

Wistron (3231.TW/3231 TT)

2Q24 EPS beat; good recovery of margins in 2H24-2025F

Outperform · Maintained

| | |
|------------------------------|-------|
| Price as of August 12 (NT\$) | 102.5 |
| 12M target price (NT\$) | 150.0 |
| Previous target price (NT\$) | 150.0 |
| Unchanged (%) | 0.0 |
| Upside (%) | 46.3 |

Key message

- 2Q24 EPS of NT\$1.55 and 1H24 EPS of NT\$2.79 both better than we expected.
- Server the sales and earnings driver on H100, H200 and B200 baseboard, GB200 Superchip board, and AI server demand from enterprises and CSPs.
- With server sales weighting rising to 46% in 2024F and 55% in 2025F, margins and EPS growth will boost the share price.

Trading data

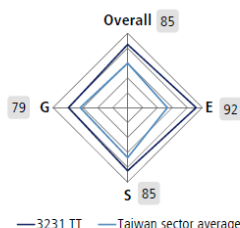
| | |
|------------------------------|---------------|
| Mkt cap (NT\$bn/US\$mn) | 296.9 / 9,111 |
| Outstanding shares (mn) | 2,897 |
| Foreign ownership (mn) | 686 |
| 3M avg. daily trading (mn) | 38.31 |
| 52-week trading range (NT\$) | 86.70 –132.0 |

| Performance | 3M | 6M | 12M |
|--------------|-------|-------|-------|
| Absolute (%) | -10.1 | -17.7 | -10.9 |
| Relative (%) | -15.2 | -38 | -42.1 |

Quarterly EPS

| NT\$ | 1Q | 2Q | 3Q | 4Q |
|------|---------|-------|-------|-------|
| 2022 | (0.31)A | 1.53A | 1.33A | 1.46A |
| 2023 | 0.06A | 1.16A | 1.67A | 1.18A |
| 2024 | 1.24A | 1.55F | 1.64F | 1.77F |

ESG score card



Source: Refinitiv, KGI Research

Event

Wistron posted 2Q24 EPS of NT\$1.55 (up 35% YoY and 25% QoQ), beating our recent estimate on better-than-expected non-operating profit. We see a bright 3Q24F growth outlook on solid server sales, and 2H24-2025F earnings growth will be strong on expansion of margins.

Impact

2Q24 EPS beat. 2Q24 EPS was NT\$1.55, beating our estimate on better-than-expected non-operating profit. Gross margin improved QoQ and YoY to 8.4%, while operating margin also rose to 3.6% in 2Q24, due mainly to a better product mix, despite recognition of a NT\$1.0bn operating expense impact (0.4-0.5ppts) from the shutdown of the Kuanshan, China plant. Improved margins came on the back of a better product mix, with server sales contribution up to 44% in 2Q24 from 38% in 1Q24, and iPhone sales contribution at a non-loss-making level. Coupled with forex gains of NT\$1.0bn and asset disposal gains of NT\$552mn, 2Q24 EPS arrived at NT1.55, while 1H24 EPS was NT\$2.79 (up 127% YoY).

Positive 3Q24F sales & margin trends. We think the 3Q24F outlook is positive, driven by server sales growth, and we expect NB, desktop, and monitor sales to grow by single digits QoQ on positive seasonality. We forecast 14% QoQ sales growth, with server up over 20% QoQ for both Wistron and subsidiary Wiwynn (6669 TT, NT\$1,965, OP) in 2Q24 due to several projects kicking off. Wistron will benefit from an AI baseboard (H100, H200) sales rally, boosted by Tesla (US) and X (US) demand, and L6 shipments growth to Dell (US). Wiwynn will benefit from ASIC AI server demand from Meta (US) and AWS (US). Wistron's operating margins will rise in 3Q24F on a higher server sales mix and stronger EPS QoQ. We forecast 4Q24 EPS to grow QoQ and estimate 2024 EPS at NT\$6.2 (up 52% YoY) on growing margins and better non-operating profit in 1H24.

Margin uptrend in 2H24-2025F to fuel EPS growth. Wistron will benefit from growing GPU baseboard use in H100, H200, and B200 in 2024-25F, with a supplier allocation of over 90%, and from GB200 Superchip compute boards with a 40-50% supply allocation in 2025F. Also, AI server orders from Dell (US) will grow next year. It will thus expand capacity in Hukou (Taiwan), Texas (US) and Mexico. Together with decent sales growth at Wiwynn, these factors will lead to server sales contribution rising from 46% in 2024F to 55% in 2025F, vs. 35% in 2023. Along with reduced loss-making business this year, we expect gross and operating margin expansion in 2H24-2025F to trigger EPS growth. We forecast operating margin to reach 3.9% in 2024F and 4.6% in 2025F, from 3.2% in 2023. We estimate 2025F EPS at NT\$8.85, up 43% YoY.

Valuation & Action

We maintain Outperform and a target price of NT\$150, on 20x average 2024-25F EPS, given impressive margins and EPS growth and an attractive valuation.

Risks

Weaker-than-expected demand; competition in AI server market.

Key financials and valuations

| | Dec-21A | Dec-22A | Dec-23A | Dec-24F | Dec-25F |
|------------------------------|---------|---------|---------|-----------|-----------|
| Revenue (NT\$mn) | 862,083 | 984,619 | 867,057 | 1,043,633 | 1,260,285 |
| Gross profit (NT\$mn) | 51,135 | 69,729 | 68,983 | 84,424 | 106,053 |
| Operating profit (NT\$mn) | 16,375 | 27,472 | 27,390 | 40,549 | 57,977 |
| Net profit (NT\$mn) | 10,468 | 11,162 | 11,472 | 17,613 | 25,137 |
| EPS (NT\$) | 3.76 | 4.01 | 4.08 | 6.20 | 8.85 |
| Cash DPS (NT\$) | 2.20 | 2.60 | 2.60 | 3.95 | 6.07 |
| EPS growth (%) | 21.3 | 6.6 | 1.7 | 51.9 | 42.7 |
| PE (x) | 27.3 | 25.6 | 25.1 | 16.5 | 11.6 |
| PB (x) | 3.8 | 3.1 | 2.9 | 2.5 | 2.2 |
| EV/EBITDA (x) | 15.1 | 9.7 | 8.9 | 7.2 | 5.5 |
| Net debt to equity (%) | 113.1 | 62.2 | 40.2 | 36.9 | 25.9 |
| Dividend yield (%) | 2.1 | 2.5 | 2.5 | 3.9 | 5.9 |
| Return on average equity (%) | 14.0 | 12.8 | 11.4 | 15.9 | 20.0 |

Source: Company data, KGI Research estimates

Figure 1: Breakdown of 2Q24 results and 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 | 240,207 | 240,931 | (0.3) | 0.4 | 15.8 | 235,891 | 1.8 | 273,836 | 279,480 | (2.0) | 14.0 | 26.2 | 262,813 | 4.2 |
| Gross profits | 20,083 | 19,275 | 4.2 | 16.6 | 28.1 | 19,536 | 2.8 | 22,728 | 23,197 | (2.0) | 13.2 | 33.4 | 22,418 | 1.4 |
| Operating income | 8,652 | 8,914 | (2.9) | 22.6 | 62.2 | 8,651 | 0.0 | 11,775 | 12,018 | (2.0) | 36.1 | 73.3 | 11,145 | 5.6 |
| Pretax Income | 9,125 | 8,538 | 6.9 | 14.0 | 47.7 | 8,169 | 11.7 | 10,852 | 11,166 | (2.8) | 18.9 | 29.3 | 10,340 | 4.9 |
| Net income | 4,412 | 3,623 | 21.8 | 25.2 | 35.4 | 3,728 | 18.4 | 4,650 | 4,888 | (4.9) | 5.4 | (1.1) | 5,170 | (10.1) |
| EPS (NT\$) | 1.55 | 1.27 | 21.8 | 25.2 | 35.4 | 1.31 | 18.4 | 1.64 | 1.72 | (4.9) | 5.4 | (2.0) | 1.82 | (10.1) |
| Gross margin (%) | 8.4 | 8.0 | 0.4 ppts | 1.2 ppts | 0.8 ppts | 8.3 | 0.1 ppts | 8.3 | 8.3 | 0.0 ppts | (0.1)ppts | 0.4 ppts | 8.5 | (0.2)ppts |
| OP margin (%) | 3.6 | 3.7 | (0.1)ppts | 0.7 ppts | 1.0 ppts | 3.7 | (0.1)ppts | 4.3 | 4.3 | 0.0 ppts | 0.7 ppts | 1.2 ppts | 4.2 | 0.1 ppts |
| Net margin (%) | 1.8 | 1.5 | 0.3 ppts | 0.4 ppts | 0.3 ppts | 1.6 | 0.3 ppts | 1.7 | 1.7 | (0.1)ppts | (0.1)ppts | (0.5)ppts | 2.0 | (0.3)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 | 1,043,633 | 1,053,191 | (0.9) | 20.4 | 1,017,133 | 2.6 | 1,260,285 | 1,274,130 | (1.1) | 20.8 | 1,200,363 | 5.0 |
| Gross profit | 84,424 | 84,351 | 0.1 | 22.4 | 82,988 | 1.7 | 106,053 | 107,218 | (1.1) | 25.6 | 99,426 | 6.7 |
| Operating income | 40,549 | 41,197 | (1.6) | 48.0 | 39,543 | 2.5 | 57,977 | 58,032 | (0.1) | 43.0 | 52,193 | 11.1 |
| Pretax Income | 39,757 | 39,690 | 0.2 | 63.5 | 38,183 | 4.1 | 54,649 | 54,683 | (0.1) | 37.5 | 49,802 | 9.7 |
| Net income | 17,613 | 17,562 | 0.3 | 53.5 | 18,099 | (2.7) | 25,137 | 25,163 | (0.1) | 42.7 | 24,012 | 4.7 |
| EPS (NT\$) | 6.20 | 6.18 | 0.3 | 51.9 | 6.38 | (2.8) | 8.85 | 8.86 | (0.1) | 42.7 | 8.46 | 4.6 |
| Gross margin (%) | 8.1 | 8.0 | 0.1 ppts | 0.1 ppts | 8.2 | (0.1)ppts | 8.4 | 8.4 | 0.0 ppts | 0.3 ppts | 8.3 | 0.1 ppts |
| OP margin (%) | 3.9 | 3.9 | (0.0)ppts | 0.7 ppts | 3.9 | (0.0)ppts | 4.6 | 4.6 | 0.0 ppts | 0.7 ppts | 4.3 | 0.3 ppts |
| Net margin (%) | 1.7 | 1.7 | 0.0 ppts | 0.4 ppts | 1.8 | (0.1)ppts | 2.0 | 2.0 | 0.0 ppts | 0.3 ppts | 2.0 | (0.0)ppts |

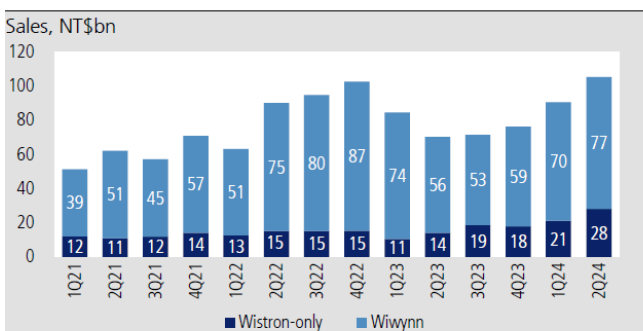
Source: Bloomberg; KGI Research estimates

Figure 3: Sales weighting of server rising significantly

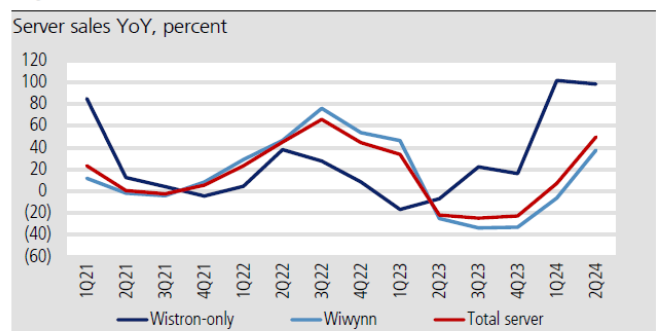
| Sales (NT\$m) | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24F | 4Q24F | 2021 | 2022 | 2023 | 2024F | 2025F |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|-----------|
| NB | 63,600 | 77,389 | 88,987 | 89,910 | 78,977 | 86,474 | 87,360 | 90,100 | 370,696 | 334,771 | 320,811 | 342,912 | 376,755 |
| S/S | 84,800 | 70,542 | 71,623 | 79,536 | 90,944 | 105,691 | 132,114 | 149,688 | 241,383 | 354,463 | 303,470 | 478,436 | 692,750 |
| DT | 8,480 | 12,449 | 13,022 | 12,680 | 11,966 | 14,412 | 15,162 | 15,860 | 43,104 | 49,231 | 43,353 | 57,401 | 59,368 |
| Display | 10,600 | 12,656 | 11,503 | 12,564 | 11,966 | 12,010 | 12,851 | 12,209 | 60,346 | 78,770 | 52,023 | 49,036 | 50,119 |
| Service | 6,360 | 6,224 | 6,511 | 7,838 | 7,180 | 9,608 | 10,000 | 8,000 | 25,862 | 29,539 | 26,012 | 34,788 | 36,527 |
| IPC | 6,360 | 5,394 | 5,860 | 6,916 | 4,787 | 7,206 | 7,500 | 7,000 | 34,483 | 39,385 | 26,012 | 26,493 | 27,817 |
| Others | 31,800 | 22,822 | 19,534 | 21,094 | 33,506 | 4,804 | 8,849 | 7,408 | 86,208 | 98,462 | 95,376 | 54,567 | 16,948 |
| Total | 212,000 | 207,477 | 217,040 | 230,540 | 239,325 | 240,207 | 273,836 | 290,266 | 862,083 | 984,619 | 867,057 | 1,043,633 | 1,260,285 |

| Sales weighting (%) | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24F | 4Q24F | 2021 | 2022 | 2023 | 2024F | 2025F |
|---------------------|------|------|------|------|------|------|-------|-------|------|------|------|-------|-------|
| NB | 30.0 | 37.0 | 41.0 | 39.0 | 33.0 | 37.0 | 31.9 | 31.0 | 43.0 | 34.0 | 37.0 | 32.9 | 29.9 |
| S/S | 40.0 | 34.0 | 33.0 | 35.0 | 38.0 | 44.0 | 48.2 | 51.6 | 28.0 | 36.0 | 35.0 | 45.8 | 55.0 |
| DT | 4.0 | 6.0 | 6.0 | 6.0 | 5.0 | 6.0 | 5.5 | 5.5 | 5.0 | 5.0 | 5.0 | 5.5 | 4.7 |
| Display | 5.0 | 6.0 | 5.3 | 5.0 | 5.0 | 5.0 | 4.7 | 4.2 | 7.0 | 8.0 | 6.0 | 4.7 | 4.0 |
| Service | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.7 | 2.8 | 3.0 | 3.0 | 3.0 | 3.3 | 2.9 |
| IPC | 3.0 | 3.0 | 2.7 | 3.0 | 2.0 | 3.0 | 2.7 | 2.4 | 4.0 | 4.0 | 3.0 | 2.5 | 2.2 |
| Others | 15.0 | 11.0 | 9.0 | 9.0 | 14.0 | 2.0 | 3.2 | 2.6 | 10.0 | 10.0 | 11.0 | 5.2 | 1.3 |

Source: Company data; KGI Research estimates

Figure 4: Server sales expansion on GPU baseboard sales


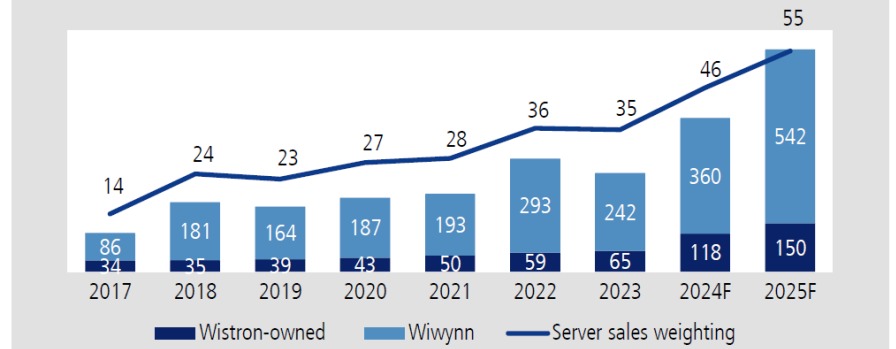
Source: Company data; KGI Research estimates

Figure 5: Wistron (ex. Wiwynn) server sales up 100% YoY in 2Q24


Source: Company data; KGI Research estimates

Figure 6: Server sales weighting to rise to 46% in 2024F & 55% in 2025F

Server sales, NT\$bn; server sales weighting, percent



Source: Company data; KGI Research estimates

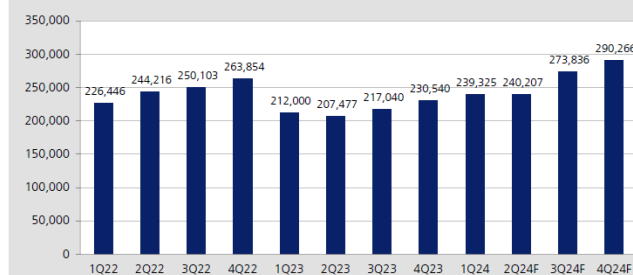
Figure 7: Company profile

Spun off from Acer (2353 TT, NT\$42.3, NR) in 2001, Wistron is a design, manufacturing & service (DMS) company. Product development is focused on information and communication technology, NB, desktop, server, storage, industrial automation, networking and communications. Wistron is the third-largest NB maker in Taiwan, trailing Quanta (2382 TT, NT\$267, OP) and Compal (2324 TT, NT\$31.5, NR), with NB shipments of 21.2mn units and global market share of 10% in 2022. It is also the most diversified NB ODM in Taiwan.

Source: KGI Research

Figure 9: Sales

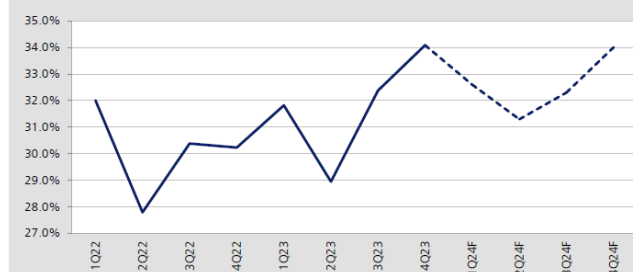
Sales, NT\$mn



Source: KGI Research

Figure 11: Gross margin

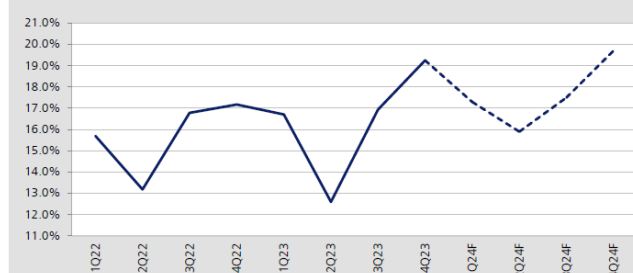
Gross margin, percent



Source: KGI Research

Figure 13: Operating margin

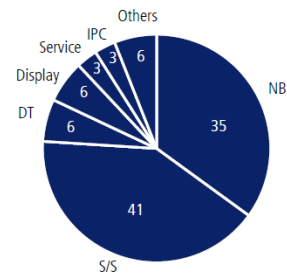
Operating margin, percent



Source: KGI Research

Figure 8: Business is broadly diversified

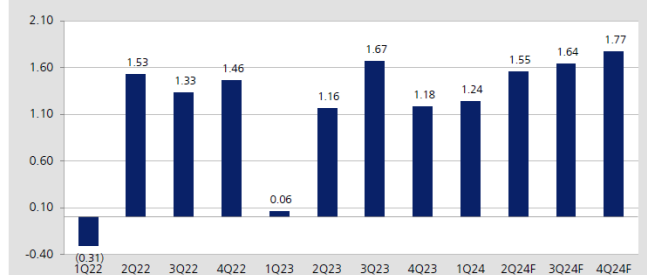
Sales weighting in 1H24, percent



Source: company data; KGI Research

Figure 10: EPS

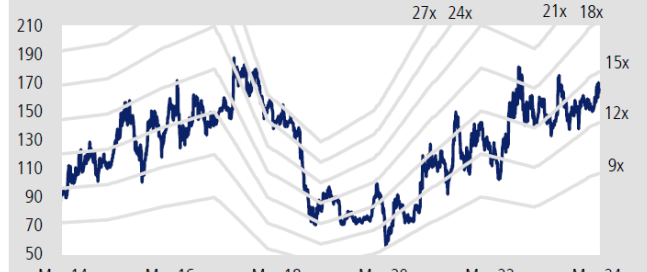
EPS, NT\$



Source: KGI Research

Figure 12: 12-month forward PE band

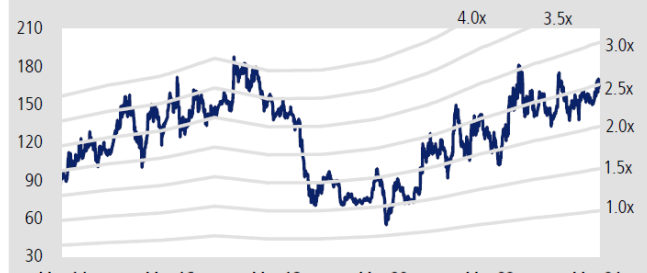
Share price, NT\$ (LHS); PE ratio, x (RHS)



Source: KGI Research

Figure 14: 12-month forward PB band

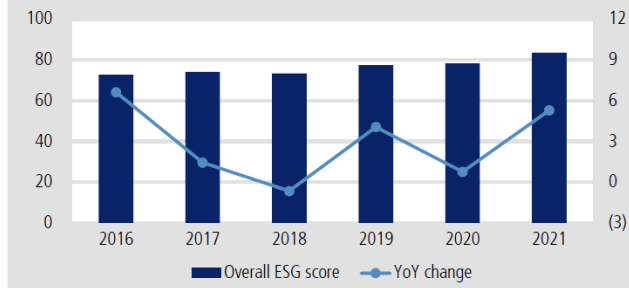
Share price, NT\$ (LHS); PB ratio, x (RHS)



Source: KGI Research

Figure 15: Overall ESG score

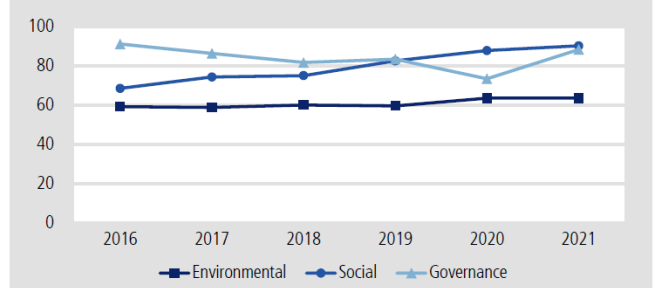
ESG score, points (LHS); YoY change, points (RHS)



Source: Refinitiv, KGI Research, Company data

Figure 16: ESG scores

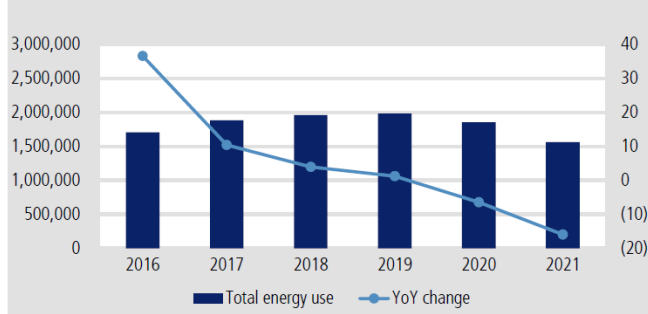
ESG score, points



Source: Refinitiv, KGI Research, Company data

Figure 17: Energy use

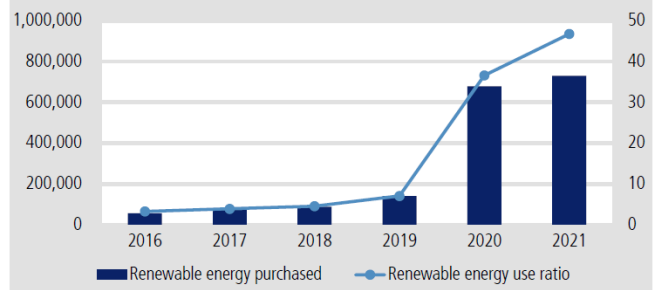
Energy use, gigajoules (LHS); YoY growth, percent (RHS)



Source: Refinitiv, KGI Research, Company data

Figure 18: Renewable energy

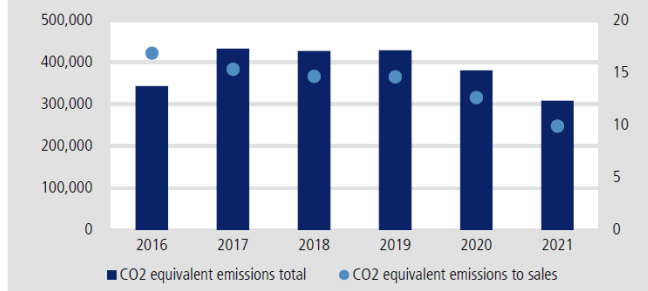
Renewable energy purchased, gigajoules (LHS); renewable energy use ratio, percent (RHS)



Source: Refinitiv, KGI Research, Company data

Figure 19: CO2 equivalent emissions

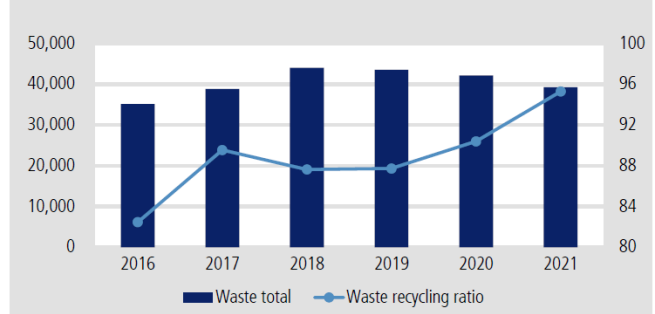
CO2 equivalent emissions, mt (LHS); emissions to revenue, mt/ US\$m (RHS);



Source: Refinitiv, KGI Research, Company data

Figure 20: Waste total

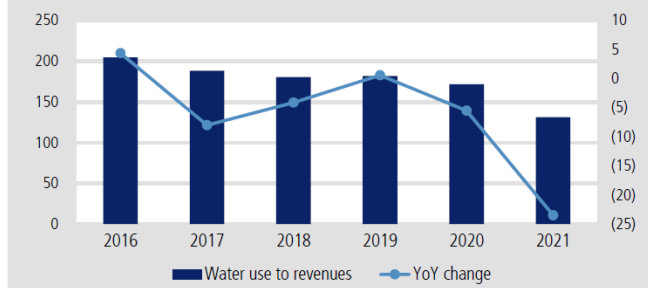
Waste total, mt (LHS); waste recycling ratio, percent (RHS)



Source: Refinitiv, KGI Research, Company data

Figure 21: Water use to revenue

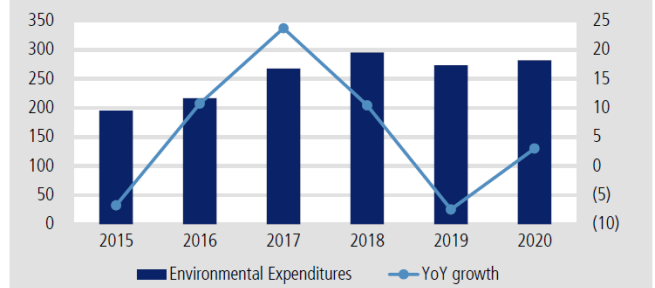
Water use to revenue, m3/ US\$m (LHS); YoY growth, percent (RHS)



Source: Refinitiv, KGI Research, Company data

Figure 22: Environmental expenditures

Environmental expenditures, NT\$m (LHS); YoY growth, percent (RHS)



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-24F | Sep-24F | Dec-24F | Dec-23A | Dec-24F | Dec-25F |
| Income statement (NT\$m) | | | | | | | | | | | |
| Revenue | 212,000 | 207,477 | 217,040 | 230,540 | 239,325 | 240,207 | 273,836 | 290,266 | 867,057 | 1,043,633 | 1,260,285 |
| Cost of goods sold | (197,149) | (191,800) | (199,998) | (209,128) | (222,095) | (220,124) | (251,107) | (265,883) | (798,074) | (959,209) | (1,154,232) |
| Gross profit | 14,852 | 15,677 | 17,042 | 21,412 | 17,230 | 20,083 | 22,728 | 24,382 | 68,983 | 84,424 | 106,053 |
| Operating expenses | (10,128) | (10,342) | (10,246) | (10,877) | (10,171) | (11,431) | (10,953) | (11,320) | (41,593) | (43,875) | (48,077) |
| Operating profit | 4,723 | 5,335 | 6,796 | 10,535 | 7,059 | 8,652 | 11,775 | 13,062 | 27,390 | 40,549 | 57,977 |
| Depreciation of fixed assets | (2,888) | (2,971) | (3,041) | (2,979) | (2,659) | (3,248) | (3,248) | (3,838) | (11,879) | (12,994) | (15,972) |
| Amortisation of intangible assets | (134) | (109) | (109) | (114) | (113) | (129) | (129) | (145) | (466) | (517) | (517) |
| EBITDA | 7,745 | 8,416 | 9,946 | 13,628 | 9,832 | 12,030 | 15,153 | 17,045 | 39,735 | 54,059 | 74,465 |
| Interest income | 628 | 637 | 666 | 589 | 905 | 649 | 700 | 547 | 2,520 | 2,801 | 1,806 |
| Investment income | 74 | 230 | 159 | 347 | 88 | 265 | 138 | 60 | 811 | 550 | 400 |
| Other non-op income | 85 | 2,179 | 2,961 | - | 2,050 | 1,566 | 700 | 1,384 | 5,225 | 5,700 | 3,800 |
| Non-operating income | 786 | 3,046 | 3,786 | 937 | 3,043 | 2,479 | 1,538 | 1,991 | 8,555 | 9,051 | 6,006 |
| Interest expense | (2,293) | (2,205) | (2,188) | (2,071) | (2,095) | (2,006) | (2,086) | (2,155) | (8,757) | (8,343) | (7,333) |
| Investment loss | - | - | - | - | - | - | - | - | - | - | - |
| Other non-op expenses | (590) | - | - | (2,278) | - | - | (375) | (1,125) | (2,868) | (1,500) | (2,000) |
| Non-operating expenses | (2,883) | (2,205) | (2,188) | (4,349) | (2,095) | (2,006) | (2,461) | (3,280) | (11,625) | (9,843) | (9,333) |
| Pre-tax profit | 2,627 | 6,177 | 8,394 | 7,122 | 8,007 | 9,125 | 10,852 | 11,772 | 24,321 | 39,757 | 54,649 |
| Current taxation | (607) | (1,441) | (2,201) | (1,807) | (1,799) | (2,052) | (2,604) | (2,688) | (6,055) | (9,144) | (12,843) |
| Minorities | (1,846) | (1,478) | (1,491) | (1,978) | (2,684) | (2,661) | (3,598) | (4,056) | (6,794) | (12,999) | (16,669) |
| Normalised net profit | 174 | 3,258 | 4,702 | 3,337 | 3,524 | 4,412 | 4,650 | 5,028 | 11,472 | 17,613 | 25,137 |
| Extraordinary items | (0) | 0 | (0) | (0) | 0 | - | - | (0) | - | - | - |
| Net profit | 174 | 3,258 | 4,702 | 3,337 | 3,524 | 4,412 | 4,650 | 5,028 | 11,472 | 17,613 | 25,137 |
| EPS (NT\$) | 0.06 | 1.16 | 1.67 | 1.18 | 1.24 | 1.55 | 1.64 | 1.77 | 4.08 | 6.20 | 8.85 |
| Margins (%) | | | | | | | | | | | |
| Gross profit margin | 7.0 | 7.6 | 7.9 | 9.3 | 7.2 | 8.4 | 8.3 | 8.4 | 8.0 | 8.1 | 8.4 |
| Operating margin | 2.2 | 2.6 | 3.1 | 4.6 | 2.9 | 3.6 | 4.3 | 4.5 | 3.2 | 3.9 | 4.6 |
| EBITDA margin | 3.7 | 4.1 | 4.6 | 5.9 | 4.1 | 5.0 | 5.5 | 5.9 | 4.6 | 5.2 | 5.9 |
| Pretax profit margin | 1.2 | 3.0 | 3.9 | 3.1 | 3.3 | 3.8 | 4.0 | 4.1 | 2.8 | 3.8 | 4.3 |
| Net profit margin | 0.1 | 1.6 | 2.2 | 1.4 | 1.5 | 1.8 | 1.7 | 1.7 | 1.3 | 1.7 | 2.0 |
| Sequential growth (%) | | | | | | | | | | | |
| Revenue growth | (19.7) | (2.1) | 4.6 | 6.2 | 3.8 | 0.4 | 14.0 | 6.0 | | | |
| Gross profit growth | (34.5) | 5.6 | 8.7 | 25.6 | (19.5) | 16.6 | 13.2 | 7.3 | | | |
| Operating profit growth | (55.8) | 13.0 | 27.4 | 55.0 | (33.0) | 22.6 | 36.1 | 10.9 | | | |
| EBITDA growth | (43.9) | 8.7 | 18.2 | 37.0 | (27.9) | 22.4 | 26.0 | 12.5 | | | |
| Pretax profit growth | (68.0) | 135.2 | 35.9 | (15.2) | 12.4 | 14.0 | 18.9 | 8.5 | | | |
| Net profit growth | (95.7) | 1775.2 | 44.3 | (29.0) | 5.6 | 25.2 | 5.4 | 8.1 | | | |
| YoY growth (%) | | | | | | | | | | | |
| Revenue growth | (6.4) | (15.0) | (13.2) | (12.6) | 12.9 | 15.8 | 26.2 | 25.9 | (11.9) | 20.4 | 20.8 |
| Gross profit growth | 16.1 | (4.3) | (4.7) | (5.6) | 16.0 | 28.1 | 33.4 | 13.9 | (1.1) | 22.4 | 25.6 |
| Operating profit growth | 22.8 | (12.5) | (0.6) | (1.5) | 49.5 | 62.2 | 73.3 | 24.0 | (0.3) | 48.0 | 43.0 |
| EBITDA growth | 20.1 | (5.5) | 1.5 | (1.3) | 26.9 | 42.9 | 52.3 | 25.1 | 2.0 | 36.0 | 37.7 |
| Pretax profit growth | 462.2 | (23.8) | 5.8 | (13.1) | 204.8 | 47.7 | 29.3 | 65.3 | (1.6) | 63.5 | 37.5 |
| Net profit growth | | (23.3) | 27.2 | (18.1) | 1927.8 | 35.4 | (1.1) | 50.7 | 2.8 | 53.5 | 42.7 |

Source: Company data, KGI Research estimates

Balance sheet

| NT\$m | Dec-21A | Dec-22A | Dec-23A | Dec-24F | Dec-25F |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| Total assets | 497,298 | 432,908 | 452,391 | 497,892 | 548,017 |
| Current assets | 421,787 | 342,986 | 361,461 | 403,094 | 455,770 |
| Cash & ST securities | 83,644 | 75,023 | 79,577 | 53,430 | 41,624 |
| Inventory | 161,378 | 156,889 | 119,720 | 152,006 | 183,412 |
| Accounts receivable | 161,166 | 100,230 | 121,337 | 156,830 | 189,906 |
| Other current assets | 15,599 | 10,843 | 40,828 | 40,828 | 40,828 |
| Non-current assets | 75,511 | 89,922 | 90,929 | 94,798 | 92,247 |
| LT investments | 14,306 | 15,256 | 18,849 | 20,212 | 21,632 |
| Net fixed assets | 42,210 | 51,515 | 46,598 | 49,104 | 45,133 |
| Other assets | 18,996 | 23,151 | 25,482 | 25,482 | 25,482 |
| Total liabilities | 404,813 | 314,255 | 323,628 | 342,483 | 360,181 |
| Current liabilities | 365,583 | 286,725 | 288,252 | 308,851 | 323,332 |
| Accounts payable | 168,305 | 108,802 | 119,358 | 154,627 | 186,575 |
| Interest bearing ST liabilities | 142,118 | 119,807 | 100,438 | 81,782 | 58,167 |
| Other current liabilities | 55,161 | 58,116 | 68,455 | 72,442 | 78,590 |
| Non-current liabilities | 39,230 | 27,530 | 35,376 | 33,632 | 36,849 |
| Long-term debt | 32,674 | 20,389 | 26,525 | 24,681 | 27,795 |
| Other L-T liabilities | 4,565 | 4,079 | 4,000 | 4,100 | 4,202 |
| Total equity | 92,485 | 118,653 | 128,763 | 155,409 | 187,836 |
| Share capital | 29,033 | 29,016 | 28,998 | 28,998 | 28,998 |
| Retained earnings reserve | - | - | - | 6,165 | 13,706 |
| Minority interests | 14,568 | 22,270 | 24,539 | 37,539 | 54,208 |
| Preferred shareholders funds | - | - | - | - | - |

Key ratios

| | Dec-21A | Dec-22A | Dec-23A | Dec-24F | Dec-25F |
|---------------------------------|---------|---------|---------|---------|---------|
| Growth | | | | | |
| Revenue growth | 2.0% | 14.2% | (11.9%) | 20.4% | 20.8% |
| Operating profit growth | 13.2% | 67.8% | (0.3%) | 48.0% | 43.0% |
| EBITDA growth | 4.4% | 52.1% | 2.0% | 36.0% | 37.7% |
| Net profit growth | 20.6% | 6.6% | 2.8% | 53.5% | 42.7% |
| EPS growth | 21.3% | 6.6% | 1.7% | 51.9% | 42.7% |
| Profitability | | | | | |
| Gross profit margin | 5.9% | 7.1% | 8.0% | 8.1% | 8.4% |
| Operating margin | 1.9% | 2.8% | 3.2% | 3.9% | 4.6% |
| EBITDA margin | 3.0% | 4.0% | 4.6% | 5.2% | 5.9% |
| Net profit margin | 1.2% | 1.1% | 1.3% | 1.7% | 2.0% |
| Return on average assets | 2.3% | 2.4% | 2.6% | 3.7% | 4.8% |
| Return on average equity | 14.0% | 12.8% | 11.4% | 15.9% | 20.0% |
| Stability | | | | | |
| Gross debt to equity | 189.0% | 118.2% | 98.6% | 68.5% | 45.8% |
| Net debt to equity | 113.1% | 62.2% | 40.2% | 36.9% | 25.9% |
| Interest coverage (x) | 11.2 | 5.1 | 3.8 | 5.8 | 8.5 |
| Interest & ST debt coverage (x) | 0.1 | 0.1 | 0.1 | 0.3 | 0.4 |
| Cash flow interest coverage(x) | (11.5) | 8.9 | 5.5 | (0.2) | 1.2 |
| Cash flow/int. & ST debt (x) | (0.1) | 0.4 | 0.4 | (0.0) | 0.1 |
| Current ratio (x) | 1.2 | 1.2 | 1.3 | 1.3 | 1.4 |
| Quick ratio (x) | 0.7 | 0.6 | 0.8 | 0.8 | 0.8 |
| Net debt (NT\$m) | 104,637 | 73,858 | 51,731 | 57,378 | 48,684 |
| Per share data | | | | | |
| EPS (NT\$) | 3.76 | 4.01 | 4.08 | 6.20 | 8.85 |
| CFPS (NT\$) | (7.74) | 19.20 | 17.15 | (0.68) | 3.06 |
| BVPS (NT\$) | 26.84 | 33.22 | 35.94 | 40.65 | 46.08 |
| Adj BVPS (NT\$) | 27.99 | 34.62 | 37.07 | 41.48 | 47.03 |
| SPS (NT\$) | 309.65 | 353.71 | 308.38 | 367.27 | 443.52 |
| EBITDA/share (NT\$) | 9.20 | 13.99 | 14.13 | 19.02 | 26.21 |
| Cash DPS (NT\$) | 2.20 | 2.60 | 2.60 | 3.95 | 6.07 |
| Activity | | | | | |
| Sales / avg assets | 1.86 | 2.12 | 1.96 | 2.20 | 2.41 |
| Days receivable | 68.2 | 37.2 | 51.1 | 55.0 | 55.0 |
| Days inventory | 72.6 | 62.6 | 54.8 | 58.0 | 58.0 |
| Days payable | 75.8 | 43.4 | 54.6 | 59.0 | 59.0 |
| Cash cycle | 65.1 | 56.3 | 51.2 | 54.0 | 54.0 |

Source: Company data, KGI Research estimates

Profit & loss

| NT\$m | Dec-21A | Dec-22A | Dec-23A | Dec-24F | Dec-25F |
|-------------------------------|----------------|-----------------|-----------------|------------------|------------------|
| Revenue | 862,083 | 984,619 | 867,057 | 1,043,633 | 1,260,285 |
| Cost of goods sold | (810,948) | (914,890) | (798,074) | (959,209) | (1,154,232) |
| Gross profit | 51,135 | 69,729 | 68,983 | 84,424 | 106,053 |
| Operating expenses | (34,760) | (42,257) | (41,593) | (43,875) | (48,077) |
| Operating profit | 16,375 | 27,472 | 27,390 | 40,549 | 57,977 |
| Non-operating income | 9,627 | 8,152 | 8,555 | 9,051 | 6,006 |
| Interest income | 1,307 | 1,990 | 2,520 | 2,801 | 1,806 |
| Investment income | 172 | 816 | 811 | 550 | 400 |
| Other non-op income | 8,148 | 5,346 | 5,225 | 5,700 | 3,800 |
| Non-operating expenses | (6,767) | (10,913) | (11,625) | (9,843) | (9,333) |
| Interest expense | (1,880) | (5,988) | (8,757) | (8,343) | (7,333) |
| Investment loss | (77) | - | - | - | - |
| Other non-op expenses | (4,810) | (4,925) | (2,868) | (1,500) | (2,000) |
| Pre-tax profit | 19,234 | 24,711 | 24,321 | 39,757 | 54,649 |
| Current taxation | (4,506) | (5,693) | (6,055) | (9,144) | (12,843) |
| Minorities | (4,260) | (7,855) | (6,794) | (12,999) | (16,669) |
| Extraordinary items | - | (0) | (0) | - | - |
| Net profit | 10,468 | 11,162 | 11,472 | 17,613 | 25,137 |
| EBITDA | 25,600 | 38,947 | 39,735 | 54,059 | 74,465 |
| EPS (NT\$) | 3.76 | 4.01 | 4.08 | 6.20 | 8.85 |

Cash flow

| NT\$m | Dec-21A | Dec-22A | Dec-23A | Dec-24F | Dec-25F |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Operations cash flow | (21,536) | 53,440 | 48,219 | (1,937) | 8,692 |
| Net profit | 10,468 | 11,162 | 11,472 | 17,613 | 25,137 |
| Depreciation & amortisation | 9,225 | 11,475 | 12,345 | 13,510 | 16,489 |
| Decrease in working capital | (47,880) | 15,137 | 12,616 | (32,511) | (32,534) |
| Other operating cash flow | 6,651 | 15,666 | 11,787 | (550) | (400) |
| Investing cash flow | (16,597) | (16,739) | (14,665) | (16,829) | (13,537) |
| Sale of ST investment | (1,783) | 352 | 3,499 | - | - |
| New investments | 1,208 | (395) | (1,229) | (812) | (1,021) |
| Capital expenditure | (14,556) | (13,609) | (12,961) | (15,500) | (12,000) |
| Others investing cashflow | (1,466) | (3,087) | (3,974) | (517) | (517) |
| Free cash flow | (41,032) | 33,685 | 32,104 | (3,795) | 15,790 |
| Financing cash flow | 44,593 | (48,366) | (23,205) | (7,381) | (6,960) |
| Increase in short term debt | 41,537 | (37,371) | (17,834) | (23,000) | (23,000) |
| Increase in long term loans | 9,149 | (10,176) | 5,145 | 2,500 | 2,500 |
| New ordinary shares issued | - | - | - | - | - |
| Ordinary dividends paid | (6,258) | (6,257) | (7,401) | (7,462) | (11,449) |
| Other financing cashflow | 165 | 5,325 | (3,682) | 20,581 | 24,988 |
| Forex effects | (2,509) | 7,849 | (646) | | |
| Total cash generated | 3,950 | (3,817) | 9,704 | (26,147) | (11,806) |

ROIC

| | Dec-21A | Dec-22A | Dec-23A | Dec-24F | Dec-25F |
|------------------------------|-------------|--------------|--------------|--------------|--------------|
| 1 - COGS/revenue | | | | | |
| - Operating exp./revenue | 4.0% | 4.3% | 4.8% | 4.2% | 3.8% |
| = Operating margin | 1.9% | 2.8% | 3.2% | 3.9% | 4.6% |
| 1 / (Working capital/revenue | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| + Net PPE/revenue | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 |
| + Other assets/revenue) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| = Capital turnover | 5.4 | 6.3 | 6.0 | 5.9 | 6.3 |
| Operating margin | 1.9% | 2.8% | 3.2% | 3.9% | 4.6% |
| x Capital turnover | 5.4 | 6.3 | 6.0 | 5.9 | 6.3 |
| x (1 - tax rate) | 76.6% | 77.0% | 75.1% | 77.0% | 76.5% |
| = After-tax ROIC | 7.8% | 13.4% | 14.1% | 17.7% | 22.3% |

Source: Company data, KGI Research estimates

Wistron – Recommendation & target price history



| Date | Rating | Target | Price |
|------------|------------|--------|-------|
| 2024-07-19 | Outperform | 150.0 | 105.5 |
| 2024-05-11 | Outperform | 140.0 | 114.0 |
| 2024-03-14 | Outperform | 140.0 | 115.5 |
| 2024-01-18 | Outperform | 140.0 | 97.7 |
| 2023-11-10 | Outperform | 137.0 | 98.1 |
| 2023-10-30 | Outperform | 140.0 | 93.7 |
| 2023-08-05 | Outperform | 160.0 | 114.0 |
| 2023-07-14 | Outperform | 150.0 | 142.0 |
| 2023-07-03 | Outperform | 115.0 | 95.7 |
| 2023-05-12 | Outperform | 55.0 | 50.1 |

Source: TEJ, KGI Research

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