

Lotes (3533.TW/3533 TT)

Riding on a wave of new CPU platforms & upgrades

Outperform · Maintained

Price as of June 13 (NT\$)	1,600
12M target price (NT\$)	1,860
Previous target price (NT\$)	1,660
Revised up (%)	12.0
Upside (%)	16.3

Key message

- We expect stronger 2Q24F sales from a server sales boost from new CPU platforms.
- With rising penetration of new CPU sockets, DDR5, and PCIe Gen 5 in servers, notebooks & desktops, sales & gross margin will both climb and fuel EPS growth in 2024-25F.
- Universal quick dis-connectors (UQD) for server liquid cooling manifolds and compression attached memory modules (CAMM) for AI notebooks will be additional sales growth drivers in 2025F, alongside CPU platform upgrades.

Trading data

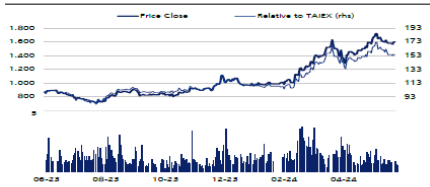
Mkt cap (NT\$/bn/US\$m)	179.0 / 5,514
Outstanding shares (mn)	111.9
Foreign ownership (mn)	53.46
3M avg. daily trading (mn)	1.066
52-week trading range (NT\$)	704 – 1,720

Performance	3M	6M	12M
Absolute (%)	28	62.6	83.3
Relative (%)	16	34.9	53.7

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	13.03A	14.21A	17.91A	13.55A
2023	10.96A	11.56A	16.77A	11.41A
2024	18.57A	19.16F	19.77F	21.25F

Share price chart



Source: TEJ

Event

Lotes attended KGI Corporate Day, and shared a positive outlook for coming quarters, as well as an expectation for accelerating adoption of new CPU platforms, DDR5, and PCIe Gen5 for both servers and desktops.

Impact

Better-than-expected 2Q24F sales outlook. We expect Lotes' 2Q24 sales to beat our previous forecast, given stronger-than-expected server sales. With server board shipments growth of 10% QoQ on average, to 1.1mn units/ month in 2Q24F, and a penetration rate of new CPU platforms of up to 30% in 2Q24F, versus 20-25% in 1Q24, the higher ASP of new CPU sockets should boost sales growth in 2Q24F. We expect Lotes' server sales weighting to rise to 35-40% in 2Q24F, up from 33-34% in 1Q24. AMD's (US) new server CPU, Bergamo, has seen stronger shipments growth in 2Q24, inflating product ASP and gross margin. On rising penetration of new DDR5 SO-DIMMs for notebooks (NB), and DDR5 and PCIe Gen5 for desktops, we revise up our gross margin forecast to 52% for 2Q24F, to reflect a better product mix. 2Q24F EPS is raised to NT\$19.16, up 66% YoY and 3% QoQ.

New platforms & products to be adopted at a faster pace in 2H24F. Management believes the penetration rate of new server CPU platforms (Eagle Stream and Genoa/ Bergamo) will be close to 50% by 4Q24F, or an average of 30%+ in 2024F, versus less than 20% in 2023, and DDR5 and PCIe Gen 5 continue to gain market share. DDR5 SO-DIMMs will be installed in 30% of new notebooks by 4Q24, with an average of 20-25% in 2024F, up from 15-20% in 2023. DDR5 and PCIe Gen5 penetration of desktop PCs will also rise to over 30% in 2024F, versus less than 20% in 2023. We expect these upgrades will improve Lotes' product ASP and gross margin in 2024F. Material prices have risen recently, particularly for copper and gold, which may have a minimal negative impact on gross margin, given copper and gold account for less than 20% of total cost. In 2025F, new server CPU platforms Birch Stream and Turin by Intel (US) and AMD will launch, with 60% higher pin counts for Birch Stream (LGA7529) than for Eagle Stream, resulting in server sales growth and weightings rising to 45% in 2025F, up from 37% in 2024F and 27% in 2023. We thus revise up our 2024-25F EPS to NT\$78.76 and NT\$100.01 respectively, to reflect higher product ASP, sales, and gross margin, on the back of a better product mix.

New AI-related products to be sale catalysts in 2025-26F. For AI-related products, the development of universal quick dis-connectors (UQD) for liquid cooling manifolds is underway, and currently being certified by Intel. Lotes will seek certification and final testing by thermal module makers and end-users in late 3Q24F. We expect UQD sales to contribute to 2025F sales and EPS growth. Compression attached memory modules (CAMM) may result in memory socket upgrades for AI NB, replacing SO-DIMMs, and for servers in need of faster data rates at lower power consumption, further boosting 2025F earnings. These are not factored into our 2025F EPS forecasts and represent earnings growth upside.

Valuation & Action

We raise our target price from NT\$1,660 to NT\$1,860 on 21x 2024-25F average fully-diluted EPS of NT\$88.57, under a 2023-25F EPS CAGR of 43%. We maintain Outperform on solid 2024-25F earnings growth.

Risks

Demand uncertainty for general servers; new CPU penetration; material price increases.

Key financials and valuations

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (NT\$m)	21,392	27,099	24,483	30,442	37,992
Gross profit (NT\$m)	8,557	11,938	11,481	15,621	19,790
Operating profit (NT\$m)	4,359	7,269	6,946	10,481	14,239
Net profit (NT\$m)	3,472	6,254	5,593	8,779	11,148
EPS (NT\$)	33.32	58.70	50.65	78.76	100.01
Cash DPS (NT\$)	16.00	26.00	26.00	39.43	50.07
EPS growth (%)	26.2	76.2	(13.7)	55.5	27.0
PE (x)	48.0	27.3	31.6	20.3	16.0
PB (x)	10.1	7.5	6.4	5.5	4.7
EV/EBITDA (x)	29.4	18.6	18.5	13.2	9.8
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	1.0	1.6	1.6	2.5	3.1
Return on average equity (%)	22.9	31.5	22.1	29.3	31.9

Source: Company data; KGI Research estimates

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

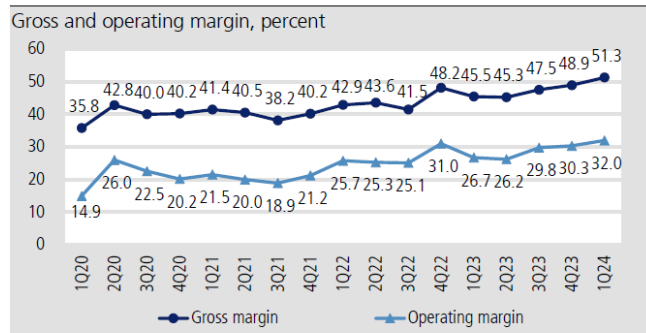
NT\$mn	2Q24F							3Q24F						
	Revision	Previous	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	7,617	6,968	9.3	20.0	33.1	6,247	21.9	7,998	7,665	4.4	5.0	23.7	7,048	13.5
Gross profits	3,961	3,484	13.7	21.6	53.0	3,062	29.4	4,079	3,832	6.4	3.0	32.8	3,598	13.4
Operating income	2,666	2,195	21.5	31.4	77.7	1,893	40.8	2,767	2,545	8.8	3.8	43.9	2,329	18.8
Pretax Income	2,902	2,352	23.4	8.5	50.7	2,185	32.8	2,883	2,652	8.7	(0.6)	20.3	2,480	16.3
Net income	2,136	1,723	23.9	3.2	66.3	1,640	30.2	2,204	2,023	8.9	3.2	18.0	1,863	18.3
EPS (NT\$)	19.16	15.61	22.8	3.2	65.7	14.53	30.2	19.77	18.32	7.9	3.2	17.9	16.53	18.3
Gross margin (%)	52.0	50.0	2.0 ppts	0.7 ppts	6.7 ppts	49.0	3.0 ppts	51.0	50.0	1.0 ppts	(1.0)ppts	3.5 ppts	51.0	0.0 ppts
OP margin (%)	35.0	31.5	3.5 ppts	3.0 ppts	8.8 ppts	30.3	4.7 ppts	34.6	33.2	1.4 ppts	(0.4)ppts	4.8 ppts	33.0	1.6 ppts
Net margin (%)	28.0	24.7	3.3 ppts	(4.6)ppts	5.6 ppts	26.3	1.7 ppts	27.6	26.4	1.2 ppts	(0.5)ppts	(1.3)ppts	26.4	1.2 ppts

Source: Bloomberg; KGI Research estimates

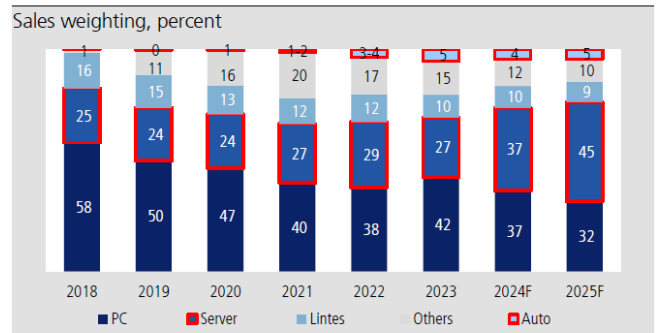
Figure 2: Breakdown of 2024-25F forecast revisions vs. consensus

NT\$mn	2024F						2025F					
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	30,442	29,092	4.6	24.3	29,037	4.8	37,992	35,967	5.6	24.8	34,466	10.2
Gross profit	15,621	14,596	7.0	36.1	14,751	5.9	19,790	18,214	8.7	26.7	17,440	13.5
Operating income	10,481	9,534	9.9	50.9	9,559	9.6	14,239	12,737	11.8	35.8	11,863	20.0
Pretax Income	11,635	10,462	11.2	54.7	10,671	9.0	14,738	13,119	12.3	26.7	12,540	17.5
Net income	8,779	7,876	11.5	57.0	8,208	7.0	11,148	9,902	12.6	27.0	9,622	15.9
EPS (NT\$)	78.76	71.33	11.5	55.5	73.42	7.0	100.01	89.68	12.6	27.0	86.77	15.9
Gross margin (%)	51.3	50.2	1.1 ppts	4.4 ppts	50.8	0.5 ppts	52.1	50.6	1.4 ppts	0.8 ppts	50.6	1.5 ppts
OP margin (%)	34.4	32.8	1.7 ppts	6.1 ppts	32.9	1.5 ppts	37.5	35.4	2.1 ppts	3.0 ppts	34.4	3.1 ppts
Net margin (%)	28.8	27.1	1.8 ppts	6.0 ppts	28.3	0.5 ppts	29.3	27.5	1.8 ppts	0.5 ppts	27.9	1.4 ppts

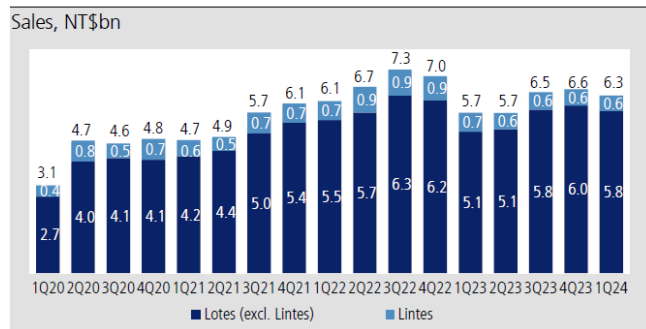
Source: Bloomberg; KGI Research estimates

Figure 3: Gross & operating margins were high in 1Q24


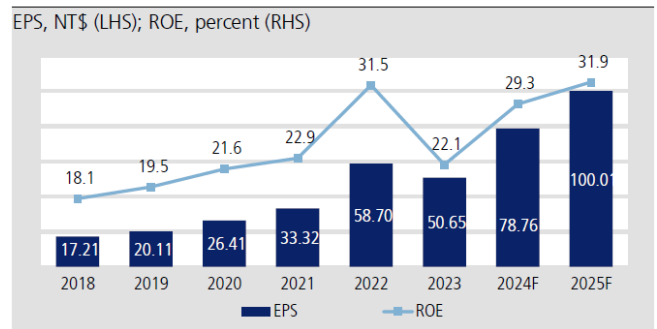
Source: Company data; KGI Research

Figure 4: Server sales weighting will continue expanding in 2024-25F


Source: Company data; KGI Research estimates

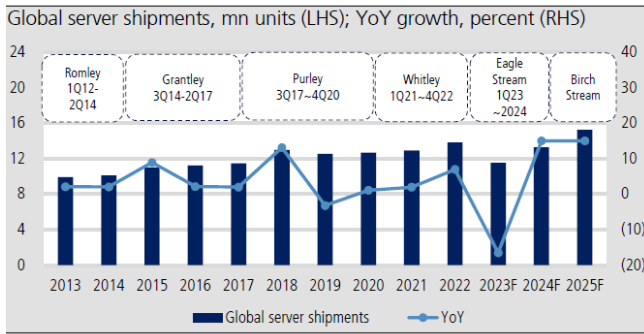
Figure 5: Lotes' sales grew stably in recent quarters


Source: Company data; KGI Research

Figure 6: Lotes enjoys solid earnings growth & ROE


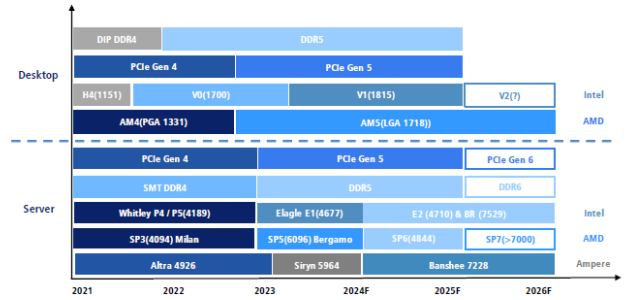
Source: Company data; KGI Research estimates

Figure 7: Server demand to resume growth in 2024F



Source: Gartner; KGI Research estimates

Figure 8: Eagle Stream server CPUs require socket, memory & PCIe upgrades



Note: Products with no color fill are still under development, or time to market is unknown. Source: Company data; KGI Research

Figure 9: Intel to see Eagle Stream penetration rise in 1H24, and Birch Stream launched in 2H24F

Platform	Intel Whitley	Intel Eagle Stream	Intel Eagle Stream	Intel Birch Stream	Intel Birch Stream	Intel Birch Stream	Intel Oak Stream
Time of launch	2Q21	1Q23	4Q23	2H24F	2H24F	1H25F	2H25F
CPU	Ice Lake	Sapphire Rapids (Intel 7)	Emerald Rapids (Intel 7)	Sierra Forest (Intel 3, E-core)	Granite Rapids (Intel 3, P-core)	Clearwater Forest (Intel 18A, E-core)	Diamond Rapids (Intel 20A, P-core)
Process	10nm	10nm	10nm++	3nm (equivalent to TSMC's 5nm node)	3nm (equivalent to TSMC's 5nm node)	1.8nm (equivalent to 2nm (equivalent to TSMC's 2nm node))	TSMC's 3nm node
CPU sockets	LGA 4189	LGA 4677	LGA 4677	LGA 7529	LGA 7529	LGA 7529	TBA
CPU cores	26	60	64	288	136	288	TBA
DRAM	8-channel DDR4	8-channel DDR5	DDR5	DDR5	DDR5	TBA	TBA
PCIe	PCIe 4.0	PCIe 5.0	PCIe 5.0	PCIe 5.0	PCIe 5.0	TBA	TBA
CPU TDP	up to 270W	up to 350W	350-400W	up to 500W	up to 500W	TBA	TBA

Source: Company data; KGI Research

Figure 10: AMD to see Genoa and Bergamo CPU penetration increase in 1H24F; Turin CPU to launch in 2H24F

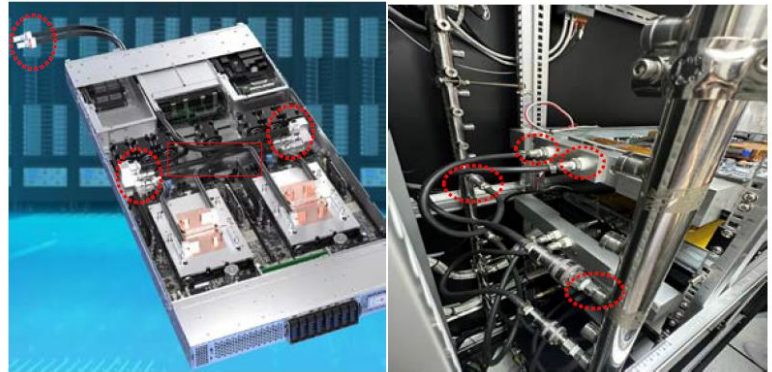
Platform	AMD Zen 3	AMD Zen 4	AMD Zen 4c	AMD Zen 4	AMD Zen 5	AMD Zen 6
Time of launch	1Q21	4Q22	1H23	3Q23	2H24F	2H25F
CPU	Milan	Genoa	Bergamo	Siena	Turin	Venice
Process	7nm+	5nm	5nm	5nm	3nm	3nm
CPU sockets	FC LGA 4094	FC LGA 6096	FC LGA 6096	FC LGA 4844	FC LGA 6096	TBA
CPU cores	64	96	128	64	256	TBA
DRAM	8-channel DDR4	12-channel DDR5	DDR5	DDR5	TBA	TBA
PCIe	PCIe 4.0	PCIe 5.0	PCIe 5.0	PCIe 5.0	TBA	TBA
CPU TDP	225-280W	320-400W	320-400W	70-225W	480-600W	TBA

Source: Company data; KGI Research

Figure 11: Universal quick dis-connector (UQD) market TAM estimate

	GB200 NVL36	GB200 NVL72
QD per tray (units)	4 (without joint) 10 (with joint)	4 (without joint) 10 (with joint)
Computing tray per rack (trays)	9	18
Switch tray per rack (trays)	9	9
QD units per rack		
without joint design	72	108
with joint design	180	270
Manifold		
QD per server with manifold	2	2
42U manifold	42	42
QD on manifold	84	84
Total QD units per rack		
without joint design	156	192
with joint design	264	354
ASP per QD (US\$)	40	40
UQD per rack value (US\$)	6,240-10,560	7,680-14,160
UQD per rack value (NT\$,000)	193-327	238-439
UQD TAM for 40k racks in 2025F (NT\$mn)	7,720-13,080	9,520-17,560

* Joint design needs 4 sockets and 4 plugs inside the tray + 2 QD outside the tray for a total 10 QDs in a tray
* Without joint design needs 4 QD per tray to link with manifold (2 plugs and 2 sockets)



Source: Company data; KGI Research estimates

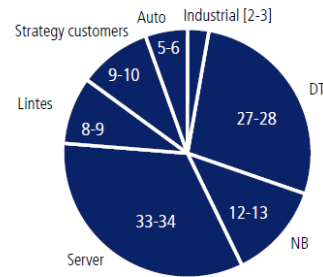
Figure 13: Company profile

Lotes is a connector manufacturer tapping growth from server CPU upgrades and rising USB Type-C adoption. Sales of CPU sockets, DDR, and USB 3.0 connectors for desktops made up 28-29% of 2023 total sales, while CPU sockets, mini PCI, and IO connectors for NB accounted for 13-14%. Sales of server CPU ILM (socket metal fasteners, covers, and back plates) contributed 26-27%, NB USB cables from Lintes (52.13% stake) 11-12%, strategic clients 12-13%, auto 5-6% and industrial 2-3%.

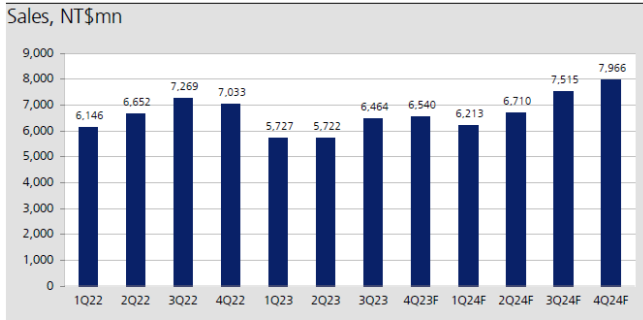
Source: KGI Research

Figure 14: Desktops, servers & NB contribute bulk of sales

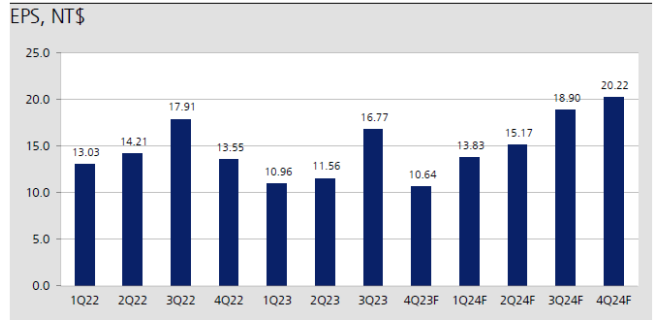
Sales weighting in 1Q24, percent



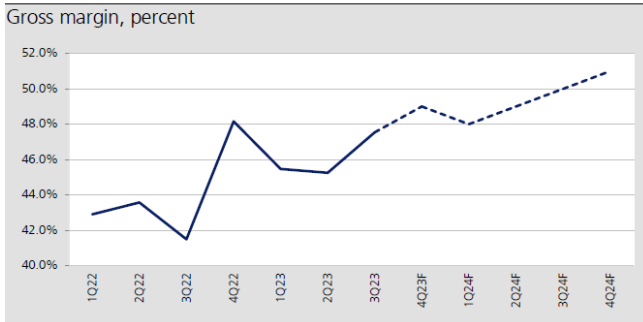
Source: Company data; KGI Research

Figure 15: Sales


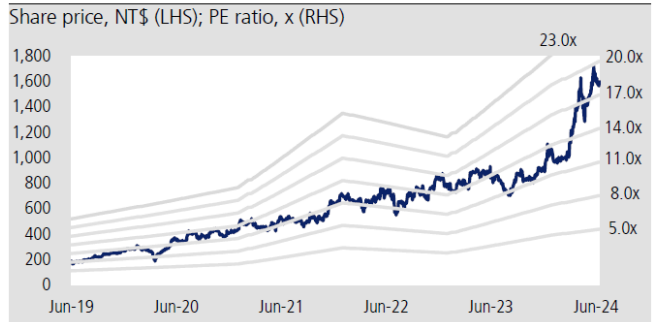
Source: KGI Research

Figure 16: EPS


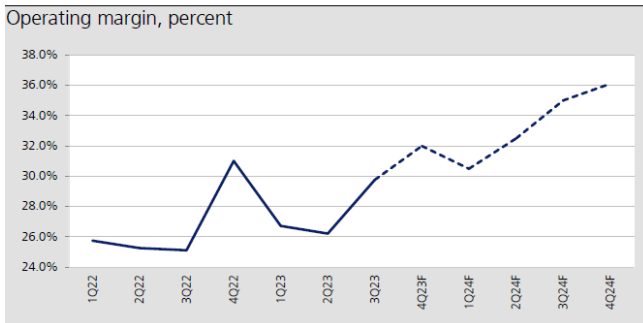
Source: KGI Research

Figure 17: Gross Margin


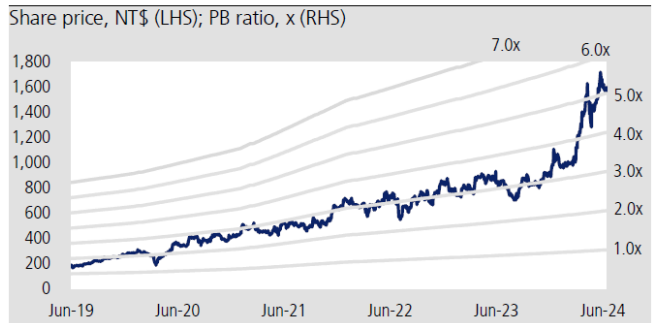
Source: KGI Research

Figure 18: 12M forward PE band


Source: TEJ; KGI Research estimates

Figure 19: Operating Margin


Source: KGI Research

Figure 20: 12M forward PB band


Source: TEJ; KGI Research estimates

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\$mn)											
Revenue	5,727	5,722	6,464	6,571	6,348	7,617	7,998	8,478	24,483	30,442	37,992
Cost of goods sold	(3,123)	(3,133)	(3,391)	(3,356)	(3,091)	(3,656)	(3,919)	(4,154)	(13,002)	(14,821)	(18,202)
Gross profit	2,604	2,589	3,073	3,215	3,257	3,961	4,079	4,324	11,481	15,621	19,790
Operating expenses	(1,073)	(1,089)	(1,149)	(1,224)	(1,227)	(1,295)	(1,312)	(1,306)	(4,535)	(5,140)	(5,551)
Operating profit	1,530	1,500	1,924	1,991	2,030	2,666	2,767	3,018	6,946	10,481	14,239
Depreciation of fixed assets	(595)	(605)	(580)	(553)	(570)	(614)	(614)	(658)	(2,334)	(2,457)	(2,782)
Amortisation of intangible assets	(15)	(15)	(15)	(14)	(15)	(15)	(15)	(16)	(58)	(62)	(62)
EBITDA	2,140	2,120	2,518	2,559	2,614	3,296	3,397	3,693	9,338	13,000	17,082
Interest income	46	82	84	114	132	131	131	131	326	526	469
Investment income	-	-	4	-	-	-	-	-	4	-	-
Other non-op income	85	359	402	180	541	150	30	89	1,026	810	230
Non-operating income	131	441	489	294	673	281	161	220	1,356	1,336	699
Interest expense	(19)	(16)	(15)	(21)	(22)	(20)	(20)	(19)	(71)	(82)	(78)
Investment loss	-	-	-	(17)	(7)	(5)	(5)	(3)	(17)	(20)	(21)
Other non-op expenses	(106)	-	(1)	(586)	-	(20)	(20)	(40)	(693)	(80)	(100)
Non-operating expenses	(125)	(16)	(16)	(624)	(29)	(45)	(45)	(62)	(781)	(182)	(200)
Pre-tax profit	1,536	1,926	2,397	1,662	2,674	2,902	2,883	3,176	7,520	11,635	14,738
Current taxation	(315)	(613)	(471)	(394)	(569)	(726)	(634)	(748)	(1,793)	(2,676)	(3,390)
Minorities	(40)	(28)	(58)	(8)	(35)	(41)	(45)	(59)	(134)	(180)	(200)
Normalised net profit	1,182	1,285	1,867	1,259	2,070	2,136	2,204	2,369	5,593	8,779	11,148
Extraordinary items	0	(0)	(0)	0	0	-	-	(0)	-	-	-
Net profit	1,182	1,285	1,867	1,259	2,070	2,136	2,204	2,369	5,593	8,779	11,148
EPS (NT\$)	10.96	11.56	16.77	11.41	18.57	19.16	19.77	21.25	50.65	78.76	100.01
Margins (%)											
Gross profit margin	45.5	45.3	47.5	48.9	51.3	52.0	51.0	51.0	46.9	51.3	52.1
Operating margin	26.7	26.2	29.8	30.3	32.0	35.0	34.6	35.6	28.4	34.4	37.5
EBITDA margin	37.4	37.1	39.0	38.9	41.2	43.3	42.5	43.6	38.1	42.7	45.0
Pretax profit margin	26.8	33.7	37.1	25.3	42.1	38.1	36.1	37.5	30.7	38.2	38.8
Net profit margin	20.6	22.4	28.9	19.2	32.6	28.0	27.6	27.9	22.8	28.8	29.3
Sequential growth (%)											
Revenue growth	(18.6)	(0.1)	13.0	1.7	(3.4)	20.0	5.0	6.0			
Gross profit growth	(23.1)	(0.6)	18.7	4.6	1.3	21.6	3.0	6.0			
Operating profit growth	(29.8)	(2.0)	28.2	3.5	1.9	31.4	3.8	9.1			
EBITDA growth	(23.1)	(0.9)	18.8	1.6	2.2	26.1	3.1	8.7			
Pretax profit growth	(22.2)	25.3	24.5	(30.7)	60.9	8.5	(0.6)	10.1			
Net profit growth	(18.7)	8.7	45.4	(32.6)	64.4	3.2	3.2	7.5			
YoY growth (%)											
Revenue growth	(6.8)	(14.0)	(11.1)	(6.6)	10.8	33.1	23.7	29.0	(9.7)	24.3	24.8
Gross profit growth	(1.2)	(10.7)	1.9	(5.1)	25.1	53.0	32.8	34.5	(3.8)	36.1	26.7
Operating profit growth	(3.3)	(10.7)	5.4	(8.7)	32.6	77.7	43.9	51.6	(4.4)	50.9	35.8
EBITDA growth	1.7	(5.3)	4.3	(8.0)	22.2	55.4	34.9	44.3	(2.1)	39.2	31.4
Pretax profit growth	(16.1)	(3.0)	(0.1)	(15.8)	74.0	50.7	20.3	91.1	(8.2)	54.7	26.7
Net profit growth	(14.6)	(14.9)	(2.2)	(13.3)	75.2	66.3	18.0	88.1	(10.6)	57.0	27.0

Source: Company data; KGI Research estimates

Balance sheet

NTS\$mn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Total assets	26,419	33,296	37,952	44,263	51,703
Current assets	16,960	22,090	26,075	32,315	39,987
Cash & ST securities	3,459	7,169	13,193	16,764	20,740
Inventory	4,091	3,561	2,657	3,021	3,720
Accounts receivable	8,798	10,711	9,611	11,917	14,914
Other current assets	612	650	613	613	613
Non-current assets	9,459	11,205	11,878	11,948	11,716
LT investments	369	181	534	561	610
Net fixed assets	6,882	8,872	9,130	9,173	8,892
Other assets	2,208	2,152	2,214	2,214	2,214
Total liabilities	8,365	8,787	8,571	10,313	11,978
Current liabilities	7,004	8,098	6,854	8,907	10,469
Accounts payable	2,630	2,360	1,828	2,078	2,559
Interest bearing ST liabilities	1,157	1,923	1,580	1,891	1,788
Other current liabilities	3,218	3,815	3,446	4,938	6,122
Non-current liabilities	1,360	689	1,717	1,406	1,509
Long-term debt	942	282	934	623	727
Other L-T liabilities	133	147	295	295	295
Total equity	18,055	24,509	29,381	33,951	39,725
Share capital	1,060	1,069	1,113	1,113	1,113
Retained earnings reserve	9,034	13,160	15,670	20,059	25,633
Minority interests	1,192	1,701	1,608	1,788	1,988
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Growth					
Revenue growth	23.7%	26.7%	(9.7%)	24.3%	24.8%
Operating profit growth	17.6%	66.7%	(4.4%)	50.9%	35.8%
EBITDA growth	22.0%	61.3%	(2.1%)	39.2%	31.4%
Net profit growth	27.1%	80.1%	(10.6%)	57.0%	27.0%
EPS growth	26.2%	76.2%	(13.7%)	55.5%	27.0%
Profitability					
Gross profit margin	40.0%	44.1%	46.9%	51.3%	52.1%
Operating margin	20.4%	26.8%	28.4%	34.4%	37.5%
EBITDA margin	27.6%	35.2%	38.1%	42.7%	45.0%
Net profit margin	16.2%	23.1%	22.8%	28.8%	29.3%
Return on average assets	15.2%	20.9%	15.7%	21.4%	23.2%
Return on average equity	22.9%	31.5%	22.1%	29.3%	31.9%
Stability					
Gross debt to equity	11.6%	9.0%	8.6%	7.4%	6.3%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	161.4	149.6	106.7	143.6	189.3
Interest & ST debt coverage (x)	0.8	0.8	0.8	0.9	0.9
Cash flow interest coverage(x)	95.0	140.3	128.4	109.0	138.0
Cash flow/int. & ST debt (x)	2.3	3.9	5.5	4.5	5.8
Current ratio (x)	2.4	2.7	3.8	3.6	3.8
Quick ratio (x)	1.8	2.3	3.4	3.3	3.5
Net debt (NTS\$mn)	(1,205)	(4,885)	(10,618)	(14,189)	(18,166)
Per share data					
EPS (NT\$)	33.32	58.70	50.65	78.76	100.01
CFPS (NT\$)	25.81	72.59	82.71	79.82	96.87
BVPS (NT\$)	159.11	213.40	249.47	288.90	338.96
Adj BVPS (NT\$)	161.82	214.07	251.53	288.52	338.52
SPS (NT\$)	205.29	254.36	221.74	273.08	340.81
EBITDA/share (NT\$)	56.76	89.52	84.57	116.62	153.24
Cash DPS (NT\$)	16.00	26.00	26.00	39.43	50.07
Activity					
Sales / avg assets	0.94	0.91	0.69	0.74	0.79
Days receivable	150.1	144.3	143.3	143.3	143.3
Days inventory	116.4	85.7	74.6	74.6	74.6
Days payable	74.8	56.8	51.3	51.3	51.3
Cash cycle	191.7	173.2	166.6	166.6	166.6

Source: Company data; KGI Research estimates

Profit & loss

NTS\$mn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue	21,392	27,099	24,483	30,442	37,992
Cost of goods sold	(12,835)	(15,161)	(13,002)	(14,821)	(18,202)
Gross profit	8,557	11,938	11,481	15,621	19,790
Operating expenses	(4,198)	(4,669)	(4,535)	(5,140)	(5,551)
Operating profit	4,359	7,269	6,946	10,481	14,239
Non-operating income	373	1,337	1,356	1,336	699
Interest income	14	47	326	526	469
Investment income	6	6	4	-	-
Other non-op income	353	1,285	1,026	810	230
Non-operating expenses	(192)	(418)	(781)	(182)	(200)
Interest expense	(28)	(55)	(71)	(82)	(78)
Investment loss	-	-	(17)	(20)	(21)
Other non-op expenses	(164)	(363)	(693)	(80)	(100)
Pre-tax profit	4,540	8,189	7,520	11,635	14,738
Current taxation	(1,021)	(1,782)	(1,793)	(2,676)	(3,390)
Minorities	(47)	(152)	(134)	(180)	(200)
Extraordinary items	-	(0)	(0)	-	-
Net profit	3,472	6,254	5,593	8,779	11,148
EBITDA	5,915	9,538	9,338	13,000	17,082
EPS (NT\$)	33.32	58.70	50.65	78.76	100.01

Cash flow

NTS\$mn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Operations cash flow	2,690	7,733	9,133	8,898	10,798
Net profit	3,472	6,254	5,593	8,779	11,148
Depreciation & amortisation	1,555	2,269	2,392	2,518	2,843
Decrease in working capital	(3,412)	(1,757)	1,192	(2,420)	(3,215)
Other operating cash flow	1,074	967	(44)	20	21
Investing cash flow	(4,088)	(3,686)	(2,770)	(2,609)	(2,632)
Sale of ST investment	(22)	1	10	-	-
New investments	-	-	(94)	(47)	(71)
Capital expenditure	(3,632)	(3,678)	(2,659)	(2,500)	(2,500)
Others investing cashflow	(433)	(10)	(27)	(62)	(62)
Free cash flow	(2,161)	2,466	6,157	5,607	8,031
Financing cash flow	1,834	(495)	(296)	(2,718)	(4,190)
Increase in short term debt	1,142	714	(317)	-	-
Increase in long term loans	1,173	465	914	-	-
New ordinary shares issued	1,076	-	2,306	-	-
Ordinary dividends paid	(1,448)	(1,753)	(2,948)	(2,898)	(4,390)
Other financing cashflow	(109)	79	(250)	180	200
Forex effects	(82)	235	(25)		
Total cash generated	354	3,787	6,042	3,571	3,976

ROIC

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	19.6%	17.2%	18.5%	16.9%	14.6%
= Operating margin	20.4%	26.8%	28.4%	34.4%	37.5%
1 / (Working capital/revenue	0.4	0.3	0.3	0.3	0.3
+ Net PPE/revenue	0.3	0.3	0.4	0.3	0.2
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
= Capital turnover	1.4	1.5	1.4	1.7	1.9
Operating margin	20.4%	26.8%	28.4%	34.4%	37.5%
x Capital turnover	1.4	1.5	1.4	1.7	1.9
x (1 - tax rate)	77.5%	78.2%	76.2%	77.0%	77.0%
= After-tax ROIC	22.0%	30.9%	30.9%	44.6%	55.3%

Source: Company data; KGI Research estimates

Lotes – Recommendation & target price history


Date	Rating	Target	Price
2024-05-03	Outperform	1,660	1,425
2024-03-05	Outperform	1,460	1,115
2023-12-08	Outperform	1,075	963
2023-10-31	Outperform	1,075	823
2023-08-04	Outperform	1,075	723
2023-06-27	Outperform	1,110	877
2023-05-09	Outperform	1,110	925
2023-04-11	Outperform	1,130	928
2022-12-08	Outperform	1,000	873
2022-11-07	Outperform	990	796

Source: TEJ; KGI Research

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