

Inventec (2356.TW/2356 TT)

Brighter 2024-25F AI server sales prospects

FTSE4Good TIP Taiwan ESG Index stock

Outperform · Maintained

Price as of July 16 (NT\$)	56.10
12M target price (NT\$)	64.00
Previous target price (NT\$)	62.00
Revised up (%)	3.2
Upside (%)	14.1

Key message

- 2Q24 sales beat on stronger NB & server sales; a better sales mix improved 2Q24 margins.
- 3Q24 QoQ sales growth to be more moderate, but server sales to US CSPs will be the main sales growth catalyst.
- Server & AI server sales to new clients and upgrades to L10 shipments the main catalysts for 2024-25F sales & EPS growth.

Trading data

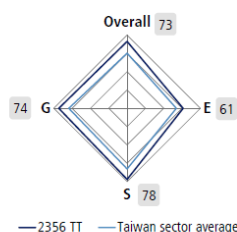
Mkt cap (NT\$bn/US\$m)	201.3 / 6,171	
Outstanding shares (mn)	3,587	
Foreign ownership (mn)	618	
3M avg. daily trading (mn)	30.88	
52-week trading range (NT\$)	40.20 -72.00	

Performance	3M	6M	12M
Absolute (%)	4.1	12	0.5
Relative (%)	-16.5	-26.3	-38.3

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	0.41A	0.42A	0.49A	0.39A
2023	0.25A	0.39A	0.52A	0.55A
2024	0.30A	0.68F	0.78F	1.06F

ESG score card



Source: Refinitiv, KGI securities

Event

Inventec reported 2Q24 sales growth of 18% QoQ and YoY, beating consensus and our estimate. The firm guides more moderate QoQ sales growth in 3Q24F. 3Q24F sales are likely to be the peak in 2024F.

Impact

Server sales beat leads to better-than-expected sales growth in 2024F. In 2Q24, Inventec registered notebook shipments growth of 9% QoQ, to 4.9mn, beating guidance, due to earlier pull-in of gaming notebooks and re-stocking demand. Server sales also beat guidance, with growth of 20-21% QoQ or 30% YoY, due to better-than-expected demand from China and US CSPs, with a higher AI server sales weighting thanks to better GPU availability. These factors caused overall 2Q24 sales to grow by 18% QoQ and YoY, stronger than we had expected. We expect the firm's server sales weighting to rise to 45% in 2Q24, and higher in 3Q24F, which would boost gross margin. Higher server sales will continue in 3Q24F, though QoQ growth will be measured against a high base. China cloud sales of rack shipments likely peaked in 2Q24, while 2H24F AI server shipments will be mostly of motherboards to US CSPs. With flat QoQ growth for 3Q24F NB shipments, management guides 3Q24F sales to be the annual peak, and we expect 5% QoQ and 19% YoY sales growth, but 4Q24F sales should also be strong. Based on higher guidance, of single-digit YoY sales growth for enterprise (30-40% of server sales), 10% YoY sales growth for China CSPs (10-15%) and double-digit YoY sales growth for US CSPs (50%) in 2024F, we revise up server sales growth for 2024F to 30-35% from 25%, and raise 2024F total sales growth to 18% from 13%. Our 2024F EPS is revised up by 5% to NT\$2.82 (up 65% YoY) with improving margins on the back of a better sales mix.

New clients & more L10 shipments to fuel 2025 server sales growth. The firm expects new US CSP clients to fuel 2025F server sales growth. In addition, some projects for enterprise clients and CSPs will upgrade to L10 shipments from the current L6, pushing up ASP. Some clients also enlist corporate partner ZT (US) to assemble the systems or racks. 2024F AI server sales will be mostly of H100, H200, L40, and B40 GPU designs, but designs will diversify from the mainstream in 2025F, including GB200 designs in MGX, such as Ariel motherboards, which support one Grace CPU and one Blackwell GPU in NVL36 designs, transformer designs with GB200 and B200 integration, and B100 or B200 GPUs in UBB or PCIe designs. B100 shipments will begin at end-4Q24F, while B200 and GB200 server products will enter into mass production in early 2025F. With growing AI server sales, new clients, and a higher weighting of L10 shipments, we revise up 2025F sales to 20% YoY growth, and raise 2025F EPS to NT\$3.55, up 26% YoY.

Valuation & Action

Our target price is raised from NT\$62 to NT\$64, on 20x 2024-25F average EPS. On the back of brighter AI server sales and EPS growth, we maintain Outperform.

Risks

Inflation impacts end demand; cost increases weigh on gross margin.

Key financials and valuations

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (NT\$m)	519,732	541,751	514,746	605,161	726,583
Gross profit (NT\$m)	22,295	26,003	26,338	33,150	38,257
Operating profit (NT\$m)	4,725	6,669	7,463	12,905	16,394
Net profit (NT\$m)	6,538	6,129	6,131	10,127	12,727
EPS (NT\$)	1.82	1.71	1.71	2.82	3.55
Cash DPS (NT\$)	1.40	1.50	1.50	2.26	2.84
EPS growth (%)	(13.4)	(6.3)	0.0	65.2	25.7
PE (x)	30.8	32.8	32.8	19.9	15.8
PB (x)	3.5	3.4	3.3	3.2	3.1
EV/EBITDA (x)	26.4	21.1	16.8	11.4	10.1
Net debt to equity (%)	54.9	32.4	36.7	62.3	84.8
Dividend yield (%)	2.5	2.7	2.7	4.0	5.1
Return on average equity (%)	11.4	10.5	10.2	16.3	19.8

Source: Company data; KGI Research estimates

Figure 1: Server sales the main sales growth driver in 2024-25F

Sales (NT\$bn)	2018	2019	2020	2021	2022	2023	2024F	2025F
NB / AIO	231	245	272	302	285	281	301	316
IoT smart device	84	82	41	32	33	25	29	31
Server	185	170	197	186	224	208	275	380
Total	507	501	508	520	542	515	605	727
Sales weighting (%)	2018	2019	2020	2021	2022	2023	2024F	2025F
NB / AIO	46	49	53	58	53	55	50	43
IoT smart device	17	16	8	6	6	5	5	4
Server	36	34	39	36	41	40	45	52
Sales YoY growth (%)	2018	2019	2020	2021	2022	2023	2024F	2025F
NB / AIO	15	6	11	11	(5)	(1)	7	5
IoT smart device	(3)	(3)	(50)	(23)	4	(23)	16	6
Server	11	(8)	16	(5)	20	(7)	32	38
Total	8	(1)	1	2	4	(5)	18	20

Source: Company data; KGI Research estimates

Figure 2: Breakdown of 2Q-3Q24 forecast revisions vs. consensus

NT\$m	2Q24F							3Q24F						
	Revision	Previous	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	154,159	138,336	11.4	18.1	18.0	140,946	9.4	161,867	154,937	4.5	5.0	19.2	153,684	5.3
Gross profits	8,325	7,470	11.4	21.0	38.3	7,429	12.1	8,903	8,522	4.5	6.9	25.7	8,205	8.5
Operating income	3,237	2,628	23.2	51.5	119.1	2,582	25.4	3,723	3,564	4.5	15.0	73.1	2,982	24.9
Pretax Income	3,284	2,621	25.3	115.0	86.0	2,542	29.2	3,820	3,606	5.9	16.3	61.2	2,999	27.4
Net income	2,422	1,938	25.0	122.4	73.4	2,015	20.2	2,813	2,657	5.9	16.1	50.2	2,339	20.3
EPS (NT\$)	0.68	0.55	25.0	122.4	72.3	0.56	20.2	0.78	0.76	5.9	16.1	50.8	0.65	20.3
Gross margin (%)	5.4	5.4	0.0 ppts	0.1 ppts	0.8 ppts	5.3	0.1 ppts	5.5	5.5	0.0 ppts	0.1 ppts	0.3 ppts	5.3	0.2 ppts
OP margin (%)	2.1	1.9	0.2 ppts	0.5 ppts	1.0 ppts	1.8	0.3 ppts	2.3	2.3	(0.0)ppts	0.2 ppts	0.7 ppts	1.9	0.4 ppts
Net margin (%)	1.6	1.4	0.2 ppts	0.7 ppts	0.5 ppts	1.4	0.1 ppts	1.7	1.7	0.0 ppts	0.2 ppts	0.4 ppts	1.5	0.2 ppts

Source: Bloomberg; KGI Research estimates

Figure 3: Breakdown of 2024-25 forecast revisions vs. consensus

NT\$m	2024F							2025F						
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)		
Sales	605,161	581,814	4.0	17.6	579,520	4.4	726,583	667,183	8.9	20.1	658,142	10.4		
Gross profit	33,150	31,880	4.0	25.9	30,906	7.3	38,257	37,452	2.1	15.4	35,671	7.2		
Operating income	12,905	12,280	5.1	72.9	10,929	18.1	16,394	16,238	1.0	27.0	13,974	17.3		
Pretax Income	12,692	11,850	7.1	75.4	10,581	20.0	15,983	15,141	5.6	25.9	14,416	10.9		
Net income	10,127	9,461	7.0	65.2	8,359	21.1	12,727	12,212	4.2	25.7	11,423	11.4		
EPS (NT\$)	2.82	2.69	5.1	65.2	2.33	21.1	3.55	3.47	2.3	25.7	3.18	11.4		
Gross margin (%)	5.5	5.5	(0.0)ppts	0.4 ppts	5.3	0.1 ppts	5.3	5.6	(0.3)ppts	(0.2)ppts	5.4	(0.2)ppts		
OP margin (%)	2.1	2.1	0.0 ppts	0.7 ppts	1.9	0.2 ppts	2.3	2.4	(0.2)ppts	0.1 ppts	2.1	0.1 ppts		
Net margin (%)	1.7	1.6	0.0 ppts	0.5 ppts	1.4	0.2 ppts	1.8	1.8	(0.1)ppts	0.1 ppts	1.7	0.0 ppts		

Source: Bloomberg; KGI Research estimates

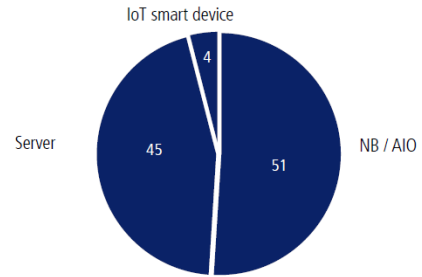
Figure 4: Company profile

Founded in 1975, Inventec started out as a manufacturer of electronic calculators. It moved on to the design and manufacture of high-tech products such as NBs and enterprise servers. It merged with Inventec Appliance Corp. (IAC) to integrate its handheld device products. The 2023 sales mix was 55% NB, 5% IoT smart devices, and 40% servers, versus 53%, 6%, and 42%, respectively, in 2022.

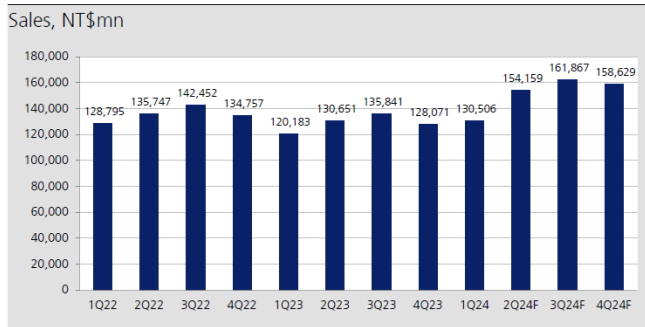
Source: KGI Research

Figure 5: NB & servers are the bulk of sales

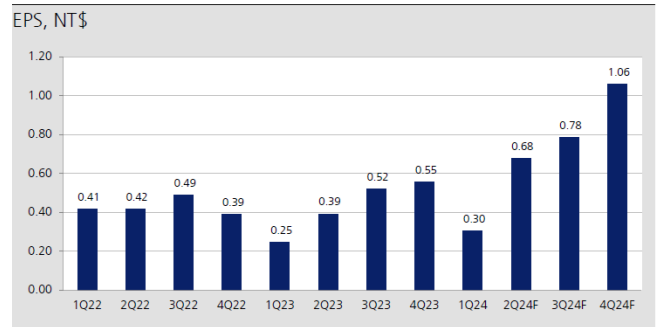
Sales weighting in 1H24, percent



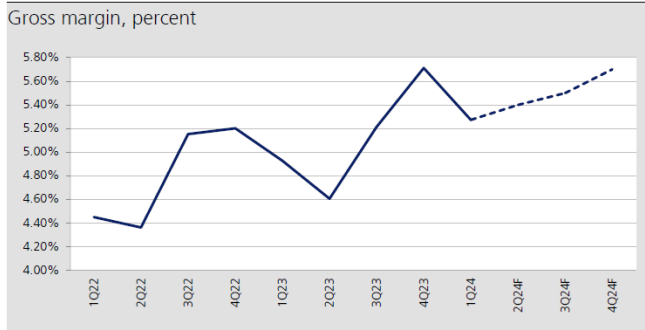
Source: Company data; KGI Research

Figure 6: Sales


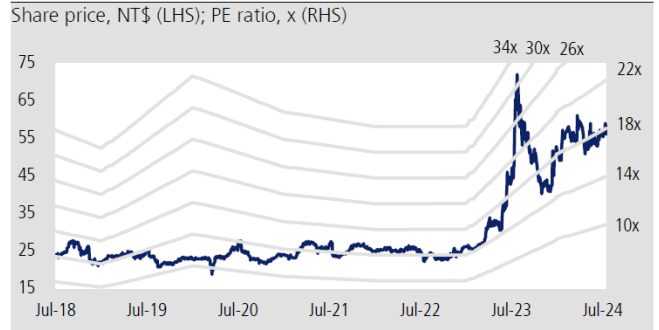
Source: KGI Research

Figure 7: EPS


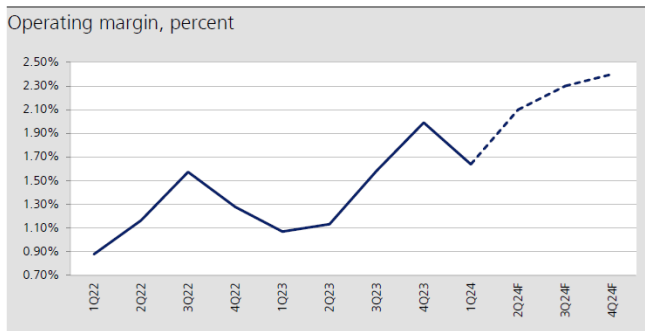
Source: KGI Research

Figure 8: Gross Margin


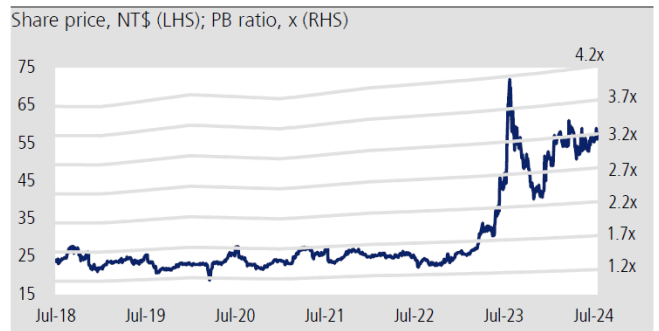
Source: KGI Research

Figure 9: 12M forward PE band


Source: TEJ; KGI Research estimates

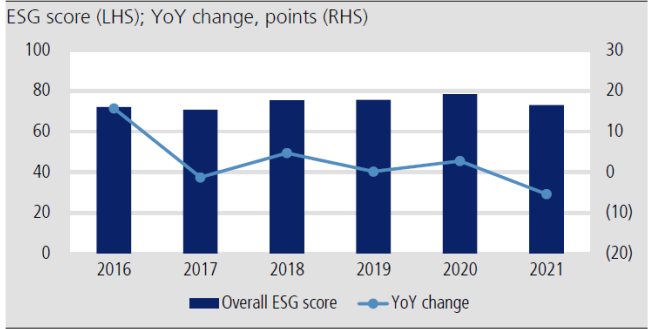
Figure 10: Operating Margin


Source: KGI Research

Figure 11: 12M forward PB band


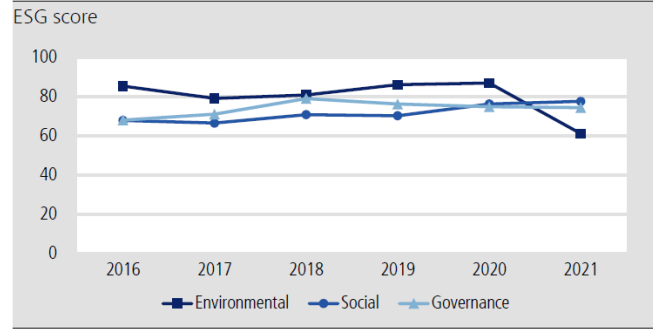
Source: TEJ; KGI Research estimates

Figure 12: Overall ESG score



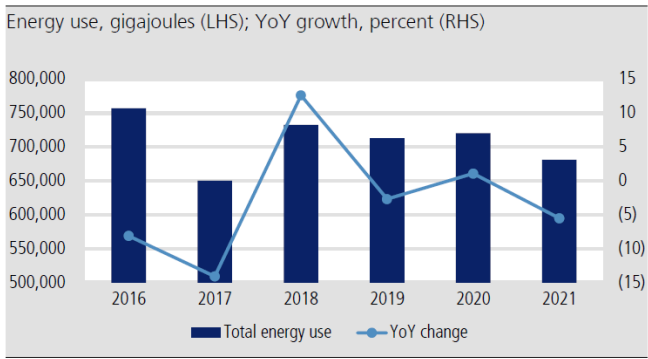
Source: Refinitiv; KGI Research; Company data

Figure 13: ESG scores



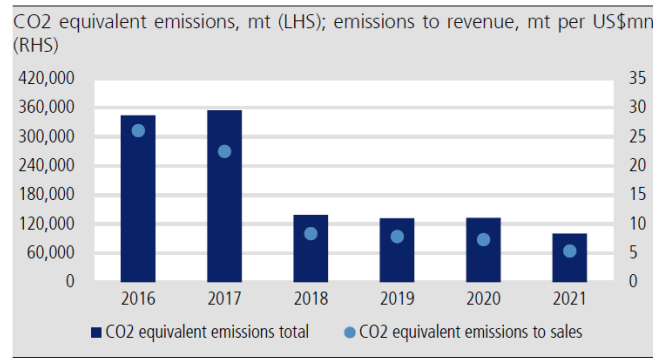
Source: Refinitiv; KGI Research; Company data

Figure 14: Energy use



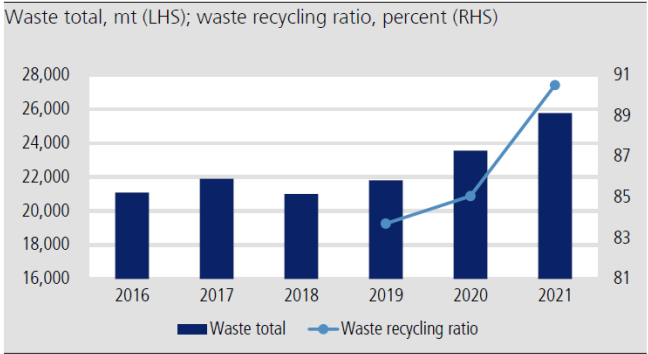
Source: Refinitiv; KGI Research; Company data

Figure 15: CO2 equivalent emissions



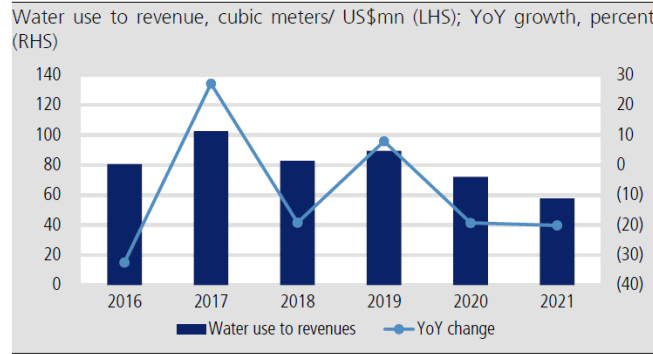
Source: Refinitiv; KGI Research; Company data

Figure 16: Waste total



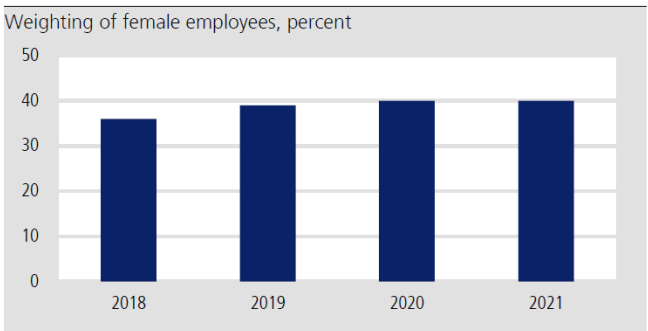
Source: Refinitiv; KGI Research; Company data

Figure 17: Water use to revenue



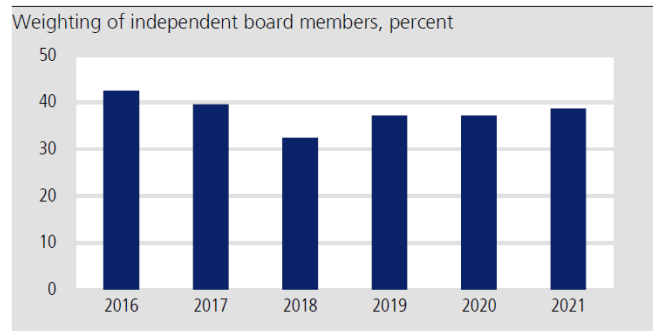
Source: Refinitiv; KGI Research; Company data

Figure 18: Gender diversification



Source: Refinitiv; KGI Research; Company data

Figure 19: Independent board members



Source: Refinitiv; KGI Research; Company data

ESG chart definition

Item	Definition	Remarks
Energy use	Total direct and indirect energy consumption in gigajoules. - the total amount of energy that has been consumed within the boundaries of the company's operations - total energy use = total direct energy consumption + indirect energy consumption - purchased energy and produced energy are included in total energy use - for utilities, transmission/ grid loss as part of its business activities is considered as total energy consumed and data does not consider electricity produced to answer energy use (utility company produces to sell) - for utilities, raw materials such as coal, gas or nuclear used in the production of energy are not considered under 'total energy use'	
Renewable energy purchased	Total primary renewable energy purchased in gigajoules. - energy consumed by the company from various sources and among the purchased energy, how much energy is renewable in nature (solar, wind, hydro, biomass, geothermal) are in scope - if there is no evidence that renewable energy is produced by the company, then we consider the reported energy figure as renewable energy purchased	
Renewable energy use ratio	Renewable energy to total energy used	
CO2 equivalent emissions	Direct CO2 and CO2 equivalent emissions in metric tons. - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)	
CO2 equivalent emissions to sales	Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT\$m) - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)	
Waste total	Total amount of waste produced in metric tons. - total waste = non-hazardous waste + hazardous waste - only solid waste is taken into consideration, exceptionally if liquid waste is reported in metric tons, then we do the summation to derive total including liquid waste - for sectors like mining, oil & gas, waste generation like tailings, waste rock, coal and fly ash are also considered	
Waste recycling ratio	The waste recycling ratio as reported by the company. - waste recycling ratio = waste recycled/total waste*100 - waste to energy or waste incinerated with energy recovery are considered as waste recycled - waste recovered via composting is considered as recycled waste	
Water withdrawal total	Total water withdrawal in cubic meters. - the total volume of water withdrawn from any water source that was either withdrawn directly by the reporting organization or through intermediaries such as water utilities - different sources of water like wells, town/utility/municipal water, river water, and surface water are considered	
Environmental expenditures	Total amount of environmental expenditures. - all environmental investment & expenditures for environmental protection or to prevent, reduce, control environmental aspects, impacts, and hazards. It also includes disposal, treatment, sanitation, and clean-up expenditures	
Turnover of employees	Percentage of employee turnover. - includes employees who left the company for any reason (voluntary or involuntary), such as resignations, retirement, natural departure/death, medical incapacitation, redundancy, layoffs, restructuring, dismissal, retrenchment or end of a fixed-term contract - employees turnover rate = (employees leaving/average number of employees)*100 - where the average number of employees = (employees at the end of the current year + employees at the end of the previous year)/2 - employees at the end of the current fiscal year = employees at the end of the previous fiscal year + new employees - employees leaving	
Women managers	Percentage of women managers. - percentage of women managers among total managers of the company - if there is a breakdown by category in percentage, such as top, senior, middle, and junior management, then we consider the percentage of middle women managers - percentage of women managers = number of women managers/total number of managers*100	
Women employees	Percentage of women employees. - percentage of women employees to the total number of employees of the company - percentage of women employees = number of women/total number of employees*100	
Training hours total	Total training hours performed by all employees. - consider only employee training hours - includes all types of training given to general employees (such as health & safety, environmental, emergency response, skills & career development training) - if the value is given in days, multiply by 8, assuming that 1 day = 8 hours worked	
Training hours per employee	Training hours per employee per year	

Source: Refinitiv; 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
Income statement (NT\$m)											
Revenue	120,183	130,651	135,841	128,071	130,506	154,159	161,867	158,629	514,746	605,161	726,583
Cost of goods sold	(114,261)	(124,633)	(128,757)	(120,756)	(123,625)	(145,834)	(152,964)	(149,588)	(488,408)	(572,011)	(688,326)
Gross profit	5,922	6,018	7,083	7,315	6,881	8,325	8,903	9,042	26,338	33,150	38,257
Operating expenses	(4,637)	(4,541)	(4,932)	(4,765)	(4,743)	(5,087)	(5,180)	(5,235)	(18,875)	(20,245)	(21,863)
Operating profit	1,285	1,478	2,151	2,550	2,137	3,237	3,723	3,807	7,463	12,905	16,394
Depreciation of fixed assets	(577)	(576)	(637)	(625)	(665)	(790)	(790)	(915)	(2,415)	(3,161)	(3,454)
Amortisation of intangible assets	(241)	(271)	(288)	(296)	(286)	(417)	(417)	(548)	(1,096)	(1,669)	(1,669)
EBITDA	2,104	2,325	3,075	3,471	3,089	4,445	4,930	5,271	10,975	17,734	21,516
Interest income	593	768	728	539	645	631	631	617	2,628	2,524	2,101
Investment income	-	7	-	(0)	-	27	27	55	102	110	111
Other non-op income	381	625	715	38	24	600	650	726	187	2,000	2,000
Non-operating income	973	1,400	1,443	576	669	1,258	1,308	1,398	2,917	4,634	4,211
Interest expense	(1,121)	(1,105)	(1,223)	(1,140)	(1,174)	(1,157)	(1,157)	(1,140)	(4,588)	(4,627)	(4,402)
Investment loss	(5)	(7)	(2)	(11)	(9)	(5)	(5)	(1)	(25)	(20)	(20)
Other non-op expenses	0	(0)	0	(2)	(96)	(50)	(50)	(4)	1,467	(200)	(200)
Non-operating expenses	(1,125)	(1,111)	(1,225)	(1,152)	(1,279)	(1,212)	(1,212)	(1,144)	(3,145)	(4,847)	(4,622)
Pre-tax profit	1,133	1,766	2,369	1,974	1,527	3,284	3,820	4,061	7,235	12,692	15,983
Current taxation	(262)	(382)	(528)	(42)	(444)	(887)	(1,031)	(303)	(1,214)	(2,665)	(3,356)
Minorities	9	13	32	55	6	25	25	44	110	100	100
Normalised net profit	881	1,397	1,873	1,987	1,089	2,422	2,813	3,801	6,131	10,127	12,727
Extraordinary items	(0)	-	0	(0)	0	-	-	(0)	-	-	-
Net profit	881	1,397	1,873	1,987	1,089	2,422	2,813	3,801	6,131	10,127	12,727
EPS (NT\$)	0.25	0.39	0.52	0.55	0.30	0.68	0.78	1.06	1.71	2.82	3.55
Margins (%)											
Gross profit margin	4.9	4.6	5.2	5.7	5.3	5.4	5.5	5.7	5.1	5.5	5.3
Operating margin	1.1	1.1	1.6	2.0	1.6	2.1	2.3	2.4	1.4	2.1	2.3
EBITDA margin	1.8	1.8	2.3	2.7	2.4	2.9	3.0	3.3	2.1	2.9	3.0
Pretax profit margin	0.9	1.4	1.7	1.5	1.2	2.1	2.4	2.6	1.4	2.1	2.2
Net profit margin	0.7	1.1	1.4	1.6	0.8	1.6	1.7	2.4	1.2	1.7	1.8
Sequential growth (%)											
Revenue growth	(10.8)	8.7	4.0	(5.7)	1.9	18.1	5.0	(2.0)			
Gross profit growth	(15.5)	1.6	17.7	3.3	(5.9)	21.0	6.9	1.6			
Operating profit growth	(25.3)	15.0	45.6	18.5	(16.2)	51.5	15.0	2.3			
EBITDA growth	(15.8)	10.5	32.3	12.9	(11.0)	43.9	10.9	6.9			
Pretax profit growth	(20.3)	55.9	34.1	(16.7)	(22.6)	115.0	16.3	6.3			
Net profit growth	(36.8)	58.6	34.1	6.1	(45.2)	122.4	16.1	35.1			
YoY growth (%)											
Revenue growth	(6.7)	(3.8)	(4.6)	(5.0)	8.6	18.0	19.2	23.9	(5.0)	17.6	20.1
Gross profit growth	3.3	1.6	(3.5)	4.4	16.2	38.3	25.7	23.6	1.3	25.9	15.4
Operating profit growth	13.7	(6.4)	(4.0)	48.2	66.4	119.1	73.1	49.3	11.9	72.9	27.0
EBITDA growth	15.6	2.5	3.1	39.0	46.8	91.2	60.3	51.8	14.7	61.6	21.3
Pretax profit growth	(40.7)	13.8	3.3	38.9	34.8	86.0	61.2	105.7	0.8	75.4	25.9
Net profit growth	(40.8)	(6.9)	7.1	42.7	23.7	73.4	50.2	91.3	0.0	65.2	25.7

Source: Company data; KGI Research estimates

Balance sheet

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Total assets	247,615	234,216	239,708	258,481	289,676
Current assets	207,623	190,194	192,206	202,007	229,522
Cash & ST securities	37,653	43,896	29,057	12,896	3,909
Inventory	62,417	51,005	59,896	69,957	84,413
Accounts receivable	103,796	89,507	92,207	108,107	130,153
Other current assets	3,757	5,786	11,046	11,046	11,046
Non-current assets	39,992	44,021	47,502	56,474	60,154
LT investments	5,386	4,765	11,024	11,158	11,291
Net fixed assets	27,466	31,211	29,612	38,451	41,997
Other assets	7,139	8,045	6,866	6,866	6,866
Total liabilities	191,217	175,409	179,450	196,297	225,047
Current liabilities	180,080	156,000	169,303	183,787	206,279
Accounts payable	84,907	64,404	81,307	94,965	114,588
Interest bearing ST liabilities	61,943	48,665	47,265	45,372	46,160
Other current liabilities	33,230	42,931	40,731	43,451	45,531
Non-current liabilities	11,137	19,410	10,147	12,510	18,768
Long-term debt	3,791	12,833	2,992	5,356	11,614
Other L-T liabilities	6,653	6,034	6,610	6,610	6,610
Total equity	56,398	58,806	60,258	62,184	64,629
Share capital	35,875	35,875	35,875	35,875	35,875
Retained earnings reserve	-	-	8,164	10,189	12,735
Minority interests	(687)	(748)	(861)	(961)	(1,061)
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Growth					
Revenue growth	2.3%	4.2%	(5.0%)	17.6%	20.1%
Operating profit growth	6.4%	41.2%	11.9%	72.9%	27.0%
EBITDA growth	(3.7%)	19.8%	14.7%	61.6%	21.3%
Net profit growth	(13.4%)	(6.3%)	0.0%	65.2%	25.7%
EPS growth	(13.4%)	(6.3%)	0.0%	65.2%	25.7%
Profitability					
Gross profit margin	4.3%	4.8%	5.1%	5.5%	5.3%
Operating margin	0.9%	1.2%	1.4%	2.1%	2.3%
EBITDA margin	1.5%	1.8%	2.1%	2.9%	3.0%
Net profit margin	1.3%	1.1%	1.2%	1.7%	1.8%
Return on average assets	2.8%	2.5%	2.6%	4.1%	4.6%
Return on average equity	11.4%	10.5%	10.2%	16.3%	19.8%
Stability					
Gross debt to equity	116.6%	104.6%	83.4%	81.6%	89.4%
Net debt to equity	54.9%	32.4%	36.7%	62.3%	84.8%
Interest coverage (x)	11.4	3.4	2.6	3.7	4.6
Interest & ST debt coverage (x)	0.1	0.1	0.0	0.1	0.2
Cash flow interest coverage(x)	(17.0)	7.3	2.5	0.6	0.2
Cash flow/int. & ST debt (x)	(0.2)	0.4	0.2	0.1	0.0
Current ratio (x)	1.2	1.2	1.1	1.1	1.1
Quick ratio (x)	0.8	0.9	0.8	0.7	0.7
Net debt (NT\$m)	30,946	19,047	22,124	38,754	54,788
Per share data					
EPS (NT\$)	1.82	1.71	1.71	2.82	3.55
CFPS (NT\$)	(3.49)	6.17	3.17	0.71	0.25
BVPS (NT\$)	15.91	16.60	17.04	17.60	18.31
Adj BVPS (NT\$)	15.91	16.60	17.04	17.60	18.31
SPS (NT\$)	144.87	151.01	143.48	168.69	202.53
EBITDA/share (NT\$)	2.23	2.67	3.06	4.94	6.00
Cash DPS (NT\$)	1.40	1.50	1.50	2.26	2.84
Activity					
Sales / avg assets	2.25	2.25	2.17	2.43	2.65
Days receivable	72.9	60.3	65.4	65.4	65.4
Days inventory	45.8	36.1	44.8	44.8	44.8
Days payable	62.3	45.6	60.8	60.8	60.8
Cash cycle	56.4	50.8	49.4	49.4	49.4

Source: Company data; KGI Research estimates

Profit & loss

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue	519,732	541,751	514,746	605,161	726,583
Cost of goods sold	(497,437)	(515,748)	(488,408)	(572,011)	(688,326)
Gross profit	22,295	26,003	26,338	33,150	38,257
Operating expenses	(17,570)	(19,334)	(18,875)	(20,245)	(21,863)
Operating profit	4,725	6,669	7,463	12,905	16,394
Non-operating income	4,229	3,580	2,917	4,634	4,211
Interest income	1,076	1,764	2,628	2,524	2,101
Investment income	38	18	102	110	111
Other non-op income	3,114	1,797	187	2,000	2,000
Non-operating expenses	(1,254)	(3,071)	(3,145)	(4,847)	(4,622)
Interest expense	(738)	(3,036)	(4,588)	(4,627)	(4,402)
Investment loss	(16)	(36)	(25)	(20)	(20)
Other non-op expenses	(500)	0	1,467	(200)	(200)
Pre-tax profit	7,699	7,178	7,235	12,692	15,983
Current taxation	(1,752)	(1,115)	(1,214)	(2,665)	(3,356)
Minorities	591	67	110	100	100
Extraordinary items	-	(0)	0	-	-
Net profit	6,538	6,129	6,131	10,127	12,727
EBITDA	7,987	9,570	10,975	17,734	21,516
EPS (NT\$)	1.82	1.71	1.71	2.82	3.55

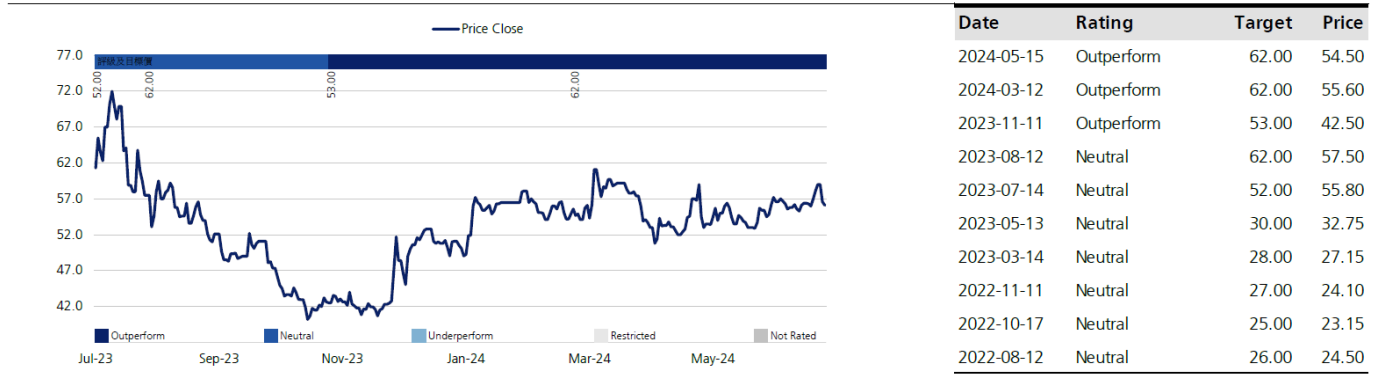
Cash flow

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Operations cash flow	(12,527)	22,119	11,359	2,563	880
Net profit	6,538	6,129	6,131	10,127	12,727
Depreciation & amortisation	3,263	2,901	3,512	4,830	5,123
Decrease in working capital	(22,667)	6,670	4,074	(12,303)	(16,879)
Other operating cash flow	340	6,418	(2,358)	(90)	(91)
Investing cash flow	(3,123)	(6,044)	(8,923)	(13,712)	(8,712)
Sale of ST investment	(1,550)	887	378	-	-
New investments	(58)	(44)	(43)	(44)	(43)
Capital expenditure	(2,809)	(4,850)	(4,716)	(12,000)	(7,000)
Others investing cashflow	1,295	(2,037)	(4,542)	(1,669)	(1,669)
Free cash flow	(19,466)	9,624	7,985	(10,948)	(7,474)
Financing cash flow	17,874	(9,642)	(16,522)	(5,011)	(1,155)
Increase in short term debt	23,164	(6,844)	(3,796)	-	-
Increase in long term loans	1,743	2,429	(7,262)	470	7,046
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(6,637)	(5,022)	(5,381)	(5,381)	(8,101)
Other financing cashflow	(397)	(204)	(83)	(100)	(100)
Forex effects	(388)	1,230	(231)		
Total cash generated	1,836	7,663	(14,318)	(16,160)	(8,988)

ROIC

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	3.4%	3.6%	3.7%	3.3%	3.0%
= Operating margin	0.9%	1.2%	1.4%	2.1%	2.3%
1 / (Working capital/revenue	0.1	0.1	0.1	0.1	0.1
+ 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
= Capital turnover	6.3	7.3	7.1	6.6	6.6
Operating margin	0.9%	1.2%	1.4%	2.1%	2.3%
x Capital turnover	6.3	7.3	7.1	6.6	6.6
x (1 - tax rate)	77.2%	84.5%	83.2%	79.0%	79.0%
= After-tax ROIC	4.4%	7.6%	8.5%	11.2%	11.8%

Source: Company data; KGI Research estimates

Inventec – Recommendation & target price history


Source: TEJ; KGI Research

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