

DELTA ELECTRONICS  
THAILAND / ELECTRONIC COMPONENT

## DELTA TB

HOLD

UNCHANGED

## คาดการณ์ 2025 จะยังโตหลัง GMT

- คาดกำไร 4Q24 จะลดลง q-q จากสำรองสินค้าคงคลังในขณะที่รายได้จากกลุ่ม AI จะยังอยู่ในเกณฑ์ดี
- ปรับลดประมาณการกำไรสุทธิปี 2025 ลง 11% เพื่อสะท้อนผลกระทบของ GMT
- ปรับลดราคาเป้าหมายเป็น 100 บาท ขณะที่มูลค่าหุ้นยังแพงอยู่

TARGET PRICE	THB100.00
CLOSE	THB154.50
UP/DOWNSIDE	-35.3%
PRIOR TP	THB110.00
CHANGE IN TP	-9.1%
TP vs CONSENSUS	-11.3%

## รายได้จากกลุ่ม AI น่าจะยังดีในขณะที่ EV น่าจะชะลอตัวต่อเนื่อง

เราคาดว่ารายได้ 4Q24 จะโต 0.7% q-q และ 15.3% y-y แม้ว่าในช่วง low season คาดรายได้จากกลุ่ม AI ยังโตดีจากฐานที่ต่ำและสัดส่วนรายได้ที่ยังน้อย ทั้งนี้เราคาดว่าสัดส่วนรายได้ AI จะเพิ่มเป็น 8-10% จาก 5-7% ใน 3Q24 ในทางตรงกันข้ามรายได้จากกลุ่ม EV น่าจะโตในอัตราที่ลดลงโดยเฉพาะในตลาดสหรัฐ ซึ่งยังส่งสัญญาณชะลอตัวต่อเนื่อง ในขณะที่ตลาดสหภาพยุโรปน่าจะโตเล็กน้อย ขณะที่ DELTA ตั้งเป้ารายได้โตต่อเนื่องไม่น้อยกว่า 10% ในปี 2025 มาจากจากกลุ่ม AI และ Data Center อย่างไรก็ดีคาดการณ์การเติบโตในกลุ่ม EV กลับลดลงเหลือ 5-8% จากที่เคยคาดว่าจะโตในอัตราสองหลัก

## การชะลอตัวในกลุ่ม EV อาจทำให้เกิดสำรองสินค้าคงคลัง

คำสั่งซื้อที่ชะลอตัวในกลุ่มสินค้า Non-AI โดยเฉพาะในกลุ่ม EV อาจทำให้ DELTA ต้องตั้งสำรองสินค้าคงคลังอีกใน 4Q24 ซึ่งต่างจากการกลับสำรองใน 3Q24 ทั้งนี้เราคาดว่าอัตรากำไรขั้นต้นใน 4Q24 จะอยู่ที่ 25.5% ต่ำกว่า 27.6% ใน 3Q24 แต่สูงกว่า 24.5% ใน 4Q23 ค่าใช้จ่ายรวมน่าจะทรงตัวในระดับสูงโดยจะรวมถึงค่าธรรมเนียมที่จ่ายให้แก่ Delta Taiwan และรายการปรับค่าใช้จ่ายอื่น ๆ ดังนั้นเราจึงคาดการณ์กำไรสุทธิ 4Q24 ที่ 5.44 พัน ลบ. (-8% q-q, +15% y-y) เมื่อหักผลขาดทุนอัตราแลกเปลี่ยนประมาณ 100 ลบ. กำไรปกติน่าจะอยู่ที่ 5.54 พัน ลบ. (-10.6% q-q, +23% y-y)

## Global minimum tax จะเริ่มส่งผลกระทบใน 1Q25

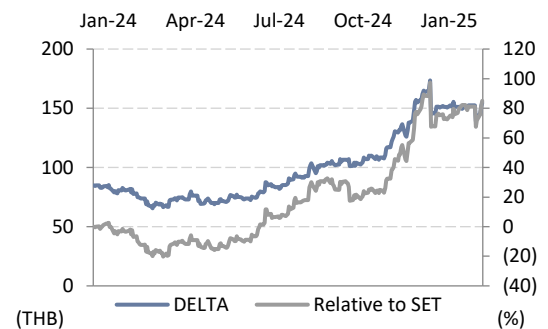
DELTA จะได้รับผลกระทบจาก Global minimum tax (GMT) ซึ่งทำให้เราปรับเพิ่มสมมติฐานอัตราภาษีปี 2025 เป็น 15% (จาก 2.5%) อย่างไรก็ดีเราปรับเพิ่มสมมติฐานอัตรากำไรขั้นต้นอีก 50bps และลดสมมติฐานค่าใช้จ่ายลงเล็กน้อยหลังบริษัท เริ่มขายสินค้า AI ของตนเองที่พัฒนาขึ้นที่โรงงานในเยอรมนีใน 4Q24 นอกจากนี้เรายังคาดว่าจะว่าบริษัท จะขายสินค้า AI ใหม่มากขึ้นในปี 2025 ซึ่งสินค้าดังกล่าวจะมีอัตรากำไรที่สูงขึ้นและจะไม่ต้องจ่ายค่าธรรมเนียมให้แก่ Delta Taiwan แม้กระนั้นก็ตามผลกระทบเชิงลบของ GMT ยังมีมากกว่าผลบวกซึ่งทำให้เราปรับลดประมาณการกำไรสุทธิปี 2025 ของเราลง 11% เป็น 24.3 พัน ลบ. ซึ่งยังโตได้ 9.5% y-y

## ปรับลดราคาเป้าหมายปี 2025 เพื่อสะท้อนการลดสมมติฐานกำไร

หลังลดประมาณการกำไรเราปรับลดราคาเป้าหมายปี 2025 ของเราเป็น 100 (จาก 110) บาท เรายังมั่นใจเกี่ยวกับแนวโน้มการเติบโตของรายได้และกำไร ส่วนหนึ่งมาจากคำสั่งซื้อที่มาจากบริษัทแม่ช่วยให้ DELTA ได้รับคำสั่งซื้อเพิ่มโดยมีความผันผวนต่ำเมื่อเทียบกับบริษัทอื่นส่วนอิเล็กทรอนิกส์รายอื่น อย่างไรก็ตาม DELTA ถือเป็นหุ้นที่มีมูลค่าแพง ปัจจุบัน DELTA มีการซื้อขายเทียบเท่า 2025-26E PE ที่ 79x และ 62x ตามลำดับ ดังนั้นเราจึงแนะนำซื้อเก็งกำไรให้กับนักลงทุนที่รับความเสี่ยงได้

## KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	146,371	165,292	197,770	249,940
Net profit	18,423	22,169	24,271	31,134
EPS (THB)	1.48	1.78	1.95	2.50
vs Consensus (%)	-	0.6	(1.0)	7.7
EBITDA	22,992	27,173	34,266	42,830
Recurring net profit	17,201	21,416	24,271	31,134
Core EPS (THB)	1.38	1.72	1.95	2.50
Chg. In EPS est. (%)	-	6.0	(11.0)	(11.1)
EPS growth (%)	18.1	24.5	13.3	28.3
Core P/E (x)	112.0	90.0	79.4	61.9
Dividend yield (%)	0.3	0.6	0.6	0.8
EV/EBITDA (x)	83.6	70.7	56.1	45.0
Price/book (x)	28.5	24.9	21.3	18.0
Net debt/Equity (%)	(6.0)	(8.5)	(4.3)	(1.7)
ROE (%)	28.1	29.5	28.9	31.5



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.7	43.7	82.8
Relative to country (%)	7.4	50.5	86.9
Mkt cap (USD m)	55,648		
3m avg. daily turnover (USD m)	71.6		
Free float (%)	0		
Major shareholder Delta Electronics International (Singapore) Pte Ltd (43%)			
12m high/low (THB)	173.50/63.25		
Issued shares (m)	12,473.82		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 9 มกราคม 2025

## Investment thesis

We have a bullish view of DELTA's growth since its main product, power supplies, are crucial to several product groups, such as automotive, industrial, data center, cloud computing, and medical. DELTA has expanded into downstream businesses, such as EV power and EV battery chargers, infrastructure, and AI-related.

However, the risks that investors still need to monitor are 1) a greater global economic slowdown than expected; 2) higher competition than anticipated; and 3) inventory write-downs and reversals, which impact the gross margin.

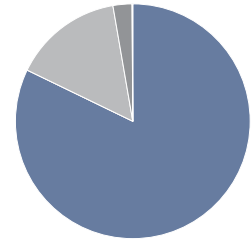
## Company profile

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 2023, its revenue contribution came mainly from power electronics at 53%, with mobility/infrastructure/automation/others at 29%/15.4%/2.7%/0.1%, respectively.

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

## Principal activities (revenue, 2023)

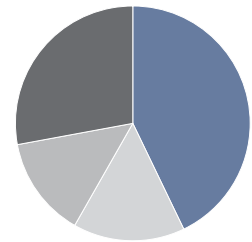
- Power electronics - 82.2 %
- Category 2
- Infrastructure - 15.1 %
- Automation - 2.6 %
- Others - 0.1 %



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 2024-25 are 1) purchase order growth from EV power supporting a capacity expansion; 2) a recovery in data centers and fans; 3) lower raw material costs and an absence of inventory provisions; and 4) successful market expansion.

## Risks to our call

Downside and upside risks to our P/E-based TP include 1) lower or higher-than-expected global EV sales growth; 2) a sooner or later-than-expected decrease in raw material costs; and 3) a stronger or weaker-than-expected THB.

## Event calendar

Date	Event
14 February 2025	4Q24 results announcement
17 February 2025	Analyst meeting

## Key assumptions

	2024E	2025E	2026E
Power electronics (USD m)	2,598	3,637	4,910
Mobility (USD m)	1,261	1,450	1,667
Infrastructure (USD m)	701	771	848
Automation (USD m)	120	132	145
Total revenue (USD m)	4,683	5,993	7,574
Gross margin (%)	25.4	25.7	25.9

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in USD revenue, we estimate 2025 net profit to rise by 0.9%, and vice versa, all else being equal.
- For every THB1/USD increase, we estimate 2025 net profit to fall by 6.5%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2025 net profit to rise by 3.4%, and vice versa, all else being equal.
- For every 0.2% increase in SG&A, we estimate 2025 net profit to fall by 1.8%, and vice versa, all else being equal.

Source: FSSIA estimates

Exhibit 1: DELTA – 4Q24 earnings preview

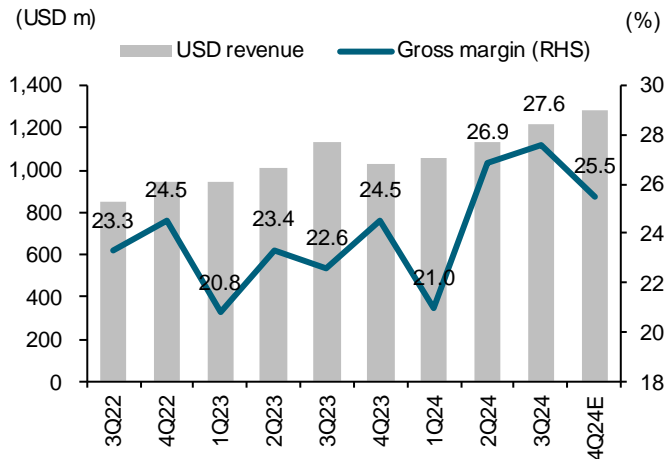
	4Q23	1Q24	2Q24	3Q24	4Q24E	----- Change -----		2023	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Sales	37,759	37,989	41,772	43,225	43,518	0.7	15.3	146,371	165,292	12.9
Cost of sales	28,495	30,017	30,550	31,298	32,421	3.6	13.8	112,881	123,308	9.2
Gross profit	9,264	7,972	11,222	11,927	11,097	(7.0)	19.8	33,491	41,984	25.4
SG&A	4,353	4,252	5,403	5,938	5,744	(3.3)	32.0	15,483	21,157	36.7
Operating profit	4,911	3,720	5,819	5,989	5,353	(10.6)	9.0	18,008	20,827	15.7
Interest expense	28	34	22	29	30	2.1	7.2	109	116	5.9
Tax expense	506	113	153	139	128	(8.0)	(74.7)	1,073	533	(50.3)
Other gain (Loss)	205	507	631	(285)	(100)	nm	nm	1,221	753	nm
Reported net profit	4,711	4,308	6,565	5,911	5,439	(8.0)	15.4	18,423	22,169	20.3
Core profit	4,506	3,801	5,934	6,196	5,539	(10.6)	22.9	17,201	22,009	28.0
Key Ratios (%)						(ppt)	(ppt)			(ppt)
Gross margin	24.5	21.0	26.9	27.6	25.5	(2.1)	1.0	22.9	25.4	2.5
SG&A / Sales	11.5	11.2	12.9	13.7	13.2	(0.5)	1.7	10.6	12.8	2.2
Operating margin	13.0	9.8	13.9	13.9	12.3	(1.6)	(0.7)	12.3	12.6	0.3
Net margin	12.5	11.3	15.7	13.7	12.5	(1.2)	0.0	12.6	13.4	0.8
Core margin	11.9	10.0	14.2	14.3	12.7	(1.6)	0.8	11.8	13.3	1.6
Operating Statistics										
THB total revenue (THB m)	37,759	37,989	41,772	43,225	43,518	0.7	15.3	146,371	165,292	12.9
USD total revenue (USD m)	1,027	1,057	1,128	1,219	1,280	5.0	24.6	4,109	4,683	14.0
Revenue by segment (USD m)										
Power Electronics	556	554	613	681	750	10.1	34.9	2,183	2,598	19.0
Mobility	299	305	317	324	315	(2.6)	5.4	1,179	1,261	6.9
Infrastructure	145	169	170	182	180	(1.1)	24.1	633	701	10.7
Automation	25	27	27	32	34	6.3	36.0	110	120	9.1

Sources: DELTA, FSSIA estimates

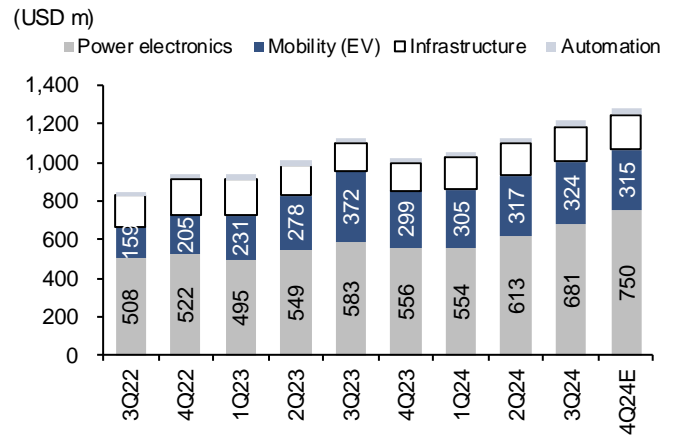
Exhibit 2: Changes in assumptions for DELTA

	----- Current -----			----- Previous -----			----- Change -----		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Total sales value (THB m)	165,292	197,770	249,940	161,321	198,318	248,930	2.5	(0.3)	0.4
Costs	123,308	146,943	185,206	122,281	148,342	185,453	0.8	(0.9)	(0.1)
Gross profit	41,984	50,827	64,735	39,040	49,976	63,477	7.5	1.7	2.0
SG&A expense	21,157	23,732	29,993	19,359	23,401	29,374	9.3	1.4	2.1
Interest expense	116	104	94	100	104	94	15.6	0.0	0.0
Reported net profit	22,169	24,271	31,134	21,333	27,282	35,016	3.9	(11.0)	(11.1)
Core profit	22,009	24,271	31,134	20,724	27,282	35,016	6.2	(11.0)	(11.1)
Key ratios (%)									
Total revenue growth	12.9	19.6	26.4	10.2	22.9	25.5	2.7	(3.3)	0.9
Net profit growth	20.3	9.5	28.3	15.8	27.8	28.3	4.5	(18.3)	(0.0)
Core profit growth	28.0	10.3	28.3	20.5	31.6	28.3	7.5	(21.3)	(0.0)
Gross margin	25.4	25.7	25.9	24.2	25.2	25.5	1.2	0.5	0.4
SG&A to sales	12.8	12.0	12.0	12.0	11.8	11.8	0.8	0.2	0.2
Net margin	13.4	12.3	12.5	13.2	13.8	14.1	0.2	(1.5)	(1.6)
Core margin	13.3	12.3	12.5	12.8	13.8	14.1	0.5	(1.5)	(1.6)
Effective tax rate	2.4	15.0	15.0	2.4	2.5	2.5	0.0	12.5	12.5
Operating statistics									
Total revenue (USD m)	4,683	5,993	7,574	4,570	5,833	7,321	2.5	2.7	3.4
FX rate (THB/USD)	35.3	33.0	33.0	35.3	34.0	34.0	0.0	(2.9)	(2.9)
Power electronics (USD m)	2,598	3,637	4,910	2,401	3,242	4,214	8.2	12.2	16.5
Infrastructure (USD m)	701	771	848	677	745	820	3.5	3.5	3.5
Automation (USD m)	120	132	145	116	127	140	3.9	3.9	3.9

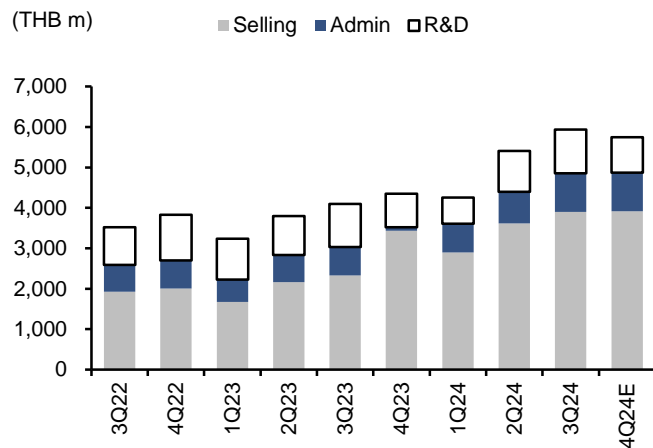
Source: FSSIA estimates

**Exhibit 3: Quarterly USD revenue and gross margin**

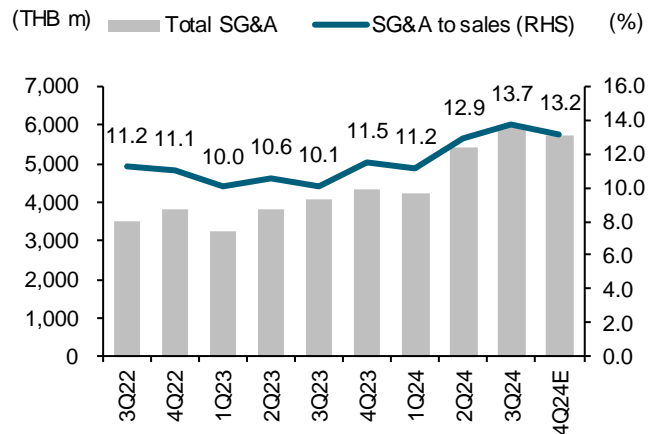
Sources: DELTA, FSSIA estimates

**Exhibit 4: Quarterly revenue by segment**

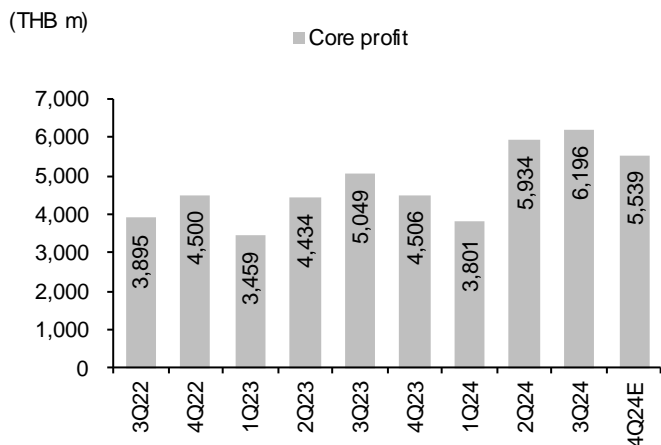
Sources: DELTA, FSSIA estimates

**Exhibit 5: Quarterly SG&A expenses**

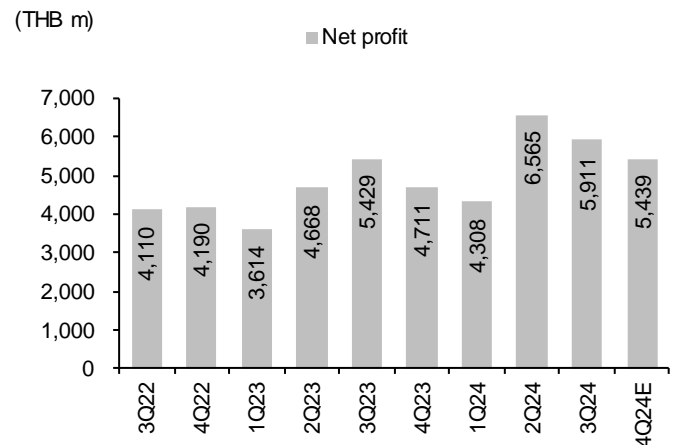
Sources: DELTA, FSSIA estimates

**Exhibit 6: Quarterly SG&A to sales**

Sources: DELTA, FSSIA estimates

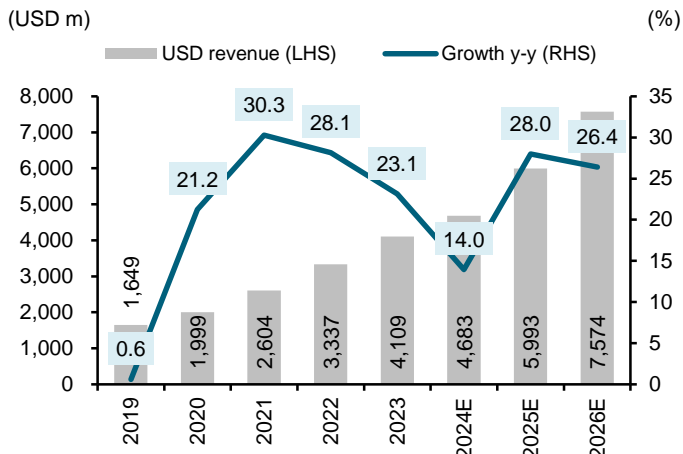
**Exhibit 7: Quarterly core profit**

Sources: DELTA, FSSIA estimates

**Exhibit 8: Quarterly net profit**

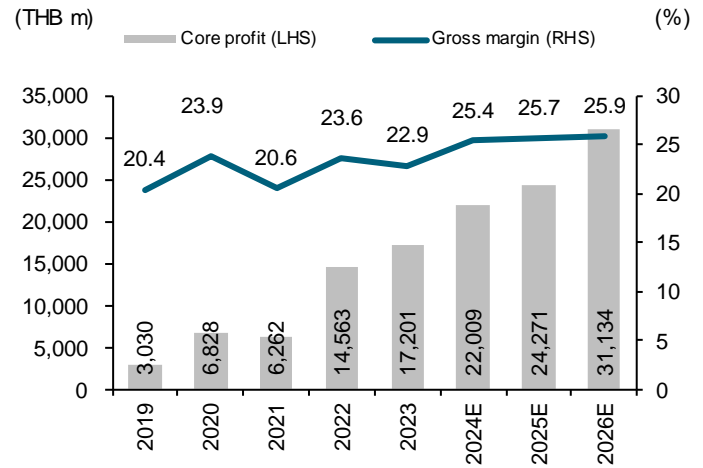
Sources: DELTA, FSSIA estimates

Exhibit 9: Yearly USD revenue and growth



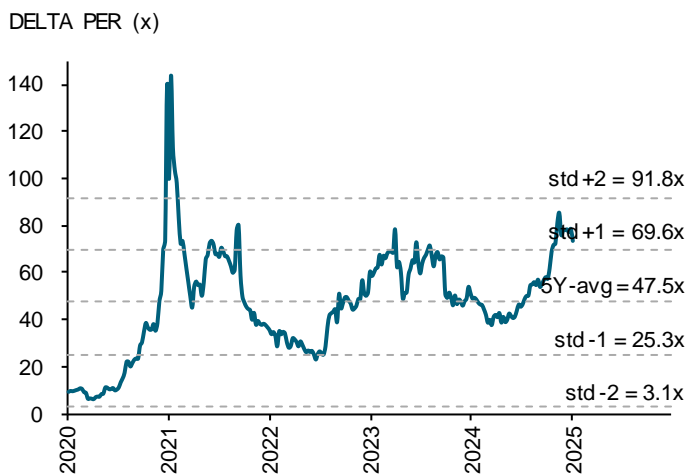
Sources: DELTA, FSSIA estimates

Exhibit 10: Yearly core profit and gross margin



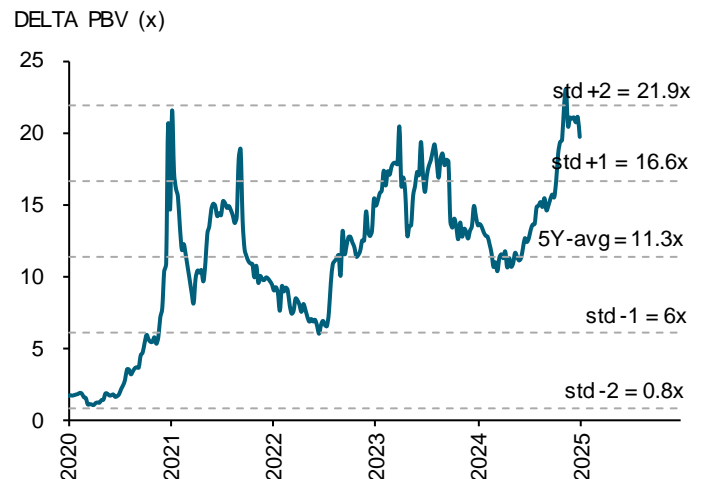
Sources: DELTA, FSSIA estimates

Exhibit 11: Historical P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 12: Historical P/BV band



Sources: Bloomberg; FSSIA estimates

## Financial Statements

### Delta Electronics

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	118,558	146,371	165,292	197,770	249,940
Cost of goods sold	(90,618)	(112,881)	(123,308)	(146,943)	(185,206)
<b>Gross profit</b>	<b>27,940</b>	<b>33,491</b>	<b>41,984</b>	<b>50,827</b>	<b>64,735</b>
Other operating income	613	758	1,259	1,582	2,000
Operating costs	(13,502)	(15,865)	(21,178)	(23,751)	(30,012)
<b>Operating EBITDA</b>	<b>18,240</b>	<b>22,992</b>	<b>27,173</b>	<b>34,266</b>	<b>42,830</b>
Depreciation	(3,190)	(4,608)	(5,108)	(5,608)	(6,108)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>15,050</b>	<b>18,384</b>	<b>22,065</b>	<b>28,658</b>	<b>36,722</b>
Net financing costs	(20)	(109)	(116)	(104)	(94)
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	781	1,221	753	0	0
<b>Profit before tax</b>	<b>15,811</b>	<b>19,496</b>	<b>22,702</b>	<b>28,554</b>	<b>36,628</b>
Tax	(467)	(1,073)	(533)	(4,283)	(5,494)
<b>Profit after tax</b>	<b>15,345</b>	<b>18,423</b>	<b>22,169</b>	<b>24,271</b>	<b>31,134</b>
Minority interests	(1)	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>15,343</b>	<b>18,423</b>	<b>22,169</b>	<b>24,271</b>	<b>31,134</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(781)</b>	<b>(1,221)</b>	<b>(753)</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>14,563</b>	<b>17,201</b>	<b>21,416</b>	<b>24,271</b>	<b>31,134</b>
<b>Per share (THB)</b>					
Recurring EPS *	1.17	1.38	1.72	1.95	2.50
Reported EPS	1.23	1.48	1.78	1.95	2.50
DPS	0.40	0.45	0.89	0.97	1.25
Diluted shares (used to calculate per share data)	12,474	12,474	12,474	12,474	12,474
<b>Growth</b>					
Revenue (%)	40.6	23.5	12.9	19.6	26.4
Operating EBITDA (%)	109.9	26.1	18.2	26.1	25.0
Operating EBIT (%)	143.5	22.1	20.0	29.9	28.1
Recurring EPS (%)	139.7	18.1	24.5	13.3	28.3
Reported EPS (%)	129.0	20.1	20.3	9.5	28.3
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	23.6	22.9	25.4	25.7	25.9
Gross margin exc. depreciation (%)	26.3	26.0	28.5	28.5	28.3
Operating EBITDA margin (%)	15.4	15.7	16.4	17.3	17.1
Operating EBIT margin (%)	12.7	12.6	13.3	14.5	14.7
Net margin (%)	12.3	11.8	13.0	12.3	12.5
Effective tax rate (%)	3.0	5.5	2.3	15.0	15.0
Dividend payout on recurring profit (%)	34.3	32.6	51.8	50.0	50.0
Interest cover (X)	771.2	168.1	190.5	276.4	391.7
Inventory days	93.2	97.4	100.1	90.8	90.7
Debtor days	75.0	76.5	76.7	73.4	71.7
Creditor days	109.1	105.0	101.7	90.4	83.5
Operating ROIC (%)	28.3	26.3	26.0	29.0	30.5
ROIC (%)	27.1	25.3	25.0	27.8	29.2
ROE (%)	30.3	28.1	29.5	28.9	31.5
ROA (%)	18.2	17.4	19.0	19.2	21.0

\* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2022	2023	2024E	2025E	2026E
Power electronics	91,252	120,290	91,709	120,028	162,037
Mobility			44,496	47,836	55,011
Infrastructure	24,185	22,105	24,745	25,446	27,991
Automation	3,009	3,830	4,236	4,356	4,792

Sources: Delta Electronics; FSSIA estimates

## Financial Statements

### Delta Electronics

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	14,563	17,201	21,416	24,271	31,134
Depreciation	3,190	4,608	5,108	5,608	6,108
Associates & minorities	-	-	-	-	-
Other non-cash items	-	(546)	(753)	0	0
Change in working capital	(5,108)	(10,111)	(1,842)	(11,145)	(15,018)
<b>Cash flow from operations</b>	<b>12,644</b>	<b>11,152</b>	<b>23,929</b>	<b>18,733</b>	<b>22,224</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(7,788)	(11,633)	(10,000)	(10,000)	(10,000)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	213	(595)	(476)	(983)	(783)
<b>Cash flow from investing</b>	<b>(7,575)</b>	<b>(12,227)</b>	<b>(10,476)</b>	<b>(10,983)</b>	<b>(10,783)</b>
Dividends paid	(1,855)	(5,188)	(11,084)	(12,136)	(15,567)
Equity finance	0	0	0	0	0
Debt finance	569	3,568	(1,013)	868	1,313
Other financing cash flows	(213)	(376)	(1,174)	1,000	1,000
<b>Cash flow from financing</b>	<b>(1,499)</b>	<b>(1,996)</b>	<b>(13,271)</b>	<b>(10,268)</b>	<b>(13,254)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	546	752	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>546</b>	<b>752</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>3,571</b>	<b>(2,525)</b>	<b>934</b>	<b>(2,518)</b>	<b>(1,812)</b>
Free cash flow to firm (FCFF)	5,088.89	(965.85)	13,568.76	7,854.15	11,535.38
Free cash flow to equity (FCFE)	5,425.24	2,663.13	12,018.13	9,618.00	13,755.03
<b>Per share (THB)</b>					
FCFF per share	0.41	(0.08)	1.09	0.63	0.92
FCFE per share	0.43	0.21	0.96	0.77	1.10
Recurring cash flow per share	1.42	1.70	2.07	2.40	2.99
<b>Balance Sheet (THB m) Year Ending Dec</b>					
Tangible fixed assets (gross)	37,631	47,866	57,866	67,866	77,866
Less: Accumulated depreciation	(14,449)	(17,659)	(22,767)	(28,374)	(34,482)
<b>Tangible fixed assets (net)</b>	<b>23,182</b>	<b>30,207</b>	<b>35,099</b>	<b>39,492</b>	<b>43,384</b>
<b>Intangible fixed assets (net)</b>	<b>629</b>	<b>591</b>	<b>629</b>	<b>629</b>	<b>629</b>
Long-term financial assets	248	236	236	236	236
Invest. in associates & subsidiaries	-	-	-	-	-
Cash & equivalents	10,142	7,617	8,552	6,034	4,222
A/C receivable	28,132	33,237	36,228	43,347	54,781
Inventories	25,049	32,747	32,094	38,245	50,741
Other current assets	2,702	1,965	3,306	3,955	4,999
<b>Current assets</b>	<b>66,025</b>	<b>75,566</b>	<b>80,180</b>	<b>91,582</b>	<b>114,744</b>
Other assets	901	1,545	1,984	2,967	3,749
<b>Total assets</b>	<b>90,984</b>	<b>108,145</b>	<b>118,127</b>	<b>134,904</b>	<b>162,741</b>
Common equity	54,680	67,539	77,449	90,585	107,152
Minorities etc.	0	0	0	0	0
<b>Total shareholders' equity</b>	<b>54,680</b>	<b>67,539</b>	<b>77,449</b>	<b>90,585</b>	<b>107,152</b>
Long term debt	930	969	954	874	794
Other long-term liabilities	2,705	3,461	3,306	3,955	4,999
<b>Long-term liabilities</b>	<b>3,635</b>	<b>4,431</b>	<b>4,260</b>	<b>4,829</b>	<b>5,793</b>
A/C payable	30,202	32,096	33,783	36,233	45,667
Short term debt	1,011	2,607	982	1,280	1,630
Other current liabilities	1,457	1,472	1,653	1,978	2,499
<b>Current liabilities</b>	<b>32,670</b>	<b>36,176</b>	<b>36,418</b>	<b>39,490</b>	<b>49,797</b>
<b>Total liabilities and shareholders' equity</b>	<b>90,984</b>	<b>108,145</b>	<b>118,127</b>	<b>134,904</b>	<b>162,741</b>
Net working capital	24,225	34,380	36,192	47,337	62,355
Invested capital	49,184	66,959	74,139	90,660	110,352
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	4.38	5.41	6.21	7.26	8.59
Tangible book value per share	4.33	5.37	6.16	7.21	8.54
<b>Financial strength</b>					
Net debt/equity (%)	(15.0)	(6.0)	(8.5)	(4.3)	(1.7)
Net debt/total assets (%)	(9.0)	(3.7)	(5.6)	(2.9)	(1.1)
Current ratio (x)	2.0	2.1	2.2	2.3	2.3
CF interest cover (x)	678.1	131.7	191.1	190.2	254.4
<b>Valuation</b>					
<b>Recurring P/E (x) *</b>	<b>132.3</b>	<b>112.0</b>	<b>90.0</b>	<b>79.4</b>	<b>61.9</b>
<b>Recurring P/E @ target price (x) *</b>	<b>85.7</b>	<b>72.5</b>	<b>58.2</b>	<b>51.4</b>	<b>40.1</b>
Reported P/E (x)	125.6	104.6	86.9	79.4	61.9
Dividend yield (%)	0.3	0.3	0.6	0.6	0.8
Price/book (x)	35.2	28.5	24.9	21.3	18.0
Price/tangible book (x)	35.7	28.8	25.1	21.4	18.1
EV/EBITDA (x) **	105.2	83.6	70.7	56.1	45.0
EV/EBITDA @ target price (x) **	67.9	54.1	45.7	36.3	29.1
EV/invested capital (x)	39.0	28.7	25.9	21.2	17.4
* Pre-exceptional, pre-goodwill and fully diluted    ** EBITDA includes associate income and recurring non-operating income					

Sources: Delta Electronics; FSSIA estimates



# Delta Electronics Thailand (DELTA TB)

## FSSIA ESG rating


**80.05 /100**

### Exhibit 13: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

### Exhibit 14: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET ESG	SET ESG Rating	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	68.42	5.72	4.39	4.54	4.76	4.43	4.02	Medium	57.06	BBB	22.81	61.26	67.56	1.22	35.11
Coverage	66.06	4.94	4.20	4.40	4.82	4.46	3.88	Medium	54.14	BB	18.11	57.41	66.38	1.36	36.75
DELTA	80.05	Y	Y	A	5.00	4.00	Certified	Low	70.14	AA	--	83.69	79.00	--	--
HANA	58.59	--	Y	AA	5.00	5.00	Certified	Negligible	62.50	BBB	--	59.86	28.00	1.77	38.09
KCE	52.42	--	--	A	5.00	5.00	Certified	Medium	64.70	--	--	52.50	24.00	2.35	56.17

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation

### Exhibit 15: ESG score by Bloomberg

FY ending Dec 31	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>ESG financial materiality scores - ESG score</b>	<b>3.63</b>	<b>3.92</b>	<b>4.13</b>	<b>4.06</b>	<b>4.24</b>	<b>4.03</b>	<b>4.21</b>	<b>—</b>
BESG environmental pillar score	4.68	5.12	5.75	5.33	5.80	5.25	5.77	—
BESG social pillar score	2.72	2.72	2.72	2.72	2.72	2.72	2.72	—
BESG governance pillar score	3.27	3.71	3.65	3.90	3.94	3.91	3.89	—
<b>ESG disclosure score</b>	<b>63.10</b>	<b>63.96</b>	<b>60.99</b>	<b>65.87</b>	<b>67.09</b>	<b>68.34</b>	<b>74.97</b>	<b>—</b>
Environmental disclosure score	63.03	65.00	63.03	63.03	69.86	70.52	77.68	—
Social disclosure score	38.82	39.42	32.47	47.13	43.95	47.07	59.82	—
Governance disclosure score	87.36	87.36	87.36	87.36	87.36	87.36	87.36	—
<b>Environmental</b>								
Emissions reduction initiatives	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No	Yes	Yes	Yes
Risks of climate change discussed	No	No	No	No	No	Yes	Yes	Yes
GHG scope 1	0	0	0	0	1	1	2	3
GHG Scope 2 location-based	41	40	39	42	40	51	62	73
GHG Scope 3	28	19	46	40	82	127	189	172
Carbon per unit of production	—	—	—	—	—	—	—	—
Biodiversity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Energy efficiency policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Total energy consumption	80	80	92	84	80	102	104	216
Renewable energy use	0	3	7	9	10	10	13	64
Electricity used	78	79	92	80	80	91	97	149
Fuel used - natural gas	—	—	—	—	196	233	201	187

Sources: Bloomberg; FSSIA's compilation



**Exhibit 16: ESG score by Bloomberg (cont.)**

FY ending Dec 31	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hazardous waste	0	0	0	0	0	0	0	0
Total waste	2	2	2	3	6	8	6	9
Waste recycled	2	2	2	3	4	4	5	8
Waste sent to landfills	0	0	0	0	0	0	0	0
Environmental supply chain management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water consumption	—	—	—	—	434	445	226	293
<b>Social</b>								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Quality assurance and recall policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Consumer data protection policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	Yes	Yes	Yes	Yes	Yes
Pct women in workforce	80	75	71	71	65	69	71	73
Pct disabled in workforce	—	—	—	—	—	—	—	0
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	—	—	0	—	0	0	0
Total recordable incident rate - employees	1	0	0	1	0	—	—	0
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	No	No	No
Number of employees – CSR	9,764	10,691	11,088	11,297	13,852	16,951	20,022	27,607
Employee turnover pct	11	—	—	7	6	7	3	12
Total hours spent by firm - employee training	96,865	115,161	128,431	168,455	678,748	1,017,000	918,317	1,333,420
Social supply chain management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Governance</b>								
<b>Board size</b>	<b>8</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>
<b>No. of independent directors (ID)</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>3</b>
No. of women on board	0	0	1	1	1	1	1	2
No. of non-executive directors on board	6	6	7	6	6	6	6	5
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	5	6	6	6	5	5	6	8
Board meeting attendance pct	97	93	96	100	100	98	98	100
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	53	54	55	52	53	54	61	54
Age of the oldest director	71	72	73	73	73	74	75	76
<b>No. of executives / company managers</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>
No. of female executives	1	1	1	0	0	1	1	2
Executive share ownership guidelines	No	No	No	No	No	No	No	No
<b>Size of audit committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on audit committee	3	3	3	3	3	3	3	3
Audit committee meetings	4	4	4	4	4	4	4	4
Audit meeting attendance %	90	92	100	100	100	100	100	100
<b>Size of compensation committee</b>	<b>5</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on compensation committee	3	2	2	2	2	2	2	2
No. of compensation committee meetings	4	4	4	4	5	5	6	5
Compensation meeting attendance %	91	83	83	100	93	100	94	100
<b>Size of nomination committee</b>	<b>5</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of nomination committee meetings	4	4	4	4	5	5	6	5
Nomination meeting attendance %	91	83	83	100	93	100	94	100
<b>Sustainability governance</b>								
Verification type	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Sources: Bloomberg; FSSIA's compilation

## Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices ( <a href="#">DJSI</a> ) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																				
SET ESG Ratings List ( <a href="#">SETESG</a> ) by The Stock Exchange of Thailand ( <a href="#">SET</a> )	SET ESG quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <b>SETESG inclusion</b> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <b>SETESG Index</b> is extended from the SET ESG Ratings companies whose 1) market capitalization > 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.																				
<b>CG Score</b> by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
<b>AGM level</b> By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
<a href="#">Thai CAC</a> By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																				
<a href="#">Morningstar Sustainabilitys</a>	The Sustainabilitys' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality &amp; peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
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<a href="#">ESG Book</a>	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																				
<a href="#">MSCI</a>	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table><tr><td><b>AAA</b></td><td>8.571-10.000</td><td rowspan="3"><b>Leader:</b></td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td><b>AA</b></td><td>7.143-8.570</td></tr><tr><td><b>A</b></td><td>5.714-7.142</td></tr><tr><td><b>BBB</b></td><td>4.286-5.713</td><td rowspan="3"><b>Average:</b></td><td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td><b>BB</b></td><td>2.857-4.285</td></tr><tr><td><b>B</b></td><td>1.429-2.856</td></tr><tr><td><b>CCC</b></td><td>0.000-1.428</td><td><b>Laggard:</b></td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>		<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570	<b>A</b>	5.714-7.142	<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285	<b>B</b>	1.429-2.856	<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks
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<a href="#">Moody's ESG solutions</a>	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
<a href="#">Refinitiv ESG rating</a>	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																					
<a href="#">S&amp;P Global</a>	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
<b>Bloomberg</b>	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

[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**"; 2) "**AGM Level**"; 3) "**Thai CAC**"; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

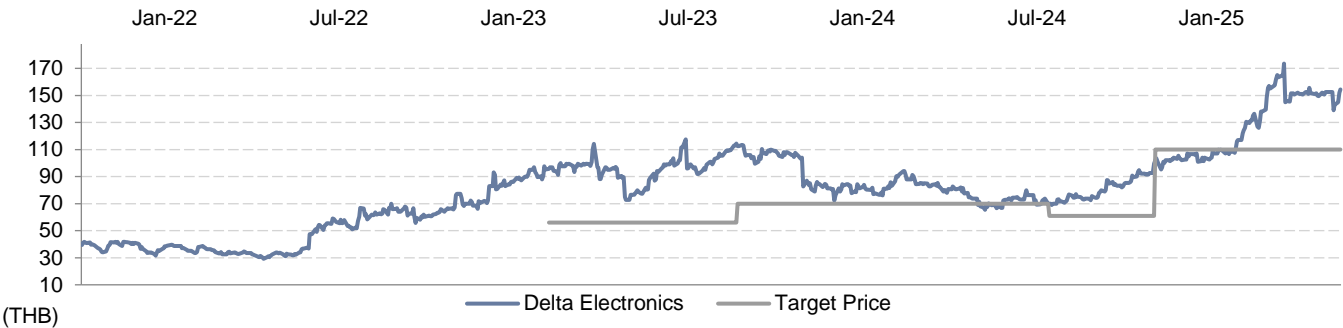
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History of change in investment rating and/or target price

Delta Electronics (DELTA TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
17-Feb-2023	REDUCE	56.00	29-Apr-2024	REDUCE	61.00	-	-	-
02-Aug-2023	REDUCE	70.00	30-Jul-2024	HOLD	110.00			

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

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Delta Electronics	DELTA TB	THB 154.50	HOLD	Downside and upside risks to our P/E-based TP include 1) lower or higher-than-expected global EV sales growth; 2) a sooner or later-than-expected decrease in raw material costs; and 3) a stronger or weaker-than-expected THB.

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.

All share prices are as at market close on 08-Jan-2025 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.