

Chicony (2385.TW/2385 TT)

Margins to widen in 2024-25F

Outperform · Maintained

Price as of 6 May 2024	209.5
12M target price (NT\$)	258.0
Previous target price (NT\$)	258.0
Unchanged (%)	0.0
Upside (%)	23.2

Key messages

- 1Q24 EPS of NT\$2.42 beat consensus but missed our forecast on a higher tax rate.
- 2Q24F gross & operating margins will grow QoQ, beating our forecast despite a slightly lower-than-expected sales outlook.
- Margins to continue rising in 2024-25F.

Trading data

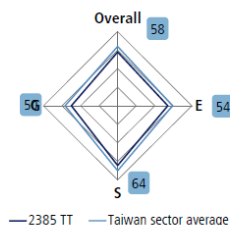
Mkt cap (NT\$/bn/US\$/mn)	159.2 / 4,926
Outstanding shares (mn)	760
Foreign ownership (mn)	254.4
3M avg. daily trading (mn)	5.59
52-week trading range (NT\$)	93.90 – 258.5

Performance (%)	3M	6M	12M
Absolute	30.5	54	113.8
Relative	17.1	30.7	82.5

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	2.41A	2.50A	2.97A	2.38A
2023	2.05A	2.50A	2.93A	2.87A
2024	2.42A	3.15F	4.35F	3.79F

ESG score card



Source: Refinitiv; KGI Research

Event

Chicony Electronics' 1Q24 EPS of NT\$2.42 beat consensus, but missed our forecast on a higher tax rate, despite beating our margins forecast. Management expects 1Q24 sales and margins to be the annual bottom, and guides better-than-expected margins QoQ in 2Q24F, driven by a product mix improvement.

Impact

1Q24 gross & operating margins beat. 1Q24 EPS fell 16% QoQ, but rose 18% YoY, to NT\$2.42, beating consensus, but missing our forecast due to the higher tax rate eating into the gains from higher-than-expected margins. Gross and operating margins expanded YoY, to 20.2% and 10% respectively, thanks to product mix improvements from all segments. However, due to the application of a higher tax rate of 24.5%, despite a non-op gain, 1Q24 EPS fell short of our estimate.

2Q24F margins guidance better than our forecast. Management guides sales to grow by a high single digit QoQ in 2Q24F, implying a slight decline YoY, and lower than our forecast due to slower YoY image and power sales. Keyboard sales (34% of 1Q24 sales) are guided to grow in the low-teens QoQ, up 5-8% YoY, in 2Q24, thanks to AI PC keyboard shipments, which began in April, and a market share expansion. 2Q24F power sales (33% of 1Q24 sales) are guided to grow 8-14% QoQ, slower than we had expected, due to sluggish consumer demand, especially for consoles. Image sales (28% of 1Q24 sales) are guided to fell by 0-5% QoQ in 2Q24F, due to weak consumer image product demand. However, Chicony expects gross and operating margins to improve QoQ in 2Q24F, beating our forecast despite lower sales guidance. As a result, we maintain our 2Q24F EPS forecast of NT\$3.15.

2024F guidance intact. Management targets overall sales to grow by 10% YoY in 2024F, and sales growth to be back-end loaded in 2H24F. Keyboard sales will grow by double digits YoY in 2024F, outperforming PC industry growth of 0-5%, owing to stronger after-market sales and market share gains. In addition, the firm targets power sales to grow 10% YoY this year, driven by server, satellite & telecom, high-wattage NB and smart building sales, and image sales to grow by a mid- to high-single digit YoY in 2024F. With a more favorable product mix, higher keyboard and power sales weightings, and improving margins on image products, driven by a strategy of focusing on high-margin projects, management targets gross margin in excess of 20% in 2024F. We maintain our 2024F EPS at NT\$13.7, up 32% YoY, with gross and operating margins of 20.6% and 10.9%, respectively. Our 2025F EPS forecast is NT\$14.93, up 9% YoY.

Valuation & Action

On robust earnings growth (an EPS CAGR of 20% in 2023-25F), we maintain an Outperform rating and a target price of NT\$258, based on 18x 2024-25F EPS.

Risks

Weak demand; NT-dollar and renminbi appreciation.

Key financials and valuations

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (NT\$m)	107,474	115,748	98,323	108,205	121,801
Gross profit (NT\$m)	18,902	20,576	19,028	22,283	25,218
Operating profit (NT\$m)	8,613	10,418	9,409	11,751	13,822
Net profit (NT\$m)	6,154	7,320	7,464	9,973	10,864
EPS (NT\$)	8.71	10.26	10.35	13.70	14.93
Cash DPS (NT\$)	6.10	7.50	7.80	9.71	10.58
EPS growth (%)	11.7	17.8	0.9	32.4	8.9
PE (x)	24.1	20.4	20.2	15.3	14.0
PB (x)	5.1	4.4	4.1	3.6	3.3
EV/EBITDA (x)	12.3	10.3	10.7	9.0	7.7
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	2.9	3.6	3.7	4.6	5.0
Return on average equity (%)	21.1	22.1	20.0	24.4	24.3

Source: Company data; KGI Research estimates

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

NT\$m	1Q24							2Q24F						
	Actual	KGI forecast	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	22,846	22,841	0.0	(6.5)	0.5	22,850	(0.0)	24,902	25,582	(2.7)	9.0	(1.8)	25,949	(4.0)
Gross profits	4,608	4,500	2.4	(9.6)	19.9	4,490	2.6	5,130	5,142	(0.2)	11.3	13.0	5,297	(3.1)
Operating income	2,279	2,101	8.5	(11.9)	27.6	2,210	3.2	2,640	2,686	(1.7)	15.8	29.8	2,739	(3.6)
Pretax Income	2,748	2,652	3.6	(10.4)	28.6	2,550	7.8	3,292	3,337	(1.3)	19.8	11.3	3,149	4.5
Net income	1,762	1,832	(3.8)	(14.9)	19.9	1,729	1.9	2,291	2,294	(0.1)	30.0	27.0	2,092	9.5
EPS (NT\$)	2.42	2.54	(3.8)	(15.6)	18.1	2.38	1.9	3.15	3.15	(0.1)	30.0	25.9	2.88	9.5
Gross margin (%)	20.2	19.7	0.5 ppts	(0.7)ppts	3.3 ppts	19.7	0.5 ppts	20.6	20.1	0.5 ppts	0.4 ppts	2.7 ppts	20.4	0.2 ppts
OP margin (%)	10.0	9.2	0.8 ppts	(0.6)ppts	2.1 ppts	9.7	0.3 ppts	10.6	10.5	0.1 ppts	0.6 ppts	2.6 ppts	10.6	0.0 ppts
Net margin (%)	7.7	8.0	(0.3)ppts	(0.8)ppts	1.2 ppts	7.6	0.1 ppts	9.2	9.0	0.2 ppts	1.5 ppts	2.1 ppts	8.1	1.1 ppts

Source: KGI Research estimates; Bloomberg

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	108,205	109,206	(0.9)	10.1	108,399	(0.2)	121,801	122,522	(0.6)	12.6	120,389	1.2
Gross profit	22,283	22,194	0.4	17.1	22,240	0.2	25,218	25,113	0.4	13.2	24,845	1.5
Operating income	11,751	11,687	0.5	24.9	11,842	(0.8)	13,822	13,662	1.2	17.6	13,758	0.5
Pretax Income	14,739	14,691	0.3	30.7	13,494	9.2	16,425	16,261	1.0	11.4	14,918	10.1
Net income	9,973	9,883	0.9	33.6	9,022	10.5	10,864	10,765	0.9	8.9	10,189	6.6
EPS (NT\$)	13.70	13.70	0.0	32.4	12.40	10.5	14.93	14.93	0.0	8.9	14.00	6.6
Gross margin (%)	20.6	20.3	0.3 ppts	1.2 ppts	20.5	0.1 ppts	20.7	20.5	0.2 ppts	0.1 ppts	20.6	0.1 ppts
OP margin (%)	10.9	10.7	0.2 ppts	1.3 ppts	10.9	(0.1)ppts	11.3	11.2	0.2 ppts	0.5 ppts	11.4	(0.1)ppts
Net margin (%)	9.2	9.0	0.2 ppts	1.6 ppts	8.3	0.9 ppts	8.9	8.8	0.1 ppts	(0.3)ppts	8.5	0.5 ppts

Source: KGI Research estimates; Bloomberg

Figure 3: Breakdown of annual sales

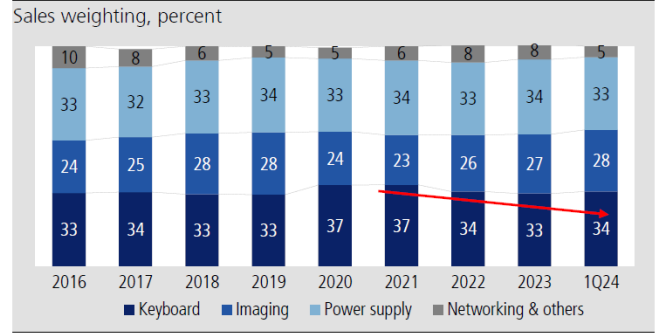
Sales, NT\$m	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24F	2020	2021	2022	2023	2024F	2025F
Keyboard	10,311	9,743	10,420	8,281	6,817	8,116	9,291	8,306	7,768	8,855	35,136	40,400	39,354	32,530	36,759	39,846
Imaging	7,189	6,574	7,662	8,281	6,362	7,102	6,452	6,596	6,397	6,269	23,024	24,355	29,706	26,512	28,368	31,488
SPS	9,373	9,472	10,114	8,557	7,725	8,623	9,033	8,062	7,539	8,451	31,558	36,469	37,515	33,443	37,256	43,590
Networking	986	1,557	1,803	1,804	1,150	762	511	446	417	438	2,823	3,525	6,151	2,869	2,582	3,227
Channel management	987	1,306	648	680	668	760	521	1,019	725	889	2,541	2,725	3,022	2,969	3,241	3,650
Total	28,846	28,652	30,648	27,603	22,722	25,363	25,809	24,429	22,846	24,902	95,082	107,474	115,748	98,323	108,205	121,801
Sales weighting, percent																
Keyboard	36	34	34	30	30	32	36	34	34	36	37	38	34	33	34	33
Imaging	25	23	25	30	28	28	25	27	28	25	24	23	26	27	26	26
SPS	32	33	33	31	34	34	35	33	33	34	33	34	33	34	34	36
Networking	3	5	6	7	5	3	2	2	2	2	3	3	5	3	2	3
Channel management	3	5	2	3	3	3	2	4	3	4	3	3	3	3	3	3
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
QoQ, percent																
Keyboard	(10)	(6)	7	(21)	(18)	19	14	(11)	(6)	14						
Imaging	3	(9)	17	8	(23)	12	(9)	2	(3)	(2)						
SPS	(1)	1	7	(15)	(10)	12	5	(11)	(6)	12						
Networking	(3)	58	16	0	(36)	(34)	(33)	(13)	(7)	5						
Channel management	43	32	(50)	5	(2)	14	(31)	96	(29)	23						
Total	(3)	(1)	7	(10)	(18)	12	2	(5)	(6)	9						
YoY, percent																
Keyboard	13	7	(2)	(28)	(34)	(17)	(11)	0	14	9	16	15	(3)	(17)	13	8
Imaging	30	13	27	18	(12)	8	(16)	(20)	1	(12)	(12)	6	22	(11)	7	11
SPS	3	7	12	(10)	(18)	(9)	(11)	(6)	(2)	(2)	0	16	3	(11)	11	17
Networking	12	96	116	77	17	(51)	(72)	(75)	(64)	(42)	(26)	25	74	(53)	(10)	25
Channel management	95	80	(19)	(2)	(32)	(42)	(20)	50	9	17	164	7	11	(2)	9	13
Total	15	13	12	(7)	(21)	(11)	(16)	(11)	1	(2)	3	13	8	(15)	10	13

Source: Company data; KGI Research estimates

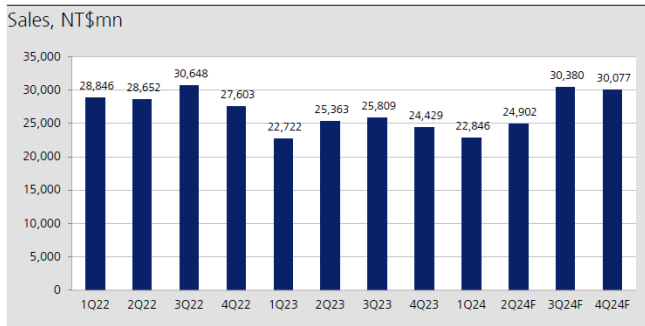
Figure 4: Company profile

Established in 1983, Chicony's core products are PC/ NB keyboards, power supplies, and AV products. Due to superior economies of scale and a comprehensive global distribution network, the firm leads its peers in worldwide market share for PC/NB keyboards and NB camera modules. In 2023, power supply products accounted for 33% of sales, while imaging products and keyboards accounted for 27% and 34%, and others made up 8% of sales.

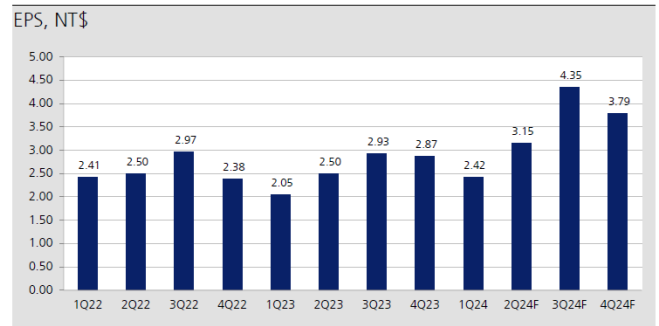
Source: KGI Research

Figure 5: Chicony expanding non-PC sales weightings


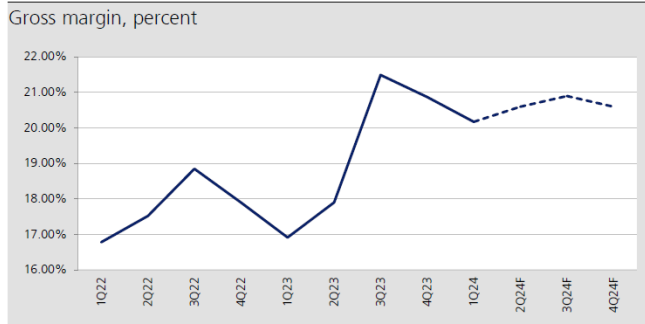
Source: Company data; KGI Research

Figure 6: Sales


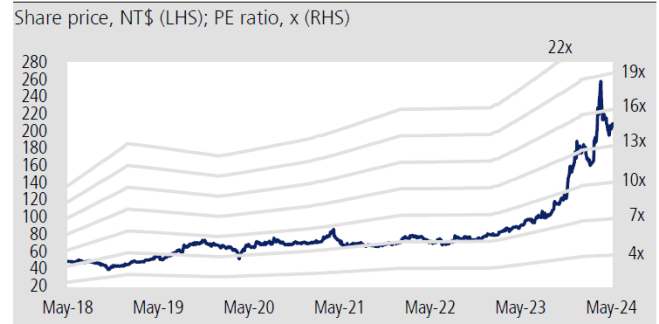
Source: KGI Research

Figure 7: EPS


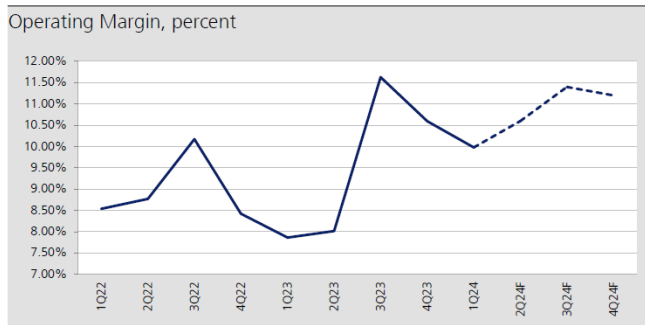
Source: KGI Research

Figure 8: Gross Margin


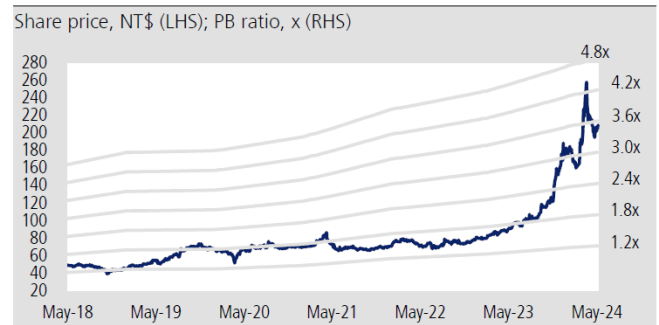
Source: KGI Research

Figure 9: 12M forward PE band


Source: TEJ; KGI Research estimates

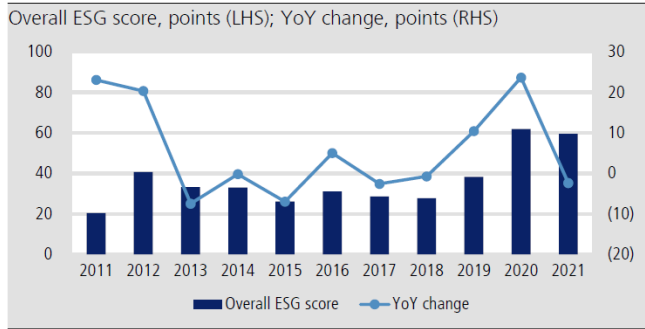
Figure 10: Operating Margin


Source: KGI Research

Figure 11: 12M forward PB band


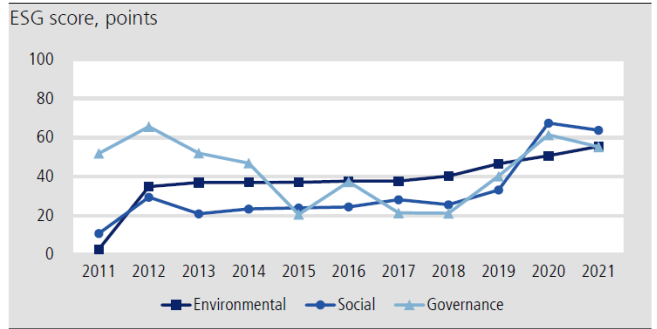
Source: TEJ; KGI Research estimates

Figure 12: Overall ESG score



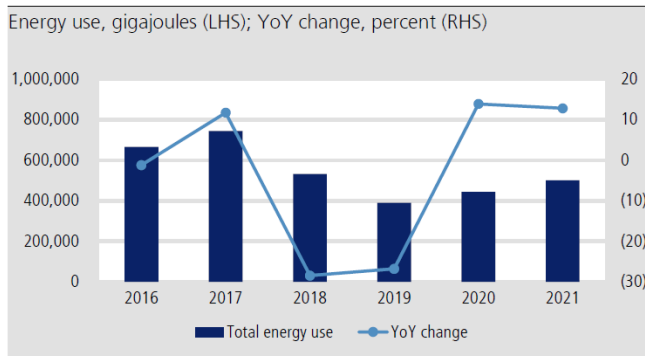
Source: Refinitiv; KGI Research; Company data

Figure 13: ESG score by category



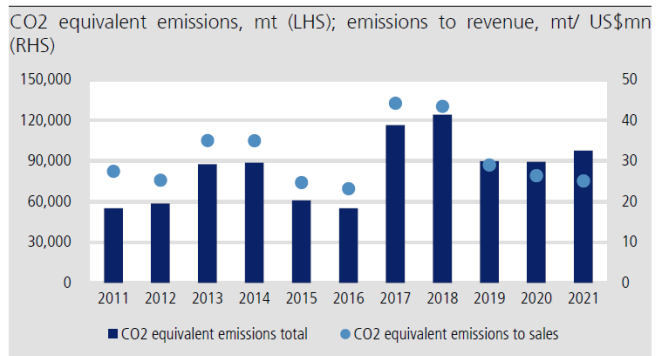
Source: Refinitiv; KGI Research; Company data

Figure 14: Energy use



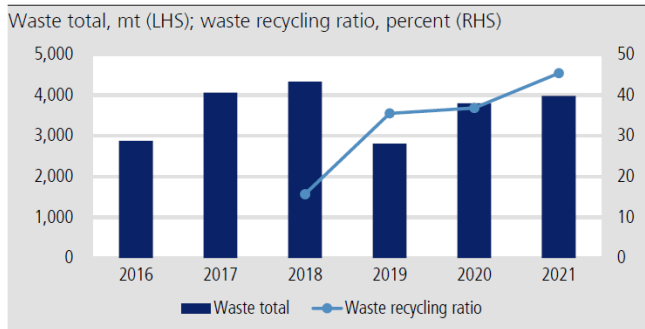
Source: Refinitiv; KGI Research; Company data

Figure 15: CO2 equivalent emissions



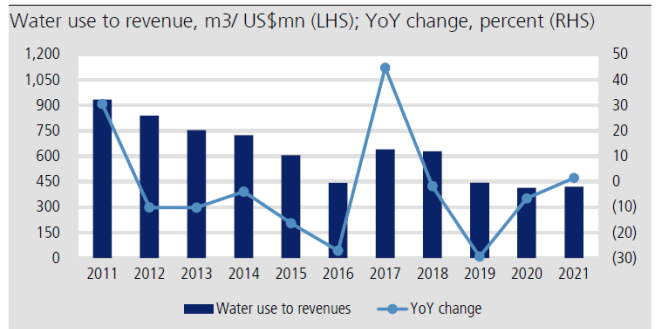
Source: Refinitiv; KGI Research; Company data

Figure 16: Waste total



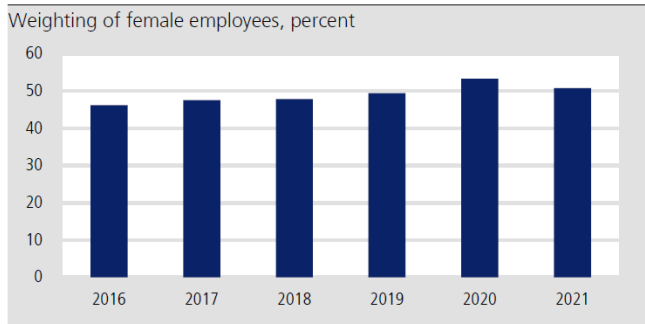
Source: Refinitiv; KGI Research; Company data

Figure 17: Water use to revenue



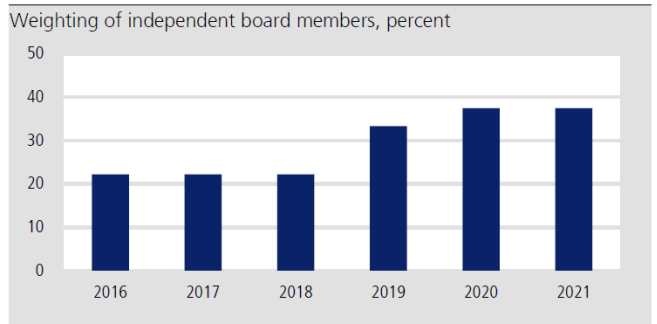
Source: Refinitiv; KGI Research; Company data

Figure 18: Gender diversification



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								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	22,722	25,363	25,809	24,429	22,846	24,902	30,380	30,077	98,323	108,205	121,801
Cost of goods sold	(18,879)	(20,823)	(20,262)	(19,330)	(18,238)	(19,772)	(24,031)	(23,881)	(79,294)	(85,922)	(96,583)
Gross profit	3,843	4,540	5,547	5,099	4,608	5,130	6,350	6,196	19,028	22,283	25,218
Operating expenses	(2,057)	(2,507)	(2,546)	(2,510)	(2,329)	(2,490)	(2,886)	(2,827)	(9,619)	(10,532)	(11,396)
Operating profit	1,786	2,033	3,001	2,588	2,279	2,640	3,463	3,369	9,409	11,751	13,822
Depreciation of fixed assets	(763)	(745)	(736)	(729)	(679)	(756)	(756)	(833)	(2,972)	(3,024)	(3,534)
Amortisation of intangible assets	(19)	(19)	(18)	(19)	(19)	(25)	(25)	(31)	(74)	(99)	(99)
EBITDA	2,568	2,797	3,755	3,335	2,977	3,420	4,244	4,232	12,455	14,874	17,456
Interest income	95	163	137	236	161	175	175	188	630	698	758
Investment income	-	-	12	6	-	3	3	4	18	10	10
Other non-op income	305	794	141	259	336	500	1,000	564	1,499	2,400	1,950
Non-operating income	400	957	290	500	497	678	1,178	756	2,147	3,108	2,718
Interest expense	(44)	(30)	(32)	(20)	(18)	(20)	(20)	(22)	(126)	(80)	(80)
Investment loss	(6)	(2)	-	-	(10)	-	-	-	(8)	(10)	(6)
Other non-op expenses	0	-	(149)	-	(0)	(5)	(5)	(20)	(149)	(30)	(30)
Non-operating expenses	(50)	(32)	(181)	(20)	(28)	(25)	(25)	(42)	(283)	(120)	(116)
Pre-tax profit	2,136	2,958	3,110	3,069	2,748	3,292	4,616	4,083	11,273	14,739	16,425
Current taxation	(358)	(779)	(546)	(590)	(676)	(642)	(900)	(729)	(2,273)	(2,948)	(3,252)
Minorities	(308)	(375)	(443)	(409)	(310)	(360)	(553)	(596)	(1,536)	(1,818)	(2,309)
Normalised net profit	1,470	1,804	2,121	2,070	1,762	2,291	3,163	2,757	7,464	9,973	10,864
Extraordinary items	0	0	(0)	0	(0)	-	-	0	-	-	-
Net profit	1,470	1,804	2,121	2,070	1,762	2,291	3,163	2,757	7,464	9,973	10,864
EPS (NT\$)	2.05	2.50	2.93	2.87	2.42	3.15	4.35	3.79	10.35	13.70	14.93
Margins (%)											
Gross profit margin	16.9	17.9	21.5	20.9	20.2	20.6	20.9	20.6	19.4	20.6	20.7
Operating margin	7.9	8.0	11.6	10.6	10.0	10.6	11.4	11.2	9.6	10.9	11.3
EBITDA margin	11.3	11.0	14.5	13.7	13.0	13.7	14.0	14.1	12.7	13.7	14.3
Pretax profit margin	9.4	11.7	12.0	12.6	12.0	13.2	15.2	13.6	11.5	13.6	13.5
Net profit margin	6.5	7.1	8.2	8.5	7.7	9.2	10.4	9.2	7.6	9.2	8.9
Sequential growth (%)											
Revenue growth	(17.7)	11.6	1.8	(5.3)	(6.5)	9.0	22.0	(1.0)			
Gross profit growth	(22.2)	18.1	22.2	(8.1)	(9.6)	11.3	23.8	(2.4)			
Operating profit growth	(23.2)	13.8	47.6	(13.8)	(11.9)	15.8	31.2	(2.7)			
EBITDA growth	(18.0)	8.9	34.3	(11.2)	(10.7)	14.9	24.1	(0.3)			
Pretax profit growth	(13.3)	38.4	5.1	(1.3)	(10.4)	19.8	40.2	(11.6)			
Net profit growth	(13.7)	22.7	17.6	(2.4)	(14.9)	30.0	38.1	(12.8)			
YoY growth (%)											
Revenue growth	(21.2)	(11.5)	(15.8)	(11.5)	0.5	(1.8)	17.7	23.1	(15.1)	10.1	12.6
Gross profit growth	(20.6)	(9.6)	(4.0)	3.2	19.9	13.0	14.5	21.5	(7.5)	17.1	13.2
Operating profit growth	(27.5)	(19.1)	(3.7)	11.3	27.6	29.8	15.4	30.1	(9.7)	24.9	17.6
EBITDA growth	(20.6)	(16.0)	(4.1)	6.5	15.9	22.3	13.0	26.9	(8.5)	19.4	17.4
Pretax profit growth	(16.1)	6.0	(8.4)	24.5	28.6	11.3	48.4	33.0	0.7	30.7	11.4
Net profit growth	(14.0)	1.1	(0.2)	21.6	19.9	27.0	49.1	33.2	2.0	33.6	8.9

Source: Company data, KGI Research estimates

Balance sheet

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Total assets	83,726	87,064	90,833	98,857	108,452
Current assets	59,731	62,701	65,578	72,976	82,451
Cash & ST securities	6,762	16,459	24,305	28,234	32,388
Inventory	21,796	18,754	15,788	17,061	19,231
Accounts receivable	29,029	25,303	21,802	23,928	27,008
Other current assets	2,143	2,185	3,683	3,753	3,824
Non-current assets	23,996	24,364	25,255	25,881	26,001
LT investments	6,816	6,856	7,533	8,183	8,837
Net fixed assets	14,962	15,724	16,056	16,032	15,499
Other assets	2,218	1,784	1,666	1,666	1,666
Total liabilities	47,693	44,724	44,619	47,179	50,527
Current liabilities	46,755	44,060	43,961	46,548	49,923
Accounts payable	27,577	20,929	23,233	25,106	28,299
Interest bearing ST liabilities	1,624	2,898	1,396	1,396	1,396
Other current liabilities	17,554	20,233	19,332	20,046	20,228
Non-current liabilities	937	664	658	631	604
Long-term debt	-	-	-	-	-
Other LT liabilities	664	484	552	524	498
Total equity	36,034	42,340	46,214	51,678	57,925
Share capital	7,453	7,518	7,601	7,601	7,601
Retained earnings reserve	9,975	12,082	14,697	17,489	20,531
Minority interests	5,580	6,685	7,140	8,958	11,266
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Growth					
Revenue growth	13.0%	7.7%	(15.1%)	10.1%	12.6%
Operating profit growth	12.4%	21.0%	(9.7%)	24.9%	17.6%
EBITDA growth	13.8%	17.6%	(8.5%)	19.4%	17.4%
Net profit growth	12.6%	18.9%	2.0%	33.6%	8.9%
EPS growth	11.7%	17.8%	0.9%	32.4%	8.9%
Profitability					
Gross profit margin	17.6%	17.8%	19.4%	20.6%	20.7%
Operating margin	8.0%	9.0%	9.6%	10.9%	11.3%
EBITDA margin	10.8%	11.8%	12.7%	13.7%	14.3%
Net profit margin	5.7%	6.3%	7.6%	9.2%	8.9%
Return on average assets	7.7%	8.6%	8.4%	10.5%	10.5%
Return on average equity	21.1%	22.1%	20.0%	24.4%	24.3%
Stability					
Gross debt to equity	4.5%	6.8%	3.0%	2.7%	2.4%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	159.4	78.3	90.5	185.6	207.2
Interest & ST debt coverage (x)	0.8	0.8	0.9	0.9	0.9
Cash flow interest coverage(x)	73.5	113.0	149.2	137.6	149.5
Cash flow/int. & ST debt (x)	2.6	5.4	12.3	7.4	8.1
Current ratio (x)	1.3	1.4	1.5	1.6	1.7
Quick ratio (x)	0.8	1.0	1.1	1.2	1.3
Net debt (NT\$m)	(101)	(9,258)	(17,758)	(21,688)	(25,842)
Per share data					
EPS (NT\$)	8.71	10.26	10.35	13.70	14.93
CFPS (NT\$)	6.21	22.94	26.05	15.10	16.36
BVPS (NT\$)	40.86	47.42	51.41	57.77	63.10
Adj BVPS (NT\$)	43.10	49.98	54.18	58.71	64.12
SPS (NT\$)	152.10	162.24	136.34	148.70	167.38
EBITDA/share (NT\$)	16.38	19.08	17.27	20.44	23.99
Cash DPS (NT\$)	6.10	7.50	7.80	9.71	10.58
Activity					
Sales / avg assets	1.35	1.36	1.11	1.14	1.18
Days receivable	98.6	79.8	80.9	80.9	80.9
Days inventory	89.8	71.9	72.7	72.7	72.7
Days payable	113.6	80.3	106.9	106.9	106.9
Cash cycle	74.8	71.4	46.7	46.7	46.7

Source: Company data, KGI Research estimates

Profit & loss

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue	107,474	115,748	98,323	108,205	121,801
Cost of goods sold	(88,572)	(95,172)	(79,294)	(85,922)	(96,583)
Gross profit	18,902	20,576	19,028	22,283	25,218
Operating expenses	(10,289)	(10,158)	(9,619)	(10,532)	(11,396)
Operating profit	8,613	10,418	9,409	11,751	13,822
Non-operating income	1,408	1,177	2,147	3,108	2,718
Interest income	98	148	630	698	758
Investment income	26	3	18	10	10
Other non-op income	1,284	1,027	1,499	2,400	1,950
Non-operating expenses	(570)	(398)	(283)	(120)	(116)
Interest expense	(60)	(145)	(126)	(80)	(80)
Investment loss	(11)	(7)	(8)	(10)	(6)
Other non-op expenses	(499)	(247)	(149)	(30)	(30)
Pre-tax profit	9,452	11,197	11,273	14,739	16,425
Current taxation	(1,879)	(2,181)	(2,273)	(2,948)	(3,252)
Minorities	(1,418)	(1,696)	(1,536)	(1,818)	(2,309)
Extraordinary items	-	0	0	-	-
Net profit	6,154	7,320	7,464	9,973	10,864
EBITDA	11,573	13,610	12,455	14,874	17,456
EPS (NT\$)	8.71	10.26	10.35	13.70	14.93

Cash flow

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Operations cash flow	4,389	16,368	18,789	10,990	11,905
Net profit	6,154	7,320	7,464	9,973	10,864
Depreciation & amortisation	2,960	3,192	3,046	3,123	3,633
Decrease in working capital	(9,320)	117	8,437	(2,106)	(2,588)
Other operating cash flow	4,594	5,738	(158)	0	(4)
Investing cash flow	(2,469)	(3,502)	(3,532)	(3,749)	(3,749)
Sale of ST investment	605	(487)	(140)	-	-
New investments	-	-	-	(650)	(650)
Capital expenditure	(3,013)	(1,732)	(3,142)	(3,000)	(3,000)
Others investing cashflow	(61)	(1,283)	(250)	(99)	(99)
Free cash flow	(2,553)	9,875	15,779	7,318	9,031
Financing cash flow	(3,812)	(4,048)	(7,977)	(3,311)	(4,001)
Increase in short term debt	1,536	1,273	(1,502)	-	-
Increase in long term loans	(100)	-	-	-	-
New ordinary shares issued	-	220	-	-	-
Ordinary dividends paid	(3,894)	(4,358)	(5,420)	(5,955)	(7,180)
Other financing cashflow	(1,391)	(1,183)	(1,371)	2,645	3,179
Forex effects	(133)	1,612	(282)		
Total cash generated	(2,026)	10,431	6,998	3,930	4,154

ROIC

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	9.6%	8.8%	9.8%	9.7%	9.4%
= Operating margin	8.0%	9.0%	9.6%	10.9%	11.3%
1 / (Working capital/revenue	0.1	0.0	(0.0)	(0.0)	0.0
+ Net PPE/revenue	0.1	0.1	0.2	0.1	0.1
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
= Capital turnover	4.5	5.4	6.3	6.6	6.8
Operating margin	8.0%	9.0%	9.6%	10.9%	11.3%
x Capital turnover	4.5	5.4	6.3	6.6	6.8
x (1 - tax rate)	80.1%	80.5%	79.8%	80.0%	80.2%
= After-tax ROIC	28.9%	39.0%	48.4%	57.4%	62.3%

Source: Company data, KGI Research estimates

Chicony – Recommendation & target price history


Date	Rating	Target	Price
2024-03-14	Outperform	258.0	240.5
2023-11-05	Outperform	152.0	125.0
2023-08-08	Neutral	99.0	102.0
2023-05-10	Neutral	94.0	97.9
2023-03-09	Neutral	101.0	93.1
2022-11-04	Outperform	103.0	80.3
2022-08-09	Outperform	100.0	85.3
2022-05-09	Outperform	103.0	82.0
2022-03-09	Outperform	103.0	88.8
2021-11-05	Outperform	98.0	79.6

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.