Delta (Thailand) (DELTA TB)

3Q26 Results Preview: Earnings Expected To Improve qoq, Driven By Higher Sales And Margins

Highlights

- We expect DELTA to report a 3Q26 net profit of Bt8.97b (+21% yoy, +48% qoq), improving significantly qoq from a low base.
- Sales are expected to remain strong, especially during the high season, while gross margin could recover qoq.
- Maintain BUY with an unchanged target price of Bt300.00. We believe the valuation has already priced in the weak gross margin from the latest earnings.

3Q26 Results Preview

Year to 31 Dec (Btm)	3Q26	3Q25	2Q26	yoy (%)	yoy (%)
Revenue	75,773	53,214	65,191	42.4%	16.2%
Gross profit	22,088	15,085	17,469	46.4%	26.4%
Operating profit	9,736	7,504	6,114	29.7%	59.2%
Other income	794	1,226	1,287	-35.2%	-38.3%
Net profit	8,972	7,441	6,075	20.6%	47.7%
EPS	0.72	0.60	0.49	20.6%	47.7%
%				ppts	ppts
Gross profit margin	29.1	28.3	26.8	2.4	0.8
Operating margin	12.8	14.1	9.4	3.5	-1.3
SG&A Exp./ Sales	12.9	11.1	14.1	-1.2	1.8
Net profit margin	11.8	14.0	9.3	2.5	-2.1

Source: Bloomberg, UOB Kay Hian

Analysis

- **Earnings are expected to improve qoq, driven by higher sales and margin recovery.** We maintain our view that 2Q26 earnings are likely to be the lowest quarterly level of the year, reflecting several negative factors during the quarter, including inventory provision, raw material shortages and an unusual product mix. For 3Q26, we expect Delta (Thailand) (DELTA) to report a net profit of Bt8.97b (+21% yoy, +48% qoq). The yoy increase is expected to come from continued data centre demand, while the qoq improvement should come from a recovery from the 2Q26 low base. Sales could reach Bt75.77b (+42% yoy, +16% qoq), reflecting some order shifts from 2Q26, the high season sales, and improved order fulfilment.
- **Gross margin is projected to recover qoq in 3Q26 from a low base**. We expect gross margin to recover qoq to 29.1% in 3Q26 (vs 31.2% in 1Q26 and 26.3% in 2Q26), driven by a better product mix compared with 2Q26, a lower rush order level and the absence of inventory provisions in our assumption.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	164,732.7	198,153.4	288,278.1	374,231.8	451,344.3
EBITDA	24,598.2	34,520.1	46,283.1	61,951.0	82,175.7
Operating profit	17,859.9	26,325.9	36,178.9	49,398.6	66,799.0
Net profit (rep./act.)	18,938.6	24,814.3	33,930.5	44,625.9	59,412.4
Net profit (adj.)	17,979.7	22,963.9	32,186.5	43,815.9	58,683.4
EPS	1.4	1.8	2.6	3.5	4.7
PE (x)	182.5	142.9	101.9	74.9	55.9
P/B (x)	41.0	33.9	27.1	21.7	17.4
EV/EBITDA (x)	132.8	94.5	70.5	54.3	39.6
Dividend yield (%)	0.2	0.2	0.4	0.5	0.8
Net margin (%)	11.5	12.5	11.8	11.9	13.2
Net debt/(cash) to equity (%)	(17.0)	(18.9)	(14.5)	56.0	(16.3)
Consensus net profit	n.a	n.a	34,347.6	49,294.6	66,468.2
UOBKH/Consensus (x)	n.a	n.a	0.9	0.9	0.9

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

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BUY (Maintained)

Share Price	Bt263.00
Target Price	Bt300.00
Upside	14.4%

Stock Data

Sector	Information Technology
Bloomberg ticker	DELTA TB
Shares issued (m)	12,473.8
Market cap (Btm)	3,268,139.8
Market cap (US$m)	98,015.8
3-mth avg daily t'over (US$m)	159.9

Price Performance (%)

52-week high/low: Bt364.0/Bt157.5

1mth	3mth	6mth	1yr	YTD
4.8	(19.6)	(9.7)	58.8	51.4

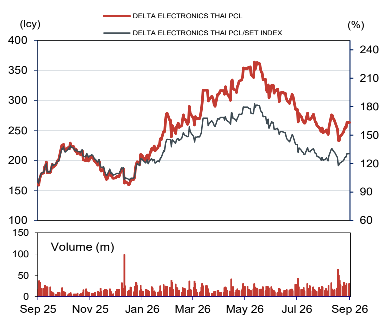
Major Shareholders (%)

DELTA ELECTRONICS INT'L (SINGAPORE) PTE. LTD.	42.85
CITI (NOMINEES) LIMITED-CBHK-PBGSG-RESTRICTED SHARES	13.86

Balance Sheet Metrics

FY26 NAV/Share (Bt)	9.7
FY26 Net Debt/Share (Bt)	(1.4)

Price Chart



Source: Bloomberg

Company Description

Delta Electronics is an electronics exporter, manufacturer of power supplies and electronic components i.e. DC fan, EMI filters and solenoids. .

- **Management expects 2H26 sales to account for 60% of 2026 sales, leaving room for potential upside to our forecast if the guidance materialises.** Management guides for a 40:60 sales split between 1H26 and 2H26 with a full-year gross margin of around 30%. However, we forecast only a 44:56 split, similar to the historical pattern, as we believe the guidance is too aggressive. We expect 2H26 sales growth to be driven by order spillovers from 2Q26, continued strength in power supply demand from data centres, and the ramp-up of liquid cooling products to a low-to-mid-single-digit percentage of sales in 2026.
- **DELTA Taiwan sales should improve in September due to seasonality.** If our forecast materialises, we believe a key data point for the market ahead of the earnings release will be DELTA Taiwan's monthly sales for September during the first 9-10 days of the month, which typically rise significantly during the seasonal high period.
- **Exchangeable bonds will not affect DELTA's fundamentals.** As discussed in our previous note and calls, the exchangeable bonds issued by DELTA Taiwan through DELTA Singapore will not affect DELTA Thailand's fundamentals or result in share dilution, as this is an asset monetisation by the parent company; no new shares will be issued and no additional debt will be incurred by DELTA Thailand. The transaction only represents a potential transfer of existing DELTA Thailand shares from DELTA Singapore, the major shareholder holding approximately 42.85% of DELTA Thailand, to bondholders. If fully exchanged, approximately 1.38% of DELTA Thailand's outstanding shares could be released into the free float. We believe the current valuation has already priced in concerns over the potential share overhang, including the hedger's short position.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of Bt300.00.** Our target price is based on 84x 2027F PE, implying nearly +1.4SD above its five-year mean or a 15% premium to the 2021-24 average forward PE of 73x. Previously, we expected DELTA's near-term valuation to remain pressured by a lower margin profile due to raw material shortages, higher royalty fees, and soft sentiment towards AI infrastructure, while forecasting demand to remain unchanged.
- We believe the current valuation has already priced in short-term negative sentiment from the exchangeable bond, which does not affect DELTA's fundamentals, as well as the lower margin in 2Q26 caused by several temporary factors, including raw material shortages. We expect earnings to improve in 2H26.
- **Valuation has already priced in a weaker gross margin profile.** We remain bullish on AI data centre demand over the next 2-3 years. Execution risk and quarterly earnings fluctuations could come from the supply side rather than weak demand in the AI infrastructure industry.

Earnings Revision/Risk

- **We fine-tune our 2026-27 earnings forecasts by 5%/1% respectively.** We revised up 2H26 earnings due to higher gross margin assumptions to reflect a better product mix compared with the unusual 2Q26 mix.

Share Price Catalyst

- DELTA Taiwan's monthly sales, stronger-than-expected sales and margins.

Environment, Social, Governance (ESG) Updates

Environmental

- DELTA targets to reduce electricity consumption intensity by 20% in 2030 (compared with base year 2020) and has also set a target to increase the proportion of renewable energy use to 100% by 2030.

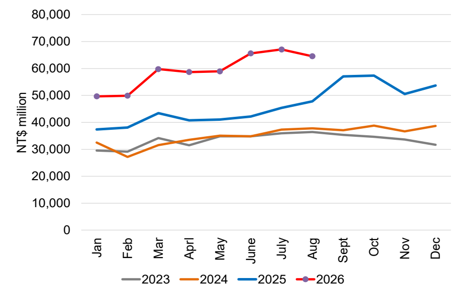
Social

- DELTA is committed to conducting business according to its Corporate Social Responsibility Policy, covering governance, regulatory compliance and environmental matters.

Governance

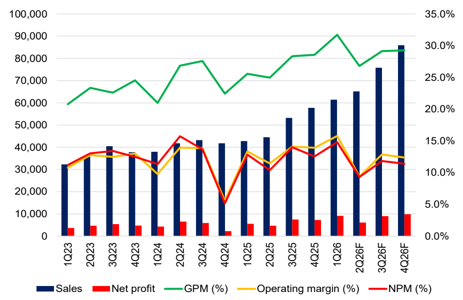
- DELTA has achieved its board diversity target by appointing three female directors, representing 30% of total board members as of 2024, reinforcing board independence and expertise.

DELTA Taiwan (2308.TT) Monthly Sales



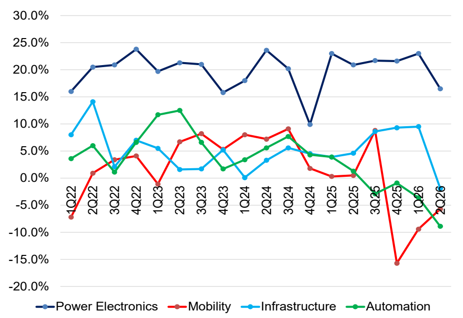
Source: UOB Kay Hian

Sales, Gross Margin, Operating Margin, Net Profit Margin



Source: UOB Kay Hian

Operating Margin By Segment



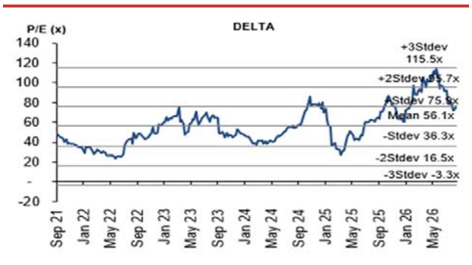
Source: UOB Kay Hian

Operating Margin By Segment

Ticker	Short Name	PE Current	PE 2026F	PE 2027F	EPS 2025	EPS 2026F	EPS 2027F	GPM (%) 2025	GPM (%) 2026F	Free Float %	ROIC 2025
Thailand peers											
DELTA TB	DELTA ELECTRONICS	106.2	93.2	66.2	1.99	2.7	3.9	27.1	29.1	37.8	29.3
KCE TB	KCE ELECTRONICS	86.4	59.5	40.7	0.70	1.1	1.7	18.9	21.3	72.0	6.6
HANA TB	HANA MICROELECTRONICS	76.4	44.8	29.3	0.76	1.1	1.7	7.8	10.7	70.7	0.8
CCET TB	CAL-COMP ELECTRONICS	43.2	31.8	28.4	0.20	0.3	0.3	5.1	5.2	49.1	3.5
SMT TB	STARS MICROELECTRONICS	-	-	-	-0.07	-	-	3.6	-	66.8	(1.5)
Regional peers											
2308 TT	DELTA ELECTRONICS	60.5	47.0	29.9	23.14	40.4	63.5	34.3	36.3	68.8	20.4
2301 TT	LITE-ON TECHNOLOGY	33.2	26.4	19.0	6.64	10.8	14.9	22.9	25.0	88.9	12.4
6412 TT	CHICONY POWER TECHNOLOGY	12.2	13.5	11.0	5.20	5.5	6.8	16.9	16.3	32.1	7.8
6282 TT	ACBEL POLYTECH INC	35.2			0.18			25.7		76.3	2.6
VRT US	VERTIV HOLDINGS CO-A	56.2	37.9	27.9	3.49	6.7	9.1	36.3	38.7	99.8	24.5
ETN US	EATON CORP PLC	44.9	32.7	27.8	10.48	13.5	15.9	37.6	36.2	99.9	11.5
SU FP	SCHNEIDER ELECTRIC SE	34.8	29.1	24.4	7.41	10.2	12.2	42.1	42.2	95.0	11.5
Demand indicator											
NVDA US	NVIDIA CORP	28.8	24.4	14.4	4.93	9.4	15.9	71.1	73.8	96.2	91.4
2330 TT	TSMC	29.0	23.3	17.8	66.26	107.1	140.8	59.9	66.2	92.1	26.5

Source: UOB Kay Hian

Five-Year Forward PE Band



Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	**198,153**	**288,278**	**374,232**	**451,344**
EBITDA	34,520	46,283	61,951	82,176
Deprec. & amort.	8,194	10,104	12,552	15,377
EBIT	26,326	36,179	49,399	66,799
Total other non-operating income	2,370	3,439	2,850	2,846
Associate contributions	1	1	0	0
Net interest income/(expense)	189	252	252	252
Pre-tax profit	**28,887**	**39,871**	**52,501**	**69,897**
Tax	(4,073)	(5,941)	(7,875)	(10,485)
Minorities	0	0	0	0
Net profit	**24,814**	**33,930**	**44,626**	**59,412**
Net profit (adj.)	22,964	32,186	43,816	58,683

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	3,475	4,230	4,926
Cash/ST investment	20,288	20,030	(82,200)	33,214
Other current assets	83,786	135,685	176,025	209,704
Total assets	**154,131**	**216,390**	**166,199**	**327,330**
ST debt	926	1,039	1,039	1,039
Other current liabilities	51,343	88,410	7,176	130,134
LT debt	1,037	1,405	1,405	1,405
Other LT liabilities	4,098	4,558	5,392	5,999
Shareholders' equity	96,727	120,977	151,187	188,752
Minority interest	0	0	0	0
Total liabilities & equity	**154,131**	**216,390**	**166,199**	**327,330**

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	**29,682**	**34,858**	**(58,547)**	**170,253**
Pre-tax profit	28,887	39,871	52,501	69,897
Tax	(4,073)	(5,941)	(7,875)	(10,485)
Deprec. & amort.	8,194	10,104	12,552	15,377
Working capital changes	(8,565)	(15,027)	(121,147)	89,333
Non-cash items	0	0	0	0
Other operating cashflows	5,239	5,851	5,422	6,130
Investing	**(16,132)**	**(20,163)**	**(23,359)**	**(26,730)**
Capex (growth)	(14,957)	(20,366)	(23,437)	(26,640)
Investments	(1,177)	(167)	(458)	(458)
Others	3	370	537	369
Financing	**(5,956)**	**(9,199)**	**(14,417)**	**(21,847)**
Dividend payments	(5,738)	(9,680)	(14,417)	(21,847)
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**	**5,497**	**(96,323)**	**121,676**
Beginning cash & cash equivalent	**15,701**	**20,288**	**20,030**	**(82,200)**
Ending cash & cash equivalent	**23,295**	**25,785**	**(76,292)**	**39,476**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	17.4	16.1	16.6	18.2
Pre-tax margin	14.6	13.8	14.0	15.5
Net margin	12.5	11.8	11.9	13.2
Growth				
Net profit (adj.)	27.7	40.2	36.1	33.9
Leverage				
Debt to total capital	2.0	2.0	1.6	1.3
Debt to equity	2.0	2.0	1.6	1.3
Net debt/(cash) to equity	(18.9)	(14.5)	56.0	(16.3)