Delta (Thailand) (DELTA TB)

Sales Growth Expected To Continue, But Raw Material Issues Could Delay Order Fulfilment In 2Q26

HOLD (Maintained)

Share Price	Bt313.00
Target Price	Bt320.00
Upside	2.2%

Highlights

- We expect DELTA to report a 2Q26 net profit of Bt9.30b (+101% yoy, +2% qoq). Earnings momentum is expected to be softer than previous market expectation due to raw material shortages.
- Raw material constraints could limit 2Q26 order fulfilment and push some deliveries into 2H26, but demand is expected to remain the same.
- While 2Q26 earnings are expected to be unexciting, 2H26 earnings should remain strong. We maintain HOLD with an unchanged target price of Bt320.00.

2Q26 Preview

Year to 31 Dec (Btm)	2Q26F	2Q25	1Q26	yoy%	qoq%
Revenue	66,386	44,490	61,387	49.2%	8.1%
Gross profit	21,111	11,109	19,466	90.0%	8.5%
Operating profit	9,958	5,098	9,691	95.3%	2.8%
Operating EBITDA	12,484	7,214	12,015	73.0%	3.9%
Core profit	8,966	4,526	8,837	98.1%	1.5%
Net profit	9,306	4,629	9,081	101.0%	2.5%
EPS	0.75	0.37	0.73	101.0%	2.5%
Gross profit margin (%)	31.8	25.0	31.7	0.1	6.8
EBITDA margin (%)	18.8	16.2	19.6	-0.8	2.6
Operating margin (%)	15.0	11.5	15.8	-0.8	3.5
SG&A Exp./ Sales (%)	13.4	10.3	12.8	0.6	3.1
Net profit margin (%)	14.0	10.4	14.8	-0.8	3.6

Source: Delta (Thailand), UOB Kay Hian

Analysis

- **2Q26 earnings momentum was unexciting as deliveries are pushed into 2H26.** We expect Delta (Thailand) (DELTA) to report a 2Q26 net profit of Bt9.31b (+101% yoy, +2% qoq). We expect DELTA's 2Q26 earnings to be softer than our previous expectation, mainly due to raw material shortages, particularly key semiconductor-related components such as MOSFETs, as well as PCBs, amid strong AI server demand. Although overall customer demand remains intact, supply constraints could limit order fulfilment in 2Q26 and push part of deliveries into 2H26. As a result, we forecast 2Q26 sales of Bt66.4b (+49% yoy, +8% qoq), below the previous guidance of 15% qoq sales growth.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	164,732.7	198,153.4	292,213.0	379,516.7	477,695.4
EBITDA	24,598.2	34,520.1	55,868.3	74,710.4	96,601.7
Operating profit	17,859.9	26,325.9	45,764.0	62,158.0	81,224.9
Net profit (rep./act.)	18,938.6	24,814.3	42,305.2	56,357.8	72,705.8
Net profit (adj.)	17,979.7	22,963.9	40,587.2	55,097.8	71,571.8
EPS	1.4	1.8	3.2	4.4	5.7
PE (x)	217.2	170.0	96.2	70.9	54.6
P/B (x)	48.8	40.4	30.5	23.5	18.4
EV/EBITDA (x)	158.2	112.6	69.4	51.8	40.0
Dividend yield (%)	0.2	0.2	0.4	0.6	0.8
Net margin (%)	11.5	12.5	14.5	14.8	15.2
Net debt/ equity (%)	(17.0)	(18.9)	(19.0)	(18.5)	(17.7)
Consensus net profit	n.a	n.a	37,583.1	49,397.5	63,344.0
UOBKH/Consensus (x)	n.a	n.a	1.1	1.1	1.1

Source: Delta (Thailand), Bloomberg, UOB Kay Hian

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Stock Data

GICS sector	Information Technology
Bloomberg ticker:	DELTA TB
Shares issued (m):	12,473.8
Market cap (Bt$m):	3,879,356.8
Market cap (US$m):	116,479.7
3-mth avg daily t'over (US$m):	164.3

Price Performance (%)

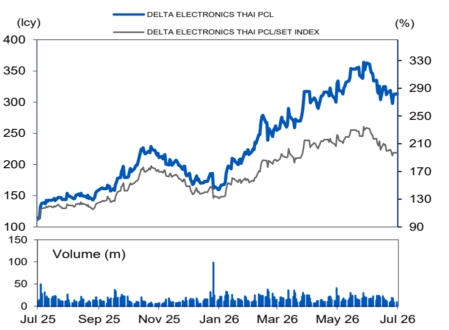
52-week high/low: Bt364.0/Bt108.5

1mth	3mth	6mth	1yr	YTD
(11.6)	(1.9)	88.5	193.4	79.8

Major Shareholders	%
Delta Electronics Int'l (Singapore) Pte. Ltd.	42.85
Citi (Nominees) Limited-Cbhk-Pbgsg-Restricted Shares	13.86
Delta International Holding Limited B.V.	12.71

Balance Sheet Metrics	%
FY26 NAV/Share (Bt)	10.2
FY26 Net Debt/Share (Bt)	(2.0)

Price Chart



Source: Bloomberg

Company Description

Delta Electronics is an electronics exporter, manufacturer of power supplies and electronic components, ie DC fans, EMI filters and solenoids.

- **Data centre demand remains solid; sales expected to accelerate in 2H26.** The market expects big cloud providers' capex (MSFT US, META US, AMZN US, GOOGL US, and ORCL US) to grow 92% yoy and 26% yoy in 2026-27, respectively. While raw material shortages could push deliveries into 2H26 from production hiccups, demand remains intact. We then foresee earnings should be accelerated in 2H26 (contributing 57% of our 2026 forecast). As a result, while DELTA may face order fulfilment challenges in 2Q26, we remain neutral on the issue as the disruption is temporary. We believe DELTA retains strong bargaining power with customers in the power electronics segment, particularly in data centre power supply solutions, where demand remains robust. Data centre-related sales are expected to account for 55-60% of DELTA's total sales in 2026, up from around 50% in 4Q25.
- **Higher royalty fees and material shortage to result in slower operating margin expansion in 2H26.** Following the 1.9ppt qoq increase in operating margin in 1Q26, driven by a favourable product mix and higher contributions from German-developed products, we remain conservative on margin expansion in 2H26. We expect operating margin to decline by 0.8ppt qoq to 15.0% in 2Q26, as raw material shortages delay order fulfilment into 2H26, before recovering to 15.9% in 3Q26 and 16.5% in 4Q26. The slower pace of operating margin expansion reflects our conservative forecast due to higher royalty fee assumption of 7% and additional raw material costs equivalent to around 1% of COGS from 2Q26 onward.

Valuation/Recommendation

- **We maintain HOLD with a target price of Bt320.00.** Our target price is based on 95x 2026E PE, implying near +2.6SD above its five-year mean with DELTA currently trading at +2.6 SD of 2026 forward PE. Following our previous P/E multiple de-rating to reflect raw material issues starting in 2Q26, we are currently neutral on raw material shortage issues.
- We assign a 30% premium compared with the average PE of 73x over 2021-2024. Our premium valuation reflects: a) a structural shift toward higher-margin data centre products and a liquid cooling ramp-up in 2H26, b) a higher gross margin expected to remain at 32% in 2026-2028 (vs 25% in 2022-2025) and operating margin at 16% (vs 12% in 2022-2025), and c) a significantly lower free float compared to DELTA Taiwan.
- While raw material shortages and an unexciting 2Q26 earnings outlook have emerged, 2H26 earnings are expected to be strong. We recommend trading and accumulating only on any pullbacks within the Bt275.00-300.00 (1.75-2.25SD) range, as Thailand offers limited proxies for AI and data centre power infrastructure.

Earnings Revision/Risk

- No earnings revision.

Share Price Catalyst

- Stronger-than-expected operating margin and sales.

Environment, Social, Governance (ESG) Updates

Environmental

- DELTA target to reduce 20% Electricity consumption Intensity (EI) by the year 2025 (compared with the base year 2020) and has also set a target to increase the proportion of renewable energy use to 100% by 2030.

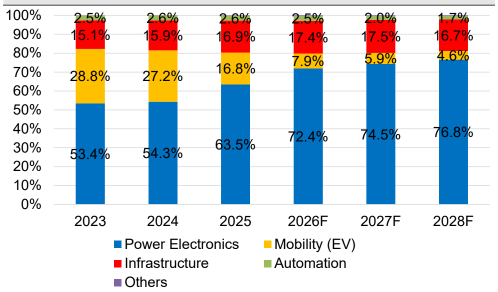
Social

- DELTA is committed to conducting business according to our Corporate Social Responsibility Policy cover to governance, regulator and environment.

Governance

- DELTA has achieved its board diversity target by appointing three female directors, representing 30% of total board members as of 2024, reinforcing board independence and expertise.

Sales Breakdown



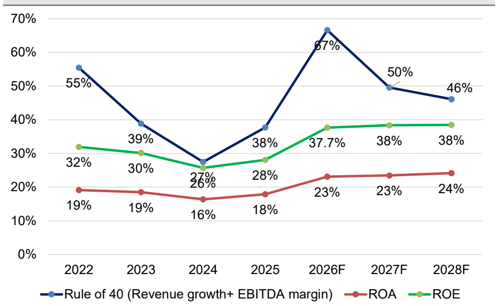
Source: UOB Kay Hian

Sales Seasonality

	Q1	Q2	Q3	Q4
2015	23%	24%	26%	26%
2016	24%	24%	25%	27%
2017	25%	25%	25%	26%
2018	24%	25%	26%	26%
2019	25%	27%	24%	23%
2020	20%	23%	28%	29%
2021	23%	24%	25%	28%
2022	21%	24%	26%	29%
2023	22%	24%	28%	26%
2024	23%	25%	26%	25%
2025	22%	22%	27%	29%
2026F	23%	25%	25%	27%

Source: UOB Kay Hian

Rule of 40, ROA (%) and ROE (%)



Source: UOB Kay Hian

Peer Comparison

Ticker	Short Name	PE Current	PE 2026F	PE 2027F	EPS 2025	EPS 2026F	EPS 2027F	GPM (%) 2025	GPM (%) 2026F
Thailand peers									
DELTA TB	DELTA ELECTRONICS	135.9	101.8	77.3	1.99	3.05	4.01	27.1	31.2
KCE TB	KCE ELECTRONICS	57.9	44.3	34.2	0.70	0.92	1.19	18.9	19.8
HANA TB	HANA MICROELECTRONICS	107.0	35.6	23.7	0.76	1.02	1.54	7.8	9.8
CCET TB	CAL-COMP ELECTRONICS	45.3	33.3	27.0	0.20	0.26	0.32	5.1	5.2
SMT TB	STARS MICROELECTRONICS				-0.07			3.6	
Regional peers									
2308 TT	DELTA ELECTRONICS	69.3	46.0	28.8	23.14	40.84	65.28	34.3	36.9
2301 TT	LITE-ON TECHNOLOGY	31.4	24.6	18.0	6.64	8.69	11.89	22.9	23.3
6412 TT	CHICONY POWER TECHNOLOGY	17.1	16.4	13.4	5.20	5.41	6.63	16.9	17.0
6282 TT	ACBEL POLYTECH INC	114.7			0.18			25.7	
VRT US	VERTIV HOLDINGS CO-A	79.6	49.9	37.3	3.49	6.49	8.68	36.3	38.4
ETN US	EATON CORP PLC	39.5	30.5	26.1	10.48	13.30	15.54	37.6	37.6
SU FP	SCHNEIDER ELECTRIC SE	36.4	27.3	23.3	7.41	9.90	11.57	42.1	42.1
NVDA US	NVIDIA CORP	30.9	22.6	15.7	4.93	8.99	12.94	71.1	74.9
2330 TT	TSMC	32.5	24.2	18.8	66.26	99.62	128.33	59.9	65.9

Source: UOB Kay Hian

Five-Year Forward PE Band

Source: Bloomberg

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	198,153	292,213	379,517	477,695
EBITDA	34,520	55,868	74,710	96,602
Deprec. & amort.	8,194	10,104	12,552	15,377
EBIT	26,326	45,764	62,158	81,225
Total other non-operating income	2,370	3,030	3,092	3,034
Associate contributions	1	1	0	0
Net interest income/(expense)	189	282	282	282
Pre-tax profit	28,887	49,078	65,532	84,542
Tax	(4,073)	(6,773)	(9,175)	(11,836)
Minorities	0	0	0	0
Net profit	24,814	42,305	56,358	72,706
Net profit (adj.)	22,964	40,587	55,098	71,572

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	46,840	57,200	68,144	79,486
Other LT assets	3,218	3,652	4,508	5,192
Cash/ST investment	20,288	26,768	33,236	39,905
Other current assets	83,786	124,495	162,737	208,866
Total assets	154,131	212,115	268,625	333,450
ST debt	926	1,039	1,039	1,039
Other current liabilities	51,343	76,960	94,534	113,126
LT debt	1,037	1,405	1,405	1,405
Other LT liabilities	4,098	4,824	5,513	6,107
Shareholders' equity	96,727	127,887	166,133	211,772
Minority interest	0	0	0	0
Total liabilities & equity	154,131	212,115	268,625	333,450

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	29,682	42,699	53,822	66,664
Pre-tax profit	28,887	49,078	65,532	84,542
Tax	(4,073)	(6,773)	(9,175)	(11,836)
Deprec. & amort.	8,194	10,104	12,552	15,377
Working capital changes	(8,565)	(15,081)	(20,395)	(27,731)
Non-cash items	0	0	0	0
Other operating cashflows	5,239	5,371	5,306	6,313
Investing	(16,132)	(20,074)	(23,605)	(26,730)
Capex (growth)	(14,957)	(20,366)	(23,437)	(26,640)
Investments	(1,177)	(167)	(458)	(458)
Others	3	459	291	368
Financing	(5,956)	(10,664)	(18,111)	(27,067)
Dividend payments	(5,738)	(11,146)	(18,111)	(27,067)
Issue of shares	0	0	0	0
Proceeds from borrowings	(126)	481	0	0
Others/interest paid	(93)	0	0	0
Net cash inflow (outflow)	7,594	11,961	12,106	12,867
Beginning cash & cash equivalent	15,701	20,288	26,768	33,236
Ending cash & cash equivalent	23,295	32,249	38,874	46,103

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	17.4	19.1	19.7	20.2
Pre-tax margin	14.6	16.8	17.3	17.7
Net margin	12.5	14.5	14.8	15.2
Growth				
Net profit (adj.)	27.7	76.7	35.8	29.9
Leverage				
Debt to total capital	2.0	1.9	1.5	1.2
Debt to equity	2.0	1.9	1.5	1.2
Net debt/(cash) to equity	(18.9)	(19.0)	(18.5)	(17.7)