Daiwa Capital Markets
Hong Kong Limited

news

28 July 2026

MEMO

Delta Electronics (2308 TT)

Share price (28 Jul): **TWD1,580.00** 12-mth rating: **Buy (1)** **Information Technology: Taiwan**

Read-through from Delta Thailand's 2Q26 results

Sheng Cheng
(886) 2 8758 6253
sheng.cheng@daiwacm-cathay.com.tw

Allan Wang
(886) 2 8758 6249
allan.wang@daiwacm-cathay.com.tw

Summary: Our read-throughs from Delta Thailand's (DELTA TB, Bt285, BUY; covered by Pattadol Bunnak at alliance partner ttb wealth) 2Q26 results (released on 24 July) was negative, as the profitability from Delta Thailand was weaker than our expectations. We attribute the softer profitability to three reasons, including 1) one-time inventory write-off from unsold products (especially from one sanctioned supplier), 2) raw material price hike, impacting c.2.5pp on gross margin, and 3) inferior product mix, as shortages occurred in key high-margin products, which also negatively impacted gross margins by c.2.5pp. Due mainly to the component shortage, it also dragged the revenue growth rate by c.10pp. Considering that the share price of Delta Electronics (Delta; 2308 TT) has corrected by c.39% (vs. the Taiex' 14% correction) from the peak, we believe the weaker-than-expected results at Delta for 2Q26 are largely priced in. Looking ahead, we expect revenue momentum and margin trend to improve on seasonality and improving component supply situation from 2H26. We have a Buy (1) rating on Delta with a 12M TP of TWD2,922, based on a target PER of 55x applied to our 1-year-forward EPS forecast. Key downside risk: weaker-than-expected end-market demand.

What's the impact:

Below is our read-through from Delta Thailand's 2Q26 results (released on 24 July).

- **2Q26 results missed on margins** Delta Thailand reported 2Q26 earnings of THB6,075m (EPS: THB0.49). Although revenue rose 6% QoQ, supported by solid power demand, net profit fell 33% QoQ due to softer-than-expected gross margins. In 2Q26, Delta Thailand's gross margin declined by 4.9pp QoQ to 26.8%. Based on comments from Pattadol Bunnak at Daiwa's Thailand partner, ttb wealth securities, we attribute the margin weakness to three factors: 1) a one-time inventory write-off related to unsold products, especially from one sanctioned supplier; 2) higher raw material costs, which reduced gross margin by around 2.5pp; and 3) an unfavourable product mix, as shortages affected key high-margin products, lowering gross margin by another c.2.5pp. In addition, the component shortage weighed on revenue growth by roughly 10pp.

- **Business outlook.** Looking ahead, we believe the component shortage and issues related to the sanctioned supplier have largely been resolved, which should support improving revenue momentum in 2H26. Gross margin should also gradually recover as the impact from the component shortage fades and the one-off inventory write-off does not recur in 2H26.

- **Implication for Delta (2308 TT)**: Delta will release its 2Q26 results after market hours on 29 July. While we expect Delta Thailand's weaker-than-expected 2Q26 results to weigh on Delta's 2Q26 profitability relative to our prior estimates (gross/operating margins: 36.6%/18.6%), we believe the impact should be temporary. The component shortage is easing from July, and the inventory write-off appears to have been a one-off event in 2Q26. Looking ahead, we continue to see HVDC adoption as a key catalyst for Delta, and we expect adoption to exceed 30% in 2028.

What we recommend:

We have a Buy (1) rating on Delta with a 12M TP of TWD2,922, based on a target PER of 55x applied to our 1-year-forward EPS forecast. Key downside risk: weaker-than-expected end-market demand.

Delta Thailand: quarterly and annual P&L statement

	2025				2026		2023	2024	2025
(in THBm)	1Q	2Q	3Q	4Q	1Q	2Q			
Net revenue	**42,736**	**44,490**	**53,214**	**57,714**	**61,387**	**65,191**	**146,371**	**164,733**	**198,153**
COGS	-31,809	-33,381	-38,129	-41,228	-41,921	-47,722	-112,881	-124,236	-144,547
Gross profit	**10,927**	**11,109**	**15,085**	**16,485**	**19,466**	**17,469**	**33,491**	**40,497**	**53,606**
Operating expenses	-5,227	-6,011	-7,695	-8,462	-10,021	-11,397	-15,483	-22,637	-27,395
Operating profit	**5,700**	**5,098**	**7,390**	**8,024**	**9,445**	**6,072**	**18,008**	**17,860**	**26,211**
Non-operating profit	573	300	1,341	462	999	1,330	1,488	1,889	2,675
Pre-tax profit	**6,273**	**5,398**	**8,731**	**8,486**	**10,444**	**7,402**	**19,496**	**19,748**	**28,887**
Income taxes	-784	-768	-1,289	-1,230	-1,363	-1,327	-1,073	-810	-4,073
Net profit	**5,488**	**4,629**	**7,441**	**7,256**	**9,081**	**6,075**	**18,423**	**18,939**	**24,814**
Net EPS (THB)	**0.44**	**0.37**	**0.60**	**0.58**	**0.73**	**0.49**	**1.48**	**1.52**	**1.99**
Operating Ratios									
Gross margin	25.6%	25.0%	28.3%	28.6%	31.7%	26.8%	22.9%	24.6%	27.1%
Operating margin	13.3%	11.5%	13.9%	13.9%	15.4%	9.3%	12.3%	10.8%	13.2%
Pre-tax margin	14.7%	12.1%	16.4%	14.7%	17.0%	11.4%	13.3%	12.0%	14.6%
Net margin	12.8%	10.4%	14.0%	12.6%	14.8%	9.3%	12.6%	11.5%	12.5%
YoY (%)									
Net revenue	12%	7%	23%	38%	44%	47%	23%	13%	20%
Gross profit	37%	-1%	26%	76%	78%	57%	20%	21%	32%
Operating profit	53%	-12%	23%	244%	66%	19%	24%	-1%	47%
Pre-tax profit	42%	-20%	44%	231%	67%	37%	23%	1%	46%
Net profit	27%	-29%	26%	237%	65%	31%	20%	3%	31%
QoQ (%)									
Net revenue	2%	4%	20%	8%	6%	6%			
Gross profit	17%	2%	36%	9%	18%	-10%			
Operating profit	144%	-11%	45%	9%	18%	-36%			
Pre-tax profit	145%	-14%	62%	-3%	23%	-29%			
Net profit	155%	-16%	61%	-2%	25%	-33%			

Source: Company, Daiwa forecasts

In the interests of timeliness, this document has not been edited.

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Rating	Percentage of total
Buy*	72.63%
Hold**	20.53%
Sell***	6.84%

Source: Daiwa

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