J.P.Morgan

Asia Vital Components

2Q preview: Another strong GM beat; key beneficiary of ASIC and GPU cooling upgrade; OW

Overweight

3017.TW, 3017 TT
Price (22 Jul 26):NT$2,265.00

▲**Price Target (Dec-26):NT$3,500.00**
Prior (Dec-26):NT$3,200.00

We expect AVC's 2Q26 results to beat on stronger-than-expected GM expansion (new JPMe 32.5% vs BBGe ~30%), despite the reported weaker revenue momentum given VR200 delay. The company's share price has underperformed the Taiex by ~35% in the past 3 months, owing to the VR cold plate order push-out from June to August. As the issues seem largely resolved, we believe AVC's revenue should resume momentum with VR mass production in August. The potential 2Q26 GM beat coupled with the reaccelerating revenue growth should revive sentiment on AVC, in our view. Looking further out, we see multiple catalysts ahead, including AWS Trainium 3 and Google TPU v8 cold plates entering mass production in 4Q26, as well as the VR Ultra cold plate content increase. OW.

- **2Q26 preview.** Reported 2Q26 revenue of NT$49.1bn (flat QoQ, +66% YoY) was below both JPMe and consensus by 3%, given the delay in VR200 shipment. Despite softer revenue, we believe the company's 2Q26 GM could reach 32.5% (above old JPMe of 31.0%), which could likely beat the current Bloomberg estimate of ~30%, thanks to its decent yield and enhanced production efficiency. Coupled with well-managed opex and higher non-op income, we revise up our 2Q26 EPS estimate by 14% to NT$24.5, meaningfully higher vs BBGe of NT$21.4.
- **Revenue momentum expected to resume from Aug.** Post the flattish 2Q26, we model AVC's 3Q26 revenue to resume momentum with 15% QoQ growth, driven by the mass production of Nvidia's VR200 cold plate expected to start from August. In addition, we believe the liquid-cooled version of AWS Trainium 3 and Google TPU v8 cold plates will also start ramping up in 4Q26 with higher content value vs Nvidia systems. These new ASIC liquid cooling projects should drive another 16% QoQ revenue growth in 4Q26, based on JPMe. In terms of GM, we think the increasing liquid cooling mix along with decent yield will contribute to further GM expansion to 34% and 35% in 3Q and 4Q26 (vs consensus still at 30.5% and 31.4%).
- **VR Ultra liquid cooling content likely to further increase.** Looking forward to future generations, we think AVC will continue to benefit from the structural content increase trend. For VR Ultra, we believe the liquid cooling content of its compute tray could further grow (after the >50% increase in VR vs GB), driven by the additional cold plate and QD unit adoption due to higher spec and power density. The design should be confirmed in the next few months.
- **Implications**. We raise 2026 and 2027E EPS by 4% and 10% on accelerating GM growth and continued content increase in future GPU and ASIC systems. Hence, our Dec-26 PT is revised up to NT$3,500 (from NT$3,200) based on an unchanged 22x 2027E P/E, above AVC's historical average given its stronger 2024-27E ~100% earnings growth.

Technology

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (NT$)	100.36	104.50	4.1%
Adj. EPS - 27E (NT$)	146.02	160.04	9.6%

Quarterly Forecasts (FYE Dec)

Adj. EPS (NT$)

	2025A	2026E	2027E
Q1	8.28	20.17A	31.93
Q2	10.30	24.52	36.79
Q3	13.67	27.04	42.97
Q4	17.01	32.77	48.36
FY	49.29	104.50	160.04

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	49	54	64	52	23
Growth	9	3	11	26	60
Momentum	34	12	4	4	49
Quality	3	15	15	15	32
Low Vol	76	85	93	83	74

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

See page 8 for analyst certification and important disclosures, including non-US analyst disclosures.

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Price Performance

	YTD	1m	3m	12m
Abs	50.0%	-6.4%	-16.0%	165.8%
Rel	-4.8%	-0.3%	-34.3%	70.8%

Company Data

Shares O/S (mn)	383
52-week range (NT$)	3,010.00-836.80
Market cap ($ mn)	26,800
Exchange rate	32.40
Free float (%)	74.5%
3M ADV (mn)	5.01
3M ADV ($ mn)	394.9
Volatility (90 Day)	70
Index	TAIEX
BBG ANR (Buy | Hold | Sell)	20|1|0

Key Metrics (FYE Dec)

NT$ in millions	FY25A	FY26E	FY27E
Financial Estimates			
Revenue	139,639	220,045	316,613
Adj. EBIT	27,556	61,072	95,329
Adj. EBITDA	30,802	65,416	100,301
Adj. net income	19,186	41,016	62,814
Adj. EPS	49.29	104.50	160.04
BBG EPS	49.50	94.69	137.25
Cashflow from operations	36,758	37,554	71,369
FCFF	29,528	29,921	67,260
Margins and Growth			
Revenue Growth Y/Y (%)	94.6%	57.6%	43.9%
EBIT margin	19.7%	27.8%	30.1%
EBIT Growth Y/Y (%)	154.6%	121.6%	56.1%
EBITDA margin	22.1%	29.7%	31.7%
EBITDA Growth Y/Y (%)	131.8%	112.4%	53.3%
Net margin	13.7%	18.6%	19.8%
Adj. EPS growth	131.9%	112.0%	53.1%
Ratios			
Adj. tax rate	27.2%	27.8%	28.0%
Interest cover	NM	NM	NM
Net debt/Equity	NM	NM	NM
Net debt/EBITDA	NM	NM	NM
ROE	45.7%	64.7%	63.6%
Valuation			
FCFF yield	3.3%	3.4%	7.6%
Dividend yield	0.4%	0.9%	2.0%
EV/Revenue	4.3	4.5	3.0
EV/EBITDA	19.3	15.0	9.3
Adj. P/E	46.0	21.7	14.2

Summary Investment Thesis and Valuation

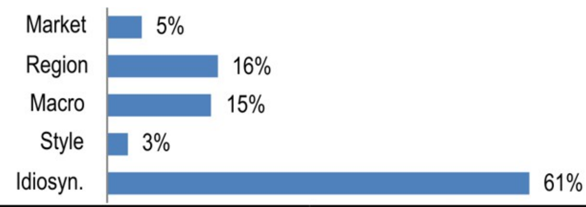
Investment Thesis

We are OW on AVC for its strong earnings growth potential, which we think is supported by the content increase in AI servers. We expect AVC to see increasing upside from more liquid cooling opportunities, with much higher ASP and margin, while its competitive advantages vs peers could give it further market share gains as the industry's structural trends develop.

Valuation

Our Dec-26 PT of NT$3,500 is based on 22x 2027E P/E, above the company's historical average P/E, given its stronger earnings growth of ~100% during 2024-27E.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.10	0.23
Region: Taiwan	0.52	0.44
Macro:		
Emerging Economies CPI(YoY)	-0.23	-0.36
Citi Economic Surprise - EM	0.18	0.25
Emerging Central Bank Rate	0.26	-0.18
Quant Styles:		
Quality	0.37	0.26
Momentum	0.06	0.19
Size	0.12	0.14

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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Earnings review and estimate revisions

Table 1: J.P. Morgan estimates – New vs old

	Revised				Prior				Change			
(NT$M)	**2Q26E**	**3Q26E**	**2026E**	**2027E**	**2Q26E**	**3Q26E**	**2026E**	**2027E**	**2Q26E**	**3Q26E**	**2026E**	**2027E**
Sales	49,121	56,313	220,045	316,613	50,399	61,274	228,609	310,552	-3%	-8%	-4%	2%
Gross profit	15,953	19,120	72,602	111,563	15,626	19,632	72,227	102,860	2%	-3%	1%	8%
GM	32.5%	34.0%	33.0%	35.2%	31.0%	32.0%	31.6%	33.1%	147 bps	191 bps	140 bps	211 bps
Operating profit	13,423	16,107	61,072	95,329	12,778	16,292	59,863	86,836	5%	-1%	2%	10%
OPM	27.3%	28.6%	27.8%	30.1%	25.4%	26.6%	26.2%	28.0%	197 bps	201 bps	157 bps	215 bps
Net Income	9,624	10,614	41,016	62,814	8,420	10,707	39,384	57,304	14%	-1%	4%	10%
EPS (NT$)	**24.5**	**27.0**	**104.5**	**160.0**	**21.5**	**27.3**	**100.4**	**146.0**	**14%**	**-1%**	**4%**	**10%**

Source: J.P. Morgan estimates.

Table 2: J.P. Morgan estimates vs Bloomberg consensus

	JPMe				Bloomberg				Diff			
(NT$M)	**2Q26E**	**3Q26E**	**2026E**	**2027E**	**2Q26E**	**3Q26E**	**2026E**	**2027E**	**2Q26E**	**3Q26E**	**2026E**	**2027E**
Sales	49,121	56,313	220,045	316,613	50,465	57,590	220,165	298,353	-3%	-2%	0%	6%
Gross profit	15,953	19,120	72,602	111,563	15,272	17,659	67,133	93,692	4%	8%	8%	19%
GM	32.5%	34.0%	33.0%	35.2%	30.3%	30.7%	30.5%	31.4%	221 bps	329 bps	250 bps	383 bps
Operating profit	13,423	16,107	61,072	95,329	12,421	14,550	55,199	78,861	8%	11%	11%	21%
OPM	27.3%	28.6%	27.8%	30.1%	24.6%	25.3%	25.1%	26.4%	271 bps	334 bps	268 bps	368 bps
Net Income	9,624	10,614	41,016	62,814	8,463	9,899	37,361	53,893	14%	7%	10%	17%
EPS (NT$)	**24.5**	**27.0**	**104.5**	**160.0**	**21.4**	**25.0**	**94.7**	**137.3**	**15%**	**8%**	**10%**	**17%**

Source: Bloomberg Finance L.P., J.P. Morgan estimates.

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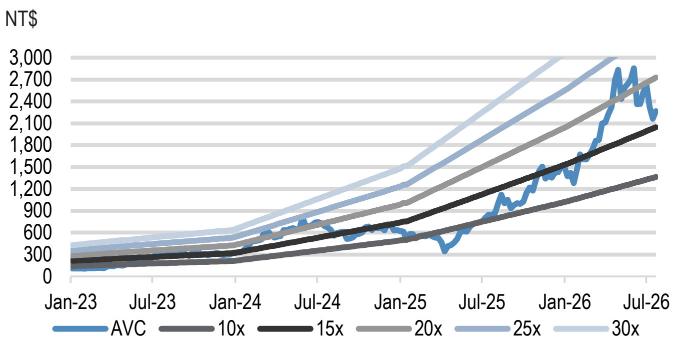
Valuation

Table 3: AVC's trading multiple (from January 2023 to date, when AI server started booming)

x	12M trailing P/E	12M fwd P/E	12M trailing P/B	12M fwd P/B
Standard deviation	8.6	4.6	3.8	2.4
Max	47.1	24.7	19.1	12.4
Minimum	8.8	5.4	2.1	1.5
Median	26.5	14.4	7.2	5.1
Average	26.2	14.4	7.8	5.4

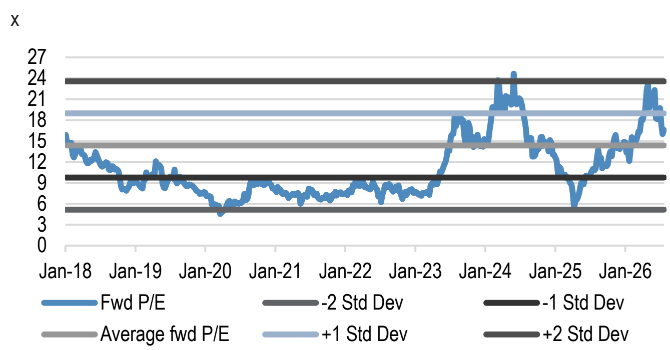
Source: Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 1: AVC's 1yr forward P/E



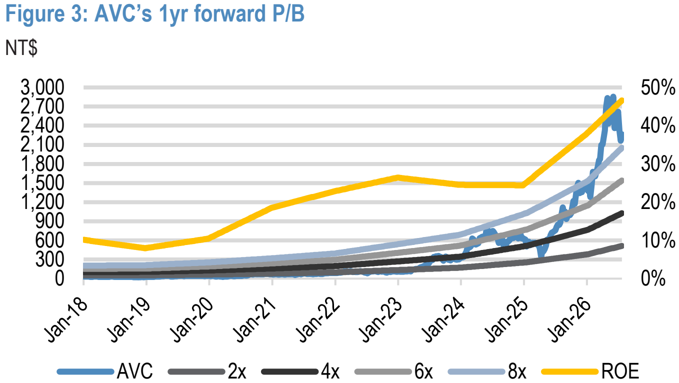
Source: Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 2: AVC's 1yr forward P/E vs mean



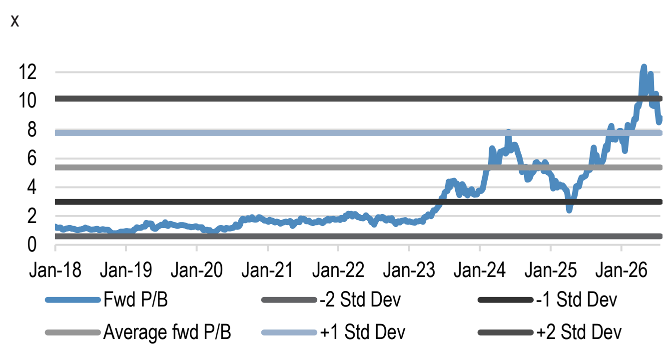
Source: Bloomberg Finance L.P., J.P. Morgan estimates

Figure 3: AVC's 1yr forward P/B



Source: Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 4: AVC's 1yr forward P/B vs mean



Source: Bloomberg Finance L.P., J.P. Morgan estimates.

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Table 4: Income statement

	2023				2024				2025				2026E				2027E								
(NT$ in Mn, year-end December)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	1QE	2QE	3QE	4QE	2023	2024	2025	2026E	2027E
Revenue	**11,835**	**14,871**	**15,769**	**16,720**	**15,309**	**16,484**	**19,065**	**20,904**	**23,333**	**29,595**	**38,937**	**47,775**	**49,038**	**49,121**	**56,313**	**65,573**	**65,431**	**73,092**	**84,471**	**93,619**	**59,194**	**71,761**	**139,639**	**220,045**	**316,613**
Depreciation	427	452	498	512	537	572	609	666	748	727	815	896	996	1,040	1,099	1,124	1,165	1,198	1,238	1,273	1,889	2,384	3,186	4,260	4,429
COGS	9,498	11,880	12,353	13,075	11,936	12,690	14,584	15,680	17,305	22,370	28,765	35,165	34,441	33,168	37,193	42,641	42,869	47,402	54,611	60,168	46,806	54,891	103,605	147,443	205,050
Gross profit	**2,336**	**2,991**	**3,416**	**3,645**	**3,372**	**3,794**	**4,480**	**5,224**	**6,028**	**7,224**	**10,172**	**12,610**	**14,597**	**15,953**	**19,120**	**22,932**	**22,562**	**25,690**	**29,860**	**33,451**	**12,388**	**16,870**	**36,034**	**72,602**	**111,563**
Operating expense	984	1,444	1,310	1,229	1,437	1,367	1,372	1,871	1,667	2,130	2,086	2,595	2,578	2,530	3,013	3,410	3,533	3,801	4,266	4,634	4,967	6,048	8,478	11,531	16,234
Operating income	**1,352**	**1,547**	**2,105**	**2,416**	**1,935**	**2,427**	**3,108**	**3,353**	**4,361**	**5,095**	**8,085**	**10,015**	**12,019**	**13,423**	**16,107**	**19,522**	**19,029**	**21,890**	**25,594**	**28,817**	**7,421**	**10,823**	**27,556**	**61,072**	**95,329**
Net Interest Income	-70	16	-30	38	-6	49	18	53	-31	34	-15	103	-10	143	49	56	47	87	74	74	-46	114	91	238	282
Net Other Income	155	313	145	37	401	460	302	253	291	768	146	-66	-30	982	0	0	0	0	0	0	650	1,415	1,140	952	0
Non-op gain (loss)	85	330	115	75	395	508	320	306	259	802	132	38	-40	1,125	49	56	47	87	74	74	604	1,529	1,231	1,190	282
Pre-tax profit	1,437	1,877	2,220	2,491	2,330	2,935	3,428	3,659	4,620	5,896	8,217	10,053	11,979	14,549	16,156	19,578	19,075	21,976	25,668	28,891	8,025	12,352	28,786	62,261	95,611
Tax expense (credit)	369	532	634	676	579	775	826	978	1,110	1,624	2,307	2,794	3,304	4,001	4,524	5,482	5,341	6,153	7,187	8,090	2,211	3,159	7,836	17,310	26,771
Net profit reported	**1,007**	**1,201**	**1,426**	**1,671**	**1,564**	**1,947**	**2,324**	**2,338**	**3,214**	**3,997**	**5,339**	**6,636**	**7,916**	**9,624**	**10,614**	**12,862**	**12,532**	**14,438**	**16,864**	**18,981**	**5,305**	**8,172**	**19,186**	**41,016**	**62,814**
EPS (NT$)	**2.8**	**3.2**	**3.7**	**4.4**	**4.1**	**5.1**	**6.0**	**6.1**	**8.3**	**10.3**	**13.7**	**17.0**	**20.2**	**24.5**	**27.0**	**32.8**	**31.9**	**36.8**	**43.0**	**48.4**	**14.2**	**21.3**	**49.3**	**104.5**	**160.0**
Margins (%)																									
Gross Margin	19.7	20.1	21.7	21.8	22.0	23.0	23.5	25.0	25.8	24.4	26.1	26.4	29.8	32.5	34.0	35.0	34.5	35.1	35.3	35.7	20.9	23.5	25.8	33.0	35.2
- Opex ratio	8.3	9.7	8.3	7.4	9.4	8.3	7.2	8.9	7.1	7.2	5.4	5.4	5.3	5.2	5.4	5.2	5.4	5.2	5.1	5.0	8.4	8.4	6.1	5.2	5.1
Operating Margin	11.4	10.4	13.4	14.5	12.6	14.7	16.3	16.0	18.7	17.2	20.8	21.0	24.5	27.3	28.6	29.8	29.1	29.9	30.3	30.8	12.5	15.1	19.7	27.8	30.1
EBITDA Margin	15.0	13.4	16.5	17.5	16.1	18.2	19.5	19.2	21.9	19.7	22.9	22.8	26.5	29.4	30.6	31.5	30.9	31.6	31.8	32.1	15.7	18.4	22.0	29.7	31.5
Net Margin	8.5	8.1	9.0	10.0	10.2	11.8	12.2	11.2	13.8	13.5	13.7	13.9	16.1	19.6	18.8	19.6	19.2	19.8	20.0	20.3	9.0	11.4	13.7	18.6	19.8
Sequential Growth (%)																									
Revenue	-19.9	25.7	6.0	6.0	-8.4	7.7	15.7	9.6	11.6	26.8	31.6	22.7	2.6	0.2	14.6	16.4	-0.2	11.7	15.6	10.8					
Gross Profit	-16.4	28.0	14.2	6.7	-7.5	12.5	18.1	16.6	15.4	19.8	40.8	24.0	15.8	9.3	19.9	19.9	-1.6	13.9	16.2	12.0					
EBIT	-19.8	14.4	36.1	14.8	-19.9	25.4	28.1	7.9	30.1	16.8	58.7	23.9	20.0	11.7	20.0	21.2	-2.5	15.0	16.9	12.6					
EPS	-6.9	11.6	17.0	19.4	-8.2	24.5	18.5	0.8	36.5	24.4	32.8	24.4	18.6	21.6	10.3	21.2	-2.6	15.2	16.8	12.6					
YoY Growth (%)																									
Revenue	-6.0	8.0	6.0	13.1	29.4	10.8	20.9	25.0	52.4	79.5	104.2	128.5	110.2	66.0	44.6	37.3	33.4	48.8	50.0	42.8	5.7	21.2	94.6	57.6	43.9
Gross Profit	3.0	8.1	13.1	30.5	44.4	26.9	31.2	43.3	78.7	90.4	127.0	141.4	142.2	120.8	88.0	81.9	54.6	61.0	56.2	45.9	14.2	36.2	113.6	101.5	53.7
EBIT	1.2	1.3	19.9	43.3	43.1	56.8	47.6	38.8	125.4	109.9	160.2	198.7	175.6	163.5	99.2	94.9	58.3	63.1	58.9	47.6	17.7	45.8	154.6	121.6	56.1
EPS	34.9	2.5	6.1	45.2	43.2	59.8	61.8	36.5	102.9	102.7	127.1	180.3	143.6	138.1	97.8	92.7	58.3	50.0	58.9	47.6	20.8	49.3	131.9	112.0	53.1
Sales mix (%)																									
Thermal Solutions	**59%**	**57%**	**55%**	**46%**	**51%**	**55%**	**58%**	**52%**	**59%**	**60%**	**63%**	**51%**	**64%**	**63%**	**66%**	**68%**	**66%**	**68%**	**71%**	**72%**	**54%**	**54%**	**57%**	**65%**	**70%**
Consumer	18%	18%	18%	14%	15%	16%	14%	12%	13%	12%	15%	11%	9%	9%	9%	9%	7%	6%	6%	6%	17%	14%	13%	9%	6%
Telecom	15%	13%	14%	11%	14%	13%	13%	10%	11%	9%	6%	4%	6%	6%	5%	3%	4%	4%	3%	2%	13%	12%	7%	5%	3%
Server	23%	23%	21%	19%	20%	23%	27%	27%	32%	36%	39%	34%	47%	46%	50%	54%	53%	57%	60%	63%	21%	25%	35%	50%	59%
Others	3%	3%	2%	2%	3%	3%	4%	3%	3%	2%	2%	2%	1%	2%	1%	1%	1%	1%	1%	1%	3%	3%	2%	1%	1%
Chassis	**15%**	**13%**	**13%**	**12%**	**13%**	**13%**	**12%**	**15%**	**16%**	**17%**	**17%**	**21%**	**20%**	**21%**	**19%**	**17%**	**17%**	**16%**	**15%**	**14%**	**13%**	**13%**	**18%**	**19%**	**15%**
PC/AIO	4%	3%	2%	2%	2%	2%	2%	2%	2%	2%	2%	1%	1%	1%	1%	1%	1%	1%	1%	0%	3%	2%	2%	1%	1%
Server	11%	10%	11%	10%	11%	11%	10%	13%	13%	15%	15%	20%	19%	20%	18%	17%	17%	16%	14%	14%	10%	11%	16%	18%	15%
System Assembly	**19%**	**21%**	**22%**	**31%**	**25%**	**22%**	**19%**	**20%**	**16%**	**15%**	**11%**	**20%**	**8%**	**9%**	**8%**	**7%**	**7%**	**7%**	**6%**	**5%**	**24%**	**21%**	**16%**	**8%**	**6%**
Fositek (Hinge)	**7%**	**10%**	**10%**	**11%**	**11%**	**10%**	**10%**	**13%**	**10%**	**9%**	**9%**	**8%**	**9%**	**8%**	**7%**	**8%**	**9%**	**9%**	**9%**	**8%**	**10%**	**11%**	**9%**	**8%**	**9%**

Source: Company data, J.P. Morgan estimates.

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Investment Thesis, Valuation and Risks

Asia Vital Components *(Overweight; Price Target: NT$3,500.00)*

Investment Thesis

We are OW on AVC for its strong earnings growth potential, which we think is supported by the content increase in AI servers. We expect AVC to see increasing upside from more liquid cooling opportunities, with much higher ASP and margin, while its competitive advantages vs peers could give it further market share gains as the industry's structural trends develop.

Valuation

Our Dec-26 PT of NT$3,500 is based on 22x 2027E P/E, above the company's historical average P/E, given its stronger earnings growth of ~100% during 2024-27E.

Risks to Rating and Price Target

Key downside risks to our rating and price target include: 1) a cooling-off of AI sentiment, which could impact valuation; 2) yield issues for new capacity/product; 3) delays in new product launches by customers; and 4) increasing competition as the thermal market expands.

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Asia Vital Components: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**71,761**	**139,639**	**220,045**	**316,613**	**-**
COGS	(52,428)	(100,359)	(143,098)	(200,079)	-
Gross profit	**16,870**	**36,034**	**72,602**	**111,563**	**-**
SG&A	(1,947)	(3,086)	(4,387)	(5,856)	-
Adj. EBITDA	**13,285**	**30,802**	**65,416**	**100,301**	**-**
D&A	(2,463)	(3,246)	(4,345)	(4,972)	-
Adj. EBIT	**10,823**	**27,556**	**61,072**	**95,329**	**-**
Net Interest	114	91	238	282	-
Adj. PBT	**12,352**	**28,786**	**62,261**	**95,611**	**-**
Tax	(3,159)	(7,836)	(17,310)	(26,771)	-
Minority Interest	-	-	-	-	-
Adj. Net Income	**8,172**	**19,186**	**41,016**	**62,814**	**-**
Reported EPS	21.26	49.29	104.50	160.04	-
Adj. EPS	**21.26**	**49.29**	**104.50**	**160.04**	**-**
DPS	**7.00**	**9.99**	**20.68**	**44.67**	**-**
Payout ratio	32.9%	20.3%	19.8%	27.9%	-
Shares outstanding	384	389	392	392	-

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	31,999	60,442	83,356	131,282	-
Accounts receivable	7,767	12,133	14,372	20,519	-
Inventories	33,397	49,572	93,461	131,875	-
Other current assets	2,929	4,029	5,909	8,592	-
Current assets	**76,092**	**126,176**	**197,098**	**292,268**	**-**
PP&E	13,805	17,849	21,222	20,901	-
LT investments	1,432	986	951	951	-
Other non current assets	8,576	15,125	15,532	15,355	-
Total assets	**99,906**	**160,137**	**234,802**	**329,475**	**-**
Short term borrowings	13,130	16,311	17,608	17,608	-
Payables	28,884	48,109	70,096	98,906	-
Other short term liabilities	16,275	33,075	51,374	73,933	-
Current liabilities	**58,288**	**97,495**	**139,078**	**190,448**	**-**
Long-term debt	3,349	6,949	7,190	7,190	-
Other long term liabilities	4,796	5,128	12,354	10,449	-
Total liabilities	**66,433**	**109,572**	**158,622**	**208,086**	**-**
Shareholders' equity	33,473	50,565	76,180	121,388	-
Minority interests	-	-	-	-	-
Total liabilities & equity	**99,906**	**160,137**	**234,802**	**329,475**	**-**
BVPS	**87.06**	**129.90**	**194.10**	**309.28**	**-**
y/y Growth	*25.5%*	*49.2%*	*49.4%*	*59.3%*	-
Net debt/(cash)	(15,521)	(37,182)	(58,558)	(106,484)	-

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**8,172**	**36,758**	**37,554**	**71,369**	**-**
o/w Depreciation & amortization	2,463	3,246	4,345	4,972	-
o/w Changes in working capital	(2,385)	14,385	(7,723)	4,126	-
Cash flow from investing activities	**(9,422)**	**(13,333)**	**(8,004)**	**(3,932)**	**-**
o/w Capital expenditure	(4,839)	(7,230)	(7,633)	(4,109)	-
as % of sales	*6.7%*	*5.2%*	*3.5%*	*1.3%*	-
Cash flow from financing activities	**4,158**	**5,018**	**(6,636)**	**(19,511)**	**-**
o/w Dividends paid	(2,683)	(3,877)	(8,236)	(17,606)	-
o/w Shares issued/(repurchased)	0	0	0	0	-
o/w Net debt issued/(repaid)	3,519	6,781	1,539	0	-
Net change in cash	**2,908**	**28,443**	**22,914**	**47,926**	**-**
Adj. Free cash flow to firm	**3,333**	**29,528**	**29,921**	**67,260**	**-**
y/y Growth	*(44.8%)*	*786.0%*	*1.3%*	*124.8%*	-

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	23.5%	25.8%	33.0%	35.2%	-
EBITDA margin	18.5%	22.1%	29.7%	31.7%	-
EBIT margin	15.1%	19.7%	27.8%	30.1%	-
Net profit margin	11.4%	13.7%	18.6%	19.8%	-
ROE	27.6%	45.7%	64.7%	63.6%	-
ROA	9.5%	14.8%	20.8%	22.3%	-
ROCE	18.1%	32.4%	50.4%	55.5%	-
SG&A/Sales	2.7%	2.2%	2.0%	1.8%	-
Net debt/Equity	NM	NM	NM	NM	-
Net debt/EBITDA	NM	NM	NM	NM	-
Sales/Assets (x)	0.8	1.1	1.1	1.1	-
Assets/Equity (x)	2.9	3.1	3.1	2.9	2.7
Interest cover (x)	NM	NM	NM	NM	-
Operating leverage	215.9%	163.5%	211.2%	127.8%	-
Tax rate	25.6%	27.2%	27.8%	28.0%	-
Revenue y/y Growth	21.2%	94.6%	57.6%	43.9%	-
EBITDA y/y Growth	41.7%	131.8%	112.4%	53.3%	-
EPS y/y Growth	49.3%	131.9%	112.0%	53.1%	-

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	106.6	46.0	21.7	14.2	-
P/BV (x)	26.0	17.4	11.7	7.3	-
EV/EBITDA (x)	18.0	19.3	15.0	9.3	-
Dividend Yield	0.3%	0.4%	0.9%	2.0%	-

Source: Company reports and J.P. Morgan estimates.
Note: NT$ in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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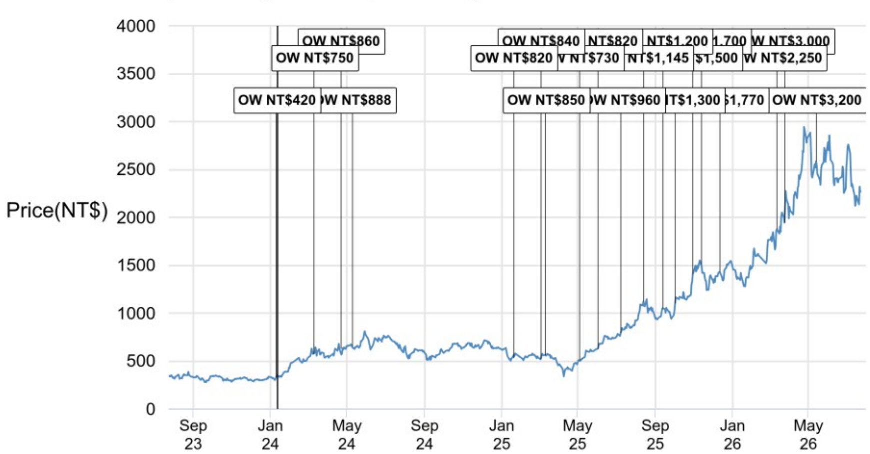
Asia Vital Components (3017.TW, 3017 TT) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Aug 26, 2004. All share prices are as of market close on the previous business day.
Break in coverage Feb 27, 2006 - Jan 11, 2024.

Date	Rating	Price (NT$)	Price Target (NT$)
11-Jan-24	OW	329.00	420
11-Mar-24	OW	574.00	750
22-Apr-24	OW	630.00	860
10-May-24	OW	654.00	888
20-Jan-25	OW	530.00	820
04-Mar-25	OW	519.00	840
12-Mar-25	OW	560.00	850
05-May-25	OW	507.00	730
03-Jun-25	OW	629.00	820
09-Jul-25	OW	795.00	960
14-Aug-25	OW	1120.00	1,145
14-Sep-25	OW	1050.00	1,200
03-Oct-25	OW	1100.00	1,300
31-Oct-25	OW	1410.00	1,500
13-Nov-25	OW	1505.00	1,700
12-Dec-25	OW	1430.00	1,770
13-Mar-26	OW	1875.00	2,250
25-Mar-26	OW	1945.00	3,000
14-May-26	OW	2585.00	3,200

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