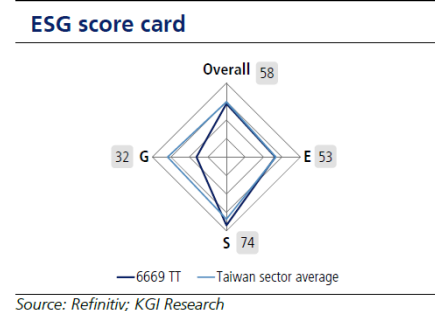


Wiwynn (6669.TW/6669 TT)

AI server sales weighting to surpass 50% in 4Q24-2025F

FTSE4Good TIP Taiwan ESG Index stock			
Outperform · Maintained			
Price as of June 11 (NT\$)	2,610.0		
12M target price (NT\$)	3,090.0		
Previous target price (NT\$)	2,900.0		
Revised up (%)	6.6		
Upside (%)	18.4		
Key message			
1. Growing inventory & RD expenses in 1Q24 imply solid order visibility in 2H24F.			
2. Despite lower expected 2Q24F sales, 2H24F sales guidance was positive and Wiwynn expects the AI server sales weighting to surpass 50% in 4Q24F with Blackwell project starts.			
3. AI server sales to several clients for ASIC and GPU-based servers to drive 2H24-2025F EPS growth.			
Trading data			
Mkt cap (NT\$/bn/US\$mn)	169.9 / 6,012		
Outstanding shares (mn)	174.8		
Foreign ownership (mn)	65.99		
3M avg. daily trading (mn)	1.51		
52-week trading range (NT\$)	1,145 -2,740		
Performance	3M	6M	12M
Absolute (%)	7.4	49.1	125
Relative (%)	-3.1	24	95.9

Quarterly EPS				
NT\$	1Q	2Q	3Q	4Q
2022	13.42A	20.38A	24.68A	22.59A
2023	18.86A	14.96A	14.96A	20.10A
2024	26.92A	28.49F	30.30F	39.09F



Event

Wiwynn held an on-line investor conference today and shared a positive business outlook.

Impact

Strong 1Q24 margins on solid NRE revenue. The firm reported 1Q24 sales growth of 19% QoQ and EPS of NT\$26.92, up 34% QoQ, with gross and operating margins of 11.1% and 8.4% respectively, up from 4Q23's 11% and 7.9%. Management cited QoQ sales growth being derived from general server sales, with an AI server sales weighting below 20% (15-20%) in 1Q24 vs 20-25% in 4Q23. However, with continuous non-recurring engineering expenses (NRE) revenue from new AI projects, gross margin set a historical high in 1Q24. Despite growing operating expenses for samples and R&D, operating margin remained at a historical high level. In addition, inventory value rose to NT\$48.6bn in 1Q24 from an average of NT\$30bn in 2H23, which implies a positive outlook for future orders, as well as the production movement from an outsourcing site in China (Wistron (3231 TT, NT107.5, OP)) to Wiwynn's own factory in Malaysia.

Positive 2H24F guidance; AI server sales weighting to surpass 50% in 4Q24F. The firm reported April and May sales showing improved YoY growth, reflective of a general server demand recovery and stable AI server sales. Management cited bright 2H24F prospects due to clients' urgent orders for AI servers. Several AI projects will enter the mass production stage in 2H24F. In 1H24F, most AI server sales will be from ASIC projects, while GPU-based AI server sales to multiple clients will rise in 2H24F. Blackwell GPU AI servers will commence shipments from 4Q24F and increase in 2025F. Therefore, the firm expects the AI server sales weighting in 4Q24 will surpass 50%, versus less than 20% in 1H24F and 2023. This AI server sales weighting projection is largely in line with our expectations, of more than 30% in 2024F and over 50% in 2025F. Wiwynn continues to focus on tailor-made ASIC & GPU server designs for a diverse clientele. We thus expect NRE will continue to pad gross margin without much dilution. AWS (US) and Meta (US) will be the main AI server clients in 2H24F, while Microsoft (US) and a new client from the Middle East will contribute to AI server sales in 2025F. We lower 2Q24F sales growth to 10% QoQ on lower April-May sales, but revise up 2H24F sales, and expect 2024F sales to grow by 44% YoY. We also revise up our 2025 sales growth forecast to 45% YoY. Although NRE for GPU AI servers may be lower than for ASIC servers, we think lower R&D and sample expenses for GPU AI projects will stabilize operating margin. We forecast 2024 EPS of NT\$124.80, up 81% YoY, and revise up our 2025F EPS forecast to NT\$156.07, up 25%, on stronger sales.

Valuation & Action

With Wiwynn's AI server sales weighting set to expand rapidly, we expect improved sales and EPS. Our target price is raised from NT\$2,900 to NT\$3,090, based on 22x average 2024-25F EPS. On positive sales trends, we maintain our Outperform rating.

Risks

Weak general server demand; clients delay data center expansions.

Key financials and valuations

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (NT\$mn)	192,626	292,876	241,901	348,787	506,133
Gross profit (NT\$mn)	15,621	23,979	22,657	36,006	44,248
Operating profit (NT\$mn)	11,387	17,834	15,871	27,836	34,854
Net profit (NT\$mn)	8,648	14,175	12,044	21,820	27,287
EPS (NT\$)	49.46	81.07	68.88	124.80	156.07
Cash DPS (NT\$)	25.00	50.00	42.00	68.64	85.84
EPS growth (%)	0.4	63.9	(15.0)	81.2	25.1
PE (x)	52.8	32.2	37.9	20.9	16.7
PB (x)	16.7	11.8	10.8	8.1	6.3
EV/EBITDA (x)	38.6	23.6	25.4	14.9	12.1
Net debt to equity (%)	29.3	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	1.0	1.9	1.6	2.6	3.3
Return on average equity (%)	33.3	42.9	29.7	44.4	42.6

Source: Company data; KGI Research estimates

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

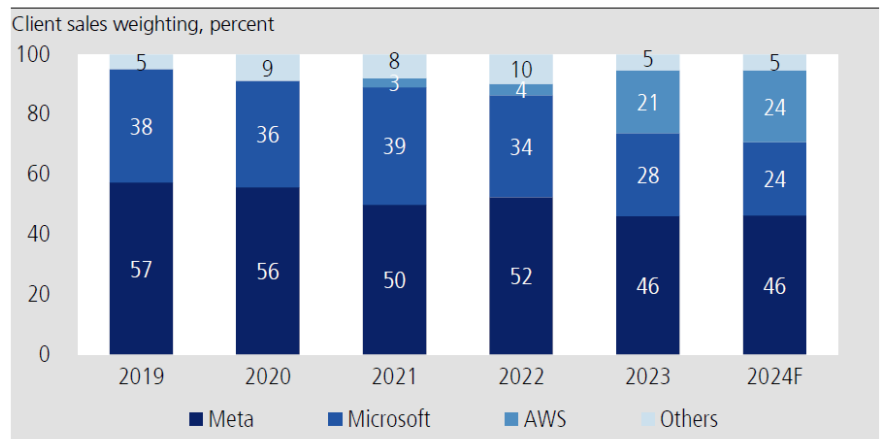
NT\$m	2Q24F							3Q24F						
	Revision	Previous	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	76,591	80,072	(4.3)	10.0	36.0	76,711	(0.2)	88,846	89,681	(0.9)	16.0	68.2	90,410	(1.7)
Gross profits	8,272	8,808	(6.1)	7.4	66.8	8,007	3.3	8,885	8,968	(0.9)	7.4	75.8	8,983	(1.1)
Operating income	6,357	6,806	(6.6)	8.5	82.0	5,933	7.2	6,752	6,816	(0.9)	6.2	107.6	6,556	3.0
Pretax Income	6,226	6,676	(6.7)	5.5	75.0	6,046	3.0	6,622	6,686	(1.0)	6.3	102.9	6,569	0.8
Net income	4,981	5,341	(6.7)	5.8	90.4	4,699	6.0	5,297	5,349	(1.0)	6.3	102.6	5,188	2.1
EPS (NT\$)	28.49	30.55	(6.7)	5.8	90.4	26.87	6.0	30.30	30.59	(1.0)	6.3	102.6	29.67	2.1
Gross margin (%)	10.8	11.0	(0.2)ppts	(0.3)ppts	2.0 ppts	10.4	0.4 ppts	10.0	10.0	0.0 ppts	(0.8)ppts	0.4 ppts	9.9	0.1 ppts
OP margin (%)	8.3	8.5	(0.2)ppts	(0.1)ppts	2.1 ppts	7.7	0.6 ppts	7.6	7.6	0.0 ppts	(0.7)ppts	1.4 ppts	7.3	0.3 ppts
Net margin (%)	6.5	6.7	(0.2)ppts	(0.3)ppts	1.9 ppts	6.1	0.4 ppts	6.0	6.0	(0.0)ppts	(0.5)ppts	1.0 ppts	5.7	0.2 ppts

Source: Bloomberg; KGI Research estimates

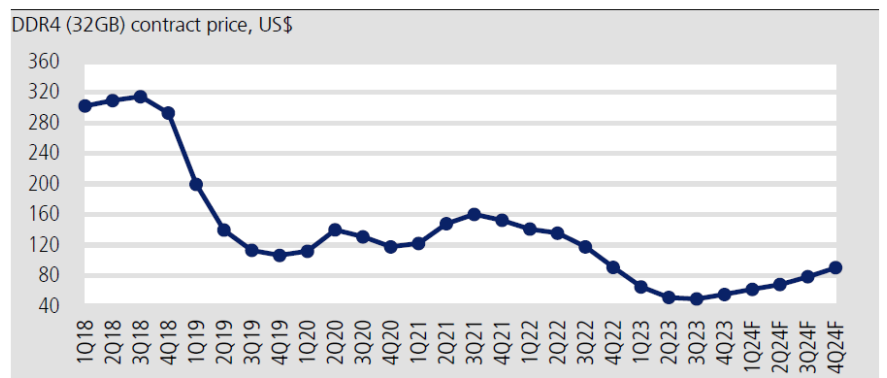
Figure 2: Breakdown of 2024-25 forecast revisions vs. consensus

NT\$m	2024F						2025F					
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	348,787	345,206	1.0	44.2	344,501	1.2	506,133	462,119	9.5	45.1	475,590	6.4
Gross profit	36,006	35,852	0.4	58.9	34,340	4.9	44,248	40,222	10.0	22.9	42,865	3.2
Operating income	27,836	27,627	0.8	75.4	25,812	7.8	34,854	31,321	11.3	25.2	32,119	8.5
Pretax Income	27,482	27,276	0.8	77.9	25,701	6.9	34,323	30,744	11.6	24.9	31,984	7.3
Net income	21,820	21,657	0.8	81.2	20,287	7.6	27,287	24,441	11.6	25.1	25,178	8.4
EPS (NT\$)	124.80	123.87	0.8	81.2	116.03	7.6	156.07	139.79	11.6	25.1	144.01	8.4
Gross margin (%)	10.3	10.4	(0.1)ppts	1.0 ppts	10.0	0.4 ppts	8.7	8.7	0.0 ppts	(1.6)ppts	9.0	(0.3)ppts
OP margin (%)	8.0	8.0	(0.0)ppts	1.4 ppts	7.5	0.5 ppts	6.9	6.8	0.1 ppts	(1.1)ppts	6.8	0.1 ppts
Net margin (%)	6.3	6.3	(0.0)ppts	1.3 ppts	5.9	0.4 ppts	5.4	5.3	0.1 ppts	(0.9)ppts	5.3	0.1 ppts

Source: Bloomberg; KGI Research estimates

Figure 3: Client mix to improve in 2023-24F


Source: Company data; KGI Research estimates

Figure 4: Memory price uptrend to have limited impact on gross margin


Source: Bloomberg; KGI Research estimates

Figure 5: Decelerating CSP capex growth in 2023, but consensus expects CSP capex to resume YoY growth to 36% in 2024F

Capex, US\$m	2019	2020	2021	2022	2023	2024F	2025F
Meta	15,102	15,115	18,567	31,431	27,266	37,383	41,418
Amazon	16,861	35,044	55,396	58,321	48,133	62,228	67,213
Microsoft	13,546	17,592	23,216	24,768	35,202	50,589	57,474
Google	23,548	22,281	24,640	31,485	32,251	46,817	48,241
Baidu	931	738	1,689	1,586	1,687	1,669	1,745
Alibaba	6,517	6,379	8,311	5,014	5,286	6,011	6,232
Tencent	3,927	5,719	4,808	4,611	4,371	7,100	6,659
Hyperscale subtotal	80,432	102,867	136,627	157,216	154,196	211,797	228,980
Apple	9,247	8,702	10,388	11,692	9,564	11,043	11,957
IBM	2,286	2,618	2,062	1,346	1,488	1,720	1,934
Oracle	1,591	1,833	3,118	6,678	6,935	9,621	9,978
Paypal	704	866	908	706	759	800	946
eBay	508	463	444	420	455	500	504
Salesforce	643	710	717	798	813	739	821
Netflix	253	498	525	408	349	428	465
Uber	588	616	298	252	238	304	338
Enterprise subtotal	15,820	16,306	18,460	22,300	20,601	25,156	26,943
Total	96,793	119,173	155,086	179,516	174,797	236,953	255,923
YoY growth, percent	2019	2020	2021	2022	2023	2024F	2025F
Meta	8.5	0.1	22.8	69.3	(13.3)	37.1	10.8
Amazon	25.6	107.8	58.1	5.3	(17.5)	29.3	8.0
Microsoft	6.0	29.9	32.0	6.7	42.1	43.7	13.6
Google	(6.3)	(5.4)	10.6	27.8	2.4	45.2	3.0
Baidu	(29.9)	(20.7)	129.1	(6.1)	6.3	(1.1)	4.6
Alibaba	(11.9)	(2.1)	30.3	(39.7)	5.4	13.7	3.7
Tencent	17.0	45.6	(15.9)	(4.1)	(5.2)	62.4	(6.2)
Hyperscale subtotal	4.0	27.9	32.8	15.1	(1.9)	37.4	8.1
Apple	(26.7)	(5.9)	19.4	12.6	(18.2)	15.5	8.3
IBM	(32.7)	14.5	(21.2)	(34.7)	10.5	15.6	12.4
Oracle	8.4	15.2	70.1	114.2	3.8	38.7	3.7
Paypal	(14.5)	23.0	4.8	(22.2)	7.6	5.4	18.3
eBay	(22.0)	(8.9)	(4.1)	(5.3)	8.2	9.9	0.8
Salesforce	8.1	10.4	1.0	11.3	1.8	(9.1)	11.1
Netflix	45.5	96.8	5.4	(22.3)	(14.5)	22.9	8.7
Uber	5.4	4.8	(51.6)	(15.4)	(5.6)	27.7	11.2
Enterprise subtotal	(22.0)	3.1	13.2	20.8	(7.6)	22.1	7.1
Total	(1.3)	23.1	30.1	15.8	(2.6)	35.6	8.0

Source: Company data; Bloomberg; KGI Research

Figure 6: Capex of top-four US CSPs fell 2% YoY in 2023, but will grow by 38% YoY in 2024F

Capex (US\$m)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2019	2020	2021	2022	2023	2024F	2025F
Meta (Facebook)	5,441	7,572	9,375	9,043	6,842	6,216	6,543	7,665	6,400	15,102	15,115	18,567	31,431	27,266	37,383	41,418
Amazon	14,951	15,724	16,378	11,268	14,207	11,455	12,479	14,588	14,925	16,861	35,044	55,396	58,321	48,133	62,228	67,213
Microsoft	5,340	6,871	6,283	6,274	6,607	8,943	9,917	9,735	10,952	13,546	17,592	23,216	24,768	35,202	50,589	57,474
Google	9,786	6,828	7,276	7,595	6,289	6,888	8,055	11,019	12,012	23,548	22,281	24,640	31,485	32,251	46,817	48,241
US hyperscale subtotal	35,518	36,995	39,312	34,180	33,945	33,502	36,994	43,007	44,289	69,057	90,032	121,819	146,005	142,852	197,017	214,345
YoY (%)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2019	2020	2021	2022	2023	2024F	2025F
Meta (Facebook)	27.4	64.2	117.4	68.4	25.7	(17.9)	(30.2)	(15.2)	(6.5)	8.0	0.1	22.8	69.3	(13.3)	37.1	10.8
Amazon	23.7	10.1	4.0	(40.5)	(5.0)	(27.1)	(23.8)	29.5	5.1	25.6	107.8	58.1	5.3	(17.5)	29.3	8.0
Microsoft	4.9	6.5	8.1	7.0	23.7	30.2	57.8	55.2	65.8	(4.8)	29.9	32.0	6.7	42.1	43.7	13.6
Google	64.7	24.2	6.7	19.0	(35.7)	0.9	10.7	45.1	91.0	(6.3)	(5.4)	10.6	27.8	2.4	45.2	3.0
US Hyperscale subtotal	29.7	19.9	20.3	(6.5)	(4.4)	(9.4)	(5.9)	25.8	30.5	3.4	30.4	35.3	19.9	(2.2)	37.9	8.8
QoQ (%)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2019	2020	2021	2022	2023	2024F	2025F
Meta (Facebook)	1.3	39.2	23.8	(3.5)	(24.3)	(9.1)	5.3	17.1	(16.5)							
Amazon	(21.0)	5.2	4.2	(31.2)	26.1	(19.4)	8.9	16.9	2.3							
Microsoft	(9.0)	28.7	(8.6)	(0.1)	5.3	35.4	10.9	(1.8)	12.5							
Google	53.3	(30.2)	6.6	4.4	(17.2)	9.5	16.9	36.8	9.0							
US Hyperscale subtotal	(2.8)	4.2	6.3	(13.1)	(0.7)	(1.3)	10.4	16.3	3.0							

Source: Company data; Bloomberg; KGI Research

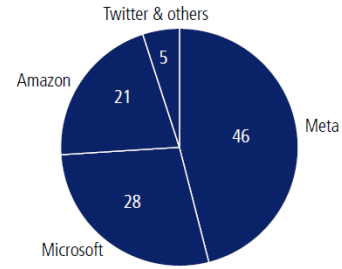
Figure 7: Company profile

Wiwynn, an affiliate of Wistron (3231 TT, NT\$107.5, OP; 37.68% stake), is a data center-related firm. Wiwynn has benefitted from data center expansion by major CSP clients, as it is a pure hyperscale data center hardware and solutions provider. We expect growing data traffic, rising computing performance requirements for AI, autonomous driving, and AR/VR to continue to drive sales and earnings growth. Major clients are Microsoft (US) and Facebook (US) for server, storage, and switch products.

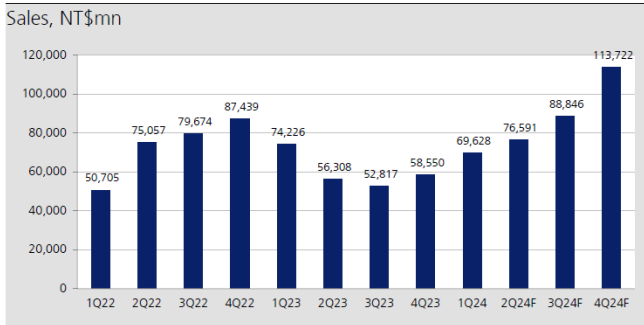
Source: KGI Research

Figure 8: Microsoft & Meta represent bulk of sales

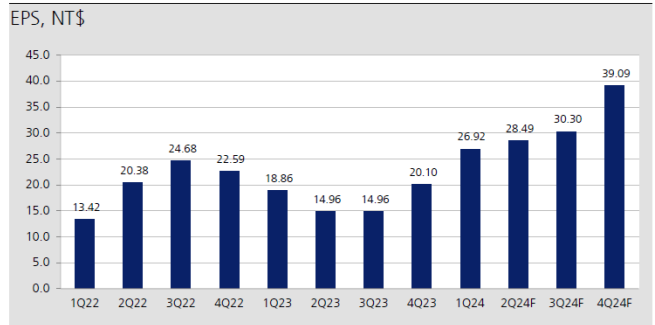
2023 sales weighting, percent



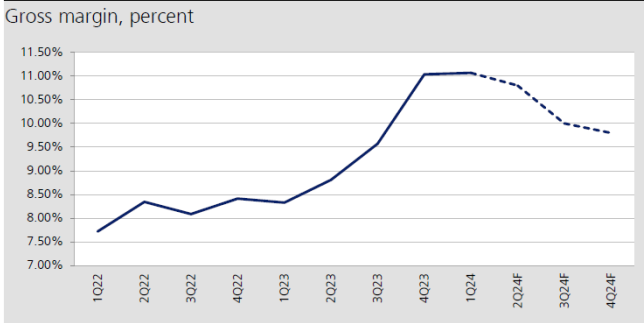
Source: Company data; KGI Research

Figure 9: Sales


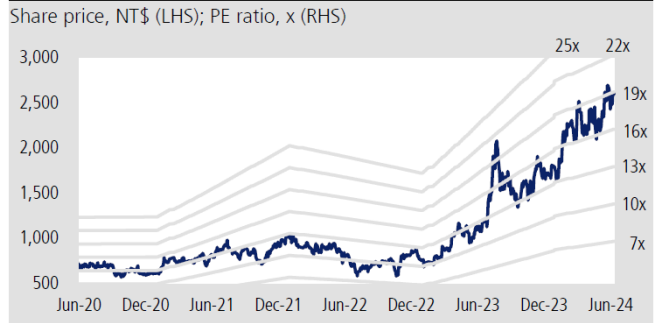
Source: KGI Research

Figure 10: EPS


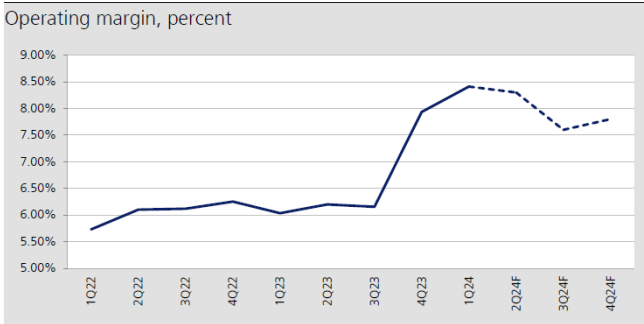
Source: KGI Research

Figure 11: Gross margin


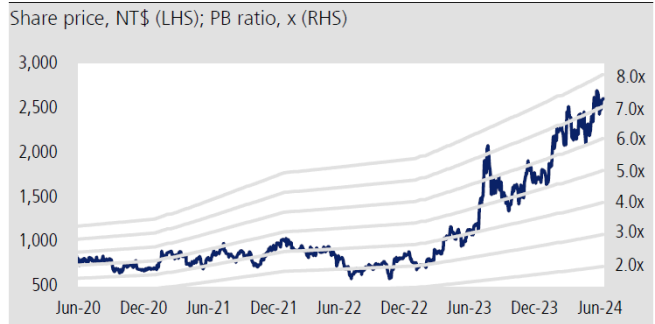
Source: KGI Research

Figure 12: 12M forward PE band


Source: TEJ; KGI Research estimates

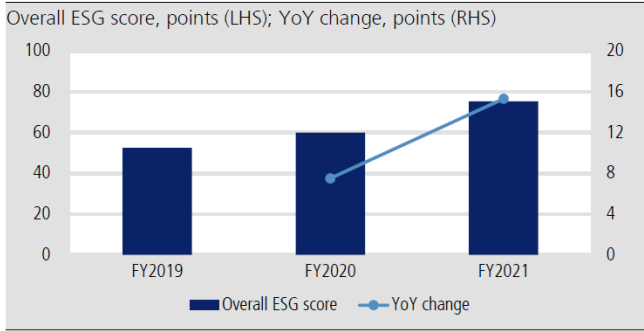
Figure 13: Operating margin


Source: KGI Research

Figure 14: 12M forward PB band


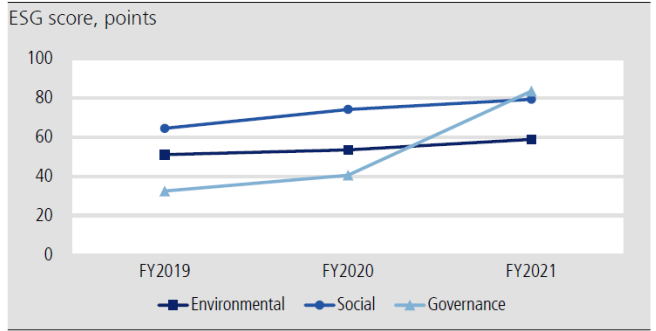
Source: TEJ; KGI Research estimates

Figure 15: Overall ESG score



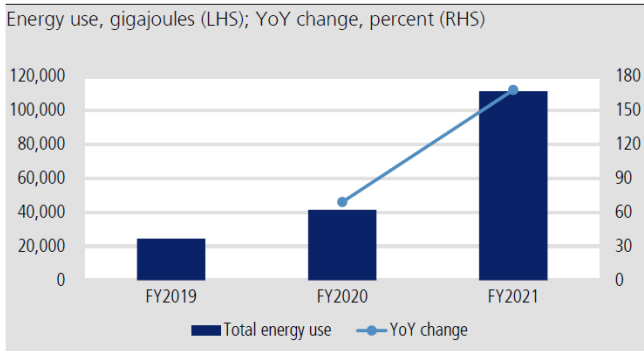
Source: Refinitiv; KGI Research; Company data

Figure 16: ESG score by category



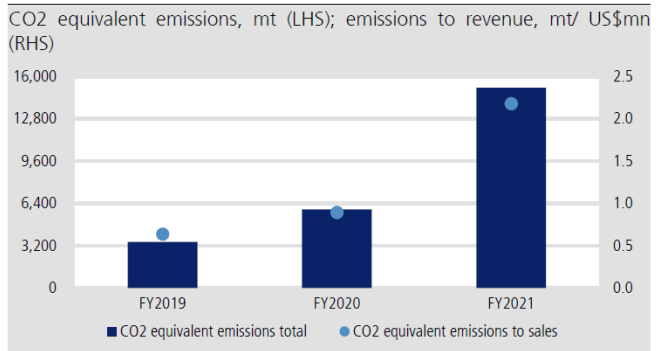
Source: Refinitiv; KGI Research; Company data

Figure 17: Energy use



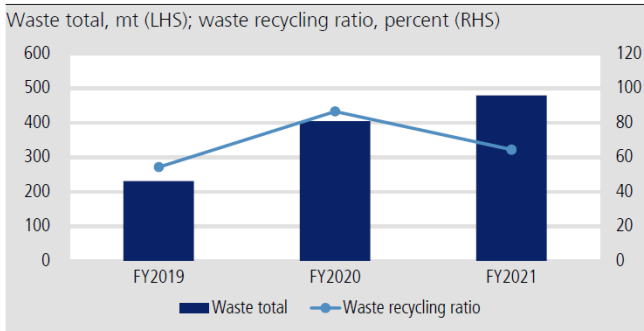
Source: Refinitiv; KGI Research; Company data

Figure 18: CO2 equivalent emissions



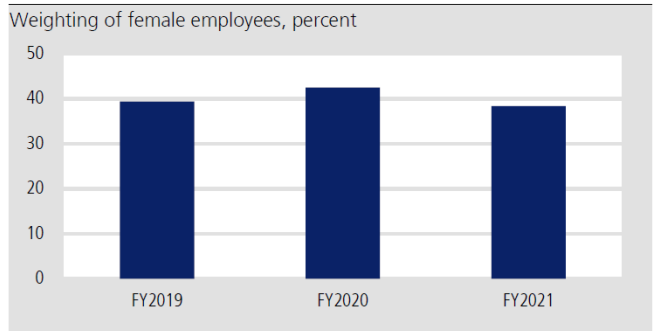
Source: Refinitiv; KGI Research; Company data

Figure 19: Waste total



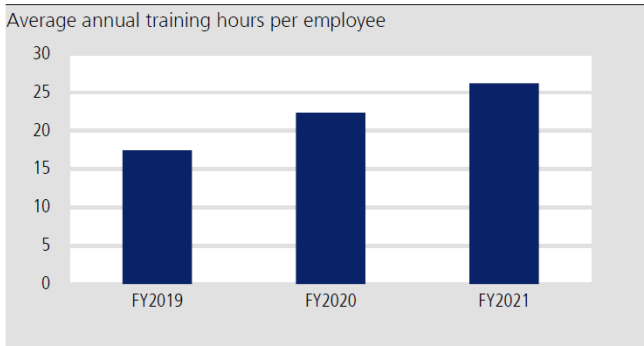
Source: Refinitiv; KGI Research; Company data

Figure 20: Gender diversity



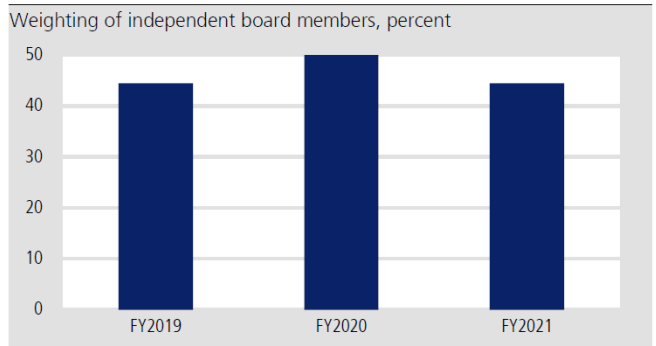
Source: Refinitiv; KGI Research; Company data

Figure 21: Employee training



Source: Refinitiv; KGI Research; Company data

Figure 22: Independent board members



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\$m)</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, Company data

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\$mn)											
Revenue	74,226	56,308	52,817	58,550	69,628	76,591	88,846	113,722	241,901	348,787	506,133
Cost of goods sold	(68,043)	(51,348)	(47,763)	(52,089)	(61,923)	(68,319)	(79,961)	(102,578)	(219,244)	(312,781)	(461,885)
Gross profit	6,183	4,960	5,054	6,460	7,705	8,272	8,885	11,145	22,657	36,006	44,248
Operating expenses	(1,702)	(1,468)	(1,803)	(1,814)	(1,849)	(1,915)	(2,132)	(2,274)	(6,787)	(8,170)	(9,394)
Operating profit	4,481	3,492	3,252	4,646	5,857	6,357	6,752	8,870	15,871	27,836	34,854
Depreciation of fixed assets	(192)	(204)	(228)	(258)	(353)	(363)	(363)	(373)	(882)	(1,453)	(1,747)
Amortisation of intangible assets	(31)	(29)	(29)	(31)	(32)	(34)	(34)	(37)	(120)	(137)	(149)
EBITDA	4,704	3,726	3,509	4,934	6,242	6,755	7,150	9,280	16,873	29,426	36,750
Interest income	96	93	109	157	219	198	198	177	456	791	605
Investment income	-	-	-	-	-	-	-	-	-	-	-
Other non-op income	-	243	211	-	177	10	10	11	454	208	200
Non-operating income	96	336	320	157	396	208	208	188	909	999	805
Interest expense	(236)	(256)	(293)	(167)	(329)	(306)	(306)	(283)	(953)	(1,224)	(1,156)
Investment loss	(17)	(14)	-	(33)	(22)	(13)	(13)	(3)	(64)	(50)	(50)
Other non-op expenses	(160)	0	(14)	(145)	(0)	(20)	(20)	(40)	(319)	(80)	(130)
Non-operating expenses	(413)	(270)	(308)	(346)	(350)	(338)	(338)	(327)	(1,336)	(1,354)	(1,336)
Pre-tax profit	4,164	3,558	3,264	4,458	5,902	6,226	6,622	8,731	15,444	27,482	34,323
Current taxation	(866)	(943)	(649)	(943)	(1,195)	(1,245)	(1,324)	(1,897)	(3,400)	(5,661)	(7,036)
Minorities	-	-	-	-	-	-	-	-	-	-	-
Normalised net profit	3,298	2,616	2,615	3,515	4,707	4,981	5,297	6,835	12,044	21,820	27,287
Extraordinary items	(0)	(0)	(0)	0	(0)	-	-	0	-	-	-
Net profit	3,298	2,616	2,615	3,515	4,707	4,981	5,297	6,835	12,044	21,820	27,287
EPS (NT\$)	18.86	14.96	14.96	20.10	26.92	28.49	30.30	39.09	68.88	124.80	156.07
Margins (%)											
Gross profit margin	8.3	8.8	9.6	11.0	11.1	10.8	10.0	9.8	9.4	10.3	8.7
Operating margin	6.0	6.2	6.2	7.9	8.4	8.3	7.6	7.8	6.6	8.0	6.9
EBITDA margin	6.3	6.6	6.6	8.4	9.0	8.8	8.0	8.2	7.0	8.4	7.3
Pretax profit margin	5.6	6.3	6.2	7.6	8.5	8.1	7.5	7.7	6.4	7.9	6.8
Net profit margin	4.4	4.6	5.0	6.0	6.8	6.5	6.0	6.0	5.0	6.3	5.4
Sequential growth (%)											
Revenue growth	(15.1)	(24.1)	(6.2)	10.9	18.9	10.0	16.0	28.0			
Gross profit growth	(16.0)	(19.8)	1.9	27.8	19.3	7.4	7.4	25.4			
Operating profit growth	(18.1)	(22.1)	(6.9)	42.9	26.1	8.5	6.2	31.4			
EBITDA growth	(17.4)	(20.8)	(5.8)	40.6	26.5	8.2	5.9	29.8			
Pretax profit growth	(16.1)	(14.5)	(8.3)	36.6	32.4	5.5	6.3	31.9			
Net profit growth	(16.5)	(20.7)	(0.0)	34.4	33.9	5.8	6.3	29.0			
YoY growth (%)											
Revenue growth	46.4	(25.0)	(33.7)	(33.0)	(6.2)	36.0	68.2	94.2	(17.4)	44.2	45.1
Gross profit growth	57.9	(20.8)	(21.6)	(12.2)	24.6	66.8	75.8	72.5	(5.5)	58.9	22.9
Operating profit growth	54.1	(23.8)	(33.3)	(15.0)	30.7	82.0	107.6	90.9	(11.0)	75.4	25.2
EBITDA growth	53.9	(21.6)	(31.1)	(13.3)	32.7	81.3	103.7	88.1	(9.3)	74.4	24.9
Pretax profit growth	40.1	(21.2)	(40.1)	(10.2)	41.7	75.0	102.9	95.9	(13.7)	77.9	24.9
Net profit growth	40.6	(26.6)	(39.4)	(11.0)	42.7	90.4	102.6	94.5	(15.0)	81.2	25.1

Source: Company data; KGI Research estimates

Balance sheet

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Total assets	84,737	88,838	88,845	110,438	140,765
Current assets	82,025	84,051	79,195	99,291	128,414
Cash & ST securities	22,673	26,232	37,495	28,259	24,377
Inventory	45,383	36,012	30,179	47,003	69,599
Accounts receivable	13,166	19,781	10,363	22,871	33,280
Other current assets	803	2,027	1,158	1,158	1,158
Non-current assets	2,712	4,787	9,650	11,147	12,350
LT investments	250	199	159	109	59
Net fixed assets	1,038	2,157	5,626	7,173	8,426
Other assets	1,424	2,431	3,865	3,865	3,865
Total liabilities	57,367	50,051	46,611	54,437	68,536
Current liabilities	47,166	38,562	36,494	44,634	58,629
Accounts payable	18,279	26,465	20,169	23,074	34,167
Interest bearing ST liabilities	21,266	2,077	2,884	3,198	3,093
Other current liabilities	7,621	10,021	13,441	18,362	21,368
Non-current liabilities	10,202	11,488	10,117	9,803	9,908
Long-term debt	9,436	9,440	8,443	8,129	8,233
Other L-T liabilities	233	1,247	486	486	486
Total equity	27,370	38,787	42,234	56,001	72,228
Share capital	1,748	1,748	1,748	1,748	1,748
Retained earnings reserve	14,767	-	-	9,819	22,098
Minority interests	-	-	-	-	-
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Growth					
Revenue growth	3.0%	52.0%	(17.4%)	44.2%	45.1%
Operating profit growth	1.3%	56.6%	(11.0%)	75.4%	25.2%
EBITDA growth	2.6%	55.8%	(9.3%)	74.4%	24.9%
Net profit growth	0.4%	63.9%	(15.0%)	81.2%	25.1%
EPS growth	0.4%	63.9%	(15.0%)	81.2%	25.1%
Profitability					
Gross profit margin	8.1%	8.2%	9.4%	10.3%	8.7%
Operating margin	5.9%	6.1%	6.6%	8.0%	6.9%
EBITDA margin	6.2%	6.3%	7.0%	8.4%	7.3%
Net profit margin	4.5%	4.8%	5.0%	6.3%	5.4%
Return on average assets	12.4%	16.3%	13.6%	21.9%	21.7%
Return on average equity	33.3%	42.9%	29.7%	44.4%	42.6%
Stability					
Gross debt to equity	112.2%	29.7%	26.8%	20.2%	15.7%
Net debt to equity	29.3%	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	31.9	21.3	17.2	23.5	30.7
Interest & ST debt coverage (x)	0.3	0.9	0.8	0.9	0.9
Cash flow interest coverage(x)	(39.9)	34.8	24.2	(2.2)	6.3
Cash flow/int. & ST debt (x)	(0.7)	10.4	6.0	(0.6)	1.7
Current ratio (x)	1.7	2.2	2.2	2.2	2.2
Quick ratio (x)	0.8	1.2	1.3	1.2	1.0
Net debt (NT\$m)	8,029	(14,715)	(26,168)	(16,932)	(13,050)
Per share data					
EPS (NT\$)	49.46	81.07	68.88	124.80	156.07
CFPS (NT\$)	(81.29)	175.46	131.89	(15.46)	41.87
BVPS (NT\$)	156.54	221.84	241.56	320.30	413.11
Adj BVPS (NT\$)	156.54	221.84	241.56	320.30	413.11
SPS (NT\$)	1,101.72	1,675.10	1,383.55	1,994.89	2,894.82
EBITDA/share (NT\$)	68.26	106.36	96.50	168.30	210.19
Cash DPS (NT\$)	25.00	50.00	42.00	68.64	85.84
Activity					
Sales / avg assets	2.76	3.37	2.72	3.50	4.03
Days receivable	24.9	24.7	15.6	24.0	24.0
Days inventory	93.6	48.9	50.2	55.0	55.0
Days payable	37.7	35.9	33.6	27.0	27.0
Cash cycle	80.8	37.6	32.3	52.0	52.0

Source: Company data; KGI Research estimates

Profit & loss

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue	192,626	292,876	241,901	348,787	506,133
Cost of goods sold	(177,005)	(268,897)	(219,244)	(312,781)	(461,885)
Gross profit	15,621	23,979	22,657	36,006	44,248
Operating expenses	(4,234)	(6,145)	(6,787)	(8,170)	(9,394)
Operating profit	11,387	17,834	15,871	27,836	34,854
Non-operating income	95	1,387	909	999	805
Interest income	62	156	456	791	605
Investment income	-	-	-	-	-
Other non-op income	34	1,231	454	208	200
Non-operating expenses	(486)	(1,324)	(1,336)	(1,354)	(1,336)
Interest expense	(356)	(882)	(953)	(1,224)	(1,156)
Investment loss	(15)	(68)	(64)	(50)	(50)
Other non-op expenses	(115)	(375)	(319)	(80)	(130)
Pre-tax profit	10,996	17,897	15,444	27,482	34,323
Current taxation	(2,348)	(3,723)	(3,400)	(5,661)	(7,036)
Minorities	-	-	-	-	-
Extraordinary items	-	(0)	0	-	-
Net profit	8,648	14,175	12,044	21,820	27,287
EBITDA	11,935	18,596	16,873	29,426	36,750
EPS (NT\$)	49.46	81.07	68.88	124.80	156.07

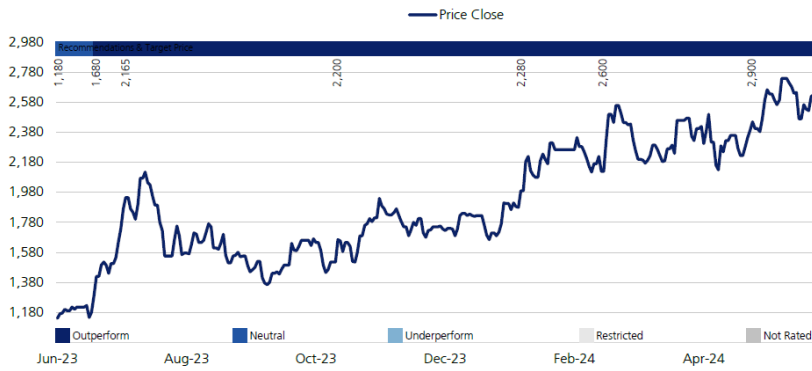
Cash flow

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Operations cash flow	(14,212)	30,678	23,060	(2,703)	7,320
Net profit	8,648	14,175	12,044	21,820	27,287
Depreciation & amortisation	548	762	1,002	1,590	1,896
Decrease in working capital	(25,547)	12,998	8,928	(26,164)	(21,912)
Other operating cash flow	2,139	2,743	1,087	50	50
Investing cash flow	(1,039)	(1,930)	(4,696)	(3,137)	(3,149)
Sale of ST investment	-	-	-	-	-
New investments	(277)	-	-	-	-
Capital expenditure	(511)	(1,466)	(4,886)	(3,000)	(3,000)
Others investing cashflow	(252)	(464)	190	(137)	(149)
Free cash flow	(16,596)	26,334	17,300	(5,609)	4,544
Financing cash flow	14,855	(26,181)	(7,115)	(3,395)	(8,053)
Increase in short term debt	16,132	(22,561)	393	-	-
Increase in long term loans	4,442	-	1,500	-	-
New ordinary shares issued	-	-	-	3,948	3,948
Ordinary dividends paid	(5,595)	(4,371)	(8,742)	(7,343)	(12,001)
Other financing cashflow	(124)	751	(265)	-	-
Forex effects	(99)	992	13		
Total cash generated	(496)	3,559	11,263	(9,236)	(3,882)

ROIC

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	2.2%	2.1%	2.8%	2.3%	1.9%
= Operating margin	5.9%	6.1%	6.6%	8.0%	6.9%
1 / (Working capital/revenue					
+ Net PPE/revenue	0.0	0.0	0.0	0.0	0.0
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
= Capital turnover	5.5	12.1	16.2	9.2	8.7
Operating margin	5.9%	6.1%	6.6%	8.0%	6.9%
x Capital turnover	5.5	12.1	16.2	9.2	8.7
x (1 - tax rate)	78.6%	79.2%	78.0%	79.4%	79.5%
= After-tax ROIC	25.7%	58.5%	82.7%	58.1%	47.6%

Source: Company data; KGI Research estimates

Wiyynn – Recommendation & target price history


Date	Rating	Target	Price
2024-05-08	Outperform	2,900	2,395
2024-02-27	Outperform	2,600	2,120
2024-01-19	Outperform	2,280	1,990
2023-11-08	Outperform	2,200	1,805
2023-10-23	Outperform	2,200	1,515
2023-08-08	Outperform	2,165	1,755
2023-07-14	Outperform	2,165	1,945
2023-06-30	Outperform	1,680	1,420
2023-05-10	Neutral	1,180	1,005
2023-04-10	Outperform	1,355	1,240

Source: TEJ; KGI Research

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