# Asia Vital Components (3017 TT)

Target price: **TWD4,815.00** (from TWD4,465.00)

Share price (2 Nov): **TWD3,060.00** | Up/downside: **+57.4%**

5 4 3 2 **1**

**Buy** (unchanged)

## 3Q26 results preview: likely to beat expectations

- We expect AVC's quarterly revenue to grow QoQ until end of 2027
- More favourable price environment and margins profile in 2027
- Reaffirming our Buy (1) call; raising 12M TP to TWD4,815

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**What's new:** We provide an update on AVC. The company plans to release its 3Q26 results on 10 November. We reaffirm our Buy (1) call (see our latest memo *Record-high 3Q26 revenue beat expectations*, 7 October). We expect AVC to maintain its leading position in the following years with more content value from ASICs projects since 4Q26.

**What's the impact:** **3Q26 results preview.** AVC's 3Q26 revenue of TWD59,089m (+20.3% QoQ and +51.8% YoY), a record-high level, accounted for 102.3% and 103.0%, respectively, of our previous (TWD57,771m, +17.6% QoQ and +48.4% YoY) and the Bloomberg consensus forecasts for 3Q26 revenue. We forecast its 3Q26 gross margin to be 33.5% (vs. 32.6% in 2Q26 and 26.1% in 3Q25), slightly higher than the Bloomberg consensus forecast of 33.3%. We forecast its operating profit of TWD16.8bn (+25.0% QoQ and +108.3% YoY), 4.5% higher than the Bloomberg consensus forecast of TWD16.1bn and we forecast its operating margin of 28.5% (vs. 27.4% in 2Q26 and 20.8% in 3Q25). Overall, we forecast its net profit of TWD11.6bn (+21.6% QoQ, +117.8% YoY), 4.3% higher than the consensus estimate of TWD11.2bn. For 4Q26, we forecast revenue to grow 15.1% QoQ (monthly revenue to rise MoM), and 1Q27 revenue to grow 2.9% QoQ considering ASIC and GPU projects.

**Solid capacity expansion plan in 2027; worsening supply-demand environment to bring in a more favourable price trend to the sector.** In light of the manifold content value from trays, we now expect content value by one of its ASICs clients to increase by another 20%. AVC expects the revenue drivers in 2027 to include double-sided cold plates, rising liquid cooling penetration from ASICs, and more content value wins (one-stop shopping model), for example, from CDU, CPU and NPO. As such, AVC plans to ramp up its cold plate capacity by 60% by 3Q27 with more automated product lines (positive to its further gross margin YoY expansion) to support its Vietnam plants, based on current order visibility and high utilisation rate. We keep our 2026-28E EPS unchanged.

**What we recommend:** We reiterate our Buy (1) call and raise our 12M TP to TWD4,815 (from TWD4,465), still based on a target PER of 30x vs. a past-3-year PER range of 5-25x [average PER of 15x]) on its solid earnings visibility (earnings CAGR of 45.3% over 2026-2028E; 0.66x PEG) and applied to our 1-year forward EPS. Downside risks: slower-than-expected progress in high-gross-margin orders, slow AI server adoption, and competition.

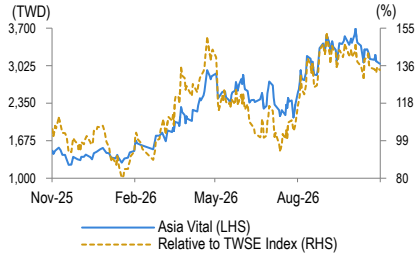
**How we differ:** Our 2028E EPS is 8% above consensus, likely as we are relatively more aggressive in our revenue, gross and operating margins.

### Forecast revisions (%)

| Year to 31 Dec | 26E | 27E | 28E |
|---|---|---|---|
| Revenue change | - | - | - |
| Net profit change | - | - | - |
| Core EPS (FD) change | - | - | - |

*Source: Daiwa forecasts*

### Share price performance




| | |
|---|---|
| 12-month range | 1,240.00-3,685.00 |
| Market cap (USDbn) | 36.44 |
| 3m avg daily turnover (USDm) | 353.72 |
| Shares outstanding (m) | 388 |
| Major shareholder | Furukawa Electric (13.8%) |

### Financial summary (TWD)

| Year to 31 Dec | 26E | 27E | 28E |
|---|---|---|---|
| Revenue (m) | 225,252 | 317,002 | 430,715 |
| Operating profit (m) | 61,651 | 92,248 | 128,353 |
| Net profit (m) | 42,338 | 64,134 | 89,411 |
| Core EPS (fully-diluted) | 105.880 | 160.389 | 223.604 |
| EPS change (%) | 119.5 | 51.5 | 39.4 |
| Daiwa vs Cons. EPS (%) | 1.0 | (1.9) | 8.0 |
| PER (x) | 28.9 | 19.1 | 13.7 |
| Dividend yield (%) | 1.4 | 2.1 | 3.0 |
| DPS | 43.1 | 65.3 | 91.1 |
| PBR (x) | 14.1 | 9.2 | 6.2 |
| EV/EBITDA (x) | 17.7 | 11.6 | 8.1 |
| ROE (%) | 65.1 | 59.2 | 55.1 |

*Source: FactSet, Daiwa forecasts*

**See important disclosures, including any required research certifications, beginning on page 6**

Flash

## AVC: revenue and earnings forecast revisions

| | 2026E | | | 2027E | | | 2028E | | |
|---|---|---|---|---|---|---|---|---|---|
| (TWDm) | New | Previous | Change | New | Previous | Change | New | Previous | Change |
| **Sales** | **225,252** | **225,252** | 0.0% | **317,002** | **317,002** | 0.0% | **430,715** | **430,715** | 0.0% |
| **Gross profit** | **73,883** | **73,883** | 0.0% | **109,366** | **109,366** | 0.0% | **150,750** | **150,750** | 0.0% |
| *Gross margin* | *32.8%* | *32.8%* | 0pp | *34.5%* | *34.5%* | 0pp | *35.0%* | 35.0% | 0pp |
| **Operating profit** | **61,651** | **61,651** | 0.0% | **92,248** | **92,248** | 0.0% | **128,353** | **128,353** | 0.0% |
| *Operating margin* | *27.4%* | *27.4%* | 0pp | *29.1%* | *29.1%* | 0pp | *29.8%* | 29.8% | 0pp |
| **Net profit** | **42,338** | **42,338** | 0.0% | **64,134** | **64,134** | 0.0% | **89,411** | **89,411** | 0.0% |
| *Net margin* | *18.8%* | *18.8%* | 0pp | *20.2%* | *20.2%* | 0pp | *20.8%* | 20.8% | 0pp |
| **Fully Diluted EPS (TWD)** | **105.88** | **105.88** | 0.0% | **160.39** | **160.39** | 0.0% | **223.60** | **223.60** | 0.0% |

*Source: Daiwa forecasts*

## AVC: 3Q26 results preview

| (TWDm) | Daiwa's 3Q26 forecast | Our previous forecast | Differ | Bloomberg consensus | Differ |
|---|---|---|---|---|---|
| Revenue | 59,089 | 57,771 | 2.3% | 57,719 | 2.4% |
| Gross profit | 19,795 | 19,353 | 2.3% | 19,236 | 2.9% |
| Operating profit | 16,845 | 16,403 | 2.7% | 16,115 | 4.5% |
| Profit before tax | 17,301 | 16,860 | 2.6% | 16,320 | 6.0% |
| Net profit | 11,630 | 11,308 | 2.9% | 11,155 | 4.3% |
| EPS | 29.62 | 28.80 | 2.9% | 28.27 | 4.8% |
| **Margin** | | | | | |
| Gross margin | 33.5% | 33.5% | 0pp | 33.3% | 0.2pp |
| Operating margin | 28.5% | 28.4% | 0.1pp | 27.9% | 0.6pp |
| Pre-tax margin | 29.3% | 29.2% | 0.1pp | 28.3% | 1pp |
| Net margin | 19.7% | 19.6% | 0.1pp | 19.3% | 0.4pp |

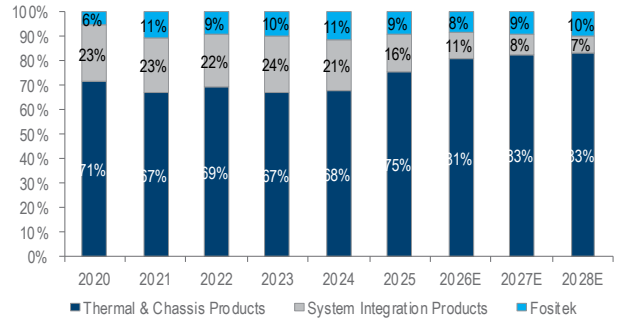
*Source: Company, Bloomberg, Daiwa forecasts*

## AVC: quarterly and annual P&L

| | 2026E | | | | 2027E | | | | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|---|---|---|---|---|
| (TWDm) | 1Q26 | 2Q26 | 3Q26E | 4Q26E | 1Q27E | 2Q27E | 3Q27E | 4Q27E | | | |
| Revenue | 49,038 | 49,121 | 59,089 | 68,004 | 70,000 | 75,000 | 78,000 | 94,002 | 225,252 | 317,002 | 430,715 |
| Gross profit | 14,597 | 15,999 | 19,795 | 23,492 | 23,940 | 25,875 | 26,988 | 32,563 | 73,883 | 109,366 | 150,750 |
| Operating profit | 12,019 | 13,478 | 16,845 | 19,309 | 19,890 | 21,675 | 22,688 | 27,995 | 61,651 | 92,248 | 128,353 |
| Pre-tax profit | 11,979 | 13,935 | 17,301 | 19,766 | 20,404 | 22,189 | 23,202 | 28,509 | 62,981 | 94,304 | 130,409 |
| Net profit | 7,916 | 9,567 | 11,630 | 13,225 | 14,050 | 15,349 | 15,486 | 19,249 | 42,338 | 64,134 | 89,411 |
| Basic EPS (TWD) | 20.17 | 24.37 | 29.62 | 33.69 | 35.79 | 39.10 | 39.45 | 49.03 | 107.85 | 163.37 | 227.76 |
| **Margin** | | | | | | | | | | | |
| Gross margin | 29.8% | 32.6% | 33.5% | 34.5% | 34.2% | 34.5% | 34.6% | 34.6% | 32.8% | 34.5% | 35.0% |
| Operating margin | 24.5% | 27.4% | 28.5% | 28.4% | 28.4% | 28.9% | 29.1% | 29.8% | 27.4% | 29.1% | 29.8% |
| Pre-tax margin | 24.4% | 28.4% | 29.3% | 29.1% | 29.1% | 29.6% | 29.7% | 30.3% | 28.0% | 29.7% | 30.3% |
| Net margin | 16.1% | 19.5% | 19.7% | 19.4% | 20.1% | 20.5% | 19.9% | 20.5% | 18.8% | 20.2% | 20.8% |
| **YoY** | | | | | | | | | | | |
| Revenue | 110.2% | 66.0% | 51.8% | 42.3% | 42.7% | 52.7% | 32.0% | 38.2% | 61.3% | 40.7% | 35.9% |
| Gross profit | 142.2% | 121.5% | 94.6% | 86.3% | 64.0% | 61.7% | 36.3% | 38.6% | 105.0% | 48.0% | 37.8% |
| Operating profit | 175.6% | 164.5% | 108.3% | 92.8% | 65.5% | 60.8% | 34.7% | 45.0% | 123.7% | 49.6% | 39.1% |
| Pre-tax profit | 159.3% | 136.3% | 110.6% | 96.6% | 70.3% | 59.2% | 34.1% | 44.2% | 118.8% | 49.7% | 38.3% |
| Net profit | 146.3% | 139.3% | 117.8% | 99.3% | 77.5% | 60.4% | 33.2% | 45.5% | 120.7% | 51.5% | 39.4% |
| **QoQ** | | | | | | | | | | | |
| Revenue | 2.6% | 0.2% | 20.3% | 15.1% | 2.9% | 7.1% | 4.0% | 20.5% | | | |
| Gross profit | 15.8% | 9.6% | 23.7% | 18.7% | 1.9% | 8.1% | 4.3% | 20.7% | | | |
| Operating profit | 20.0% | 12.1% | 25.0% | 14.6% | 3.0% | 9.0% | 4.7% | 23.4% | | | |
| Pre-tax profit | 19.2% | 16.3% | 24.2% | 14.2% | 3.2% | 8.7% | 4.6% | 22.9% | | | |
| Net profit | 19.3% | 20.9% | 21.6% | 13.7% | 6.2% | 9.2% | 0.9% | 24.3% | | | |

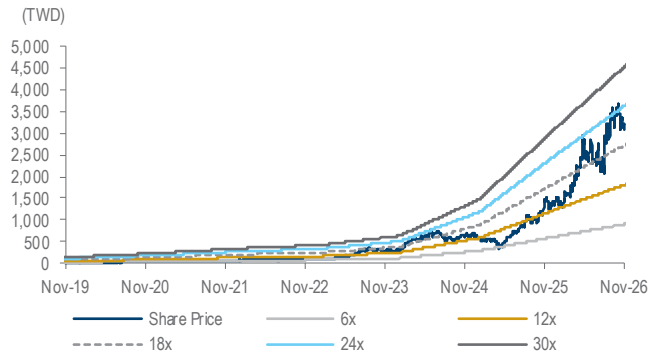
*Source: Company, Daiwa forecasts*

## AVC: product mix




*Source: Company, Daiwa forecasts*

## AVC: 1-year forward PER




*Source: Bloomberg, Daiwa forecasts*

## Financial summary

### Key assumptions

| Year to 31 Dec | 2021 | 2022 | 2023 | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|---|---|
| Thermal & chassis revenue YoY growth (%) | 11.5 | 22.5 | 2.2 | 22.7 | 116.8 | 73.4 | 43.9 | 37.0 |
| System integration products revenue YoY growth (%) | 17.7 | 14.9 | 13.9 | 7.6 | 46.4 | 10.0 | 10.0 | 10.0 |
| Fositek revenue YoY growth (%) | 126.1 | (0.2) | 12.5 | 45.0 | 51.9 | 50.0 | 50.0 | 50.0 |

### Profit and loss (TWDm)

| Year to 31 Dec | 2021 | 2022 | 2023 | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|---|---|
| Thermal & Chassis | 31,609 | 38,707 | 39,542 | 48,511 | 105,148 | 182,341 | 262,343 | 359,405 |
| System Integration Products | 10,702 | 12,296 | 14,005 | 15,070 | 22,063 | 24,269 | 26,696 | 29,366 |
| Other Revenue | 5,022 | 5,013 | 5,647 | 8,181 | 12,428 | 18,642 | 27,963 | 41,944 |
| **Total Revenue** | **47,333** | **56,017** | **59,194** | **71,761** | **139,639** | **225,252** | **317,002** | **430,715** |
| Other income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| COGS | (38,947) | (45,167) | (46,806) | (54,891) | (103,605) | (151,370) | (207,637) | (279,965) |
| SG&A | (1,186) | (1,637) | (1,793) | (1,892) | (2,900) | (4,505) | (6,340) | (8,614) |
| Other op.expenses | (2,373) | (2,907) | (3,174) | (4,156) | (5,579) | (7,727) | (10,778) | (13,783) |
| **Operating profit** | **4,827** | **6,306** | **7,421** | **10,823** | **27,556** | **61,651** | **92,248** | **128,353** |
| Net-interest inc./(exp.) | (120) | (184) | (46) | 114 | 91 | 756 | 756 | 756 |
| Assoc/forex/extraord./others | 61 | 367 | 650 | 1,415 | 1,140 | 574 | 1,300 | 1,300 |
| **Pre-tax profit** | **4,768** | **6,489** | **8,025** | **12,352** | **28,786** | **62,981** | **94,304** | **130,409** |
| Tax | (1,438) | (1,871) | (2,211) | (3,159) | (7,836) | (17,144) | (25,670) | (35,498) |
| Min. int./pref. div./others | (429) | (456) | (510) | (1,020) | (1,764) | (3,500) | (4,500) | (5,500) |
| **Net profit (reported)** | **2,901** | **4,162** | **5,305** | **8,172** | **19,186** | **42,338** | **64,134** | **89,411** |
| **Net profit (adjusted)** | **2,901** | **4,162** | **5,305** | **8,172** | **19,186** | **42,338** | **64,134** | **89,411** |
| **EPS (reported)(TWD)** | **8.210** | **11.781** | **14.106** | **21.210** | **49.173** | **107.850** | **163.374** | **227.765** |
| **EPS (adjusted)(TWD)** | **8.210** | **11.781** | **14.106** | **21.210** | **49.173** | **107.850** | **163.374** | **227.765** |
| **EPS (adjusted fully-diluted)(TWD)** | **8.176** | **11.728** | **13.706** | **20.622** | **48.238** | **105.880** | **160.389** | **223.604** |
| **DPS (TWD)** | **4.300** | **5.000** | **6.960** | **9.930** | **21.000** | **43.140** | **65.349** | **91.106** |
| **EBIT** | **4,827** | **6,306** | **7,421** | **10,823** | **27,556** | **61,651** | **92,248** | **128,353** |
| **EBITDA** | **6,404** | **8,022** | **9,375** | **13,285** | **30,802** | **64,919** | **96,959** | **134,688** |

### Cash flow (TWDm)

| Year to 31 Dec | 2021 | 2022 | 2023 | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|---|---|
| Profit before tax | 4,768 | 6,489 | 8,025 | 12,352 | 28,786 | 62,981 | 94,304 | 130,409 |
| Depreciation and amortisation | 1,577 | 1,716 | 1,954 | 2,463 | 3,246 | 3,268 | 4,711 | 6,334 |
| Tax paid | (780) | (1,582) | (1,616) | (2,430) | (3,253) | (17,144) | (25,670) | (35,498) |
| Change in working capital | (3,275) | (1,339) | 3,683 | (7,379) | (390) | (15,295) | (7,136) | (16,975) |
| Other operational CF items | 551 | 3,556 | (1,722) | 4,628 | 10,932 | (756) | (756) | (756) |
| **Cash flow from operations** | **2,841** | **8,840** | **10,324** | **9,632** | **39,321** | **33,055** | **65,453** | **83,515** |
| Capex | (1,567) | (3,666) | (3,657) | (4,540) | (7,267) | (15,000) | (17,000) | (19,000) |
| Net (acquisitions)/disposals | 43 | (12) | (23) | (66) | 3 | 0 | 0 | 0 |
| Other investing CF items | (636) | (515) | (226) | (3,063) | (6,072) | 0 | 0 | 0 |
| **Cash flow from investing** | **(2,160)** | **(4,194)** | **(3,907)** | **(7,669)** | **(13,336)** | **(15,000)** | **(17,000)** | **(19,000)** |
| Change in debt | 1,793 | 4,037 | (1,474) | 3,309 | 7,054 | 0 | 0 | 0 |
| Net share issues/(repurchases) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | (989) | (1,519) | (1,915) | (2,683) | (3,877) | (7,059) | (16,935) | (25,654) |
| Other financing CF items | 355 | (436) | 4,261 | (426) | (557) | 0 | 0 | 0 |
| **Cash flow from financing** | **1,159** | **2,082** | **872** | **200** | **2,620** | **(7,059)** | **(16,935)** | **(25,654)** |
| Forex effect/others | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Change in cash** | **1,841** | **6,728** | **7,289** | **2,163** | **28,605** | **10,996** | **31,518** | **38,862** |
| Free cash flow | 1,275 | 5,174 | 6,667 | 5,092 | 32,053 | 18,055 | 48,453 | 64,515 |

*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 | 12,915 | 20,049 | 26,957 | 29,924 | 58,530 | 69,526 | 101,043 | 139,905 |
| Inventory | 16,374 | 18,951 | 19,369 | 35,473 | 51,484 | 84,174 | 108,007 | 149,512 |
| Accounts receivable | 6,762 | 5,081 | 7,196 | 8,306 | 13,212 | 21,976 | 29,235 | 40,871 |
| Other current assets | 2,580 | 1,405 | 1,370 | 2,389 | 2,950 | 2,950 | 2,950 | 2,950 |
| **Total current assets** | **38,631** | **45,486** | **54,892** | **76,092** | **126,176** | **178,625** | **241,234** | **333,238** |
| Fixed assets | 7,711 | 9,694 | 11,350 | 13,805 | 17,849 | 29,581 | 41,870 | 54,535 |
| Goodwill & intangibles | 151 | 134 | 177 | 169 | 195 | 195 | 195 | 195 |
| Other non-current assets | 4,372 | 5,160 | 5,248 | 9,839 | 15,916 | 15,916 | 15,916 | 15,916 |
| **Total assets** | **50,865** | **60,474** | **71,667** | **99,906** | **160,137** | **224,318** | **299,216** | **403,884** |
| Short-term debt | 5,028 | 7,970 | 7,583 | 13,130 | 16,311 | 16,311 | 16,311 | 16,311 |
| Accounts payable | 20,116 | 18,911 | 24,900 | 36,809 | 61,128 | 87,988 | 112,645 | 149,514 |
| Other current liabilities | 2,832 | 5,999 | 4,350 | 8,350 | 20,057 | 13,025 | 13,025 | 13,025 |
| **Total current liabilities** | **27,976** | **32,880** | **36,833** | **58,288** | **97,495** | **117,324** | **141,981** | **178,850** |
| Long-term debt | 3,730 | 4,908 | 3,678 | 4,049 | 7,623 | 7,623 | 7,623 | 7,623 |
| Other non-current liabilities | 5,074 | 5,263 | 5,309 | 4,096 | 4,453 | 4,453 | 4,453 | 4,453 |
| **Total liabilities** | **36,780** | **43,051** | **45,820** | **66,433** | **109,572** | **129,401** | **154,058** | **190,926** |
| Share capital | 3,533 | 3,533 | 3,833 | 3,883 | 3,983 | 3,926 | 3,926 | 3,926 |
| Reserves/R.E./others | 8,880 | 11,963 | 18,197 | 24,988 | 40,618 | 81,527 | 127,268 | 189,568 |
| **Shareholders' equity** | **12,413** | **15,496** | **22,030** | **28,871** | **44,601** | **85,453** | **131,194** | **193,494** |
| Minority interests | 1,672 | 1,927 | 3,817 | 4,602 | 5,964 | 9,464 | 13,964 | 19,464 |
| **Total equity & liabilities** | **50,865** | **60,474** | **71,667** | **99,906** | **160,137** | **224,318** | **299,216** | **403,884** |
| EV | 1,185,318 | 1,182,559 | 1,175,925 | 1,179,660 | 1,159,172 | 1,151,676 | 1,124,658 | 1,091,297 |
| **Net debt/(cash)** | **(4,157)** | **(7,171)** | **(15,696)** | **(12,745)** | **(34,596)** | **(45,591)** | **(77,109)** | **(115,970)** |
| **BVPS (TWD)** | **35.134** | **43.861** | **57.472** | **74.929** | **114.306** | **217.681** | **334.201** | **492.902** |

### Key ratios (%)

| Year to 31 Dec | 2021 | 2022 | 2023 | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|---|---|
| Sales (YoY) | 19.3 | 18.3 | 5.7 | 21.2 | 94.6 | 61.3 | 40.7 | 35.9 |
| EBITDA (YoY) | 41.8 | 25.3 | 16.9 | 41.7 | 131.8 | 110.8 | 49.4 | 38.9 |
| Operating profit (YoY) | 47.2 | 30.6 | 17.7 | 45.8 | 154.6 | 123.7 | 49.6 | 39.1 |
| Net profit (YoY) | 51.4 | 43.5 | 27.4 | 54.1 | 134.8 | 120.7 | 51.5 | 39.4 |
| Core EPS (fully-diluted) (YoY) | 51.3 | 43.4 | 16.9 | 50.5 | 133.9 | 119.5 | 51.5 | 39.4 |
| Gross-profit margin | 17.7 | 19.4 | 20.9 | 23.5 | 25.8 | 32.8 | 34.5 | 35.0 |
| EBITDA margin | 13.5 | 14.3 | 15.8 | 18.5 | 22.1 | 28.8 | 30.6 | 31.3 |
| Operating-profit margin | 10.2 | 11.3 | 12.5 | 15.1 | 19.7 | 27.4 | 29.1 | 29.8 |
| Net profit margin | 6.1 | 7.4 | 9.0 | 11.4 | 13.7 | 18.8 | 20.2 | 20.8 |
| ROAE | 25.2 | 29.8 | 28.3 | 32.1 | 52.2 | 65.1 | 59.2 | 55.1 |
| ROAA | 6.2 | 7.5 | 8.0 | 9.5 | 14.8 | 22.0 | 24.5 | 25.4 |
| ROCE | 23.5 | 23.7 | 22.0 | 24.7 | 44.0 | 63.8 | 64.1 | 63.2 |
| ROIC | 39.4 | 44.5 | 52.7 | 52.2 | 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 | 30.2 | 28.8 | 27.5 | 25.6 | 27.2 | 27.2 | 27.2 | 27.2 |
| Accounts receivable (days) | 49.6 | 38.6 | 37.9 | 39.4 | 28.1 | 28.5 | 29.5 | 29.7 |
| Current ratio (x) | 1.4 | 1.4 | 1.5 | 1.3 | 1.3 | 1.5 | 1.7 | 1.9 |
| Net interest cover (x) | 40.3 | 34.2 | 162.1 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Net dividend payout | 52.4 | 42.4 | 49.3 | 46.8 | 42.7 | 40.0 | 40.0 | 40.0 |
| Free cash flow yield | 0.1 | 0.4 | 0.6 | 0.4 | 2.7 | 1.5 | 4.1 | 5.4 |

*Source: FactSet, Daiwa forecasts*

## Company profile

AVC is a global leading comprehensive thermal solutions provider in segments related to desktops, laptops, communication, servers, energy and autos. Its main product line includes thermal products (thermal modules and fans), chassis, system assembly and peripheral products and hinges. The company has been listed on Taiwan's main board since September 2002.

# ESG analysis

## ESG risks

| Risks | | Management | Analyst comments |
|---|---|---|---|
| G | Executive/board quality | 2 | The CEO and Chairperson of AVC are the same individual, but we see no issue with its board quality. Besides, we see the Chairperson has 24 years of experience in this industry, which is a positive sign from an executive perspective. |
| | Capital management | 2 | AVC's dividend payout ratio was 40-52% over 2020-25, likely due to its capacity expansion plans. |
| | Related party & transaction | 2 | Revenue generated from related-party transactions was 1-3% of total revenue during 2021-25, and we found no suspicious activity. |
| E | Supply chain management | 1 | AVC has introduced Hazardous Substance Process Management (HSPM) and received QC080000 certification. In addition, AVC set up a Green Product team to promote HSPM and formulate environmental regulation to make sure its material sourcing and efficiency are well-performed. |
| E | Data security | 1 | To prevent the interruption of information systems and leakage of sensitive information causing losses to the company and customers, AVC has introduced an information security management system and passed the ISO 27001 information security management system certification in 2019. |

*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: 6 May 2026*

*Source: Daiwa, Company*

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*Source: Daiwa*

*Notes: data is for single-branded Daiwa research in Asia (ex Japan) and correct as of 30 September 2026.*
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