

DELTA ELECTRONICS  
THAILAND / ELECTRONIC COMPONENT

## DELTA TB

REDUCE

UNCHANGED

## กำไร 1Q ไม่สดใสเท่ากับราคาหุ้น

- กำไรสุทธิ 1Q23 ออกมาต่ำกว่าที่เราคาดจากอัตรากำไรขั้นต้นที่ลดลงโดยคิดเป็น 20% ของประมาณการกำไรสุทธิปี 2023 ของเรา
- เราคงประมาณการอัตราการเติบโตของกำไรปกติปี 2023 ไว้ที่ 20.8% y-y แม้ว่าจะมี Downside
- คงแนะนำ REDUCE จากราคาหุ้นที่เกินมูลค่า

TARGET PRICE	THB560.00
CLOSE	THB896.00
UP/DOWNSIDE	-37.5%
PRIOR TP	THB560.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-9.5%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	118,558	132,125	141,838	146,091
Net profit	15,343	17,596	18,902	19,900
EPS (THB)	12.30	14.11	15.16	15.96
vs Consensus (%)	-	6.1	(2.0)	(6.4)
EBITDA	18,240	21,154	22,646	23,830
Core net profit	14,563	17,596	18,902	19,900
Core EPS (THB)	11.57	13.98	15.01	15.81
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	139.7	20.8	7.4	5.3
Core P/E (x)	77.5	64.1	59.7	56.7
Dividend yield (%)	0.4	0.6	0.7	0.7
EV/EBITDA (x)	60.8	52.2	48.5	45.8
Price/book (x)	20.4	17.3	14.7	12.7
Net debt/Equity (%)	(15.0)	(18.9)	(23.8)	(28.7)
ROE (%)	30.3	29.5	26.9	24.3

## กำไรสุทธิ 1Q23 ต่ำกว่าที่เราคาด 6%

DELTA รายงานกำไรสุทธิ 1Q23 ที่ 3.6 พัน ลบ. (-13.7% q-q, +30% y-y) ต่ำกว่าที่เราคาด 6% และตลาดคาด 8% เมื่อหักกำไรจากอัตราแลกเปลี่ยน 155 ลบ. กำไรปกติอยู่ที่ 3.46 พัน ลบ. (-23.1% q-q, +53.8% y-y) ใน 1Q23 รายได้ในรูปเงินเหรียญสหรัฐ (USD) โต 0.1% q-q และ 26.7% y-y เป็น USD940 ล้าน จากการเติบโตที่ดีในธุรกิจ EV Power ในขณะที่รายได้จากธุรกิจ Fan & Thermal Management โตในระดับปานกลางที่ 9.6% y-y แต่ลดลงเล็กน้อย 5% q-q อัตรากำไรขั้นต้นรวมลดลงเหลือ 20.8% (เทียบกับ 24.5% ใน 4Q22 และ 20.9% ใน 1Q22) สถานการณ์อุปทานตึงตัวสำหรับส่วนประกอบในธุรกิจ EV Power และสำรองสินค้าคงคลังทำให้อัตรากำไรขั้นต้นในธุรกิจ EV ลดลงค่อนข้างมากมาอยู่ที่ 9.2% ใน 1Q23 (เทียบกับ 15% ใน 4Q22 และ 10.5% ใน 1Q22)

## มุมมองเชิงลบจากที่ประชุมนักวิเคราะห์ครั้งล่าสุด

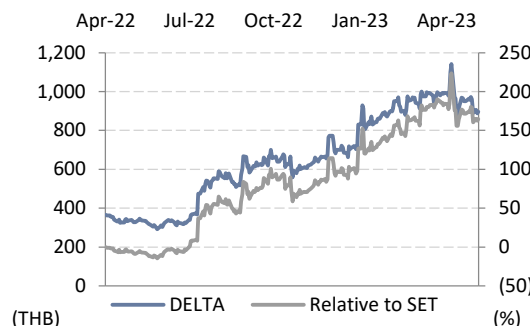
เรามีมุมมองเชิงลบเล็กน้อยจากที่ประชุมนักวิเคราะห์ครั้งล่าสุดในวันที่ 27 เม.ย. 2023 DELTA คาดว่าปัญหาการขาดแคลนวัตถุดิบจะบรรเทาตั้งแต่ 3Q23 เป็นต้นไป เพราะฉะนั้นบริษัทจึงปรับลดประมาณการอัตรากำไรขั้นต้นปี 2023 ลงเหลือ 22-23% จากไม่ต่ำกว่า 23% แม้ว่าบริษัทยังคงคาดการณ์การเติบโตของรายได้ปี 2023 ไว้ที่ 15-20% y-y แต่แนวโน้มการเติบโตของรายได้ดูสดใสในกลุ่ม Data Centre เนื่องจากลูกค้าเริ่มมีความระมัดระวังต่อการสั่งซื้อมากขึ้น ดังจะเห็นได้จาก 1) ลูกค้าบางรายได้เลื่อนคำสั่งซื้อ; และ 2) ลูกค้าบางรายเปลี่ยนวิธีการจัดส่งเป็นเรือจากเครื่องบินซึ่งสะท้อนให้เห็นว่าลูกค้าไม่ได้เร่งซื้อเหมือนในปีที่แล้ว

## คงประมาณการกำไรปี 2023 แม้ว่าจะมี Downside

กำไร 1Q23 ของ DELTA คิดเป็น 20% ของประมาณการกำไรสุทธิปี 2023 ของเรา ในระยะสั้น เราคาดว่ากำไรสุทธิ 2Q23 จะโต q-q แต่ลดลง y-y จากฐานที่สูงใน 2Q22 อย่างไรก็ดีเราเริ่มเห็น Downside ต่อประมาณการกำไรปี 2023 ของเราจากสภาวะเศรษฐกิจโลกถดถอยและปัญหาการขาดแคลนวัตถุดิบ ปัจจุบันเราคงประมาณการกำไรปกติปี 2023 ของเราไว้ที่ 17.6 พัน ลบ. (+20.8% y-y)

## คงคำแนะนำ REDUCE

เราคงคำแนะนำ REDUCE ที่ราคาเป้าหมาย 560 บาท (อิง PE 40x) ราคาหุ้นในปัจจุบันสูงเกินมูลค่าเนื่องจากหุ้นมีการซื้อขายที่ 64.1x และ 59.7x ของค่า 2023-24E P/E ตามลำดับ



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(9.9)	2.1	137.0
Relative to country (%)	(7.0)	11.1	155.1
Mkt cap (USD m)	32,699		
3m avg. daily turnover (USD m)	60.2		
Free float (%)	0		
Major shareholder Delta Electronics International (Singapore) Pte Ltd (43%)			
12m high/low (THB)	1,154.00/287.00		
Issued shares (m)	1,247.38		

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 27 เมษายน 2023

## Investment thesis

We have a positive view on DELTA's products, which are widely used in applications for automotive, medical, telecommunications, IT, automation, etc. DELTA has also been aggressively growing its solution businesses in EV chargers, industrial automation, data centre infrastructure and energy management in the region. We expect 2023-24 normalised profit growth at 20.8% y-y and 7.4% y-y, respectively.

However, the current share price is overvalued, as it is trading at 64.1x and 59.7x 2023-24E P/E, respectively. Its valuation is very expensive when compared with its historical average and regional peers.

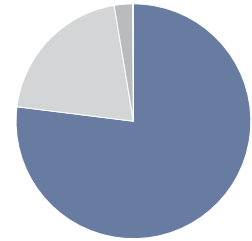
## Company profile

DELTA is an electronics manufacturer and exporter of power supplies and electronic components comprising cooling fans, EMI filters, and solenoids. Key power management products consist of switching power supplies, EV chargers, DC-DC converters, and solar inverters. Its operations cover regions such as Asia, Europe, and South America. In 2022, its revenue contribution came mainly from power electronics at 77%, with infrastructure/automation/others at 20.4%/2.5%/0.1%, respectively.

[www.deltathailand.com](http://www.deltathailand.com)

## Principal activities (revenue, 2022)

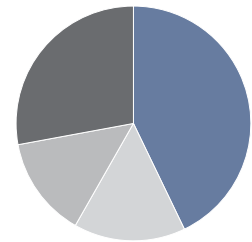
- Power electronics - 77.0 %
- Infrastructure - 20.4 %
- Automation - 2.5 %
- Others - 0.1 %



Source: Delta Electronics

## Major shareholders

- Delta Electronics International (Singapore) Pte Ltd - 42.9 %
- Delta International Holding Limited - 15.4 %
- Delta Electronics Inc. - 13.9 %
- Others - 27.9 %



Source: Delta Electronics

## Catalysts

Potential catalysts for DELTA's earnings growth in 2023 are 1) stronger purchase orders for data centre and EV car components; 2) a decline in raw material costs; and 3) a faster-than-expected capacity expansion.

## Risks to our call

Upside risks to our P/E-based TP include 1) higher-than-expected global EV car sales; 2) lower-than-expected raw material costs; and 3) a weaker-than-expected THB against USD.

## Event calendar

Date	Event
July 2023	2Q23 results announcement

## Key assumptions

	2023E	2024E	2025E
Power electronics (USD m)	3,074	3,320	3,420
Infrastructure (USD m)	823	864	890
Automation (USD m)	103	110	114
Total revenue (USD m)	4,004	4,298	4,427
FX rate (USD/THB)	33.0	33.0	33.0
Gross margin (%)	24.0	24.2	24.5

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in USD revenue, we estimate 2023 net profit to rise by 0.9%, and vice versa, all else being equal.
- For every THB1/USD increase, we estimate 2023 net profit to fall by 6.5%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2023 net profit to rise by 3.4%, and vice versa, all else being equal.
- For every 0.2% increase in SG&A, we estimate 2023 net profit to fall by 1.8%, and vice versa, all else being equal.

Source: FSSIA estimates

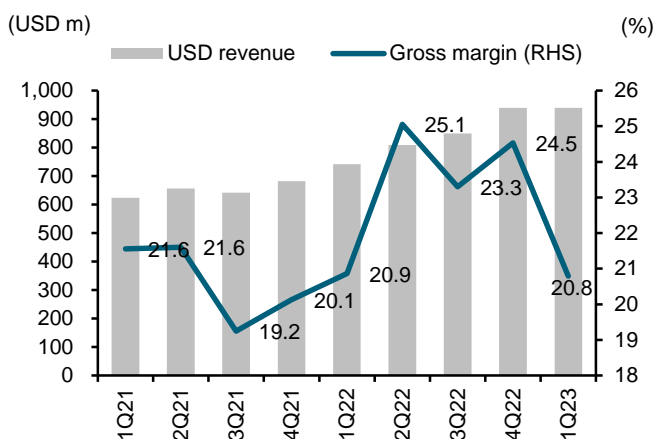


## Exhibit 1: 1Q23 earnings results

	1Q22	2Q22	3Q22	4Q22	1Q23	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
Sales	24,623	28,004	31,324	34,606	32,294	(6.7)	31.2
Cost of sales	19,486	20,988	24,027	26,117	25,581	(2.1)	31.3
Gross profit	5,137	7,016	7,298	8,489	6,713	(20.9)	30.7
SG&A	2,943	3,152	3,524	3,829	3,236	(15.5)	10.0
Operating profit	2,194	3,864	3,774	4,661	3,477	(25.4)	58.5
Interest expense	3	4	0	12	25	108.3	658.2
Tax expense	39	48	65	314	121	(61.6)	209.4
Other gain (Loss)	531	346	215	(311)	155	nm	nm
Reported net profit	2,780	4,263	4,110	4,190	3,614	(13.7)	30.0
Core profit	2,249	3,918	3,895	4,500	3,459	(23.1)	53.8
<b>Key Ratios (%)</b>						<b>(ppt)</b>	<b>(ppt)</b>
Gross margin	20.9	25.1	23.3	24.5	20.8	(3.7)	(0.1)
SG&A / Sales	12.0	11.3	11.2	11.1	10.0	(1.0)	(1.9)
Operating margin	8.9	13.8	12.0	13.5	10.8	(2.7)	1.9
Net margin	11.3	15.2	13.1	12.1	11.2	(0.9)	(0.1)
Core margin	9.1	14.0	12.4	13.0	10.7	(2.3)	1.6
<b>Operating Statistics</b>							
THB total revenue (THB m)	24,623	28,004	31,324	34,606	32,294	(6.7)	31.2
FX rate (THB/USD)	33.1	34.4	36.4	36.4	33.9	(6.8)	2.5
USD total revenue (USD m)	742	809	849	939	940	0.1	26.7
<b>Revenue by segment (USD m)</b>							
Power electronics	558	610	667	727	726	(0.1)	30.1
Infrastructure	160	177	161	188	183	(2.7)	14.4
Automation	21	21	20	23	30	30.4	42.9
<b>Revenue by key product (USD m)</b>							
EV power	110	131	159	205	231	12.4	110.2
Fan & thermal management	89	93	101	102	97	(5.0)	9.6
India business	51	55	67	80	86	8.3	70.0
<b>Gross margin by key product (%)</b>							
EV power	10.5	16.6	16.6	15.0	9.2	(5.8)	(1.3)
Fan & thermal management	19.5	22.5	26.7	23.0	17.5	(5.5)	(2.0)
India business	7.9	14.7	14.8	16.3	19.3	3.0	11.4

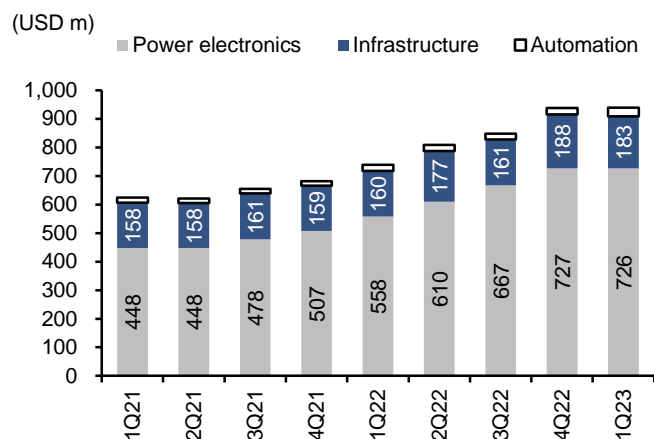
Source: DELTA

## Exhibit 2: Quarterly USD revenue and gross margin



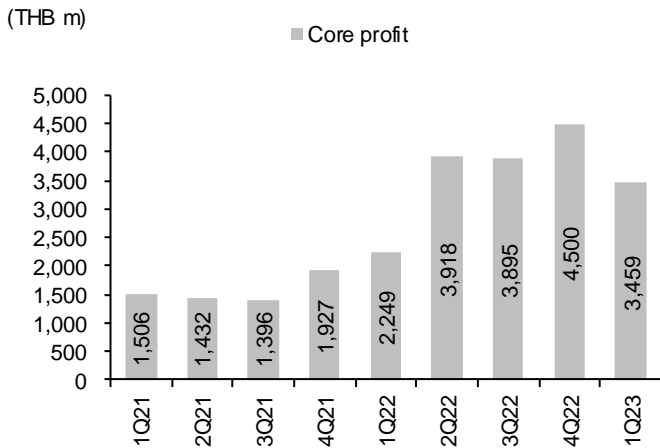
Source: DELTA

## Exhibit 3: Revenue breakdown by product



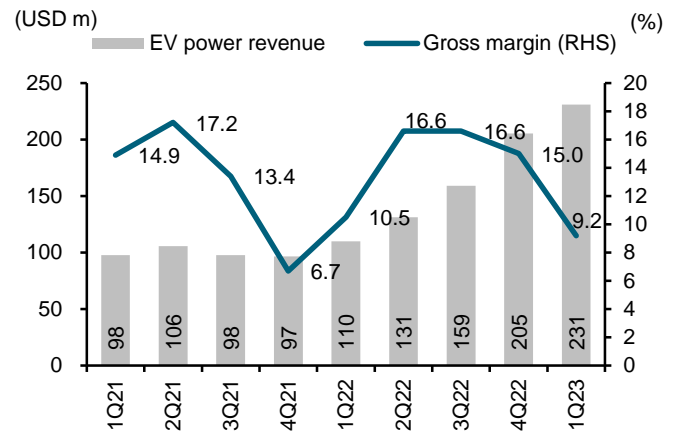
Source: DELTA

Exhibit 4: Quarterly core profit



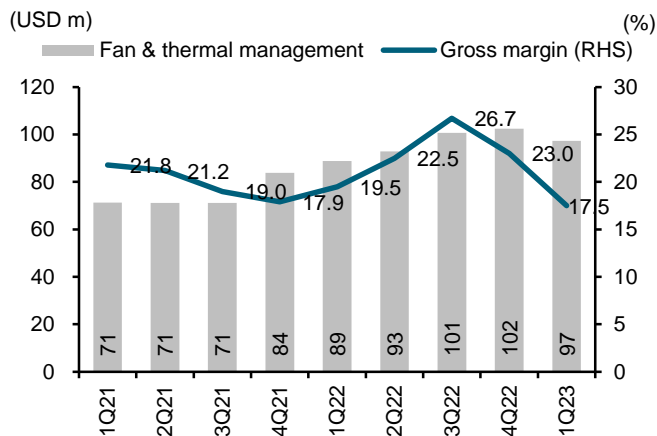
Source: DELTA

Exhibit 5: EV power revenue and gross margin



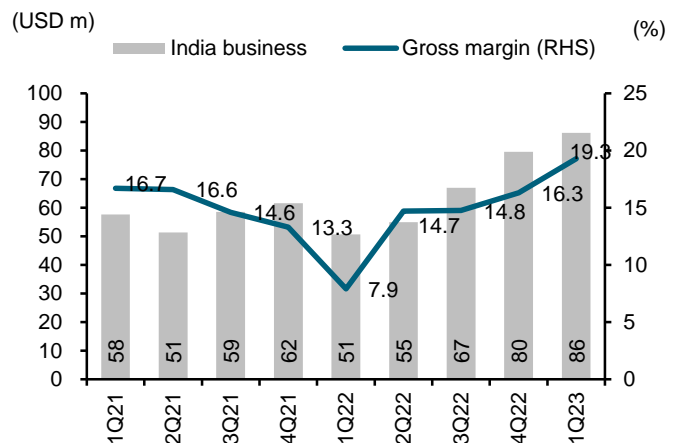
Source: DELTA

Exhibit 6: Fan &amp; thermal management revenue



Source: DELTA

Exhibit 7: Revenue from India



Source: DELTA

Exhibit 8: Key assumptions for DELTA

Assumptions	Forecast				% Growth		
	2022A	2023E	2024E	2025E	2023E	2024E	2025E
Power electronics (USD m)	2,562	3,074	3,320	3,420	20.0	8.0	3.0
Infrastructure (USD m)	686	823	864	890	20.0	5.0	3.0
Automation (USD m)	86	103	110	114	20.0	7.0	3.0
Total revenue (USD m)	3,337	4,004	4,298	4,427	20.0	7.4	3.0
FX rate (THB/USD)	35.5	33.0	33.0	33.0	(7.1)	0.0	0.0
Total sales value (THB m)	118,558	132,125	141,838	146,091	11.4	7.4	3.0
Gross profit (THB m)	27,940	31,710	34,325	35,792	13.5	8.2	4.3
Gross margin (%)	23.6	24.0	24.2	24.5	0.4	0.2	0.3
SG&A expenses (THB m)	13,447	14,534	15,886	16,362	8.1	9.3	3.0
SG&A to sales (%)	11.3	11.0	11.2	11.2	(0.3)	0.2	0.0
Reported net profit (THB m)	15,343	17,596	18,902	19,900	14.7	7.4	5.3
Net margin (%)	12.9	13.3	13.3	13.6	0.4	0.0	0.3
Core profit (THB m)	14,563	17,596	18,902	19,900	20.8	7.4	5.3
Core margin (%)	12.3	13.3	13.3	13.6	1.0	0.0	0.3

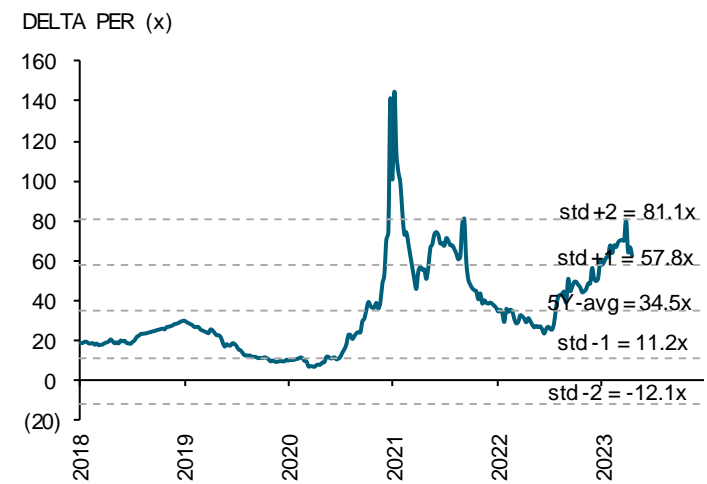
Source: FSSIA estimates

Exhibit 9: Peers comparison as of 26 April 2023

Company	Rec	Share price	Market			PE		ROE		PBV		EVEBITDA		
			Current	Target	Upside	Cap	23E	24E	23E	24E	23E	24E	23E	24E
			(LCY)	(LCY)	(%)	(USD m)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
<b>Thailand</b>														
Delta Electronics (Thailand)*	DELTA TB	REDUCE	896.00	560.00	(38)	32,699	64.1	59.7	29.5	26.9	17.3	14.7	52.2	48.5
KCE Electronics*	KCE TB	HOLD	39.75	50.00	26	1,375	19.8	16.3	17.4	20.0	3.4	3.2	12.7	10.8
Hana Microelectronics	HANA TB	n/a	41.25	60.00	45	971	13.7	12.7	9.9	10.2	1.3	1.3	7.2	6.7
SVI	SVI TB	n/a	9.80	n/a	n/a	606	13.2	12.1	22.5	21.0	2.8	2.4	11.9	10.9
Cal-Comp Electronics	CCET TB	n/a	2.06	n/a	n/a	353	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Stars Microelectronics	SMT TB	n/a	4.08	n/a	n/a	99	12.6	11.2	15.4	16.1	2.0	1.8	6.0	5.8
<b>Thailand average</b>						<b>36,104</b>	<b>24.7</b>	<b>22.4</b>	<b>18.9</b>	<b>18.8</b>	<b>5.3</b>	<b>4.7</b>	<b>18.0</b>	<b>16.5</b>
<b>Regional</b>														
Delta Electronics (Taiwan)	2308 TT	n/a	295.50	n/a	n/a	25,020	20.5	17.7	18.5	19.9	4.0	3.6	11.6	10.2
China Leadshine Technology	002979 CH	n/a	19.09	n/a	n/a	855	20.8	16.5	18.6	21.5	4.2	3.6	21.7	16.5
Suplet Power	300593 CH	n/a	28.98	n/a	n/a	1,800	20.5	16.0	14.7	21.8	4.1	3.6	18.2	15.7
Polycab India	POLYCAB IN	n/a	3,177.80	n/a	n/a	5,838	39.4	34.4	19.7	19.3	7.3	6.2	26.0	23.0
Zhuzhou Hongda Electronics	300726 CH	n/a	41.28	n/a	n/a	2,490	16.5	14.0	20.8	20.8	3.2	2.7	11.4	9.6
Qingdao Yunlu Advanced	688190 CH	n/a	71.79	n/a	n/a	1,238	25.5	19.5	13.6	15.5	3.8	3.3	17.7	13.9
TDG Holdings	600330 CH	n/a	10.49	n/a	n/a	1,881	24.0	18.5	7.0	8.8	1.7	1.6	n/a	n/a
Shenzhen Megmeet Electrical	002851 CH	n/a	29.40	n/a	n/a	2,155	22.6	16.5	17.0	18.9	3.7	3.1	19.6	14.5
Nexans	NEX FP	n/a	74.35	n/a	n/a	3,597	13.0	11.6	14.4	15.3	1.8	1.6	5.9	5.5
Furukawa Electric	5801 JP	n/a	2,422.00	n/a	n/a	1,286	10.3	10.8	5.9	5.2	0.6	0.6	9.0	7.6
<b>Regional average</b>						<b>46,160</b>	<b>21.3</b>	<b>17.5</b>	<b>15.0</b>	<b>16.7</b>	<b>3.4</b>	<b>3.0</b>	<b>15.7</b>	<b>12.9</b>
<b>Overall average</b>						<b>82,264</b>	<b>22.4</b>	<b>19.2</b>	<b>16.3</b>	<b>17.4</b>	<b>4.1</b>	<b>3.6</b>	<b>16.5</b>	<b>14.2</b>

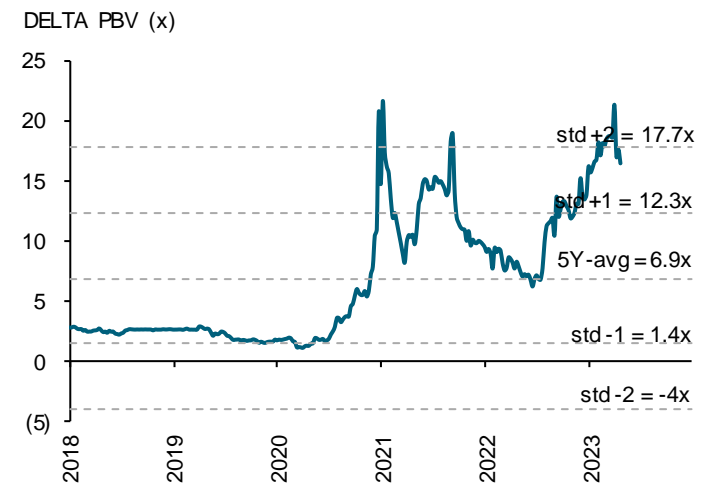
Sources: Bloomberg, \*FSSIA estimates

Exhibit 10: Historical P/E band



Sources: Bloomberg, FSSIA estimates

Exhibit 11: Historical P/BV Band



Sources: Bloomberg, FSSIA estimates

## Financial Statements

### Delta Electronics

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	84,318	118,558	132,125	141,838	146,091
Cost of goods sold	(64,452)	(87,428)	(97,051)	(103,974)	(106,584)
<b>Gross profit</b>	<b>19,866</b>	<b>31,130</b>	<b>35,075</b>	<b>37,864</b>	<b>39,507</b>
Other operating income	496	613	661	709	730
Operating costs	(11,674)	(13,502)	(14,581)	(15,927)	(16,407)
<b>Operating EBITDA</b>	<b>8,688</b>	<b>18,240</b>	<b>21,154</b>	<b>22,646</b>	<b>23,830</b>
Depreciation	(2,508)	(3,190)	(3,365)	(3,540)	(3,715)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>6,181</b>	<b>15,050</b>	<b>17,790</b>	<b>19,107</b>	<b>20,116</b>
Net financing costs	(4)	(20)	(14)	(12)	(12)
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	624	781	0	0	0
<b>Profit before tax</b>	<b>6,801</b>	<b>15,811</b>	<b>17,776</b>	<b>19,094</b>	<b>20,103</b>
Tax	(98)	(467)	(178)	(191)	(201)
<b>Profit after tax</b>	<b>6,703</b>	<b>15,345</b>	<b>17,598</b>	<b>18,904</b>	<b>19,902</b>
Minority interests	(4)	(1)	(2)	(2)	(2)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>6,699</b>	<b>15,343</b>	<b>17,596</b>	<b>18,902</b>	<b>19,900</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(624)</b>	<b>(781)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>6,075</b>	<b>14,563</b>	<b>17,596</b>	<b>18,902</b>	<b>19,900</b>
<b>Per share (THB)</b>					
Recurring EPS *	4.82	11.57	13.98	15.01	15.81
Reported EPS	5.37	12.30	14.11	15.16	15.96
DPS	1.70	4.00	4.94	6.06	6.38
Diluted shares (used to calculate per share data)	1,259	1,259	1,259	1,259	1,259
<b>Growth</b>					
Revenue (%)	33.4	40.6	11.4	7.4	3.0
Operating EBITDA (%)	(4.7)	109.9	16.0	7.1	5.2
Operating EBIT (%)	(10.5)	143.5	18.2	7.4	5.3
Recurring EPS (%)	(10.8)	139.7	20.8	7.4	5.3
Reported EPS (%)	(5.7)	129.0	14.7	7.4	5.3
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	20.6	23.6	24.0	24.2	24.5
Gross margin of key business (%)	20.6	23.6	24.0	24.2	24.5
Operating EBITDA margin (%)	10.3	15.4	16.0	16.0	16.3
Operating EBIT margin (%)	7.3	12.7	13.5	13.5	13.8
Net margin (%)	7.2	12.3	13.3	13.3	13.6
Effective tax rate (%)	1.4	3.0	1.0	1.0	1.0
Dividend payout on recurring profit (%)	35.2	34.6	35.3	40.4	40.4
Interest cover (X)	1,534.8	771.2	1,289.1	1,566.1	1,648.8
Inventory days	91.3	93.2	98.8	100.0	102.2
Debtor days	74.9	75.0	78.9	77.3	78.8
Creditor days	108.3	109.1	108.5	100.0	97.0
Operating ROIC (%)	16.0	28.3	28.2	27.6	27.2
ROIC (%)	15.0	27.1	27.0	26.1	25.5
ROE (%)	15.4	30.3	29.5	26.9	24.3
ROA (%)	9.6	18.2	18.5	18.0	17.2
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Power electronics	61,369	91,252	101,455	109,572	112,859
Infrastructure	20,685	24,185	27,166	28,524	29,380
Automation	2,098	3,009	3,406	3,644	3,753
Others	166	112	99	99	99

Sources: Delta Electronics; FSSIA estimates

## Financial Statements

### Delta Electronics

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	6,075	14,563	17,596	18,902	19,900
Depreciation	2,508	3,190	3,365	3,540	3,715
Associates & minorities	-	-	-	-	-
Other non-cash items	-	-	0	0	0
Change in working capital	(7,651)	(5,108)	(5,939)	(3,777)	(4,038)
<b>Cash flow from operations</b>	<b>931</b>	<b>12,644</b>	<b>15,021</b>	<b>18,665</b>	<b>19,577</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(8,367)	(7,788)	(3,500)	(3,500)	(3,500)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	52	213	(1,102)	(617)	(1,052)
<b>Cash flow from investing</b>	<b>(8,315)</b>	<b>(7,575)</b>	<b>(4,602)</b>	<b>(4,117)</b>	<b>(4,552)</b>
Dividends paid	(4,139)	(1,855)	(6,159)	(7,561)	(7,960)
Equity finance	0	0	0	0	0
Debt finance	2,975	569	1,109	(1,463)	(525)
Other financing cash flows	1,237	(213)	(1,550)	0	0
<b>Cash flow from financing</b>	<b>73</b>	<b>(1,499)</b>	<b>(6,600)</b>	<b>(9,024)</b>	<b>(8,485)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>(7,310)</b>	<b>3,571</b>	<b>3,820</b>	<b>5,525</b>	<b>6,540</b>
Free cash flow to firm (FCFF)	(7,379.42)	5,088.89	10,433.51	14,560.44	15,037.08
Free cash flow to equity (FCFE)	(3,171.33)	5,425.24	9,978.85	13,085.25	14,499.93
<b>Per share (THB)</b>					
FCFF per share	(5.92)	4.08	8.36	11.67	12.05
FCFE per share	(2.54)	4.35	8.00	10.49	11.62
Recurring cash flow per share	6.88	14.24	16.81	18.00	18.94
<b>Balance Sheet (THB m) Year Ending Dec</b>					
Tangible fixed assets (gross)	31,517	31,517	35,017	38,517	42,017
Less: Accumulated depreciation	(12,934)	(8,335)	(11,700)	(15,239)	(18,954)
<b>Tangible fixed assets (net)</b>	<b>18,583</b>	<b>23,182</b>	<b>23,317</b>	<b>23,278</b>	<b>23,063</b>
<b>Intangible fixed assets (net)</b>	<b>693</b>	<b>629</b>	<b>794</b>	<b>794</b>	<b>795</b>
Long-term financial assets	268	248	500	1,000	2,000
Invest. in associates & subsidiaries	-	-	-	-	-
Cash & equivalents	6,572	10,142	13,962	19,487	26,027
A/C receivable	20,593	28,132	28,959	31,088	32,020
Inventories	19,581	25,049	27,511	29,456	30,219
Other current assets	2,019	2,702	2,643	4,255	4,383
<b>Current assets</b>	<b>48,764</b>	<b>66,025</b>	<b>73,075</b>	<b>84,286</b>	<b>92,648</b>
Other assets	1,030	901	1,586	1,702	1,753
<b>Total assets</b>	<b>69,338</b>	<b>90,984</b>	<b>99,271</b>	<b>111,059</b>	<b>120,259</b>
Common equity	41,404	54,680	64,568	75,909	87,849
Minorities etc.	0	0	0	0	0
<b>Total shareholders' equity</b>	<b>41,404</b>	<b>54,680</b>	<b>64,568</b>	<b>75,909</b>	<b>87,849</b>
Long term debt	512	930	880	830	779
Other long-term liabilities	2,687	2,705	3,964	2,837	2,922
<b>Long-term liabilities</b>	<b>3,198</b>	<b>3,635</b>	<b>4,844</b>	<b>3,667</b>	<b>3,701</b>
A/C payable	22,049	30,202	27,511	29,456	27,197
Short term debt	1,669	1,011	895	609	51
Other current liabilities	1,018	1,457	1,453	1,418	1,461
<b>Current liabilities</b>	<b>24,736</b>	<b>32,670</b>	<b>29,859</b>	<b>31,483</b>	<b>28,709</b>
<b>Total liabilities and shareholders' equity</b>	<b>69,338</b>	<b>90,984</b>	<b>99,271</b>	<b>111,059</b>	<b>120,259</b>
Net working capital	19,126	24,225	30,148	33,925	37,964
Invested capital	39,700	49,184	56,345	60,698	65,575
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	33.20	43.85	51.78	60.87	70.45
Tangible book value per share	32.65	43.34	51.14	60.24	69.81
<b>Financial strength</b>					
Net debt/equity (%)	(10.6)	(15.0)	(18.9)	(23.8)	(28.7)
Net debt/total assets (%)	(6.3)	(9.0)	(12.3)	(16.3)	(21.0)
Current ratio (x)	2.0	2.0	2.4	2.7	3.2
CF interest cover (x)	1,291.1	678.1	977.7	1,360.4	1,476.4
<b>Valuation</b>					
<b>Recurring P/E (x) *</b>	<b>185.7</b>	<b>77.5</b>	<b>64.1</b>	<b>59.7</b>	<b>56.7</b>
<b>Recurring P/E @ target price (x) *</b>	<b>116.1</b>	<b>48.4</b>	<b>40.1</b>	<b>37.3</b>	<b>35.4</b>
Reported P/E (x)	166.8	72.8	63.5	59.1	56.1
Dividend yield (%)	0.2	0.4	0.6	0.7	0.7
Price/book (x)	27.0	20.4	17.3	14.7	12.7
Price/tangible book (x)	27.4	20.7	17.5	14.9	12.8
EV/EBITDA (x) **	128.1	60.8	52.2	48.5	45.8
EV/EBITDA @ target price (x) **	79.9	37.8	32.4	30.0	28.2
EV/invested capital (x)	28.0	22.6	19.6	18.1	16.7
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Delta Electronics; FSSIA estimates



## Public disclosures related to sustainable development evaluation of Thai listed companies

**Rating** regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

### CG Score by the Thai Institute of Directors Association (Thai IOD)<sup>1</sup>

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

### AGM Checklist by the Thai Investors Association (TIA)<sup>2</sup>

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

### CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)<sup>3</sup>

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

### Sustainability Investment (THSI)<sup>4</sup> by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >15% by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices<sup>5</sup> (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

#### Disclaimer:

<sup>1</sup> Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

<sup>2</sup> Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

<sup>3</sup> Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

<sup>4</sup> Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

<sup>5</sup> Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

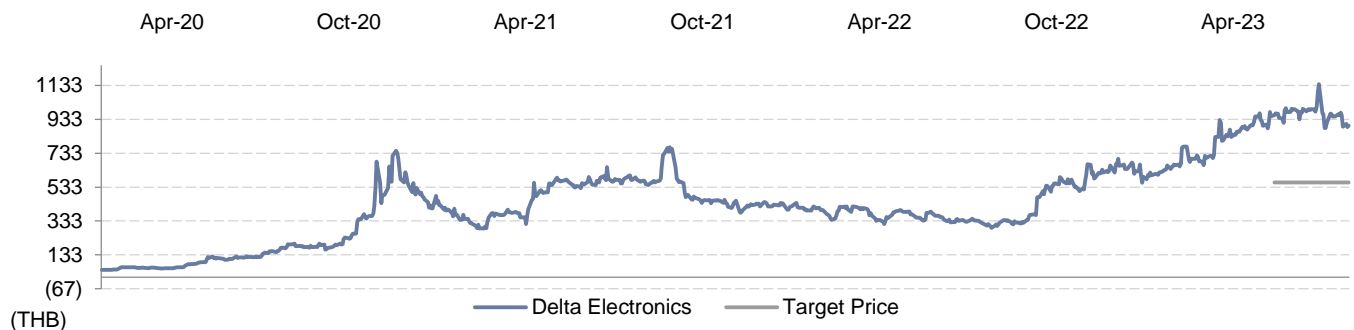
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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### History of change in investment rating and/or target price

#### Delta Electronics (DELTA TB)



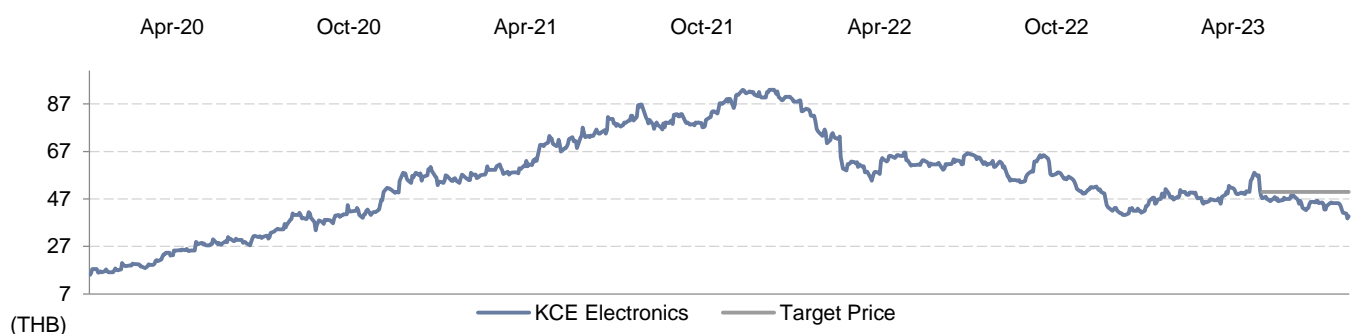
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
17-Feb-2023	REDUCE	560.00	-	-	-	-	-	-

Sureeporn Teewasuwet started covering this stock from 17-Feb-2023

Price and TP are in local currency

Source: FSSIA estimates

#### KCE Electronics (KCE TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
09-Feb-2023	HOLD	50.00	-	-	-	-	-	-

Sureeporn Teewasuwet started covering this stock from 09-Feb-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Delta Electronics	DELTA TB	THB 896.00	REDUCE	Upside risks to our P/E-based TP include 1) higher-than-expected global EV car sales; 2) lower-than-expected raw material costs; and 3) a weaker-than-expected THB against USD.
KCE Electronics	KCE TB	THB 39.75	HOLD	Downside and upside risks to our P/E-based TP include 1) a slower or faster-than-expected automotive recovery; 2) a potential rise or fall in raw material costs; and 3) a stronger or weaker-than-expected THB against USD.

Source: FSSIA estimates

**Additional Disclosures**

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 26-Apr-2023 unless otherwise stated.

**RECOMMENDATION STRUCTURE****Stock ratings**

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

**Industry Recommendations**

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

**Country (Strategy) Recommendations**

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.