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Delta Electronics Inc. | Asia Pacific

Our Thoughts on USITC Investigation No. 337

The near-term impact should be manageable, but we'll closely monitor developments on this matter.

What's new:

- The US International Trade Commission (USITC) formally launched a patent infringement investigation on October 9, 2026, following a complaint by Vicor Corporation, a US-based power electronics company, against 20 entities, including Delta and others across the power supply, server assembly and semiconductor space.
- Vicor alleges that certain imported vertical power delivery systems (used mostly in HPC chips) have infringed US Patent 10,903,734.
- Vicor requested two types of remedy: 1) a Limited Exclusion Order (LEO); and 2) Cease and Desist Orders (CDOs), which could restrict US imports and sales of infringing products if granted.

Our view:

- We note that this is not the first time Delta and Vicor have had legal disputes over patent infringement.
- We will closely monitor any developments in this matter, though we think the impact on Delta's operations should be manageable (the products in dispute account for high single digit % of its total revenue for 2026, based on our estimates).
- We remain OW.

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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
Up/downside to price target (%)	27
Shr price, close (Oct 8, 2026)	NT$1,965.00
52-Week Range	NT$2,585.00-886.00
Sh out, dil, curr (mn)	2,598
Mkt cap, curr (mn)	US$159,810
EV, curr (mn)	US$158,149
Avg daily trading value (mn)	US$615

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	23.14	39.77	64.77	100.77
Prior EPS (NT$)**	-	-	-	-
EPS (NT$)§	23.91	40.39	64.11	99.50
Revenue, net (NT$ bn)	554.9	775.2	1,131.9	1,659.5
EBITDA (NT$ bn)	111.8	169.2	267.5	404.0
ModelWare net inc (NT $ bn)	60.1	103.3	168.2	261.7
P/E	41.6	49.4	30.3	19.5
P/BV	7.1	11.8	9.1	6.8
RNOA (%)	27.3	42.2	70.3	101.3
ROE (%)	21.5	31.7	42.2	50.8
EV/EBITDA	20.1	29.4	18.3	11.7
Div yld (%)	0.8	0.6	1.0	1.7
FCF yld ratio (%)**	2.1	0.9	2.1	4.0
Leverage (EOP) (%)	(41.9)	(51.7)	(57.8)	(64.0)

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

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Key Table

Exhibit 1: Historical litigation between Vicor and Delta

Filing date	Plaintiff(s) / Defendant(s) / Case Number	Reason for Filing	Latest Progress
2023-07-12	Vicor v. Delta et al. | E.D. Tex., 2:23-cv-00323	Patent infringement: US 6,930,893; 9,166,481; 9,516,761; 10,199,950.	Settled; dismissed with prejudice (May 13, 2025).
2023-07-12	Vicor v. Delta, Cyntec, Foxconn, Quanta et al. | ITC 337-TA-1370	ITC import complaint: US 9,166,481; 9,516,761; 10,199,950.	Closed (Feb 13, 2025); partial infringement finding; LEO/CDOs issued.
2023-10-23	Delta v. Vicor | W.D. Tex., 6:23-cv-00726	Patent infringement: US 9,819,263 (power converters).	Settled; dismissed with prejudice (May 7, 2025).
2023-11-01	Delta v. Vicor | D. Del., 1:23-cv-01246	Patent infringement: US 8,711,580 and 10,877,534.	Settled; dismissed with prejudice (May 8, 2025).
2024-01-02	Delta v. Vicor | China patent case (number unverified)	Patent infringement: CN 106571354 B (power-converter manufacturing).	Final case disposition not confirmed.
2024-01-26	Delta (applicant) / Vicor | D. Del., 1:24-cv-00107	Section 1782 evidence request for China patent litigation.	Jan 10, 2025: main discovery request denied; limited relief granted.
2026-01-09	Vicor v. Delta | E.D. Tex., 2:26-cv-00017	Patent infringement: US 12,395,087 (bus-converter design).	Stayed (Feb 24, 2026) pending ITC 337-TA-1484.
2026-01-12	Vicor v. Delta et al. | ITC 337-TA-1484	ITC import complaint: US 12,395,087 (power modules and servers).	Ongoing; instituted Feb 11, 2026 (published Feb 17); target completion Sep 20, 2027.
2026-07-23	Delta v. Vicor | W.D. Tex., 1:26-cv-02057	Alleged trade-secret misuse and interference with business relations.	Ongoing; no merits ruling reported.
2026-07-24	Delta Shanghai v. Vicor | D. Del., 1:26-cv-00913	Patent infringement: US 10,845,853 (processor-board power delivery).	Ongoing; no final infringement ruling reported.
2026-07-31	Delta v. Vicor | W.D. Tex., 7:26-cv-00288	Patent infringement: US 11,923,772 (DC/DC converters).	Pending; Vicor moved to dismiss or transfer (Sep 28, 2026).
2026-09-08	Vicor v. Delta, Infineon et al. | E.D. Tex., 2:26-cv-00796	Patent infringement: US 10,903,734 (vertical power delivery).	Ongoing; early stage, no infringement finding.
2026-09-08	Delta (applicant) / Vicor | D. Del., 1:26-cv-01135	Section 1782 evidence request for overseas proceedings.	Pending; no final order confirmed.
2026-09-09	Vicor v. Delta et al. | ITC 337-TA-1526	ITC import complaint: US 10,903,734 (vertical power delivery).	Instituted (Oct 9, 2026); no final ruling.

Source: US Federal Court, US International Trade Commission (ITC), USPTO/PTAB filings, Company data, 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.

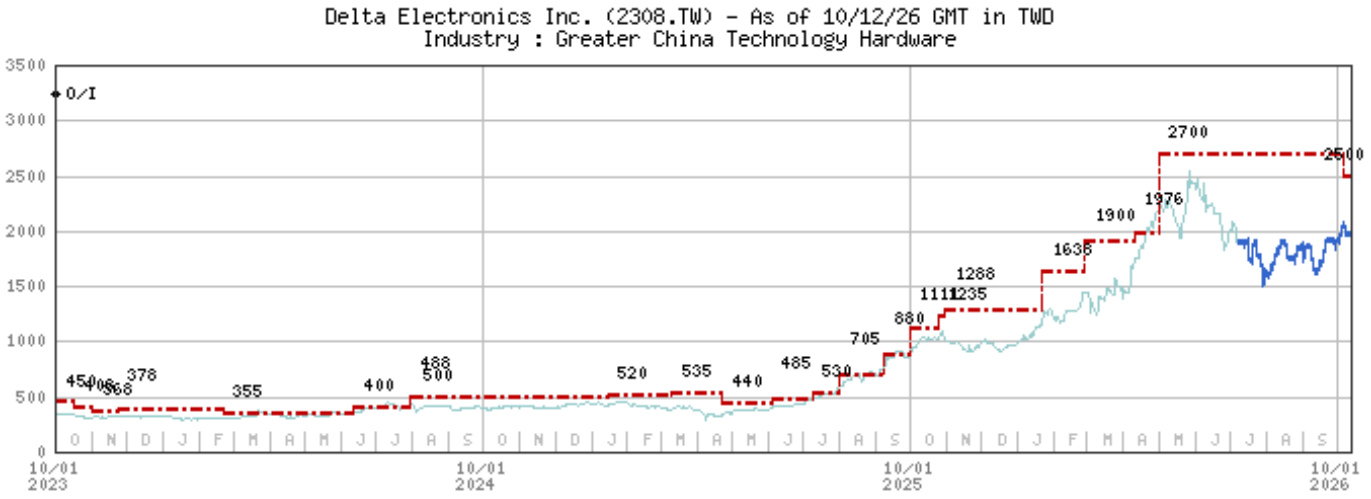
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Stock Price, Price Target and Rating History (See Rating Definitions)



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

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
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INDUSTRY COVERAGE: Greater China Technology Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/09/2026)
Andy Meng, CFA		
AAC Technologies Holdings (2018.HK)	O (01/29/2024)	HK$37.36
Accelink Technologies Co. Ltd. (002281.SZ)	U (05/12/2022)	Rmb148.71
BYD Electronics (0285.HK)	O (04/28/2023)	HK$23.16
China TransInfo Technology Co Ltd (002373.SZ)	E (07/18/2023)	Rmb7.40
Dahua Technology Co. Ltd. (002236.SZ)	E (12/12/2024)	Rmb15.46
Eoptolink Technology Inc Ltd (300502.SZ)	O (02/27/2026)	Rmb370.20
Genius Electronic Optical Co. Ltd. (3406.TW)	U (09/10/2026)	NT$1,060.00
GoerTek Inc (002241.SZ)	E (08/14/2026)	Rmb21.51
Gosuncn Technology Group Co Ltd (300098.SZ)	U (11/07/2022)	Rmb4.20
HIKVision Digital Technology (002415.SZ)	E (12/12/2024)	Rmb32.97
Largan Precision (3008.TW)	E (09/10/2026)	NT$6,660.00
LianChuang Electronic Technology Co Ltd (002036.SZ)	U (06/12/2024)	Rmb5.90
Lingyi Itech Guangdong Co (002600.SZ)	U (04/23/2025)	Rmb11.15
Lingyi Itech Guangdong Co (1688.HK)	O (08/14/2026)	HK$5.05
Luxshare Precision Industry Co., Ltd. (2475.HK)	O (08/14/2026)	HK$50.55
Luxshare Precision Industry Co., Ltd. (002475.SZ)	O (10/24/2016)	Rmb47.59
OFILM Group Co Ltd (002456.SZ)	U (06/12/2024)	Rmb6.46
Q Technology (Group) Company Ltd (1478.HK)	U (03/23/2026)	HK$4.90
Quectel Wireless Solutions Co Ltd (603236.SS)	E (10/09/2024)	Rmb72.20
Shanghai Conant Optical Co Ltd (2276.HK)	O (04/10/2026)	HK$35.60
Shenzhen Transsion Holdings Co Ltd (688036.SS)	E (03/23/2026)	Rmb48.95
Sunny Optical (2382.HK)	E (03/23/2026)	HK$60.50
Suzhou TFC Optical Communication Co Ltd. (300394.SZ)	E (11/06/2025)	Rmb235.04

Wingtech Technology Co Ltd (600745.SS)	U (05/18/2026)	Rmb15.64
Xiaomi Corp (1810.HK)	O (04/14/2021)	HK$25.96
Yangtze Optical Fibre and Cable JSC Ltd (601869.SS)	U (10/13/2021)	Rmb387.87
Yangtze Optical Fibre and Cable JSC Ltd (6869.HK)	O (07/15/2026)	HK$168.30
Yongxin Optics Co Ltd (603297.SS)	E (11/15/2022)	Rmb98.38
Zhejiang Crystal-Optech Co Ltd (002273.SZ)	O (11/15/2022)	Rmb22.37
Zhongji Innolight Co Ltd (300308.SZ)	O (09/07/2026)	Rmb775.29
Zhongji Innolight Co Ltd (3308.HK)	O (09/07/2026)	HK$974.50
ZTE Corporation (0763.HK)	O (06/04/2026)	HK$20.76
ZTE Corporation (000063.SZ)	E (06/04/2026)	Rmb29.03
Derrick Yang		
Accton Technology Corporation (2345.TW)	O (06/06/2024)	NT$2,070.00
Advantech (2395.TW)	O (01/20/2021)	NT$727.00
AirTAC International (1590.TW)	O (04/16/2025)	NT$1,205.00
Asia Vital Components Co. Ltd. (3017.TW)	O (07/30/2024)	NT$3,440.00
AU Optronics (2409.TW)	E (02/10/2026)	NT$36.60
Auras Technology Co Ltd (3324.TWO)	E (05/04/2023)	NT$1,520.00
Bizlink (3665.TW)	O (03/10/2025)	NT$2,360.00
BOE Technology (000725.SZ)	O (09/06/2019)	Rmb5.50
Chenbro (8210.TW)	O (07/23/2025)	NT$874.00
Chroma Ate Inc. (2360.TW)	O (10/05/2021)	NT$2,330.00
Delta Electronics Inc. (2308.TW)	O (07/13/2017)	NT$1,965.00
E Ink Holdings Inc. (8069.TWO)	E (08/10/2026)	NT$144.00
Ennostar Inc (3714.TW)	U (09/23/2022)	NT$67.00
Fositek Corp (6805.TW)	O (06/25/2025)	NT$2,370.00
Hiwin Technologies Corp. (2049.TW)	O (03/30/2026)	NT$332.50
Innolux (3481.TW)	E (04/07/2025)	NT$51.00
King Slide Works Co. Ltd. (2059.TW)	O (11/08/2023)	NT$10,615.00
Lens Technology (300433.SZ)	E (07/22/2020)	Rmb28.41
Lite-On Technology (2301.TW)	E (01/15/2025)	NT$297.50
TCL Corp. (000100.SZ)	E (04/07/2025)	Rmb4.64
Tianma Microelectronics (000050.SZ)	U (01/24/2018)	Rmb6.23
Wuhan Jingce Electronic Group Co Ltd (300567.SZ)	E (11/26/2021)	Rmb168.22
Howard Kao		
Acer Inc. (2353.TW)	U (04/23/2025)	NT$31.30
Asustek Computer Inc. (2357.TW)	U (11/16/2025)	NT$996.00
Catcher Technology (2474.TW)	U (11/17/2025)	NT$195.50
Compal Electronics (2324.TW)	U (04/23/2025)	NT$35.50
Elite Material Co. (2383.TW)	O (09/14/2026)	NT$6,000.00
FIT Hon Teng Ltd (6088.HK)	O (11/03/2025)	HK$4.63
Foxconn Industrial Internet Co. Ltd. (601138.SS)	O (07/10/2019)	Rmb56.07
Giga-Byte Technology Co. Ltd. (2376.TW)	E (11/16/2025)	NT$363.00
Gold Circuit Electronics Ltd. (2368.TW)	O (10/06/2022)	NT$1,285.00
Hon Hai Precision (2317.TW)	O (03/15/2024)	NT$249.00
Inspur Electronic Information (000977.SZ)	E (08/28/2023)	Rmb64.69
Kingboard Laminates Holdings Ltd. (1888.HK)	O (09/14/2026)	HK$49.00
LandMark Optoelectronics Corporation (3081.TWO)	E (03/26/2026)	NT$2,960.00
Lenovo (0992.HK)	O (07/10/2026)	HK$32.84
Lotes Co. Ltd. (3533.TW)	E (05/12/2025)	NT$1,915.00
Nan Ya PCB (8046.TW)	O (02/23/2026)	NT$1,475.00
Pegatron Corporation (4938.TW)	E (03/25/2026)	NT$89.70
Quanta Computer Inc. (2382.TW)	O (05/01/2023)	NT$325.50
Shengyi Technology Co Ltd. (600183.SS)	E (05/26/2022)	Rmb124.14
Shennan Circuits Co Ltd (002916.SZ)	E (08/24/2023)	Rmb347.25
Unimicron (3037.TW)	O (02/23/2026)	NT$1,270.00

Visual Photonics Epitaxy Co Ltd (2455.TW)	E (09/11/2023)	NT$558.00
Wistron Corporation (3231.TW)	O (07/12/2023)	NT$188.50
Wiwynn Corp (6669.TW)	O (11/10/2025)	NT$2,240.00
Yageo Corp. (2327.TW)	O (10/28/2025)	NT$635.00
Zhen Ding (4958.TW)	++	NT$592.00
Irene Yen		
Co-Tech Development Corp. (8358.TWO)	O (09/14/2026)	NT$535.00
Taiwan Union Technology Corporation (6274.TWO)	O (09/14/2026)	NT$1,740.00

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