

Wiwynn (6669.TW/6669 TT)

Rising AI server sales to boost EPS

FTSE4Good TIP Taiwan ESG Index stock

Outperform · Maintained

Price as of August 16 (NT\$)	2,025.0
12M target price (NT\$)	3,020.0
Previous target price (NT\$)	3,020.0
Unchanged (%)	0.0
Upside (%)	49.1

Key message

- 2Q24 EPS of NT\$26.82 missed our forecast due to higher operating expenses and taxes.
- Wiwynn expects AI server sales to rise to a weighting of close to 50% in 4Q24F, up from 25-30% in 2Q24, but Blackwell GPU supply will be a swing factor.
- 2H24-2025F guidance is positive with flat general server sales HoH, but strong AI server sales growth, given new ASIC and GPU projects, reflected in recent capital raising.

Trading data

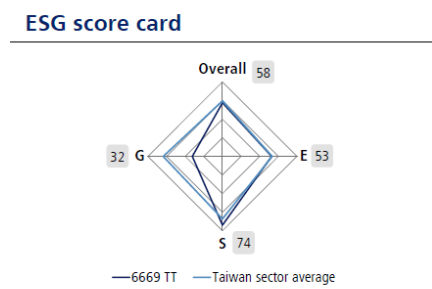
Mkt cap (NT\$/bn/US\$m)	169.9 / 6,012
Outstanding shares (mn)	174.8
Foreign ownership (mn)	71.27
3M avg. daily trading (mn)	1.23
52-week trading range (NT\$)	1,365 -2,965

Performance

	3M	6M	12M
Absolute (%)	-24	-11.4	18.4
Relative (%)	-28.9	-31.5	-17.5

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	26.85A	31.55F	39.78F



Event

Wiwynn held an investor call for business updates.

Impact

2Q24 results missed on higher operating expenses & taxes. 2Q24 EPS was NT\$26.85, up 80% YoY but flat QoQ, slightly missing consensus and our forecast, due to higher operating expenses and a higher tax rate. Gross margin of 10.8% was in line with our forecast. Though 2Q24 revenue grew 11% QoQ, several new projects increased R&D expenses, causing the operating expense ratio to rise to 2.8%, versus 2.7% in 1Q24. Operating margin came in at 8%, down QoQ, and missed our forecast. 1H24 EPS was NT\$53.77, up 59% YoY. Management said AI server sales were 25-30% of total sales in 2Q24, up from below 20% in 1Q24, and mainly derive from ASIC AI projects. The firm expects AI server sales to rise in 2H24, and maintains a target of a close-to-50% AI server sales weighting in 4Q24, but Blackwell GPU supply will be a key swing factor.

Strong 2H24F AI server sales growth guided. Inventory value increased by 43% QoQ in 2Q24, which implies more orders for component preparation in the near-to-medium term. Management said general server sales were better than expected in 1H24, and guides flat HoH general server sales. We expect 2H24F sales to grow by over 40% HoH, on AI server sales growth. New ASIC and GPU AI server projects for Meta (US) and AWS (US) will boost 2H24F sales. We maintain our expectation that AI server sales will be 30-35% of 2024F sales, and be over 50% of sales in 2025F. However, to reflect higher operating expenses and EPS dilution after a GDR issuance (see below), we revise down 2024F EPS to NT\$125.64, up 88% YoY.

New client for 2025F AI projects. With AI ASIC server sales growth in 2H23-1H24, and GPU projects in 4Q24-2025F, along with different buy-and-sell or consignment models for GPUs in AI projects in 2025F, we expect mixed results for sales and gross margin. We currently think gross margin will stay at a better-than-expected 9.9%, up from our previous estimate of 8.7%, but 2025F sales growth will be lower than our previous estimate, as some project's ASP exclude GPUs. We expect gross margin to be higher for ASIC projects than for GPU projects, but the firm's quotation model adjustment should stabilize profits. We anticipate three major US CSP clients (Meta, Microsoft and AWS) will have a more balanced sales weighting in 2024-25F, and a new client is likely to contribute more significantly to 2025F sales. To fulfill capital requirements for AI server orders, the firm recently issued an ECB (US\$600mn) and a GDR (US\$836.55mn) in order to ensure sufficient working capital and expand production in Mexico, Malaysia and Taiwan. On more shares outstanding from the fund raising, we revise down our 2025F EPS forecast to NT\$160.57, up 32% YoY.

Valuation & Action

Our target price is maintained at 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	356,307	487,322
Gross profit (NT\$m)	15,621	23,979	22,657	37,340	48,332
Operating profit (NT\$m)	11,387	17,834	15,871	28,752	38,289
Net profit (NT\$m)	8,648	14,175	12,044	22,606	29,841
EPS (NT\$)	49.46	81.07	68.88	125.64	160.57
Cash DPS (NT\$)	25.00	50.00	42.00	66.90	88.32
EPS growth (%)	0.4	63.9	(15.0)	82.4	27.8
PE (x)	40.9	25.0	29.4	16.1	12.6
PB (x)	12.9	9.1	8.4	4.7	4.0
EV/EBITDA (x)	30.1	18.2	19.4	10.7	8.4
Net debt to equity (%)	29.3	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	1.2	2.5	2.1	3.3	4.4
Return on average equity (%)	33.3	42.9	29.7	37.1	34.5

Source: Company data; KGI Research estimates

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

NT\$m	2Q24							3Q24F						
	Actual	KGI forecast	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	77,481	77,481	0.0	11.3	37.6	76,729	1.0	92,977	96,851	(4.0)	20.0	76.0	89,989	3.3
Gross profits	8,389	8,368	0.3	8.9	69.1	7,994	4.9	9,623	10,024	(4.0)	14.7	90.4	8,853	8.7
Operating income	6,207	6,431	(3.5)	6.0	77.7	5,968	4.0	7,392	7,700	(4.0)	19.1	127.3	6,641	11.3
Pretax Income	6,207	6,299	(1.5)	5.2	74.4	6,022	3.1	7,264	7,568	(4.0)	17.0	122.5	6,640	9.4
Net income	4,694	5,039	(6.9)	(0.3)	79.5	4,753	(1.2)	5,811	6,054	(4.0)	23.8	122.2	5,328	9.1
EPS (NT\$)	26.85	28.82	(6.9)	(0.3)	79.5	27.18	(1.2)	31.55	34.63	(4.0)	23.8	122.2	30.47	9.1
Gross margin (%)	10.8	10.8	0.0 ppts	(0.2)ppts	2.0 ppts	10.4	0.4 ppts	10.4	10.4	0.0 ppts	(0.5)ppts	0.8 ppts	9.8	0.5 ppts
OP margin (%)	8.0	8.3	(0.3)ppts	(0.4)ppts	1.8 ppts	7.8	0.2 ppts	8.0	8.0	0.0 ppts	(0.1)ppts	1.8 ppts	7.4	0.5 ppts
Net margin (%)	6.1	6.5	(0.4)ppts	(0.7)ppts	1.4 ppts	6.2	(0.1)ppts	6.2	6.3	(0.0)ppts	0.2 ppts	1.3 ppts	5.9	0.3 ppts

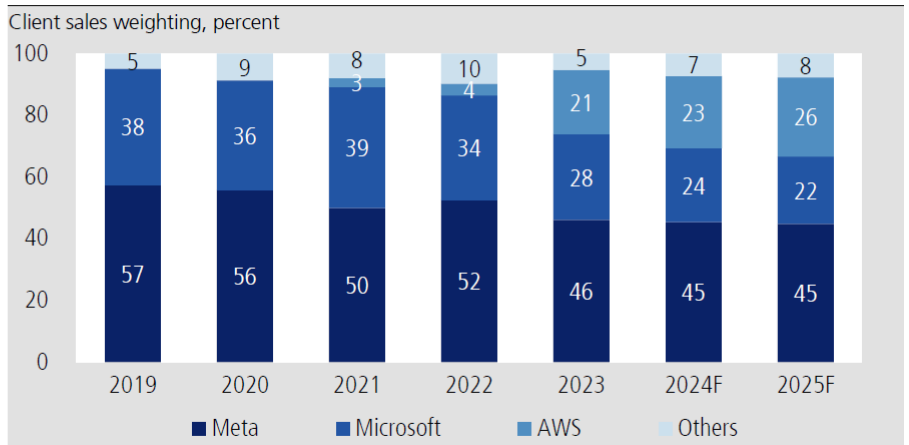
Source: Bloomberg; KGI Research estimates

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	356,307	360,182	(1.1)	47.3	341,088	4.5	487,322	542,291	(10.1)	36.8	482,213	1.1
Gross profit	37,340	37,719	(1.0)	64.8	34,450	8.4	48,332	47,321	2.1	29.4	43,881	10.1
Operating income	28,752	29,285	(1.8)	81.2	26,424	8.8	38,289	37,607	1.8	33.2	33,086	15.7
Pretax Income	28,470	28,926	(1.6)	84.4	26,310	8.2	37,536	37,071	1.3	31.8	32,938	14.0
Net income	22,606	22,967	(1.6)	87.7	20,814	8.6	29,841	29,472	1.3	32.0	25,863	15.4
EPS (NT\$)	125.64	131.36	(4.4)	87.7	115.68	8.6	160.57	168.56	(4.7)	32.0	139.17	15.4
Gross margin (%)	10.5	10.5	0.0 ppts	1.1 ppts	10.1	0.4 ppts	9.9	8.7	1.2 ppts	(0.6)ppts	9.1	0.8 ppts
OP margin (%)	8.1	8.1	(0.1)ppts	1.5 ppts	7.7	0.4 ppts	7.9	6.9	0.9 ppts	(0.2)ppts	6.9	1.0 ppts
Net margin (%)	6.3	6.4	(0.0)ppts	1.4 ppts	6.1	0.2 ppts	6.1	5.4	0.7 ppts	(0.2)ppts	5.4	0.7 ppts

Source: Bloomberg; KGI Research estimates

Figure 3: Client mix to improve in 2023-25F



Source: Company data; KGI Research estimates

Figure 4: Decelerating CSP capex growth in 2023, but consensus expects CSP capex to see YoY growth of 43% in 2024F

Capex, US\$mn	2019	2020	2021	2022	2023	2024F	2025F
Meta	15,102	15,115	18,567	31,431	27,266	37,630	44,108
Amazon	16,861	35,044	55,396	58,321	48,133	66,005	73,129
Microsoft	13,546	17,592	23,216	24,768	35,202	53,665	60,490
Google	23,548	22,281	24,640	31,485	32,251	49,261	51,859
Baidu	931	738	1,689	1,586	1,580	1,654	1,685
Alibaba	6,517	6,379	8,311	5,014	4,084	5,444	6,006
Tencent	3,927	5,719	4,808	4,611	3,017	6,335	6,663
Hyperscale subtotal	80,432	102,867	136,627	157,216	151,533	219,995	243,939
Apple	9,247	8,702	10,388	11,692	9,564	10,891	12,849
IBM	2,286	2,618	2,062	1,346	1,245	1,683	1,795
Oracle	1,591	1,833	3,118	6,678	6,935	10,870	13,792
Paypal	704	866	908	706	623	653	786
eBay	508	463	444	420	456	473	497
Salesforce	643	710	717	798	736	717	812
Netflix	253	498	525	408	349	362	433
Uber	588	616	298	252	223	303	339
Enterprise subtotal	15,820	16,306	18,460	22,300	20,131	25,951	31,303
Total	96,793	119,173	155,086	179,516	171,664	245,946	275,242

YoY growth, percent	2019	2020	2021	2022	2023	2024F	2025F
Meta	8.5	0.1	22.8	69.3	(13.3)	38.0	17.2
Amazon	25.6	107.8	58.1	5.3	(17.5)	37.1	10.8
Microsoft	6.0	29.9	32.0	6.7	42.1	52.4	12.7
Google	(6.3)	(5.4)	10.6	27.8	2.4	52.7	5.3
Baidu	(29.9)	(20.7)	129.1	(6.1)	(0.4)	4.7	1.8
Alibaba	(11.9)	(2.1)	30.3	(39.7)	(18.5)	33.3	10.3
Tencent	17.0	45.6	(15.9)	(4.1)	(34.6)	110.0	5.2
Hyperscale subtotal	4.0	27.9	32.8	15.1	(3.6)	45.2	10.9
Apple	(26.7)	(5.9)	19.4	12.6	(18.2)	13.9	18.0
IBM	(32.7)	14.5	(21.2)	(34.7)	(7.5)	35.1	6.7
Oracle	8.4	15.2	70.1	114.2	3.8	56.7	26.9
Paypal	(14.5)	23.0	4.8	(22.2)	(11.8)	4.8	20.5
eBay	(22.0)	(8.9)	(4.1)	(5.3)	8.5	3.6	5.1
Salesforce	8.1	10.4	1.0	11.3	(7.8)	(2.6)	13.2
Netflix	45.5	96.8	5.4	(22.3)	(14.5)	3.9	19.6
Uber	5.4	4.8	(51.6)	(15.4)	(11.5)	36.0	11.8
Enterprise subtotal	(22.0)	3.1	13.2	20.8	(9.7)	28.9	20.6
Total	(1.3)	23.1	30.1	15.8	(4.4)	43.3	11.9

Source: Company data; Bloomberg; KGI Research

Figure 5: Capex of top-four US CSPs fell by 2% YoY in 2023, but will grow by 45% YoY in 2024F

Capex (US\$mn)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	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	8,173	15,102	15,115	18,567	31,431	27,266	37,630	44,108
Amazon	14,951	15,724	16,378	11,268	14,207	11,455	12,479	14,588	14,925	17,620	16,861	35,044	55,396	58,321	48,133	66,005	73,129
Microsoft	5,340	6,871	6,283	6,274	6,607	8,943	9,917	9,735	10,952	13,873	13,546	17,592	23,216	24,768	35,202	53,665	60,490
Google	9,786	6,828	7,276	7,595	6,289	6,888	8,055	11,019	12,012	13,186	23,548	22,281	24,640	31,485	32,251	49,261	51,859
US hyperscale subtotal	35,518	36,995	39,312	34,180	33,945	33,502	36,994	43,007	44,289	52,852	69,057	90,032	121,819	146,005	142,852	206,562	229,586
YoY (%)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	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)	31.5	8.0	0.1	22.8	69.3	(13.3)	38.0	17.2
Amazon	23.7	10.1	4.0	(40.5)	(5.0)	(27.1)	(23.8)	29.5	5.1	53.8	25.6	107.8	58.1	5.3	(17.5)	37.1	10.8
Microsoft	4.9	6.5	8.1	7.0	23.7	30.2	57.8	55.2	65.8	55.1	(4.8)	29.9	32.0	6.7	42.1	52.4	12.7
Google	64.7	24.2	6.7	19.0	(35.7)	0.9	10.7	45.1	91.0	91.4	(6.3)	(5.4)	10.6	27.8	2.4	52.7	5.3
US Hyperscale subtotal	29.7	19.9	20.3	(6.5)	(4.4)	(9.4)	(5.9)	25.8	30.5	57.8	3.4	30.4	35.3	19.9	(2.2)	44.6	11.1
QoQ (%)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	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)	27.7							
Amazon	(21.0)	5.2	4.2	(31.2)	26.1	(19.4)	8.9	16.9	2.3	18.1							
Microsoft	(9.0)	28.7	(8.6)	(0.1)	5.3	35.4	10.9	(1.8)	12.5	26.7							
Google	53.3	(30.2)	6.6	4.4	(17.2)	9.5	16.9	36.8	9.0	9.8							
US Hyperscale subtotal	(2.8)	4.2	6.3	(13.1)	(0.7)	(1.3)	10.4	16.3	3.0	19.3							

Source: Company data; Bloomberg; KGI Research

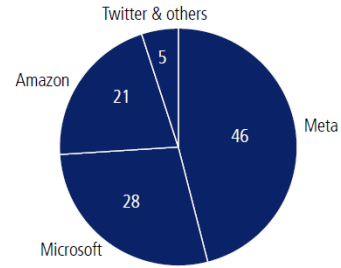
Figure 6: Company profile

Wiwynn, an affiliate of Wistron (3231 TT, NT\$102.5, 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

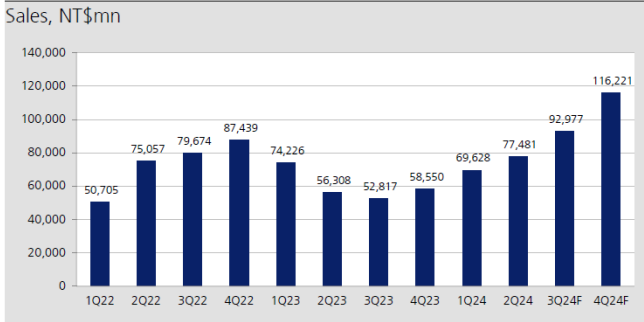
Figure 7: Microsoft & Meta represent the bulk of sales

2023 sales weighting, percent



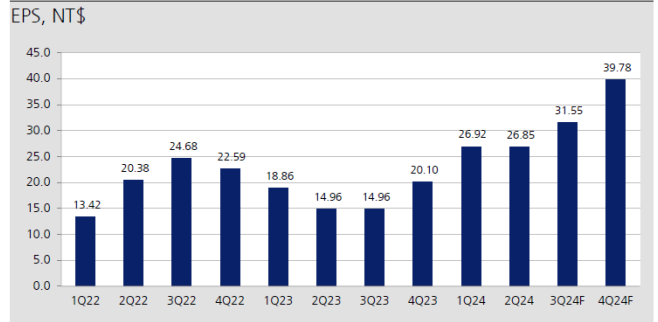
Source: Company data; KGI Research

Figure 8: Sales



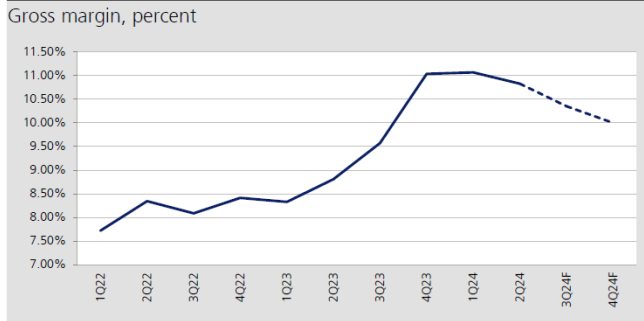
Source: KGI Research

Figure 9: EPS



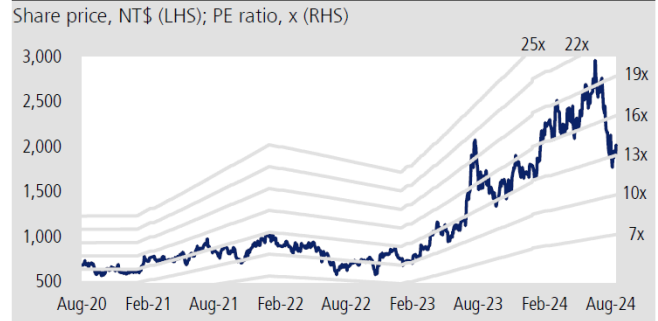
Source: KGI Research

Figure 10: Gross margin



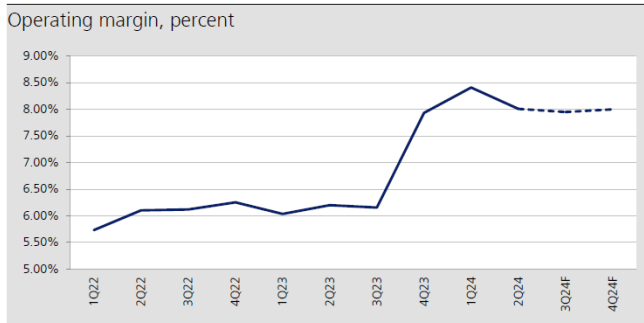
Source: KGI Research

Figure 11: 12M forward PE band



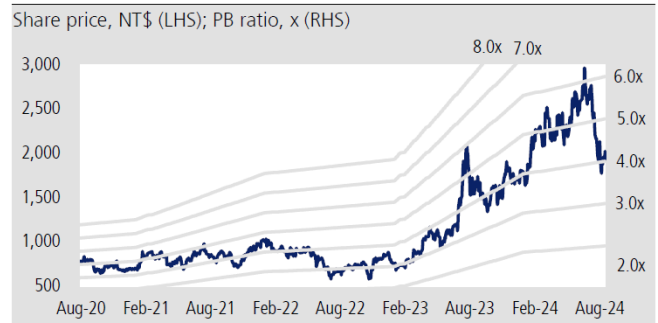
Source: TEJ; KGI Research estimates

Figure 12: Operating margin



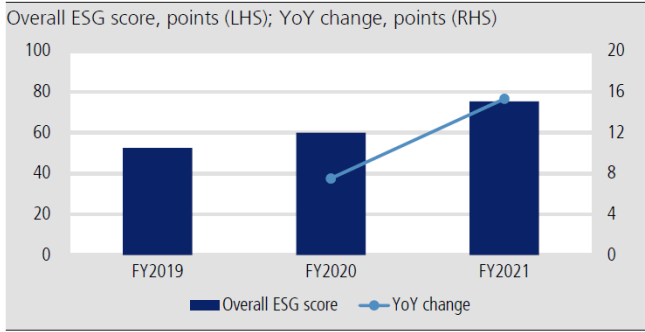
Source: KGI Research

Figure 13: 12M forward PB band



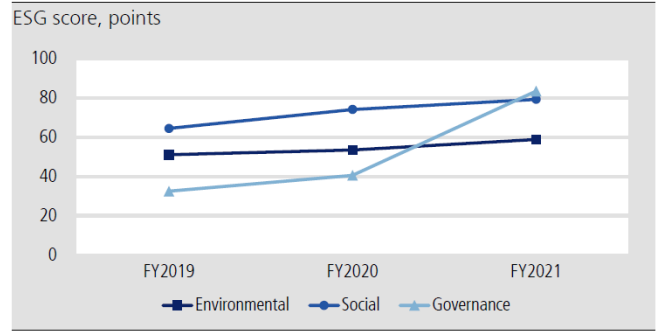
Source: TEJ; KGI Research estimates

Figure 14: Overall ESG score



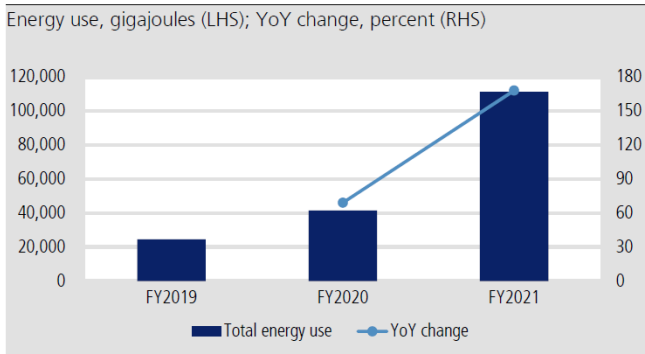
Source: Refinitiv; KGI Research; Company data

Figure 15: ESG score by category



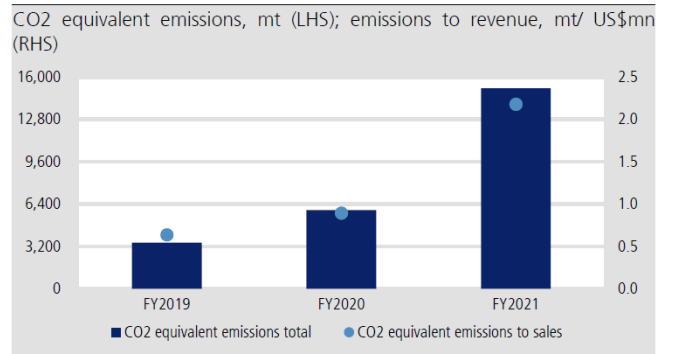
Source: Refinitiv; KGI Research; Company data

Figure 16: Energy use



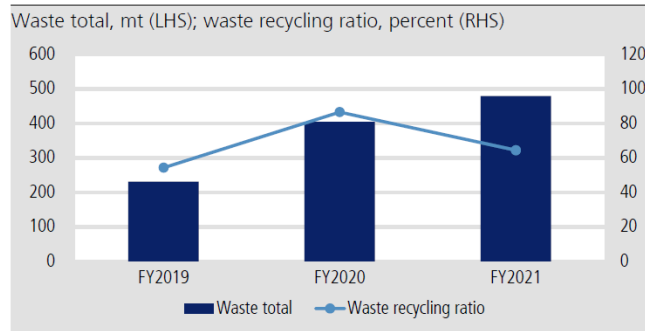
Source: Refinitiv; KGI Research; Company data

Figure 17: CO2 equivalent emissions



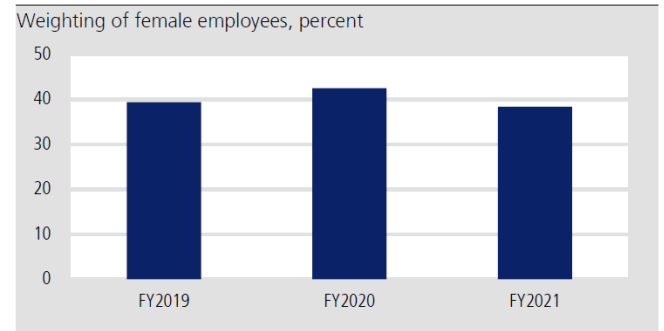
Source: Refinitiv; KGI Research; Company data

Figure 18: Waste total



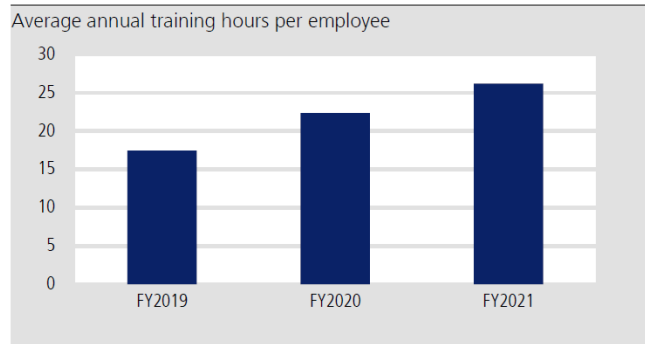
Source: Refinitiv; KGI Research; Company data

Figure 19: Gender diversity



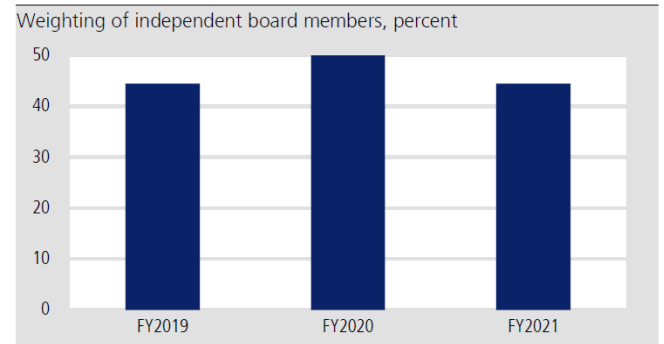
Source: Refinitiv; KGI Research; Company data

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	<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-24A	Sep-24F	Dec-24F	Dec-23A	Dec-24F	Dec-25F
Income statement (NT\$m)											
Revenue	74,226	56,308	52,817	58,550	69,628	77,481	92,977	116,221	241,901	356,307	487,322
Cost of goods sold	(68,043)	(51,348)	(47,763)	(52,089)	(61,923)	(69,091)	(83,354)	(104,599)	(219,244)	(318,968)	(438,990)
Gross profit	6,183	4,960	5,054	6,460	7,705	8,389	9,623	11,622	22,657	37,340	48,332
Operating expenses	(1,702)	(1,468)	(1,803)	(1,814)	(1,849)	(2,183)	(2,231)	(2,324)	(6,787)	(8,587)	(10,043)
Operating profit	4,481	3,492	3,252	4,646	5,857	6,207	7,392	9,298	15,871	28,752	38,289
Depreciation of fixed assets	(192)	(204)	(228)	(258)	(353)	(395)	(363)	(342)	(882)	(1,453)	(1,747)
Amortisation of intangible assets	(31)	(29)	(29)	(31)	(32)	(45)	(34)	(26)	(120)	(137)	(149)
EBITDA	4,704	3,726	3,509	4,934	6,242	6,646	7,789	9,665	16,873	30,342	40,185
Interest income	96	93	109	157	219	164	173	136	456	691	556
Investment income	-	-	-	-	-	-	-	-	-	-	-
Other non-op income	-	243	211	-	177	198	70	65	454	510	220
Non-operating income	96	336	320	157	396	362	243	201	909	1,201	776
Interest expense	(236)	(256)	(293)	(167)	(329)	(344)	(338)	(342)	(953)	(1,353)	(1,349)
Investment loss	(17)	(14)	-	(33)	(22)	(17)	(13)	1	(64)	(50)	(50)
Other non-op expenses	(160)	0	(14)	(145)	(0)	0	(20)	(60)	(319)	(80)	(130)
Non-operating expenses	(413)	(270)	(308)	(346)	(350)	(361)	(371)	(401)	(1,336)	(1,483)	(1,529)
Pre-tax profit	4,164	3,558	3,264	4,458	5,902	6,207	7,264	9,098	15,444	28,470	37,536
Current taxation	(866)	(943)	(649)	(943)	(1,195)	(1,513)	(1,453)	(1,704)	(3,400)	(5,865)	(7,695)
Minorities	-	-	-	-	-	-	-	-	-	-	-
Normalised net profit	3,298	2,616	2,615	3,515	4,707	4,694	5,811	7,394	12,044	22,606	29,841
Extraordinary items	(0)	(0)	(0)	0	(0)	(0)	-	0	-	-	-
Net profit	3,298	2,616	2,615	3,515	4,707	4,694	5,811	7,394	12,044	22,606	29,841
EPS (NT\$)	18.86	14.96	14.96	20.10	26.92	26.85	31.55	39.78	68.88	125.64	160.57
Margins (%)											
Gross profit margin	8.3	8.8	9.6	11.0	11.1	10.8	10.4	10.0	9.4	10.5	9.9
Operating margin	6.0	6.2	6.2	7.9	8.4	8.0	8.0	8.0	6.6	8.1	7.9
EBITDA margin	6.3	6.6	6.6	8.4	9.0	8.6	8.4	8.3	7.0	8.5	8.2
Pretax profit margin	5.6	6.3	6.2	7.6	8.5	8.0	7.8	7.8	6.4	8.0	7.7
Net profit margin	4.4	4.6	5.0	6.0	6.8	6.1	6.2	6.4	5.0	6.3	6.1
Sequential growth (%)											
Revenue growth	(15.1)	(24.1)	(6.2)	10.9	18.9	11.3	20.0	25.0			
Gross profit growth	(16.0)	(19.8)	1.9	27.8	19.3	8.9	14.7	20.8			
Operating profit growth	(18.1)	(22.1)	(6.9)	42.9	26.1	6.0	19.1	25.8			
EBITDA growth	(17.4)	(20.8)	(5.8)	40.6	26.5	6.5	17.2	24.1			
Pretax profit growth	(16.1)	(14.5)	(8.3)	36.6	32.4	5.2	17.0	25.2			
Net profit growth	(16.5)	(20.7)	(0.0)	34.4	33.9	(0.3)	23.8	27.2			
YoY growth (%)											
Revenue growth	46.4	(25.0)	(33.7)	(33.0)	(6.2)	37.6	76.0	98.5	(17.4)	47.3	36.8
Gross profit growth	57.9	(20.8)	(21.6)	(12.2)	24.6	69.1	90.4	79.9	(5.5)	64.8	29.4
Operating profit growth	54.1	(23.8)	(33.3)	(15.0)	30.7	77.7	127.3	100.1	(11.0)	81.2	33.2
EBITDA growth	53.9	(21.6)	(31.1)	(13.3)	32.7	78.4	122.0	95.9	(9.3)	79.8	32.4
Pretax profit growth	40.1	(21.2)	(40.1)	(10.2)	41.7	74.4	122.5	104.1	(13.7)	84.4	31.8
Net profit growth	40.6	(26.6)	(39.4)	(11.0)	42.7	79.5	122.2	110.4	(15.0)	87.7	32.0

Source: Company data; KGI Research estimates

Balance sheet

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Total assets	84,737	88,838	88,845	134,983	161,334
Current assets	82,025	84,051	79,195	123,836	148,984
Cash & ST securities	22,673	26,232	37,495	51,381	49,633
Inventory	45,383	36,012	30,179	47,932	66,149
Accounts receivable	13,166	19,781	10,363	23,364	32,043
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	55,325	68,248
Current liabilities	47,166	38,562	36,494	45,522	58,340
Accounts payable	18,279	26,465	20,169	23,530	32,473
Interest bearing ST liabilities	21,266	2,077	2,884	3,198	3,093
Other current liabilities	7,621	10,021	13,441	18,794	22,773
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	79,658	93,087
Share capital	1,748	1,748	1,748	1,858	1,858
Retained earnings reserve	14,767	-	-	10,172	23,601
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%)	47.3%	36.8%
Operating profit growth	1.3%	56.6%	(11.0%)	81.2%	33.2%
EBITDA growth	2.6%	55.8%	(9.3%)	79.8%	32.4%
Net profit growth	0.4%	63.9%	(15.0%)	87.7%	32.0%
EPS growth	0.4%	63.9%	(15.0%)	82.4%	27.8%
Profitability					
Gross profit margin	8.1%	8.2%	9.4%	10.5%	9.9%
Operating margin	5.9%	6.1%	6.6%	8.1%	7.9%
EBITDA margin	6.2%	6.3%	7.0%	8.5%	8.2%
Net profit margin	4.5%	4.8%	5.0%	6.3%	6.1%
Return on average assets	12.4%	16.3%	13.6%	20.2%	20.1%
Return on average equity	33.3%	42.9%	29.7%	37.1%	34.5%
Stability					
Gross debt to equity	112.2%	29.7%	26.8%	14.2%	12.2%
Net debt to equity	29.3%	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	31.9	21.3	17.2	22.0	28.8
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	(2.1)	10.3
Cash flow/int. & ST debt (x)	(0.7)	10.4	6.0	(0.6)	3.1
Current ratio (x)	1.7	2.2	2.2	2.7	2.6
Quick ratio (x)	0.8	1.2	1.3	1.7	1.4
Net debt (NT\$m)	8,029	(14,715)	(26,168)	(40,054)	(38,307)
Per share data					
EPS (NT\$)	49.46	81.07	68.88	125.64	160.57
CFPS (NT\$)	(81.29)	175.46	131.89	(16.03)	74.44
BVPS (NT\$)	156.54	221.84	241.56	428.64	500.89
Adj BVPS (NT\$)	156.54	221.84	241.56	442.74	500.89
SPS (NT\$)	1,101.72	1,675.10	1,383.55	1,980.37	2,622.25
EBITDA/share (NT\$)	68.26	106.36	96.50	168.64	216.24
Cash DPS (NT\$)	25.00	50.00	42.00	66.90	88.32
Activity					
Sales / avg assets	2.76	3.37	2.72	3.18	3.29
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

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue	192,626	292,876	241,901	356,307	487,322
Cost of goods sold	(177,005)	(268,897)	(219,244)	(318,968)	(438,990)
Gross profit	15,621	23,979	22,657	37,340	48,332
Operating expenses	(4,234)	(6,145)	(6,787)	(8,587)	(10,043)
Operating profit	11,387	17,834	15,871	28,752	38,289
Non-operating income	95	1,387	909	1,201	776
Interest income	62	156	456	691	556
Investment income	-	-	-	-	-
Other non-op income	34	1,231	454	510	220
Non-operating expenses	(486)	(1,324)	(1,336)	(1,483)	(1,529)
Interest expense	(356)	(882)	(953)	(1,353)	(1,349)
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	28,470	37,536
Current taxation	(2,348)	(3,723)	(3,400)	(5,865)	(7,695)
Minorities	-	-	-	-	-
Extraordinary items	-	(0)	0	-	-
Net profit	8,648	14,175	12,044	22,606	29,841
EBITDA	11,935	18,596	16,873	30,342	40,185
EPS (NT\$)	49.46	81.07	68.88	125.64	160.57

Cash flow

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Operations cash flow	(14,212)	30,678	23,060	(2,885)	13,834
Net profit	8,648	14,175	12,044	22,606	29,841
Depreciation & amortisation	548	762	1,002	1,590	1,896
Decrease in working capital	(25,547)	12,998	8,928	(27,130)	(17,953)
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	(5,848)	11,234
Financing cash flow	14,855	(26,181)	(7,115)	19,908	(12,433)
Increase in short term debt	16,132	(22,561)	393	-	-
Increase in long term loans	4,442	-	1,500	-	-
New ordinary shares issued	-	-	-	27,251	-
Ordinary dividends paid	(5,595)	(4,371)	(8,742)	(7,343)	(12,433)
Other financing cashflow	(124)	751	(265)	-	(0)
Forex effects	(99)	992	13		
Total cash generated	(496)	3,559	11,263	13,886	(1,748)

ROIC

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	2.2%	2.1%	2.8%	2.4%	2.1%
= Operating margin	5.9%	6.1%	6.6%	8.1%	7.9%
1 / (Working capital/revenue					
+ Net PPE/revenue	0.2	0.1	0.0	0.1	0.1
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
= Capital turnover	5.5	12.1	16.2	9.2	9.1
Operating margin	5.9%	6.1%	6.6%	8.1%	7.9%
x Capital turnover	5.5	12.1	16.2	9.2	9.1
x (1 - tax rate)	78.6%	79.2%	78.0%	79.4%	79.5%
= After-tax ROIC	25.7%	58.5%	82.7%	59.2%	56.6%

Source: Company data; KGI Research estimates

Wiwynn – Recommendation & target price history



Date	Rating	Target	Price
2024-07-15	Outperform	3,020	2,375
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

Source: TEJ; KGI Research

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

Disclaimer

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

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