

Zhen Ding (4958.TW/4958 TT)

Strong sales driven by new iPhone model pull-in demand

Neutral · Maintained

Price as of July 17 (NT\$)	154.0
12M target price (NT\$)	160.0
Previous target price (NT\$)	124.0
Revised up (%)	29.0
Upside (%)	3.9

Key message

- 2Q24 sales beat our forecast by 5% as a result of new iPhone model pull-in demand.
- Zhen Ding is building a new factory in Thailand as the primary production base for server PCB. The first components for GB200 servers will be peripheral boards, so that the firm can penetrate the next-gen AI server market.
- The 2024-25F substrate sales weighting will be mid-to-high single digits.

Trading data

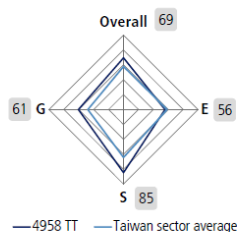
Mkt cap (NT\$bn/US\$m)	146.3 / 4,493
Outstanding shares (mn)	950
Foreign ownership (mn)	636
3M avg. daily trading (mn)	9.19
52-week trading range (NT\$)	95.10 -154.0

Performance	3M	6M	12M
Absolute (%)	35.7	51.7	43.9
Relative (%)	18.1	13.2	6.8

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	1.98A	2.79A	5.27A	4.98A
2023	0.53A	(0.09)A	2.40A	3.71A
2024	1.03A	0.57F	3.14F	4.33F

ESG score card



Source: Refinitiv, KGI securities

Event

Zhen Ding Technology saw 2Q24 sales fall 0.3% QoQ, but rise 38% YoY to NT\$32.4bn, beating our forecast of NT\$30.8bn and consensus of NT\$31.9bn, by a respective 5.2% and 1.5%.

Impact

2Q24 sales better than expected on new iPhone model pull-in demand. Given slightly better sell-through for legacy models, we had expected 2Q24F sales to dip QoQ to an annual trough. However, as the firm's FPCB market share for new iPhone models will expand 5-10ppts to 35-40%, and as pull-in for the new models surpassed the 2Q23 level, actual 2Q24 sales beat our forecast by 5%. We therefore tweak up 2Q24F gross margin by 1.1ppts to 15.3%, and 2Q24F EPS by 231% to NT\$0.57.

New factory in Thailand to address server demand. Many server clients have requested that their components not be made in China, so the firm is currently servicing clients with capacity in Taiwan. Management has decided to invest US\$250mn in a new factory in Thailand, which will come on stream in 1H25F and become a primary production base for server PCB. Server applications contributed more than 2% of 2023 sales, the same as automotive applications, and we estimate the server sales weighting will stay between 2-3% in 2024F. Sales for AI servers only began in 2023, and the first components for GB200 servers will be peripheral boards, so that the firm can penetrate the next-gen AI server market.

Substrate sales weighting to reach mid-to-high single digits in 2024-25F. We believe overall substrate sales will grow by 81% YoY, and account for 5.4% of 2024F consolidated sales. Management targets a substrate sales weighting of 15% by 2027F. Currently, 70% of BT substrate clients are foreign firms, while the remaining 30% are local Chinese firms. 50% of ABF substrate clients are foreign firms, mainly OSAT service providers. Management will add more IC design houses to Zhen Ding's client base. Given low accessibility to ICs, most Chinese clients are adopting chiplet designs, which require substrates with 18-20 layer counts. For reference, most of the firm's ABF substrates feature 12-14 layer counts. We estimate its ABF capacity utilization will rise from 40% in 2Q24 to 50% and 70% in 3Q-4Q24F, respectively. BT capacity utilization is now at 80%.

Valuation & Action

We expect the sales volume of the iPhone 16 series to be 85-90mn units, implying that total iPhone shipments could sink 2% YoY to 225mn units in 2024F, before rising 7% YoY to 240mn units in 2025F. Zhen Ding derives 60-65% of sales from iPhone, and despite a lack of major spec upgrades in the FPCB and motherboard of the new models, we think the firm will benefit from a YoY increase in component pull-in in 2H24-1H25F. We revise up 2024-25F earnings by 6.8% and 7.8% respectively, and maintain a Neutral rating, but raise our target price to NT\$160, on 14x 2025F EPS.

Risks

Poor US client smartphone sell-through; competitors catch up technologically.

Key financials and valuations

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (NT\$m)	155,022	171,356	151,398	167,263	184,457
Gross profit (NT\$m)	30,537	39,888	27,459	32,408	37,155
Operating profit (NT\$m)	15,781	22,447	9,160	12,755	17,252
Net profit (NT\$m)	9,651	14,197	6,189	8,590	10,826
EPS (NT\$)	10.21	15.02	6.55	9.07	11.43
Cash DPS (NT\$)	5.00	6.00	3.28	4.50	5.70
EPS growth (%)	14.7	47.1	(56.4)	38.5	26.0
PE (x)	15.1	10.3	23.5	17.0	13.5
PB (x)	1.7	1.5	1.5	1.5	1.4
EV/EBITDA (x)	7.1	4.8	7.2	4.6	2.5
Net debt to equity (%)	3.4	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	3.2	3.9	2.1	2.9	3.7
Return on average equity (%)	11.9	15.7	6.4	8.8	10.5

Source: Company data; KGI Research estimates

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

NT\$m	2Q24F					3Q24F				
	Revision	Previous	Chg. (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	Consensus	Diff. (%)
Sales	32,411	30,804	5.2	31,931	1.5	46,162	45,307	1.9	46,567	(0.9)
Gross profits	4,955	4,356	13.8	4,856	2.0	9,882	9,368	5.5	9,819	0.6
Operating profit	639	40	1509.0	582	9.8	4,691	4,213	11.3	4,741	(1.1)
Net income	544	164	231.2	396	37.2	2,973	2,684	10.8	2,909	2.2
EPS (NT\$)	0.57	0.17	231.2	0.38	51.6	3.14	2.83	10.8	2.98	5.3
Gross margin (%)	15.3	14.1	1.1 ppts	15.2	0.1 ppts	21.4	20.7	0.7 ppts	21.1	0.3 ppts
OP margin (%)	2.0	0.1	1.8 ppts	1.8	0.1 ppts	10.2	9.3	0.9 ppts	10.2	(0.0)ppts
Net margin (%)	1.7	0.5	1.1 ppts	1.2	0.4 ppts	6.4	5.9	0.5 ppts	6.2	0.2 ppts

Source: Bloomberg; KGI Research

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

NT\$m	2024F					2025F				
	Revision	Previous	Chg. (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	Consensus	Diff. (%)
Sales	167,263	164,992	1.4	166,714	0.3	184,457	179,873	2.5	182,534	1.1
Gross profit	32,408	31,435	3.1	32,686	(0.9)	37,155	35,910	3.5	37,251	(0.3)
Operating profit	12,755	11,731	8.7	12,916	(1.2)	17,252	15,843	8.9	16,955	1.8
Net profit	8,590	8,040	6.8	8,507	1.0	10,826	10,040	7.8	10,835	(0.1)
EPS (NT\$)	9.07	8.49	6.8	8.81	2.9	11.43	10.60	7.8	11.31	1.1
Gross margin (%)	19.4	19.1	0.3 ppts	19.6	(0.2)ppts	20.1	20.0	0.2 ppts	20.4	(0.3)ppts
OP margin (%)	7.6	7.1	0.5 ppts	7.7	(0.1)ppts	9.4	8.8	0.5 ppts	9.3	0.1 ppts
Net margin (%)	5.1	4.9	0.3 ppts	5.1	0.0 ppts	5.9	5.6	0.3 ppts	5.9	(0.1)ppts

Source: Bloomberg; KGI Research

Figure 3: Peer comparison – Valuations

Company	Ticker	Mkt Cap (US\$m)	Price (LCY)	EPS (LCY)			PE (x)			PB (x)			ROE (%)			Dividend yield (%)		
				2023	2024F	2025F	2023	2024F	2025F	2023	2024F	2025F	2023	2024F	2025F	2023	2024F	2025F
Zhen Ding	4958 TT	4,472	154.00	6.55	9.07	11.43	23.5	17.0	13.5	1.52	1.46	1.38	6.4	8.8	10.5	2.1	3.2	3.2
Ichia	2402 TT	415	44.00	1.69	N.A.	N.A.	26.0	N.A.	N.A.	2.11	N.A.	N.A.	8.2	N.A.	N.A.	2.7	N.A.	N.A.
Career	6153 TT	448	24.50	(4.43)	N.A.	N.A.	N.M.	N.A.	N.A.	1.11	N.A.	N.A.	(18.0)	N.A.	N.A.	N.A.	N.A.	N.A.
Flexium	6269 TT	936	94.70	6.94	8.23	N.A.	13.6	11.5	N.A.	1.15	1.07	N.A.	8.7	9.6	N.A.	3.7	4.2	N.A.
Interflex	051370 KS	241	14,260.00	1,219.5	1,460.0	1,948.0	N.A.	N.A.	7.3	1.51	1.31	1.11	13.6	14.3	16.4	0.0	N.A.	N.A.
Fujikura	5803 JP	6,223	3,297.00	197.40	191.71	214.87	16.7	17.2	15	2.67	2.45	2.21	17.8	14.8	15.2	1.7	1.7	1.9
NOK	7240 JP	2,469	2,235.50	128.97	132.18	176.53	17.3	16.9	12.7	0.63	0.62	0.60	3.9	3.9	5.1	4.2	4.2	4.2
Avary Holding	002938 CH	12,405	38.87	1.41	1.65	1.90	27.5	23.6	20.5	3.03	2.76	2.50	11.3	11.8	12.3	1.3	1.4	1.6

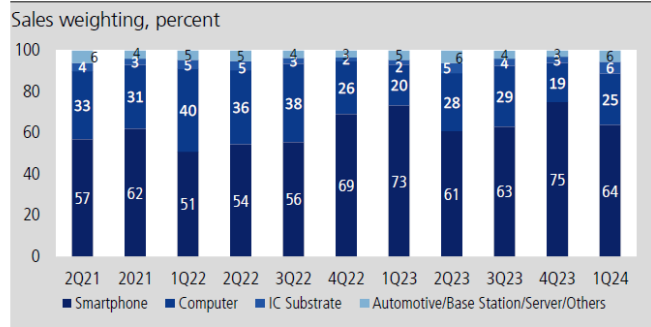
Source: Bloomberg; KGI Research

Figure 4: Company profile

Established in 2006, Zhen Ding makes rigid PCB (RPCB), flexible PCB (FPCB), high-density interconnect (HDI), IC substrate, SLP and rigid-flex & COF. The firm is the largest FPCB maker in Taiwan. In 2022, consolidated sales rose 11% YoY to NT\$171bn. Sales by application are smartphone 59%, computer 34%, IC substrate 3%, and automotive/ base stations/ servers /other 4%.

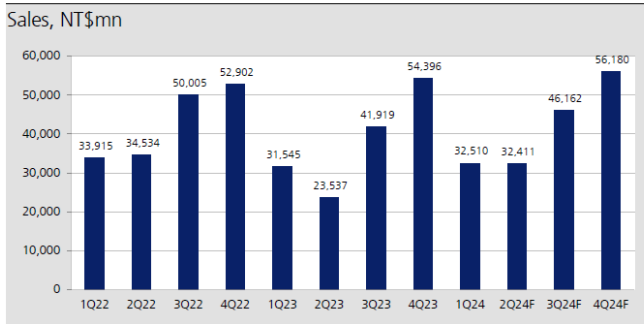
Source: KGI Research

Figure 5: Sales mix



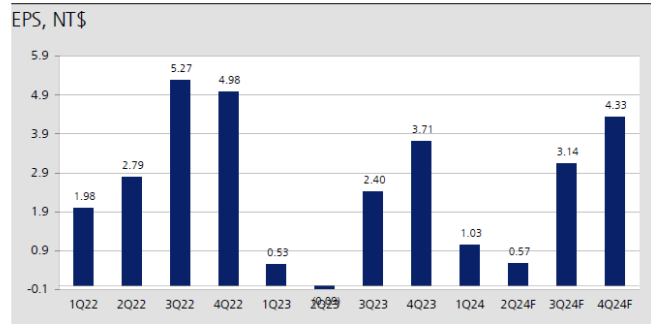
Source: Company data, KGI Research

Figure 6: Sales



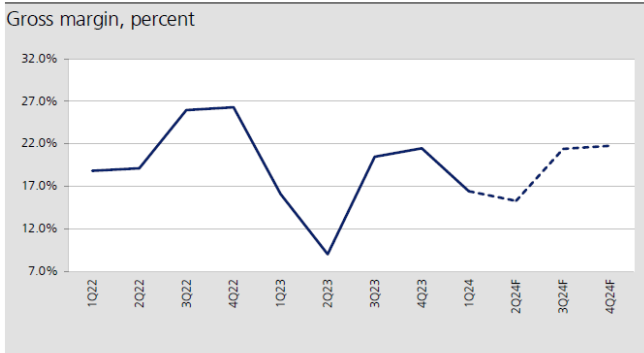
Source: KGI Research

Figure 7: EPS



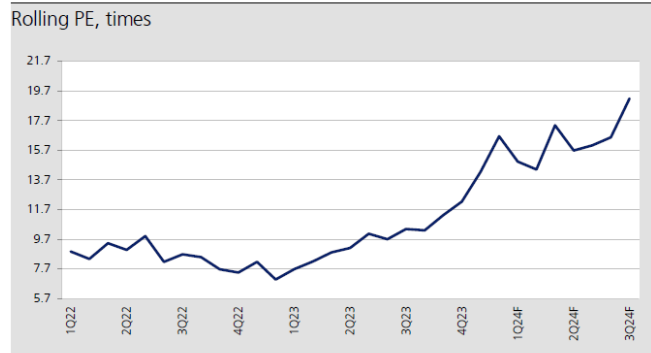
Source: KGI Research

Figure 8: Gross margin



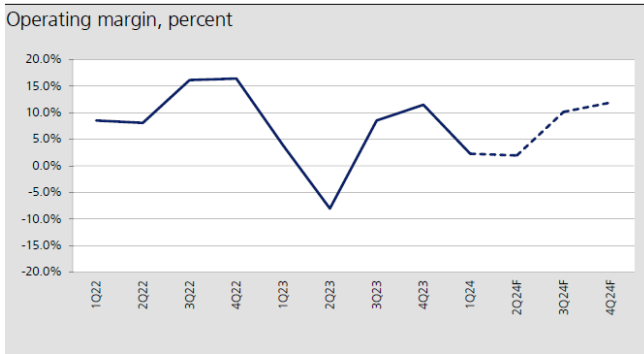
Source: KGI Research

Figure 9: Rolling PE



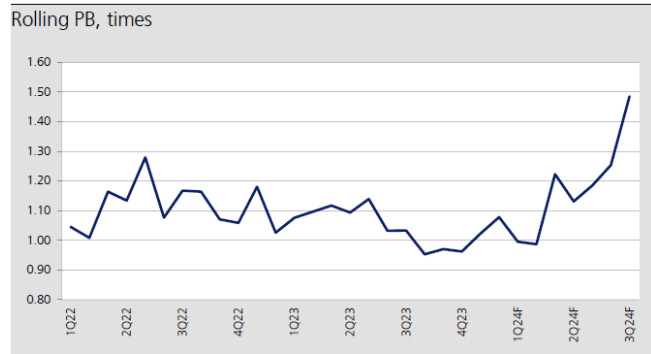
Source: KGI Research

Figure 10: Operating margin



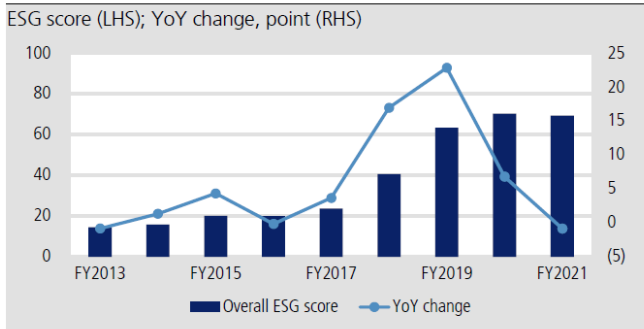
Source: KGI Research

Figure 11: Rolling PB



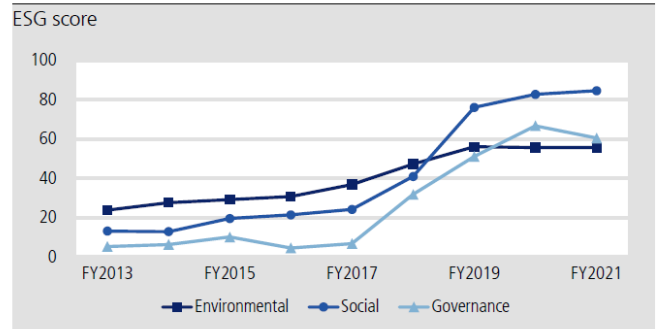
Source: KGI Research

Figure 12: Overall ESG score



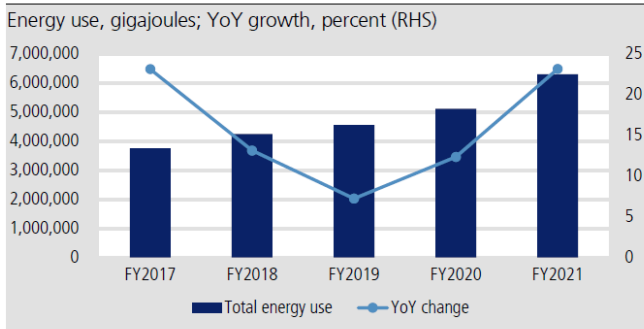
Source: Refinitiv, KGI Research, Company data

Figure 13: ESG scores



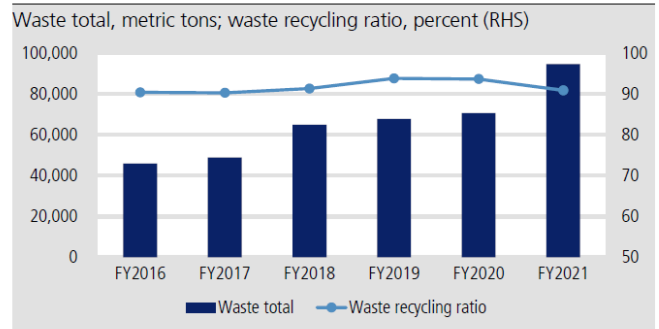
Source: Refinitiv, KGI Research, Company data

Figure 14: Energy use



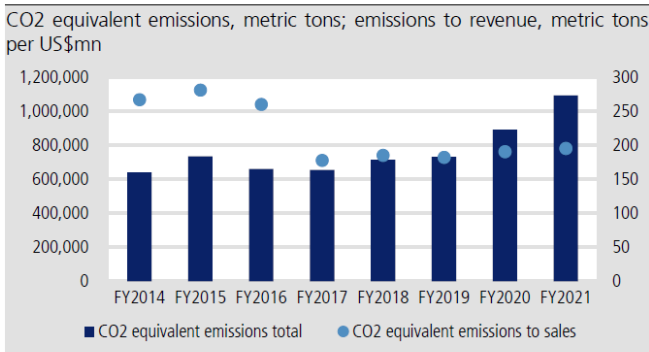
Source: Refinitiv, KGI Research, Company data

Figure 15: Waste total



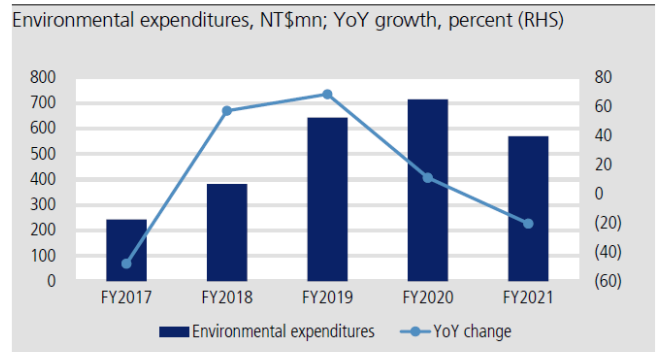
Source: Refinitiv, KGI Research, Company data

Figure 16: CO2 equivalent emissions



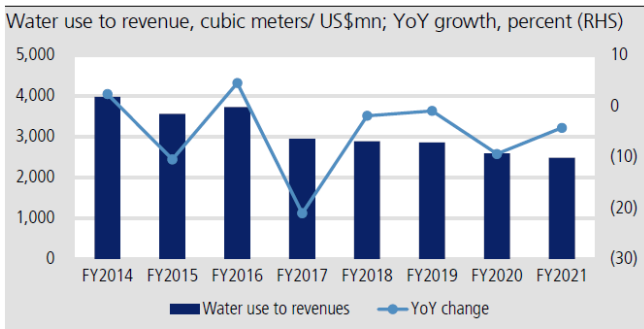
Source: Refinitiv, KGI Research, Company data

Figure 17: Environmental expenditures



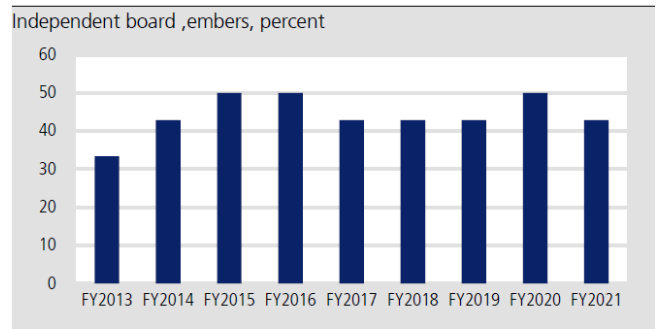
Source: Refinitiv, KGI Research, Company data

Figure 18: Water use to revenue



Source: Refinitiv, KGI Research, Company data

Figure 19: Independent board members



Source: Refinitiv, KGI Research, Company data

ESG chart definition

Item	Definition	Remarks
Energy use	Total direct and indirect energy consumption in gigajoules. - the total amount of energy that has been consumed within the boundaries of the company's operations - total energy use = total direct energy consumption + indirect energy consumption - purchased energy and produced energy are included in total energy use - for utilities, transmission/ grid loss as part of its business activities is considered as total energy consumed and data does not consider electricity produced to answer energy use (utility company produces to sell) - for utilities, raw materials such as coal, gas or nuclear used in the production of energy are not considered under 'total energy use'	
Renewable energy purchased	Total primary renewable energy purchased in gigajoules. - energy consumed by the company from various sources and among the purchased energy, how much energy is renewable in nature (solar, wind, hydro, biomass, geothermal) are in scope - if there is no evidence that renewable energy is produced by the company, then we consider the reported energy figure as renewable energy purchased	
Renewable energy use ratio	Renewable energy to total energy used	
CO2 equivalent emissions	Direct CO2 and CO2 equivalent emissions in metric tons. - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)	
CO2 equivalent emissions to sales	Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT\$mn) - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3)	
Waste total	Total amount of waste produced in metric tons. - total waste = non-hazardous waste + hazardous waste - only solid waste is taken into consideration, exceptionally if liquid waste is reported in metric tons, then we do the summation to derive total including liquid waste - for sectors like mining, oil & gas, waste generation like tailings, waste rock, coal and fly ash are also considered	
Waste recycling ratio	The waste recycling ratio as reported by the company. - waste recycling ratio = waste recycled/total waste*100 - waste to energy or waste incinerated with energy recovery are considered as waste recycled - waste recovered via composting is considered as recycled waste	
Water withdrawal total	Total water withdrawal in cubic meters. - the total volume of water withdrawn from any water source that was either withdrawn directly by the reporting organization or through intermediaries such as water utilities - different sources of water like wells, town/utility/municipal water, river water, and surface water are considered	
Environmental expenditures	Total amount of environmental expenditures. - all environmental investment & expenditures for environmental protection or to prevent, reduce, control environmental aspects, impacts, and hazards. It also includes disposal, treatment, sanitation, and clean-up expenditures	
Turnover of employees	Percentage of employee turnover. - includes employees who left the company for any reason (voluntary or involuntary), such as resignations, retirement, natural departure/death, medical incapacitation, redundancy, layoffs, restructuring, dismissal, retrenchment or end of a fixed-term contract - employees turnover rate = (employees leaving/average number of employees)*100 - where the average number of employees = (employees at the end of the current year + employees at the end of the previous year)/2 - employees at the end of the current fiscal year = employees at the end of the previous fiscal year + new employees - employees leaving	
Women managers	Percentage of women managers. - percentage of women managers among total managers of the company - if there is a breakdown by category in percentage, such as top, senior, middle, and junior management, then we consider the percentage of middle women managers - percentage of women managers = number of women managers/total number of managers*100	
Women employees	Percentage of women employees. - percentage of women employees to the total number of employees of the company - percentage of women employees = number of women/total number of employees*100	
Training hours total	Total training hours performed by all employees. - consider only employee training hours - includes all types of training given to general employees (such as health & safety, environmental, emergency response, skills & career development training) - if the value is given in days, multiply by 8, assuming that 1 day = 8 hours worked	
Training hours per employee	Training hours per employee per year	

Source: Refinitiv, KGI Research

Income statement

	Quarterly				Quarterly				Annually		
	Mar-23A	Jun-23A	Sep-23A	Dec-23A	Mar-24A	Jun-24F	Sep-24F	Dec-24F	Dec-23A	Dec-24F	Dec-25F
Income statement (NT\$mn)											
Revenue	31,545	23,537	41,919	54,396	32,510	32,411	46,162	56,180	151,398	167,263	184,457
Cost of goods sold	(26,470)	(21,414)	(33,337)	(42,717)	(27,173)	(27,456)	(36,280)	(43,946)	(123,939)	(134,855)	(147,302)
Gross profit	5,075	2,123	8,583	11,679	5,337	4,955	9,882	12,234	27,459	32,408	37,155
Operating expenses	(3,857)	(4,011)	(5,008)	(5,424)	(4,594)	(4,316)	(5,191)	(5,552)	(18,300)	(19,653)	(19,903)
Operating profit	1,219	(1,888)	3,575	6,254	743	639	4,691	6,682	9,160	12,755	17,252
Depreciation of fixed assets	(3,847)	(3,929)	(4,001)	(4,051)	(4,090)	(4,263)	(4,263)	(4,435)	(15,829)	(17,050)	(18,021)
Amortisation of intangible assets	(111)	(113)	(123)	(148)	(141)	(134)	(134)	(126)	(494)	(535)	(585)
EBITDA	5,177	2,154	7,699	10,454	4,974	5,035	9,087	11,244	25,483	30,340	35,858
Interest income	495	739	499	768	764	764	764	764	2,501	3,056	3,056
Investment income	-	4	-	-	-	-	-	-	-	-	-
Other non-op income	148	209	242	161	166	50	50	50	760	316	200
Non-operating income	643	951	741	929	930	814	814	814	3,261	3,372	3,256
Interest expense	(385)	(456)	(473)	(639)	(580)	(580)	(580)	(580)	(1,953)	(2,320)	(2,320)
Investment loss	(5)	(4)	(4)	(3)	(5)	-	-	-	(16)	(5)	10
Other non-op expenses	(571)	902	(42)	(696)	410	(15)	(15)	(150)	(404)	230	(195)
Non-operating expenses	(961)	443	(519)	(1,338)	(175)	(595)	(595)	(730)	(2,372)	(2,095)	(2,505)
Pre-tax profit	901	(495)	3,797	5,845	1,498	858	4,910	6,766	10,048	14,032	18,003
Current taxation	(38)	645	(448)	(775)	(62)	(69)	(638)	(880)	(616)	(1,649)	(2,167)
Minorities	(359)	(240)	(1,078)	(1,566)	(459)	(245)	(1,299)	(1,790)	(3,243)	(3,793)	(5,010)
Normalised net profit	504	(90)	2,271	3,504	977	544	2,973	4,096	6,189	8,590	10,826
Extraordinary items	(0)	0	(0)	0	(0)	-	-	0	-	-	-
Net profit	504	(90)	2,271	3,504	977	544	2,973	4,096	6,189	8,590	10,826
EPS (NT\$)	0.53	(0.09)	2.40	3.71	1.03	0.57	3.14	4.33	6.55	9.07	11.43
Margins (%)											
Gross profit margin	16.1	9.0	20.5	21.5	16.4	15.3	21.4	21.8	18.1	19.4	20.1
Operating margin	3.9	(8.0)	8.5	11.5	2.3	2.0	10.2	11.9	6.1	7.6	9.4
EBITDA margin	16.4	9.2	18.4	19.2	15.3	15.5	19.7	20.0	16.8	18.1	19.4
Pretax profit margin	2.9	(2.1)	9.1	10.7	4.6	2.6	10.6	12.0	6.6	8.4	9.8
Net profit margin	1.6	(0.4)	5.4	6.4	3.0	1.7	6.4	7.3	4.1	5.1	5.9
Sequential growth (%)											
Revenue growth	(40.4)	(25.4)	78.1	29.8	(40.2)	(0.3)	42.4	21.7			
Gross profit growth	(63.5)	(58.2)	304.3	36.1	(54.3)	(7.2)	99.4	23.8			
Operating profit growth	(86.0)	(254.9)		75.0	(88.1)	(13.9)	634.1	42.4			
EBITDA growth	(59.7)	(58.4)	257.5	35.8	(52.4)	1.2	80.5	23.7			
Pretax profit growth	(88.3)	(154.9)		53.9	(74.4)	(42.7)	472.3	37.8			
Net profit growth	(89.3)	(117.8)		54.3	(72.1)	(44.3)	446.5	37.8			
YoY growth (%)											
Revenue growth	(7.0)	(31.8)	(16.2)	2.8	3.1	37.7	10.1	3.3	(11.6)	10.5	10.3
Gross profit growth	(20.5)	(67.8)	(33.9)	(16.1)	5.2	133.4	15.1	4.8	(31.2)	18.0	14.6
Operating profit growth	(57.9)	(167.7)	(55.7)	(28.1)	(39.1)		31.2	6.8	(59.2)	39.2	35.3
EBITDA growth	(17.9)	(66.0)	(33.7)	(18.5)	(3.9)	133.8	18.0	7.6	(31.3)	19.1	18.2
Pretax profit growth	(72.9)	(112.3)	(54.9)	(24.3)	66.3		29.3	15.8	(57.2)	39.6	28.3
Net profit growth	(73.1)	(103.4)	(54.4)	(25.5)	94.1		30.9	16.9	(56.4)	38.8	26.0

Source: Company data; KGI Research estimates

Balance sheet

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Total assets	195,755	232,560	242,776	253,046	261,343
Current assets	95,935	110,293	114,046	167,156	219,344
Cash & ST securities	35,179	57,151	65,970	114,786	161,962
Inventory	17,675	17,725	15,508	16,827	18,431
Accounts receivable	37,533	30,005	29,229	32,204	35,611
Other current assets	5,548	5,412	3,339	3,339	3,339
Non-current assets	99,820	122,267	128,730	85,890	41,999
LT investments	1,693	7,382	7,739	7,734	7,744
Net fixed assets	86,073	100,307	105,713	62,878	18,977
Other assets	12,054	14,578	15,278	15,278	15,278
Total liabilities	82,235	99,694	108,450	110,642	108,181
Current liabilities	56,880	74,227	78,939	86,567	87,551
Accounts payable	20,097	16,901	19,567	21,232	23,255
Interest bearing ST liabilities	19,637	32,392	35,103	39,862	38,050
Other current liabilities	17,146	24,934	24,269	25,473	26,246
Non-current liabilities	25,356	25,468	29,510	24,076	20,630
Long-term debt	17,982	12,966	18,026	12,591	9,146
Other L-T liabilities	6,990	12,165	10,492	10,492	10,492
Total equity	113,520	132,866	134,326	142,404	153,162
Share capital	9,470	9,470	9,470	9,470	9,470
Retained earnings reserve	32,899	40,698	41,749	46,034	51,782
Minority interests	29,159	35,972	38,628	42,421	47,431
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Growth					
Revenue growth	18.1%	10.5%	(11.6%)	10.5%	10.3%
Operating profit growth	11.6%	42.2%	(59.2%)	39.2%	35.3%
EBITDA growth	22.7%	34.1%	(31.3%)	19.1%	18.2%
Net profit growth	19.2%	47.1%	(56.4%)	38.8%	26.0%
EPS growth	14.7%	47.1%	(56.4%)	38.5%	26.0%
Profitability					
Gross profit margin	19.7%	23.3%	18.1%	19.4%	20.1%
Operating margin	10.2%	13.1%	6.1%	7.6%	9.4%
EBITDA margin	17.8%	21.6%	16.8%	18.1%	19.4%
Net profit margin	6.2%	8.3%	4.1%	5.1%	5.9%
Return on average assets	5.1%	6.6%	2.6%	3.5%	4.2%
Return on average equity	11.9%	15.7%	6.4%	8.8%	10.5%
Stability					
Gross debt to equity	33.1%	34.1%	39.6%	36.8%	30.8%
Net debt to equity	3.4%	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	31.9	27.0	6.1	7.0	8.8
Interest & ST debt coverage (x)	0.4	0.4	0.2	0.2	0.3
Cash flow interest coverage(x)	26.8	50.2	17.2	10.2	11.4
Cash flow/int. & ST debt (x)	0.7	1.4	0.9	0.6	0.7
Current ratio (x)	1.7	1.5	1.4	1.9	2.5
Quick ratio (x)	1.4	1.2	1.2	1.7	2.3
Net debt (NT\$m)	3,829	(9,885)	(8,291)	(57,783)	(110,217)
Per share data					
EPS (NT\$)	10.21	15.02	6.55	9.07	11.43
CFPS (NT\$)	14.88	47.95	35.57	24.87	27.91
BVPS (NT\$)	89.08	102.31	101.05	105.57	111.64
Adj BVPS (NT\$)	89.28	102.54	101.27	105.57	111.64
SPS (NT\$)	164.05	181.34	160.22	176.62	194.77
EBITDA/share (NT\$)	29.27	39.25	26.97	32.04	37.86
Cash DPS (NT\$)	5.00	6.00	3.28	4.50	5.70
Activity					
Sales / avg assets	0.82	0.80	0.64	0.67	0.72
Days receivable	88.4	63.9	70.5	70.5	70.5
Days inventory	51.8	49.2	45.7	45.7	45.7
Days payable	58.9	46.9	57.6	57.6	57.6
Cash cycle	81.3	66.2	58.5	58.5	58.5

Source: Company data; KGI Research estimates

Profit & loss

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue	155,022	171,356	151,398	167,263	184,457
Cost of goods sold	(124,485)	(131,468)	(123,939)	(134,855)	(147,302)
Gross profit	30,537	39,888	27,459	32,408	37,155
Operating expenses	(14,756)	(17,441)	(18,300)	(19,653)	(19,903)
Operating profit	15,781	22,447	9,160	12,755	17,252
Non-operating income	1,261	1,549	3,261	3,372	3,256
Interest income	299	768	2,501	3,056	3,056
Investment income	-	9	-	-	-
Other non-op income	962	773	760	316	200
Non-operating expenses	(823)	(528)	(2,372)	(2,095)	(2,505)
Interest expense	(525)	(902)	(1,953)	(2,320)	(2,320)
Investment loss	(10)	-	(16)	(5)	10
Other non-op expenses	(288)	374	(404)	230	(195)
Pre-tax profit	16,219	23,469	10,048	14,032	18,003
Current taxation	(2,524)	(2,933)	(616)	(1,649)	(2,167)
Minorities	(4,043)	(6,338)	(3,243)	(3,793)	(5,010)
Extraordinary items	-	0	(0)	-	-
Net profit	9,651	14,197	6,189	8,590	10,826
EBITDA	27,656	37,085	25,483	30,340	35,858
EPS (NT\$)	10.21	15.02	6.55	9.07	11.43

Cash flow

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Operations cash flow	14,058	45,311	33,608	23,551	26,434
Net profit	9,651	14,197	6,189	8,590	10,826
Depreciation & amortisation	11,875	14,638	16,323	17,585	18,606
Decrease in working capital	(12,951)	7,226	6,887	(2,629)	(2,988)
Other operating cash flow	5,483	9,249	4,209	5	(10)
Investing cash flow	(29,598)	(30,427)	(25,740)	25,250	25,295
Sale of ST investment	891	(1,539)	(2,540)	-	-
New investments	-	-	-	-	-
Capital expenditure	(30,745)	(29,032)	(25,719)	25,785	25,880
Others investing cashflow	256	145	2,518	(535)	(585)
Free cash flow	(18,878)	12,032	5,596	51,462	56,088
Financing cash flow	5,654	5,859	(495)	15	(4,553)
Increase in short term debt	6,929	(2,988)	17,360	-	-
Increase in long term loans	(881)	8,486	(9,839)	(676)	(5,258)
New ordinary shares issued	601	863	1,782	-	-
Ordinary dividends paid	(4,262)	(4,735)	(5,682)	(3,102)	(4,305)
Other financing cashflow	3,266	4,233	(4,115)	3,793	5,010
Forex effects	(548)	711	(1,196)		
Total cash generated	(10,433)	21,454	6,177	48,816	47,176

ROIC

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	9.5%	10.2%	12.1%	11.7%	10.8%
= Operating margin	10.2%	13.1%	6.1%	7.6%	9.4%
1 / (Working capital/revenue	0.2	0.1	0.0	0.0	0.0
+ Net PPE/revenue	0.6	0.6	0.7	0.4	0.1
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
= Capital turnover	1.4	1.5	1.4	2.4	6.6
Operating margin	10.2%	13.1%	6.1%	7.6%	9.4%
x Capital turnover	1.4	1.5	1.4	2.4	6.6
x (1 - tax rate)	84.4%	87.5%	93.9%	88.3%	88.0%
= After-tax ROIC	12.1%	17.4%	7.7%	16.2%	54.3%

Source: Company data; KGI Research estimates

Zhen Ding – Recommendation & target price history



Date	Rating	Target	Price
2024-05-11	Neutral	124.0	120.0
2023-11-07	Neutral	99.0	101.5
2023-08-09	Neutral	105.0	105.0
2023-05-10	Neutral	110.0	114.0
2023-03-13	Outperform	128.0	115.5
2022-11-04	Outperform	148.0	113.0
2022-10-12	Outperform	130.0	106.5
2022-08-09	Neutral	132.0	115.5
2022-05-11	Neutral	116.0	101.0
2022-03-16	Neutral	112.0	96.0

Source: TEJ, KGI Research

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