Daiwa Capital Markets Hong Kong Limited

Voltronic Power Technology (6409 TT)

Target price: **TWD1,180.00** (from TWD1,180.00)

Share price (10 Aug): **TWD1,040.00** | Up/downside: **+13.5%**

5 4 3 2 1

Buy
(unchanged)

2Q26 results: HVDC development largely on track

- A mixed bag in core business but stabilised already
- HVDC development on track and will contribute in 2028
- Reaffirming our Buy (1) rating; reiterating 12M TP of TWD1,180

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What's new: We provide updates after 2Q26 results on 10 August.

What's the impact: **2Q26 results a mixed bag.** Voltronic's 2Q26 earnings came in at TWD712m (EPS: TWD8.12), 1% higher than our estimate (TWD706m). Revenue reached TWD5.54bn (+32% QoQ; -3% YoY), 5% higher than our expectation as both on-line and off-line UPS demand recovered (on-line: grew +29/19% QoQ/YoY; off-line: grew 24% /28% QoQ/YoY) after demand was impacted in 1Q26 by the Middle East war and Voltronic's price hikes. That said, apart from metal cost hike, Voltronic also suffered from the rising cost of power semi (c.20% of raw material) and PCB (4% of raw material) from 2Q26. Along with the existing price competition from inverter business (revenue was down 44% YoY in 2Q26), gross margin declined 0.8pp. That said, operating margin remained 18.1% given the lower operating expense; we believe the key reason was the employee stock option plan having lower cost than we expected. Lastly, higher FX losses of TWD210m, mainly due to CNY appreciation vs. TWD (up 0.9% in 2Q26) dragged net profit despite being offset by a lower tax rate (11.6%) due to Chinese government subsidies.

Business update. In general, we sense that UPS demand has recovered from 2Q26. However, despite the inverter segment being in the peak season, (+60% QoQ in 2Q26), Voltronic still delivered c.44% YoY decline despite a low base. We attribute the weakness to the Middle East war and weaker-than-expected demand from South Africa. On top of this, inverter margins continuously declined in 2Q26 given fierce competition. We believe this might be the key drag to Voltronic now. In terms of gross margin trend, we expect Voltronic has already raised its pricing a second time in June to pass through the power semi and PCB cost to end customers. As such, we forecast gross margin will recover QoQ in 3Q26. However, management also indicates that they don't rule out another round of price hikes due to increasing raw material cost. Lastly and most importantly, we learned that Voltronic has just gotten certification from a key HVDC client and this client has recently started a new HVDC project within Voltronic. As such, we expect the progress to be largely on track with our expectation to have more meaningful revenue contribution from 2028.

What we recommend: We slightly trim 2027-28E EPS by 1-3% on weaker inverter segment performance. We reaffirm our Buy (1) call and maintain our 12M TP of TWD1,180, with an unchanged PER of 30x applied to our 1-year forward EPS (lower than the mid-point of its past-3-year range of 30-46x). Key downside risk: worse-than-expected global economic growth.

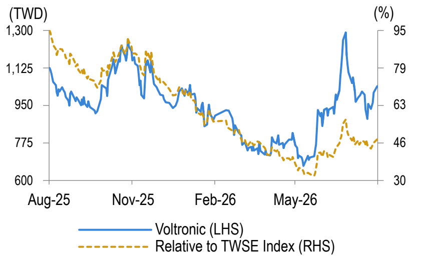
How we differ: We believe we are among the few QFII brokers to continuously provide updates on Voltronic.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	(0.3)	(0.6)	(1.0)
Net profit change	(0.5)	(3.1)	(1.4)
Core EPS (FD) change	(0.5)	(3.1)	(1.4)

Source: Daiwa forecasts

Share price performance



12-month range	663.00-1,290.00
Market cap (USDbn)	2.82
3m avg daily turnover (USDm)	36.14
Shares outstanding (m)	88
Major shareholder	Juor-Ming Hsieh (12.7%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	19,913	20,850	25,634
Operating profit (m)	3,683	4,194	5,505
Net profit (m)	2,722	3,543	4,618
Core EPS (fully-diluted)	31.035	40.399	52.655
EPS change (%)	(22.7)	30.2	30.3
Daiwa vs Cons. EPS (%)	(23.2)	(21.4)	(14.3)
PER (x)	33.5	25.7	19.8
Dividend yield (%)	3.5	3.0	3.5
DPS	36.0	31.0	36.0
PBR (x)	10.1	9.3	8.1
EV/EBITDA (x)	20.3	17.8	13.7
ROE (%)	29.3	37.6	43.7

Source: FactSet, Daiwa forecasts

Flash

Voltronic: revenue and earnings forecast revisions

	2026E			2027E			2028E		
(TWDm)	Previous	New	Consensus	Previous	New	Consensus	Previous	New	Consensus
Revenue	19,966	19,913	20,430	20,974	20,850	22,606	25,894	25,634	25,647
Diff (%)		-0.3%	-2.5%		-0.6%	-7.8%		-1.0%	0.0%
Gross Margin (%)	26.9%	26.3%	27.5%	29.1%	28.1%	28.4%	29.8%	29.2%	28.6%
Operating profit	3,502	3,683	3,824	4,333	4,194	4,455	5,585	5,505	5,251
Op Margin (%)	17.5%	18.5%	18.7%	20.7%	20.1%	19.7%	21.6%	21.5%	20.5%
Net profit	2,736	2,722	3,544	3,657	3,543	4,509	4,684	4,618	5,389
EPS (TWD)	31.20	31.03	40.41	41.70	40.40	51.41	53.41	52.65	61.44
Diff (%)		-0.5%	-23.2%		-3.1%	-21.4%		-1.4%	-14.3%

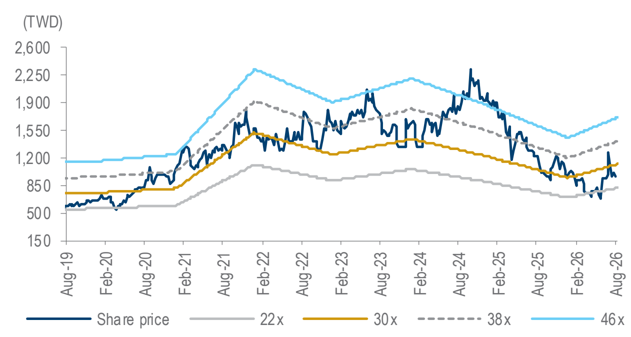
Source: Bloomberg, Daiwa forecasts

Voltronic: quarterly and annual P&L statement

	2026E				2027E				2025	2026E	2027E	2028E
(TWDm)	1Q	2Q	3QE	4QE	1QE	2QE	3QE	4QE				
Net revenue	**4,205**	**5,554**	**5,254**	**4,899**	**4,531**	**5,499**	**5,377**	**5,443**	**20,521**	**19,913**	**20,850**	**25,634**
COGS	-3,107	-4,150	-3,872	-3,555	-3,273	-3,959	-3,862	-3,895	-14,561	-14,685	-14,989	-18,137
Gross profit	**1,097**	**1,404**	**1,382**	**1,345**	**1,258**	**1,540**	**1,515**	**1,548**	**5,960**	**5,228**	**5,861**	**7,497**
Operating expenses	-336	-398	-405	-407	-367	-418	-430	-452	-1,632	-1,545	-1,667	-1,992
Operating profit	**761**	**1,007**	**977**	**938**	**891**	**1,122**	**1,084**	**1,096**	**4,329**	**3,683**	**4,194**	**5,505**
Non-operating profit	-264	-201	31	32	32	32	32	32	-12	-402	127	127
Pre-tax profit	**498**	**805**	**1,008**	**970**	**923**	**1,154**	**1,116**	**1,128**	**4,317**	**3,281**	**4,321**	**5,632**
Income taxes	-106	-93	-215	-146	-166	-208	-201	-203	-796	-560	-778	-1,014
Net profit	**392**	**712**	**793**	**825**	**757**	**946**	**915**	**925**	**3,521**	**2,722**	**3,543**	**4,618**
Net EPS (TWD)	**4.46**	**8.12**	**9.05**	**9.40**	**8.63**	**10.79**	**10.43**	**10.55**	**40.15**	**31.03**	**40.40**	**52.65**
Operating Ratios												
Gross margin	26.1%	25.3%	26.3%	27.4%	27.8%	28.0%	28.2%	28.4%	29.0%	26.3%	28.1%	29.2%
Operating margin	18.1%	18.1%	18.6%	19.1%	19.7%	20.4%	20.2%	20.1%	21.1%	18.5%	20.1%	21.5%
Pre-tax margin	11.8%	14.5%	19.2%	19.8%	20.4%	21.0%	20.8%	20.7%	21.0%	16.5%	20.7%	22.0%
Net margin	9.3%	12.8%	15.1%	16.8%	16.7%	17.2%	17.0%	17.0%	17.2%	13.7%	17.0%	18.0%
YoY (%)												
Net revenue	-16%	-3%	1%	6%	8%	-1%	2%	11%	-10%	-3%	5%	23%
Gross profit	-26%	-14%	-8%	0%	15%	10%	10%	15%	-15%	-12%	12%	28%
Operating profit	-29%	-13%	-15%	-3%	17%	11%	11%	17%	-15%	-15%	14%	31%
Pre-tax profit	-53%	-55%	22%	46%	85%	43%	11%	16%	-15%	-24%	32%	30%
Net profit	-54%	-52%	24%	55%	93%	33%	15%	12%	-16%	-23%	30%	30%
QoQ (%)												
Net revenue	-9%	32%	-5%	-7%	-8%	21%	-2%	1%				
Gross profit	-19%	28%	-2%	-3%	-6%	22%	-2%	2%				
Operating profit	-21%	32%	-3%	-4%	-5%	26%	-3%	1%				
Pre-tax profit	-25%	62%	25%	-4%	-5%	25%	-3%	1%				
Net profit	-27%	82%	11%	4%	-8%	25%	-3%	1%				

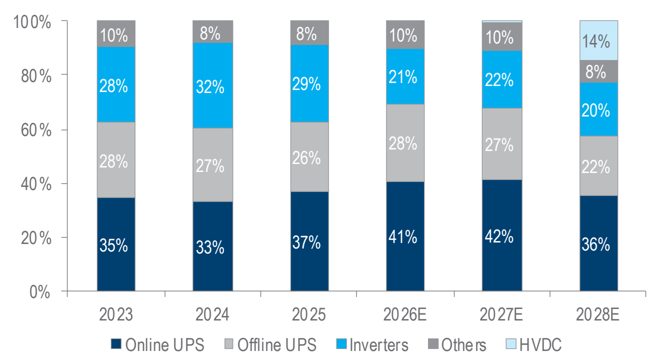
Source: Company, Daiwa forecasts

Voltronic: 1-year forward PER bands



Source: TEJ, Daiwa forecasts

Voltronic: revenue breakdown by product



Source: Company, Daiwa forecasts

Financial summary

Key assumptions

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
UPS shipment (m units)	7.0	8.8	7.5	8.8	7.7	8.2	0.0	0.0
On-line UPS ASP (USD)	245.5	251.0	251.0	251.0	251.0	251.0	0.0	0.0
Off-line UPS ASP (USD)	33.4	26.0	26.0	26.0	26.0	26.0	0.0	0.0

Profit and loss (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Online UPS	6,002	7,124	6,559	7,593	7,585	8,143	8,697	9,124
Offline UPS	5,751	6,090	5,264	6,189	5,291	5,657	5,536	5,588
Other Revenue	5,204	9,511	7,128	9,031	7,645	6,113	6,617	10,922
Total Revenue	**16,957**	**22,725**	**18,951**	**22,813**	**20,521**	**19,913**	**20,850**	**25,634**
Other income	0	0	0	0	0	0	0	0
COGS	(12,646)	(15,588)	(12,982)	(15,790)	(14,561)	(14,685)	(14,989)	(18,137)
SG&A	(785)	(943)	(897)	(946)	(787)	(640)	(724)	(900)
Other op.expenses	(601)	(906)	(933)	(962)	(845)	(905)	(943)	(1,092)
Operating profit	**2,925**	**5,288**	**4,138**	**5,115**	**4,329**	**3,683**	**4,194**	**5,505**
Net-interest inc./(exp.)	31	(7)	83	164	139	127	127	127
Assoc/forex/extraord./others	(65)	122	162	(189)	(151)	(529)	0	0
Pre-tax profit	**2,890**	**5,403**	**4,382**	**5,090**	**4,317**	**3,281**	**4,321**	**5,632**
Tax	(531)	(970)	(760)	(886)	(796)	(560)	(778)	(1,014)
Min. int./pref. div./others	0	0	0	0	0	0	0	0
Net profit (reported)	**2,359**	**4,433**	**3,623**	**4,204**	**3,521**	**2,722**	**3,543**	**4,618**
Net profit (adjusted)	**2,359**	**4,433**	**3,623**	**4,204**	**3,521**	**2,722**	**3,543**	**4,618**
EPS (reported)(TWD)	**26.989**	**50.510**	**41.292**	**47.929**	**40.145**	**31.035**	**40.399**	**52.655**
EPS (adjusted)(TWD)	**26.989**	**50.510**	**41.292**	**47.929**	**40.145**	**31.035**	**40.399**	**52.655**
EPS (adjusted fully-diluted)(TWD)	**26.989**	**50.510**	**41.292**	**47.929**	**40.145**	**31.035**	**40.399**	**52.655**
DPS (TWD)	**23.500**	**24.500**	**24.500**	**24.500**	**43.000**	**36.000**	**31.000**	**36.000**
EBIT	**2,925**	**5,288**	**4,138**	**5,115**	**4,329**	**3,683**	**4,194**	**5,505**
EBITDA	**3,224**	**5,615**	**4,500**	**5,464**	**4,641**	**4,202**	**4,737**	**6,073**

Cash flow (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	2,890	5,403	4,382	5,090	4,317	3,281	4,321	5,632
Depreciation and amortisation	299	327	362	349	313	519	543	569
Tax paid	(531)	(970)	(760)	(886)	(796)	(560)	(778)	(1,014)
Change in working capital	(715)	5	173	(413)	786	(285)	(104)	(243)
Other operational CF items	355	854	(75)	264	(3)	0	0	0
Cash flow from operations	**2,299**	**5,619**	**4,083**	**4,404**	**4,617**	**2,956**	**3,982**	**4,944**
Capex	(520)	(1,974)	(182)	(87)	(60)	(259)	(271)	(333)
Net (acquisitions)/disposals	0	0	0	0	(316)	0	0	0
Other investing CF items	(12)	(0)	(50)	(17)	(19)	0	0	0
Cash flow from investing	**(532)**	**(1,975)**	**(232)**	**(104)**	**(395)**	**(259)**	**(271)**	**(333)**
Change in debt	622	(1,639)	(98)	0	0	0	0	0
Net share issues/(repurchases)	0	0	0	0	0	0	0	0
Dividends paid	(2,055)	(2,054)	(3,818)	(3,290)	(3,772)	(3,157)	(2,719)	(3,157)
Other financing CF items	(91)	(98)	(93)	(101)	(74)	0	0	0
Cash flow from financing	**(1,524)**	**(3,791)**	**(4,009)**	**(3,391)**	**(3,846)**	**(3,157)**	**(2,719)**	**(3,157)**
Forex effect/others	0	0	0	0	0	0	0	0
Change in cash	**242**	**(147)**	**(157)**	**909**	**376**	**(461)**	**992**	**1,453**
Free cash flow	1,778	3,644	3,902	4,317	4,556	2,697	3,711	4,611

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	5,155	5,353	5,045	6,556	6,738	6,278	7,270	8,724
Inventory	1,787	2,019	1,412	2,093	1,796	1,961	2,002	2,422
Accounts receivable	2,867	3,173	3,007	3,518	3,439	3,375	3,534	4,345
Other current assets	233	271	194	256	302	302	302	302
Total current assets	**10,042**	**10,816**	**9,657**	**12,423**	**12,276**	**11,916**	**13,108**	**15,793**
Fixed assets	2,730	4,474	4,420	4,390	4,172	3,912	3,640	3,404
Goodwill & intangibles	29	25	19	12	9	9	9	9
Other non-current assets	583	770	660	496	628	526	526	526
Total assets	**13,384**	**16,085**	**14,756**	**17,321**	**17,084**	**16,363**	**17,283**	**19,732**
Short-term debt	2,380	0	0	0	0	0	0	0
Accounts payable	3,615	4,173	3,687	4,350	4,796	4,612	4,707	5,696
Other current liabilities	1,500	2,454	1,798	2,276	2,086	2,086	2,086	2,086
Total current liabilities	**7,495**	**6,627**	**5,485**	**6,626**	**6,881**	**6,698**	**6,793**	**7,782**
Long-term debt	0	832	734	636	538	538	538	538
Other non-current liabilities	181	283	180	130	111	111	111	111
Total liabilities	**7,676**	**7,742**	**6,398**	**7,392**	**7,531**	**7,347**	**7,443**	**8,431**
Share capital	874	878	877	877	877	877	877	877
Reserves/R.E./others	4,833	7,466	7,480	9,052	8,676	8,139	8,963	10,424
Shareholders' equity	**5,708**	**8,343**	**8,358**	**9,929**	**9,553**	**9,016**	**9,840**	**11,301**
Minority interests	0	0	0	0	0	0	0	0
Total equity & liabilities	**13,384**	**16,085**	**14,756**	**17,321**	**17,084**	**16,363**	**17,283**	**19,732**
EV	88,437	86,691	86,901	85,291	85,012	85,472	84,480	83,026
Net debt/(cash)	**(2,775)**	**(4,521)**	**(4,311)**	**(5,920)**	**(6,200)**	**(5,740)**	**(6,732)**	**(8,185)**
BVPS (TWD)	**65.291**	**95.066**	**95.267**	**113.191**	**108.924**	**102.803**	**112.202**	**128.856**

Key ratios (%)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales (YoY)	24.2	34.0	(16.6)	20.4	(10.0)	(3.0)	4.7	22.9
EBITDA (YoY)	8.6	74.2	(19.9)	21.4	(15.1)	(9.5)	12.7	28.2
Operating profit (YoY)	7.1	80.8	(21.8)	23.6	(15.4)	(14.9)	13.9	31.3
Net profit (YoY)	7.4	87.9	(18.3)	16.1	(16.3)	(22.7)	30.2	30.3
Core EPS (fully-diluted) (YoY)	7.4	87.2	(18.3)	16.1	(16.2)	(22.7)	30.2	30.3
Gross-profit margin	25.4	31.4	31.5	30.8	29.0	26.3	28.1	29.2
EBITDA margin	19.0	24.7	23.7	23.9	22.6	21.1	22.7	23.7
Operating-profit margin	17.2	23.3	21.8	22.4	21.1	18.5	20.1	21.5
Net profit margin	13.9	19.5	19.1	18.4	17.2	13.7	17.0	18.0
ROAE	42.7	63.1	43.4	46.0	36.1	29.3	37.6	43.7
ROAA	18.6	30.1	23.5	26.2	20.5	16.3	21.1	25.0
ROCE	38.5	61.3	45.3	52.0	41.9	37.5	42.1	49.6
ROIC	92.7	n.a	86.9	n.a	95.9	92.2	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	18.4	18.0	17.3	17.4	18.4	17.1	18.0	18.0
Accounts receivable (days)	57.2	48.5	59.5	52.2	61.9	62.5	60.5	56.1
Current ratio (x)	1.3	1.6	1.8	1.9	1.8	1.8	1.9	2.0
Net interest cover (x)	n.a.	800.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net dividend payout	93.5	90.8	48.5	59.3	89.7	89.7	99.9	89.1
Free cash flow yield	1.9	4.0	4.3	4.7	5.0	3.0	4.1	5.1

Source: FactSet, Daiwa forecasts

Company profile

Established in May 2008 and listed in March 2014, Voltronic Power Technology (Voltronic) focuses on the ODM business for uninterruptible power supply (UPS) related products, including off-line UPS for PC applications and on-line UPS for industrial applications. Its management team is mostly from Phoenixtec, formerly the largest UPS maker in Taiwan but was acquired by Eaton, a US-based UPS vendor in 2007.

ESG analysis

ESG risks

Risks		Management	Analyst comments
G	Executive/board quality	2	Voltronic's board consists of 8 directors, including 4 independent directors. A total of five meetings were held in 2024. The average attendance rate was 81%. As the Chairman of the Board is also the CEO, Voltronic voluntarily appoints two more independent directors than required by law, and the Audit Committee is comprised entirely of independent directors. We see this measure as positive for the quality of the board. The backgrounds of independent directors are diversified, and they specialise in the areas of accounting and management. We see it as another positive factor for the board's quality.
G	Capital management	1	Voltronic had an 90% dividend payout ratio in 2024. In fact, the payout ratios from 2017 to 2021 were above 90%; we see this as a favourable dividend policy to investors. We believe the high dividend payout is likely due to its distinctive business model. Being an ODM for the UPS industry, it faces less competition and the company can maintain its high competitiveness/profit margins without much capital investment.
G	Related party & transaction	1	In 2024, revenue from related parties was at 5.0% of total revenue, while purchases from related parties were at 0.2% of cost of sales. We see limited risk from related-party transactions.
E	Materials sourcing & efficiency	2	Voltronic offers professional ODM design and manufacturing of power converters (also known as inverters), automatic voltage regulators (AVRs), and solar inverters. Raw materials for producing inverters include batteries, transformers, plastic materials, steel cases, etc, which account for 50% of the cost of total materials. Apart from the raw materials, Voltronic also purchases green packaging materials, including corrugated paper, cardboard, cartons, etc. According to Voltronic's CSR report, the proportion of spending on local suppliers is above 80%, while its Taiwan region's procurement is mainly for services procurement and the China region's procurement is mainly for raw materials. Voltronic achieves 100% raw materials that comply with the requirements of EU Restriction of Hazardous Substances (RoHS) directive and the requirements of EU Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH) Act on SVHC-substances. To avoid the risk of raw material purchasing, Voltronic has established the Zhongshan plant to produce some raw materials by itself and selects suppliers that can cooperate with the emergency supply of some raw materials. As for the risk of rising material costs, the company targets to to increase selling prices.
E	Product design & lifecycle management	2	In accordance with the requirements of the EU WEEE directive, Voltronic participates in product recycling and scrap assessment at the design stage. After the end of life of Voltronic's products, the reuse rate is over 80% and the recycling rate is over 70%. Internally, Voltronic has "Design Management Guidelines" when considering a new product design and development.
E	Product quality & safety	2	For discussion on Voltronic's product quality and safety, we have less relevant information than other listed companies. Voltronic mentioned it has internal standards of "Quality & Environment Manual" and has passed the Quality Management System ISO 9001 to control product quality. According to its 2019 CSR report, Voltronic has not seen any non-compliance incident up to now that has impacted health and safety during their lifecycles.

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: 8 May 2026

Source: Daiwa, Company

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