

Asustek (2357.TW/2357 TT)

1Q24 EPS beat; better guidance for margins in 2024F

FTSE4Good TIP Taiwan ESG Index stock

Outperform · Upgraded

Price as of May 13 (NT\$)	466.0
12M target price (NT\$)	540
Previous target price (NT\$)	438.0
Revised up (%)	23.3
Upside (%)	15.9

Key message

- 1Q24 EPS was NT\$7.33, way ahead of our forecast on a stellar operating margin.
- 2Q24F brand sales and margins guidance beat our expectation.
- AI PC launches and ongoing AI server contribution will boost 2024-25F sales growth.

Trading data

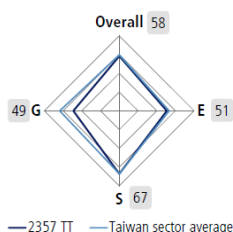
Mkt cap (NT\$/US\$mn)	346.1 / 10,679
Outstanding shares (mn)	743
Foreign ownership (mn)	397.8
3M avg. daily trading (mn)	2.85
52-week trading range (NT\$)	292.0 -492.0

Performance	3M	6M	12M
Absolute (%)	3.1	29.4	65.5
Relative (%)	-12.2	5.5	31

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	14.04A	2.55A	8.34A	(5.15)A
2023	(2.26)A	3.48A	14.94A	5.29A
2024	7.33F	6.10F	11.35F	6.74F

ESG score card



Source: Refinitiv, KGI securities

Event

1Q24 EPS was NT\$7.33, beating our forecast and consensus on stronger operating margin. Guidance for 2Q24F is better than expected. Asustek expects AI PC launches will trigger global PC demand recovery in 2H24F, while server sales are solid.

Impact

1Q24 EPS a huge beat. 1Q24 EPS of NT\$7.33 was way ahead of our forecast and consensus thanks to an outstanding operating margin. Brand gross margin grew YoY to 14.9%, while operating margin was 4.1%, turning positive from 1Q23, well above guidance of 2.1% and our forecast, driven by better cost control. Along with higher interest income and forex gains, 1Q24 EPS was a big beat. Brand's inventory value grew 10% QoQ to NT\$128.3bn due to strategic inventory restocking on key AI PC components (e.g. CPU) and other components amid price uptrends (e.g. memory).

2Q24F guidance revised up. Management guides system sales (PC and smartphone) to grow 10-15% QoQ in 2Q24F, while open platform sales (previously the components segment, comprising motherboard, graphics cards server & other components) will be flat QoQ, better than our forecast and consensus. 2Q24F server sales are guided to remain at a similar level to 1Q24 at NT\$10.5-11.5bn, for a high single-digit share of sales. We thus revise up our brand sales forecast to 8% QoQ growth. Asustek now expects brands operating margin to be flat QoQ, better than previous guidance and our forecast. To reflect a brighter sales and margin outlook, we revise up 2Q24F EPS to NT\$6.1.

Demand to grow on AI PC in 2H24F; improving server sales outlook. Asustek expects global PC demand to grow by low single digits this year thanks to AI PC launches and an enterprise replacement cycle driven by end-of-service of Win10. The firm will launch new AI PC models equipped with Qualcomm's (US) Snapdragon X Elite chip on May 21, targeting the high-end market, and will showcase several new AI PC models (at Computex in June) for all product lines, fueling PC growth in 2024-25F. For server, the firm guides 2Q-4Q24F sales to match 1Q24, implying a high single-digit sales weighting in 2024F. Asustek will also have a better market position in next-gen AI GPU platforms such as B100, B200 and GB200 to boost 2025 AI server sales growth, while being a second-wave supplier of H100 series AI server, mostly for tier 2 and 3 CSPs. We forecast its server sales weighting to exceed double digits in 2025F, beating previous targets. To reflect a brighter 1H24F outlook, we up 2024F EPS to NT\$31.53, up 47% YoY. On expanding server sales, we forecast 2025F EPS to grow 14% YoY to NT\$35.91.

Valuation & Action

On a solid operating margin outlook in 2024F and drivers from AI PC launches and a better market position in AI server, we upgrade Asustek to Outperform and revise up our target price from NT\$438 to NT\$540, based on 16x (up from 15x) 2024-25F EPS.

Risks

Weak NB demand; currency fluctuations.

Key financials and valuations

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (NT\$mn)	535,239	537,192	482,314	558,789	621,280
Gross profit (NT\$mn)	110,316	74,141	72,394	88,449	98,984
Operating profit (NT\$mn)	49,326	12,982	11,164	23,722	28,419
Net profit (NT\$mn)	44,550	14,691	15,928	23,419	26,673
EPS (NT\$)	59.98	19.78	21.44	31.53	35.91
Cash DPS (NT\$)	42.00	15.00	17.00	23.65	26.93
EPS growth (%)	67.7	(67.0)	8.4	47.0	13.9
PE (x)	7.8	23.6	21.7	14.8	13.0
PB (x)	1.5	1.6	1.4	1.4	1.4
EV/EBITDA (x)	2.7	11.5	9.2	5.0	4.2
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	9.0	3.2	3.6	5.1	5.8
Return on average equity (%)	20.5	6.6	7.0	9.6	10.6

Source: Company data, KGI Research estimates

Figure 1: Asustek's 1Q24 brand sales rose 2% QoQ and 12% YoY, and may keep growing QoQ in 2Q24F

Brand sales (NT\$bn)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24F	2Q24 guidance	2020	2021	2022	2023	2024F
PC	64.3	74.4	88.3	94.3	84.3	76.8	94.3	75.0	60.3	68.7	84.5	65.9	62.8	70.9	Up 10-15% QoQ	247.5	321.4	330.4	279.3	297.2
Mobile	1.0	3.6	2.5	2.1	1.3	0.5	2.7	2.3	1.0	2.1	1.2	1.1	1.0	1.0		10.7	9.2	6.7	5.5	5.5
Component	42.1	41.5	38.8	45.1	42.1	37.7	35.8	39.8	40.8	36.4	40.3	44.7	47.9	47.9	Flat QoQ	120.3	167.5	155.3	162.3	208.6
Other	0.8	0.8	0.5	0.3	0.3	0.2	0.3	0.2	0.2	0.2	0.3	0.3	2.4	2.4		3.9	2.4	1.0	1.0	10.0
Total	108.1	120.4	130.1	141.8	128.0	115.2	132.9	117.4	102.4	107.5	126.2	111.9	114.1	122.2		382.4	500.4	493.5	448.0	521.3
Product mix (%)																				
PC	59.5	61.8	67.9	66.5	65.9	66.7	70.9	63.9	58.9	63.9	66.9	58.8	55.0	58.0		64.7	64.2	67.0	62.3	57.0
Mobile	0.9	3.0	1.9	1.5	1.0	0.4	2.0	2.0	1.0	2.0	1.0	1.0	0.9	0.8		2.8	1.8	1.4	1.2	1.1
Component	38.9	34.5	29.8	31.8	32.9	32.7	26.9	33.9	39.9	33.9	31.9	39.9	42.0	39.2		31.5	33.5	31.5	36.2	40.0
Other	0.7	0.7	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	2.1	2.0		1.0	0.5	0.2	0.2	1.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		100.0	100.0	100.0	100.0	100.0
Brand sales QoQ (%)																				
PC	(12.0)	15.7	18.7	6.8	(10.6)	(8.9)	22.7	(20.4)	(19.6)	13.9	23.0	(22.0)	(4.7)	13.0						
Mobile	(67.5)	271.2	(31.6)	(13.9)	(39.9)	(64.0)	476.9	(11.7)	(56.4)	110.0	(44.2)	(8.3)	(9.1)	0.0						
Component	14.1	(1.2)	(6.7)	16.3	(6.7)	(10.5)	(5.1)	11.3	2.7	(10.8)	10.5	11.0	7.2	0.0						
Other	(2.4)	11.4	(38.2)	(45.5)	(9.8)	(10.0)	15.4	(11.7)	(12.8)	5.0	46.4	(13.7)	792.1	(1.0)						
Total	(4.9)	11.4	8.1	9.0	(9.8)	(10.0)	15.4	(11.7)	(12.8)	5.0	17.4	(11.3)	1.9	7.1						
Brand sales YoY (%)																				
PC	68.2	34.7	9.1	29.1	31.1	3.3	6.7	(20.5)	(28.5)	(10.6)	(10.4)	(12.2)	4.1	3.2		10.2	29.8	2.8	(15.5)	6.4
Mobile	(58.8)	165.0	(37.3)	(28.9)	31.5	(87.2)	7.6	10.3	(20.0)	366.5	(54.9)	(53.1)	(2.3)	(53.5)		(54.7)	(13.8)	(26.5)	(18.9)	0.5
Component	89.4	55.0	12.4	22.3	0.1	(9.3)	(7.8)	(11.8)	(3.0)	(3.3)	12.6	12.4	17.3	31.5		57.2	39.1	(7.2)	4.5	28.5
Other	(38.6)	(49.7)	136.8	(63.4)	(66.2)	(72.7)	(48.9)	(17.3)	(20.0)	(6.7)	18.4	15.7	1083.5	1016.4		(50.1)	(38.4)	(58.9)	2.0	893.9
Total	68.8	41.5	8.8	24.7	18.4	(4.3)	2.2	(17.3)	(20.0)	(6.7)	(5.0)	(4.6)	11.5	13.7		15.0	30.8	(1.4)	(9.2)	16.4

Source: Company data; KGI Research estimates

Figure 2: Breakdown of 1Q24 results & 2Q24 forecast revisions vs. consensus (consolidated)

NT\$m	1Q24						2Q24F							
	Actual	KGI forecast	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	121,697	118,960	2.3	1.3	9.2	120,575	0.9	131,433	115,391	13.9	8.0	13.6	124,824	5.3
Gross profits	19,532	17,963	8.7	(6.1)	82.2	18,898	3.4	20,635	16,732	23.3	5.6	27.6	19,545	5.6
Operating income	4,848	3,450	40.5	37.5	-	3,589	35.1	5,126	3,116	64.5	5.7	199.0	4,158	23.3
Pretax Income	7,276	4,641	56.8	16.3	-	5,102	42.6	6,324	4,307	46.8	(13.1)	101.7	5,522	14.5
Net income	5,448	3,117	74.8	38.7	-	3,548	53.5	4,534	2,852	59.0	(16.8)	75.3	3,863	17.4
EPS (NT\$)	7.33	4.20	74.8	38.7	-	4.78	53.5	6.10	3.84	59.0	(16.8)	75.3	5.20	17.4
Gross margin (%)	16.0	15.1	0.9 ppts	(1.3)ppts	6.4 ppts	15.7	0.4 ppts	15.7	14.5	1.2 ppts	(0.3)ppts	1.7 ppts	15.7	0.0 ppts
OP margin (%)	4.0	2.9	1.1 ppts	1.0 ppts	6.8 ppts	3.0	1.0 ppts	3.9	2.7	1.2 ppts	(0.1)ppts	2.4 ppts	3.3	0.6 ppts
Net margin (%)	4.5	2.6	1.9 ppts	1.2 ppts	6.0 ppts	2.9	1.5 ppts	3.4	2.5	1.0 ppts	(1.0)ppts	1.2 ppts	3.1	0.4 ppts

Source: Bloomberg, KGI Research estimates

Figure 3: Breakdown of 2024-25 forecast revisions vs. consensus (consolidated)

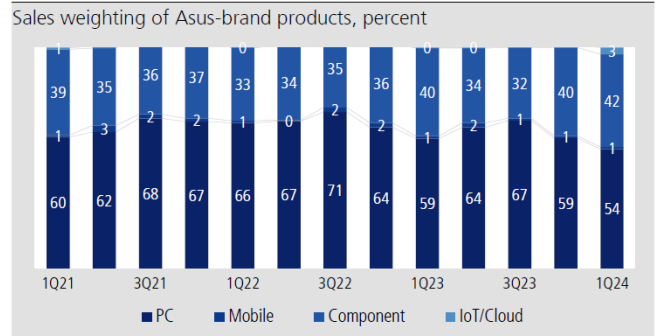
NT\$m	2024F						2025F					
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	558,789	549,368	1.7	15.9	537,800	3.9	621,280	605,486	2.6	11.2	600,777	3.4
Gross profit	88,449	84,122	5.1	22.2	86,489	2.3	98,984	93,775	5.6	11.9	97,422	1.6
Operating income	23,722	19,916	19.1	112.5	22,431	5.8	28,419	25,013	13.6	19.8	26,666	6.6
Pretax Income	32,514	27,781	17.0	47.2	30,772	5.7	36,548	32,714	11.7	12.4	34,562	5.7
Net income	23,419	19,720	18.8	47.0	22,088	6.0	26,673	23,612	13.0	13.9	25,481	4.7
EPS (NT\$)	31.53	26.55	18.8	47.0	29.74	6.0	35.91	31.79	13.0	13.9	34.31	4.7
Gross margin (%)	15.8	15.3	0.5 ppts	0.8 ppts	16.1	(0.3)ppts	15.9	15.5	0.4 ppts	0.1 ppts	16.2	(0.3)ppts
OP margin (%)	4.2	3.6	0.6 ppts	1.9 ppts	4.2	0.1 ppts	4.6	4.1	0.4 ppts	0.3 ppts	4.4	0.1 ppts
Net margin (%)	4.2	3.6	0.6 ppts	0.9 ppts	4.1	0.1 ppts	4.3	3.9	0.4 ppts	0.1 ppts	4.2	0.1 ppts

Source: Bloomberg, KGI Research estimates

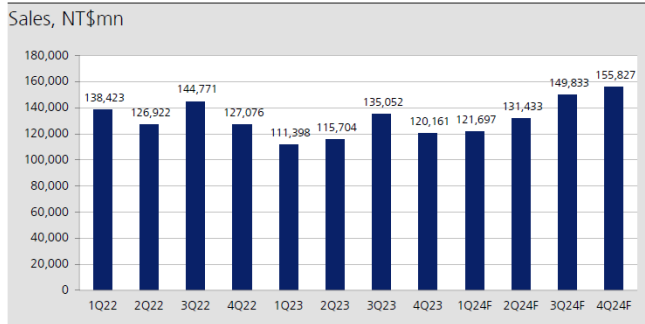
Figure 4: Company profile

In 2023, Asustek was the world's fifth largest PC maker, with shipments of 17.1mn units (down 17% YoY), and global market share of 7.1%. The company launched the first ZenFone model in 2013, with shipments growth of 135% YoY to 20mn units for the series in 2015. Asustek's smartphone shipments shrank further in 2023 from 0.8mn units in 2021 and 0.6mn units in 2022. In 2023, PC (NB, desktop) were 63% of brand sales, components (motherboard, graphics card) 36%, and smartphone 1%.

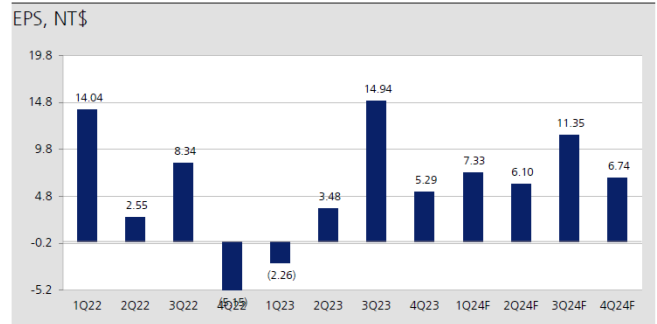
Source: KGI Research

Figure 5: PC system sales weighting down QoQ in 1Q24


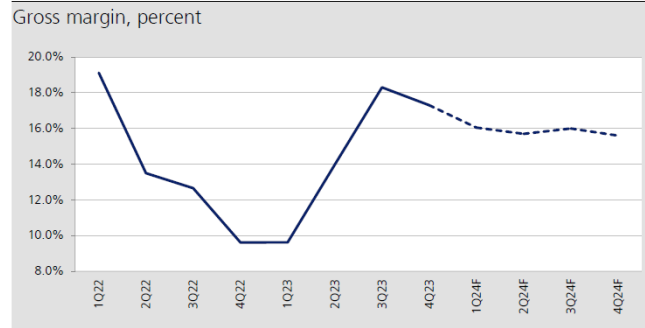
Source: company data; KGI Research

Figure 6: Sales


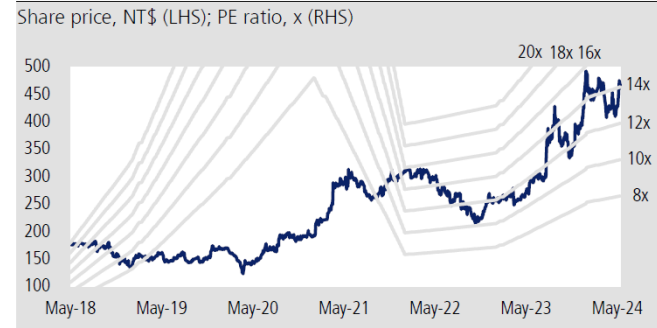
Source: KGI Research

Figure 7: EPS


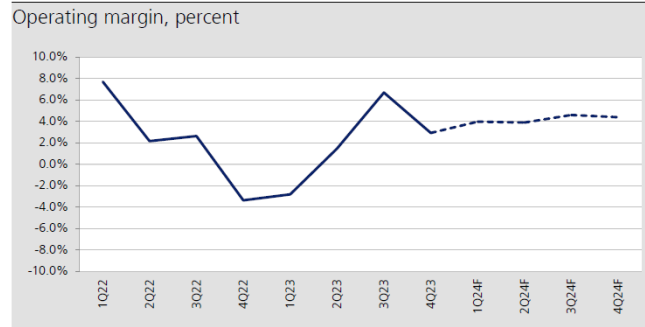
Source: KGI Research

Figure 8: Gross Margin


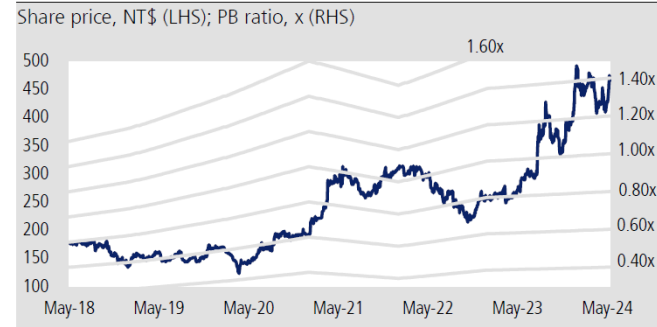
Source: KGI Research

Figure 9: 12M forward PE band


Source: TEJ; KGI Research

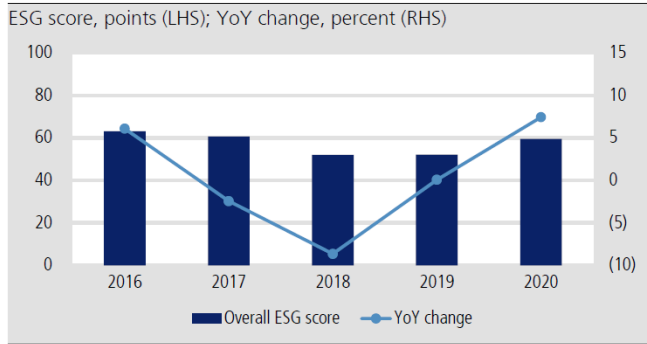
Figure 10: Operating Margin


Source: KGI Research

Figure 11: 12M forward PB band


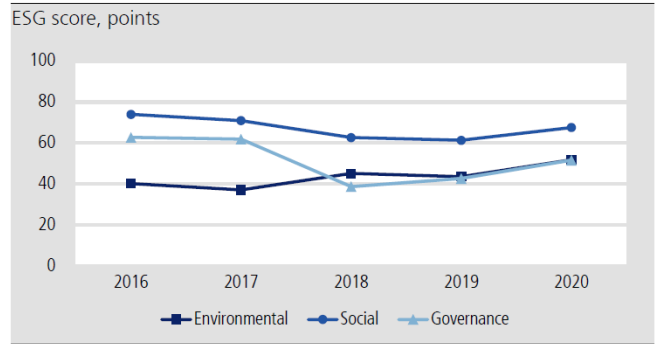
Source: TEJ; KGI Research

Figure 12: Overall ESG score



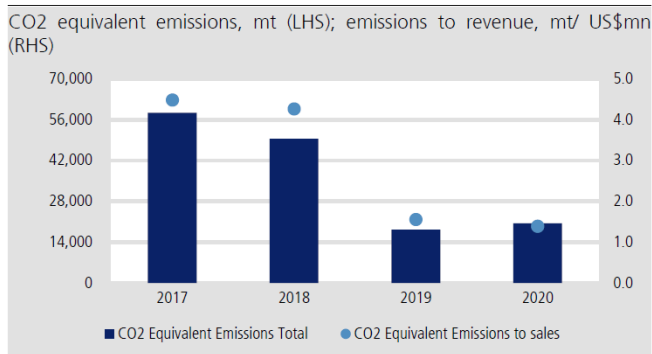
Source: Refinitiv, KGI Research, Company data

Figure 13: ESG scores



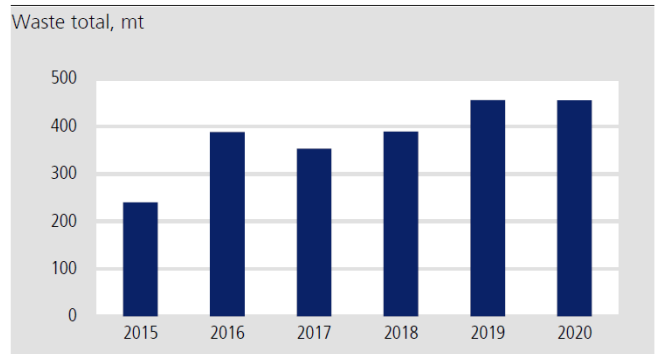
Source: Refinitiv, KGI Research, Company data

Figure 14: CO2 equivalent emissions



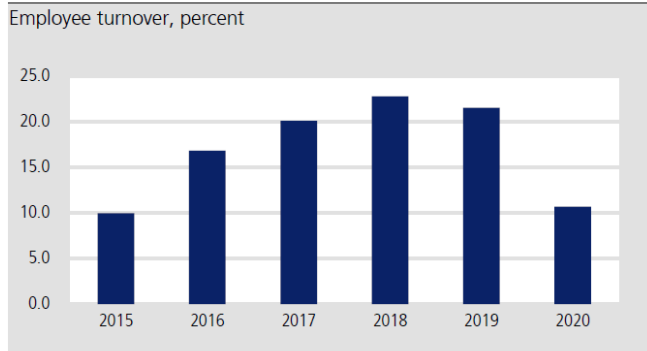
Source: Refinitiv, KGI Research, Company data

Figure 15: Waste total



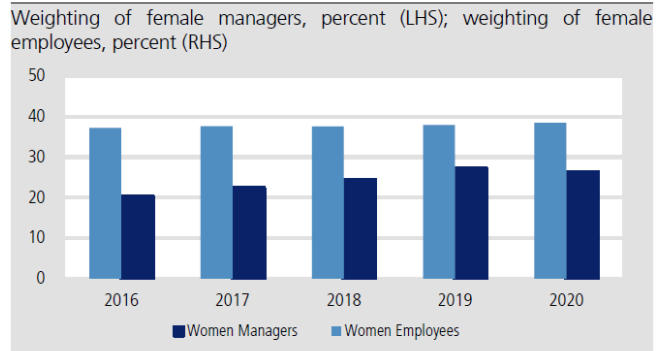
Source: Refinitiv, KGI Research, Company data

Figure 16: Employee turnover



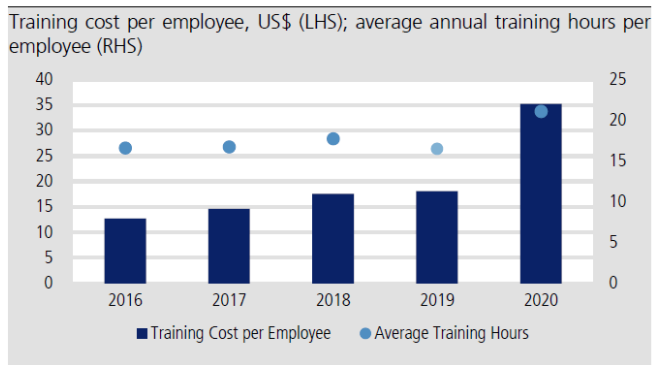
Source: Refinitiv, KGI Research, Company data

Figure 17: Gender diversification



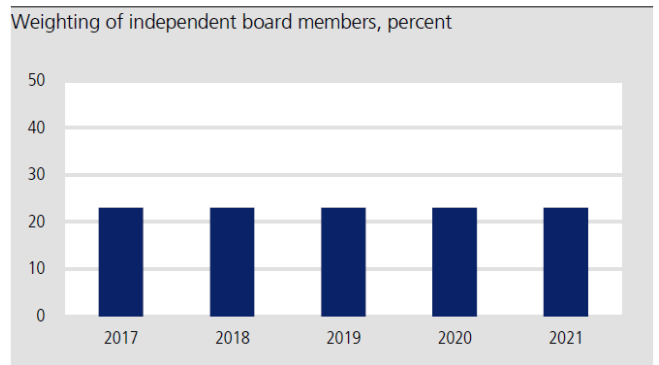
Source: Refinitiv, KGI Research, Company data

Figure 18: Employee training



Source: Refinitiv, KGI Research, Company data

Figure 19: Independent board members



Source: Refinitiv, KGI Research, Company data

ESG chart definition

Item	Definition	Remarks
Energy use	<p>Total direct and indirect energy consumption in gigajoules.</p> <ul style="list-style-type: none"> - the total amount of energy that has been consumed within the boundaries of the company's operations - total energy use = total direct energy consumption + indirect energy consumption - purchased energy and produced energy are included in total energy use - for utilities, transmission/ grid loss as part of its business activities is considered as total energy consumed and data does not consider electricity produced to answer energy use (utility company produces to sell) - for utilities, raw materials such as coal, gas or nuclear used in the production of energy are not considered under 'total energy use' 	
Renewable energy purchased	<p>Total primary renewable energy purchased in gigajoules.</p> <ul style="list-style-type: none"> - energy consumed by the company from various sources and among the purchased energy, how much energy is renewable in nature (solar, wind, hydro, biomass, geothermal) are in scope - if there is no evidence that renewable energy is produced by the company, then we consider the reported energy figure as renewable energy purchased 	
Renewable energy use ratio	Renewable energy to total energy used	
CO2 equivalent emissions	<p>Direct CO2 and CO2 equivalent emissions in metric tons.</p> <ul style="list-style-type: none"> - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3) 	
CO2 equivalent emissions to sales	<p>Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT\$m)</p> <ul style="list-style-type: none"> - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3) 	
Waste total	<p>Total amount of waste produced in metric tons.</p> <ul style="list-style-type: none"> - total waste = non-hazardous waste + hazardous waste - only solid waste is taken into consideration, exceptionally if liquid waste is reported in metric tons, then we do the summation to derive total including liquid waste - for sectors like mining, oil & gas, waste generation like tailings, waste rock, coal and fly ash are also considered 	
Waste recycling ratio	<p>The waste recycling ratio as reported by the company.</p> <ul style="list-style-type: none"> - waste recycling ratio = waste recycled/total waste*100 - waste to energy or waste incinerated with energy recovery are considered as waste recycled - waste recovered via composting is considered as recycled waste 	
Water withdrawal total	<p>Total water withdrawal in cubic meters.</p> <ul style="list-style-type: none"> - the total volume of water withdrawn from any water source that was either withdrawn directly by the reporting organization or through intermediaries such as water utilities - different sources of water like wells, town/utility/municipal water, river water, and surface water are considered 	
Environmental expenditures	<p>Total amount of environmental expenditures.</p> <ul style="list-style-type: none"> - all environmental investment & expenditures for environmental protection or to prevent, reduce, control environmental aspects, impacts, and hazards. It also includes disposal, treatment, sanitation, and clean-up expenditures 	
Turnover of employees	<p>Percentage of employee turnover.</p> <ul style="list-style-type: none"> - includes employees who left the company for any reason (voluntary or involuntary), such as resignations, retirement, natural departure/death, medical incapacitation, redundancy, layoffs, restructuring, dismissal, retrenchment or end of a fixed-term contract - employees turnover rate = (employees leaving/average number of employees)*100 - where the average number of employees = (employees at the end of the current year + employees at the end of the previous year)/2 - employees at the end of the current fiscal year = employees at the end of the previous fiscal year + new employees - employees leaving 	
Women managers	<p>Percentage of women managers.</p> <ul style="list-style-type: none"> - percentage of women managers among total managers of the company - if there is a breakdown by category in percentage, such as top, senior, middle, and junior management, then we consider the percentage of middle women managers - percentage of women managers = number of women managers/total number of managers*100 	
Women employees	<p>Percentage of women employees.</p> <ul style="list-style-type: none"> - percentage of women employees to the total number of employees of the company - percentage of women employees = number of women/total number of employees*100 	
Training hours total	<p>Total training hours performed by all employees.</p> <ul style="list-style-type: none"> - consider only employee training hours - includes all types of training given to general employees (such as health & safety, environmental, emergency response, skills & career development training) - if the value is given in days, multiply by 8, assuming that 1 day = 8 hours worked 	
Training hours per employee	Training hours per employee per year	

Source: Refinitiv; KGI Research

Income statement

	Quarterly								Annually		
	Mar-23A	Jun-23A	Sep-23A	Dec-23A	Mar-24F	Jun-24F	Sep-24F	Dec-24F	Dec-23A	Dec-24F	Dec-25F
Income statement (NT\$mn)											
Revenue	111,398	115,704	135,052	120,161	121,697	131,433	149,833	155,827	482,314	558,789	621,280
Cost of goods sold	(100,682)	(99,528)	(110,339)	(99,371)	(102,165)	(110,798)	(125,860)	(131,518)	(409,920)	(470,340)	(522,296)
Gross profit	10,716	16,175	24,713	20,790	19,532	20,635	23,973	24,309	72,394	88,449	98,984
Operating expenses	(13,842)	(14,463)	(15,666)	(17,270)	(14,684)	(15,509)	(17,081)	(17,453)	(61,241)	(64,727)	(70,565)
Operating profit	(3,121)	1,714	9,046	3,525	4,848	5,126	6,892	6,856	11,164	23,722	28,419
Depreciation of fixed assets	(538)	(551)	(566)	(596)	(565)	(565)	(565)	(565)	(2,250)	(2,262)	(2,462)
Amortisation of intangible assets	(118)	(137)	(140)	(126)	(127)	(127)	(127)	(127)	(521)	(507)	(507)
EBITDA	(2,465)	2,402	9,752	4,246	5,540	5,818	7,585	7,549	13,935	26,491	31,388
Interest income	649	716	644	847	822	781	781	740	2,855	3,124	2,425
Investment income	224	282	3,314	159	370	200	2,900	30	3,979	3,500	3,500
Other non-op income	1,065	585	1,289	1,850	1,355	400	800	345	4,788	2,900	2,900
Non-operating income	1,938	1,583	5,247	2,855	2,547	1,381	4,481	1,115	11,623	9,524	8,825
Interest expense	(246)	(163)	(159)	(125)	(119)	(108)	(108)	(97)	(693)	(432)	(395)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	-	-	-	-	-	(75)	(75)	(150)	-	(300)	(300)
Non-operating expenses	(246)	(163)	(159)	(125)	(119)	(183)	(183)	(247)	(693)	(732)	(695)
Pre-tax profit	(1,429)	3,135	14,133	6,255	7,276	6,324	11,190	7,724	22,094	32,514	36,548
Current taxation	149	(52)	(2,430)	(1,871)	(1,059)	(1,265)	(2,238)	(2,233)	(4,204)	(6,796)	(7,675)
Minorities	(402)	(497)	(605)	(458)	(769)	(525)	(525)	(481)	(1,962)	(2,300)	(2,200)
Normalised net profit	(1,682)	2,586	11,097	3,927	5,448	4,534	8,427	5,010	15,928	23,419	26,673
Extraordinary items	(0)	0	0	-	-	-	-	-	-	-	-
Net profit	(1,682)	2,586	11,097	3,927	5,448	4,534	8,427	5,010	15,928	23,419	26,673
EPS (NT\$)	(2.26)	3.48	14.94	5.29	7.33	6.10	11.35	6.74	21.44	31.53	35.91
Margins (%)											
Gross profit margin	9.6	14.0	18.3	17.3	16.0	15.7	16.0	15.6	15.0	15.8	15.9
Operating margin	(2.8)	1.5	6.7	2.9	4.0	3.9	4.6	4.4	2.3	4.2	4.6
EBITDA margin	(2.2)	2.1	7.2	3.5	4.6	4.4	5.1	4.8	2.9	4.7	5.1
Pretax profit margin	(1.3)	2.7	10.5	5.2	6.0	4.8	7.5	5.0	4.6	5.8	5.9
Net profit margin	(1.5)	2.2	8.2	3.3	4.5	3.4	5.6	3.2	3.3	4.2	4.3
Sequential growth (%)											
Revenue growth	(12.3)	3.9	16.7	(11.0)	1.3	8.0	14.0	4.0			
Gross profit growth	(12.3)	50.9	52.8	(15.8)	(6.1)	5.6	16.2	1.4			
Operating profit growth	(26.8)		427.7	(61.0)	37.5	5.7	34.5	(0.5)			
EBITDA growth	(31.5)		306.0	(56.5)	30.5	5.0	30.4	(0.5)			
Pretax profit growth	(57.6)		350.8	(55.7)	16.3	(13.1)	77.0	(31.0)			
Net profit growth	(56.0)		329.1	(64.6)	38.7	(16.8)	85.9	(40.6)			
YoY growth (%)											
Revenue growth	(19.5)	(8.8)	(6.7)	(5.4)	9.2	13.6	10.9	29.7	(10.2)	15.9	11.2
Gross profit growth	(58.5)	(9.0)	34.9	70.2	82.3	27.6	(3.0)	16.9	(2.3)	22.2	11.9
Operating profit growth	(129.2)	(37.7)	136.7			199.0	(23.8)	94.5	(14.0)	112.5	19.8
EBITDA growth	(121.8)	(29.2)	117.6			142.2	(22.2)	77.8	(10.7)	90.1	18.5
Pretax profit growth	(110.4)	(3.4)	75.9			101.7	(20.8)	23.5	2.2	47.2	12.4
Net profit growth	(116.1)	36.4	79.3			75.3	(24.1)	27.6	8.4	47.0	13.9

Source: Company data, KGI Research estimates

Balance sheet

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Total assets	504,153	471,165	480,082	506,537	527,032
Current assets	348,705	322,198	307,177	325,641	338,169
Cash & ST securities	74,315	74,897	82,299	73,464	69,165
Inventory	167,316	142,472	122,790	128,508	143,095
Accounts receivable	93,243	91,311	86,817	108,399	110,639
Other current assets	13,832	13,518	15,270	15,270	15,270
Non-current assets	155,448	148,967	172,905	180,896	188,863
LT investments	112,826	104,045	126,932	135,184	143,613
Net fixed assets	19,421	19,495	20,082	19,821	19,359
Other assets	23,201	25,426	25,891	25,891	25,891
Total liabilities	257,716	244,276	221,100	238,249	248,713
Current liabilities	238,183	222,677	197,552	214,722	225,179
Accounts payable	95,730	51,368	56,967	70,680	78,702
Interest bearing ST liabilities	9,407	48,908	16,273	14,793	14,786
Other current liabilities	133,045	122,401	124,312	129,250	131,690
Non-current liabilities	19,534	21,599	23,547	23,527	23,534
Long-term debt	155	145	162	141	148
Other L-T liabilities	18,423	20,545	22,401	22,401	22,401
Total equity	246,436	226,889	258,982	268,288	278,319
Share capital	7,428	7,428	7,428	7,428	7,428
Retained earnings reserve	135,085	113,873	117,271	123,126	129,794
Minority interests	14,105	14,508	19,166	21,466	23,666
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Growth					
Revenue growth	29.7%	0.4%	(10.2%)	15.9%	11.2%
Operating profit growth	97.6%	(73.7%)	(14.0%)	112.5%	19.8%
EBITDA growth	86.6%	(70.5%)	(10.7%)	90.1%	18.5%
Net profit growth	67.7%	(67.0%)	8.4%	47.0%	13.9%
EPS growth	67.7%	(67.0%)	8.4%	47.0%	13.9%
Profitability					
Gross profit margin	20.6%	13.8%	15.0%	15.8%	15.9%
Operating margin	9.2%	2.4%	2.3%	4.2%	4.6%
EBITDA margin	9.9%	2.9%	2.9%	4.7%	5.1%
Net profit margin	8.3%	2.7%	3.3%	4.2%	4.3%
Return on average assets	9.9%	3.0%	3.3%	4.7%	5.2%
Return on average equity	20.5%	6.6%	7.0%	9.6%	10.6%
Stability					
Gross debt to equity	3.9%	21.6%	6.3%	5.6%	5.4%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	346.5	29.3	32.9	76.3	93.5
Interest & ST debt coverage (x)	0.9	0.3	0.6	0.7	0.7
Cash flow interest coverage(x)	191.1	(20.6)	75.2	10.6	31.7
Cash flowint. & ST debt (x)	3.4	(0.3)	3.1	0.3	0.8
Current ratio (x)	1.5	1.4	1.6	1.5	1.5
Quick ratio (x)	0.8	0.8	0.9	0.9	0.9
Net debt (NT\$m)	(58,250)	(20,270)	(62,792)	(55,457)	(51,158)
Per share data					
EPS (NT\$)	59.98	19.78	21.44	31.53	35.91
CFPS (NT\$)	44.01	(21.17)	70.13	6.17	16.88
BVPS (NT\$)	312.79	285.93	322.87	332.30	342.85
Adj BVPS (NT\$)	312.79	285.93	322.87	332.29	342.85
SPS (NT\$)	720.61	723.24	649.35	752.27	836.45
EBITDA/share (NT\$)	71.24	21.01	18.76	35.66	42.26
Cash DPS (NT\$)	42.00	15.00	17.00	23.65	26.93
Activity					
Sales / avg assets	1.19	1.10	1.01	1.13	1.20
Days receivable	63.6	62.0	65.7	71.0	65.0
Days inventory	143.7	112.3	109.3	100.0	100.0
Days payable	82.2	40.5	50.7	55.0	55.0
Cash cycle	125.1	133.9	124.3	116.0	110.0

Source: Company data, KGI Research estimates

Profit & loss

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue	535,239	537,192	482,314	558,789	621,280
Cost of goods sold	(424,923)	(463,051)	(409,920)	(470,340)	(522,296)
Gross profit	110,316	74,141	72,394	88,449	98,984
Operating expenses	(60,980)	(61,162)	(61,241)	(64,727)	(70,565)
Operating profit	49,326	12,982	11,164	23,722	28,419
Non-operating income	11,523	9,699	11,623	9,524	8,825
Interest income	528	920	2,855	3,124	2,425
Investment income	5,087	5,478	3,979	3,500	3,500
Other non-op income	5,908	3,300	4,788	2,900	2,900
Non-operating expenses	(1,754)	(1,065)	(693)	(732)	(695)
Interest expense	(171)	(763)	(693)	(432)	(395)
Investment loss	(683)	-	-	-	-
Other non-op expenses	(900)	(303)	-	(300)	(300)
Pre-tax profit	59,094	21,616	22,094	32,514	36,548
Current taxation	(12,483)	(4,784)	(4,204)	(6,796)	(7,675)
Minorities	(2,056)	(2,141)	(1,962)	(2,300)	(2,200)
Extraordinary items	(6)	(0)	0	-	-
Net profit	44,550	14,691	15,928	23,419	26,673
EBITDA	52,914	15,603	13,935	26,491	31,388
EPS (NT\$)	59.98	19.78	21.44	31.53	35.91

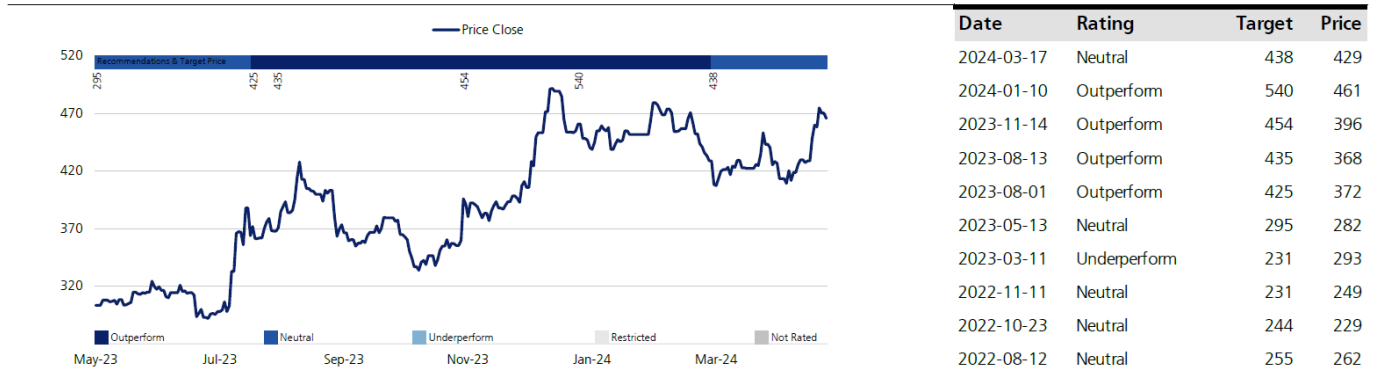
Cash flow

NTSmn	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Operations cash flow	32,691	(15,721)	52,087	4,585	12,535
Net profit	44,550	14,691	15,928	23,419	26,673
Depreciation & amortisation	3,588	2,621	2,771	2,769	2,969
Decrease in working capital	(47,177)	(19,145)	29,523	(13,587)	(8,804)
Other operating cash flow	31,731	(13,888)	3,865	(8,015)	(8,303)
Investing cash flow	(1,784)	1,445	2,206	(2,744)	(2,633)
Sale of ST investment	(1,610)	(370)	(940)	-	-
New investments	(1,543)	(460)	(14)	(237)	(126)
Capital expenditure	(2,178)	(1,524)	(1,688)	(2,000)	(2,000)
Others investing cashflow	3,547	3,798	4,849	(507)	(507)
Free cash flow	(7,290)	(8,417)	39,125	5,439	14,109
Financing cash flow	(17,368)	6,816	(45,240)	(10,676)	(14,202)
Increase in short term debt	3,565	39,480	(32,649)	(1,500)	-
Increase in long term loans	166	(11)	40	-	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(19,312)	(31,196)	(11,141)	(12,627)	(17,564)
Other financing cashflow	(1,787)	(1,458)	(1,490)	3,451	3,363
Forex effects	(2,507)	8,971	851		
Total cash generated	11,033	1,510	9,904	(8,835)	(4,299)

ROIC

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	11.4%	11.4%	12.7%	11.6%	11.4%
= Operating margin	9.2%	2.4%	2.3%	4.2%	4.6%
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
= Capital turnover	7.9	5.6	7.1	7.3	7.5
Operating margin	9.2%	2.4%	2.3%	4.2%	4.6%
x Capital turnover	7.9	5.6	7.1	7.3	7.5
x (1 - tax rate)	78.9%	77.9%	81.0%	79.1%	79.0%
= After-tax ROIC	57.1%	10.5%	13.3%	24.5%	27.2%

Source: Company data, KGI Research estimates

Asustek – Recommendation & target price history


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. 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.