followed by motherboards at 21%, server products at 19%, and others at 16%. In 2022, the firm shipped 10mn motherboards (down 17% from 12mn in 2021) and 3.8mn graphics cards (down 14% from 4.4mn in 2021).

Source: KGI Research

**Figure 7: 1Q-3Q23 server sales weighting up to 23.5% from 19% in 2022**

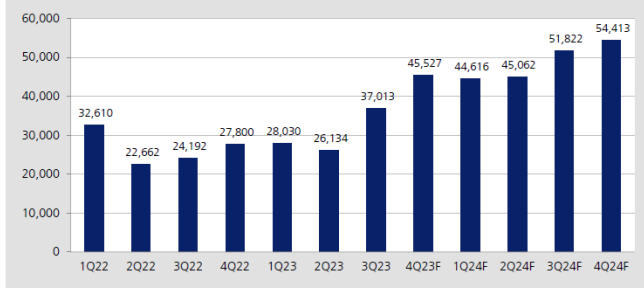
1Q-3Q23 sales weighting, percent



Source: company data; KGI Research

**Figure 8: Sales**

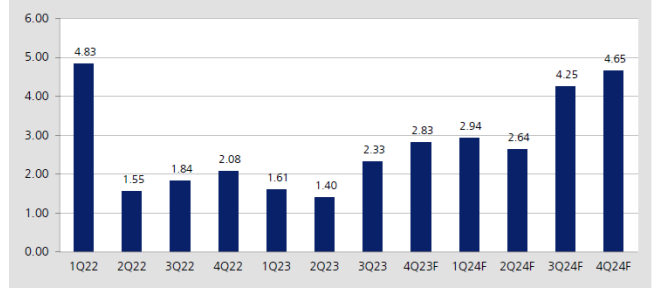
Sales, NT\$m



Source: KGI Research

**Figure 9: EPS**

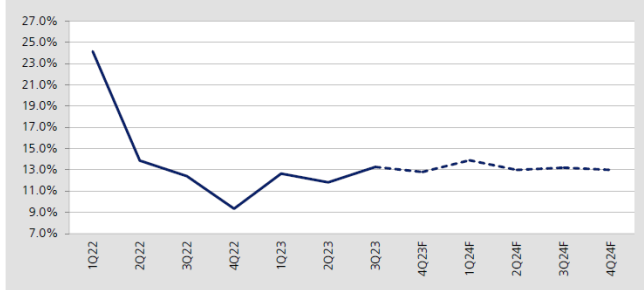
EPS, NT\$



Source: KGI Research

**Figure 10: Gross margin**

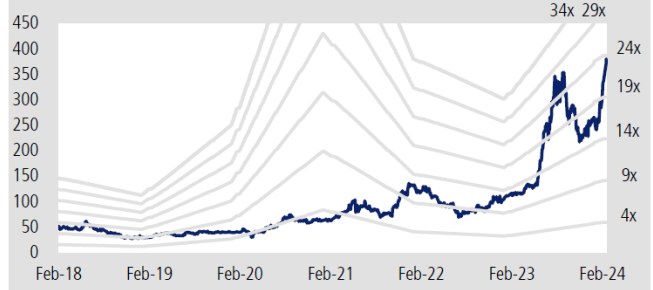
Gross margin, percent



Source: KGI Research

**Figure 11: 12M forward PE band**

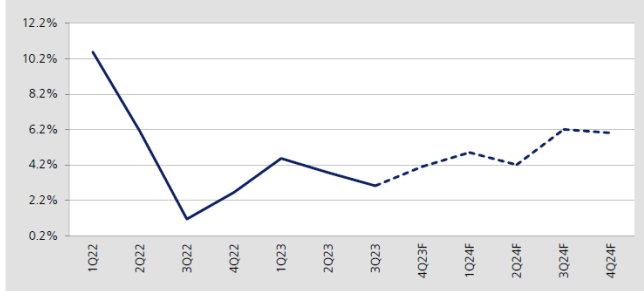
Share price, NT\$ (LHS); PE ratio, x (RHS)



Source: TEJ; KGI Research estimates

**Figure 12: Operating margin**

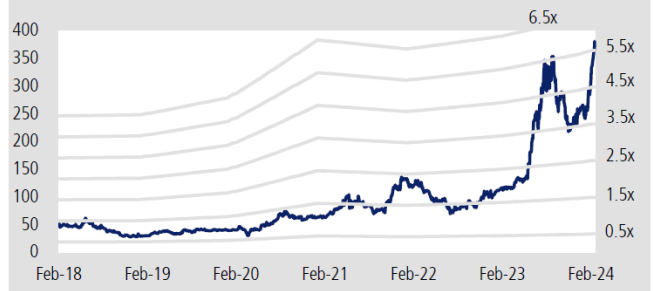
Operating margin, percent



Source: KGI Research

**Figure 13: 12M forward PB band**

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



Source: TEJ; KGI Research estimates

**Income statement**

	Quarterly								Annually		
	Mar-23A	Jun-23A	Sep-23A	Dec-23F	Mar-24F	Jun-24F	Sep-24F	Dec-24F	Dec-23F	Dec-24F	Dec-25F
<b>Income statement (NT\$m)</b>											
<b>Revenue</b>	<b>28,030</b>	<b>26,134</b>	<b>37,013</b>	<b>45,527</b>	<b>44,616</b>	<b>45,062</b>	<b>51,822</b>	<b>54,413</b>	<b>136,704</b>	<b>195,913</b>	<b>226,136</b>
Cost of goods sold	(24,484)	(23,044)	(32,101)	(39,699)	(38,414)	(39,204)	(44,981)	(47,339)	(119,329)	(169,939)	(195,972)
<b>Gross profit</b>	<b>3,546</b>	<b>3,090</b>	<b>4,912</b>	<b>5,827</b>	<b>6,202</b>	<b>5,858</b>	<b>6,840</b>	<b>7,074</b>	<b>17,375</b>	<b>25,974</b>	<b>30,164</b>
Operating expenses	(2,266)	(2,107)	(3,795)	(3,961)	(4,015)	(3,965)	(3,628)	(3,809)	(12,129)	(15,417)	(16,216)
<b>Operating profit</b>	<b>1,280</b>	<b>982</b>	<b>1,117</b>	<b>1,867</b>	<b>2,186</b>	<b>1,893</b>	<b>3,213</b>	<b>3,265</b>	<b>5,246</b>	<b>10,556</b>	<b>13,948</b>
Depreciation of fixed assets	(165)	(172)	(167)	(200)	(193)	(193)	(193)	(193)	(704)	(773)	(916)
Amortisation of intangible assets	(26)	(30)	(32)	1	(22)	(22)	(22)	(22)	(87)	(87)	(87)
<b>EBITDA</b>	<b>1,470</b>	<b>1,184</b>	<b>1,316</b>	<b>2,066</b>	<b>2,401</b>	<b>2,107</b>	<b>3,428</b>	<b>3,480</b>	<b>6,037</b>	<b>11,416</b>	<b>14,951</b>
Interest income	48	97	85	60	45	45	45	45	290	182	140
Investment income	-	1	-	4	3	3	3	3	5	10	10
Other non-op income	104	205	680	111	150	200	188	213	1,100	750	770
<b>Non-operating income</b>	<b>152</b>	<b>303</b>	<b>764</b>	<b>175</b>	<b>198</b>	<b>248</b>	<b>235</b>	<b>260</b>	<b>1,395</b>	<b>942</b>	<b>920</b>
Interest expense	(1)	(1)	(34)	(1)	(1)	(1)	(1)	(1)	(38)	(3)	(3)
Investment loss	(1)	-	(5)	(0)	-	-	-	-	(7)	-	-
Other non-op expenses	(85)	-	0	(25)	(3)	(3)	(3)	(3)	(110)	(10)	(10)
<b>Non-operating expenses</b>	<b>(87)</b>	<b>(1)</b>	<b>(39)</b>	<b>(27)</b>	<b>(3)</b>	<b>(3)</b>	<b>(3)</b>	<b>(3)</b>	<b>(154)</b>	<b>(13)</b>	<b>(13)</b>
<b>Pre-tax profit</b>	<b>1,344</b>	<b>1,284</b>	<b>1,843</b>	<b>2,015</b>	<b>2,381</b>	<b>2,137</b>	<b>3,445</b>	<b>3,522</b>	<b>6,487</b>	<b>11,485</b>	<b>14,855</b>
Current taxation	(320)	(395)	(364)	(218)	(517)	(464)	(748)	(568)	(1,297)	(2,297)	(2,971)
Minorities	0	0	0	0	2	2	2	2	1	8	8
<b>Normalised net profit</b>	<b>1,025</b>	<b>890</b>	<b>1,479</b>	<b>1,797</b>	<b>1,866</b>	<b>1,675</b>	<b>2,699</b>	<b>2,956</b>	<b>5,190</b>	<b>9,196</b>	<b>11,892</b>
Extraordinary items	(0)	0	(0)	0	-	-	-	-	-	-	-
<b>Net profit</b>	<b>1,025</b>	<b>890</b>	<b>1,479</b>	<b>1,797</b>	<b>1,866</b>	<b>1,675</b>	<b>2,699</b>	<b>2,956</b>	<b>5,190</b>	<b>9,196</b>	<b>11,892</b>
EPS (NT\$)	1.61	1.40	2.33	2.83	2.94	2.64	4.25	4.65	8.16	14.47	18.71
<b>Margins (%)</b>											
Gross profit margin	12.6	11.8	13.3	12.8	13.9	13.0	13.2	13.0	12.7	13.3	13.3
Operating margin	4.6	3.8	3.0	4.1	4.9	4.2	6.2	6.0	3.8	5.4	6.2
EBITDA margin	5.2	4.5	3.6	4.5	5.4	4.7	6.6	6.4	4.4	5.8	6.6
Pretax profit margin	4.8	4.9	5.0	4.4	5.3	4.7	6.6	6.5	4.7	5.9	6.6
Net profit margin	3.7	3.4	4.0	3.9	4.2	3.7	5.2	5.4	3.8	4.7	5.3
<b>Sequential growth (%)</b>											
Revenue growth	0.8	(6.8)	41.6	23.0	(2.0)	1.0	15.0	5.0			
Gross profit growth	36.5	(12.9)	59.0	18.6	6.4	(5.5)	16.8	3.4			
Operating profit growth	73.6	(23.2)	13.7	67.1	17.1	(13.4)	69.8	1.6			
EBITDA growth	57.5	(19.5)	11.2	56.9	16.2	(12.2)	62.6	1.5			
Pretax profit growth	10.1	(4.5)	43.5	9.4	18.1	(10.2)	61.2	2.2			
Net profit growth	(22.4)	(13.2)	66.2	21.5	3.8	(10.2)	61.1	9.5			
<b>YoY growth (%)</b>											
Revenue growth	(14.0)	15.3	53.0	63.8	59.2	72.4	40.0	19.5	27.4	43.3	15.4
Gross profit growth	(55.0)	(1.7)	63.7	124.4	74.9	89.6	39.2	21.4	4.6	49.5	16.1
Operating profit growth	(62.9)	(28.9)	305.2	153.2	70.8	92.7	187.6	74.9	(10.2)	101.2	32.1
EBITDA growth	(59.4)	(24.0)	181.9	121.3	63.3	78.0	160.4	68.4	(8.2)	89.1	31.0
Pretax profit growth	(65.8)	(27.1)	20.6	65.0	77.1	66.4	87.0	74.8	(23.2)	77.1	29.3
Net profit growth	(66.6)	(9.4)	26.5	36.1	82.1	88.3	82.5	64.5	(20.6)	77.2	29.3

Source: Company data, KGI Research estimates

**Balance sheet**

NTSmn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Total assets</b>	<b>69,178</b>	<b>63,572</b>	<b>69,248</b>	<b>83,051</b>	<b>93,483</b>
<b>Current assets</b>	<b>60,298</b>	<b>54,803</b>	<b>59,682</b>	<b>72,839</b>	<b>82,722</b>
Cash & ST securities	21,536	17,435	11,546	4,927	4,391
Inventory	26,590	21,777	28,668	40,715	47,080
Accounts receivable	10,828	14,131	18,009	25,738	29,790
Other current assets	1,345	1,460	1,460	1,460	1,460
<b>Non-current assets</b>	<b>8,880</b>	<b>8,769</b>	<b>9,566</b>	<b>10,212</b>	<b>10,761</b>
LT investments	3,305	2,440	2,642	2,759	2,925
Net fixed assets	4,207	4,947	5,543	6,070	6,455
Other assets	1,368	1,382	1,382	1,382	1,382
<b>Total liabilities</b>	<b>31,675</b>	<b>27,627</b>	<b>31,243</b>	<b>41,400</b>	<b>47,117</b>
<b>Current liabilities</b>	<b>30,750</b>	<b>26,967</b>	<b>30,582</b>	<b>40,740</b>	<b>46,456</b>
Accounts payable	15,910	13,996	18,425	26,168	30,259
Interest bearing ST liabilities	-	-	-	-	-
Other current liabilities	14,840	12,970	12,157	14,572	16,197
<b>Non-current liabilities</b>	<b>926</b>	<b>660</b>	<b>660</b>	<b>660</b>	<b>660</b>
Long-term debt	200	-	-	-	-
Other L-T liabilities	661	601	601	601	601
<b>Total equity</b>	<b>37,503</b>	<b>35,945</b>	<b>38,006</b>	<b>41,651</b>	<b>46,366</b>
Share capital	6,357	6,357	6,357	6,357	6,357
Retained earnings reserve	21,751	19,400	21,462	25,115	29,839
Minority interests	15	11	10	2	(6)
Preferred shareholders funds	-	-	-	-	-

**Key ratios**

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Growth</b>					
Revenue growth	44.1%	(12.0%)	27.4%	43.3%	15.4%
Operating profit growth	243.5%	(59.7%)	(10.2%)	101.2%	32.1%
EBITDA growth	208.4%	(56.6%)	(8.2%)	89.1%	31.0%
Net profit growth	204.9%	(51.0%)	(20.6%)	77.2%	29.3%
EPS growth	205.4%	(51.1%)	(20.6%)	77.2%	29.3%
<b>Profitability</b>					
Gross profit margin	24.3%	15.5%	12.7%	13.3%	13.3%
Operating margin	11.9%	5.4%	3.8%	5.4%	6.2%
EBITDA margin	12.4%	6.1%	4.4%	5.8%	6.6%
Net profit margin	10.9%	6.1%	3.8%	4.7%	5.3%
Return on average assets	22.5%	9.9%	7.8%	12.1%	13.5%
Return on average equity	41.1%	17.8%	14.0%	23.1%	27.0%
<b>Stability</b>					
Gross debt to equity	0.5%	0.0%	0.0%	0.0%	0.0%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	2,985.3	1,477.0	172.3	4,126.0	5,350.9
Interest & ST debt coverage (x)	1.0	1.0	1.0	1.0	1.0
Cash flow interest coverage (x)	1,547.5	1,016.3	(9.4)	(714.0)	2,361.8
Cash flow/int. & ST debt (x)	1,547.5	1,016.3	(9.4)	(714.0)	2,361.8
Current ratio (x)	2.0	2.0	2.0	1.8	1.8
Quick ratio (x)	1.1	1.2	1.0	0.8	0.8
Net debt (NT\$m)	(18,728)	(16,266)	(10,376)	(3,757)	(3,221)
<b>Per share data</b>					
EPS (NT\$)	21.01	10.29	8.16	14.47	18.71
CFPS (NT\$)	13.16	9.15	(0.56)	(3.13)	10.32
BVPS (NT\$)	58.97	56.53	59.77	65.52	72.95
Adj BVPS (NT\$)	59.06	56.53	59.77	65.52	72.95
SPS (NT\$)	192.05	168.74	215.05	308.19	355.73
EBITDA/share (NT\$)	23.89	10.35	9.50	17.96	23.52
Cash DPS (NT\$)	12.00	6.20	4.92	8.72	11.28
<b>Activity</b>					
Sales / avg assets	2.06	1.62	2.06	2.57	2.56
Days receivable	32.4	48.1	48.1	48.1	48.1
Days inventory	105.1	87.7	87.7	87.7	87.7
Days payable	62.9	56.4	56.4	56.4	56.4
Cash cycle	74.6	79.4	79.4	79.4	79.4

Source: Company data, KGI Research estimates

**Profit & loss**

NTSmn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Revenue</b>	<b>121,905</b>	<b>107,264</b>	<b>136,704</b>	<b>195,913</b>	<b>226,136</b>
Cost of goods sold	(92,315)	(90,648)	(119,329)	(169,939)	(195,972)
<b>Gross profit</b>	<b>29,590</b>	<b>16,616</b>	<b>17,375</b>	<b>25,974</b>	<b>30,164</b>
Operating expenses	(15,104)	(10,771)	(12,129)	(15,417)	(16,216)
<b>Operating profit</b>	<b>14,487</b>	<b>5,845</b>	<b>5,246</b>	<b>10,556</b>	<b>13,948</b>
<b>Non-operating income</b>	<b>1,650</b>	<b>2,608</b>	<b>1,395</b>	<b>942</b>	<b>920</b>
Interest income	75	120	290	182	140
Investment income	74	3	5	10	10
Other non-op income	1,502	2,484	1,100	750	770
<b>Non-operating expenses</b>	<b>(24)</b>	<b>(8)</b>	<b>(154)</b>	<b>(13)</b>	<b>(13)</b>
Interest expense	(5)	(6)	(38)	(3)	(3)
Investment loss	(17)	(2)	(7)	-	-
Other non-op expenses	(2)	-	(110)	(10)	(10)
<b>Pre-tax profit</b>	<b>16,112</b>	<b>8,446</b>	<b>6,487</b>	<b>11,485</b>	<b>14,855</b>
Current taxation	(2,778)	(1,911)	(1,297)	(2,297)	(2,971)
Minorities	3	4	1	8	8
Extraordinary items	1	(0)	-	-	-
<b>Net profit</b>	<b>13,338</b>	<b>6,539</b>	<b>5,190</b>	<b>9,196</b>	<b>11,892</b>
<b>EBITDA</b>	<b>15,167</b>	<b>6,578</b>	<b>6,037</b>	<b>11,416</b>	<b>14,951</b>
EPS (NT\$)	21.01	10.29	8.16	14.47	18.71

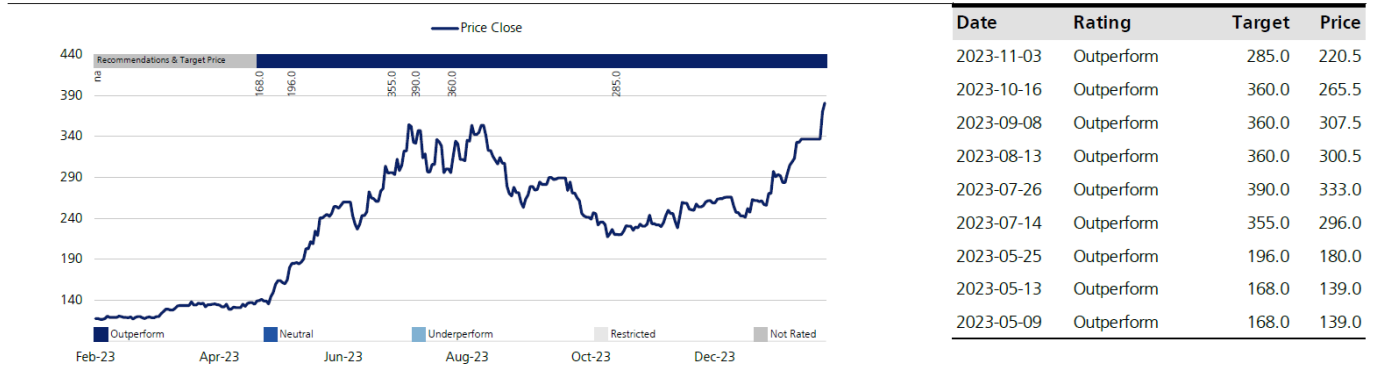
**Cash flow**

NTSmn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Operations cash flow</b>	<b>8,355</b>	<b>5,815</b>	<b>(358)</b>	<b>(1,988)</b>	<b>6,558</b>
Net profit	13,338	6,539	5,190	9,196	11,892
Depreciation & amortisation	680	733	791	859	1,002
Decrease in working capital	(7,422)	(606)	(6,340)	(12,034)	(6,326)
Other operating cash flow	1,759	(850)	2	(10)	(10)
<b>Investing cash flow</b>	<b>(1,204)</b>	<b>(915)</b>	<b>(1,590)</b>	<b>(1,495)</b>	<b>(1,542)</b>
Sale of ST investment	(113)	507	-	-	-
New investments	(393)	(13)	(203)	(108)	(155)
Capital expenditure	(587)	(1,122)	(1,300)	(1,300)	(1,300)
Others investing cashflow	(111)	(288)	(87)	(87)	(87)
<b>Free cash flow</b>	<b>4,598</b>	<b>3,440</b>	<b>(2,739)</b>	<b>(4,116)</b>	<b>4,448</b>
<b>Financing cash flow</b>	<b>(3,695)</b>	<b>(7,776)</b>	<b>(3,942)</b>	<b>(3,137)</b>	<b>(5,551)</b>
Increase in short term debt	(303)	-	-	-	-
Increase in long term loans	-	(200)	-	-	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(3,178)	(7,620)	(3,941)	(3,129)	(5,543)
Other financing cashflow	(147)	(22)	(1)	(8)	(8)
<b>Forex effects</b>	<b>(93)</b>	<b>213</b>			
<b>Total cash generated</b>	<b>3,364</b>	<b>(2,663)</b>	<b>(5,890)</b>	<b>(6,619)</b>	<b>(535)</b>

**ROIC**

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	12.4%	10.0%	8.9%	7.9%	7.2%
<b>= Operating margin</b>	<b>11.9%</b>	<b>5.4%</b>	<b>3.8%</b>	<b>5.4%</b>	<b>6.2%</b>
1 / (Working capital/revenue					
+ Net PPE/revenue	0.1	0.1	0.1	0.1	0.1
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
<b>= Capital turnover</b>	<b>9.9</b>	<b>6.9</b>	<b>5.9</b>	<b>5.9</b>	<b>5.9</b>
Operating margin	11.9%	5.4%	3.8%	5.4%	6.2%
x Capital turnover	9.9	6.9	5.9	5.9	5.9
x (1 - tax rate)	82.8%	77.4%	80.0%	80.0%	80.0%
<b>= After-tax ROIC</b>	<b>97.1%</b>	<b>29.2%</b>	<b>18.1%</b>	<b>25.3%</b>	<b>29.0%</b>

Source: Company data, KGI Research estimates

**Gigabyte – Recommendation & target price history**


Source: TEJ, KGI Research

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