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Parade Technologies Ltd | Asia Pacific

Better-than-feared 1Q Guidance;
OW

📈 Stock Rating
Overweight

👁 Industry View
Attractive

🎯 Price Target
NT\$825.00

4Q EPS below, but 1Q guidance better than feared: EPS in 4Q22 was NT\$5.60, -54% Q/Q and -69% Y/Y, and 22% and 13% below our and Street forecasts, respectively. Revenue was down 31% Q/Q and 41% Y/Y, affected by weak NB demand and China lockdowns. Gross margin was at the lower end of guidance of 44%. Parade expects 1Q revenue to be down 4% Q/Q and 54% Y/Y at the mid-point, as demand showed stabilization with new order pull-ins. 1Q gross margin is guided to edge up to 45% at the mid-point, but to be determined by final product mix. Parade expects distributors' inventory to be back to normal in 1Q, returning to 60-65 days during 2Q. NB shipments for 2023 are guided to -10% Y/Y, but new opportunities in Tcon and USB4 should help navigate shortfall.

Stay OW: Parade expects to see a 2H recovery, based on seasonality and, most important, new product cycle. We expect revenue to pick up gradually in 2Q. The stock has rallied by 60% since [October 2022](#) vs. Taix +17%, and current valuation is 21x our 2023e EPS. Valuation is not cheap but the stock has likely bottomed.

MORGAN STANLEY TAIWAN LIMITED+

Daniel Yen, CFA

EQUITY ANALYST

Daniel.Yen@morganstanley.com

+886 2 2730-2863

Charlie Chan

EQUITY ANALYST

Charlie.Chan@morganstanley.com

+886 2 2730-1725

Ray Wu, CFA

EQUITY ANALYST

Ray.Wu@morganstanley.com

+886 2 2730-2871

MORGAN STANLEY ASIA LIMITED+

Daisy Dai, CFA

EQUITY ANALYST

Daisy.Dai@morganstanley.com

+852 2848-7310

MORGAN STANLEY TAIWAN LIMITED+

Dylan Liu

EQUITY ANALYST

Dylan.Liu@morganstanley.com

+886 2 2730-1723

Tiffany Yeh

RESEARCH ASSOCIATE

Tiffany.Yeh@morganstanley.com

+886 2 7712-3032



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Parade Technologies Ltd (4966.TWO, 4966 TT)

Greater China Technology Semiconductors / Taiwan

Stock Rating	Overweight
Industry View	Attractive
Price target	NT\$825.00
Up/downside to price target (%)	(18)
Shr price, close (Feb 8, 2023)	NT\$1,000.00
52-Week Range	NT\$2,120.00-574.00
Sh out, dil, curr (mn)	80
Mkt cap, curr (mn)	NT\$79,753
EV, curr (mn)	NT\$70,551
Avg daily trading value (mn)	NT\$1,121

Fiscal Year Ending	12/21	12/22e	12/23e	12/24e
ModelWare EPS (NT\$)	65.42	62.12	48.12	59.53
Prior ModelWare EPS (NT\$)	-	-	-	-
EPS (NT\$)§	66.72	61.43	46.01	63.42
Revenue, net (NT\$ mn)	19,995	20,271	17,300	20,267
EBITDA (NT\$ mn)	6,544	5,740	4,558	5,584
ModelWare net inc (NT\$ mn)	5,245	5,028	3,911	4,838
P/E	32.3	12.4	20.8	16.8
P/BV	11.7	3.6	4.3	3.7
RNOA (%)	140.0	103.8	83.7	110.1
ROE (%)	41.3	34.8	23.1	26.2
FV/FRITDA	24.3	8.6	14.5	11.4

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Valuation Methodology and Risks

Parade Technologies Ltd (4966.TWO)

Base case, residual income model. Key assumptions: 9.8% cost of equity (beta 1.3, risk-free rate 2%, risk premium 6%), medium-term growth rate of 9.0%, payout ratio of 50%, and terminal growth rate of 4.0%.

Risks to Upside

- Faster-than-expected Apple product shipments and spec upgrades.
- Faster-than-expected launch of next-gen server platform.

Risks to Downside

- Slower-than-expected Apple product shipments and spec upgrades.
- Intensifying competition in high-speed interface area for converters, switches, redrivers/retimers.
- Slower-than-expected launch of next-gen server platform.

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(as of January 31, 2023)

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Not-Rated to hold and Underweight to sell recommendations, respectively.

STOCK RATING CATEGORY	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)			OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MISC)	
	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MISC
Overweight/Buy	1360	37%	277	43%	20%	599	38%
Equal-weight/Hold	1672	45%	292	45%	17%	737	47%
Not-Rated/Hold	4	0%	0	0%	0%	0	0%
Underweight/Sell	658	18%	82	13%	12%	232	15%
TOTAL	3,694		651			1568	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

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Stock Price, Price Target and Rating History (See Rating Definitions)

Parade Technologies Ltd (4966.TWO) - As of 2/7/23 in TWO
Industry : Greater China Technology Semiconductors



Stock Rating History: 2/1/18 : O/I; 7/18/18 : E/I; 11/16/18 : E/C; 3/3/19 : O/C; 9/5/19 : O/I; 12/4/19 : O/A; 4/23/20 : O/I; 10/12/21 : O/C; 7/12/22 : E/C; 10/4/22 : O/A

Price Target History: 11/3/17 : 615; 7/18/18 : 555; 8/2/18 : 488; 3/3/19 : 630; 10/31/19 : 688; 2/14/20 : 888; 3/20/20 : 777; 4/30/20 : 888; 5/28/20 : 1130; 7/6/20 : 1295; 7/31/20 : 1500; 2/4/21 : 1555; 4/28/21 : 1700; 8/5/21 : 2120; 2/9/22 : 2215; 7/12/22 : 1150; 8/3/22 : 870; 9/13/22 : 717; 10/7/22 : 960; 10/31/22 : 825

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Charlie Chan		
ACMResearch Inc (ACMR.O)	E (10/18/2022)	US\$12.36
Advanced Micro-Fabrication Equipment Inc (688012.SS)	E (10/18/2022)	Rmb104.95
Achip Technologies Ltd (3661.TW)	O (05/14/2021)	NT\$998.00
Andes Technology Corp (6533.TW)	O (08/04/2022)	NT\$571.00
ASE Technology Holding Co. Ltd. (3711.TW)	E (10/12/2021)	NT\$106.00
ASM Pacific (0522.HK)	E (10/12/2021)	HK\$67.60
GlobalWafers Co Ltd (6488.TWO)	O (12/02/2020)	NT\$540.00
Jiangsu Changjiang Electronics Tech (600584.SS)	U (10/12/2021)	Rmb26.95
Maxscend Microelectronics Co Ltd (300782.SZ)	U (01/11/2021)	Rmb129.40
MediaTek (2454.TW)	E (12/16/2022)	NT\$744.00
Nanya Technology Corp. (2408.TW)	E (10/04/2022)	NT\$58.40
Phison Electronics Corp (8299.TWO)	E (08/16/2022)	NT\$370.50
Silergy Corp. (6415.TW)	U (05/20/2021)	NT\$654.00
SMC (0981.HK)	E (08/10/2021)	HK\$17.42
TSMC (2330.TW)	O (02/07/2022)	NT\$540.00
UMC (2303.TW)	O (09/14/2020)	NT\$50.50
Universal Scientific Ind. (Shanghai) (601231.SS)	O (08/04/2015)	Rmb16.34
Vanguard International Semiconductor (5347.TWO)	U (09/21/2022)	NT\$95.70
Will Semiconductor Co Ltd Shanghai (603501.SS)	E (11/01/2022)	Rmb91.70
WIN Semiconductors Corp (3105.TWO)	U (02/04/2021)	NT\$175.50
Daisy Dai, CFA		
Hangzhou Silan Microelectronics Co. Ltd. (600460.SS)	E (06/10/2022)	Rmb35.23
Shanghai Anlogic Infotech Co Ltd (688107.SS)	E (11/01/2022)	Rmb65.08
Shanghai Fudan Microelectronics (1385.HK)	E (10/18/2022)	HK\$31.60
Unigroup Guoxin Microelectronics Co Ltd (002049.SZ)	U (01/10/2023)	Rmb122.57
Yangjie Technology (300373.SZ)	O (06/10/2022)	Rmb56.40
Daniel Yen, CFA		
3Peak (688536.SS)	U (11/01/2022)	Rmb270.25
ASMedia Technology Inc (5269.TW)	O (05/14/2021)	NT\$1,010.00
Aspeed Technology (5274.TWO)	U (01/11/2023)	NT\$2,345.00
Bestech Shanghai Co Ltd (688608.SS)	O (04/23/2021)	Rmb135.00
Chipsea Technologies Shenzhen Corp (688595.SS)	O (11/15/2022)	Rmb46.71
Egis Technology Inc (6462.TWO)	U (04/23/2020)	NT\$76.10
Espressif Systems (688018.SS)	U (07/19/2021)	Rmb107.80
GigaDevice Semiconductor Beijing Inc (603986.SS)	U (10/18/2022)	Rmb113.08
Macronix International Co Ltd (2337.TW)	U (10/19/2021)	NT\$36.45
Montage Technology Co Ltd (688008.SS)	O (12/13/2022)	Rmb57.13
Novatek (3034.TW)	U (05/20/2021)	NT\$390.00
Nuvoton Technology Corporation (4919.TW)	O (07/19/2021)	NT\$154.00
Parade Technologies Ltd (4966.TWO)	O (10/04/2022)	NT\$1,000.00
Realtek Semiconductor (2379.TW)	U (12/13/2022)	NT\$364.50
Shenzhen Goodix Technology Co Ltd (603160.SS)	U (06/16/2020)	Rmb53.64
Sino Wealth Electronic (300327.SZ)	O (07/19/2021)	Rmb42.35
Winbond Electronics Corp (2344.TW)	U (10/19/2021)	NT\$22.70
WPG Holdings (3702.TW)	U (04/09/2021)	NT\$49.35
Dylan Liu		
Chipbond Technology Corp (6147.TWO)	E (05/20/2021)	NT\$64.30
Global Unichip Corp (3443.TW)	E (12/28/2022)	NT\$925.00
King Yuan Electronics Co Ltd (2449.TW)	E (10/12/2021)	NT\$40.15
Ray Wu, CFA		
Advanced Wireless Semiconductor Co (8086.TWO)	U (02/11/2022)	NT\$78.80
China Resources Microelectronics Limited (688396.SS)	U (07/08/2022)	Rmb55.23
Hua Hong Semiconductor Ltd (1347.HK)	O (02/04/2022)	HK\$30.75
NAURA Technology Group Co Ltd (002371.SZ)	E (11/23/2022)	Rmb244.96
Powerchip Semiconductor Manufacturing Co (6770.TW)	U (07/12/2021)	NT\$34.60
RichWave Technology Corp. (4968.TW)	E (07/12/2022)	NT\$135.00
SG Micro Corp. (300661.SZ)	E (09/27/2022)	Rmb171.86
Shanghai Awinic Technology (688798.SS)	U (09/27/2022)	Rmb114.99
Silicon Motion (SIMO.O)	E (08/12/2021)	US\$66.32
StarPower Semiconductor Ltd (603290.SS)	O (03/01/2022)	Rmb318.70
Suzhou Novosense Microelectronics Co Ltd (688052.SS)	O (09/27/2022)	Rmb328.40
UPI Semiconductor Corp. (6719.TW)	U (05/02/2022)	NT\$330.50
Wafer Works Corp (6182.TWO)	E (11/07/2022)	NT\$46.15

Stock Ratings are subject to change. Please see latest research for each company.

* Historical prices are not split adjusted.

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