Delta Electronics (DELTA TB) - BUY, Price Bt307.00, TP Bt420.00 | Results Comment

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Very weak 2Q26 results

- DELTA reported net earnings of Bt6.1bn. Excluding FX gains and a one-time inventory provision, normalized earnings of Bt6.4bn increased by 36% y-y but fell by 31% q-q. Earnings missed our and consensus expectations sharply at both the sales and margin levels.
- US$ sales grew 50.7% y-y and 3.4% q-q. The growth was around 10% below DELTA's expectation, which we believe was mainly due to raw-material shortages after one of DELTA's key suppliers was sanctioned by European authorities, preventing DELTA from selling products containing components from this supplier.
- Net gross margin of 26.8% increased from 25.0% last year but fell from 31.7% q-q, dragged by the one-time provision for unsold finished products containing components from the sanctioned supplier, raw-material price hikes amid the shortages, and a weak product mix, as shortages mainly affected key high-margin power-management products.
- SG&A to sales increased to 17.4% from 13.5% in 2Q25 and 15.9% in 1Q26, as royalty expenses paid to Delta Taiwan rose to 8.2% of sales from 4.4% and 6.2%. Royalty fees normally increase as Delta Taiwan continues to relocate work to DELTA, but weak sales growth this quarter caused the fee as a percentage of sales to rise abnormally high.
- **Outlook:** We believe DELTA's AI growth story remains intact, with key hyperscaler customers likely maintaining orders, implying 74% y-y and 50% h-h sales growth in 2H26F. We also believe DELTA has secured new suppliers and plans to pass higher raw-material costs on to customers in 2H26F.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26**
Revenue	44,501	53,214	57,688	61,387	65,191
Gross profit	**11,110**	**15,085**	**16,479**	**19,466**	**18,273**
SG&A	6,015	7,580	8,455	9,775	11,354
Operating profit	5,095	7,504	8,025	9,691	6,918
EBITDA	**7,211**	**9,379**	**10,354**	**12,015**	**9,456**
Other income	376	1,308	724	907	842
Other expense	6	240	8	11	28
Interest expense	12	7	26	9	10
Profit before tax	**5,454**	**8,566**	**8,715**	**10,577**	**7,723**
Income tax	769	1,289	1,230	1,363	1,327
Equity & invest. income	0	0	0	1	(1)
Minority interests	3	0	0	0	0
Extraordinary items	(58)	165	(228)	(135)	(320)
Net profit	**4,629**	**7,441**	**7,257**	**9,081**	**6,075**
Normalized profit	**4,687**	**7,277**	**7,485**	**9,216**	**6,395**
EPS (Bt)	0.37	0.60	0.58	0.73	0.49
Normalized EPS (Bt)	0.38	0.58	0.60	0.74	0.51

Income Statement			6M as		
(Bt m)	**q-q%**	**y-y%**	**% 2026F**	**2026F**	**2027F**
Revenue	6	46	42	303,562	441,647
Gross profit	**(6)**	**64**	**39**	**97,825**	**153,497**
SG&A	16	89	43	48,997	72,265
Operating profit	(29)	36	34	48,828	81,232
EBITDA	**(21)**	**31**	**37**	**58,709**	**93,904**
Other income	(7)	124	72	2,431	1,670
Other expense	143	395	8	471	471
Interest expense	14	(22)	50	37	54
Profit before tax	**(27)**	**42**	**36**	**50,751**	**82,377**
Income tax	(3)	73	37	7,359	11,945
Equity & invest. income	na	na	na	0	0
Minority interests	na	na	na	0	0
Extraordinary items	na	na	na	0	0
Net profit	**(33)**	**31**	**35**	**43,392**	**70,432**
Normalized profit	**(31)**	**36**	**36**	**43,392**	**70,432**
EPS (Bt)	(33)	31	35	3.45	5.60
Normalized EPS (Bt)	(31)	36	36	3.45	5.60

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26**
Cash & ST investment	12,967	13,337	20,328	19,052	18,197
A/C receivable	38,496	47,108	45,966	56,957	59,325
Inventory	32,947	32,955	34,731	42,690	53,312
Other current assets	3,160	3,057	3,125	2,730	3,305
Investment	0	0	0	0	0
Fixed assets	42,172	44,280	45,688	47,714	52,076
Other assets	2,970	4,056	4,370	5,066	5,724
Total assets	**132,713**	**144,793**	**154,209**	**174,210**	**191,938**
S-T debt	927	592	311	435	3,333
A/C payable	39,315	42,681	45,230	53,485	68,502
Other current liabilities	3,176	4,913	6,729	8,640	9,529
L-T debt	2,219	2,413	2,402	2,457	2,380
Other liabilities	3,060	3,420	2,736	2,677	2,777
Minority interest	0	0	73	0	0
Shareholders' equity	**84,015**	**90,775**	**96,727**	**106,515**	**105,417**
Working capital	32,128	37,382	35,467	46,162	44,135
Total debt	3,146	3,005	2,714	2,893	5,714
Net debt	**(9,821)**	**(10,332)**	**(17,615)**	**(16,159)**	**(12,483)**

Financial Ratios					
(%)	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26**
Sales growth	6.5	23.1	38.2	43.6	46.5
Operating profit growth	(12.4)	25.3	244.1	70.0	35.8
EBITDA growth	(3.1)	20.7	147.2	58.6	31.1
Norm profit growth	(24.2)	16.2	201.2	82.5	36.4
Norm EPS growth	(24.2)	16.2	201.2	82.5	36.4
Gross margin	25.0	28.3	28.6	31.7	28.0
Operating margin	11.4	14.1	13.9	15.8	10.6
EBITDA margin	16.2	17.6	17.9	19.6	14.5
Norm net margin	10.5	13.7	13.0	15.0	9.8
D/E (x)	0.0	0.0	0.0	0.0	0.1
Net D/E (x)	(0.1)	(0.1)	(0.2)	(0.2)	(0.1)
Interest coverage (x)	577.0	1,409.9	397.4	1,399.9	966.1
Interest rate	1.6	0.9	3.6	1.2	0.9
Effective tax rate	14.1	15.1	14.1	12.9	17.2
ROA	14.3	21.0	20.0	22.4	14.0
ROE	22.1	33.3	31.9	36.3	24.1

Sources: Company data, ttb wealth estimates

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