Power supply sector

800V HVDC roadmap – More content upside

Key message

1. We think initial high-voltage direct current (HVDC) power rack shipments could take place in 2H26, starting from ±400V. Near-term, 5.5kW will be the mainstream spec for power supply units (PSU) in 2025-26F, before upgrading to 12kW in VR200 racks.
2. PSU ASP could exceed the long-time price range of US$0.10-0.15/W, starting with the 5.5kW generation. We expect AC-DC power supply content to rise from US$45-50k in GB200 all the way up to US$450k in Rubin Ultra.
3. We raise 2026-27F EPS by a respective 18% and 33% for Delta Electronics (2308 TT, NT$848, OP), and 3% and 9% for Lite-On Technology (2301 TT, NT$163.5, OP).

Event

We foresee content value upside for power supply plays according to the AI server iteration roadmap. Therefore, we raise our earnings forecasts for both Delta Electronics (2308 TT, NT$848, OP) and Lite-On Technology (2301 TT, NT$163.5, OP).

Impact

HVDC roadmap updates. Delta and Lite-On provided more details of their respective HVDC power rack designs at the OCP (Open Compute Project) APAC Summit last month, whereas Flex (US) revealed ongoing collaboration with US CSPs, including Google, Meta, and Microsoft. The three CSPs jointly announced the outline for the "Diablo 400 Project" in May, aiming for a smoother power architecture migration from 48V to ±400V under ORv3 standards, while Nvidia (US) is in favor of a direct switch to 800V for its Kyber rack design in 2027. We think 50V power rack will see some adoption next year, before moving on to HVDC as initial shipments of ±400V power racks could take place in 2H26. As for solid state transformers (SST), Delta aims for its solution to be ready in 2028, but believes it could take at least five years before SST gains meaningful traction for data center applications. We think Delta will maintain dominance in the AI server PSU market in the foreseeable future, albeit its market share could dip a bit from the current 60-65%. We expect Vertiv (US) to emerge as a notable player as power architecture migrates to HVDC. Meanwhile, Flex and Lite-On should be able to maintain their tier-2 supplier status. Lite-On has received orders from a new US hyperscaler, with first shipments of PSU and BBU scheduled in 4Q25, and expects market share gains in 12kW PSU generation. As for other players, we expect Megmeet (CN) to establish a foothold in its domestic market, whereas Voltronic (6409 TT, NT$933, NR) aims to penetrate the fruitful AI server PSU market by collaborating with global data center power system suppliers, many of which are its existing UPS customers.

We expect higher power content increase for GB300. The ASP of PSUs could exceed the long-time price range of US$0.10-0.15/W, starting with the 5.5kW generation on: (1) power architecture migration from embedded power to centralized power shelf, and further to dedicated power rack in the coming years; (2) higher requirements for power density and power efficiency; (3) rising penetration of wide-bandgap (WBG) materials, such as silicon carbide (SiC) and gallium nitride (GaN); and (4) fewer firms capable of expending significant R&D resources to keep up with Nvidia's aggressive roadmap. We reiterate our view that 5.5kW PSU will be the mainstream for both GPU and ASIC servers in 2025-26, as a GB300 NVL72 rack is likely to employ 8-10 33kW power shelves (each with six 5.5kW PSUs), higher than the previously expected 6-8 33kW power shelves, while 12kW PSUs could see limited penetration. Further power content increase in GB300 racks will come from a rising BBU adoption rate, as well as integration of power capacitance in PSUs. We expect general PSU spec upgrades to 12kW in VR200 racks given the substantial thermal design power (TDP) increase of R200 chip to 2.3kW, versus 1.4kW for B300. The newly-announced Rubin CPX could amplify VR200 rack power demand by an additional 50%. We now expect AC-DC power content in GB200 and GB300 of a respective US$45-50k and US$80-85k, which could rise to US$200k per VR200 rack and further up to US$450k for Rubin Ultra on the adoption of 800V HVDC power racks.

More great news regarding liquid-cooling systems. On top of strong demand for power supplies, Delta's liquid-cooling revenue surged to NT$4.6bn in August, for 10% of sales, up from NT$2.9bn in July. Management guides it will be able to maintain a similar level through the remainder of 2025, for estimated 2025 sales contribution of 6-7%. Delta commands a market share of over 50% for liquid-to-air sidecars thanks to its three tier-1 US CSP clients, and it is considering expanding capacity in Thailand to support strong demand.

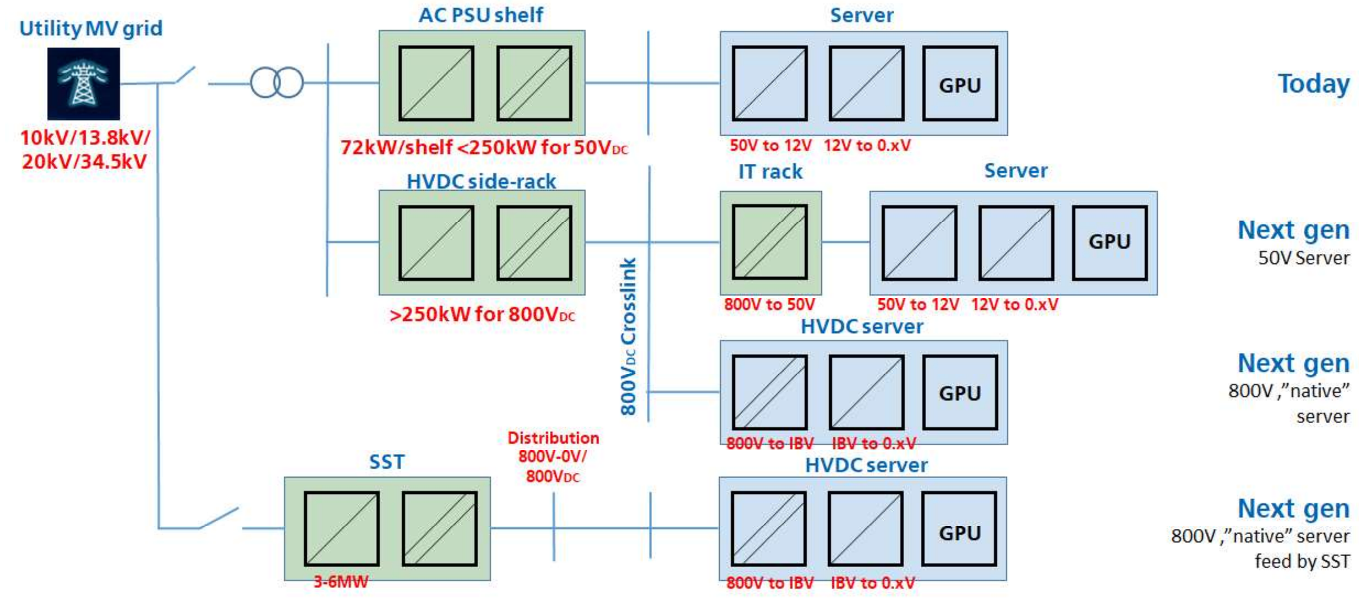
Stocks for Action

We maintain Outperform and raise 2025-27F EPS by a respective 9%, 18%, and 33% for Delta Electronics and 1%, 3%, and 9% for Lite-On Technology, thereby lifting their respective 12M target prices to NT$1,075 and NT$184. We also maintain Outperform for cable assembly play Bizlink (3665 TT, NT$984, OP) and BBU supplier Advanced Energy Solution Holding (AES; 6781 TT, NT$1,085, OP). We also see huge potential for Innoscience (CN) as GaN could take on a larger role in DC-DC power conversion over the long-term.

Risks

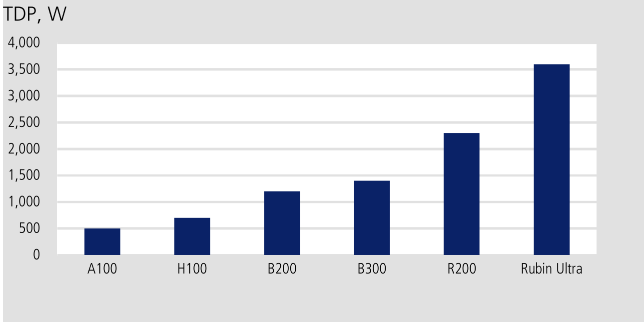
AI server supply chain readiness; geopolitical tension.

Figure 1: HVDC roadmap for data centers



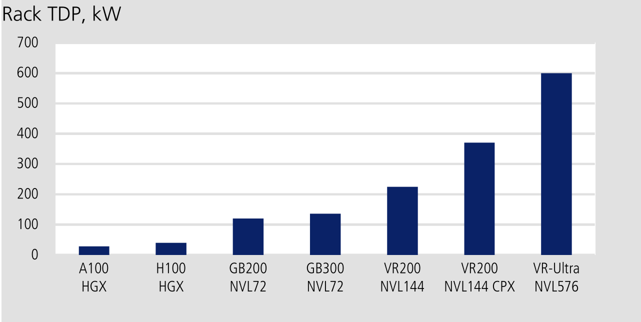
Source: Delta; KGI Research

Figure 2: Rising TDP for Nvidia's GPU iteration



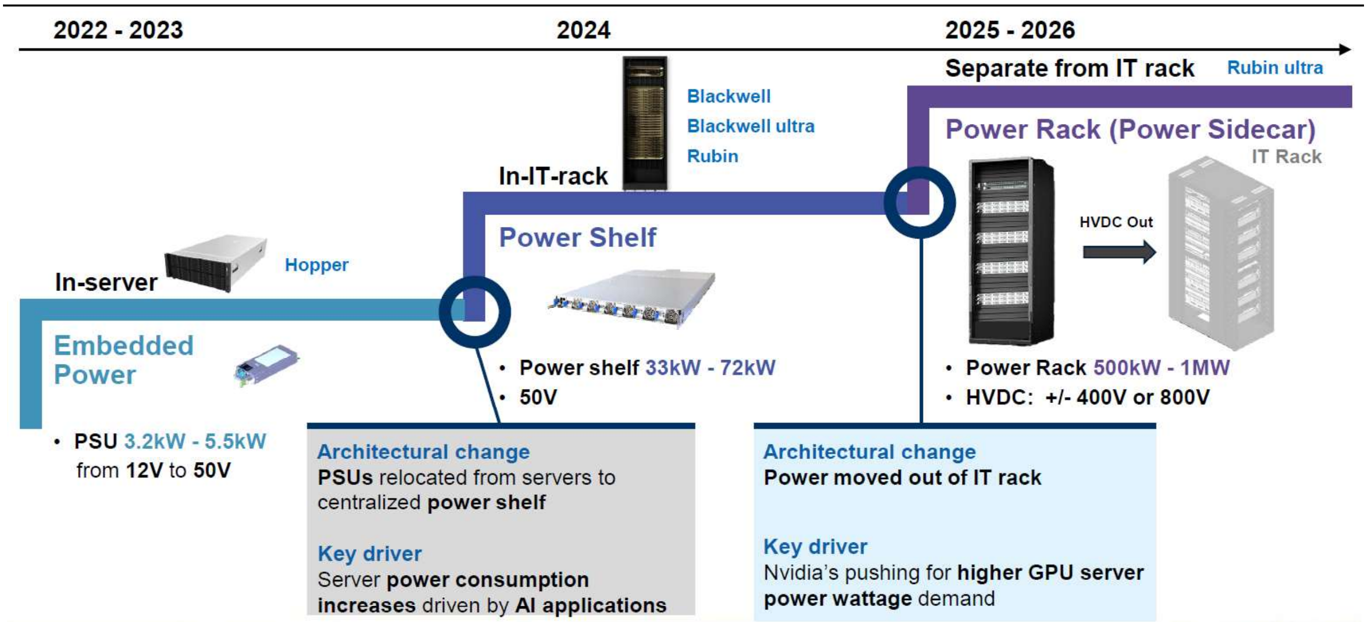
Source: Nvidia; KGI Research

Figure 3: Power demand for IT racks to skyrocket



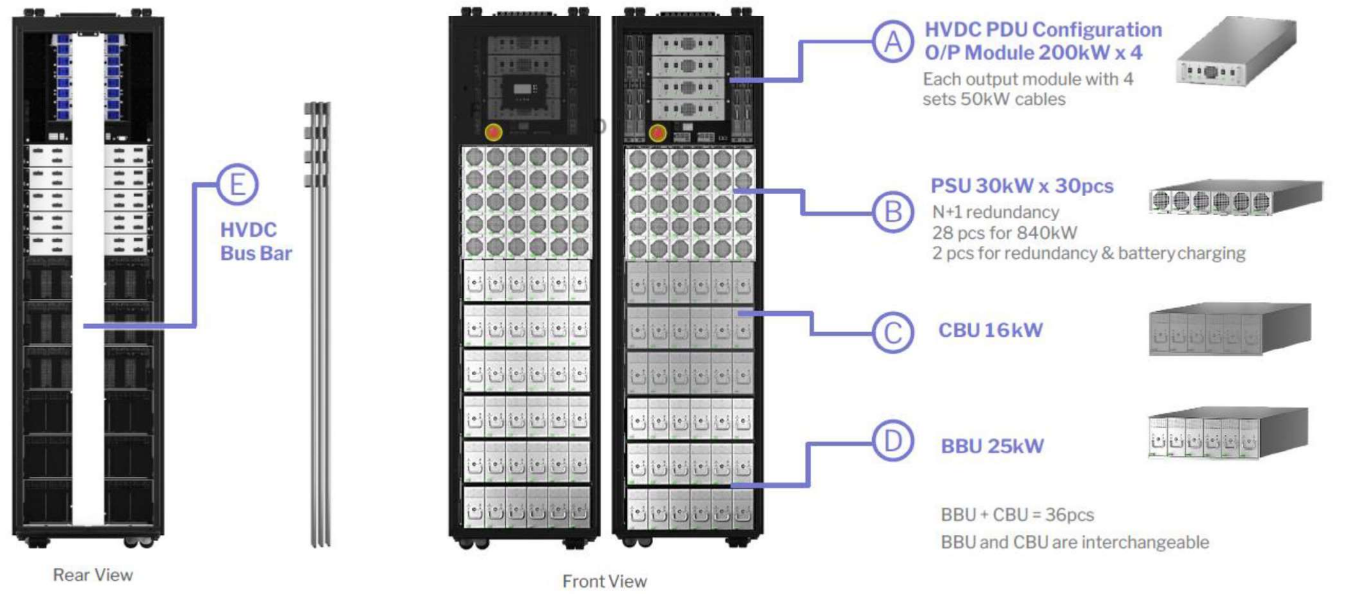
Source: Nvidia; KGI Research

Figure 4: Evolution of server power supply architecture



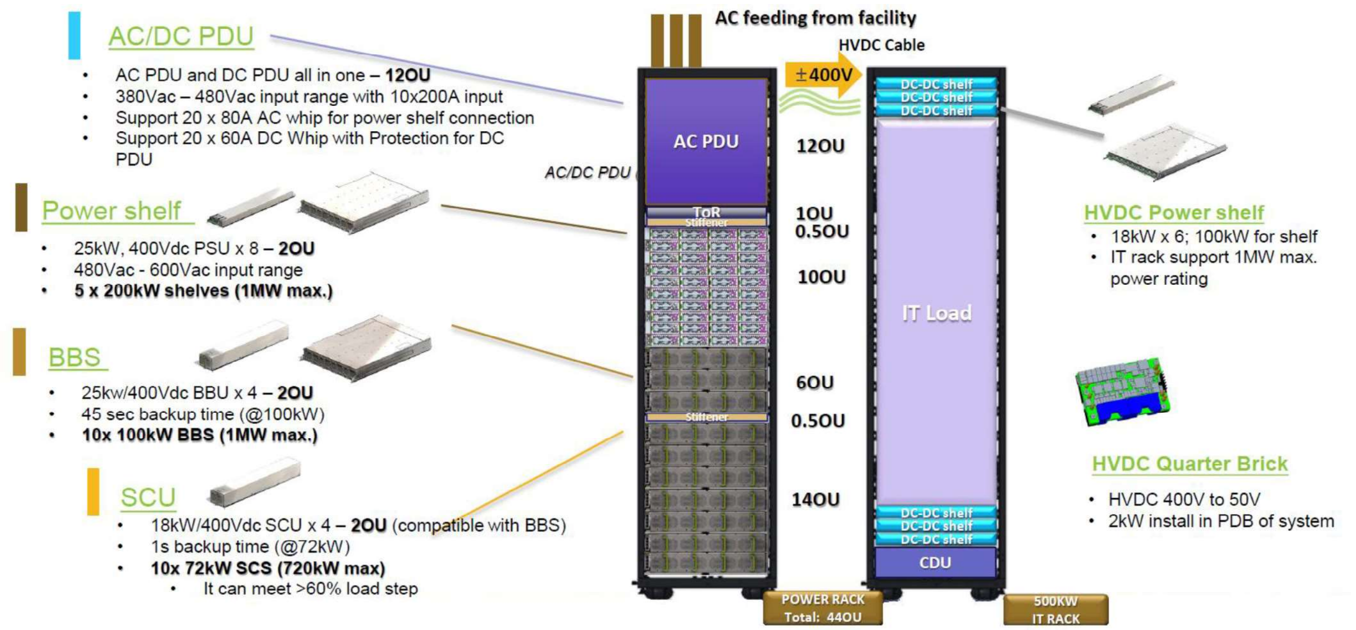
Source: Lite-On; KGI Research

Figure 5: Delta's HVDC rack design prototype



Source: Delta; KGI Research

Figure 6: Lite-On's HVDC rack design prototype



Source: Lite-On; KGI Research

Delta Electronics – Maintain Outperform & raise 12M target price to NT$1,075

Earnings revisions. We raise 2025-27F revenue by a respective 3%, 8%, and 14% as we project server power revenue growth of 49%, 42%, and 43% YoY. The firm reiterates guidance of a 20-30% decline in DC-DC power module business revenue in 2025, but management believes its solutions have been proven to be more energy efficient, which should help win back market share for upcoming AI server generations. We also raise our liquid cooling revenue forecast to a respective NT$35.8bn and NT$58.0bn in 2025-26, for sales weightings of 7% and 9%. We forecast data center-related business will account for a respective 43%, 51%, and 57% of 2025-27 revenue, up from 29% in 2024. In addition, we lift our margins assumptions as the firm's AI offerings are margins-accretive, especially for operating margin, leading to a more desirable product mix.

July-August revenue totaled NT$93.3bn, up 24% YoY, above consensus and achieving 69% of our previous 3Q25 revenue estimate, as strong AI demand for power supplies and liquid-cooling systems more than offset EV revenue weakness, which could decline 20%+ QoQ in the quarter and only account for 5-6% of consolidated sales. We now forecast 3Q25 revenue will grow 14% QoQ, before slightly retreating 1% QoQ in 4Q25 on normal seasonality.

Valuation. Shares have risen 98% since our last sector update and are trading at consensus 12M forward PE of 32x, versus the historical band of 14-35x. We maintain Outperform and raise our 12M target price to NT$1,075, based on 28x 2027F EPS (previously 28x 2026F EPS). We roll over our valuation timeframe due to clear visibility for the AI server power supply upgrade roadmap and the firm's unquestionable dominance within the field.

Figure 7: Breakdown of 3Q25 & 4Q25 forecast revisions vs. consensus

	3Q25F							4Q25F						
NT$mn	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Revenue	141,852	135,136	5.0	14.4	26.4	137,122	3.4	139,848	132,048	5.9	(1.4)	22.5	136,680	2.3
Gross profit	51,447	48,559	5.9	16.8	31.3	48,578	5.9	49,654	44,556	11.4	(3.5)	41.3	47,798	3.9
Operating profit	24,424	22,478	8.7	30.8	48.7	21,170	15.4	22,314	18,410	21.2	(8.6)	108.5	20,419	9.3
Net income	17,800	15,842	12.4	27.6	44.3	15,746	13.0	16,027	13,051	22.8	(10.0)	123.3	15,248	5.1
EPS (NT$)	6.85	6.10	12.4	27.6	44.3	6.10	12.4	6.17	5.02	22.8	(10.0)	123.3	5.82	6.0
Gross margin (%)	36.3	35.9	0.3 ppts	0.8 ppts	1.3 ppts	35.4	0.8 ppts	35.5	33.7	1.8 ppts	(0.8) ppts	4.7 ppts	35.0	0.5 ppts
Op. margin (%)	17.2	16.6	0.6 ppts	2.2 ppts	2.6 ppts	15.4	1.8 ppts	16.0	13.9	2.0 ppts	(1.3) ppts	6.6 ppts	14.9	1.0 ppts
Net margin (%)	12.5	11.7	0.8 ppts	1.3 ppts	1.6 ppts	11.5	1.1 ppts	11.5	9.9	1.6 ppts	(1.1) ppts	5.2 ppts	11.2	0.3 ppts

Source: Bloomberg; KGI Research

Figure 8: Breakdown of 2025-27 forecast revisions vs. consensus

	2025F						2026F						2027F					
NT$mn	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Revenue	524,654	510,138	2.8	24.6	515,497	1.8	622,699	577,345	7.9	18.7	601,645	3.5	754,363	658,915	14.5	21.1	715,858	5.4
Gross profit	182,939	174,952	4.6	33.9	177,470	3.1	225,152	200,858	12.1	23.1	212,164	6.1	280,070	230,200	21.7	24.4	254,402	10.1
Operating profit	79,443	73,593	7.9	66.7	73,487	8.1	104,797	88,797	18.0	31.9	95,840	9.3	139,355	104,614	33.2	33.0	124,420	12.0
Net income	58,005	53,072	9.3	64.7	54,941	5.6	74,973	63,665	17.8	29.3	71,977	4.2	99,521	74,942	32.8	32.7	93,389	6.6
EPS (NT$)	22.33	20.43	9.3	64.7	21.20	5.3	28.86	24.51	17.8	29.3	28.08	2.8	38.31	28.85	32.8	32.7	36.01	6.4
Gross margin (%)	34.9	34.3	0.6 ppts	2.4 ppts	34.4	0.4 ppts	36.2	34.8	1.4 ppts	1.3 ppts	35.3	0.9 ppts	37.1	34.9	2.2 ppts	1.0 ppts	35.5	1.6 ppts
Op. margin (%)	15.1	14.4	0.7 ppts	3.8 ppts	14.3	0.9 ppts	16.8	15.4	1.4 ppts	1.7 ppts	15.9	0.9 ppts	18.5	15.9	2.6 ppts	1.6 ppts	17.4	1.1 ppts
Net margin (%)	11.1	10.4	0.7 ppts	2.7 ppts	10.7	0.4 ppts	12.0	11.0	1.0 ppts	1.0 ppts	12.0	0.1 ppts	13.2	11.4	1.8 ppts	1.2 ppts	13.0	0.1 ppts

Source: Bloomberg; KGI Research

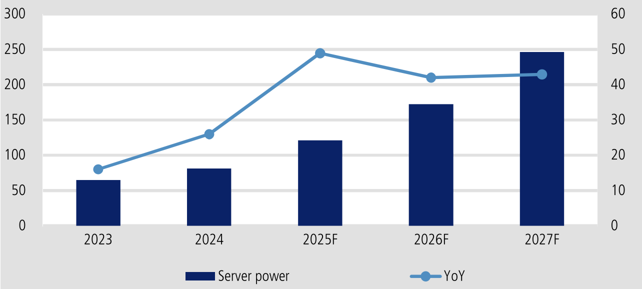
Figure 9: Delta Electronics – Business structure

Segment	2Q25 revenue weighting (%)	Business group	2024 revenue growth (%)	2025F revenue growth (%)	2025F revenue weighting (%)	Products
Power electronics	52	Power supply (PSBG)	6	29	34	DT power, NB power, server power, home appliance power, game console power, offline UPS, printer power, and other; medical device power, industrial power module
		Component (CPBG)	29	7	10	Passive component (Cyntec), optical transceiver
		Fan & thermal (FMBG)	6	7	8	Cooling fan, thermal module
Mobility	9	Electric vehicle solution (EVSBG)	(1)	(15)	7	On-board charger, DC/DC converter, traction motor, traction inverter
Automation	11	Industrial automation (IABG)	0	3	7	Industrial automation (Servo motor, AC motor drive, PLC, CNC control, HMI, robot arms)
		Building automation (BABG)	(11)	9	4	Building automation solution, LED lighting fixture, surveillance camera, controller
Infrastructure	29	Information & communication technology (ICTBG)	9	78	27	Telecom power, data center solutions, networking
		Energy infrastructure system (EISBG)	(20)	(6)	4	Off-board EV-charger, renewable energy (solar inverter & wind power converter), energy storage system, display, power-conditioning system

Note: Industrial and medical power supplies (2% of revenue combined) were moved from EISBG to PSBG, effective 1Q21
Source: Company data; KGI Research

Figure 10: We forecast a server power supply revenue CAGR of 45% in 2024-27F on AI proliferation

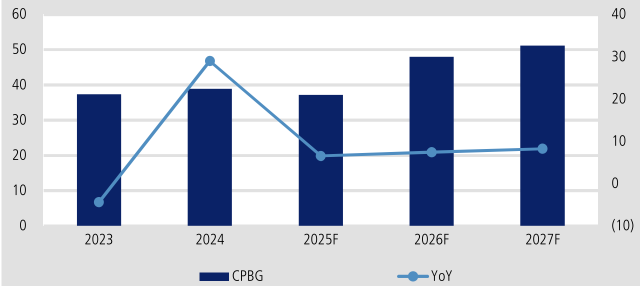
Revenue, NT$bn (LHS); YoY, percent (RHS)



Source: Company data; KGI Research

Figure 11: Components revenue growth to decelerate in 2025F due to high base

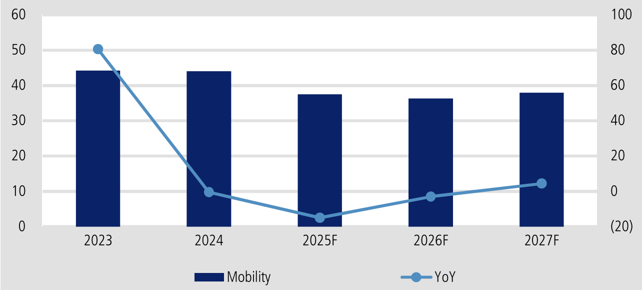
Revenue, NT$bn (LHS); YoY, percent (RHS)



Source: Company data; KGI Research

Figure 12: Muted EV sales growth through 2026F

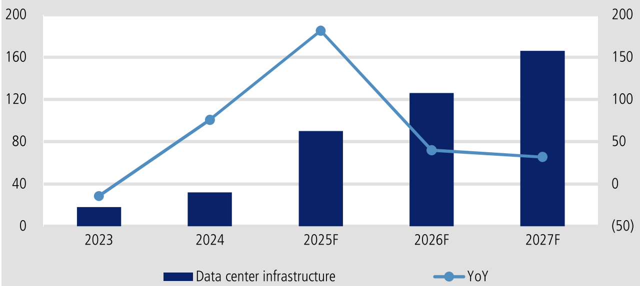
Revenue, NT$bn (LHS); YoY, percent (RHS)



Source: Company data; KGI Research

Figure 13: Surging data center infrastructure revenue mainly thanks to liquid cooling system & BBU

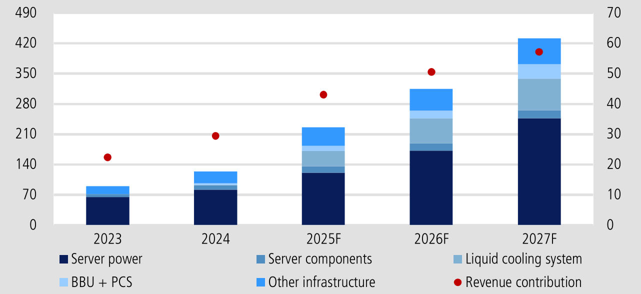
Revenue, NT$bn (LHS); YoY, percent (RHS)



Source: Company data; KGI Research

Figure 14: Data center-related business to account for 50%+ of revenue starting 2026F

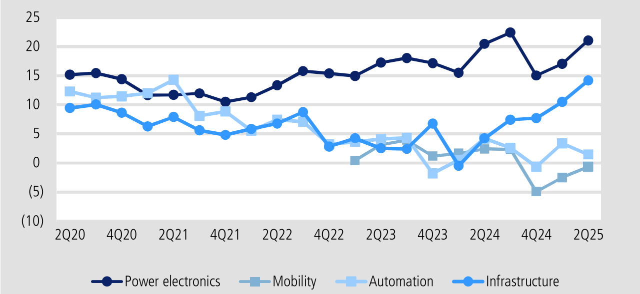
Revenue, NT$bn (LHS); revenue contribution, percent (RHS)



Source: Company data; KGI Research

Figure 15: Strong server power & liquid cooling system demand leading to a more desirable product mix

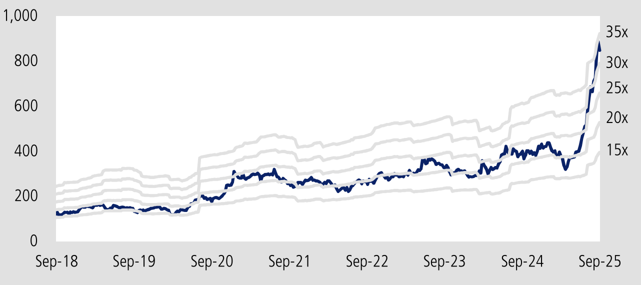
Operating margin, percent



Source: Company data; KGI Research

Figure 16: 12M forward PE band

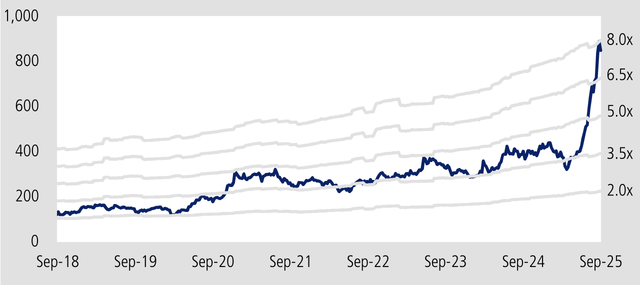
Share price, NT$ (LHS); PE, x (RHS)



Source: Bloomberg; KGI Research

Figure 17: 12M forward PB band

Share price, NT$ (LHS); PB, x (RHS)



Source: Bloomberg; KGI Research

Delta Electronics (2308 TT)

Income statement

	Quarterly								Annually		
	Mar-25A	**Jun-25A**	**Sep-25F**	**Dec-25F**	**Mar-26F**	**Jun-26F**	**Sep-26F**	**Dec-26F**	**Dec-25F**	**Dec-26F**	**Dec-27F**
Income statement (NT$mn)											
Revenue	**118,919**	**124,035**	**141,852**	**139,848**	**137,406**	**151,838**	**167,178**	**166,276**	**524,654**	**622,699**	**754,363**
Cost of goods sold	(81,131)	(79,986)	(90,405)	(90,194)	(89,120)	(96,627)	(105,548)	(106,251)	(341,716)	(397,546)	(474,293)
Gross profit	**37,788**	**44,049**	**51,447**	**49,654**	**48,286**	**55,212**	**61,631**	**60,024**	**182,939**	**225,152**	**280,070**
Operating expenses	(23,752)	(25,380)	(27,023)	(27,340)	(27,481)	(29,684)	(31,680)	(31,509)	(103,496)	(120,355)	(140,715)
Operating profit	**14,036**	**18,669**	**24,424**	**22,314**	**20,805**	**25,527**	**29,950**	**28,515**	**79,443**	**104,797**	**139,355**
Depreciation of fixed assets	(5,820)	(5,798)	(5,914)	(6,032)	(6,153)	(6,276)	(6,402)	(6,530)	(23,565)	(25,361)	(27,451)
Amortisation of intangible assets	(1,013)	(948)	(960)	(960)	(960)	(960)	(960)	(960)	(3,880)	(3,840)	(3,840)
EBITDA	**20,869**	**25,415**	**31,298**	**29,306**	**27,918**	**32,763**	**37,312**	**36,005**	**106,889**	**133,998**	**170,646**
Interest income	824	1,039	949	938	994	1,028	970	991	3,750	3,984	4,865
Investment income	93	106	250	30	100	120	280	35	479	535	580
Other non-op income	1,106	1,250	900	900	1,000	1,000	1,000	1,000	4,155	4,000	4,400
Non-operating income	**2,022**	**2,395**	**2,099**	**1,868**	**2,094**	**2,148**	**2,250**	**2,026**	**8,384**	**8,519**	**9,845**
Interest expense	(511)	(527)	(527)	(514)	(488)	(464)	(440)	(440)	(2,078)	(1,832)	(1,761)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	115	(966)	(200)	(100)	-	-	-	-	(1,150)	-	-
Non-operating expenses	**(395)**	**(1,492)**	**(727)**	**(614)**	**(488)**	**(464)**	**(440)**	**(440)**	**(3,228)**	**(1,832)**	**(1,761)**
Pre-tax profit	**15,663**	**19,571**	**25,797**	**23,568**	**22,411**	**27,212**	**31,760**	**30,101**	**84,599**	**111,484**	**147,439**
Current taxation	(3,620)	(4,237)	(5,675)	(5,185)	(4,930)	(5,987)	(6,987)	(6,622)	(18,717)	(24,526)	(32,437)
Minorities	(1,812)	(1,386)	(2,322)	(2,357)	(2,409)	(2,925)	(3,414)	(3,236)	(7,877)	(11,984)	(15,481)
Normalised net profit	**10,231**	**13,948**	**17,800**	**16,027**	**15,071**	**18,300**	**21,358**	**20,243**	**58,005**	**74,973**	**99,521**
Extraordinary items	(0)	0	-	-	-	-	-	-	-	-	-
Net profit	**10,231**	**13,948**	**17,800**	**16,027**	**15,071**	**18,300**	**21,358**	**20,243**	**58,005**	**74,973**	**99,521**
EPS (NT$)	3.94	5.37	6.85	6.17	5.80	7.05	8.22	7.79	22.33	28.86	38.31
Margins (%)											
Gross profit margin	31.8	35.5	36.3	35.5	35.1	36.4	36.9	36.1	34.9	36.2	37.1
Operating margin	11.8	15.1	17.2	16.0	15.1	16.8	17.9	17.1	15.1	16.8	18.5
EBITDA margin	17.5	20.5	22.1	21.0	20.3	21.6	22.3	21.7	20.4	21.5	22.6
Pretax profit margin	13.2	15.8	18.2	16.9	16.3	17.9	19.0	18.1	16.1	17.9	19.5
Net profit margin	8.6	11.2	12.5	11.5	11.0	12.1	12.8	12.2	11.1	12.0	13.2
Sequential growth (%)											
Revenue growth	4.1	4.3	14.4	(1.4)	(1.7)	10.5	10.1	(0.5)			
Gross profit growth	7.5	16.6	16.8	(3.5)	(2.8)	14.3	11.6	(2.6)			
Operating profit growth	31.2	33.0	30.8	(8.6)	(6.8)	22.7	17.3	(4.8)			
EBITDA growth	19.9	21.8	23.1	(6.4)	(4.7)	17.4	13.9	(3.5)			
Pretax profit growth	59.2	25.0	31.8	(8.6)	(4.9)	21.4	16.7	(5.2)			
Net profit growth	42.5	36.3	27.6	(10.0)	(6.0)	21.4	16.7	(5.2)			
YoY growth (%)											
Revenue growth	30.3	19.9	26.4	22.5	15.5	22.4	17.9	18.9	24.6	18.7	21.1
Gross profit growth	40.2	24.8	31.3	41.3	27.8	25.3	19.8	20.9	33.9	23.1	24.4
Operating profit growth	89.8	42.2	48.7	108.5	48.2	36.7	22.6	27.8	66.7	31.9	33.0
EBITDA growth	57.7	31.2	38.1	68.4	33.8	28.9	19.2	22.9	47.1	25.4	27.3
Pretax profit growth	78.7	30.2	46.0	139.5	43.1	39.0	23.1	27.7	64.9	31.8	32.3
Net profit growth	77.5	40.2	44.3	123.3	47.3	31.2	20.0	26.3	64.7	29.3	32.7

Source: Company data, KGI Research estimates

Balance sheet

NT$mn	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Total assets	**457,747**	**531,898**	**572,280**	**639,412**	**732,630**
Current assets	**259,958**	**310,925**	**355,063**	**418,861**	**510,790**
Cash & ST securities	92,620	121,793	146,943	180,574	231,268
Inventory	76,227	83,856	88,970	100,516	112,212
Accounts receivable	79,380	89,921	103,857	122,478	152,017
Other current assets	11,732	15,355	15,293	15,293	15,293
Non-current assets	**197,788**	**220,973**	**217,217**	**220,551**	**221,840**
LT investments	3,505	8,503	4,138	4,673	5,253
Net fixed assets	98,002	115,710	121,111	127,750	132,299
Other assets	96,282	96,760	91,968	88,128	84,288
Total liabilities	**215,011**	**252,332**	**272,877**	**282,924**	**298,803**
Current liabilities	**126,085**	**152,283**	**171,312**	**181,359**	**197,238**
Accounts payable	53,539	69,223	74,987	85,034	100,913
Interest bearing ST liabilities	5,875	8,121	21,805	21,805	21,805
Other current liabilities	66,671	74,939	74,520	74,520	74,520
Non-current liabilities	**88,927**	**100,049**	**101,565**	**101,565**	**101,565**
Long-term debt	51,420	56,309	58,648	58,648	58,648
Other L-T liabilities	34,951	41,523	40,539	40,539	40,539
Total equity	**242,735**	**279,565**	**299,403**	**356,488**	**433,826**
Share capital	25,975	25,975	25,975	25,975	25,975
Retained earnings reserve	83,904	98,433	138,153	182,112	243,002
Minority interests	43,572	49,478	53,379	65,363	80,844
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Growth					
Revenue growth	4.4%	5.0%	24.6%	18.7%	21.1%
Operating profit growth	(1.2%)	16.4%	66.7%	31.9%	33.0%
EBITDA growth	3.6%	16.2%	47.1%	25.4%	27.3%
Net profit growth	2.2%	5.5%	64.7%	29.3%	32.7%
EPS growth	2.2%	5.5%	64.7%	29.3%	32.7%
Profitability					
Gross profit margin	29.2%	32.4%	34.9%	36.2%	37.1%
Operating margin	10.2%	11.3%	15.1%	16.8%	18.5%
EBITDA margin	15.6%	17.3%	20.4%	21.5%	22.6%
Net profit margin	8.3%	8.4%	11.1%	12.0%	13.2%
Return on average assets	7.6%	7.1%	10.5%	12.4%	14.5%
Return on average equity	17.3%	16.4%	24.4%	27.9%	30.9%
Stability					
Gross debt to equity	23.6%	23.0%	26.9%	22.6%	18.5%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	42.5	34.2	41.7	61.8	84.7
Interest & ST debt coverage (x)	0.9	0.8	0.8	0.8	0.9
Cash flow interest coverage(x)	60.7	47.1	39.2	52.1	68.3
Cash flow/int. & ST debt (x)	10.1	7.5	3.4	4.0	5.1
Current ratio (x)	2.1	2.0	2.1	2.3	2.6
Quick ratio (x)	1.5	1.5	1.6	1.8	2.0
Net debt (NT$mn)	(30,161)	(53,029)	(62,668)	(96,299)	(146,992)
Per share data					
EPS (NT$)	12.86	13.56	22.33	28.86	38.31
CFPS (NT$)	27.37	28.06	31.33	36.77	46.34
BVPS (NT$)	76.67	88.58	94.71	112.08	135.89
Adj BVPS (NT$)	76.67	88.58	94.71	112.08	135.89
SPS (NT$)	154.46	162.13	201.98	239.73	290.41
EBITDA/share (NT$)	24.08	27.98	41.15	51.59	65.70
Cash DPS (NT$)	6.43	7.00	11.50	14.50	19.50
Activity					
Sales / avg assets	0.91	0.85	0.95	1.03	1.10
Days receivable	72.2	78.1	72.3	71.8	73.6
Days inventory	98.0	107.9	95.0	92.3	86.4
Days payable	68.8	89.0	80.1	78.1	77.7
Cash cycle	101.4	97.0	87.2	86.0	82.2

Source: Company data, KGI Research estimates

Profit & loss

NT$mn	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Revenue	**401,227**	**421,148**	**524,654**	**622,699**	**754,363**
Cost of goods sold	(284,013)	(284,567)	(341,716)	(397,546)	(474,293)
Gross profit	**117,213**	**136,580**	**182,939**	**225,152**	**280,070**
Operating expenses	(76,263)	(88,928)	(103,496)	(120,355)	(140,715)
Operating profit	**40,950**	**47,652**	**79,443**	**104,797**	**139,355**
Non-operating income	**6,519**	**8,163**	**8,384**	**8,519**	**9,845**
Interest income	2,070	3,407	3,750	3,984	4,865
Investment income	222	438	479	535	580
Other non-op income	4,227	4,319	4,155	4,000	4,400
Non-operating expenses	**1,173**	**(4,499)**	**(3,228)**	**(1,832)**	**(1,761)**
Interest expense	(1,171)	(1,547)	(2,078)	(1,832)	(1,761)
Investment loss	-	(73)	-	-	-
Other non-op expenses	2,344	(2,879)	(1,150)	-	-
Pre-tax profit	**48,642**	**51,316**	**84,599**	**111,484**	**147,439**
Current taxation	(9,762)	(10,925)	(18,717)	(24,526)	(32,437)
Minorities	(5,488)	(5,163)	(7,877)	(11,984)	(15,481)
Extraordinary items	-	0	-	-	-
Net profit	**33,393**	**35,229**	**58,005**	**74,973**	**99,521**
EBITDA	**62,540**	**72,668**	**106,889**	**133,998**	**170,646**
EPS (NT$)	12.86	13.56	22.33	28.86	38.31

Cash flow

NT$mn	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Operations cash flow	**71,086**	**72,895**	**81,370**	**95,503**	**120,358**
Net profit	33,393	35,229	58,005	74,973	99,521
Depreciation & amortisation	21,590	25,016	27,446	29,201	31,291
Decrease in working capital	2,466	(2,538)	(13,469)	(20,120)	(25,355)
Other operating cash flow	13,638	15,188	9,388	11,449	14,901
Investing cash flow	**(33,502)**	**(40,360)**	**(38,249)**	**(32,000)**	**(32,000)**
Sale of ST investment	213	(334)	-	-	-
New investments	89	(213)	-	-	-
Capital expenditure	(27,830)	(33,430)	(35,041)	(32,000)	(32,000)
Others investing cashflow	(5,974)	(6,383)	(3,208)	-	-
Free cash flow	**24,945**	**22,634**	**36,921**	**54,982**	**78,793**
Financing cash flow	**(10,478)**	**(11,118)**	**(989)**	**(29,872)**	**(37,664)**
Increase in short term debt	874	(1,417)	(309)	-	-
Increase in long term loans	9,452	8,552	16,333	-	-
New ordinary shares issued	-	-			
Ordinary dividends paid	(27,455)	(16,702)	(18,183)	(29,872)	(37,664)
Other financing cashflow	6,651	(1,550)	1,170	-	-
Forex effects	**(1,198)**	**8,586**	**(16,470)**	**-**	**-**
Total cash generated	**25,909**	**30,003**	**25,662**	**33,631**	**50,694**

ROIC

	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
1 - COGS/revenue					
- Operating exp./revenue	19.0%	21.1%	19.7%	19.3%	18.7%
= Operating margin	**10.2%**	**11.3%**	**15.1%**	**16.8%**	**18.5%**
1 / (Working capital/revenue	0.1	0.1	0.1	0.1	0.1
+ Net PPE/revenue	0.2	0.3	0.2	0.2	0.2
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
= Capital turnover	**2.7**	**2.6**	**2.8**	**2.9**	**3.1**
Operating margin	10.2%	11.3%	15.1%	16.8%	18.5%
x Capital turnover	2.7	2.6	2.8	2.9	3.1
x (1 - tax rate)	79.9%	78.7%	77.9%	78.0%	78.0%
= After-tax ROIC	**21.9%**	**22.7%**	**32.8%**	**38.0%**	**44.4%**

Source: Company data, KGI Research estimates

Lite-On Technology – Maintain Outperform & raise 12M target price to NT$184

Earnings revisions. We revise up 2025-27F revenue by a respective 4%, 7%, and 13%, mainly to factor in the positive outlook of a new US hyperscale client. We accordingly lift our gross margin estimates on a more favorable sales mix. Lite-On is enjoying market share recovery in 2025 following 2024 quality control issues. We forecast the firm's server power revenue growth will accelerate from a mere 7% in 2024 to 56% in 2025. We believe market share growth will continue in 2026 with the debut of 12kW PSUs for AI server racks. We forecast the firm's cloud business, which consists of server power, BBU, and mechanical parts, will represent a respective 30%, 38%, and 46% of 2025-27 revenue, for a revenue CAGR of 55% in 2024-27. We slightly trim our 2026-27 operating margin estimates due to higher opex ratio assumptions to around 12%, as the firm aims to raise its R&D expense ratio to 6% (5.4% in 1H25) to boost product development for specific applications, including HVDC.

July-August revenue totaled NT$29.5bn, a solid beat, up 18% YoY and accounting for 69.8% of our previous 3Q25 revenue estimate. Management sees upside to its original 3Q25 revenue growth guidance of mid-single digits QoQ thanks to strong PSU and BBU sales. That said, US tariffs have also played a role. We raise 3Q25F revenue growth to 12% QoQ, with 4Q25F revenue to rise a further 1% QoQ on server power shipment strength.

Valuation. Shares have risen 47% since our last sector update and are currently trading at consensus 12M forward PE of 22x, versus the historical band of 9-24x. We maintain Outperform and raise our 12M target price to NT$184, based on 20x 2026-27F average EPS (previously 18x 2026F EPS). We acknowledge the firm's key new client win and it is in a solid position to benefit from the AI server power supply upgrade roadmap.

Figure 18: Breakdown of 3Q25 & 4Q25 forecast revisions vs. consensus

	3Q25F							4Q25F						
NT$mn	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Revenue	45,141	42,205	7.0	11.7	22.8	42,868	5.3	45,577	42,627	6.9	1.0	19.0	42,627	6.9
Gross profit	10,383	9,573	8.5	16.1	25.8	9,737	6.6	10,645	9,788	8.8	2.5	30.7	9,652	10.3
Operating profit	4,357	4,192	3.9	16.9	11.0	4,620	(5.7)	4,492	4,438	1.2	3.1	28.5	4,518	(0.6)
Net income	3,755	3,631	3.4	19.0	10.8	4,046	(7.2)	3,878	3,840	1.0	3.3	27.2	4,033	(3.8)
EPS (NT$)	1.66	1.60	3.4	19.4	11.9	1.76	(5.8)	1.71	1.69	1.0	3.3	28.6	1.74	(1.8)
Gross margin (%)	23.0	22.7	0.3 ppts	0.9 ppts	0.6 ppts	22.7	0.3 ppts	23.4	23.0	0.4 ppts	0.4 ppts	2.1 ppts	22.6	0.7 ppts
Op. margin (%)	9.7	9.9	(0.3) ppts	0.4 ppts	(1.0) ppts	10.8	(1.1) ppts	9.9	10.4	(0.6) ppts	0.2 ppts	0.7 ppts	10.6	(0.7) ppts
Net margin (%)	8.3	8.6	(0.3) ppts	0.5 ppts	(0.9) ppts	9.4	(1.1) ppts	8.5	9.0	(0.5) ppts	0.2 ppts	0.5 ppts	9.5	(1.0) ppts

Source: Bloomberg; KGI Research

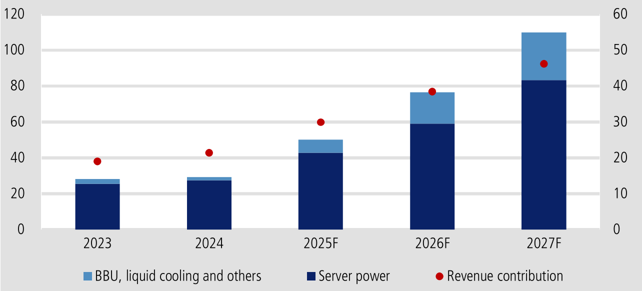
Figure 19: Breakdown of 2025-27 forecast revisions vs. consensus

	2025F						2026F						2027F					
NT$mn	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Revenue	167,556	161,670	3.6	22.2	162,754	3.0	198,861	186,494	6.6	18.7	183,811	8.2	237,823	210,880	12.8	19.6	214,284	11.0
Gross profit	38,192	36,525	4.6	28.9	36,660	4.2	48,147	44,125	9.1	26.1	42,817	12.4	59,914	51,229	17.0	24.4	52,080	15.0
Operating profit	16,251	16,032	1.4	25.6	16,499	(1.5)	21,990	21,293	3.3	35.3	20,737	6.0	28,713	26,106	10.0	30.6	26,179	9.7
Net income	14,244	14,081	1.2	19.3	14,677	(3.0)	18,402	17,888	2.9	29.2	17,951	2.5	23,372	21,463	8.9	27.0	22,167	5.4
EPS (NT$)	6.26	6.19	1.2	20.1	6.40	(2.2)	8.12	7.89	2.9	29.6	7.77	4.5	10.31	9.47	8.9	27.0	9.68	6.5
Gross margin (%)	22.8	22.6	0.2 ppts	1.2 ppts	22.5	0.3 ppts	24.2	23.7	0.6 ppts	1.4 ppts	23.3	0.9 ppts	25.2	24.3	0.9 ppts	1.0 ppts	24.3	0.9 ppts
Op. margin (%)	9.7	9.9	(0.2) ppts	0.3 ppts	10.1	(0.4) ppts	11.1	11.4	(0.4) ppts	1.4 ppts	11.3	(0.2) ppts	12.1	12.4	(0.3) ppts	1.0 ppts	12.2	(0.1) ppts
Net margin (%)	8.5	8.7	(0.2) ppts	(0.2) ppts	9.0	(0.5) ppts	9.3	9.6	(0.3) ppts	0.8 ppts	9.8	(0.5) ppts	9.8	10.2	(0.4) ppts	0.6 ppts	10.3	(0.5) ppts

Source: Bloomberg; KGI Research

Figure 20: We project server revenue contribution of 38% & 46% in 2026-27F, respectively

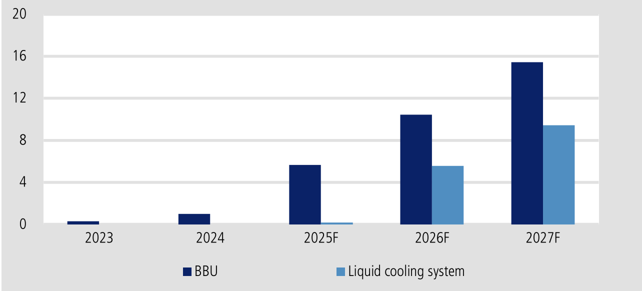
Revenue, NT$bn (LHS); revenue contribution, percent (RHS)



Source: Company data; KGI Research

Figure 21: BBU & liquid cooling system to serve as revenue growth catalysts in 2025-27F

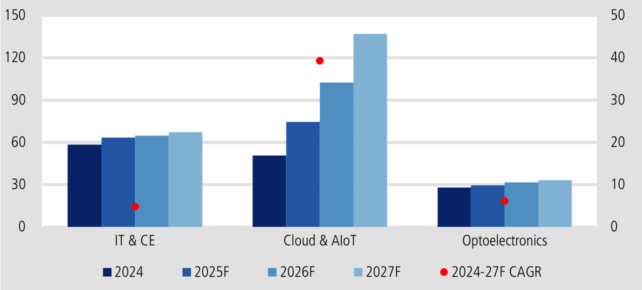
Revenue, NT$bn



Source: Company data; KGI Research

Figure 22: Non-cloud businesses are recovering

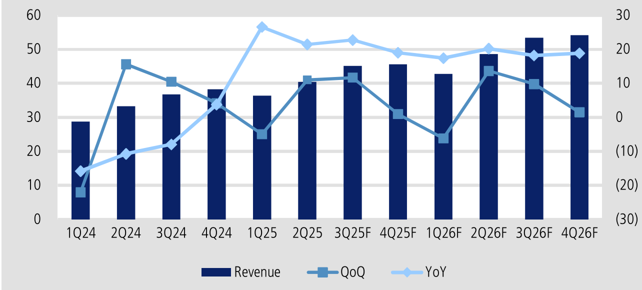
Revenue, NT$bn (LHS); 2024-27F CAGR, percent (RHS)



Source: Company data; KGI Research

Figure 23: Revenue resumed YoY growth in 4Q24

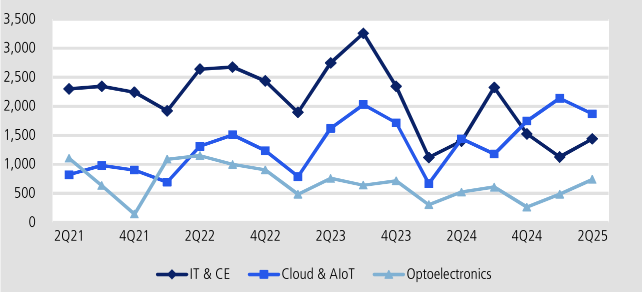
Revenue, NT$bn (LHS); QoQ and YoY, percent (RHS)



Source: Company data; KGI Research

Figure 24: Cloud & AIoT has become the largest source of core earnings

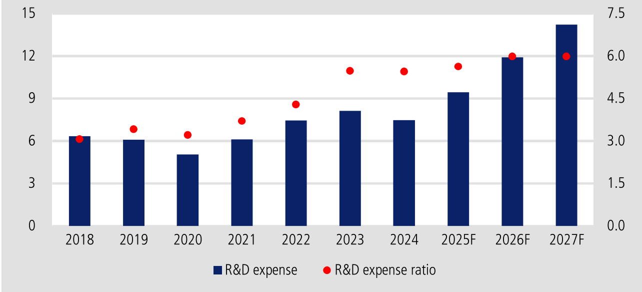
Operating profit, NT$mn



Source: Company data; KGI Research

Figure 25: R&D expense ratio to reach 6% in 2026-27F

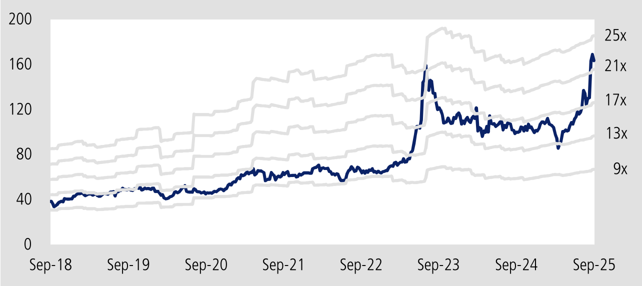
R&D expense, NT$bn (LHS); R&D expense ratio, percent (RHS)



Source: Company data; KGI Research

Figure 26: 12M forward PE band

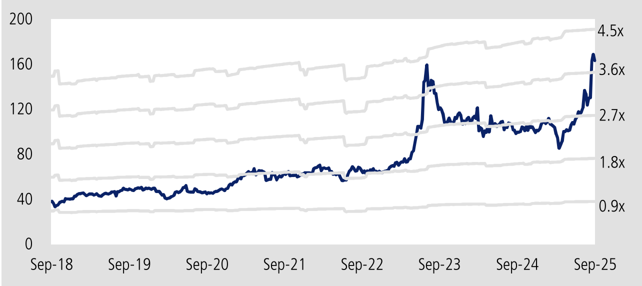
Share price, NT$ (LHS); PE, x (RHS)



Source: Bloomberg; KGI Research

Figure 27: 12M forward PB band

Share price, NT$ (LHS); PB, x (RHS)



Source: Bloomberg; KGI Research

Lite-On Technology (2301 TT)

Income statement

	Quarterly								Annually		
	Mar-25A	Jun-25A	Sep-25F	Dec-25F	Mar-26F	Jun-26F	Sep-26F	Dec-26F	Dec-25F	Dec-26F	Dec-27F
Income statement (NT$mn)											
Revenue	**36,417**	**40,421**	**45,141**	**45,577**	**42,757**	**48,592**	**53,355**	**54,157**	**167,556**	**198,861**	**237,823**
Cost of goods sold	(28,195)	(31,479)	(34,758)	(34,932)	(32,656)	(36,915)	(40,401)	(40,742)	(129,365)	(150,713)	(177,909)
Gross profit	**8,222**	**8,942**	**10,383**	**10,645**	**10,102**	**11,677**	**12,953**	**13,415**	**38,192**	**48,147**	**59,914**
Operating expenses	(4,546)	(5,215)	(6,026)	(6,153)	(5,879)	(6,463)	(6,856)	(6,959)	(21,941)	(26,157)	(31,201)
Operating profit	**3,675**	**3,727**	**4,357**	**4,492**	**4,222**	**5,215**	**6,097**	**6,456**	**16,251**	**21,990**	**28,713**
Depreciation of fixed assets	(873)	(860)	(870)	(880)	(890)	(900)	(910)	(920)	(3,482)	(3,619)	(3,779)
Amortisation of intangible assets	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(200)	(200)	(200)
EBITDA	**4,598**	**4,637**	**5,277**	**5,422**	**5,162**	**6,165**	**7,057**	**7,426**	**19,933**	**25,810**	**32,692**
Interest income	751	682	670	691	693	622	620	642	2,794	2,578	2,564
Investment income	8	-	10	10	10	10	10	10	3	40	40
Other non-op income	78	1,053	200	200	200	200	200	200	1,531	800	800
Non-operating income	**837**	**1,735**	**880**	**901**	**903**	**832**	**830**	**852**	**4,328**	**3,418**	**3,404**
Interest expense	(336)	(372)	(412)	(401)	(391)	(381)	(381)	(381)	(1,521)	(1,536)	(1,526)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	492	(828)	250	250	250	250	250	250	190	1,000	1,000
Non-operating expenses	**156**	**(1,200)**	**(162)**	**(151)**	**(141)**	**(131)**	**(131)**	**(131)**	**(1,331)**	**(536)**	**(526)**
Pre-tax profit	**4,669**	**4,262**	**5,075**	**5,242**	**4,985**	**5,915**	**6,796**	**7,176**	**19,248**	**24,872**	**31,591**
Current taxation	(1,214)	(1,108)	(1,319)	(1,363)	(1,296)	(1,538)	(1,767)	(1,866)	(5,005)	(6,467)	(8,214)
Minorities	0	1	(1)	(1)	(1)	(1)	(1)	(1)	0	(4)	(5)
Normalised net profit	**3,456**	**3,155**	**3,755**	**3,878**	**3,688**	**4,376**	**5,028**	**5,309**	**14,244**	**18,402**	**23,372**
Extraordinary items	0	(0)	-	-	-	-	-	-	-	0	0
Net profit	**3,456**	**3,155**	**3,755**	**3,878**	**3,688**	**4,376**	**5,028**	**5,309**	**14,244**	**18,402**	**23,372**
EPS (NT$)	1.51	1.39	1.66	1.71	1.63	1.93	2.22	2.34	6.26	8.12	10.31
Margins (%)											
Gross profit margin	22.6	22.1	23.0	23.4	23.6	24.0	24.3	24.8	22.8	24.2	25.2
Operating margin	10.1	9.2	9.7	9.9	9.9	10.7	11.4	11.9	9.7	11.1	12.1
EBITDA margin	12.6	11.5	11.7	11.9	12.1	12.7	13.2	13.7	11.9	13.0	13.7
Pretax profit margin	12.8	10.5	11.2	11.5	11.7	12.2	12.7	13.3	11.5	12.5	13.3
Net profit margin	9.5	7.8	8.3	8.5	8.6	9.0	9.4	9.8	8.5	9.3	9.8
Sequential growth (%)											
Revenue growth	(4.9)	11.0	11.7	1.0	(6.2)	13.6	9.8	1.5			
Gross profit growth	1.0	8.8	16.1	2.5	(5.1)	15.6	10.9	3.6			
Operating profit growth	5.1	1.4	16.9	3.1	(6.0)	23.5	16.9	5.9			
EBITDA growth	2.7	0.8	13.8	2.8	(4.8)	19.4	14.5	5.2			
Pretax profit growth	17.1	(8.7)	19.1	3.3	(4.9)	18.7	14.9	5.6			
Net profit growth	13.3	(8.7)	19.0	3.3	(4.9)	18.7	14.9	5.6			
YoY growth (%)											
Revenue growth	26.6	21.4	22.8	19.0	17.4	20.2	18.2	18.8	22.2	18.7	19.6
Gross profit growth	40.6	21.0	25.8	30.7	22.9	30.6	24.8	26.0	28.9	26.1	24.4
Operating profit growth	64.8	13.6	11.0	28.5	14.9	39.9	40.0	43.7	25.6	35.3	30.6
EBITDA growth	40.6	7.9	6.9	21.1	12.3	33.0	33.7	37.0	17.4	29.5	26.7
Pretax profit growth	49.2	4.4	14.5	31.4	6.8	38.8	33.9	36.9	23.1	29.2	27.0
Net profit growth	44.7	1.3	10.8	27.2	6.7	38.7	33.9	36.9	19.3	29.2	27.0

Source: Company data, KGI Research estimates

Balance sheet

NT$mn	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Total assets	**188,972**	**204,683**	**204,467**	**215,399**	**230,573**
Current assets	**155,618**	**169,117**	**165,382**	**175,095**	**189,208**
Cash & ST securities	93,341	101,616	95,257	92,896	93,481
Inventory	25,808	26,817	29,188	34,055	39,650
Accounts receivable	32,099	37,182	37,019	44,225	52,157
Other current assets	4,371	3,501	3,918	3,918	3,918
Non-current assets	**33,354**	**35,566**	**39,084**	**40,305**	**41,365**
LT investments	6,377	8,195	6,727	6,767	6,807
Net fixed assets	18,392	18,776	21,597	22,978	24,199
Other assets	8,585	8,595	10,760	10,560	10,360
Total liabilities	**103,905**	**113,772**	**116,192**	**120,057**	**122,058**
Current liabilities	**98,001**	**107,869**	**110,206**	**114,071**	**116,071**
Accounts payable	40,918	43,126	46,116	49,981	56,516
Interest bearing ST liabilities	22,493	30,187	36,673	36,673	36,673
Other current liabilities	34,590	34,556	27,417	27,417	22,882
Non-current liabilities	**5,903**	**5,903**	**5,987**	**5,987**	**5,987**
Long-term debt	3,000	3,000	3,000	3,000	3,000
Other L-T liabilities	1,962	2,196	2,283	2,283	2,283
Total equity	**85,067**	**90,911**	**88,274**	**95,342**	**108,515**
Share capital	23,531	23,473	23,410	23,410	23,410
Retained earnings reserve	23,507	26,671	34,579	39,649	52,817
Minority interests	687	138	152	156	161
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Growth					
Revenue growth	(14.5%)	(7.6%)	22.2%	18.7%	19.6%
Operating profit growth	(3.7%)	(10.9%)	25.6%	35.3%	30.6%
EBITDA growth	(3.7%)	(10.0%)	17.4%	29.5%	26.7%
Net profit growth	3.0%	(18.0%)	19.3%	29.2%	27.0%
EPS growth	2.8%	(18.1%)	20.1%	29.6%	27.0%
Profitability					
Gross profit margin	22.0%	21.6%	22.8%	24.2%	25.2%
Operating margin	9.8%	9.4%	9.7%	11.1%	12.1%
EBITDA margin	12.7%	12.4%	11.9%	13.0%	13.7%
Net profit margin	9.8%	8.7%	8.5%	9.3%	9.8%
Return on average assets	7.5%	6.1%	7.0%	8.8%	10.5%
Return on average equity	17.6%	13.6%	15.9%	20.1%	23.0%
Stability					
Gross debt to equity	30.0%	36.5%	44.9%	41.6%	36.6%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	13.2	11.3	13.7	17.2	21.7
Interest & ST debt coverage (x)	0.4	0.3	0.3	0.4	0.4
Cash flow interest coverage(x)	18.2	8.2	9.3	9.1	13.3
Cash flow/int. & ST debt (x)	1.1	0.4	0.4	0.4	0.5
Current ratio (x)	1.6	1.6	1.5	1.5	1.6
Quick ratio (x)	1.3	1.3	1.2	1.2	1.3
Net debt (NT$mn)	(67,249)	(67,496)	(55,493)	(53,132)	(53,717)
Per share data					
EPS (NT$)	6.36	5.21	6.26	8.12	10.31
CFPS (NT$)	11.91	5.42	6.20	6.16	8.96
BVPS (NT$)	35.86	38.67	38.73	41.98	47.79
Adj BVPS (NT$)	36.86	39.61	38.73	41.98	47.79
SPS (NT$)	64.80	59.84	73.64	87.70	104.88
EBITDA/share (NT$)	8.24	7.41	8.76	11.38	14.42
Cash DPS (NT$)	4.50	4.51	4.50	6.00	7.50
Activity					
Sales / avg assets	0.76	0.70	0.82	0.95	1.07
Days receivable	79.0	99.2	80.6	81.2	80.0
Days inventory	81.4	91.3	82.4	82.5	81.3
Days payable	129.1	146.8	130.1	121.0	115.9
Cash cycle	31.3	43.7	32.9	42.6	45.4

Source: Company data, KGI Research estimates

Profit & loss

NT$mn	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Revenue	**148,333**	**137,134**	**167,556**	**198,861**	**237,823**
Cost of goods sold	(115,665)	(107,504)	(129,365)	(150,713)	(177,909)
Gross profit	**32,668**	**29,630**	**38,192**	**48,147**	**59,914**
Operating expenses	(18,152)	(16,696)	(21,941)	(26,157)	(31,201)
Operating profit	**14,516**	**12,934**	**16,251**	**21,990**	**28,713**
Non-operating income	**4,897**	**3,851**	**4,328**	**3,418**	**3,404**
Interest income	2,854	2,970	2,794	2,578	2,564
Investment income	7	20	3	40	40
Other non-op income	2,036	861	1,531	800	800
Non-operating expenses	**(1,047)**	**(1,150)**	**(1,331)**	**(536)**	**(526)**
Interest expense	(1,501)	(1,516)	(1,521)	(1,536)	(1,526)
Investment loss	-	-	-	-	-
Other non-op expenses	454	366	190	1,000	1,000
Pre-tax profit	**18,366**	**15,635**	**19,248**	**24,872**	**31,591**
Current taxation	(3,767)	(3,674)	(5,005)	(6,467)	(8,214)
Minorities	(28)	(19)	0	(4)	(5)
Extraordinary items	-	(0)	0	0	0
Net profit	**14,571**	**11,942**	**14,244**	**18,402**	**23,372**
EBITDA	**18,872**	**16,980**	**19,933**	**25,810**	**32,692**
EPS (NT$)	6.36	5.21	6.26	8.12	10.31

Cash flow

NT$mn	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Operations cash flow	**27,266**	**12,411**	**14,107**	**13,977**	**20,324**
Net profit	14,571	11,942	14,244	18,402	23,372
Depreciation & amortisation	4,356	4,047	3,682	3,820	3,980
Decrease in working capital	4,980	(3,683)	(6,725)	(10,475)	(13,795)
Other operating cash flow	3,359	105	2,906	2,231	6,767
Investing cash flow	**(3,340)**	**(4,843)**	**(5,697)**	**(5,000)**	**(5,000)**
Sale of ST investment	1,037	1,796	-	-	-
New investments	-	(2,245)	(301)	-	-
Capital expenditure	(3,703)	(3,548)	(5,452)	(5,000)	(5,000)
Others investing cashflow	(674)	(846)	56	-	-
Free cash flow	**17,003**	**6,505**	**3,331**	**4,417**	**6,231**
Financing cash flow	**(22,045)**	**(3,363)**	**(6,020)**	**(11,338)**	**(14,739)**
Increase in short term debt	(10,120)	7,584	6,761	-	-
Increase in long term loans	-	-	-	-	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(11,520)	(10,372)	(10,289)	(11,338)	(14,739)
Other financing cashflow	(406)	(574)	(2,492)	0	(0)
Forex effects	**(204)**	**3,736**	**(7,908)**	**-**	**-**
Total cash generated	**1,677**	**7,942**	**(5,518)**	**(2,361)**	**585**

ROIC

	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
1 - COGS/revenue					
- Operating exp./revenue	12.2%	12.2%	13.1%	13.2%	13.1%
= Operating margin	**9.8%**	**9.4%**	**9.7%**	**11.1%**	**12.1%**
1 / (Working capital/revenue	(0.1)	(0.1)	(0.0)	0.0	0.1
+ Net PPE/revenue	0.1	0.1	0.1	0.1	0.1
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
= Capital turnover	**23.2**	**12.9**	**8.2**	**6.6**	**5.6**
Operating margin	9.8%	9.4%	9.7%	11.1%	12.1%
x Capital turnover	23.2	12.9	8.2	6.6	5.6
x (1 - tax rate)	79.5%	76.5%	74.0%	74.0%	74.0%
= After-tax ROIC	**180.6%**	**92.9%**	**58.9%**	**54.2%**	**49.7%**

Source: Company data, KGI Research estimates

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.