

## Quanta Computer (2382.TW/2382 TT)

### 1Q24 EPS beat; AI up to 50% of 2024F server sales

FTSE4Good TIP Taiwan ESG Index stock

#### Outperform · Maintained

Price as of May 15 (NT\$)	287.0
12M target price (NT\$)	320.0
Previous target price (NT\$)	310.0
Revised up (%)	3.2
Upside (%)	11.5

#### Key message

- 1Q24 EPS beat on higher gross and operating margins, coupled with better interest income and forex gains.
- Quanta guides 2Q24F NB shipments and server sales to rise QoQ, but gross and operating margins may face pressure on unfavorable product mix and rising opex.
- AI server sales will ramp up after 2Q24F and comprise around 50% of server sales in 2024F; auto sales will also grow by double digits, driving EPS growth.

#### Trading data

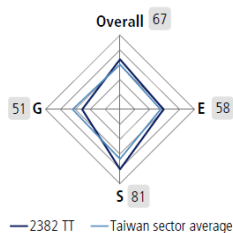
Mkt cap (NT\$/US\$mn)	1,109 / 34,198
Outstanding shares (mn)	3,863
Foreign ownership (mn)	1,125
3M avg. daily trading (mn)	30.83
52-week trading range (NT\$)	100.5 – 298.0

Performance	3M	6M	12M
Absolute (%)	7.7	37.3	194.1
Relative (%)	-5.7	13.8	157.4

#### Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	1.75A	1.03A	2.40A	2.33A
2023	1.68A	2.63A	3.32A	2.67A
2024	3.13A	2.90F	3.48F	4.46F

#### ESG score card



Source: Refinitiv, KGI

#### Event

Quanta announced 1Q24 EPS of NT\$3.13 (up 17% QoQ and 86% YoY), beating consensus and our projection. The firm guides growing NB shipments and server sales growth QoQ in 2Q24F, and for 2H24F expects strong server sales growth, with AI contribution up to over 50% of server sales, with further increases in 2025F.

#### Impact

**1Q24 EPS beat on margins & non-op.** 1Q24 EPS of NT\$3.13 beat consensus and our estimate on stronger-than-expected gross margin of 8.5% (up 0.4ppts QoQ) and operating margin of 4.5% (up 0.4ppts QoQ), and better non-operating income. Solid gross and operating margins were due to better product mix with increased low-ASP NB shipments weighting, favorable forex trends and stable operating expenses. NB sales contribution was down to 35% in 1Q24, vs. 43% in 1Q23 and 39-40% in 4Q23, while server and auto sales weightings rose, boosting gross margin. Coupled with net interest income of NT\$1bn and forex gains of NT\$1.3bn, 1Q24 EPS beat.

**Server sales to grow after 2Q24F; AI to drive 2H24-2025F server sales.** The firm expects 2Q24F NB shipments to grow by single digits QoQ from 10.5mn units (up 1% QoQ but down 2.8% YoY) in 1Q24, while server sales should grow moderately QoQ under component supply tightness for AI server. We estimate 2Q24 sales to grow 13% QoQ. Quanta sees AI server sales growing substantially in 2H24F to over 50% of server sales, vs. less than 20% in 2023 and 20-25% in 1Q24. As NB sales growth will be from a high-ASP segment in 2Q24F, along with AI server ramp up, Quanta guides gross margin will come down QoQ in 2Q24F. Together with rising R&D expense for upcoming project ramps that will lead to higher operating expenses in 2Q24F, we forecast gross margin to come down to 8.2% and operating margin to 4.4%, though EPS will be better than we expected. For 2024F, management is positive on server sales expansion given AI server ramp-up, saying AI server in next-generation architectures (Blackwell/ GB) will create higher entry barriers and reduced competition with higher order concentration. This is because working capital requirements and design capability in system integration will be higher. We think Quanta is well prepared for the AI server trend and will capture a meaningful share of this growing market. However, gross margin will be diluted when AI server sales expand. We expect server sales to surpass NB sales to a weighting of 40-50% in 2024F, vs. around 35% (NT\$380-400bn) in 2023, and will rise to over 50% in 2025F. In addition, auto sales will continue double-digit growth this year with new client and project add-ins, for a sales contribution of 5-10% in 2024-25F. We think NB shipments will be flat in 2024F, with AI NB initially benefiting more from the commercial market in 2025F. To reflect better 1Q24 EPS and margin trends, we raise 2024F EPS to NT\$13.97 (up 36%), and forecast 2025F EPS of NT\$18.02 (up 29%).

#### Valuation & Action

We raise our target price from NT\$310 to NT\$320, on 20x 2024-25F average EPS, and maintain our Outperform rating on a bright outlook for AI server and EV sales growth.

#### Risks

Weak NB demand; low AI server margin; weak EV/ auto sales.

#### Key financials and valuations

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (NT\$mn)	1,129,453	1,280,429	1,085,611	1,467,969	2,090,059
Gross profit (NT\$mn)	72,111	70,915	84,883	106,964	133,154
Operating profit (NT\$mn)	37,277	31,189	43,550	61,751	83,937
Net profit (NT\$mn)	33,653	28,957	39,676	53,869	69,472
EPS (NT\$)	8.73	7.51	10.29	13.97	18.02
Cash DPS (NT\$)	6.60	6.00	9.00	11.16	14.39
EPS growth (%)	32.9	(14.0)	37.0	35.8	29.0
PE (x)	32.9	38.2	27.9	20.5	15.9
PB (x)	6.9	6.6	6.0	5.6	5.3
EV/EBITDA (x)	25.3	28.5	20.1	15.2	12.4
Net debt to equity (%)	16.1	28.0	Net cash	Net cash	32.2
Dividend yield (%)	2.3	2.1	3.1	3.9	5.0
Return on average equity (%)	22.0	17.5	22.3	28.1	34.1

Source: Company data, KGI Research estimates

**Figure 1: Breakdown of 1Q24 results & 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	258,939	261,985	(1.2)	(10.1)	(2.7)	260,852	(0.7)	292,601	301,283	(2.9)	13.0	19.4	310,557	(5.8)
Gross profits	21,950	20,959	4.7	(5.4)	25.0	20,140	9.0	23,993	21,692	10.6	9.3	14.9	23,273	3.1
Operating income	11,698	10,741	8.9	(0.9)	48.9	10,279	13.8	12,874	11,449	12.5	10.1	14.1	12,509	2.9
Pretax Income	14,531	12,098	20.1	14.6	62.5	11,749	23.7	14,628	12,805	14.2	0.7	1.4	14,067	4.0
Net income	12,068	9,224	30.8	17.4	86.4	8,768	37.6	11,197	9,776	14.5	(7.2)	10.6	10,357	8.1
EPS (NT\$)	3.13	2.39	30.8	17.4	86.4	2.27	37.6	2.90	2.54	14.5	(7.2)	10.6	2.69	8.1
Gross margin (%)	8.5	8.0	0.5 ppts	0.4 ppts	1.9 ppts	7.7	0.8 ppts	8.2	7.2	1.0 ppts	(0.3)ppts	(0.3)ppts	7.5	0.7 ppts
OP margin (%)	4.5	4.1	0.4 ppts	0.4 ppts	1.6 ppts	3.9	0.6 ppts	4.4	3.8	0.6 ppts	(0.1)ppts	(0.2)ppts	4.0	0.4 ppts
Net margin (%)	4.7	3.5	1.1 ppts	1.1 ppts	2.2 ppts	3.4	1.3 ppts	3.8	3.2	0.6 ppts	(0.8)ppts	(0.3)ppts	3.3	0.5 ppts

Source: Bloomberg; KGI Research estimates

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

NT\$m	2024F						2025F					
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	1,467,969	1,541,837	(4.8)	35.2	1,482,475	(1.0)	2,090,059	2,022,929	3.3	42.4	1,942,939	7.6
Gross profit	106,964	106,123	0.8	26.0	107,643	(0.6)	133,154	128,917	3.3	24.5	130,274	2.2
Operating income	61,751	61,937	(0.3)	41.8	59,749	3.3	83,937	83,624	0.4	35.9	75,898	10.6
Pretax Income	69,265	67,364	2.8	33.9	65,949	5.0	90,221	88,656	1.8	30.3	81,783	10.3
Net income	53,869	51,357	4.9	35.8	49,604	8.6	69,472	68,251	1.8	29.0	61,595	12.8
EPS (NT\$)	13.97	13.32	4.9	35.8	12.86	8.6	18.02	17.70	1.8	29.0	15.97	12.8
Gross margin (%)	7.3	6.9	0.4 ppts	(0.5)ppts	7.3	0.0 ppts	6.4	6.4	(0.0)ppts	(0.9)ppts	6.7	(0.3)ppts
OP margin (%)	4.2	4.0	0.2 ppts	0.2 ppts	4.0	0.2 ppts	4.0	4.1	(0.1)ppts	(0.2)ppts	3.9	0.1 ppts
Net margin (%)	3.7	3.3	0.3 ppts	0.0 ppts	3.3	0.3 ppts	3.3	3.4	(0.0)ppts	(0.3)ppts	3.2	0.2 ppts

Source: Bloomberg; KGI Research estimates

**Figure 3: Higher server sales weightings in 2024-25F**

Sales weighting (%)	2019	2020	2021	2022	2023	2024F	2025F
NB / Chromebook	43	53	54	48	41	31	23
Cloud server	23	24	26	27	35	50	63
EV	1	2	3	6	8	8	7
Wearable / IoT / Others	32	21	18	19	16	12	9

Source: KGI Research estimates

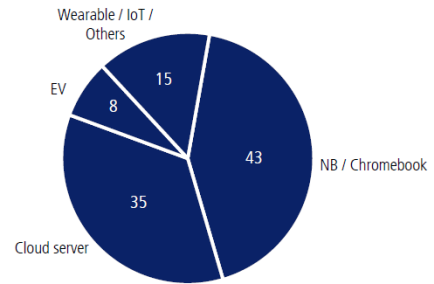
**Figure 4: Company profile**

Established in 1988, Quanta is the world's second largest NB ODM, with shipment volume of 46.9mn units and a global market share of 31% in 2023. Its major customers include the top-six global NB brands including Apple (US), HP (US), Asustek and Acer. Quanta has over 30k employees worldwide. It is currently expanding into other businesses including server, all-in-one (AIO), wearables and AI. The cloud business is expected to be a long-term sales driver. In 2023, non-NB business was 55-60% of sales, vs 50% in 2022.

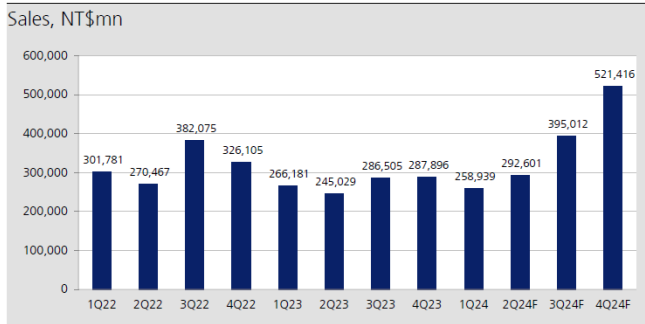
Source: KGI Research

**Figure 5: Sales mix in 2023**

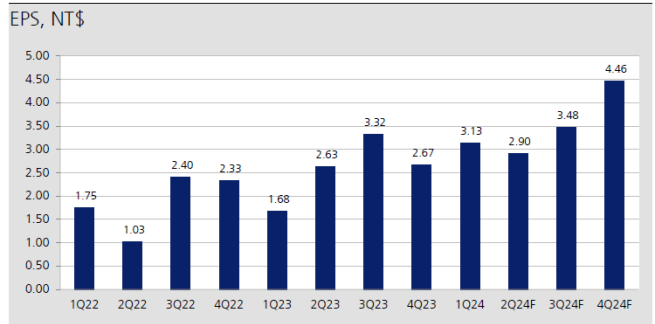
Sales weighting, percent



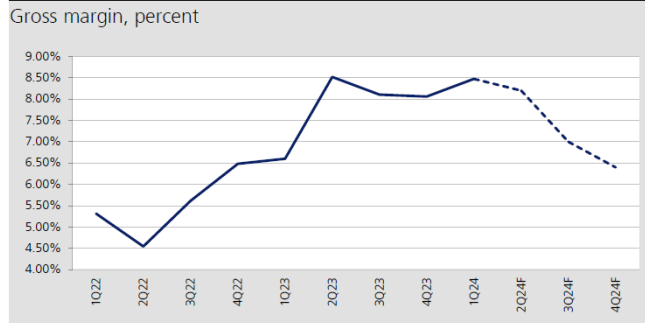
Source: company data; KGI Research

**Figure 6: Sales**


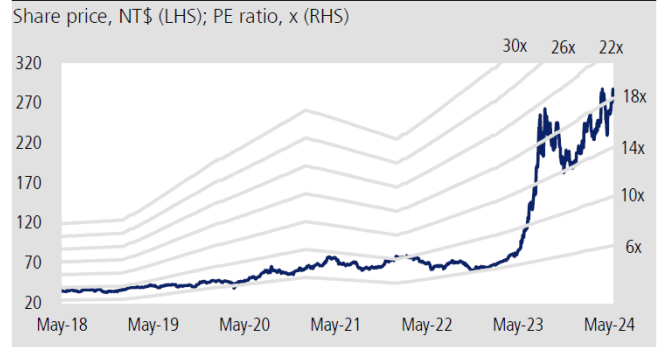
Source: KGI Research

**Figure 7: EPS**


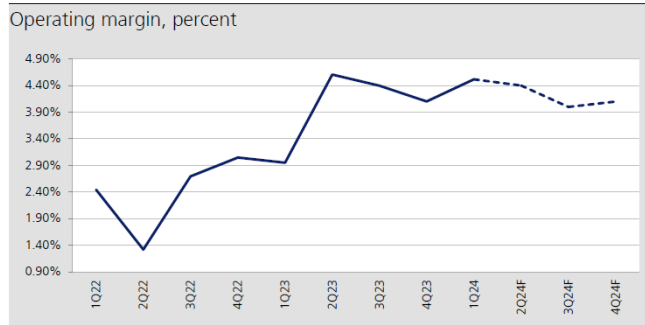
Source: KGI Research

**Figure 8: Gross Margin**


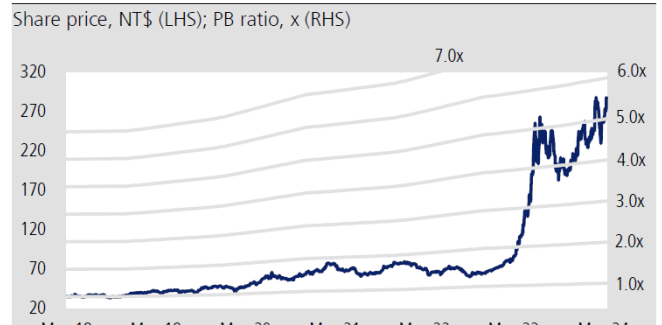
Source: KGI Research

**Figure 9: 12M forward PE band**


Source: TEJ; KGI Research estimates

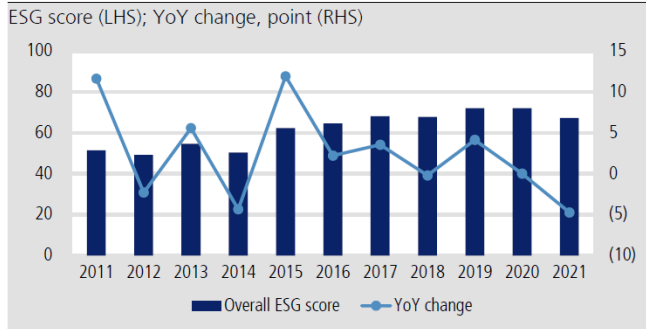
**Figure 10: Operating Margin**


Source: KGI Research

**Figure 11: 12M forward PB band**


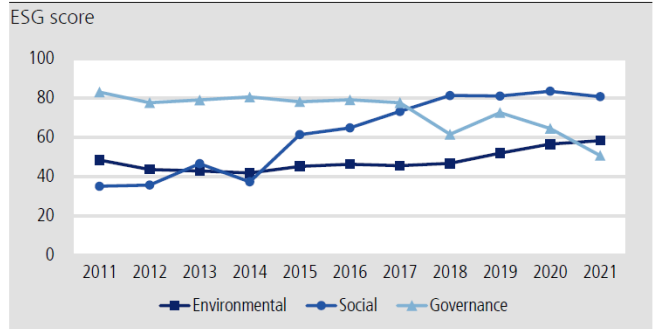
Source: TEJ; KGI Research estimates

Figure 12: Overall ESG score



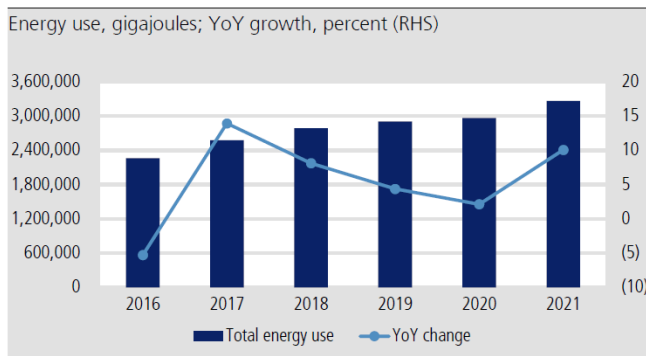
Source: Refinitiv, KGI Research, company

Figure 13: ESG scores



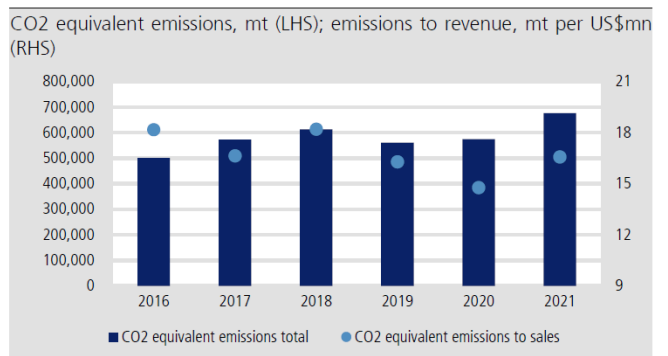
Source: Refinitiv, KGI Research, company

Figure 14: Energy Use



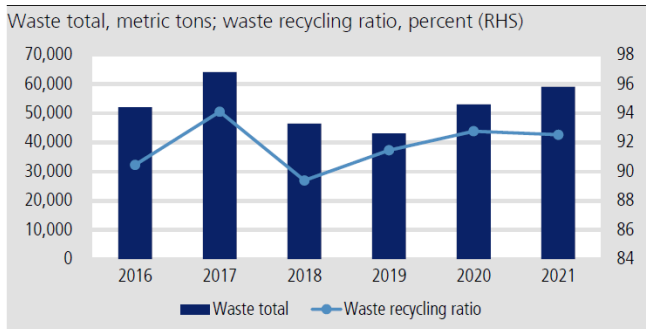
Source: Refinitiv, KGI Research, company

Figure 15: CO2 equivalent emissions



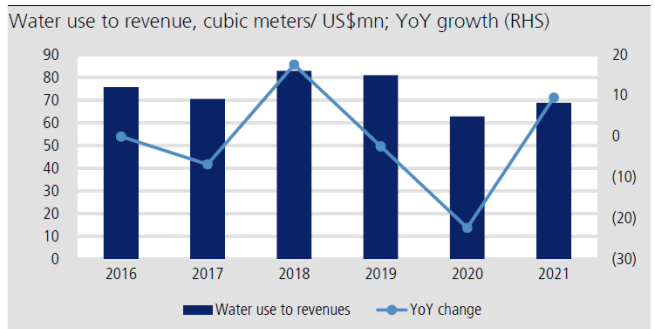
Source: Refinitiv, KGI Research, company

Figure 16: Waste total



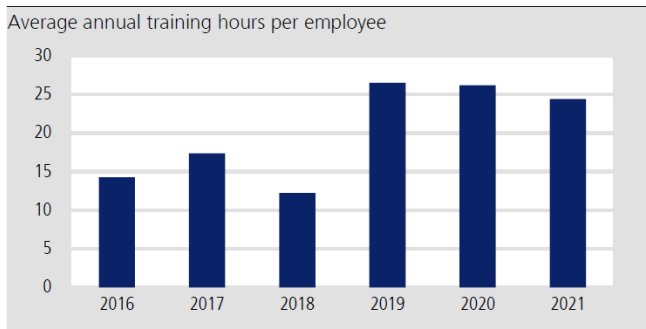
Source: Refinitiv, KGI Research, company

Figure 17: Water use to revenue



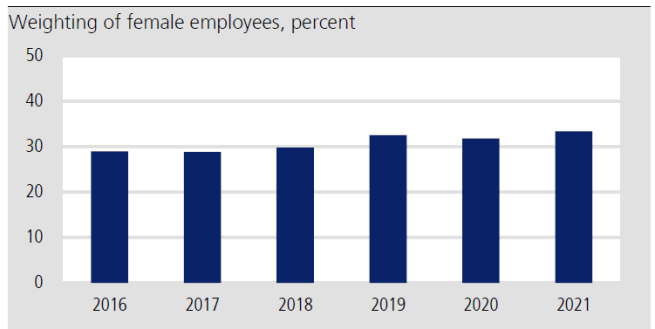
Source: Refinitiv, KGI Research, company

Figure 18: Employee training



Source: Refinitiv, KGI Research, company

Figure 19: Gender diversification



Source: Refinitiv, KGI Research, company

**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
<b>Income statement (NT\$m)</b>											
<b>Revenue</b>	<b>266,181</b>	<b>245,029</b>	<b>286,505</b>	<b>287,896</b>	<b>258,939</b>	<b>292,601</b>	<b>395,012</b>	<b>521,416</b>	<b>1,085,611</b>	<b>1,467,969</b>	<b>2,090,059</b>
Cost of goods sold	(248,615)	(224,147)	(263,276)	(264,689)	(236,990)	(268,608)	(367,361)	(488,045)	(1,000,728)	(1,361,004)	(1,956,905)
<b>Gross profit</b>	<b>17,566</b>	<b>20,882</b>	<b>23,228</b>	<b>23,207</b>	<b>21,950</b>	<b>23,993</b>	<b>27,651</b>	<b>33,371</b>	<b>84,883</b>	<b>106,964</b>	<b>133,154</b>
Operating expenses	(9,713)	(9,595)	(10,631)	(11,400)	(10,252)	(11,119)	(11,850)	(11,993)	(41,339)	(45,214)	(49,217)
<b>Operating profit</b>	<b>7,858</b>	<b>11,287</b>	<b>12,597</b>	<b>11,807</b>	<b>11,698</b>	<b>12,874</b>	<b>15,800</b>	<b>21,378</b>	<b>43,550</b>	<b>61,751</b>	<b>83,937</b>
Depreciation of fixed assets	(2,375)	(2,430)	(2,456)	(2,541)	(2,461)	(2,582)	(2,582)	(2,702)	(9,802)	(10,326)	(11,038)
Amortisation of intangible assets	(405)	(388)	(429)	(413)	(399)	(373)	(373)	(347)	(1,635)	(1,492)	(1,492)
<b>EBITDA</b>	<b>10,639</b>	<b>14,105</b>	<b>15,482</b>	<b>14,761</b>	<b>14,558</b>	<b>15,829</b>	<b>18,755</b>	<b>24,427</b>	<b>54,986</b>	<b>73,569</b>	<b>96,467</b>
Interest income	2,230	3,042	2,453	2,896	2,534	2,436	2,436	2,338	10,620	9,744	8,880
Investment income	-	11	-	22	-	25	25	50	33	100	100
Other non-op income	1,295	2,173	2,663	0	1,832	1,000	900	768	6,131	4,500	4,200
<b>Non-operating income</b>	<b>3,525</b>	<b>5,226</b>	<b>5,117</b>	<b>2,918</b>	<b>4,365</b>	<b>3,461</b>	<b>3,361</b>	<b>3,157</b>	<b>16,785</b>	<b>14,344</b>	<b>13,180</b>
Interest expense	(2,430)	(2,082)	(2,010)	(2,392)	(1,526)	(1,570)	(1,570)	(1,614)	(8,915)	(6,280)	(6,397)
Investment loss	(13)	(11)	(11)	(9)	(7)	(13)	(13)	(18)	(45)	(50)	(50)
Other non-op expenses	(0)	0	(0)	356	0	(125)	(125)	(250)	356	(500)	(450)
<b>Non-operating expenses</b>	<b>(2,443)</b>	<b>(2,094)</b>	<b>(2,022)</b>	<b>(2,045)</b>	<b>(1,532)</b>	<b>(1,707)</b>	<b>(1,707)</b>	<b>(1,882)</b>	<b>(8,603)</b>	<b>(6,830)</b>	<b>(6,897)</b>
<b>Pre-tax profit</b>	<b>8,940</b>	<b>14,419</b>	<b>15,693</b>	<b>12,679</b>	<b>14,531</b>	<b>14,628</b>	<b>17,454</b>	<b>22,652</b>	<b>51,731</b>	<b>69,265</b>	<b>90,221</b>
Current taxation	(2,328)	(4,146)	(2,640)	(2,129)	(2,301)	(3,218)	(3,840)	(5,187)	(11,243)	(14,546)	(19,849)
Minorities	(139)	(149)	(253)	(272)	(162)	(213)	(213)	(263)	(812)	(850)	(900)
<b>Normalised net profit</b>	<b>6,474</b>	<b>10,125</b>	<b>12,800</b>	<b>10,278</b>	<b>12,068</b>	<b>11,197</b>	<b>13,402</b>	<b>17,203</b>	<b>39,676</b>	<b>53,869</b>	<b>69,472</b>
Extraordinary items	0	0	0	(0)	(0)	-	-	0	-	-	-
<b>Net profit</b>	<b>6,474</b>	<b>10,125</b>	<b>12,800</b>	<b>10,278</b>	<b>12,068</b>	<b>11,197</b>	<b>13,402</b>	<b>17,203</b>	<b>39,676</b>	<b>53,869</b>	<b>69,472</b>
EPS (NT\$)	1.68	2.63	3.32	2.67	3.13	2.90	3.48	4.46	10.29	13.97	18.02
<b>Margins (%)</b>											
Gross profit margin	6.6	8.5	8.1	8.1	8.5	8.2	7.0	6.4	7.8	7.3	6.4
Operating margin	3.0	4.6	4.4	4.1	4.5	4.4	4.0	4.1	4.0	4.2	4.0
EBITDA margin	4.0	5.8	5.4	5.1	5.6	5.4	4.7	4.7	5.1	5.0	4.6
Pretax profit margin	3.4	5.9	5.5	4.4	5.6	5.0	4.4	4.3	4.8	4.7	4.3
Net profit margin	2.4	4.1	4.5	3.6	4.7	3.8	3.4	3.3	3.7	3.7	3.3
<b>Sequential growth (%)</b>											
Revenue growth	(18.4)	(7.9)	16.9	0.5	(10.1)	13.0	35.0	32.0			
Gross profit growth	(16.9)	18.8	11.2	(0.1)	(5.4)	9.3	15.2	20.7			
Operating profit growth	(20.9)	43.6	11.6	(6.3)	(0.9)	10.1	22.7	35.3			
EBITDA growth	(16.5)	32.6	9.8	(4.7)	(1.4)	8.7	18.5	30.2			
Pretax profit growth	(27.1)	61.3	8.8	(19.2)	14.6	0.7	19.3	29.8			
Net profit growth	(28.0)	56.4	26.4	(19.7)	17.4	(7.2)	19.7	28.4			
<b>YoY growth (%)</b>											
Revenue growth	(11.8)	(9.4)	(25.0)	(11.7)	(2.7)	19.4	37.9	81.1	(15.2)	35.2	42.4
Gross profit growth	9.6	70.0	8.4	9.7	25.0	14.9	19.0	43.8	19.7	26.0	24.5
Operating profit growth	6.5	215.6	22.4	18.8	48.9	14.1	25.4	81.1	39.6	41.8	35.9
EBITDA growth	10.9	135.2	19.4	15.8	36.8	12.2	21.1	65.5	33.2	33.8	31.1
Pretax profit growth	(3.7)	147.9	16.9	3.4	62.5	1.4	11.2	78.7	26.9	33.9	30.3
Net profit growth	(4.1)	155.5	38.3	14.4	86.4	10.6	4.7	67.4	37.0	35.8	29.0

Source: Company data, KGI Research estimates

## Balance sheet

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
<b>Total assets</b>	<b>717,570</b>	<b>816,134</b>	<b>690,120</b>	<b>865,462</b>	<b>1,081,520</b>
<b>Current assets</b>	<b>649,417</b>	<b>733,270</b>	<b>610,448</b>	<b>786,041</b>	<b>1,003,061</b>
Cash & ST securities	177,375	214,499	218,726	292,709	299,301
Inventory	196,596	225,856	123,764	204,523	294,876
Accounts receivable	265,119	283,992	259,907	280,759	400,833
Other current assets	10,326	8,923	8,051	8,051	8,051
<b>Non-current assets</b>	<b>68,152</b>	<b>82,864</b>	<b>79,672</b>	<b>79,420</b>	<b>78,460</b>
LT investments	3,933	4,353	5,449	5,523	5,600
Net fixed assets	52,223	63,225	60,820	60,493	59,455
Other assets	11,996	15,286	13,404	13,404	13,404
<b>Total liabilities</b>	<b>549,442</b>	<b>639,610</b>	<b>496,228</b>	<b>659,946</b>	<b>861,209</b>
<b>Current liabilities</b>	<b>520,721</b>	<b>628,591</b>	<b>483,013</b>	<b>644,889</b>	<b>844,767</b>
Accounts payable	229,941	213,514	168,322	241,708	348,490
Interest bearing ST liabilities	166,588	249,525	158,797	238,955	319,569
Other current liabilities	124,193	165,552	155,893	164,225	176,708
<b>Non-current liabilities</b>	<b>28,721</b>	<b>11,019</b>	<b>13,215</b>	<b>15,056</b>	<b>16,443</b>
Long-term debt	22,675	4,525	5,931	7,772	9,158
Other L-T liabilities	3,688	3,732	5,413	5,413	5,413
<b>Total equity</b>	<b>168,127</b>	<b>176,523</b>	<b>193,892</b>	<b>205,516</b>	<b>220,311</b>
Share capital	38,626	38,626	38,626	38,626	38,626
Retained earnings reserve	68,181	71,674	76,586	87,360	101,255
Minority interests	6,988	7,365	7,685	8,535	9,435
Preferred shareholders funds	-	-	-	-	-

## Key ratios

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
<b>Growth</b>					
Revenue growth	3.5%	13.4%	(15.2%)	35.2%	42.4%
Operating profit growth	14.9%	(16.3%)	39.6%	41.8%	35.9%
EBITDA growth	12.4%	(9.5%)	33.2%	33.8%	31.1%
Net profit growth	32.9%	(14.0%)	37.0%	35.8%	29.0%
EPS growth	32.9%	(14.0%)	37.0%	35.8%	29.0%
<b>Profitability</b>					
Gross profit margin	6.4%	5.5%	7.8%	7.3%	6.4%
Operating margin	3.3%	2.4%	4.0%	4.2%	4.0%
EBITDA margin	4.0%	3.2%	5.1%	5.0%	4.6%
Net profit margin	3.0%	2.3%	3.7%	3.7%	3.3%
Return on average assets	4.9%	3.8%	5.3%	6.9%	7.1%
Return on average equity	22.0%	17.5%	22.3%	28.1%	34.1%
<b>Stability</b>					
Gross debt to equity	112.6%	143.9%	85.0%	120.1%	149.2%
Net debt to equity	16.1%	28.0%	Net cash	Net cash	32.2%
Interest coverage (x)	39.9	10.3	6.8	12.0	15.1
Interest & ST debt coverage (x)	0.2	0.1	0.2	0.2	0.2
Cash flow interest coverage(x)	(21.3)	2.6	13.9	6.0	(3.4)
Cash flow/int. & ST debt (x)	(0.1)	0.0	0.7	0.2	(0.1)
Current ratio (x)	1.2	1.2	1.3	1.2	1.2
Quick ratio (x)	0.9	0.8	1.0	0.9	0.8
Net debt (NT\$m)	27,005	49,412	(12,506)	(4,490)	70,919
<b>Per share data</b>					
EPS (NT\$)	8.73	7.51	10.29	13.97	18.02
CFPS (NT\$)	(6.17)	2.96	32.25	9.70	(5.63)
BVPS (NT\$)	41.72	43.79	48.21	51.00	54.59
Adj BVPS (NT\$)	41.81	43.89	48.29	51.09	54.69
SPS (NT\$)	293.02	332.19	281.55	380.72	542.05
EBITDA/share (NT\$)	11.83	10.71	14.26	19.08	25.02
Cash DPS (NT\$)	6.60	6.00	9.00	11.16	14.39
<b>Activity</b>					
Sales / avg assets	1.64	1.67	1.44	1.89	2.15
Days receivable	85.7	81.0	87.4	70.0	70.0
Days inventory	67.9	68.2	45.1	55.0	55.0
Days payable	79.4	64.4	61.4	65.0	65.0
Cash cycle	74.2	84.7	71.1	60.0	60.0

Source: Company data, KGI Research estimates

## Profit &amp; loss

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
<b>Revenue</b>	<b>1,129,453</b>	<b>1,280,429</b>	<b>1,085,611</b>	<b>1,467,969</b>	<b>2,090,059</b>
Cost of goods sold	(1,057,342)	(1,209,514)	(1,000,728)	(1,361,004)	(1,956,905)
<b>Gross profit</b>	<b>72,111</b>	<b>70,915</b>	<b>84,883</b>	<b>106,964</b>	<b>133,154</b>
Operating expenses	(34,833)	(39,725)	(41,339)	(45,214)	(49,217)
<b>Operating profit</b>	<b>37,277</b>	<b>31,189</b>	<b>43,550</b>	<b>61,751</b>	<b>83,937</b>
<b>Non-operating income</b>	<b>7,902</b>	<b>13,977</b>	<b>16,785</b>	<b>14,344</b>	<b>13,180</b>
Interest income	2,389	5,018	10,620	9,744	8,880
Investment income	200	496	33	100	100
Other non-op income	5,313	8,462	6,131	4,500	4,200
<b>Non-operating expenses</b>	<b>(1,743)</b>	<b>(4,385)</b>	<b>(8,603)</b>	<b>(6,830)</b>	<b>(6,897)</b>
Interest expense	(1,116)	(4,370)	(8,915)	(6,280)	(6,397)
Investment loss	(61)	(15)	(45)	(50)	(50)
Other non-op expenses	(566)	0	356	(500)	(450)
<b>Pre-tax profit</b>	<b>43,436</b>	<b>40,781</b>	<b>51,731</b>	<b>69,265</b>	<b>90,221</b>
Current taxation	(9,077)	(11,058)	(11,243)	(14,546)	(19,849)
Minorities	(707)	(765)	(812)	(850)	(900)
Extraordinary items	-	0	0	-	-
<b>Net profit</b>	<b>33,653</b>	<b>28,957</b>	<b>39,676</b>	<b>53,869</b>	<b>69,472</b>
<b>EBITDA</b>	<b>45,602</b>	<b>41,292</b>	<b>54,986</b>	<b>73,569</b>	<b>96,467</b>
EPS (NT\$)	8.73	7.51	10.29	13.97	18.02

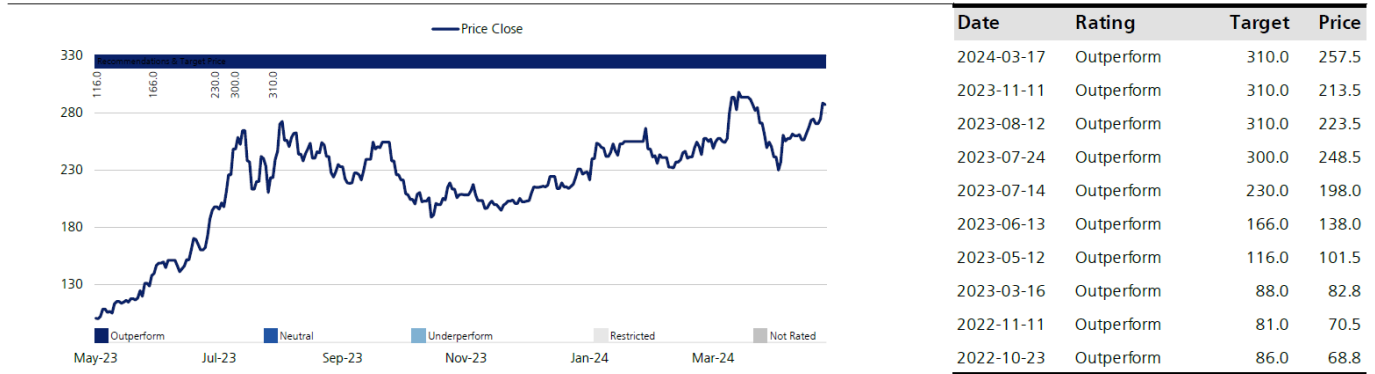
## Cash flow

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
<b>Operations cash flow</b>	<b>(23,793)</b>	<b>11,415</b>	<b>124,333</b>	<b>37,413</b>	<b>(21,694)</b>
Net profit	33,653	28,957	39,676	53,869	69,472
Depreciation & amortisation	8,325	10,103	11,437	11,818	12,530
Decrease in working capital	(75,616)	(63,213)	80,499	(28,224)	(103,646)
Other operating cash flow	9,845	35,567	(7,279)	(50)	(50)
<b>Investing cash flow</b>	<b>13,536</b>	<b>(14,143)</b>	<b>(37,612)</b>	<b>(11,516)</b>	<b>(11,519)</b>
Sale of ST investment	19,287	1,560	(29,080)	-	-
New investments	(72)	(19)	(30)	(24)	(27)
Capital expenditure	(11,538)	(16,892)	(8,832)	(10,000)	(10,000)
Others investing cashflow	5,859	1,208	330	(1,492)	(1,492)
<b>Free cash flow</b>	<b>(50,609)</b>	<b>(48,850)</b>	<b>115,553</b>	<b>20,885</b>	<b>(37,137)</b>
<b>Financing cash flow</b>	<b>(33,213)</b>	<b>31,295</b>	<b>(114,205)</b>	<b>48,086</b>	<b>39,805</b>
Increase in short term debt	1,276	34,188	(47,522)	80,000	80,000
Increase in long term loans	(13,809)	24,293	(41,138)	2,000	2,000
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(20,254)	(26,009)	(23,765)	(34,764)	(43,095)
Other financing cashflow	(427)	(1,177)	(1,780)	850	900
<b>Forex effects</b>	<b>(1,644)</b>	<b>13,813</b>	<b>81</b>		
<b>Total cash generated</b>	<b>(45,114)</b>	<b>42,380</b>	<b>(27,403)</b>	<b>73,983</b>	<b>6,591</b>

## ROIC

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	3.1%	3.1%	3.8%	3.1%	2.4%
<b>= Operating margin</b>	<b>3.3%</b>	<b>2.4%</b>	<b>4.0%</b>	<b>4.2%</b>	<b>4.0%</b>
1 / (Working capital/revenue	0.1	0.1	0.1	0.1	0.1
+ Net PPE/revenue	0.0	0.0	0.1	0.0	0.0
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
<b>= Capital turnover</b>	<b>6.6</b>	<b>6.2</b>	<b>8.3</b>	<b>9.8</b>	<b>8.7</b>
Operating margin	3.3%	2.4%	4.0%	4.2%	4.0%
x Capital turnover	6.6	6.2	8.3	9.8	8.7
x (1 - tax rate)	79.1%	72.9%	78.3%	79.0%	78.0%
<b>= After-tax ROIC</b>	<b>17.1%</b>	<b>11.1%</b>	<b>26.0%</b>	<b>32.4%</b>	<b>27.2%</b>

Source: Company data, KGI Research estimates

**Quanta Computer – Recommendation & target price history**


Source: TEJ, KGI Research

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