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Delta Electronics Inc. | Asia Pacific

3Q26 GM Dragged by Inventory Write-off

AlphaSignals Earnings Reaction

Unchanged	**Modest shortfall**	**Modest revision lower**
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

Despite the secular tailwinds of increasing power consumption in AI clusters, we think near-term sentiment toward Delta could remain lackluster post weaker 3Q26 results.

3Q26 earnings fell short on lower GM:

- Off revenue of NT$197,059mn (+8% QoQ/+31% YoY), GM contracted by 1.6ppt QoQ to 34.1% (vs. MSe/consensus at 35.7%/36.2%), which was dragged 2ppt lower by the inventory write-off
- Opex was well controlled at NT$34,535mn (opex ratio 17.5%), lower than our estimate of NT$36,983mn (opex ratio 18.4%) and consensus of NT$37,129mn (opex ratio 18.0%)
- Operating profit came in at NT$32,620mn (+7% QoQ/+31% YoY; OPM 16.6%), 7% lower than MSe of NT$34,992mn (OPM 17.4%) and 13% lower than consensus of NT$37,677mn (OPM 18.2%).
- With non-op gains of NT$1,046mn (including FX gain of NT$415mn), net profit was NT$23,495mn (-7% QoQ/+26% YoY; EPS NT$9.04), 8%/15% short of MSe/consensus at NT$25,554mn (EPS NT$9.84)/NT$27,611mn (EPS NT $10.40).

Our view:

- We believe near-term sentiment toward the stock will stay soft, though the weak financial performance in 3Q26 was mainly impacted by component supply tightness
- We believe Delta should grow its revenue by 10% QoQ with margin expansion in 4Q26, and will continue to benefit from the increasing power consumption of AI clusters in 2027
- Earnings call at 3pm HKT on Oct 29th (details here)

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Delta Electronics Inc. (2308.TW, 2308 TT)

Greater China Technology Hardware | Taiwan

Stock Rating	**Overweight**
Industry View	**In-Line**
Price target	NT$2,500.00
Shr price, close (Oct 28, 2026)	NT$1,550.00
52-Week Range	NT$2,585.00-886.00
Sh out, dil, curr (mn)	2,598
Mkt cap, curr (mn)	US$124,238
EV, curr (mn)	US$122,601
Avg daily trading value (mn)	US$618

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Exhibit 1: 3Q26 results summary

	Actual	QoQ	YoY	Ms est.	Variance	Consensus	Variance
Net sales	**197,059**	**8%**	**31%**	**201,379**	**-2%**	**206,646**	**-5%**
COGS	-129,904	10%	33%	-129,404	0%	-131,851	-1%
Gross profit	**67,155**	**3%**	**28%**	**71,976**	**-7%**	**74,796**	**-10%**
Operating expenses	-34,535	-1%	25%	-36,983	-7%	-37,129	-7%
Operating income	**32,620**	**7%**	**31%**	**34,992**	**-7%**	**37,667**	**-13%**
Non-operating income	1,046	-76%	-52%	1,630	-36%	1,935	-46%
Pre-tax income	**33,666**	**-4%**	**25%**	**36,622**	**-8%**	**39,602**	**-15%**
Income tax	-7,608	-3%	26%	-7,910	-4%	-11,992	-37%
Net income	**23,495**	**-7%**	**26%**	**25,554**	**-8%**	**27,611**	**-15%**
EPS (NT$)	**9.04**	**-7%**	**26%**	**9.84**	**-8%**	**10.40**	**-13%**
Margin (%)		***ppt***	***ppt***		***ppt***		***ppt***
Gross margin	34.1%	-1.6	-0.8	35.7%	-1.7	36.2%	-2.1
Operating margin	16.6%	-0.1	0.0	17.4%	-0.8	18.2%	-1.7
Pre-tax margin	17.1%	-2.0	-0.9	18.2%	-1.1	19.2%	-2.1
Net margin	11.9%	-1.8	-0.5	12.7%	-0.8	13.4%	-1.4

Source: Company data, Factset, Morgan Stanley Research.

Valuation Methodology and Risks

Delta Electronics Inc. (2308.TW)

Base case: P/E multiple of 30x based on average 2027-28 EPS. We believe our target multiple is justified by the 63% earnings CAGR we estimate for 2025-28, implying a PEG of 0.5, versus the stock's ~23x P/E and 23% earnings CAGR during 2022-25, which implied a PEG of 1.0.

Risks to Upside

- Faster-than-expected global economic growth
- Falling raw material prices
- Margin improvement

Risks to Downside

- Global economic slowdown
- Ongoing component supply tightness
- Rising raw material prices
- Margin contraction as a result of higher operating expenses or faster ASP erosion

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(as of September 30, 2026)
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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1599	43%	455	48%	28%	783	44%
Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

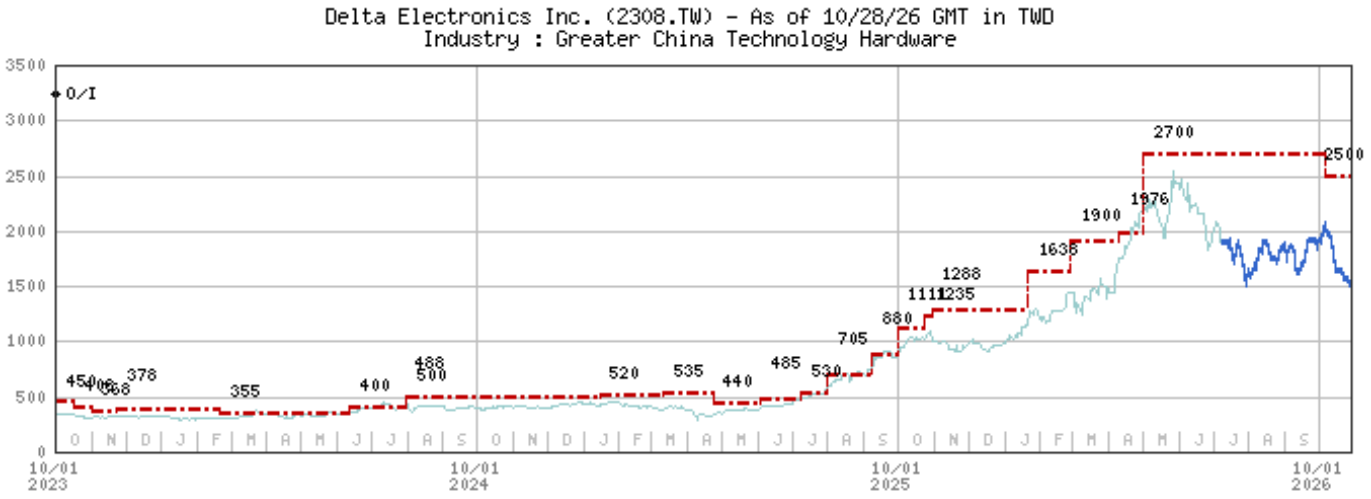
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Stock Rating History: 10/1/21 : O/I

Price Target History: 9/9/21 : 345; 10/29/21 : 325; 2/25/22 : 303; 7/29/22 : 312; 9/21/22 : 326; 10/6/22 : 350; 11/23/22 : 368; 8/2/23 : 450; 10/17/23 : 408; 11/1/23 : 368; 11/23/23 : 378; 2/21/24 : 355; 6/12/24 : 400; 7/30/24 : 488; 8/1/24 : 500; 1/15/25 : 520; 3/11/25 : 535; 4/23/25 : 440; 6/4/25 : 485; 7/9/25 : 530; 8/1/25 : 705; 9/8/25 : 880; 9/30/25 : 1111; 10/24/25 : 1235; 10/30/25 : 1288; 1/21/26 : 1638; 2/27/26 : 1900; 4/10/26 : 1976; 5/1/26 : 2700; 10/6/26 : 2500

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INDUSTRY COVERAGE: Greater China Technology Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/28/2026)
Andy Meng, CFA		
AAC Technologies Holdings (2018.HK)	O (01/29/2024)	HK$38.82
Accelink Technologies Co. Ltd. (002281.SZ)	U (05/12/2022)	Rmb123.60
BYD Electronics (0285.HK)	O (04/28/2023)	HK$22.54
China TransInfo Technology Co Ltd (002373.SZ)	E (07/18/2023)	Rmb8.00
Dahua Technology Co. Ltd. (002236.SZ)	E (12/12/2024)	Rmb14.47
Eoptolink Technology Inc Ltd (300502.SZ)	O (02/27/2026)	Rmb256.79
Genius Electronic Optical Co. Ltd. (3406.TW)	E (10/13/2026)	NT$1,330.00
GoerTek Inc (002241.SZ)	E (08/14/2026)	Rmb23.20
Gosuncn Technology Group Co Ltd (300098.SZ)	U (11/07/2022)	Rmb4.24
HIKVision Digital Technology (002415.SZ)	E (12/12/2024)	Rmb34.15
Largan Precision (3008.TW)	O (10/13/2026)	NT$6,335.00
LianChuang Electronic Technology Co Ltd (002036.SZ)	U (06/12/2024)	Rmb5.67
Lingyi Itech Guangdong Co (002600.SZ)	U (04/23/2025)	Rmb11.69
Lingyi Itech Guangdong Co (1688.HK)	O (08/14/2026)	HK$5.03
Luxshare Precision Industry Co., Ltd. (2475.HK)	O (08/14/2026)	HK$49.86
Luxshare Precision Industry Co., Ltd. (002475.SZ)	O (10/24/2016)	Rmb49.70
OFILM Group Co Ltd (002456.SZ)	U (06/12/2024)	Rmb6.30
Q Technology (Group) Company Ltd (1478.HK)	U (03/23/2026)	HK$4.78
Quectel Wireless Solutions Co Ltd (603236.SS)	E (10/09/2024)	Rmb71.46
Shanghai Conant Optical Co Ltd (2276.HK)	O (04/10/2026)	HK$34.60
Shenzhen Transsion Holdings Co Ltd (688036.SS)	E (03/23/2026)	Rmb54.41
Sunny Optical (2382.HK)	E (03/23/2026)	HK$65.80
Suzhou TFC Optical Communication Co Ltd. (300394.SZ)	E (11/06/2025)	Rmb201.43

Wingtech Technology Co Ltd (600745.SS)	U (05/18/2026)	Rmb10.42
Xiaomi Corp (1810.HK)	O (04/14/2021)	HK$25.62
Yangtze Optical Fibre and Cable JSC Ltd (601869.SS)	U (10/13/2021)	Rmb300.35
Yangtze Optical Fibre and Cable JSC Ltd (6869.HK)	O (07/15/2026)	HK$111.60
Yongxin Optics Co Ltd (603297.SS)	E (11/15/2022)	Rmb99.17
Zhejiang Crystal-Optech Co Ltd (002273.SZ)	O (11/15/2022)	Rmb22.94
Zhongji Innolight Co Ltd (300308.SZ)	O (09/07/2026)	Rmb636.30
Zhongji Innolight Co Ltd (3308.HK)	O (09/07/2026)	HK$785.00
ZTE Corporation (0763.HK)	O (06/04/2026)	HK$20.28
ZTE Corporation (000063.SZ)	E (06/04/2026)	Rmb28.20
Derrick Yang		
Accton Technology Corporation (2345.TW)	O (06/06/2024)	NT$1,815.00
Advantech (2395.TW)	O (01/20/2021)	NT$689.00
AirTAC International (1590.TW)	O (04/16/2025)	NT$1,140.00
Asia Vital Components Co. Ltd. (3017.TW)	O (07/30/2024)	NT$3,215.00
AU Optronics (2409.TW)	E (02/10/2026)	NT$35.55
Auras Technology Co Ltd (3324.TWO)	E (05/04/2023)	NT$1,435.00
Bizlink (3665.TW)	O (03/10/2025)	NT$1,810.00
BOE Technology (000725.SZ)	O (09/06/2019)	Rmb4.83
Chenbro (8210.TW)	O (07/23/2025)	NT$781.00
Chroma Ate Inc. (2360.TW)	O (10/05/2021)	NT$2,035.00
Delta Electronics Inc. (2308.TW)	O (07/13/2017)	NT$1,550.00
E Ink Holdings Inc. (8069.TWO)	E (08/10/2026)	NT$156.00
Ennostar Inc (3714.TW)	U (09/23/2022)	NT$64.60
Fositek Corp (6805.TW)	O (06/25/2025)	NT$2,460.00
Hiwin Technologies Corp. (2049.TW)	O (03/30/2026)	NT$343.50
Innolux (3481.TW)	E (04/07/2025)	NT$48.45
King Slide Works Co. Ltd. (2059.TW)	O (11/08/2023)	NT$10,150.00
Lens Technology (300433.SZ)	E (07/22/2020)	Rmb27.97
Lite-On Technology (2301.TW)	E (01/15/2025)	NT$261.50
TCL Corp. (000100.SZ)	E (04/07/2025)	Rmb4.51
Tianma Microelectronics (000050.SZ)	U (01/24/2018)	Rmb5.76
Howard Kao		
Acer Inc. (2353.TW)	U (04/23/2025)	NT$32.70
Asustek Computer Inc. (2357.TW)	U (11/16/2025)	NT$988.00
Catcher Technology (2474.TW)	U (11/17/2025)	NT$199.00
Compal Electronics (2324.TW)	U (04/23/2025)	NT$37.95
Elite Material Co. (2383.TW)	O (09/14/2026)	NT$5,025.00
FIT Hon Teng Ltd (6088.HK)	O (11/03/2025)	HK$3.72
Foxconn Industrial Internet Co. Ltd. (601138.SS)	O (07/10/2019)	Rmb48.64
Giga-Byte Technology Co. Ltd. (2376.TW)	E (11/16/2025)	NT$362.50
Gold Circuit Electronics Ltd. (2368.TW)	O (10/06/2022)	NT$1,185.00
Hon Hai Precision (2317.TW)	O (03/15/2024)	NT$251.50
Inspur Electronic Information (000977.SZ)	E (08/28/2023)	Rmb56.03
Kingboard Laminates Holdings Ltd. (1888.HK)	O (09/14/2026)	HK$40.30
LandMark Optoelectronics Corporation (3081.TWO)	E (03/26/2026)	NT$2,580.00
Lenovo (0992.HK)	O (07/10/2026)	HK$23.78
Lotes Co. Ltd. (3533.TW)	O (10/27/2026)	NT$1,955.00
Nan Ya PCB (8046.TW)	O (02/23/2026)	NT$1,300.00
Pegatron Corporation (4938.TW)	E (03/25/2026)	NT$108.00
Quanta Computer Inc. (2382.TW)	O (05/01/2023)	NT$330.00
Shengyi Technology Co Ltd. (600183.SS)	E (05/26/2022)	Rmb102.49
Shennan Circuits Co Ltd (002916.SZ)	E (08/24/2023)	Rmb280.04
Unimicron (3037.TW)	O (02/23/2026)	NT$1,100.00
Visual Photonics Epitaxy Co Ltd (2455.TW)	E (09/11/2023)	NT$512.00

Wistron Corporation (3231.TW)	O (07/12/2023)	NT$194.50
Wiwynn Corp (6669.TW)	O (11/10/2025)	NT$1,950.00
Yageo Corp. (2327.TW)	O (10/28/2025)	NT$547.00
Zhen Ding (4958.TW)	++	NT$550.00
Irene Yen		
Co-Tech Development Corp. (8358.TWO)	O (09/14/2026)	NT$460.00
Taiwan Union Technology Corporation (6274.TWO)	O (09/14/2026)	NT$1,375.00

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