

Wiwynn (6669.TW/6669 TT)

Growing AI server contribution, with healthy client & project portfolios

FTSE4Good TIP Taiwan ESG Index stock

Outperform · Maintained

Price as of February 27 (NT\$)	2,120.0
12M target price (NT\$)	2,600.0
Previous target price (NT\$)	2,280.0
Revised up (%)	14.0
Upside (%)	22.6

Key message

- 2023 EPS was NT\$68.88 (down 15% YoY), with margins improved; cash dividend is NT\$42/ share, for a payout ratio of 60%.
- 1Q24F sales to grow QoQ on new project ramp-up and demand recovery.
- AI server to drive 2024F sales & earnings on new projects & clients; firm will continue expanding global capacity.

Trading data

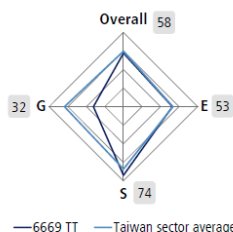
Mkt cap (NT\$bn/US\$mn)	169.9 / 6,012
Outstanding shares (mn)	174.8
Foreign ownership (mn)	53.47
3M avg. daily trading (mn)	1.89
52-week trading range (NT\$)	912 -2,345

Performance	3M	6M	12M
Absolute (%)	25.4	31.7	118.8
Relative (%)	15.4	17.3	97.2

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	20.72F	24.15F	24.71F	33.59F

ESG score card



Source: Refinitiv, KGI securities

Event

Wiwynn reported 2023 EPS of NT\$68.88 (down 15% YoY), with gross and operating margins improving YoY. The firm is aiming to diversify its client mix and also expand AI server sales with ASIC and GPU designs in 2024-25F, while expansion of SMT capacity and assembly lines in Taiwan, Malaysia and Mexico will support growth in the period.

Impact

Sales growth QoQ in 1Q24F; more GPU AI server designs in 2H24F. Over 20% of sales came from AI in 4Q23, vs. 10-15% in 1Q-3Q23, on the back of ASIC AI projects from Wiwynn's third-largest client, AWS (US). Management said there were no component shortages in 2023, such as GPU supply/ CoWoS capacity issues. Thus, with new projects in December and late-1Q24F, we expect 1Q24F sales to grow QoQ and be the annual trough. With growing AI server demand but falling general server sales given inventory correction, 2023 gross margin improved thanks to rising NRE-supported value-added AI server product designs. Management said AI server sales contribution will increase in 2024F and it will have more GPU designs in 2H24F and beyond. We expect GPU AI server to generate a lower gross margin than ASIC AI server on different degrees of customization. But with a good pipeline of new projects, we forecast gross margin will sustain at a high level at 9% this year. On more projects and client add-ins, operating margin will improve to 6.7% in 2024F, despite rising operating expenses (e.g. R&D, sampling fees for AI server development, ESG expenses). We now forecast 2024-25F EPS of NT\$103.17 (up 50% YoY) and NT133.23 (up 29% YoY), vs. the previous NT\$102.53 and NT125.45, to reflect increased GPU AI server sales. .

In-house capacity expansion supports solid order outlook. With a growing order outlook for general and AI server, Wiwynn has continued capacity expansion in Tainan (Taiwan), Malaysia and Mexico in recent years. SMT capacity doubled in Tainan in 2H23, and Wiwynn will further expand the third-stage plant in Tainan, scheduled to be completed by 2027F. Its first plant in Malaysia (assembly) came on stream in 2Q23 to serve Asian demand, and it will expand the second-stage plant in coming years. Wiwynn will house motherboard manufacturing in Tainan and final assembly in Malaysia for Asian server demand in the future, switching production from Wistron (3231 TT, NT\$113.5, OP) in China. Meanwhile, Mexico capacity is now under lease, and it continues to expand capacity there in 4Q23-1Q24F with a view to mass production by 1Q24F. Mexico will cater to demand from the US, and remains the major 2024F sales source (70-75% of sales). With a positive business outlook, Wiwynn has announced a fund raising proposal for AGM approval in the event of extra capital needs.

Valuation & Action

Our target price is raised from NT\$2,280 to NT\$2,600 (22x average 2024-25F EPS) on a brighter 2H24-25F earnings outlook. Maintain Outperform.

Risks

Weak general server demand; clients delay data center expansion.

Key financials and valuations

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (NT\$mn)	192,626	292,876	241,901	342,509	458,168
Gross profit (NT\$mn)	15,621	23,979	22,657	30,880	38,270
Operating profit (NT\$mn)	11,387	17,834	15,871	22,900	29,686
Net profit (NT\$mn)	8,648	14,175	12,044	18,039	23,294
EPS (NT\$)	49.46	81.07	68.88	103.17	133.23
Cash DPS (NT\$)	25.00	50.00	42.00	56.74	73.28
EPS growth (%)	0.4	63.9	(15.0)	49.8	29.1
PE (x)	42.9	26.1	30.8	20.5	15.9
PB (x)	13.5	9.6	8.8	6.8	5.4
EV/EBITDA (x)	31.4	19.0	20.3	14.3	11.0
Net debt to equity (%)	29.3	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	1.2	2.4	2.0	2.7	3.5
Return on average equity (%)	33.3	42.9	29.7	37.4	37.9

Source: Company data; KGI Research estimates

Figure 1: Breakdown of 1Q-2Q24 forecast revisions vs. consensus

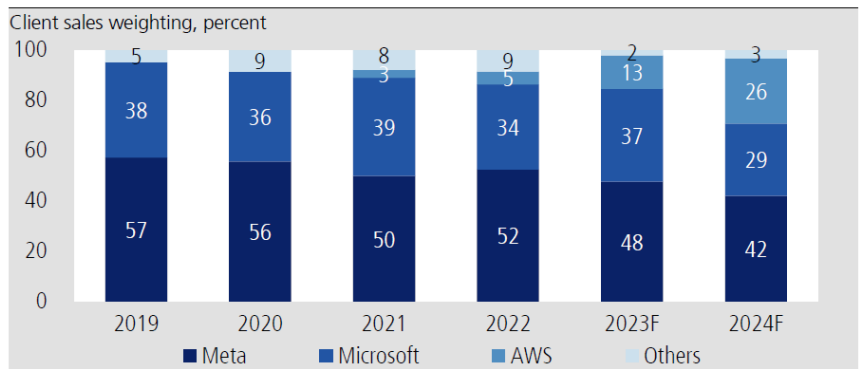
NT\$mn	1Q24F							2Q24F						
	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	64,405	65,576	(1.8)	10.0	(13.2)	64,145	0.4	77,286	85,248	(9.3)	20.0	37.3	79,187	(2.4)
Gross profits	6,440	6,558	(1.8)	(0.3)	4.2	6,317	2.0	7,110	7,843	(9.3)	10.4	43.3	7,255	(2.0)
Operating income	4,573	4,656	(1.8)	(1.6)	2.1	4,438	3.0	5,333	5,882	(9.3)	16.6	52.7	5,494	(2.9)
Pretax Income	4,528	4,515	0.3	1.6	8.7	4,464	1.4	5,278	5,733	(7.9)	16.6	48.3	5,341	(1.2)
Net income	3,623	3,612	0.3	3.1	9.8	3,514	3.1	4,223	4,587	(7.9)	16.6	61.4	4,170	1.3
EPS (NT\$)	20.72	20.66	0.3	3.1	9.8	20.10	3.1	24.15	26.23	(7.9)	16.6	61.4	23.85	1.3
Gross margin (%)	10.0	10.0	0.0 ppts	(1.0)ppts	1.7 ppts	9.8	0.2 ppts	9.2	9.2	0.0 ppts	(0.8)ppts	0.4 ppts	9.2	0.0 ppts
OP margin (%)	7.1	7.1	0.0 ppts	(0.8)ppts	1.1 ppts	6.9	0.2 ppts	6.9	6.9	(0.0)ppts	(0.2)ppts	0.7 ppts	6.9	(0.0)ppts
Net margin (%)	5.6	5.5	0.1 ppts	(0.4)ppts	1.2 ppts	5.5	0.1 ppts	5.5	5.4	0.1 ppts	(0.2)ppts	0.8 ppts	5.3	0.2 ppts

Source: Bloomberg; KGI Research estimates

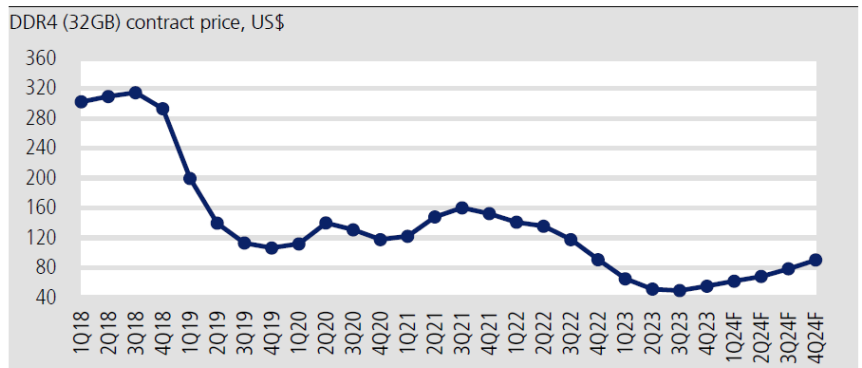
Figure 2: Breakdown of 2023 results & 2024-25 forecast revisions vs. consensus

NT\$mn	2023						2024F						2025F					
	Actual	forecast	Diff. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	241,901	241,901	0.0	(17.4)	246,101	(1.7)	342,509	342,974	(0.1)	41.6	352,003	(2.7)	458,168	435,502	5.2	33.8	455,527	0.6
Gross profit	22,657	22,657	0.0	(5.5)	21,846	3.7	30,880	31,151	(0.9)	36.3	32,208	(4.1)	38,270	36,377	5.2	23.9	39,075	(2.1)
Operating income	15,871	15,871	0.0	(11.0)	15,131	4.9	22,900	23,136	(1.0)	44.3	24,056	(4.8)	29,686	28,217	5.2	29.6	29,694	(0.0)
Pretax Income	15,444	15,444	(0.0)	(13.7)	14,794	4.4	22,690	22,549	0.6	46.9	23,815	(4.7)	29,301	27,589	6.2	29.1	29,301	(0.0)
Net income	12,044	12,044	(0.0)	(15.0)	11,523	4.5	18,039	17,927	0.6	49.8	18,831	(4.2)	23,294	21,933	6.2	29.1	23,205	0.4
EPS (NT\$)	68.88	68.88	(0.0)	(15.0)	65.91	4.5	103.17	102.53	0.6	49.8	107.71	(4.2)	133.23	125.45	6.2	29.1	132.72	0.4
Gross margin (%)	9.4	9.4	0.0 ppts	1.2 ppts	8.9	0.5 ppts	9.0	9.1	(0.1)ppts	(0.4)ppts	9.2	(0.1)ppts	8.4	8.4	0.0 ppts	(0.7)ppts	8.6	(0.2)ppts
OP margin (%)	6.6	6.6	0.0 ppts	0.5 ppts	6.1	0.4 ppts	6.7	6.7	(0.1)ppts	0.1 ppts	6.8	(0.1)ppts	6.5	6.5	0.0 ppts	(0.2)ppts	6.5	(0.0)ppts
Net margin (%)	5.0	5.0	0.0 ppts	0.1 ppts	4.7	0.3 ppts	5.3	5.2	0.0 ppts	0.3 ppts	5.3	(0.1)ppts	5.1	5.0	0.0 ppts	(0.2)ppts	5.1	(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: Memory price bottomed in 3Q23


Source: Bloomberg; KGI Research estimates

Figure 5: Decelerating CSP capex growth in 2023, but the market expects CSP capex to resume YoY growth in 2024F

Capex, US\$m	2019	2020	2021	2022	2023F	2024F	2025F
Meta	15,102	15,115	18,567	31,431	27,266	34,403	37,190
Amazon	16,861	35,044	55,396	58,321	48,133	58,826	64,351
Microsoft	13,546	17,592	23,216	24,768	35,202	45,651	46,953
Google	23,548	22,281	24,640	31,485	32,251	38,523	41,093
Baidu	931	738	1,689	1,586	1,687	1,728	1,819
Alibaba	6,517	6,379	8,311	5,014	5,286	6,173	6,465
Tencent	3,927	5,719	4,808	4,611	4,371	5,080	5,273
Hyperscale subtotal	80,432	102,867	136,627	157,216	154,196	190,383	203,144
Apple	9,247	8,702	10,388	11,692	9,564	11,634	11,388
IBM	2,286	2,618	2,062	1,346	1,488	1,801	2,027
Oracle	1,591	1,833	3,118	6,678	6,935	9,701	9,107
Paypal	704	866	908	706	759	876	977
eBay	508	463	444	420	455	491	500
Salesforce	643	710	717	798	813	891	989
Netflix	253	498	525	408	349	426	453
Uber	588	616	298	252	238	326	369
Enterprise subtotal	15,820	16,306	18,460	22,300	20,601	26,146	25,810
Total	96,793	119,173	155,086	179,516	174,797	216,529	228,955

YoY growth, percent	2019	2020	2021	2022	2023F	2024F	2025F
Meta	8.5	0.1	22.8	69.3	(13.3)	26.2	8.1
Amazon	25.6	107.8	58.1	5.3	(17.5)	22.2	9.4
Microsoft	6.0	29.9	32.0	6.7	42.1	29.7	2.9
Google	(6.3)	(5.4)	10.6	27.8	2.4	19.4	6.7
Baidu	(29.9)	(20.7)	129.1	(6.1)	6.3	2.4	5.3
Alibaba	(11.9)	(2.1)	30.3	(39.7)	5.4	16.8	4.7
Tencent	17.0	45.6	(15.9)	(4.1)	(5.2)	16.2	3.8
Hyperscale subtotal	4.0	27.9	32.8	15.1	(1.9)	23.5	6.7
Apple	(26.7)	(5.9)	19.4	12.6	(18.2)	21.6	(2.1)
IBM	(32.7)	14.5	(21.2)	(34.7)	10.5	21.1	12.5
Oracle	8.4	15.2	70.1	114.2	3.8	39.9	(6.1)
Paypal	(14.5)	23.0	4.8	(22.2)	7.6	15.3	11.6
eBay	(22.0)	(8.9)	(4.1)	(5.3)	8.2	7.8	2.0
Salesforce	8.1	10.4	1.0	11.3	1.8	9.7	11.0
Netflix	45.5	96.8	5.4	(22.3)	(14.5)	22.1	6.4
Uber	5.4	4.8	(51.6)	(15.4)	(5.6)	36.9	13.2
Enterprise subtotal	(22.0)	3.1	13.2	20.8	(7.6)	26.9	(1.3)
Total	(1.3)	23.1	30.1	15.8	(2.6)	23.9	5.7

Source: Company data; Bloomberg; KGI Research

Figure 6: Capex of top-four US CSPs fell 2% YoY in 2023, but will grow 24% in 2024F

Capex (US\$m)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	2019	2020	2021	2022	2023	2024F	2025F
Meta (Facebook)	4,272	4,612	4,313	5,370	5,441	7,572	9,375	9,043	6,842	6,216	6,543	7,665	15,102	15,115	18,567	31,431	27,266	34,403	37,190
Amazon	12,082	14,288	15,748	18,935	14,951	15,724	16,378	11,268	14,207	11,455	12,479	14,588	16,861	35,044	55,396	58,321	48,133	58,826	64,351
Microsoft	5,089	6,452	5,810	5,865	5,340	6,871	6,283	6,274	6,607	8,943	9,917	9,735	13,546	17,592	23,216	24,768	35,202	45,651	46,953
Google	5,942	5,496	6,819	6,383	9,786	6,828	7,276	7,595	6,289	6,888	8,055	11,019	23,548	22,281	24,640	31,485	32,251	38,523	41,093
US hyperscale subtotal	27,385	30,848	32,690	36,553	35,518	36,995	39,312	34,180	33,945	33,502	36,994	43,007	69,057	90,032	121,819	146,005	142,852	177,403	189,587
YoY (%)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	2019	2020	2021	2022	2023	2024F	2025F
Meta (Facebook)	20.1	41.7	16.9	16.4	27.4	64.2	117.4	68.4	25.7	(17.9)	(30.2)	(15.2)	8.0	0.1	22.8	69.3	(13.3)	26.2	8.1
Amazon	77.8	91.6	42.3	27.7	23.7	10.1	4.0	(40.5)	(5.0)	(27.1)	(23.8)	29.5	25.6	107.8	58.1	5.3	(17.5)	22.2	9.4
Microsoft	35.1	36.0	18.4	40.5	4.9	6.5	8.1	7.0	23.7	30.2	57.8	55.2	(4.8)	29.9	32.0	6.7	42.1	29.7	2.9
Google	(1.0)	1.9	26.1	16.5	64.7	24.2	6.7	19.0	(35.7)	0.9	10.7	45.1	(6.3)	(5.4)	10.6	27.8	2.4	19.4	6.7
US Hyperscale subtotal	36.1	48.0	30.4	25.7	29.7	19.9	20.3	(6.5)	(4.4)	(9.4)	(5.9)	25.8	3.4	30.4	35.3	19.9	(2.2)	24.2	6.9
QoQ (%)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	2019	2020	2021	2022	2023	2024F	2025F
Meta (Facebook)	(7.4)	8.0	(6.5)	24.5	1.3	39.2	23.8	(3.5)	(24.3)	(9.1)	5.3	17.1							
Amazon	(18.5)	18.3	10.2	20.2	(21.0)	5.2	4.2	(31.2)	26.1	(19.4)	8.9	16.9							
Microsoft	21.9	26.8	(10.0)	0.9	(9.0)	28.7	(8.6)	(0.1)	5.3	35.4	10.9	(1.8)							
Google	8.5	(7.5)	24.1	(6.4)	53.3	(30.2)	6.6	4.4	(17.2)	9.5	16.9	36.8							
US Hyperscale subtotal	(5.9)	12.6	6.0	11.8	(2.8)	4.2	6.3	(13.1)	(0.7)	(1.3)	10.4	16.3							

Source: Company data; Bloomberg; KGI Research

Figure 7: Cloud peer comparison – Valuations

Sector	Company	Ticker	Market cap. (US\$m)	Share price (LCY)	Rating	Target Price (LCY)	EPS (LCY)			EPS YoY (%)			PE (x)			PB (x)			ROE (%)			Cash yield (%)	
							2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F
ODM	Hon Hai	2317 TT	45,747	103.5	Outperform	126.0	8.55	10.40	12.92	(16.2)	21.6	24.3	12.1	10.0	8.0	1.0	0.9	0.9	8.0	9.3	11.1	4.3	5.2
	Inventec	2356 TT	6,188	54.1	Outperform	53.0	1.57	2.42	2.93	(8.1)	54.3	20.9	34.5	22.3	18.5	3.2	3.1	3.0	9.4	14.1	16.5	2.3	3.6
	Quanta	2382 TT	28,633	232.5	Outperform	310.0	10.13	13.43	17.52	34.8	32.6	30.4	23.0	17.3	13.3	5.1	4.8	4.5	22.6	28.4	34.8	3.5	4.6
	Wistron	3231 TT	10,494	113.5	Outperform	140.0	4.08	6.03	7.93	1.7	47.9	31.5	27.8	18.8	14.3	3.1	2.7	2.4	11.3	14.9	17.5	2.3	3.4
	Wiwynn	6669 TT	11,818	2,120.0	Outperform	2,600.0	68.88	103.17	133.23	(15.0)	49.8	29.1	30.8	20.5	15.9	8.8	6.8	5.4	29.7	37.4	37.9	2.0	2.7
Socket/ Connector/cable	Gigabyte Tech	2376 TT	6,770	334.0	Outperform	415.0	8.16	14.47	18.71	(20.6)	77.2	29.3	40.9	23.1	17.9	5.6	5.1	4.6	14.0	23.1	27.0	1.5	2.6
	Asrock	3515 TT	894	230.5	Neutral	245.0	7.01	11.12	12.33	(19.3)	58.6	10.9	32.9	20.7	18.7	3.3	3.2	3.0	10.3	15.6	16.4	2.0	3.2
	Mitac Holdings*	3706 TT	1,600	41.6	Not rated	N.A.	1.78	2.02	N.M.	(77.1)	13.8	N.A.	23.4	20.6	N.A.	N.A.	N.A.	N.A.	N.M.	N.M.	N.M.	N.A.	N.A.
Rail kit	Lotes	3533 TT	3,567	1,005.0	Outperform	1,075.0	53.78	63.90	79.82	(8.4)	18.8	24.9	18.7	15.7	12.6	4.2	3.7	3.2	24.4	25.8	28.2	2.8	3.3
	Fit Hon Teng Ltd*	6088 HK	979	1.05	Not rated	N.A.	0.08	0.13	0.20	222.3	70.5	47.4	13.5	7.9	5.4	3.1	2.8	N.A.	5.9	6.4	7.6	0.0	0.0
	Argosy*	3217 TT	533	185.5	Not rated	N.A.	8.15	10.58	N.M.	19.8	29.9	N.A.	22.8	17.5	N.A.	4.2	3.9	N.A.	17.2	20.5	N.M.	3.4	4.5
Thermal module	Alltop	3526 TT	392	208.0	Outperform	215.0	11.32	12.91	14.13	20.2	14.1	9.5	18.4	16.1	14.7	4.6	4.4	4.2	25.9	28.1	29.2	4.4	5.1
	King Side Works	2059 TT	3,920	1,290.0	Outperform	1,320.0	27.49	39.72	48.10	(35.4)	44.5	21.1	46.9	32.5	26.8	7.2	6.4	5.7	16.0	20.8	22.4	1.1	1.6
	Sunonwealth	2421 TT	1,085	124.5	Outperform	130.0	5.78	7.08	8.24	33.2	22.6	16.3	21.5	17.6	15.1	5.6	5.1	4.6	26.8	30.2	32.1	3.3	4.0
Heat spreader	Auras	3324 TT	1,398	496.0	Outperform	445.0	15.86	21.09	26.47	8.0	33.0	25.5	31.3	23.5	18.7	9.2	6.0	5.1	23.0	26.6	28.6	1.4	1.8
	AVC	3017 TT	6,208	508.0	Outperform	455.0	14.19	18.35	22.97	20.4	29.3	25.2	35.8	27.7	22.1	10.7	9.0	7.5	31.6	35.3	36.9	1.4	1.8
BBU	Jentech*	3653 TT	4,045	901.0	Not rated	N.A.	18.22	22.57	N.M.	(6.8)	23.9	N.A.	49.5	39.9	N.A.	N.A.	N.A.	N.A.	21.5	21.3	N.M.	0.5	0.6
	Simplo Tech	6121 TT	2,518	427.0	Outperform	420.0	29.13	34.97	41.04	(25.5)	20.1	17.4	14.7	12.2	10.4	2.3	2.2	2.1	15.9	18.2	20.3	5.0	6.0
Chassis	AES-KY	6781 TT	1,838	675.0	Neutral	700.0	22.25	30.45	44.15	(40.9)	36.9	45.0	30.3	22.2	15.3	4.2	3.9	3.4	14.4	18.2	23.7	1.6	2.3
	Chenbro	8210 TT	998	259.5	Outperform	290.0	8.55	14.13	18.14	2.8	65.2	28.4	30.3	18.4	14.3	5.8	5.0	4.3	19.9	29.2	32.3	1.6	2.8
Siklon photonics	Aspeed Tech*	5274 TT	3,256	2,700.0	Not rated	N.A.	26.95	49.10	77.02	(51.6)	82.2	56.9	100.2	55.0	35.1	27.8	22.8	17.6	26.3	50.3	59.1	1.1	1.5
	Land Mark Opto	3081 TT	448	153.0	Neutral	115.0	(2.31)	2.25	5.39	N.M.	N.M.	139.6	N.M.	68.1	28.4	3.4	3.4	3.4	(5.0)	5.0	12.1	0.3	1.5
CCL	Iteq*	6213 TT	995	86.0	Not rated	N.A.	1.81	5.04	6.40	(63.4)	178.9	27.0	47.6	17.1	13.4	1.7	1.6	1.6	3.6	10.4	12.2	1.6	3.4
	Elite Material	2383 TT	5,489	504.0	Outperform	550.0	16.88	23.07	27.00	10.8	36.7	17.0	29.9	21.8	18.7	6.8	6.0	5.3	24.1	29.3	30.0	1.9	2.6
PCB	Unimicron Tech	3037 TT	8,704	179.0	Outperform	185.0	7.45	9.28	15.43	(62.9)	24.5	66.2	24.0	19.3	11.6	3.0	2.7	2.4	12.7	14.6	21.8	1.7	2.1
	Gold Circuit	2368 TT	3,960	252.5	Outperform	275.0	7.65	13.42	17.01	(13.7)	75.5	26.7	33.0	18.8	14.8	8.0	6.6	5.2	25.3	38.7	39.5	1.2	2.1
Power	Delta	2308 TT	23,935	289.0	Neutral	297.0	12.84	13.10	15.16	2.1	2.0	15.7	22.5	22.1	19.1	3.9	3.6	3.2	17.5	16.8	17.8	2.4	2.4
	Lite-On Tech	2301 TT	8,065	107.5	Restricted	N.A.	6.75	7.90	9.04	9.0	17.1	14.4	15.9	13.6	11.9	2.8	2.6	2.4	18.2	19.9	21.3	4.7	5.6
	Chicony Power	6412 TT	2,169	170.5	Not rated	N.A.	7.92	9.85	11.71	(3.6)	24.3	18.9	21.5	17.3	14.6	4.8	4.0	3.8	22.6	26.8	28.1	3.5	3.3
	AcBel Polytech*	6382 TT	1,086	39.5	Not rated	N.A.	0.86	2.31	2.14	(26.4)	167.4	(7.3)	45.8	17.1	18.5	1.3	1.4	1.3	1.4	5.2	7.3	1.6	0.3
Design service	TSMC	2330 TT	577,113	698.0	Outperform	688.0	32.3	38.15	44.21	(17.5)	18.0	15.9	21.6	18.3	15.8	5.1	4.3	3.6	26.0	25.6	24.9	1.6	1.9
	Alchip Tech	3661 TT	9,886	3,960.0	Outperform	4,650.0	45.7	78.06	108.00	77.8	70.9	38.4	86.7	50.7	36.7	15.1	12.2	9.8	21.3	29.0	32.3	0.6	1.0
IC package/testing	Global Unichip	3443 TT	6,281	1,470.0	Neutral	1,360.0	26.2	27.23	33.55	(5.5)	4.0	23.2	56.2	54.0	43.8	20.3	17.2	14.1	39.5	34.5	35.3	1.0	1.0
	Winway	6515 TT	848	765.0	Outperform	865.0	15.9	34.57	N.A.	(50.7)	117.8	N.A.	48.2	22.1	N.A.	7.5	6.1	N.A.	15.1	30.4	N.A.	1.5	3.3
Networking	Chroma	2360 TT	3,113	229.5	Outperform	322.0	10.9	12.72	N.A.	(10.3)	16.8	N.A.	21.1	18.0	N.A.	4.3	4.0	N.A.	20.7	22.5	N.A.	3.1	3.7
	Luxnet	4979 TT	705	157.0	Outperform	210.0	3.5	10.47	N.A.	71.5	197.9	N.A.	44.7	15.0	N.A.	12.0	6.7	N.A.	30.9	57.0	N.A.	0.3	0.3
	Accton Tech	2345 TT	8,966	502.0	Outperform	630.0	16.6	20.95	N.A.	13.2	26.4	N.A.	30.3	24.0	N.A.	11.2	9.0	N.A.	40.5	41.4	N.A.	1.6	2.0

* Bloomberg consensus

Source: KGI Research estimates; Bloomberg consensus

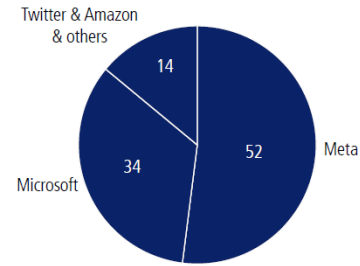
Figure 8: Company profile

Wiwynn, an affiliate of Wistron (3231 TT, NT\$113.5, OP; 43.1% 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

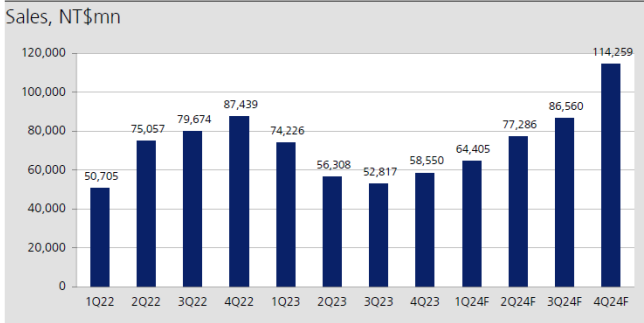
Figure 9: Microsoft & Meta represent bulk of sales

2022 sales weighting, percent



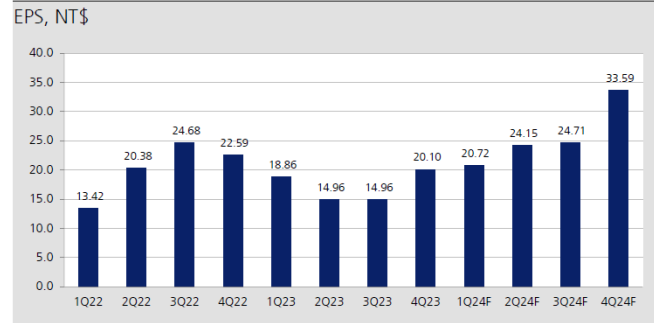
Source: Company data; KGI Research

Figure 10: Sales



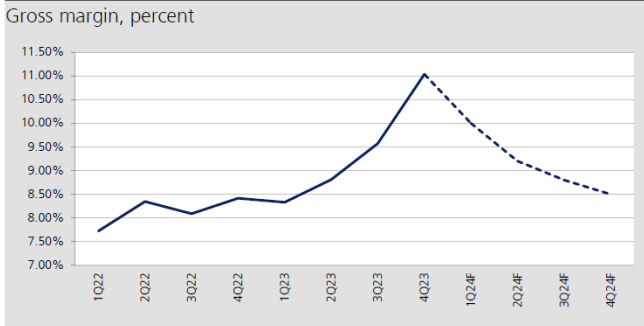
Source: KGI Research

Figure 11: EPS



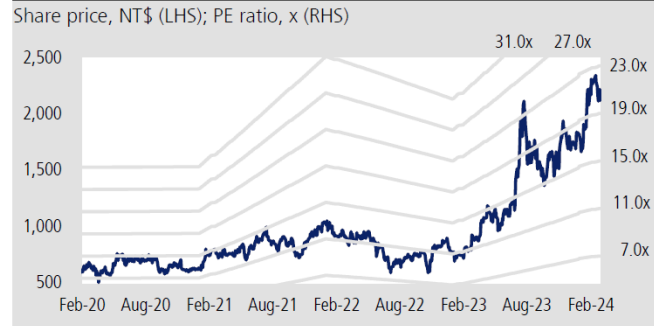
Source: KGI Research

Figure 12: Gross margin



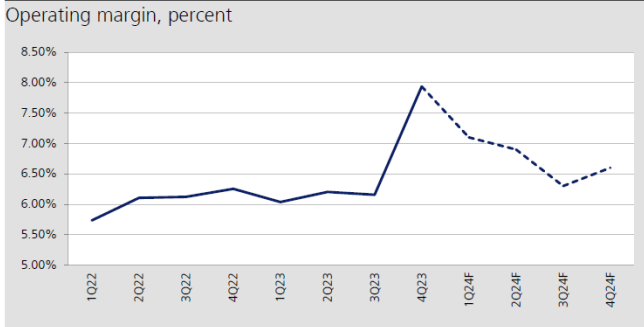
Source: KGI Research

Figure 13: 12M forward PE band



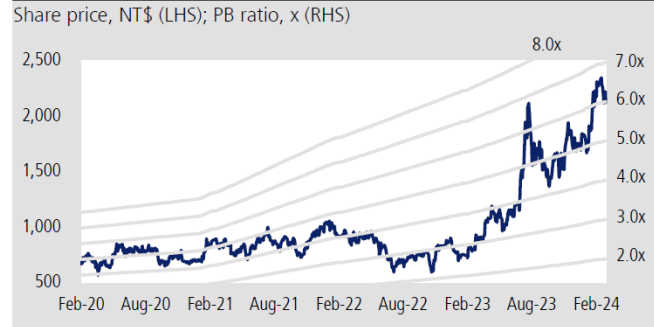
Source: TEI; KGI Research estimates

Figure 14: Operating margin



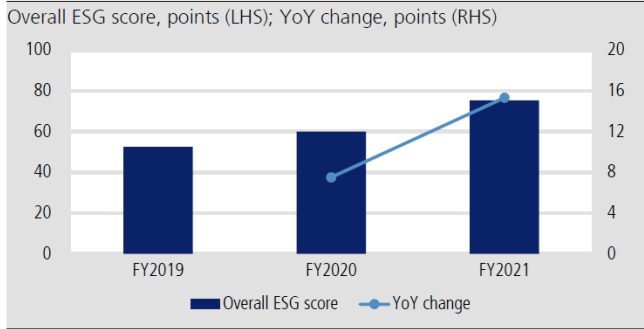
Source: KGI Research

Figure 15: 12M forward PB band



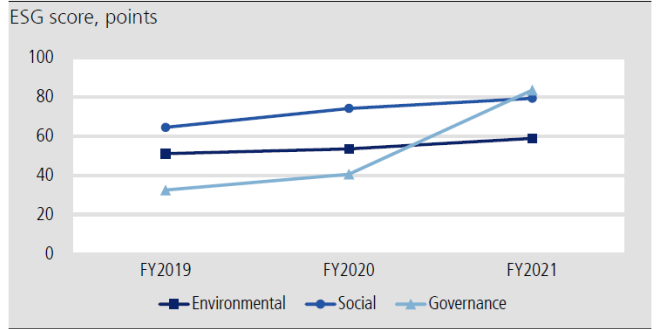
Source: TEI; KGI Research estimates

Figure 16: Overall ESG score



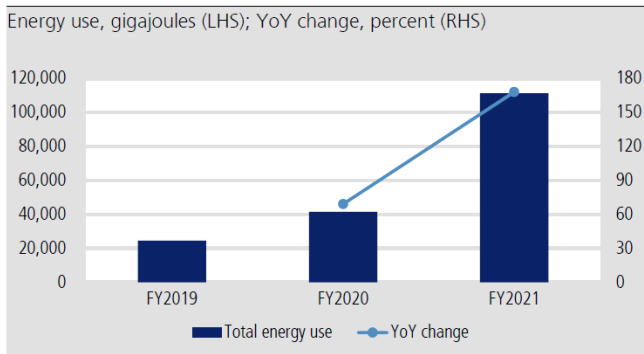
Source: Refinitiv; KGI Research; Company data

Figure 17: ESG score by category



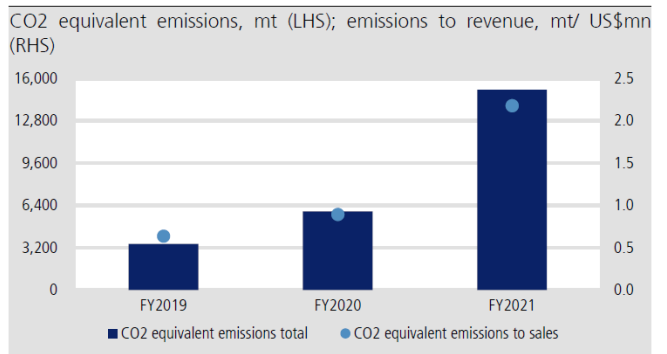
Source: Refinitiv; KGI Research; Company data

Figure 18: Energy use



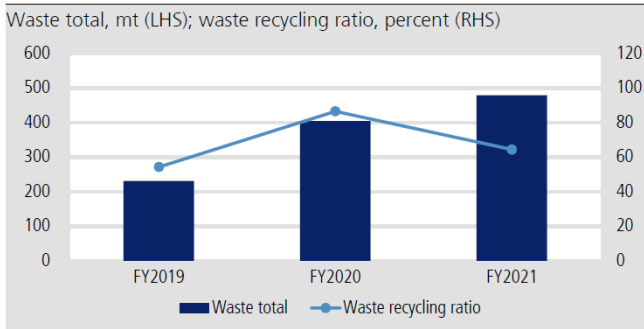
Source: Refinitiv; KGI Research; Company data

Figure 19: CO2 equivalent emissions



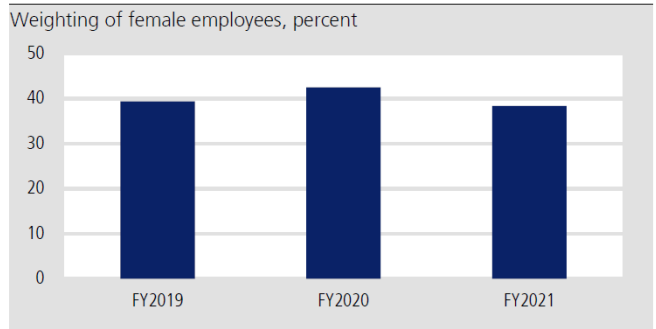
Source: Refinitiv; KGI Research; Company data

Figure 20: Waste total



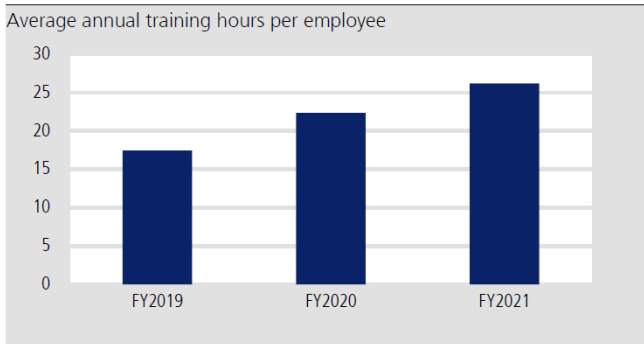
Source: Refinitiv; KGI Research; Company data

Figure 21: Gender diversity



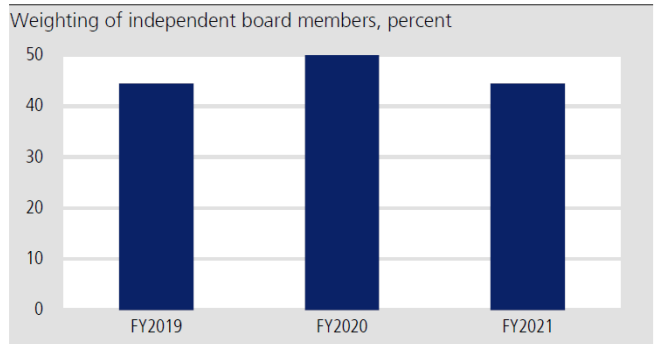
Source: Refinitiv; KGI Research; Company data

Figure 22: Employee training



Source: Refinitiv; KGI Research; Company data

Figure 23: 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\$m) - 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-24F	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	64,405	77,286	86,560	114,259	241,901	342,509	458,168
Cost of goods sold	(68,043)	(51,348)	(47,763)	(52,089)	(57,964)	(70,175)	(78,943)	(104,547)	(219,244)	(311,629)	(419,898)
Gross profit	6,183	4,960	5,054	6,460	6,440	7,110	7,617	9,712	22,657	30,880	38,270
Operating expenses	(1,702)	(1,468)	(1,803)	(1,814)	(1,868)	(1,778)	(2,164)	(2,171)	(6,787)	(7,980)	(8,584)
Operating profit	4,481	3,492	3,252	4,646	4,573	5,333	5,453	7,541	15,871	22,900	29,686
Depreciation of fixed assets	(192)	(204)	(228)	(258)	(454)	(454)	(454)	(454)	(882)	(1,816)	(2,446)
Amortisation of intangible assets	(31)	(29)	(29)	(31)	(36)	(36)	(36)	(36)	(120)	(143)	(143)
EBITDA	4,704	3,726	3,509	4,934	5,062	5,822	5,943	8,031	16,873	24,859	32,274
Interest income	96	93	109	157	94	94	94	94	456	376	255
Investment income	-	-	-	-	-	-	-	-	-	-	-
Other non-op income	-	243	211	-	45	45	47	51	454	188	163
Non-operating income	96	336	320	157	139	139	141	145	909	564	418
Interest expense	(236)	(256)	(293)	(167)	(161)	(161)	(161)	(161)	(953)	(644)	(642)
Investment loss	(17)	(14)	-	(33)	(13)	(13)	(13)	(13)	(64)	(50)	(50)
Other non-op expenses	(160)	0	(14)	(145)	(10)	(20)	(20)	(30)	(319)	(80)	(110)
Non-operating expenses	(413)	(270)	(308)	(346)	(184)	(194)	(194)	(204)	(1,336)	(774)	(802)
Pre-tax profit	4,164	3,558	3,264	4,458	4,528	5,278	5,401	7,483	15,444	22,690	29,301
Current taxation	(866)	(943)	(649)	(943)	(906)	(1,056)	(1,080)	(1,610)	(3,400)	(4,651)	(6,007)
Minorities	-	-	-	-	-	-	-	-	-	-	-
Normalised net profit	3,298	2,616	2,615	3,515	3,623	4,223	4,321	5,873	12,044	18,039	23,294
Extraordinary items	(0)	(0)	(0)	0	-	-	-	-	-	-	-
Net profit	3,298	2,616	2,615	3,515	3,623	4,223	4,321	5,873	12,044	18,039	23,294
EPS (NT\$)	18.86	14.96	14.96	20.10	20.72	24.15	24.71	33.59	68.88	103.17	133.23
Margins (%)											
Gross profit margin	8.3	8.8	9.6	11.0	10.0	9.2	8.8	8.5	9.4	9.0	8.4
Operating margin	6.0	6.2	6.2	7.9	7.1	6.9	6.3	6.6	6.6	6.7	6.5
EBITDA margin	6.3	6.6	6.6	8.4	7.9	7.5	6.9	7.0	7.0	7.3	7.0
Pretax profit margin	5.6	6.3	6.2	7.6	7.0	6.8	6.2	6.5	6.4	6.6	6.4
Net profit margin	4.4	4.6	5.0	6.0	5.6	5.5	5.0	5.1	5.0	5.3	5.1
Sequential growth (%)											
Revenue growth	(15.1)	(24.1)	(6.2)	10.9	10.0	20.0	12.0	32.0			
Gross profit growth	(16.0)	(19.8)	1.9	27.8	(0.3)	10.4	7.1	27.5			
Operating profit growth	(18.1)	(22.1)	(6.9)	42.9	(1.6)	16.6	2.3	38.3			
EBITDA growth	(17.4)	(20.8)	(5.8)	40.6	2.6	15.0	2.1	35.1			
Pretax profit growth	(16.1)	(14.5)	(8.3)	36.6	1.6	16.6	2.3	38.5			
Net profit growth	(16.5)	(20.7)	(0.0)	34.4	3.1	16.6	2.3	35.9			
YoY growth (%)											
Revenue growth	46.4	(25.0)	(33.7)	(33.0)	(13.2)	37.3	63.9	95.1	(17.4)	41.6	33.8
Gross profit growth	57.9	(20.8)	(21.6)	(12.2)	4.2	43.3	50.7	50.3	(5.5)	36.3	23.9
Operating profit growth	54.1	(23.8)	(33.3)	(15.0)	2.1	52.7	67.7	62.3	(11.0)	44.3	29.6
EBITDA growth	53.9	(21.6)	(31.1)	(13.3)	7.6	56.3	69.4	62.8	(9.3)	47.3	29.8
Pretax profit growth	40.1	(21.2)	(40.1)	(10.2)	8.7	48.3	65.5	67.9	(13.7)	46.9	29.1
Net profit growth	40.6	(26.6)	(39.4)	(11.0)	9.8	61.4	65.2	67.1	(15.0)	49.8	29.1

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	106,308	131,701
Current assets	82,025	84,051	79,195	95,524	120,413
Cash & ST securities	22,673	26,232	37,495	25,077	25,856
Inventory	45,383	36,012	30,179	46,830	63,272
Accounts receivable	13,166	19,781	10,363	22,460	30,126
Other current assets	803	2,027	1,158	1,158	1,158
Non-current assets	2,712	4,787	9,650	10,784	11,288
LT investments	250	199	159	109	59
Net fixed assets	1,038	2,157	5,626	6,810	7,364
Other assets	1,424	2,431	3,865	3,865	3,865
Total liabilities	57,367	50,051	46,611	52,009	62,971
Current liabilities	47,166	38,562	36,494	42,206	53,064
Accounts payable	18,279	26,465	20,169	22,989	31,061
Interest bearing ST liabilities	21,266	2,077	2,884	3,198	3,093
Other current liabilities	7,621	10,021	13,441	16,019	18,909
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	54,299	68,730
Share capital	1,748	1,748	1,748	1,748	1,748
Retained earnings reserve	14,767	-	-	8,117	18,600
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%)	41.6%	33.8%
Operating profit growth	1.3%	56.6%	(11.0%)	44.3%	29.6%
EBITDA growth	2.6%	55.8%	(9.3%)	47.3%	29.8%
Net profit growth	0.4%	63.9%	(15.0%)	49.8%	29.1%
EPS growth	0.4%	63.9%	(15.0%)	49.8%	29.1%
Profitability					
Gross profit margin	8.1%	8.2%	9.4%	9.0%	8.4%
Operating margin	5.9%	6.1%	6.6%	6.7%	6.5%
EBITDA margin	6.2%	6.3%	7.0%	7.3%	7.0%
Net profit margin	4.5%	4.8%	5.0%	5.3%	5.1%
Return on average assets	12.4%	16.3%	13.6%	18.5%	19.6%
Return on average equity	33.3%	42.9%	29.7%	37.4%	37.9%
Stability					
Gross debt to equity	112.2%	29.7%	26.8%	20.9%	16.5%
Net debt to equity	29.3%	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	31.9	21.3	17.2	36.2	46.6
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	(9.1)	15.4
Cash flow/int. & ST debt (x)	(0.7)	10.4	6.0	(1.5)	2.6
Current ratio (x)	1.7	2.2	2.2	2.3	2.3
Quick ratio (x)	0.8	1.2	1.3	1.2	1.1
Net debt (NT\$m)	8,029	(14,715)	(26,168)	(13,750)	(14,530)
Per share data					
EPS (NT\$)	49.46	81.07	68.88	103.17	133.23
CFPS (NT\$)	(81.29)	175.46	131.89	(33.63)	56.60
BVPS (NT\$)	156.54	221.84	241.56	310.57	393.10
Adj BVPS (NT\$)	156.54	221.84	241.56	310.57	393.10
SPS (NT\$)	1,101.72	1,675.10	1,383.55	1,958.98	2,620.49
EBITDA/share (NT\$)	68.26	106.36	96.50	142.18	184.59
Cash DPS (NT\$)	25.00	50.00	42.00	56.74	73.28
Activity					
Sales / avg assets	2.76	3.37	2.72	3.51	3.85
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	342,509	458,168
Cost of goods sold	(177,005)	(268,897)	(219,244)	(311,629)	(419,898)
Gross profit	15,621	23,979	22,657	30,880	38,270
Operating expenses	(4,234)	(6,145)	(6,787)	(7,980)	(8,584)
Operating profit	11,387	17,834	15,871	22,900	29,686
Non-operating income	95	1,387	909	564	418
Interest income	62	156	456	376	255
Investment income	-	-	-	-	-
Other non-op income	34	1,231	454	188	163
Non-operating expenses	(486)	(1,324)	(1,336)	(774)	(802)
Interest expense	(356)	(882)	(953)	(644)	(642)
Investment loss	(15)	(68)	(64)	(50)	(50)
Other non-op expenses	(115)	(375)	(319)	(80)	(110)
Pre-tax profit	10,996	17,897	15,444	22,600	29,301
Current taxation	(2,348)	(3,723)	(3,400)	(4,651)	(6,007)
Minorities	-	-	-	-	-
Extraordinary items	-	(0)	0	-	-
Net profit	8,648	14,175	12,044	18,039	23,294
EBITDA	11,935	18,596	16,873	24,859	32,274
EPS (NT\$)	49.46	81.07	68.88	103.17	133.23

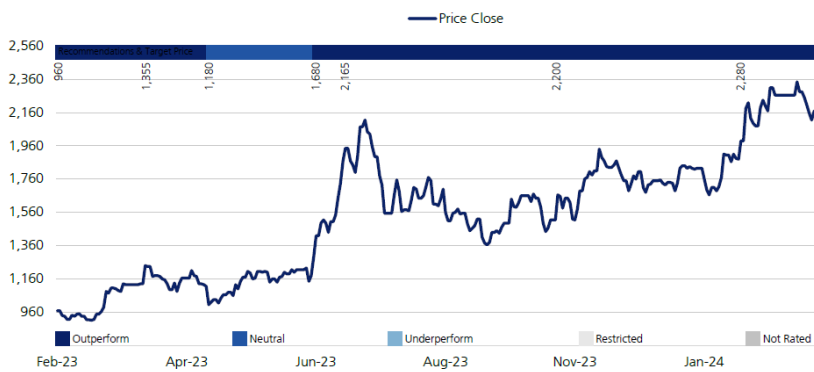
Cash flow

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Operations cash flow	(14,212)	30,678	23,060	(5,880)	9,896
Net profit	8,648	14,175	12,044	18,039	23,294
Depreciation & amortisation	548	762	1,002	1,959	2,589
Decrease in working capital	(25,547)	12,998	8,928	(25,927)	(16,037)
Other operating cash flow	2,139	2,743	1,087	50	50
Investing cash flow	(1,039)	(1,930)	(4,696)	(3,143)	(3,143)
Sale of ST investment	-	-	-	-	-
New investments	(277)	-	-	-	-
Capital expenditure	(511)	(1,466)	(4,886)	(3,000)	(3,000)
Others investing cashflow	(252)	(464)	190	(143)	(143)
Free cash flow	(16,596)	26,334	17,300	(8,906)	7,008
Financing cash flow	14,855	(26,181)	(7,115)	(3,395)	(5,973)
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)	(9,921)
Other financing cashflow	(124)	751	(265)	-	0
Forex effects	(99)	992	13		
Total cash generated	(496)	3,559	11,263	(12,418)	779

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%	6.7%	6.5%
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	8.7	8.6
Operating margin	5.9%	6.1%	6.6%	6.7%	6.5%
x Capital turnover	5.5	12.1	16.2	8.7	8.6
x (1 - tax rate)	78.6%	79.2%	78.0%	79.5%	79.5%
= After-tax ROIC	25.7%	58.5%	82.7%	46.1%	44.4%

Source: Company data, KGI Research estimates

Wiyynn – Recommendation & target price history


Date	Rating	Target	Price
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
2023-01-09	Outperform	960	767
2022-11-01	Outperform	1,115	735

Source: TEJ, KGI Research

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