

King Slide Works (2059 TT)

 Target price: **TWD5,888.00** (from TWD3,880.00)

 Share price (7 May): **TWD4,840.00** | Up/downside: **+21.7%**

 5 4 3 2 **1**

Buy

(from Outperform)

Upgrading: 1Q26 review; riding a growing TAM

- Amazon ASIC ramp-up and TPU mix shift drive strong growth
- Leading market share position benefits from regular server demand
- Upgrading to Buy (1) rating; raising 12M TP to TWD5,888

Sheng Cheng

(886) 2 8758 6253

sheng.cheng@daiwacm-cathay.com.tw

Allan Wang

(886) 2 8758 6249

allan.wang@daiwacm-cathay.com.tw



What's new: We review King Slide's 1Q26 results after its earnings call.

What's the impact: 1Q26 results beat expectations on FX gains. King Slide's 1Q26 earnings came in at TWD3.5bn (EPS: TWD36.6), which was 10% and 18% higher than our and street expectations, respectively, due to higher-than-expected FX gains. While revenue was TWD5.5bn (up 10% QoQ and 38% YoY), largely on track with our expectations, the gross margin rose by 1.6pp QoQ due to the favourable FX trend (avg. USD/TWD FX rate was +2% in 1Q26 vs. +4% in 4Q25). However, the operating margin declined by 2.1pp to 67.1% due to a one-time freight expense of c.TWD200m. Lastly, net profit was boosted by higher-than-expected non-operating gains of TWD697m (mainly FX gains of TWD476m).

Business outlook. As we highlighted in our first-take memo ([link here](#)), we expect King Slide's market share loss with Nvidia to be fully priced in, while rising demand for regular servers and its dominant c.70% share in the AI server rail kit market position the company well to sustain positive revenue momentum. We believe King Slide's April sales strength was driven by its role as the main rail kit supplier for Amazon's new ASIC AI servers, a contribution we expect to become a key growth driver into 2026. On the ASIC front, we forecast revenue to grow 73% YoY in 2026, reflecting shipment volume increases and ASP expansion, with TPU potentially playing a meaningful role in the ASIC revenue mix by 2027 as the overall TAM continues to scale. For CPUs, expanding demand further benefits King Slide, given its commanding c.60% global share of the regular server market, which underpins our 78%/41% regular server revenue YoY growth estimates for 2026/27E, reflecting the strength we are seeing in the server supply chain. Beyond compute, Nvidia's GTC showcase of comprehensive rack solutions, including switches and power, could generate an extra 300-600k sets of rail kit demand by 2028E, representing an upside opportunity for King Slide. Taken together, these tailwinds across AI and regular server markets reinforce our positive outlook on King Slide.

What we recommend: We raise our 2026-27E EPS by 21-27% to factor in the 1Q26 results. Therefore, we raise our 12M TP to TWD5,888, based on a PER of 30x (high end of its past-3-year range of 10-32x; raised from 26x on a higher earnings growth trajectory), applied to our 4-quarter forward EPS forecast. Given the 2025-28E earnings CAGR of 30%, implying a PEG of 1.0, we think our valuation is not demanding and upgrade King Slide to Buy (1). Key downside risk: worse-than-expected demand for AI servers.

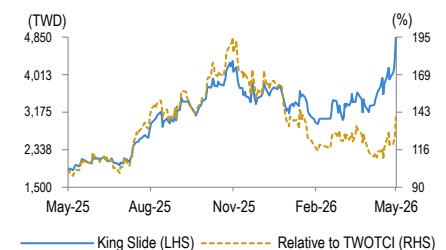
How we differ: Our 2026-27E EPS are 15-19% above consensus, likely as we are more positive on King Slide's revenue.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	16.1	25.6	n.a.
Net profit change	21.3	27.0	n.a.
Core EPS (FD) change	21.3	27.0	n.a.

Source: Daiwa forecasts

Share price performance



12-month range	1,880.00-4,840.00
Market cap (USDbn)	14.66
3m avg daily turnover (USDm)	87.22
Shares outstanding (m)	95
Major shareholder	Ming Wei Global Co., Ltd. (6.7%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	27,589	33,514	38,185
Operating profit (m)	18,855	22,841	26,018
Net profit (m)	16,442	19,227	21,453
Core EPS (fully-diluted)	172.529	201.763	225.115
EPS change (%)	67.0	16.9	11.6
Daiwa vs Cons. EPS (%)	19.3	14.5	(10.6)
PER (x)	28.1	24.0	21.5
Dividend yield (%)	1.1	1.2	1.4
DPS	51.0	60.0	66.0
PBR (x)	11.6	8.7	6.8
EV/EBITDA (x)	22.0	17.6	14.9
ROE (%)	48.6	41.4	35.3

Source: FactSet, Daiwa forecasts

King Slide: Daiwa revenue and earnings forecasts revisions vs. the consensus

(TWDm)	2026E			2027E			2028E		
	Previous	New	Consensus	Previous	New	Consensus	Previous	New	Consensus
Revenue	23,764	27,589	23,990	26,691	33,514	28,594	n.a.	38,185	41,802
Diff (%)		16.1%	15.0%		25.6%	17.2%		n.a.	-8.7%
Gross Margin (%)	75.1%	76.1%	76.2%	74.9%	75.1%	75.7%	n.a.	75.1%	75.5%
Operating profit	16,159	18,855	16,615	18,139	22,841	20,416	n.a.	26,018	27,436
Op Margin (%)	68.0%	68.3%	69.3%	68.0%	68.2%	71.4%	n.a.	68.1%	65.6%
Net profit	13,554	16,442	13,784	15,146	19,227	16,799	n.a.	21,453	23,991
EPS (TWD)	142.23	172.53	144.65	158.93	201.76	176.29	n.a.	225.11	251.75
Diff (%)		21.3%	19.3%		27.0%	14.5%		n.a.	-10.6%

Source: Bloomberg, Daiwa forecasts

King Slide: quarterly and annual P&L statement

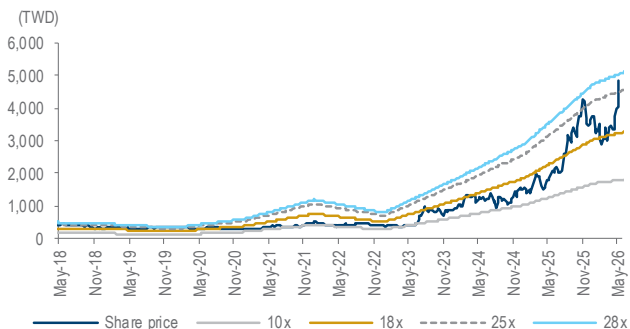
(TWDm)	2026E				2027E				2025	2026E	2027E	2028E
	1Q	2QE	3QE	4QE	1QE	2QE	3QE	4QE				
Net revenue	5,450	7,195	7,122	7,822	7,775	8,578	8,463	8,698	17,501	27,589	33,514	38,185
COGS	-1,213	-1,747	-1,729	-1,906	-1,908	-2,123	-2,096	-2,209	-4,192	-6,594	-8,336	-9,495
Gross profit	4,237	5,449	5,393	5,916	5,868	6,455	6,367	6,488	13,309	20,994	25,178	28,690
Operating expenses	-582	-504	-506	-548	-544	-596	-588	-609	-1,220	-2,139	-2,337	-2,672
Operating profit	3,654	4,945	4,887	5,368	5,323	5,859	5,779	5,879	12,089	18,855	22,841	26,018
Non-operating profit	697	195	398	399	396	398	198	198	343	1,689	1,191	795
Pre-tax profit	4,352	5,139	5,286	5,768	5,720	6,257	5,977	6,078	12,423	20,545	24,031	26,813
Income taxes	-866	-1,027	-1,057	-1,153	-1,143	-1,251	-1,195	-1,215	-2,586	-4,103	-4,804	-5,360
Net profit	3,486	4,112	4,229	4,615	4,576	5,006	4,782	4,863	9,837	16,442	19,227	21,453
Net EPS (TWD)	36.58	43.15	44.38	48.42	48.02	52.53	50.18	51.03	103.23	172.53	201.76	225.11
Operating Ratios												
Gross margin	77.7%	75.7%	75.7%	75.6%	75.5%	75.3%	75.2%	74.6%	76.0%	76.1%	75.1%	75.1%
Operating margin	67.1%	68.7%	68.6%	68.6%	68.5%	68.3%	68.3%	67.6%	69.1%	68.3%	68.2%	68.1%
Pre-tax margin	79.9%	71.4%	74.2%	73.7%	73.6%	72.9%	70.6%	69.9%	71.0%	74.5%	71.7%	70.2%
Net margin	64.0%	57.1%	59.4%	59.0%	58.9%	58.4%	56.5%	55.9%	56.2%	59.6%	57.4%	56.2%
YoY (%)												
Net revenue	38%	70%	63%	58%	43%	19%	19%	11%	73%	58%	21%	14%
Gross profit	41%	66%	66%	57%	38%	18%	18%	10%	90%	58%	20%	14%
Operating profit	34%	67%	64%	57%	46%	18%	18%	10%	98%	56%	21%	14%
Pre-tax profit	39%	472%	32%	31%	31%	22%	13%	5%	59%	65%	17%	12%
Net profit	39%	570%	32%	31%	31%	22%	13%	5%	60%	67%	17%	12%
QoQ (%)												
Net revenue	10%	32%	-1%	10%	-1%	10%	-1%	3%				
Gross profit	12%	29%	-1%	10%	-1%	10%	-1%	2%				
Operating profit	7%	35%	-1%	10%	-1%	10%	-1%	2%				
Pre-tax profit	-1%	18%	3%	9%	-1%	9%	-4%	2%				
Net profit	-1%	18%	3%	9%	-1%	9%	-4%	2%				

Source: Company, Daiwa forecasts

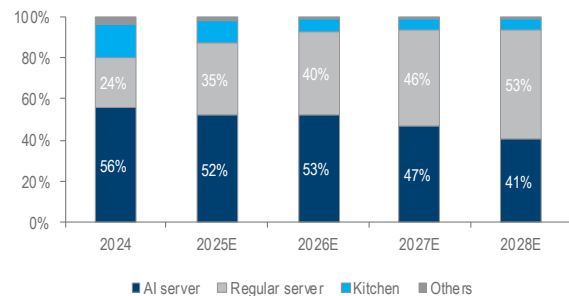
King Slide: 1Q26 comparison table

(TWDm)	Actual	QoQ%	YoY%	Daiwa	Diff %	Consensus	Diff %
Revenue	5,450	10%	38%	5,495	-1%	5,114	7%
Gross profit	4,237	12%	41%	4,156	2%	3,874	9%
Gross margin (%)	77.7%			75.6%		75.8%	
Operating profit	3,654	7%	34%	4,048	-10%	3,520	4%
Operating margin (%)	67.1%			68.4%		68.8%	
Pre-tax profit	4,352	-1%	39%	3,951	10%	4,742	-8%
Net profit	3,486	-1%	39%	3,161	10%	2,945	18%
EPS (TWD)	36.58	-1%	39%	33.17	10%	30.91	18%

Source: Company data, Daiwa forecasts, Bloomberg

King Slide: 1-year forward PER bands


Source: TEJ, Daiwa forecasts

King Slide: revenue breakdown


Source: Company, Daiwa forecasts

Financial summary

Key assumptions

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Server railkit shipment (k)	3,938.0	4,477.0	3,556.9	2,711.9	6,021.2	10,264.3	14,291.6	17,836.8
HGX railkit shipment (k)	0.0	0.0	90.0	360.0	270.0	248.5	180.0	85.0
NVL railkit shipment (k)	0.0	0.0	0.0	0.0	636.7	1,392.2	1,560.8	1,522.5

Profit and loss (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Regular server railkit sales	4,489	5,081	2,678	2,451	6,126	10,934	15,435	20,334
AI server railkit sales	0	0	982	5,668	9,122	14,542	15,785	15,470
Other Revenue	1,853	2,717	2,103	2,011	2,252	2,112	2,294	2,381
Total Revenue	6,342	7,799	5,763	10,129	17,501	27,589	33,514	38,185
Other income	0	0	0	0	0	0	0	0
COGS	(2,987)	(3,333)	(2,231)	(3,128)	(4,192)	(6,594)	(8,336)	(9,495)
SG&A	(386)	(474)	(408)	(550)	(743)	(1,332)	(1,332)	(1,527)
Other op. expenses	(250)	(239)	(235)	(351)	(477)	(807)	(1,005)	(1,146)
Operating profit	2,720	3,753	2,888	6,101	12,089	18,855	22,841	26,018
Net-interest inc./(exp.)	10	159	495	653	692	711	716	716
Assoc/forex/extraord./others	(134)	1,162	43	1,035	(350)	978	475	78
Pre-tax profit	2,596	5,073	3,426	7,789	12,431	20,545	24,031	26,813
Tax	(523)	(1,017)	(721)	(1,633)	(2,586)	(4,103)	(4,804)	(5,360)
Min. int./pref. div./others	0	0	0	0	0	0	0	0
Net profit (reported)	2,073	4,056	2,704	6,156	9,845	16,442	19,227	21,453
Net profit (adjusted)	2,073	4,056	2,704	6,156	9,845	16,442	19,227	21,453
EPS (reported)(TWD)	21.748	42.563	28.378	64.594	103.309	172.529	201.763	225.115
EPS (adjusted)(TWD)	21.748	42.563	28.378	64.594	103.309	172.529	201.763	225.115
EPS (adjusted fully-diluted)(TWD)	21.748	42.563	28.378	64.594	103.309	172.529	201.763	225.115
DPS (TWD)	6.120	10.880	20.000	14.190	32.200	51.000	60.000	66.000
EBIT	2,720	3,753	2,888	6,101	12,089	18,855	22,841	26,018
EBITDA	2,934	3,977	3,157	6,429	12,552	19,459	23,665	27,030

Cash flow (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	2,596	5,073	3,426	7,789	12,431	20,545	24,031	26,813
Depreciation and amortisation	214	224	269	328	464	604	824	1,012
Tax paid	(523)	(1,017)	(721)	(1,633)	(2,586)	(4,103)	(4,804)	(5,360)
Change in working capital	(997)	(209)	52	(1,598)	2,097	(1,079)	(649)	(502)
Other operational CF items	228	(133)	252	301	0	0	0	(0)
Cash flow from operations	1,518	3,938	3,278	5,187	12,405	15,966	19,403	21,963
Capex	(768)	(824)	(375)	(354)	(1,750)	(2,759)	(2,346)	(2,673)
Net (acquisitions)/disposals	(1,495)	389	215	884	0	0	0	0
Other investing CF items	1	(1)	(0)	(0)	0	0	0	0
Cash flow from investing	(2,261)	(436)	(161)	530	(1,750)	(2,759)	(2,346)	(2,673)
Change in debt	257	448	(32)	(130)	0	0	0	0
Net share issues/(repurchases)	0	0	0	0	0	0	0	0
Dividends paid	(583)	(1,037)	(1,906)	(1,352)	(3,069)	(4,860)	(5,718)	(6,290)
Other financing CF items	(33)	(35)	(28)	(26)	0	0	0	0
Cash flow from financing	(359)	(624)	(1,966)	(1,508)	(3,069)	(4,860)	(5,718)	(6,290)
Forex effect/others	(22)	788	(141)	676	0	0	0	0
Change in cash	(1,124)	3,666	1,010	4,886	7,587	8,347	11,339	13,000
Free cash flow	751	3,114	2,903	4,833	10,655	13,207	17,057	19,290

Source: FactSet, Daiwa forecasts

Financial summary continued ...

Balance sheet (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Cash & short-term investment	9,421	12,698	13,494	17,495	25,074	33,421	44,759	57,760
Inventory	926	920	1,012	1,231	919	1,445	1,827	2,081
Accounts receivable	1,774	1,866	1,656	3,180	1,678	2,645	3,214	3,662
Other current assets	31	36	40	43	43	43	43	43
Total current assets	12,151	15,520	16,202	21,949	27,713	37,554	49,843	63,545
Fixed assets	2,446	2,955	3,192	3,287	4,574	6,729	8,251	9,911
Goodwill & intangibles	3	2	3	2	2	2	2	2
Other non-current assets	832	759	1,184	1,234	1,234	1,234	1,234	1,234
Total assets	15,433	19,236	20,581	26,472	33,523	45,519	59,330	74,693
Short-term debt	0	0	0	0	0	0	0	0
Accounts payable	469	374	309	441	724	1,138	1,439	1,639
Other current liabilities	1,211	1,599	1,866	2,708	2,708	2,708	2,708	2,708
Total current liabilities	1,680	1,973	2,174	3,149	3,432	3,846	4,147	4,347
Long-term debt	452	895	741	615	615	615	615	615
Other non-current liabilities	698	730	1,229	1,416	1,416	1,416	1,416	1,416
Total liabilities	2,830	3,598	4,145	5,180	5,462	5,877	6,178	6,378
Share capital	953	953	953	953	953	953	953	953
Reserves/R.E./others	11,650	14,685	15,483	20,339	27,108	38,689	52,199	67,362
Shareholders' equity	12,603	15,638	16,436	21,292	28,061	39,642	53,152	68,315
Minority interests	0	0	0	0	0	0	0	0
Total equity & liabilities	15,433	19,236	20,581	26,472	33,523	45,519	59,330	74,693
EV	452,269	449,434	448,485	444,358	436,779	428,432	417,093	404,093
Net debt/(cash)	(8,969)	(11,804)	(12,753)	(16,880)	(24,459)	(32,806)	(44,145)	(57,145)
BVPS (TWD)	132.253	164.101	172.473	223.431	294.457	415.986	557.749	716.864

Key ratios (%)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales (YoY)	32.1	23.0	(26.1)	75.8	72.8	57.6	21.5	13.9
EBITDA (YoY)	36.0	35.5	(20.6)	103.6	95.3	55.0	21.6	14.2
Operating profit (YoY)	38.6	38.0	(23.0)	111.2	98.2	56.0	21.1	13.9
Net profit (YoY)	78.0	95.7	(33.3)	127.6	59.9	67.0	16.9	11.6
Core EPS (fully-diluted) (YoY)	78.0	95.7	(33.3)	127.6	59.9	67.0	16.9	11.6
Gross-profit margin	52.9	57.3	61.3	69.1	76.0	76.1	75.1	75.1
EBITDA margin	46.3	51.0	54.8	63.5	71.7	70.5	70.6	70.8
Operating-profit margin	42.9	48.1	50.1	60.2	69.1	68.3	68.2	68.1
Net profit margin	32.7	52.0	46.9	60.8	56.3	59.6	57.4	56.2
ROAE	17.5	28.7	16.9	32.6	39.9	48.6	41.4	35.3
ROAA	14.4	23.4	13.6	26.2	32.8	41.6	36.7	32.0
ROCE	22.3	25.4	17.1	31.2	47.8	54.7	48.6	42.4
ROIC	73.5	80.3	60.7	n.a	n.a	n.a	n.a	n.a
Net debt to equity	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Effective tax rate	20.2	20.0	21.1	21.0	20.8	20.0	20.0	20.0
Accounts receivable (days)	83.0	85.2	111.6	87.1	50.7	28.6	31.9	32.9
Current ratio (x)	7.2	7.9	7.5	7.0	8.1	9.8	12.0	14.6
Net interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net dividend payout	50.1	50.0	47.0	50.0	49.9	49.4	34.8	32.7
Free cash flow yield	0.2	0.7	0.6	1.0	2.3	2.9	3.7	4.2

Source: FactSet, Daiwa forecasts

Company profile

Founded in 1986, King Slide Works started as a rail kit manufacturer. Leveraging its years of mechanism design experience, the company soon started manufacturing server rail kit in 2000. With 40 years of development, King Slide's product portfolio now comprises server rail kit, kitchen rail kit and hinge. The company is headquartered in Kaohsiung city with two production sites including King Slide Works Co., LTD (ball bearing slide and hinge) and King Slide Technology Co., LTD (server rail kit and functional kitchen rail kit). King Slide also owns sales offices in the US and China. It was listed on the Taiwan Stock Exchange in 2008.

ESG analysis

ESG risks

Risks	Management	Analyst comments
G	Executive/board quality	2 King Slide's board consists of 7 directors, including 4 independent directors. The total number of directors is lower than that of other listed companies in our coverage. King Slide held 6 board meetings in 2024; the actual attendee rate was 100%.
	Capital management	2 Most of the board members are King Slide's founder's family members, which we believe presents downside risks to independent governance. However, the independent directors have diversified backgrounds with expertise in accounting and management, a positive for the board's quality. King Slide declared a DPS of TWD32.2 in 2024, representing a payout ratio of 50%. The payout ratio was in line with the level of 46-53% during 2012-22. As a rail kit manufacturer, King Slide is set to deliver solid revenue growth and FCF over our forecast horizon amidst strong ASP increase in the AI server market.
	Related party & transaction	1 The company did not report any related-party transactions in 2024. We see limited risks from related party transactions.
S	Product design & lifecycle management	2 King Slide applies life cycle thinking and the 3R principle (Reduce/Reuse/Recycle) across its product design to minimise environmental impact. Its green designs focus on controlling environmentally sensitive substances, using non toxic materials, and enabling easy assembly/disassembly to extend product lifespans. The company continues to advance its green product program. Based on 2024 shipments, carbon reductions amounted to 68,067 metric tons of CO ₂ e versus 2023, underscoring progress in lowering the environmental footprint of its products.
S	GHG emissions	2 King Slide is cutting greenhouse-gas emissions through targeted energy-efficient upgrades and process improvements. Across its Works and Technology sites, the company is replacing older motors and lighting with more efficient alternatives, introducing a formal GHG-reducing inventory, and refining equipment controls to eliminate unnecessary idling. These practical measures reduce electricity use, improve operational efficiency and lower the company's carbon footprint in a cost-effective, scalable way.

Note: Management score represents a company's ability to manage/benefit from certain ESG topics. The scores range from 1 to 3, with 1 being the strongest.

Update Date: 3 Feb 2026

Source: Daiwa, Company

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Rating	Percentage of total
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Source: Daiwa

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