

## Largan (3008.TW/3008 TT)

### 2Q24 earnings beat; capacity tightens early

#### Outperform · Maintained

Price as of July 11 (NT\$)	3,200
12M target price (NT\$)	3,880
Previous target price (NT\$)	3,370
Revised up (%)	15.1
Upside (%)	21.2

#### Key message

- 2Q24 earnings better than expected.
- Pull-in demand to pick up MoM in July-August.
- Plan to ramp up new capacity in 4Q24 on track.

#### Trading data

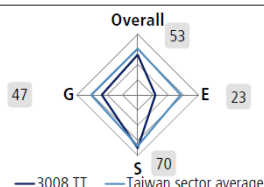
Mkt cap (NT\$/bn/US\$mn)	427.1 / 13,111
Outstanding shares (mn)	133.5
Foreign ownership (mn)	50.04
3M avg. daily trading (mn)	0.66
52-week trading range (NT\$)	1,930 –3,200

Performance	3M	6M	12M
Absolute (%)	38.2	25.5	34.7
Relative (%)	20.7	-13.5	-9.6

#### Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	41.30A	37.06A	61.01A	30.15A
2023	24.64A	27.69A	44.60A	37.20A
2024	45.79A	33.70F	48.81F	57.49F

#### ESG score card



Source: Refinitiv

#### Event

Largan Precision held an analyst meeting. Management guides pull-in demand from clients to pick up MoM in July and August, amidst the traditional peak season, and notes very limited visibility for September.

#### Impact

**2Q24 earnings better than expected.** 2Q24 sales fell 2.9% QoQ, but rose 34.1% YoY to NT\$11bn, slightly beating consensus and our forecast, as a result of early pull-in from clients in June. 2Q24 gross margin narrowed to 48.4%, due to a QoQ sales decline and an unfavorable product mix. However, 2Q24 EPS came in higher than expected, at NT\$33.7, on adequate operating expense controls and non-op income, including forex gains of NT\$750mn and interest income of approximately NT\$1.1bn, leading to 1H24 EPS of NT\$79.5.

**Pull-in demand to pick up MoM in July-August.** During the traditional peak season, management expects pull-in demand from clients to increase MoM in July, followed by a more significant uptick in August, although visibility for September is presently unclear. Capacity utilization has begun to rise in 3Q24F, as production of some high-spec products requires longer lead times to prepare for complex processes, and we think this will be reflected in 3Q24F sales. We raise 3Q24F sales to NT\$17bn, with EPS of NT\$48.8, as Largan has raised the firm's capacity utilization earlier than expected, and as periscope lens products, which are more difficult to make, should help the firm maintain ASP.

**Plan to ramp up new capacity in 4Q24 on track.** Management reiterated a commitment to installing new production lines in 3Q24F, and commencing mass production in 4Q24F, and guides higher HoH capacity utilization in 2H24F. Regarding handsets, management believes that: (1) clients are still conservative about sales volumes, but inventories have improved; (2) periscope lens products, combining glass and plastics (G+P), have passed client certifications, although production has not yet ramped up; and (3) handset brands are introducing telephoto lens features to some models with lower sell-through. We fine-tune 2024F sales and EPS to NT\$59bn and NT\$186, and predict that 2025F sales and EPS will arrive at NT\$66bn and NT\$194, respectively.

#### Valuation & Action

We think Largan will be able to maintain a leading position in the periscope lens market, and note that handset demand should grow by a mid-single digit YoY in 2025F. We maintain Outperform on Largan, with a new target price of NT\$3,880, on 20x 2025F EPS.

#### Risks

Weak smartphone demand recovery; lens upgrade delays; intense competition.

#### Key financials and valuations

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (NT\$mn)	46,962	47,675	48,842	59,001	66,018
Gross profit (NT\$mn)	28,149	26,096	23,806	31,057	35,595
Operating profit (NT\$mn)	23,148	20,384	17,807	24,101	28,305
Net profit (NT\$mn)	18,671	22,625	17,902	24,794	25,895
EPS (NT\$)	139.28	169.52	134.13	185.77	194.02
Cash DPS (NT\$)	70.00	85.50	67.50	93.00	97.00
EPS growth (%)	(23.8)	21.7	(20.9)	38.5	4.4
PE (x)	23.0	18.9	23.9	17.2	16.5
PB (x)	3.0	2.8	2.6	2.3	2.1
EV/EBITDA (x)	12.0	12.2	13.2	8.4	6.8
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	2.2	2.7	2.1	2.9	3.0
Return on average equity (%)	13.2	15.2	11.2	14.2	13.5

Source: Company data; KGI Research estimates

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

NT\$m	2Q24							3Q24F						
	Actual	KGI forecast	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	10,985	10,601	3.6	(2.9)	34.1	10,814	1.6	16,966	15,570	9.0	54.4	24.5	16,183	4.8
Gross profit	5,316	5,142	3.4	(4.4)	32.8	5,313	0.1	9,241	8,348	10.7	73.8	59.5	8,276	11.7
Operating income	3,890	3,490	11.4	(1.8)	41.3	3,811	2.1	7,381	6,258	17.9	89.7	90.1	6,216	18.7
Pretax income	5,806	4,347	33.6	(21.9)	15.6	4,638	25.2	8,143	7,040	15.7	40.2	15.6	6,984	16.6
Net income	4,498	3,478	29.3	(26.4)	21.7	3,577	25.8	6,514	5,632	15.7	44.8	9.4	5,746	13.4
EPS (NT\$)	33.70	26.06	29.3	(26.4)	21.7	26.60	26.7	48.81	42.20	15.7	44.8	9.4	42.78	14.1
Gross margin (%)	48.4	48.5	(0.1)ppts	(0.8)ppts	(0.5)ppts	49.1	(0.7)ppts	54.5	53.6	0.9 ppts	6.1 ppts	12.0 ppts	51.1	3.3 ppts
OP margin (%)	35.4	32.9	2.5 ppts	0.4 ppts	1.8 ppts	35.2	0.2 ppts	43.5	40.2	3.3 ppts	8.1 ppts	15.0 ppts	38.4	5.1 ppts
Net margin (%)	40.9	32.8	8.1 ppts	(13.1)ppts	(4.2)ppts	33.1	7.8 ppts	38.4	36.2	2.2 ppts	(2.6)ppts	(5.3)ppts	35.5	2.9 ppts

Source: Bloomberg; KGI Research

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

NT\$m	2024F							2025F						
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)		
Sales	59,001	55,718	5.9	20.8	57,343	2.9	66,018	60,160	9.7	11.9	63,904	3.3		
Gross profit	31,057	29,030	7.0	30.5	29,093	6.7	35,595	31,580	12.7	14.6	32,611	9.2		
Operating income	24,101	22,061	9.2	35.3	22,120	9.0	28,305	24,209	16.9	17.4	25,276	12.0		
Pretax income	30,968	27,912	11.0	40.1	27,757	11.6	32,369	27,371	18.3	4.5	28,929	11.9		
Net income	24,794	22,497	10.2	38.5	22,234	11.5	25,895	21,897	18.3	4.4	23,179	11.7		
EPS (NT\$)	185.77	168.55	10.2	38.5	166.80	11.4	194.02	164.06	18.3	4.4	173.80	11.6		
Gross margin (%)	52.6	52.1	0.5 ppts	3.9 ppts	50.7	1.9 ppts	53.9	52.5	1.4 ppts	1.3 ppts	51.0	2.9 ppts		
OP margin (%)	40.8	39.6	1.3 ppts	4.4 ppts	38.6	2.2 ppts	42.9	40.2	2.6 ppts	2.0 ppts	39.6	3.3 ppts		
Net margin (%)	42.0	40.4	1.6 ppts	5.4 ppts	38.8	3.2 ppts	39.2	36.4	2.8 ppts	(2.8)ppts	36.3	2.9 ppts		

Source: Bloomberg; KGI Research

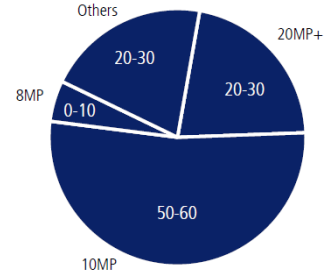
**Figure 3: Company profile**

Founded in 1987 and listed on the Taiwan Stock Exchange in 2002 after a merger with Largan Optronics, Largan Precision primarily engages in the design and manufacturing of optical lenses, and is the largest smartphone lens manufacturer in the world. The firm is headquartered in Taichung Precision Machinery Technological Park, and operates nine plants in Taiwan and two in China. Its core product lines are smartphone, tablet, and laptop lenses. Largan generates the majority of its revenue from plastic lenses for the high-end smartphone market.

Source: Company data; KGI Research

**Figure 4: 2Q24 sales mix**

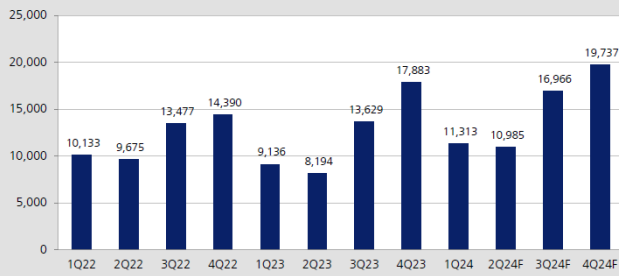
Shipment weighting by pixel count in 2Q24, percent



Source: Company data; KGI Research

**Figure 5: Sales**

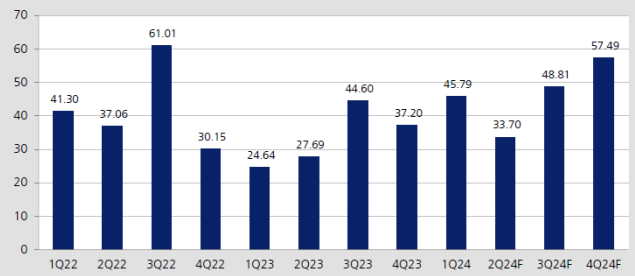
Sales, NT\$m



Source: KGI Research

**Figure 6: EPS**

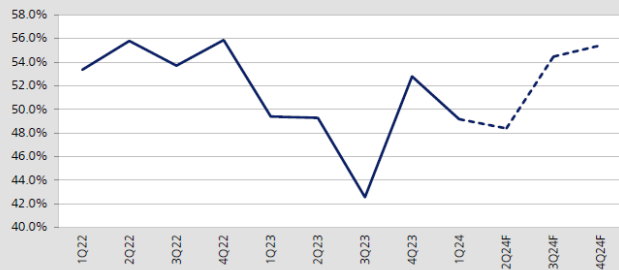
EPS, NT\$



Source: KGI Research

**Figure 7: Gross Margin**

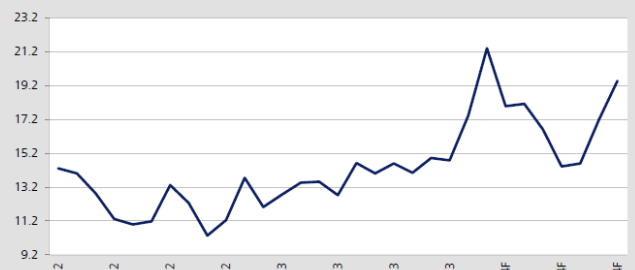
Gross margin, percent



Source: KGI Research

**Figure 8: Rolling PE**

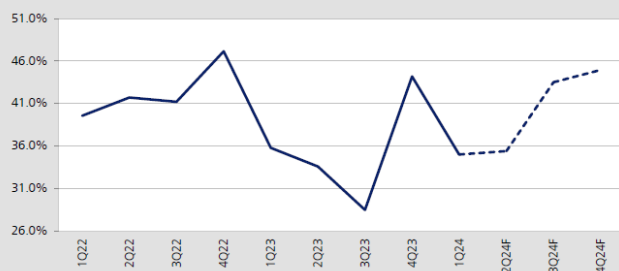
Rolling PE, times



Source: KGI Research

**Figure 9: Operating Margin**

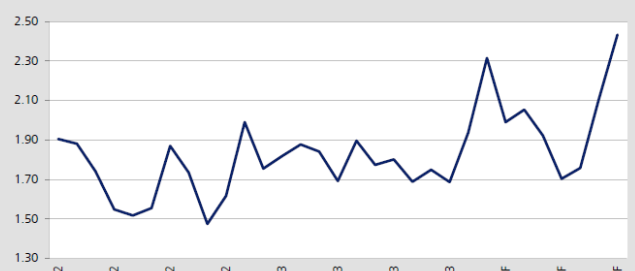
Operating margin, percent



Source: KGI Research

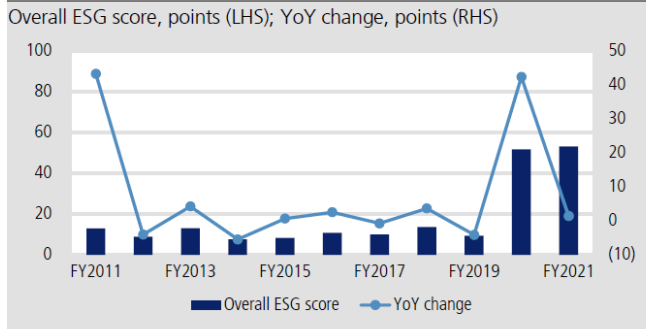
**Figure 10: Rolling PB**

Rolling PB, times



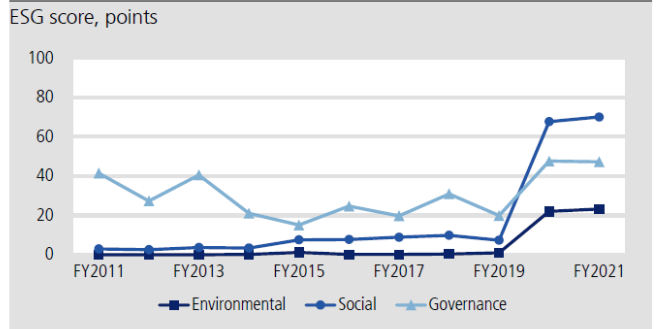
Source: KGI Research

Figure 11: Overall ESG score



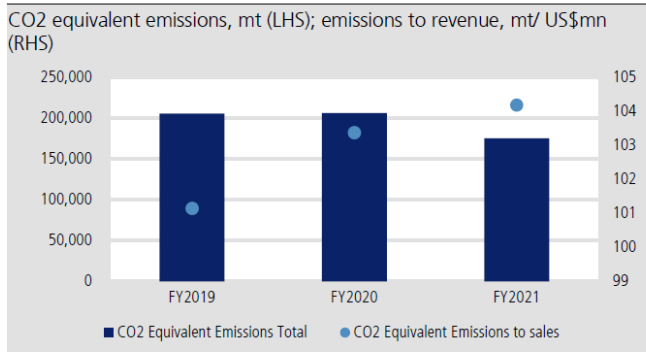
Source: Refinitiv; Company data

Figure 12: ESG score by category



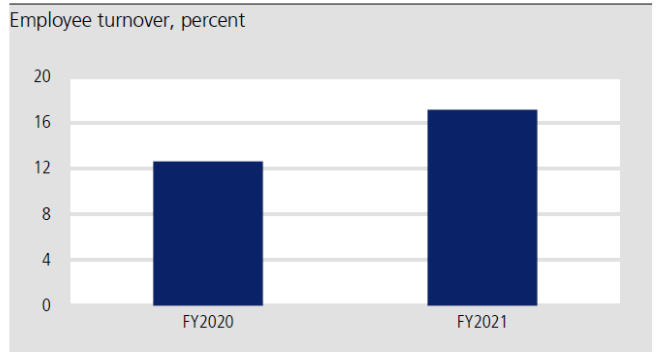
Source: Refinitiv; Company data

Figure 13: CO2 equivalent emissions



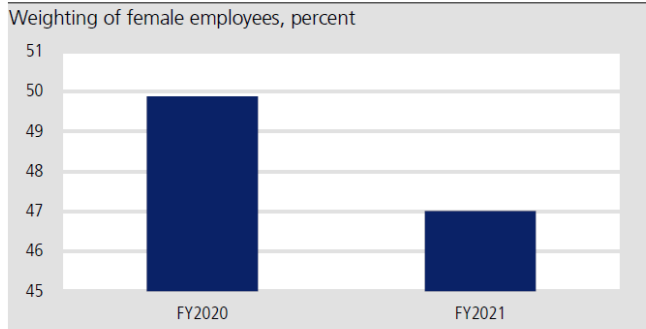
Source: Refinitiv; Company data

Figure 14: Employee turnover



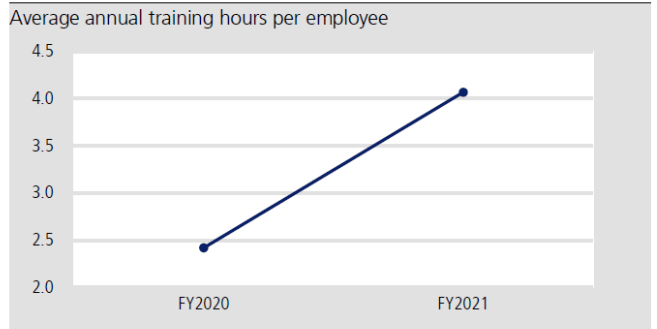
Source: Refinitiv; Company data

Figure 15: Gender diversification



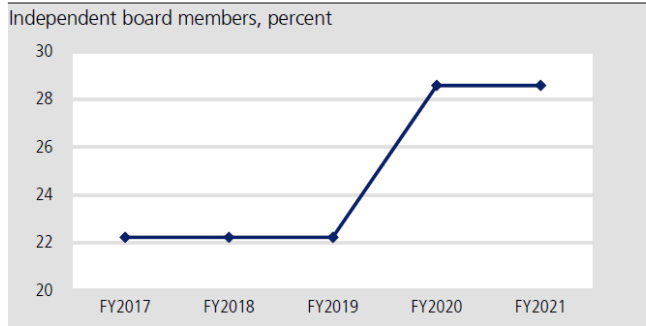
Source: Refinitiv; Company data

Figure 16: Employee training



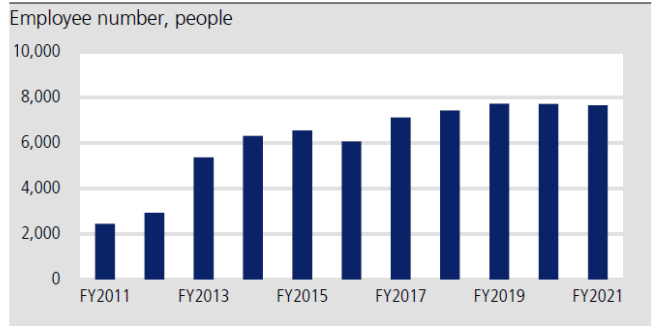
Source: Refinitiv; Company data

Figure 17: Independent Board Members



Source: Refinitiv; Company data

Figure 18: Employee number



Source: Refinitiv; 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
<b>Income statement (NT\$m)</b>											
<b>Revenue</b>	<b>9,136</b>	<b>8,194</b>	<b>13,629</b>	<b>17,883</b>	<b>11,313</b>	<b>10,985</b>	<b>16,966</b>	<b>19,737</b>	<b>48,842</b>	<b>59,001</b>	<b>66,018</b>
Cost of goods sold	(4,583)	(4,191)	(7,836)	(8,427)	(5,752)	(5,669)	(7,724)	(8,798)	(25,037)	(27,944)	(30,423)
<b>Gross profit</b>	<b>4,553</b>	<b>4,004</b>	<b>5,793</b>	<b>9,456</b>	<b>5,561</b>	<b>5,316</b>	<b>9,241</b>	<b>10,939</b>	<b>23,806</b>	<b>31,057</b>	<b>35,595</b>
Operating expenses	(1,244)	(1,286)	(1,917)	(1,539)	(1,602)	(1,426)	(1,860)	(2,067)	(5,986)	(6,955)	(7,290)
<b>Operating profit</b>	<b>3,269</b>	<b>2,752</b>	<b>3,884</b>	<b>7,902</b>	<b>3,961</b>	<b>3,890</b>	<b>7,381</b>	<b>8,872</b>	<b>17,807</b>	<b>24,101</b>	<b>28,305</b>
Depreciation of fixed assets	(1,305)	(1,317)	(1,334)	(1,342)	(1,403)	(2,531)	(2,531)	(3,659)	(5,299)	(10,124)	(11,184)
Amortisation of intangible assets	(21)	(24)	(34)	(43)	(49)	-	-	(83)	(123)	(131)	(131)
<b>EBITDA</b>	<b>4,595</b>	<b>4,094</b>	<b>5,252</b>	<b>9,287</b>	<b>5,413</b>	<b>6,421</b>	<b>9,912</b>	<b>12,613</b>	<b>23,229</b>	<b>34,357</b>	<b>39,620</b>
Interest income	924	991	1,024	997	1,098	1,100	1,000	1,000	3,935	4,198	4,000
Investment income	83	63	143	6	-	10	10	10	295	30	40
Other non-op income	6	5	5	5	5	6	6	6	21	23	24
<b>Non-operating income</b>	<b>1,013</b>	<b>1,058</b>	<b>1,172</b>	<b>1,008</b>	<b>1,103</b>	<b>1,116</b>	<b>1,016</b>	<b>1,016</b>	<b>4,251</b>	<b>4,251</b>	<b>4,064</b>
Interest expense	(0)	(0)	(0)	(0)	(0)	-	-	-	(1)	(0)	-
Investment loss	-	-	-	-	(10)	-	-	-	-	(10)	-
Other non-op expenses	(373)	1,213	1,990	(2,786)	2,377	800	(254)	(296)	45	2,626	-
<b>Non-operating expenses</b>	<b>(373)</b>	<b>1,213</b>	<b>1,990</b>	<b>(2,786)</b>	<b>2,366</b>	<b>800</b>	<b>(254)</b>	<b>(296)</b>	<b>44</b>	<b>2,616</b>	<b>-</b>
<b>Pre-tax profit</b>	<b>3,909</b>	<b>5,024</b>	<b>7,045</b>	<b>6,124</b>	<b>7,430</b>	<b>5,806</b>	<b>8,143</b>	<b>9,592</b>	<b>22,102</b>	<b>30,968</b>	<b>32,369</b>
Current taxation	(620)	(1,328)	(1,093)	(1,159)	(1,319)	(1,308)	(1,629)	(1,918)	(4,200)	(6,174)	(6,474)
Minorities	-	-	-	-	-	-	-	-	-	-	-
<b>Normalised net profit</b>	<b>3,289</b>	<b>3,696</b>	<b>5,953</b>	<b>4,965</b>	<b>6,111</b>	<b>4,498</b>	<b>6,514</b>	<b>7,673</b>	<b>17,902</b>	<b>24,794</b>	<b>25,895</b>
Extraordinary items	-	(0)	0	0	(0)	-	-	-	-	-	-
<b>Net profit</b>	<b>3,289</b>	<b>3,696</b>	<b>5,953</b>	<b>4,965</b>	<b>6,111</b>	<b>4,498</b>	<b>6,514</b>	<b>7,673</b>	<b>17,902</b>	<b>24,794</b>	<b>25,895</b>
EPS (NT\$)	24.64	27.69	44.60	37.20	45.79	33.70	48.81	57.49	134.13	185.77	194.02
<b>Margins (%)</b>											
Gross profit margin	49.4	49.3	42.6	52.8	49.2	48.4	54.5	55.4	48.7	52.6	53.9
Operating margin	35.8	33.6	28.5	44.2	35.0	35.4	43.5	45.0	36.5	40.8	42.9
EBITDA margin	50.3	50.0	38.5	51.9	47.8	58.5	58.4	63.9	47.6	58.2	60.0
Pretax profit margin	42.8	61.3	51.7	34.2	65.7	52.9	48.0	48.6	45.3	52.5	49.0
Net profit margin	36.0	45.1	43.7	27.8	54.0	40.9	38.4	38.9	36.7	42.0	39.2
<b>Sequential growth (%)</b>											
Revenue growth	(36.5)	(10.3)	66.3	31.2	(36.7)	(2.9)	54.4	16.3			
Gross profit growth	(43.9)	(10.5)	43.6	62.8	(41.1)	(4.4)	73.8	18.4			
Operating profit growth	(51.8)	(15.8)	41.1	103.5	(49.9)	(1.8)	89.7	20.2			
EBITDA growth	(43.2)	(10.9)	28.3	76.8	(41.7)	18.6	54.4	27.2			
Pretax profit growth	(24.4)	28.5	40.2	(13.1)	21.3	(21.9)	40.2	17.8			
Net profit growth	(18.3)	12.4	61.1	(16.6)	23.1	(26.4)	44.8	17.8			
<b>YoY growth (%)</b>											
Revenue growth	(9.8)	(15.3)	1.1	24.3	23.8	34.1	24.5	10.4	2.4	20.8	11.9
Gross profit growth	(15.8)	(25.9)	(20.0)	17.6	22.1	32.8	59.5	15.7	(8.8)	30.5	14.6
Operating profit growth	(18.5)	(31.8)	(30.1)	16.5	21.2	41.3	90.1	12.3	(12.6)	35.3	17.4
EBITDA growth	(12.8)	(22.8)	(23.2)	14.8	17.8	56.8	88.7	35.8	(8.9)	47.9	15.3
Pretax profit growth	(42.2)	(19.0)	(27.3)	18.5	90.1	15.6	15.6	56.6	(20.6)	40.1	4.5
Net profit growth	(40.3)	(25.3)	(26.9)	23.4	85.8	21.7	9.4	54.6	(20.9)	38.5	4.4

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>174,711</b>	<b>184,970</b>	<b>195,138</b>	<b>214,656</b>	<b>233,149</b>
<b>Current assets</b>	<b>124,337</b>	<b>129,202</b>	<b>134,321</b>	<b>155,398</b>	<b>176,388</b>
Cash & ST securities	105,874	114,610	116,797	135,289	154,328
Inventory	5,708	5,191	4,591	5,110	5,579
Accounts receivable	9,938	8,051	10,091	12,157	13,640
Other current assets	2,817	1,351	2,842	2,842	2,842
<b>Non-current assets</b>	<b>50,374</b>	<b>55,768</b>	<b>60,817</b>	<b>59,258</b>	<b>56,760</b>
LT investments	1,371	1,814	4,916	5,235	5,679
Net fixed assets	34,915	37,831	41,135	39,258	36,315
Other assets	14,088	16,123	14,766	14,766	14,766
<b>Total liabilities</b>	<b>32,971</b>	<b>29,861</b>	<b>29,627</b>	<b>31,930</b>	<b>32,443</b>
<b>Current liabilities</b>	<b>32,733</b>	<b>29,388</b>	<b>29,517</b>	<b>31,820</b>	<b>32,333</b>
Accounts payable	1,679	1,690	1,732	1,927	2,104
Interest bearing ST liabilities	-	19	-	-	-
Other current liabilities	31,054	27,679	27,786	29,892	30,229
<b>Non-current liabilities</b>	<b>238</b>	<b>473</b>	<b>110</b>	<b>110</b>	<b>110</b>
Long-term debt	-	-	-	-	-
Other L-T liabilities	119	398	82	82	82
<b>Total equity</b>	<b>141,740</b>	<b>155,109</b>	<b>165,510</b>	<b>182,726</b>	<b>200,706</b>
Share capital	1,341	1,335	1,335	1,335	1,335
Retained earnings reserve	118,222	127,837	134,874	152,090	170,070
Minority interests	-	-	-	-	-
Preferred shareholders funds	-	-	-	-	-

## Key ratios

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
<b>Growth</b>					
Revenue growth	(16.1%)	1.5%	2.4%	20.8%	11.9%
Operating profit growth	(27.7%)	(11.9%)	(12.6%)	35.3%	17.4%
EBITDA growth	(23.3%)	(8.6%)	(8.9%)	47.9%	15.3%
Net profit growth	(23.9%)	21.2%	(20.9%)	38.5%	4.4%
EPS growth	(23.8%)	21.7%	(20.9%)	38.5%	4.4%
<b>Profitability</b>					
Gross profit margin	59.9%	54.7%	48.7%	52.6%	53.9%
Operating margin	49.3%	42.8%	36.5%	40.8%	42.9%
EBITDA margin	59.4%	53.5%	47.6%	58.2%	60.0%
Net profit margin	39.8%	47.5%	36.7%	42.0%	39.2%
Return on average assets	10.8%	12.6%	9.4%	12.1%	11.6%
Return on average equity	13.2%	15.2%	11.2%	14.2%	13.5%
<b>Stability</b>					
Gross debt to equity	0.0%	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)	11,827.7	15,740.1	19,337.8	160,457.8	-
Interest & ST debt coverage (x)	1.0	1.0	1.0	1.0	1.0
Cash flow interest coverage(x)	10,723.1	25,004.0	15,921.8	169,126.2	-
Cash flow/int. & ST debt (x)	10,723.1	2,152.1	15,921.8	169,126.2	-
Current ratio (x)	3.8	4.4	4.6	4.9	5.5
Quick ratio (x)	3.6	4.2	4.4	4.7	5.3
Net debt (NT\$m)	(89,149)	(110,153)	(107,490)	(125,982)	(145,021)
<b>Per share data</b>					
EPS (NT\$)	139.28	169.52	134.13	185.77	194.02
CFPS (NT\$)	155.74	331.22	136.35	244.56	265.20
BVPS (NT\$)	1,056.65	1,162.14	1,240.07	1,369.06	1,503.77
Adj BVPS (NT\$)	1,057.32	1,162.14	1,240.08	1,369.06	1,503.77
SPS (NT\$)	350.32	357.20	365.95	442.06	494.63
EBITDA/share (NT\$)	208.07	191.08	174.04	257.42	296.85
Cash DPS (NT\$)	70.00	85.50	67.50	93.00	97.00
<b>Activity</b>					
Sales / avg assets	0.27	0.27	0.26	0.29	0.29
Days receivable	77.2	61.6	75.4	75.4	75.4
Days inventory	110.7	87.8	66.9	66.9	66.9
Days payable	32.6	28.6	25.2	25.2	25.2
Cash cycle	155.4	120.8	117.1	117.1	117.1

Source: Company data; KGI Research estimates

## Profit &amp; loss

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
<b>Revenue</b>	<b>46,962</b>	<b>47,675</b>	<b>48,842</b>	<b>59,001</b>	<b>66,018</b>
Cost of goods sold	(18,814)	(21,580)	(25,037)	(27,944)	(30,423)
<b>Gross profit</b>	<b>28,149</b>	<b>26,096</b>	<b>23,806</b>	<b>31,057</b>	<b>35,595</b>
Operating expenses	(5,002)	(5,699)	(5,986)	(6,955)	(7,290)
<b>Operating profit</b>	<b>23,148</b>	<b>20,384</b>	<b>17,807</b>	<b>24,101</b>	<b>28,305</b>
<b>Non-operating income</b>	<b>1,131</b>	<b>1,966</b>	<b>4,251</b>	<b>4,251</b>	<b>4,064</b>
Interest income	951	1,692	3,935	4,198	4,000
Investment income	149	249	295	30	40
Other non-op income	31	24	21	23	24
<b>Non-operating expenses</b>	<b>(1,253)</b>	<b>5,477</b>	<b>44</b>	<b>2,616</b>	<b>-</b>
Interest expense	(2)	(2)	(1)	(0)	-
Investment loss	-	-	-	(10)	-
Other non-op expenses	(1,251)	5,479	45	2,626	-
<b>Pre-tax profit</b>	<b>23,027</b>	<b>27,827</b>	<b>22,102</b>	<b>30,968</b>	<b>32,369</b>
Current taxation	(4,355)	(5,202)	(4,200)	(6,174)	(6,474)
Minorities	-	-	-	-	-
Extraordinary items	-	(0)	(0)	-	-
<b>Net profit</b>	<b>18,671</b>	<b>22,625</b>	<b>17,902</b>	<b>24,794</b>	<b>25,895</b>
<b>EBITDA</b>	<b>27,893</b>	<b>25,502</b>	<b>23,229</b>	<b>34,357</b>	<b>39,620</b>
EPS (NT\$)	139.28	169.52	134.13	185.77	194.02

## Cash flow

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
<b>Operations cash flow</b>	<b>20,878</b>	<b>44,207</b>	<b>18,199</b>	<b>32,641</b>	<b>35,395</b>
Net profit	18,671	22,625	17,902	24,794	25,895
Depreciation & amortisation	4,745	5,118	5,422	10,256	11,315
Decrease in working capital	(376)	2,416	(1,399)	(2,389)	(1,775)
Other operating cash flow	(2,163)	14,048	(3,726)	(20)	(40)
<b>Investing cash flow</b>	<b>(7,143)</b>	<b>(9,793)</b>	<b>(11,151)</b>	<b>(8,677)</b>	<b>(8,778)</b>
Sale of ST investment	(2,916)	(673)	(2,554)	-	-
New investments	(18)	(87)	(511)	(299)	(405)
Capital expenditure	(5,909)	(8,257)	(8,237)	(8,247)	(8,242)
Others investing cashflow	1,700	(776)	150	(131)	(131)
<b>Free cash flow</b>	<b>17,135</b>	<b>15,764</b>	<b>10,087</b>	<b>18,785</b>	<b>23,811</b>
<b>Financing cash flow</b>	<b>(13,970)</b>	<b>(14,673)</b>	<b>(9,750)</b>	<b>(5,472)</b>	<b>(7,579)</b>
Increase in short term debt	(252)	19	(19)	-	-
Increase in long term loans	-	-	-	-	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(12,274)	(14,636)	(9,676)	(5,472)	(7,579)
Other financing cashflow	(43)	(56)	(55)	(0)	0
<b>Forex effects</b>	<b>(237)</b>	<b>1,281</b>	<b>21</b>	<b>-</b>	<b>-</b>
<b>Total cash generated</b>	<b>(472)</b>	<b>21,022</b>	<b>(2,682)</b>	<b>18,492</b>	<b>19,039</b>

## ROIC

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
1 - COGS/revenue	-	-	-	-	-
- Operating exp./revenue	10.7%	12.0%	12.3%	11.8%	11.0%
<b>= Operating margin</b>	<b>49.3%</b>	<b>42.8%</b>	<b>36.5%</b>	<b>40.8%</b>	<b>42.9%</b>
1 / (Working capital/revenue	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)
+ Net PPE/revenue	0.7	0.8	0.8	0.7	0.6
+ Other assets/revenue)	0.3	0.3	0.3	0.2	0.2
<b>= Capital turnover</b>	<b>1.4</b>	<b>1.2</b>	<b>1.1</b>	<b>1.4</b>	<b>1.6</b>
Operating margin	49.3%	42.8%	36.5%	40.8%	42.9%
x Capital turnover	1.4	1.2	1.1	1.4	1.6
x (1 - tax rate)	81.1%	81.3%	81.0%	80.1%	80.0%
<b>= After-tax ROIC</b>	<b>55.7%</b>	<b>43.0%</b>	<b>33.3%</b>	<b>46.3%</b>	<b>56.4%</b>

Source: Company data; KGI Research estimates

**Largan Precision – Recommendation & target price history**


Date	Rating	Target	Price
2024-04-11	Outperform	3,370	2,315
2024-01-11	Outperform	3,120	2,550
2023-10-12	Outperform	2,625	2,150
2023-07-13	Outperform	2,700	2,405
2023-04-29	Neutral	1,910	2,010
2023-04-13	Neutral	1,920	2,155
2023-01-12	Neutral	1,900	2,160
2022-04-07	Underperform	1,500	1,685
2022-01-13	Neutral	2,720	2,375
2022-01-10	Neutral	2,720	2,475

Source: TEJ; KGI Research

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