

## Quanta Computer (2382.TW/2382 TT)

### 2Q24 sales beat; AI to drive robust 2H24-25F sales

FTSE4Good TIP Taiwan ESG Index stock

#### Outperform · Maintained

Price as of July 8 (NT\$)	319.5
12M target price (NT\$)	390.0
Previous target price (NT\$)	320.0
Revised up (%)	21.9
Upside (%)	22.1

#### Key message

- June and 2Q24 sales beat our expectation with QoQ growth of 20% and NB shipments growth of 11% QoQ.
- We are positive on 2H24-2025F cloud server sales growth due to rising AI server shipments.
- AI server sales will ramp up significantly in 2H24F, comprising 50% of server sales in 2024F and over 70% in 2025F. Coupled with auto sales growth, our 2024-25F EPS growth forecast is strong.

#### Trading data

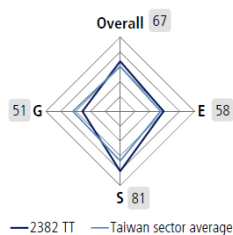
Mkt cap (NT\$/bn/US\$m)	1,234 / 38,002
Outstanding shares (mn)	3,863
Foreign ownership (mn)	1,194
3M avg. daily trading (mn)	26.44
52-week trading range (NT\$)	162.5 –330.0

Performance	3M	6M	12M
Absolute (%)	9.6	49.3	99.1
Relative (%)	-7.3	13.4	55.8

#### Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	1.75A	1.03A	2.40A	2.33A
2023	1.68A	2.63A	3.32A	2.67A
2024	3.13A	3.27F	3.61F	4.77F

#### ESG score card



Source: Refinitiv, KGI

#### Event

Quanta announced June sales of NT\$111.3bn, and 2Q24 sales of NT\$309.95bn, beating our forecasts. Notebooks (NB) and cloud servers were sales catalysts in 2Q24, and we expect 2H24-2025F sales growth to be strong.

#### Impact

**2Q24 sales beat.** Quanta achieved June sales of NT\$111.3bn, up 10% MoM and 23% YoY, prompting 2Q24 sales to reach NT\$309.95bn (up 20% QoQ and 26% YoY), beating our forecast by 6%. June NB shipments were 4.5mn units (up 13% MoM), and 2Q24 NB shipments hit 11.7mn units, up 11% QoQ, surpassing guidance of single digit QoQ growth, with stronger demand for Chromebooks causing them to hit a weighting of over 20% of total NB shipments in 2Q24, the traditional peak season. Cloud server sales grew more notably in 2Q24, in particularly from AI server sales, on improved GPU availability. This trend should continue in 2H24F. Larger sales and a better product mix, with growing Chromebook sales, lead us to expect gross margin to be better than our previous forecasts, despite a rising AI server sales weighting that will dilute gross margin. We expect Quanta's gross margin to be 8.4% in 2Q24F, down QoQ, but better than our previous forecast, given a better NB product mix. Our 2Q24 EPS forecast is revised up to NT\$3.27, up 4% QoQ and 24% YoY.

**Cloud servers the 2H24-25F sales growth catalyst.** The firm did not provide concrete 3Q24 guidance due to low visibility. However, management conferred a positive tone on cloud server sales in 2H24F, which will continue to be Quanta's primary sales growth catalyst. Given an improved GPU supply, and AI server project kick-offs after June, we expect the high-ASP AI server sales weighting will grow notably in 2H24F. We forecast the firm's 3Q24F sales to grow by 30-35% QoQ in 3Q24F, although NB shipments may see flat-to-moderate QoQ growth. Cloud server sales will grow to a sales weighting of over 50% in 2H24-2025F, as Quanta's main clients are top US CSPs. For GB200 server racks, the firm has won orders from AWS (US), Meta (US) and Google (US), and we expect orders of 15-20k racks of GB200 NVL36 to generate NT\$1-1.3tn sales for Quanta in 2025F. We thus revise our server sales forecast to NT\$1.7-1.8tn in 2025F, vs. NT\$750-800bn in 2024F, improving 2025F EPS, despite gross margin dilution. On the back of higher entry barriers for AI servers in next-generation architectures (Blackwell/ GB), competition will be lower with a higher order concentration, due to the firm's impressive working capital and design capability in system integration requirements, and Quanta will benefit accordingly. Coupled with a better outlook for NB in 2024-25F, and growing EV sales over the same period, we revise up our 2024F EPS to NT\$14.78 (up 44% YoY), and 2025F EPS to NT\$19.09 (up 29% YoY).

#### Valuation & Action

We raise our target price from NT\$320 to NT\$390, on 23x 2024-25F average EPS, and maintain our Outperform rating, on a bright outlook for AI server and EV sales growth.

#### Risks

Weak NB demand; low AI server margin; weak EV/ auto sales.

#### Key financials and valuations

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (NT\$m)	1,129,453	1,280,429	1,085,611	1,530,371	2,309,448
Gross profit (NT\$m)	72,111	70,915	84,883	111,975	144,522
Operating profit (NT\$m)	37,277	31,189	43,550	64,967	90,206
Net profit (NT\$m)	33,653	28,957	39,676	56,976	73,624
EPS (NT\$)	8.73	7.51	10.29	14.78	19.09
Cash DPS (NT\$)	6.60	6.00	9.00	11.80	15.25
EPS growth (%)	32.9	(14.0)	37.0	43.6	29.2
PE (x)	36.6	42.5	31.0	21.6	16.7
PB (x)	7.7	7.3	6.6	6.2	5.8
EV/EBITDA (x)	28.1	31.6	22.4	16.3	13.2
Net debt to equity (%)	16.1	28.0	Net cash	1.4	46.3
Dividend yield (%)	2.1	1.9	2.8	3.7	4.8
Return on average equity (%)	22.0	17.5	22.3	29.7	35.9

Source: Company data; KGI Research estimates

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

NT\$m	2Q24F							3Q24F						
	Revision	Previous	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	309,954	292,601	5.9	19.7	26.5	299,535	3.5	409,139	395,012	3.6	32.0	42.8	411,520	(0.6)
Gross profits	26,036	23,993	8.5	18.6	24.7	23,807	9.4	28,640	27,651	3.6	10.0	23.3	29,638	(3.4)
Operating income	14,258	12,874	10.7	21.9	26.3	12,398	15.0	16,366	15,800	3.6	14.8	29.9	16,635	(1.6)
Pretax Income	16,400	14,628	12.1	12.9	13.7	14,297	14.7	18,107	17,454	3.7	10.4	15.4	18,541	(2.3)
Net income	12,592	11,197	12.5	4.3	24.4	10,723	17.4	13,924	13,402	3.9	10.6	8.8	13,670	1.9
EPS (NT\$)	3.27	2.90	12.5	4.3	24.4	2.78	17.4	3.61	3.48	3.9	10.6	8.8	3.55	1.9
Gross margin (%)	8.4	8.2	0.2 ppts	(0.1)ppts	(0.1)ppts	7.9	0.5 ppts	7.0	7.0	0.0 ppts	(1.4)ppts	(1.1)ppts	7.2	(0.2)ppts
OP margin (%)	4.6	4.4	0.2 ppts	0.1 ppts	(0.0)ppts	4.1	0.5 ppts	4.0	4.0	0.0 ppts	(0.6)ppts	(0.4)ppts	4.0	0.0 ppts
Net margin (%)	4.1	3.8	0.2 ppts	(0.6)ppts	(0.1)ppts	3.6	0.5 ppts	3.4	3.4	0.0 ppts	(0.7)ppts	(1.1)ppts	3.3	0.1 ppts

Source: Bloomberg; KGI Research estimates

**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	1,530,371	1,467,969	4.3	41.0	1,462,743	4.6	2,309,448	2,090,059	10.5	50.9	2,087,377	10.6
Gross profit	111,975	106,964	4.7	31.9	109,706	2.1	144,522	133,154	8.5	29.1	137,767	4.9
Operating income	64,967	61,751	5.2	49.2	61,441	5.7	90,206	83,937	7.5	38.8	79,700	13.2
Pretax Income	73,134	69,265	5.6	41.4	69,736	4.9	95,505	90,221	5.9	30.6	86,302	10.7
Net income	56,976	53,869	5.8	43.6	53,745	6.0	73,624	69,472	6.0	29.2	64,931	13.4
EPS (NT\$)	14.78	13.97	5.8	43.6	13.94	6.0	19.09	18.02	6.0	29.2	16.84	13.4
Gross margin (%)	7.3	7.3	0.0 ppts	(0.5)ppts	7.5	(0.2)ppts	6.3	6.4	(0.1)ppts	(1.1)ppts	6.6	(0.3)ppts
OP margin (%)	4.2	4.2	0.0 ppts	0.2 ppts	4.2	0.0 ppts	3.9	4.0	(0.1)ppts	(0.3)ppts	3.8	0.1 ppts
Net margin (%)	3.7	3.7	0.1 ppts	0.1 ppts	3.7	0.0 ppts	3.2	3.3	(0.1)ppts	(0.5)ppts	3.1	0.1 ppts

Source: Bloomberg; KGI Research estimates

**Figure 3: Higher server sales weightings in 2024-25F**

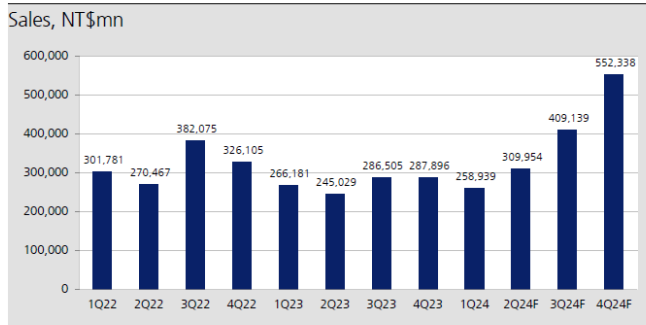
Sales weighting (%)	2019	2020	2021	2022	2023	2024F	2025F
NB / Chromebook	43	53	54	48	41	30	20
Cloud server	23	24	26	27	35	52	77
EV	1	2	3	6	8	8	6
Wearable / IoT / Others	32	21	18	19	16	10	7

Source: KGI Research estimates

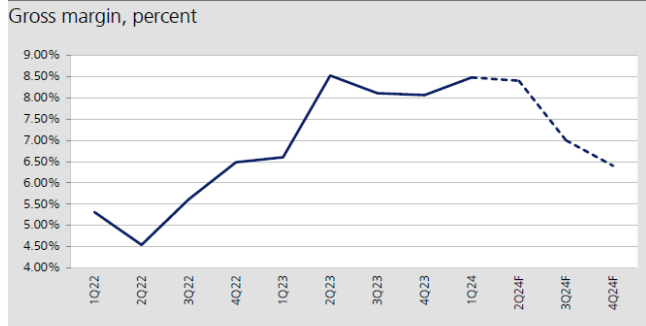
**Figure 4: Company profile**

Established in 1988, Quanta is the world's second largest NB ODM, with shipment volume of 46.9mn units and a global market share of 31% in 2023. Its major customers include the top-six global NB brands including Apple (US), HP (US), Asustek and Acer. Quanta has over 30k employees worldwide. It is currently expanding into other businesses including server, all-in-one (AIO), wearables and AI. The cloud business is expected to be a long-term sales driver. In 2023, non-NB business was 55-60% of sales, vs 50% in 2022.

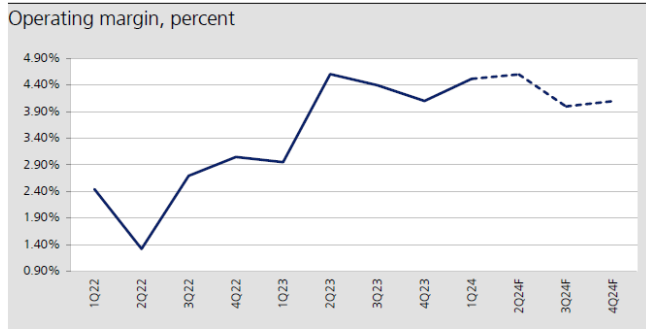
Source: KGI Research

**Figure 6: Sales**


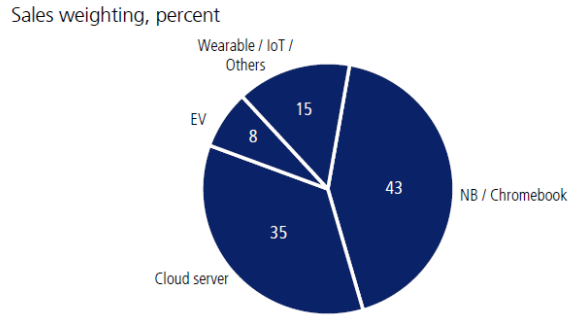
Source: KGI Research

**Figure 8: Gross Margin**


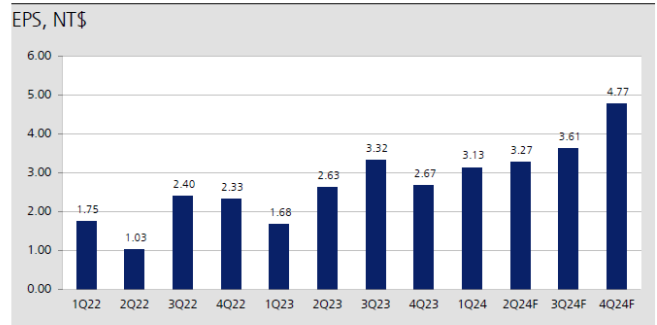
Source: KGI Research

**Figure 10: Operating Margin**


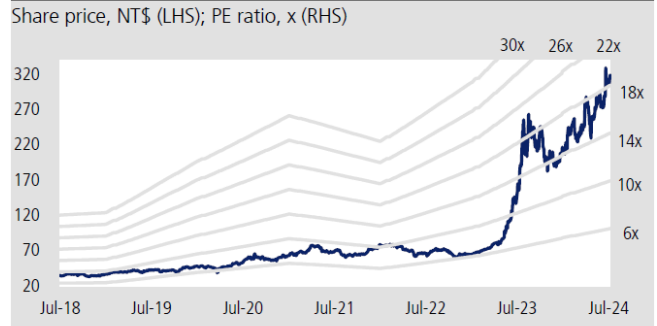
Source: KGI Research

**Figure 5: Sales mix in 2023**


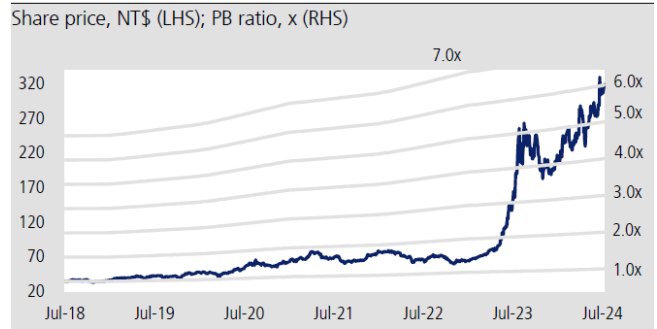
Source: Company data; KGI Research

**Figure 7: EPS**


Source: KGI Research

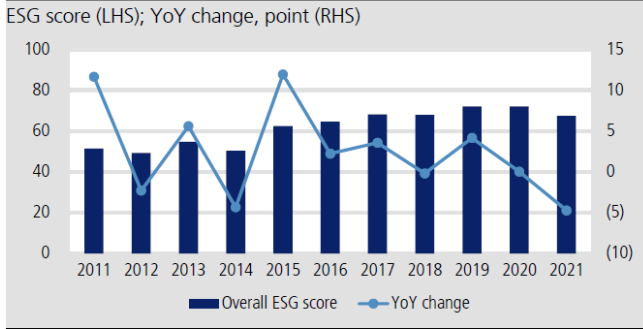
**Figure 9: 12M forward PE band**


Source: TEJ; KGI Research estimates

**Figure 11: 12M forward PB band**


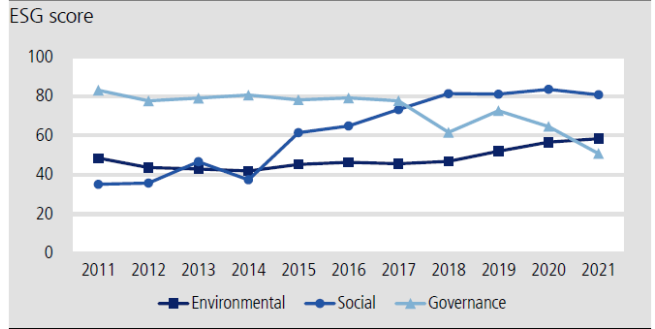
Source: TEJ; KGI Research estimates

Figure 12: Overall ESG score



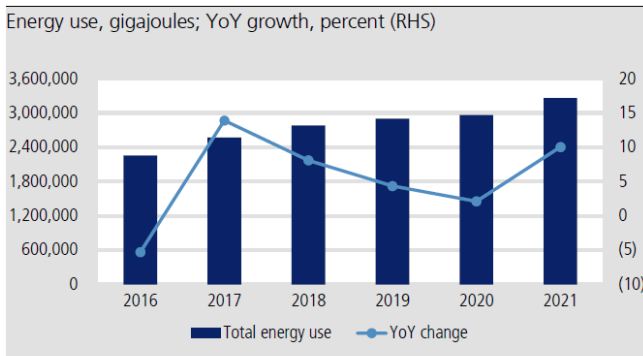
Source: Refinitiv; KGI Research; Company data

Figure 13: ESG scores



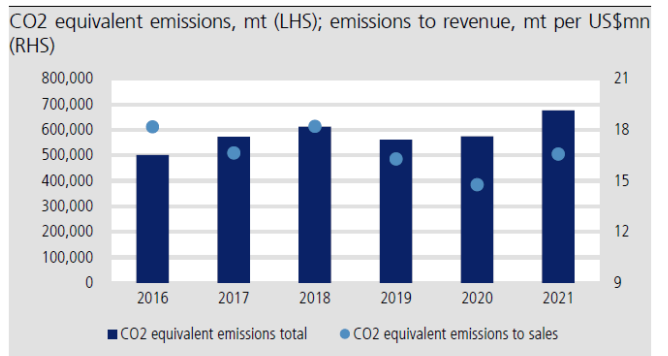
Source: Refinitiv; KGI Research; Company data

Figure 14: Energy Use



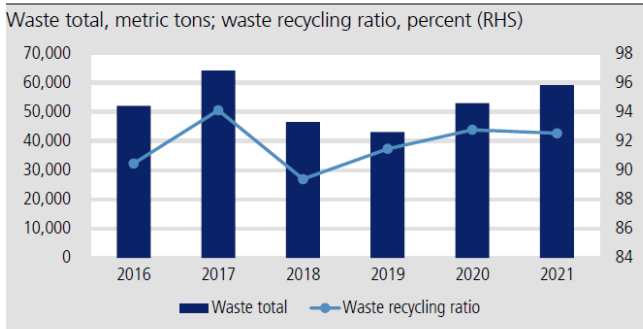
Source: Refinitiv; KGI Research; Company data

Figure 15: CO2 equivalent emissions



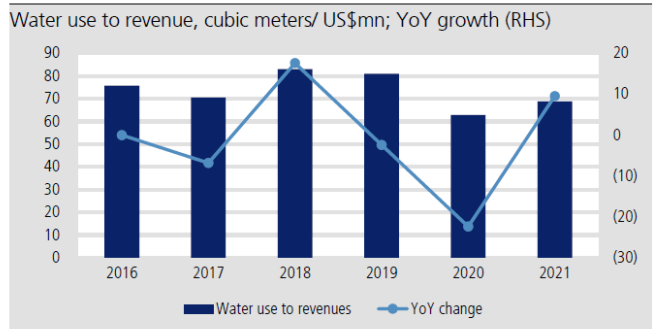
Source: Refinitiv; KGI Research; Company data

Figure 16: Waste total



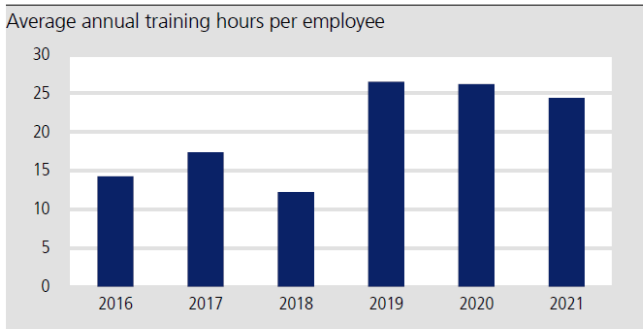
Source: Refinitiv; KGI Research; Company data

Figure 17: Water use to revenue



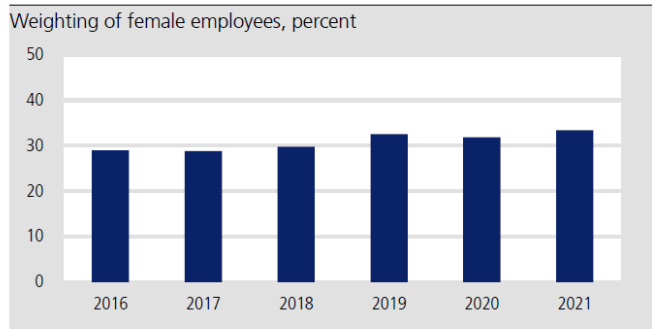
Source: Refinitiv; KGI Research; Company data

Figure 18: Employee training



Source: Refinitiv; KGI Research; Company data

Figure 19: Gender diversification



Source: Refinitiv; KGI Research; 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"> <li>- the total amount of energy that has been consumed within the boundaries of the company's operations</li> <li>- total energy use = total direct energy consumption + indirect energy consumption</li> <li>- purchased energy and produced energy are included in total energy use</li> <li>- 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)</li> <li>- for utilities, raw materials such as coal, gas or nuclear used in the production of energy are not considered under 'total energy use'</li> </ul>	
Renewable energy purchased	<p>Total primary renewable energy purchased in gigajoules.</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- if there is no evidence that renewable energy is produced by the company, then we consider the reported energy figure as renewable energy purchased</li> </ul>	
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"> <li>- direct emissions from sources that are owned or controlled by the company (scope 1 emissions)</li> <li>- following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)</li> </ul>	
CO2 equivalent emissions to sales	<p>Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT\$mn)</p> <ul style="list-style-type: none"> <li>- direct emissions from sources that are owned or controlled by the company (scope 1 emissions)</li> <li>- following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)</li> </ul>	
Waste total	<p>Total amount of waste produced in metric tons.</p> <ul style="list-style-type: none"> <li>- total waste = non-hazardous waste + hazardous waste</li> <li>- 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</li> <li>- for sectors like mining, oil &amp; gas, waste generation like tailings, waste rock, coal and fly ash are also considered</li> </ul>	
Waste recycling ratio	<p>The waste recycling ratio as reported by the company.</p> <ul style="list-style-type: none"> <li>- waste recycling ratio = waste recycled/total waste*100</li> <li>- waste to energy or waste incinerated with energy recovery are considered as waste recycled</li> <li>- waste recovered via composting is considered as recycled waste</li> </ul>	
Water withdrawal total	<p>Total water withdrawal in cubic meters.</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- different sources of water like wells, town/utility/municipal water, river water, and surface water are considered</li> </ul>	
Environmental expenditures	<p>Total amount of environmental expenditures.</p> <ul style="list-style-type: none"> <li>- all environmental investment &amp; expenditures for environmental protection or to prevent, reduce, control environmental aspects, impacts, and hazards. It also includes disposal, treatment, sanitation, and clean-up expenditures</li> </ul>	
Turnover of employees	<p>Percentage of employee turnover.</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- employees turnover rate = (employees leaving/average number of employees)*100</li> <li>- where the average number of employees = (employees at the end of the current year + employees at the end of the previous year)/2</li> <li>- employees at the end of the current fiscal year = employees at the end of the previous fiscal year + new employees - employees leaving</li> </ul>	
Women managers	<p>Percentage of women managers.</p> <ul style="list-style-type: none"> <li>- percentage of women managers among total managers of the company</li> <li>- 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</li> <li>- percentage of women managers = number of women managers/total number of managers*100</li> </ul>	
Women employees	<p>Percentage of women employees.</p> <ul style="list-style-type: none"> <li>- percentage of women employees to the total number of employees of the company</li> <li>- percentage of women employees = number of women/total number of employees*100</li> </ul>	
Training hours total	<p>Total training hours performed by all employees.</p> <ul style="list-style-type: none"> <li>- consider only employee training hours</li> <li>- includes all types of training given to general employees (such as health &amp; safety, environmental, emergency response, skills &amp; career development training)</li> <li>- if the value is given in days, multiply by 8, assuming that 1 day = 8 hours worked</li> </ul>	
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>266,181</b>	<b>245,029</b>	<b>286,505</b>	<b>287,896</b>	<b>258,939</b>	<b>309,954</b>	<b>409,139</b>	<b>552,338</b>	<b>1,085,611</b>	<b>1,530,371</b>	<b>2,309,448</b>
Cost of goods sold	(248,615)	(224,147)	(263,276)	(264,689)	(236,990)	(283,918)	(380,500)	(516,989)	(1,000,728)	(1,418,396)	(2,164,926)
<b>Gross profit</b>	<b>17,566</b>	<b>20,882</b>	<b>23,228</b>	<b>23,207</b>	<b>21,950</b>	<b>26,036</b>	<b>28,640</b>	<b>35,350</b>	<b>84,883</b>	<b>111,975</b>	<b>144,522</b>
Operating expenses	(9,713)	(9,595)	(10,631)	(11,400)	(10,252)	(11,778)	(12,274)	(12,704)	(41,339)	(47,008)	(54,316)
<b>Operating profit</b>	<b>7,858</b>	<b>11,287</b>	<b>12,597</b>	<b>11,807</b>	<b>11,698</b>	<b>14,258</b>	<b>16,366</b>	<b>22,646</b>	<b>43,550</b>	<b>64,967</b>	<b>90,206</b>
Depreciation of fixed assets	(2,375)	(2,430)	(2,456)	(2,541)	(2,461)	(2,582)	(2,582)	(2,702)	(9,802)	(10,326)	(11,038)
Amortisation of intangible assets	(405)	(388)	(429)	(413)	(399)	(373)	(373)	(347)	(1,635)	(1,492)	(1,492)
<b>EBITDA</b>	<b>10,639</b>	<b>14,105</b>	<b>15,482</b>	<b>14,761</b>	<b>14,558</b>	<b>17,212</b>	<b>19,320</b>	<b>25,695</b>	<b>54,986</b>	<b>76,785</b>	<b>102,736</b>
Interest income	2,230	3,042	2,453	2,896	2,534	2,464	2,464	2,395	10,620	9,857	8,295
Investment income	-	11	-	22	-	25	25	50	33	100	100
Other non-op income	1,295	2,173	2,663	0	1,832	1,300	900	768	6,131	4,800	3,800
<b>Non-operating income</b>	<b>3,525</b>	<b>5,226</b>	<b>5,117</b>	<b>2,918</b>	<b>4,365</b>	<b>3,789</b>	<b>3,389</b>	<b>3,213</b>	<b>16,785</b>	<b>14,757</b>	<b>12,195</b>
Interest expense	(2,430)	(2,082)	(2,010)	(2,392)	(1,526)	(1,518)	(1,518)	(1,509)	(8,915)	(6,070)	(6,397)
Investment loss	(13)	(11)	(11)	(9)	(7)	(13)	(13)	(18)	(45)	(50)	(50)
Other non-op expenses	(0)	0	(0)	356	0	(118)	(118)	(235)	356	(470)	(450)
<b>Non-operating expenses</b>	<b>(2,443)</b>	<b>(2,094)</b>	<b>(2,022)</b>	<b>(2,045)</b>	<b>(1,532)</b>	<b>(1,648)</b>	<b>(1,648)</b>	<b>(1,763)</b>	<b>(8,603)</b>	<b>(6,590)</b>	<b>(6,897)</b>
<b>Pre-tax profit</b>	<b>8,940</b>	<b>14,419</b>	<b>15,693</b>	<b>12,679</b>	<b>14,531</b>	<b>16,400</b>	<b>18,107</b>	<b>24,096</b>	<b>51,731</b>	<b>73,134</b>	<b>95,505</b>
Current taxation	(2,328)	(4,146)	(2,640)	(2,129)	(2,301)	(3,608)	(3,984)	(5,466)	(11,243)	(15,358)	(21,011)
Minorities	(139)	(149)	(253)	(272)	(162)	(200)	(200)	(238)	(812)	(800)	(870)
<b>Normalised net profit</b>	<b>6,474</b>	<b>10,125</b>	<b>12,800</b>	<b>10,278</b>	<b>12,068</b>	<b>12,592</b>	<b>13,924</b>	<b>18,393</b>	<b>39,676</b>	<b>56,976</b>	<b>73,624</b>
Extraordinary items	0	0	0	(0)	(0)	-	-	0	-	-	-
<b>Net profit</b>	<b>6,474</b>	<b>10,125</b>	<b>12,800</b>	<b>10,278</b>	<b>12,068</b>	<b>12,592</b>	<b>13,924</b>	<b>18,393</b>	<b>39,676</b>	<b>56,976</b>	<b>73,624</b>
EPS (NT\$)	1.68	2.63	3.32	2.67	3.13	3.27	3.61	4.77	10.29	14.78	19.09
<b>Margins (%)</b>											
Gross profit margin	6.6	8.5	8.1	8.1	8.5	8.4	7.0	6.4	7.8	7.3	6.3
Operating margin	3.0	4.6	4.4	4.1	4.5	4.6	4.0	4.1	4.0	4.2	3.9
EBITDA margin	4.0	5.8	5.4	5.1	5.6	5.6	4.7	4.7	5.1	5.0	4.4
Pretax profit margin	3.4	5.9	5.5	4.4	5.6	5.3	4.4	4.4	4.8	4.8	4.1
Net profit margin	2.4	4.1	4.5	3.6	4.7	4.1	3.4	3.3	3.7	3.7	3.2
<b>Sequential growth (%)</b>											
Revenue growth	(18.4)	(7.9)	16.9	0.5	(10.1)	19.7	32.0	35.0			
Gross profit growth	(16.9)	18.8	11.2	(0.1)	(5.4)	18.6	10.0	23.4			
Operating profit growth	(20.9)	43.6	11.6	(6.3)	(0.9)	21.9	14.8	38.4			
EBITDA growth	(16.5)	32.6	9.8	(4.7)	(1.4)	18.2	12.2	33.0			
Pretax profit growth	(27.1)	61.3	8.8	(19.2)	14.6	12.9	10.4	33.1			
Net profit growth	(28.0)	56.4	26.4	(19.7)	17.4	4.3	10.6	32.1			
<b>YoY growth (%)</b>											
Revenue growth	(11.8)	(9.4)	(25.0)	(11.7)	(2.7)	26.5	42.8	91.9	(15.2)	41.0	50.9
Gross profit growth	9.6	70.0	8.4	9.7	25.0	24.7	23.3	52.3	19.7	31.9	29.1
Operating profit growth	6.5	215.6	22.4	18.8	48.9	26.3	29.9	91.8	39.6	49.2	38.8
EBITDA growth	10.9	135.2	19.4	15.8	36.8	22.0	24.8	74.1	33.2	39.6	33.8
Pretax profit growth	(3.7)	147.9	16.9	3.4	62.5	13.7	15.4	90.0	26.9	41.4	30.6
Net profit growth	(4.1)	155.5	38.3	14.4	86.4	24.4	8.8	79.0	37.0	43.6	29.2

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>717,570</b>	<b>816,134</b>	<b>690,120</b>	<b>878,711</b>	<b>1,123,258</b>
<b>Current assets</b>	<b>649,417</b>	<b>733,270</b>	<b>610,448</b>	<b>799,290</b>	<b>1,044,798</b>
Cash & ST securities	177,375	214,499	218,726	285,399	267,618
Inventory	196,596	225,856	123,764	213,147	326,222
Accounts receivable	265,119	283,992	259,907	292,694	442,908
Other current assets	10,326	8,923	8,051	8,051	8,051
<b>Non-current assets</b>	<b>68,152</b>	<b>82,864</b>	<b>79,672</b>	<b>79,420</b>	<b>78,460</b>
LT investments	3,933	4,353	5,449	5,523	5,600
Net fixed assets	52,223	63,225	60,820	60,493	59,455
Other assets	11,996	15,286	13,404	13,404	13,404
<b>Total liabilities</b>	<b>549,442</b>	<b>639,610</b>	<b>496,228</b>	<b>672,623</b>	<b>901,575</b>
<b>Current liabilities</b>	<b>520,721</b>	<b>628,591</b>	<b>483,013</b>	<b>657,567</b>	<b>885,133</b>
Accounts payable	229,941	213,514	168,322	251,901	385,535
Interest bearing ST liabilities	166,588	249,525	158,797	238,955	319,569
Other current liabilities	124,193	165,552	155,893	166,711	180,029
<b>Non-current liabilities</b>	<b>28,721</b>	<b>11,019</b>	<b>13,215</b>	<b>15,056</b>	<b>16,443</b>
Long-term debt	22,675	4,525	5,931	7,772	9,158
Other L-T liabilities	3,688	3,732	5,413	5,413	5,413
<b>Total equity</b>	<b>168,127</b>	<b>176,523</b>	<b>193,892</b>	<b>206,088</b>	<b>221,682</b>
Share capital	38,626	38,626	38,626	38,626	38,626
Retained earnings reserve	68,181	71,674	76,586	87,982	102,706
Minority interests	6,988	7,365	7,685	8,485	9,355
Preferred shareholders funds	-	-	-	-	-

**Key ratios**

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
<b>Growth</b>					
Revenue growth	3.5%	13.4%	(15.2%)	41.0%	50.9%
Operating profit growth	14.9%	(16.3%)	39.6%	49.2%	38.8%
EBITDA growth	12.4%	(9.5%)	33.2%	39.6%	33.8%
Net profit growth	32.9%	(14.0%)	37.0%	43.6%	29.2%
EPS growth	32.9%	(14.0%)	37.0%	43.6%	29.2%
<b>Profitability</b>					
Gross profit margin	6.4%	5.5%	7.8%	7.3%	6.3%
Operating margin	3.3%	2.4%	4.0%	4.2%	3.9%
EBITDA margin	4.0%	3.2%	5.1%	5.0%	4.4%
Net profit margin	3.0%	2.3%	3.7%	3.7%	3.2%
Return on average assets	4.9%	3.8%	5.3%	7.3%	7.4%
Return on average equity	22.0%	17.5%	22.3%	29.7%	35.9%
<b>Stability</b>					
Gross debt to equity	112.6%	143.9%	85.0%	119.7%	148.3%
Net debt to equity	16.1%	28.0%	Net cash	1.4%	46.3%
Interest coverage (x)	39.9	10.3	6.8	13.0	15.9
Interest & ST debt coverage (x)	0.2	0.1	0.2	0.2	0.2
Cash flow interest coverage(x)	(21.3)	2.6	13.9	5.0	(6.8)
Cash flow/int. & ST debt (x)	(0.1)	0.0	0.7	0.1	(0.1)
Current ratio (x)	1.2	1.2	1.3	1.2	1.2
Quick ratio (x)	0.9	0.8	1.0	0.9	0.8
Net debt (NT\$m)	27,005	49,412	(12,506)	2,820	102,601
<b>Per share data</b>					
EPS (NT\$)	8.73	7.51	10.29	14.78	19.09
CFPS (NT\$)	(6.17)	2.96	32.25	7.82	(11.29)
BVPS (NT\$)	41.72	43.79	48.21	51.16	54.97
Adj BVPS (NT\$)	41.81	43.89	48.29	51.25	55.07
SPS (NT\$)	293.02	332.19	281.55	396.90	598.95
EBITDA/share (NT\$)	11.83	10.71	14.26	19.91	26.64
Cash DPS (NT\$)	6.60	6.00	9.00	11.80	15.25
<b>Activity</b>					
Sales / avg assets	1.64	1.67	1.44	1.95	2.31
Days receivable	85.7	81.0	87.4	70.0	70.0
Days inventory	67.9	68.2	45.1	55.0	55.0
Days payable	79.4	64.4	61.4	65.0	65.0
Cash cycle	74.2	84.7	71.1	60.0	60.0

Source: Company data; KGI Research estimates

**Profit & loss**

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
<b>Revenue</b>	<b>1,129,453</b>	<b>1,280,429</b>	<b>1,085,611</b>	<b>1,530,371</b>	<b>2,309,448</b>
Cost of goods sold	(1,057,342)	(1,209,514)	(1,000,728)	(1,418,396)	(2,164,926)
<b>Gross profit</b>	<b>72,111</b>	<b>70,915</b>	<b>84,883</b>	<b>111,975</b>	<b>144,522</b>
Operating expenses	(34,833)	(39,725)	(41,339)	(47,008)	(54,316)
<b>Operating profit</b>	<b>37,277</b>	<b>31,189</b>	<b>43,550</b>	<b>64,967</b>	<b>90,206</b>
<b>Non-operating income</b>	<b>7,902</b>	<b>13,977</b>	<b>16,785</b>	<b>14,757</b>	<b>12,195</b>
Interest income	2,389	5,018	10,620	9,857	8,295
Investment income	200	496	33	100	100
Other non-op income	5,313	8,462	6,131	4,800	3,800
<b>Non-operating expenses</b>	<b>(1,743)</b>	<b>(4,385)</b>	<b>(8,603)</b>	<b>(6,590)</b>	<b>(6,897)</b>
Interest expense	(1,116)	(4,370)	(8,915)	(6,070)	(6,397)
Investment loss	(61)	(15)	(45)	(50)	(50)
Other non-op expenses	(566)	0	356	(470)	(450)
<b>Pre-tax profit</b>	<b>43,436</b>	<b>40,781</b>	<b>51,731</b>	<b>73,134</b>	<b>95,505</b>
Current taxation	(9,077)	(11,058)	(11,243)	(15,358)	(21,011)
Minorities	(707)	(765)	(812)	(800)	(870)
Extraordinary items	-	0	0	-	-
<b>Net profit</b>	<b>33,653</b>	<b>28,957</b>	<b>39,676</b>	<b>56,976</b>	<b>73,624</b>
<b>EBITDA</b>	<b>45,602</b>	<b>41,292</b>	<b>54,986</b>	<b>76,785</b>	<b>102,736</b>
EPS (NT\$)	8.73	7.51	10.29	14.78	19.09

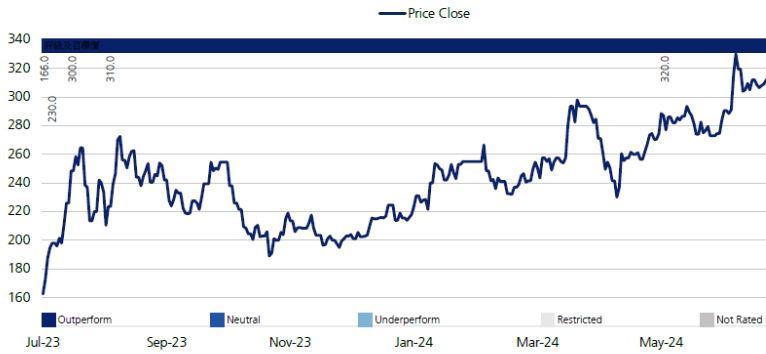
**Cash flow**

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
<b>Operations cash flow</b>	<b>(23,793)</b>	<b>11,415</b>	<b>124,333</b>	<b>30,153</b>	<b>(43,551)</b>
Net profit	33,653	28,957	39,676	56,976	73,624
Depreciation & amortisation	8,325	10,103	11,437	11,818	12,530
Decrease in working capital	(75,616)	(63,213)	80,499	(38,591)	(129,655)
Other operating cash flow	9,845	35,567	(7,279)	(50)	(50)
<b>Investing cash flow</b>	<b>13,536</b>	<b>(14,143)</b>	<b>(37,612)</b>	<b>(11,516)</b>	<b>(11,519)</b>
Sale of ST investment	19,287	1,560	(29,080)	-	-
New investments	(72)	(19)	(30)	(24)	(27)
Capital expenditure	(11,538)	(16,892)	(8,832)	(10,000)	(10,000)
Others investing cashflow	5,859	1,208	330	(1,492)	(1,492)
<b>Free cash flow</b>	<b>(50,609)</b>	<b>(48,850)</b>	<b>115,553</b>	<b>13,059</b>	<b>(58,256)</b>
<b>Financing cash flow</b>	<b>(33,213)</b>	<b>31,295</b>	<b>(114,205)</b>	<b>48,036</b>	<b>37,289</b>
Increase in short term debt	1,276	34,188	(47,522)	80,000	80,000
Increase in long term loans	(13,809)	24,293	(41,138)	2,000	2,000
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(20,254)	(26,009)	(23,765)	(34,764)	(45,581)
Other financing cashflow	(427)	(1,177)	(1,780)	800	870
<b>Forex effects</b>	<b>(1,644)</b>	<b>13,813</b>	<b>81</b>		
<b>Total cash generated</b>	<b>(45,114)</b>	<b>42,380</b>	<b>(27,403)</b>	<b>66,673</b>	<b>(17,781)</b>

**ROIC**

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	3.1%	3.1%	3.8%	3.1%	2.4%
<b>= Operating margin</b>	<b>3.3%</b>	<b>2.4%</b>	<b>4.0%</b>	<b>4.2%</b>	<b>3.9%</b>
1 / (Working capital/revenue	0.1	0.1	0.1	0.1	0.1
+ Net PPE/revenue	0.0	0.0	0.1	0.0	0.0
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
<b>= Capital turnover</b>	<b>6.6</b>	<b>6.2</b>	<b>8.3</b>	<b>9.7</b>	<b>8.4</b>
Operating margin	3.3%	2.4%	4.0%	4.2%	3.9%
x Capital turnover	6.6	6.2	8.3	9.7	8.4
x (1 - tax rate)	79.1%	72.9%	78.3%	79.0%	78.0%
<b>= After-tax ROIC</b>	<b>17.1%</b>	<b>11.1%</b>	<b>26.0%</b>	<b>32.4%</b>	<b>25.7%</b>

Source: Company data; KGI Research estimates

**Quanta Computer – Recommendation & target price history**


Date	Rating	Target	Price
2024-05-15	Outperform	320.0	287.0
2024-03-17	Outperform	310.0	257.5
2023-11-11	Outperform	310.0	213.5
2023-08-12	Outperform	310.0	223.5
2023-07-24	Outperform	300.0	248.5
2023-07-14	Outperform	230.0	198.0
2023-06-13	Outperform	166.0	138.0
2023-05-12	Outperform	116.0	101.5
2023-03-16	Outperform	88.0	82.8
2022-11-11	Outperform	81.0	70.5

Source: TEJ, KGI Research

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