Delta Electronics (2308.TW)

Accelerating pricing per watt for new AI products + faster than expected HVDC power rack contribution in 2027-28; Reiterate Buy with new NT$4,500 TP (from NT$2,420)

2308.TW	12m Price Target: **NT$4,500.00**	Price: **NT$2,425.00**	Upside: **85.6%**

We reiterate our Buy rating on Delta, and raise our 12-m TP from NT$2,420 to NT$4,500 (implying 96% upside) to reflect better visibility on the long-term growth opportunity for AI power products (**we expect Delta's overall AI power revenue, including AC/DC PSU+ DC/DC converter + Power rack ex. PSU, to go up by 210% 2025-28E CAGR**), whose profitability should remain at a high level in coming years (we believe 50-60%+ for component level products), and the company's stable industry leadership position, based on our BOM cost analysis (Exhibit 4).

Our key finding in this report is that we see the AI PSU BOM cost per watt going up with higher power density (43% higher BOM per watt from 5.5kW PSU to 12kW PSU), which basically suggests a higher ASP per watt for Delta in coming years (we expect overall AI PSU industry ASP per watt will grow at a 40% 2025-28E CAGR), as the semiconductor and passive components will all continue to be upgraded. Moreover, given the adoption of new AI Power Rack will start from late 2026 (with accelerating demand YTD), we expect a new spec of 18.3kW PSU demand to ramp up quickly, which, based on our understanding, has a similar BOM / watt as the 5.5kW product; however, the high wattage requirement still suggests a high ASP/GM for Delta.

Moreover, the adoption of power rack (+-400V / 800V) from late 2026 will not only benefit Delta with 100% redundancy on PSU (vs. current power shelf solution redundancy ratio at 40-60%), it should also lead to a better DC/DC content for Delta, which in module level Delta has a dominant share. We now expect the AI DC/DC converter market should see a 142% 2025-28E CAGR, while contributing to Delta's 2026/27/28E revenue by 5%/9%/14% with 40%+ OPM, or 12/16/20% OPI contribution in 2026/27/28,

Overall, we revise up Delta's 2026/27/28E earnings estimate by 1/5/24/% to better reflect the solid demand uptrend from the

BUY

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Key Data

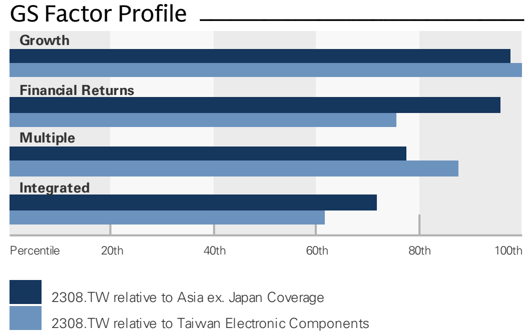
Market cap: NT$6.3tr / $200.2bn
Enterprise value: NT$6.3tr / $198.9bn
3m ADTV: NT$22.1bn / $698.5mn
Taiwan
Taiwan Electronic Components
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (NT$ mn) New	**554,885.2**	**795,488.6**	**1,185,408.4**	**2,159,528.4**
Revenue (NT$ mn) Old	554,885.2	795,488.6	1,158,669.9	1,760,539.6
EBITDA (NT$ mn)	111,771.1	184,066.8	332,915.8	698,835.7
EPS (NT$) New	**23.14**	**45.14**	**84.94**	**188.18**
EPS (NT$) Old	23.14	44.80	80.91	151.63
P/E (X)	26.0	53.7	28.5	12.9
P/B (X)	5.8	19.3	14.4	9.2
Dividend yield (%)	1.9	0.9	1.8	3.9
CROCI (%)	31.3	32.4	46.2	76.4

	3/26	6/26E	9/26E	12/26E
EPS (NT$)	7.91	11.08	12.20	13.96

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates.
See disclosures for details.

BUY

Delta Electronics (2308.TW)

Rating since Oct 24, 2018

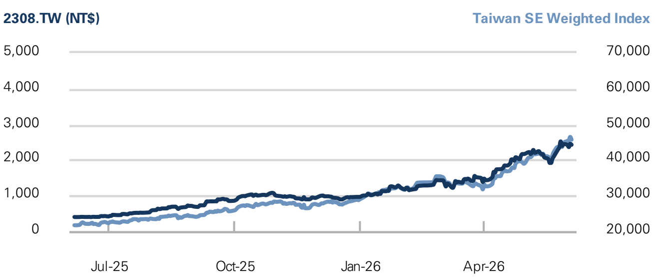
Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	26.0	53.7	28.5	12.9
P/B (X)	5.8	19.3	14.4	9.2
FCF yield (%)	3.2	0.2	1.6	3.5
EV/EBITDAR (X)	13.4	34.0	18.7	8.8
EV/EBITDA (excl. leases) (X)	13.4	34.0	18.7	8.8
CROCI (%)	31.3	32.4	46.2	76.4
ROE (%)	24.1	39.4	57.8	87.4
Net debt/equity (%)	(39.2)	(27.5)	(29.2)	(33.5)
Net debt/equity (excl. leases) (%)	(39.2)	(27.5)	(29.2)	(33.5)
Interest cover (X)	39.3	47.2	45.4	66.2
Days inventory outst, sales	61.0	53.9	49.3	43.2
Receivable days	71.4	68.7	66.8	62.0
Days payable outstanding	81.9	67.9	55.7	51.2
DuPont ROE (%)	18.5	29.8	42.6	62.1
Turnover (X)	0.9	1.0	1.2	1.4
Leverage (X)	2.0	2.0	2.0	2.0
Gross cash invested (ex cash) (NT$)	402,630.9	513,143.3	620,646.1	808,236.8
Average capital employed (NT$)	196,978.7	241,547.3	325,888.1	445,018.0
BVPS (NT$)	103.20	125.77	168.24	262.33

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	31.8	43.4	49.0	82.2
EBITDA growth	53.8	64.7	80.9	109.9
EPS growth	70.6	95.1	88.2	121.5
DPS growth	65.7	94.6	88.2	121.5
EBIT margin	15.1	20.3	25.9	31.0
EBITDA margin	20.1	23.1	28.1	32.4
Net income margin	10.8	14.7	18.6	22.6

Price Performance



	3m	6m	12m
Absolute	93.2%	142.7%	523.4%
Rel. to the Taiwan SE Weighted Index	38.9%	47.7%	195.0%

Source: FactSet. Price as of 4 Jun 2026 close.

Income Statement (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Total revenue	554,885.2	795,488.6	1,185,408.4	2,159,528.4
Cost of goods sold	(364,728.6)	(486,983.2)	(682,389.2)	(1,184,755.9)
SG&A	(57,481.8)	(77,320.0)	(98,566.4)	(146,079.0)
R&D	(48,742.7)	(69,985.6)	(98,003.9)	(160,224.6)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**111,771.1**	**184,066.8**	**332,915.8**	**698,835.7**
Depreciation & amortization	(27,839.1)	(22,866.9)	(26,466.9)	(30,366.9)
EBIT	**83,932.1**	**161,199.9**	**306,448.9**	**668,468.9**
Net interest inc./(exp.)	1,578.5	1,369.8	(1,165.7)	(1,709.5)
Income/(loss) from associates	0.0	–	–	–
Pre-tax profit	**87,866.0**	**164,625.4**	**306,448.9**	**668,468.9**
Provision for taxes	(19,929.7)	(37,970.8)	(71,762.6)	(154,297.1)
Minority interest	(7,827.9)	(9,408.9)	(14,047.4)	(25,358.5)
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**60,108.4**	**117,245.7**	**220,638.9**	**488,813.3**
Post-tax exceptionals	–	–	–	–
Net inc. (post-exceptionals)	**60,108.4**	**117,245.7**	**220,638.9**	**488,813.3**
EPS (basic, pre-except) (NT$)	**23.14**	**45.14**	**84.94**	**188.18**
EPS (diluted, pre-except) (NT$)	**23.14**	**45.14**	**84.94**	**188.18**
EPS (basic, post-except) (NT$)	**23.14**	**45.14**	**84.94**	**188.18**
EPS (diluted, post-except) (NT$)	**23.14**	**45.14**	**84.94**	**188.18**
DPS (NT$)	11.60	22.57	42.47	94.09
Div. payout ratio (%)	50.1	50.0	50.0	50.0

Balance Sheet (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Cash & cash equivalents	151,172.2	176,558.5	264,889.4	422,430.6
Accounts receivable	125,020.2	174,353.7	259,815.5	473,321.3
Inventory	101,478.3	133,420.0	186,956.0	324,590.7
Other current assets	18,110.1	18,110.1	18,110.1	18,110.1
Total current assets	**395,780.8**	**502,442.3**	**729,771.0**	**1,238,452.7**
Net PP&E	142,039.8	169,173.0	197,706.1	227,339.3
Net intangibles	75,326.3	75,326.3	75,326.3	75,326.3
Total investments	4,876.2	4,876.2	4,876.2	4,876.2
Other long-term assets	21,595.5	21,595.5	21,595.5	21,595.5
Total assets	**639,618.6**	**773,413.3**	**1,029,275.1**	**1,567,590.0**
Accounts payable	94,451.5	86,723.0	121,521.4	210,983.9
Short-term debt	2,364.1	2,364.1	2,364.1	2,364.1
Short-term lease liabilities	–	–	–	–
Other current liabilities	112,849.4	141,340.7	193,037.3	327,124.5
Total current liabilities	**209,665.0**	**230,427.9**	**316,922.8**	**540,472.6**
Long-term debt	21,142.6	66,142.6	111,142.6	156,142.6
Long-term lease liabilities	–	–	–	–
Other long-term liabilities	83,422.0	83,422.0	83,422.0	83,422.0
Total long-term liabilities	**104,564.6**	**149,564.6**	**194,564.6**	**239,564.6**
Total liabilities	**314,229.6**	**379,992.5**	**511,487.4**	**780,037.2**
Preferred shares	1.0	1.0	1.0	1.0
Total common equity	268,058.0	326,680.8	437,000.3	681,406.9
Minority interest	**57,331.0**	**66,740.0**	**80,787.4**	**106,145.8**
Total liabilities & equity	**639,618.6**	**773,413.3**	**1,029,275.1**	**1,567,590.0**
Net debt, adjusted	(127,664.4)	(108,050.7)	(151,381.6)	(263,922.9)

Cash Flow (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Net income	60,108.4	117,245.7	220,638.9	488,813.3
D&A add-back	27,839.1	22,866.9	26,466.9	30,366.9
Minority interest add-back	7,827.9	9,408.9	14,047.4	25,358.5
Net (inc)/dec working capital	(24,348.1)	(89,003.7)	(104,199.4)	(261,677.9)
Other operating cash flow	27,047.0	–	–	–
Cash flow from operations	**98,474.3**	**60,517.8**	**156,953.8**	**282,860.7**
Capital expenditures	(46,091.3)	(50,000.0)	(55,000.0)	(60,000.0)
Acquisitions	(159.3)	–	–	–
Divestitures	141.8	–	–	–
Others	(7,105.4)	–	–	–
Cash flow from investing	**(53,214.2)**	**(50,000.0)**	**(55,000.0)**	**(60,000.0)**
Repayment of lease liabilities	–	–	–	–
Dividends paid (common & pref)	(20,312.7)	(30,131.5)	(58,622.9)	(110,319.5)
Inc/(dec) in debt	84,439.4	45,000.0	45,000.0	45,000.0
Other financing cash flows	(75,673.9)	0.0	0.0	0.0
Cash flow from financing	**(11,547.2)**	**14,868.5**	**(13,622.9)**	**(65,319.5)**
Total cash flow	**33,712.9**	**25,386.3**	**88,330.9**	**157,541.3**
Free cash flow	52,383.0	10,517.8	101,953.8	222,860.7

Source: Company data, Goldman Sachs Research estimates.

high-end/high margin AI projects (with better ASP/watt assumptions and higher redundancy assumptions, and the increasing demand on DC/DC converter due to +-400V/800V DC solution adoption). Our 2026/27/28E earnings is 19/50/95% higher than the Street, as we expect the high margin AI products contribution will continue to go up in coming years (from 9% in 2025 to 20/41/66% in 2026/27/28E), which should continue to drive the company's profitability and earnings in coming years. Our new 12m TP is NT$4500 (from NT$2420), with 96% upside vs. today's close, with the revision due to our more positive view on the AI power products outlook so we rollover our valuation base from 2Q27-1Q28 to 2028 with the same target PE of 26.5x and discounted back to 2027 at a CoE of 11%.

Strong demand and pricing uptrend for 12kW PSU suggests better revenue and profit outlook throughout 2026

We expect Delta's overall AI power revenue (including AC/DC PSU+ DC/DC converter + Power rack ex. PSU) to go up by 210% 2025-28E CAGR, outpacing the overall market CAGR of 183%, driven by its leading market share position. The increasing product mix toward higher GM AI power revenue should support GM to reach 45% by 2028E from 34% in 2025 (Exhibit 1). We expect the following factors to drive the rising AI power contribution for Delta (to expand from 9% in 2025 to 66% in 2028E): (1) strong demand for 12kW AC/DC PSUs, supported by next gen GPU/ASIC, along with pricing uptrend, (2) incremental DC/DC content within IT racks, driven by the broader adoption of power rack, and (3) rapid scaling of power racks, with +10x CAGR over 2026-28E following initial shipment in 2H26.

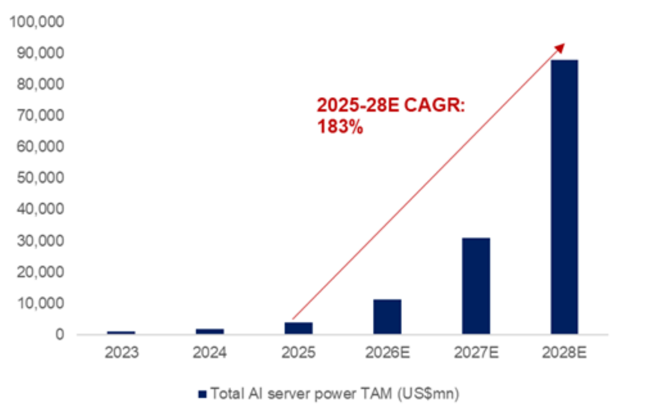
Exhibit 1: Delta's AI power revenue growth set to outpace overall AI server power market growth, driven by its leading market share

AI server power (US$mn)	2023	2024	2025	2026E	2027E	2028E
Total AI server power						
TAM	**928**	**1,864**	**3,901**	**11,327**	**30,983**	**88,073**
Delta revenue	284	587	1,597	5,222	16,061	47,701
Market share	31%	31%	41%	46%	52%	54%
Delta gross profit	152	311	835	2,746	8,106	22,995
Delta GM	54%	53%	52%	53%	50%	48%
AC/DC PSU						
TAM	438	850	1,851	5,039	14,013	33,876
Delta revenue	181	409	1,239	3,622	9,603	21,004
Market share	41%	48%	67%	72%	69%	62%
Delta gross profit	91	205	619	1,811	4,801	10,502
Delta GM	50%	50%	50%	50%	50%	50%
DC/DC converter						
TAM	490	1,014	2,050	6,074	12,416	28,945
Delta revenue	103	177	359	1,471	3,635	10,284
Market share	21%	18%	18%	24%	29%	36%
Delta gross profit	62	106	215	883	2,181	6,170
Delta GM	60%	60%	60%	60%	60%	60%
Power rack ex. PSU						
TAM	0	0	0	214	4,554	25,252
Delta revenue	0	0	0	129	2,823	16,414
Market share	-	-	-	60%	62%	65%
Delta gross profit	0	0	0	53	1,124	6,323
Delta GM	-	-	-	41%	40%	39%

The PSU within the power rack is classified under AC/DC PSU, thus excluded from power rack

Source: Goldman Sachs Global Investment Research

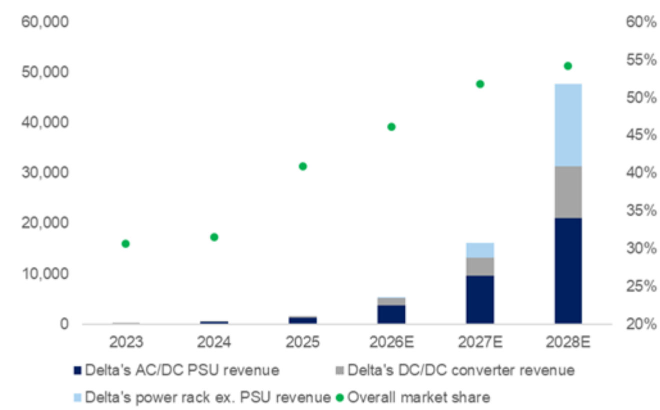
Exhibit 2: We expect the AI power TAM will grow by 183% 2025-38E CAGR



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: We expect Delta to maintain its leading position in AI power market

US$mn



Source: Company data, Goldman Sachs Global Investment Research

For AC/DC PSU, the adoption of 12kW PSU is expected to accelerate in 2H26, and we expect Delta to maintain a leading market share. The transitioning from 5.5kW to 12kW PSU is likely to be mainly driven by Nvidia's Vera Rubin to be released in 2H26, followed by more ASIC adoption due to the rising TDP. We continue to see solid demand for Delta's new 12kW PSU from 2026 as the company's AI PSU order lead time remains long at 4-8 months. Overall, we expect Delta's AC/DC PSU business (5.5kW+ PSU) to grow by 192/165/119% YoY in 2026/27/28E (from NT$37bn in 2025 to NT$109/288/630bn in 2026/27/28E) and account for 14/24/29% of total revenue in

2026/27/28E (up from 7% in 2025), maintaining its leading market share (+60% from 2026-28E). With our expectation that PSU GM will remain above the corporate average, the ramp up of next-gen PSUs should drive a higher contribution to gross profit, accounting for 18/29/32% of total gross profit in 2026/27/28E (up from 10% in 2025).

We expect ASP/BOM per watt for 12kW to increase by 43% vs. 5.5kW, driven by spec upgrades and rising component cost. We believe the increase in BOM per watt of 43% for 12kW PSU vs. 5.5kW PSU is mainly driven by significant content value increase and price increase for both power semiconductors (+2x) and capacitors (+3x), resulting in both components accounting for higher % of the BOM in the 12kW PSU (Exhibit 4). We assume a broadly stable competition landscape for 12kW PSU vs. 5.5kW PSU, thus expect Delta to maintain stable GM at 50%, which results in ASP per watt increase of a similar range of 43%.

Exhibit 4: PSU cost structure, 12kW PSU to see significant increase in ASP per kW

USD

Per PSU (5.5kW, 1U)	BOM (%)	Total value
Power semiconductors (GaN, SiC)	45%	150
Capacitors (electrolytic, ceramic, etc)	12%	40
Magnetics (transformer, inductors)	9%	30
PCB	9%	30
Thermal (fans, heatsink)	9%	30
Control ICs	6%	20
Assembly	5%	16
Others (connectors, chassis)	5%	15
Total BOM per PSU		**331**
PSU ASP (assuming 50% GM)		**662**
BOM per kW		60
ASP per kW		120

Per PSU (12kW, 1U)	BOM (%)	Total value
Power semiconductors (GaN, SiC, Si)	52%	538
Capacitors (electrolytic, ceramic, etc)	15%	160
Magnetics (transformer, inductors)	9%	90
PCB	6%	65
Thermal (fans, heatsink)	4%	40
Control ICs	7%	72
Assembly	5%	52
Others (connectors, chassis)	2%	18
Total BOM per PSU		**1,035**
PSU ASP (assuming 50% GM)		**2,070**
BOM per kW		86
ASP per kW		173

Per power shelf (33kW, 1U)	BOM (%)	Total value
PSU x 6	86%	1,985
Connector (AC input, DC output)	2%	40
Chassis	4%	90
PMM (power management module)	3%	70
Assembly	2%	35
Rail kit	2%	40
Others	2%	50
Total BOM per power shelf		**2,310**
Power shelf ASP (assuming 50% GM)		**4,619**
BOM per kW		70
ASP per kW		140

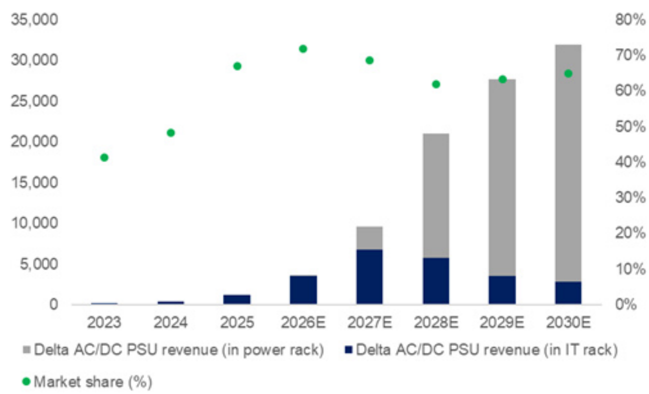
Per power shelf (72kW, 1U)	BOM (%)	Total value
PSU x 6	93%	6,210
Connector (AC input, DC output)	1%	80
Chassis	1%	90
PMM (power management module)	2%	115
Assembly	1%	70
Rail kit	1%	45
Others	1%	50
Total BOM per power shelf		**6,660**
Power shelf ASP (assuming 50% GM)		**13,320**
BOM per kW		93
ASP per kW		185

Source: Goldman Sachs Global Investment Research

Furthermore, based on our supply chain check, we believe the pricing for power semiconductors and capacitors used in the AI PSU will continue to rise, which would further drive Delta's PSU ASP in coming quarters, as the company is capable of passing through the additional costs to customer due to its strong pricing power based on the company's leading industry position.

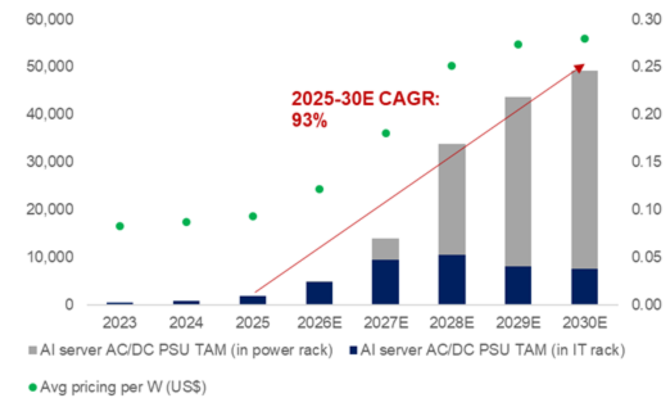
Moreover, based on historical experience, if power semiconductors enter supply shortage, Delta is well-positioned in terms of supply security. This is supported by its leading market position in the AI PSU market (70%+ market share in 2026E per GSe). Being the single largest customer for key global power semiconductor suppliers, we believe the strength of Delta's procurement will help it maintain and potentially expand market share, further seeing better product pricing/GM with potential pricing hike opportunities, like we previously saw in 2022 (see here).

Exhibit 5: We expect Delta's AI AC/DC PSU revenue to grow significantly in coming years driven by both power shelf and power rack
US$mn



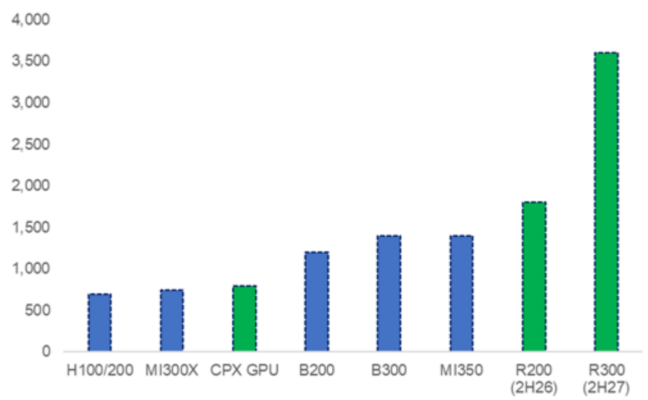
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 6: We expect the AI AC/DC PSU TAM will grow by 93% 2025-30E CAGR
US$mn



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 7: We expect the new AI GPUs (including training and inferencing) will consume more power in coming years



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 8: We believe AI AC/DC PSU ASP per W will grow by 39% 2025-28E CAGR

Source: Company data, Goldman Sachs Global Investment Research

Power rack contribution to start earlier in 2H26, and will be the key growth driver throughout 2027-30

For power rack, CSPs are aggressive on early adoption, but we expect the ramp-up to be primarily driven by Nvidia, which would further support growth throughout 2027-2030, and we expect power rack ex. PSU TAM to grow by 119% 2027-30E CAGR. We are seeing a faster than expected HVDC power rack demand as some CSPs have aggressive time schedules for HVDC deployment and are more wiling to adopt the new power architecture. We believe the new HVDC power rack will see mass volume shipment starting from 1H27, driven by Nvidia's adoption in the Kyber rack structure. Power racks have higher ASP per watt of US$0.5, of which AC/DC PSUs account for US$0.2, while other components contribute US$0.3 (vs. US$0.1 under the current AC/DC PSUs in IT rack structure, Exhibit 9), with the sharp increase in ASP mainly driven by additional contents, including BBU (battery backup unit) shelf, super capacitor shelf, etc.

We are positive on the penetration of power rack throughout 2027-30E, mainly due to (1) lower transition loss of power rack to support CSPs' efforts to reduce energy consumption and lower total cost of ownership, and (2) better scalability for future racks, as we expect the current 54V standard will become a bottleneck when AI server shifts from kW level to mW level. We forecast the overall power rack penetration to increase to 60% by 2030E from 11% in 2027E. We expect Delta to maintain a leading market share of 60%+ in power racks throughout 2027-30E, supported by its strong vertical integration capabilities, and to potentially gain additional share in power rack AC/DC PSUs, given its leading position in AC to DC technology.

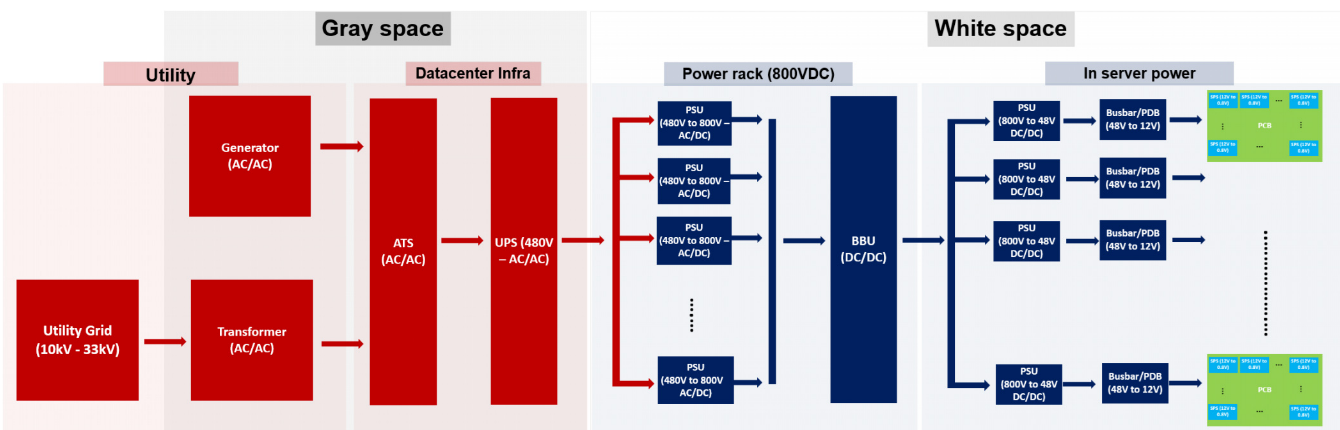
We expect Delta's power rack ex. PSU business (we assume PSU within power racks are recognized in power electronics while the remaining is recognized in infrastructure) to grow by ~20x/~5x YoY in 2027/28E (from NT$4bn in 2026 to NT$89/495bn in 2027/28E) and account for 7/23% of total revenue in 2027/28E (up from <1% in 2026). Despite a relatively lower GM vs. the company's average AI power component, but still higher than overall GM of 32% in 2025. We believe related products will account for <1%/7%/19% of total gross profit in 2026/27/28E.

Exhibit 9: Power rack to see significant increase in content value
USD

HVDC power rack for 880kW	BOM (%)	Total value
AC/DC power shelf	57%	199,920
PDU	3%	10,560
BBU shelf	19%	66,000
Supercapacitor shelf	15%	52,800
Rack bus bar	3%	7,000
Rack	3%	8,000
Total		**344,280**
Power rack ASP (assuming 20% GM)		**413,136**
BOM per kW		391
ASP per kW		469

Source: Goldman Sachs Global Investment Research

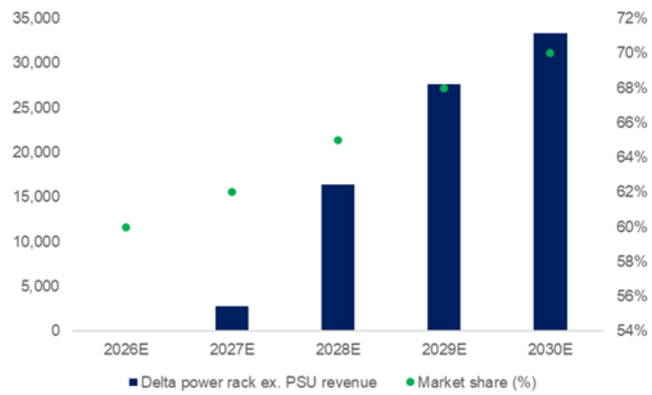
Exhibit 10: The new power rack architecture will drive up the ASP per watt due to more additional content within the power rack



*Red: Non-Delta products (power infrastructure) *Light Blue: Non-Delta products (Power IC) *Blue: Delta products

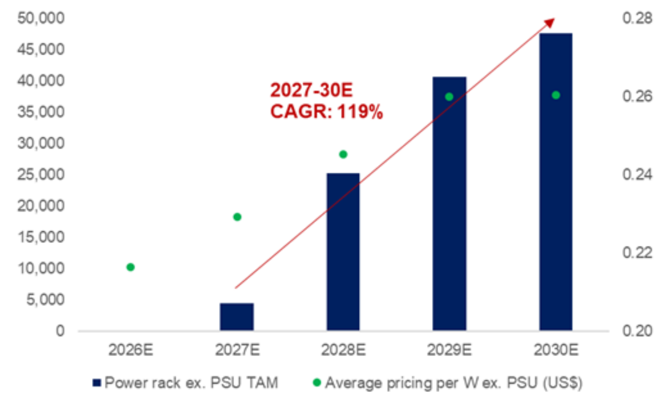
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 11: We expect Delta's power rack ex. PSU revenue to grow significantly in coming years driven by higher power rack penetration
US$mn



Source: Company data, Goldman Sachs Global Investment Research

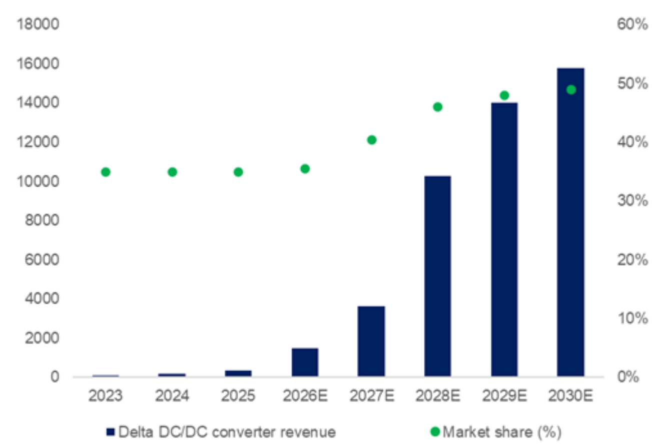
Exhibit 12: We expect the power rack ex. PSU TAM will grow by 119% 2027-30E CAGR upon the adoption by Nvidia from 2027
US$mn



Source: Company data, Goldman Sachs Global Investment Research

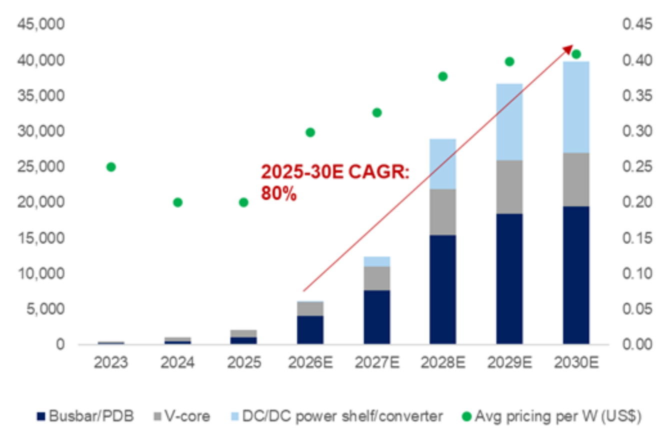
For DC/DC converter, the additional DC/DC PSUs should grow along with power rack, and we assume Delta to maintain similar market share. Under the HVDC architecture, PSU is split into two sections, AC/DC PSU within power rack for AC to 800VDC conversion and DC/DC PSU within IT rack for DC step down, this would suggest a better DC/DC content for Delta, and we expect the DC/DC PSU to see similar market share as power rack. Overall, we expect Delta's DC/DC converter business to grow by 310/147/183% YoY in 2026/27/28E (from NT$11bn in 2025 to NT$44/109/308bn in 2026/27/28E) and account for 6/9/14% of total revenue in 2026/27/28E (up from 2% in 2025) while expanding market share to reach 46% in 2028E from 35% in 2025. With DC/DC converter GM set to remain above the corporate average, we expect the ramp up of DC/DC PSU along with power rack will drive a higher contribution to gross profit, accounting for 9/13/19% of total gross profit in 2026/27/28E (up from 3% in 2025).

Exhibit 13: We expect Delta's DC/DC PSU to see similar market share as power rack
US$mn



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 14: We expect the DC/DC TAM will grow by 80% 2025-30E CAGR with additional TAM from DC/DC PSU
US$mn



Source: Company data, Goldman Sachs Global Investment Research

Earnings revision and where we stand vs. consensus

Earnings revisions

We revise up our 2026/27/28E EPS by 1/5/24% to factor in higher ASP per watt for its AI PSU business and higher penetration for its power rack business (we raise up revenue estimates by 2/23% for 2027/28E). For the HVDC solution, we expect demand in late 2026 with faster progress from the +-400VDC solutions, and continue to expect stronger HVDC demand in 2027E/2028E. Therefore, we revise up our 2026/27/28E GM by 0.1/0.5/0.1ppt due to the slight margin expansion driven by better scale.

Exhibit 15: Earning revision table

Delta P&L (NT$ mn)	2026E New	2026E Old	Diff.	2027E New	2027E Old	Diff.	2028E New	2028E Old	Diff.
Sales	795,489	795,489	0%	1,185,408	1,158,670	2%	2,159,528	1,760,540	23%
Gross Profit	308,505	307,365	0%	503,019	485,937	4%	974,773	793,133	23%
EBIT	161,200	160,060	1%	306,449	292,463	5%	668,469	539,018	24%
Net Income	117,246	116,368	1%	220,639	210,156	5%	488,813	393,854	24%
EPS (NT$)	**45.14**	**44.80**	1%	**84.94**	**80.91**	5%	**188.18**	**151.63**	24%
Ratio analysis									
Gross margin	38.8%	38.6%	0.1pp	42.4%	41.9%	0.5pp	45.1%	45.1%	0.1pp
EBIT margin	20.3%	20.1%	0.1pp	25.9%	25.2%	0.6pp	31.0%	30.6%	0.3pp
Net margin	14.7%	14.6%	0.1pp	18.6%	18.1%	0.5pp	22.6%	22.4%	0.3pp

Source: Company data, Goldman Sachs Global Investment Research

Where are we vs. consensus?

Our 2026/27/28E revenue estimates are 7/20/47% higher than Bloomberg consensus, due to our positive view on the AI power related business opportunity (we believe AI power revenue, including AC/DC, DC/DC and power rack products, will reach NT$156bn/NT$486bn/NT$1,434bn in 2026/27/28E). As such, considering our high estimate for Delta's AI power product GM at 50%, our 2026/27/28E GM estimate is 3.3/6.1/6.0ppt higher than Bloomberg consensus, as we believe the company's revenue will be mainly driven by AI power products in the coming years (20%/41%/66% revenue contribution in 2026/27/28E).

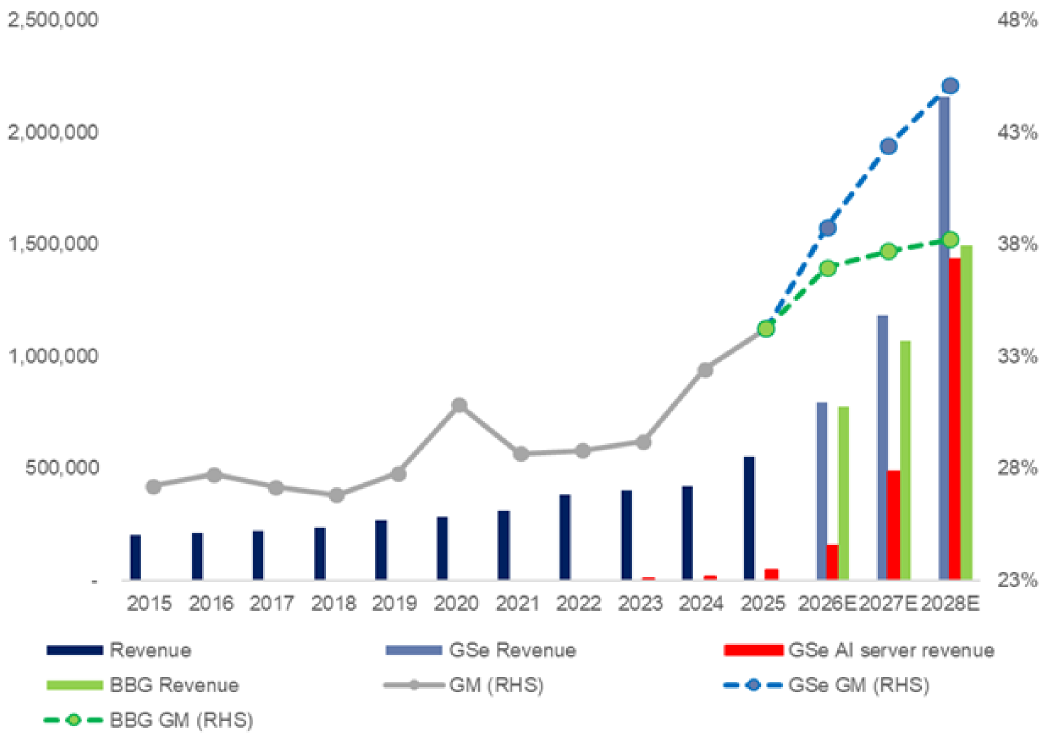
Exhibit 16: Our numbers vs. Bloomberg consensus

	2026E			2027E			2028E		
P&L (NT$mn)	GS est,	Consensus	Diff (%)	GS est,	Consensus	Diff (%)	GS est,	Consensus	Diff (%)
Revenue	795,489	743,938	7%	1,185,408	984,709	20%	2,159,528	1,470,951	47%
Gross profits	308,505	263,867	17%	503,019	357,518	41%	974,773	535,647	82%
Operating profits	161,200	134,001	20%	306,449	199,121	54%	668,469	343,202	95%
Net earnings	117,246	98,617	19%	220,639	146,782	50%	488,813	250,516	95%
EPS, NT$	45.14	37.91	19%	84.94	56.10	51%	188.18	96.16	96%
Gross margin (%)	38.8%	35.5%	3.3ppt	42.4%	36.3%	6.1ppt	45.1%	36.4%	6.0ppt
EBIT margin (%)	20.3%	18.0%	2.3ppt	25.9%	20.2%	5.6ppt	31.0%	23.3%	2.5ppt
Net margin (%)	14.7%	13.3%	1.5ppt	18.6%	14.9%	3.7ppt	22.6%	17.0%	1.6ppt

Source: Bloomberg, Goldman Sachs Global Investment Research

As shown in Exhibit 17, our GM estimates for Delta in 2027/28 are much higher than Bloomberg consensus, due to our more positive view on the GM expansion driven by AI server/datacenter power related products, which should continue to see increasing contribution to revenue in the coming years. We believe the market has been too conservative on estimating Delta's GM potential, given the fact that Delta has proven that its AI product revenue/GM is much higher than company average (GM improved from 32.4% in 2024 to 34.3% in 2025), which was driven mainly by the expanding AI server power revenue. We note Bloomberg consensus only expect slow GM expansion in 2026/27/28, which we believe is too conservative, given the ongoing change in product mix leading to more high-margin AI server revenue contribution, as noted above. As a result, we expect an upward revision to consensus 2026/27 GM in the coming quarters, suggesting solid upside potential to the company's stock price.

Exhibit 17: We expect solid GM expansion driven by higher AI power contribution
NT$mn



Source: Bloomberg, Company data, Goldman Sachs Global Investment Research

Exhibit 18: P&L table

NT$mn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2024	2025	2026E	2027E	2028E
Revenue	118,919	124,035	150,318	161,613	159,353	193,064	216,549	226,524	221,087	280,497	336,534	347,290	421,148	554,885	795,489	1,185,408	2,159,528
Gross profit	37,788	44,049	52,416	55,903	58,961	74,705	84,059	90,781	90,825	118,547	143,944	149,703	136,580	190,157	308,505	503,019	974,773
Operating expense	(23,752)	(25,380)	(27,607)	(29,485)	(30,544)	(36,103)	(38,979)	(41,680)	(40,238)	(46,563)	(53,509)	(56,261)	(88,928)	(106,224)	(147,306)	(196,570)	(306,304)
Operating income	14,036	18,669	24,809	26,418	28,417	38,602	45,080	49,100	50,588	71,984	90,435	93,442	47,652	83,932	161,200	306,449	668,469
Pretax income	15,663	19,571	26,983	25,649	31,093	38,852	45,330	49,350	50,588	71,984	90,435	93,442	51,316	87,866	164,625	306,449	668,469
Taxes expense	(3,620)	(4,237)	(6,062)	(6,011)	(7,258)	(8,936)	(10,426)	(11,351)	(11,635)	(16,916)	(21,252)	(21,959)	(10,925)	(19,930)	(37,971)	(71,763)	(154,297)
Net income	10,231	13,948	18,606	17,324	20,556	28,766	31,674	36,250	34,664	53,514	64,615	67,846	35,229	60,108	117,246	220,639	488,813
EPS, NT$	**3.94**	**5.37**	**7.16**	**6.67**	**7.91**	**11.08**	**12.20**	**13.96**	**13.35**	**20.60**	**24.88**	**26.12**	**13.56**	**23.14**	**45.14**	**84.94**	**188.18**
Ratio analysis and assumption																	
As % of sales																	
Gross margin	31.8%	35.5%	34.9%	34.6%	37.0%	38.7%	38.8%	40.1%	41.1%	42.3%	42.8%	43.1%	32.4%	34.3%	38.8%	42.4%	45.1%
Operating expense ratio	20.0%	20.5%	18.4%	18.2%	19.2%	18.7%	18.0%	18.4%	18.2%	16.6%	15.9%	16.2%	21.1%	19.1%	18.5%	16.6%	14.2%
Operating margin	11.8%	15.1%	16.5%	16.3%	17.8%	20.0%	20.8%	21.7%	22.9%	25.7%	26.9%	26.9%	11.3%	15.1%	20.3%	25.9%	31.0%
Net margin	8.6%	11.2%	12.4%	10.7%	12.9%	14.9%	14.6%	16.0%	15.7%	19.1%	19.2%	19.5%	8.4%	10.8%	14.7%	18.6%	22.6%
QoQ growth (%)																	
Revenue	4%	4%	21%	8%	-1%	21%	12%	5%	-2%	27%	20%	3%	-	-	-	-	-
Gross profit	8%	17%	19%	7%	5%	27%	13%	8%	0%	31%	21%	4%	-	-	-	-	-
Operating income	31%	33%	33%	6%	8%	36%	17%	9%	3%	42%	26%	3%	-	-	-	-	-
Net income	43%	36%	33%	-7%	19%	40%	10%	14%	-4%	54%	21%	5%	-	-	-	-	-
YoY growth (%)																	
Revenue	30%	20%	34%	42%	34%	56%	44%	40%	39%	45%	55%	53%	5%	32%	43%	49%	82%
Gross profit	40%	25%	34%	59%	56%	70%	60%	62%	54%	59%	71%	65%	17%	39%	62%	63%	94%
OPEX	21%	14%	21%	21%	29%	42%	41%	41%	32%	29%	37%	35%	17%	19%	39%	33%	56%
Operating income	90%	42%	51%	147%	102%	107%	82%	86%	78%	86%	101%	90%	16%	76%	92%	90%	118%
Net income	78%	40%	51%	141%	101%	106%	70%	109%	69%	86%	104%	87%	5%	71%	95%	88%	122%

Source: Company data, Goldman Sachs Global Investment Research

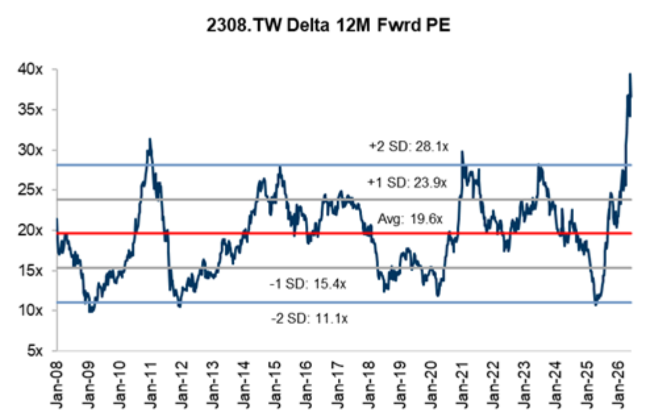
Valuation and risks - Raise TP to NT$4,500

We reiterate our Buy rating on Delta with a new TP of NT$4,500 (from NT$2,420), implying 96% upside. We believe the company will continue to deliver a solid earnings growth rate (100%+ 2025-28E EPS CAGR) which is much faster than the company's historical average level (~10% CAGR in the past 20 years) and AI power industry peers (15% CAGR).

Our 12-month target price is based on an unchanged 26.5x P/E, and we roll over our valuation base from 2Q27-1Q28E to 2028E, discounted back to 2027 at a CoE of 11%, given the much improved visibility on HVDC power rack adoption timeline. The 26.5x P/E multiple is +1.6x STDC higher than Delta's past 15-year average valuation, and we believe Delta, as the key AI power product supplier with a solid market position (50%+ market share in coming years on GSe) should at least trade above historical valuation.

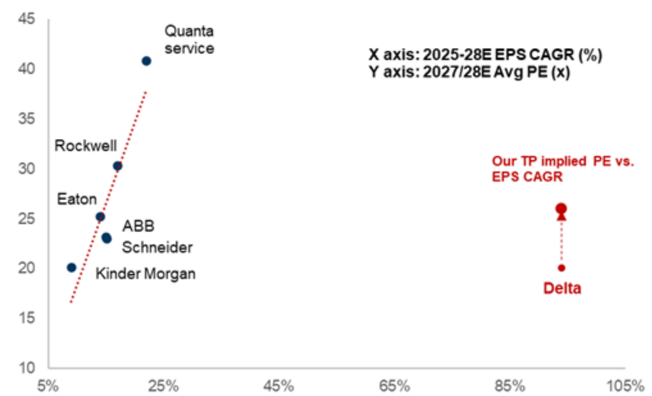
Our TP-implied 22.0x 2027-28E P/B is much higher than the company's average P/B multiple in the past (Exhibit 21); however, after considering the high ROE (increasing to 39%/58%/87% in 2026/27/28E based on GSe), we believe this higher implied multiple is justified as the company should be traded at a premium considering its accelerating expansion in ROE in coming years.

Exhibit 19: Delta continues to trade above its historical average level, which we attribute to its much faster EPS growth and better industry position



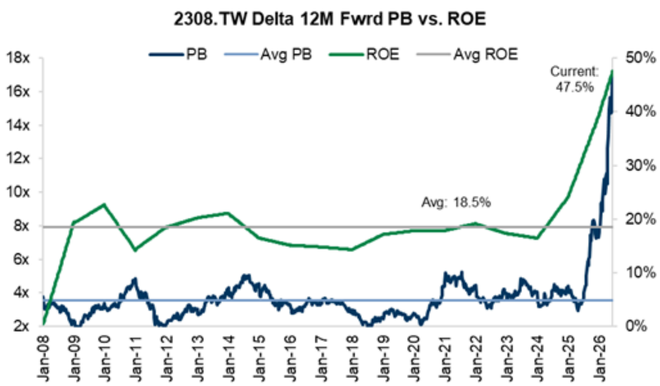
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 20: We expect accelerating EPS growth for Delta in coming years



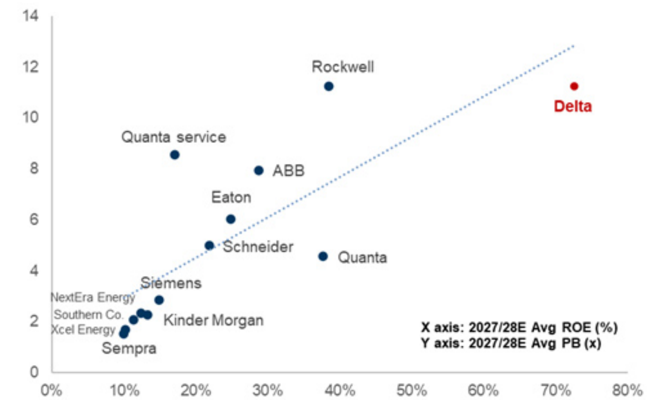
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 21: Delta is trading at record high on P/B, supported by a solid ROE uptrend



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 22: The high P/B is still below industry linear regression (vs. ROE), and we expect the company will deliver a solid ROE outlook in coming years



Source: Company data, Goldman Sachs Global Investment Research

Investment Thesis & PT methodology and risks

Delta Electronics is the largest vendor of power supply components globally (in terms of sales) and a key servo motor/inverter/PLC supplier in mainland China. It is also a key supplier for the EV/server power industry, holding one of the largest market shares in both markets. We are positive on Delta's long-term growth opportunity driven by multiple factors (EV/EV charger/5G infrastructure/Datacenter power/ESS etc.) in the coming years. We also expect demand for its AI server power and cooling systems to deliver solid growth given the increasing demand for high computing performance AI servers, which will require higher efficiency power components and better cooling systems to improve the overall performance. Trading at a 1-year forward P/E multiple that is below our target multiple, we believe the stock is undervalued, given the company's strong revenue outlook (50%+ 2025-28E CAGR) for its growth sectors (including EV & EV charging / green capex & renewable energy / cloud computing / smart manufacturing / satellite communication & smart connectivity), and its leadership in the power component industry. We are Buy rated. Key downside risks include: (1) slower-than-expected AI server power consumption growth momentum, (2) potential market share loss risk in AI server DC-DC power system or the potential design change on AI server DC-DC system, and (3) slower than expected of future products deployment, including power rack, SST and SOFC.

Valuation methodology: We are Buy rated on Delta. Our 12m TP of NT$4,500 is based on a target P/E multiple of 26.5x (1.6x s.d. higher than Delta's past 15-year average valuation) applied to our 2028E EPS and discounted back to 2027 at a CoE of 11%.

Key downside risks: (1) slower-than-expected AI server power consumption growth momentum, (2) potential market share loss risk in AI server DC-DC power system or the potential design change on AI server DC-DC system, and (3) slower than expected of future products deployment, including power rack, SST and SOFC.

Disclosure Appendix

Reg AC

We, Chao Wang, Bruce Lu, Allen Chang and Al Wang, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

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Quantum

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The rating(s) for Delta Electronics is/are relative to the other companies in its/their coverage universe: AWSC, Airtac International Group, Co-Tech Development Corp., Delta Electronics, Elite Material, GCE, Hiwin Corp., ITEQ Corp, Kinsus, Lotes, NYPCB, Taiwan Union Technology Corp., Unimicron Technology, Win Semiconductors Corp., Yageo Corp., Zhen Ding Technology Holding

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Goldman Sachs had an investment banking services client relationship during the past 12 months with: Delta Electronics (NT$2,425.00)

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Distribution of ratings/investment banking relationships

Goldman Sachs Investment Research global Equity coverage universe

	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	50%	34%	16%	65%	60%	45%

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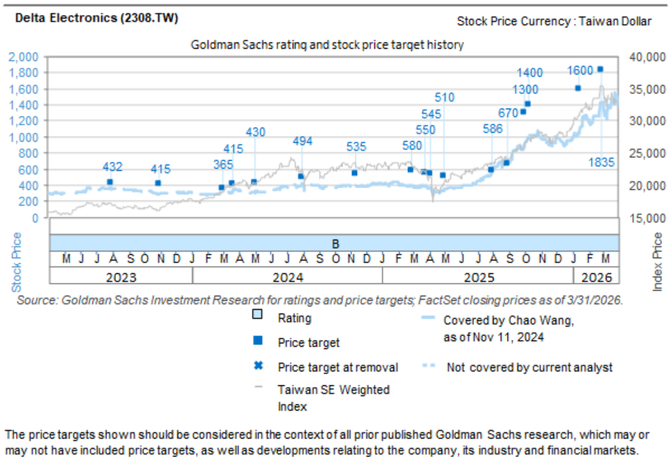
Price target and rating history chart(s)



Target price history table(s)
Delta Electronics (2308.TW)

Date of report	Target price (NT$)	Closing price (NT$)
30-Apr-26	2,420.00	2,165.00
16-Apr-26	2,110.00	1,845.00
26-Feb-26	1,835.00	1,430.00
15-Jan-26	1,600.00	1,045.00
10-Oct-25	1,400.00	999.00
02-Oct-25	1,300.00	894.00
31-Aug-25	670.00	711.00
31-Jul-25	586.00	567.00
30-Apr-25	510.00	333.50
06-Apr-25	545.00	369.50
24-Mar-25	550.00	392.00
27-Feb-25	580.00	402.00
11-Nov-24	535.00	401.00
01-Aug-24	494.00	424.00
02-May-24	430.00	309.50
21-Mar-24	415.00	338.00
01-Mar-24	365.00	293.50
01-Nov-23	415.00	287.00
01-Aug-23	432.00	372.50

Price targets shown in table(s) are unadjusted for corporate actions.

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