



## Auras (3324.TW/3324 TT)

### 2H23F earnings to beat; positive 2024F outlook intact

FTSE4Good TIP Taiwan ESG Index stock

#### Outperform · Maintained

Price as of September 25 (NT\$)	312.5
12M target price (NT\$)	400.0
Previous target price (NT\$)	390.0
Revised up (%)	2.6
Upside (%)	28.0

#### Key message

2H23F sales guidance is stronger than we expected as a result of higher gross margin given growing server and graphics card thermal sales. We maintain Outperform on stronger 2H23F earnings, and a better 2024F EPS outlook. Our target price is raised from NT\$390 to NT\$400 (20x average 2024-25F fully-diluted EPS).

#### Trading data

Mkt cap (NT\$bn/US\$m)	27.63 / 859
Outstanding shares (mn)	88.42
Foreign ownership (mn)	13.88
3M avg. daily trading (mn)	7.43
52-week trading range (NT\$)	117.0 –344.0

Performance	3M	6M	12M
Absolute (%)	6.8	60.7	98.4
Relative (%)	11.2	57.3	81.9

#### Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	3.42A	4.15A	4.74A	2.37A
2023	3.22A	2.78A	4.07F	3.53F
2024	3.51F	4.12F	5.52F	5.26F

#### Share price chart



Source: TEJ

#### Event

2H23F sales guidance is stronger than we expected as a result of higher gross margin given growing server and graphics card thermal sales.

#### Impact

**3Q23F sales to beat consensus.** July and August sales rose MoM, and we expect September sales to grow MoM. Therefore, we now expect 3Q23F sales to beat our previous estimate and consensus of 18% QoQ. We revise up our 3Q23 sales growth forecast to 34% QoQ and 4% YoY to reflect better-than-expected server and graphics card/motherboard sales, triggered by cold plate shipments ramp for liquid cooling in AI server. We have learned that while general-purpose server demand is still soft, AI server demand keeps growing on H100 GPU supply improvement recently. Graphics card demand from the supply chain has also seen recovery in 3Q23, which may last up to early 4Q23F. Thus, the sales weighting of graphics card and server will each rise to around 25% in 3Q23F, vs. 21% and 23%, respectively, in 2Q23. On a better product mix, with more sales contribution from liquid cooling and new platforms, and a favorable NT dollar trend, gross margin should improve QoQ to 22.5% in 3Q23F. Higher sales will further benefit operating margin in 3Q-4Q23F. We thus revise up 2H23F sales and EPS, and our 2023 EPS forecast is raised to NT\$13.61, down 7% YoY, along with a projection of a sales decline of 7% and operating profit growth of 9% YoY.

**ASP & gross margin to benefit from AI server.** Auras started cold plate shipments in 2Q23 at small volume for AI server projects (liquid cooling), and will double such shipments in 3Q23F for one US client. We expect the much higher ASP of cold plate (US\$200-250 per GPU) vs. 3D VC (US\$70-80) to boost sales by 6-7% in 3Q23F. The firm expects more liquid cooling projects and sales contribution in 2024F, while more cooling distribution units (CDU) will be produced in-house, which will further expand ASP and also benefit gross margin. Aside from AI server, we are also positive on 2024F sales growth given regular server demand resumption for new CPU platforms. Therefore, we estimate Auras' server sales weighting will expand to 31% in 2024F from 24% in 2023F, and that a better gross margin for server (above 25%) should boost overall margin. We think growing thermal design power (TDP) IT devices will boost thermal upgrade to VC, 3D-VC, and liquid cooling adoption, and that ASP and gross margin uptrend of these solutions will benefit gross margin in 2023-25F. With the gross margin uptrend intact but with a lower operating expenses ratio, we slightly raise our 2024 EPS forecast to NT\$18.42, up 35% YoY.

#### Valuation & Action

We maintain Outperform on stronger 2H23F earnings, and a better 2024F EPS outlook. Our target price is raised from NT\$390 to NT\$400 (20x average 2024-25F fully-diluted EPS).

#### Risks

Material price hikes; weak demand.

#### Key financials and valuations

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (NT\$m)	14,258	13,857	12,869	15,660	18,145
Gross profit (NT\$m)	2,663	2,722	2,877	3,672	4,375
Operating profit (NT\$m)	1,379	1,173	1,273	1,911	2,580
Net profit (NT\$m)	1,133	1,264	1,171	1,585	2,095
EPS (NT\$)	13.12	14.68	13.61	18.42	24.34
Cash DPS (NT\$)	6.00	6.50	5.87	7.94	10.49
EPS growth (%)	1.9	11.9	(7.3)	35.4	32.2
PE (x)	23.8	21.3	23.0	17.0	12.8
PB (x)	5.8	5.0	4.4	3.9	3.3
EV/EBITDA (x)	14.5	16.2	16.3	11.4	8.5
Net debt to equity (%)	4.5	4.6	Net cash	Net cash	Net cash
Dividend yield (%)	1.9	2.1	1.9	2.5	3.4
Return on average equity (%)	24.3	24.5	19.9	23.8	27.3

Source: Company data, KGI Research estimates

**Figure 1: Breakdown of 3Q-4Q23 forecast revisions vs. consensus**

NT\$m	3Q23F								4Q23F							
	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)		
Sales	3,479	3,063	13.6	34.0	4.3	3,065	13.5	3,514	3,523	(0.3)	1.0	2.5	3,585	(2.0)		
Gross profits	783	689	13.6	46.2	13.8	671	16.6	826	828	(0.3)	5.5	15.1	830	(0.6)		
Operating income	355	291	21.9	138.6	31.6	307	15.6	404	412	(2.0)	13.9	25.9	515	(21.5)		
Pretax income	434	300	44.6	44.8	(19.8)	338	28.2	403	421	(4.3)	(7.1)	54.1	399	1.0		
Net income	351	241	45.5	46.6	(14.0)	269	30.5	304	321	(5.4)	(13.3)	49.0	311	(2.1)		
EPS (NT\$)	4.07	2.80	45.5	46.6	(14.0)	3.12	30.5	3.53	3.73	(5.4)	(13.3)	49.0	3.61	(2.1)		
Gross margin (%)	22.5	22.5	0.0 ppts	1.9 ppts	1.9 ppts	21.9	0.6 ppts	23.5	23.5	0.0 ppts	1.0 ppts	2.6 ppts	23.2	0.3 ppts		
OP margin (%)	10.2	9.5	0.7 ppts	4.5 ppts	2.1 ppts	10.0	0.2 ppts	11.5	11.7	(0.2)ppts	1.3 ppts	2.1 ppts	14.4	(2.9)ppts		
Net margin (%)	10.1	7.9	2.2 ppts	0.9 ppts	(2.1)ppts	8.8	1.3 ppts	8.7	9.1	(0.5)ppts	(1.4)ppts	2.7 ppts	8.7	(0.0)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. (%)	Revision	Previous	Chg. (%)	YoY (%)
Sales	12,869	12,463	3.3	(7.1)	12,891	(0.2)	15,660	15,400	1.7	21.7	15,126	3.5	18,145	17,520	3.6	15.9
Gross profit	2,877	2,785	3.3	5.7	2,766	4.0	3,672	3,610	1.7	27.7	3,322	10.6	4,375	4,224	3.6	19.1
Operating income	1,273	1,218	4.6	8.5	1,304	(2.3)	1,911	1,894	0.9	50.1	1,777	7.5	2,580	2,491	3.6	35.0
Pretax income	1,489	1,373	8.4	(8.5)	1,466	1.6	2,006	1,982	1.2	34.8	1,890	6.2	2,644	2,554	3.5	31.8
Net income	1,171	1,079	8.6	(7.3)	1,153	1.6	1,585	1,566	1.2	35.4	1,481	7.1	2,095	2,023	3.5	32.2
EPS (NT\$)	13.61	12.53	8.6	(7.3)	13.40	1.6	18.42	18.19	1.2	35.4	17.20	7.1	24.34	23.51	3.5	32.2
Gross margin (%)	22.4	22.3	0.0 ppts	2.7 ppts	21.5	0.9 ppts	23.5	23.4	0.0 ppts	1.1 ppts	22.0	1.5 ppts	24.1	24.1	0.0 ppts	0.7 ppts
OP margin (%)	9.9	9.8	0.1 ppts	1.4 ppts	10.1	(0.2)ppts	12.2	12.3	(0.1)ppts	2.3 ppts	11.8	0.5 ppts	14.2	14.2	0.0 ppts	2.0 ppts
Net margin (%)	9.1	8.7	0.4 ppts	(0.0)ppts	8.9	0.2 ppts	10.1	10.2	(0.0)ppts	1.0 ppts	9.8	0.3 ppts	11.5	11.5	(0.0)ppts	1.4 ppts

Source: Bloomberg; KGI Research estimates

**Figure 3: Product mix forecasts**

Sales weighting (%)	2018	2019	2020	2021	2022	2023F	2024F	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
NB	27	23	31	34	36	33	29	34	31	35	37	36	39	36	33	31	39
DT	13	9	7	7	6	9	8	10	6	6	5	4	5	8	8	10	11
Gaming PC & VGA & MB	31	27	33	35	29	27	26	37	41	32	33	34	29	25	28	33	21
Server	18	17	16	16	22	24	31	12	16	17	19	17	20	25	26	23	23
Smartphone	6	19	9	4	4	3	2	4	3	4	3	5	3	3	3	2	4
Others	5	5	4	4	3	4	3	4	3	6	3	4	4	3	1	1	2
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
<b>Sales (NT\$m)</b>																	
NB	2,067	2,357	3,786	4,902	4,975	4,229	4,483	1,150	928	1,296	1,527	1,363	1,290	1,180	1,141	1,017	1,013
DT	995	922	855	934	869	1,173	1,290	326	180	222	206	151	165	267	285	328	286
Gaming PC & VGA & MB	2,373	2,716	4,031	5,045	4,036	3,430	4,117	1,270	1,227	1,185	1,362	1,287	959	834	955	1,082	545
Server	1,378	1,742	1,954	2,305	3,042	3,134	4,857	412	479	630	784	644	662	834	903	754	597
Smartphone	459	1,985	1,099	499	504	353	381	137	90	148	124	189	99	100	116	66	104
Others	383	512	489	573	431	550	532	137	90	222	124	151	132	120	27	33	52
Total	7,654	10,248	12,214	14,258	13,857	12,869	15,660	3,433	2,993	3,704	4,127	3,786	3,309	3,335	3,428	3,280	2,596
<b>Sales YoY (%)</b>																	
NB	(7)	14	61	29	1	(15)	6	90	4	6	44	18	39	(9)	(25)	(25)	(22)
DT	10	(7)	(7)	9	(7)	35	10	142	0	65	(49)	(54)	(8)	20	38	117	73
Gaming PC & VGA & MB	14	14	48	25	(20)	(15)	20	183	21	4	(4)	1	(22)	(30)	(30)	(16)	(43)
Server	148	26	12	18	32	3	55	(3)	0	10	64	56	38	32	15	17	(10)
Smartphone	(17)	332	(45)	(55)	1	(30)	8	(74)	(62)	(12)	(20)	38	11	(32)	(7)	(65)	5
Others	(39)	34	(5)	17	(25)	28	(3)	53	(50)	89	21	10	47	(46)	(78)	(78)	(61)
Total	10	34	19	17	(3)	(7)	22	53	0	10	14	10	11	(10)	(17)	(13)	(22)
<b>Sales QoQ (%)</b>																	
NB								9	(19)	40	18	(11)	(5)	(9)	(3)	(11)	(0)
DT								(20)	(45)	24	(7)	(27)	9	61	7	15	(13)
Gaming PC & graphics cards								(11)	(3)	(3)	15	(5)	(25)	(13)	15	13	(50)
Server								(14)	16	31	25	(18)	3	26	8	(16)	(21)
Smartphone								(11)	(35)	65	(16)	53	(48)	1	15	(43)	58
Others								35	(35)	148	(44)	22	(13)	(9)	(78)	22	58
Total								(5)	(13)	24	11	(8)	(13)	1	3	(4)	(21)

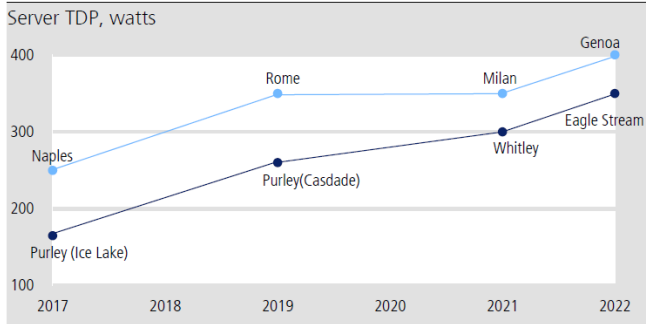
Source: company data; KGI Research estimates

Figure 4: Thermal TDP uptrend for various IT applications to boost ASP & gross margin

			2018	2019	2020	2021	2022	2023F	
NB	Intel	Platform TDP			Ice lake 9-28W	Comet lake 7-45W (Max 60W)	Tiger lake 5-65W (Max 109W)	Alder lake 5-55W (Max 71W)	Meteor lake 5-125W (Max 150W)
	Nvidia	Platform TDP	Volta 12nm 280W		Ampere 8nm 430W		Ada lovelace 5nm 450W		Ada lovelace Next-Gen >530W
VGA	AMD	Platform TDP	VEGA 14nm 250W		VEGA 7nm 300W	NAVI 7nm 300W	NAVI 2 7nm 350W	Next-Gen 7nm+ 380W	
	Intel	Platform TDP	Alchemist (Xe HPG) 250W						
Server	Intel	Platform TDP					Whitley 14nm (Ice-Lake) 270W	Eagle Stream (Intel 7) (Sapphire Rapids) 350W	Eagle Stream (Intel 7) (Emerald Rapids) 350W
	AMD	Platform TDP	Naples 14nm 180-280W	Rome 7nm 280-350W		Milan 7nm 280-350W		Genoa 5nm Up to 400W	Bergamo 5nm 500W
AI GPGPU	Intel	Platform TDP	Ponte Vecchio 7nm 700W						
	AMD	Platform TDP	MI 100 7nm 300W		MI 200 500W				
	Nvidia	Platform TDP				A100 7nm 400W	H100 5nm 700W		
Network	Broadcom switch	Platform TDP	Tomohawk3 14nm 280W		Tomohawk4 14nm 365W		Tomohawk4 14nm 400W		Tomohawk Next-Gen >800W

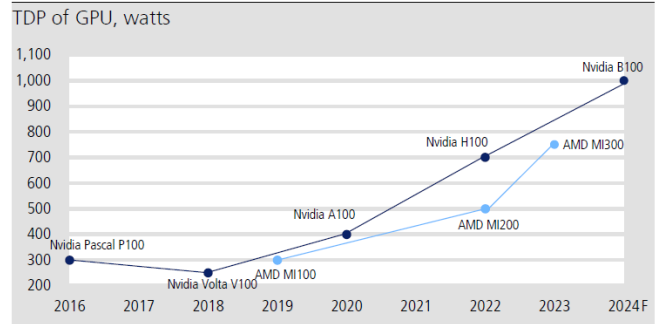
Source: company data, KGI Research

Figure 5: Rising TDP trend for server CPU



Source: Company data, KGI Research

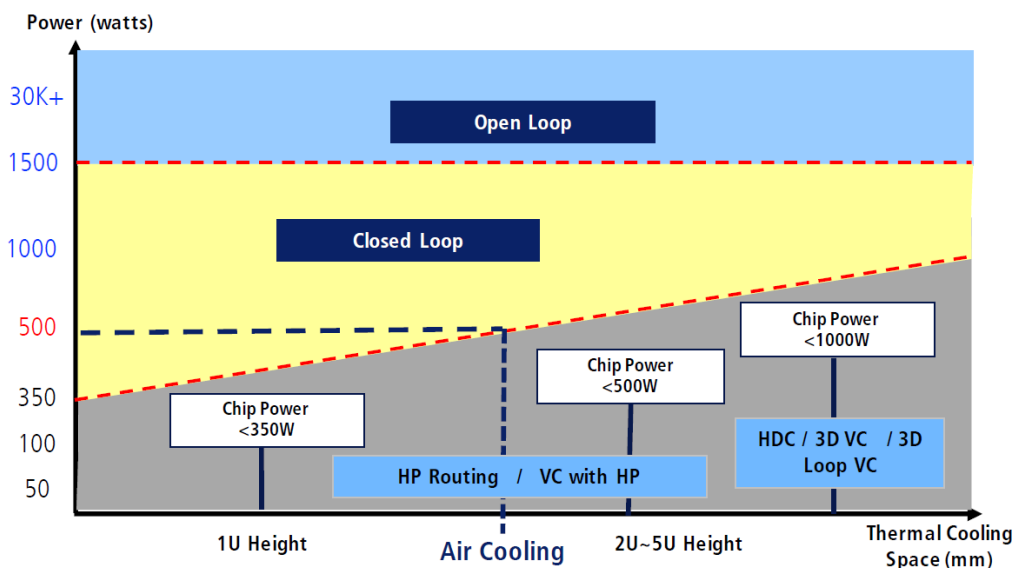
Figure 6: Higher TDP for GPU



Source: Company data, KGI Research

Figure 7: Air cooling migration to liquid cooling on increasing heat generated by rising computing performance

Thermal cooling, mm (x-axis); power, watts (y-axis)



Source: Auras, KGI Research

**Figure 8: Peer comparison – Valuations**

Sector	Company	Ticker	Market cap. (US\$mn)	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
Cooling fan	Sunonwealth	2421 TT	855	109.5	Outperform	160.0	6.01	7.43	38.5	23.7	18.2	14.7	4.9	4.4	27.8	31.6	2.4	3.9
	Nidec Corp*	6594 JP	28,266	7,030.0	Not rated	N.A.	138.97	307.61	(40.2)	121.4	50.6	22.9	3.4	3.1	7.0	12.7	0.9	1.0
	Minebea Mitsumi*	6479 JP	7,162	2,487.0	Not rated	N.A.	181.92	161.62	7.0	(11.2)	13.7	15.4	2.0	1.7	13.2	10.1	1.4	1.6
Thermal module/ Cooling fan	AVC*	3017 TT	3,542	297.0	Not rated	N.A.	13.05	15.54	10.8	19.1	22.5	17.5	6.3	5.7	27.8	29.8	1.8	2.1
	Delta Elec	2308 TT	27,197	336.5	Outperform	410.0	13.26	16.38	5.5	23.5	25.4	20.5	4.7	4.2	18.5	21.6	2.9	2.2
Thermal module	Nidec CCI*	6230 TT	395	147.0	Not rated	N.A.	6.41	N.A.	(9.8)	(7.6)	9.9	18.6	N.A.	N.A.	11.0	N.M.	0.7	N.A.
	Auras	3324 TT	859	312.5	Outperform	400.0	13.61	18.42	(7.3)	35.4	23.0	17.0	4.4	3.9	19.9	23.8	2.1	1.9
	Taisol*	3338 TT	173	63.10	Not rated	N.A.	2.47	2.88	(19.0)	16.6	25.5	21.9	3.1	3.0	12.2	14.2	3.2	3.0
	Foxconn Tech*	2354 TT	2,535	57.6	Not rated	N.A.	4.34	5.41	43.7	24.7	13.3	10.6	0.6	0.5	5.8	7.0	2.8	2.6
	Fujikura Ltd*	5803 JP	2,484	1,245.0	Not rated	N.A.	159.49	156.65	12.4	(1.8)	7.8	7.9	1.9	1.3	18.5	14.9	0.8	2.1
	Furukawa Elect*	5801 JP	1,214	2,548.5	Not rated	N.A.	219.11	163.90	52.8	(25.2)	11.6	15.5	0.7	0.6	5.4	3.8	2.4	2.4

Source: KGI Research; \*Bloomberg consensus

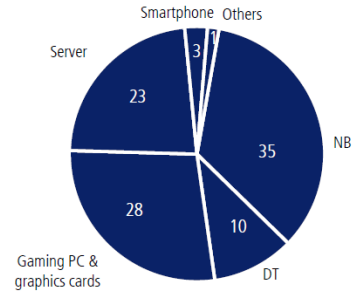
**Figure 9: Company profile**

Established in 1998, Auras is a top-three thermal solution maker in Taiwan, serving the NB/DT, graphics card, gaming PC, server, and smartphone industries. Top clients include MSI (2377 TT, NT\$170.5, OP), Dell (US), HP (US), Asustek (2357 TT, NT\$359.5, OP), and Samsung (KR). 2022 application sales mix was NB (36%), DT (6%), graphics cards/gaming PC (29%), server (22%), smartphone (4%), and others (3%). 2022-23F sales growth will be mainly driven by server.

Source: KGI Research

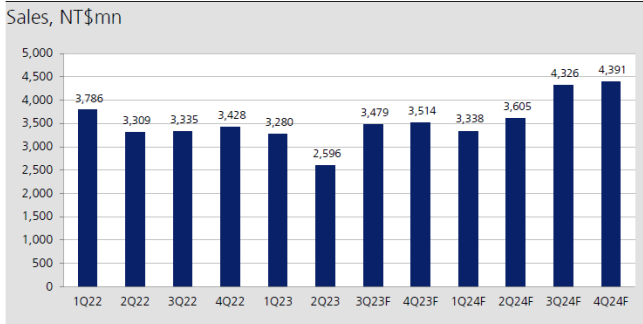
**Figure 10: NB, gaming PC & graphics card and server solutions contribute bulk of sales**

Sales weighting in 1H23, percent



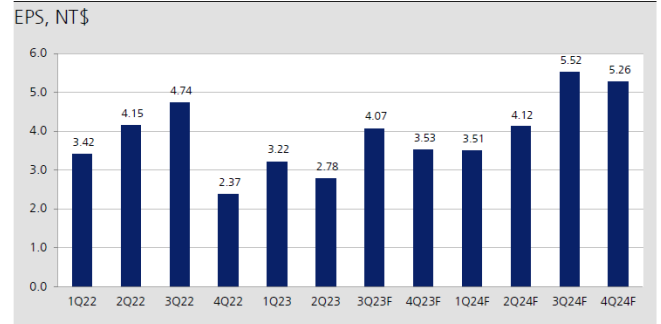
Source: company data; KGI Research

**Figure 11: Sales**



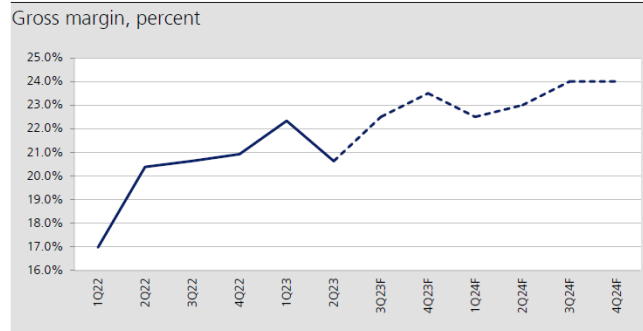
Source: KGI Research

**Figure 12: EPS**



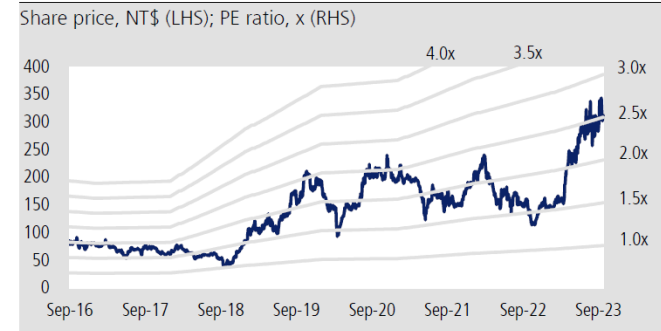
Source: KGI Research

**Figure 13: Gross Margin**



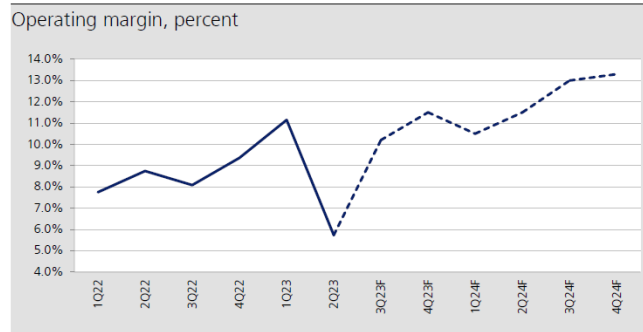
Source: KGI Research

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



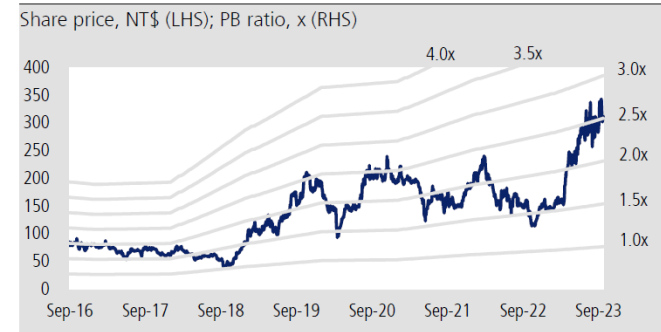
Source: TEJ; KGI Research estimates

**Figure 15: Operating Margin**



Source: KGI Research

**Figure 16: 12M forward PB band**



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>3,280</b>	<b>2,596</b>	<b>3,479</b>	<b>3,514</b>	<b>3,338</b>	<b>3,605</b>	<b>4,326</b>	<b>4,391</b>	<b>12,869</b>	<b>15,660</b>	<b>18,145</b>
Cost of goods sold	(2,548)	(2,061)	(2,696)	(2,688)	(2,587)	(2,776)	(3,288)	(3,337)	(9,992)	(11,988)	(13,769)
<b>Gross profit</b>	<b>733</b>	<b>535</b>	<b>783</b>	<b>826</b>	<b>751</b>	<b>829</b>	<b>1,038</b>	<b>1,054</b>	<b>2,877</b>	<b>3,672</b>	<b>4,375</b>
Operating expenses	(367)	(387)	(428)	(422)	(401)	(415)	(476)	(470)	(1,603)	(1,761)	(1,795)
<b>Operating profit</b>	<b>366</b>	<b>149</b>	<b>355</b>	<b>404</b>	<b>350</b>	<b>415</b>	<b>562</b>	<b>584</b>	<b>1,273</b>	<b>1,911</b>	<b>2,580</b>
Depreciation of fixed assets	(115)	(111)	(88)	(38)	(108)	(108)	(108)	(108)	(351)	(433)	(516)
Amortisation of intangible assets	(7)	(8)	(9)	(13)	(9)	(9)	(9)	(9)	(37)	(37)	(37)
<b>EBITDA</b>	<b>487</b>	<b>268</b>	<b>452</b>	<b>455</b>	<b>468</b>	<b>532</b>	<b>680</b>	<b>702</b>	<b>1,661</b>	<b>2,382</b>	<b>3,133</b>
Interest income	2	6	4	5	4	4	4	4	18	17	15
Investment income	0	-	3	7	3	3	3	3	10	10	10
Other non-op income	32	148	100	20	45	45	45	45	300	180	150
<b>Non-operating income</b>	<b>34</b>	<b>154</b>	<b>107</b>	<b>33</b>	<b>52</b>	<b>52</b>	<b>52</b>	<b>52</b>	<b>328</b>	<b>207</b>	<b>175</b>
Interest expense	(10)	(3)	(7)	(7)	(7)	(7)	(7)	(7)	(27)	(27)	(26)
Investment loss	-	(1)	(1)	(3)	(1)	(1)	(1)	(1)	(5)	(5)	(5)
Other non-op expenses	(37)	0	(20)	(23)	(20)	(20)	(20)	(20)	(80)	(80)	(80)
<b>Non-operating expenses</b>	<b>(47)</b>	<b>(4)</b>	<b>(28)</b>	<b>(34)</b>	<b>(28)</b>	<b>(28)</b>	<b>(28)</b>	<b>(28)</b>	<b>(112)</b>	<b>(112)</b>	<b>(111)</b>
<b>Pre-tax profit</b>	<b>353</b>	<b>300</b>	<b>434</b>	<b>403</b>	<b>374</b>	<b>438</b>	<b>586</b>	<b>608</b>	<b>1,489</b>	<b>2,006</b>	<b>2,644</b>
Current taxation	(76)	(58)	(78)	(86)	(67)	(79)	(106)	(150)	(298)	(401)	(529)
Minorities	0	(2)	(5)	(13)	(5)	(5)	(5)	(5)	(20)	(20)	(20)
<b>Normalised net profit</b>	<b>277</b>	<b>239</b>	<b>351</b>	<b>304</b>	<b>302</b>	<b>354</b>	<b>476</b>	<b>453</b>	<b>1,171</b>	<b>1,585</b>	<b>2,095</b>
Extraordinary items	(0)	(0)	-	0	-	-	-	-	-	-	-
<b>Net profit</b>	<b>277</b>	<b>239</b>	<b>351</b>	<b>304</b>	<b>302</b>	<b>354</b>	<b>476</b>	<b>453</b>	<b>1,171</b>	<b>1,585</b>	<b>2,095</b>
EPS (NT\$)	3.22	2.78	4.07	3.53	3.51	4.12	5.52	5.26	13.61	18.42	24.34
<b>Margins (%)</b>											
Gross profit margin	22.3	20.6	22.5	23.5	22.5	23.0	24.0	24.0	22.4	23.5	24.1
Operating margin	11.1	5.7	10.2	11.5	10.5	11.5	13.0	13.3	9.9	12.2	14.2
EBITDA margin	14.9	10.3	13.0	12.9	14.0	14.8	15.7	16.0	12.9	15.2	17.3
Pretax profit margin	10.7	11.5	12.5	11.5	11.2	12.2	13.5	13.8	11.6	12.8	14.6
Net profit margin	8.5	9.2	10.1	8.7	9.0	9.8	11.0	10.3	9.1	10.1	11.5
<b>Sequential growth (%)</b>											
Revenue growth	(4.3)	(20.9)	34.0	1.0	(5.0)	8.0	20.0	1.5			
Gross profit growth	2.2	(26.9)	46.2	5.5	(9.0)	10.4	25.2	1.5			
Operating profit growth	13.9	(59.3)	138.6	13.9	(13.3)	18.3	35.7	3.8			
EBITDA growth	7.7	(45.1)	68.9	0.6	3.0	13.7	27.8	3.2			
Pretax profit growth	34.8	(15.0)	44.8	(7.1)	(7.1)	17.1	33.7	3.7			
Net profit growth	35.8	(13.7)	46.6	(13.3)	(0.7)	17.4	34.2	(4.7)			
<b>YoY growth (%)</b>											
Revenue growth	(13.4)	(21.5)	4.3	2.5	1.8	38.9	24.4	25.0	(7.1)	21.7	15.9
Gross profit growth	14.0	(20.6)	13.8	15.1	2.5	54.8	32.6	27.6	5.7	27.7	19.1
Operating profit growth	24.7	(48.6)	31.6	25.9	(4.1)	178.8	58.5	44.5	8.5	50.1	35.0
EBITDA growth	11.9	(36.8)	13.6	0.5	(3.9)	98.9	50.5	54.3	(2.8)	43.4	31.5
Pretax profit growth	(5.4)	(33.8)	(19.8)	54.1	6.1	46.3	35.1	50.8	(8.5)	34.8	31.8
Net profit growth	(5.7)	(33.1)	(14.0)	49.0	8.9	48.1	35.6	49.1	(7.3)	35.4	32.2

Source: Company data, KGI Research estimates

**Balance sheet**

NTSmn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Total assets</b>	<b>11,895</b>	<b>11,743</b>	<b>12,262</b>	<b>13,945</b>	<b>15,960</b>
<b>Current assets</b>	<b>8,978</b>	<b>8,420</b>	<b>8,493</b>	<b>9,834</b>	<b>11,578</b>
Cash & ST securities	1,494	1,492	2,098	2,183	2,771
Inventory	2,292	2,072	1,859	2,225	2,562
Accounts receivable	4,745	4,490	4,170	5,061	5,880
Other current assets	448	365	365	365	365
<b>Non-current assets</b>	<b>2,917</b>	<b>3,323</b>	<b>3,769</b>	<b>4,112</b>	<b>4,382</b>
LT investments	109	128	175	201	238
Net fixed assets	2,442	2,715	3,114	3,431	3,665
Other assets	366	480	480	480	480
<b>Total liabilities</b>	<b>6,986</b>	<b>5,933</b>	<b>5,780</b>	<b>6,560</b>	<b>7,387</b>
<b>Current liabilities</b>	<b>5,670</b>	<b>5,620</b>	<b>4,305</b>	<b>5,378</b>	<b>5,970</b>
Accounts payable	4,091	2,848	2,556	3,058	3,522
Interest bearing ST liabilities	416	1,498	517	904	806
Other current liabilities	1,162	1,273	1,232	1,416	1,641
<b>Non-current liabilities</b>	<b>1,317</b>	<b>313</b>	<b>1,475</b>	<b>1,182</b>	<b>1,417</b>
Long-term debt	1,299	255	1,416	1,124	1,359
Other L-T liabilities	9	0	0	0	0
<b>Total equity</b>	<b>4,909</b>	<b>5,810</b>	<b>6,482</b>	<b>7,385</b>	<b>8,573</b>
Share capital	884	884	884	884	884
Retained earnings reserve	2,722	3,304	3,957	4,840	6,007
Minority interests	166	244	264	284	304
Preferred shareholders funds	-	-	-	-	-

**Key ratios**

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Growth</b>					
Revenue growth	16.7%	(2.8%)	(7.1%)	21.7%	15.9%
Operating profit growth	(11.7%)	(14.9%)	8.5%	50.1%	35.0%
EBITDA growth	(3.9%)	(10.0%)	(2.8%)	43.4%	31.5%
Net profit growth	1.9%	11.6%	(7.3%)	35.4%	32.2%
EPS growth	1.9%	11.9%	(7.3%)	35.4%	32.2%
<b>Profitability</b>					
Gross profit margin	18.7%	19.6%	22.4%	23.5%	24.1%
Operating margin	9.7%	8.5%	9.9%	12.2%	14.2%
EBITDA margin	13.3%	12.3%	12.9%	15.2%	17.3%
Net profit margin	7.9%	9.1%	9.1%	10.1%	11.5%
Return on average assets	10.3%	10.7%	9.8%	12.1%	14.0%
Return on average equity	24.3%	24.5%	19.9%	23.8%	27.3%
<b>Stability</b>					
Gross debt to equity	34.9%	30.2%	29.8%	27.5%	25.3%
Net debt to equity	4.5%	4.6%	Net cash	Net cash	Net cash
Interest coverage (x)	62.2	43.4	55.7	75.0	101.3
Interest & ST debt coverage (x)	0.8	0.5	0.7	0.7	0.8
Cash flow interest coverage(x)	62.1	32.3	66.0	47.8	74.0
Cash flow/int. & ST debt (x)	3.3	0.8	3.3	1.4	2.3
Current ratio (x)	1.6	1.5	2.0	1.8	1.9
Quick ratio (x)	1.2	1.1	1.5	1.4	1.5
Net debt (NT\$m)	221	269	(157)	(147)	(597)
<b>Per share data</b>					
EPS (NT\$)	13.12	14.68	13.61	18.42	24.34
CFPS (NT\$)	16.72	14.41	20.85	15.07	22.66
BVPS (NT\$)	53.65	62.97	70.35	80.34	93.55
Adj BVPS (NT\$)	54.94	64.67	72.25	82.51	96.07
SPS (NT\$)	165.15	160.99	149.51	181.94	210.80
EBITDA/share (NT\$)	21.99	19.86	19.30	27.67	36.40
Cash DPS (NT\$)	6.00	6.50	5.87	7.94	10.49
<b>Activity</b>					
Sales / avg assets	1.29	1.17	1.07	1.20	1.21
Days receivable	121.5	118.3	118.3	118.3	118.3
Days inventory	72.1	67.9	67.9	67.9	67.9
Days payable	128.8	93.4	93.4	93.4	93.4
Cash cycle	64.8	92.8	92.8	92.8	92.8

Source: Company data, KGI Research estimates

**Profit & loss**

NTSmn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Revenue</b>	<b>14,258</b>	<b>13,857</b>	<b>12,869</b>	<b>15,660</b>	<b>18,145</b>
Cost of goods sold	(11,595)	(11,135)	(9,992)	(11,988)	(13,769)
<b>Gross profit</b>	<b>2,663</b>	<b>2,722</b>	<b>2,877</b>	<b>3,672</b>	<b>4,375</b>
Operating expenses	(1,284)	(1,549)	(1,603)	(1,761)	(1,795)
<b>Operating profit</b>	<b>1,379</b>	<b>1,173</b>	<b>1,273</b>	<b>1,911</b>	<b>2,580</b>
<b>Non-operating income</b>	<b>139</b>	<b>550</b>	<b>328</b>	<b>207</b>	<b>175</b>
Interest income	2	10	18	17	15
Investment income	-	10	10	10	10
Other non-op income	138	529	300	180	150
<b>Non-operating expenses</b>	<b>(97)</b>	<b>(95)</b>	<b>(112)</b>	<b>(112)</b>	<b>(111)</b>
Interest expense	(23)	(38)	(27)	(27)	(26)
Investment loss	(3)	(1)	(5)	(5)	(5)
Other non-op expenses	(71)	(55)	(80)	(80)	(80)
<b>Pre-tax profit</b>	<b>1,421</b>	<b>1,628</b>	<b>1,489</b>	<b>2,006</b>	<b>2,644</b>
Current taxation	(268)	(341)	(298)	(401)	(529)
Minorities	(21)	(23)	(20)	(20)	(20)
Extraordinary items	-	(0)	-	-	-
<b>Net profit</b>	<b>1,133</b>	<b>1,264</b>	<b>1,171</b>	<b>1,585</b>	<b>2,095</b>
<b>EBITDA</b>	<b>1,899</b>	<b>1,709</b>	<b>1,661</b>	<b>2,382</b>	<b>3,133</b>
EPS (NT\$)	13.12	14.68	13.61	18.42	24.34

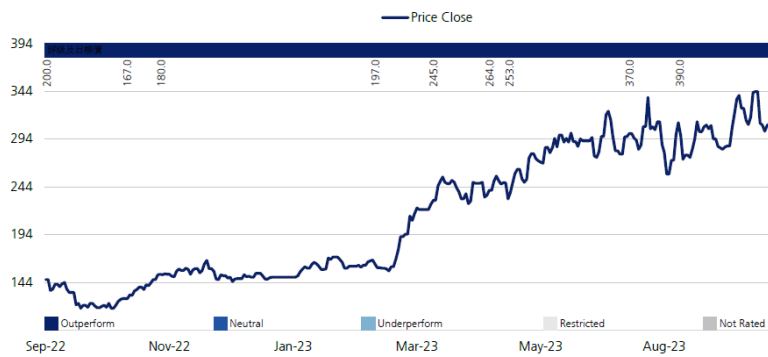
**Cash flow**

NTSmn	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Operations cash flow</b>	<b>1,444</b>	<b>1,241</b>	<b>1,795</b>	<b>1,297</b>	<b>1,950</b>
Net profit	1,133	1,264	1,171	1,585	2,095
Depreciation & amortisation	520	536	388	470	553
Decrease in working capital	(202)	(758)	241	(754)	(692)
Other operating cash flow	(6)	199	(5)	(5)	(5)
<b>Investing cash flow</b>	<b>(1,038)</b>	<b>(633)</b>	<b>(829)</b>	<b>(808)</b>	<b>(819)</b>
Sale of ST investment	-	-	-	-	-
New investments	(84)	-	(42)	(21)	(32)
Capital expenditure	(1,030)	(615)	(750)	(750)	(750)
Others investing cashflow	75	(18)	(37)	(37)	(37)
<b>Free cash flow</b>	<b>373</b>	<b>61</b>	<b>860</b>	<b>459</b>	<b>1,138</b>
<b>Financing cash flow</b>	<b>(303)</b>	<b>(629)</b>	<b>(360)</b>	<b>(404)</b>	<b>(545)</b>
Increase in short term debt	327	(71)	-	-	-
Increase in long term loans	350	10	180	95	137
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(482)	(517)	(560)	(519)	(702)
Other financing cashflow	(51)	(52)	20	20	20
<b>Forex effects</b>	<b>(14)</b>	<b>12</b>			
<b>Total cash generated</b>	<b>88</b>	<b>(10)</b>	<b>606</b>	<b>85</b>	<b>587</b>

**ROIC**

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	9.0%	11.2%	12.5%	11.2%	9.9%
<b>= Operating margin</b>	<b>9.7%</b>	<b>8.5%</b>	<b>9.9%</b>	<b>12.2%</b>	<b>14.2%</b>
1 / (Working capital/revenue	0.2	0.2	0.2	0.2	0.2
+ Net PPE/revenue	0.2	0.2	0.2	0.2	0.2
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
<b>= Capital turnover</b>	<b>3.0</b>	<b>2.5</b>	<b>2.2</b>	<b>2.3</b>	<b>2.5</b>
Operating margin	9.7%	8.5%	9.9%	12.2%	14.2%
x Capital turnover	3.0	2.5	2.2	2.3	2.5
x (1 - tax rate)	81.2%	79.0%	80.0%	80.0%	80.0%
<b>= After-tax ROIC</b>	<b>23.4%</b>	<b>16.5%</b>	<b>17.6%</b>	<b>22.9%</b>	<b>27.9%</b>

Source: Company data, KGI Research estimates

**Auras – Recommendation & target price history**


Date	Rating	Target	Price
2023-08-08	Outperform	390.0	311.5
2023-07-14	Outperform	370.0	300.0
2023-05-15	Outperform	253.0	231.5
2023-05-05	Outperform	264.0	240.5
2023-04-07	Outperform	245.0	230.0
2023-03-09	Outperform	197.0	163.5
2022-11-22	Outperform	180.0	152.5
2022-11-05	Outperform	167.0	127.0
2022-08-03	Outperform	200.0	165.0
2022-06-20	Outperform	210.0	173.5

Source: TEJ, KGI Research

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