

Quanta Computer (2382.TW/2382 TT)

2Q24 margins & EPS beat; robust AI sales in 2H24-25F

FTSE4Good TIP Taiwan ESG Index stock

Outperform · Maintained

Price as of August 9 (NT\$)	250.0
12M target price (NT\$)	390.0
Previous target price (NT\$)	390.0
Unchanged (%)	0.0
Upside (%)	56.0

Key message

- 2Q24 EPS of NT\$3.92 & 1H24 EPS of NT\$7.06 beat both consensus and our forecast on strong margins.
- We are positive on 2H24-2025F server sales growth with an AI server sales weighting between 30-40% of total sales in 2024F.
- With over 50% of server sales from AI in 2024F and over 70% in 2025F, coupled with auto sales growth, we expect strong 2024-25F EPS growth forecast.

Trading data

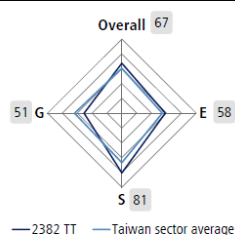
Mkt cap (NT\$/bn/US\$mn)	966 / 29,631
Outstanding shares (mn)	3,863
Foreign ownership (mn)	1,097
3M avg. daily trading (mn)	25.60
52-week trading range (NT\$)	189.0 –341.0

Performance	3M	6M	12M
Absolute (%)	-8.9	-2	7.1
Relative (%)	-13.3	-20.6	-20.2

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	3.92A	3.57F	4.49F

ESG score card



Source: Refinitiv, KGI

Event

Quanta Computer announced 2Q24 EPS of NT\$3.92, up 49% YoY and 25% QoQ, beating consensus and our forecast. The firm guided NB shipments to be flat QoQ in 3Q24F, and server sales to grow QoQ, with an AI server sales weighting of over 25% in 2H24F.

Impact

2Q24 EPS beat on margins & forex gains. Quanta reported 2Q24 EPS of NT\$3.92, beating consensus and our estimate on stronger-than-expected gross and operating margins, and non-operating profit. Gross margin was 8.6% in 2Q24, up QoQ and YoY, on higher Chromebook shipments, and despite a significant rise of gross-margin-dilutive AI server sales in 2Q24. Thanks to operating leverage, operating margin rose to 4.9%, with both gross and operating margins beating consensus and our forecast. Coupled with higher non-operating profit, including forex gains of NT\$1.6bn, 1H24 EPS came in at NT\$7.06, up 64%.

AI server sales to drive 2H24F sales growth. After 2Q24 NB shipments growth of 11% QoQ to 11.7mn units, the firm guides flat QoQ NB shipments in 3Q24, and a moderate YoY decline for 2024F. The firm is positive on growth with eased GPU supply in 2H24F. July sales of NT\$124bn, up 12% MoM and 43% YoY, with notebook shipments declining by 24% MoM, to 3.4mn units, suggesting growing AI server sales. We expect 30%QoQ sales growth for 3Q24F. AI server sales comprised 50% of total server sales in 2Q24, exceeding Quanta's previous goal. Thus, the firm expects 2024F AI server sales will be over 50% of total server sales, implying 30-40% of total sales from AI servers in 2024F. The higher AI server sales weighting is owed to continued high capex from main US CSP clients, with demand continuing to outstrip supply. Despite AI server sales surges diluting gross margin in 2H24F, we expect auto sales growth and higher overall sales will allow smaller decline for operating margin, to above 4% in 2H24F. To reflect stronger 2Q24 earnings, our 2024 EPS forecast is revised up to NT\$15.11, up 47% YoY.

Capital raised to meet heavy AI server demand & shipments schedule. To meet strong GB200 AI server demand in 2025F, Quanta announced an ECB issuance of US\$1bn, which will potentially dilute earnings by 2-2.5%, for working capital and various production capacity expansions. The firm also raised 2024F capex from NT\$10bn to NT\$12bn. As Quanta has AI server orders for both Hopper and Blackwell GPU designs, the firm guides a limited impact on sales should Blackwell GPU models be delayed. However, the higher ASP for B200 and GB200 designs over H100 and H200 models would still result in an impact on overall sales. We think higher entry barriers for AI servers in next-generation architectures (Blackwell/ GB) will result in reduced competition for AI server assemblers over the next year. We slightly adjust our 2025F EPS to NT\$18.79, up 24% YoY, on strong AI server sales.

Valuation & Action

We hold our target price at 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 and auto sales.

Key financials and valuations

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (NT\$mn)	1,129,453	1,280,429	1,085,611	1,495,656	2,250,373
Gross profit (NT\$mn)	72,111	70,915	84,883	110,289	140,790
Operating profit (NT\$mn)	37,277	31,189	43,550	64,500	87,955
Net profit (NT\$mn)	33,653	28,957	39,676	58,267	72,462
EPS (NT\$)	8.73	7.51	10.29	15.11	18.79
Cash DPS (NT\$)	6.60	6.00	9.00	12.07	15.01
EPS growth (%)	32.9	(14.0)	37.0	46.9	24.4
PE (x)	28.6	33.3	24.3	16.5	13.3
PB (x)	6.0	5.7	5.2	4.9	4.5
EV/EBITDA (x)	22.1	24.9	17.5	12.8	10.7
Net debt to equity (%)	16.1	28.0	Net cash	Net cash	43.0
Dividend yield (%)	2.6	2.4	3.6	4.8	6.0
Return on average equity (%)	22.0	17.5	22.3	30.3	35.3

Source: Company data; KGI Research estimates

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

NT\$m	2Q24							3Q24F						
	Actual	KGI forecast	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	309,954	309,954	0.0	19.7	26.5	301,751	2.7	402,940	409,139	(1.5)	30.0	40.6	408,868	(1.4)
Gross profits	26,609	26,036	2.2	21.2	27.4	24,137	10.2	28,206	28,640	(1.5)	6.0	21.4	29,508	(4.4)
Operating income	15,208	14,258	6.7	30.0	34.7	12,993	17.0	16,118	16,366	(1.5)	6.0	27.9	16,783	(4.0)
Pretax Income	19,602	16,400	19.5	34.9	35.9	14,861	31.9	17,885	18,107	(1.2)	(8.8)	14.0	18,618	(3.9)
Net income	15,128	12,592	20.1	25.4	49.4	11,098	36.3	13,750	13,924	(1.2)	(9.1)	7.4	13,824	(0.5)
EPS (NT\$)	3.92	3.27	20.1	25.4	49.4	2.88	36.3	3.57	3.61	(1.2)	(9.1)	7.4	3.59	(0.5)
Gross margin (%)	8.6	8.4	0.2 ppts	0.1 ppts	0.1 ppts	8.0	0.6 ppts	7.0	7.0	0.0 ppts	(1.6)ppts	(1.1)ppts	7.2	(0.2)ppts
OP margin (%)	4.9	4.6	0.3 ppts	0.4 ppts	0.3 ppts	4.3	0.6 ppts	4.0	4.0	0.0 ppts	(0.9)ppts	(0.4)ppts	4.1	(0.1)ppts
Net margin (%)	4.9	4.1	0.8 ppts	0.2 ppts	0.7 ppts	3.7	1.2 ppts	3.4	3.4	0.0 ppts	(1.5)ppts	(1.1)ppts	3.4	0.0 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	1,495,656	1,530,371	(2.3)	37.8	1,464,040	2.2	2,250,373	2,309,448	(2.6)	50.5	2,243,918	0.3
Gross profit	110,289	111,975	(1.5)	29.9	109,803	0.4	140,790	144,522	(2.6)	27.7	143,611	(2.0)
Operating income	64,500	64,967	(0.7)	48.1	61,564	4.8	87,955	90,206	(2.5)	36.4	83,695	5.1
Pretax Income	74,768	73,134	2.2	44.5	70,715	5.7	94,015	95,505	(1.6)	25.7	90,032	4.4
Net income	58,267	56,976	2.3	46.9	54,378	7.2	72,462	73,624	(1.6)	24.4	68,512	5.8
EPS (NT\$)	15.11	14.78	2.3	46.9	14.10	7.2	18.79	19.09	(1.6)	24.4	17.77	5.8
Gross margin (%)	7.4	7.3	0.1 ppts	(0.4)ppts	7.5	(0.1)ppts	6.3	6.3	(0.0)ppts	(1.1)ppts	6.4	(0.1)ppts
OP margin (%)	4.3	4.2	0.1 ppts	0.3 ppts	4.2	0.1 ppts	3.9	3.9	0.0 ppts	(0.4)ppts	3.7	0.2 ppts
Net margin (%)	3.9	3.7	0.2 ppts	0.2 ppts	3.7	0.2 ppts	3.2	3.2	0.0 ppts	(0.7)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	29	20
Cloud server	23	24	26	27	35	53	78
EV	1	2	3	6	8	8	6
Wearable / IoT / Others	32	21	18	19	16	10	7

Source: KGI Research estimates

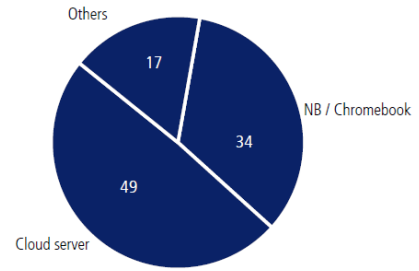
Figure 4: Company profile

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

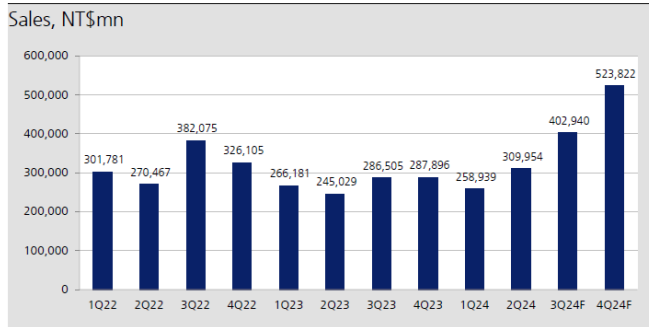
Figure 5: Sales weighting of NB down to 30-35% and server up to 50% in 2Q24

1H24 sales weighting, percent



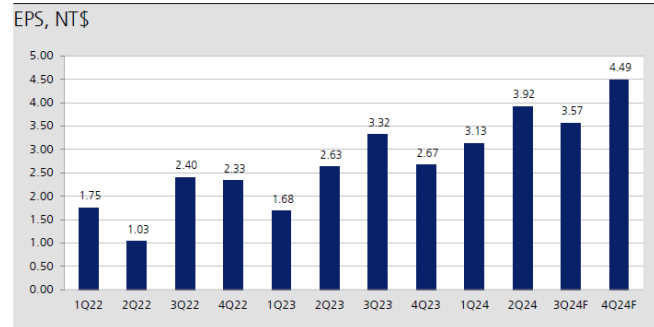
Source: Company data; KGI Research

Figure 6: Sales



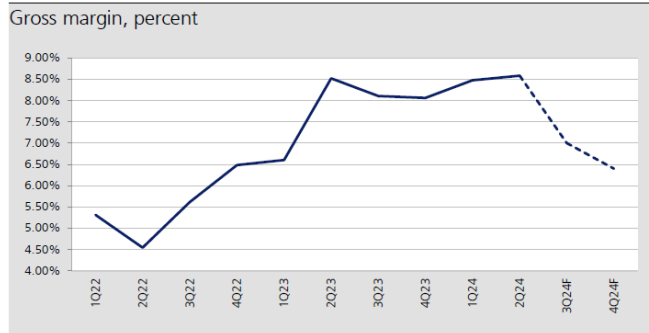
Source: KGI Research

Figure 7: EPS



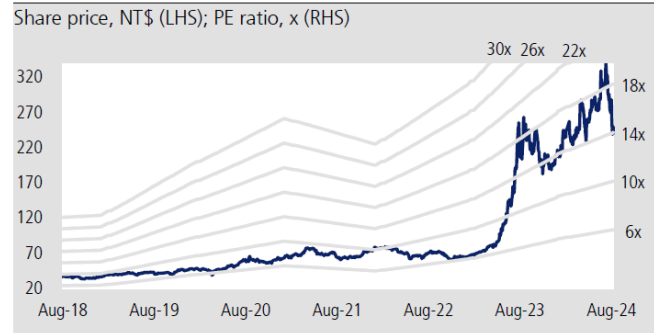
Source: KGI Research

Figure 8: Gross Margin



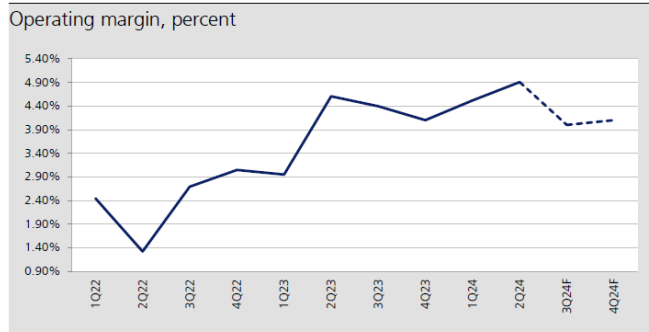
Source: KGI Research

Figure 9: 12M forward PE band



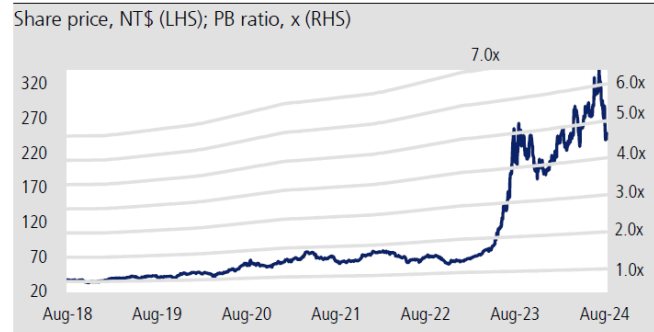
Source: TEJ; KGI Research estimates

Figure 10: Operating Margin



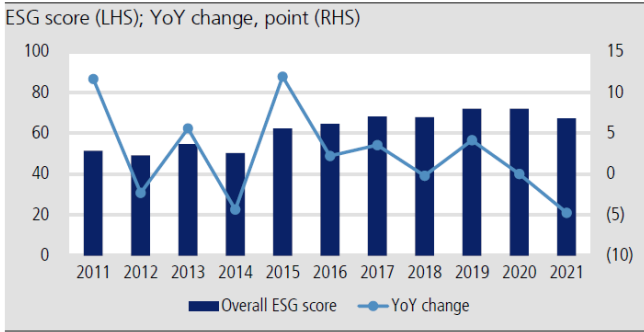
Source: KGI Research

Figure 11: 12M forward PB band



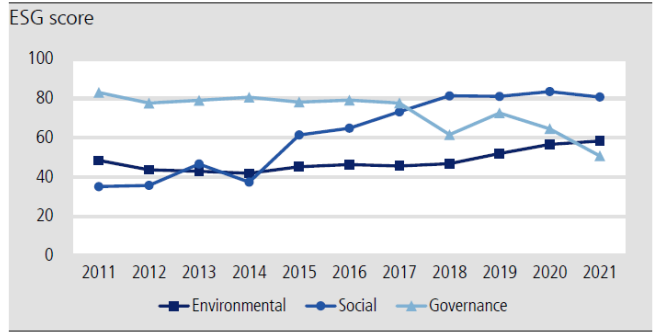
Source: TEJ; KGI Research estimates

Figure 12: Overall ESG score



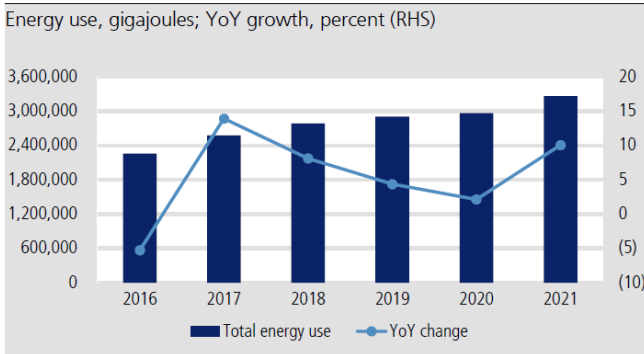
Source: Refinitiv; KGI Research; Company data

Figure 13: ESG scores



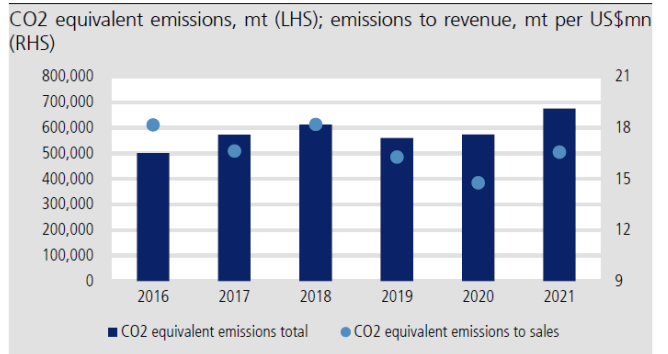
Source: Refinitiv; KGI Research; Company data

Figure 14: Energy Use



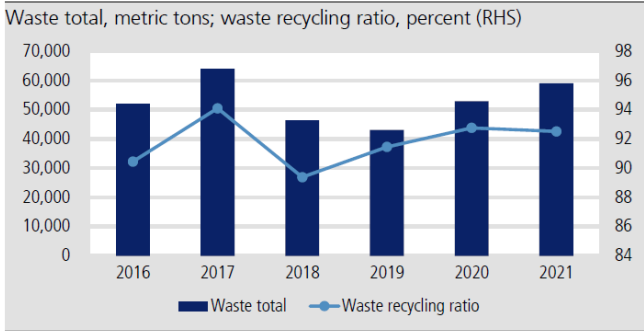
Source: Refinitiv; KGI Research; Company data

Figure 15: CO2 equivalent emissions



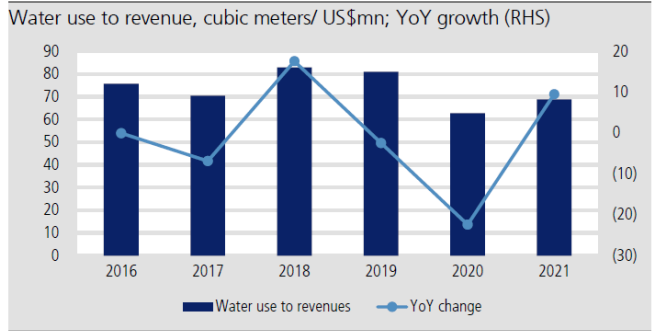
Source: Refinitiv; KGI Research; Company data

Figure 16: Waste total



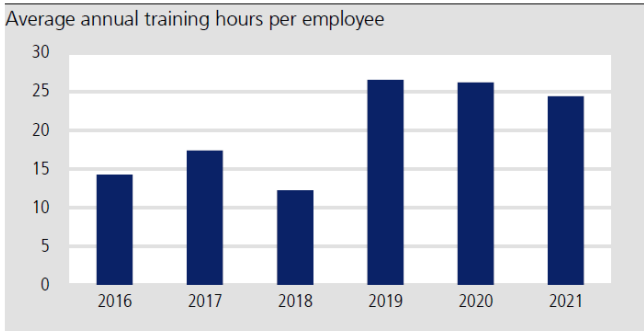
Source: Refinitiv; KGI Research; Company data

Figure 17: Water use to revenue



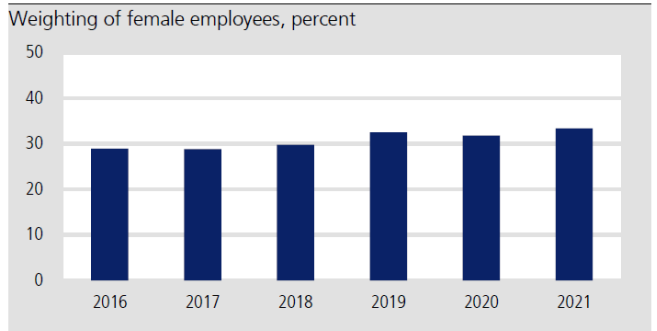
Source: Refinitiv; KGI Research; Company data

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"> - 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\$mn)</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; 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	266,181	245,029	286,505	287,896	258,939	309,954	402,940	523,822	1,085,611	1,495,656	2,250,373
Cost of goods sold	(248,615)	(224,147)	(263,276)	(264,689)	(236,990)	(283,345)	(374,735)	(490,298)	(1,000,728)	(1,385,368)	(2,109,583)
Gross profit	17,566	20,882	23,228	23,207	21,950	26,609	28,206	33,525	84,883	110,289	140,790
Operating expenses	(9,713)	(9,595)	(10,631)	(11,400)	(10,252)	(11,401)	(12,088)	(12,048)	(41,339)	(45,789)	(52,835)
Operating profit	7,858	11,287	12,597	11,807	11,698	15,208	16,118	21,477	43,550	64,500	87,955
Depreciation of fixed assets	(2,375)	(2,430)	(2,456)	(2,541)	(2,461)	(2,535)	(2,619)	(2,861)	(9,802)	(10,476)	(11,318)
Amortisation of intangible assets	(405)	(388)	(429)	(413)	(399)	(399)	(373)	(321)	(1,635)	(1,492)	(1,492)
EBITDA	10,639	14,105	15,482	14,761	14,558	18,142	19,110	24,659	54,986	76,468	100,765
Interest income	2,230	3,042	2,453	2,896	2,534	3,047	2,490	1,888	10,620	9,959	8,766
Investment income	-	11	-	22	-	-	25	75	33	100	100
Other non-op income	1,295	2,173	2,663	0	1,832	375	900	3,693	6,131	6,800	3,800
Non-operating income	3,525	5,226	5,117	2,918	4,365	3,422	3,415	5,657	16,785	16,859	12,666
Interest expense	(2,430)	(2,082)	(2,010)	(2,392)	(1,526)	(1,651)	(1,518)	(1,376)	(8,915)	(6,070)	(6,106)
Investment loss	(13)	(11)	(11)	(9)	(7)	(14)	(13)	(17)	(45)	(50)	(50)
Other non-op expenses	(0)	0	(0)	356	0	2,637	(118)	(2,989)	356	(470)	(450)
Non-operating expenses	(2,443)	(2,094)	(2,022)	(2,045)	(1,532)	972	(1,648)	(4,383)	(8,603)	(6,590)	(6,606)
Pre-tax profit	8,940	14,419	15,693	12,679	14,531	19,602	17,885	22,751	51,731	74,768	94,015
Current taxation	(2,328)	(4,146)	(2,640)	(2,129)	(2,301)	(4,320)	(3,935)	(5,146)	(11,243)	(15,701)	(20,683)
Minorities	(139)	(149)	(253)	(272)	(162)	(155)	(200)	(284)	(812)	(800)	(870)
Normalised net profit	6,474	10,125	12,800	10,278	12,068	15,128	13,750	17,321	39,676	58,267	72,462
Extraordinary items	0	0	0	(0)	(0)	0	-	(0)	-	-	-
Net profit	6,474	10,125	12,800	10,278	12,068	15,128	13,750	17,321	39,676	58,267	72,462
EPS (NT\$)	1.68	2.63	3.32	2.67	3.13	3.92	3.57	4.49	10.29	15.11	18.79
Margins (%)											
Gross profit margin	6.6	8.5	8.1	8.1	8.5	8.6	7.0	6.4	7.8	7.4	6.3
Operating margin	3.0	4.6	4.4	4.1	4.5	4.9	4.0	4.1	4.0	4.3	3.9
EBITDA margin	4.0	5.8	5.4	5.1	5.6	5.9	4.7	4.7	5.1	5.1	4.5
Pretax profit margin	3.4	5.9	5.5	4.4	5.6	6.3	4.4	4.3	4.8	5.0	4.2
Net profit margin	2.4	4.1	4.5	3.6	4.7	4.9	3.4	3.3	3.7	3.9	3.2
Sequential growth (%)											
Revenue growth	(18.4)	(7.9)	16.9	0.5	(10.1)	19.7	30.0	30.0			
Gross profit growth	(16.9)	18.8	11.2	(0.1)	(5.4)	21.2	6.0	18.9			
Operating profit growth	(20.9)	43.6	11.6	(6.3)	(0.9)	30.0	6.0	33.3			
EBITDA growth	(16.5)	32.6	9.8	(4.7)	(1.4)	24.6	5.3	29.0			
Pretax profit growth	(27.1)	61.3	8.8	(19.2)	14.6	34.9	(8.8)	27.2			
Net profit growth	(28.0)	56.4	26.4	(19.7)	17.4	25.4	(9.1)	26.0			
YoY growth (%)											
Revenue growth	(11.8)	(9.4)	(25.0)	(11.7)	(2.7)	26.5	40.6	81.9	(15.2)	37.8	50.5
Gross profit growth	9.6	70.0	8.4	9.7	25.0	27.4	21.4	44.5	19.7	29.9	27.7
Operating profit growth	6.5	215.6	22.4	18.8	48.9	34.7	27.9	81.9	39.6	48.1	36.4
EBITDA growth	10.9	135.2	19.4	15.8	36.8	28.6	23.4	67.1	33.2	39.1	31.8
Pretax profit growth	(3.7)	147.9	16.9	3.4	62.5	35.9	14.0	79.4	26.9	44.5	25.7
Net profit growth	(4.1)	155.5	38.3	14.4	86.4	49.4	7.4	68.5	37.0	46.9	24.4

Source: Company data; KGI Research estimates

Balance sheet

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Total assets	717,570	816,134	690,120	874,136	1,112,498
Current assets	649,417	733,270	610,448	792,866	1,032,469
Cash & ST securities	177,375	214,499	218,726	290,577	274,957
Inventory	196,596	225,856	123,764	208,184	317,882
Accounts receivable	265,119	283,992	259,907	286,054	431,578
Other current assets	10,326	8,923	8,051	8,051	8,051
Non-current assets	68,152	82,864	79,672	81,270	80,030
LT investments	3,933	4,353	5,449	5,523	5,600
Net fixed assets	52,223	63,225	60,820	62,343	61,025
Other assets	11,996	15,286	13,404	13,404	13,404
Total liabilities	549,442	639,610	496,228	667,791	890,790
Current liabilities	520,721	628,591	483,013	652,734	874,348
Accounts payable	229,941	213,514	168,322	246,035	375,679
Interest bearing ST liabilities	166,588	249,525	158,797	238,955	319,569
Other current liabilities	124,193	165,552	155,893	167,743	179,099
Non-current liabilities	28,721	11,019	13,215	15,056	16,443
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
Total equity	168,127	176,523	193,892	206,346	221,708
Share capital	38,626	38,626	38,626	38,626	38,626
Retained earnings reserve	68,181	71,674	76,586	88,240	102,732
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
Growth					
Revenue growth	3.5%	13.4%	(15.2%)	37.8%	50.5%
Operating profit growth	14.9%	(16.3%)	39.6%	48.1%	36.4%
EBITDA growth	12.4%	(9.5%)	33.2%	39.1%	31.8%
Net profit growth	32.9%	(14.0%)	37.0%	46.9%	24.4%
EPS growth	32.9%	(14.0%)	37.0%	46.9%	24.4%
Profitability					
Gross profit margin	6.4%	5.5%	7.8%	7.4%	6.3%
Operating margin	3.3%	2.4%	4.0%	4.3%	3.9%
EBITDA margin	4.0%	3.2%	5.1%	5.1%	4.5%
Net profit margin	3.0%	2.3%	3.7%	3.9%	3.2%
Return on average assets	4.9%	3.8%	5.3%	7.4%	7.3%
Return on average equity	22.0%	17.5%	22.3%	30.3%	35.3%
Stability					
Gross debt to equity	112.6%	143.9%	85.0%	119.6%	148.3%
Net debt to equity	16.1%	28.0%	Net cash	Net cash	43.0%
Interest coverage (x)	39.9	10.3	6.8	13.3	16.4
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	6.1	(6.6)
Cash flow/int. & ST debt (x)	(0.1)	0.0	0.7	0.2	(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\$mn)	27,005	49,412	(12,506)	(2,358)	95,262
Per share data					
EPS (NT\$)	8.73	7.51	10.29	15.11	18.79
CFPS (NT\$)	(6.17)	2.96	32.25	9.68	(10.47)
BVPS (NT\$)	41.72	43.79	48.21	51.22	54.98
Adj BVPS (NT\$)	41.81	43.89	48.29	51.31	55.07
SPS (NT\$)	293.02	332.19	281.55	387.90	583.63
EBITDA/share (NT\$)	11.83	10.71	14.26	19.83	26.13
Cash DPS (NT\$)	6.60	6.00	9.00	12.07	15.01
Activity					
Sales / avg assets	1.64	1.67	1.44	1.91	2.27
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

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue	1,129,453	1,280,429	1,085,611	1,495,656	2,250,373
Cost of goods sold	(1,057,342)	(1,209,514)	(1,000,728)	(1,385,368)	(2,109,583)
Gross profit	72,111	70,915	84,883	110,289	140,790
Operating expenses	(34,833)	(39,725)	(41,339)	(45,789)	(52,835)
Operating profit	37,277	31,189	43,550	64,500	87,955
Non-operating income	7,902	13,977	16,785	16,859	12,666
Interest income	2,389	5,018	10,620	9,959	8,766
Investment income	200	496	33	100	100
Other non-op income	5,313	8,462	6,131	6,800	3,800
Non-operating expenses	(1,743)	(4,385)	(8,603)	(6,590)	(6,606)
Interest expense	(1,116)	(4,370)	(8,915)	(6,070)	(6,106)
Investment loss	(61)	(15)	(45)	(50)	(50)
Other non-op expenses	(566)	0	356	(470)	(450)
Pre-tax profit	43,436	40,781	51,731	74,768	94,015
Current taxation	(9,077)	(11,058)	(11,243)	(15,701)	(20,683)
Minorities	(707)	(765)	(812)	(800)	(870)
Extraordinary items	-	0	0	-	-
Net profit	33,653	28,957	39,676	58,267	72,462
EBITDA	45,602	41,292	54,986	76,468	100,765
EPS (NT\$)	8.73	7.51	10.29	15.11	18.79

Cash flow

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Operations cash flow	(23,793)	11,415	124,333	37,331	(40,357)
Net profit	33,653	28,957	39,676	58,267	72,462
Depreciation & amortisation	8,325	10,103	11,437	11,968	12,810
Decrease in working capital	(75,616)	(63,213)	80,499	(32,854)	(125,579)
Other operating cash flow	9,845	35,567	(7,279)	(50)	(50)
Investing cash flow	13,536	(14,143)	(37,612)	(13,516)	(11,519)
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)	(12,000)	(10,000)
Others investing cashflow	5,859	1,208	330	(1,492)	(1,492)
Free cash flow	(50,609)	(48,850)	115,553	16,577	(55,656)
Financing cash flow	(33,213)	31,295	(114,205)	48,036	36,256
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)	(46,614)
Other financing cashflow	(427)	(1,177)	(1,780)	800	870
Forex effects	(1,644)	13,813	81		
Total cash generated	(45,114)	42,380	(27,403)	71,851	(15,620)

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%	2.3%
= Operating margin	3.3%	2.4%	4.0%	4.3%	3.9%
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
= Capital turnover	6.6	6.2	8.3	9.7	8.4
Operating margin	3.3%	2.4%	4.0%	4.3%	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%
= After-tax ROIC	17.1%	11.1%	26.0%	33.2%	25.8%

Source: Company data, KGI Research estimates

Quanta Computer – Recommendation & target price history



Date	Rating	Target	Price
2024-07-08	Outperform	390.0	319.5
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

Source: TEJ; KGI Research

All the above named KGI analyst(s) is SFC licensed person accredited to KGI Asia Ltd to carry on the relevant regulated activities. Each of them and/or his/her associate(s) does not have any financial interest in the respectively covered stock, issuer and/or new listing applicant.

Disclaimer

All the information contained in this report is not intended for use by persons or entities located in or residing in jurisdictions which restrict the distribution of this information by KGI Asia Limited ("KGI") or an affiliate of KGI. Such information shall not constitute investment advice, or an offer to sell, or an invitation, solicitation or recommendation to subscribe for or invest in any securities or investment products or services nor a distribution of information for any such purpose in any jurisdiction. In particular, the information herein is not for distribution and does not constitute an offer to sell or the solicitation of any offer to buy any securities in the United States of America, or to or for the benefit of United States persons (being residents of the United States of America or partnerships or corporations organised under the laws of the United States of America or any state, territory or possession thereof). All the information contained in this report is for general information and reference purpose only without taking into account of any particular investor's objectives, financial situation or needs. Such information is not intended to provide professional advice and should not be relied upon in that regard.

Some of KGI equity research and earnings estimates are available electronically on www.kgi.com.hk. Please contact your KGI representative for information. The information and opinions in this report are those of KGI internal research activity. KGI does not make any representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. The information and opinions contained in this report are subject to change without any notice. No person accepts any liability whatsoever for any loss however arising from any use of this report or its contents. This report is not to be construed as an invitation or offer to buy or sell securities and/or to participate in any investment activity. This report is being supplied solely for informational purposes and may not be redistributed, reproduced or published (in whole or in part) by any means for any purpose without the prior written consent of KGI. Members of the KGI group and their affiliates may provide services to any companies and affiliates of such companies mentioned herein. Members of the KGI group, their affiliates and their directors, officers and employees may from time to time have a position in any securities mentioned herein.