

Wistron (3231.TW/3231 TT)

Strong AI server business in 2024F to fuel EPS growth

Outperform · Maintained

Price as of March 13 (NT\$)	116.5
12M target price (NT\$)	140.0
Previous target price (NT\$)	140.0
Unchanged (%)	0.0
Upside (%)	20.2

Key message

- 4Q23 EPS was NT\$1.18 and 2023 EPS was NT\$4.08 (up 2% YoY); cash dividend is NT\$2.6 per share.
- Server to boost 2024F sales and EPS growth, for sales and EPS contributions of 45% and 67%.
- 2024F EPS to grow on margins recovery due to a better product mix.

Trading data

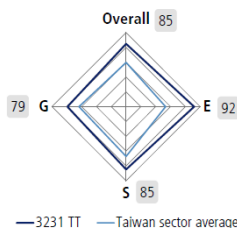
Mkt cap (NT\$bn/US\$mn)	337.5 / 10,732
Outstanding shares (mn)	2,897
Foreign ownership (mn)	816
3M avg. daily trading (mn)	64.43
52-week trading range (NT\$)	34.50 -158.0

Performance	3M	6M	12M
Absolute (%)	25.4	14.2	246.2
Relative (%)	11.3	-6	218.1

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	(0.31)A	1.53A	1.33A	1.46A
2023	0.06A	1.16A	1.67A	1.18A
2024	0.89F	1.18F	1.75F	2.20F

ESG score card



Source: Refinitiv, KGI Research

Event

Wistron announced 4Q23 EPS of NT\$1.18 (down 29% QoQ and 18% YoY) and 2023 EPS of NT\$4.08 (up 2% YoY). Cash dividend is NT\$2.6 per share, for a payout ratio of 64% and cash yield of 2.2%. It is positive on the sales outlook for AI server this year, and expects earnings growth to outstrip sales growth.

Impact

2024F AI server sales to grow by triple digits, after 50-100% in 2023. Management is positive on AI server sales growth in 2024F, with multiple clients and new generations of GPUs debuting. We estimate Wistron's AI GPU related sales grew from NT\$15bn in 2022 to NT\$23-27bn in 2023F (up 50-100% under CoWoS capacity constraints), and will rise to NT\$60-70bn this year, based on Nvidia's (US) H100, B100 and B200 GPU supply growth and new launches, and AMD's (US) MI300 mass production. Aside from GPU baseboard, Wistron also supplies AI systems to companies like Tesla (US) (Dojo HPC). The firm's AI sales uptrend is in line with our expectation. As the gross margin of this business is higher than average, rising AI related sales will boost its overall margin, while sales and profit will grow at subsidiary Wiwynn (6669 TT, NT\$2,330, OP). Wistron said non-PC sales will comprise 25% of the total sales in 2024F, while profit contribution will be 75%, vs. 20% and 65%, respectively, in 2023. We think among non-PC businesses, server will be the major catalyst, and we estimate a server sales contribution of 45% this year, while profit contribution will be 67%, up from 35% and 54%, respectively, last year. Despite market concerns that Nvidia's GB200 (Grace CPU with Blackwell GPU that will enter mass production late-2024F) will not have a baseboard design, and that Wistron will have to share supply for Nvidia's GPU baseboard (B100) with other suppliers, the firm is positive on the development of this business due to its good partnership with Nvidia. We think GPU module penetration and switch baseboard engagement will fuel future growth.

2024-25F EPS growth on margin expansion. On a better product mix, we expect Wistron's gross margin to expand from 8% in 2023 to 8.4-8.6% in 2024-25F. With steady growth of operating expenses (similar to sales growth), operating margin will also expand, boosting EPS in 2024-25F. With guidance of moderate NB shipments growth in 2024F and sequential growth from 1Q24F, as well as stable server sales (mainly from Wiwynn) in 1Q24F, we now see better-than-expected 1Q24 sales of a 1% QoQ decline, while 2Q24F sales will rise around 5% QoQ. As better sales will be offset by higher operating expenses, we maintain 2024F EPS at NT\$6.03 (up 48% YoY). Our 2025F EPS is raised slightly to NT\$7.94 (up 32% YoY), with margins expanding.

Valuation & Action

Our target price is retained at NT\$140, on 20x average 2024-25F EPS. On positive margin trends and an attractive valuation, we maintain Outperform.

Risks

Weaker-than-expected demand; competition in AI server market.

Key financials and valuations

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (NT\$mn)	862,083	984,619	867,057	993,543	1,141,531
Gross profit (NT\$mn)	51,135	69,729	68,983	83,709	98,235
Operating profit (NT\$mn)	16,375	27,472	27,390	37,755	49,650
Net profit (NT\$mn)	10,468	11,162	11,472	17,057	22,460
EPS (NT\$)	3.76	4.01	4.08	6.03	7.94
Cash DPS (NT\$)	2.20	2.60	2.60	3.82	5.42
EPS growth (%)	21.3	6.6	1.7	47.8	31.7
PE (x)	31.0	29.1	28.6	19.3	14.7
PB (x)	4.3	3.5	3.2	2.9	2.5
EV/EBITDA (x)	16.6	10.8	10.0	8.2	6.6
Net debt to equity (%)	113.1	62.2	40.2	34.1	21.7
Dividend yield (%)	1.9	2.2	2.2	3.3	4.7
Return on average equity (%)	14.0	12.8	11.4	15.4	17.9

Source: Company data, KGI Research estimates

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

NT\$m	4Q23							1Q24F						
	Actual	KGI forecast	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	230,540	228,977	0.7	6.2	(12.6)	233,684	(1.3)	228,234	201,500	13.3	(1.0)	7.7	211,183	8.1
Gross profits	21,412	18,318	16.9	25.6	(5.6)	18,230	17.5	18,030	15,717	14.7	(15.8)	21.4	16,939	6.4
Operating income	10,535	7,442	41.6	55.0	(1.5)	7,495	40.6	6,619	6,045	9.5	(37.2)	40.1	7,083	(6.6)
Pretax Income	7,122	6,433	10.7	(15.2)	(13.1)	6,955	2.4	6,033	5,600	7.7	(15.3)	129.7	6,349	(5.0)
Net income	3,337	3,564	(6.4)	(29.0)	(18.1)	3,615	(7.7)	2,525	2,814	(10.3)	(24.3)	1,353.1	3,072	(17.8)
EPS (NT\$)	1.18	1.27	(6.4)	(29.3)	(18.1)	1.25	(5.6)	0.89	1.00	(10.3)	(24.3)	1,363.1	1.09	(18.1)
Gross margin (%)	9.3	8.0	1.3 ppts	1.4 ppts	0.7 ppts	7.8	1.5 ppts	7.9	7.8	0.1 ppts	(1.4)ppts	0.9 ppts	8.0	(0.1)ppts
OP margin (%)	4.6	3.3	1.3 ppts	1.4 ppts	0.5 ppts	3.2	1.4 ppts	2.9	3.0	(0.1)ppts	(1.7)ppts	0.7 ppts	3.4	(0.5)ppts
Net margin (%)	1.4	1.6	(0.1)ppts	(0.7)ppts	(0.1)ppts	1.5	(0.1)ppts	1.1	1.4	(0.3)ppts	(0.3)ppts	1.0 ppts	1.5	(0.4)ppts

Source: Bloomberg; KGI Research estimates

Figure 2: Breakdown of 2023 preliminary 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	867,057	865,495	0.2	(11.9)	870,551	(0.4)	993,543	944,194	5.2	14.6	979,865	1.4	1,141,531	1,071,875	6.5	14.9	1,125,407	1.4
Gross profit	68,983	65,889	4.7	(1.1)	66,162	4.3	83,709	77,758	7.7	21.3	81,329	2.9	98,235	90,235	8.9	17.4	94,534	3.9
Operating income	27,390	24,297	12.7	(0.3)	24,589	11.4	37,755	36,568	3.2	37.8	39,586	(4.6)	49,650	45,269	9.7	31.5	49,948	(0.6)
Pretax Income	24,321	23,631	2.9	(1.6)	24,464	(0.6)	35,412	34,787	1.8	45.6	37,856	(6.5)	46,582	43,604	6.8	31.5	48,461	(3.9)
Net income	11,472	11,699	(1.9)	2.8	11,964	(4.1)	17,057	16,973	0.5	48.7	18,947	(10.0)	22,460	21,622	3.9	31.7	24,382	(7.9)
EPS (NT\$)	4.08	4.15	(1.8)	1.7	4.14	(1.4)	6.03	6.03	0.1	47.8	6.67	(9.6)	7.94	7.68	3.4	31.7	8.57	(7.3)
Gross margin (%)	8.0	7.6	0.3 ppts	0.9 ppts	7.6	0.4 ppts	8.4	8.2	0.2 ppts	0.5 ppts	8.3	0.1 ppts	8.6	8.4	0.2 ppts	0.2 ppts	8.4	0.2 ppts
OP margin (%)	3.2	2.8	0.4 ppts	0.4 ppts	2.8	0.4 ppts	3.8	3.9	(0.1)ppts	0.6 ppts	4.0	(0.2)ppts	4.3	4.2	0.1 ppts	0.5 ppts	4.4	(0.1)ppts
Net margin (%)	1.3	1.4	(0.0)ppts	0.2 ppts	1.4	(0.1)ppts	1.7	1.8	(0.1)ppts	0.4 ppts	1.9	(0.2)ppts	2.0	2.0	(0.0)ppts	0.3 ppts	2.2	(0.2)ppts

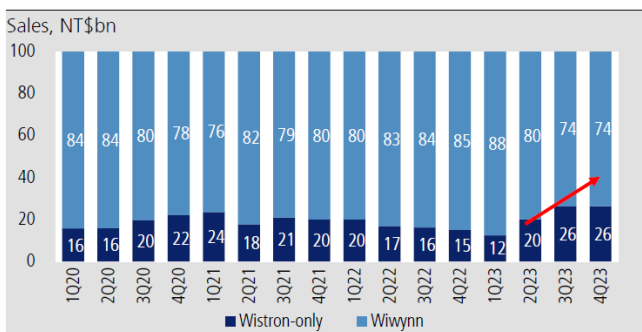
Source: Bloomberg; KGI Research estimates

Figure 3: Sales weighting of servers still rising significantly

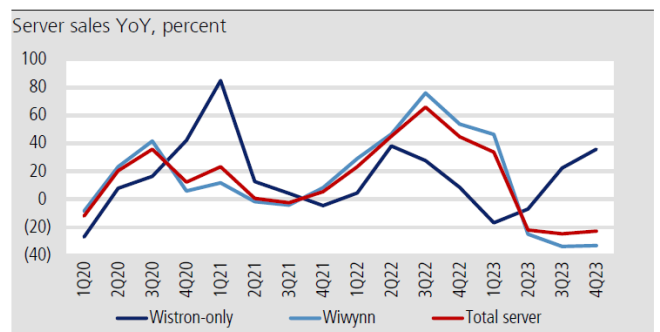
Sales (NT\$b)	2019	2020	2021	2022	2023F	2024F	2025F	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23F
NB	244.0	262.1	370.3	333.4	319.9	349.9	364.0	69.2	80.4	97.0	123.8	83.8	87.9	82.5	79.2	63.6	77.4	89.0	89.9
DT	84.4	50.1	43.1	46.6	46.6	51.4	51.4	8.9	10.0	11.0	13.2	11.3	12.2	12.5	10.6	8.5	12.4	13.0	12.7
Server	202.1	229.8	242.1	351.7	306.5	445.4	590.9	51.4	62.3	57.3	71.1	63.4	90.4	95.0	102.9	84.8	70.5	71.6	79.5
Display	44.2	44.2	64.6	78.1	47.3	36.9	31.6	12.4	16.1	17.6	18.4	20.4	24.4	17.5	15.8	10.6	12.7	11.5	12.6
Service, LCM & others	136.3	107.6	70.3	83.7	72.4	91.0	99.9	16.0	16.1	19.8	18.4	20.4	17.1	22.5	23.7	19.1	15.8	16.7	20.9
Smart device	167.1	151.2	71.7	86.1	74.3	19.0	3.8	19.5	16.1	17.6	18.4	27.2	9.8	17.5	31.7	25.4	18.7	15.2	15.0
Total	878.3	845.0	862.1	984.6	867.1	993.5	1,141.5	177.4	200.9	220.4	263.5	226.4	244.2	250.1	263.9	212.0	207.5	217.0	230.5

Sales weighting (%)	2019	2020	2021	2022	2023F	2024F	2025F	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23F
NB	27.8	31.0	43.0	33.9	36.9	35.2	31.9	39.0	40.0	44.0	47.0	37.0	36.0	33.0	30.0	30.0	37.3	41.0	39.0
DT	9.6	5.9	5.0	4.7	5.4	5.2	4.5	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.0	4.0	6.0	6.0	5.5
Server	23.0	27.2	28.1	35.7	35.3	44.8	51.8	29.0	31.0	26.0	27.0	28.0	37.0	38.0	39.0	40.0	34.0	33.0	34.5
Display	5.0	5.2	7.5	7.9	5.5	3.7	2.8	7.0	8.0	8.0	7.0	9.0	10.0	7.0	6.0	5.0	6.1	5.3	5.5
Service, LCM & others	15.5	12.7	8.2	8.5	8.4	9.2	8.8	9.0	8.0	9.0	7.0	9.0	7.0	9.0	9.0	9.0	7.6	7.7	9.1
Smart device	19.0	17.9	8.3	8.7	8.6	1.9	0.3	11.0	8.0	8.0	7.0	12.0	4.0	7.0	12.0	12.0	9.0	7.0	6.5

Source: Company data; KGI Research estimates

Figure 4: Server sales expansion on GPU baseboard sales


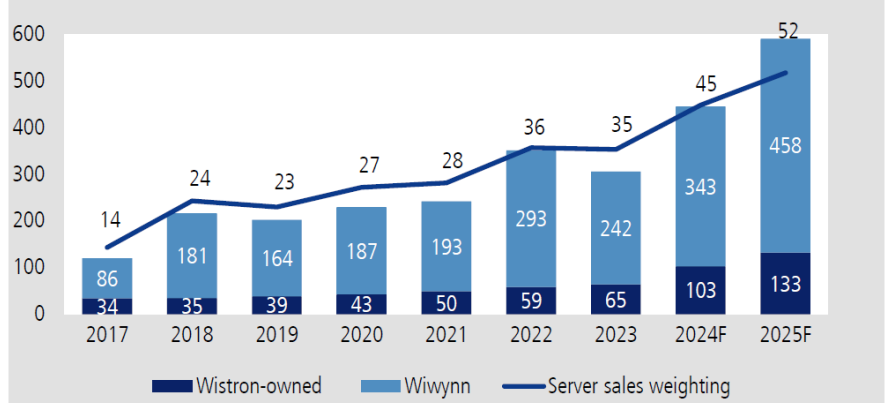
Source: Company data; KGI Research estimates

Figure 5: Wistron (ex. Wiwynn) server sales up 36% YoY in 4Q23


Source: Company data; KGI Research estimates

Figure 6: Server sales weighting up to 46% in 2024F & 50% in 2025F

Server sales, NT\$bn (LHS); overall server sales weighting, percent



Source: Company data; KGI Research estimates

Figure 7: Server earnings contribution from AI GPU baseboard up to 16% in 2023 & 31% in 2024F

Sales (NT\$bn)	2022	2023F	2024F	2025F
AI GPU baseboard	15	24	65	91
Enterprise server	44	37	38	41
Wiwynn	293	242	343	458
Total server	352	303	445	591
Total sales	985	867	994	1,142
Sales contribution (%)				
AI GPU baseboard	1.5	2.7	6.6	8.0
Enterprise server	4.5	4.3	3.8	3.6
Wiwynn	29.7	27.9	34.5	40.1
Total server	35.7	34.9	44.8	51.8
Sales YoY (%)				
AI GPU baseboard		56.9	177.1	40.0
Enterprise server		(15.0)	1.0	10.0
Wiwynn		(17.4)	41.6	33.8
Total server		(13.9)	47.1	32.7
Operating margin (%)				
AI GPU baseboard	18.0	18.0	18.0	15.0
Enterprise server	10.0	10.0	10.0	10.0
Wiwynn	6.1	6.6	6.7	6.5
Total server	7.1	7.9	8.6	8.0
Operating profit (NT\$bn)				
AI GPU baseboard	2.7	4.2	11.7	13.7
Enterprise server	4.4	3.7	3.8	4.1
Wiwynn	17.9	15.9	22.9	29.7
Total server	24.9	23.8	38.4	47.5
Operating profit contribution in server (%)				
AI GPU baseboard	10.8	17.8	30.6	28.8
Enterprise server	17.6	15.6	9.8	8.7
Wiwynn	71.6	66.6	59.6	62.5
Total server	100.0	100.0	100.0	100.0
Profit contribution in total (%)				
AI GPU baseboard	9.8	15.5	31.2	27.6
Enterprise server	16.0	13.6	10.0	8.3
Wiwynn (43.1%)	28.0	25.0	26.2	25.8
Total server	53.8	54.0	67.3	61.7

Source: Company data; KGI Research estimates

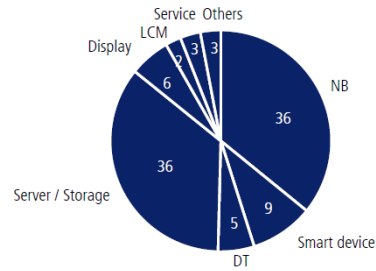
Figure 8: Company profile

Spun off from Acer (2353 TT, NT\$46.5, NR) in 2001, Wistron is a design, manufacturing & service (DMS) company. Product development is focused on information and communication technology, NB, desktop, server, storage, industrial automation, networking and communications. Wistron is the third-largest NB maker in Taiwan, trailing Quanta (2382 TT, NT\$250.5, OP) and Compal (2324 TT, NT\$36.7, NR), with NB shipments of 21.2mn units and global market share of 10% in 2022. It is also the most diversified NB ODM in Taiwan.

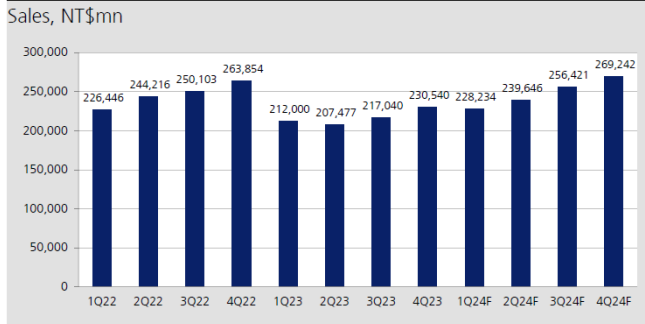
Source: KGI Research

Figure 9: Business is broadly diversified

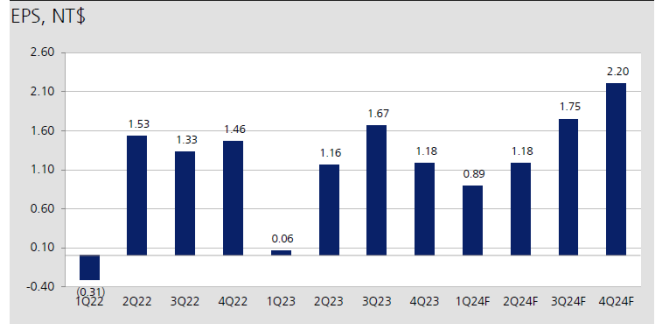
Sales weighting in 2023, percent



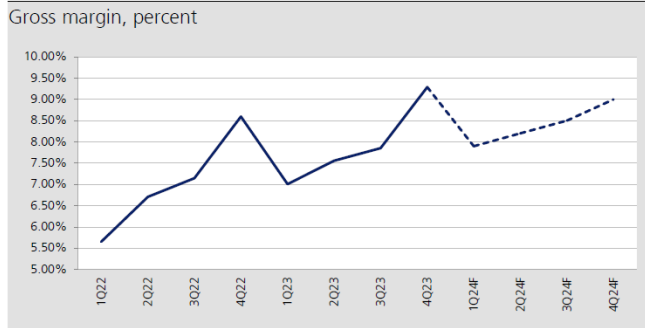
Source: company data; KGI Research

Figure 10: Sales


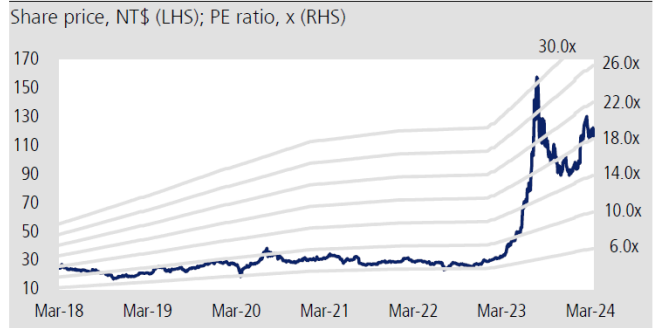
Source: KGI Research

Figure 11: EPS


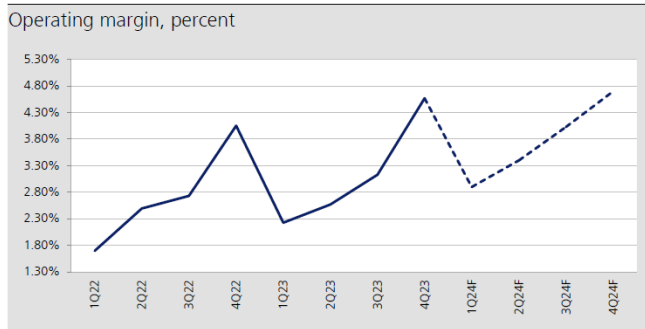
Source: KGI Research

Figure 12: Gross Margin


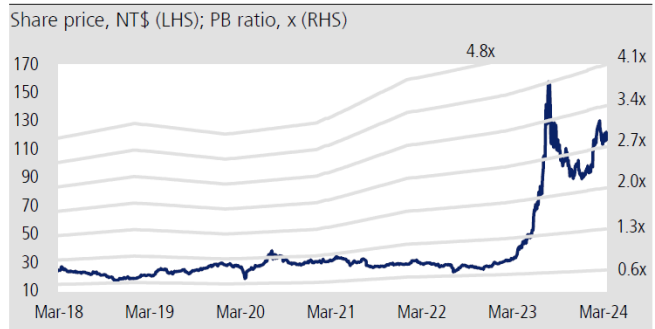
Source: KGI Research

Figure 13: 12M forward PE band


Source: TEJ, KGI Research estimates

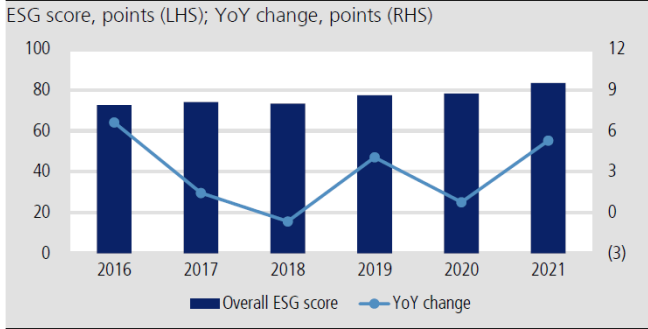
Figure 14: Operating Margin


Source: KGI Research

Figure 15: 12M forward PB band


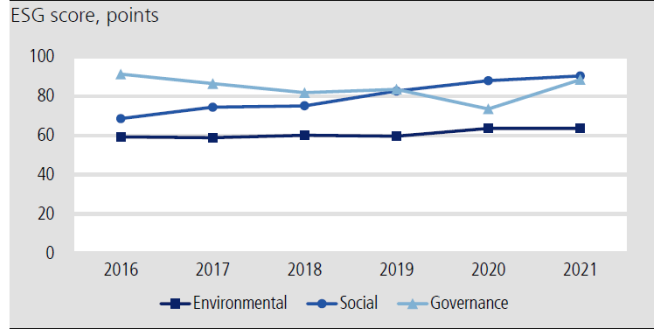
Source: TEJ, KGI Research estimates

Figure 16: Overall ESG score



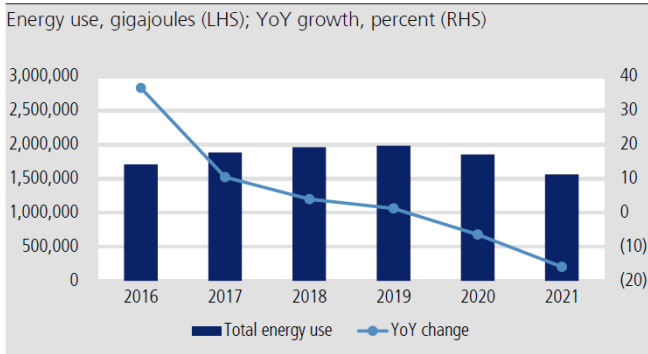
Source: Refinitiv, KGI Research, Company data

Figure 17: ESG scores



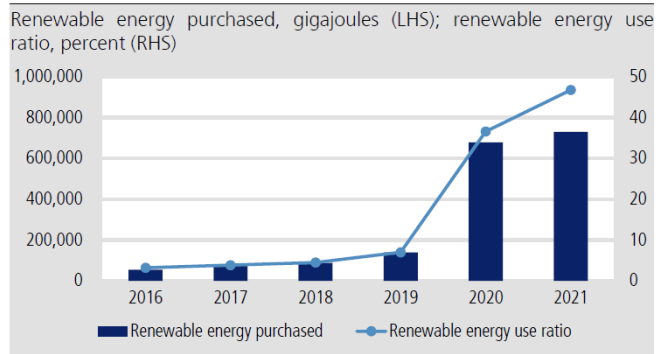
Source: Refinitiv, KGI Research, Company data

Figure 18: Energy use



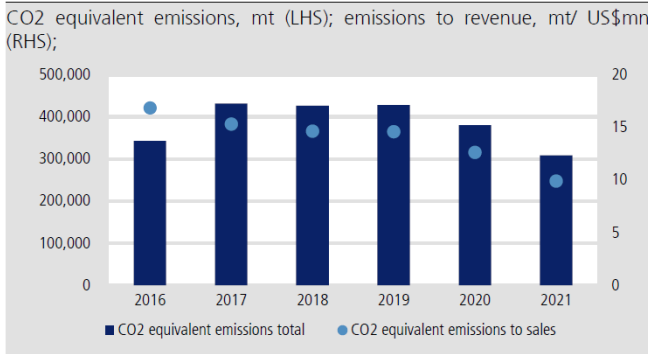
Source: Refinitiv, KGI Research, Company data

Figure 19: Renewable energy



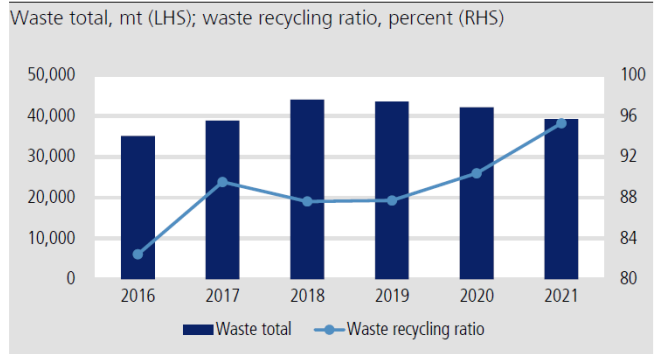
Source: Refinitiv, KGI Research, Company data

Figure 20: CO2 equivalent emissions



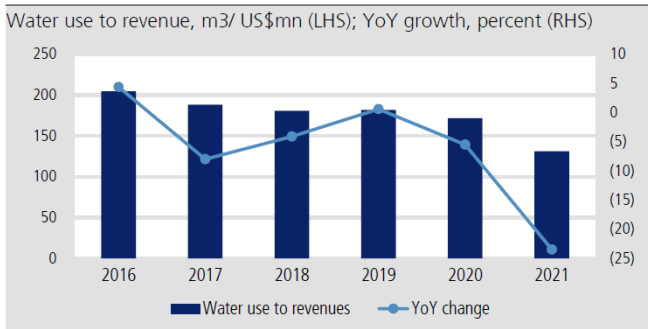
Source: Refinitiv, KGI Research, Company data

Figure 21: Waste total



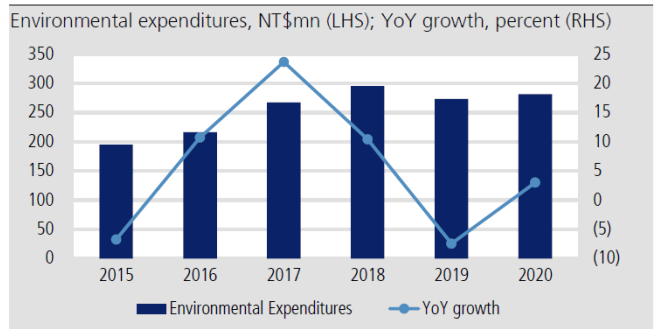
Source: Refinitiv, KGI Research, Company data

Figure 22: Water use to revenue



Source: Refinitiv, KGI Research, Company data

Figure 23: Environmental expenditures



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, Company data

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	212,000	207,477	217,040	230,540	228,234	239,646	256,421	269,242	867,057	993,543	1,141,531
Cost of goods sold	(197,149)	(191,800)	(199,998)	(209,128)	(210,204)	(219,995)	(234,625)	(245,010)	(798,074)	(909,834)	(1,043,296)
Gross profit	14,852	15,677	17,042	21,412	18,030	19,651	21,796	24,232	68,983	83,709	98,235
Operating expenses	(10,128)	(10,342)	(10,246)	(10,877)	(11,412)	(11,503)	(11,462)	(11,577)	(41,593)	(45,954)	(48,585)
Operating profit	4,723	5,335	6,796	10,535	6,619	8,148	10,334	12,654	27,390	37,755	49,650
Depreciation of fixed assets	(2,888)	(2,971)	(3,041)	(2,979)	(3,208)	(3,208)	(3,208)	(3,208)	(11,879)	(12,831)	(15,647)
Amortisation of intangible assets	(134)	(109)	(109)	(114)	(129)	(129)	(129)	(129)	(466)	(517)	(517)
EBITDA	7,745	8,416	9,946	13,628	9,956	11,485	13,671	15,991	39,735	51,103	65,813
Interest income	628	637	666	589	520	520	520	520	2,520	2,082	1,758
Investment income	74	230	159	347	138	138	138	138	811	550	400
Other non-op income	85	2,179	2,961	(287)	1,250	1,250	1,250	1,250	4,937	5,000	3,700
Non-operating income	786	3,046	3,786	649	1,908	1,908	1,908	1,908	8,268	7,632	5,858
Interest expense	(2,293)	(2,205)	(2,188)	(2,071)	(1,994)	(1,994)	(1,994)	(1,994)	(8,757)	(7,975)	(6,926)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	(590)	-	-	(1,990)	(500)	(500)	(500)	(500)	(2,580)	(2,000)	(2,000)
Non-operating expenses	(2,883)	(2,205)	(2,188)	(4,062)	(2,494)	(2,494)	(2,494)	(2,494)	(11,338)	(9,975)	(8,926)
Pre-tax profit	2,627	6,177	8,394	7,122	6,033	7,562	9,748	12,069	24,321	35,412	46,582
Current taxation	(607)	(1,441)	(2,201)	(1,807)	(1,448)	(1,815)	(2,340)	(2,542)	(6,055)	(8,145)	(10,947)
Minorities	(1,846)	(1,478)	(1,491)	(1,978)	(2,060)	(2,401)	(2,457)	(3,291)	(6,794)	(10,210)	(13,175)
Normalised net profit	174	3,258	4,702	3,337	2,525	3,346	4,951	6,235	11,472	17,057	22,460
Extraordinary items	(0)	0	(0)	(0)	-	-	-	-	-	-	-
Net profit	174	3,258	4,702	3,337	2,525	3,346	4,951	6,235	11,472	17,057	22,460
EPS (NT\$)	0.06	1.16	1.67	1.18	0.89	1.18	1.75	2.20	4.08	6.03	7.94
Margins (%)											
Gross profit margin	7.0	7.6	7.9	9.3	7.9	8.2	8.5	9.0	8.0	8.4	8.6
Operating margin	2.2	2.6	3.1	4.6	2.9	3.4	4.0	4.7	3.2	3.8	4.3
EBITDA margin	3.7	4.1	4.6	5.9	4.4	4.8	5.3	5.9	4.6	5.1	5.8
Pretax profit margin	1.2	3.0	3.9	3.1	2.6	3.2	3.8	4.5	2.8	3.6	4.1
Net profit margin	0.1	1.6	2.2	1.4	1.1	1.4	1.9	2.3	1.3	1.7	2.0
Sequential growth (%)											
Revenue growth	(19.7)	(2.1)	4.6	6.2	(1.0)	5.0	7.0	5.0			
Gross profit growth	(34.5)	5.6	8.7	25.6	(15.8)	9.0	10.9	11.2			
Operating profit growth	(55.8)	13.0	27.4	55.0	(37.2)	23.1	26.8	22.5			
EBITDA growth	(43.9)	8.7	18.2	37.0	(26.9)	15.4	19.0	17.0			
Pretax profit growth	(68.0)	135.2	35.9	(15.2)	(15.3)	25.3	28.9	23.8			
Net profit growth	(95.7)	1775.2	44.3	(29.0)	(24.3)	32.5	48.0	25.9			
YoY growth (%)											
Revenue growth	(6.4)	(15.0)	(13.2)	(12.6)	7.7	15.5	18.1	16.8	(11.9)	14.6	14.9
Gross profit growth	16.1	(4.3)	(4.7)	(5.6)	21.4	25.3	27.9	13.2	(1.1)	21.3	17.4
Operating profit growth	22.8	(12.5)	(0.6)	(1.5)	40.1	52.7	52.0	20.1	(0.3)	37.8	31.5
EBITDA growth	20.1	(5.5)	1.5	(1.3)	28.5	36.5	37.4	17.3	2.0	28.6	28.8
Pretax profit growth	462.2	(23.8)	5.8	(13.1)	129.7	22.4	16.1	69.4	(1.6)	45.6	31.5
Net profit growth		(23.3)	27.2	(18.1)	1353.1	2.7	5.3	86.8	2.8	48.7	31.7

Source: Company data, KGI Research estimates

Balance sheet

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Total assets	497,298	432,908	452,391	486,587	520,929
Current assets	421,787	342,986	361,461	393,126	429,695
Cash & ST securities	83,644	75,023	79,577	58,814	51,072
Inventory	161,378	156,889	119,720	144,181	165,784
Accounts receivable	161,166	100,230	121,337	149,303	172,011
Other current assets	15,599	10,843	40,828	40,828	40,828
Non-current assets	75,511	89,922	90,929	93,460	91,234
LT investments	14,306	15,256	18,849	20,212	21,632
Net fixed assets	42,210	51,515	46,598	47,767	44,120
Other assets	18,996	23,151	25,482	25,482	25,482
Total liabilities	404,813	314,255	323,628	334,162	340,374
Current liabilities	365,583	286,725	288,252	300,530	303,525
Accounts payable	168,305	108,802	119,358	146,667	168,642
Interest bearing ST liabilities	142,118	119,807	100,438	81,782	58,167
Other current liabilities	55,161	58,116	68,455	72,081	76,716
Non-current liabilities	39,230	27,530	35,376	33,632	36,849
Long-term debt	32,674	20,389	26,525	24,681	27,795
Other L-T liabilities	4,565	4,079	4,000	4,100	4,202
Total equity	92,485	118,653	128,763	152,425	180,554
Share capital	29,033	29,016	28,998	28,998	28,998
Retained earnings reserve	-	-	-	5,970	12,708
Minority interests	14,568	22,270	24,539	34,749	47,924
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Growth					
Revenue growth	2.0%	14.2%	(11.9%)	14.6%	14.9%
Operating profit growth	13.2%	67.8%	(0.3%)	37.8%	31.5%
EBITDA growth	4.4%	52.1%	2.0%	28.6%	28.8%
Net profit growth	20.6%	6.6%	2.8%	48.7%	31.7%
EPS growth	21.3%	6.6%	1.7%	47.8%	31.7%
Profitability					
Gross profit margin	5.9%	7.1%	8.0%	8.4%	8.6%
Operating margin	1.9%	2.8%	3.2%	3.8%	4.3%
EBITDA margin	3.0%	4.0%	4.6%	5.1%	5.8%
Net profit margin	1.2%	1.1%	1.3%	1.7%	2.0%
Return on average assets	2.3%	2.4%	2.6%	3.6%	4.5%
Return on average equity	14.0%	12.8%	11.4%	15.4%	17.9%
Stability					
Gross debt to equity	189.0%	118.2%	98.6%	69.8%	47.6%
Net debt to equity	113.1%	62.2%	40.2%	34.1%	21.7%
Interest coverage (x)	11.2	5.1	3.8	5.4	7.7
Interest & ST debt coverage (x)	0.1	0.1	0.1	0.2	0.4
Cash flow interest coverage(x)	(11.5)	8.9	5.5	0.6	2.3
Cash flow/int. & ST debt (x)	(0.1)	0.4	0.4	0.1	0.2
Current ratio (x)	1.2	1.2	1.3	1.3	1.4
Quick ratio (x)	0.7	0.6	0.8	0.8	0.9
Net debt (NT\$m)	104,637	73,858	51,731	51,994	39,237
Per share data					
EPS (NT\$)	3.76	4.01	4.08	6.03	7.94
CFPS (NT\$)	(7.74)	19.20	17.15	1.67	5.62
BVPS (NT\$)	26.84	33.22	35.94	40.58	45.74
Adj BVPS (NT\$)	27.99	34.62	37.07	41.61	46.90
SPS (NT\$)	309.65	353.71	308.38	351.31	403.64
EBITDA/share (NT\$)	9.20	13.99	14.13	18.07	23.27
Cash DPS (NT\$)	2.20	2.60	2.60	3.82	5.42
Activity					
Sales / avg assets	1.86	2.12	1.96	2.12	2.27
Days receivable	68.2	37.2	51.1	55.0	55.0
Days inventory	72.6	62.6	54.8	58.0	58.0
Days payable	75.8	43.4	54.6	59.0	59.0
Cash cycle	65.1	56.3	51.2	54.0	54.0

Source: Company data, KGI Research estimates

Profit & loss

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue	862,083	984,619	867,057	993,543	1,141,531
Cost of goods sold	(810,948)	(914,890)	(798,074)	(909,834)	(1,043,296)
Gross profit	51,135	69,729	68,983	83,709	98,235
Operating expenses	(34,760)	(42,257)	(41,593)	(45,954)	(48,585)
Operating profit	16,375	27,472	27,390	37,755	49,650
Non-operating income	9,627	8,152	8,268	7,632	5,858
Interest income	1,307	1,990	2,520	2,082	1,758
Investment income	172	816	811	550	400
Other non-op income	8,148	5,346	4,937	5,000	3,700
Non-operating expenses	(6,767)	(10,913)	(11,338)	(9,975)	(8,926)
Interest expense	(1,880)	(5,988)	(8,757)	(7,975)	(6,926)
Investment loss	(77)	-	-	-	-
Other non-op expenses	(4,810)	(4,925)	(2,580)	(2,000)	(2,000)
Pre-tax profit	19,234	24,711	24,321	35,412	46,582
Current taxation	(4,506)	(5,693)	(6,055)	(8,145)	(10,947)
Minorities	(4,260)	(7,855)	(6,794)	(10,210)	(13,175)
Extraordinary items	-	(0)	(0)	-	-
Net profit	10,468	11,162	11,472	17,057	22,460
EBITDA	25,600	38,947	39,735	51,103	65,813
EPS (NT\$)	3.76	4.01	4.08	6.03	7.94

Cash flow

NT\$m	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Operations cash flow	(21,536)	53,440	48,219	4,736	15,888
Net profit	10,468	11,162	11,472	17,057	22,460
Depreciation & amortisation	9,225	11,475	12,345	13,348	16,164
Decrease in working capital	(47,880)	15,137	12,616	(25,119)	(22,336)
Other operating cash flow	6,651	15,666	11,787	(550)	(400)
Investing cash flow	(16,597)	(16,739)	(14,665)	(15,329)	(13,537)
Sale of ST investment	(1,783)	352	3,499	-	-
New investments	1,208	(395)	(1,229)	(812)	(1,021)
Capital expenditure	(14,556)	(13,609)	(12,961)	(14,000)	(12,000)
Others investing cashflow	(1,466)	(3,087)	(3,974)	(517)	(517)
Free cash flow	(41,032)	33,685	32,104	2,784	19,293
Financing cash flow	44,593	(48,366)	(23,205)	(10,170)	(10,093)
Increase in short term debt	41,537	(37,371)	(17,834)	(23,000)	(23,000)
Increase in long term loans	9,149	(10,176)	5,145	2,500	2,500
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(6,258)	(6,257)	(7,401)	(7,462)	(11,087)
Other financing cashflow	165	5,325	(3,682)	17,791	21,494
Forex effects	(2,509)	7,849	(646)	-	-
Total cash generated	3,950	(3,817)	9,704	(20,763)	(7,743)

ROIC

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	4.0%	4.3%	4.8%	4.6%	4.3%
= Operating margin	1.9%	2.8%	3.2%	3.8%	4.3%
1 / (Working capital/revenue	0.1	0.1	0.1	0.1	0.1
+ Net PPE/revenue	0.0	0.1	0.1	0.0	0.0
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
= Capital turnover	5.4	6.3	6.0	5.9	6.3
Operating margin	1.9%	2.8%	3.2%	3.8%	4.3%
x Capital turnover	5.4	6.3	6.0	5.9	6.3
x (1 - tax rate)	76.6%	77.0%	75.1%	77.0%	76.5%
= After-tax ROIC	7.8%	13.4%	14.1%	17.3%	20.8%

Source: Company data, KGI Research estimates

Wistron – Recommendation & target price history


Date	Rating	Target	Price
2024-01-18	Outperform	140.0	97.7
2023-11-10	Outperform	137.0	98.1
2023-10-30	Outperform	140.0	93.7
2023-08-05	Outperform	160.0	114.0
2023-07-14	Outperform	150.0	142.0
2023-07-03	Outperform	115.0	95.7
2023-05-12	Outperform	55.0	50.1
2023-01-17	Outperform	40.0	30.2
2022-11-04	Outperform	32.0	25.4
2022-10-23	Outperform	32.0	26.1

Source: TEJ, KGI Research

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