

Posiflex (8114.TW/8114 TT)

Semiconductor business driving strong sales in 2H24

Outperform · Maintained

Price as of September 18 (NT\$)	188.0
12M target price (NT\$)	232.0
Previous target price (NT\$)	196.0
Revised up (%)	18.4
Upside (%)	23.4

Key message

- 2H24 operations will be buoyed by the semiconductor business.
- The semiconductor business will keep gross margin above 42%.
- We revise up 2024-25F earnings growth to 81.5% and 24.4% YoY.

Trading data

Mkt cap (NT\$bn/US\$m)	14.29 / 448.0
Outstanding shares (mn)	76.02
Foreign ownership (mn)	15.36
3M avg. daily trading (mn)	0.56
52-week trading range (NT\$)	99.40 –205.0

Performance	3M	6M	12M
Absolute (%)	20.5	60	75.7
Relative (%)	25.2	51	45.9

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	3.02A	3.12A	4.27A	0.85A
2023	1.20A	1.80A	2.20A	0.36A
2024	1.46A	3.05A	3.07F	2.05F

Share price chart



Source: TEJ

Event

Posiflex has seen consolidated sales recover since May, driven by stronger demand from semiconductor clients, which will continue to shore up sales and earnings in 2H24.

Impact

2H24 operations buoyed by semiconductor business. Sales have been growing significantly recently as shipments of testing machines for AI chips began in May. For reference, the firm's monthly sales have consistently remained above NT\$1.0bn since May, with July and August sales combined achieving 80% of our 3Q24 forecast. As IC packaging firms expand production capacity overseas, we believe demand for AI chip testing machines will grow further. Coupled with demand from replacement of last-generation testing machines, we are confident 2H24 sales will be better than expected. AI chip testing machines contributed 13-15% of 2022-23 IPC sales, and we estimate the weighting will rise further to 25-30% in 2024. Given upbeat semiconductor business sales, we revise up 2H24F consolidated sales to NT\$6.32bn, up 28% YoY.

Semiconductor business to keep gross margin high. Gross margin climbed from 32.5% in 2020 to 44% in 1H24, beating our forecast, mainly as the combined sales weighting of margin-accretive businesses, including POS brand, software-defined intelligent equipment (i.e. customized devices for software vendors), AI chip testers, and medical products, expanded from 55% in 2020 to 68-70% in 1H24. Given continued growth in the sales weighting of AI chip testing machines in 2H24, we now estimate blended gross margin will hover at 42-44%, versus our previous forecast of 40%.

We revise up 2024-25F earnings growth to 81.5% & 24% YoY. We revise up 2024F consolidated sales to NT\$11.7bn, up 18.9% YoY, on robust sales contribution from AI chip testers in 2H24. Accordingly, we also raise 2024F gross margin to 43.8%, leading to net profit of NT\$760mn, for EPS of NT\$9.64, up 81.5% YoY. In light of continued POS sales growth and rebounding data center sales in 2025, we revise up 2025F consolidated sales to NT\$12.4bn, up 6% YoY, while maintaining our gross margin assumption of 43.1%, for higher net profit of NT\$950mn and EPS of NT\$11.59, up 24% YoY.

Valuation & Action

We revise up 2024-25F EPS to a respective NT\$9.64 and NT\$11.59, to reflect strong semiconductor business growth. We maintain Outperform and raise our one-year target price to NT\$232, based on 2025F PE of 20x.

Risks

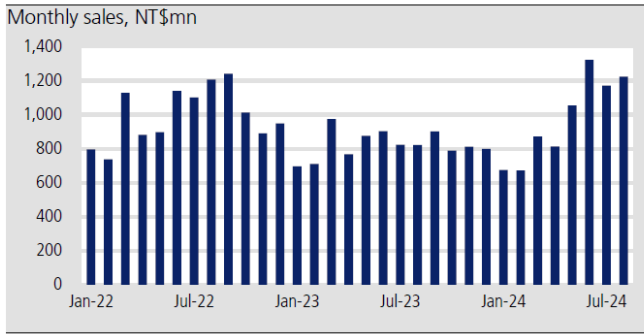
Weaker-than-expected semiconductor sales growth and gross margin.

Key financials and valuations

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (NT\$m)	9,213	11,973	9,866	11,728	12,433
Gross profit (NT\$m)	3,263	4,191	3,760	5,133	5,363
Operating profit (NT\$m)	1,056	1,514	1,136	1,863	2,133
Net profit (NT\$m)	466	846	420	761	947
EPS (NT\$)	6.21	11.25	5.55	9.64	11.59
Cash DPS (NT\$)	4.50	6.99	4.70	6.75	8.12
EPS growth (%)	275.7	81.0	(50.6)	73.6	20.3
PE (x)	30.3	16.7	33.9	19.5	16.2
PB (x)	5.0	3.8	3.9	3.7	3.5
EV/EBITDA (x)	14.7	11.6	13.4	9.1	8.5
Net debt to equity (%)	3.7	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	2.4	3.7	2.5	3.6	4.3
Return on average equity (%)	17.5	25.7	11.4	20.5	24.2

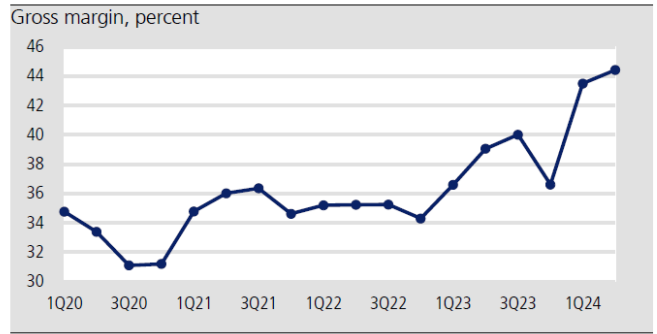
Source: Company data, KGI Research estimates

Figure 1: Monthly sales have been rising since May, driven by semiconductor business



Source: KGI Research

Figure 2: Gross margin to hit a new high on semiconductor business



Source: KGI Research

Figure 3: Breakdown of 2Q24 & 3Q24 forecast revisions

NT\$mn	3Q24F					4Q24F				
	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)
Sales	3,458	3,000	15.3	8.5	36.0	2,866	2,950	(2.9)	(17.1)	19.5
Gross profits	1,535	1,200	28.0	8.4	50.9	1,218	1,180	3.2	(20.7)	38.7
Operating income	636	450	41.4	12.3	92.0	444	384	15.8	(30.2)	149.5
Net income	253	217	17.0	5.2	52.2	157	154	1.7	(38.2)	483.5
EPS (NT\$)	3.07	2.69	14.2	0.8	39.4	2.05	2.02	1.7	(33.2)	478.2
Gross margin (%)	44.4	40.0	4.4 ppts	(0.0)ppts	4.4 ppts	42.5	40.0	2.5 ppts	(1.9)ppts	5.9 ppts
OP margin (%)	18.4	15.0	3.4 ppts	0.6 ppts	5.4 ppts	15.5	13.0	2.5 ppts	(2.9)ppts	8.1 ppts
Net margin (%)	7.3	7.2	0.1 ppts	(0.2)ppts	0.8 ppts	5.5	5.2	0.2 ppts	(1.9)ppts	4.3 ppts

Source: KGI Research

Figure 4: Breakdown of 2024 & 2025 forecast revisions

NT\$mn	2024F				2025F			
	Revision	Previous	Chg. (%)	YoY (%)	Revision	Previous	Chg. (%)	YoY (%)
Sales	11,728	11,016	6.5	18.9	12,433	12,164	2.2	6.0
Gross profit	5,133	4,512	13.8	36.5	5,363	4,865	10.2	4.5
Operating income	1,863	1,491	24.9	64.0	2,133	1,812	17.7	14.5
Net income	761	697	9.3	81.5	947	874	8.4	24.4
EPS (NT\$)	9.64	8.84	9.0	73.6	11.59	10.79	8.4	20.3
Gross margin (%)	43.8	41.0	2.8 ppts	5.7 ppts	43.1	40.0	3.1 ppts	(0.6)ppts
OP margin (%)	15.9	13.5	2.3 ppts	4.4 ppts	17.2	14.9	2.3 ppts	1.3 ppts
Net margin (%)	6.5	6.3	0.2 ppts	2.2 ppts	7.6	7.2	0.4 ppts	1.1 ppts

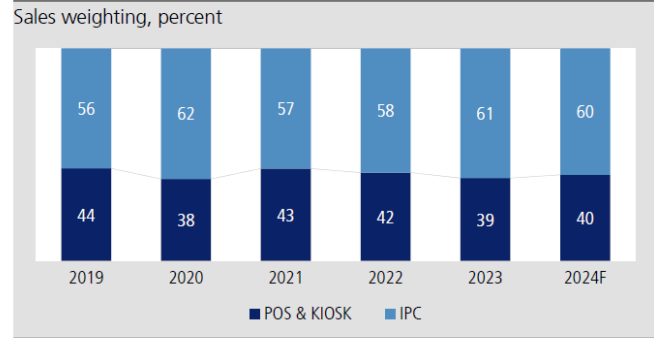
Source: KGI Research

Figure 5: Company profile

IPC company Posiflex is the world's fifth largest POS brand. To pursue stronger sales growth, as the firm is more matured in the POS industry, the firm acquired Kiosk Information Systems (KIS; US), the third largest kiosk company in the world and No. 1 in North America, in 2016, and IPC company Portwell in 2017. Posiflex now provides IoT solutions for O2O service by leveraging KIS' 25 years of experience in terminal operations in North America, the Posiflex brand's global networks, and Portwell's advantage in edge computing.

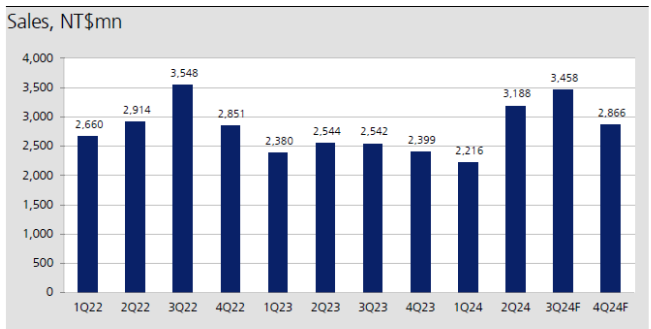
Source: KGI Research

Figure 6: IPC accounts for bulk of sales



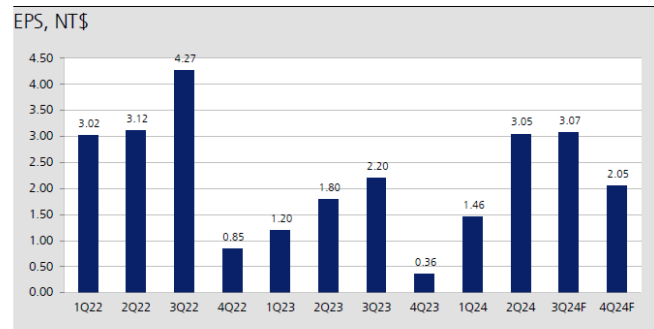
Source: KGI Research

Figure 7: Sales



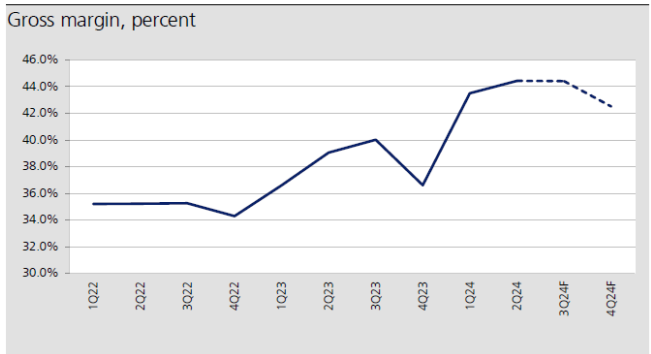
Source: KGI Research

Figure 8: EPS



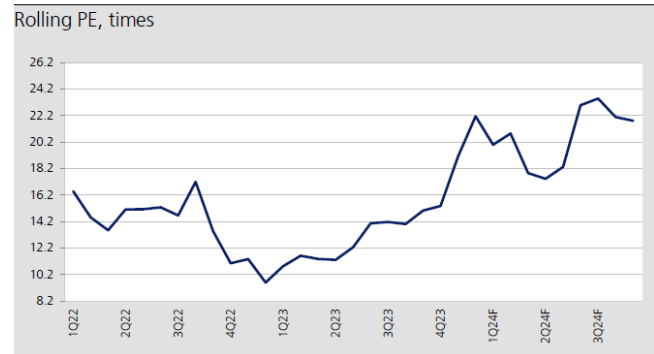
Source: KGI Research

Figure 9: Gross Margin



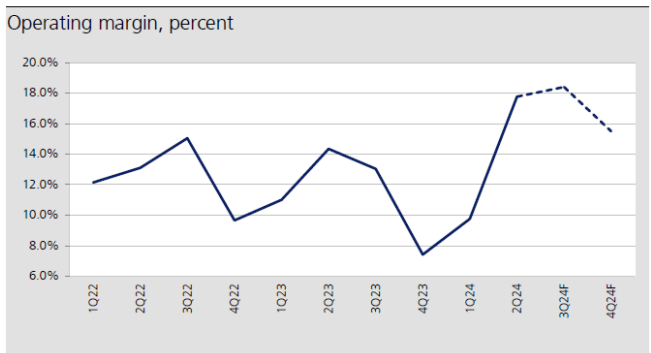
Source: KGI Research

Figure 10: Rolling PE



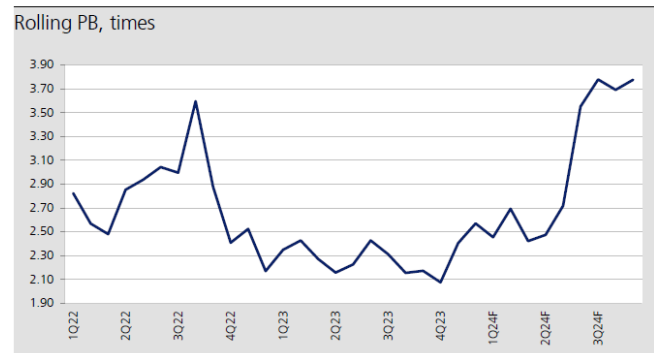
Source: KGI Research

Figure 11: Operating Margin



Source: KGI Research

Figure 12: Rolling PB



Source: KGI Research

Income statement

	Quarterly								Annually		
	Mar-23A	Jun-23A	Sep-23A	Dec-23A	Mar-24A	Jun-24A	Sep-24F	Dec-24F	Dec-23A	Dec-24F	Dec-25F
Income statement (NT\$m)											
Revenue	2,380	2,544	2,542	2,399	2,216	3,188	3,458	2,866	9,866	11,728	12,433
Cost of goods sold	(1,509)	(1,551)	(1,525)	(1,521)	(1,252)	(1,772)	(1,923)	(1,648)	(6,106)	(6,594)	(7,069)
Gross profit	871	994	1,017	878	964	1,416	1,535	1,218	3,760	5,133	5,363
Operating expenses	(609)	(629)	(686)	(700)	(748)	(850)	(899)	(774)	(2,624)	(3,270)	(3,231)
Operating profit	262	365	331	178	216	566	636	444	1,136	1,863	2,133
Depreciation of fixed assets	(56)	(57)	(60)	(59)	(62)	(62)	(60)	(56)	(232)	(240)	(244)
Amortisation of intangible assets	(28)	(28)	(29)	(24)	(23)	(24)	(27)	(34)	(109)	(108)	(108)
EBITDA	346	450	420	261	301	653	723	534	1,478	2,212	2,485
Interest income	9	14	11	21	17	26	25	25	55	93	92
Investment income	1	(0)	(1)	0	0	-	-	-	0	0	-
Other non-op income	7	7	6	5	6	6	8	8	25	27	33
Non-operating income	18	21	16	27	23	31	33	33	81	120	125
Interest expense	(49)	(48)	(49)	(49)	(49)	(50)	(50)	(50)	(195)	(198)	(200)
Investment loss	-	-	-	-	(3)	(2)	-	-	(4)	(5)	-
Other non-op expenses	(12)	26	41	(61)	44	16	(17)	(10)	(1)	33	(19)
Non-operating expenses	(60)	(21)	(8)	(110)	(8)	(36)	(67)	(60)	(200)	(170)	(219)
Pre-tax profit	219	365	339	95	231	562	602	418	1,018	1,812	2,039
Current taxation	(56)	(118)	(74)	(40)	(48)	(134)	(159)	(111)	(287)	(452)	(512)
Minorities	(73)	(111)	(99)	(28)	(72)	(187)	(190)	(150)	(311)	(599)	(580)
Normalised net profit	90	136	167	27	111	241	253	157	420	761	947
Extraordinary items	0	0	0	(0)	0	(0)	-	(0)	-	-	-
Net profit	90	136	167	27	111	241	253	157	420	761	947
EPS (NT\$)	1.20	1.80	2.20	0.36	1.46	3.05	3.07	2.05	5.55	9.64	11.59
Margins (%)											
Gross profit margin	36.6	39.0	40.0	36.6	43.5	44.4	44.4	42.5	38.1	43.8	43.1
Operating margin	11.0	14.3	13.0	7.4	9.8	17.8	18.4	15.5	11.5	15.9	17.2
EBITDA margin	14.6	17.7	16.5	10.9	13.6	20.5	20.9	18.6	15.0	18.9	20.0
Pretax profit margin	9.2	14.3	13.3	3.9	10.4	17.6	17.4	14.6	10.3	15.5	16.4
Net profit margin	3.8	5.3	6.5	1.1	5.0	7.6	7.3	5.5	4.3	6.5	7.6
Sequential growth (%)											
Revenue growth	(16.5)	6.9	(0.1)	(5.7)	(7.6)	43.9	8.5	(17.1)			
Gross profit growth	(10.9)	14.1	2.4	(13.7)	9.7	46.9	8.4	(20.7)			
Operating profit growth	(4.9)	39.3	(9.2)	(46.3)	21.4	162.0	12.3	(30.2)			
EBITDA growth	(11.7)	30.0	(6.8)	(37.8)	15.4	116.8	10.8	(26.1)			
Pretax profit growth	10.4	66.4	(7.0)	(72.1)	144.0	143.3	7.3	(30.7)			
Net profit growth	41.4	50.3	22.6	(83.9)	312.3	117.8	5.2	(38.2)			
YoY growth (%)											
Revenue growth	(10.5)	(12.7)	(28.3)	(15.9)	(6.9)	25.3	36.0	19.5	(17.6)	18.9	6.0
Gross profit growth	(7.0)	(3.2)	(18.7)	(10.2)	10.6	42.5	50.9	38.7	(10.3)	36.5	4.5
Operating profit growth	(18.9)	(4.4)	(37.9)	(35.4)	(17.5)	55.2	92.0	149.5	(24.9)	64.0	14.5
EBITDA growth	(15.4)	(4.4)	(35.1)	(33.5)	(13.1)	44.9	72.3	104.7	(23.1)	49.7	12.4
Pretax profit growth	(31.6)	(6.3)	(43.8)	(52.3)	5.3	54.0	77.7	341.4	(32.7)	78.1	12.5
Net profit growth	(60.1)	(42.0)	(48.2)	(58.0)	22.3	77.3	52.2	483.5	(50.4)	81.5	24.4

Source: Company data, KGI Research estimates

Balance sheet

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Total assets	14,785	15,798	14,864	16,065	17,231
Current assets	7,125	8,434	7,135	8,479	9,786
Cash & ST securities	2,066	3,315	3,189	4,955	6,004
Inventory	3,157	3,280	2,489	1,802	1,937
Accounts receivable	1,762	1,717	1,302	1,544	1,641
Other current assets	140	122	155	178	205
Non-current assets	7,660	7,364	7,729	7,586	7,445
LT investments	412	445	885	856	819
Net fixed assets	3,407	3,365	3,307	3,161	3,013
Other assets	3,842	3,554	3,537	3,569	3,613
Total liabilities	10,315	9,435	8,534	8,941	9,313
Current liabilities	3,675	3,554	3,208	3,359	3,514
Accounts payable	1,255	761	759	818	879
Interest bearing ST liabilities	958	1,213	987	971	998
Other current liabilities	1,462	1,580	1,461	1,570	1,638
Non-current liabilities	6,640	5,881	5,326	5,582	5,799
Long-term debt	1,141	582	65	174	240
Other L-T liabilities	4,785	4,933	4,883	5,030	5,180
Total equity	4,470	6,363	6,330	7,124	7,918
Share capital	749	755	756	756	756
Retained earnings reserve	573	939	1,209	1,404	1,617
Minority interests	1,641	2,607	2,713	3,313	3,893
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Growth					
Revenue growth	13.9%	30.0%	(17.6%)	18.9%	6.0%
Operating profit growth	126.2%	43.3%	(24.9%)	64.0%	14.5%
EBITDA growth	63.4%	36.0%	(23.1%)	49.7%	12.4%
Net profit growth	275.7%	81.8%	(50.4%)	81.5%	24.4%
EPS growth	275.7%	81.0%	(50.6%)	73.6%	20.3%
Profitability					
Gross profit margin	35.4%	35.0%	38.1%	43.8%	43.1%
Operating margin	11.5%	12.6%	11.5%	15.9%	17.2%
EBITDA margin	15.3%	16.0%	15.0%	18.9%	20.0%
Net profit margin	5.1%	7.1%	4.3%	6.5%	7.6%
Return on average assets	3.3%	5.5%	2.7%	4.9%	5.7%
Return on average equity	17.5%	25.7%	11.4%	20.5%	24.2%
Stability					
Gross debt to equity	47.0%	28.2%	16.6%	16.1%	15.6%
Net debt to equity	3.7%	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	4.6	8.1	6.2	10.2	11.2
Interest & ST debt coverage (x)	0.3	0.5	0.4	0.6	0.6
Cash flow interest coverage(x)	1.1	5.5	10.4	7.7	5.2
Cash flow/int. & ST debt (x)	0.2	0.8	1.7	1.3	0.9
Current ratio (x)	1.9	2.4	2.2	2.5	2.8
Quick ratio (x)	1.1	1.5	1.4	2.0	2.2
Net debt (NT\$m)	164	(508)	(2,046)	(3,719)	(4,675)
Per share data					
EPS (NT\$)	6.21	11.25	5.55	9.64	11.59
CFPS (NT\$)	3.22	15.44	26.91	20.21	13.75
BVPS (NT\$)	37.76	49.74	47.84	50.42	53.24
Adj BVPS (NT\$)	37.76	49.91	47.86	50.45	53.27
SPS (NT\$)	122.97	159.10	130.57	155.22	164.55
EBITDA/share (NT\$)	18.85	25.52	19.56	29.27	32.89
Cash DPS (NT\$)	4.50	6.99	4.70	6.75	8.12
Activity					
Sales / avg assets	0.64	0.78	0.64	0.76	0.75
Days receivable	69.8	52.3	48.2	48.2	48.2
Days inventory	193.7	153.9	148.8	100.0	100.0
Days payable	77.0	35.7	45.4	45.4	45.4
Cash cycle	186.5	170.5	151.6	102.8	102.8

Source: Company data, KGI Research estimates

Profit & loss

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue	9,213	11,973	9,866	11,728	12,433
Cost of goods sold	(5,950)	(7,781)	(6,106)	(6,594)	(7,069)
Gross profit	3,263	4,191	3,760	5,133	5,363
Operating expenses	(2,207)	(2,678)	(2,624)	(3,270)	(3,231)
Operating profit	1,056	1,514	1,136	1,863	2,133
Non-operating income	35	57	81	120	125
Interest income	6	21	55	93	92
Investment income	1	7	0	0	-
Other non-op income	29	29	25	27	33
Non-operating expenses	(282)	(58)	(200)	(170)	(219)
Interest expense	(225)	(211)	(195)	(198)	(200)
Investment loss	(0)	-	(4)	(5)	-
Other non-op expenses	(57)	153	(1)	33	(19)
Pre-tax profit	809	1,512	1,018	1,812	2,039
Current taxation	(239)	(426)	(287)	(452)	(512)
Minorities	(105)	(240)	(311)	(599)	(580)
Extraordinary items	-	0	(0)	-	-
Net profit	466	846	420	761	947
EBITDA	1,412	1,921	1,478	2,212	2,485
EPS (NT\$)	6.21	11.25	5.55	9.64	11.59

Cash flow

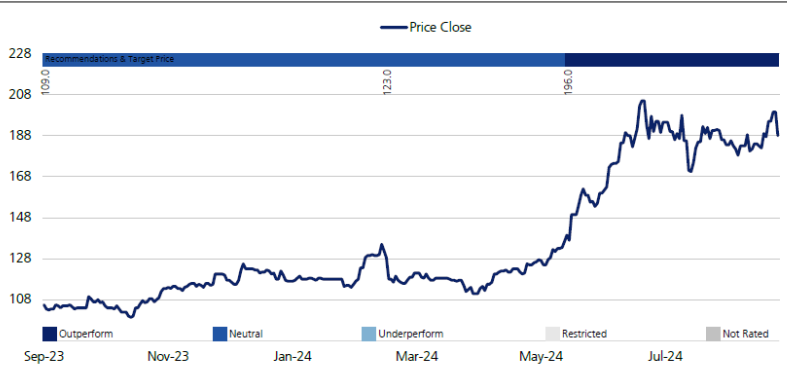
NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Operations cash flow	241	1,162	2,033	1,527	1,039
Net profit	466	846	420	761	947
Depreciation & amortisation	356	407	341	349	352
Decrease in working capital	(1,021)	(787)	1,108	412	(260)
Other operating cash flow	440	696	165	5	(0)
Investing cash flow	1,315	(164)	335	(212)	(211)
Sale of ST investment	(47)	(890)	457	-	-
New investments	1,500	825	-	24	38
Capital expenditure	(122)	(88)	(97)	(95)	(95)
Others investing cashflow	(16)	(11)	(25)	(140)	(153)
Free cash flow	(174)	434	2,058	1,956	1,486
Financing cash flow	(1,874)	(794)	(1,580)	450	220
Increase in short term debt	(1,224)	743	(246)	(10)	(10)
Increase in long term loans	(475)	(1,058)	(490)	103	103
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(112)	(471)	(768)	(355)	(533)
Other financing cashflow	(63)	(8)	(76)	713	660
Forex effects	(37)	165	6	-	-
Total cash generated	(355)	369	794	1,766	1,049

ROIC

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	24.0%	22.4%	26.6%	27.9%	26.0%
= Operating margin	11.5%	12.6%	11.5%	15.9%	17.2%
1 / (Working capital/revenue	0.3	0.2	0.2	0.1	0.1
+ Net PPE/revenue	0.4	0.3	0.3	0.3	0.2
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
= Capital turnover	1.6	1.9	1.9	2.7	2.8
Operating margin	11.5%	12.6%	11.5%	15.9%	17.2%
x Capital turnover	1.6	1.9	1.9	2.7	2.8
x (1 - tax rate)	70.5%	71.8%	71.8%	75.1%	74.9%
= After-tax ROIC	12.8%	17.5%	15.9%	31.7%	36.0%

Source: Company data, KGI Research estimates

Posiflex – Recommendation & target price history



Date	Rating	Target	Price
2024-06-05	Outperform	196.0	139.5
2024-03-07	Neutral	123.0	128.5
2023-08-10	Neutral	109.0	102.5
2023-03-16	Neutral	113.0	113.5
2022-11-10	Outperform	155.0	116.5
2022-09-13	Outperform	194.0	158.5
2022-07-08	Outperform	164.0	135.0
2022-04-13	Outperform	146.0	119.5
2022-03-17	Outperform	136.0	97.0
2021-11-11	Outperform	136.0	92.0

Source: TEJ, KGI Research

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