

UMT (3491.TWO/3491 TT)

LEO satellite sales to continue growing in 2025F

Outperform · Maintained

Price as of September 10 (NT\$)	319.5
12M target price (NT\$)	330.0
Previous target price (NT\$)	308.0
Revised up (%)	7.1
Upside (%)	3.3

Key message

- The sales weighting of LEO satellite products surged in 2Q24.
- Positive 2025-26F prospects.

Trading data

Mkt cap (NT\$bn/US\$mn)	20.40 / 635
Outstanding shares (mn)	63.84
Foreign ownership (mn)	13.15
3M avg. daily trading (mn)	1.80
52-week trading range (NT\$)	149.5 –353.5

Performance	3M	6M	12M
Absolute (%)	14.7	104.8	113.7
Relative (%)	18.3	98.3	86.6

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	0.71A	1.47A	1.41A	0.77A
2023	0.89A	0.92A	0.73A	0.67A
2024	1.23A	2.79A	2.12F	2.63F

Share price chart



Source: TEJ

Event

Universal Microwave Technology (UMT) held an analyst meeting and provided a business update.

Impact

Weighting of LEO satellite products surged in 2Q24. UMT announced 2Q24 sales of NT\$648mn, up 49.4% QoQ and 72.1% YoY, as shipments of Low-Earth orbit (LEO) satellite products continue, with the LEO sales weighting rising to 44% in 2Q24 from 33% in 1Q24. Coupled with NRE-related income from some clients, 2Q24 gross margin was 55.4%. Management said that clients orders trended up in 1H24, and, as of September, guides 2024F LEO satellite-related sales to reach close to NT\$1.1bn, improving from guidance of NT\$660mn during the April analyst meeting, with satellite payload-related products accounting for 74% of the product mix, gateway-related products 23%, and user terminal-related products 3%. January-August cumulative LEO satellite-related sales were NT\$630mn. The firm can meet order demand from clients in 2H24F, with sales rising QoQ in 3Q-4Q24F.

Positive 2025-26F prospects. Management is positive about 2025-26F sales, with the main catalysts including: (1) increasing satellite launches by, and increasing range of product shipments to, LEO customer B. Several integrated component modules are in the certification process near term, and the value of a single satellite may be pushed up after it is integrated with more products; (2) LEO customer A is increasing the weighting of outsourced products. Besides expanding the production capacity of the new Vietnam plant and the Taiwan plant, with products entering mass production in 4Q24F, the firm also plans to build a Thailand plant to fulfill demand from clients, lowering geopolitical concerns; (3) rising sales for the antennas and backhails in the 5G microwave business; and (4) a higher weighting of LEO products will push up gross margin, while sales growth will dilute operating expenses and boost profitability. All told, we adjust 2024-25F sales to a respective NT\$2.42bn and NT\$3.26bn, up 52.9% and 34.3% YoY, for EPS of NT\$8.79 and NT\$13.1, up 175% and 49.5% YoY.

Valuation & Action

We maintain Outperform on UMT. On 25x revised 2025F EPS, we derive a target price of NT\$330.

Risks

Underwhelming 5G and satellite industry development; deferment of certifications.

Key financials and valuations

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (NT\$mn)	1,758	1,838	1,585	2,423	3,255
Gross profit (NT\$mn)	655	751	641	1,267	1,803
Operating profit (NT\$mn)	221	292	202	683	1,099
Net profit (NT\$mn)	237	271	200	562	861
EPS (NT\$)	3.81	4.36	3.20	8.79	13.14
Cash DPS (NT\$)	4.00	4.00	3.36	8.00	12.50
EPS growth (%)	87.1	14.5	(26.6)	174.6	49.5
PE (x)	83.9	73.3	99.8	36.4	24.3
PB (x)	10.0	10.1	9.8	10.0	10.3
EV/EBITDA (x)	71.8	60.3	75.6	27.8	19.3
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	1.3	1.3	1.1	2.5	3.9
Return on average equity (%)	12.1	13.7	9.9	27.5	43.3

Source: Company data; KGI Research estimates

Figure 1: Breakdown of 2Q24 results & 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	648	693	(6.5)	49.4	72.1	677	(4.2)	649	720	(9.9)	0.2	72.8	656	(1.1)
Gross profit	359	376	(4.5)	83.0	165.2	331	8.4	340	390	(12.6)	(5.3)	129.7	345	(1.4)
Operating income	198	235	(15.7)	158.2	729.7	231	(14.1)	190	244	(21.9)	(3.9)	330.1	204	(6.7)
Pretax income	243	257	(5.4)	117.2	174.6	245	(0.9)	190	257	(25.8)	(21.7)	178.7	218	(12.7)
Net income	178	187	(4.9)	129.7	212.2	180	(0.9)	136	187	(27.3)	(23.6)	196.0	165	(17.6)
EPS (NT\$)	2.79	2.97	(5.8)	127.6	204.5	3.49	(20.0)	2.12	2.96	(28.4)	(24.1)	190.1	2.58	(17.8)
Gross margin (%)	55.4	54.2	1.2 ppts	10.2 ppts	19.5 ppts	49.0	6.5 ppts	52.4	54.1	(1.7)ppts	(3.0)ppts	13.0 ppts	52.6	(0.2)ppts
OP margin (%)	30.6	33.9	(3.3)ppts	12.9 ppts	24.2 ppts	34.1	(3.5)ppts	29.3	33.8	(4.5)ppts	(1.2)ppts	17.5 ppts	31.1	(1.8)ppts
Net margin (%)	27.5	27.0	0.5 ppts	9.6 ppts	12.3 ppts	26.6	0.9 ppts	21.0	26.0	(5.0)ppts	(6.5)ppts	8.7 ppts	25.2	(4.2)ppts

Source: Company data; Bloomberg; KGI Research

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	2,423	2,598	(6.7)	52.9	2,386	1.6	3,255	2,984	9.1	34.3	3,451	(5.7)
Gross profit	1,267	1,372	(7.7)	97.6	1,236	2.5	1,803	1,631	10.6	42.3	1,920	(6.1)
Operating income	683	815	(16.1)	237.4	674	1.4	1,099	1,004	9.5	60.8	1,164	(5.6)
Pretax income	780	898	(13.2)	160.5	771	1.1	1,173	1,066	10.0	50.4	1,224	(4.2)
Net income	562	651	(13.8)	180.7	578	(2.8)	861	779	10.6	53.3	967	(10.9)
EPS (NT\$)	8.79	10.31	(14.8)	174.6	9.32	(5.7)	13.14	12.32	6.6	49.5	12.80	2.6
Gross margin (%)	52.3	52.8	(0.5)ppts	11.8 ppts	51.8	0.5 ppts	55.4	54.6	0.7 ppts	3.1 ppts	55.6	(0.3)ppts
OP margin (%)	28.2	31.4	(3.2)ppts	15.4 ppts	28.2	(0.1)ppts	33.8	33.6	0.1 ppts	5.6 ppts	33.7	0.0 ppts
Net margin (%)	23.2	25.1	(1.9)ppts	10.6 ppts	24.2	(1.0)ppts	26.5	26.1	0.4 ppts	3.3 ppts	28.0	(1.6)ppts

Source: Bloomberg; KGI Research

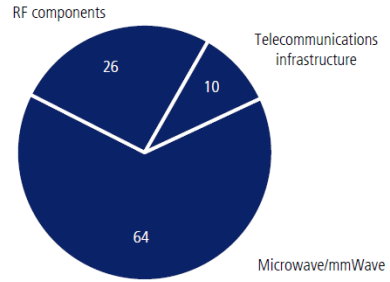
Figure 3: Company profile

Founded in 1999, Universal Microwave Technology (UMT) supplies high-frequency microwave components used in point-to-point networking infrastructure, mobile communication base stations, broadband wireless transmission, and satellite communication. Microwave/mmWave, RF antenna, and telecommunication infrastructure accounted for a respective 64.4%, 25.8%, and 9.8% of 1H24 sales.

Source: Company data; KGI Research

Figure 4: 1H24 product mix

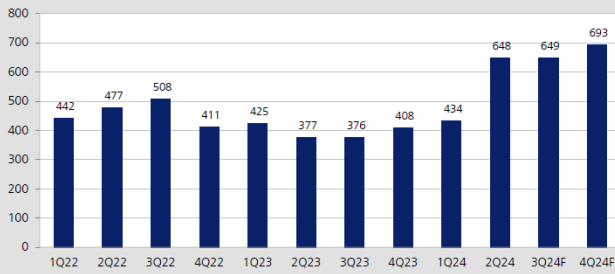
Product weighting, percent



Source: Company data; KGI Research

Figure 5: Sales

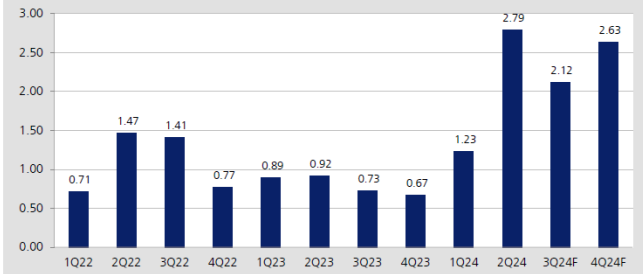
Sales, NT\$m



Source: KGI Research

Figure 6: EPS

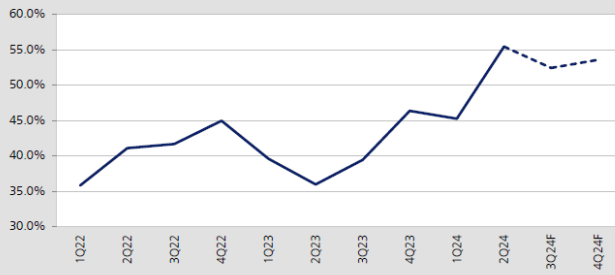
EPS, NT\$



Source: KGI Research

Figure 7: Gross Margin

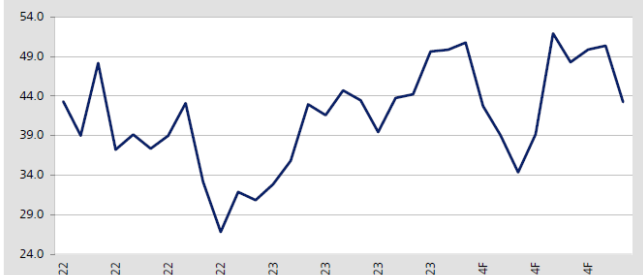
Gross margin, percent



Source: KGI Research

Figure 8: Rolling PE

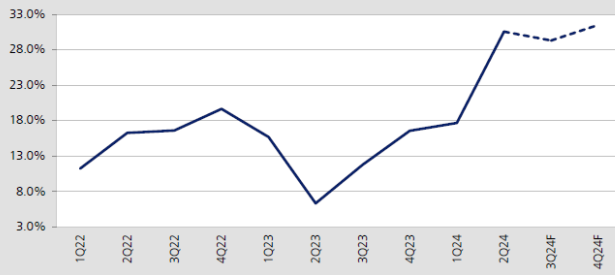
Rolling PE, times



Source: KGI Research

Figure 9: Operating Margin

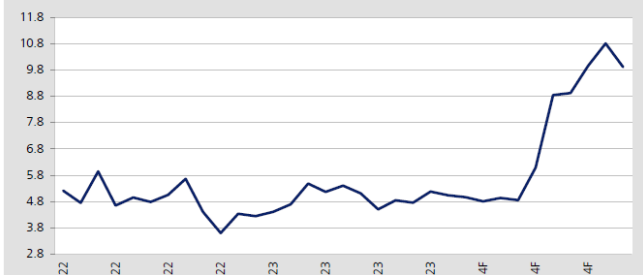
Operating margin, percent



Source: KGI Research

Figure 10: Rolling PB

Rolling PB, times



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	425	377	376	408	434	648	649	693	1,585	2,423	3,255
Cost of goods sold	(257)	(241)	(227)	(219)	(237)	(289)	(309)	(322)	(944)	(1,156)	(1,452)
Gross profit	168	135	148	189	196	359	340	371	641	1,267	1,803
Operating expenses	(102)	(112)	(104)	(122)	(120)	(161)	(150)	(153)	(439)	(584)	(704)
Operating profit	67	24	44	68	77	198	190	218	202	683	1,099
Depreciation of fixed assets	(16)	(17)	(17)	(18)	(17)	(19)	(28)	(46)	(68)	(111)	(117)
Amortisation of intangible assets	(4)	(4)	(4)	(3)	(3)	(3)	(4)	(5)	(15)	(14)	(14)
EBITDA	87	45	65	88	97	220	221	270	285	808	1,230
Interest income	9	10	9	10	11	13	5	5	38	34	30
Investment income	-	16	9	-	-	10	-	-	25	10	-
Other non-op income	2	3	9	12	7	10	12	12	26	41	48
Non-operating income	12	29	26	22	18	32	17	17	89	84	78
Interest expense	(2)	(2)	(1)	(2)	(2)	(2)	(2)	(2)	(7)	(8)	(8)
Investment loss	(0)	(0)	(0)	(0)	(0)	(0)	-	-	(0)	(0)	-
Other non-op expenses	(0)	38	(1)	(22)	19	15	(15)	1	15	20	4
Non-operating expenses	(2)	36	(2)	(23)	17	13	(17)	(1)	8	12	(4)
Pre-tax profit	76	89	68	66	112	243	190	234	299	780	1,173
Current taxation	(16)	(16)	(16)	(9)	(24)	(47)	(44)	(54)	(58)	(169)	(270)
Minorities	(4)	(15)	(6)	(16)	(10)	(18)	(10)	(10)	(41)	(49)	(42)
Normalised net profit	55	57	46	42	78	178	136	170	200	562	861
Extraordinary items	0	0	(0)	0	0	0	0	0	-	0	0
Net profit	55	57	46	42	78	178	136	170	200	562	861
EPS (NT\$)	0.89	0.92	0.73	0.67	1.23	2.79	2.12	2.63	3.20	8.79	13.14
Margins (%)											
Gross profit margin	39.6	36.0	39.4	46.4	45.3	55.4	52.4	53.6	40.4	52.3	55.4
Operating margin	15.7	6.3	11.8	16.6	17.7	30.6	29.3	31.5	12.8	28.2	33.8
EBITDA margin	20.5	11.9	17.4	21.6	22.3	33.9	34.1	39.0	18.0	33.3	37.8
Pretax profit margin	17.9	23.5	18.2	16.3	25.8	37.5	29.3	33.8	18.9	32.2	36.0
Net profit margin	13.0	15.2	12.2	10.2	17.9	27.5	21.0	24.5	12.6	23.2	26.5
Sequential growth (%)											
Revenue growth	3.4	(11.4)	(0.3)	8.7	6.3	49.4	0.2	6.8			
Gross profit growth	(8.9)	(19.5)	9.4	27.8	3.7	83.0	(5.3)	9.1			
Operating profit growth	(17.4)	(64.2)	85.4	52.9	13.4	158.2	(3.9)	14.8			
EBITDA growth	(13.2)	(48.7)	46.0	35.4	9.6	127.0	0.8	22.0			
Pretax profit growth	15.8	16.3	(22.9)	(2.8)	68.7	117.2	(21.7)	23.2			
Net profit growth	16.3	3.0	(19.5)	(9.2)	85.8	129.7	(23.6)	25.0			
YoY growth (%)											
Revenue growth	(3.8)	(21.0)	(26.1)	(0.7)	2.0	72.1	72.8	69.8	(13.7)	52.9	34.3
Gross profit growth	6.3	(30.9)	(30.0)	2.4	16.6	165.2	129.7	96.2	(14.6)	97.6	42.3
Operating profit growth	34.3	(69.3)	(47.6)	(16.2)	14.9	729.7	330.1	222.8	(30.8)	237.4	60.8
EBITDA growth	27.1	(53.7)	(37.1)	(12.0)	11.0	391.7	239.6	205.9	(22.7)	183.2	52.3
Pretax profit growth	10.3	(35.0)	(53.0)	0.9	47.1	174.6	178.7	253.1	(28.1)	160.5	50.4
Net profit growth	24.7	(37.4)	(47.7)	(12.3)	40.1	212.2	196.0	307.2	(26.2)	180.7	53.3

Source: Company data; KGI Research estimates

Balance sheet

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Total assets	3,530	3,451	3,400	3,832	4,184
Current assets	2,217	2,219	2,078	2,537	2,934
Cash & ST securities	1,290	1,368	1,445	1,642	1,759
Inventory	291	235	161	196	247
Accounts receivable	603	569	432	659	887
Other current assets	34	47	40	40	40
Non-current assets	1,313	1,232	1,322	1,295	1,250
LT investments	241	140	208	200	173
Net fixed assets	901	903	934	915	897
Other assets	170	189	180	180	180
Total liabilities	1,151	1,064	937	1,358	1,728
Current liabilities	1,097	997	848	1,269	1,639
Accounts payable	271	137	157	192	242
Interest bearing ST liabilities	550	550	420	420	420
Other current liabilities	276	310	271	657	977
Non-current liabilities	54	67	89	89	89
Long-term debt	-	-	-	-	-
Other L-T liabilities	47	64	73	73	73
Total equity	2,380	2,387	2,463	2,473	2,456
Share capital	622	622	629	629	629
Retained earnings reserve	237	287	204	165	106
Minority interests	388	419	405	454	496
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Growth					
Revenue growth	18.7%	4.5%	(13.7%)	52.9%	34.3%
Operating profit growth	24.1%	32.1%	(30.8%)	237.4%	60.8%
EBITDA growth	14.2%	24.6%	(22.7%)	183.2%	52.3%
Net profit growth	90.5%	14.5%	(26.2%)	180.7%	53.3%
EPS growth	87.1%	14.5%	(26.6%)	174.6%	49.5%
Profitability					
Gross profit margin	37.3%	40.9%	40.4%	52.3%	55.4%
Operating margin	12.6%	15.9%	12.8%	28.2%	33.8%
EBITDA margin	16.9%	20.1%	18.0%	33.3%	37.8%
Net profit margin	13.5%	14.7%	12.6%	23.2%	26.5%
Return on average assets	7.0%	7.8%	5.8%	15.5%	21.5%
Return on average equity	12.1%	13.7%	9.9%	27.5%	43.3%
Stability					
Gross debt to equity	23.1%	23.0%	17.1%	17.0%	17.1%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	152.8	89.9	46.6	103.5	147.6
Interest & ST debt coverage (x)	0.4	0.4	0.4	0.6	0.7
Cash flow interest coverage(x)	81.5	89.8	80.4	61.7	98.9
Cash flow/int. & ST debt (x)	0.3	0.8	1.2	1.1	1.8
Current ratio (x)	2.0	2.2	2.5	2.0	1.8
Quick ratio (x)	1.8	2.0	2.3	1.8	1.6
Net debt (NT\$m)	(50)	(414)	(311)	(508)	(626)
Per share data					
EPS (NT\$)	3.81	4.36	3.20	8.79	13.14
CFPS (NT\$)	2.97	6.76	8.43	7.34	12.07
BVPS (NT\$)	32.05	31.66	32.71	32.09	31.15
Adj BVPS (NT\$)	32.05	31.66	32.92	31.60	29.90
SPS (NT\$)	28.29	29.56	25.35	37.92	49.65
EBITDA/share (NT\$)	4.77	5.94	4.56	12.64	18.76
Cash DPS (NT\$)	4.00	4.00	3.36	8.00	12.50
Activity					
Sales / avg assets	0.52	0.53	0.46	0.67	0.81
Days receivable	125.3	113.1	99.5	99.5	99.5
Days inventory	96.2	79.0	62.1	62.1	62.1
Days payable	89.6	46.0	60.8	60.8	60.8
Cash cycle	131.9	146.1	100.8	100.8	100.8

Source: Company data; KGI Research estimates

Profit & loss

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue	1,758	1,838	1,585	2,423	3,255
Cost of goods sold	(1,103)	(1,087)	(944)	(1,156)	(1,452)
Gross profit	655	751	641	1,267	1,803
Operating expenses	(434)	(458)	(439)	(584)	(704)
Operating profit	221	292	202	683	1,099
Non-operating income	70	59	89	84	78
Interest income	4	10	38	34	30
Investment income	22	22	25	10	-
Other non-op income	44	26	26	41	48
Non-operating expenses	52	65	8	12	(4)
Interest expense	(2)	(5)	(7)	(8)	(8)
Investment loss	(5)	(0)	(0)	(0)	-
Other non-op expenses	59	70	15	20	4
Pre-tax profit	343	416	299	780	1,173
Current taxation	(61)	(92)	(58)	(169)	(270)
Minorities	(46)	(54)	(41)	(49)	(42)
Extraordinary items	-	0	(0)	0	0
Net profit	237	271	200	562	861
EBITDA	296	369	285	808	1,230
EPS (NT\$)	3.81	4.36	3.20	8.79	13.14

Cash flow

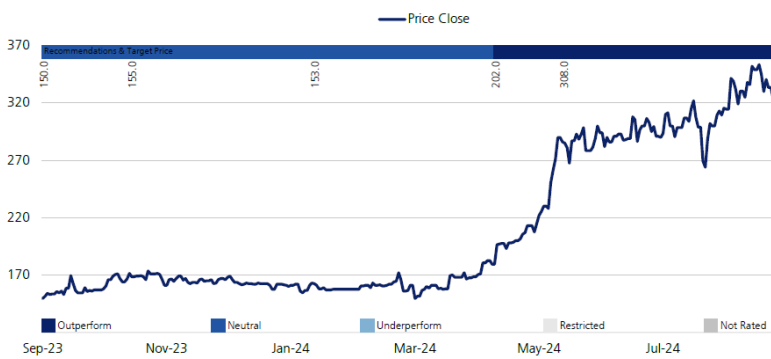
NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Operations cash flow	184	420	527	469	791
Net profit	237	271	200	562	861
Depreciation & amortisation	75	77	83	125	131
Decrease in working capital	(137)	(46)	228	(227)	(229)
Other operating cash flow	10	119	16	10	28
Investing cash flow	(297)	231	(376)	(107)	(115)
Sale of ST investment	(303)	284	(304)	-	-
New investments	-	(4)	0	(2)	(1)
Capital expenditure	(31)	(74)	(108)	(91)	(100)
Others investing cashflow	37	24	36	(14)	(14)
Free cash flow	73	168	351	327	634
Financing cash flow	(76)	(284)	(380)	(165)	(558)
Increase in short term debt	115	30	(130)	-	-
Increase in long term loans	-	-	-	-	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(210)	(300)	(298)	(214)	(600)
Other financing cashflow	19	(14)	48	49	42
Forex effects	0	(3)	(4)		
Total cash generated	(189)	364	(233)	197	118

ROIC

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	24.7%	24.9%	27.7%	24.1%	21.6%
= Operating margin	12.6%	15.9%	12.8%	28.2%	33.8%
1 / (Working capital/revenue	0.2	0.2	0.1	0.0	(0.0)
+ Net PPE/revenue	0.5	0.5	0.6	0.4	0.3
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
= Capital turnover	1.4	1.4	1.4	2.5	3.7
Operating margin	12.6%	15.9%	12.8%	28.2%	33.8%
x Capital turnover	1.4	1.4	1.4	2.5	3.7
x (1 - tax rate)	82.3%	78.0%	80.6%	78.3%	77.0%
= After-tax ROIC	14.1%	17.1%	14.1%	54.5%	96.9%

Source: Company data; KGI Research estimates

UMT – Recommendation & target price history



Date	Rating	Target	Price
2024-05-27	Outperform	308.0	286.0
2024-04-23	Outperform	202.0	179.5
2024-03-13	Neutral	153.0	161.0
2024-01-24	Neutral	153.0	162.5
2023-10-25	Neutral	155.0	168.5
2023-05-02	Neutral	150.0	165.0
2023-01-30	Neutral	119.0	140.0
2022-11-15	Neutral	115.0	135.0
2022-08-25	Neutral	155.0	175.0

Source: TEJ; KGI Research

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