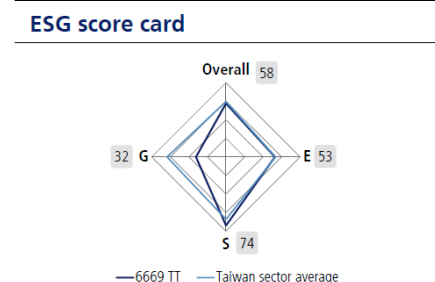


Wiwynn (6669.TW/6669 TT)

Rights issued to meet strong 2H24-2025F orders

FTSE4Good TIP Taiwan ESG Index stock			
Outperform · Maintained			
Price as of July 15 (NT\$)	2,375.0		
12M target price (NT\$)	3,020.0		
Previous target price (NT\$)	3,090.0		
Revised down (%)	2.3		
Upside (%)	27.2		
Key message			
1. 2Q24 sales in-line; we expect stronger 3Q24 sales growth of 25% QoQ, on growing AI server sales.			
2. Wiwynn expects the AI server sales weighting to surpass 50% in 4Q24F, with Blackwell project starts. We expect a 2025F AI server weighting of over 50%, as sales of new projects, and to new clients, ramp-up.			
3. A recent rights issue may dilute EPS by 9.3%, but we think this is justified by growing AI demand.			
Trading data			
Mkt cap (NT\$bn/US\$m)	169.9 / 6,012		
Outstanding shares (mn)	174.8		
Foreign ownership (mn)	66.60		
3M avg. daily trading (mn)	1.33		
52-week trading range (NT\$)	1,365 –2,965		
Performance	3M	6M	12M
Absolute (%)	-1.9	27.3	22.1
Relative (%)	-18.7	-8.8	-16.1

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	28.82F	34.63F	40.99F



Source: Refinitiv; KGI Research

Event

Wiwynn posted in-line 2Q24 sales, up 11% QoQ and 38% YoY, of NT\$77.48bn. After seeing improved general server demand in 1H24, we expect more AI project kick-offs in 2H24F to boost sales growth, and solid sales growth in 2025F will continue on an AI server sales weighting of over 50%.

Impact

Positive 3Q24F sales outlook. The firm reported 1H24 sales growth of 13% YoY in 1H24. With in-line 2Q24 sales growth, we expect stronger sales growth of 25% QoQ and 83% YoY in 3Q24F, due to growing ASIC and GPU AI server project kickoffs. We expect ASIC AI server sales to Meta (US) and AWS (US), and GPU-based AI servers to Microsoft (US) and Meta will be the main catalysts for solid sales growth in 2H24F. In addition, a new immersion cooling AI server project for a Middle Eastern client should begin sample shipments with Blackwell GPUs from late 3Q24F, with mass production scheduled in 1H25F. H100/ H200 GPUs will ship with most AI servers in 2H24F, while B100/ B200 GPUs will begin contributing to sales in 4Q24F. AI server sales growth will result in an AI server sales weighting of over 50% in 4Q24F, up from 15-20% in 1H24. We maintain an AI server sales weighting projection of 30-40% in 2024F, and of over 50% for 2025F. We expect the three major US CSP clients (Meta, Microsoft and AWS) will have a more balanced sales contribution in 2024-25F, while a fourth client is likely to contribute over 10% of total sales in 2025F. To reflect higher 2H24-2025F sales from AI projects, we raise YoY 2024-25F sales growth to 49% and 51%, respectively.

Recent right issues to meet strong orders will result in EPS dilution. With bright order visibility in 2H24-2025F, and high working capital requirements for AI server production, Wiwynn recently issued an ECB (US\$600mn with a converted price of NT\$3,220.62) and a GDR (11mn shares with a price of NT\$2,477, for a fund value of US\$836.55mn), with price settlement on July 10. Both are based on an exchange rate of 32.576. These two right issues will increase the total number of outstanding shares by 9.27% (3.35% via the GDR and 5.92% via the ECB). The capital raised will be used to procure components, like GPUs, ASICs, server motherboards, and memory, as well as for assembly factory expansions in Mexico, Malaysia and Taiwan. We think EPS dilution is always negative for a stock, but we view this as a necessary action for Wiwynn to prepare enough components to build the AI business. We think the large number of orders-in-hand justifies the decision. We raise our 2024F sales and EPS forecasts, and expect NRE from new projects will bolster gross margin in 2H24F. Our revised 2024F EPS forecast is NT\$131.36, up 91% YoY, and our 2025F EPS forecast is NT\$168.56, up 28% YoY, both before dilution.

Valuation & Action

To reflect a fully-diluted EPS forecast of NT\$120.25 in 2024F and NT\$154.3 in 2025F, our target price is adjusted from NT\$3,090 to NT\$3,020, based on 22x fully-diluted average 2024-25F EPS. On positive sales and EPS 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\$m)	192,626	292,876	241,901	360,182	542,291
Gross profit (NT\$m)	15,621	23,979	22,657	37,719	47,321
Operating profit (NT\$m)	11,387	17,834	15,871	29,285	37,607
Net profit (NT\$m)	8,648	14,175	12,044	22,967	29,472
EPS (NT\$)	49.46	81.07	68.88	131.36	168.56
Cash DPS (NT\$)	25.00	50.00	42.00	72.25	92.71
EPS growth (%)	0.4	63.9	(15.0)	90.7	28.3
PE (x)	48.0	29.3	34.5	18.1	14.1
PB (x)	15.2	10.7	9.8	7.3	5.6
EV/EBITDA (x)	35.1	21.4	23.0	12.9	10.2
Net debt to equity (%)	29.3	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	1.1	2.1	1.8	3.0	3.9
Return on average equity (%)	33.3	42.9	29.7	46.5	45.3

Source: Company data; KGI Research estimates

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

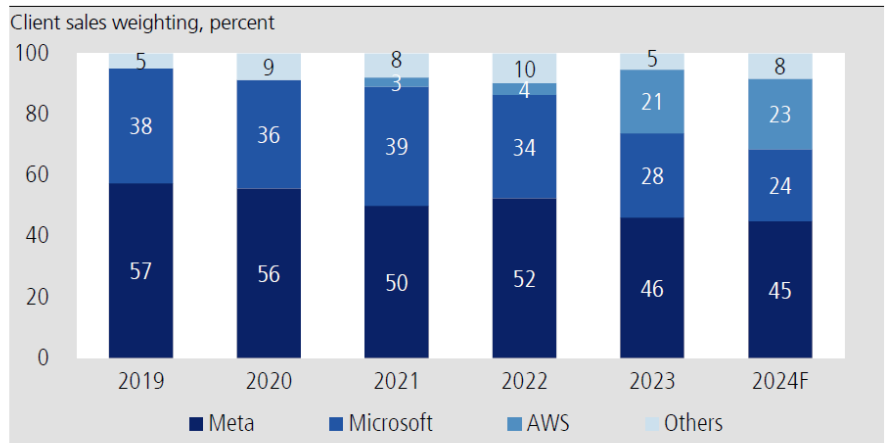
NT\$m	2Q24F							3Q24F						
	Revision	Previous	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	77,481	76,591	1.2	11.3	37.6	76,765	0.9	96,851	88,846	9.0	25.0	83.4	90,158	7.4
Gross profits	8,368	8,272	1.2	8.6	68.7	7,997	4.6	10,024	8,885	12.8	19.8	98.3	8,817	13.7
Operating income	6,431	6,357	1.2	9.8	84.1	5,970	7.7	7,700	6,752	14.0	19.7	136.8	6,569	17.2
Pretax Income	6,299	6,226	1.2	6.7	77.0	6,025	4.6	7,568	6,622	14.3	20.1	131.9	6,582	15.0
Net income	5,039	4,981	1.2	7.1	92.7	4,749	6.1	6,054	5,297	14.3	20.1	131.5	5,283	14.6
EPS (NT\$)	28.82	28.49	1.2	7.1	92.7	27.16	6.1	34.63	30.30	14.3	20.1	131.5	30.22	14.6
Gross margin (%)	10.8	10.8	0.0 ppts	(0.3)ppts	2.0 ppts	10.4	0.4 ppts	10.4	10.0	0.3 ppts	(0.4)ppts	0.8 ppts	9.8	0.5 ppts
OP margin (%)	8.3	8.3	0.0 ppts	(0.1)ppts	2.1 ppts	7.8	0.5 ppts	8.0	7.6	0.3 ppts	(0.3)ppts	1.8 ppts	7.3	0.6 ppts
Net margin (%)	6.5	6.5	0.0 ppts	(0.3)ppts	1.9 ppts	6.2	0.3 ppts	6.3	6.0	0.3 ppts	(0.3)ppts	1.3 ppts	5.9	0.4 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	360,182	348,787	3.3	48.9	343,694	4.8	542,291	506,133	7.1	50.6	479,374	13.1
Gross profit	37,719	36,006	4.8	66.5	34,713	8.7	47,321	44,248	6.9	25.5	43,144	9.7
Operating income	29,285	27,836	5.2	84.5	26,106	12.2	37,607	34,854	7.9	28.4	32,791	14.7
Pretax Income	28,926	27,482	5.3	87.3	26,046	11.1	37,071	34,323	8.0	28.2	32,722	13.3
Net income	22,967	21,820	5.3	90.7	20,549	11.8	29,472	27,287	8.0	28.3	25,749	14.5
EPS (NT\$)	131.36	124.80	5.3	90.7	117.53	11.8	168.56	156.07	8.0	28.3	147.27	14.5
Gross margin (%)	10.5	10.3	0.1 ppts	1.1 ppts	10.1	0.4 ppts	8.7	8.7	(0.0)ppts	(1.7)ppts	9.0	(0.3)ppts
OP margin (%)	8.1	8.0	0.1 ppts	1.6 ppts	7.6	0.5 ppts	6.9	6.9	0.0 ppts	(1.2)ppts	6.8	0.1 ppts
Net margin (%)	6.4	6.3	0.1 ppts	1.4 ppts	6.0	0.4 ppts	5.4	5.4	0.0 ppts	(0.9)ppts	5.4	0.0 ppts

Source: Bloomberg; KGI Research estimates

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


Source: Company data; KGI Research estimates

Figure 4: Decelerating CSP capex growth in 2023, but consensus expects CSP capex to resume YoY growth to 39% in 2024F

Capex, US\$m	2019	2020	2021	2022	2023	2024F	2025F
Meta	15,102	15,115	18,567	31,431	27,266	37,444	41,481
Amazon	16,861	35,044	55,396	58,321	48,133	63,271	68,070
Microsoft	13,546	17,592	23,216	24,768	35,202	50,446	57,306
Google	23,548	22,281	24,640	31,485	32,251	46,817	48,241
Baidu	931	738	1,689	1,586	1,580	1,783	1,806
Alibaba	6,517	6,379	8,311	5,014	4,084	5,130	5,794
Tencent	3,927	5,719	4,808	4,611	3,017	6,474	6,591
Hyperscale subtotal	80,432	102,867	136,627	157,216	151,533	211,366	229,289
Apple	9,247	8,702	10,388	11,692	9,564	10,712	11,736
IBM	2,286	2,618	2,062	1,346	1,245	1,717	1,817
Oracle	1,591	1,833	3,118	6,678	6,935	10,870	13,792
Paypal	704	866	908	706	759	799	947
eBay	508	463	444	420	456	500	504
Salesforce	643	710	717	798	813	739	821
Netflix	253	498	525	408	349	426	462
Uber	588	616	298	252	238	291	325
Enterprise subtotal	15,820	16,306	18,460	22,300	20,359	26,054	30,404
Total	96,793	119,173	155,086	179,516	171,892	237,420	259,693
YoY growth, percent	2019	2020	2021	2022	2023	2024F	2025F
Meta	8.5	0.1	22.8	69.3	(13.3)	37.3	10.8
Amazon	25.6	107.8	58.1	5.3	(17.5)	31.5	7.6
Microsoft	6.0	29.9	32.0	6.7	42.1	43.3	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)	(0.4)	12.8	1.3
Alibaba	(11.9)	(2.1)	30.3	(39.7)	(18.5)	25.6	12.9
Tencent	17.0	45.6	(15.9)	(4.1)	(34.6)	114.6	1.8
Hyperscale subtotal	4.0	27.9	32.8	15.1	(3.6)	39.5	8.5
Apple	(26.7)	(5.9)	19.4	12.6	(18.2)	12.0	9.6
IBM	(32.7)	14.5	(21.2)	(34.7)	(7.5)	37.9	5.9
Oracle	8.4	15.2	70.1	114.2	3.8	56.7	26.9
Paypal	(14.5)	23.0	4.8	(22.2)	7.6	5.3	18.4
eBay	(22.0)	(8.9)	(4.1)	(5.3)	8.5	9.7	0.8
Salesforce	8.1	10.4	1.0	11.3	1.8	(9.0)	11.1
Netflix	45.5	96.8	5.4	(22.3)	(14.5)	22.3	8.5
Uber	5.4	4.8	(51.6)	(15.4)	(5.6)	22.1	11.7
Enterprise subtotal	(22.0)	3.1	13.2	20.8	(8.7)	28.0	16.7
Total	(1.3)	23.1	30.1	15.8	(4.2)	38.1	9.4

Source: Company data; Bloomberg; KGI Research

Figure 5: 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	37,444	41,481
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	63,271	68,070
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	50,446	57,306
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	197,978	215,098
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)	37.3	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)	31.5	7.6
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	43.3	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)	38.6	8.6
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

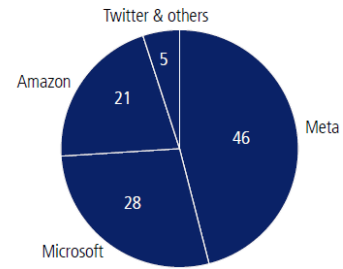
Figure 6: Company profile

Wiwynn, an affiliate of Wistron (3231 TT, NT\$106.5, 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

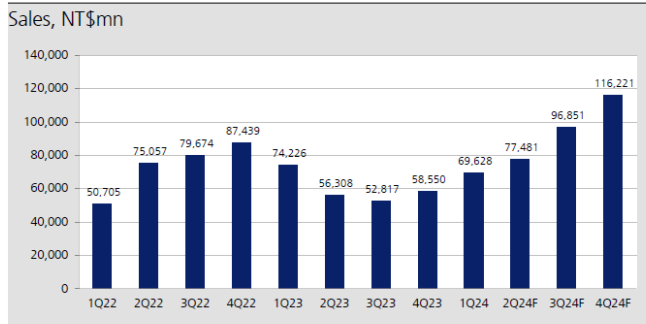
Figure 7: Microsoft & Meta represent the bulk of sales

2023 sales weighting, percent



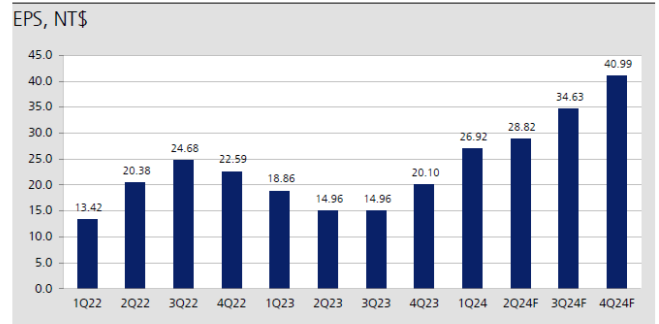
Source: Company data; KGI Research

Figure 8: Sales



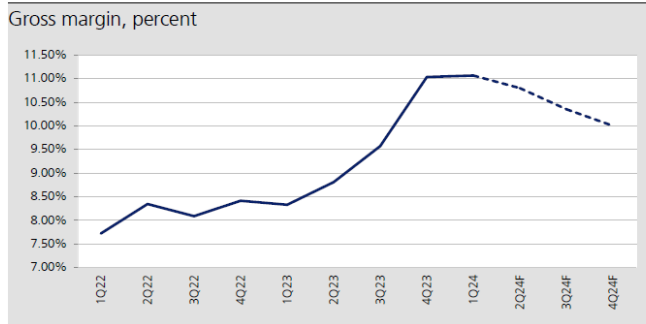
Source: KGI Research

Figure 9: EPS



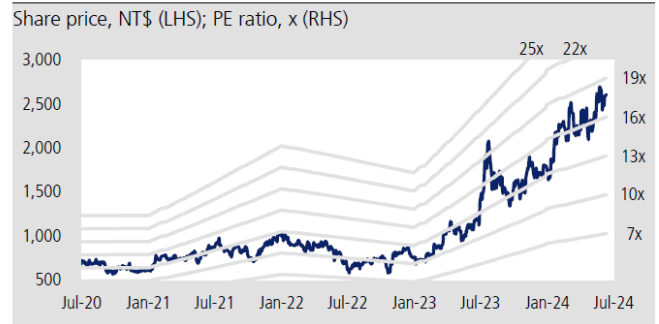
Source: KGI Research

Figure 10: Gross margin



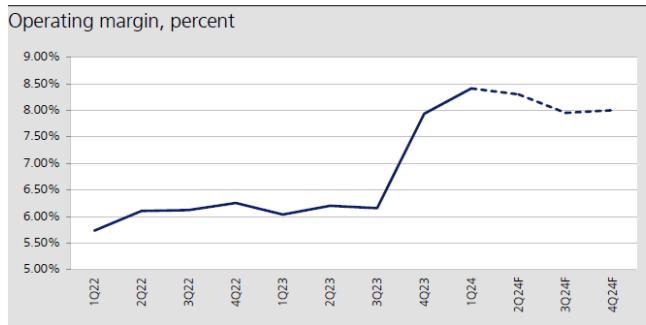
Source: KGI Research

Figure 11: 12M forward PE band



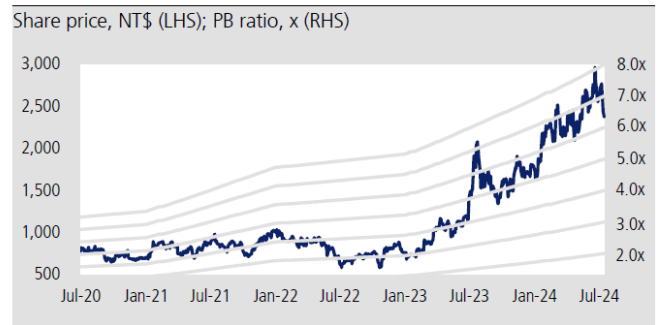
Source: TEJ; KGI Research estimates

Figure 12: Operating margin



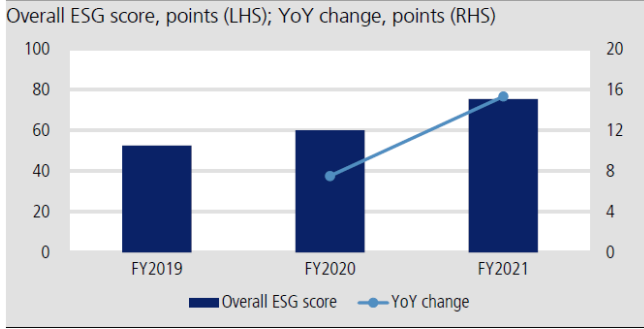
Source: KGI Research

Figure 13: 12M forward PB band



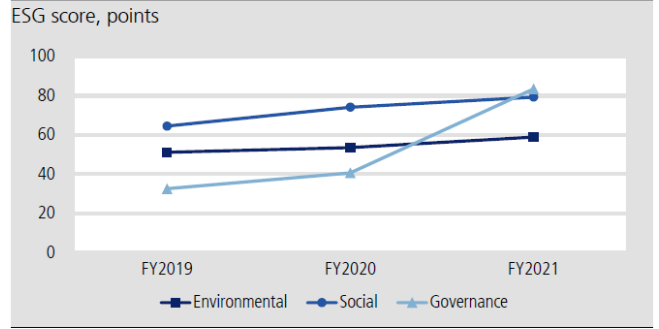
Source: TEJ; KGI Research estimates

Figure 14: Overall ESG score



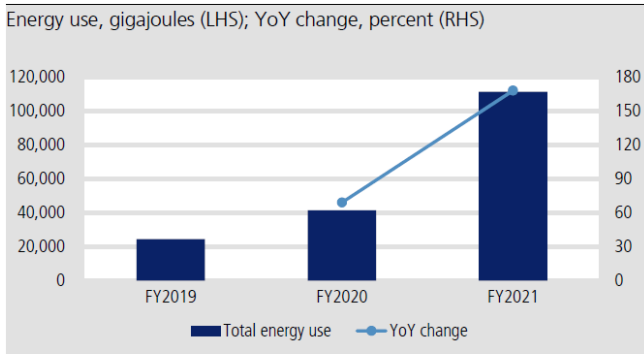
Source: Refinitiv; KGI Research; Company data

Figure 15: ESG score by category



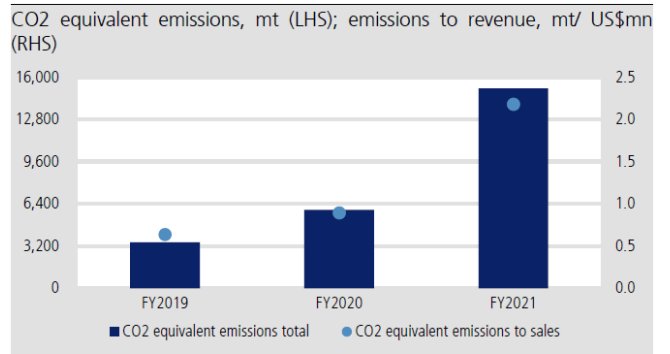
Source: Refinitiv; KGI Research; Company data

Figure 16: Energy use



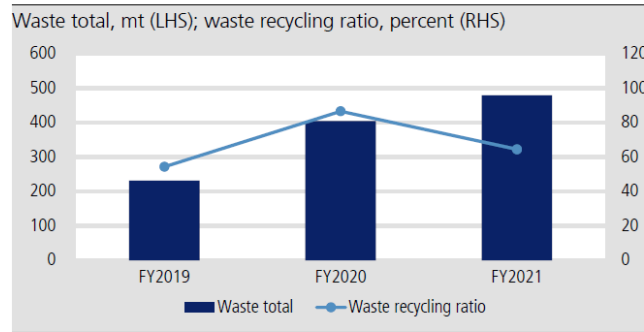
Source: Refinitiv; KGI Research; Company data

Figure 17: CO2 equivalent emissions



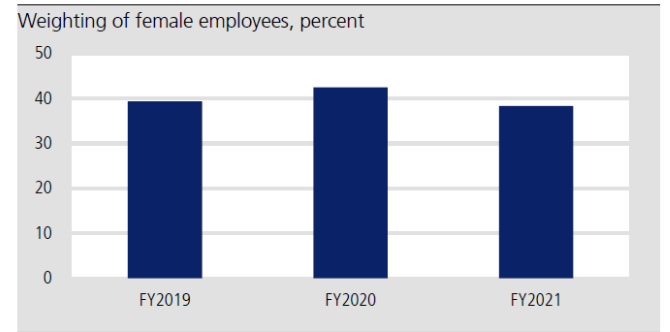
Source: Refinitiv; KGI Research; Company data

Figure 18: Waste total



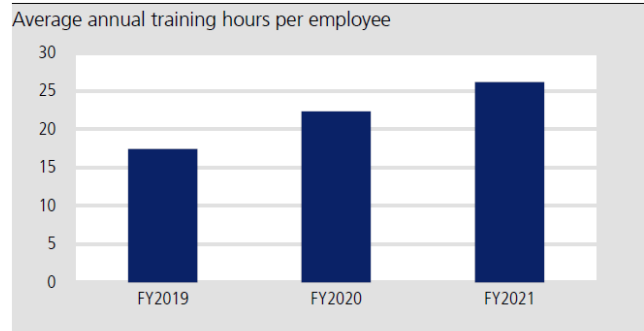
Source: Refinitiv; KGI Research; Company data

Figure 19: Gender diversity



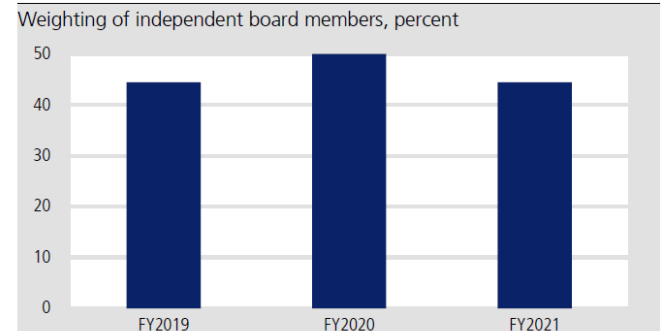
Source: Refinitiv; KGI Research; Company data

Figure 20: Employee training



Source: Refinitiv; KGI Research; Company data

Figure 21: Independent board members



Source: Refinitiv; KGI Research; Company data

ESG chart definition

Item	Definition	Remarks
Energy use	Total direct and indirect energy consumption in gigajoules. - 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	Total primary renewable energy purchased in gigajoules. - 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	Direct CO2 and CO2 equivalent emissions in metric tons. - 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	Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT\$mn) - 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	Total amount of waste produced in metric tons. - 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	The waste recycling ratio as reported by the company. - 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	Total water withdrawal in cubic meters. - 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	Total amount of environmental expenditures. - 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	Percentage of employee turnover. - 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	Percentage of women managers. - 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	Percentage of women employees. - 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	Total training hours performed by all employees. - 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	77,481	96,851	116,221	241,901	360,182	542,291
Cost of goods sold	(68,043)	(51,348)	(47,763)	(52,089)	(61,923)	(69,113)	(86,827)	(104,599)	(219,244)	(322,462)	(494,971)
Gross profit	6,183	4,960	5,054	6,460	7,705	8,368	10,024	11,622	22,657	37,719	47,321
Operating expenses	(1,702)	(1,468)	(1,803)	(1,814)	(1,849)	(1,937)	(2,324)	(2,324)	(6,787)	(8,434)	(9,714)
Operating profit	4,481	3,492	3,252	4,646	5,857	6,431	7,700	9,298	15,871	29,285	37,607
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	6,828	8,097	9,708	16,873	30,875	39,503
Interest income	96	93	109	157	219	197	197	175	456	787	576
Investment income	-	-	-	-	-	-	-	-	-	-	-
Other non-op income	-	243	211	-	177	10	10	11	454	208	225
Non-operating income	96	336	320	157	396	207	207	186	909	995	801
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	6,299	7,568	9,157	15,444	28,926	37,071
Current taxation	(866)	(943)	(649)	(943)	(1,195)	(1,260)	(1,514)	(1,990)	(3,400)	(5,959)	(7,600)
Minorities	-	-	-	-	-	-	-	-	-	-	-
Normalised net profit	3,298	2,616	2,615	3,515	4,707	5,039	6,054	7,166	12,044	22,967	29,472
Extraordinary items	(0)	(0)	(0)	0	(0)	-	-	0	-	-	-
Net profit	3,298	2,616	2,615	3,515	4,707	5,039	6,054	7,166	12,044	22,967	29,472
EPS (NT\$)	18.86	14.96	14.96	20.10	26.92	28.82	34.63	40.99	68.88	131.36	168.56
Margins (%)											
Gross profit margin	8.3	8.8	9.6	11.0	11.1	10.8	10.4	10.0	9.4	10.5	8.7
Operating margin	6.0	6.2	6.2	7.9	8.4	8.3	8.0	8.0	6.6	8.1	6.9
EBITDA margin	6.3	6.6	6.6	8.4	9.0	8.8	8.4	8.4	7.0	8.6	7.3
Pretax profit margin	5.6	6.3	6.2	7.6	8.5	8.1	7.8	7.9	6.4	8.0	6.8
Net profit margin	4.4	4.6	5.0	6.0	6.8	6.5	6.3	6.2	5.0	6.4	5.4
Sequential growth (%)											
Revenue growth	(15.1)	(24.1)	(6.2)	10.9	18.9	11.3	25.0	20.0			
Gross profit growth	(16.0)	(19.8)	1.9	27.8	19.3	8.6	19.8	15.9			
Operating profit growth	(18.1)	(22.1)	(6.9)	42.9	26.1	9.8	19.7	20.8			
EBITDA growth	(17.4)	(20.8)	(5.8)	40.6	26.5	9.4	18.6	19.9			
Pretax profit growth	(16.1)	(14.5)	(8.3)	36.6	32.4	6.7	20.1	21.0			
Net profit growth	(16.5)	(20.7)	(0.0)	34.4	33.9	7.1	20.1	18.4			
YoY growth (%)											
Revenue growth	46.4	(25.0)	(33.7)	(33.0)	(6.2)	37.6	83.4	98.5	(17.4)	48.9	50.6
Gross profit growth	57.9	(20.8)	(21.6)	(12.2)	24.6	68.7	98.3	79.9	(5.5)	66.5	25.5
Operating profit growth	54.1	(23.8)	(33.3)	(15.0)	30.7	84.1	136.8	100.1	(11.0)	84.5	28.4
EBITDA growth	53.9	(21.6)	(31.1)	(13.3)	32.7	83.3	130.7	96.7	(9.3)	83.0	27.9
Pretax profit growth	40.1	(21.2)	(40.1)	(10.2)	41.7	77.0	131.9	105.4	(13.7)	87.3	28.2
Net profit growth	40.6	(26.6)	(39.4)	(11.0)	42.7	92.7	131.5	103.9	(15.0)	90.7	28.3

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	112,299	145,913
Current assets	82,025	84,051	79,195	101,152	133,563
Cash & ST securities	22,673	26,232	37,495	27,918	22,163
Inventory	45,383	36,012	30,179	48,457	74,585
Accounts receivable	13,166	19,781	10,363	23,618	35,658
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	55,782	72,186
Current liabilities	47,166	38,562	36,494	45,979	62,278
Accounts payable	18,279	26,465	20,169	23,788	36,614
Interest bearing ST liabilities	21,266	2,077	2,884	3,198	3,093
Other current liabilities	7,621	10,021	13,441	18,993	22,570
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	56,517	73,728
Share capital	1,748	1,748	1,748	1,748	1,748
Retained earnings reserve	14,767	-	-	10,335	23,598
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%)	48.9%	50.6%
Operating profit growth	1.3%	56.6%	(11.0%)	84.5%	28.4%
EBITDA growth	2.6%	55.8%	(9.3%)	83.0%	27.9%
Net profit growth	0.4%	63.9%	(15.0%)	90.7%	28.3%
EPS growth	0.4%	63.9%	(15.0%)	90.7%	28.3%
Profitability					
Gross profit margin	8.1%	8.2%	9.4%	10.5%	8.7%
Operating margin	5.9%	6.1%	6.6%	8.1%	6.9%
EBITDA margin	6.2%	6.3%	7.0%	8.6%	7.3%
Net profit margin	4.5%	4.8%	5.0%	6.4%	5.4%
Return on average assets	12.4%	16.3%	13.6%	22.8%	22.8%
Return on average equity	33.3%	42.9%	29.7%	46.5%	45.3%
Stability					
Gross debt to equity	112.2%	29.7%	26.8%	20.0%	15.4%
Net debt to equity	29.3%	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	31.9	21.3	17.2	24.6	33.1
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	(2.5)	5.3
Cash flow/int. & ST debt (x)	(0.7)	10.4	6.0	(0.7)	1.4
Current ratio (x)	1.7	2.2	2.2	2.2	2.1
Quick ratio (x)	0.8	1.2	1.3	1.1	0.9
Net debt (NT\$m)	8,029	(14,715)	(26,168)	(16,591)	(10,836)
Per share data					
EPS (NT\$)	49.46	81.07	68.88	131.36	168.56
CFPS (NT\$)	(81.29)	175.46	131.89	(17.41)	34.76
BVPS (NT\$)	156.54	221.84	241.56	323.25	421.68
Adj BVPS (NT\$)	156.54	221.84	241.56	323.25	421.68
SPS (NT\$)	1,101.72	1,675.10	1,383.55	2,060.05	3,101.63
EBITDA/share (NT\$)	68.26	106.36	96.50	176.59	225.94
Cash DPS (NT\$)	25.00	50.00	42.00	72.25	92.71
Activity					
Sales / avg assets	2.76	3.37	2.72	3.58	4.20
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	360,182	542,291
Cost of goods sold	(177,005)	(268,897)	(219,244)	(322,462)	(494,971)
Gross profit	15,621	23,979	22,657	37,719	47,321
Operating expenses	(4,234)	(6,145)	(6,787)	(8,434)	(9,714)
Operating profit	11,387	17,834	15,871	29,285	37,607
Non-operating income	95	1,387	909	995	801
Interest income	62	156	456	787	576
Investment income	-	-	-	-	-
Other non-op income	34	1,231	454	208	225
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	28,926	37,071
Current taxation	(2,348)	(3,723)	(3,400)	(5,959)	(7,600)
Minorities	-	-	-	-	-
Extraordinary items	-	(0)	0	-	-
Net profit	8,648	14,175	12,044	22,967	29,472
EBITDA	11,935	18,596	16,873	30,875	39,503
EPS (NT\$)	49.46	81.07	68.88	131.36	168.56

Cash flow

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Operations cash flow	(14,212)	30,678	23,060	(3,044)	6,077
Net profit	8,648	14,175	12,044	22,967	29,472
Depreciation & amortisation	548	762	1,002	1,590	1,896
Decrease in working capital	(25,547)	12,998	8,928	(27,652)	(25,340)
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	(5,947)	3,304
Financing cash flow	14,855	(26,181)	(7,115)	(3,395)	(8,684)
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)	(12,632)
Other financing cashflow	(124)	751	(265)	-	-
Forex effects	(99)	992	13		
Total cash generated	(496)	3,559	11,263	(9,577)	(5,755)

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%	1.8%
= Operating margin	5.9%	6.1%	6.6%	8.1%	6.9%
1 / (Working capital/revenue	0.2	0.1	0.0	0.1	0.1
+ 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	9.3	8.8
Operating margin	5.9%	6.1%	6.6%	8.1%	6.9%
x Capital turnover	5.5	12.1	16.2	9.3	8.8
x (1 - tax rate)	78.6%	79.2%	78.0%	79.4%	79.5%
= After-tax ROIC	25.7%	58.5%	82.7%	59.8%	48.3%

Source: Company data; KGI Research estimates

Wiyynn – Recommendation & target price history


Date	Rating	Target	Price
2024-06-11	Outperform	3,090	2,610
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

Source: TEJ; KGI Research

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