INDUSTRY REPORT

Taiwan

Power supply sector

800V DC roadmap (III) – An irreversible shift

Key message

1. We project a HVDC penetration rate of 10-20% for Nvidia's (US) platform in 2027, while that of ASIC could be slightly higher.
2. We think recent market share loss concerns about Delta Electronics (2308 TT, NT$1,995, OP) are oveblown, and expect it to remain the undisputed market leader in server power, especially in HVDC.
3. We foresee increasing "grid-to-chip" integration as power supply plays look to penetrate the micro-grid solution and DC/DC converter markets.

Event

In this report, we provide an update on the market dynamics of the AI server power supply sector to address recent market rumors, and revise our forecasts for Delta Electronics (2308 TT, NT$1,995, OP) and Lite-On Technology (2301 TT, NT$224, OP).

Impact

HVDC timeline intact. There have been rising concerns regarding the potential delay of 800V DC mass adoption to 2028. However, we argue that this is actually in line with industry expectations given that at thermal design power (TDP) of 220kW per rack, the introduction of HVDC for Nvidia's (US) VR200 platform is likely optional. Our supply chain checks suggest initial shipments of HVDC power racks will remain on track in 2H26, before picking up in 2027F. We project a HVDC penetration rate of 10-20% for Nvidia's platform in 2027, while that of ASIC, specifically for Amazon Web Services' (AWS; US) Trainium and Google's (US) TPU, could be slightly higher. We believe HVDC penetration will take off in 2028 on the scheduled rollout of 400kW+ IT rack systems (i.e. Nvidia's Kyber-based VR300), but we don't expect 100% penetration as not all existing data centers are compatible with HVDC. We expect commercialization of solid state transformers (SST) to take place no sooner than 2H28, after IT racks are transformed to HVDC-native systems.

Concerns about Delta's market share losses are unwarranted. Many power supply vendors showcased HVDC power rack solutions at Computex 2026. It's worth noting that tier-1 US CSPs hold differing views on whether to mass adopt BBUs, and Vertiv (US) believes BBU could move into the grey space in the future to provide longer runtime support. Lite-On also showcased a liquid-cooled power shelf prototype, expecting potential adoption in 2H27. Power supply vendors all cite tight supply and elevated costs for power semiconductors and passive components, in particular for super capacitors, with Flex (US) suggesting its partnership with Musashi (JP) makes demand for its products higher than that for its peers'. Recent market rumors claim market share gains by China players. Honor Electric (CN) has successfully penetrated the supply chain of a tier-1 US CSP, but we believe Delta will remain the undisputed market leader, especially in HVDC, commanding market share of over 60%, and is still the primary supplier for said CSP. We think Vertiv (US) could emerge as the potential No.2 as it is under qualification by all four tier-1 US CSPs, while Lite-On, which is highly attached to a leading US CSP with substantial ASIC exposure, aims for major new CSP client wins. Other notable players are electrical equipment makers, such as Schneider (FR) and Eaton (US), which are both eyeing the fruitful HVDC market, while AcBel Polytech (6282 TT, NT$59.8, NR) looks to expand its server power client base beyond existing client Hewlett Packard Enterprise (HPE; US).

Increasing "grid-to-chip" integration. We expect increasing overlap between white, black, and grey space vendors, as firms that previously focused on their respective fields venture into adjacent markets. Delta, a white space-oriented vendor, is enhancing its presence in the black space by developing micro-grid solutions, including SST, solid oxide fuel cells (SOFC), and energy storage systems (ESS). With a stronger order outlook than that of Bloom Energy (US), the SOFC market leader, Delta states its SOFC offering, licensed from Ceres Power (UK), has garnered substantial interest. As a result, Delta has announced the construction of a dedicated SOFC plant in Taiwan, targeting volume production in 2028, as SOFC has been increasingly acknowledged as the most viable onsite power option. We identify Delta's expertise in power electronics as its core competence, but it needs to strengthen its capabilities in services to better support client requests at the facility level. As for the chip side, rising system voltage to HVDC implies larger roles for DC-DC converters in the long-term, while increasing TDP of AI accelerators could trigger faster introduction of vertical power delivery (VPD) technologies. Delta's DC-DC power modules have been designed in by a key ASIC client, resulting in a surge in shipments YTD and a robust order outlook given bullish shipment forecasts for ASIC. We also note its collaboration with Infineon (DE) on VPD. Lite-On, which has limited DC-DC exposure, exhibited its solutions at Computex 2026 and disclosed its ongoing engagement with US and China clients.

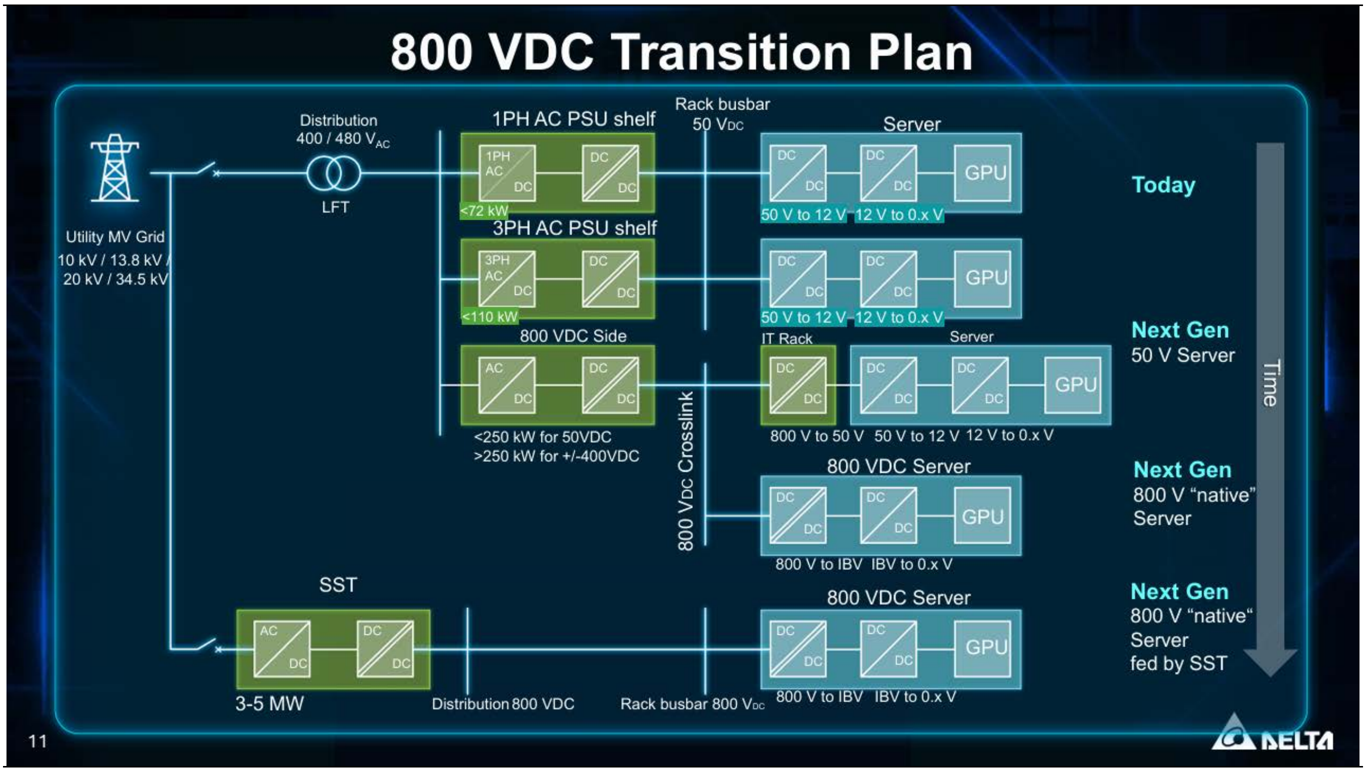
Stocks for Action

Shares of Lite-On have been much more resilient than those of Delta over the past month, mainly due to stronger 2Q26 sales growth QoQ and a lower PE. Meanwhile, Delta has faced negative market rumors, but we think the concerns are overblown. We expect both firms' share prices to rise in 2H26F, as solid fundamentals run counter to the narratives. We assign respective 12M target prices of NT$2,910 and NT$275 for Delta and Lite-On. Within the AI server power supply chain, we also like Bizlink (3665 TT, NT$1,945, OP), and hold a positive view on its acquisition of Interplex Datacom (SG) to broaden its HPC product portfolio.

Risks

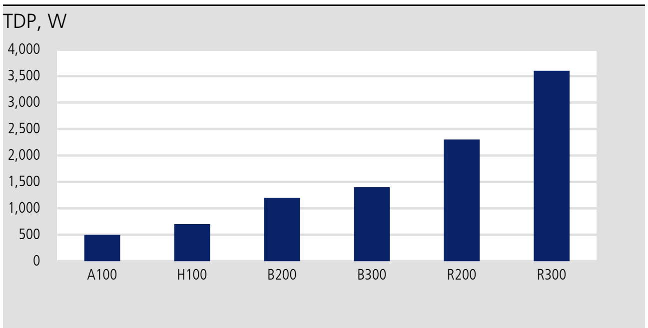
AI server supply chain readiness; major cost inflation for key components.

Figure 1: HVDC roadmap for data centers



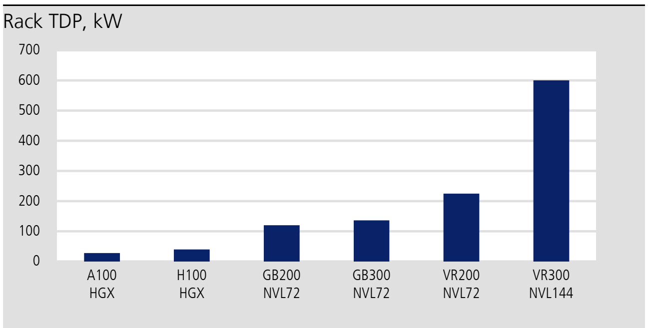
Source: Delta; KGI Research

Figure 2: Rising TDP for Nvidia's GPU iterations



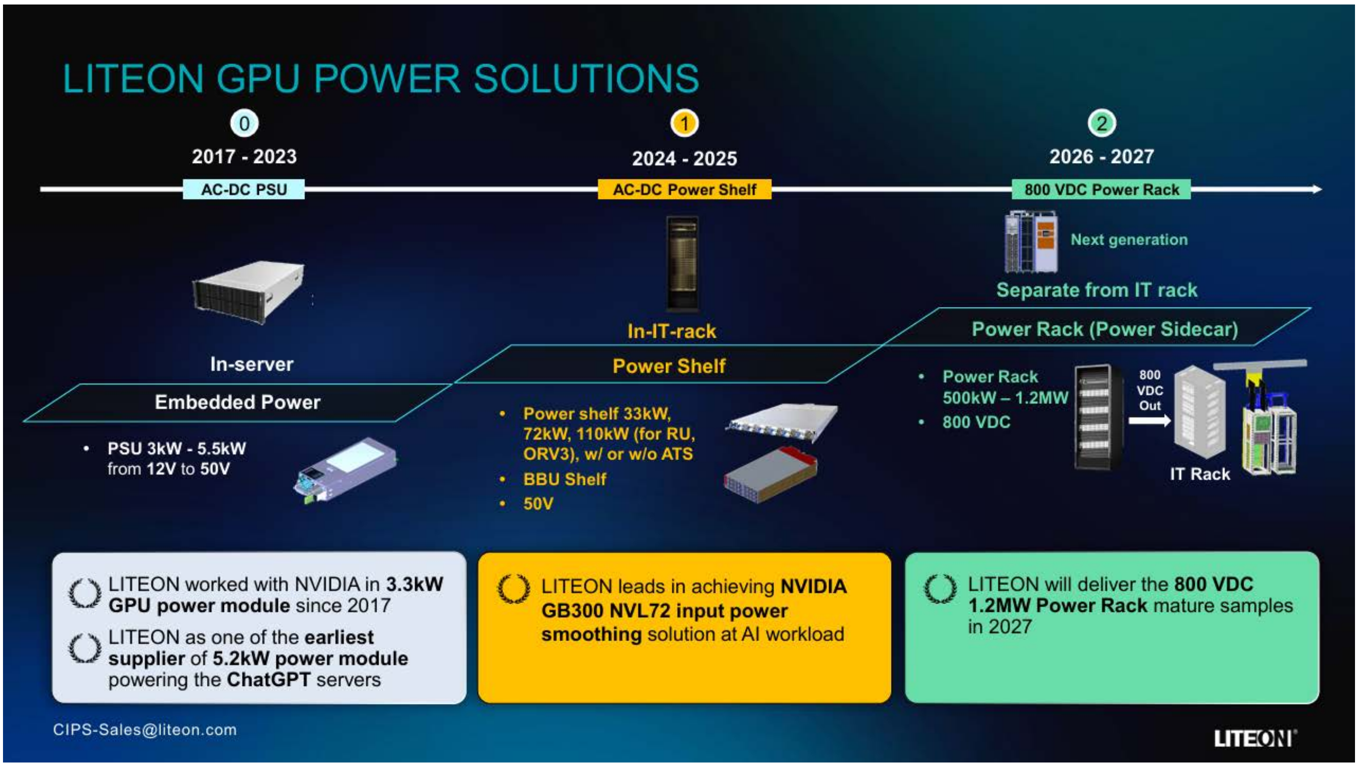
Source: Nvidia; KGI Research

Figure 3: Power demand for IT racks to skyrocket



Source: Nvidia; KGI Research

Figure 4: Evolution of server power supply architecture

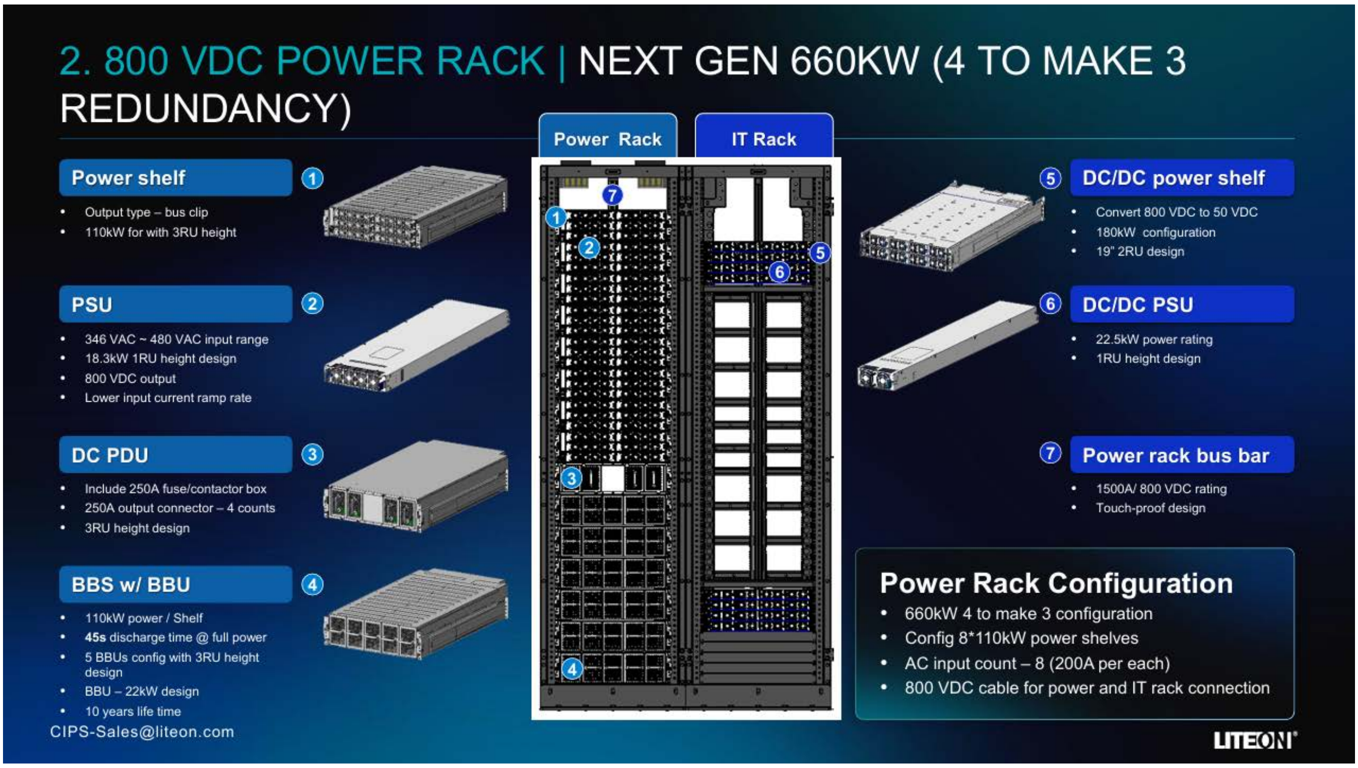


Source: Lite-On; KGI Research

Figure 5: Delta's HVDC rack design prototype

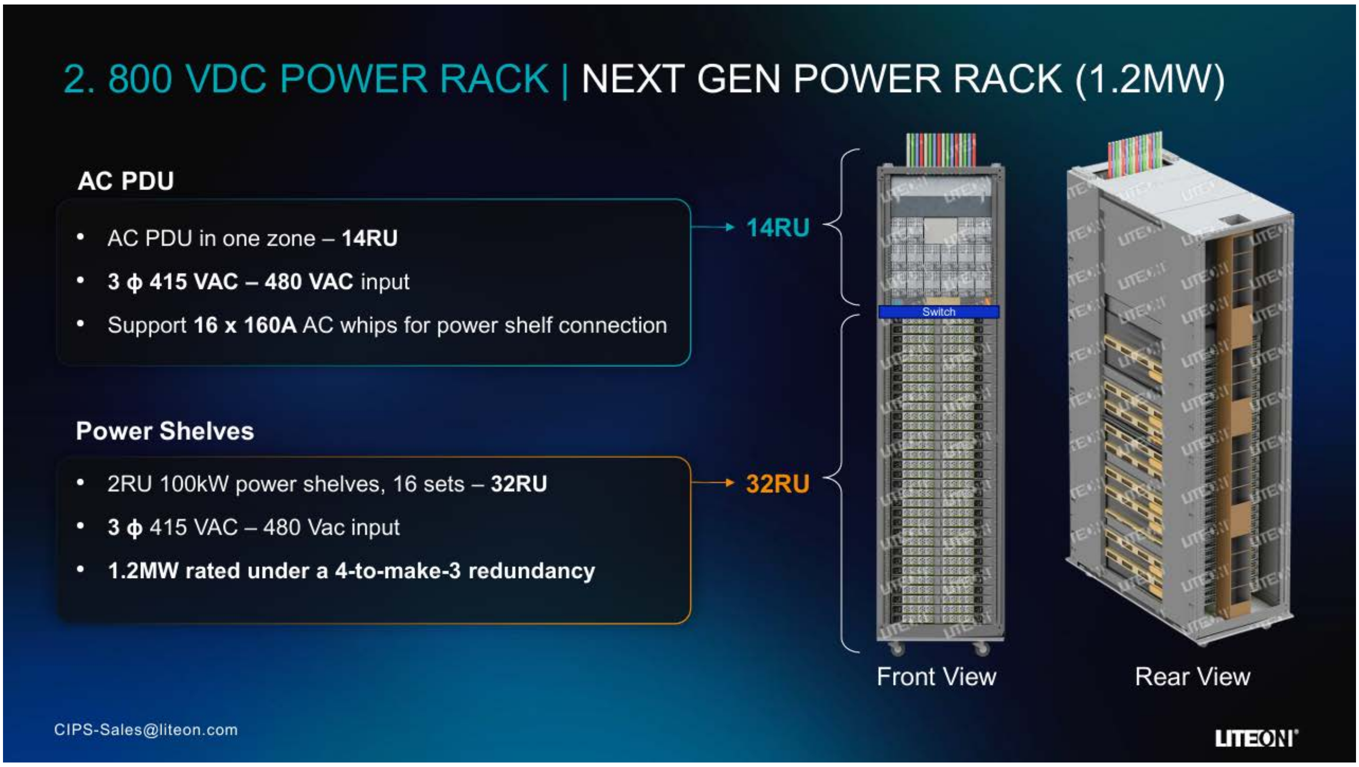
Source: Delta; KGI Research

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



Source: Lite-On; KGI Research

Figure 7: Lite-On's HVDC rack design prototype

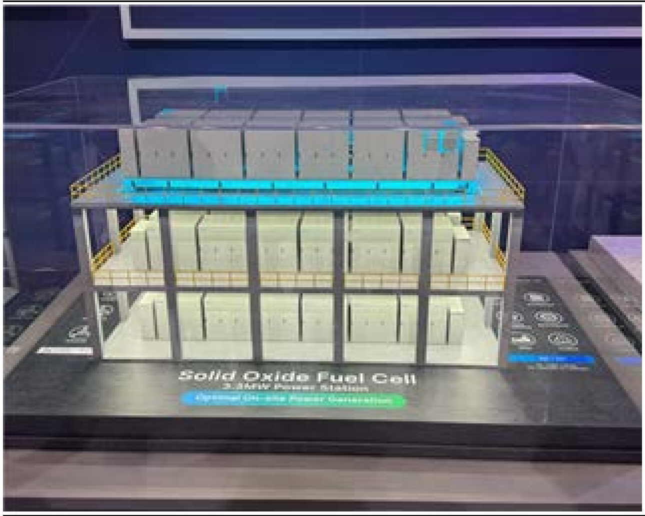


Source: Lite-On; KGI Research

Figure 8: Delta's SST product at Computex 2026

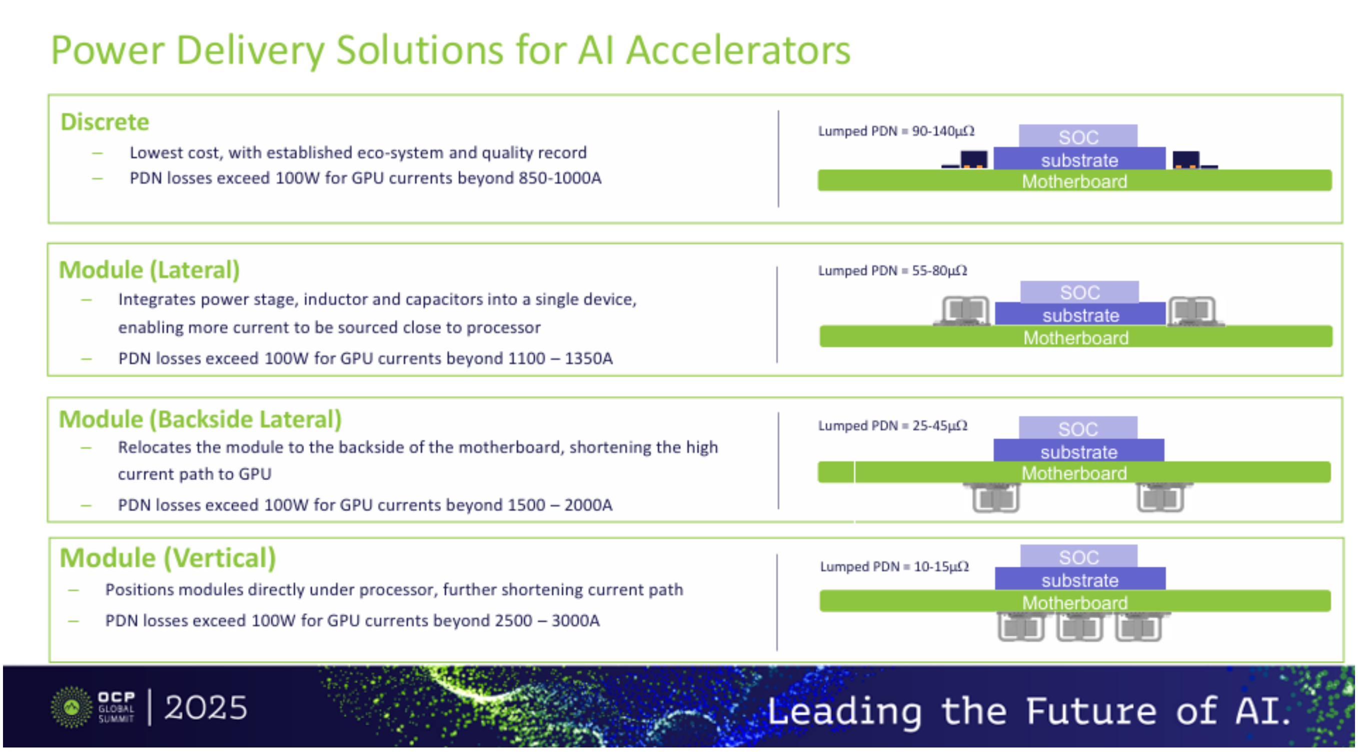
Source: Delta; KGI Research

Figure 9: Delta's SOFC product at Computex 2026



Source: Delta; KGI Research

Figure 10: We foresee increasing adoption of DC-DC power delivery modules



Source: OCP; KGI Research

Delta Electronics – Maintain Outperform with 12M target price of NT$2,910

Earnings revisions. We trim 2026-27F EPS by a respective 7% and 2%, but leave 2028F EPS largely unchanged, for a 2025-28F EPS CAGR of 68%. Our revised 2027-28 EPS forecasts are a respective 11% and 19% higher than consensus. We forecast data center-related business will account for a respective 61%, 72%, and 80% of 2026-28 revenue, with a respective 13% and 32% from HVDC power racks in 2027-28. We currently assume power rack revenue will be recognized entirely under the information & communication technology segment (ICTBG). In addition, we believe the market has been too conservative in sales estimates for DC-DC converters, and believe they could be a key margin driver. Our assumptions currently have less than 1% of revenue from micro-grid offerings for Delta in 2028F, but we envision SST and SOFC will become the firm's key long-term revenue growth catalysts.

April-May revenue totaled NT$117.7bn, up 44% YoY, but trailing consensus, achieving only 61.2% of our 2Q26F revenue estimate. We now forecast 2Q26F revenue growth of 12% QoQ, for gross margin of 36.8%, as we factor in the negative impacts of inflation and a less favorable sales mix. We project 3Q26F revenue growth of 17% QoQ, as we expect server power shipments to rise significantly in 3Q26F on the rollout of new AI accelerator platforms, before rising a further 9% QoQ in 4Q26F. We expect operating margin above 20% from 3Q26F thanks to economies of scale and the firm's measures to pass on elevated costs to clients.

Valuation. Shares have retreated 23% from a peak in late-May, reflecting a 2Q26 revenue shortfall, rumored 800V DC deployment delays, and recent market share loss concerns, which we believe are overblown, as Delta's dominance in the power supply market is unmatched. We think the firm's share price will rise in 2H26 as the market will shift focus back to solid fundamentals. We maintain Outperform and fine tune our 12M target price to NT$2,910, based on 32x 2027-28F average EPS, versus the historical PE band of 17-47x.

Figure 11: Breakdown of 2Q-3Q26 forecast revisions vs. consensus

	2Q26F							3Q26F						
NT$mn	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Revenue	178,985	192,364	(7.0)	12.3	44.3	184,516	(3.0)	208,786	211,940	(1.5)	16.6	38.9	208,182	0.3
Gross profit	65,867	75,205	(12.4)	11.7	49.5	67,776	(2.8)	80,702	84,622	(4.6)	22.5	54.0	77,046	4.7
Operating profit	32,039	40,195	(20.3)	12.7	71.6	34,751	(7.8)	43,538	46,897	(7.2)	35.9	75.5	40,854	6.6
Net income	23,493	28,221	(16.8)	14.3	68.4	25,135	(6.5)	30,679	32,827	(6.5)	30.6	64.9	29,445	4.2
EPS (NT$)	9.04	10.86	(16.8)	14.3	68.4	9.65	(6.3)	11.81	12.64	(6.5)	30.6	64.9	11.15	5.9
Gross margin (%)	36.8	39.1	(2.3) ppts	(0.2) ppts	1.3 ppts	36.7	0.1 ppts	38.7	39.9	(1.3) ppts	1.9 ppts	3.8 ppts	37.0	1.6 ppts
Op. margin (%)	17.9	20.9	(3.0) ppts	0.1 ppts	2.8 ppts	18.8	(0.9) ppts	20.9	22.1	(1.3) ppts	3.0 ppts	4.3 ppts	19.6	1.2 ppts
Net margin (%)	13.1	14.7	(1.5) ppts	0.2 ppts	1.9 ppts	13.6	(0.5) ppts	14.7	15.5	(0.8) ppts	1.6 ppts	2.3 ppts	14.1	0.6 ppts

Source: Bloomberg; KGI Research

Figure 12: Breakdown of 2026-28 forecast revisions vs. consensus

	2026F						2027F						2028F					
NT$mn	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Revenue	774,929	789,527	(1.8)	39.7	771,020	0.5	1,136,896	1,149,290	(1.1)	46.7	1,068,722	6.4	1,655,981	1,677,970	(1.3)	45.7	1,460,593	13.4
Gross profit	292,878	307,935	(4.9)	54.0	284,722	2.9	456,325	465,889	(2.1)	55.8	404,095	12.9	670,469	673,341	(0.4)	46.9	558,063	20.1
Operating profit	151,477	165,128	(8.3)	80.5	146,626	3.3	269,124	275,741	(2.4)	77.7	231,529	16.2	414,423	412,360	0.5	54.0	350,051	18.4
Net income	107,890	116,134	(7.1)	79.5	106,958	0.9	187,053	190,952	(2.0)	73.4	170,642	9.6	285,313	284,234	0.4	52.5	253,000	12.8
EPS (NT$)	41.54	44.71	(7.1)	79.5	40.96	1.4	72.01	73.51	(2.0)	73.4	65.10	10.6	109.84	109.42	0.4	52.5	91.67	19.8
Gross margin (%)	37.8	39.0	(1.2) ppts	3.5 ppts	36.9	0.9 ppts	40.1	40.5	(0.4) ppts	2.3 ppts	37.8	2.3 ppts	40.5	40.1	0.4 ppts	0.3 ppts	38.2	2.3 ppts
Op. margin (%)	19.5	20.9	(1.4) ppts	4.4 ppts	19.0	0.5 ppts	23.7	24.0	(0.3) ppts	4.1 ppts	21.7	2.0 ppts	25.0	24.6	0.5 ppts	1.4 ppts	24.0	1.1 ppts
Net margin (%)	13.9	14.7	(0.8) ppts	3.1 ppts	13.9	0.1 ppts	16.5	16.6	(0.2) ppts	2.5 ppts	16.0	0.5 ppts	17.2	16.9	0.3 ppts	0.8 ppts	17.3	(0.1) ppts

Source: Bloomberg; KGI Research

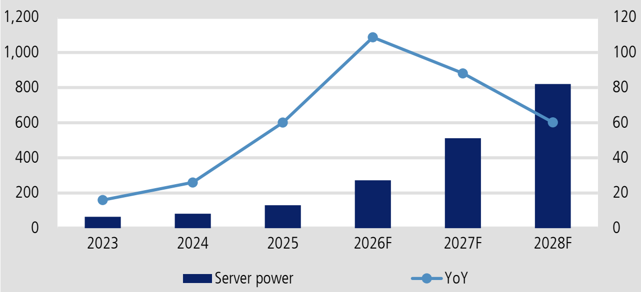
Figure 13: Delta Electronics – Business structure

Segment	1Q26 revenue weighting (%)	Business group	2025 revenue growth (%)	2026F revenue growth (%)	2026F revenue weighting (%)	Products
Power electronics	54	Power supply (PSBG)	34	70	40	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)	8	11	7	Passive component (Cyntec), optical transceiver
		Fan & thermal (FMBG)	15	33	8	Cooling fan, thermal module
Mobility	5	Electric vehicle solution (EVSBG)	(16)	(11)	4	On-board charger, DC/DC converter, traction motor, traction inverter
Automation	9	Industrial automation (IABG)	5	9	5	Industrial automation (Servo motor, AC motor drive, PLC, CNC control, HMI, robot arms)
		Building automation (BABG)	4	5	2	Building automation solution, LED lighting fixture, surveillance camera, controller
Infrastructure	32	Information & communication technology (ICTBG)	102	42	30	Data center infrastructure, liquid cooling system, battery backup unit, on-line UPS, telecom power, networking
		Energy infrastructure system (EISBG)	(0)	10	3	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 14: We forecast a server power supply revenue CAGR of 85% in 2025-28F on AI proliferation

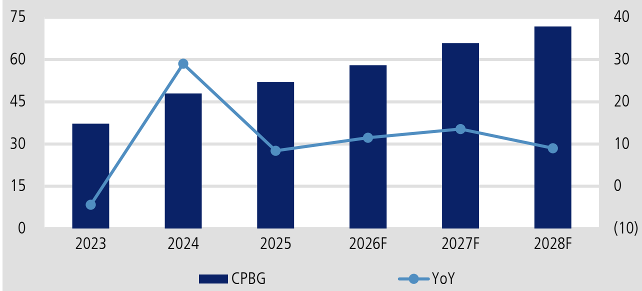
Revenue, NT$bn (LHS); YoY, percent (RHS)



Source: Company data; KGI Research

Figure 15: Component revenue growth to decelerate in 2025 due to high base

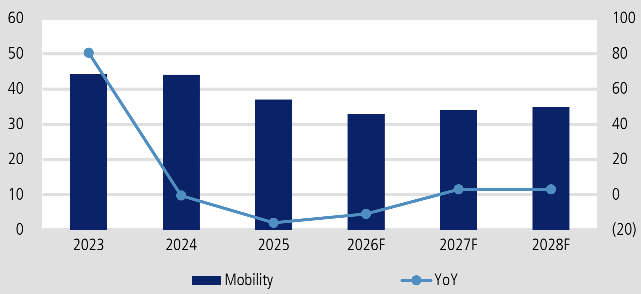
Revenue, NT$bn (LHS); YoY, percent (RHS)



Source: Company data; KGI Research

Figure 16: Muted EV sales growth through 2026F

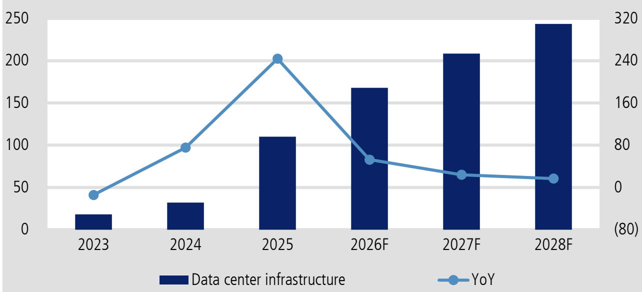
Revenue, NT$bn (LHS); YoY, percent (RHS)



Source: Company data; KGI Research

Figure 17: Surging data center infrastructure revenue mainly on liquid cooling system & BBU sales

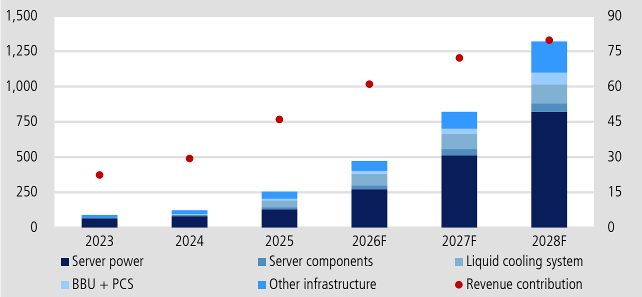
Revenue, NT$bn (LHS); YoY, percent (RHS)



Source: Company data; KGI Research

Figure 18: Data center-related business to account for over 60% of revenue from 2026F

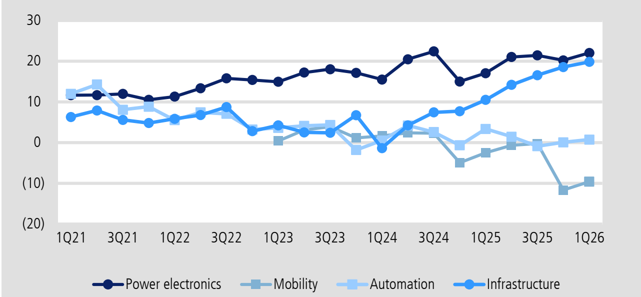
Revenue, NT$bn (LHS); revenue weighting, percent (RHS)



Source: Company data; KGI Research

Figure 19: Strong server power & liquid cooling system sales leading to more desirable product mix

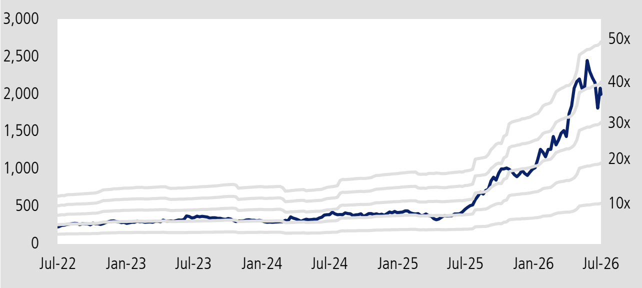
Operating margin, percent



Source: Company data; KGI Research

Figure 20: 12M forward PE band

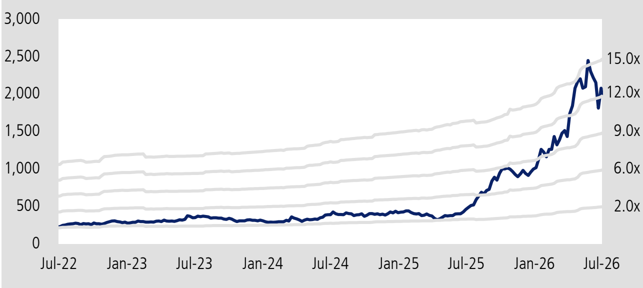
Share price, NT$ (LHS); PE, x (RHS)



Source: Bloomberg; KGI Research

Figure 21: 12M forward PB band

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



Source: Bloomberg; KGI Research

Figure 22: Delta's footprint in each data center zone

	Definition	Equipments in the zone	Delta's footprint
White space	The raised-floor IT environment housing servers, storage, networking, and AI accelerators. Clean, climate-controlled, and the most valuable real estate in the building.	- AI training & inference racks - GPU clusters - Storage arrays - Top-of-rack switching - In-row & liquid cooling	PSU, power shelf, Networking switch, Liquid cooling distribution units (CDUs), rack-level power distribution, and precision airflow management — engineered for 100kW+ AI racks.
Grey space	The mechanical and electrical infrastructure that keeps white space alive — UPS systems, switchgear, chillers, pumps, and building management. Out of sight, never out of mind.	- UPS & battery rooms - Switchgear lineups - Chiller plants - Pump skids - BMS & DCIM controls	Modular UPS, medium-voltage switchgear, and unified DCIM software — one control framework across every supporting system.
Black space	The utility yard and substation. High-voltage interconnection, transformers, generators, and fuel systems. The first mile of every megawatt that ever reaches a GPU.	- Utility substation - Medium-voltage transformers - Standby generators - Fuel storage - Grid interconnect	Grid-tied power conversion, transformer integration, and on-site energy storage — closing the loop from substation to silicon.

Source: Company data; KGI Research

Delta Electronics (2308 TT)

Income statement

	Quarterly								Annually		
	Mar-26A	Jun-26F	Sep-26F	Dec-26F	Mar-27F	Jun-27F	Sep-27F	Dec-27F	Dec-26F	Dec-27F	Dec-28F
Income statement (NT$mn)											
Revenue	**159,353**	**192,364**	**211,940**	**225,870**	**237,313**	**269,966**	**304,723**	**337,287**	**789,527**	**1,149,290**	**1,677,970**
Cost of goods sold	(100,392)	(117,159)	(127,318)	(136,723)	(142,118)	(160,135)	(180,218)	(200,929)	(481,592)	(683,400)	(1,004,629)
Gross profit	**58,961**	**75,205**	**84,622**	**89,147**	**95,195**	**109,831**	**124,505**	**136,359**	**307,935**	**465,889**	**673,341**
Operating expenses	(30,544)	(35,010)	(37,725)	(39,527)	(41,293)	(45,894)	(49,670)	(53,291)	(142,806)	(190,148)	(260,981)
Operating profit	**28,417**	**40,195**	**46,897**	**49,620**	**53,903**	**63,937**	**74,835**	**83,067**	**165,128**	**275,741**	**412,360**
Depreciation of fixed assets	(6,757)	(6,892)	(7,030)	(7,171)	(7,314)	(7,461)	(7,610)	(7,762)	(27,851)	(30,147)	(32,632)
Amortisation of intangible assets	(990)	(960)	(960)	(960)	(960)	(960)	(960)	(960)	(3,870)	(3,840)	(3,840)
EBITDA	**36,165**	**48,047**	**54,887**	**57,751**	**62,177**	**72,357**	**83,405**	**91,789**	**196,850**	**309,728**	**448,831**
Interest income	951	1,146	1,189	1,294	1,444	1,584	1,592	1,644	4,579	6,264	9,245
Investment income	37	120	300	35	110	130	350	40	492	630	706
Other non-op income	1,709	1,500	1,500	1,500	1,650	1,650	1,650	1,650	6,209	6,600	7,200
Non-operating income	**2,696**	**2,766**	**2,989**	**2,829**	**3,204**	**3,364**	**3,592**	**3,334**	**11,280**	**13,494**	**17,150**
Interest expense	(523)	(523)	(523)	(523)	(523)	(523)	(523)	(523)	(2,090)	(2,090)	(2,090)
Investment loss	(3)	-	-	-	-	-	-	-	(3)	-	-
Other non-op expenses	505	-	-	-	-	-	-	-	505	-	-
Non-operating expenses	**(21)**	**(523)**	**(523)**	**(523)**	**(523)**	**(523)**	**(523)**	**(523)**	**(1,589)**	**(2,090)**	**(2,090)**
Pre-tax profit	**31,093**	**42,438**	**49,363**	**51,926**	**56,584**	**66,778**	**77,904**	**85,879**	**174,820**	**287,145**	**427,420**
Current taxation	(7,258)	(9,761)	(11,354)	(11,943)	(13,014)	(15,359)	(17,918)	(19,752)	(40,315)	(66,043)	(98,307)
Minorities	(3,279)	(4,456)	(5,183)	(5,452)	(5,941)	(7,012)	(8,180)	(9,017)	(18,370)	(30,150)	(44,879)
Normalised net profit	**20,556**	**28,221**	**32,827**	**34,531**	**37,629**	**44,407**	**51,806**	**57,109**	**116,134**	**190,952**	**284,234**
Extraordinary items	0	-	-	-	-	-	-	-	-	-	-
Net profit	**20,556**	**28,221**	**32,827**	**34,531**	**37,629**	**44,407**	**51,806**	**57,109**	**116,134**	**190,952**	**284,234**
EPS (NT$)	7.91	10.86	12.64	13.29	14.49	17.10	19.94	21.99	44.71	73.51	109.42
Margins (%)											
Gross profit margin	37.0	39.1	39.9	39.5	40.1	40.7	40.9	40.4	39.0	40.5	40.1
Operating margin	17.8	20.9	22.1	22.0	22.7	23.7	24.6	24.6	20.9	24.0	24.6
EBITDA margin	22.7	25.0	25.9	25.6	26.2	26.8	27.4	27.2	24.9	26.9	26.7
Pretax profit margin	19.5	22.1	23.3	23.0	23.8	24.7	25.6	25.5	22.1	25.0	25.5
Net profit margin	12.9	14.7	15.5	15.3	15.9	16.4	17.0	16.9	14.7	16.6	16.9
Sequential growth (%)											
Revenue growth	(1.4)	20.7	10.2	6.6	5.1	13.8	12.9	10.7			
Gross profit growth	5.5	27.6	12.5	5.3	6.8	15.4	13.4	9.5			
Operating profit growth	7.6	41.4	16.7	5.8	8.6	18.6	17.0	11.0			
EBITDA growth	9.9	32.9	14.2	5.2	7.7	16.4	15.3	10.1			
Pretax profit growth	21.2	36.5	16.3	5.2	9.0	18.0	16.7	10.2			
Net profit growth	18.7	37.3	16.3	5.2	9.0	18.0	16.7	10.2			
YoY growth (%)											
Revenue growth	34.0	55.1	41.0	39.8	48.9	40.3	43.8	49.3	42.3	45.6	46.0
Gross profit growth	56.0	70.7	61.4	59.5	61.5	46.0	47.1	53.0	61.9	51.3	44.5
Operating profit growth	102.5	115.3	89.0	87.8	89.7	59.1	59.6	67.4	96.7	67.0	49.5
EBITDA growth	73.3	89.0	68.5	75.5	71.9	50.6	52.0	58.9	76.1	57.3	44.9
Pretax profit growth	98.5	116.8	82.9	102.5	82.0	57.4	57.8	65.4	99.0	64.3	48.9
Net profit growth	100.9	102.3	76.4	99.3	83.1	57.4	57.8	65.4	93.2	64.4	48.9

Source: Company data; KGI Research estimates

Balance sheet

NT$mn	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Total assets	**531,898**	**639,619**	**769,730**	**974,972**	**1,273,814**
Current assets	**310,925**	**395,781**	**502,586**	**691,184**	**975,792**
Cash & ST securities	121,793	155,113	212,757	269,547	390,167
Inventory	83,856	101,478	105,877	156,557	214,781
Accounts receivable	89,921	121,717	165,925	247,053	352,816
Other current assets	15,355	17,473	18,027	18,027	18,027
Non-current assets	**220,973**	**243,838**	**267,144**	**283,788**	**298,022**
LT investments	8,503	6,722	6,565	7,195	7,900
Net fixed assets	115,710	142,040	163,458	183,312	200,680
Other assets	96,760	95,076	97,122	93,282	89,442
Total liabilities	**252,332**	**314,230**	**331,933**	**374,517**	**440,355**
Current liabilities	**152,283**	**209,665**	**225,647**	**268,232**	**334,069**
Accounts payable	69,223	94,452	104,634	147,218	213,056
Interest bearing ST liabilities	8,121	17,325	10,846	10,846	10,846
Other current liabilities	74,939	97,888	110,168	110,168	110,168
Non-current liabilities	**100,049**	**104,565**	**106,286**	**106,286**	**106,286**
Long-term debt	56,309	56,703	54,745	54,745	54,745
Other L-T liabilities	41,523	45,365	48,826	48,826	48,826
Total equity	**279,565**	**325,389**	**437,797**	**600,455**	**833,459**
Share capital	25,975	25,975	25,975	25,975	25,975
Retained earnings reserve	98,433	140,397	225,256	356,797	544,922
Minority interests	49,478	57,331	72,808	102,958	147,837
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Growth					
Revenue growth	5.0%	31.8%	42.3%	45.6%	46.0%
Operating profit growth	16.4%	76.1%	96.7%	67.0%	49.5%
EBITDA growth	16.2%	53.8%	76.1%	57.3%	44.9%
Net profit growth	5.5%	70.6%	93.2%	64.4%	48.9%
EPS growth	5.5%	70.6%	93.2%	64.4%	48.9%
Profitability					
Gross profit margin	32.4%	34.3%	39.0%	40.5%	40.1%
Operating margin	11.3%	15.1%	20.9%	24.0%	24.6%
EBITDA margin	17.3%	20.1%	24.9%	26.9%	26.7%
Net profit margin	8.4%	10.8%	14.7%	16.6%	16.9%
Return on average assets	7.1%	10.3%	16.5%	21.9%	25.3%
Return on average equity	16.4%	24.1%	36.7%	44.3%	48.0%
Stability					
Gross debt to equity	23.0%	22.8%	15.0%	10.9%	7.9%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	34.2	40.7	84.6	138.4	205.5
Interest & ST debt coverage (x)	0.8	0.8	0.9	1.0	1.0
Cash flow interest coverage(x)	47.1	44.4	65.0	79.1	127.6
Cash flow/int. & ST debt (x)	7.5	5.0	10.5	12.8	20.6
Current ratio (x)	2.0	1.9	2.2	2.6	2.9
Quick ratio (x)	1.5	1.4	1.8	2.0	2.3
Net debt (NT$mn)	(53,029)	(77,144)	(143,557)	(200,347)	(320,968)
Per share data					
EPS (NT$)	13.56	23.14	44.71	73.51	109.42
CFPS (NT$)	28.06	37.91	52.27	63.61	102.69
BVPS (NT$)	88.58	103.20	140.51	191.53	263.95
Adj BVPS (NT$)	88.58	103.20	140.51	191.53	263.95
SPS (NT$)	162.13	213.62	303.95	442.45	645.98
EBITDA/share (NT$)	27.98	43.03	75.78	119.24	172.79
Cash DPS (NT$)	7.00	11.60	22.50	37.00	55.00
Activity					
Sales / avg assets	0.85	0.95	1.12	1.32	1.49
Days receivable	78.1	80.1	76.7	78.5	77.0
Days inventory	107.9	101.6	80.2	83.6	78.2
Days payable	89.0	94.5	79.3	78.6	77.6
Cash cycle	97.0	87.1	77.6	83.4	77.6

Source: Company data; KGI Research estimates

Profit & loss

NT$mn	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Revenue	**421,148**	**554,885**	**789,527**	**1,149,290**	**1,677,970**
Cost of goods sold	(284,567)	(364,729)	(481,592)	(683,400)	(1,004,629)
Gross profit	**136,580**	**190,157**	**307,935**	**465,889**	**673,341**
Operating expenses	(88,928)	(106,224)	(142,806)	(190,148)	(260,981)
Operating profit	**47,652**	**83,932**	**165,128**	**275,741**	**412,360**
Non-operating income	**8,163**	**9,233**	**11,280**	**13,494**	**17,150**
Interest income	3,407	3,717	4,579	6,264	9,245
Investment income	438	484	492	630	706
Other non-op income	4,319	5,032	6,209	6,600	7,200
Non-operating expenses	**(4,499)**	**(5,299)**	**(1,589)**	**(2,090)**	**(2,090)**
Interest expense	(1,547)	(2,216)	(2,090)	(2,090)	(2,090)
Investment loss	(73)	-	(3)	-	-
Other non-op expenses	(2,879)	(3,083)	505	-	-
Pre-tax profit	**51,316**	**87,866**	**174,820**	**287,145**	**427,420**
Current taxation	(10,925)	(19,930)	(40,315)	(66,043)	(98,307)
Minorities	(5,163)	(7,828)	(18,370)	(30,150)	(44,879)
Extraordinary items	-	(0)	-	-	-
Net profit	**35,229**	**60,108**	**116,134**	**190,952**	**284,234**
EBITDA	**72,668**	**111,771**	**196,850**	**309,728**	**448,831**
EPS (NT$)	13.56	23.14	44.71	73.51	109.42

Cash flow

NT$mn	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Operations cash flow	**72,895**	**98,474**	**135,777**	**165,235**	**266,729**
Net profit	35,229	60,108	116,134	190,952	284,234
Depreciation & amortisation	25,016	27,839	31,721	33,987	36,472
Decrease in working capital	(2,538)	(24,348)	(38,436)	(89,224)	(98,150)
Other operating cash flow	15,188	34,875	26,358	29,520	44,173
Investing cash flow	**(40,360)**	**(53,214)**	**(49,818)**	**(50,000)**	**(50,000)**
Sale of ST investment	(334)	(566)	-	-	-
New investments	(213)	(135)	-	-	-
Capital expenditure	(33,430)	(46,091)	(48,591)	(50,000)	(50,000)
Others investing cashflow	(6,383)	(6,422)	(1,227)	-	-
Free cash flow	**22,634**	**18,478**	**67,871**	**103,244**	**201,999**
Financing cash flow	**(11,118)**	**(9,401)**	**(30,459)**	**(58,445)**	**(96,109)**
Increase in short term debt	(1,417)	446	(1,146)	-	-
Increase in long term loans	8,552	11,283	(7,291)	-	-
New ordinary shares issued	-	-			
Ordinary dividends paid	(16,702)	(20,313)	(30,132)	(58,445)	(96,109)
Other financing cashflow	(1,550)	(817)	8,110	-	-
Forex effects	**8,586**	**(2,146)**	**2,477**	**-**	**-**
Total cash generated	**30,003**	**33,713**	**57,976**	**56,790**	**120,620**

ROIC

	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
1 - COGS/revenue					
- Operating exp./revenue	21.1%	19.1%	18.1%	16.5%	15.6%
= Operating margin	**11.3%**	**15.1%**	**20.9%**	**24.0%**	**24.6%**
1 / (Working capital/revenue	0.1	0.1	0.1	0.1	0.2
+ Net PPE/revenue	0.3	0.3	0.2	0.2	0.1
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
= Capital turnover	**2.6**	**2.8**	**3.2**	**3.2**	**3.6**
Operating margin	11.3%	15.1%	20.9%	24.0%	24.6%
x Capital turnover	2.6	2.8	3.2	3.2	3.6
x (1 - tax rate)	78.7%	77.3%	76.9%	77.0%	77.0%
= After-tax ROIC	**22.7%**	**33.1%**	**51.3%**	**59.6%**	**67.3%**

Source: Company data; KGI Research estimates

Lite-On Technology – Maintain Outperform & raise 12M target price to NT$275

Earnings revisions. Lite-On has long been on Nvidia's reference vendor list (RVL) for AC-DC power shelves, and has been the key beneficiary of ASIC market growth, especially from its key US CSP client, for which Lite-On has become the major PSU supplier. The firm is collaborating with this client extensively regarding power racks, with a 50V solution having commenced production in 2Q26, while initial shipments of 800V DC power racks are scheduled for 4Q26F, before ramping-up in 202F7. With three of the top-five US hyperscalers, as well as the top US server brand, in its client portfolio, we estimate Lite-On will command around 20% of the global AI server power market this year, with further market share gains depending on whether the firm can win business from the remaining two tier-1 US CSPs. Management is confident it can do so in the near future. In addition, the firm is committed to addressing its technological gap in DC-DC converters, evident in its announced NT$3.7bn acquisition of Epic Power Technology (CN) last month. We think Lite-On's expertise and flexibility in client customization are its core competitive advantages, but quality control can occasionally be a downside risk.

We revise up 2026-28F EPS by a respective 4%, 6%, and 4%, for a 2025-28F EPS CAGR of 40%. We project the revenue weighting of the cloud business, which consists of server power, BBU, mechanical parts, and liquid cooling, will rise from 31% in 2025 to 47% in 2026, 59% in 2027, and 68% in 2028, for a 2025-28 revenue CAGR of 72%. April-May revenue totaled NT$34.0bn, up 27% YoY, slightly ahead of our estimate, accounting for 66.9% of our 2Q26 revenue estimate and in line with guidance of 20% revenue QoQ growth in 2Q26, largely thanks to strong pull-in demand from the firm's main client for third-generation ASIC. In 3Q26, we project cloud revenue will rise by 21% QoQ, fueling 12% QoQ consolidated revenue growth. Assuming smooth production ramp-up for new products, we project gross margin will stay above 23% from 2Q26.

Valuation. Lite-On's shares have risen by 30% since 1Q26 results were announced as investors search for third-generation ASIC supply chain plays for the US CSP. We maintain Outperform and raise our 12M target price to NT$275, based on 21x 2027F EPS, versus the historical PE band of 8-24x.

Figure 23: Lite-On – Breakdown of 2Q-3Q26 forecast revisions vs. consensus

	2Q26F							3Q26F						
NT$mn	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Revenue	52,043	50,881	2.3	19.9	28.8	50,023	4.0	58,482	55,389	5.6	12.4	30.3	54,919	6.5
Gross profit	12,045	11,750	2.5	28.1	34.7	11,590	3.9	13,946	13,134	6.2	15.8	24.0	13,104	6.4
Operating profit	5,800	5,645	2.8	41.5	55.6	5,691	1.9	7,016	6,570	6.8	21.0	49.8	6,732	4.2
Net income	4,789	4,631	3.4	26.9	51.8	4,761	0.6	5,700	5,335	6.8	19.0	22.7	5,627	1.3
EPS (NT$)	2.11	2.04	3.4	26.9	52.3	2.08	1.6	2.51	2.35	6.8	19.0	22.7	2.43	3.4
Gross margin (%)	23.1	23.1	0.1 ppts	1.5 ppts	1.0 ppts	23.2	(0.0) ppts	23.8	23.7	0.1 ppts	0.7 ppts	(1.2) ppts	23.9	(0.0) ppts
Op. margin (%)	11.1	11.1	0.1 ppts	1.7 ppts	1.9 ppts	11.4	(0.2) ppts	12.0	11.9	0.1 ppts	0.9 ppts	1.6 ppts	12.3	(0.3) ppts
Net margin (%)	9.2	9.1	0.1 ppts	0.5 ppts	1.4 ppts	9.5	(0.3) ppts	9.7	9.6	0.1 ppts	0.5 ppts	(0.6) ppts	10.2	(0.5) ppts

Source: Bloomberg; KGI Research

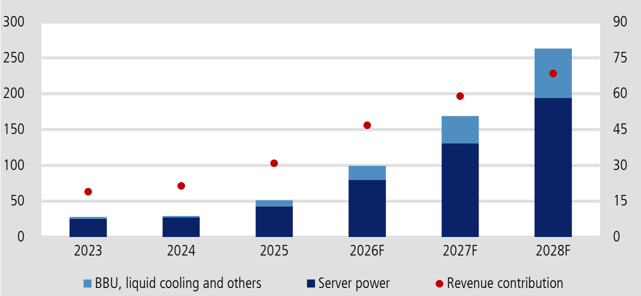
Figure 24: Lite-On – Breakdown of 2026-28 forecast revisions vs. consensus

	2026F						2027F						2028F					
NT$mn	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Revenue	212,466	207,001	2.6	27.9	204,487	3.9	286,162	275,606	3.8	34.7	246,919	15.9	384,131	369,888	3.9	34.2	353,920	8.5
Gross profit	49,480	48,047	3.0	30.1	47,623	3.9	71,787	69,228	3.7	45.1	60,811	18.0	99,933	96,818	3.2	39.2	90,066	11.0
Operating profit	24,094	23,310	3.4	43.9	23,118	4.2	37,255	35,362	5.4	54.6	32,724	13.8	53,001	51,282	3.4	42.3	48,463	9.4
Net income	20,102	19,394	3.7	33.0	19,794	1.6	29,668	28,045	5.8	47.6	26,972	10.0	41,522	40,017	3.8	40.0	39,189	6.0
EPS (NT$)	8.87	8.55	3.7	33.5	8.66	2.4	13.08	12.37	5.8	47.6	11.83	10.6	18.31	17.65	3.8	40.0	16.32	12.2
Gross margin (%)	23.3	23.2	0.1 ppts	0.4 ppts	23.3	(0.0) ppts	25.1	25.1	(0.0) ppts	1.8 ppts	24.6	0.5 ppts	26.0	26.2	(0.2) ppts	0.9 ppts	25.4	0.6 ppts
Op. margin (%)	11.3	11.3	0.1 ppts	1.3 ppts	11.3	0.0 ppts	13.0	12.8	0.2 ppts	1.7 ppts	13.3	(0.2) ppts	13.8	13.9	(0.1) ppts	0.8 ppts	13.7	0.1 ppts
Net margin (%)	9.5	9.4	0.1 ppts	0.4 ppts	9.7	(0.2) ppts	10.4	10.2	0.2 ppts	0.9 ppts	10.9	(0.6) ppts	10.8	10.8	(0.0) ppts	0.4 ppts	11.1	(0.3) ppts

Source: Bloomberg; KGI Research

Figure 25: Lite-On – We project respective server revenue weightings of 47%, 59% and 68% in 2026-28F

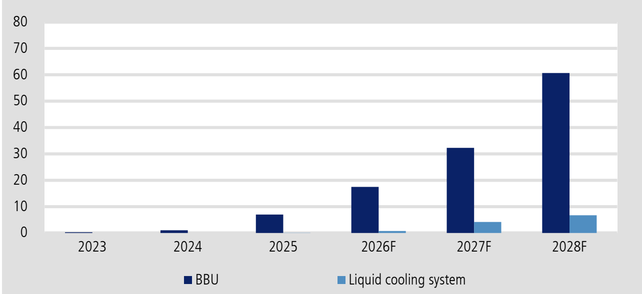
Revenue, NT$bn (LHS); revenue weighting, percent (RHS)



Source: Company data; KGI Research

Figure 26: Lite-On – BBU & liquid cooling systems to serve as revenue growth catalysts in 2025-28F

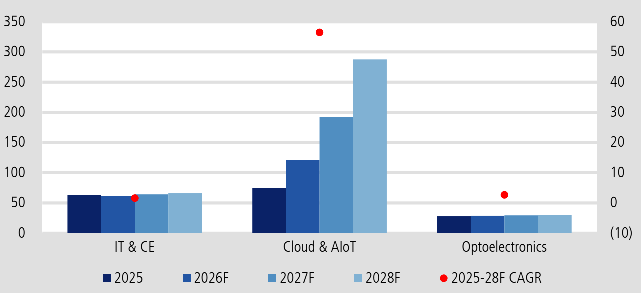
Revenue, NT$bn



Source: Company data; KGI Research

Figure 27: Non-cloud sales are recovering

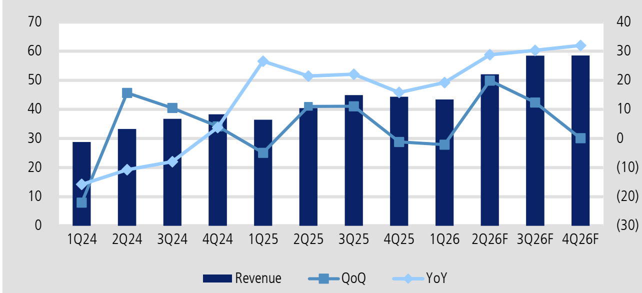
Revenue, NT$bn (LHS); 2025-28F revenue CAGR, percent (RHS)



Source: Company data; KGI Research

Figure 28: Revenue resumed YoY growth in 4Q24

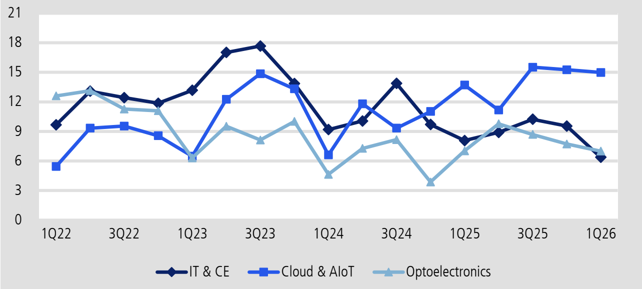
Revenue, NT$bn (LHS); QoQ and YoY, percent (RHS)



Source: Company data; KGI Research

Figure 29: Cloud & AIoT segment has become largest source of core earnings

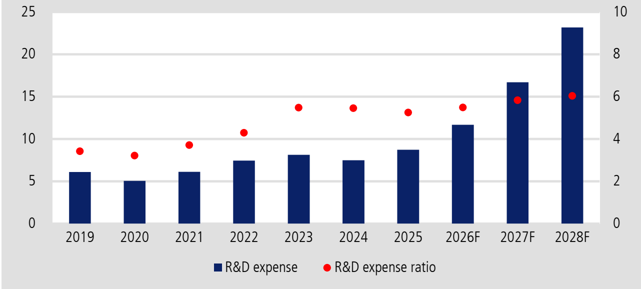
Operating profit, NT$mn



Source: Company data; KGI Research

Figure 30: R&D expense ratio to reach 6% by 2028F

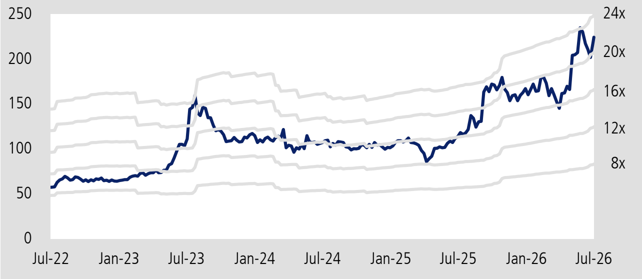
R&D expense, NT$bn (LHS); R&D expense ratio, percent (RHS)



Source: Company data; KGI Research

Figure 31: 12M forward PE band

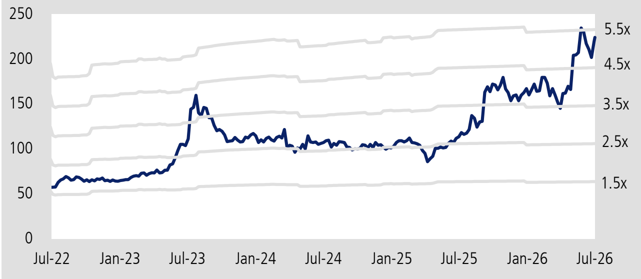
Share price, NT$ (LHS); PE, x (RHS)



Source: Bloomberg; KGI Research

Figure 32: 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-26A	Jun-26F	Sep-26F	Dec-26F	Mar-27F	Jun-27F	Sep-27F	Dec-27F	Dec-26F	Dec-27F	Dec-28F
Income statement (NT$mn)											
Revenue	**43,407**	**52,043**	**58,482**	**58,534**	**58,795**	**68,994**	**77,888**	**80,485**	**212,466**	**286,162**	**384,131**
Cost of goods sold	(34,004)	(39,998)	(44,535)	(44,449)	(44,720)	(51,868)	(57,988)	(59,799)	(162,987)	(214,375)	(284,198)
Gross profit	**9,403**	**12,045**	**13,946**	**14,085**	**14,075**	**17,126**	**19,900**	**20,686**	**49,480**	**71,787**	**99,933**
Operating expenses	(5,304)	(6,245)	(6,930)	(6,907)	(7,055)	(8,314)	(9,424)	(9,739)	(25,386)	(34,532)	(46,932)
Operating profit	**4,099**	**5,800**	**7,016**	**7,178**	**7,020**	**8,813**	**10,475**	**10,947**	**24,094**	**37,255**	**53,001**
Depreciation of fixed assets	(978)	(1,028)	(1,078)	(1,128)	(1,178)	(1,228)	(1,278)	(1,328)	(4,213)	(5,013)	(5,813)
Amortisation of intangible assets	(44)	(44)	(44)	(44)	(44)	(44)	(44)	(44)	(176)	(176)	(176)
EBITDA	**5,122**	**6,872**	**8,139**	**8,350**	**8,242**	**10,085**	**11,798**	**12,320**	**28,483**	**42,444**	**58,990**
Interest income	354	302	285	303	296	333	261	318	1,244	1,208	1,358
Investment income	13	10	10	10	10	10	10	10	8	40	40
Other non-op income	378	200	200	200	200	200	200	200	978	800	800
Non-operating income	**744**	**512**	**495**	**513**	**506**	**543**	**471**	**528**	**2,229**	**2,048**	**2,198**
Interest expense	(151)	(161)	(161)	(161)	(161)	(235)	(235)	(235)	(633)	(866)	(1,164)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	277	150	150	150	150	150	150	150	763	600	600
Non-operating expenses	**126**	**(11)**	**(11)**	**(11)**	**(11)**	**(85)**	**(85)**	**(85)**	**130**	**(266)**	**(564)**
Pre-tax profit	**4,970**	**6,302**	**7,501**	**7,681**	**7,516**	**9,271**	**10,861**	**11,390**	**26,453**	**39,037**	**54,635**
Current taxation	(1,195)	(1,512)	(1,800)	(1,843)	(1,804)	(2,225)	(2,607)	(2,734)	(6,351)	(9,369)	(13,112)
Minorities	1	-	-	-	-	-	-	-	1	-	-
Normalised net profit	**3,775**	**4,789**	**5,700**	**5,837**	**5,712**	**7,046**	**8,254**	**8,657**	**20,102**	**29,668**	**41,522**
Extraordinary items	0	-	-	-	-	-	-	-	-	0	0
Net profit	**3,775**	**4,789**	**5,700**	**5,837**	**5,712**	**7,046**	**8,254**	**8,657**	**20,102**	**29,668**	**41,522**
EPS (NT$)	1.66	2.11	2.51	2.57	2.52	3.11	3.64	3.82	8.87	13.08	18.31
Margins (%)											
Gross profit margin	21.7	23.1	23.8	24.1	23.9	24.8	25.5	25.7	23.3	25.1	26.0
Operating margin	9.4	11.1	12.0	12.3	11.9	12.8	13.4	13.6	11.3	13.0	13.8
EBITDA margin	11.8	13.2	13.9	14.3	14.0	14.6	15.1	15.3	13.4	14.8	15.4
Pretax profit margin	11.4	12.1	12.8	13.1	12.8	13.4	13.9	14.2	12.5	13.6	14.2
Net profit margin	8.7	9.2	9.7	10.0	9.7	10.2	10.6	10.8	9.5	10.4	10.8
Sequential growth (%)											
Revenue growth	(2.1)	19.9	12.4	0.1	0.4	17.3	12.9	3.3			
Gross profit growth	(2.4)	28.1	15.8	1.0	(0.1)	21.7	16.2	4.0			
Operating profit growth	(11.9)	41.5	21.0	2.3	(2.2)	25.5	18.9	4.5			
EBITDA growth	(8.6)	34.2	18.4	2.6	(1.3)	22.4	17.0	4.4			
Pretax profit growth	(4.7)	26.8	19.0	2.4	(2.1)	23.3	17.2	4.9			
Net profit growth	(2.2)	26.9	19.0	2.4	(2.1)	23.3	17.2	4.9			
YoY growth (%)											
Revenue growth	19.2	28.8	30.3	32.0	35.4	32.6	33.2	37.5	27.9	34.7	34.2
Gross profit growth	14.4	34.7	24.0	46.2	49.7	42.2	42.7	46.9	30.1	45.1	39.2
Operating profit growth	11.5	55.6	49.8	54.3	71.2	51.9	49.3	52.5	43.9	54.6	42.3
EBITDA growth	11.4	48.2	46.1	49.0	60.9	46.7	45.0	47.5	39.6	49.0	39.0
Pretax profit growth	6.4	47.8	34.7	47.3	51.2	47.1	44.8	48.3	34.2	47.6	40.0
Net profit growth	9.3	51.8	22.7	51.2	51.3	47.1	44.8	48.3	33.0	47.6	40.0

Source: Company data, KGI Research estimates

Balance sheet

NT$mn	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Total assets	**204,683**	**205,687**	**225,957**	**263,855**	**325,798**
Current assets	**169,117**	**164,021**	**173,056**	**201,103**	**251,995**
Cash & ST securities	101,616	81,983	69,349	72,745	87,972
Inventory	26,817	34,262	44,569	54,471	68,629
Accounts receivable	37,182	42,318	53,489	68,238	89,744
Other current assets	3,501	5,458	5,649	5,649	5,649
Non-current assets	**35,566**	**41,666**	**52,901**	**62,752**	**73,803**
LT investments	8,195	7,748	7,732	7,772	7,812
Net fixed assets	18,776	24,752	35,997	45,984	57,172
Other assets	8,595	9,166	9,173	8,996	8,820
Total liabilities	**113,772**	**115,709**	**127,036**	**161,342**	**213,508**
Current liabilities	**107,869**	**109,597**	**121,119**	**145,426**	**187,592**
Accounts payable	43,126	53,608	65,010	81,380	117,877
Interest bearing ST liabilities	30,187	20,029	18,521	18,521	18,521
Other current liabilities	34,556	35,960	37,588	45,524	51,193
Non-current liabilities	**5,903**	**6,111**	**5,916**	**15,916**	**25,916**
Long-term debt	3,000	3,000	3,000	13,000	23,000
Other L-T liabilities	2,196	2,251	2,107	2,107	2,107
Total equity	**90,911**	**89,979**	**98,922**	**102,513**	**112,290**
Share capital	23,473	23,168	23,161	23,161	23,161
Retained earnings reserve	26,671	21,471	26,980	30,572	40,348
Minority interests	138	157	158	158	158
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Growth					
Revenue growth	(7.6%)	21.1%	27.9%	34.7%	34.2%
Operating profit growth	(10.9%)	29.4%	43.9%	54.6%	42.3%
EBITDA growth	(10.0%)	20.2%	39.6%	49.0%	39.0%
Net profit growth	(18.0%)	26.6%	33.0%	47.6%	40.0%
EPS growth	(18.1%)	27.5%	33.5%	47.6%	40.0%
Profitability					
Gross profit margin	21.6%	22.9%	23.3%	25.1%	26.0%
Operating margin	9.4%	10.1%	11.3%	13.0%	13.8%
EBITDA margin	12.4%	12.3%	13.4%	14.8%	15.4%
Net profit margin	8.7%	9.1%	9.5%	10.4%	10.8%
Return on average assets	6.1%	7.4%	9.3%	12.1%	14.1%
Return on average equity	13.6%	16.7%	21.3%	29.5%	38.7%
Stability					
Gross debt to equity	36.5%	25.6%	21.8%	30.7%	37.0%
Net debt to equity	Net cash	Net cash	Net cash	Net cash	Net cash
Interest coverage (x)	11.3	14.8	42.8	46.1	47.9
Interest & ST debt coverage (x)	0.3	0.5	0.6	0.7	0.7
Cash flow interest coverage(x)	8.2	10.2	22.0	30.6	41.5
Cash flow/int. & ST debt (x)	0.4	0.7	0.7	1.4	2.5
Current ratio (x)	1.6	1.5	1.4	1.4	1.3
Quick ratio (x)	1.3	1.2	1.1	1.0	1.0
Net debt (NT$mn)	(67,496)	(57,945)	(46,397)	(39,792)	(45,020)
Per share data					
EPS (NT$)	5.21	6.64	8.87	13.08	18.31
CFPS (NT$)	5.42	6.39	6.14	11.70	21.30
BVPS (NT$)	38.67	38.77	43.56	45.14	49.45
Adj BVPS (NT$)	39.61	39.47	43.56	45.14	49.45
SPS (NT$)	59.84	72.99	93.70	126.20	169.40
EBITDA/share (NT$)	7.41	8.97	12.56	18.72	26.02
Cash DPS (NT$)	4.51	5.00	6.50	9.50	13.00
Activity					
Sales / avg assets	0.70	0.81	0.98	1.17	1.30
Days receivable	99.2	93.0	91.9	87.0	85.5
Days inventory	91.3	97.7	99.8	92.7	88.4
Days payable	146.8	152.8	145.6	138.6	151.8
Cash cycle	43.7	37.9	46.1	41.2	22.1

Source: Company data, KGI Research estimates

Profit & loss

NT$mn	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Revenue	**137,134**	**166,085**	**212,466**	**286,162**	**384,131**
Cost of goods sold	(107,504)	(128,046)	(162,987)	(214,375)	(284,198)
Gross profit	**29,630**	**38,039**	**49,480**	**71,787**	**99,933**
Operating expenses	(16,696)	(21,301)	(25,386)	(34,532)	(46,932)
Operating profit	**12,934**	**16,738**	**24,094**	**37,255**	**53,001**
Non-operating income	**3,851**	**3,938**	**2,229**	**2,048**	**2,198**
Interest income	2,970	2,504	1,244	1,208	1,358
Investment income	20	114	8	40	40
Other non-op income	861	1,321	978	800	800
Non-operating expenses	**(1,150)**	**(963)**	**130**	**(266)**	**(564)**
Interest expense	(1,516)	(1,430)	(633)	(866)	(1,164)
Investment loss	-	-	-	-	-
Other non-op expenses	366	467	763	600	600
Pre-tax profit	**15,635**	**19,713**	**26,453**	**39,037**	**54,635**
Current taxation	(3,674)	(4,601)	(6,351)	(9,369)	(13,112)
Minorities	(19)	4	1	-	-
Extraordinary items	-	0	0	0	0
Net profit	**11,942**	**15,116**	**20,102**	**29,668**	**41,522**
EBITDA	**16,980**	**20,406**	**28,483**	**42,444**	**58,990**
EPS (NT$)	5.21	6.64	8.87	13.08	18.31

Cash flow

NT$mn	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Operations cash flow	**12,411**	**14,533**	**13,916**	**26,536**	**48,304**
Net profit	11,942	15,116	20,102	29,668	41,522
Depreciation & amortisation	4,047	3,668	4,389	5,189	5,989
Decrease in working capital	(3,683)	(2,682)	(10,906)	(3,746)	3,100
Other operating cash flow	105	(1,570)	330	(4,575)	(2,308)
Investing cash flow	**(4,843)**	**(7,395)**	**(14,672)**	**(15,000)**	**(17,000)**
Sale of ST investment	1,796	(617)	-	-	-
New investments	(2,245)	-	(28)	-	-
Capital expenditure	(3,548)	(6,854)	(13,583)	(15,000)	(17,000)
Others investing cashflow	(846)	77	(1,061)	-	-
Free cash flow	**6,505**	**6,770**	**(1,967)**	**14,580**	**32,194**
Financing cash flow	**(3,363)**	**(23,099)**	**(14,234)**	**(8,140)**	**(16,077)**
Increase in short term debt	7,584	(10,116)	(1,640)	-	-
Increase in long term loans	-	-	-	10,000	10,000
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(10,372)	(10,297)	(12,471)	(18,140)	(26,077)
Other financing cashflow	(574)	(391)	(123)	0	0
Forex effects	**3,736**	**(3,748)**	**1,934**	**-**	**-**
Total cash generated	**7,942**	**(19,709)**	**(13,057)**	**3,396**	**15,228**

ROIC

	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
1 - COGS/revenue					
- Operating exp./revenue	12.2%	12.8%	11.9%	12.1%	12.2%
= Operating margin	**9.4%**	**10.1%**	**11.3%**	**13.0%**	**13.8%**
1 / (Working capital/revenue	(0.1)	(0.0)	0.0	0.0	(0.0)
+ Net PPE/revenue	0.1	0.1	0.2	0.2	0.1
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
= Capital turnover	**12.9**	**8.6**	**5.4**	**5.7**	**7.0**
Operating margin	9.4%	10.1%	11.3%	13.0%	13.8%
x Capital turnover	12.9	8.6	5.4	5.7	7.0
x (1 - tax rate)	76.5%	76.7%	76.0%	76.0%	76.0%
= After-tax ROIC	**92.9%**	**66.4%**	**46.2%**	**56.7%**	**73.7%**

Source: Company data, KGI Research estimates

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