Delta Electronics (Thailand) Pcl (DELTA TB) - SELL

News Update

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Near-term positives

- **A likely strong 1H25F**
- **Rush demand and falling expenses**
- **But more pronounced US tariff in 2H25F**
- **Maintain our SELL call**

We expect DELTA to report stronger-than-expected 1Q25F earnings on robust AI-related demand and falling costs, followed by a strong 2Q25F as customers rushed orders ahead of the more aggressive US reciprocal tariff. That said, we maintain our SELL rating, expecting the more pronounced tariff impact to emerge in 2H25F.

- We expect DELTA's 1Q25F earnings to exceed our prior forecast of Bt4.5bn (+18% y-y). This would mark a strong rebound from the low base of Bt2bn in 4Q24, when DELTA incurred several expense items. The improvement should stem from: #1. The absence of one-off expenses seen in 4Q24, including customer rebates, fines for defective products, FX losses, and downward inventory provisions. Royalty fees to the parent and legal expenses related to ongoing cases should also decline. #2. US$ sales likely grew in the mid-teens. With high-margin AI/data center products driving the mix, EBIT margin should expand. Earnings beat our expectations mainly on #2. Looking into 2Q25F, DELTA also likely received early orders from US clients stocking up ahead of the tariff hike following the 90-day grace period. It's likely that China and China+1 countries such as Thailand will face higher tariff rates than the rest of the world.
- That said, despite seeing upside to our numbers, we maintain our SELL rating. DELTA's operations, in our view, stand to face risks from the US reciprocal tariff in many ways, and we expect negative impacts to be seen in 2H25F in the areas of the global slowdown, as the US reciprocal tariff would raise prices on products and erode purchasing power. Market-wise, the US accounts for ~40% of DELTA's revenue, and we expect softer purchasing power from the region from rising prices of products. Product-wise, while demand for data center-related products (~40% of sales) should remain relatively inelastic, there are risks to more price-sensitive legacy segments (60% of sales), including autos, phones, PCs, industrial, and telecom products. It is also the case that DELTA, as an OEM for power management products to global mega-scale users, may need to offer support to customers. DELTA mentioned that despite it is not in the obligation to be responsible for the tariff expenses, it may need to offer discounts to clients. We estimate each 1% discount would reduce DELTA's profit by ~10%. Competition-wise, the US tariff would erode DELTA's competitive stance against its key US power management product makers.
- Valuation-wise, DELTA is not a bargain in our view, trading at 70x 2025F PE amid global uncertainty.

Key Valuations

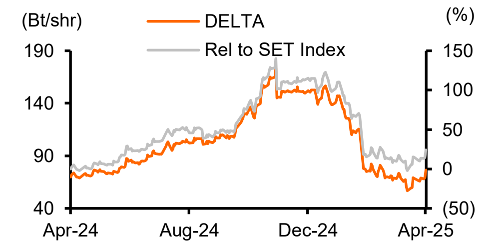
Y/E Dec (Bt m)	2024A	2025F	2026F	2027F
Revenue	164,733	187,077	214,097	245,136
Net profit	18,939	13,577	19,523	25,527
Norm net profit	17,980	13,577	19,523	25,527
Norm EPS (Bt)	1.4	1.1	1.6	2.0
Norm EPS gr (%)	1.3	(24.5)	43.8	30.8
Norm PE (x)	53.1	70.3	48.9	37.4
EV/EBITDA (x)	38.3	40.3	29.1	22.4
P/BV (x)	11.9	10.8	9.3	8.0
Div. yield (%)	0.6	0.4	0.7	1.1
ROE (%)	24.4	16.1	20.4	23.0
Net D/E (%)	(15.9)	(14.9)	(23.7)	(30.6)

Source: Thanachart estimates

Stock Data

Closing price (Bt)	76.50
Target price (Bt)	48.00
Market cap (US$ m)	28,566
Avg daily turnover (US$ m)	71.2
12M H/L price (Bt)	173.50/56.75

Price Performance



Source: Bloomberg

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