

WPG Holdings (3702.TW/3702 TT)

Strong earnings growth in 2025F

Outperform Resumed

Price as of November 19 (NT\$)	75.40
12M target price (NT\$)	87.00
Previous target price (NT\$)	40.00
Revised up (%)	117.5
Upside (%)	15.4

Key message

- (WPG) 1. WPG Holdings' distribution business will likely maintain stable growth on long-term partnerships with clients and exceptional field application engineering (FAE) resources.
- 2. Subscription-based smart warehousing services will boost blended gross margin.
- 3. Earnings to grow substantially on lower financial costs due to Fed rate cuts.

Trading data				
Mkt cap (NT\$bn/U	126.6 /	3,886		
Outstanding shares	1,679			
Foreign ownership	483.8			
3M avg. daily tradi	4.15			
52-week trading ra	ange (NT\$)	71.70 –	101.0	
Performance	3M	6M	12M	
Absolute (%)	-9.4	-13.9	5.9	
Relative (%)	-11.4	-21.4	-26.9	

Quart	erly EPS			
NT\$	1Q	2Q	3Q	4Q
2023	0.41A	1.14A	0.95A	2.09A
2024	1.16A	0.73A	1.22A	1.30F
2025	1.30F	1.18F	2.36F	2.41F

Share price chart



Event

We resume coverage of WPG Holdings (WPG). With the firm's distribution business growing steadily, the firm is now committed to developing smart warehousing and digital transformation services in a bid to boost profitability. We believe the firm's interest costs will be reduced during the upcoming US Fed rate cut cycle, which will boost earnings.

Impact

Distribution business growing steadily. Gartner estimates sales of semiconductors via distributors will post a 2023-28 CAGR of 13.3%, outstripping that of 7.5% via direct sales, as: (1) the semiconductor industry is still growing, with the number of clients rising; and (2) distributors are capable of managing inventories and can provide field application engineering (FAE) resources and other value-added services. As a semiconductor distributor, WPG has 12% global market share, the second highest among its peers. By leveraging long-term partnerships with clients and exceptional FAE resources, we believe WPG's distribution business will grow in tandem with the semiconductor industry.

Transforming into supply chain service provider to boost blended gross margin. WPG has been aggressively transforming into a provider of supply chain services, including subscriptionbased logistics as a service (LaaS) for smart warehousing, which management estimates will contribute sales and improve gross margin from 2025. We forecast gross margin of the distribution business will hover around 3.7% in 2025, and contributions from smart warehousing services will lift blended gross margin by 0.4ppt YoY to 4.0%, before rising to over 4.0% in 2026.

Rate cuts to ease interest costs, driving substantial earnings growth. We believe US Fed interest rate cuts will help reduce financial costs for WPG, which we estimate will erode operating profit by a respective 54% and 34% in 2024-25, down from 64% in 2023. This will result in respective 2024-25F earnings growth of 41.2% and 60.9% YoY to NT\$7.81bn and NT\$12.57bn, for EPS of NT\$4.41 and NT\$7.25, excluding one-off investment disposal gains.

Valuation & Action

We resume coverage of WPG Holdings with Outperform and a target price of NT\$87.0, based on 12x 2025F EPS of NT\$7.25, which is one standard deviation above the five-year historic average PE. We believe the supply chain service business and reduced financial costs will boost earnings considerably. The counter offers attractive dividend yield of 4.64%.

Risks

Weaker-than-expected semiconductor demand.

Key financials and valuations

Key financials and valuations					
	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (NT\$mn)	778,573	775,232	671,888	865,233	930,175
Gross profit (NT\$mn)	29,701	29,588	25,386	30,914	37,034
Operating profit (NT\$mn)	13,804	14,700	10,395	14,704	20,029
Net profit (NT\$mn)	11,497	10,512	8,109	7,813	12,571
EPS (NT\$)	6.61	6.02	4.59	4.41	7.25
Cash DPS (NT\$)	3.50	3.85	3.50	3.50	5.43
EPS growth (%)	38.6	(8.9)	(23.8)	(3.8)	64.2
PE (x)	11.4	12.5	16.4	17.1	10.4
PB (x)	1.9	1.6	1.6	1.6	1.4
EV/EBITDA (x)	13.3	13.4	17.3	11.5	9.1
Net debt to equity (%)	150.2	138.8	118.7	103.3	98.4
Dividend yield (%)	4.6	5.1	4.6	4.6	7.2
Return on average equity (%)	17.4	14.3	10.1	9.7	14.7

Source: Company data; KGI Research estimates



WPG Holdings

3Q24 financial results & guidance

- Sales: NT\$259.07bn, up 24.6% QoQ and 38.3% YoY.
 - > Driven by growth in AI and traditional server demand, as well as seasonality.
- Gross margin: 3.25%, versus 3.74% in 2Q24
 - QoQ drop due to product mix changes; core components and memory components have lower margins.
- 3Q24 operating profit was NT\$3.88bn, up 5.1% QoQ and 31.0% YoY, with operating margin of 1.5%.
- Net profit: NT\$2.04bn, up 25.2% QoQ and 28.3% YoY.
- EPS: NT\$1.22, versus 2Q24 EPS NT\$0.73.
- Financial costs: NT\$2.16bn, up 9.4% QoQ and 37.2% YoY.
- Inventory days: 48 days, versus 57 days in 2Q24 and 52 days in 3Q23.
 - > The significant decrease is driven by demand from the AI supply chain.

3Q24 sales breakdown by region

- Taiwan: 9%.
- China: 77%.
 - > Increased shipments to China and Hong Kong.
 - Increased client base in mainland China.
- Southeast Asia: 11%.
- Others: 3%.

3Q24 sales breakdown by customer location

- Taiwanese enterprises: 30%.
- Chinese enterprises: 61%.
- Others: 9%.

3Q24 sales breakdown by product application

- Computer: 49%.
- Communication: 20%.
- Consumer: 7%.
- Industrial: 7%.
- Automotive: 5%.
- Others: 12%.



WPG Holdings

3Q24 sales breakdown by product type

- Core components: 44%.
- Analog & mixed signal IC: 7%.
- Discrete & logic: 8%.
- Memory: 26%.
- PEMCO: 4%.
- Optical: 9%.
- Others: 2%.

Key takeaways

- Financial costs
 - The proportion of financial costs relative to revenue is steadily decreasing due to improvement in the operating cash cycle and interest rate cuts.
 - Typically, financial costs account for 0.2-0.25% of revenue during normal periods.
- Reason for higher operating expenses in 3Q24
 - Nearly 50% of expenses were for personnel salaries and bonuses, which rise with revenue.
- 2025F outlook
 - The firm will expand beyond the core distribution business into smart warehousing and cloud services.
 - Margins will improve more than sales, differing from the traditional business model of the distribution business.
- Reasons for redeeming preferred shares
 - The firm has redeemed preferred shares and issued convertible bonds in order to provide better returns to shareholders.
 - > The company is confident in the firm's long-term growth.
- Semiconductor market outlook
 - Memory prices and demand rebounded in 2024F, on demand from AI data centers and global CSPs for LLMs and inferencing models.
 - Significant growth in DRAM sales in 3Q24 is due to transition from DDR4 to DDR5 for AI servers, with higher ASP on DDR5.
 - The firm guides 20-22% YoY sales growth in 2024F, and 13-14% YoY sales growth in 2025F. 2026-28F is guided for single-digit YoY growth.



WPG Holdings

- Semiconductor outlook by application
 - ♦ Al server sales will continue to grow
 - ✓ WPG distributes a wide range of AI server-related products, excepting AI GPUs and high-bandwidth.
 - ✓ Al server sales growth in 4Q24F is expected to decline QoQ due to seasonality.
 - ◆ AI PCs/ AI smartphones
 - ✓ AI applications are expected to transition from cloud applications to edge applications. Edge AI hardware was originally expected to ship well in 2024F, but the firm now believes demand will be deferred to 1H25F.
 - ✓ The firm forecasts 3-5% YoY PC market growth in 2024F and 5% YoY growth in 2025F.
 - Automotive
 - ✓ Internal competition in China and moderate demand in EU and US in 2024F.
 - ✓ Global automotive production grew by less than 2%, but EV production grew by over 33% YoY, with the latter concentrated in China.
 - ✓ The firm has observed that consumers are now choosing EVs as their preference.
 - ✓ The company has a presence in the EV supply chain, selling parts and providing assembly and ADAS system integration, etc.
 - ✓ In 2025F, after restocking in EU, US and China, it is estimated that total production volume will grow by 2-3%, and the company believe that the automotive industry is stable and can provide certain amount of sales volume.
 - Smartphones
 - ✓ Flat growth in smartphones, but a recovery in the China market, will provide significant sales.
- US dollar debt
 - US dollar denominated debt accounted for 66% of total debt, but the impact will depend on hedging strategies and forex.
- Supply chain inventory
 - Inventory adjustments and demand from the end market vary by application, but personal electronics inventory adjustments are nearing an end.
 - The automotive supply chain is still in destocking. The company has a low but growing automotive sales weighting, and requires support from customers and original manufacturers.
 - The firm expects demand recovery in 2025.



Figure 1: Breakdown of 3Q24 results and 4Q24 forecasts vs. consensus

		3Q24					4Q24F						
NT\$mn	Actual	QoQ (%)	YoY (%)	Consensus	Diff. (%)	KGI forecast	QoQ (%)	YoY (%)	Consensus	Diff. (%)			
Sales	259,069	24.6	38.3	213,270	21.5	216,287	(16.5)	18.1	204,527	5.7			
Gross profits	8,409	8.2	23.0	7,919	6.2	7,946	(5.5)	16.2	7,623	4.2			
Operating income	3,883	5.1	31.0	3,861	0.6	3,872	(0.3)	28.1	3,452	12.2			
Net income	2,042	25.2	28.3	2,034	0.4	2,190	7.2	(37.7)	1,698	28.9			
EPS (NT\$)	1.22	65.8	28.3	1.21	0.4	1.30	7.2	(37.7)	1.01	28.9			
Gross margin (%)	3.2	(0.5)ppts	(0.4)ppts	3.7	(0.5)ppts	3.7	0.4 ppts	(0.1)ppts	3.7	(0.1)ppts			
OP margin (%)	1.5	(0.3)ppts	(0.1)ppts	1.8	(0.3)ppts	1.8	0.3 ppts	0.1 ppts	1.7	0.1 ppts			
Net margin (%)	0.8	0.0 ppts	(0.1)ppts	1.0	(0.2)ppts	1.0	0.2 ppts	(0.9)ppts	0.8	0.2 ppts			

Source: Company data, Bloomberg, KGI Research estimates

		2024	4F		2025F					
NT\$mn	KGI forecast	YoY (%)	Consensus	Diff. (%)	KGI forecast	YoY (%)	Consensus	Diff. (%)		
Sales	865,233	28.8	805,878	7.4	930,175	7.5	895,158	3.9		
Gross profit	30,914	21.8	30,228	2.3	37,034	19.8	33,998	8.9		
Operating income	14,704	41.5	14,157	3.9	20,029	36.2	16,362	22.4		
Net income	7,813	(3.7)	7,116	9.8	12,571	60.9	9,452	33.0		
EPS (NT\$)	4.41	(3.8)	4.02	9.8	7.25	64.2	5.45	33.0		
Gross margin (%)	3.6	(0.2)ppts	3.8	(0.2)ppts	4.0	0.4 ppts	3.8	0.2 ppts		
OP margin (%)	1.7	0.2 ppts	1.8	(0.1)ppts	2.2	0.5 ppts	1.8	0.3 ppts		
Net margin (%)	0.9	(0.3)ppts	0.9	0.0 ppts	1.4	0.4 ppts	1.1	0.3 ppts		

Source: Bloomberg, KGI Research estimates



Figure 5: 2023 sales mix Sales weighting, percent

Figure 4: Company profile

Established and listed in 2005, WPG Holdings was established by merging three leading semiconductor distributors in Asia: WPI, SAC, and RichPower. The firm has become the largest semiconductor distributor in Asia. With more than 5,000 employees, the company serves as a franchise partner for over 250 global brands and has over 80 sales offices globally.

259,069

207,974

2024 3024

1024

216,287 209,192

1025F

2025F

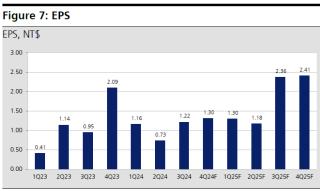
2Q25F 3Q25F 4Q25F

4024F



Communication

Source: Company data; KGI Research





1023 2023 3023 4023

156,690 144,754

Source: KGI Research

Figure 6: Sales

Sales, NT\$mn

300,000

250.000

200,000

150,000

100,000

50,000



187,355 183,090 181 on

Source: KGI Research

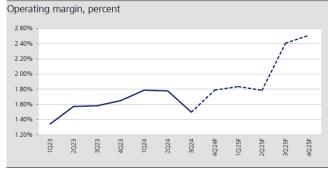
1023

3.30%

3.10%

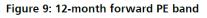
Figure 10: Operating margin

3Q23 4Q23 1Q24 2Q24 3Q24

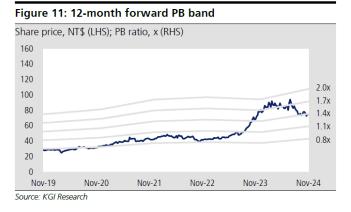


Source: KGI Research











Income statement

	Quarterly								Annually		
	Mar-24A	Jun-24A	Sep-24A	Dec-24F	Mar-25F	Jun-25F	Sep-25F	Dec-25F	Dec-23A	Dec-24F	Dec-25
Income statement (NT\$mn)											
Revenue	181,904	207,974	259,069	216,287	209,192	227,879	249,831	243,274	671,888	865,233	930,175
Cost of goods sold	(175,115)	(200,204)	(250,660)	(208,341)	(201,518)	(219,512)	(239,227)	(232,885)	(646,502)	(834,319)	(893,141)
Gross profit	6,789	7,770	8,409	7,946	7,674	8,367	10,604	10,389	25,386	30,914	37,034
Operating expenses	(3,537)	(4,073)	(4,526)	(4,074)	(3,835)	(4,297)	(4,591)	(4,282)	(14,991)	(16,210)	(17,005)
Operating profit	3,252	3,696	3,883	3,872	3,839	4,070	6,013	6,107	10,395	14,704	20,029
Depreciation of fixed assets	(262)	(263)	(267)	(276)	(301)	(301)	(301)	(301)	(1,008)	(1,068)	(1,206
Amortisation of intangible assets	(30)	(31)	(30)	(32)	(31)	(31)	(31)	(31)	(117)	(123)	(124
EBITDA	3,544	3,991	4,180	4,180	4,172	4,402	6,346	6,440	11,520	15,896	21,359
Interest income	95	134	104	97	84	114	78	54	369	429	330
Investment income	269	377	453	300	300	300	300	300	1,098	1,400	1,200
Other non-op income	77	64	100	100	100	100	100	100	433	342	400
Non-operating income	441	576	657	496	484	514	478	454	1,901	2,170	1,929
Interest expense	(1,764)	(2,104)	(2,259)	(1,742)	(1,684)	(1,704)	(1,724)	(1,679)	(6,680)	(7,869)	(6,791)
Investment loss	-	-	-		-	-	-	-	-	-	-
Other non-op expenses	441	142	280	100	100	100	100	100	4,667	963	400
Non-operating expenses	(1,322)	(1,962)	(1,979)	(1,642)	(1,584)	(1,604)	(1,624)	(1,579)	(2,013)	(6,905)	(6,391)
Pre-tax profit	2,371	2,310	2,561	2,727	2,739	2,980	4,867	4,982	10,282	9,969	15,567
Current taxation	(400)	(638)	(478)	(537)	(554)	(604)	(896)	(941)	(2,084)	(2,053)	(2,996
Minorities	(22)	(41)	(41)	-	-	-	-	-	(88)	(103)	-
Normalised net profit	1,949	1,631	2,042	2,190	2,185	2,375	3,970	4,040	8,109	7,813	12,571
Extraordinary items	(0)	0	0	-	-	-	-	-	-	0	-
Net profit	1,949	1,631	2,042	2,190	2,185	2,375	3,970	4,040	8,109	7,813	12,571
EPS (NT\$)	1.16	0.73	1.22	1.30	1.30	1.18	2.36	2.41	4.59	4.41	7.25
Margins (%)											
Gross profit margin	3.7	3.7	3.2	3.7	3.7	3.7	4.2	4.3	3.8	3.6	4.0
Operating margin	1.8	1.8	1.5	1.8	1.8	1.8	2.4	2.5	1.5	1.7	2.2
EBITDA margin	1.9	1.9	1.6	1.9	2.0	1.9	2.5	2.6	1.7	1.8	2.3
Pretax profit margin	1.3	1.1	1.0	1.3	1.3	1.3	1.9	2.0	1.5	1.2	1.7
Net profit margin	1.1	0.8	0.8	1.0	1.0	1.0	1.6	1.7	1.2	0.9	1.4
Margins (%)		0.0	0.0							0.0	
Gross profit margin	3.7	3.7	3.2	3.7	3.7	3.7	4.2	4.3	3.8	3.6	4.0
Operating margin	1.8	1.8	1.5	1.8	1.8	1.8	2.4	2.5	1.5	1.7	2.2
EBITDA margin	1.9	1.0	1.5	1.9	2.0	1.8	2.4	2.5	1.5	1.7	2.2
Pretax profit margin	1.3	1.1	1.0	1.3	1.3	1.3	1.9	2.0	1.5	1.0	1.7
Net profit margin	1.1	0.8	0.8	1.0	1.0	1.0	1.5	1.7	1.3	0.9	1.7
Sequential growth (%)	1.1	0.8	0.8	1.0	1.0	1.0	1.0	1.7	1.2	0.9	1.4
Revenue growth	(0.6)	14.3	24.6	(16.5)	(3.3)	8.9	9.6	(2.6)			
	(0.0)	14.3	8.2	(10.5)	(3.3)	9.0	26.7	(2.0)			
Gross profit growth Operating profit growth	(0.8)	14.4	6.2 5.1	(0.3)	(0.8)	9.0 6.0	47.8	(2.0)			
EBITDA growth		12.6		· · · · ·		5.5	47.8	1.5			
Pretax profit growth	6.6 (39.5)	(2.6)	4.8 10.9	(0.0) 6.5	(0.2) 0.4	5.5 8.8	44.2 63.3	2.4			
Net profit growth	(44.5)	(16.3)	25.2	7.2	(0.2)	8.7	67.2	1.8			
YoY growth (%)	25.7	7 22	20.2	10.1	15.0	0.0		10.5	(1)	20.0	7 -
Revenue growth	25.7	32.7	38.3	18.1	15.0	9.6	(3.6)	12.5	(13.3)	28.8	7.5
Gross profit growth	20.8	27.7	23.0	16.2	13.0	7.7	26.1	30.7	(14.2)	21.8	19.8
Operating profit growth	67.5	49.9	31.0	28.1	18.0	10.1	54.9	57.7	(29.3)	41.5	36.2
EBITDA growth	60.2	45.7	28.9	25.7	17.7	10.3	51.8	54.0	(26.7)	38.0	34.4
Pretax profit growth	173.7	(35.9)	34.9	(30.4)	15.5	29.0	90.1	82.7	(19.1)	(3.0)	56.2
Net profit growth	184.6	(29.6)	28.3	(37.7)	12.1	45.6	94.4	84.5	(22.9)	(3.7)	60.9

Source: Company data; KGI Research estimates



WPG Holdings

Profit & loss

Balance sheet					
NT\$mn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Total assets	287,739	316,220	314,371	351,051	370,080
Current assets	246,449	274,413	273,029	305,547	323,425
Cash & ST securities	14,637	16,882	22,354	40,886	32,586
Inventory	86,215	111,737	103,539	102,625	115,682
Accounts receivable	134,392	120,667	130,915	143,489	156,610
Other current assets	11,206	25,126	16,222	18,547	18,547
Non-current assets	41,290	41,807	41,341	45,504	46,655
LT investments	21,713	20,846	20,216	24,146	24,146
Net fixed assets	11,912	11,971	11,979	12,167	13,318
Other assets	7,665	8,990	9,146	9,192	9,192
Total liabilities	216,513	234,306	229,727	266,715	273,173
Current liabilities	182,224	197,056	205,284	242,972	249,430
Accounts payable	75,937	81,353	86,012	92,119	104,239
Interest bearing ST liabilities	89,898	96,795	101,879	127,240	127,240
Other current liabilities	16,389	18,908	17,393	23,612	17,950
Non-current liabilities	34,289	37,251	24,443	23,743	23,743
Long-term debt	31,478	33,532	20,369	0	0
Other L-T liabilities	1,595	1,403	1,925	21,571	21,571
Total equity	71,225	81,913	84,644	84,337	96,908
Share capital	16,791	16,791	16,791	16,791	16,791
Retained earnings reserve	16,495	18,525	25,493	22,539	35,110
Minority interests	825	857	999	3,073	3,073
Preferred shareholders funds	2,000	2,000	2,000	2,000	2,000
Key ratios					
	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Growth					
Revenue growth	27.7%	(0.4%)	(13.3%)	28.8%	7.5%
Operating profit growth	37.4%	6.5%	(29.3%)	41.5%	36.2%
EBITDA growth	35.8%	6.4%	(26.7%)	38.0%	34.4%
Net profit growth	41.5%	(8.6%)	(22.9%)	(3.7%)	60.9%
EPS growth	38.6%	(8.9%)	(23.8%)	(3.8%)	64.2%
Profitability					
Gross profit margin	3.8%	3.8%	3.8%	3.6%	4.0%
Operating margin	1.8%	1.9%	1.5%	1.7%	2.2%
EBITDA margin	1.9%	2.0%	1.7%	1.8%	2.3%
Net profit margin	1.5%	1.4%	1.2%	0.9%	1.4%
Return on average assets	4.4%	3.5%	2.6%	2.3%	3.5%
Return on average equity	17.4%	14.3%	10.1%	9.7%	14.7%
Stability					
Gross debt to equity	170.4%	159.1%	144.4%	150.9%	131.3%
Net debt to equity	150.2%	138.8%	118.7%	103.3%	98.4%
Interest coverage (x)	7.8	3.7	2.5	2.3	3.3
Interest & ST debt coverage (x)	0.1	0.1	0.0	0.0	0.1
Cash flow interest coverage(x)	(9.1)	(1.3)	2.4	0.1	(0.0)
Cash flow/int. & ST debt (x)	(0.2)	(0.1)	0.1	0.0	(0.0)
Current ratio (x)	1.4	1.4	1.3	1.3	1.3
Quick ratio (x)	0.9	0.8	0.8	0.8	0.8
Net debt (NT\$mn)	106,969	113,730	100,452	87,099	95,399
Per share data					
EPS (NT\$)	6.61	6.02	4.59	4.41	7.25
CFPS (NT\$)	(11.34)	(3.63)	9.65	0.44	(0.09)
BVPS (NT\$)	40.74	47.08	48.63	47.21	54.69
Adj BVPS (NT\$)	40.74	47.08	48.63	47.21	54.69
SPS (NT\$)	463.70	461.71	400.16	515.31	553.99
EBITDA/share (NT\$)	8.80	9.36	6.86	9.47	12.72
Cash DPS (NT\$)	3.50	3.85	3.50	3.50	5.43
Activity					
Sales / avg assets	2.98	2.57	2.13	2.60	2.58
Days receivable	63.0	56.8	71.1	60.7	61.5
Days inventory	42.0	54.7	58.5	45.0	47.3
Days payable	37.0	39.8	48.6	40.4	42.6
Cash cycle	68.0	71.7	81.0	65.3	66.1

Tione a 1055					
NT\$mn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue	778,573	775,232	671,888	865,233	930,175
Cost of goods sold	(748,872)	(745,644)	(646,502)	(834,319)	(893,141)
Gross profit	29,701	29,588	25,386	30,914	37,034
Operating expenses	(15,897)	(14,888)	(14,991)	(16,210)	(17,005)
Operating profit	13,804	14,700	10,395	14,704	20,029
Non-operating income	2,220	2,454	1,901	2,170	1,929
Interest income	30	105	369	429	330
Investment income	1,918	2,026	1,098	1,400	1,200
Other non-op income	272	323	433	342	400
Non-operating expenses	(1,849)	(4,444)	(2,013)	(6,905)	(6,391)
Interest expense	(2,082)	(4,736)	(6,680)	(7,869)	(6,791)
Investment loss	-	-	-	-	-
Other non-op expenses	234	293	4,667	963	400
Pre-tax profit	14,175	12,710	10,282	9,969	15,567
Current taxation	(2,527)	(2,133)	(2,084)	(2,053)	(2,996)
Minorities	(151)	(65)	(88)	(103)	
Extraordinary items	-	0	(0)	0	-
Net profit	11,497	10,512	8,109	7,813	12,571
EBITDA	14,777	15,723	11,520	15,896	21,359
EPS (NT\$)	6.61	6.02	4.59	4.41	7.25
Cash flow					
NT\$mn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Operations cash flow	(19,034)	(6,088)	16,204	732	(158)
Net profit	11,497	10,512	8,109	7,813	12,571
Depreciation & amortisation	973	1,023	1,125	1,192	1,330
Decrease in working capital	(38,944)	(6,567)	3,270	(5,553)	(14,059)
Other operating cash flow	7,441	(11,056)	3,699	(2,720)	-
Investing cash flow	(1,142)	(2,630)	4,027	(2,770)	(2,481)
Sale of ST investment	(1,522)	(1,045)	16	(600)	-
New investments	(11)	(37)	5,052	(1,534)	-
Capital expenditure	(1,876)	(568)	(646)	(829)	(2,357)
Others investing cashflow	2,266	(980)	(396)	193	(124)
Free cash flow	(28,578)	6,031	11,920	6,363	965
Financing cash flow	26,479	2,051	(15,977)	18,149	(5,662)
Increase in short term debt	23,294	(1,816)	1,461		
Increase in long term loans	6,534	12,869	(11,720)	(17,023)	-
New ordinary shares issued	-	-	54	-	-
Ordinary dividends paid	(5,605)	(6,277)	(6,864)	(6,277)	(5,662)
Other financing cashflow	2,256	(2,726)	1,092	41,448	-
Forex effects	(2,915)	8,856	(407)	2,235	-
Total cash generated	3,388	2,189	3,847	18,345	(8,300)
ROIC					
NOIC	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
1 - COGS/revenue	Dec-21A	Dec-22A	Dec-25A	Dec-24F	Dec-25F
- Operating exp./revenue	2.0%	1.9%	2.2%	1.9%	1.8%
= Operating margin	1.8%	1.9%	1.5%	1.5%	2.2%
- personing manight	1.078				/0
1 / (Working capital/revenue	0.2	0.2	0.2	0.2	0.2
+ 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	5.1	4.6	4.2	5.2	5.0
Operating margin	1.8%	1.9%	1.5%	1.7%	2.2%
x Capital turnover	5.1	4.6	4.2	5.2	5.0
x (1 - tax rate)	82.2%	83.2%	79.7%	79.4%	80.8%

Source: Company data; KGI Research estimates

7.5%

7.2%

= After-tax ROIC

Source: Company data; KGI Research estimates

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 or any offer to by 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 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

5.2% 7.1%

8.7%