Taiwan | Information Technology | 30 July 2026

Daiwa Capital Markets Hong Kong Limited

Delta Electronics (2308 TT)

Target price: **TWD2,988.00** (from TWD2,922.00)

Share price (30 Jul): **TWD1,530.00** | Up/downside: **+95.3%**

5 4 3 2 **1**

Buy
(unchanged)

2Q26 review: worst is likely over

- 2H26 outlook is promising on seasonality
- Competition and new product development are largely on track
- Reaffirming Buy (1) rating; lifting 12M TP to TWD2,988

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What's new: We provide our latest view on Delta after its 2Q26 results call.

What's the impact: **2Q26 results beat on non-op gains.** Delta's 2Q26 earnings came in at TWD25.1bn (EPS: TWD9.68), 2% above our estimate and largely in line with consensus. While revenue was higher than our forecast by 5%, it could have been even higher if there were no raw material shortages. Gross margin missed our estimate by 1pp, primarily driven by weaker-than-expected DET segment margins, which were weighed down by three factors: 1) a one-time inventory write-off on unsold products; 2) raw material cost hikes; and 3) an unfavourable product mix, as shortages impacted high-margin product lines. Operating margin also disappointed at 1.9pp below our forecast, as the component shortage drove an unfavourable product mix and less operating leverage. On a brighter note, net profit received a meaningful boost from a higher-than-expected non-operating gain, driven by a TWD2.1bn FVTPL contribution.

Business outlook. During the results call, management had a positive tone on the business outlook regarding the AI capex cycle, near-term performance, competition landscape, and development of HVDC & other new technologies. For the near term, we believe Delta can achieve revenue growth on seasonality. We believe revenue growth QoQ would be 12% in 3Q26E and 3% in 4Q26E. We also forecast the gross margin to rebound to c.36% (1pp higher than in 2Q26) given the lack of one-off inventory write-offs and an improving product mix. Per management, the component shortage is still under control and costs might be passed to end customers despite a time lag. While there are some concerns over rising competition in the power segment, including from Vertiv, Flex-Power, Megmeet, and Honoto, Delta is confident of its leading position within the server power segment given its track record and current fast spec migration trend. Delta is still confident that its +-400V VDC will see higher shipment (vs. 800V VDC) in 2026, while we might have wait until 2027 for a higher adoption of 800V VDC. In terms of the AI capex cycle, although there is a lot of noise in the short term, Delta does not expect a slowdown anytime soon.

What we recommend: We raise our 2026-28E EPS by 1-3% to reflect slightly higher revenue assumptions. We lift our 12M TP to TWD2,988 (from TWD2,922) based on an unchanged target PER of 55x (higher than its past-3-year range of 11-50x) applied to our 1-year-forward EPS forecast. Key downside risk: less-than-expected demand.

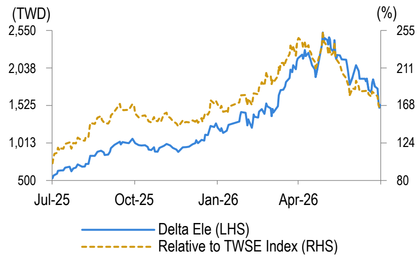
How we differ: Our 2028 revenue forecast is 9% above the Bloomberg consensus, likely due to our more bullish HVDC adoption rate assumption.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	5.2	7.5	9.3
Net profit change	1.5	1.1	3.0
Core EPS (FD) change	1.5	1.1	3.0

Source: Daiwa forecasts

Share price performance



12-month range	567.00-2,520.00
Market cap (USDbn)	122.75
3m avg daily turnover (USDm)	787.47
Shares outstanding (m)	2,598
Major shareholder	Hsiang Ta International (10.3%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	758,318	1,077,026	1,603,479
Operating profit (m)	136,739	218,460	354,257
Net profit (m)	103,133	160,325	258,555
Core EPS (fully-diluted)	39.704	61.722	99.538
EPS change (%)	71.6	55.5	61.3
Daiwa vs Cons. EPS (%)	(3.2)	(5.6)	2.3
PER (x)	38.5	24.8	15.4
Dividend yield (%)	0.8	1.3	2.0
DPS	11.6	20.0	30.0
PBR (x)	10.8	8.1	5.7
EV/EBITDA (x)	23.9	15.5	9.8
ROE (%)	32.5	37.3	43.5

Source: FactSet, Daiwa forecasts

Delta Electronics: revenue and earnings forecasts – Daiwa vs. consensus

	2026E			2027E			2028E		
(TWDm)	**Previous**	**New**	**Consensus**	**Previous**	**New**	**Consensus**	**Previous**	**New**	**Consensus**
Revenue	720,711	758,318	768,662	1,002,184	1,077,026	1,076,927	1,466,796	1,603,479	1,468,734
Diff (%)		5.2%	-1.3%		7.5%	0.0%		9.3%	9.2%
Gross Margin (%)	36.7%	36.3%	36.8%	36.7%	36.4%	37.8%	37.4%	36.8%	38.6%
Operating profit	135,098	136,739	146,337	215,592	218,460	231,685	342,138	354,257	345,130
Op Margin (%)	18.7%	18.0%	19.0%	21.5%	20.3%	21.5%	23.3%	22.1%	23.5%
Net profit	101,656	103,133	106,528	158,647	160,325	169,892	251,013	258,555	252,712
EPS	39.14	39.70	41.01	61.08	61.72	65.40	96.63	99.54	97.29
Diff (%)		1.5%	-3.2%		1.1%	-5.6%		3.0%	2.3%

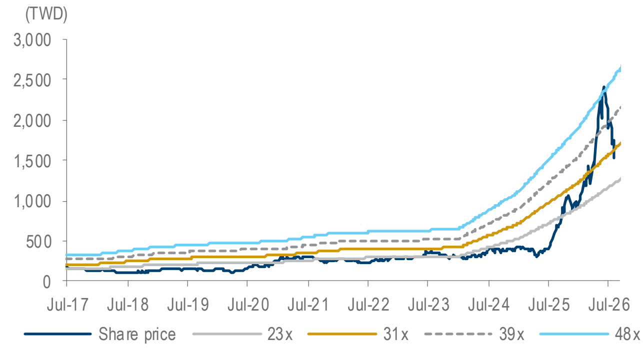
Source: Bloomberg, Daiwa forecasts

Delta: quarterly and annual P&L statement

	2026E				2027E				2025	2026E	2027E	2028E
(TWDm)	1Q	2Q	3QE	4QE	1QE	2QE	3QE	4QE				
Net revenue	**159,353**	**183,256**	**204,794**	**210,915**	**216,124**	**248,525**	**287,101**	**325,275**	**554,885**	**758,318**	**1,077,026**	**1,603,479**
COGS	-100,392	-117,948	-130,267	-134,538	-137,594	-157,434	-181,656	-207,969	-364,729	-483,144	-684,653	-1,013,402
Gross profit	**58,961**	**65,308**	**74,527**	**76,377**	**78,530**	**91,091**	**105,445**	**117,306**	**190,157**	**275,173**	**392,373**	**590,077**
Operating expenses	-30,544	-34,738	-36,453	-36,699	-37,606	-41,504	-45,362	-49,442	-106,224	-138,434	-173,913	-235,821
Operating profit	**28,417**	**30,570**	**38,074**	**39,678**	**40,925**	**49,587**	**60,083**	**67,864**	**83,932**	**136,739**	**218,460**	**354,257**
Non-operating profit	2,676	4,430	1,797	1,811	1,520	1,513	1,510	1,813	3,934	10,713	6,356	5,752
Pretax profit	**31,093**	**35,000**	**39,871**	**41,489**	**42,445**	**51,100**	**61,593**	**69,678**	**87,866**	**147,452**	**224,816**	**360,009**
Income taxes	-7,258	-7,831	-8,772	-9,128	-9,126	-10,987	-13,243	-14,981	-19,930	-32,988	-48,335	-77,402
Net profit	**20,556**	**25,142**	**28,027**	**29,408**	**30,077**	**36,386**	**44,044**	**49,818**	**60,108**	**103,133**	**160,325**	**258,555**
Net EPS (TWD)	**7.91**	**9.68**	**10.79**	**11.32**	**11.58**	**14.01**	**16.96**	**19.18**	**23.14**	**39.70**	**61.72**	**99.54**
Operating Ratios												
Gross margin	37.0%	35.6%	36.4%	36.2%	36.3%	36.7%	36.7%	36.1%	34.3%	36.3%	36.4%	36.8%
Operating margin	17.8%	16.7%	18.6%	18.8%	18.9%	20.0%	20.9%	20.9%	15.1%	18.0%	20.3%	22.1%
Pre-tax margin	19.5%	19.1%	19.5%	19.7%	19.6%	20.6%	21.5%	21.4%	15.8%	19.4%	20.9%	22.5%
Net margin	12.9%	13.7%	13.7%	13.9%	13.9%	14.6%	15.3%	15.3%	10.8%	13.6%	14.9%	16.1%
YoY (%)												
Net revenue	34%	48%	36%	31%	36%	36%	40%	54%	32%	37%	42%	49%
Gross profit	56%	48%	42%	37%	33%	39%	41%	54%	39%	45%	43%	50%
Operating profit	102%	64%	53%	50%	44%	62%	58%	71%	76%	63%	60%	62%
Pretax profit	99%	79%	48%	62%	37%	46%	54%	68%	71%	68%	52%	60%
Net profit	101%	80%	51%	70%	46%	45%	57%	69%	71%	72%	55%	61%
QoQ (%)												
Net revenue	-1%	15%	12%	3%	2%	15%	16%	13%				
Gross profit	5%	11%	14%	2%	3%	16%	16%	11%				
Operating profit	8%	8%	25%	4%	3%	21%	21%	13%				
Pretax profit	21%	13%	14%	4%	2%	20%	21%	13%				
Net profit	19%	22%	11%	5%	2%	21%	21%	13%				

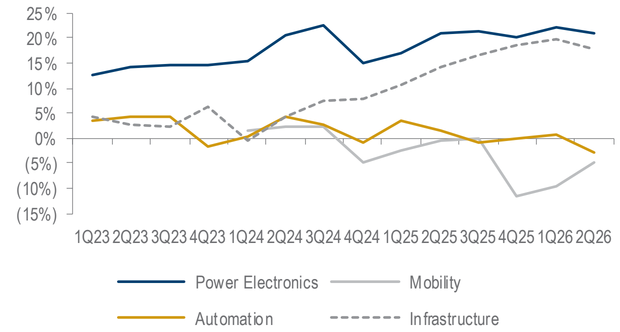
Source: Company, Daiwa forecast

Delta: 1-year forward PER band



Source: TEJ, Daiwa forecasts

Delta: operating margin by segment (quarterly)



Source: Company

Financial summary

Key assumptions

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Automation revenue growth (YoY)	18	19	(0)	(3)	5	10	7	6
Infrastructure revenue growth (YoY)	(8)	26	(4)	2	82	45	74	61
Power Electronics sales growth (YoY)	21	21	9	(10)	25	43	30	46

Profit and loss (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Power Electronics	187,316	227,311	248,257	223,992	280,032	400,303	518,398	754,808
Automation	45,881	54,519	54,296	52,403	54,943	60,345	64,800	68,944
Other Revenue	81,474	102,613	98,674	144,752	219,911	297,670	493,828	779,727
Total Revenue	**314,671**	**384,443**	**401,227**	**421,148**	**554,885**	**758,318**	**1,077,026**	**1,603,479**
Other income	0	0	0	0	0	0	0	0
COGS	(224,461)	(273,671)	(284,013)	(284,567)	(364,729)	(483,144)	(684,653)	(1,013,402)
SG&A	(31,642)	(37,564)	(40,215)	(47,354)	(57,482)	(74,497)	(88,366)	(117,431)
Other op.expenses	(27,202)	(31,770)	(36,048)	(41,575)	(48,743)	(63,937)	(85,547)	(118,390)
Operating profit	**31,365**	**41,439**	**40,950**	**47,652**	**83,932**	**136,739**	**218,460**	**354,257**
Net-interest inc./(exp.)	134	38	899	1,859	1,501	1,600	1,576	1,572
Assoc/forex/extraord./others	4,128	4,588	6,793	1,804	2,433	9,113	4,780	4,180
Pre-tax profit	**35,628**	**46,065**	**48,642**	**51,316**	**87,866**	**147,452**	**224,816**	**360,009**
Tax	(7,128)	(9,075)	(9,762)	(10,925)	(19,930)	(32,988)	(48,335)	(77,402)
Min. int./pref. div./others	(1,703)	(4,325)	(5,488)	(5,163)	(7,828)	(11,331)	(16,155)	(24,052)
Net profit (reported)	**26,796**	**32,666**	**33,393**	**35,229**	**60,108**	**103,133**	**160,325**	**258,555**
Net profit (adjusted)	**26,796**	**32,666**	**33,393**	**35,229**	**60,108**	**103,133**	**160,325**	**258,555**
EPS (reported)(TWD)	**10.316**	**12.576**	**12.855**	**13.562**	**23.140**	**39.704**	**61.722**	**99.538**
EPS (adjusted)(TWD)	**10.316**	**12.576**	**12.855**	**13.562**	**23.140**	**39.704**	**61.722**	**99.538**
EPS (adjusted fully-diluted)(TWD)	**10.316**	**12.576**	**12.855**	**13.562**	**23.140**	**39.704**	**61.722**	**99.538**
DPS (TWD)	**5.500**	**5.500**	**9.840**	**6.430**	**7.000**	**11.600**	**20.000**	**30.000**
EBIT	**31,365**	**41,439**	**40,950**	**47,652**	**83,932**	**136,739**	**218,460**	**354,257**
EBITDA	**48,516**	**60,375**	**62,540**	**72,668**	**111,771**	**165,904**	**255,452**	**398,422**

Cash flow (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	35,628	46,065	48,642	51,316	87,866	147,452	224,816	360,009
Depreciation and amortisation	17,151	18,936	21,590	25,016	27,839	29,164	36,993	44,166
Tax paid	(7,128)	(9,075)	(9,762)	(10,925)	(19,930)	(32,988)	(48,335)	(77,402)
Change in working capital	(20,506)	(20,062)	2,466	(2,538)	(24,348)	(75,550)	(99,259)	(103,852)
Other operational CF items	3,175	10,665	8,151	10,025	27,047	(97)	(80)	(80)
Cash flow from operations	**28,319**	**46,529**	**71,086**	**72,895**	**98,474**	**67,981**	**114,134**	**222,841**
Capex	(23,027)	(21,824)	(27,830)	(33,485)	(46,091)	(70,524)	(64,622)	(76,967)
Net (acquisitions)/disposals	(1,953)	(2,489)	(5,421)	(304)	(2,702)	0	0	0
Other investing CF items	(1,501)	(406)	(251)	(6,571)	(4,420)	0	0	0
Cash flow from investing	**(26,481)**	**(24,719)**	**(33,502)**	**(40,360)**	**(53,214)**	**(70,524)**	**(64,622)**	**(76,967)**
Change in debt	6,993	(1,900)	10,327	7,135	11,729	0	0	0
Net share issues/(repurchases)	0	0	0	0	0	0	0	0
Dividends paid	(15,751)	(15,026)	(27,455)	(18,696)	(20,313)	(30,132)	(51,951)	(77,926)
Other financing CF items	421	(2,814)	6,651	444	(817)	0	0	0
Cash flow from financing	**(8,337)**	**(19,739)**	**(10,478)**	**(11,118)**	**(9,401)**	**(30,132)**	**(51,951)**	**(77,926)**
Forex effect/others	(2,358)	9,621	(1,198)	8,586	(2,146)	0	0	0
Change in cash	**(8,857)**	**11,692**	**25,909**	**30,003**	**33,713**	**(32,674)**	**(2,438)**	**67,948**
Free cash flow	5,292	24,705	43,257	39,410	52,383	(2,542)	49,513	145,874

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	51,268	63,572	92,620	121,793	155,113	122,439	120,001	187,949
Inventory	69,697	83,980	81,756	89,706	108,208	145,537	212,165	293,033
Accounts receivable	72,700	89,676	81,706	92,180	125,020	169,016	237,169	321,732
Other current assets	3,213	3,222	3,877	7,246	7,440	7,440	7,440	7,440
Total current assets	**196,878**	**240,450**	**259,958**	**310,925**	**395,781**	**444,432**	**576,776**	**810,153**
Fixed assets	76,607	86,267	98,002	115,710	142,040	183,399	211,028	243,829
Goodwill & intangibles	73,610	77,170	78,544	78,783	75,326	75,326	75,326	75,326
Other non-current assets	18,017	21,987	21,242	26,480	26,472	26,568	26,648	26,728
Total assets	**365,112**	**425,874**	**457,747**	**531,898**	**639,619**	**729,726**	**889,778**	**1,156,037**
Short-term debt	4,442	2,119	5,875	8,121	17,325	2,364	2,364	2,364
Accounts payable	54,570	62,716	53,539	69,223	94,452	100,226	135,749	197,327
Other current liabilities	49,157	60,179	66,671	74,939	97,888	97,888	97,888	97,888
Total current liabilities	**108,169**	**125,013**	**126,085**	**152,283**	**209,665**	**200,479**	**236,001**	**297,579**
Long-term debt	43,914	44,337	51,420	56,309	56,703	56,703	56,703	56,703
Other non-current liabilities	26,904	31,156	37,506	43,740	47,861	47,861	47,861	47,861
Total liabilities	**178,988**	**200,507**	**215,011**	**252,332**	**314,230**	**305,043**	**340,566**	**402,144**
Share capital	25,975	25,975	25,975	25,975	25,975	25,975	25,975	25,975
Reserves/R.E./others	128,811	160,813	173,188	204,112	242,083	341,376	465,906	670,587
Shareholders' equity	**154,787**	**186,789**	**199,164**	**230,087**	**268,058**	**367,351**	**491,881**	**696,562**
Minority interests	31,338	38,578	43,572	49,478	57,331	57,331	57,331	57,331
Total equity & liabilities	**365,112**	**425,874**	**457,747**	**531,898**	**639,619**	**729,726**	**889,778**	**1,156,037**
EV	4,002,668	3,995,704	3,982,488	3,966,357	3,950,488	3,968,200	3,970,638	3,902,691
Net debt/(cash)	**(2,912)**	**(17,115)**	**(35,325)**	**(57,363)**	**(81,085)**	**(63,372)**	**(60,934)**	**(128,881)**
BVPS (TWD)	**59.590**	**71.910**	**76.674**	**88.579**	**103.197**	**141.423**	**189.364**	**268.162**

Key ratios (%)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales (YoY)	11.3	22.2	4.4	5.0	31.8	36.7	42.0	48.9
EBITDA (YoY)	2.6	24.4	3.6	16.2	53.8	48.4	54.0	56.0
Operating profit (YoY)	(0.2)	32.1	(1.2)	16.4	76.1	62.9	59.8	62.2
Net profit (YoY)	5.1	21.9	2.2	5.5	70.6	71.6	55.5	61.3
Core EPS (fully-diluted) (YoY)	5.1	21.9	2.2	5.5	70.6	71.6	55.5	61.3
Gross-profit margin	28.7	28.8	29.2	32.4	34.3	36.3	36.4	36.8
EBITDA margin	15.4	15.7	15.6	17.3	20.1	21.9	23.7	24.8
Operating-profit margin	10.0	10.8	10.2	11.3	15.1	18.0	20.3	22.1
Net profit margin	8.5	8.5	8.3	8.4	10.8	13.6	14.9	16.1
ROAE	17.8	19.1	17.3	16.4	24.1	32.5	37.3	43.5
ROAA	7.6	8.3	7.6	7.1	10.3	15.1	19.8	25.3
ROCE	13.8	16.4	14.3	14.8	22.6	31.0	40.0	49.9
ROIC	14.6	17.0	15.7	17.5	27.8	35.1	40.4	50.0
Net debt to equity	net cash	net cash	net cash	net cash	net cash	net cash	net cash	net cash
Effective tax rate	20.0	19.7	20.1	21.3	22.7	22.4	21.5	21.5
Accounts receivable (days)	79.7	77.1	78.0	75.4	71.4	70.8	68.8	63.6
Current ratio (x)	1.8	1.9	2.1	2.0	1.9	2.2	2.4	2.7
Net interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net dividend payout	56.1	53.3	78.2	50.0	51.6	50.1	50.4	48.6
Free cash flow yield	0.1	0.6	1.1	1.0	1.3	n.a.	1.2	3.7

Source: FactSet, Daiwa forecasts

Company profile

Founded in 1971, Delta Electronics has been the global leader in switching power supply solutions since 2002 and DC brushless fans since 2006. Its business covers 3 key areas: power electronics (eg, power supplies, thermal management products and passive components), automation (eg, controllers, robot arms and building management systems), and infrastructure (eg, datacentre infrastructure, networking and EV charging).

ESG analysis

ESG risks

Risks		Management	Analyst comments
G	Executive/board quality	1	Delta's board has 7 non-independent and 5 independent directors with a term of three years. The total number of directors and ratio of independent directors appear higher than most other listed companies. Besides, according to Delta's CSR report, enhancing the board's functions is one of the key goals for the company to achieve better corporate governance; also, the board members' diversity and professionalism will be taken into consideration to ensure a good board quality. Moreover, the company evaluates all the directors in the board using internal regulations and an external independent institution each year and at least once every three years, respectively. We believe Delta has implemented relatively more enhanced measure than most listed firms to improve its board quality.
G	Capital management	2	During 2016-19, Delta's payout ratio was stable in the range of c.70%, but fell to 56% in 2020 and 53% in 2021. For 2020, it was mainly due to a sizeable non-cash re-valuation gain after the acquisition of Delta Thailand (DET), while the company maintained more cash on hand to deal with the uncertainties caused by COVID-19. However, the DPS growth from 2016 to 2021 was limited, as Delta struggled with business diversification into new end-markets (eg, smartphone, NEV). We believe that Delta's effort started to bear fruit in recent years after its NEV business has gradually picked up. Overall, we see a stable dividend policy from Delta and expect its DPS to continue to grow YoY in the future given that they declared a TWD7.0 DPS for 2024 which equals a 52% payout ratio.
G	Related party & transaction	1	Revenue from related parties stood at 4% of total 2024 revenue and purchases from related parties were at 9%. We see limited risk from related party transactions.
S	Supply chain management	1	Delta focuses on: 1) localised management, 2) supplier certification and risk management, and 3) supplier sustainability engagement as key initiatives under the scope of supply chain management. In 2019, 144 new suppliers joined Delta's supply chain system. All of them passed environmental and social evaluations, signed the declaration of "non-use of conflict materials", and complied with Responsible Business Alliance's (BRA) Code of Conduct. Also, these vendors had to implement and abide by Delta's supply chain CSR policy and code of conduct. To lower ESG risks, Delta carries out RBA audits and monitors high-risk critical suppliers each year. The suppliers that fail these audits have to provide detailed improvement plans in response to identified issues. Besides, Delta has surveyed a total of 263 suppliers with potential risk and 63 suppliers with high risk of the total 1,331 suppliers, based on its CSR policy and code of conduct. If these suppliers are flagged as high-risk and no concrete improvements are made, Delta may consider terminating cooperation and transactions with them to improve the company's engagement on supplier sustainability. Overall, we think Delta has a solid plan to improve its supply chain management with specific KPIs, including: 1) achieving supplier improvement rate of 80% in 2025, 2) reducing GHG emissions rate of critical suppliers by 10% in 2025, and 3) improving water saving rate of critical suppliers by 12% in 2025.
S	Data security	2	Delta's Information Security team created Delta's Information Security Policy in November 2013 and started providing educational training to global employees in 2014. Delta gradually introduced the Information Security Management System (ISMS) in 2016 and obtained the ISO 27001 international certification in 2018. According to ISO27001, Delta has to conduct at least one internal audit on information security and appoint an independent institution to conduct audit externally. According to Delta, no major deficiencies have been found in recent years.

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: 30 Jul 2026

Source: Daiwa, Company

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