

## QIC's 15th Taiwan CEO Week Key Takeaways

QIC hosted its 15th Taiwan CEO Week, the largest and most dedicated event for Taiwan corporates targeting global institutional investors, at the Fullerton Hotel Singapore on April 15-17th. This year, 23 Taiwanese companies participated, attracting over 90 global institutional investors to the event and generating over 300 meeting requests. Despite the dominance of AI in the capital market over the past year, there are still numerous alpha opportunities available across small-cap names in Taiwan, including the semiconductor supply chain, biotech, e-commerce, and consumer sectors.



We've summarized key takeaways from a few attending companies below:

**Zhen Ding (4958 TT)** expects modest revenue growth in 2024, with double-digit growth projected for 2025, driven by strong growth in IC substrates, AI servers, and automotive applications. The company targets IC substrate revenue to grow by at least 80% YoY in 2024, with ABF revenue increasing by 3-4x YoY. Gross margin improvement is expected in both 2024 and 2025.

**Chicony (2385 TT)** targets double-digit YoY revenue growth in 2024, particularly in the Keyboard and Power Supply segments, along with high single-digit growth in Image. Continued optimization in product mix is expected to lead to further margin improvements in 2024, with a longer-term goal of maintaining gross margins above 20%.

**ITEQ (6213 TT)** anticipates being a key beneficiary of Nvidia's GB200. Quarterly

revenue growth is expected throughout 2024, with significant improvement in full-year revenue driven by a notable increase in utilization rate. Gross margin is forecasted to substantially improve from the previous year.

**Winmate (3416 TT)** aims for revenue and net profit growth of over 10% YoY in 2024, with a net margin of 19.5% in 2023, one of the highest among industrial PC players. Close collaboration with large accounts in industries such as warehouse and logistics, automotive, healthcare, and defense is expected to drive growth.

**H.H. Galaxy (2949 TT)**, a market-leading eCommerce enabler in Taiwan, anticipates revenue growth of 10%+ in the coming years. The company is actively adding more brand customers in Taiwan and expanding its footprint in the Philippines.

**C Sun (2467 TT)** has been expanding its presence in the semiconductor field in recent years, successfully penetrating CoWoS and SoIC supply chains. Revenue contribution from this segment is expected to increase to over 25% in 2024, with a target of reaching 30% in 2025.

**CWTC (6548 TT)** management believes that the adjustment of industry inventory is nearing completion, with emerging demand in the consumer electronics sector. The company aims for high single-digit percentage year-on-year revenue growth for the full year, with gross profit margin rebounding to the mid-twenty percentage level.

**Macronix (2337 TT)** anticipates inventory adjustment to continue throughout 1H24, with 2Q24 possibly marking the earliest timing for demand rebound. Despite no capacity expansion plan in 2024, Macronix is focused on R&D of new products and collaborating with IBM on Enterprise SSD solutions.



## Coming Right Up:

Upcoming QIC Events

Selected Small-Cap News & QIC Commentary

Avoiding the Founder's Dilemma by Peter Kurz

Previous CEO Conversations Vol.



[CEO Conversations 49: Unveiling the Impacts of Taiwan's ETF Surge: Insights from Chairmen of Taiwan's Leading Investment Trusts](#)



[CEO Conversations 48: Dr. Lih-Ling Lin, Chief Scientific Officer, PharmaEssentia \(6446 TT\)](#)



[QIC CEO Conversations 47: David Oh, Portfolio Manager, TimesSquare Capital Management](#)

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The No. 1 Taiwan Small-Cap Capital Market Advisory Firm

## Taiwan Small-Cap Lookout

**PharmaEssentia (6446 TT)** expects to turn profitable in 2024, with continued revenue and growth expected from its next-generation interferon, Besremi. Topline results for the second indication - essential thrombocythemia are anticipated by year-end, along with completion of enrollment for the third indication - primary myelofibrosis.

**Marx Biotech (7731 TT)** has experienced rapid growth, with 240% YoY growth achieved in the first 3 months of 2024. This growth is attributed to resource complementarity among brands, seamless online merging offline, and ongoing brand acquisitions and international expansion efforts.

**APMTD (6981 TT)** introduced its open-system ECMO for sale in Taiwan and the US in 2024, with a goal of deploying 100 sets into both markets this year. The company's business model complements sales with major consumables and has successfully entered hospitals.

**World Gym (2762 TT)** is expected to experience a robust recovery as store expansion accelerates and SSSG picks up post-covid. The fixed-cost nature of the gym business is anticipated to result in significant operating leverage as membership continues to recover, contributing to stronger bottom-line growth.

**Kwong Lung (8916 TT)** is expected to benefit from order recovery from its outerwear clients, while Nitori's aggressive expansion and potential new client acquisitions are also expected to fuel the company's growth in the coming two years.

**Gamania (6180 TT)** is expected to grow robustly in 2024-25 due to a strong new game pipeline and gains from further streamlining and divesting non-core businesses within the group.

| Top 10 Stock Gainers |        |       |        | Top 10 Stock Losers |        |       |        |
|----------------------|--------|-------|--------|---------------------|--------|-------|--------|
| Company              | Ticker | Price | Change | Company             | Ticker | Price | Change |
| JSW                  | 1617   | 27    | 65%    | AverMedia           | 2417   | 35.45 | -30%   |
| HK                   | 1618   | 57.8  | 58%    | Nextron             | 8147   | 95    | -28%   |
| SIS                  | 2363   | 63.2  | 57%    | ShunSin             | 6451   | 144   | -28%   |
| WE & WIN             | 2537   | 15.4  | 55%    | RichWave            | 4968   | 162.5 | -28%   |
| CATHAY RED           | 2501   | 30.9  | 49%    | GCE                 | 2368   | 182   | -26%   |
| EVERTOP              | 1616   | 28.05 | 49%    | SZS                 | 3376   | 152   | -26%   |
| Chong Hong           | 5534   | 124.5 | 46%    | Getac               | 3005   | 105   | -25%   |
| Ability              | 2374   | 38.75 | 46%    | Waffer              | 6235   | 81.7  | -25%   |
| HE                   | 1608   | 38.25 | 46%    | CTI                 | 8059   | 27.85 | -24%   |
| SDTI                 | 9955   | 34.75 | 46%    | VF                  | 4771   | 291.5 | -23%   |

  

| Top 10 FINI Net Buyers |        |            |        | Top 10 FINI Net Sellers |        |            |        |
|------------------------|--------|------------|--------|-------------------------|--------|------------|--------|
| Company                | Ticker | Holding(%) | Change | Company                 | Ticker | Holding(%) | Change |
| Nextron                | 8147   | 12.1       | 10.1   | FamilyMart              | 5903   | 0.8        | -45.0  |
| SIS                    | 2363   | 11.7       | 6.8    | Speed Tech              | 5457   | 8.3        | -31.3  |
| Fiti                   | 3413   | 40.2       | 6.4    | Top Bright              | 8499   | 21.5       | -15.8  |
| AEC                    | 1514   | 24.1       | 6.3    | CCI YILAN               | 1342   | 32.3       | -11.7  |
| CMMT                   | 4960   | 15.2       | 4.3    | SYSCO                   | 2029   | 5.3        | -10.9  |
| GWC                    | 6488   | 27.0       | 4.0    | TCI                     | 8436   | 9.9        | -8.5   |
| WT                     | 3036   | 24.5       | 3.3    | PCL                     | 4977   | 10.6       | -8.3   |
| NAFCO                  | 3004   | 6.7        | 3.2    | AverMedia               | 2417   | 6.9        | -7.1   |
| KSMT                   | 6683   | 16.4       | 3.1    | EITC                    | 2607   | 8.5        | -6.6   |
| Eris Tech              | 3675   | 4.3        | 3.1    | UNEEC                   | 3013   | 3.1        | -6.1   |

### Top Performers of the Month

Here are the top 10 small-cap (US\$100mn-10bn) performers of the month.

#### **JSW (1617 TT) +65%** **30D avg. volume increased by 184% vs 90D**

Jung Shing Wire specializes in the production of magnet cables. The company is the only magnet cable manufacturer in Taiwan. Recently, Jung Shing's share price surged as the "Resilient Grid Plan" has spurred a significant increase in demand for electric cables. With the government earmarking NT\$18.1 billion for the replacement of 246.5 kilometers of cables across Taiwan, Jung Shing Wire benefits from this significant infrastructure initiative. Moreover, Taipower's plans to invest NT\$11.28 billion in offshore wind power grid reinforcement and NT\$2.24 billion in the development of offshore wind power block 3-1 are expected to further bolster the demand for cables, underscoring Jung Shing Wire's promising outlook.

#### **HK (1618 TT) +58%** **30D avg. volume increased by 85% vs 90D**

Hold Key is one of the leading cable manufacturers in Taiwan. The company also benefits from the surging demand for electric cables. The company has secured a series of contracts from Taipower for cables, accessories, and installation projects, totaling over NT\$5bn. These contracts are expected to be fulfilled over the next decade, providing a significant

boost to the company's revenue trajectory.

#### **SIS (2363 TT) +57%** **30D avg. volume increased by 94% vs 90D**

Silicon Integrated Systems is a leading IC design company specializing in SoC solutions for smartphones, TVs, and PCs. On 4/22, SiS announced to acquire SoC and IP development company UMCJ from UMC for NT\$337mn. The market is optimistic that UMCJ will equip SiS with a more comprehensive IP portfolio and bolster its design service capabilities. The transaction triggered SiS's share price to double after the announcement from the early completion and full-scale production of its small transformer assembly line, resulting in a significant 25% increase in production capacity. This development has also propelled both revenue and pre-tax net profit to record highs.

#### **WE & WIN (2537 TT) +55%** **30D avg. volume increased by 126% vs 90D**

WE & WIN specializes in real estate development and construction in Taiwan. The company's 1Q24 revenue has seen a significant YoY increase of 432%. Furthermore, management has indicated a positive outlook for the four major pre-sale projects in Northern Taiwan, with total sales expected to exceed several billion NT dollars.

#### **CATHAY RED (2501 TT) +49%** **30D avg. volume increased by 142% vs 90D**

CATHAY RED is engaged in the construction of residential and commercial

## Upcoming Events

### QIC Healthcare Corporate Day

June 12-13, 2024

@ Virtual

### 2<sup>nd</sup> QIC Renewable Energy Corporate Day

August 27-28, 2024

@ Virtual

### 16<sup>th</sup> QIC Taiwan CEO Week

October 22-23, 2024

@ Hong Kong

properties in Taiwan. The company's 1Q24 revenue has experienced a notable 145% YoY increase. Additionally, the industry outlook is optimistic due to the active urban renewal initiatives, contributing to a bullish market sentiment.

#### **EVERTOP (1616 TT) +49%** **30D avg. volume increased by 63% vs 90D**

EVERTOP is involved in the manufacturing and sale of wires and cables in Taiwan. Benefiting from Taiwan Power Company's robust grid project, the company has secured NT\$1 billion+ orders. Furthermore, the company anticipates a 50% increase in production capacity through its expansion plan for new production lines.

#### **Chong Hong (5534 TT) +46%** **30D avg. volume increased by 125% vs 90D**

Changhong engages in the construction, development, leasing, and sale of residential and commercial buildings. The company is poised to reach a peak in revenue recognition. It is estimated that there will be 5 completed projects this year, with a total project amount of NT\$ 18 billion. The revenue for 2024 is expected to return to ten billion dollars.

#### **Ability (2374 TT) +46%** **30D avg. volume increased by 132% vs 90D**

Ability focuses on the development and manufacture of optical imaging products. This year, the company's various AI optical products are expected to experience increased shipments. Among them, an AI optical product utilizing AI lenses combined with the NVIDIA AI platform for agricultural technology has received orders from a major Japanese optical manufacturer.

#### **HE (1608 TT) +46%** **30D avg. volume increased by 132% vs 90D**

Hua Eng manufactures various kinds of power cables. Benefiting from orders driven by Taiwan Power Company's Resilient Grid Project and the rising copper prices, the momentum for this year remains promising.

#### **SDTI (9955 TT) +46%** **30D avg. volume increased by 154% vs 90D**

Super Dragon Technology(SDTI) provides waste treatment and recycling services. With global gold prices reaching historic highs, SDTI's operations, which are closely tied to gold, are expected to benefit in the second quarter.

C Sun led the G2C alliance to showcase advanced packaging equipment solutions at the Touch Taiwan exhibition

<https://reurl.cc/bVnMpy>

C Sun (2467), GPM (5443), and GMM (6640) are three core enterprises of the G2C+ Alliance. Since 2020, they have adopted a strategy of sharing R&D and marketing resources, developing various advanced packaging process solutions for Micro LED and Panel-Level-Packaging. G2C+ Alliance jointly launched a variety of process equipment and comprehensive solutions at Touch Taiwan 2024, aiming to seize opportunities with one-stop services. C Sun has been cultivating the traditional semiconductor packaging industry for over 40 years, primarily supplying drying ovens. With over a decade of investment in advanced packaging, they have expanded into IC substrates and advanced semiconductors, transforming into a leading supplier of advanced process equipment and ascending to the crucial supply chains of high-performance computing (HPC) and AI.



**QIC Comment:** AI is driving demand for advanced packaging CoWoS, making related equipment a market focus. With the development of 2.5D and 3D packaging technologies, backend packaging equipment is gradually gaining importance. C Sun stated that the company began investing in 2.5D packaging ten years ago, collaborating with customers, and currently, equipment for 3D packaging has also been adopted by customers. With the expansion of AI applications, HPC has three major supply areas: HBM packaging, advanced packaging, and substrates. In each area, C Sun has products and competitive advantages. We believe G2C+ Alliance

would continue to penetrate into advanced packaging segment and secure sustainable growth in revenue and profitability.

**Hon Hai (2317 TT): Hon Hai cooperates with Nvidia in three AI areas; Chairman Young Liu expects to see some progress in the first half of the year**

<https://reurl.cc/OM0nQX>

Hon Hai is working with Nvidia on AI. Chairman Young Liu revealed that the cooperation between the two parties in three major areas: AI factories, AI smart manufacturing, and AI smart electric vehicles, will have some progress in the first half of 2024. The market expects that as AI applications continue to expand, it will drive the increase in shipments of the GB200 AI servers for Foxconn and Nvidia.

**QIC Comment:** Hon Hai is a key supplier of Nvidia's GB200, and we believe Zhen Ding (4958 TT) will be a beneficiary in the supply chain given its relationship with Hon Hai. Overall, Zhen Ding expects its exposure to AI servers will increase in 2024 and accelerate in 2025.

**Chairman of Great Tree Pharmacy: Taiwan Has the World's Highest Density of Pharmacies, Pharmacists' Starting Salary Reaches 100,000 NT Dollars**

<https://reurl.cc/KepAvR>

Mr. Zheng Minglong, chairman of Great Tree Pharmacy (6469), stated that as more capital enters pharmacies, competition for talent and store locations has intensified. In recent years, companies such as Qisda and PJ Asset Management have begun investing in pharmacies, and there are even rumors that the telecommunications industry is interested in entering the fray. Senao International has recently begun recruiting pharmacists. Currently, newly graduated pharmacists in the north are demanding salaries of up to 100,000 NT dollars per month, while those in the south are demanding salaries ranging from 70,000 to 90,000 NT dollars.

Mr. Zheng Minglong said that many people think that pharmacies are easy to operate. Although the number of chain pharmacies in Taiwan is relatively low, allowing for continuous consolidation in the industry, Taiwan also has the highest density of pharmacies in the world. The only countries where the number of pharmacy services per person is below 3,000 are Taiwan and mainland China, and Taiwan's pharmacy density exceeds that of mainland China, making it even more competitive than convenience stores.

However, Great Tree's expansion plans have not been scaled back. The company plans to have 500 stores nationwide by 2025, with a target of opening 420 stores this year, and the current number of stores is 343. Zheng Minglong admitted that this goal is "very challenging," especially now that labor is tight and good store locations are in high demand. Moreover, with increasing competition from chain pharmacies, more and more pharmacy streets are emerging, prompting Great Tree to further strengthen its presence in Taipei and New Taipei City.

**QIC Comment:** The fact that the starting salary of a pharmacist is higher than that of a physician indicates the intense competition in the pharmacy sector. Consequently, we have observed a 20% correction in the year-to-date share price of Great Tree Pharmacy. Similarly, another listed pharmacy chain, Norbel Baby, has seen its share price decline by 28% from its peak this year. These developments demonstrate that the lofty valuations in Taiwan's pharmacy sector are unlikely to be sustained as growth slows and the industry becomes less profitable.

**J&V Energy (6869 TT) is expected to list on the Main Board of the TWSE soon**

<https://reurl.cc/ZeJ276>

J&V Energy (6869 TT), a solar EPC company announced on April 18 that it has obtained approval from the TWSE, aiming to be the first company in Taiwan to move from the Taiwan Innovation Board (TIB) to the main board. The company's current green energy contracts signed have surpassed 10 billion kWh and it will continue to expand its footprint in the green energy market. J&V Energy expects solid growth in solar PV development projects and a doubling of green energy sales this year. Its internal target aims for double-digit revenue growth this year and is confident it to outperform last year. The company aims to achieve a revenue of over NT\$10 billion within three years.

**QIC Comment:** QIC continues to see the mega trend for energy transition in Taiwan. Taiwan aims to increase the share of renewable energy mix of the total energy consumption from 10% to 30% in 2030. TSMC, the largest buyer of green energy in Taiwan, alone accounts for 8% of Taiwan's energy consumption while the Semi supply chain continues to grow rapidly in Taiwan. Taiwan also requires more renewable energy to increase self-supply energy sources due to geopolitical concerns. Taiwan definitely needs more investment in the renewable energy and environmental sectors.

**PharmaEssentia announced submission of marketing authorization application of BESREMi for PV in Colombia**

<https://reurl.cc/mMGGxW>

On 4/24, PharmaEssentia announced to submit the marketing authorization application in Colombia for Besremi (500mcg/mL & 250mcg/0.5mL) for Polycythemia Vera (PV). According to the market research, there are more than 100,000 PV patients in Latin America, and the current treatment includes phlebotomy, hydroxyurea (HU), interferon and JAK2 inhibitors. After getting the approval, PharmaEssentia's licensee Pint-Pharma GmbH will be responsible for the sales and marketing of Besremi for PV in Colombia.

**QIC Comment:** Since obtaining approval from the European Medicines Agency (EMA) in February 2019, PharmaEssentia's flagship product, Besremi for Polycythemia Vera (PV), has obtained approvals in countries including the US, EU, Japan, Korea, Taiwan, and Macau. The revenue generated by Besremi surged to NT\$5.11 billion in 2023, marking a notable 77% YoY growth. Presently, approval in other markets such as China, Malaysia, Singapore, and Hong Kong are expected by 2024. In addition to its success in PV treatment, PharmaEssentia is advancing Besremi's application for its second indication, Essential Thrombocythemia (ET). Patient enrollment for the Phase 3 study was completed in October 2023, with results expected to be unveiled by 4Q24 / 1Q25. PharmaEssentia aims to secure FDA approval for ET by 2026, marking another milestone in its pipeline development, creating robust revenue growth.

## Avoiding the Founder's Dilemma by Peter Kurz, CSO of QIC

As Taiwan's growth engine of electronics and semiconductor manufacturing begins to mature, we need to inculcate a more vibrant and competitive venture capital capability. The vibrant venture capital industry that helped fund these companies in the 1990s and early 2000s has long since dwindled in size and vigor. Taiwan must start anew in adopting a more modern and professional approach to nurturing a new generation of start-ups in the high growth industries of healthcare, data services, energy and electric & self-driving automobiles. We must re-think what it is that makes for a successful start-up company. The first step in this refresh of the overall mentality and approach to nurturing a new crop of start-ups is revisiting the idea, often presumed in Taiwan, that the founder of a new company must have extensive expertise and experience in the industry being pursued. If I'm building a new manufacturing company, I want a manufacturing CEO, right? Not necessarily. What I really should want is somebody really smart to rethink the assumptions from the ground up. Experts are the source of incremental advances only. Innovation in the retail sector did not come from Walmart; it came from Amazon. Innovation in the media sector did not come from Time Magazine or the big television networks; it came from YouTube and Twitter and Facebook. Space innovation did not come from Boeing and Lockheed; it came from Elon Musk's SpaceX.

Secondly, every would-be entrepreneur wants to be a Bill Gates, Morris Chang, or Terry Gou. However, successful CEO-cum-founders are a very rare breed. The great majority of them fail. The reason is simple. Successful founders are stubborn, single-minded sociopaths who ignore all the obvious signs of imminent failure and continue to plow ahead while most others would have long ago given up. But once proving the naysayers wrong and getting their company up and running, making money for their new venture requires a whole different skill set. Gates, Chang, and Gou are the exceptions to the rule in this instance. More common are the entrepreneurs who were forced out of the CEO position by their venture capital backers, including such luminaries as Sergey Brin and Larry Page of Google, Travis Kalanick of Uber, and Martin Eberhard, who founded the electric vehicle company in 2003 before Elon Musk, a big investor and chairman of the Tesla board, told Eberhard he'd been ousted during a phone call in 2007. Founders' attachment, overconfidence, and naïveté may be necessary to get new ventures up and running, but these emotions later create problems, a phenomenon known as the Founder's Dilemma. One study has shown that by the time new ventures were three years old, 50% of founders were no longer the CEO; in year four, only 40% were still in the corner office; and fewer than 25% led their companies' initial public offerings.

Ultimately, venture capital investors must open their minds to the fact that the entrepreneur they want to back may not necessarily be an industry insider, and at the same time, the entrepreneur must make the choice between wanting to be the king of a failed enterprise or a rich

shareholder of a successful unicorn. Otherwise, they – and their venture capital backers – often end up neither wealthy nor powerful.

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