Delta (Thailand) (DELTA TB)

Guides For Strong Sales Growth; Slower Gross Margin Recovery Outlook Through 1Q27 Presents Opportunity To Accumulate

Highlights

- DELTA reported a net profit of Bt7.76b (+4% yoy, +28% qoq), 14% below our and market expectations, as continued inventory provisions limited margin recovery.
- Management guided for very strong sales growth in 4Q26, supported by orders that were not fully delivered during 2Q-3Q26 and no sign of demand slowdown for the next one year.
- Inventory provision risks are expected to persist throughout 1Q27, but we remain bullish on sales growth over the next 12 months.
- Maintain BUY with a target price of Bt280.00, as we view the valuation overhang from inventory provision uncertainties as an accumulation opportunity, with the current valuation already reflecting weaker margins and a slower margin recovery pace.

Analysis

- **3Q26 results: Despite strong sales momentum, earnings missed expectations as another inventory provision limited gross margin recovery.** On 27 Oct 26, Delta (Thailand) (DELTA) reported a net profit of Bt7.76b (+4% yoy, +28% qoq), 14% below our estimate and consensus forecasts. Despite strong sales of Bt75.8b (+42% yoy, +16% qoq), broadly in line with expectations, the earnings miss was mainly due to weaker-than-expected gross margin recovery from continued inventory provision. Gross margin came in at 27.3% (vs 26.8% in 2Q26), below expectations of 29.1-29.5%, mainly due to: a) elevated inventory provisions amid persistent raw material shortages and inventory build-up to support existing customer orders, and b) short-term customer demand fluctuations causing inventories to remain at DELTA's hubs for more than 90 days. As a result, inventory provisions had a negative impact of 2.62ppts on gross margin in 3Q26 (vs 0.55ppts/2.05ppts in 1Q26/2Q26).
- **Tone was slightly positive: Strong 4Q26 sales momentum expected, but we remain neutral on the pace of gross margin recovery.** We are slightly positive on DELTA as management maintained its aggressive 40:60 sales split guidance between 1H26 and 2H26, implying roughly 50% qoq sales growth in 4Q26 (or potential net profit of Bt10b-11b). The expected sales peak is supported by strong demand for power supplies and data centre infrastructure solutions, along with orders from 2Q-3Q26 that have yet to be fully delivered. However, we forecast 4Q26 sales at Bt95.2b (+65% yoy, +26% qoq), reflecting short-term demand fluctuations among major cloud customers amid persistent raw material shortages. Our forecast implies a 42:58 sales split, leaving room for potential upside if management's guidance materialises, while maintaining a cautious gross margin outlook.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	164,732.7	198,153.4	297,559.4	387,127.1	467,813.0
EBITDA	24,598.2	34,520.1	44,432.4	60,891.9	81,403.4
Operating profit	17,859.9	26,325.9	33,802.7	47,229.5	64,558.2
Net profit (rep./act.)	18,938.6	24,814.3	32,581.1	43,057.4	57,778.9
Net profit (adj.)	17,979.7	22,963.9	29,931.1	42,107.4	56,923.9
EPS	1.4	1.8	2.4	3.4	4.6
PE (x)	161.0	126.0	96.7	68.7	50.8
P/B (x)	36.2	29.9	24.1	19.4	15.6
EV/EBITDA (x)	117.1	83.3	65.0	47.3	35.3
Dividend yield (%)	0.2	0.3	0.4	0.6	0.9
Net margin (%)	11.5	12.5	11.0	11.1	12.4
Net debt/(cash) to equity(%)	(17.0)	(18.9)	(3.9)	(7.8)	(10.7)
Consensus net profit	n.a	n.a	33,104.4	47,973.7	64,751.1
UOBKH/Consensus (x)	n.a	n.a	0.9	0.9	0.9

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

Analyst(s)

Kitpon Praipaisarnkit
kitpon@uobkh.co.th
+662 659 8154

Assistant Analyst(s)
Sirithat Prasertwuti

BUY (Maintained)

Share Price	Bt232.00
Target Price	Bt280.00
Upside	20.7%
Previous TP	Bt300.00

Stock Data

Sector	Information Technology
Bloomberg ticker	DELTA TB
Shares issued (m)	12,473.8
Market cap (Btm)	2,918,873.0
Market cap (US$m)	86,464.6
3-mth avg daily t'over (US$m)	167.5

Price Performance (%)

52-week high/low				Bt364.0/Bt159.5
1mth	3mth	6mth	1yr	YTD
(9.6)	(17.9)	(24.5)	4.9	35.3

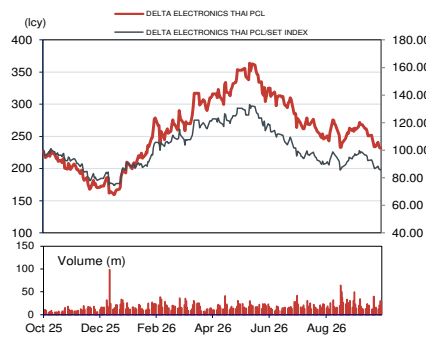
Major Shareholders (%)

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)	9.6
FY26 Net Debt/Share (Bt)	(0.4)

Price Chart



Source: Bloomberg

Company Description

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

- **Elevated inventory levels through 1Q27 could prolong inventory provision risks.** Management expects DELTA's inventory levels to remain high through 1Q27 (+25% and 26% qoq in 2Q26-3Q26) due to long raw material lead times and persistent supply shortages, requiring inventory build-up backed by customer demand leading to demand-supply unbalance in supply chain not the customer demand. As a result, inventory provisions could remain unavoidable, potentially becoming the new normal in the short term. Management indicated that inventory provisions were mainly related to finished goods and raw materials, accounting for approximately 70% and 30%, respectively. The higher-value finished goods were mainly associated with several major data centre customers. The provisions were made for inventories held for more than 90 days under the company's inventory provisioning policy. Management clarified that these inventories have not been written off and expects the provisions to be reduced as customers gradually draw down inventories from DELTA's hubs.
- **Blackwell-to-Rubin transition could cause short-term customer demand fluctuations, but with limited inventory provision risks.** As the market continues to shift towards next-generation Graphics Processing Unit (GPU) architectures (Rubin 200), and custom Application-Specific Integrated Circuits (ASICs), DELTA continues to develop its products in line with these technology transitions. Customer demand could fluctuate during the transition from power supply units (PSUs) supporting Blackwell to the next-generation Rubin platform. However, management expects a gradual transition, suggesting limited inventory provision risk from this factor.
- **DELTA can pass through the tariff increase from 10% to 12.5%, while continuing negotiations over the global minimum tax, with payment expected in mid-27.** The US tariff rate increased to 12.5% from 10% under Section 301, effective Jul 26, following an earlier reduction from 19%. However, the current rate remains within the agreed range for passing tariff costs through to customers, although DELTA still needs to pay the tariffs upfront, as before. In addition, DELTA continued to recognise top-up tax expenses under the OECD Pillar Two framework (15% global minimum tax). Management is continuing negotiations on this matter, although it remains uncertain whether the provisions recorded over the past seven quarters can be reversed. Payment is expected around mid-27.

Valuation/Recommendation

- **Maintain BUY with a lower target price of Bt280.00 (from Bt300.00).** Our target price is based on 80x 2027F PE, nearly +1.25SD above its five-year mean, or a 10% premium to the 2021-24 average forward PE of 73x (from 15%). The lower premium reflects continued uncertainty over inventory provisions, compared with the 2021-24 period when there was no data centre exposure.
- **Inventory provision risks are expected to persist through 1Q27, but we remain bullish about sales growth over the next 12 months.** DELTA currently trades at 70x 2027F PE (+0.5SD above its five-year mean), which we believe already reflects the slower gross margin recovery outlook and margin profile.
- **We remain bullish on DELTA's sales growth in 4Q26-2027, supported by strong demand for power supplies and data centre infrastructure.** We expect DELTA to maintain a strong Rule of 40 (revenue growth + EBITDA margin) of 65%/46%/38% in 2026-28, respectively, reflecting its solid underlying fundamentals.

Earnings Revision/Risk

- **We are negative about DELTA's results, but slightly positive about the analyst meeting.** We cut our 2026-2028 core earnings forecast by 7%/ 4%/ 3% respectively, due to conservative assumptions regarding persistent raw material shortages and continued pressure on gross margins.

3Q26 Earnings Results

	3Q26	3Q25	2Q26	yoy (%)	qoq (%)
Revenue	75,801	53,214	65,191	42.4%	16.3%
Gross profit	20,697	15,085	17,469	37.2%	18.5%
SG&A	12,846	7,580	11,354	69.5%	13.1%
Operating profit	7,852	7,504	6,114	4.6%	28.4%
Operating EBITDA	10,753	9,379	8,653	14.6%	24.3%
Other income	1,398	1,226	1,287	14.1%	8.6%
Core profit	7,069	6,392	5,527	10.6%	27.9%
Net profit	7,757	7,441	6,075	4.2%	27.7%
EPS	0.62	0.60	0.49	4.2%	27.7%
Financial ratio				ppts	ppts
Gross profit margin	27.3	28.3	26.8	0.5	-1.0
SG&A Exp./ Sales	16.9	14.2	17.4	-0.5	2.7
Operating margin	10.4	14.1	9.4	1.0	-3.7
EBITDA margin	14.2	17.6	13.3	0.9	-3.4
Net profit margin	10.2	14.0	9.3	0.9	-3.7

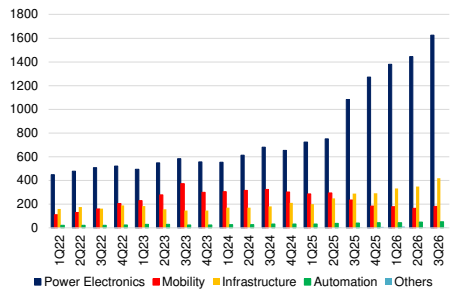
Source: UOB Kay Hian

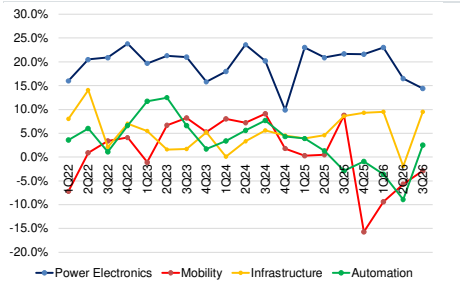
Earnings Revision

(Btm)	2026	%Chg	2027	%Chg	2028	%Chg
Revenue (Btm)	297,559	3.2	387,127	3.4	467,813	3.6
Gross profit	84,507	0.4	115,364	0.1	146,425	0.8
SG&A	(40,885)	6.6	(54,585)	2.7	(65,494)	3.6
Operating EBIT	33,803	(6.6)	47,230	(4.4)	64,558	(3.4)
Operating EBITDA	44,432	(4.0)	60,892	(1.7)	81,403	(0.9)
Net profit	32,581	(4.0)	43,057	(3.5)	57,779	(2.7)
Core profit	29,931	(7.0)	42,107	(3.9)	56,924	(3.0)
EPS	2.61	(4.0)	3.45	(3.5)	4.63	(2.7)
Core EPS	2.40	(7.0)	3.38	(3.9)	4.56	(3.0)
%		ppt		ppt		ppt
Gross margin	28.4	(0.8)	29.8	(1.0)	31.3	(0.9)
SG&A to sales	13.7	0.4	14.1	(0.1)	14.0	-
Operating margin	11.4	(1.2)	12.2	(1.0)	13.8	(1.0)
Operating EBIT margin	11.4	(1.2)	12.2	(1.0)	13.8	(1.0)
Operating EBITDA margin	14.9	(1.1)	15.7	(0.8)	17.4	(0.8)
Net profit margin	10.9	(0.8)	11.1	(0.8)	12.4	(0.8)
Core profit margin	10.1	(1.1)	10.9	(0.8)	12.2	(0.8)

Source: UOB Kay Hian

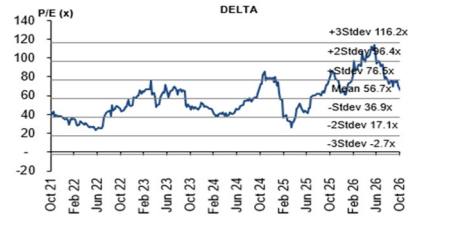
Revenue Breakdown And Operating Margin (%) By Segment (US Terms)





Source: UOB Kay Hian

5-Year Forward PE Band



Source: UOB Kay Hian

Share Price Catalyst

- No further unexpected inventory provisions, stronger gross margin recovery, and easing raw material shortages.

Environment, Social, Governance (ESG) Updates

Environmental

- DELTA targets to reduce electricity consumption intensity (EI) by 20% in 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 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.

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	**198,153**	**297,559**	**387,127**	**467,813**
EBITDA	34,520	44,432	60,892	81,403
Deprec. & amort.	8,194	10,630	13,662	16,845
EBIT	26,326	33,803	47,230	64,558
Total other non-operating income	2,370	4,365	3,174	3,165
Associate contributions	1	1	0	0
Net interest income/(expense)	189	252	252	252
Pre-tax profit	**28,887**	**38,421**	**50,656**	**67,975**
Tax	(4,073)	(5,840)	(7,598)	(10,196)
Minorities	0	0	0	0
Net profit	**24,814**	**32,581**	**43,057**	**57,779**
Net profit (adj.)	22,964	29,931	42,107	56,924

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	46,840	62,002	75,456	86,727
Other LT assets	3,218	3,446	4,189	4,893
Cash/ST investment	20,288	7,085	14,004	22,228
Other current assets	83,786	147,514	179,536	207,361
Total assets	**154,131**	**220,047**	**273,184**	**321,209**
ST debt	926	1,039	1,039	1,039
Other current liabilities	51,343	93,196	116,263	127,057
LT debt	1,037	1,405	1,405	1,405
Other LT liabilities	4,098	4,542	5,438	6,070
Shareholders' equity	96,727	119,864	149,039	185,637
Minority interest	0	0	0	0
Total liabilities & equity	**154,131**	**220,047**	**273,184**	**321,209**

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	**29,682**	**27,094**	**53,736**	**63,945**
Pre-tax profit	28,887	38,421	50,656	67,975
Tax	(4,073)	(5,840)	(7,598)	(10,196)
Deprec. & amort.	8,194	10,630	13,662	16,845
Working capital changes	(8,565)	(22,226)	(8,707)	(16,984)
Non-cash items	0	0	0	0
Other operating cashflows	5,239	6,110	5,722	6,305
Investing	**(16,132)**	**(25,451)**	**(26,884)**	**(28,112)**
Capex (growth)	(14,957)	(25,666)	(27,037)	(28,040)
Investments	(1,177)	(167)	(458)	(458)
Others	3	382	611	386
Financing	**(5,956)**	**(8,963)**	**(13,883)**	**(21,181)**
Dividend payments	(5,738)	(9,444)	(13,883)	(21,181)
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**	**(7,319)**	**12,969**	**14,652**
Beginning cash & cash equivalent	**15,701**	**20,288**	**7,085**	**14,004**
Ending cash & cash equivalent	**23,295**	**12,969**	**20,054**	**28,655**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	17.4	14.9	15.7	17.4
Pre-tax margin	14.6	12.9	13.1	14.5
Net margin	12.5	11.0	11.1	12.4
Growth				
Net profit (adj.)	27.7	30.3	40.7	35.2
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)	(3.9)	(7.8)	(10.7)

IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at this link or by scanning the QR code below:

The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full."