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## Greater China Semiconductors | Asia Pacific

## Semi Distributors: AI Continues to Drive a Stronger Outlook

We raise our PT for WPG from after a strong 1Q beat and 2Q guidance. Raise PT for WT in light of a stronger outlook.

## Key Takeaways

- WPG reported strong 1Q earnings with EPS 12% above MSe.
- WPG 2Q mid-point guidance implies 12% Q/Q revenue growth and 17% Q/Q EPS growth.
- WPG management remains positive on the secular AI-driven demand.

**WPG reported strong 1Q earnings:** WPG reported its 1Q results. The 1Q revenue was NT\$316.5bn, +24% Q/Q, +27% Y/Y, in line with MSe. Revenue was driven by AI infra build-out and semiconductors demand, and expanded supply chain services (e.g., LaaS). 1Q gross profit was NT\$14.2bn, gross margin was 4.5%, +0.2ppt Q/Q and +0.8ppt Y/Y, 0.2ppt above our forecast. 1Q operating profit was NT\$8.5bn, with operating margin at 2.7%, +0.5ppt Q/Q and +1.0ppt Y/Y, 0.2ppt above our estimate. 1Q (diluted) EPS was NT\$3.17, +95% Q/Q and +192% Y/Y, 12% above our estimate. ROWC reached 15.2%, up from 11.5% in 4Q25. This follows the strong 1Q results of [WT Micro: Scale drives operating leverage](#).

**Strong 2Q guidance by WPG:** The company guided for mid-point 2Q revenue of NT\$355bn, gross margin of 4.35%, operating margin of 2.58% and (non-diluted) EPS of NT\$3.86. The strong outlook is driven by continued global AI demand and capex guidance, and management expects continued strong demand from inference and edge AI.

**Other highlights from WPG 1Q earnings:** By application type, compute, communication, consumer, industrial and auto accounted for 49%, 15%, 8%, 7% and 7%, respectively, which shows strong growth for compute and moderate growth for industrial and auto. By device type, memory and core component accounted for 45% and 23%, respectively. The reduction in the core component mix from 31% in 4Q25 represents the company's drive to improve margins.

**The AI story lifts earnings for both WT and WPG:** Based on the actual 1Q results for WPG and strong guidance for 2Q forward, we raise our earnings estimates:

- WT – EPS up 12%, 17% and 16% for 2026-28, respectively;
- WPG – EPS up 32% for each 2026-28.

**We raise price targets for WT from NT\$299 to NT\$349 and for WPG from NT\$121 to NT\$160:** We continue to use residual income valuation models; PT changes reflect our earnings estimate revisions.

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## GREATER CHINA TECHNOLOGY SEMICONDUCTORS

Asia Pacific  
Industry View

Attractive

## WHAT'S CHANGED

WT Microelectronics Co. Ltd.

(3036.TW)

Price Target

From

NT\$299.00

To

NT\$349.00

WPG Holdings (3702.TW)

Price Target

From

NT\$121.00

To

NT\$160.00

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## Reaction to earnings

Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS
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**WPG Holdings** (3702.TW)

Strengthens our thesis	↑ Modest upside	↑ Modest revision higher
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Source: Company data, Morgan Stanley Research

# WT Micro: Estimate Revisions Summary

**We raise EPS estimates 12%, 17% and 16% for 2026-28, respectively:** We raise our expectations for the company's data center business to reflect a stronger outlook.

**Exhibit 1:** WT Micro: Earnings Estimate Revisions

NT\$ mn	New '26E	Old '26E	Diff.	New '27E	Old '27E	Diff.	New '28E	Old '28E	Diff.
Net sales	2,635,483	2,432,079	8%	3,515,391	3,190,724	10%	3,660,157	3,317,994	10%
COGS	2,548,000	2,352,329		3,402,122	3,089,720		3,541,167	3,212,067	
Gross profit	87,483	79,750	10%	113,269	101,004	12%	118,990	105,927	12%
Operating expenses	43,165	39,746		63,252	57,410		62,949	57,064	
Operating profit	44,318	40,004	11%	50,018	43,594	15%	56,041	48,863	15%
Non-op. income (expense)	(4,491)	(2,647)		(5,014)	(5,014)		(5,294)	(5,294)	
Pretax income	39,826	37,356	7%	45,003	38,580	17%	50,747	43,568	16%
Taxes	8,496	7,590		9,451	8,102		10,657	9,149	
Net Income	31,327	29,762	5%	35,549	30,474	17%	40,068	34,397	16%
Reported EPS	<b>24.52</b>	<b>21.83</b>	<b>12%</b>	<b>28.10</b>	<b>24.09</b>	<b>17%</b>	<b>31.69</b>	<b>27.21</b>	<b>16%</b>

## Margins

Gross margin	3.32%	3.28%	0.0 ppt	3.22%	3.17%	0.1 ppt	3.25%	3.19%	0.1 ppt
Operating margin	1.68%	1.64%	0.0 ppt	1.42%	1.37%	0.1 ppt	1.53%	1.47%	0.1 ppt
Pretax margin	1.51%	1.54%	0.0 ppt	1.28%	1.21%	0.1 ppt	1.39%	1.31%	0.1 ppt
Net margin	1.19%	1.22%	0.0 ppt	1.01%	0.96%	0.1 ppt	1.09%	1.04%	0.1 ppt
Opex %	1.64%	1.63%	0.0 ppt	1.80%	1.80%	0.0 ppt	1.72%	1.72%	0.0 ppt

Source: Company data, Morgan Stanley Research estimates

**Exhibit 2:** Quarterly Financial Statement

NT\$ in million (YE Dec.31)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	1Q28E	2Q28E	3Q28E	4Q28E	2025	2026E	2027E	2028E
Total Revenues	247,424	259,503	328,934	342,087	494,273	636,710	729,020	775,490	834,243	893,833	903,971	907,844	905,819	912,276	918,952	923,111	1,177,949	2,635,483	3,515,391	3,660,157
Sequential Change	-5.5%	4.8%	26.8%	4.0%	44.5%	20.6%	14.8%	6.4%	7.6%	4.2%	3.9%	0.4%	-0.2%	0.7%	0.7%	0.5%				
Change vs Year Ago	28.4%	6.8%	26.8%	30.6%	38.6%	18.4%	12.1%	12.7%	68.6%	36.6%	24.0%	17.0%	0.6%	4.8%	1.7%	1.7%	22.8%	123.7%	33.4%	4.1%
Cost of Sales	236,103	249,286	316,643	329,293	477,229	615,519	704,999	750,253	807,229	841,624	874,876	878,393	876,572	882,688	889,013	892,893	1,130,325	2,548,000	3,402,122	3,541,167
Percent of Revenues	95%	96%	96%	96%	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%	96%	97%	97%	97%
Gross Profit	11,321	11,217	12,292	12,794	17,044	21,191	24,021	25,227	27,014	28,009	28,995	29,251	29,246	29,587	29,939	30,218	47,624	87,483	113,269	118,990
Percent of Revenues	4.58%	4.32%	3.74%	3.74%	3.45%	3.33%	3.28%	3.28%	3.24%	3.22%	3.21%	3.22%	3.23%	3.24%	3.26%	3.27%	4.04%	3.32%	3.22%	3.28%
Incremental Margin	NM	-1%	2%	4%	3%	3%	3%	3%	3%	3%	3%	3%	NM	0%	0%	0%	27%	64%	3%	4%
Total Opex	6,751	6,557	6,831	6,802	7,100	8,086	13,633	14,346	15,267	15,740	16,179	16,065	15,852	15,782	15,714	15,601	26,742	43,165	63,252	62,949
Percent of Revenues	2.7%	2.5%	2.0%	2.0%	1.4%	1.3%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.7%	1.7%	1.7%	1.7%	2.3%	1.6%	1.8%	1.7%
R&D	202	201	194	213	395	446	510	543	584	609	633	635	634	639	643	646	810	1,894	2,461	2,562
Percent of Revenues	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
General & administrative	1,607	1,454	1,850	1,627	2,355	2,547	2,916	3,102	3,337	3,479	3,615	3,631	3,623	3,649	3,676	3,692	6,538	10,920	14,062	14,641
Percent of Revenues	0.6%	0.6%	0.6%	0.5%	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.6%	0.4%	0.4%	0.4%
Selling & marketing	4,942	4,901	4,588	4,962	4,350	5,094	10,206	10,702	11,346	11,653	11,931	11,799	11,594	11,495	11,395	11,262	19,393	30,351	46,729	45,746
Percent of Revenues	2.0%	1.9%	1.4%	1.5%	0.9%	0.8%	1.4%	1.4%	1.4%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.2%	1.6%	1.2%	1.3%	1.2%
Operating Income	4,571	4,680	5,660	5,991	9,944	13,105	10,388	10,881	11,747	12,269	12,816	13,186	13,394	13,805	14,224	14,617	20,882	44,318	50,018	56,041
Percent of Revenues	1.86%	1.80%	1.72%	1.75%	2.01%	2.06%	1.42%	1.40%	1.41%	1.42%	1.42%	1.45%	1.48%	1.50%	1.55%	1.58%	1.8%	1.7%	1.4%	1.5%
Total Non-operating Income(Loss)	(1,069)	(710)	(862)	(843)	(922)	(1,149)	(1,237)	(1,185)	(1,205)	(1,248)	(1,307)	(1,255)	(1,275)	(1,318)	(1,377)	(1,325)	(3,483)	(4,491)	(5,014)	(5,294)
Profit Before Taxes	3,501	3,951	4,798	5,148	9,022	11,957	9,152	9,696	10,542	11,021	11,509	11,931	12,120	12,487	12,848	13,292	17,399	39,826	45,003	50,747
Percent of Revenues	1.4%	1.5%	1.5%	1.5%	1.8%	1.9%	1.2%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%	1.4%	1.4%	1.5%	1.6%	1.3%	1.4%
Taxes	790	1,112	981	950	2,027	2,511	1,922	2,036	2,214	2,314	2,417	2,505	2,545	2,622	2,698	2,791	3,833	8,496	9,451	10,657
Tax Rate	23%	28%	28%	18%	22%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	22%	23%	21%	21%
Reported Income (TW GAAP)	2,707	2,830	3,816	4,191	7,009	9,437	7,228	7,652	8,342	8,697	9,091	9,418	9,588	9,856	10,148	10,494	13,544	31,327	35,549	40,068
Percent of Revenues	1.1%	1.1%	1.2%	1.2%	1.4%	1.5%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.1%	1.1%	1.1%	1.1%	1.2%	1.2%	1.3%	1.1%
Change vs Year Ago	0%	0%	0%	0%	0%	21%	15%	0%	0%	0%	0%	0%	0%	0%	0%	0%	4%	10%	13%	13%
Reported EPS (NT\$, TW GAAP)	<b>2.42</b>	<b>2.53</b>	<b>3.40</b>	<b>3.67</b>	<b>5.30</b>	<b>7.46</b>	<b>5.71</b>	<b>6.05</b>	<b>6.59</b>	<b>6.88</b>	<b>7.19</b>	<b>7.45</b>	<b>7.58</b>	<b>7.79</b>	<b>8.02</b>	<b>8.30</b>	<b>12.01</b>	<b>24.52</b>	<b>28.10</b>	<b>31.69</b>
Change vs Year Ago	56%	30%	34%	57%	118%	188%	68%	65%	24%	-8%	26%	23%	15%	13%	12%	11%	43%	104%	18%	13%

Source: Company data, Morgan Stanley Research estimates

# WT Micro: Valuation Methodology

**Our updated price target is NT\$349:** We update our residual income model to reflect earnings estimate revisions. Our key RI assumptions are unchanged: cost of equity of 12.6% (2.0% risk-free rate, 11.8% risk premium, 0.9 beta), cash dividend payout ratio of 85%, intermediate growth rate of 10.0% and a long-term growth rate of 3.0%.

**Exhibit 3:** WPG: Residual Income Model

NT\$million	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E	2037E
Total Equity	134,612	153,407	174,472	184,830	196,223	208,756	222,542	237,706	254,387	272,736	292,920	315,123
Net Profit	31,327	35,549	40,068	44,075	48,482	53,331	58,664	64,530	70,983	78,081	85,889	94,478
ROAE	24.8%	24.7%	24.4%	24.5%	25.4%	26.3%	27.2%	28.0%	28.8%	29.6%	30.4%	31.1%
Residual Income	14,428	16,301	18,203	20,864	23,790	27,005	30,537	34,419	38,685	43,374	48,528	54,194
Spread	12.2%	12.1%	11.9%	12.0%	12.9%	13.8%	14.6%	15.5%	16.3%	17.1%	17.8%	18.5%
Ending Equity Capital	134,612											
PV of Forecast Period	148,020											
PV of Continuing Value	158,411											
<b>Equity Value</b>	<b>441,043</b>											
No. of Shares	1,265											
<b>Projected Price (NT\$)</b>	<b>349</b>											

Source: Morgan Stanley Research estimates

**Exhibit 4:** WT: Historical P/E



Source: Factset, company data, Morgan Stanley Research estimates

## Risk Reward – WT Microelectronics Co. Ltd. (3036.TW)

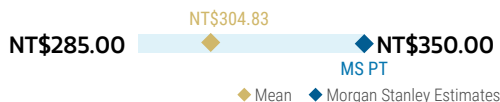
Outgrowth from non-GPU components to drive distributors' ongoing outperformance

### PRICE TARGET NT\$349.00

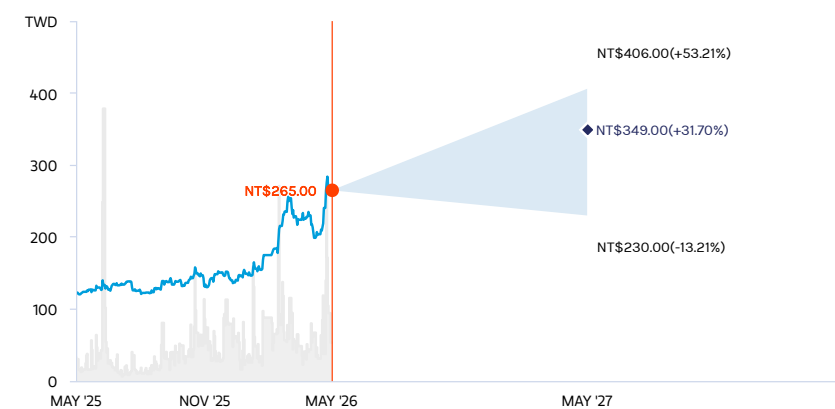
Base case, residual income model. We assume a cost of equity of 12.6% (2% risk-free rate, 11.8% risk premium, 0.9 beta), a medium-term growth rate of 10% and a long-term growth rate of 3%.

#### Consensus Price Target Distribution

Source: Refinitiv, Morgan Stanley Research



### RISK REWARD CHART



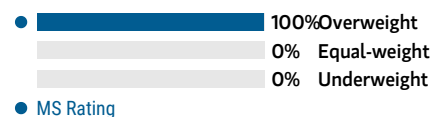
Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

### OVERWEIGHT THESIS

- We see continual value growth for semi distributors amid increasing supply chain complexity.
- WT Micro has expanded its business into the fast-growing AI industry, especially data center-related component distribution. We estimate that WT's data center segment could contribute 64% of the company's revenue in 2028.
- Our price target implies 14.2x our 2026 EPS estimate, above its 8.9x average one-year forward P/E since 2018, which we find justified by improving demand and the company's continued progress in penetrating the AI supply chain.

#### Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

#### Risk Reward Themes

Secular Growth: *Positive*

View descriptions of Risk Rewards Themes [here](#)

### BULL CASE

NT\$406.00

16.6x 2026e EPS

**Stronger AI semi consumption with improved gross margin:** The AI semis industry shows + 60% Y/Y growth in 2026. WT Micro generates a revenue CAGR of 60%+ from 2025-28. Gross margin remains at 4% despite growth in low-margin business. Opex is lighter, given productivity improvement. Market share and ROWC expand further. WT Micro enjoys cost savings and product line enhancement from more efficient use of capital.

### BASE CASE

NT\$349.00

14.2x 2026e EPS

**Strong AI ASIC growth in 2026:** The AI semis industry continues to thrive in 2026 and 2027. WT Micro generates a revenue CAGR of 45%+ from 2025-28. Gross margin to be slightly diluted, to 3.3%+ in 2026, as a result of unfavorable product mix.

### BEAR CASE

NT\$230.00

9.4x 2026e EPS

**Disappointing end demand, with share loss; ASIC business faces challenges:** Revenue growth decelerates amid data center demand slowdown and share loss amid a weakening macro environment.

## Risk Reward – WT Microelectronics Co. Ltd. (3036.TW)

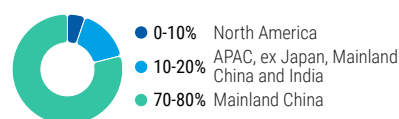
### KEY EARNINGS INPUTS

Drivers	2025	2026e	2027e	2028e
Gross margin rate (%)	4.04	3.32	3.22	3.25
Operating margin rate (%)	1.8	1.7	1.4	1.5

### INVESTMENT DRIVERS

- Growth in dividend payout
- Operating margin expansion
- Progress of ASIC business
- Continual expansion of market share

### GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate  
View explanation of regional hierarchies [here](#)

### MS ALPHA MODELS

1/5  
MOST  
3 Month  
Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

### RISKS TO PT/RATING

#### RISKS TO UPSIDE

- Margin trends up even amid low-margin AI business.
- Global semi inventory drops, reflecting strong mobile device demand.
- Market share expands.

#### RISKS TO DOWNSIDE

- Margin trends down dramatically amid slower-than-expected AI-semi development.
- Global semi inventory rises, reflecting poor mobile/PC device demand.
- Market share lost.

### OWNERSHIP POSITIONING

Inst. Owners, % Active 73.6%

Source: Refinitiv, Morgan Stanley Research

### MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

**Sales / Revenue** (NT\$, mn) 2,055,714 2,273,064 2,635,483

**EBITDA** (NT\$, mn) 2,200 45,508 50,249  
39,942

**EPS** (NT\$) 21.83 24.52 26.21  
24.42

**Net income** (NT\$, mn) 28,522 31,327 33,345  
31,185

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

# WPG: Estimate Revisions Summary

**We raise 2026-28e EPS by 32% each:** This factors in the 1Q26 revenue result and 2Q26 guidance. We expect the strong AI computing-driven growth to more than offset a weak non-AI outlook, driving 34.5% Y/Y revenue growth in 2026, and maintain that growth into 2028. We also expect AI supply chain to drive elevated gross margin levels, from 3.96% in 2025 to ~4.3% from 2026 to 2028.

**Exhibit 6:** WPG: Earnings Estimate Revisions

NT\$ mn	New '26E	Old '26E	Diff.	New '27E	Old '27E	Diff.	New '28E	Old '28E	Diff.
Net sales	1,343,909	1,201,529	12%	1,405,714	1,211,624	16%	1,551,645	1,337,407	16%
COGS	1,285,479	1,150,093		1,345,580	1,159,862		1,485,268	1,280,271	
Gross profit	58,430	51,436	14%	60,134	51,762	16%	66,377	57,136	16%
Operating expenses	24,170	23,574		26,847	25,994		31,991	30,768	
Operating profit	34,260	27,862	23%	33,287	25,768	29%	34,386	26,368	30%
Non-op. income (expense)	(5,613)	(6,031)		(5,462)	(4,336)		(5,105)	(3,808)	
Pretax Income	28,647	21,830	31%	27,825	21,432	30%	29,281	22,560	30%
Taxes	5,785	4,584		5,619	4,501		5,913	4,738	
Net Income	22,441	16,954	32%	21,914	16,639	32%	23,076	17,531	32%
Reported EPS	12.82	9.68	32%	12.51	9.50	32%	13.18	10.01	32%

Margins										
Gross margin	4.35%	4.28%	0.1 ppt	4.28%	4.27%	0.0 ppt	4.28%	4.27%	0.0 ppt	
Operating margin	2.55%	2.32%	0.2 ppt	2.37%	2.13%	0.2 ppt	2.22%	1.97%	0.2 ppt	
Pretax margin	2.13%	1.82%	0.3 ppt	1.98%	1.77%	0.2 ppt	1.89%	1.69%	0.2 ppt	
Net margin	1.67%	1.41%	0.3 ppt	1.56%	1.37%	0.2 ppt	1.49%	1.31%	0.2 ppt	
Opex %	1.80%	1.96%	-0.2 ppt	1.91%	2.15%	-0.2 ppt	2.06%	2.30%	-0.2 ppt	

Source: Company data, Morgan Stanley Research estimates

**Exhibit 7:** Quarterly Financial Statement

NT\$ in million (YE Dec31)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	1Q28E	2Q28E	3Q28E	4Q28E	2024	2025	2026E	2027E	2028E
Total Revenues	248,834	250,452	244,467	255,356	316,500	355,000	342,144	330,284	338,521	346,984	355,659	364,550	373,664	383,005	392,581	402,395	880,552	999,110	1,343,909	1,405,714	1,551,645
Sequential Change	7.4%	0.7%	-2.4%	4.5%	23.3%	12.2%	-3.6%	-3.8%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%					
Change vs Year Ago	36.8%	28.4%	-5.6%	11.3%	27.2%	41.7%	40.0%	29.2%	7.0%	-2.2%	4.0%	11.4%	11.4%	11.4%	11.4%	11.4%	31.1%	13.8%	34.8%	4.6%	11.4%
Cost of Sales	239,581	240,892	234,612	244,485	302,297	339,558	327,489	316,136	324,040	332,141	340,444	348,955	357,679	366,621	375,787	385,181	849,250	959,570	1,285,479	1,345,580	1,495,268
Percent of Revenues	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%
Gross Profit	9,253	9,560	9,855	10,871	14,203	15,443	14,656	14,128	14,481	14,843	15,214	15,595	15,985	16,384	16,794	17,214	31,303	39,540	58,430	60,134	66,377
Percent of Revenues	3.72%	3.82%	4.03%	4.26%	4.48%	4.35%	4.38%	4.28%	4.28%	4.28%	4.28%	4.28%	4.28%	4.28%	4.28%	4.28%	3.55%	3.96%	4.36%	4.30%	4.23%
Incremental Margin	5%	10%	NM	3%	3%	NM	NM	NM	4%	4%	4%	4%	4%	4%	4%	4%	3%	7%	5%	3%	4%
Total Opex	4,969	4,854	4,505	5,441	5,733	6,301	6,141	5,995	6,252	6,552	6,862	7,182	7,475	7,816	8,168	8,532	16,602	19,569	24,170	26,847	31,991
Percent of Revenues	2.0%	1.9%	1.8%	2.1%	1.8%	1.8%	1.8%	1.8%	1.8%	1.9%	1.9%	2.0%	2.0%	2.0%	2.1%	2.1%	1.9%	2.0%	1.8%	1.8%	2.1%
R&D	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Percent of Revenues	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
General & administrative	1,509	1,321	1,296	1,196	2,021	1,331	1,351	1,371	1,411	1,451	1,491	1,531	1,571	1,611	1,651	1,691	4,433	5,322	6,074	5,895	6,525
Percent of Revenues	0.6%	0.5%	0.5%	0.5%	0.6%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.4%
Selling & marketing	3,460	3,334	3,209	4,245	3,712	4,970	4,790	4,624	4,841	5,101	5,370	5,651	5,904	6,205	6,517	6,841	12,169	14,248	18,096	20,962	25,466
Percent of Revenues	1.4%	1.3%	1.3%	1.7%	1.2%	1.4%	1.4%	1.4%	1.4%	1.5%	1.5%	1.6%	1.6%	1.6%	1.7%	1.7%	1.4%	1.4%	1.5%	1.5%	1.6%
Operating Income	4,284	4,706	5,350	5,430	8,471	9,141	8,514	8,133	8,229	8,291	8,353	8,413	8,510	8,568	8,626	8,682	14,701	19,971	34,260	33,287	34,386
Percent of Revenues	1.72%	1.86%	2.18%	2.13%	2.68%	2.58%	2.68%	2.46%	2.42%	2.38%	2.35%	2.35%	2.28%	2.24%	2.20%	2.16%	1.7%	2.0%	2.6%	2.4%	2.2%
Total Non-operating Income(Loss)	(1,688)	(1,795)	(1,311)	(1,521)	(1,285)	(1,034)	(1,802)	(1,512)	(1,424)	(1,372)	(1,346)	(1,321)	(1,325)	(1,278)	(1,259)	(1,243)	(5,467)	(6,315)	(5,613)	(5,462)	(5,105)
Profit Before Taxes	2,596	3,111	4,039	3,909	7,206	8,107	6,713	6,621	6,806	6,920	7,007	7,092	7,185	7,290	7,367	7,439	9,234	13,656	28,647	27,825	29,281
Percent of Revenues	1.0%	1.2%	1.7%	1.5%	2.3%	2.3%	2.1%	2.0%	2.0%	2.0%	2.0%	2.0%	1.9%	1.9%	1.9%	1.9%	1.0%	1.4%	2.3%	2.0%	1.9%
Taxes	618	833	781	878	1,455	1,637	1,356	1,337	1,374	1,397	1,415	1,432	1,451	1,472	1,488	1,502	1,818	3,110	5,785	5,619	5,913
Tax Rate	24%	27%	18%	22%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Reported Income (TV GAAP)	1,898	2,186	3,178	2,843	5,549	6,397	5,284	5,211	5,358	5,449	5,519	5,587	5,661	5,745	5,806	5,864	7,245	10,105	22,441	21,914	23,076
Percent of Revenues	0.8%	0.9%	1.3%	1.1%	1.8%	1.8%	1.7%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.5%	1.5%	1.5%	0.8%	1.0%	1.7%	1.6%	1.5%
Change vs Year Ago	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	-1%	3%	12%	-2%	5%
Reported EPS (NT\$, TV GAAP)	1.08	1.25	1.81	1.62	3.17	3.65	3.02	2.98	3.06	3.11	3.15	3.19	3.23	3.28	3.32	3.35	4.31	5.77	12.82	12.51	13.18
Change vs Year Ago	-7%	28%	4%	6%	86%	6%	8%	8%	-1%	-8%	4%	7%	6%	5%	5%	5%	-1%	3%	12%	-2%	5%

Source: Company data, Morgan Stanley Research estimates

# WPG: Valuation Methodology

**Our updated price target is NT\$160:** We update our residual income model to reflect earnings estimate revisions. Our key RI assumptions remain: cost of equity of 9.5% (1.5% risk-free rate, 6% risk premium, 1.34 beta), cash dividend payout ratio of 80%, medium-term growth rate of 5.5% and long-term growth rate of 2.0%.

**Exhibit 8:** WPG: Residual Income Model

NT\$million	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Total Equity	101,426	108,449	117,014	123,831	131,022	138,609	146,614	155,059	163,968	173,367	183,283
Net Profit	22,441	21,914	23,076	24,345	25,684	27,097	28,587	30,160	31,818	33,568	35,415
ROAE	24.0%	20.9%	20.5%	20.2%	20.2%	20.1%	20.0%	20.0%	19.9%	19.9%	19.9%
Residual Income	12,402	11,551	11,903	12,546	13,203	13,895	14,625	15,395	16,208	17,065	17,970
Spread	14.5%	11.4%	11.0%	10.7%	10.7%	10.6%	10.6%	10.5%	10.5%	10.4%	10.4%
Ending Equity Capital	101,426										
PV of Forecast Period	80,083										
PV of Continuing Value	98,738										
Equity Value	280,247										
No. of Shares	1,751										
<b>Projected Price (NT\$)</b>	<b>160</b>										

Source: Morgan Stanley Research estimates

**Exhibit 9:** WPG: Historical P/E



Source: Factset, company data, Morgan Stanley Research estimates

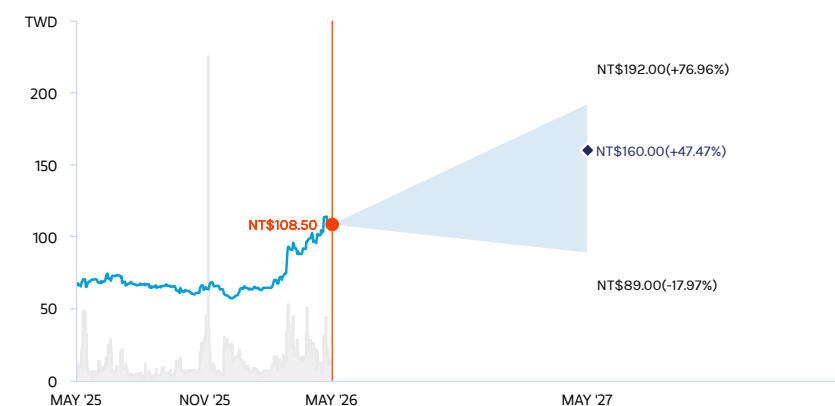
## Risk Reward – WPG Holdings (3702.TW)

Outgrowth from non-GPU components to drive distributors' ongoing outperformance

### PRICE TARGET NT\$160.00

Base case, residual income model. We assume a cost of equity of 9.5% (1.5% risk-free rate, 6% risk premium, 1.34 beta), a medium-term growth rate of 5.5% and a long-term growth rate of 2.0%.

### RISK REWARD CHART



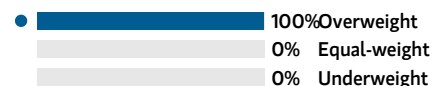
Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

### OVERWEIGHT THESIS

- WPG still has high revenue exposure to consumer markets, which are likely to remain weak given high memory costs.
- However, the AI story is now strong enough to lift earnings for WPG.
- WPG has limited exposure to AI GPUs (most of which go through direct sales) and AI ASICs, but has good exposure to AI computing. 1Q26 revenue featured demand from CPU, networking, memory and PMIC.
- Our PT implies 12.5x 2026e EPS vs. 100%+ EPS growth in 2026

### Consensus Rating Distribution



● MS Rating

Source: Refinitiv, Morgan Stanley Research

### Risk Reward Themes

Pricing Power: *Positive*  
 Secular Growth: *Positive*

View descriptions of Risk Rewards Themes [here](#)

### BULL CASE

NT\$192.00

15.0x 2026e EPS

**Stronger non-AI semi consumption with improved gross margin:** The semis industry shows +40% Y/Y growth in 2026. WPG generates revenue growth of +40% Y/Y in 2026. Gross margin rises to 5%+ vs. 3.96% in 2025. Opex is lighter given productivity improvement. Market share and ROWC expand further. WPG enjoys cost savings and product line enhancement from more efficient use of capital.

### BASE CASE

NT\$160.00

12.5x 2026e EPS

**AI lifts earnings in 2026:** The non-AI semis industry remains sluggish in 2026. WPG generates revenue growth of 34.5% Y/Y in 2026. Gross margin rises to 4.35% in 2026 vs. 3.96% in 2025.

### BEAR CASE

NT\$89.00

6.9x 2026e EPS

**Non-AI semi demand contracts in view of macro risk:** The non-AI semis industry shows a 15% Y/Y decline in 2026. WPG's revenue decreases -15% Y/Y in 2026. Gross margin is down to 3.0% vs. 3.96% in 2025. Opex increases. Market share is lost to competitors.

## Risk Reward – WPG Holdings (3702.TW)

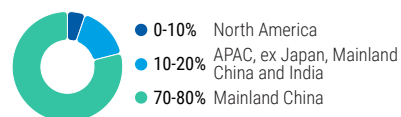
### KEY EARNINGS INPUTS

Drivers	2025	2026e	2027e	2028e
Gross margin rate (%)	3.96	4.35	4.28	4.28
Operating margin rate (%)	2.0	2.5	2.4	2.2
Automotive revenue (NT\$, mn)	34,969	47,037	49,200	54,308
Industrial revenue (NT\$, mn)	89,920	120,952	126,514	139,648
IoT and other revenue (NT\$, mn)	109,902	147,830	154,629	170,681

### INVESTMENT DRIVERS

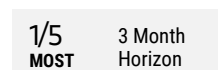
- Growth in dividend payout
- Operating margin expansion
- Progress of non-3C business
- Continual non-operating investments

### GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate  
View explanation of regional hierarchies [here](#)

### MS ALPHA MODELS



Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

### RISKS TO PT/RATING

#### RISKS TO UPSIDE

- Margin trends up amid better-than-expected non-AI business.
- Global semi inventory drops, reflecting strong mobile device demand.
- Market share expands.

#### RISKS TO DOWNSIDE

- Margin trends down dramatically amid slower-than-expected non-3C business development and pressure on client margins.
- Global semi inventory rises, reflecting poor mobile/PC device demand.
- Market share is lost.

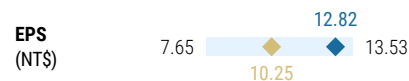
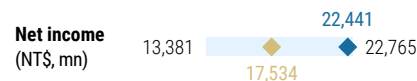
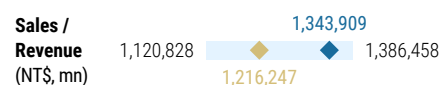
### OWNERSHIP POSITIONING



Source: Refinitiv, Morgan Stanley Research

### MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



◆ Mean     ◆ Morgan Stanley Estimates  
Source: Refinitiv, Morgan Stanley Research

## Risk Reward Reference links

1. View explanation of Options Probabilities methodology - [Options\\_Probabilities\\_Exhibit\\_Link.pdf](#)
2. View descriptions of Risk Rewards Themes - [RR\\_Themes\\_Exhibit\\_Link.pdf](#)
3. View explanation of regional hierarchies - [GEG\\_Exhibit\\_Link.pdf](#)
4. View explanation of Theme/Exposure methodology - [ESG\\_Sustainable\\_Solutions\\_External\\_Link.pdf](#)
5. View explanation of HERS methodology - [ESG\\_HERS\\_External\\_Link.pdf](#)

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(as of April 30, 2026)

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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	1546	42%	467	51%	30%	709	44%
Equal-weight/Hold	1568	43%	358	39%	23%	715	44%
Not-Rated/Hold	4	0%	0	0%	0%	1	0%
Underweight/Sell	555	15%	84	9%	15%	202	12%
Total	3,673		909			1627	

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

## Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

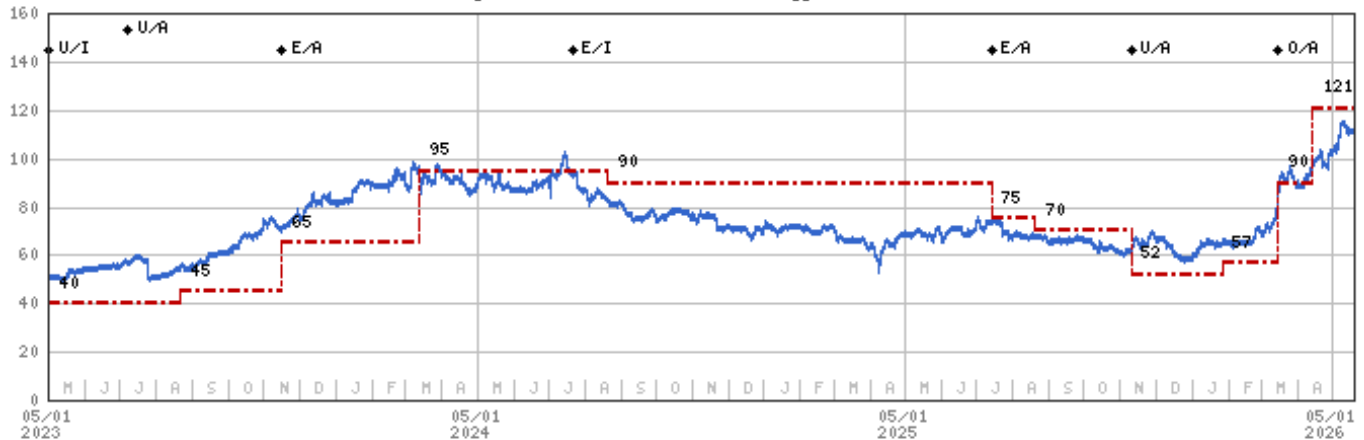
In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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

WPG Holdings (3702.TW) - As of 05/19/26 GMT in TWD  
 Industry : Greater China Technology Semiconductors



Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

WT Microelectronics Co. Ltd. (3036.TW) - As of 05/19/26 GMT in TWD  
 Industry : Greater China Technology Semiconductors



Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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## INDUSTRY COVERAGE: Greater China Technology Semiconductors

COMPANY (TICKER)	RATING (AS OF)	PRICE* (05/19/2026)
Charlie Chan ACM Research Inc (ACMR.O)	O (03/07/2023)	US\$63.25

Advanced Micro-Fabrication Equipment Inc (688012.SS)	O (11/06/2023)	Rmb479.51
Advanced Wireless Semiconductor Co (8086.TWO)	U (07/14/2025)	NT\$141.50
Alchip Technologies Ltd (3661.TW)	O (05/14/2021)	NT\$4,430.00
ASE Technology Holding Co. Ltd. (3711.TW)	O (09/15/2024)	NT\$472.00
Cambricon Technology Corporation (688256.SS)	O (04/27/2026)	Rmb1,319.20
Global Unichip Corp (3443.TW)	O (07/27/2024)	NT\$4,465.00
GlobalWafers Co Ltd (6488.TWO)	E (05/19/2026)	NT\$665.00
Gudeng Precision (3680.TWO)	O (11/25/2025)	NT\$514.00
Hua Hong Semiconductor Ltd (1347.HK)	E (03/12/2026)	HK\$116.60
Iluvatar CoreX Semiconductor Co., Ltd. (9903.HK)	O (04/27/2026)	HK\$455.00
King Yuan Electronics Co Ltd (2449.TW)	O (03/03/2023)	NT\$289.00
Maxscend Microelectronics Co Ltd (300782.SZ)	U (01/11/2021)	Rmb129.39
MediaTek (2454.TW)	O (11/28/2025)	NT\$3,155.00
MetaX Integrated Circuits (688802.SS)	E (04/27/2026)	Rmb752.90
Nanya Technology Corp. (2408.TW)	E (03/20/2026)	NT\$274.50
NAURA Technology Group Co Ltd (002371.SZ)	O (11/06/2023)	Rmb619.70
OmniVision Integrated Circuits Group Inc (603501.SS)	E (11/17/2025)	Rmb102.62
Phison Electronics Corp (8299.TWO)	E (02/25/2026)	NT\$2,465.00
SG Micro Corp. (300661.SZ)	E (11/03/2025)	Rmb112.60
Silergy Corp. (6415.TW)	U (05/19/2026)	NT\$482.00
SMIC (0981.HK)	O (10/21/2025)	HK\$68.50
TSMC (2330.TW)	O (02/07/2022)	NT\$2,205.00
UMC (2303.TW)	O (05/19/2026)	NT\$113.00
Vanguard International Semiconductor (5347.TWO)	E (01/14/2026)	NT\$157.50
WIN Semiconductors Corp (3105.TWO)	U (07/14/2025)	NT\$456.50
<b>Daisy Dai, CFA</b>		
ASMP Ltd (0522.HK)	O (07/24/2025)	HK\$169.20
China Resources Microelectronics Limited (688396.SS)	U (03/02/2026)	Rmb64.18
Elan Microelectronics Corp (2458.TW)	O (10/03/2025)	NT\$147.00
Empyrean Technology Co Ltd (301269.SZ)	E (01/17/2025)	Rmb95.08
Hangzhou Silan Microelectronics Co. Ltd. (600460.SS)	U (08/25/2025)	Rmb32.35
Innoscence (2577.HK)	E (10/13/2025)	HK\$65.35
JCET Group Co Ltd (600584.SS)	E (01/16/2026)	Rmb60.81
Shanghai Fudan Microelectronics (1385.HK)	O (03/07/2025)	HK\$37.72
SICC Co Ltd (688234.SS)	O (03/20/2026)	Rmb148.76
StarPower Semiconductor Ltd (603290.SS)	E (05/14/2026)	Rmb123.83
Unigroup Guoxin Microelectronics Co Ltd (002049.SZ)	U (01/10/2023)	Rmb80.97
Universal Scientific Ind. (Shanghai) (601231.SS)	O (11/05/2025)	Rmb38.71
Yangjie Technology (300373.SZ)	O (06/10/2022)	Rmb79.61
<b>Daniel Yen, CFA</b>		
AP Memory Technology Corp (6531.TW)	O (07/11/2025)	NT\$1,025.00
ASMedia Technology Inc (5269.TW)	U (10/03/2025)	NT\$1,380.00
Aspeed Technology (5274.TWO)	O (06/09/2025)	NT\$15,925.00
Egis Technology Inc (6462.TWO)	E (01/28/2026)	NT\$131.00
Espressif Systems (688018.SS)	O (05/15/2023)	Rmb189.00
GigaDevice Semiconductor Beijing Inc (603986.SS)	O (05/15/2025)	Rmb404.56
Macronix International Co Ltd (2337.TW)	O (09/18/2025)	NT\$144.00
Montage Technology Co Ltd (6809.HK)	O (03/18/2026)	HK\$423.60
Montage Technology Co Ltd (688008.SS)	O (03/18/2026)	Rmb247.11
Novatek (3034.TW)	U (02/04/2026)	NT\$466.00
Nuvoton Technology Corporation (4919.TW)	U (11/10/2025)	NT\$150.00
Parade Technologies Ltd (4966.TWO)	E (01/30/2026)	NT\$728.00
Powerchip Semiconductor Manufacturing Co (6770.TW)	O (10/27/2025)	NT\$58.50
Realtek Semiconductor (2379.TW)	E (01/30/2026)	NT\$555.00
Shenzhen Goodix Technology Co Ltd (603160.SS)	U (07/14/2025)	Rmb66.35

Winbond Electronics Corp (2344.TW)	E (03/20/2026)	NT\$117.50
WPG Holdings (3702.TW)	O (03/16/2026)	NT\$108.50
WT Microelectronics Co. Ltd. (3036.TW)	O (01/27/2026)	NT\$265.00
<b>Duan Liu</b>		
Dosilicon Co Ltd (688110.SS)	U (09/06/2024)	Rmb163.10
Shenzhen Longsys Electronics Co Ltd (301308.SZ)	E (02/25/2026)	Rmb562.43
<b>Tiffany Yeh</b>		
AllRing Tech Co. (6187.TWO)	O (09/23/2025)	NT\$1,115.00
FOCI Fiber Optic Communications Inc (3363.TWO)	O (01/15/2025)	NT\$775.00
Himax Technologies Inc (HIMX.O)	E (02/04/2026)	US\$18.10
Hon Precision (7769.TW)	O (04/17/2026)	NT\$6,600.00
MPI Corporation (6223.TWO)	O (04/17/2026)	NT\$5,730.00
Silicon Motion (SIMO.O)	O (05/06/2024)	US\$239.76
WinWay Technology Co Ltd (6515.TW)	O (04/17/2026)	NT\$9,490.00

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\* Historical prices are not split adjusted.