



## ASROCK (3515.TW/3515 TT)

### Earnings recovery in 2H23F, but slower server demand recovery

#### Neutral · Maintained

Price as of September 13 (NT\$)	206.5
12M target price (NT\$)	228.0
Previous target price (NT\$)	265.0
Revised down (%)	14.0
Upside (%)	10.4

#### Key message

Management now expects 3Q23F sales to grow by double digits QoQ, stronger than previous guidance on better-than-expected VGA and motherboard demand. Server will be the key sales growth driver in 2024F with AI server ramp-up likely after 2Q24F. To reflect our earnings downward revision, we revise down our target price to NT\$228 (22x 2024F EPS). Maintain Neutral rating as valuation is not attractive versus peers.

#### Trading data

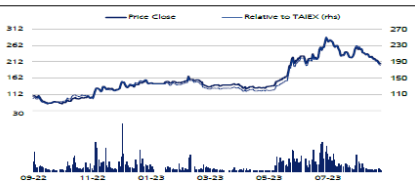
Mkt cap (NT\$bn/US\$mn)	25.19 / 786
Outstanding shares (mn)	122.0
Foreign ownership (mn)	18.30
3M avg. daily trading (mn)	3.64
52-week trading range (NT\$)	83.00 –286.0

Performance	3M	6M	12M
Absolute (%)	-8.8	48	93
Relative (%)	-5.1	41.4	81.7

#### Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	5.00A	2.02A	1.46A	0.19A
2023	1.03A	1.30A	2.02F	2.33F
2024	2.12F	2.03F	2.92F	3.28F

#### Share price chart



Source: TEJ

#### Event

Management now expects 3Q23F sales to grow by double digits QoQ, stronger than previous guidance on better-than-expected VGA and motherboard demand. It guides server will be the key sales growth driver in 2024F, with AI server ramp-up likely after 2Q24F.

#### Impact

**Better-than-expected motherboard & VGA outlook, but weaker server & IPC sales in 2H23F.** Management now expects sales to grow by double digits QoQ in 3Q23F, ahead of our estimate and previous guidance, driven by better motherboard and VGA demand recovery. AMD (US) launched mainstream GPU models RX 7700 XT and RX 7800 XT in August, and Asrock sees stronger VGA demand in 2H23F. It also guides overall sales to grow by single digits QoQ in 4Q23F on continuing growth from motherboard and VGA along with server product pull-in (including L6 and L10 products), though server growth will slow from previous expectation in 4Q23F due to weak general server demand recovery. However, Asrock guides gross margin will be flat or rise slightly QoQ only in 3Q23F, versus 20.1% in 2Q23. 3Q23F gross margin recovery is below our estimate given unfavorable product mix (higher VGA sales weighting) despite no further inventory write-down which eroded gross margin by 2.7 ppts in 1H23. Product mix will improve in 4Q23F with increasing server sales weighting (up from 10-11% in 1H23 to 15-20% in 2H23F), leading to stronger gross margin QoQ growth in 4Q23F. For 2023F, management maintains a sales growth target of double digits YoY thanks to growth from motherboard and VGA. Server sales may fall this year (cut from flat YoY) on weak general server demand recovery in 4Q23F, and IPC sales will drop the most among all segments given a sluggish macro economy. To reflect a better sales outlook but weaker margins guidance, we cut 3Q23F EPS to NT\$2.02 (up 56% QoQ and 39% YoY) and 2023F EPS to NT\$6.67, down 23% YoY.

**Server sales the key driver in 2024F.** AI server projects including Nvidia (US) and AMD platforms are under development, and management expects AI projects (mostly L10 products) to kick-off after 2Q24F for existing and new customers. Along with continuing sales contribution from general server products (L6, L10), which are starting to ship in 4Q23F, we expect Asrock's server sales to grow 65% YoY in 2024F. We also expect IPC sales will resume YoY growth in 2024F on an improving macro economy, while motherboard and VGA sales will keep growing on new CPU launches and better consumer demand. But to reflect delayed general server demand recovery and AI server progress as well as gross margin dilution from AI server, we cut 2024F EPS to NT\$10.35, up 55% YoY.

#### Valuation & Action

We revise down our target price from NT\$265 to NT\$228, based on 22x 2024F EPS (down from 23x on lower earnings forecast and more limited AI server contribution in 2024F). Maintain Neutral as the valuation is not attractive versus peers.

#### Risks

Delayed shipments of server projects; weak graphics card and motherboard demand.

## Key financials and valuations

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (NT\$m)	19,763	17,121	18,379	21,195	23,552
Gross profit (NT\$m)	5,564	3,701	3,621	4,451	5,014
Operating profit (NT\$m)	3,058	1,185	985	1,696	1,974
Net profit (NT\$m)	2,381	1,066	813	1,263	1,447
EPS (NT\$)	19.67	8.69	6.67	10.35	11.86
Cash DPS (NT\$)	13.00	8.00	4.47	6.94	7.95
EPS growth (%)	74.1	(55.8)	(23.3)	55.3	14.6
PE (x)	10.5	23.8	31.0	19.9	17.4
PB (x)	3.1	3.1	3.0	2.8	2.7
EV/EBITDA (x)	7.7	18.6	20.4	12.3	10.6
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	6.3	3.9	2.2	3.4	3.8
Return on average equity (%)	31.4	13.0	9.8	14.6	15.9

Source: Company data, KGI Research estimates

Figure 1: Breakdown of 2Q23 results &amp; 3Q23 forecast revisions vs. consensus

NT\$m	2Q23								3Q23F							
	Actual	KGI forecast	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)		
Sales	4,087	4,087	0.0	(7.0)	13.0	4,101	(0.3)	4,781	4,577	4.5	17.0	34.1	4,561	4.8		
Gross profits	821	760	8.0	12.5	(0.3)	780	5.3	980	970	1.0	19.4	49.6	1,011	(3.0)		
Operating income	144	200	(28.1)	(4.5)	(30.9)	218	(33.8)	296	362	(18.0)	105.8	487.7	336	(11.8)		
Pretax Income	213	228	(6.6)	35.0	(31.5)	237	(9.9)	348	390	(10.6)	63.3	41.1	340	2.6		
Net income	158	165	(4.2)	26.3	(36.5)	157	0.5	247	286	(13.6)	56.1	37.4	275	(10.1)		
EPS (NT\$)	1.30	1.35	(4.2)	26.3	(36.5)	1.29	0.5	2.02	2.34	(13.6)	56.1	38.5	2.25	(10.1)		
Gross margin (%)	20.1	18.6	1.5 ppts	3.5 ppts	(2.7)ppts	19.0	1.1 ppts	20.5	21.2	(0.7)ppts	0.4 ppts	2.1 ppts	22.2	(1.7)ppts		
OP margin (%)	3.5	4.9	(1.4)ppts	0.1 ppts	(2.2)ppts	5.3	(1.8)ppts	6.2	7.9	(1.7)ppts	2.7 ppts	4.8 ppts	7.4	(1.2)ppts		
Net margin (%)	3.9	4.0	(0.2)ppts	1.0 ppts	(3.0)ppts	3.8	0.0 ppts	5.2	6.2	(1.1)ppts	1.3 ppts	0.1 ppts	6.0	(0.9)ppts		

Source: Bloomberg, KGI Research estimates

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

NT\$m	2023F						2024F						2025F			
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	KGI forecast	YoY (%)	Consensus	Diff. (%)
Sales	18,379	18,002	2.1	7.3	18,427	(0.3)	21,195	21,280	(0.4)	15.3	21,345	(0.7)	23,552	11.1	22,969	2.5
Gross profits	3,621	3,563	1.6	(2.1)	3,758	(3.6)	4,451	4,621	(3.7)	22.9	4,399	1.2	5,014	12.7	4,646	7.9
Operating income	985	1,167	(15.6)	(16.9)	1,066	(7.6)	1,696	1,858	(8.7)	72.1	1,504	12.8	1,974	16.4	1,655	19.3
Pretax Income	1,143	1,262	(9.4)	(20.1)	1,162	(1.6)	1,799	1,947	(7.6)	57.4	1,562	15.2	2,073	15.2	1,715	20.9
Net income	813	936	(13.1)	(23.7)	889	(8.5)	1,263	1,408	(10.3)	55.3	1,151	9.8	1,447	14.6	1,257	15.1
EPS (NT\$)	6.67	7.67	(13.1)	(23.3)	7.28	(8.5)	10.35	11.54	(10.3)	55.3	9.43	9.8	11.86	14.6	10.30	15.1
Gross margin (%)	19.7	19.8	(0.1)ppts	(1.9)ppts	20.4	(0.7)ppts	21.0	21.7	(0.7)ppts	1.3 ppts	20.6	0.4 ppts	21.3	0.3 ppts	20.2	1.1 ppts
OP margin (%)	5.4	6.5	(1.1)ppts	(1.6)ppts	5.8	(0.4)ppts	8.0	8.7	(0.7)ppts	2.6 ppts	7.0	1.0 ppts	8.4	0.4 ppts	7.2	1.2 ppts
Net margin (%)	4.4	5.2	(0.8)ppts	(1.8)ppts	4.8	(0.4)ppts	6.0	6.6	(0.7)ppts	1.5 ppts	5.4	0.6 ppts	6.1	0.2 ppts	5.5	0.7 ppts

Source: Bloomberg, KGI Research estimates

Figure 3: Asrock's sales breakdown by product

Sales (NT\$m)	2019	2020	2021	2022	2023F	2024F
MB	7,837	9,785	8,413	7,488	8,536	8,877
IPC	1,150	989	1,242	1,964	1,384	1,592
Server	2,613	4,299	3,165	3,205	2,725	4,495
Others	1,814	2,922	6,943	4,464	5,734	6,230
Total	13,415	17,912	19,763	17,121	18,379	21,195
YoY growth (%)	2019	2020	2021	2022	2023F	2024F
MB	13	25	(14)	(11)	14	4
IPC	16	(14)	26	58	(30)	15
Server	86	65	(26)	1	(15)	65
Others	108	61	138	(36)	28	9
Total	32	34	10	(13)	7	15
Sales weighting (%)	2019	2020	2021	2022	2023F	2024F
MB	58	55	43	44	46	42
IPC	9	6	6	11	8	8
Server	19	24	16	19	15	21
Others	14	16	35	26	31	29
Total	100	100	100	100	100	100

Source: Company data; KGI Research estimates

Figure 4: Mainstream RX 7700 XT &amp; RX 7800 XT debuted in August

Desktop GPU	RX 6500 XT	RX 6600	RX 6600 XT	RX 6650 XT	RX 6700	RX 6700 XT	RX 6750 XT	RX 6800	RX 6800 XT	RX 6900 XT	RX 6950 XT	RX 7600	RX 7700 XT	RX 7800 XT	RX 7900 XT	RX 7900 XT X
<b>GPU Engine Specs</b>	Navi 24	Navi 23	Navi 23	Navi 23	Navi 22	Navi 22	Navi 22	Navi 21	Navi 21	Navi 21	Navi 21	Navi 23	Navi 32	Navi 32	Navi 31	Navi 31
Process	6nm	7nm	7nm	7nm	7nm	7nm	7nm	7nm	7nm	7nm	7nm	6 nm	5nm	5nm	5nm	5nm
GPU Architecture	RDNA 2	RDNA 2	RDNA 2	RDNA 2	RDNA 2	RDNA 2	RDNA 2	RDNA 2	RDNA 2	RDNA 2	RDNA 2	RDNA 3	RDNA 3	RDNA 3	RDNA 3	RDNA 3
GPU Cores	1024	1792	2048	2048	2304	2560	2560	3840	4608	5120	5120	2048	3456	3840	5376	6144
Boost Clock (MHz)	2815	2491	2589	2635	2450	2581	2600	2105	2250	2250	2310	2655	2544	2430	2394	2499
Base Clock (MHz)	2310	1626	1968	2055	1941	2321	2150	1700	1825	1825	1890	1720	1700	1395	1500	1855
<b>Memory Specs</b>																
Memory Speed	18 Gbps	14 Gbps	16 Gbps	17.5 Gbps	16 Gbps	16 Gbps	18 Gbps	16 Gbps	16 Gbps	16 Gbps	16 Gbps	18Gbps	18Gbps	19.5Gbps	20Gbps	20Gbps
Standard Memory Config	4GB	8GB	8GB	8GB	10G	10G	12G	16G	16G	16G	16G	8G	13G	16G	20G	24G
Memory Interface Width	GDDR6	GDDR6	GDDR6	GDDR6	GDDR6	GDDR6	GDDR6	GDDR6	GDDR6	GDDR6	GDDR6	GDDR6	GDDR6	GDDR6	GDDR6	GDDR6
Memory Bandwidth (GB/sec)	64-bit	128-bit	128-bit	128-bit	160-bit	160-bit	192-bit	256-bit	256-bit	256-bit	256-bit	128-bit	192-bit	256-bit	320-bit	384-bit
<b>Thermal and Power Specs</b>																
Maximum GPU Temperature (In C)																
Graphics Card Power (W)	107	132	160	180	175	230	250	250	300	300	335	165	245	263	300	355
Supplementary Power Connectors	6 pin	8 pin	8 pin	8 pin	8 pin+ 6 pin	8 pin+ 6 pin	8 pin+ 6 pin	8 pin+ 8 pin	8 pin+ 8 pin	8 pin+ 8 pin	8 pin+ 8 pin	8 pin	8 pin+ 8 pin	8 pin+ 8 pin	8 pin+ 8 pin	8 pin+ 8 pin
Launch date	Jan 19, 2022	Oct 13, 2021	Jun 30, 2021	May 10, 2022	Jun 9, 2021	2021/3/3	May 10, 2022	Oct 28, 2020	Oct 28, 2020	Oct 28, 2020	May 10, 2022	May 24, 2023	Aug 25, 2023	Aug 25, 2023	Nov 3, 2022	Nov 3, 2022
Availability	Jan 19, 2022	Oct 13, 2021	Aug 10, 2021	May 10, 2022	Jun 9, 2021	Mar 18, 2021	May 10, 2022	Nov 18, 2020	Nov 18, 2020	Dec 8, 2020	May 10, 2022	May 25, 2023	Sep 6, 2023	Sep 6, 2023	Dec 13, 2022	Dec 13, 2022
Launch price (US\$)	199	329	379	399	479	479	549	579	649	999	1099	269	449	499	899	999

Source: Company data; Techpowerup; KGI Research

Figure 5: Peer comparison – Financials

Ticker	Company	Sales YoY (%)			GM (%)			OPM (%)			OP YoY (%)			EPS (NT\$)			EPS YoY (%)		
		2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F
2357 TT	Asustek	0.4	(6.5)	13.9	13.8	13.7	15.0	2.4	1.9	4.0	(73.7)	(28.1)	143.1	19.78	15.51	28.97	(67.0)	(21.6)	86.8
2377 TT	MSI	(10.6)	(1.3)	11.3	14.3	14.1	14.5	5.9	6.3	6.9	(46.5)	5.4	20.7	11.79	11.54	13.99	(41.1)	(2.2)	21.2
2376 TT	Gigabyte	(12.0)	10.5	20.4	15.5	12.9	14.9	5.4	4.9	7.0	(59.7)	(0.1)	72.0	10.29	8.42	14.08	(51.1)	(18.1)	67.2
3515 TT	Asrock	(13.4)	7.3	15.3	21.6	19.7	21.0	6.9	5.4	8.0	(61.2)	(16.9)	72.1	8.69	6.67	10.35	(55.8)	(23.3)	55.3

Source: Bloomberg; KGI Research estimates

Figure 6: Peer comparison – Valuations

Sector	Company	Ticker	Market cap. (US\$m)	Share price (LCY)	Rating	Target Price (LCY)	EPS (LCY)		EPS YoY (%)		PE (x)		PB (x)		ROE (%)		Cash yield (%)	
							2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2022	2023F
Motherboard/ graphic cards	Gigabyte	2376 TT	6,106	267.5	Outperform	360.0	8.08	14.05	(21.5)	74.0	33.1	19.0	4.5	4.1	13.9	22.5	2.3	1.8
	Asustek	2357 TT	9,362	369.5	Outperform	435.0	15.51	28.97	(21.6)	86.8	23.8	12.8	1.3	1.2	5.4	9.7	4.1	2.9
	MSI	2377 TT	4,315	164.5	Outperform	210.0	11.54	13.99	(2.2)	21.2	14.3	11.8	2.6	2.4	19.3	21.4	4.0	3.9
	Asrock	3515 TT	827	206.5	Neutral	228.0	6.67	10.35	(23.3)	55.3	31.0	19.9	3.0	2.8	9.8	14.6	3.9	2.2
Server ODM	Wiwynn	6669 TT	8,493	1,465	Outperform	2,165.0	67.25	93.25	(17.1)	38.7	21.8	15.7	5.3	4.3	27.1	30.4	3.4	2.5
	Inventec	2356 TT	6,052	51.0	Neutral	62.0	1.52	2.41	(11.1)	58.6	33.6	21.2	3.0	2.9	9.1	14.1	2.9	2.4
	Quanta	2382 TT	29,200	228.5	Outperform	310.0	8.75	11.15	16.5	27.3	26.1	20.5	5.0	4.8	19.6	23.8	2.6	3.1
	Hon Hai	2317 TT	45,904	106.0	Outperform	140.0	8.45	10.78	(17.2)	27.6	12.5	9.8	1.0	0.9	7.9	9.7	5.0	4.1

Source: Bloomberg; KGI Research estimates

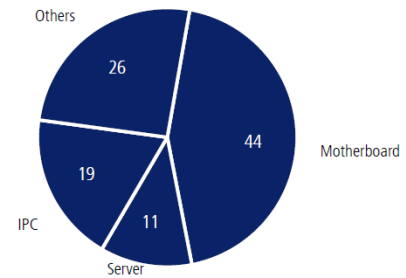
**Figure 7: Company profile**

Asrock was established in 2002 as a subsidiary of Asustek. In 2008, when Pegatron was spun-off from Asustek, Asrock became a subsidiary of Pegatron. The company's core products are basic motherboards and graphics cards under the Asrock brand. In 2011, the firm expanded into the IPC market, and in 2013, further expanded into the server business under subsidiary ASRock Rack. In 2022, the sales mix was motherboards 44-45%, servers 18-19%, IPC 11-12%, and others (including graphics cards) 25-26%.

Source: KGI Research

**Figure 8: Motherboard accounts for bulk of sales**

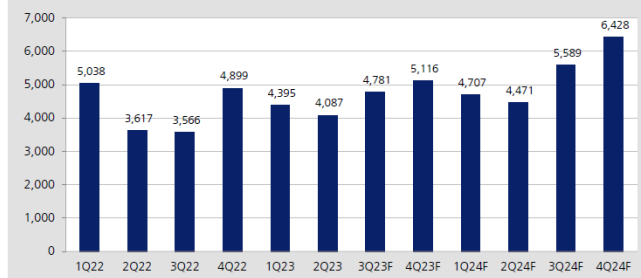
Sales weighting in 2022, percent



Source: KGI Research

**Figure 9: Sales**

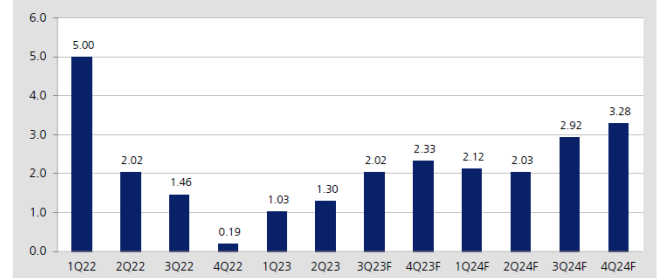
Sales, NT\$m



Source: KGI Research

**Figure 10: EPS**

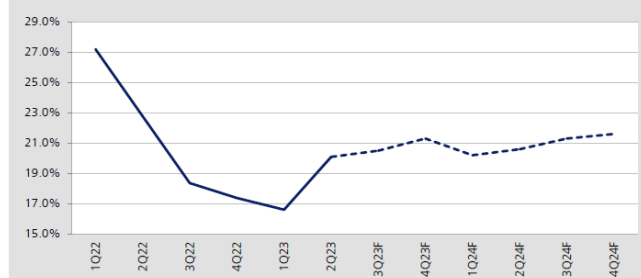
EPS, NT\$



Source: KGI Research

**Figure 11: Gross Margin**

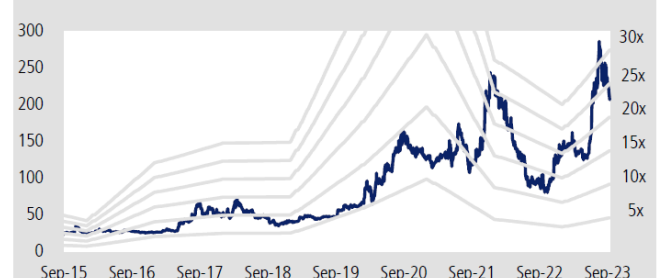
Gross margin, percent



Source: KGI Research

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

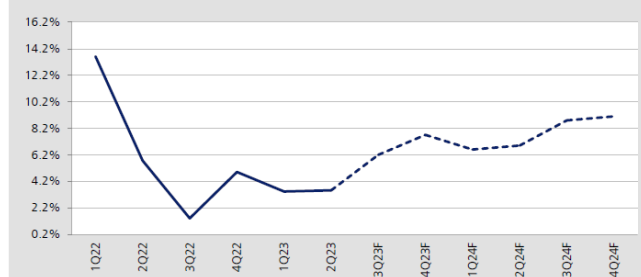
Share price, NT\$ (LHS); PE ratio, x (RHS)



Source: TEJ; KGI Research estimates

**Figure 13: Operating Margin**

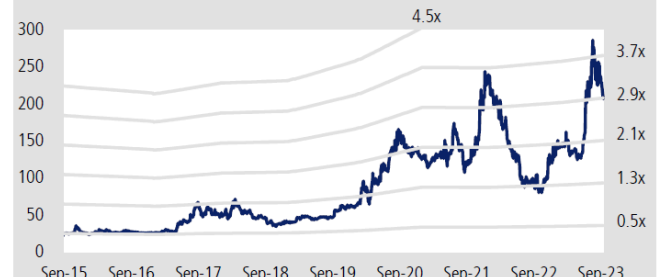
Operating margin, percent



Source: KGI Research

**Figure 14: 12M forward PB band**

Share price, NT\$ (LHS); PB ratio, x (RHS)



Source: TEJ; KGI Research estimates

## Income statement

	Quarterly								Annually		
	Mar-23A	Jun-23A	Sep-23F	Dec-23F	Mar-24F	Jun-24F	Sep-24F	Dec-24F	Dec-23F	Dec-24F	Dec-25F
<b>Income statement (NT\$m)</b>											
<b>Revenue</b>	<b>4,395</b>	<b>4,087</b>	<b>4,781</b>	<b>5,116</b>	<b>4,707</b>	<b>4,471</b>	<b>5,589</b>	<b>6,428</b>	<b>18,379</b>	<b>21,195</b>	<b>23,552</b>
Cost of goods sold	(3,665)	(3,265)	(3,801)	(4,026)	(3,756)	(3,550)	(4,399)	(5,039)	(14,758)	(16,744)	(18,538)
<b>Gross profit</b>	<b>730</b>	<b>821</b>	<b>980</b>	<b>1,090</b>	<b>951</b>	<b>921</b>	<b>1,191</b>	<b>1,388</b>	<b>3,621</b>	<b>4,451</b>	<b>5,014</b>
Operating expenses	(579)	(677)	(684)	(696)	(640)	(613)	(699)	(803)	(2,636)	(2,755)	(3,040)
<b>Operating profit</b>	<b>151</b>	<b>144</b>	<b>296</b>	<b>394</b>	<b>311</b>	<b>309</b>	<b>492</b>	<b>585</b>	<b>985</b>	<b>1,696</b>	<b>1,974</b>
Depreciation of fixed assets	(45)	(45)	(34)	(13)	(39)	(39)	(39)	(39)	(137)	(157)	(177)
Amortisation of intangible assets	(2)	(2)	(3)	(3)	(3)	(3)	(3)	(3)	(10)	(10)	(10)
<b>EBITDA</b>	<b>198</b>	<b>191</b>	<b>333</b>	<b>410</b>	<b>352</b>	<b>350</b>	<b>534</b>	<b>627</b>	<b>1,132</b>	<b>1,863</b>	<b>2,162</b>
Interest income	25	25	24	21	21	21	21	21	94	84	80
Investment income	-	-	-	-	-	-	-	-	-	-	-
Other non-op income	15	46	35	14	15	15	15	15	110	60	60
<b>Non-operating income</b>	<b>41</b>	<b>71</b>	<b>59</b>	<b>34</b>	<b>36</b>	<b>36</b>	<b>36</b>	<b>36</b>	<b>204</b>	<b>144</b>	<b>140</b>
Interest expense	(2)	(2)	(2)	(1)	(0)	(0)	(0)	(0)	(7)	(1)	(1)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	(31)	-	(5)	(4)	(10)	(10)	(10)	(10)	(40)	(40)	(40)
<b>Non-operating expenses</b>	<b>(34)</b>	<b>(2)</b>	<b>(7)</b>	<b>(5)</b>	<b>(10)</b>	<b>(10)</b>	<b>(10)</b>	<b>(10)</b>	<b>(47)</b>	<b>(41)</b>	<b>(41)</b>
<b>Pre-tax profit</b>	<b>158</b>	<b>213</b>	<b>348</b>	<b>423</b>	<b>336</b>	<b>334</b>	<b>518</b>	<b>611</b>	<b>1,143</b>	<b>1,799</b>	<b>2,073</b>
Current taxation	(50)	(55)	(77)	(93)	(72)	(72)	(111)	(140)	(274)	(396)	(456)
Minorities	17	(0)	(25)	(47)	(5)	(15)	(50)	(70)	(55)	(140)	(170)
<b>Normalised net profit</b>	<b>125</b>	<b>158</b>	<b>247</b>	<b>284</b>	<b>259</b>	<b>247</b>	<b>356</b>	<b>400</b>	<b>813</b>	<b>1,263</b>	<b>1,447</b>
Extraordinary items	0	0	-	(0)	-	-	-	-	-	-	-
<b>Net profit</b>	<b>125</b>	<b>158</b>	<b>247</b>	<b>284</b>	<b>259</b>	<b>247</b>	<b>356</b>	<b>400</b>	<b>813</b>	<b>1,263</b>	<b>1,447</b>
EPS (NT\$)	1.03	1.30	2.02	2.33	2.12	2.03	2.92	3.28	6.67	10.35	11.86
<b>Margins (%)</b>											
Gross profit margin	16.6	20.1	20.5	21.3	20.2	20.6	21.3	21.6	19.7	21.0	21.3
Operating margin	3.4	3.5	6.2	7.7	6.6	6.9	8.8	9.1	5.4	8.0	8.4
EBITDA margin	4.5	4.7	7.0	8.0	7.5	7.8	9.5	9.8	6.2	8.8	9.2
Pretax profit margin	3.6	5.2	7.3	8.3	7.1	7.5	9.3	9.5	6.2	8.5	8.8
Net profit margin	2.8	3.9	5.2	5.5	5.5	5.5	6.4	6.2	4.4	6.0	6.1
<b>Sequential growth (%)</b>											
Revenue growth	(10.3)	(7.0)	17.0	7.0	(8.0)	(5.0)	25.0	15.0			
Gross profit growth	(14.2)	12.5	19.4	11.2	(12.8)	(3.1)	29.2	16.6			
Operating profit growth	(37.2)	(4.5)	105.8	32.9	(21.1)	(0.7)	59.4	18.9			
EBITDA growth	(30.0)	(3.4)	74.2	23.0	(14.0)	(0.6)	52.3	17.4			
Pretax profit growth	79.9	35.0	63.3	21.5	(20.5)	(0.6)	54.9	18.0			
Net profit growth	436.2	26.3	56.1	15.0	(8.7)	(4.5)	44.0	12.4			
<b>YoY growth (%)</b>											
Revenue growth	(12.8)	13.0	34.1	4.4	7.1	9.4	16.9	25.6	7.3	15.3	11.1
Gross profit growth	(46.7)	(0.3)	49.6	28.0	30.2	12.2	21.5	27.4	(2.1)	22.9	12.7
Operating profit growth	(78.0)	(30.9)	487.7	64.0	105.9	114.2	65.9	48.5	(16.9)	72.1	16.4
EBITDA growth	(72.2)	(20.2)	288.6	44.9	78.0	83.1	60.2	52.9	(14.2)	64.5	16.0
Pretax profit growth	(79.9)	(31.5)	41.1	381.6	112.9	56.7	48.6	44.3	(20.1)	57.4	15.2
Net profit growth	(79.7)	(36.5)	37.4	1116.2	107.1	56.6	44.4	41.1	(23.7)	55.3	14.6

Source: Company data, KGI Research estimates



**Balance sheet**

NTSmn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Total assets</b>	<b>15,894</b>	<b>14,768</b>	<b>14,334</b>	<b>15,627</b>	<b>16,809</b>
<b>Current assets</b>	<b>15,423</b>	<b>13,994</b>	<b>13,612</b>	<b>14,976</b>	<b>16,251</b>
Cash & ST securities	3,490	3,927	4,644	5,217	5,455
Inventory	9,719	8,010	6,793	7,320	8,126
Accounts receivable	1,896	1,633	1,753	2,016	2,246
Other current assets	317	423	423	423	423
<b>Non-current assets</b>	<b>471</b>	<b>774</b>	<b>722</b>	<b>651</b>	<b>558</b>
LT investments	2	2	2	2	2
Net fixed assets	242	462	410	338	246
Other assets	227	310	310	310	310
<b>Total liabilities</b>	<b>7,105</b>	<b>5,874</b>	<b>5,117</b>	<b>5,853</b>	<b>6,387</b>
<b>Current liabilities</b>	<b>7,014</b>	<b>5,814</b>	<b>5,057</b>	<b>5,792</b>	<b>6,327</b>
Accounts payable	4,457	3,003	3,302	3,736	4,148
Interest bearing ST liabilities	-	625	-	-	-
Other current liabilities	2,557	2,186	1,755	2,056	2,179
<b>Non-current liabilities</b>	<b>92</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>
Long-term debt	-	-	-	-	-
Other L-T liabilities	43	20	20	20	20
<b>Total equity</b>	<b>8,789</b>	<b>8,894</b>	<b>9,217</b>	<b>9,774</b>	<b>10,422</b>
Share capital	1,229	1,220	1,220	1,220	1,220
Retained earnings reserve	2,628	1,773	2,041	2,458	2,935
Minority interests	518	702	757	897	1,067
Preferred shareholders funds	-	-	-	-	-

**Key ratios**

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Growth</b>					
Revenue growth	10.3%	(13.4%)	7.3%	15.3%	11.1%
Operating profit growth	64.6%	(61.2%)	(16.9%)	72.1%	16.4%
EBITDA growth	62.7%	(58.1%)	(14.2%)	64.5%	16.0%
Net profit growth	74.7%	(55.2%)	(23.7%)	55.3%	14.6%
EPS growth	74.1%	(55.8%)	(23.3%)	55.3%	14.6%
<b>Profitability</b>					
Gross profit margin	28.2%	21.6%	19.7%	21.0%	21.3%
Operating margin	15.5%	6.9%	5.4%	8.0%	8.4%
EBITDA margin	15.9%	7.7%	6.2%	8.8%	9.2%
Net profit margin	12.0%	6.2%	4.4%	6.0%	6.1%
Return on average assets	17.2%	7.0%	5.6%	8.4%	8.9%
Return on average equity	31.4%	13.0%	9.8%	14.6%	15.9%
<b>Stability</b>					
Gross debt to equity	0.0%	7.0%	0.0%	0.0%	0.0%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	3,816.4	123.2	166.2	1,389.5	1,605.6
Interest & ST debt coverage (x)	1.0	0.7	1.0	1.0	1.0
Cash flow interest coverage(x)	1,277.2	97.5	340.9	829.3	781.3
Cash flow/int. & ST debt (x)	1,277.2	1.8	340.9	829.3	781.3
Current ratio (x)	2.2	2.4	2.7	2.6	2.6
Quick ratio (x)	0.8	1.0	1.3	1.3	1.3
Net debt (NT\$mn)	(2,214)	(2,963)	(4,304)	(4,878)	(5,116)
<b>Per share data</b>					
EPS (NT\$)	19.67	8.69	6.67	10.35	11.86
CFPS (NT\$)	8.46	9.30	19.33	8.81	8.27
BVPS (NT\$)	67.29	67.15	69.35	72.77	76.68
Adj BVPS (NT\$)	68.33	66.77	69.36	72.78	76.69
SPS (NT\$)	163.26	139.54	150.66	173.75	193.07
EBITDA/share (NT\$)	26.02	10.75	9.28	15.27	17.72
Cash DPS (NT\$)	13.00	8.00	4.47	6.94	7.95
<b>Activity</b>					
Sales / avg assets	1.43	1.12	1.26	1.41	1.45
Days receivable	35.0	34.8	34.8	34.8	34.8
Days inventory	249.9	217.9	168.0	160.0	160.0
Days payable	114.6	81.7	81.7	81.7	81.7
Cash cycle	170.3	171.0	121.1	113.1	113.1

Source: Company data, KGI Research estimates

**Profit & loss**

NTSmn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Revenue</b>	<b>19,763</b>	<b>17,121</b>	<b>18,379</b>	<b>21,195</b>	<b>23,552</b>
Cost of goods sold	(14,199)	(13,420)	(14,758)	(16,744)	(18,538)
<b>Gross profit</b>	<b>5,564</b>	<b>3,701</b>	<b>3,621</b>	<b>4,451</b>	<b>5,014</b>
Operating expenses	(2,506)	(2,516)	(2,636)	(2,755)	(3,040)
<b>Operating profit</b>	<b>3,058</b>	<b>1,185</b>	<b>985</b>	<b>1,696</b>	<b>1,974</b>
<b>Non-operating income</b>	<b>62</b>	<b>425</b>	<b>204</b>	<b>144</b>	<b>140</b>
Interest income	13	33	94	84	80
Investment income	-	-	-	-	-
Other non-op income	49	392	110	60	60
<b>Non-operating expenses</b>	<b>(60)</b>	<b>(180)</b>	<b>(47)</b>	<b>(41)</b>	<b>(41)</b>
Interest expense	(1)	(12)	(7)	(1)	(1)
Investment loss	-	-	-	-	-
Other non-op expenses	(59)	(168)	(40)	(40)	(40)
<b>Pre-tax profit</b>	<b>3,060</b>	<b>1,431</b>	<b>1,143</b>	<b>1,799</b>	<b>2,073</b>
Current taxation	(600)	(204)	(274)	(396)	(456)
Minorities	(79)	(161)	(55)	(140)	(170)
Extraordinary items	-	(0)	-	-	-
<b>Net profit</b>	<b>2,381</b>	<b>1,066</b>	<b>813</b>	<b>1,263</b>	<b>1,447</b>
<b>EBITDA</b>	<b>3,150</b>	<b>1,320</b>	<b>1,132</b>	<b>1,863</b>	<b>2,162</b>
EPS (NT\$)	19.67	8.69	6.67	10.35	11.86

**Cash flow**

NTSmn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Operations cash flow</b>	<b>1,024</b>	<b>1,141</b>	<b>2,358</b>	<b>1,074</b>	<b>1,009</b>
Net profit	2,381	1,066	813	1,263	1,447
Depreciation & amortisation	92	134	147	167	188
Decrease in working capital	(2,410)	326	1,397	(356)	(625)
Other operating cash flow	961	(385)	-	0	(0)
<b>Investing cash flow</b>	<b>(517)</b>	<b>869</b>	<b>(95)</b>	<b>(95)</b>	<b>(95)</b>
Sale of ST investment	(460)	940	-	-	-
New investments	-	-	-	-	-
Capital expenditure	(46)	(88)	(85)	(85)	(85)
Others investing cashflow	(11)	17	(10)	(10)	(10)
<b>Free cash flow</b>	<b>86</b>	<b>1,381</b>	<b>2,198</b>	<b>1,039</b>	<b>1,007</b>
<b>Financing cash flow</b>	<b>(953)</b>	<b>(1,029)</b>	<b>(1,546)</b>	<b>(405)</b>	<b>(676)</b>
Increase in short term debt	-	625	(625)	-	-
Increase in long term loans	-	-	-	-	-
New ordinary shares issued	23	-	-	-	-
Ordinary dividends paid	(965)	(1,611)	(976)	(545)	(846)
Other financing cashflow	(11)	(43)	55	140	170
<b>Forex effects</b>	<b>(103)</b>	<b>393</b>			
<b>Total cash generated</b>	<b>(549)</b>	<b>1,374</b>	<b>716</b>	<b>574</b>	<b>238</b>

**ROIC**

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	12.7%	14.7%	14.3%	13.0%	12.9%
<b>= Operating margin</b>	<b>15.5%</b>	<b>6.9%</b>	<b>5.4%</b>	<b>8.0%</b>	<b>8.4%</b>
1 / (Working capital/revenue	0.2	0.3	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
<b>= Capital turnover</b>	<b>3.8</b>	<b>3.2</b>	<b>4.2</b>	<b>4.9</b>	<b>5.0</b>
Operating margin	15.5%	6.9%	5.4%	8.0%	8.4%
x Capital turnover	3.8	3.2	4.2	4.9	5.0
x (1 - tax rate)	80.4%	85.7%	76.0%	78.0%	78.0%
<b>= After-tax ROIC</b>	<b>47.3%</b>	<b>18.9%</b>	<b>17.2%</b>	<b>30.5%</b>	<b>32.4%</b>

Source: Company data, KGI Research estimates

## ASROCK – Recommendation &amp; target price history



Date	Rating	Target	Price
2023-07-14	Neutral	265.0	257.5
2023-06-09	Neutral	196.0	201.0

Source: TEJ, KGI Research

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