

## Gigabyte (2376.TW/2376 TT)

### Better 3Q23F sales outlook; AI server the key driver

#### Outperform · Maintained

Price as of September 8 (NT\$)	307.5
12M target price (NT\$)	360.0
Previous target price (NT\$)	360.0
Unchanged (%)	0.0
Upside (%)	17.1

#### Key message

Gigabyte announced August sales of NT\$11.9bn, up 37% MoM and 51% YoY. On better-than-expected GPU acquisition, we expect 3Q23 sales to beat our previous forecast and reach the firm's target of double-digit QoQ growth. We maintain Outperform and our target price of NT\$360 (23x average 2024-25F EPS) on an EPS uptrend due to server sales expansion.

#### Trading data

Mkt cap (NT\$bn/US\$mn)	195.5 / 6,105
Outstanding shares (mn)	636
Foreign ownership (mn)	156.3
3M avg. daily trading (mn)	25.26
52-week trading range (NT\$)	82.10 – 354.5

Performance	3M	6M	12M
Absolute (%)	40.4	162.8	256.7
Relative (%)	41.4	158	243

#### Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	4.83A	1.55A	1.84A	2.08A
2023	1.61A	1.40A	2.36F	3.05F
2024	2.32F	2.73F	4.06F	4.98F

#### Share price chart



Source: TEJ

#### Event

Gigabyte announced August sales of NT\$11.9bn, up 37% MoM and 51% YoY. On better-than-expected GPU acquisition, we expect 3Q23 sales to beat our previous forecast and reach the firm's target of double-digit QoQ growth.

#### Impact

We revise up 3Q23F sales. As August sales rebounded to NT\$11.9bn, and July-August sales accounted for 75% of our 3Q23 forecast, we revise up 3Q23F sales growth to 22% QoQ from our previous estimate of 5%. The firm saw motherboard shipment growth of 10-15% MoM to 900-1,000k units, while graphics card shipments were flattish MoM in August. We expect shipments of motherboards and graphics cards in September to grow MoM. AI server shipments ramped-up in August on improving GPU and networking IC acquisition, with some deferred shipments from the previous two months. We expect this trend to continue in 4Q23. Overall, we forecast 10% QoQ growth for motherboard shipments to 2.8mn units, and 38% QoQ growth for graphics card shipments to 1.1mn units in 3Q23. Server sales weighting will further expand from 27% in 2Q23F. We revise up 3Q23F EPS to NT\$2.36 based on margin improvement QoQ.

Bright 2H23-2024F outlook. We forecast stable shipments and sales from motherboards and graphics cards in 4Q23 and 2024 on anticipation of better consumption and new models. Server sales growth will be the main catalyst for 2H23-2024F sales growth. We think Gigabyte will continue to benefit from AI server market expansion boosted by regional CSP and enterprise clients, as well as Nvidia's (US) increasing GPU supply. We thus estimate 2H23 server sales weighting will expand from around 24% in 1H23 to over 25%, and server sales will grow from NT\$20bn in 2022 to NT\$28-30bn in 2023 (up 40-50% YoY), to NT\$48bn (up 62% YoY) in 2024, and to NT\$63bn in 2025F, with weighting up from 25% to 33% and 38% over the same period. Gross margin will improve from a low level in 1H23 due to lower inventory write-down losses and growing sales. We revise up 2023F EPS by 4% to NT\$8.42 (down 18% YoY, but flat YoY for operating profit due to growing sales and operating margin), and largely maintain EPS of NT\$14.08 (up 67% YoY) in 2024F and NT\$17.21 (up 22% YoY) in 2025F.

#### Valuation & Action

We maintain Outperform and our target price of NT\$360 (23x average 2024-25F EPS) on an EPS uptrend due to server sales expansion.

#### Risks

Poor server CPU supply; weak motherboard and graphics card demand.

#### Key financials and valuations

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (NT\$mn)	121,905	107,264	118,568	142,754	166,219
Gross profit (NT\$mn)	29,590	16,616	15,333	21,199	25,437
Operating profit (NT\$mn)	14,487	5,845	5,840	10,047	12,498
Net profit (NT\$mn)	13,338	6,539	5,353	8,952	10,943
EPS (NT\$)	21.01	10.29	8.42	14.08	17.21
Cash DPS (NT\$)	12.00	6.20	5.08	8.49	10.38
EPS growth (%)	205.4	(51.1)	(18.1)	67.2	22.2
PE (x)	14.6	29.9	36.5	21.8	17.9
PB (x)	5.2	5.4	5.1	4.7	4.3
EV/EBITDA (x)	10.5	25.2	25.3	15.4	12.5
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	3.9	2.0	1.7	2.8	3.4
Return on average equity (%)	41.1	17.8	14.5	22.5	25.0

Source: Company data, KGI Research estimates

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

NT\$m	3Q23F							4Q23F						
	Revision	Previous	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	31,883	27,440	16.2	22.0	31.8	30,175	5.7	32,521	31,557	3.1	2.0	17.0	32,702	(0.6)
Gross profits	4,145	3,567	16.2	34.2	38.1	4,555	(9.0)	4,553	4,418	3.1	9.8	75.3	5,007	(9.1)
Operating income	1,594	1,372	16.2	62.3	478.1	1,935	(17.6)	1,984	1,925	3.1	24.4	169.1	2,235	(11.2)
Pretax income	1,827	1,606	13.7	42.2	19.6	2,187	(16.5)	2,229	2,176	2.5	22.1	82.5	2,527	(11.8)
Net income	1,499	1,318	13.7	68.5	28.2	1,716	(12.7)	1,939	1,901	2.0	29.4	46.8	2,025	(4.2)
EPS (NT\$)	2.36	2.07	13.7	68.5	28.2	2.70	(12.7)	3.05	2.99	2.0	29.4	46.8	3.19	(4.2)
Gross margin (%)	13.0	13.0	0.0 ppts	1.2 ppts	0.6 ppts	15.1	(2.1)ppts	14.0	14.0	0.0 ppts	1.0 ppts	4.7 ppts	15.3	(1.3)ppts
OP margin (%)	5.0	5.0	0.0 ppts	1.2 ppts	3.9 ppts	6.4	(1.4)ppts	6.1	6.1	0.0 ppts	1.1 ppts	3.4 ppts	6.8	(0.7)ppts
Net margin (%)	4.7	4.8	(0.1)ppts	1.3 ppts	(0.1)ppts	5.7	(1.0)ppts	6.0	6.0	(0.1)ppts	1.3 ppts	1.2 ppts	6.2	(0.2)ppts

Source: Bloomberg; KGI Research estimates

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

NT\$m	2023F					2024F					2025F							
	Previous	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Previous	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Previous	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	118,568	113,161	4.8	10.5	118,732	(0.1)	142,754	141,946	0.6	20.4	140,366	1.7	166,219	166,553	(0.2)	16.4	175,377	(5.2)
Gross profit	15,333	14,620	4.9	(7.7)	16,935	(9.5)	21,199	21,097	0.5	38.3	21,757	(2.6)	25,437	25,486	(0.2)	20.0	26,461	(3.9)
Operating income	5,840	5,559	5.1	(0.1)	6,831	(14.5)	10,047	10,014	0.3	72.0	10,614	(5.3)	12,498	12,520	(0.2)	24.4	13,603	(8.1)
Pretax income	6,685	6,411	4.3	(20.9)	7,739	(13.6)	11,180	11,154	0.2	67.3	11,970	(6.6)	13,668	13,690	(0.2)	22.3	14,863	(8.0)
Net income	5,353	5,134	4.3	(18.1)	5,925	(9.7)	8,952	8,931	0.2	67.2	9,311	(3.9)	10,943	10,960	(0.2)	22.2	11,841	(7.6)
EPS (NT\$)	8.42	8.08	4.3	(18.1)	9.32	(9.7)	14.08	14.05	0.2	67.2	14.65	(3.9)	17.21	17.24	(0.2)	22.2	18.63	(7.6)
Gross margin (%)	12.9	12.9	0.0 ppts	(2.6)ppts	14.3	(1.3)ppts	14.9	14.9	(0.0)ppts	1.9 ppts	15.5	(0.6)ppts	15.3	15.3	0.0 ppts	0.5 ppts	15.1	0.2 ppts
OP margin (%)	4.9	4.9	0.0 ppts	(0.5)ppts	5.8	(0.8)ppts	7.0	7.1	(0.0)ppts	2.1 ppts	7.6	(0.5)ppts	7.5	7.5	0.0 ppts	0.5 ppts	7.8	(0.2)ppts
Net margin (%)	4.5	4.5	(0.0)ppts	(1.6)ppts	5.0	(0.5)ppts	6.3	6.3	(0.0)ppts	1.8 ppts	6.6	(0.4)ppts	6.6	6.6	0.0 ppts	0.3 ppts	6.8	(0.2)ppts

Source: Bloomberg; KGI Research estimates

Figure 3: Gigabyte sales weighting by product

Sales weighting (%)	2019	2020	2021	2022	2023F	2024F
Motherboard	33	30	25	21	21	18
Graphics card	45	40	45	45	41	37
Cloud server	21	20	17	19	25	34
Others	1	10	13	16	14	12
Total	100	100	100	100	100	100
Sales (NT\$b)	2019	2020	2021	2022	2023F	2024F
Motherboard	20	25	30	23	25	26
Graphics card	28	34	55	48	48	53
Cloud server	13	17	20	20	30	48
Others	1	8	16	17	16	16
Total	62	85	122	107	119	143
Sales YoY (%)	2019	2020	2021	2022	2023F	2024F
Motherboard		26	20	(26)	9	4
Graphics card		22	62	(13)	1	9
Cloud server		30	19	(0)	48	62
Others		856	94	3	(5)	3
Total		37	44	(12)	11	20

Source: Company data; KGI Research estimates

Figure 4: New CPUs with higher pin counts to drive motherboard replacement demand &amp; ASP in 2024F

	Coffee Lake	Comet Lake	Rocket Lake	Alder Lake	Raptor Lake	Raptor Lake refresh	Arrow Lake	Ryzen 3000 (Matisse)	Ryzen 3000 XT (Matisse Refresh)	Ryzen 4000	Ryzen 5000 (Vermeer)	Ryzen 7000 (Raphael)	Ryzen 8000 (Granite Ridge)
Time for launch	4Q17	2Q20	1Q21	4Q21	4Q22	3Q23F	2024F	3Q19	3Q20	1Q20	4Q20	3Q22	2024F
Process (node)	14nm++	14nm++++	14nm+++++	Intel 7 (10nm)	Intel 7 (10nm)	Intel 7 (10nm)	Intel 20A	TSMC N7	TSMC N7	TSMC N7	TSMC N7+	TSMC N5	TSMC N3
Microarchitecture (P-Core)	Skylake	Skylake	Cypress Cove	Golden Cove	Raptor Cove	Raptor Cove	Lion Cove	Zen 2	Zen 2	Zen 2	Zen 3	Zen 4	Zen 5
CPU sockets (desktop)	LGA 1151	LGA 1200	LGA 1200	LGA 1700	LGA 1700	LGA 1700	LGA 1851	AM4	AM4	AM4 (LGA 1331)	AM4 (LGA 1331)	AM5 (LGA 1718)	AM5 (LGA 1718)
DRAM	DDR4	DDR4	DDR4	DDR4 / DDR5	DDR4 / DDR5	DDR4 / DDR5	DDR5	DDR4	DDR4	DDR4	DDR4	DDR5	DDR5
PCIe	Gen 3	Gen 3	Gen 4	Gen 5	Gen 5	Gen 5	Gen 5	Gen 4	Gen 4	Gen 4	Gen 3	Gen 5	Gen 5

Source: Company data; KGI Research

**Figure 5: Peer comparison – Financial data**

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)	5.1	18.2	21.6	19.8	21.7	6.9	6.5	8.7	(61.2)	(1.5)	59.1	8.69	7.67	11.54	(55.8)	(11.7)	50.5

Source: Company data; Bloomberg; KGI Research estimates

**Figure 6: Graphics card & server ODM 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
Motherboard/ graphic cards	Gigabyte	2376 TT	6,106	307.5	Outperform	360.0	8.42	14.08	(18.1)	67.2	36.5	21.8	5.1	4.7	14.5	22.5	2.0	1.7
	Asustek	2357 TT	9,362	403.5	Outperform	435.0	15.51	28.97	(21.6)	86.8	23.7	12.7	1.3	1.2	5.4	9.7	4.1	3.0
	MSI	2377 TT	4,315	163.5	Outperform	210.0	11.54	13.99	(2.2)	21.2	14.2	11.7	2.6	2.4	19.3	21.4	4.0	3.9
	Asrock	3515 TT	827	217.0	Neutral	265.0	7.67	11.54	(11.7)	50.5	28.3	18.8	3.1	3.0	11.2	16.1	3.7	2.4
Server ODM	Wiwynn	6669 TT	8,493	1,555	Outperform	2,165.0	67.25	93.25	(17.1)	38.7	23.1	16.7	5.7	4.6	27.1	30.4	3.2	2.4
	Inventec	2356 TT	6,052	54.0	Neutral	62.0	1.52	2.41	(11.1)	58.6	35.5	22.4	3.2	3.1	9.1	14.1	2.8	2.3
	Quanta	2382 TT	29,200	242.0	Outperform	310.0	8.75	11.15	16.5	27.3	27.6	21.7	5.3	5.1	19.6	23.8	2.5	2.9
	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: Company data; Bloomberg; KGI Research estimates

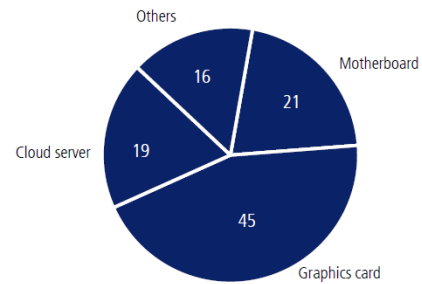
**Figure 7: Company profile**

Established in 1986, Gigabyte is a motherboard (MB) vendor based in Taiwan. It provides motherboards and graphics cards for PCs, and also manufactures server products for global data center operators. The 2022 sales weighting of graphics cards was 44-45%, followed by MB at 21%, server products at 19% and others at 16%. In 2022, it shipped 10mn MB (down 17% versus 12mn in 2021) and 3.8mn graphics cards (down 14% versus 4.4mn in 2021),

Source: KGI Research

**Figure 8: Graphics cards & motherboards accounted for bulk of 2022 sales**

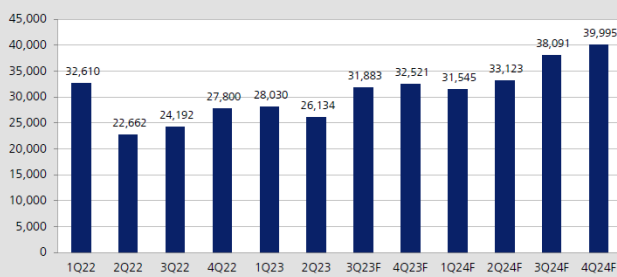
2022 sales weighting, percent



Source: company data; KGI Research

**Figure 9: Sales**

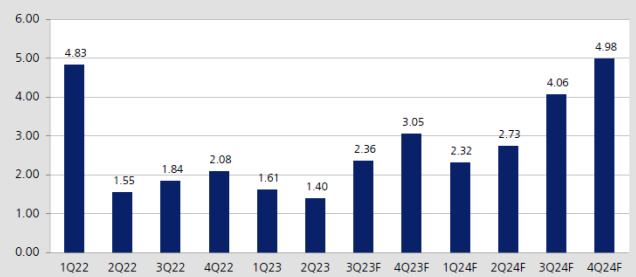
Sales, NT\$m



Source: KGI Research

**Figure 10: EPS**

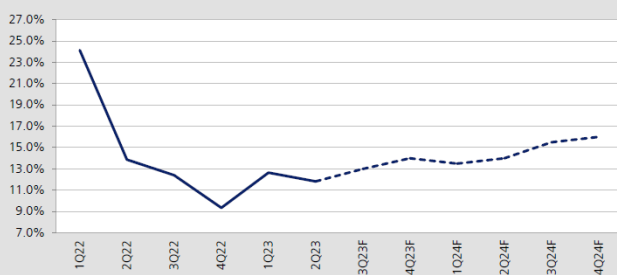
EPS, NT\$



Source: KGI Research

**Figure 11: Gross Margin**

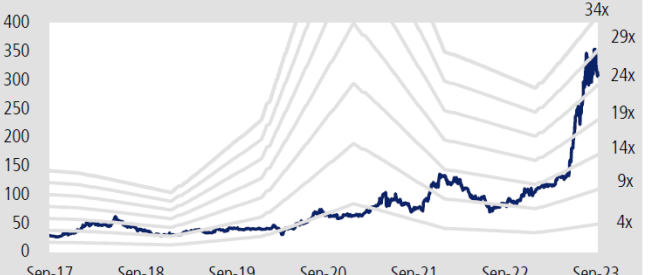
Gross margin, percent



Source: KGI Research

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

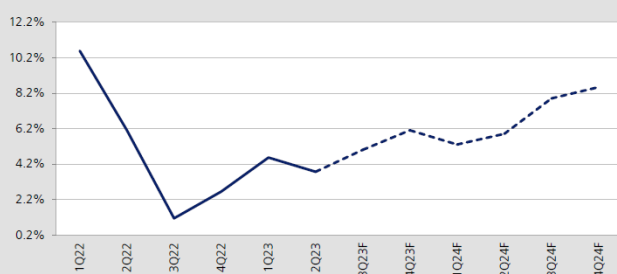
Share price, NT\$ (LHS); PE ratio, x (RHS)



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>28,030</b>	<b>26,134</b>	<b>31,883</b>	<b>32,521</b>	<b>31,545</b>	<b>33,123</b>	<b>38,091</b>	<b>39,995</b>	<b>118,568</b>	<b>142,754</b>	<b>166,219</b>
Cost of goods sold	(24,484)	(23,044)	(27,738)	(27,968)	(27,287)	(28,485)	(32,187)	(33,596)	(103,235)	(121,555)	(140,782)
<b>Gross profit</b>	<b>3,546</b>	<b>3,090</b>	<b>4,145</b>	<b>4,553</b>	<b>4,259</b>	<b>4,637</b>	<b>5,904</b>	<b>6,399</b>	<b>15,333</b>	<b>21,199</b>	<b>25,437</b>
Operating expenses	(2,266)	(2,107)	(2,551)	(2,569)	(2,587)	(2,683)	(2,895)	(2,988)	(9,493)	(11,152)	(12,939)
<b>Operating profit</b>	<b>1,280</b>	<b>982</b>	<b>1,594</b>	<b>1,984</b>	<b>1,672</b>	<b>1,954</b>	<b>3,009</b>	<b>3,412</b>	<b>5,840</b>	<b>10,047</b>	<b>12,498</b>
Depreciation of fixed assets	(165)	(172)	(176)	(191)	(193)	(193)	(193)	(193)	(704)	(773)	(916)
Amortisation of intangible assets	(26)	(30)	(22)	(9)	(22)	(22)	(22)	(22)	(87)	(87)	(87)
<b>EBITDA</b>	<b>1,470</b>	<b>1,184</b>	<b>1,792</b>	<b>2,184</b>	<b>1,887</b>	<b>2,169</b>	<b>3,224</b>	<b>3,626</b>	<b>6,631</b>	<b>10,906</b>	<b>13,500</b>
Interest income	48	97	66	52	59	59	59	59	263	236	223
Investment income	-	1	1	3	3	3	3	3	5	10	10
Other non-op income	104	205	166	190	150	200	225	325	665	900	950
<b>Non-operating income</b>	<b>152</b>	<b>303</b>	<b>233</b>	<b>245</b>	<b>211</b>	<b>261</b>	<b>286</b>	<b>386</b>	<b>933</b>	<b>1,146</b>	<b>1,183</b>
Interest expense	(1)	(1)	(1)	1	(1)	(1)	(1)	(1)	(3)	(3)	(3)
Investment loss	(1)	-	(0)	0	-	-	-	-	(1)	-	-
Other non-op expenses	(85)	-	-	(0)	(3)	(3)	(3)	(3)	(85)	(10)	(10)
<b>Non-operating expenses</b>	<b>(87)</b>	<b>(1)</b>	<b>(1)</b>	<b>1</b>	<b>(3)</b>	<b>(3)</b>	<b>(3)</b>	<b>(3)</b>	<b>(89)</b>	<b>(13)</b>	<b>(13)</b>
<b>Pre-tax profit</b>	<b>1,344</b>	<b>1,284</b>	<b>1,827</b>	<b>2,229</b>	<b>1,880</b>	<b>2,213</b>	<b>3,292</b>	<b>3,795</b>	<b>6,685</b>	<b>11,180</b>	<b>13,668</b>
Current taxation	(320)	(395)	(329)	(293)	(408)	(480)	(715)	(632)	(1,337)	(2,236)	(2,734)
Minorities	0	0	1	3	2	2	2	2	5	8	8
<b>Normalised net profit</b>	<b>1,025</b>	<b>890</b>	<b>1,499</b>	<b>1,939</b>	<b>1,474</b>	<b>1,734</b>	<b>2,580</b>	<b>3,164</b>	<b>5,353</b>	<b>8,952</b>	<b>10,943</b>
Extraordinary items	(0)	0	-	(0)	-	-	-	-	-	-	-
<b>Net profit</b>	<b>1,025</b>	<b>890</b>	<b>1,499</b>	<b>1,939</b>	<b>1,474</b>	<b>1,734</b>	<b>2,580</b>	<b>3,164</b>	<b>5,353</b>	<b>8,952</b>	<b>10,943</b>
EPS (NT\$)	1.61	1.40	2.36	3.05	2.32	2.73	4.06	4.98	8.42	14.08	17.21
<b>Margins (%)</b>											
Gross profit margin	12.6	11.8	13.0	14.0	13.5	14.0	15.5	16.0	12.9	14.9	15.3
Operating margin	4.6	3.8	5.0	6.1	5.3	5.9	7.9	8.5	4.9	7.0	7.5
EBITDA margin	5.2	4.5	5.6	6.7	6.0	6.5	8.5	9.1	5.6	7.6	8.1
Pretax profit margin	4.8	4.9	5.7	6.9	6.0	6.7	8.6	9.5	5.6	7.8	8.2
Net profit margin	3.7	3.4	4.7	6.0	4.7	5.2	6.8	7.9	4.5	6.3	6.6
<b>Sequential growth (%)</b>											
Revenue growth	0.8	(6.8)	22.0	2.0	(3.0)	5.0	15.0	5.0			
Gross profit growth	36.5	(12.9)	34.2	9.8	(6.5)	8.9	27.3	8.4			
Operating profit growth	73.6	(23.2)	62.3	24.4	(15.7)	16.9	54.0	13.4			
EBITDA growth	57.5	(19.5)	51.3	21.9	(13.6)	15.0	48.6	12.5			
Pretax profit growth	10.1	(4.5)	42.2	22.1	(15.7)	17.7	48.8	15.3			
Net profit growth	(22.4)	(13.2)	68.5	29.4	(24.0)	17.7	48.8	22.7			
<b>YoY growth (%)</b>											
Revenue growth	(14.0)	15.3	31.8	17.0	12.5	26.7	19.5	23.0	10.5	20.4	16.4
Gross profit growth	(55.0)	(1.7)	38.1	75.3	20.1	50.1	42.4	40.6	(7.7)	38.3	20.0
Operating profit growth	(62.9)	(28.9)	478.1	169.1	30.6	98.9	88.8	72.0	(0.1)	72.0	24.4
EBITDA growth	(59.4)	(24.0)	283.8	134.0	28.3	83.2	79.9	66.0	0.8	64.5	23.8
Pretax profit growth	(65.8)	(27.1)	19.6	82.5	39.9	72.3	80.3	70.2	(20.9)	67.3	22.3
Net profit growth	(66.6)	(9.4)	28.2	46.8	43.8	94.9	72.1	63.2	(18.1)	67.2	22.2

Source: Company data, KGI Research estimates

## Balance sheet

NT\$m	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Total assets</b>	<b>69,178</b>	<b>63,572</b>	<b>66,922</b>	<b>75,417</b>	<b>83,975</b>
<b>Current assets</b>	<b>60,298</b>	<b>54,803</b>	<b>57,350</b>	<b>65,200</b>	<b>73,209</b>
Cash & ST securities	21,536	17,435	15,469	15,863	16,030
Inventory	26,590	21,777	24,801	29,123	33,822
Accounts receivable	10,828	14,131	15,620	18,755	21,897
Other current assets	1,345	1,460	1,460	1,460	1,460
<b>Non-current assets</b>	<b>8,880</b>	<b>8,769</b>	<b>9,572</b>	<b>10,217</b>	<b>10,766</b>
LT investments	3,305	2,440	2,647	2,765	2,930
Net fixed assets	4,207	4,947	5,543	6,070	6,455
Other assets	1,368	1,382	1,382	1,382	1,382
<b>Total liabilities</b>	<b>31,675</b>	<b>27,627</b>	<b>28,856</b>	<b>33,803</b>	<b>38,023</b>
<b>Current liabilities</b>	<b>30,750</b>	<b>26,967</b>	<b>28,195</b>	<b>33,142</b>	<b>37,362</b>
Accounts payable	15,910	13,996	15,940	18,717	21,737
Interest bearing ST liabilities	-	-	-	-	-
Other current liabilities	14,840	12,970	12,255	14,425	15,625
<b>Non-current liabilities</b>	<b>926</b>	<b>660</b>	<b>660</b>	<b>660</b>	<b>660</b>
Long-term debt	200	-	-	-	-
Other L-T liabilities	661	601	601	601	601
<b>Total equity</b>	<b>37,503</b>	<b>35,945</b>	<b>38,066</b>	<b>41,614</b>	<b>45,953</b>
Share capital	6,357	6,357	6,357	6,357	6,357
Retained earnings reserve	21,751	19,400	21,526	25,082	29,429
Minority interests	15	11	6	(2)	(10)
Preferred shareholders funds	-	-	-	-	-

## Key ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Growth</b>					
Revenue growth	44.1%	(12.0)%	10.5%	20.4%	16.4%
Operating profit growth	243.5%	(59.7)%	(0.1)%	72.0%	24.4%
EBITDA growth	208.4%	(56.6)%	0.8%	64.5%	23.8%
Net profit growth	204.9%	(51.0)%	(18.1)%	67.2%	22.2%
EPS growth	205.4%	(51.1)%	(18.1)%	67.2%	22.2%
<b>Profitability</b>					
Gross profit margin	24.3%	15.5%	12.9%	14.9%	15.3%
Operating margin	11.9%	5.4%	4.9%	7.0%	7.5%
EBITDA margin	12.4%	6.1%	5.6%	7.6%	8.1%
Net profit margin	10.9%	6.1%	4.5%	6.3%	6.6%
Return on average assets	22.5%	9.9%	8.2%	12.6%	13.7%
Return on average equity	41.1%	17.8%	14.5%	22.5%	25.0%
<b>Stability</b>					
Gross debt to equity	0.5%	0.0%	0.0%	0.0%	0.0%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	2,985.3	1,477.0	2,649.1	4,417.9	5,415.8
Interest & ST debt coverage (x)	1.0	1.0	1.0	1.0	1.0
Cash flow interest coverage(x)	1,547.5	1,016.3	1,414.3	2,023.8	2,818.1
Cash flow/int. & ST debt (x)	1,547.5	1,016.3	1,414.3	2,023.8	2,818.1
Current ratio (x)	2.0	2.0	2.0	2.0	2.0
Quick ratio (x)	1.1	1.2	1.2	1.1	1.1
Net debt (NT\$m)	(18,728)	(16,266)	(14,300)	(14,693)	(14,861)
<b>Per share data</b>					
EPS (NT\$)	21.01	10.29	8.42	14.08	17.21
CFPS (NT\$)	13.16	9.15	5.62	8.06	11.19
BVPS (NT\$)	58.97	56.53	59.87	65.47	72.30
Adj BVPS (NT\$)	59.06	56.53	59.87	65.47	72.30
SPS (NT\$)	192.05	168.74	186.52	224.57	261.48
EBITDA/share (NT\$)	23.89	10.35	10.43	17.16	21.24
Cash DPS (NT\$)	12.00	6.20	5.08	8.49	10.38
<b>Activity</b>					
Sales / avg assets	2.06	1.62	1.82	2.01	2.09
Days receivable	32.4	48.1	48.1	48.1	48.1
Days inventory	105.1	87.7	87.7	87.7	87.7
Days payable	62.9	56.4	56.4	56.4	56.4
Cash cycle	74.6	79.4	79.4	79.4	79.4

Source: Company data, KGI Research estimates

## Profit &amp; loss

NT\$m	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Revenue</b>	<b>121,905</b>	<b>107,264</b>	<b>118,568</b>	<b>142,754</b>	<b>166,219</b>
Cost of goods sold	(92,315)	(90,648)	(103,235)	(121,555)	(140,782)
<b>Gross profit</b>	<b>29,590</b>	<b>16,616</b>	<b>15,333</b>	<b>21,199</b>	<b>25,437</b>
Operating expenses	(15,104)	(10,771)	(9,493)	(11,152)	(12,939)
<b>Operating profit</b>	<b>14,487</b>	<b>5,845</b>	<b>5,840</b>	<b>10,047</b>	<b>12,498</b>
<b>Non-operating income</b>	<b>1,650</b>	<b>2,608</b>	<b>933</b>	<b>1,146</b>	<b>1,183</b>
Interest income	75	120	263	236	223
Investment income	74	3	5	10	10
Other non-op income	1,502	2,484	665	900	950
<b>Non-operating expenses</b>	<b>(24)</b>	<b>(8)</b>	<b>(89)</b>	<b>(13)</b>	<b>(13)</b>
Interest expense	(5)	(6)	(3)	(3)	(3)
Investment loss	(17)	(2)	(1)	-	-
Other non-op expenses	(2)	-	(85)	(10)	(10)
<b>Pre-tax profit</b>	<b>16,112</b>	<b>8,446</b>	<b>6,685</b>	<b>11,180</b>	<b>13,668</b>
Current taxation	(2,778)	(1,911)	(1,337)	(2,236)	(2,734)
Minorities	3	4	5	8	8
Extraordinary items	1	(0)	-	-	-
<b>Net profit</b>	<b>13,338</b>	<b>6,539</b>	<b>5,353</b>	<b>8,952</b>	<b>10,943</b>
<b>EBITDA</b>	<b>15,167</b>	<b>6,578</b>	<b>6,631</b>	<b>10,906</b>	<b>13,500</b>
EPS (NT\$)	21.01	10.29	8.42	14.08	17.21

## Cash flow

NT\$m	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Operations cash flow</b>	<b>8,355</b>	<b>5,815</b>	<b>3,570</b>	<b>5,123</b>	<b>7,114</b>
Net profit	13,338	6,539	5,353	8,952	10,943
Depreciation & amortisation	680	733	791	859	1,002
Decrease in working capital	(7,422)	(606)	(2,570)	(4,679)	(4,821)
Other operating cash flow	1,759	(850)	(4)	(10)	(10)
<b>Investing cash flow</b>	<b>(1,204)</b>	<b>(915)</b>	<b>(1,590)</b>	<b>(1,495)</b>	<b>(1,542)</b>
Sale of ST investment	(113)	507	-	-	-
New investments	(393)	(13)	(203)	(108)	(155)
Capital expenditure	(587)	(1,122)	(1,300)	(1,300)	(1,300)
Others investing cashflow	(111)	(288)	(87)	(87)	(87)
<b>Free cash flow</b>	<b>4,598</b>	<b>3,440</b>	<b>1,506</b>	<b>2,831</b>	<b>4,792</b>
<b>Financing cash flow</b>	<b>(3,695)</b>	<b>(7,776)</b>	<b>(3,946)</b>	<b>(3,234)</b>	<b>(5,404)</b>
Increase in short term debt	(303)	-	-	-	-
Increase in long term loans	-	(200)	-	-	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(3,178)	(7,620)	(3,941)	(3,226)	(5,396)
Other financing cashflow	(147)	(22)	(5)	(8)	(8)
<b>Forex effects</b>	<b>(93)</b>	<b>213</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total cash generated</b>	<b>3,364</b>	<b>(2,663)</b>	<b>(1,966)</b>	<b>394</b>	<b>167</b>

## ROIC

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	12.4%	10.0%	8.0%	7.8%	7.8%
<b>= Operating margin</b>	<b>11.9%</b>	<b>5.4%</b>	<b>4.9%</b>	<b>7.0%</b>	<b>7.5%</b>
1 / (Working capital/revenue	0.1	0.1	0.1	0.1	0.1
+ 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>9.9</b>	<b>6.9</b>	<b>6.1</b>	<b>6.4</b>	<b>6.3</b>
Operating margin	11.9%	5.4%	4.9%	7.0%	7.5%
x Capital turnover	9.9	6.9	6.1	6.4	6.3
x (1 - tax rate)	82.8%	77.4%	80.0%	80.0%	80.0%
<b>= After-tax ROIC</b>	<b>97.1%</b>	<b>29.2%</b>	<b>24.1%</b>	<b>35.9%</b>	<b>37.9%</b>

Source: Company data, KGI Research estimates

**Gigabyte – Recommendation & target price history**


Date	Rating	Target	Price
2023-08-13	Outperform	360.0	300.5
2023-07-26	Outperform	390.0	333.0
2023-07-14	Outperform	355.0	296.0
2023-05-25	Outperform	196.0	180.0
2023-05-13	Outperform	168.0	139.0
2023-05-09	Outperform	168.0	139.0

Source: TEJ, KGI Research

**All the above named KGI analyst(s) is SFC licensed person accredited to KGI Asia Ltd to carry on the relevant regulated activities. Each of them and/or his/her associate(s) does not have any financial interest in the respectively covered stock, issuer and/or new listing applicant.**

**Disclaimer**

All the information contained in this report is not intended for use by persons or entities located in or residing in jurisdictions which restrict the distribution of this information by KGI Asia Limited ("KGI") or an affiliate of KGI. Such information shall not constitute investment advice, or an offer to sell, or an invitation, solicitation or recommendation to subscribe for or invest in any securities or investment products or services nor a distribution of information for any such purpose in any jurisdiction. In particular, the information herein is not for distribution and does not constitute an offer to sell or the solicitation of any offer to buy any securities in the United States of America, or to or for the benefit of United States persons (being residents of the United States of America or partnerships or corporations organised under the laws of the United States of America or any state, territory or possession thereof). All the information contained in this report is for general information and reference purpose only without taking into account of any particular investor's objectives, financial situation or needs. Such information is not intended to provide professional advice and should not be relied upon in that regard.

Some of KGI equity research and earnings estimates are available electronically on [www.kgi.com.hk](http://www.kgi.com.hk). Please contact your KGI representative for information. The information and opinions in this report are those of KGI internal research activity. KGI does not make any representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. The information and opinions contained in this report are subject to change without any notice. No person accepts any liability whatsoever for any loss however arising from any use of this report or its contents. This report is not to be construed as an invitation or offer to buy or sell securities and/or to participate in any investment activity. This report is being supplied solely for informational purposes and may not be redistributed, reproduced or published (in whole or in part) by any means for any purpose without the prior written consent of KGI. Members of the KGI group and their affiliates may provide services to any companies and affiliates of such companies mentioned herein. Members of the KGI group, their affiliates and their directors, officers and employees may from time to time have a position in any securities mentioned herein.