

Chicony (2385.TW/2385 TT)

Sales & margins to grow in 2024-25F

FTSE4Good TIP Taiwan ESG Index stock

Outperform · Maintained

Price as of 13 March 2024	235.0
12M target price (NT\$)	258.0
Previous target price (NT\$)	152.0
Revised up (%)	69.7
Upside (%)	9.8

Key messages

- 4Q23 EPS of NT\$2.87 in line with our forecast but ahead of consensus.
- Sales to grow by double digits in 2024F on keyboard and power sales.
- Margins to continue rising in 2024-25F.

Trading data

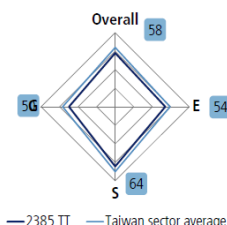
Mkt cap (NT\$bn/US\$m)	178.6 / 5,680
Outstanding shares (mn)	760
Foreign ownership (mn)	278.7
3M avg. daily trading (mn)	3.55
52-week trading range (NT\$)	90.00 – 235.0

Performance (%)	3M	6M	12M
Absolute	31.7	106.1	150.3
Relative	17.6	85.9	122.2

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	2.41A	2.50A	2.97A	2.38A
2023	2.05A	2.50A	2.93A	2.87A
2024	2.54F	3.18F	4.40F	3.59F

ESG score card



Source: Refinitiv, KGI Research

Event

4Q23 EPS of NT\$2.87 was in line with our forecast but ahead of consensus. Management expects 2024F sales of all segments to grow, with margins improving.

Impact

4Q23 EPS in line with our forecast. 4Q23 EPS fell 2% QoQ but rose 21% YoY to NT\$2.87, in line with our forecast due to higher non-op income offsetting lower-than-expected margins. Gross and operating margin rose YoY but fell QoQ to 20.9% and 10.6%, lower than our forecasts due to NT dollar appreciation and an unfavorable product mix, while image business sales weighting was up QoQ to 27% (25% in 3Q23). But with higher non-op income, 4Q23 EPS was in line with our forecast. 2023 EPS grew 1% YoY to NT\$10.35, with sales down 15% YoY but gross and operating margins expanding to 19.4% and 9.6%. Chicony's cash dividend is NT\$7.8 per share, for a 75% payout ratio and 3.3% cash yield.

1Q24F guidance better than our forecast. Management guides sales to be flat or up slightly YoY in 1Q24F, implying a 6-7% QoQ decline, better than our forecast. Keyboard sales will grow 10-15% YoY on a low base last year, while both power and imaging sales will be flat. 1Q24F sales will be the annual bottom, and will grow QoQ in 2Q-3Q24F. Thanks to margin expansion in all segments, we expect overall gross and operating margins will rise YoY to 19.7% and 9.2% in 1Q24F, respectively, and we thus revise up our 1Q24F EPS to NT\$2.54.

Bright 2024F outlook. Management expects overall sales to grow by double digits this year, driven by keyboard and power sales, while image sales will grow by high single digits, better than our forecast. Chicony said keyboard sales may also grow by double digits YoY in 2024F, stronger than industry growth of 5% as higher growth from the AI PC aftermarket and a Windows system upgrade will boost keyboard replacement demand. The power segment will be a key beneficiary of the AI PC trend on the back of wattage upgrading, and power sales are targeted to grow by double digits this year. Stronger components sales growth will bolster image sales this year. We revise up 2024F sales to 11% growth YoY, with gross and operating margins rising to 20.1% and 10.7% thanks to a favorable product mix (margin improvement of all segments). We forecast EPS to grow 32% YoY to NT\$13.7 in 2024F and to grow to NT\$14.93 in 2025F. Long term, we think the power business will be the key sales driver, triggered by high-wattage NB power, server, satellite & telecom and smart building sales, all of which have higher margins.

Valuation & Action

On robust 2024-25F earnings growth, we revise up our target price to NT\$258, on 18x 2024-25F EPS. Maintain Outperform rating given solid EPS CAGR of 20% in 2023-25F.

Risks

Weak demand; NT-dollar and renminbi appreciation.

Key financials and valuations

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (NT\$m)	107,474	115,748	98,323	109,206	122,522
Gross profit (NT\$m)	18,902	20,576	19,028	22,194	25,113
Operating profit (NT\$m)	8,613	10,418	9,409	11,687	13,662
Net profit (NT\$m)	6,154	7,320	7,464	9,883	10,765
EPS (NT\$)	8.71	10.26	10.35	13.70	14.93
Cash DPS (NT\$)	6.10	7.50	7.80	9.62	10.48
EPS growth (%)	11.7	17.8	0.9	32.4	8.9
PE (x)	27.0	22.9	22.7	17.1	15.7
PB (x)	5.8	5.0	4.6	4.1	3.7
EV/EBITDA (x)	13.8	11.6	12.1	10.2	8.9
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend yield (%)	2.6	3.2	3.3	4.1	4.5
Return on average equity (%)	21.1	22.1	20.0	24.2	24.1

Source: Company data, KGI Research estimates

Figure 1: Breakdown of 4Q23 results vs. KGI & consensus & 1Q24 forecast revisions vs. consensus

NT\$m	4Q23								1Q24F					
	Actual	KGI forecast	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	24,429	25,035	(2.4)	(5.3)	(11.5)	25,378	(3.7)	22,841	22,531	1.4	(6.5)	0.5	23,157	(1.4)
Gross profits	5,099	5,282	(3.5)	(8.1)	3.2	5,214	(2.2)	4,500	3,920	14.8	(11.7)	17.1	4,377	2.8
Operating income	2,588	2,754	(6.0)	(13.8)	11.3	2,727	(5.1)	2,101	1,735	21.1	(18.8)	17.6	2,164	(2.9)
Pretax Income	3,069	3,081	(0.4)	(1.3)	24.5	2,965	3.5	2,652	2,255	17.6	(13.6)	24.1	2,443	8.6
Net income	2,070	2,070	(0.0)	(2.4)	21.6	1,942	6.6	1,832	1,556	17.7	(11.5)	24.6	1,487	23.2
EPS (NT\$)	2.87	2.86	(0.0)	(2.0)	20.6	2.69	6.6	2.54	2.16	17.7	(11.5)	23.9	2.06	23.2
Gross margin (%)	20.9	21.1	(0.2)ppts	(0.6)ppts	3.0 ppts	20.5	0.3 ppts	19.7	17.4	2.3 ppts	(1.2)ppts	2.8 ppts	18.9	0.8 ppts
OP margin (%)	10.6	11.0	(0.4)ppts	(1.0)ppts	2.2 ppts	10.7	(0.2)ppts	9.2	7.7	1.5 ppts	(1.4)ppts	1.3 ppts	9.3	(0.1)ppts
Net margin (%)	8.5	8.3	0.2 ppts	0.3 ppts	2.3 ppts	7.7	0.8 ppts	8.0	6.9	1.1 ppts	(0.5)ppts	1.6 ppts	6.4	1.6 ppts

Source: KGI Research estimates, Bloomberg

Figure 2: Breakdown of 2023 results and 2024-25 forecast revisions vs. consensus

NT\$m	2023						2024F						2025F					
	Actual	KGI forecast	Diff. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	98,323	98,928	(0.6)	(15.1)	99,315	(1.0)	109,206	106,308	2.7	11.1	109,300	(0.1)	122,522	113,140	8.3	12.2	117,268	4.5
Gross profit	19,028	19,212	(1.0)	(7.5)	19,161	(0.7)	22,194	20,910	6.1	16.6	21,894	1.4	25,113	22,697	10.6	13.1	23,477	7.0
Operating income	9,409	9,575	(1.7)	(9.7)	9,601	(2.0)	11,687	10,913	7.1	24.2	11,694	(0.1)	13,662	12,064	13.3	16.9	13,033	4.8
Pretax Income	11,273	11,285	(0.1)	0.7	11,174	0.9	14,691	12,994	13.1	30.3	12,720	15.5	16,261	14,074	15.5	10.7	13,696	18.7
Net income	7,464	7,465	(0.0)	2.0	7,350	1.6	9,883	8,461	16.8	32.4	8,486	16.5	10,765	9,126	18.0	8.9	9,400	14.5
EPS (NT\$)	10.35	10.35	0.0	0.9	10.19	1.6	13.70	11.69	17.2	32.4	11.77	16.5	14.93	12.61	18.4	8.9	13.03	14.5
Gross margin (%)	19.4	19.4	(0.1)ppts	1.6 ppts	19.3	0.1 ppts	20.3	19.7	0.7 ppts	1.0 ppts	20.0	0.3 ppts	20.5	20.1	0.4 ppts	0.2 ppts	20.0	0.5 ppts
OP margin (%)	9.6	9.7	(0.1)ppts	0.6 ppts	9.7	(0.1)ppts	10.7	10.3	0.4 ppts	1.1 ppts	10.7	0.0 ppts	11.2	10.7	0.5 ppts	0.4 ppts	11.1	0.0 ppts
Net margin (%)	7.6	7.5	0.0 ppts	1.3 ppts	7.4	0.2 ppts	9.0	8.0	1.1 ppts	1.5 ppts	7.8	1.3 ppts	8.8	8.1	0.7 ppts	(0.3)ppts	8.0	0.8 ppts

Source: KGI Research estimates, Bloomberg

Figure 3: Breakdown of annual sales

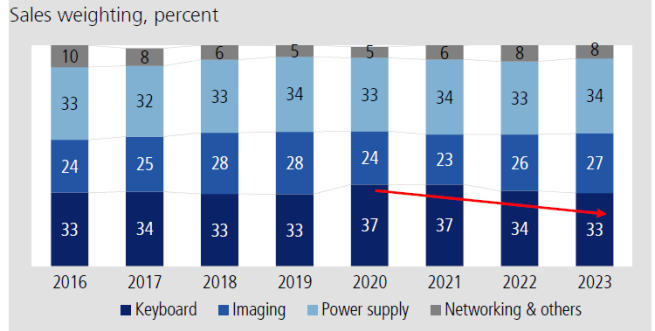
Sales, NT\$m	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24F	2020	2021	2022	2023	2024F	2025F
Keyboard	10,311	9,743	10,420	8,281	6,817	8,116	9,291	8,306	7,703	35,136	40,400	39,354	32,530	36,433	39,530
Imaging	7,189	6,574	7,662	8,281	6,362	7,102	6,452	6,596	6,362	23,024	24,355	29,706	26,512	28,633	31,496
SPS	9,373	9,472	10,114	8,557	7,725	8,623	9,033	8,062	7,725	31,558	36,469	37,515	33,443	38,126	43,844
Networking	986	1,557	1,803	1,804	1,150	762	511	446	402	2,823	3,525	6,151	2,869	2,869	3,586
Channel management	987	1,306	648	680	668	760	521	1,019	649	2,541	2,725	3,022	2,969	3,146	4,066
Total	28,846	28,652	30,648	27,603	22,722	25,363	25,809	24,429	22,841	95,082	107,474	115,748	98,323	109,206	122,522
Sales weighting, percent															
Keyboard	36	34	34	30	30	32	36	34	34	37	38	34	33	33	32
Imaging	25	23	25	30	28	28	25	27	28	24	23	26	27	26	26
SPS	32	33	33	31	34	34	35	33	34	33	34	33	34	35	36
Networking	3	5	6	7	5	3	2	2	2	3	3	5	3	3	3
Channel management	3	5	2	3	3	3	2	4	3	3	3	3	3	3	3
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
QoQ, percent															
Keyboard	(10)	(6)	7	(21)	(18)	19	14	(11)	(7)						
Imaging	3	(9)	17	8	(23)	12	(9)	2	(4)						
SPS	(1)	1	7	(15)	(10)	12	5	(11)	(4)						
Networking	(3)	58	16	0	(36)	(34)	(33)	(13)	(10)						
Channel management	43	32	(50)	5	(2)	14	(31)	96	(36)						
Total	(3)	(1)	7	(10)	(18)	12	2	(5)	(6)						
YoY, percent															
Keyboard	13	7	(2)	(28)	(34)	(17)	(11)	0	13	16	15	(3)	(17)	12	9
Imaging	30	13	27	18	(12)	8	(16)	(20)	0	(12)	6	22	(11)	8	10
SPS	3	7	12	(10)	(18)	(9)	(11)	(6)	0	0	16	3	(11)	14	15
Networking	12	96	116	77	17	(51)	(72)	(75)	(65)	(26)	25	74	(53)	0	25
Channel management	95	80	(19)	(2)	(32)	(42)	(20)	50	(3)	164	7	11	(2)	6	29
Total	15	13	12	(7)	(21)	(11)	(16)	(11)	1	3	13	8	(15)	11	12

Source: Company data, KGI Research estimates

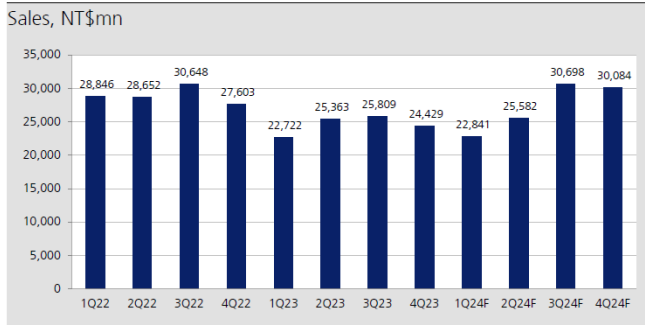
Figure 4: Company profile

Established in 1983, Chicony's core products are PC/NB keyboards, power supplies, and AV products. Due to superior economies of scale and a comprehensive global distribution network, the firm leads its peers in worldwide market share for PC/NB keyboards and NB camera modules. In 2023, power supply products accounted for 33% of sales, while imaging products and keyboards accounted for 27% and 34%, and others made up 8% of sales.

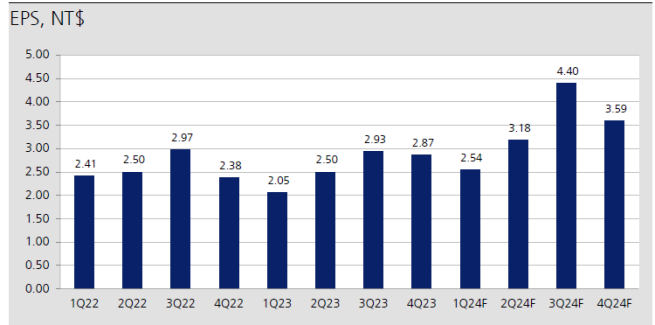
Source: KGI Research

Figure 5: Chicony expanding non-PC sales weighting


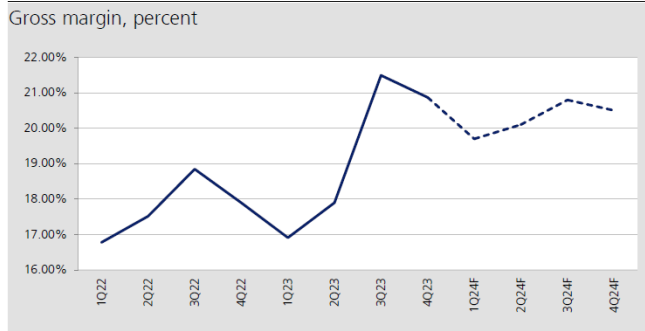
Source: Company data, KGI Research

Figure 6: Sales


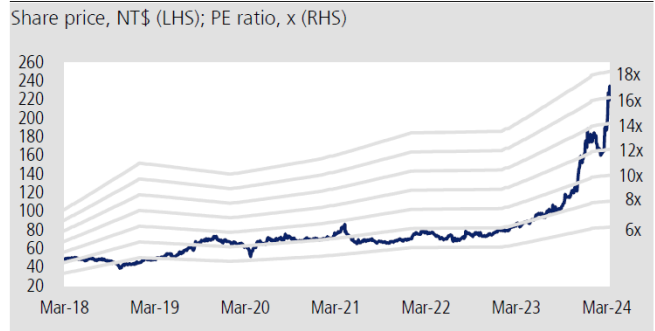
Source: KGI Research

Figure 7: EPS


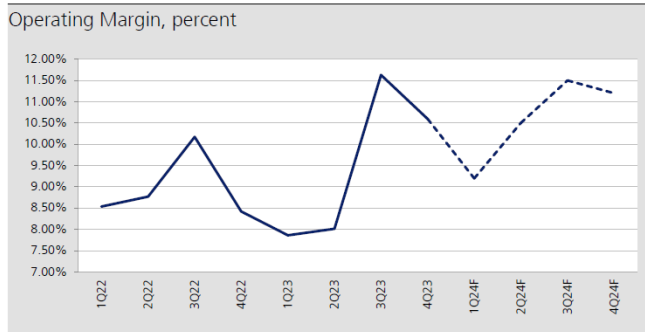
Source: KGI Research

Figure 8: Gross Margin


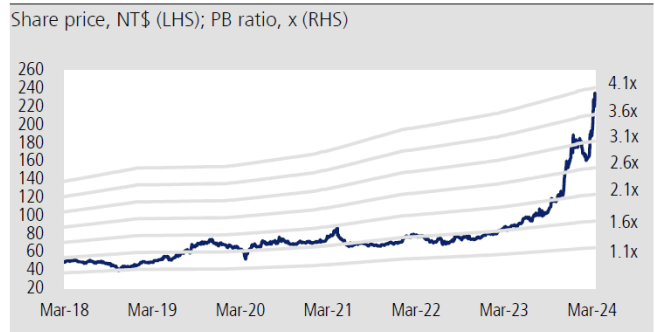
Source: KGI Research

Figure 9: 12M forward PE band


Source: TEJ, KGI Research estimates

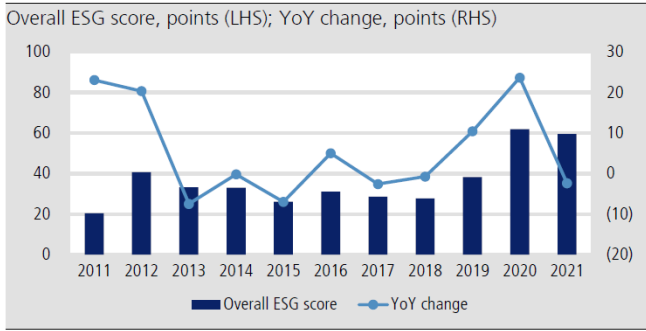
Figure 10: Operating Margin


Source: KGI Research

Figure 11: 12M forward PB band


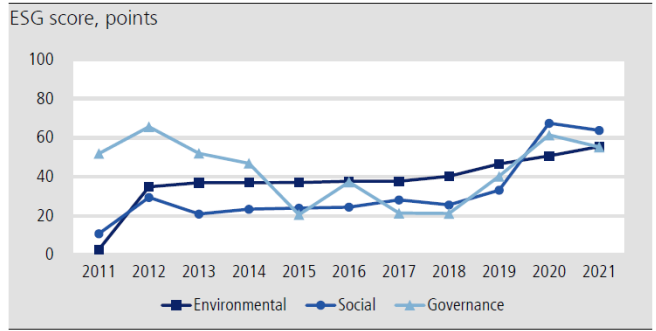
Source: TEJ, KGI Research estimates

Figure 12: Overall ESG score



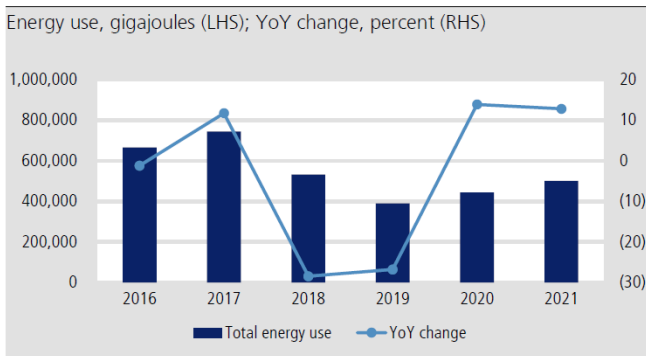
Source: Refinitiv, KGI Research, company data

Figure 13: ESG score by category



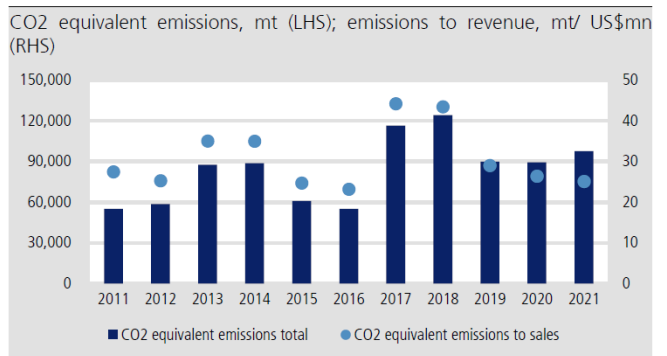
Source: Refinitiv, KGI Research, company data

Figure 14: Energy use



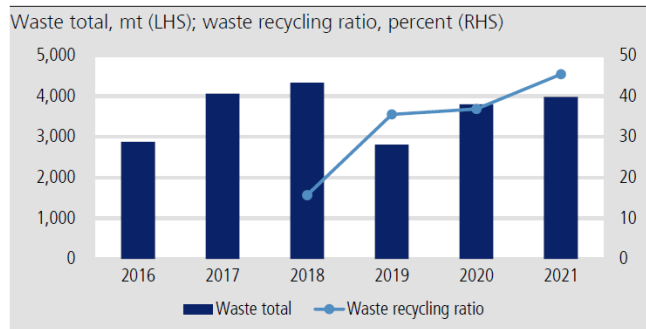
Source: Refinitiv, KGI Research, company data

Figure 15: CO2 equivalent emissions



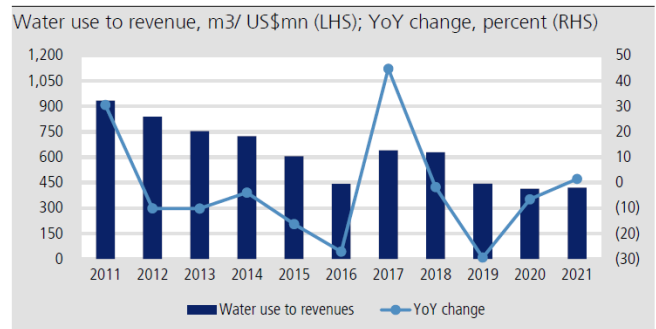
Source: Refinitiv, KGI Research, company data

Figure 16: Waste total



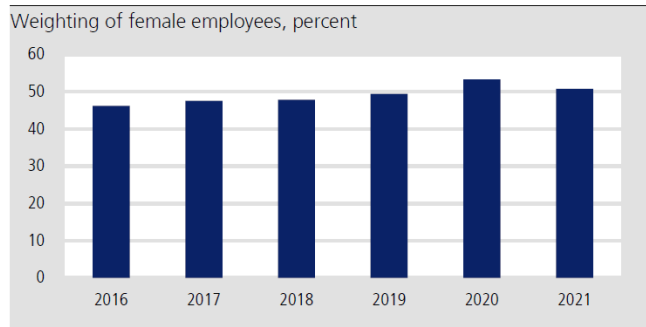
Source: Refinitiv, KGI Research, company data

Figure 17: Water use to revenue



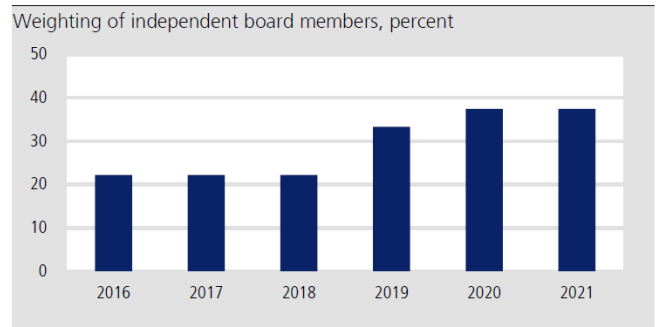
Source: Refinitiv, KGI Research, company data

Figure 18: Gender diversification



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\$mn)</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	22,722	25,363	25,809	24,429	22,841	25,582	30,698	30,084	98,323	109,206	122,522
Cost of goods sold	(18,879)	(20,823)	(20,262)	(19,330)	(18,341)	(20,440)	(24,313)	(23,917)	(79,294)	(87,012)	(97,410)
Gross profit	3,843	4,540	5,547	5,099	4,500	5,142	6,385	6,167	19,028	22,194	25,113
Operating expenses	(2,057)	(2,507)	(2,546)	(2,510)	(2,398)	(2,456)	(2,855)	(2,798)	(9,619)	(10,507)	(11,450)
Operating profit	1,786	2,033	3,001	2,588	2,101	2,686	3,530	3,369	9,409	11,687	13,662
Depreciation of fixed assets	(763)	(745)	(736)	(729)	(756)	(756)	(756)	(756)	(2,972)	(3,024)	(3,534)
Amortisation of intangible assets	(19)	(19)	(18)	(19)	(25)	(25)	(25)	(25)	(74)	(99)	(99)
EBITDA	2,568	2,797	3,755	3,335	2,882	3,467	4,311	4,150	12,455	14,810	17,296
Interest income	95	163	137	236	177	177	177	177	630	709	754
Investment income	-	-	12	6	3	3	3	3	18	10	10
Other non-op income	305	794	141	259	400	500	1,000	500	1,499	2,400	1,950
Non-operating income	400	957	290	500	580	680	1,180	680	2,147	3,119	2,714
Interest expense	(44)	(30)	(32)	(20)	(20)	(20)	(20)	(20)	(126)	(80)	(80)
Investment loss	(6)	(2)	-	-	(2)	(2)	(2)	(2)	(8)	(6)	(6)
Other non-op expenses	0	-	(149)	-	(8)	(8)	(8)	(8)	(149)	(30)	(30)
Non-operating expenses	(50)	(32)	(181)	(20)	(29)	(29)	(29)	(29)	(283)	(116)	(116)
Pre-tax profit	2,136	2,958	3,110	3,069	2,652	3,337	4,681	4,020	11,273	14,691	16,261
Current taxation	(358)	(779)	(546)	(590)	(517)	(651)	(913)	(843)	(2,273)	(2,923)	(3,220)
Minorities	(308)	(375)	(443)	(409)	(303)	(393)	(598)	(591)	(1,536)	(1,884)	(2,276)
Normalised net profit	1,470	1,804	2,121	2,070	1,832	2,294	3,171	2,587	7,464	9,883	10,765
Extraordinary items	0	0	(0)	0	-	-	-	-	-	-	-
Net profit	1,470	1,804	2,121	2,070	1,832	2,294	3,171	2,587	7,464	9,883	10,765
EPS (NT\$)	2.05	2.50	2.93	2.87	2.54	3.18	4.40	3.59	10.35	13.70	14.93
Margins (%)											
Gross profit margin	16.9	17.9	21.5	20.9	19.7	20.1	20.8	20.5	19.4	20.3	20.5
Operating margin	7.9	8.0	11.6	10.6	9.2	10.5	11.5	11.2	9.6	10.7	11.2
EBITDA margin	11.3	11.0	14.5	13.7	12.6	13.6	14.0	13.8	12.7	13.6	14.1
Pretax profit margin	9.4	11.7	12.0	12.6	11.6	13.0	15.2	13.4	11.5	13.5	13.3
Net profit margin	6.5	7.1	8.2	8.5	8.0	9.0	10.3	8.6	7.6	9.0	8.8
Sequential growth (%)											
Revenue growth	(17.7)	11.6	1.8	(5.3)	(6.5)	12.0	20.0	(2.0)			
Gross profit growth	(22.2)	18.1	22.2	(8.1)	(11.7)	14.3	24.2	(3.4)			
Operating profit growth	(23.2)	13.8	47.6	(13.8)	(18.8)	27.8	31.4	(4.6)			
EBITDA growth	(18.0)	8.9	34.3	(11.2)	(13.6)	20.3	24.4	(3.7)			
Pretax profit growth	(13.3)	38.4	5.1	(1.3)	(13.6)	25.8	40.3	(14.1)			
Net profit growth	(13.7)	22.7	17.6	(2.4)	(11.5)	25.2	38.2	(18.4)			
YoY growth (%)											
Revenue growth	(21.2)	(11.5)	(15.8)	(11.5)	0.5	0.9	18.9	23.2	(15.1)	11.1	12.2
Gross profit growth	(20.6)	(9.6)	(4.0)	3.2	17.1	13.3	15.1	21.0	(7.5)	16.6	13.1
Operating profit growth	(27.5)	(19.1)	(3.7)	11.3	17.6	32.1	17.6	30.2	(9.7)	24.2	16.9
EBITDA growth	(20.6)	(16.0)	(4.1)	6.5	12.2	24.0	14.8	24.4	(8.5)	18.9	16.8
Pretax profit growth	(16.1)	6.0	(8.4)	24.5	24.1	12.8	50.5	31.0	0.7	30.3	10.7
Net profit growth	(14.0)	1.1	(0.2)	21.6	24.6	27.2	49.5	25.0	2.0	32.4	8.9

Source: Company data, KGI Research estimates

Balance sheet

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Total assets	83,726	87,064	90,833	99,151	108,604
Current assets	59,731	62,701	65,578	73,266	82,598
Cash & ST securities	6,762	16,459	24,305	28,087	32,210
Inventory	21,796	18,754	15,788	17,278	19,395
Accounts receivable	29,029	25,303	21,802	24,149	27,168
Other current assets	2,143	2,185	3,683	3,753	3,824
Non-current assets	23,996	24,364	25,255	25,885	26,006
LT investments	6,816	6,856	7,533	8,187	8,841
Net fixed assets	14,962	15,724	16,056	16,032	15,499
Other assets	2,218	1,784	1,666	1,666	1,666
Total liabilities	47,693	44,724	44,619	47,432	50,698
Current liabilities	46,755	44,060	43,961	46,802	50,093
Accounts payable	27,577	20,929	23,233	25,425	28,541
Interest bearing ST liabilities	1,624	2,898	1,396	1,396	1,396
Other current liabilities	17,554	20,233	19,332	19,981	20,157
Non-current liabilities	937	664	658	631	604
Long-term debt	-	-	-	-	-
Other L-T liabilities	664	484	552	524	498
Total equity	36,034	42,340	46,214	51,719	57,906
Share capital	7,453	7,518	7,601	7,601	7,601
Retained earnings reserve	9,975	12,082	14,697	17,464	20,478
Minority interests	5,580	6,685	7,140	9,024	11,300
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Growth					
Revenue growth	13.0%	7.7%	(15.1%)	11.1%	12.2%
Operating profit growth	12.4%	21.0%	(9.7%)	24.2%	16.9%
EBITDA growth	13.8%	17.6%	(8.5%)	18.9%	16.8%
Net profit growth	12.6%	18.9%	2.0%	32.4%	8.9%
EPS growth	11.7%	17.8%	0.9%	32.4%	8.9%
Profitability					
Gross profit margin	17.6%	17.8%	19.4%	20.3%	20.5%
Operating margin	8.0%	9.0%	9.6%	10.7%	11.2%
EBITDA margin	10.8%	11.8%	12.7%	13.6%	14.1%
Net profit margin	5.7%	6.3%	7.6%	9.0%	8.8%
Return on average assets	7.7%	8.6%	8.4%	10.4%	10.4%
Return on average equity	21.1%	22.1%	20.0%	24.2%	24.1%
Stability					
Gross debt to equity	4.5%	6.8%	3.0%	2.7%	2.4%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	159.4	78.3	90.5	184.9	205.2
Interest & ST debt coverage (x)	0.8	0.8	0.9	0.9	0.9
Cash flow interest coverage(x)	73.5	113.0	149.2	134.9	148.7
Cash flow/int. & ST debt (x)	2.6	5.4	12.3	7.3	8.0
Current ratio (x)	1.3	1.4	1.5	1.6	1.6
Quick ratio (x)	0.8	1.0	1.1	1.2	1.3
Net debt (NT\$m)	(101)	(9,258)	(17,758)	(21,540)	(25,664)
Per share data					
EPS (NT\$)	8.71	10.26	10.35	13.70	14.93
CFPS (NT\$)	6.21	22.94	26.05	14.94	16.42
BVPS (NT\$)	40.86	47.42	51.41	57.74	63.03
Adj BVPS (NT\$)	43.10	49.98	54.18	59.20	64.63
SPS (NT\$)	152.10	162.24	136.34	151.43	169.90
EBITDA/share (NT\$)	16.38	19.08	17.27	20.54	23.98
Cash DPS (NT\$)	6.10	7.50	7.80	9.62	10.48
Activity					
Sales / avg assets	1.35	1.36	1.11	1.15	1.18
Days receivable	98.6	79.8	80.9	80.9	80.9
Days inventory	89.8	71.9	72.7	72.7	72.7
Days payable	113.6	80.3	106.9	106.9	106.9
Cash cycle	74.8	71.4	46.7	46.7	46.7

Source: Company data, KGI Research estimates

Profit & loss

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue	107,474	115,748	98,323	109,206	122,522
Cost of goods sold	(88,572)	(95,172)	(79,294)	(87,012)	(97,410)
Gross profit	18,902	20,576	19,028	22,194	25,113
Operating expenses	(10,289)	(10,158)	(9,619)	(10,507)	(11,450)
Operating profit	8,613	10,418	9,409	11,687	13,662
Non-operating income	1,408	1,177	2,147	3,119	2,714
Interest income	98	148	630	709	754
Investment income	26	3	18	10	10
Other non-op income	1,284	1,027	1,499	2,400	1,950
Non-operating expenses	(570)	(398)	(283)	(116)	(116)
Interest expense	(60)	(145)	(126)	(80)	(80)
Investment loss	(11)	(7)	(8)	(6)	(6)
Other non-op expenses	(499)	(247)	(149)	(30)	(30)
Pre-tax profit	9,452	11,197	11,273	14,691	16,261
Current taxation	(1,879)	(2,181)	(2,273)	(2,923)	(3,220)
Minorities	(1,418)	(1,696)	(1,536)	(1,884)	(2,276)
Extraordinary items	-	0	0	-	-
Net profit	6,154	7,320	7,464	9,883	10,765
EBITDA	11,573	13,610	12,455	14,810	17,296
EPS (NT\$)	8.71	10.26	10.35	13.70	14.93

Cash flow

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Operations cash flow	4,389	16,368	18,789	10,776	11,842
Net profit	6,154	7,320	7,464	9,883	10,765
Depreciation & amortisation	2,960	3,192	3,046	3,123	3,633
Decrease in working capital	(9,320)	117	8,437	(2,226)	(2,551)
Other operating cash flow	4,594	5,738	(158)	(4)	(4)
Investing cash flow	(2,469)	(3,502)	(3,532)	(3,749)	(3,749)
Sale of ST investment	605	(487)	(140)	-	-
New investments	-	-	-	(650)	(650)
Capital expenditure	(3,013)	(1,732)	(3,142)	(3,000)	(3,000)
Others investing cashflow	(61)	(1,283)	(250)	(99)	(99)
Free cash flow	(2,553)	9,875	15,779	7,159	8,939
Financing cash flow	(3,812)	(4,048)	(7,977)	(3,245)	(3,969)
Increase in short term debt	1,536	1,273	(1,502)	-	-
Increase in long term loans	(100)	-	-	-	-
New ordinary shares issued	-	220	-	-	-
Ordinary dividends paid	(3,894)	(4,358)	(5,420)	(5,955)	(7,116)
Other financing cashflow	(1,391)	(1,183)	(1,371)	2,711	3,147
Forex effects	(133)	1,612	(282)		
Total cash generated	(2,026)	10,431	6,998	3,782	4,124

ROIC

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	9.6%	8.8%	9.8%	9.6%	9.3%
= Operating margin	8.0%	9.0%	9.6%	10.7%	11.2%
1 / (Working capital/revenue	0.1	0.0	(0.0)	(0.0)	0.0
+ Net PPE/revenue	0.1	0.1	0.2	0.1	0.1
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
= Capital turnover	4.5	5.4	6.3	6.6	6.8
Operating margin	8.0%	9.0%	9.6%	10.7%	11.2%
x Capital turnover	4.5	5.4	6.3	6.6	6.8
x (1 - tax rate)	80.1%	80.5%	79.8%	80.1%	80.2%
= After-tax ROIC	28.9%	39.0%	48.4%	56.5%	61.1%

Source: Company data, KGI Research estimates

Chicony – Recommendation & target price history


Date	Rating	Target	Price
2023-11-05	Outperform	152.0	125.0
2023-08-08	Neutral	99.0	102.0
2023-05-10	Neutral	94.0	97.9
2023-03-09	Neutral	101.0	93.1
2022-11-04	Outperform	103.0	80.3
2022-08-09	Outperform	100.0	85.3
2022-05-09	Outperform	103.0	82.0
2022-03-09	Outperform	103.0	88.8
2021-11-05	Outperform	98.0	79.6
2021-08-07	Outperform	103.0	79.4

Source: TEJ, KGI Research

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