

Bulletin:

Delta Electronics' Acquisition Will Enhance Product Mix

September 2, 2024

This report does not constitute a rating action.

Taiwan Ratings Corp. said today that **Delta Electronics Inc.** could slightly enhance its product mix through the acquisition of a power inductor unit with no significant impact on debt leverage.

On Aug. 29, 2024, Taiwanese electronics firm Delta (twAA/Stable/twA-1+) announced its intention to acquire the power inductor business of Japan-based Alps Alpine Co. Ltd. (not rated) for a total consideration of about new Taiwan dollar (NT\$) 2.3 billion. The business unit makes power inductors used in sensor and communication applications. We believe the acquisition will slightly strengthen Delta's passive component business, particularly for high value-added applications such as high-performance computing and electric vehicles. The proposal is consistent with Delta's strategy to strengthen its product offerings through acquisitions.

The purchase is unlikely to weaken Delta's strong capital structure, given the company's material net cash position at the end of June 2024. Delta generated NT\$12.8 billion in free operating cash flow in the first half of 2024, and we forecast the company will continue to generate significant free operating cash flow over the next few quarters. Under our base case for Delta, the company is likely to continue making acquisitions without materially increasing its debt leverage over the next two to three years.

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