



Compeq (2313.TW/2313 TT)

Satellite sales to rebound in 2024F; expanding into AI server on advantages in HDI

Outperform ·

Price as of September 18 (NT\$)	57.60
12M target price (NT\$)	70.00
Previous target price (NT\$)	50.00
Revised up (%)	40.0
Upside (%)	21.5

Key message

As satellite sales will rebound in 2024F and the firm expands into AI server PCB, we revise up 2024F earnings by 16% to NT\$5.8. Satellite and AI server businesses will benefit the firm as it is overly concentrated on consumer electronics, leading to a re-rating of the stock. We adjust our target price to NT\$70, and maintain Outperform.

Trading data

Mkt cap (NT\$bn/US\$mn)	68.65 / 2,151
Outstanding shares (mn)	1,192
Foreign ownership (mn)	229.5
3M avg. daily trading (mn)	14.44
52-week trading range (NT\$)	41.35 - 57.60

Performance	3M	6M	12M
Absolute (%)	32.6	33	19.4
Relative (%)	36	24.9	4.7

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	1.58A	1.21A	2.11A	1.81A
2023	0.30A	0.50A	1.10F	1.61F
2024	0.77F	0.95F	1.94F	2.15F

Share price chart



Source: TEJ

Event

August sales arrived at NT\$6.46bn, up 7.1% MoM, as January–August sales totaled NT\$39.9bn, down 17% YoY, in line with our estimate. Although the utilization rate (UTR) uptrend has been bolstered by Mate 60 Pro pull-in near term, pressure from US PC and overall price downtrend lingers.

Impact

3Q23 HDI UTR boosted by Huawei's new model pull-in, but price pressure lingers. In addition to sell-in from a US client's new handset motherboard, 15% YoY growth of FPCB capacity and fresh periscope lens rigid-flex PCB pull-in momentum in 3Q23, Huawei's (CN) new model pull-in drove Compeq's HDI UTR up by 30ppts QoQ to 85-90% (previously 80-85%). We project monthly demand of 1.5-2mn units for Mate 60 Pro, and the firm's market share at 55-60%. However, under ongoing PC and satellite inventory correction by US clients, coupled with mounting price pressure (down 10-15% YoY), we slightly revise down 3Q23F sales by 1.7% to NT\$19.6bn, up 41% QoQ.

Satellite PCB pull-in to resume in 4Q23F. New handset pull-in from US clients will peak between October and November, while satellite PCB sell-in will strengthen, driving up gross margin. However, given sluggish PC demand and price pressure, we trim 4Q23F sales by 5% to NT\$20.6bn, up around 6% QoQ.

Satellite PCB sales to post solid rebound in 2024F; AI server PCB to contribute in 2025F.

Key results are as follows: (1) 2023F capex is revised up to NT\$6-6.5bn (NT\$5-5.5bn for the Taiwan plant and NT\$1bn for the Thailand plant); (2) satellite PCB sell-in will recover in 4Q23F, and we expect 2024-25F satellite sales to rise 48% and 18% YoY, accounting for 9.8% and 10.2% of revenue; and (3) on cutting-edge HDI node technology, Compeq's PCB samples of AI server motherboard, OAM and UBB are to be delivered near term. We expect a sales contribution from these of 3% in 2025F.

Valuation & Action

We revise up 2024F earnings by 16%, for EPS of NT\$5.8 as we expect a solid satellite sales rebound in 2024F, coupled with the firm expanding into AI server PCB. Satellite and AI server businesses benefit the firm as it is overly concentrated in consumer electronics, leading to a re-rating of the stock. We adjust our target price to NT\$70, based on average 12x 2024F EPS, and maintain Outperform.

Risks

Poor client product demand; weak high-end HDI handset penetration.

Key financials and valuations

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (NT\$mn)	63,054	76,419	67,581	76,836	86,838
Gross profit (NT\$mn)	11,408	15,449	10,509	14,309	16,398
Operating profit (NT\$mn)	6,815	10,122	5,514	9,038	11,060
Net profit (NT\$mn)	5,140	8,001	4,192	6,919	8,506
EPS (NT\$)	4.31	6.71	3.52	5.81	7.14
Cash DPS (NT\$)	1.80	2.70	1.40	2.30	2.90
EPS growth (%)	10.2	55.7	(47.6)	65.1	22.9
PE (x)	13.4	8.6	16.4	9.9	8.1
PB (x)	2.1	1.8	1.7	1.5	1.4
EV/EBITDA (x)	6.6	4.7	6.5	4.6	3.7
Net debt to equity (%)	18.6	7.5	3.2	Net cash	Net cash
Dividend yield (%)	3.1	4.7	2.4	4.0	5.0
Return on average equity (%)	16.7	22.5	10.5	16.0	17.8

Source: Company data, KGI Research estimates

Figure 1: Breakdown of 3Q23 & 4Q23 forecast revisions vs. consensus

NT\$m	3Q23F					4Q23F				
	Revision	Previous	Chg. (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	Consensus	Diff. (%)
Sales	19,572	19,913	(1.7)	19,184	2.0	20,649	21,810	(5.3)	20,742	(0.4)
Gross profits	3,153	3,356	(6.1)	3,273	(3.7)	3,711	3,942	(5.8)	3,692	0.5
Operating profit	1,734	1,915	(9.5)	1,891	(8.3)	2,399	2,577	(6.9)	2,332	2.9
Net income	1,313	1,486	(11.6)	1,493	(12.0)	1,921	2,112	(9.1)	1,819	5.6
EPS (NT\$)	1.10	1.25	(11.6)	1.25	(12.1)	1.61	1.77	(9.1)	1.52	5.8
Gross margin (%)	16.1	16.9	(0.7)ppts	17.1	(1.0) ppts	18.0	18.1	(0.1)ppts	17.8	0.2 ppts
OP margin (%)	8.9	9.6	(0.8)ppts	9.9	(1.0) ppts	11.6	11.8	(0.2)ppts	11.2	0.4 ppts
Net margin (%)	6.7	7.5	(0.8)ppts	7.8	(1.1) ppts	9.3	9.7	(0.4)ppts	8.8	0.5 ppts

Source: Bloomberg; KGI Research

Figure 2: Breakdown of 2023-24 forecast revisions vs. consensus

NT\$m	2023F					2024F				
	Revision	Previous	Chg. (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	Consensus	Diff. (%)
Sales	67,581	69,083	(2.2)	67,286	0.4	76,836	76,598	0.3	74,589	3.0
Gross profit	10,509	10,942	(4.0)	10,610	(1.0)	14,309	13,014	10.0	13,107	9.2
Operating profit	5,514	5,872	(6.1)	5,608	(1.7)	9,038	7,722	17.0	7,754	16.6
Net profit	4,192	4,556	(8.0)	4,269	(1.8)	6,919	5,963	16.0	5,984	15.6
EPS (NT\$)	3.52	3.82	(8.0)	3.50	0.6	5.81	5.00	16.0	5.05	15.0
Gross margin (%)	15.5	15.8	(0.3)ppts	15.8	(0.2)ppts	18.6	17.0	1.6 ppts	17.6	1.0 ppts
OP margin (%)	8.2	8.5	(0.3)ppts	8.3	(0.2)ppts	11.8	10.1	1.7 ppts	10.4	1.4 ppts
Net margin (%)	6.2	6.6	(0.4)ppts	6.3	(0.1)ppts	9.0	7.8	1.2 ppts	8.0	1.0 ppts

Source: Bloomberg; KGI Research

Figure 3: Peer comparison – Valuations

Company	Ticker	Mkt Cap (US\$m)	Price (LCY)	EPS (LCY)			PE (x)			PB (x)			ROE (%)			Dividend yield (%)		
				2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F
Compeq	2313 TT	2,147	57.60	6.71	3.52	5.81	8.6	16.4	9.9	1.77	1.67	1.51	22.5	10.5	16.0	4.7	2.4	4.0
Unitech	2367 TT	403	19.25	0.65	N.A.	N.A.	27.1	N.A.	N.A.	1.10	N.A.	N.A.	4.1	N.A.	N.A.	1.7	N.A.	N.A.
Unimicron	3037 TT	8,799	184.50	20.08	9.48	14.72	9.2	19.5	12.5	3.18	2.98	2.62	40.4	16.1	22.2	4.3	2.1	3.3
Tripod	3044 TT	3,386	206.00	11.80	9.88	12.29	9.2	11.0	8.8	1.35	1.29	1.21	15.4	12.0	14.1	6.9	6.4	6.4
Ibiden	4062 JP	8,040	8,432.00	373.73	298.68	389.51	16.4	20.5	15.7	2.04	1.93	1.74	13.3	9.5	11.7	0.7	0.8	0.9
AT&S	AUS GR	1,259	30.40	2.39	3.39	2.16	11.8	8.3	13.1	1.27	1.01	0.73	12.4	11.0	3.4	1.4	3.7	2.9
TTM	TTMI US	1,349	12.99	0.93	0.92	1.29	12.9	13.1	9.3	0.80	0.84	0.82	6.3	8.5	11.7	N.A.	N.A.	N.A.

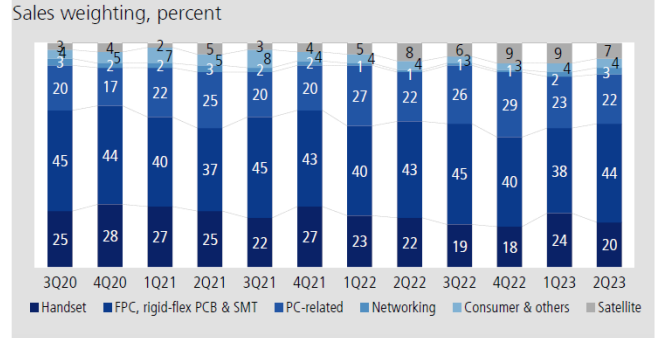
Source: Bloomberg; KGI Research

Figure 4: Company profile

Established in 1973, Compeq is the world's largest high-density interconnection (HDI) supplier, posting consolidated sales of NT\$76.4bn in 2022, with 20% of sales from handsets, 42% from FPCB, rigid-flex PCB and surface-mount technology (SMT) products, 26% from PC products (NB, tablet, server), 1% from networking, 7% from satellite-related, and 3% from consumer electronics and others. Its main handset clients are US, Korean and Chinese companies, while tablet clients are led by US heavyweights such as Apple, Microsoft and Amazon.

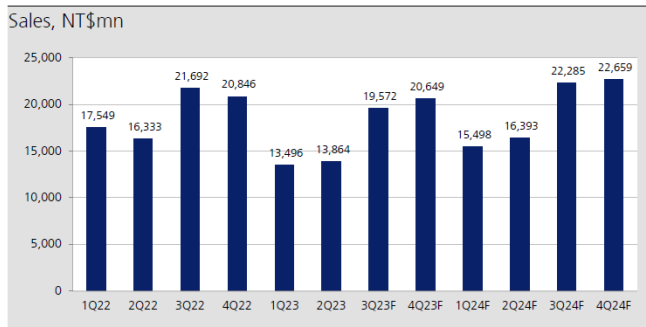
Source: KGI Research

Figure 5: Main product applications are smartphone & PC-related (NB & tablet)



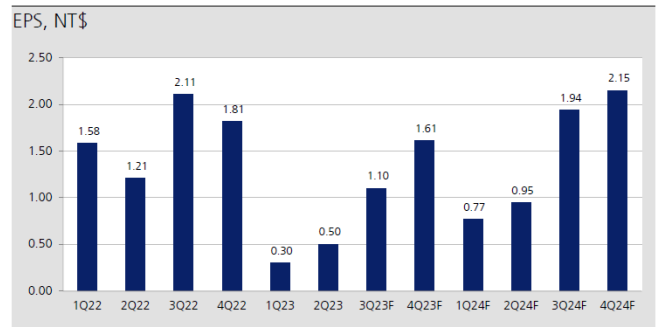
Source: Company data; KGI Research

Figure 6: Sales



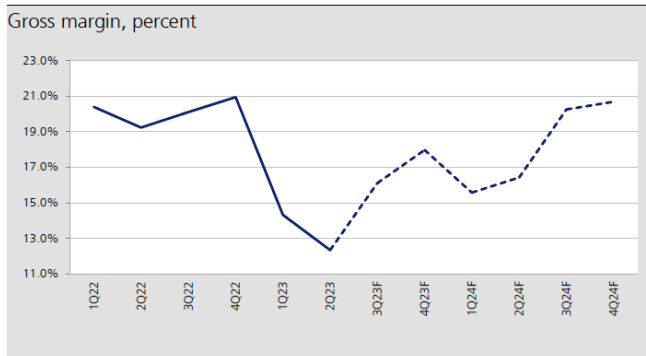
Source: KGI Research

Figure 7: EPS



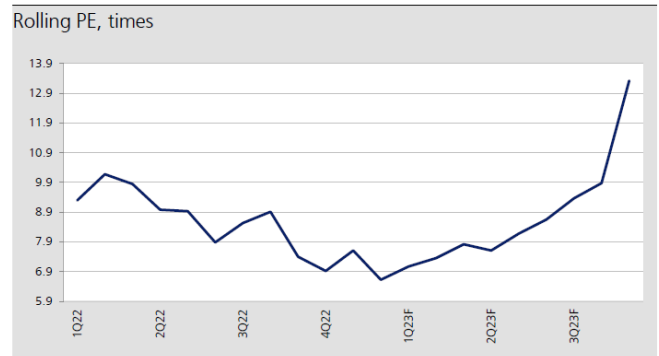
Source: KGI Research

Figure 8: Gross Margin



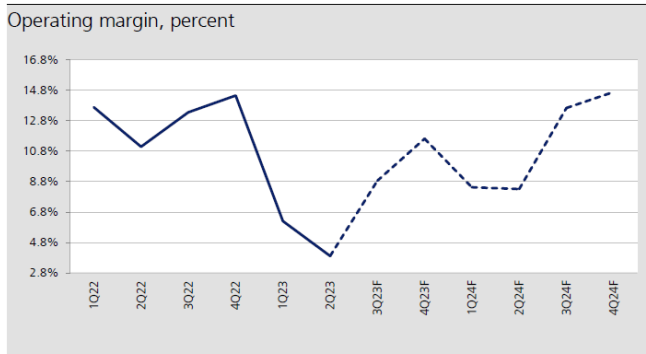
Source: KGI Research

Figure 9: Rolling PE



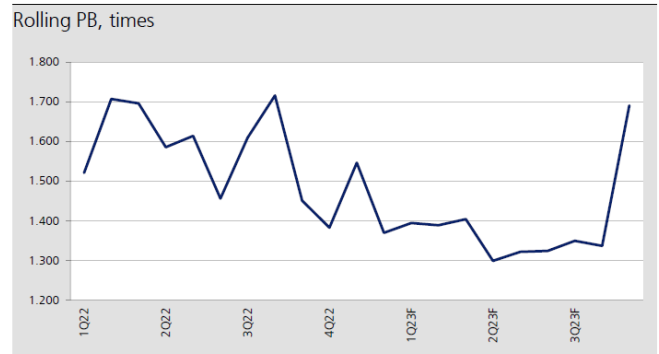
Source: KGI Research

Figure 10: Operating Margin



Source: KGI Research

Figure 11: Rolling PB



Source: KGI Research

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
Income statement (NT\$m)											
Revenue	13,496	13,864	19,572	20,649	15,498	16,393	22,285	22,659	67,581	76,836	86,838
Cost of goods sold	(11,563)	(12,153)	(16,419)	(16,938)	(13,085)	(13,701)	(17,771)	(17,971)	(57,072)	(62,527)	(70,440)
Gross profit	1,933	1,711	3,153	3,711	2,413	2,693	4,514	4,689	10,509	14,309	16,398
Operating expenses	(1,095)	(1,169)	(1,419)	(1,312)	(1,107)	(1,330)	(1,474)	(1,360)	(4,995)	(5,271)	(5,338)
Operating profit	838	542	1,734	2,399	1,306	1,363	3,040	3,329	5,514	9,038	11,060
Depreciation of fixed assets	(1,353)	(1,368)	(1,282)	(1,124)	(1,331)	(1,331)	(1,331)	(1,331)	(5,126)	(5,325)	(5,485)
Amortisation of intangible assets	(14)	(15)	(15)	(14)	(15)	(15)	(15)	(15)	(58)	(60)	(62)
EBITDA	2,205	1,925	3,030	3,537	2,653	2,709	4,386	4,675	10,698	14,423	16,607
Interest income	121	98	33	33	33	33	33	33	284	130	130
Investment income	-	-	-	-	-	-	-	-	-	-	-
Other non-op income	56	28	95	95	80	80	80	80	274	320	320
Non-operating income	177	126	128	128	113	113	113	113	558	450	450
Interest expense	(153)	(138)	(138)	(138)	(138)	(138)	(138)	(138)	(567)	(552)	(552)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	(208)	64	(18)	(18)	(18)	(18)	(18)	(18)	(180)	(72)	(72)
Non-operating expenses	(361)	(74)	(156)	(156)	(156)	(156)	(156)	(156)	(747)	(624)	(624)
Pre-tax profit	653	594	1,706	2,371	1,263	1,319	2,996	3,285	5,325	8,864	10,887
Current taxation	(296)	6	(392)	(451)	(348)	(185)	(689)	(723)	(1,133)	(1,944)	(2,381)
Minorities	-	-	-	-	-	-	-	-	-	-	-
Normalised net profit	358	600	1,313	1,921	915	1,135	2,307	2,562	4,192	6,919	8,506
Extraordinary items	(0)	0	-	-	-	-	-	-	-	-	-
Net profit	358	600	1,313	1,921	915	1,135	2,307	2,562	4,192	6,919	8,506
EPS (NT\$)	0.30	0.50	1.10	1.61	0.77	0.95	1.94	2.15	3.52	5.81	7.14
Margins (%)											
Gross profit margin	14.3	12.3	16.1	18.0	15.6	16.4	20.3	20.7	15.5	18.6	18.9
Operating margin	6.2	3.9	8.9	11.6	8.4	8.3	13.6	14.7	8.2	11.8	12.7
EBITDA margin	16.3	13.9	15.5	17.1	17.1	16.5	19.7	20.6	15.8	18.8	19.1
Pretax profit margin	4.8	4.3	8.7	11.5	8.1	8.0	13.4	14.5	7.9	11.5	12.5
Net profit margin	2.7	4.3	6.7	9.3	5.9	6.9	10.4	11.3	6.2	9.0	9.8
Sequential growth (%)											
Revenue growth	(35.3)	2.7	41.2	5.5	(24.9)	5.8	35.9	1.7			
Gross profit growth	(55.7)	(11.5)	84.3	17.7	(35.0)	11.6	67.6	3.9			
Operating profit growth	(72.2)	(35.3)	219.9	38.4	(45.6)	4.3	123.1	9.5			
EBITDA growth	(49.4)	(12.7)	57.4	16.7	(25.0)	2.1	61.9	6.6			
Pretax profit growth	(74.7)	(9.1)	187.1	39.0	(46.7)	4.4	127.1	9.6			
Net profit growth	(83.5)	67.7	118.9	46.2	(52.3)	23.9	103.4	11.1			
YoY growth (%)											
Revenue growth	(23.1)	(15.1)	(9.8)	(0.9)	14.8	18.2	13.9	9.7	(11.6)	13.7	13.0
Gross profit growth	(46.0)	(45.5)	(27.7)	(15.0)	24.9	57.4	43.1	26.3	(32.0)	36.2	14.6
Operating profit growth	(65.1)	(70.1)	(40.1)	(20.4)	56.0	151.3	75.3	38.7	(45.5)	63.9	22.4
EBITDA growth	(39.5)	(37.3)	(27.6)	(18.9)	20.3	40.7	44.7	32.2	(29.9)	34.8	15.1
Pretax profit growth	(74.9)	(64.5)	(47.9)	(8.3)	93.3	122.0	75.7	38.5	(47.5)	66.5	22.8
Net profit growth	(81.0)	(58.3)	(47.7)	(11.2)	155.9	89.1	75.7	33.4	(47.6)	65.1	22.9

Source: Company data, KGI Research estimates

Balance sheet

NT\$m	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total assets	71,993	79,823	79,763	85,172	91,888
Current assets	37,185	42,388	41,102	46,987	55,173
Cash & ST securities	9,510	12,002	13,283	16,327	20,958
Inventory	9,247	10,027	9,385	10,254	11,584
Accounts receivable	15,517	16,658	14,731	16,703	18,929
Other current assets	2,911	3,702	3,702	3,702	3,702
Non-current assets	34,808	37,434	38,660	38,185	36,715
LT investments	37	16	16	16	16
Net fixed assets	33,279	35,741	36,967	36,492	35,022
Other assets	1,493	1,678	1,678	1,678	1,678
Total liabilities	39,626	41,106	38,540	39,813	41,586
Current liabilities	20,887	22,773	24,256	25,020	27,525
Accounts payable	11,553	11,732	10,982	11,998	13,554
Interest bearing ST liabilities	807	863	4,629	3,279	3,449
Other current liabilities	8,527	10,178	8,646	9,743	10,523
Non-current liabilities	18,740	18,333	14,284	14,793	14,061
Long-term debt	14,602	13,886	9,837	10,346	9,614
Other L-T liabilities	3,971	4,303	4,303	4,303	4,303
Total equity	32,366	38,717	41,223	45,359	50,302
Share capital	11,918	11,918	11,918	11,918	11,918
Retained earnings reserve	16,777	22,091	24,597	28,734	33,676
Minority interests	-	-	-	-	-
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Growth					
Revenue growth	4.2%	21.2%	(11.6%)	13.7%	13.0%
Operating profit growth	2.7%	48.5%	(45.5%)	63.9%	22.4%
EBITDA growth	5.7%	34.5%	(29.9%)	34.8%	15.1%
Net profit growth	10.2%	55.7%	(47.6%)	65.1%	22.9%
EPS growth	10.2%	55.7%	(47.6%)	65.1%	22.9%
Profitability					
Gross profit margin	18.1%	20.2%	15.5%	18.6%	18.9%
Operating margin	10.8%	13.2%	8.2%	11.8%	12.7%
EBITDA margin	18.0%	20.0%	15.8%	18.8%	19.1%
Net profit margin	8.2%	10.5%	6.2%	9.0%	9.8%
Return on average assets	7.4%	10.5%	5.3%	8.4%	9.6%
Return on average equity	16.7%	22.5%	10.5%	16.0%	17.8%
Stability					
Gross debt to equity	47.6%	38.1%	35.1%	30.0%	26.0%
Net debt to equity	18.6%	7.5%	3.2%	Net cash	Net cash
Interest coverage (x)	26.9	23.6	10.4	17.1	20.7
Interest & ST debt coverage (x)	0.9	0.9	0.5	0.7	0.7
Cash flow interest coverage(x)	34.5	30.5	19.7	19.0	21.8
Cash flow/int. & ST debt (x)	8.4	10.4	2.2	2.7	3.0
Current ratio (x)	1.8	1.9	1.7	1.9	2.0
Quick ratio (x)	1.3	1.4	1.3	1.5	1.6
Net debt (NT\$m)	6,028	2,890	1,324	(2,560)	(7,753)
Per share data					
EPS (NT\$)	4.31	6.71	3.52	5.81	7.14
CFPS (NT\$)	7.53	11.47	9.39	8.79	10.11
BVPS (NT\$)	27.16	32.49	34.59	38.06	42.21
Adj BVPS (NT\$)	27.16	32.49	34.59	38.06	42.21
SPS (NT\$)	52.91	64.12	56.70	64.47	72.86
EBITDA/share (NT\$)	9.52	12.80	8.98	12.10	13.93
Cash DPS (NT\$)	1.80	2.70	1.40	2.30	2.90
Activity					
Sales / avg assets	0.91	1.01	0.85	0.93	0.98
Days receivable	89.8	79.6	79.6	79.6	79.6
Days inventory	65.4	60.0	60.0	60.0	60.0
Days payable	81.6	70.2	70.2	70.2	70.2
Cash cycle	73.5	69.4	69.4	69.4	69.4

Source: Company data, KGI Research estimates

Profit & loss

NT\$m	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue	63,054	76,419	67,581	76,836	86,838
Cost of goods sold	(51,646)	(60,971)	(57,072)	(62,527)	(70,440)
Gross profit	11,408	15,449	10,509	14,309	16,398
Operating expenses	(4,593)	(5,327)	(4,995)	(5,271)	(5,338)
Operating profit	6,815	10,122	5,514	9,038	11,060
Non-operating income	417	502	558	450	450
Interest income	82	208	284	130	130
Investment income	-	-	-	-	-
Other non-op income	336	294	274	320	320
Non-operating expenses	(501)	(488)	(747)	(624)	(624)
Interest expense	(260)	(448)	(567)	(552)	(552)
Investment loss	-	-	-	-	-
Other non-op expenses	(241)	(41)	(180)	(72)	(72)
Pre-tax profit	6,731	10,136	5,325	8,864	10,887
Current taxation	(1,591)	(2,135)	(1,133)	(1,944)	(2,381)
Minorities	-	-	-	-	-
Extraordinary items	-	0	-	-	-
Net profit	5,140	8,001	4,192	6,919	8,506
EBITDA	11,344	15,258	10,698	14,423	16,607
EPS (NT\$)	4.31	6.71	3.52	5.81	7.14

Cash flow

NT\$m	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Operations cash flow	8,976	13,674	11,194	10,481	12,053
Net profit	5,140	8,001	4,192	6,919	8,506
Depreciation & amortisation	4,529	5,136	5,184	5,385	5,547
Decrease in working capital	(2,025)	(1,349)	1,818	(1,824)	(2,000)
Other operating cash flow	1,332	1,886	(0)	(0)	0
Investing cash flow	(8,447)	(7,499)	(6,410)	(4,910)	(4,077)
Sale of ST investment	-	-	-	-	-
New investments	(8,831)	(7,401)	(6,352)	(4,850)	(4,015)
Capital expenditure	385	(97)	(58)	(60)	(62)
Others investing cashflow	(1,163)	4,322	4,932	5,706	8,111
Financing cash flow	(1,089)	(3,557)	(3,502)	(2,527)	(3,345)
Increase in short term debt	-	-	-	-	-
Increase in long term loans	830	(1,398)	(284)	(841)	(562)
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(1,788)	(2,145)	(3,218)	(1,686)	(2,783)
Other financing cashflow	(132)	(14)	0	0	0
Forex effects	(24)	(140)			
Total cash generated	(584)	2,479	1,282	3,044	4,630

ROIC

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	7.3%	7.0%	7.4%	6.9%	6.1%
= Operating margin	10.8%	13.2%	8.2%	11.8%	12.7%
1 / (Working capital/revenue	0.1	0.1	0.1	0.1	0.1
+ Net PPE/revenue	0.5	0.5	0.5	0.5	0.4
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
= Capital turnover	1.5	1.7	1.5	1.7	1.9
Operating margin	10.8%	13.2%	8.2%	11.8%	12.7%
x Capital turnover	1.5	1.7	1.5	1.7	1.9
x (1 - tax rate)	76.4%	78.9%	78.7%	78.1%	78.1%
= After-tax ROIC	12.7%	17.9%	9.5%	15.4%	19.0%

Source: Company data, KGI Research estimates

Compeq – Recommendation & target price history



Date	Rating	Target	Price
2023-08-11	Outperform	50.00	44.70
2023-05-12	Outperform	48.00	42.05
2023-03-10	Outperform	52.00	45.25
2022-11-11	Outperform	60.00	47.95
2022-08-05	Neutral	56.00	49.15
2022-06-22	Neutral	50.00	44.60
2022-05-12	Neutral	48.00	41.00
2022-03-11	Neutral	50.00	43.50
2022-01-11	Neutral	48.00	42.35
2021-11-04	Neutral	46.00	40.70

Source: TEJ, KGI Research

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