Flash | Citi Research

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Dynapack International (3211.TWO)

2Q26 Temporary Mix Headwind Before BBU Reacceleration

CITI'S TAKE

Dynapack reported weaker 2Q26 results with EPS of NT$1.35, below both our/BBG estimates. We believe the earnings miss was largely driven by an unfavorable sales mix, as IT products accounted for a higher proportion of sales during the quarter while certain BBU shipments were delayed into 3Q, weighing on GPM. We view this as a timing issue rather than a weakening in the underlying fundamentals. Looking ahead, we expect 2Q to mark the last negative, with BBU shipments accelerating in 3Q to drive stronger revenue growth and a meaningful recovery in margins. We remain constructive on Dynapack's medium- to long-term outlook, supported by structural AI power demand, increasing BBU penetration, higher power product migration and expanding customer qualifications, all of which should continue to improve both earnings growth and profitability over the coming years. Any share price pullback would appear as an enhanced buying opportunity to us.

Buy	
Price (17 Jul 26 15:00)	NT$385.50
Target price	NT$800.00
Expected share price return	107.5%
Expected dividend yield	3.1%
Expected total return	110.6%
Market Cap	NT$59,485M
	US$1,862M

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2Q26 earnings missed on temporary product mix headwinds — Dynapack reported 2Q26 sales of NT$3.5bn (+7% y/y), broadly in-line with our estimates, while EPS came in at NT$1.35, missing both our (NT$2.37)/BBG (NT$2.90) estimates. 2Q OPM of 6.5% was below the expectation. We attribute the earnings miss primarily to two temporary factors 1) higher IT product sales, diluting overall margins due to their structurally lower profitability and 2) timing difference in BBU shipment with some deliveries pushed into 3Q. Importantly, neither factors change our view of Dynapack's competitive position in the AI BBU supply chain.

Expect meaningful recovery in 3Q as BBU shipments ramp — We expect 3Q26 to represent a sharp inflection point, supported by the normalization of delayed BBU shipments together with continued strong customer demand for AI infrastructure. As BBU once again becomes the dominant growth driver, we expect stronger sequential revenue growth and meaningful margin recovery.

Earnings Summary

Year to 31 Dec	Net Profit (NT$M)	Diluted EPS (NT$)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	2,673	17.59	236.1	21.9	5.5	28.0	3.2
2025A	1,382	9.05	-48.5	42.6	5.9	13.4	3.0
2026E	2,293	15.00	65.7	25.7	6.7	24.4	3.1
2027E	3,822	25.00	66.7	15.4	6.1	41.4	5.2
2028E	5,710	37.35	49.4	10.3	5.5	56.1	7.8

Source: Powered by dataCentral

Implications — We continue to view Dynapack as one of the key beneficiaries of AI datacenter power infrastructure upgrades. Our positive stance remains supported

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by structural BBU demand growth driven by accelerating AIDC deployments, increasing BBU sales mix and the ramp of higher power BBUs (8kW and 12kW). While near-term earnings were affected by shipment timing and temporary product mix, we do not believe these issues alter the company's long-term growth trajectory. We therefore remain constructive on Dynapack's mid-/long-term growth outlook.

Figure 1. 2Q26 Preliminary Results Comp

NT$mn	1Q26	2Q25	2Q26A	QoQ	YoY	Citi Estimate	Diff.	BBG Consensus	Diff.
Sales	**3,345**	**3,249**	**3,491**	**4%**	**7%**	**3,512**	**-1%**	**3,847**	**-9%**
COGS	-2,675	-2,819	-2,969			-2,885			
Gross profits	**670**	**431**	**522**	**-22%**	**21%**	**627**	**-17%**	**787**	**-34%**
OPEX	-251	-230	-295			-249		-237	
Operating profits	**419**	**200**	**227**	**-46%**	**13%**	**378**	**-40%**	**550**	**-59%**
Total non-op incom	-50	604	15			50		29	
Pre-tax profits	**369**	**804**	**242**	**-34%**	**-70%**	**428**	**-43%**	**579**	**-58%**
Tax Exp	-56	-211	-35			-65		-134	
Net Income	**313**	**594**	**207**	**-34%**	**-65%**	**363**	**-43%**	**446**	**-53%**
EPS (NT$)	**2.05**	**3.89**	**1.35**	**-34%**	**-65%**	**2.37**	**-43%**	**2.90**	**-53%**
Margins									
GPM	20.0%	13.3%	15.0%	-5.1ppt	1.7ppt	17.9%	-2.9ppt	20.5%	-5.5ppt
OPM	12.5%	6.2%	6.5%	-6.0ppt	0.3ppt	10.8%	-4.3ppt	14.3%	-7.8ppt
OPEX Ratio	7.5%	7.1%	8.5%	1.0ppt	1.4ppt	7.1%	1.4ppt	6.2%	2.3ppt
Net Margin	9.4%	18.3%	5.9%	-3.4ppt	-12.3ppt	10.3%	-4.4ppt	11.6%	-5.6ppt

Source: Bloomberg, Citi Research, Citi Research Estimates

Dynapack International

Valuation

We assign a 32x target P/E to our 2027E EPS of NT$25 to derive a target price of NT$800. We value Dynapack based on 2027E target P/E as we believe 2027E better reflects its earnings power after BBU capacity expansion. Our target P/E of 32x is based on our forecast EPS CAGR of 66% in 2025-2027E and a PEG of 0.5x, which we benchmark against its major PSU partner, as we expect Dynapack to grow alongside its partner.

Risks

Our quantitative model assigns a High Risk rating to Dynapack. However, we believe such a rating is not warranted for Dynapack due to: 1) the company is generating solid revenue and earnings growth over next 3 years; the underlying industry, BBU for AIDC, also enjoys secular growth; 2) the business model that involves with product customization and strict safety/reliability requirements would imply relatively benign competition and therefore stable pricing and margins; and 3) the company has a strong balance sheet and has been in net cash position since 2019.

Key downside risks to our price target/rating are: 1) Slower-than-expected BBU adoption in AIDC, 2) Delay in PSU customer qualifications, 3) Competition from larger battery or power solution vendors, 4) Safety, certification and reliability issues.

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Appendix A-1

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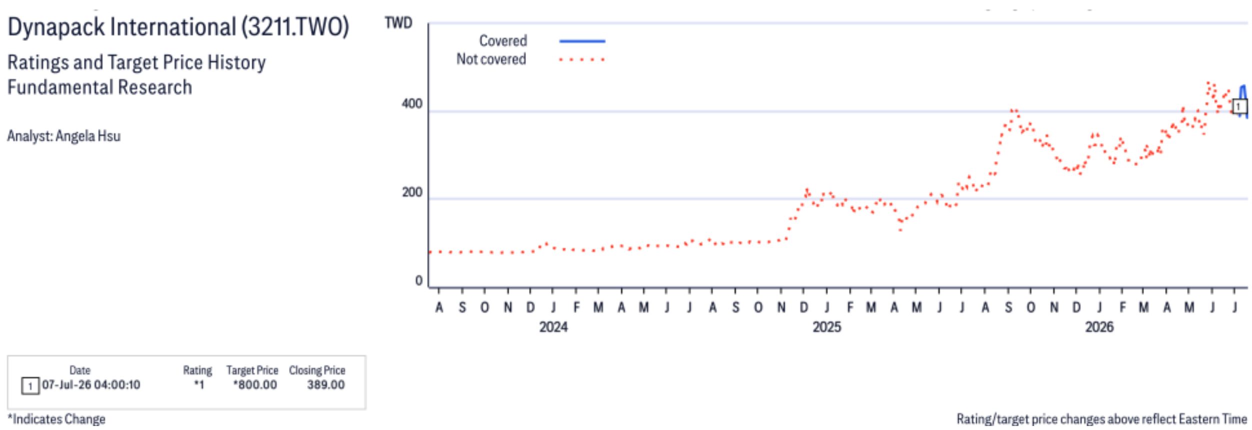

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