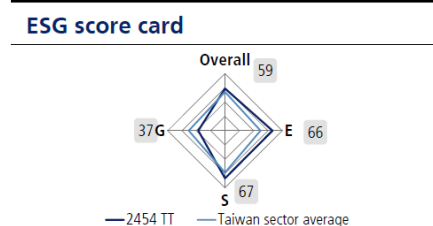


Novatek (3034.TW/3034 TT)

Limited growth prospects for 2025F EPS

Neutral · Maintained			
Price as of October 28 (NT\$)	515		
12M target price (NT\$)	485.0		
Previous target price (NT\$)	510		
Revised down (%)	4.9		
Downside (%)	5.8		
Key message			
1.	3Q24 revenue in line; gross margin likely to decline on weaker product mix.		
2.	We estimate 4Q24F revenue will decline 7.6% QoQ; gross margin supported by NRE revenue.		
3.	Limited revenue growth in 2025F.		
Trading data			
Mkt cap (NT\$bn/US\$mn)	313.4 / 9,760		
Outstanding shares (mn)	609		
Foreign ownership (mn)	196.4		
3M avg. daily trading (mn)	2.52		
52-week trading range (NT\$)	452.0 –640		
Performance	3M	6M	12M
Absolute (%)	-5.3	-14.6	19.2
Relative (%)	-10.2	-29.9	-24.6

Quarterly EPS				
NT\$	1Q	2Q	3Q	4Q
2023	7.81A	11.29A	10.46A	8.76A
2024	8.04A	8.86A	9.03F	7.91F
2025	7.46F	8.51F	9.98F	8.71F



Source: Refinitiv

Event

Novatek will announce 3Q24 results on October 31 and hold its 3Q24 earnings call on November 6.

Impact

3Q24 revenue in line; gross margin likely to decline on weaker product mix. 3Q24 revenue grew 10.4% QoQ but declined 3.7% YoY to NT\$27.9bn, arriving at the mid-point of guidance and roughly aligning with our forecast. Revenue from LDDI and SoC fell slightly QoQ, while SMDDI revenue increased, suggesting strong OLED DDI orders from a US smartphone brand. We expect gross margin to decline 1.3ppts QoQ and 2.5ppts YoY to 39.8% due to a weaker product mix and ASP erosion in 3Q24F (QoQ declines in SoC and NRE revenue), likely reaching the upper end of the company's guidance.

We estimate 4Q24F revenue will decline 7.6% QoQ; gross margin supported by NRE revenue. Considering the tepid recovery in demand for non-AI applications and slow season in 4Q24F, we estimate revenue will decline 7.6% QoQ and 5.2% YoY to NT\$25.7bn. We forecast gross margin at 39.9%, a QoQ increase of 0.1ppts but a YoY decline of 1.6ppts, supported by an increase in NRE revenue. Overall, the 4Q24F outlook is weaker than previously expected.

Limited revenue growth in 2025F. While consumer electronics shipments are expected to recover steadily in 2025F and OLED panel penetration in smartphone and NB/IT applications is likely to increase, we predict: (1) intensifying competition and ASP pressure in the Greater China region; (2) limited revenue and earnings upside due to the China localization trend; and (3) limited OLED DDI upgrades in the next-generation smartphone of a US brand, with Novatek unlikely to benefit from the 1H25F new model release. We believe Novatek will see limited revenue growth in 2025F, with downside risk to gross margin.

Valuation & Action

We revise down our 2024-25 EPS estimates by 4.0% and 4.8% to NT\$33.84 (YoY decline of 11.7%) and NT\$34.66 (YoY increase of 2.4%), respectively, based on: (1) 3Q24 revenue; (2) a weaker-than-expected 4Q24F outlook; and (3) potential downside risk to gross margin. Shares are currently trading at 15x 2024-25F EPS. While we are positive on Novatek's leading position in the Greater China DDI market, we view the current valuation as largely fair. We lower our target price to NT\$485, based on an unchanged multiple of 14x 2025F EPS. Maintain Neutral.

Risks

Global macro uncertainties; less competition in the OLED DDI market.

Key financials and valuations

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (NT\$mn)	135,366	109,957	110,429	103,269	106,177
Gross profit (NT\$mn)	67,392	50,941	46,212	41,776	42,290
Operating profit (NT\$mn)	47,773	32,729	26,662	22,262	23,254
Net profit (NT\$mn)	38,866	27,970	23,318	20,591	21,092
EPS (NT\$)	63.87	45.96	38.32	33.84	34.66
Cash DPS (NT\$)	51.50	37.00	32.00	28.26	28.95
EPS growth (%)	228.9	(28.0)	(16.6)	(11.7)	2.4
PE (x)	8.1	11.2	13.4	15.2	14.9
PB (x)	4.4	4.8	4.7	4.6	4.3
EV/EBITDA (x)	4.8	7.4	8.6	10.2	9.6
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	10.0	7.2	6.2	5.5	5.6
Return on average equity (%)	70.4	41.1	35.1	30.4	30.0

Source: Company data, KGI Research estimates

Figure 1: Breakdown of 3Q-4Q24 forecast revisions vs. consensus

NT\$m	3Q24F							4Q24F						
	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Revenue	27,866	28,268	(1.4)	10.4	(3.7)	28,322	(1.6)	25,744	27,661	(6.9)	(7.6)	(5.2)	28,143	(8.5)
Gross profit	11,088	11,355	(2.4)	6.8	(9.3)	11,314	(2.0)	10,270	11,073	(7.3)	(7.4)	(8.8)	11,187	(8.2)
Operating profit	6,184	6,436	(3.9)	12.3	(13.4)	6,265	(1.3)	5,430	6,204	(12.5)	(12.2)	(13.9)	6,270	(13.4)
Net profit	5,498	5,707	(3.7)	2.0	(13.6)	5,496	0.0	4,811	5,456	(11.8)	(12.5)	(9.7)	5,452	(11.8)
EPS (NT\$)	9.03	9.38	(3.7)	2.0	(13.6)	9.03	0.1	7.91	8.97	(11.8)	(12.5)	(9.7)	8.99	(12.0)
Gross margin (%)	39.8	40.2	(0.4)ppts	(1.3)ppts	(2.5)ppts	39.9	(0.2)ppts	39.9	40.0	(0.1)ppts	0.1 ppts	(1.6)ppts	39.8	0.1 ppts
OP margin (%)	22.2	22.8	(0.6)ppts	0.4 ppts	(2.5)ppts	22.1	0.1 ppts	21.1	22.4	(1.3)ppts	(1.1)ppts	(2.1)ppts	22.3	(1.2)ppts
Net margin (%)	19.7	20.2	(0.5)ppts	(1.6)ppts	(2.3)ppts	19.4	0.3 ppts	18.7	19.7	(1.0)ppts	(1.0)ppts	(0.9)ppts	19.4	(0.7)ppts

Source: Bloomberg, KGI Research estimates

Figure 2: Breakdown of 3Q24F guidance vs. KGI & consensus

	3Q24F									
	Guidance (mid-point)	Revision	Chg. (%)	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Remarks
Revenue (NT\$m)	27,900	27,866	0.1	28,268	(1.3)	10.6	(3.6)	28,322	(1.5)	NT\$27.4-28.4bn
Gross margin (%)	39.0	39.8	(0.8)ppts	40.2	(1.2)ppts	(2.1)ppts	(3.2)ppts	39.9	(0.9)ppts	38-40%
OP margin (%)	21.0	22.2	(1.2)ppts	22.8	(1.8)ppts	(0.8)ppts	(3.7)ppts	22.1	(1.1)ppts	20-22%

Source: Company data, 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. (%)
Revenue	103,269	105,588	(2.2)	(6.5)	105,928	(2.5)	106,177	110,274	(3.7)	2.8	114,761	(7.5)
Gross profit	41,776	42,846	(2.5)	(9.6)	42,827	(2.5)	42,290	44,111	(4.1)	1.2	45,822	(7.7)
Operating profit	22,262	23,290	(4.4)	(16.5)	23,030	(3.3)	23,254	24,542	(5.2)	4.5	25,990	(10.5)
Net profit	20,591	21,444	(4.0)	(11.7)	21,105	(2.4)	21,092	22,153	(4.8)	2.4	22,881	(7.8)
EPS (NT\$)	33.84	35.24	(4.0)	(11.7)	34.68	(2.4)	34.66	36.41	(4.8)	2.4	37.60	(7.8)
Gross margin (%)	40.5	40.6	(0.1)ppts	(1.4)ppts	40.4	0.0 ppts	39.8	40.0	(0.2)ppts	(0.6)ppts	39.9	(0.1)ppts
OP margin (%)	21.6	22.1	(0.5)ppts	(2.6)ppts	21.7	(0.2)ppts	21.9	22.3	(0.4)ppts	0.3 ppts	22.6	(0.7)ppts
Net margin (%)	19.9	20.3	(0.4)ppts	(1.2)ppts	19.9	0.0 ppts	19.9	20.1	(0.2)ppts	(0.1)ppts	19.9	(0.1)ppts

Source: Bloomberg, KGI Research estimates

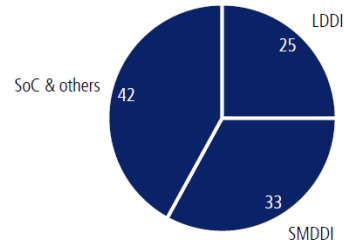
Figure 4: Company profile

Established in 1997, Novatek was listed in 2002 and has emerged as the world's leading provider of flat-panel display driver IC and SoC solutions. Thanks to its advanced silicon foundry services in Taiwan, Novatek has successfully diversified its product range and achieved major design wins with top global flat-panel vendors. To meet demand for consumer electronics ranging from mobile technology to large home devices, the company supplies a broad range of products. The firm had 24.1% market share in large-display driver IC in 2020.

Source: Company data, KGI Research

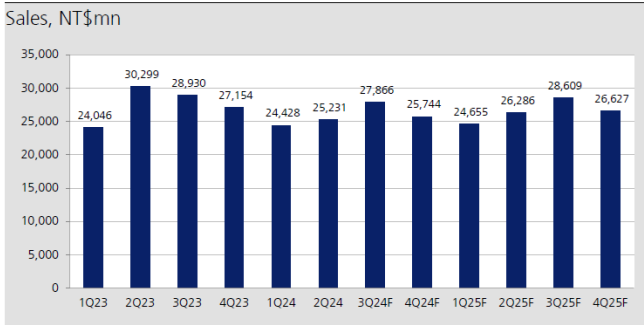
Figure 5: Product mix

Revenue weighting by product type in 2Q24, percent



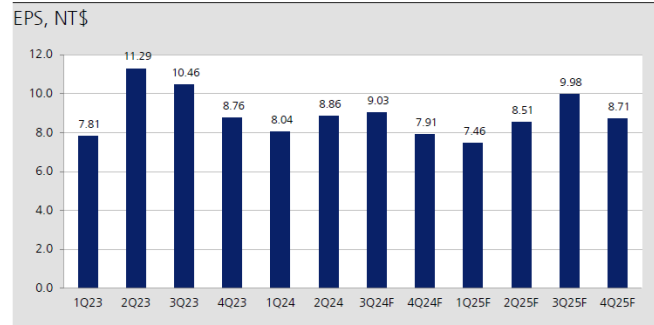
Source: Company data, KGI Research

Figure 6: Sales



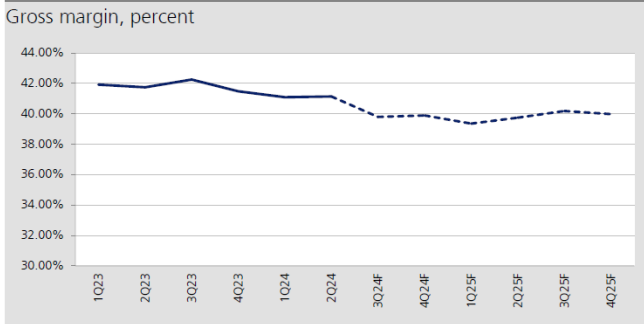
Source: KGI Research

Figure 7: EPS



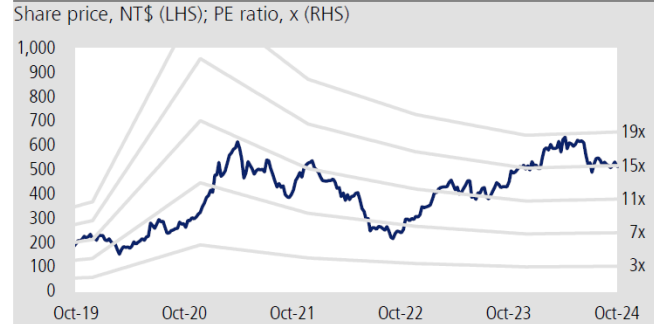
Source: KGI Research

Figure 8: Gross Margin



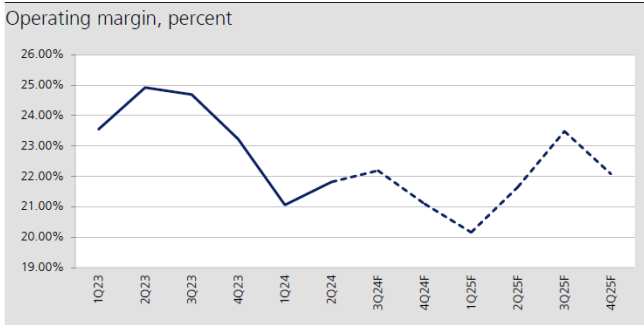
Source: KGI Research

Figure 9: 12M forward PE band



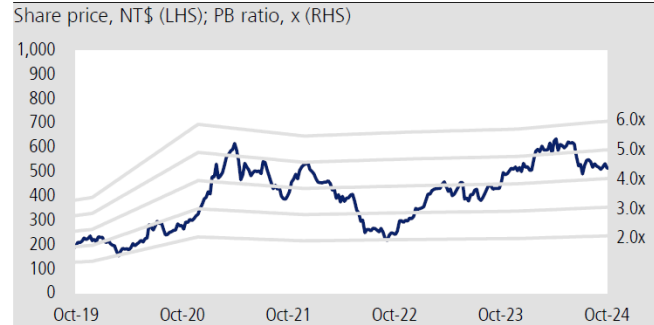
Source: TEJ, KGI Research estimates

Figure 10: Operating Margin



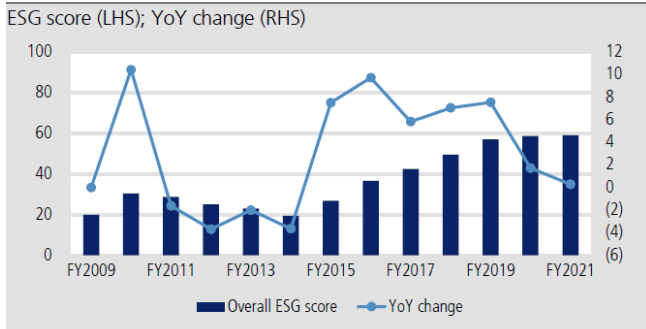
Source: KGI Research

Figure 11: 12M forward PB band



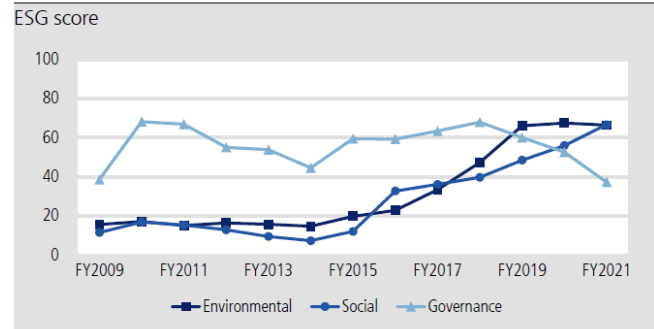
Source: TEJ, KGI Research estimates

Figure 12: Overall ESG score



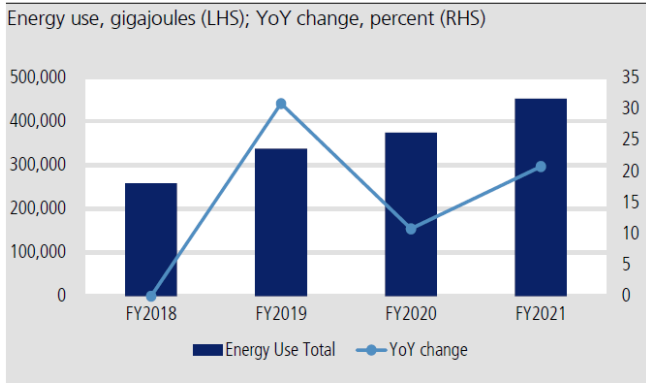
Source: Refinitiv, Company data

Figure 13: ESG scores



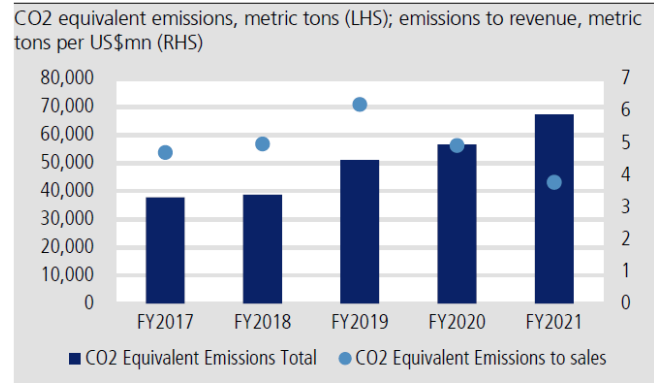
Source: Refinitiv, Company data

Figure 14: Energy Use



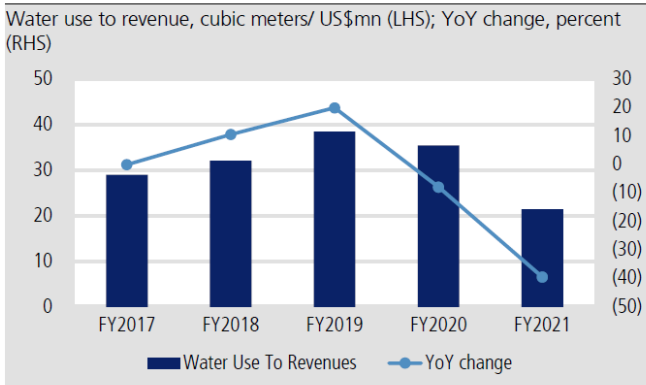
Source: Refinitiv, Company data

Figure 15: CO2 equivalent emissions



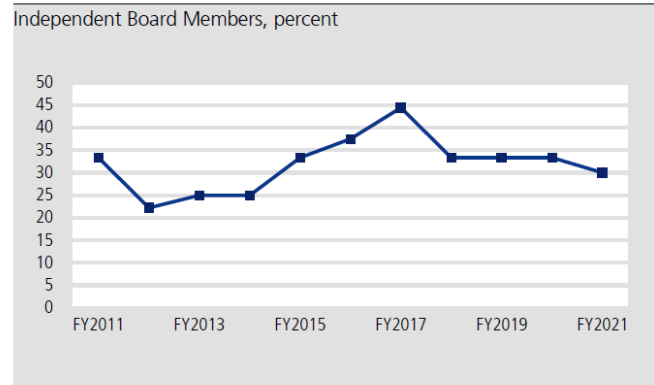
Source: Refinitiv, Company data

Figure 16: Water use to revenue



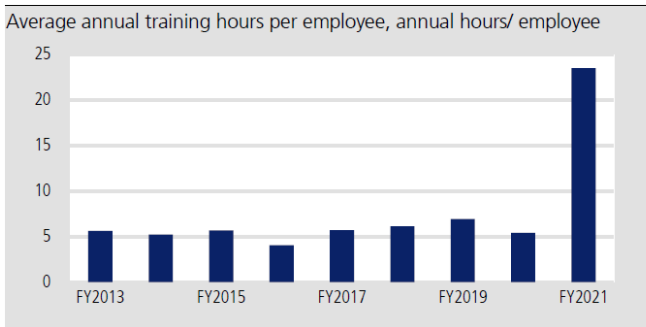
Source: Refinitiv, Company data

Figure 17: Independent Board Members



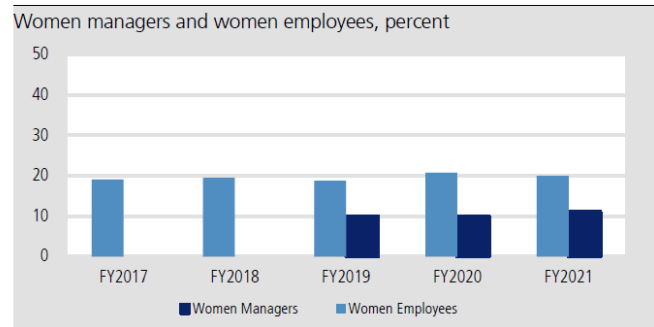
Source: Refinitiv, Company data

Figure 18: Employee training



Source: Refinitiv, Company data

Figure 19: Gender diversification



Source: Refinitiv, Company data

ESG chart definition

Item	Definition	Remarks
Energy use	<p>Total direct and indirect energy consumption in gigajoules.</p> <ul style="list-style-type: none"> - 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	<p>Total primary renewable energy purchased in gigajoules.</p> <ul style="list-style-type: none"> - 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	<p>Direct CO2 and CO2 equivalent emissions in metric tons.</p> <ul style="list-style-type: none"> - 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	<p>Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT\$m)</p> <ul style="list-style-type: none"> - 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	<p>Total amount of waste produced in metric tons.</p> <ul style="list-style-type: none"> - 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	<p>The waste recycling ratio as reported by the company.</p> <ul style="list-style-type: none"> - 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	<p>Total water withdrawal in cubic meters.</p> <ul style="list-style-type: none"> - 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	<p>Total amount of environmental expenditures.</p> <ul style="list-style-type: none"> - 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	<p>Percentage of employee turnover.</p> <ul style="list-style-type: none"> - 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	<p>Percentage of women managers.</p> <ul style="list-style-type: none"> - 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	<p>Percentage of women employees.</p> <ul style="list-style-type: none"> - 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	<p>Total training hours performed by all employees.</p> <ul style="list-style-type: none"> - 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, Company data

Income statement

	Quarterly								Annually		
	Mar-24A	Jun-24A	Sep-24F	Dec-24F	Mar-25F	Jun-25F	Sep-25F	Dec-25F	Dec-23A	Dec-24F	Dec-25F
Income statement (NT\$m)											
Revenue	24,428	25,231	27,866	25,744	24,655	26,286	28,609	26,627	110,429	103,269	106,177
Cost of goods sold	(14,390)	(14,851)	(16,778)	(15,474)	(14,952)	(15,839)	(17,114)	(15,983)	(64,217)	(61,493)	(63,887)
Gross profit	10,038	10,380	11,088	10,270	9,704	10,447	11,495	10,644	46,212	41,776	42,290
Operating expenses	(4,893)	(4,876)	(4,904)	(4,840)	(4,734)	(4,758)	(4,778)	(4,766)	(19,550)	(19,513)	(19,035)
Operating profit	5,144	5,504	6,184	5,430	4,970	5,689	6,718	5,878	26,662	22,262	23,254
Depreciation of fixed assets	(285)	(280)	(289)	(292)	(310)	(314)	(318)	(261)	(1,145)	(1,146)	(1,204)
Amortisation of intangible assets	(52)	(46)	(50)	(50)	(51)	(51)	(51)	(48)	(194)	(198)	(201)
EBITDA	5,482	5,830	6,523	5,772	5,331	6,054	7,087	6,187	28,001	23,607	24,660
Interest income	331	373	374	282	320	358	384	310	1,240	1,360	1,372
Investment income	-	90	30	30	30	30	30	30	188	150	120
Other non-op income	17	16	20	20	20	20	20	20	87	73	80
Non-operating income	348	480	424	332	370	408	434	360	1,515	1,584	1,572
Interest expense	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(6)	(7)	(7)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	410	142	50	50	50	50	50	50	61	652	200
Non-operating expenses	408	140	48	48	48	48	48	48	54	645	193
Pre-tax profit	5,900	6,124	6,656	5,811	5,388	6,145	7,200	6,287	28,231	24,491	25,020
Current taxation	(1,007)	(736)	(1,158)	(999)	(846)	(965)	(1,130)	(987)	(4,914)	(3,900)	(3,928)
Minorities	-	-	-	-	-	-	-	-	-	-	-
Normalised net profit	4,894	5,389	5,498	4,811	4,542	5,180	6,070	5,300	23,318	20,591	21,092
Extraordinary items	(0)	0	-	-	-	-	-	-	-	(0)	-
Net profit	4,894	5,389	5,498	4,811	4,542	5,180	6,070	5,300	23,318	20,591	21,092
EPS (NT\$)	8.04	8.86	9.03	7.91	7.46	8.51	9.98	8.71	38.32	33.84	34.66
Margins (%)											
Gross profit margin	41.1	41.1	39.8	39.9	39.4	39.7	40.2	40.0	41.8	40.5	39.8
Operating margin	21.1	21.8	22.2	21.1	20.2	21.6	23.5	22.1	24.1	21.6	21.9
EBITDA margin	22.4	23.1	23.4	22.4	21.6	23.0	24.8	23.2	25.4	22.9	23.2
Pretax profit margin	24.2	24.3	23.9	22.6	21.9	23.4	25.2	23.6	25.6	23.7	23.6
Net profit margin	20.0	21.4	19.7	18.7	18.4	19.7	21.2	19.9	21.1	19.9	19.9
Sequential growth (%)											
Revenue growth	(10.0)	3.3	10.4	(7.6)	(4.2)	6.6	8.8	(6.9)			
Gross profit growth	(10.9)	3.4	6.8	(7.4)	(5.5)	7.7	10.0	(7.4)			
Operating profit growth	(18.4)	7.0	12.3	(12.2)	(8.5)	14.5	18.1	(12.5)			
EBITDA growth	(17.5)	6.4	11.9	(11.5)	(7.6)	13.6	17.1	(12.7)			
Pretax profit growth	(6.8)	3.8	8.7	(12.7)	(7.3)	14.1	17.2	(12.7)			
Net profit growth	(8.2)	10.1	2.0	(12.5)	(5.6)	14.1	17.2	(12.7)			
YoY growth (%)											
Revenue growth	1.6	(16.7)	(3.7)	(5.2)	0.9	4.2	2.7	3.4	0.4	(6.5)	2.8
Gross profit growth	(0.4)	(17.9)	(9.3)	(8.8)	(3.3)	0.6	3.7	3.6	(9.3)	(9.6)	1.2
Operating profit growth	(9.1)	(27.1)	(13.4)	(13.9)	(3.4)	3.4	8.6	8.3	(18.5)	(16.5)	4.5
EBITDA growth	(8.4)	(26.2)	(12.8)	(13.1)	(2.7)	3.8	8.6	7.2	(17.5)	(15.7)	4.5
Pretax profit growth	0.6	(26.0)	(14.3)	(8.2)	(8.7)	0.3	8.2	8.2	(18.2)	(13.2)	2.2
Net profit growth	3.0	(21.6)	(13.6)	(9.7)	(7.2)	(3.9)	10.4	10.2	(16.6)	(11.7)	2.4

Source: Company data, KGI Research estimates

Balance sheet

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Total assets	120,593	100,546	104,443	105,177	110,120
Current assets	100,115	79,884	81,048	82,387	88,002
Cash & ST securities	60,129	49,171	53,889	53,323	58,338
Inventory	14,186	12,029	8,551	9,284	9,462
Accounts receivable	23,572	15,765	16,935	18,535	18,958
Other current assets	2,228	2,920	1,673	1,244	1,244
Non-current assets	20,478	20,662	23,394	22,791	22,118
LT investments	4,289	2,985	4,030	4,288	4,288
Net fixed assets	6,906	7,052	6,876	6,194	5,521
Other assets	9,283	10,625	12,488	12,308	12,308
Total liabilities	50,142	34,976	37,226	36,715	37,761
Current liabilities	35,909	24,432	25,739	24,619	25,665
Accounts payable	16,976	7,795	12,579	12,379	13,425
Interest bearing ST liabilities	-	-	-	-	-
Other current liabilities	18,933	16,637	13,160	12,240	12,240
Non-current liabilities	14,233	10,544	11,487	12,096	12,096
Long-term debt	-	-	-	-	-
Other L-T liabilities	14,032	10,379	11,163	12,096	12,096
Total equity	70,451	65,570	67,217	68,463	72,359
Share capital	6,085	6,085	6,085	6,085	6,085
Retained earnings reserve	49,180	41,979	39,982	47,732	51,628
Minority interests	-	-	-	-	-
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Growth					
Revenue growth	69.3%	(18.8%)	0.4%	(6.5%)	2.8%
Operating profit growth	223.3%	(31.5%)	(18.5%)	(16.5%)	4.5%
EBITDA growth	209.7%	(30.5%)	(17.5%)	(15.7%)	4.5%
Net profit growth	228.9%	(28.0%)	(16.6%)	(11.7%)	2.4%
EPS growth	228.9%	(28.0%)	(16.6%)	(11.7%)	2.4%
Profitability					
Gross profit margin	49.8%	46.3%	41.8%	40.5%	39.8%
Operating margin	35.3%	29.8%	24.1%	21.6%	21.9%
EBITDA margin	36.1%	30.9%	25.4%	22.9%	23.2%
Net profit margin	28.7%	25.4%	21.1%	19.9%	19.9%
Return on average assets	43.5%	25.3%	22.8%	19.6%	19.6%
Return on average equity	70.4%	41.1%	35.1%	30.4%	30.0%
Stability					
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)	2,445.1	6,067.3	4,454.5	3,506.8	3,582.4
Interest & ST debt coverage (x)	1.0	1.0	1.0	1.0	1.0
Cash flow interest coverage(x)	2,119.3	3,988.5	4,729.6	2,908.3	3,284.1
Cash flow/int. & ST debt (x)	2,119.3	3,988.5	4,729.6	2,908.3	3,284.1
Current ratio (x)	2.8	3.3	3.1	3.3	3.4
Quick ratio (x)	2.4	2.8	2.8	3.0	3.1
Net debt (NT\$m)	(60,129)	(49,171)	(53,889)	(53,323)	(58,338)
Per share data					
EPS (NT\$)	63.87	45.96	38.32	33.84	34.66
CFPS (NT\$)	68.56	37.29	49.27	33.39	37.70
BVPS (NT\$)	115.78	107.76	110.46	112.51	118.91
Adj BVPS (NT\$)	115.78	107.75	110.46	112.51	118.91
SPS (NT\$)	222.45	180.70	181.47	169.71	174.49
EBITDA/share (NT\$)	80.32	55.81	46.02	38.79	40.52
Cash DPS (NT\$)	51.50	37.00	32.00	28.26	28.95
Activity					
Sales / avg assets	1.52	0.99	1.08	0.99	0.99
Days receivable	63.6	52.3	56.0	65.7	65.2
Days inventory	76.2	74.4	48.6	55.3	54.1
Days payable	91.2	48.2	71.5	73.7	76.7
Cash cycle	48.6	78.5	33.1	47.3	42.5

Source: Company data, KGI Research estimates

Profit & loss

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue	135,366	109,957	110,429	103,269	106,177
Cost of goods sold	(67,974)	(59,015)	(64,217)	(61,493)	(63,887)
Gross profit	67,392	50,941	46,212	41,776	42,290
Operating expenses	(19,618)	(18,212)	(19,550)	(19,513)	(19,035)
Operating profit	47,773	32,729	26,662	22,262	23,254
Non-operating income	341	812	1,515	1,584	1,572
Interest income	127	514	1,240	1,360	1,372
Investment income	194	238	188	150	120
Other non-op income	20	60	87	73	80
Non-operating expenses	1	970	54	645	193
Interest expense	(20)	(6)	(6)	(7)	(7)
Investment loss	-	-	-	-	-
Other non-op expenses	20	976	61	652	200
Pre-tax profit	48,115	34,511	28,231	24,491	25,020
Current taxation	(9,249)	(6,542)	(4,914)	(3,900)	(3,928)
Minorities	-	-	-	-	-
Extraordinary items	-	0	0	(0)	-
Net profit	38,866	27,970	23,318	20,591	21,092
EBITDA	48,874	33,961	28,001	23,607	24,660
EPS (NT\$)	63.87	45.96	38.32	33.84	34.66

Cash flow

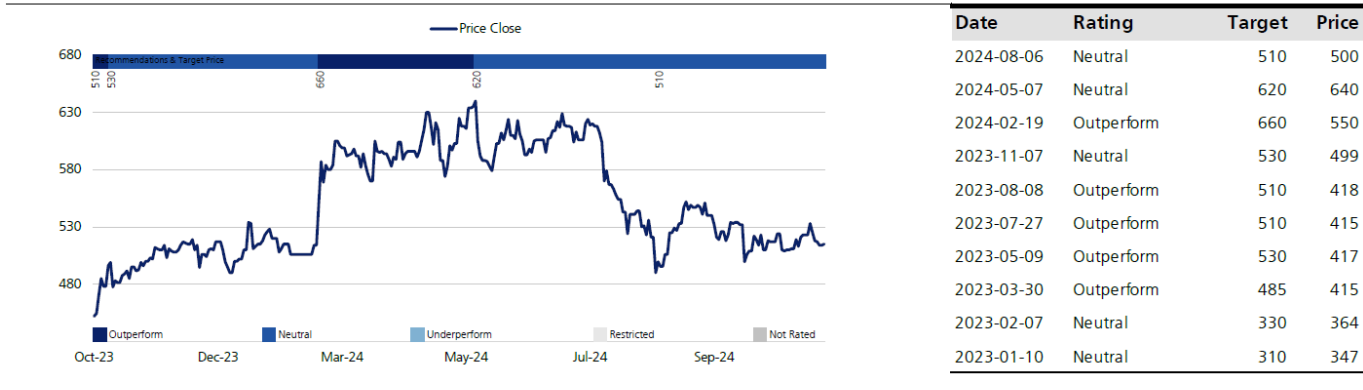
NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Operations cash flow	41,721	22,691	29,981	20,318	22,943
Net profit	38,866	27,970	23,318	20,591	21,092
Depreciation & amortisation	1,101	1,233	1,340	1,345	1,405
Decrease in working capital	(8,976)	784	7,092	(2,534)	446
Other operating cash flow	10,731	(7,295)	(1,768)	916	0
Investing cash flow	(8,414)	(2,867)	(1,702)	(74)	(732)
Sale of ST investment	(13)	(258)	(201)	-	-
New investments	-	-	-	(183)	-
Capital expenditure	(1,227)	(1,022)	(897)	(434)	(531)
Others investing cashflow	(7,174)	(1,586)	(604)	542	(201)
Free cash flow	29,260	27,330	29,362	16,896	20,723
Financing cash flow	3,955	(30,807)	(23,552)	(20,836)	(17,196)
Increase in short term debt	-	-	-	-	-
Increase in long term loans	-	-	-	-	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(9,493)	(31,338)	(22,515)	(19,472)	(17,196)
Other financing cashflow	13,447	531	(1,037)	(1,363)	-
Forex effects	(8)	25	(8)	26	-
Total cash generated	37,254	(10,958)	4,719	(566)	5,015

ROIC

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	14.5%	16.6%	17.7%	18.9%	17.9%
= Operating margin	35.3%	29.8%	24.1%	21.6%	21.9%
1 / (Working capital/revenue	0.0	0.1	0.0	0.0	0.0
+ Net PPE/revenue	0.1	0.1	0.1	0.1	0.1
+ Other assets/revenue)	0.0	0.1	0.1	0.1	0.1
= Capital turnover	8.0	5.4	6.5	5.1	5.5
Operating margin	35.3%	29.8%	24.1%	21.6%	21.9%
x Capital turnover	8.0	5.4	6.5	5.1	5.5
x (1 - tax rate)	80.8%	81.0%	82.6%	84.1%	84.3%
= After-tax ROIC	228.7%	130.8%	129.5%	91.6%	101.5%

Source: Company data, KGI Research estimates

Novatek – Recommendation & target price history



Source: TEJ, KGI Research

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