*June 12, 2026 04:00 PM GMT*

## Yageo Corp. | Asia Pacific

# AI-Driven Demand Is Beginning to Tighten MLCC Supply

| **WHAT'S CHANGED** | | |
|---|---|---|
| Yageo Corp. (2327.TW) | From | To |
| Price Target | NT$1,010.00 | **NT$1,355.00** |

We underappreciated the second-order effects on the broader MLCC market. As Cloud AI absorbs an increasing share of industry capacity, tightening supply conditions will likely lead to lengthening lead-times and improved pricing across the broader MLCC market.

**We are beginning to see pricing move higher, particularly in mid- and low-capacitance MLCC categories.** Spot pricing for a number of 0201 and 0402 MLCCs (1μF and below) has already increased meaningfully, with certain SKUs experiencing multi-fold price increases. Importantly, these observations primarily reflect distributor and spot-market pricing rather than the contractual pricing that major MLCC suppliers charge direct customers. Historically, distributor pricing has tended to react first during periods of supply tightness. During the 2018 MLCC upcycle, spot-market pricing for certain products increased by as much as 10x at peak levels. While current conditions remain well below those extremes, continued lead-time extensions could support further spot-price appreciation.

We are also observing direct-customer price increases among several MLCC suppliers, with reported increases of up to ~30% for select mid- and low-end MLCC categories. As industry lead-times continue to lengthen, we believe additional suppliers, including Yageo, are likely to pursue similar pricing actions.

**Within higher-capacitance MLCC categories, pricing trends have been more mixed.** We understand that pricing for products in the 10μF–22μF range has already moved higher, while pricing for 47μF+ MLCCs has remained relatively stable thus far. In our view, this reflects the more strategic and contract-based nature of the high-capacitance MLCC market, where supply tightening is often expressed initially through allocation and lead-time extensions before broader price increases emerge. That said, our channel checks indicate lead times for high-capacitance MLCCs are also beginning to extend. We continue to hear reports of ODMs actively seeking to secure additional supply and increase allocation commitments amid growing concerns around future availability. In our view, this behavior is consistent with an increasingly tight supply-demand environment and may serve as an early indicator of further pricing pressure as the market progresses through the cycle.

**Reiterate OW with a new PT of NT$1,355,** implying ~32x CY28 P/E, above the 5Y range of 8-18x. However, PEG is only 0.8x. In our view, Yageo offers an attractive way to gain exposure to this theme given its scale, broad product portfolio across all passive components, and leverage to an improving industry cycle.

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**Yageo Corp. (2327.TW, 2327 TT)**

**Greater China Technology Hardware | Taiwan**

| | |
|---|---|
| **Stock Rating** | **Overweight** |
| **Industry View** | **In-Line** |
| Price target | NT$1,355.00 |
| Up/downside to price target (%) | 58 |
| Shr price, close (Jun 12, 2026) | NT$855.00 |
| 52-Week Range | NT$919.00-111.75 |
| Sh out, dil, curr (mn) | 1,997 |
| Mkt cap, curr (mn) | NT$1,707,318 |
| EV, curr (mn) | NT$1,724,058 |
| Avg daily trading value (mn) | NT$11,771 |

| **Fiscal Year Ending** | **12/25** | **12/26e** | **12/27e** | **12/28e** |
|---|---|---|---|---|
| EPS (NT$)** | 11.51 | 18.19 | 30.71 | 42.85 |
| Prior EPS (NT$)** | - | 17.88 | 23.59 | 31.87 |
| EPS (NT$)§ | 11.61 | 17.39 | 25.70 | 34.51 |
| Revenue, net (NT$ mn) | 132,930 | 167,293 | 226,791 | 280,529 |
| EBITDA (NT$ mn) | 39,635 | 55,213 | 87,629 | 119,441 |
| ModelWare net inc (NT $ mn) | 23,634 | 37,356 | 63,065 | 87,993 |
| P/E | 20.1 | 47.0 | 27.8 | 20.0 |
| P/BV | 2.7 | 8.2 | 6.9 | 5.8 |
| RNOA (%) | 12.0 | 18.5 | 32.8 | 47.1 |
| ROE (%) | 14.5 | 21.5 | 29.5 | 34.7 |
| EV/EBITDA | 12.4 | 30.7 | 18.8 | 13.4 |
| Div yld (%) | 2.2 | 0.7 | 1.3 | 2.2 |
| FCF yld ratio (%)** | 6.6 | 2.5 | 3.8 | 5.1 |
| Leverage (EOP) (%) | 9.6 | (13.6) | (28.7) | (40.7) |

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

# Investment Thesis

## AI accelerators are becoming increasingly transient-current intensive

Peak current densities on modern AI accelerator boards have reached levels that place significant demands on the power delivery network (PDN). The highly dynamic nature of AI workloads generates rapid current excursions (high di/dt), resulting in voltage transients that can persist from sub-microsecond to multi-microsecond timescales.

As accelerator power levels continue to rise while operating voltages remain extremely low, maintaining voltage stability within increasingly tight tolerance bands has become a critical design challenge. During these transient events, the power delivery network must supply large amounts of charge before voltage regulators can fully respond. Consequently, board designers are relying on greater amounts of local decoupling capacitance to support transient load requirements and preserve power integrity.

This trend is driving increased adoption of higher-capacitance MLCCs, including 47μF, 100μF, and larger devices, in addition to traditional high-frequency decoupling capacitors. As a result, total installed capacitance per accelerator and per rack is growing faster than MLCC unit count, reflecting a shift toward higher-capacitance content rather than simply a larger number of components.

*This aligns with our supply chain checks on the MLCC content growth for VR200 (vs GB300)*, which we mentioned in our previous report here.

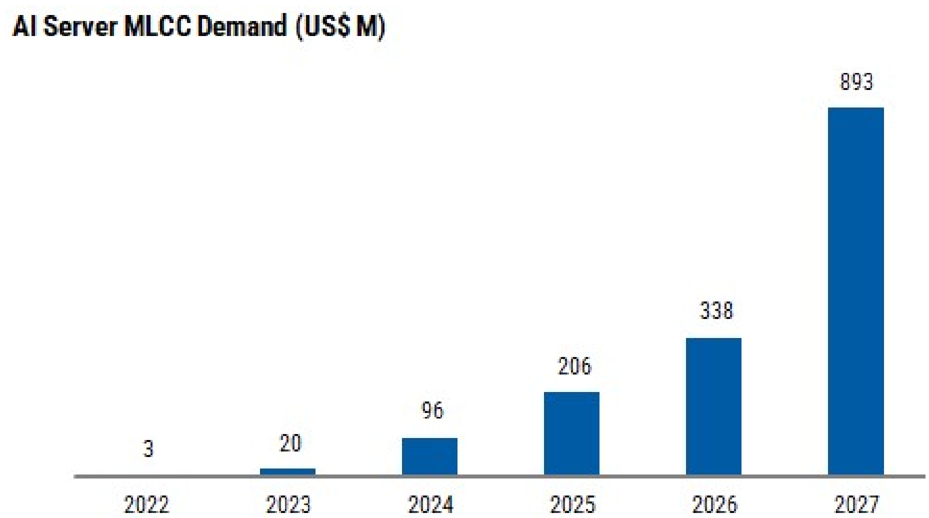
**Total MLCC unit demand is expected to increase approximately 80% in a VR200 NVL72 rack relative to a GB300 NVL72 rack.** Based on our estimates, a complete Rubin NVL72 rack contains approximately 570,000 MLCCs, compared with roughly 320,000 MLCCs in a GB300 NVL72 rack ( Exhibit 5 ). The increase is driven by higher MLCC content across both compute and switch boards, as well as additional PCB content throughout the system, including modules such as the CX9 Orchid. We believe this increase in unit volume represents a key contributor to the estimated 182% increase in total MLCC dollar content per rack.

**A richer mix of high-capacitance MLCCs appears to account for the remaining increase in dollar content.** In addition to higher unit volumes, we are seeing a meaningful shift toward higher-value MLCCs (47μF+) within the Rubin platform. Our supply chain checks suggest that 47μF+ MLCCs could represent more than 30% of total MLCC units in a fully configured Rubin system, compared with less than 20% in GB300 ( Exhibit 4 ). This mix shift materially increases capacitance content and value per rack. Under our assumptions, unit demand for 47μF+ MLCCs increases by approximately 210% in a VR200 rack relative to GB300, while demand for MLCCs rated at 47μF and below grows by a more modest ~50%. This stronger growth (relative to total MLCC unit growth per rack) for higher capacitance MLCCs fully aligns with the trend mentioned above.

*For more analysis of our Rubin Rack BOM analysis, please see here*: Greater China Technology Hardware: Analysis of Rubin rack BOM, component content, and ODM value-added (20 May 2026)

**We believe our prior assessment materially underestimated the MLCC opportunity driven by Cloud AI demand.** In our 2024 report, which represented our first attempt to quantify the Cloud AI opportunity for the MLCC industry, we estimated that Cloud AI would contribute approximately US$550 million of incremental TAM to the MLCC market by 2030. Based on our latest analysis, and a significantly improved understanding of AI system architectures and much stronger end demand, we now believe we will surpass that number and hit approximately US$900 million by 2027, and should reach well over US$1 billion by 2030 should AI infrastructure demand continue to exceed expectations.

**Exhibit 1:** By 2027, AI Server MLCC demand will likely already reach close to US$1B, tracking meaningfully above our previous forecast of ~US$550M by 2030




Source: Company data, Morgan Stanley Research estimates.

**High-capacitance MLCCs (47μF+) are likely to capture a disproportionate share of this incremental opportunity.** Our analysis suggests that 47μF+ MLCCs could account for approximately 50-60% of the incremental Cloud AI MLCC TAM, representing an additional US$500-600 million market opportunity alone. This reflects both the increasing use of high-capacitance devices within AI accelerator systems and a growing mix shift toward higher-value MLCC content.

**From a volume perspective, we estimate Cloud AI demand for 47μF+ MLCCs could increase from approximately 4 billion units in CY25 to roughly 38 billion units by CY30.** Such a rapid increase would represent a meaningful step-up in industry demand and could require substantial capacity reallocation or expansion among leading suppliers.

Based on our industry discussions, the market for high-capacitance MLCCs remains concentrated among a limited number of suppliers, primarily Japanese and Korean manufacturers, including Murata, Taiyo Yuden, and Samsung Electro-Mechanics (SEMCO). As demand from AI infrastructure accelerates, we believe capacity utilization for these products could tighten, *raising the possibility of capacity crowding-out effects* across other end markets and applications.

**Exhibit 2:** VR200 MLCC content is 180%+ higher compared to GB300

| MLCC content per board (US$) | GB300 | VR200 |
|---|---|---|
| Compute PCB | $25 | $90 |
| Switch PCB | $20 | $45 |
| BlueField DPU Module | $5 | $5 |
| ConnectX Orchid Module | $5 | $5 |
| Other peripheral PCB | $5 | $5 |
| **Units per rack** | **GB300** | **VR200** |
| Compute PCB | 36x | 36x |
| Switch PCB | 9x | 9x |
| BlueField DPU Module | 0x | 18x |
| ConnectX Orchid Module | 0x | 72x |
| Other peripheral PCB | 90x | 45x |
| **Total MLCC Content per rack** | **GB300** | **VR200** |
| Compute PCB | $900 | $3,240 |
| Switch PCB | $180 | $405 |
| BlueField DPU Module | $0 | $90 |
| ConnectX Orchid Module | $0 | $360 |
| Other peripheral PCB | $450 | $225 |
| **Total MLCC Content per rack** | **$1,530** | **$4,320** |

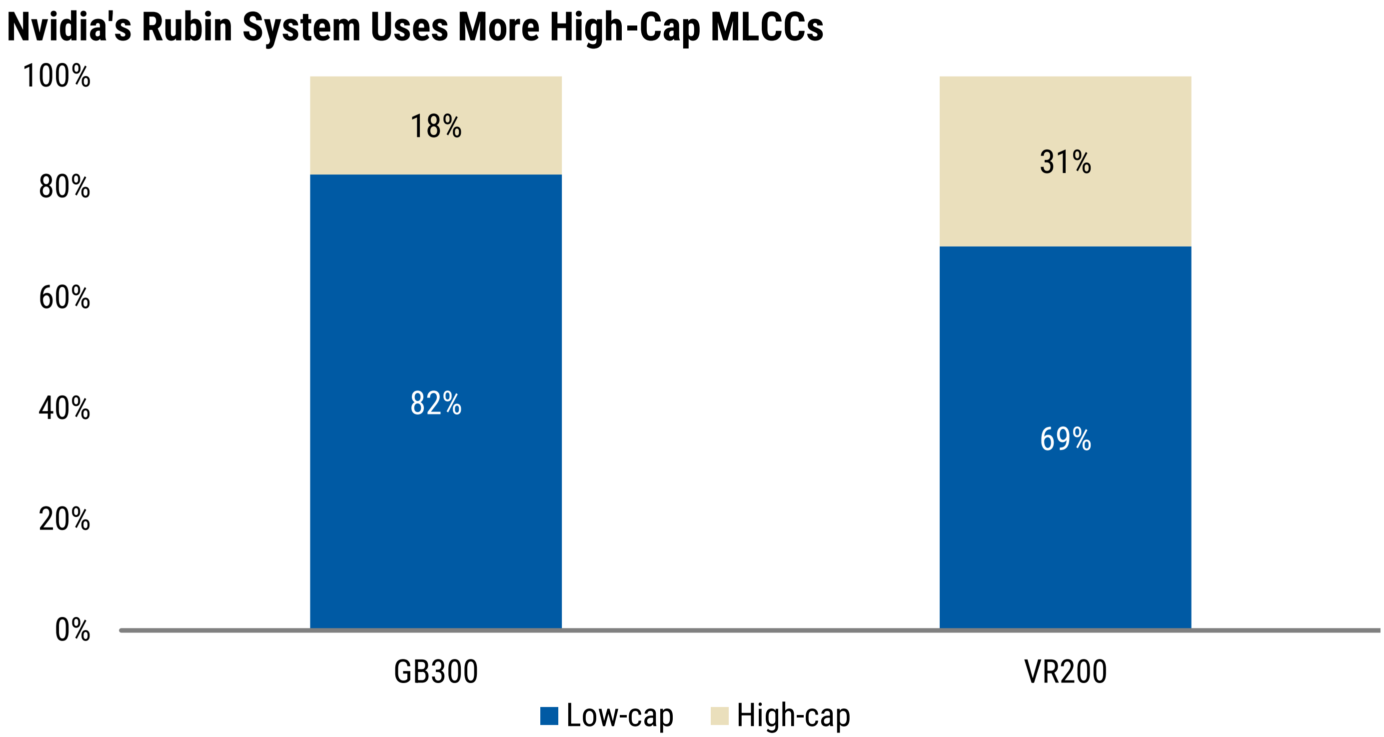
Source: Morgan Stanley Asia Pacific Research estimates based on supply chain checks.

**Exhibit 3:** VR200 MLCC unit demand is rising to 570K+, up close to 80% vs a GB300 rack

| Server Assumptions | | # of MLCCs | | US$ | |
|---|---|---|---|---|---|
| **General server** | | | **2,000** | | **30** |
| | | | | | |
| **HGX Hopper AI server (8x GPU)** | | | **22,000** | | **190** |
| GPU module (OAM) | 8x | 1,300 | 10,400 | 10 | 80 |
| GPU baseboard (UBB) | 1x | 4,900 | 4,900 | 45 | 45 |
| CPU motherboard | 1x | 1,500 | 1,500 | 25 | 25 |
| Peripheral boards | 8x | 650 | 5,200 | 5 | 40 |
| | | | | | |
| **HGX B200 AI server (8x GPU)** | | | **36,000** | | **317** |
| GPU module (OAM) | 8x | 3,000 | 24,000 | 24 | 192 |
| GPU baseboard (UBB) | 1x | 5,300 | 5,300 | 60 | 60 |
| CPU motherboard | 1x | 1,500 | 1,500 | 25 | 25 |
| Peripheral boards | 8x | 650 | 5,200 | 5 | 40 |
| | | | | | |
| **HGX B300 AI server (8x GPU)** | | | **48,000** | | **435** |
| GPU module (OAM) | 8x | 4,400 | 35,200 | 40 | 320 |
| GPU baseboard (UBB) | 1x | 6,100 | 6,100 | 50 | 50 |
| CPU motherboard | 1x | 1,500 | 1,500 | 25 | 25 |
| Peripheral boards | 8x | 650 | 5,200 | 5 | 40 |
| | | | | | |
| **GB200 (NVL72)** | | | **337,500** | | **1,710** |
| Bianca | 36x | 6,800 | 244,800 | 30 | 1,080 |
| Switch board | 9x | 3,800 | 34,200 | 20 | 180 |
| Peripheral boards | 90x | 650 | 58,500 | 5 | 450 |
| | | | | | |
| **GB300 (NVL72)** | | | **319,500** | | **1,530** |
| Bianca | 36x | 6,300 | 226,800 | 25 | 900 |
| Switch board | 9x | 3,800 | 34,200 | 20 | 180 |
| Peripheral boards | 90x | 650 | 58,500 | 5 | 450 |
| | | | | | |
| **VR200 (NVL72)** | | | **571,050** | | **4,320** |
| Strata | 36x | 11,000 | 396,000 | 90 | 3,240 |
| Switch board | 9x | 7,000 | 63,000 | 45 | 405 |
| BlueField Module | 18x | 2,000 | 36,000 | 5 | 90 |
| CX9 Orchid Module | 72x | 650 | 46,800 | 5 | 360 |
| Peripheral boards | 45x | 650 | 29,250 | 5 | 225 |
| | | | | | |
| **Vera Rack** | | | **494,048** | | **3,060** |
| Vera MGX | 128x | 3,316 | 424,448 | 20 | 2,560 |
| Switch board | 4x | 7,000 | 28,000 | 45 | 180 |
| Peripheral boards | 64x | 650 | 41,600 | 5 | 320 |
| | | | | | |
| **STX Rack** | | | **326,256** | | **2,415** |
| Mainboard | 16x | 4,791 | 76,656 | 31 | 495 |
| Peripheral boards | 384x | 650 | 249,600 | 5 | 1,920 |
| | | | | | |
| **LPX Rack** | | | **581,024** | | **4,326** |
| LPX UBB | 16x | 5,374 | 85,984 | 35 | 559 |
| LPX Module | 256x | 1,705 | 436,480 | 14 | 3,527 |
| BF4 | 16x | 2,000 | 32,000 | 5 | 80 |
| x86 CPU Module | 16x | 1,660 | 26,560 | 10 | 160 |

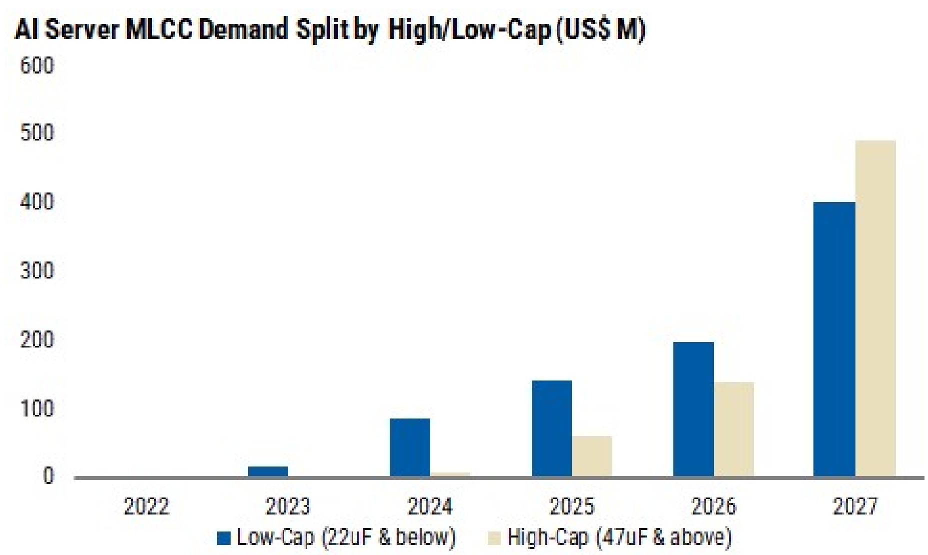
Source: Morgan Stanley Asia Pacific Research estimates based on supply chain checks.

**Exhibit 4:** High-cap (47uF+) MLCC usage to increase to 30%+ in VR200 (vs <20% for GB300)




Source: Morgan Stanley Asia Pacific Research estimates based on supply chain checks. Note: High-cap refers to 47uF+ MLCCs.

**Exhibit 5:** Demand for high-cap (47uF+) MLCC is growing faster




Source: Morgan Stanley Research estimates.

## Contextualizing the AI Server MLCC Opportunity

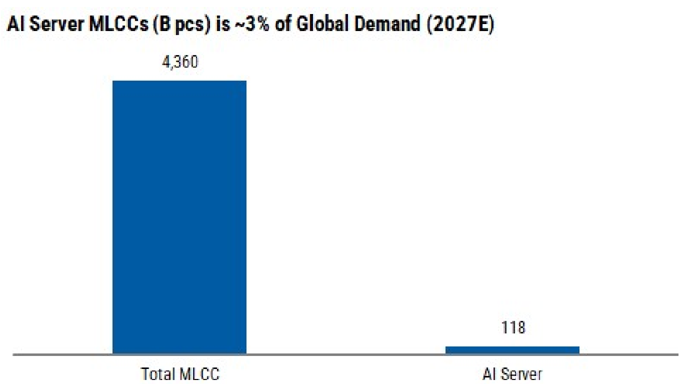
According to our colleague Shoji Sato, the global MLCC market is expected to reach approximately 4.36 trillion units and US$18.3 billion in value by CY27. Based on our estimates, AI servers would account for roughly 3% of total MLCC unit demand and approximately 5% of industry revenue by that time.

While these percentages may appear modest in the context of the overall MLCC market, we believe they understate the significance of the AI opportunity. AI server demand has emerged from a near-zero base just five years ago and is growing at a pace well above the broader industry. More importantly, the impact extends beyond its direct contribution to market size and increasingly influences industry capacity allocation.

In our view, the more important consideration is the pressure AI demand places on manufacturing capacity and the potential crowding-out effect on other MLCC categories. High-capacitance MLCCs used in AI infrastructure are substantially more manufacturing-intensive than mainstream MLCC products, often requiring several hundred to well over one thousand dielectric layers depending on capacitance, voltage rating, and package size. By comparison, many commodity MLCCs used in consumer electronics utilize materially fewer layers. As a result, each high-capacitance MLCC consumes a disproportionate amount of manufacturing capacity relative to its unit volume.

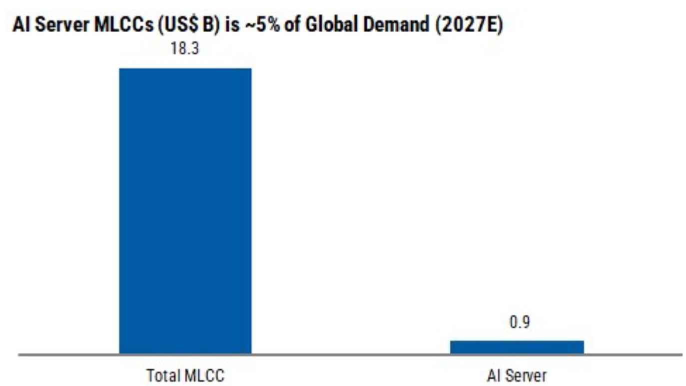
Consequently, even if AI servers represent only a mid-single-digit percentage of industry revenue, the associated capacity consumption is likely substantially higher. As AI-related demand continues to accelerate, suppliers may increasingly reallocate production capacity toward higher-value products, potentially tightening supply conditions and supporting pricing across broader segments of the MLCC market.

**Exhibit 6:** We estimate AI server MLCC demand accounts for ~3% of total MLCC demand, in units




Source: Morgan Stanley Research estimates.

**Exhibit 7:** We estimate AI server MLCC demand accounts for ~5% of total MLCC demand, in value




Source: Morgan Stanley Research estimates.

*Downside risk* lies in weaker AI or consumer demand with built-up inventory, causing pricing and utilization headwinds.

## Here is what we are hearing from the supply chain

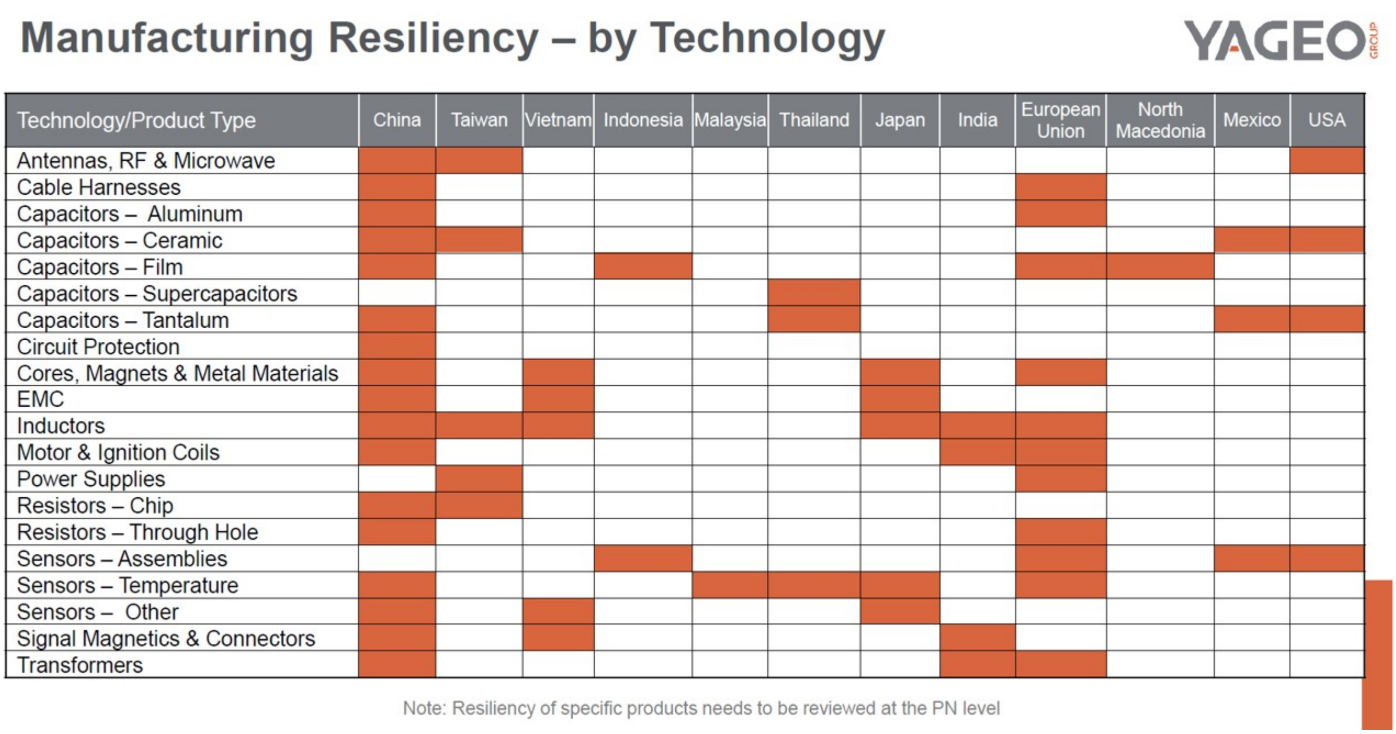
- **Industry utilization rates remain elevated, particularly among leading suppliers:** At our Asia AI Summit in late May, Yageo mentioned that 2Q utilizations for all standard and premium products are running higher than its guidance during the 1Q earnings call at 75%+ and 85%+. Murata also indicated on its latest earnings call in late April that its MLCC utilization has increased from 90-95% as previously guided to very close to 95%. Our channel checks also suggest that Samsung Electro-Mechanics' (SEMCO) MLCC operations are currently running at approximately 95% utilization. In addition, several Chinese MLCC manufacturers have reported elevated utilization rates, indicating that tightening industry conditions are becoming increasingly broad-based rather than being confined to a handful of suppliers. Taken together, these data points suggest industry utilization rates are approaching levels historically associated with improving pricing dynamics, particularly as AI-related demand continues to absorb incremental capacity.

- **In terms of BB ratio,** at its AGM in late May, Yageo management mentioned that its overall BB ratio was ~1.3x, and BB ratio of AI-related products was even higher at ~1.4x. Murata also mentioned its BB ratio for MLCC products has risen to ~1.36x as of C1Q26.
- **So some suppliers are looking to expand capacity:** On its recent earnings call on April 30, Murata mentioned it will add another 80B JPY investment to expand capacity to strengthen its presence in the data center MLCC market, which translates into a little more than ~20% capacity expansion over these two years. Our checks also indicated that SEMCO plans to increase it MLCC capacity by ~15% this year to cater to strong data center demand. For Yageo, it has not announced new capacity expansion plans for MLCC year-to-date, as it had done so in 2024 already with its Kaohsiung plant, which continues to ramp up with increasing UTRs.

- **Channel inventories are decreasing:** According to Yageo, distributor inventory levels declined from approximately 5.5 months in April to roughly 4.8 months by late May, moving below the company's stated healthy operating range of 5-7 months. This suggests that underlying demand and inventory drawdowns continue to outpace replenishment despite growing concerns around future supply availability. Importantly, these inventory trends appear inconsistent with the view held by some investors that excess inventory is accumulating within distribution channels. On the contrary, the data point from Yageo suggest channel inventories are tightening, reflecting a combination of healthy end-demand and increased purchasing activity, as customers seek to secure supply amid a more constrained operating environment.
- **Are China's zirconia export controls creating production disruptions for MLCC suppliers?** This does not seem to be a concern based on our supply chain checks. Zirconia (zirconium dioxide, $ZrO_2$) is a hard, wear-resistant ceramic material widely used in industrial manufacturing processes. Within MLCC production, zirconia is generally not the primary dielectric material itself; the dielectric system is typically based on ultra-fine ceramic powders such as barium titanate ($BaTiO_3$). Instead, zirconia is more commonly used as grinding media – specifically zirconia beads or balls – in the wet milling and dispersion processes used to manufacture dielectric powders and ceramic slurries. Regarding the China export controls, an official export license directory list, issued by the Ministry of Commerce of the PRC (link) on December 31, 2025, indicated that China has not imposed a "blanket ban" on zirconium or zirconia exports. However, zirconium dioxide is subject to export licensing by the Chinese government – exporters of listed goods must obtain an export license before customs clearance.
- **What is the potential impact of the recent Philippines earthquake on the MLCC**

**supply chain?** Following the 7.8-magnitude earthquake that struck off the southern coast of the Philippines on June 9, some investors have raised concerns regarding potential disruptions to MLCC production, given that both Murata and Samsung Electro-Mechanics (SEMCO) operate manufacturing facilities in the country. Based on our channel checks, production activities at both Murata's and SEMCO's Philippine facilities appear to be continuing without any major disruptions. We have not identified evidence of material damage, prolonged downtime, or meaningful impacts to current production schedules. In addition, Yageo does not maintain MLCC manufacturing capacity in the Philippines, limiting its direct exposure to the event. As a result, we currently view the impact of the earthquake on the broader MLCC supply chain as limited. While we will continue to monitor developments, we do not expect the event to materially alter industry supply-demand dynamics or result in a meaningful redirection of orders from Japanese and Korean suppliers toward Yageo.

**Exhibit 8:** Locations of Yageo's manufacturing facilities

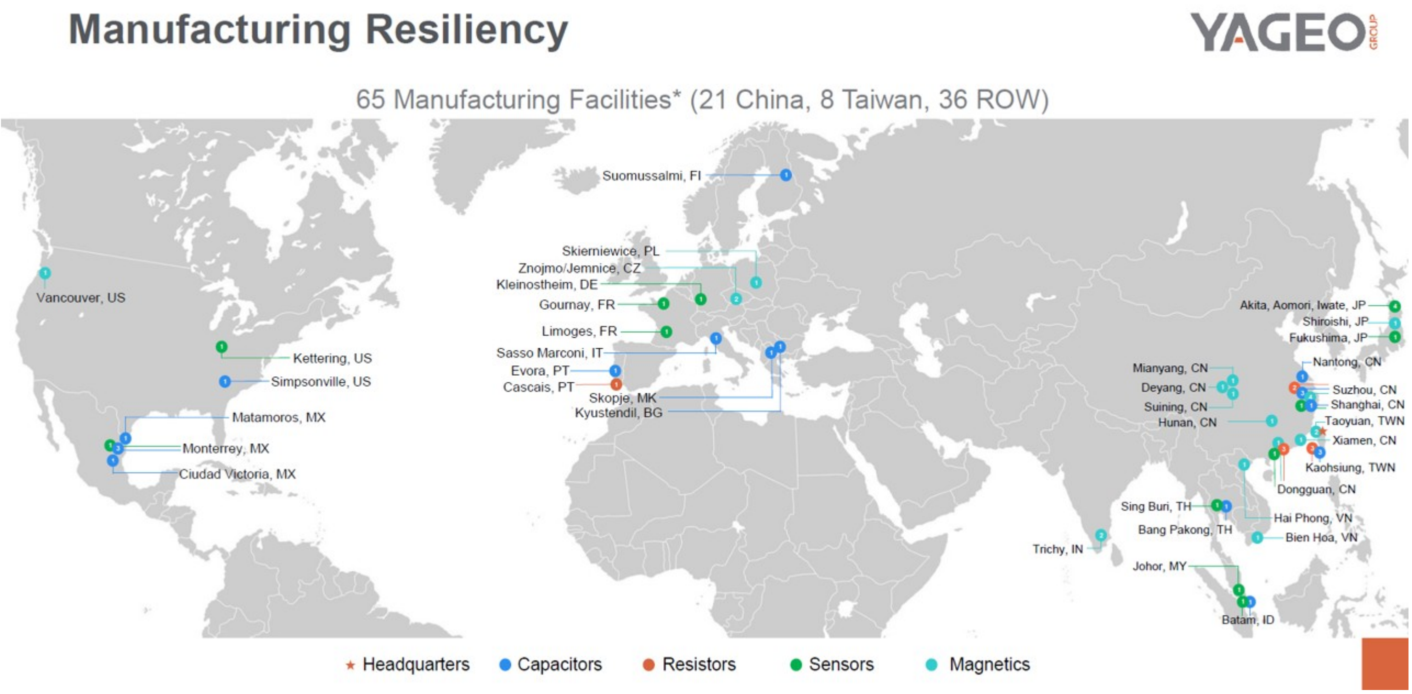



| Technology/Product Type | China | Taiwan | Vietnam | Indonesia | Malaysia | Thailand | Japan | India | European Union | North Macedonia | Mexico | USA |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Antennas, RF & Microwave | ■ | ■ | | | | | | | | | | ■ |
| Cable Harnesses | ■ | | | | | | | | ■ | | | |
| Capacitors – Aluminum | ■ | | | | | | | | ■ | | | |
| Capacitors – Ceramic | ■ | ■ | | | | | | | | | ■ | ■ |
| Capacitors – Film | ■ | | | ■ | | | | | ■ | ■ | | |
| Capacitors – Supercapacitors | | | | | | ■ | | | | | | |
| Capacitors – Tantalum | ■ | | | | | ■ | | | | | ■ | ■ |
| Circuit Protection | ■ | | | | | | | | | | | |
| Cores, Magnets & Metal Materials | ■ | | ■ | | | | ■ | | ■ | | | |
| EMC | ■ | | ■ | | | | ■ | | | | | |
| Inductors | ■ | ■ | ■ | | | | ■ | ■ | ■ | | | |
| Motor & Ignition Coils | ■ | | | | | | | ■ | ■ | | | |
| Power Supplies | | ■ | | | | | | | ■ | | | |
| Resistors – Chip | ■ | ■ | | | | | | | | | | |
| Resistors – Through Hole | ■ | | | | | | | | ■ | | | |
| Sensors – Assemblies | | | | ■ | | | | | ■ | | ■ | ■ |
| Sensors – Temperature | ■ | | | | ■ | ■ | ■ | | ■ | | | |
| Sensors – Other | ■ | | ■ | | | | ■ | | | | | |
| Signal Magnetics & Connectors | ■ | | ■ | | | | | ■ | | | | |
| Transformers | ■ | | | | | | | ■ | ■ | | | |

Note: Resiliency of specific products needs to be reviewed at the PN level

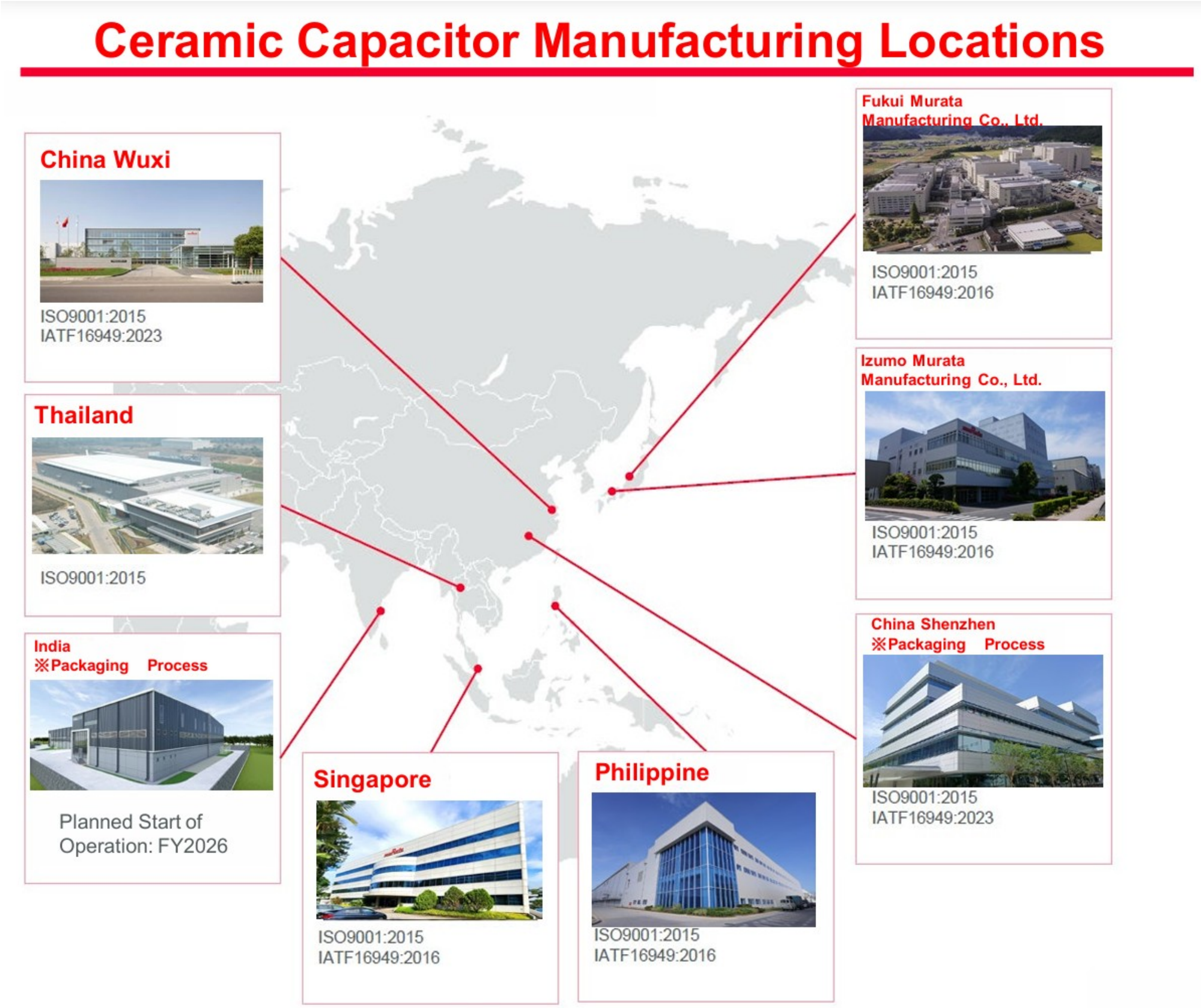
Source: Yageo.

**Exhibit 9:** Map of Yageo's manufacturing facilities




Source: Yageo.

**Exhibit 10:** Locations of Murata's MLCC manufacturing facilities




Source: Murata.

**Exhibit 11:** Locations of SEMCO's manufacturing facilities – SEMCO's MLCC capacity is primarily located in China, Philippines and South Korea


Source: SEMCO.

# Raising estimates for Yageo

We update our model to reflect the potential for continued price hikes, primarily for tantalum capacitors and MLCCs, driven by AI demand. Our 2026-28 EPS estimates increase 2%, 30%, and 34%, respectively, driven by higher assumptions for both revenues and margins.

**Exhibit 12:** Estimate Changes

| | 2026e Earnings Estimates | | | 2027e Earnings Estimates | | | 2028e Earnings Estimates | | |
|---|---|---|---|---|---|---|---|---|---|
| NT$ mn | New | Old | Variance | New | Old | Variance | New | Old | Variance |
| **Net sales** | **167,293** | **166,013** | **1%** | **226,791** | **195,908** | **16%** | **280,529** | **243,456** | **15%** |
| COGS | -101,261 | -100,857 | 0% | -125,598 | -114,955 | 9% | -145,390 | -138,845 | 5% |
| **Gross profit** | **66,031** | **65,155** | **1%** | **101,193** | **80,953** | **25%** | **135,139** | **104,610** | **29%** |
| Operating expenses | -20,287 | -20,220 | 0% | -22,735 | -21,356 | 6% | -24,583 | -23,347 | 5% |
| Operating income | 45,744 | 44,935 | 2% | 78,458 | 59,597 | 32% | 110,556 | 81,263 | 36% |
| Non-operating income | 2,949 | 2,949 | 0% | 3,425 | 3,425 | 0% | 3,844 | 3,844 | 0% |
| Pre-tax income | 48,693 | 47,884 | 2% | 81,883 | 63,022 | 30% | 114,400 | 85,107 | 34% |
| Income tax | -11,190 | -11,018 | 2% | -18,671 | -14,439 | 29% | -26,260 | -19,517 | 35% |
| **Net income** | **37,356** | **36,719** | **2%** | **63,065** | **48,437** | **30%** | **87,993** | **65,444** | **34%** |
| **EPS (NT$)** | **18.19** | **17.88** | **2%** | **30.71** | **23.59** | **30%** | **42.85** | **31.87** | **34%** |
| | | | | | | | | | |
| **Margins (%)** | | | ***ppt*** | | | ***ppt*** | | | ***ppt*** |
| Gross margin | 39.5% | 39.2% | 0.2 | 44.6% | 39.5% | 5.1 | 48.2% | 43.0% | 5.2 |
| Operating margin | 27.3% | 27.1% | 0.3 | 34.6% | 27.0% | 7.6 | 39.4% | 33.4% | 6.0 |
| Pre-tax margin | 29.1% | 28.8% | 0.3 | 36.1% | 29.0% | 7.1 | 40.8% | 35.0% | 5.8 |
| Net margin | 22.3% | 22.1% | 0.2 | 27.8% | 22.2% | 5.6 | 31.4% | 26.9% | 4.5 |

Source: Morgan Stanley Research (e) estimates.

**We are now 20% and 28% above the Street for CY27 and CY28 EPS estimates:** With our latest assumptions, we are now above consensus for CY26-28 EPS estimates, but for CY26 we are only 1% above consensus – whereas we are well above consensus for CY27-28. We bake in 15-20% pricing increases in CY27/28, which drives our higher margin assumptions.

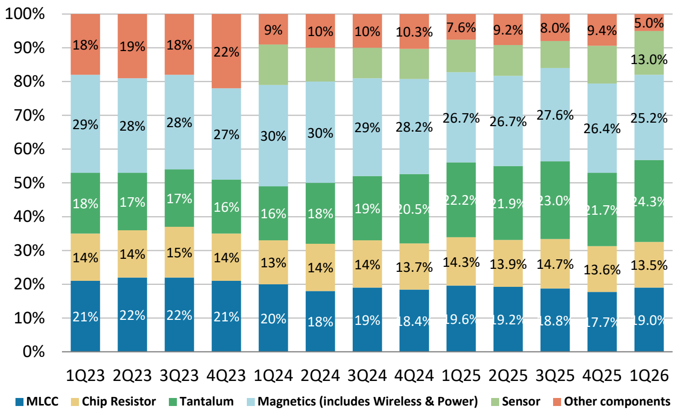
**Exhibit 13:** We are well above the Street for CY27 and CY28 EPS estimates

| Yageo | MSe | | | Consensus | | | Variance | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2026 | 2027 | 2028 | 2026 | 2027 | 2028 | 2026 | 2027 | 2028 |
| Revenue | 167,293 | 226,791 | 280,529 | 172,463 | 214,325 | 256,434 | -3% | 6% | 9% |
| GM | 39.5% | 44.6% | 48.2% | 39.2% | 42.4% | 44.8% | 0.2% | 2.2% | 3.3% |
| OpM | 27.3% | 34.6% | 39.4% | 26.6% | 30.7% | 33.7% | 0.7% | 3.8% | 5.8% |
| Net income | 37,356 | 63,065 | 87,993 | 37,118 | 52,679 | 68,760 | 1% | 20% | 28% |
| EPS | 18.19 | 30.71 | 42.85 | 18.08 | 25.65 | 33.48 | 1% | 20% | 28% |

Source: Visible Alpha, Morgan Stanley Research estimates.

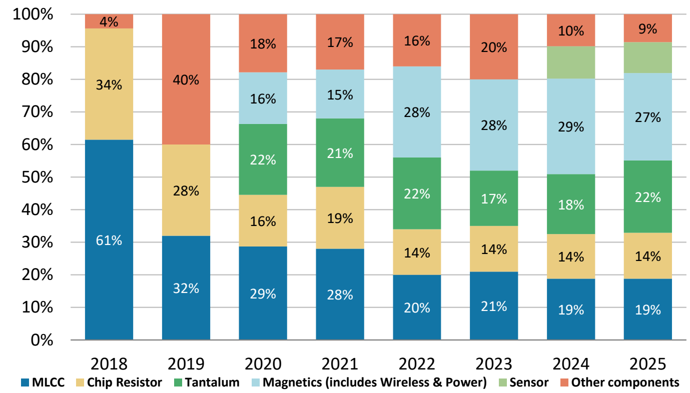
# Charts

**Exhibit 14:** Quarterly Sales, by Product, 1Q23-1Q26



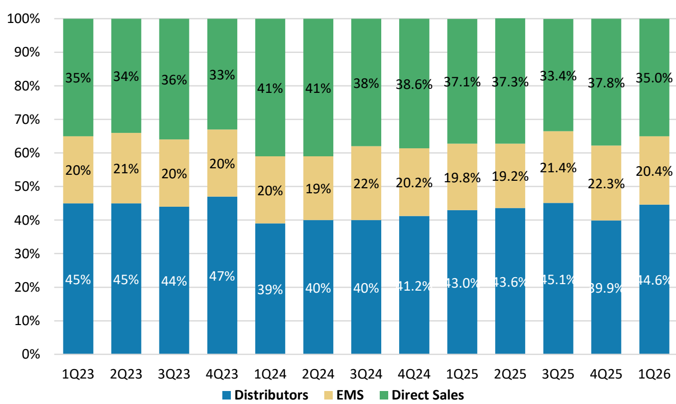

Source: Company data, Morgan Stanley Research

**Exhibit 15:** Annual Sales, by Product, 2018-25



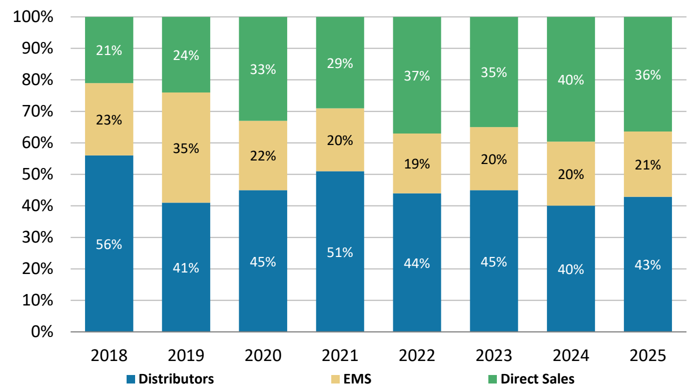

Source: Company data, Morgan Stanley Research

**Exhibit 16:** Quarterly Sales, by Channel, 1Q23-1Q26



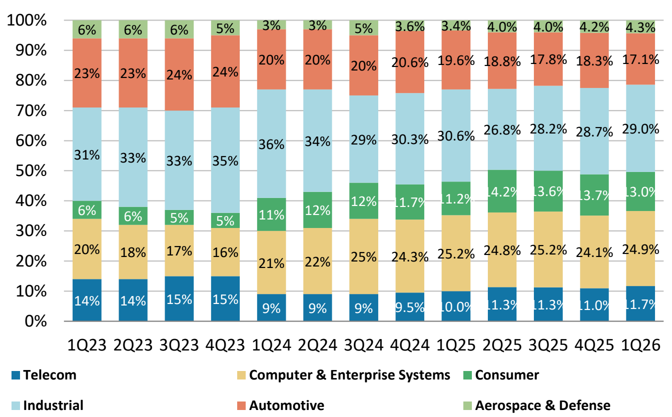

Source: Company data, Morgan Stanley Research

**Exhibit 17:** Annual Sales, by Channel, 2018-25



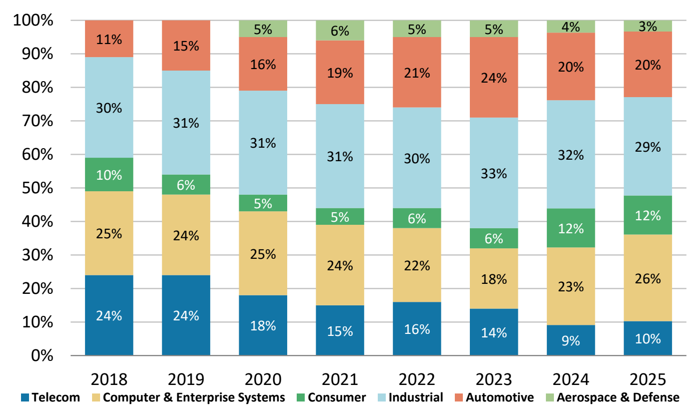

Source: Company data, Morgan Stanley Research

**Exhibit 18:** Quarterly Sales, by Segment, 1Q23-1Q26




Source: Company data, Morgan Stanley Research

**Exhibit 19:** Annual Sales, by Segment, 2018-25




Source: Company data, Morgan Stanley Research

# Price target discussion and valuation methodology

**We raise our 12-month price target to NT$1,355 (from NT$1,010):** This reflects our higher earnings estimates for CY26-28. Our price target is our base case value, derived from our residual income valuation model. Similar to our analysis of other tech hardware companies within our coverage, we think this methodology provides the most accurate value of the firm by taking into account the cost of equity.

Our key assumptions are all unchanged, including:

- Cost of equity of 7.8%:
  - Risk-free rate of 1.0% (10-year Taiwanese government bond yield);
  - Equity risk premium of 6.8%;
  - Beta of 1.1;
- Medium-term growth rate of 16%;
- Terminal growth rate of 3%.

Our price target implies 44x 2027e P/E and 32x 2028e P/E. These are above its five-year historical range of 8x to 18x, which we view as justified considering its longer-term transformation story to become a global total solutions provider, moving from passive into active components. In addition, compared to its global passive component peers, we believe Yageo stock remains undervalued with higher ROE and margins, but lower P/E vs. Japanese peers (which trade on an average at 40x+ P/E).

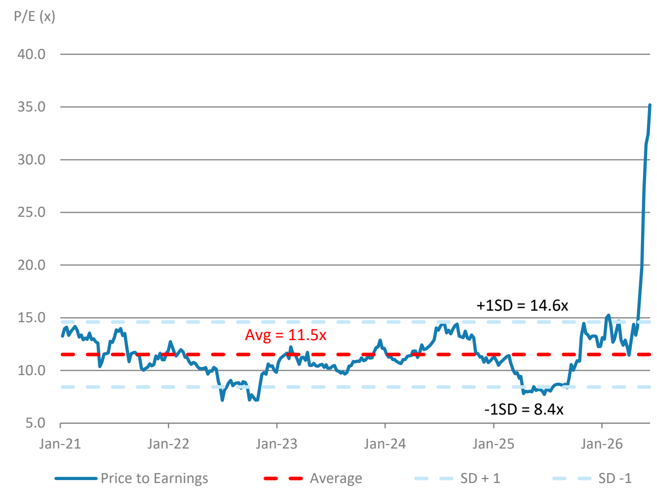
**Our bull and bear case scenario values increase by magnitudes similar to the change to our base case value, to NT$2,055 and NT$680, respectively.**

**Exhibit 20:** Residual Income (RI) Model

| | | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E | 2033E | 2034E | 2035E | 2036E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Equity** | | **213,788** | **253,693** | **303,062** | **344,093** | **391,689** | **446,900** | **510,946** | **585,238** | **671,417** | **771,385** | **855,018** |
| **Net Profit** | | **37,356** | **63,065** | **87,993** | **102,072** | **118,403** | **137,348** | **159,323** | **184,815** | **214,385** | **248,687** | **256,147** |
| **Return on Equity** | | **19.3%** | **27.0%** | **31.6%** | **31.5%** | **32.2%** | **32.8%** | **33.3%** | **33.7%** | **34.1%** | **34.5%** | **31.5%** |
| Beta | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Equity Risk Premium (Rm-Rf) | 6.8% | 6.8% | 6.8% | 6.8% | 6.8% | 6.8% | 6.8% | 6.8% | 6.8% | 6.8% | 6.8% | 6.8% |
| Risk Free Rate (Rf) | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| Cost of Equity | 7.8% | 7.8% | 7.8% | 7.8% | 7.8% | 7.8% | 7.8% | 7.8% | 7.8% | 7.8% | 7.8% | 7.8% |
| **Residual Income** | | **20,021** | **41,092** | **60,504** | **72,082** | **84,042** | **97,910** | **113,991** | **132,640** | **154,269** | **179,354** | **183,116** |
| **Spread** | | **11.5%** | **19.2%** | **23.8%** | **23.8%** | **24.4%** | **25.0%** | **25.5%** | **26.0%** | **26.4%** | **26.7%** | **23.7%** |
| Beginning Equity Capital | | 213,788 | | | | | | | | | | |
| PV of Forecast Period | | 692,060 | | | | | | | | | | |
| PV of Continuing Value | | 1,876,642 | | | | | | | | | | |
| **Equity Value** | | **2,782,490** | | | | | | | | | | |
| No. of Shares | | 2,054 | | | | | | | | | | |
| **Projected Price** | | **1,355.0** | | | | | | | | | | |
| Implied 2027e PE | | 44x | | | | | | | | | | |
| Implied 2028e PE | | 32x | | | | | | | | | | |

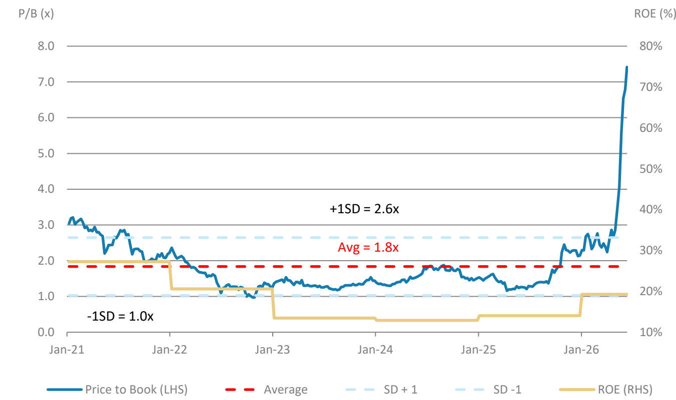
Source: Morgan Stanley Research (E) estimates.

**Exhibit 21:** Yageo P/E



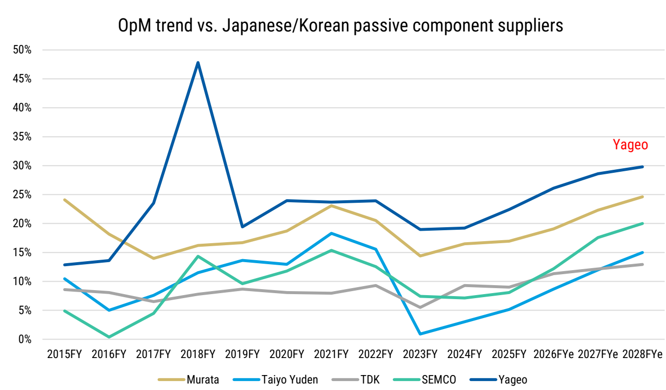

Source: TEJ, Morgan Stanley Research.

**Exhibit 22:** Yageo P/B



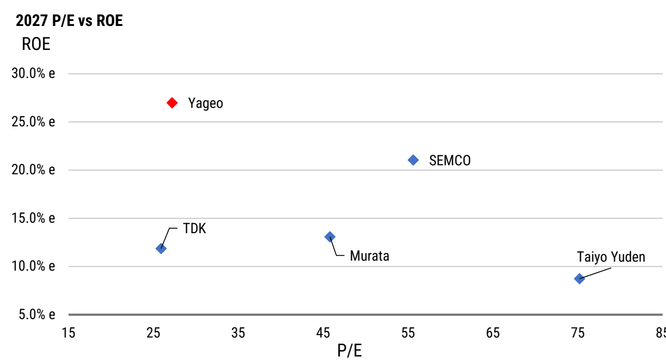

Source: TEJ, Morgan Stanley Research.

**Exhibit 23:** MLCC peers operating margins




Source: Visible Alpha.

**Exhibit 24:** 2027e P/E vs. ROE




Source: Morgan Stanley Research estimates.

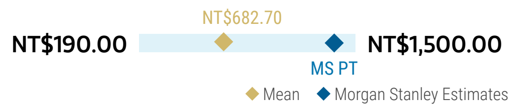
# Risk Reward – Yageo Corp. (2327.TW)

Demand looks stronger and price increases are likely - stay OW

## PRICE TARGET NT$1,355.00

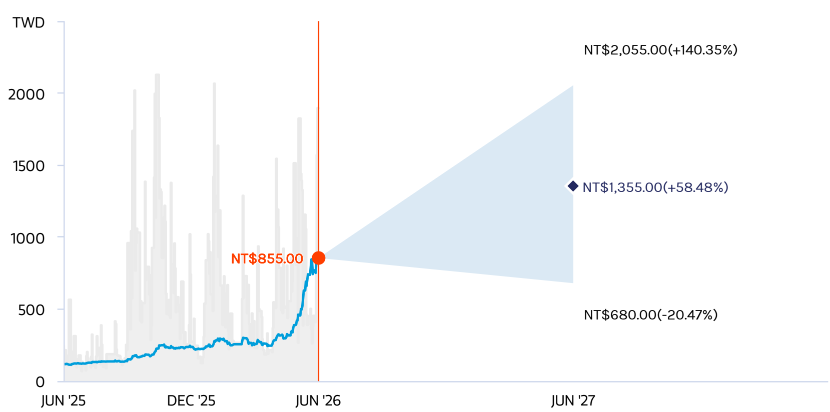
Base case, multistage residual income valuation model. Key assumptions: cost of equity 7.8% (risk-free rate 1%, equity risk premium 6.8% and beta of 1.1), medium-term growth rate 16%, terminal growth rate 3%.

**Consensus Price Target Distribution**




Source: Refinitiv, Morgan Stanley Research

## RISK REWARD CHART



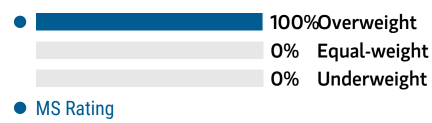

Key: Historical Stock Performance · Current Stock Price · Price Target

Source: Refinitiv, Morgan Stanley Research

## OVERWEIGHT THESIS

- There is fear that leading Japanese and Korean MLCC suppliers are shifting more capacity to cater to the high end, resulting in undersupply for the midrange/low end.
- The same narrative that drove the 2018 cycle is now back in play.
- Utilization rates are increasing, so suppliers are expecting price hikes for the midrange/low end. Distributors and ODMs are both building inventory.
- AI demand is growing and tantalum capacitor pricing may show further price increases in 2H.
- All of this should help support a further re-rating in the stock, even beyond the recent sharp rally.

**Consensus Rating Distribution**




Source: Refinitiv, Morgan Stanley Research

**Risk Reward Themes**

| | |
|---|---|
| **Electric Vehicles:** | *Positive* |
| **Self-help:** | *Positive* |
| **Special Situation:** | *Positive* |

View descriptions of Risk Rewards Themes here

## BULL CASE NT$2,055.00

### 66x 2027e EPS

**Demand continues to grow faster than expected in 2027-28:** 1) Demand improves significantly, driving pricing power for Yageo in premium and standard products alike. 2) Yageo makes meaningful progress into AI, driving significant share gains. 3) Yageo takes on more acquisition initiatives to further widen its product portfolio. 4) Severe undersupply leads to continued price hikes for an extended period of time, which helps expand Yageo's margins in 2027-28.

## BASE CASE NT$1,355.00

### 44x 2027e EPS

**Demand remains strong into 2027-28:** 1) Utilization remains high for premium products. 2) Utilization for standard products stabilizes at 70%+ with resilient consumer tech demand. 3) Transformation and synergies are ongoing with continued active initiatives. 4) Yageo continues to drive expansion into the AI realm and slowly gains market share. 5) High utilization rates and inflationary raw materials costs result in continued price hikes.

## BEAR CASE NT$680.00

### 22x 2027e EPS

**Earnings erode as macro conditions weaken and demand falls again in 2027-28:** 1) Non-AI demand weakens from 2H26 onwards, despite AI demand remaining strong. 2) Pricing power shifts to end customers with heightened competition amongst peers. 3) Acquisitions do not bear fruit, resulting in layoffs and leading to cost burdens. 4) Automotive and industrial end demand does not recover, hampering Yageo's premium business. 5) Yageo does not make any material advancements into AI.

# Risk Reward – Yageo Corp. (2327.TW)

## KEY EARNINGS INPUTS

| Drivers | 2025 | 2026e | 2027e | 2028e |
|---|---|---|---|---|
| MLCC ASP y/y (%) | 0.6 | 9.3 | 61.3 | 26.2 |
| MLCC GM (%) | 31.7 | 33.2 | 43.5 | 48.4 |
| r-chip ASP y/y (%) | 0.8 | 8.4 | 46.7 | 26.6 |
| r-chip GM (%) | 43.4 | 44.1 | 53.4 | 58.3 |

## INVESTMENT DRIVERS

- Transformation into global total solutions service provider
- Premium/standard sales mix
- Utilization rates and capacity
- Inventory and pricing

## GLOBAL REVENUE EXPOSURE

- 0-10% Japan
- 10-20% APAC, ex Japan, Mainland China and India
- 20-30% Europe ex UK
- 20-30% Mainland China
- 20-30% North America

Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

## MS ALPHA MODELS

| 2/5 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**

- Faster-than-expected revenue/profit recognition from stronger AI server/notebook demand
- Further price hikes led by stronger pricing power arising from better demand and/or tighter supply

**RISKS TO DOWNSIDE**

- Aa sudden bursting of demand for AI
- Inventory risk
- Consumer electronics demand risk

## OWNERSHIP POSITIONING

**Inst. Owners, % Active** 59.2%

Source: Refinitiv, Morgan Stanley Research

## MS ESTIMATES VS. CONSENSUS

*FY Dec 2027e*

| | Low | Mean | Morgan Stanley Estimates | High |
|---|---|---|---|---|
| **Sales / Revenue** (NT$, mn) | 185,000 | 213,858 | 226,791 | 240,511 |
| **EBITDA** (NT$, mn) | 65,300 | 77,140 | 87,629 | 102,611 |
| **Net income** (NT$, mn) | 41,000 | 52,543 | 63,065 | 64,531 |
| **EPS** (NT$) | 19.94 | 25.70 | 30.71 | 31.42 |

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

# Financials

**Exhibit 25:** Quarterly Estimates

| | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26 | 2Q26E | 3Q26E | 4Q26E | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net sales** | **31,104** | **32,771** | **33,087** | **35,968** | **38,166** | **41,935** | **43,200** | **43,992** | **132,930** | **167,293** | **226,791** | **280,529** |
| COGS | (20,018) | (21,119) | (21,112) | (22,551) | (23,624) | (25,584) | (26,025) | (26,029) | (84,800) | (101,261) | (125,598) | (145,390) |
| **Gross profit** | **11,086** | **11,652** | **11,974** | **13,417** | **14,542** | **16,351** | **17,175** | **17,963** | **48,130** | **66,031** | **101,193** | **135,139** |
| Operating expenses | (4,623) | (4,609) | (4,412) | (4,685) | (4,929) | (5,103) | (5,082) | (5,174) | (18,329) | (20,287) | (22,735) | (24,583) |
| SG&A | (3,758) | (3,774) | (3,578) | (3,800) | (4,035) | (4,173) | (4,143) | (4,226) | (14,910) | (16,576) | (18,748) | (20,289) |
| R&D | (865) | (834) | (834) | (886) | (894) | (930) | (939) | (948) | (3,419) | (3,711) | (3,987) | (4,295) |
| **Operating income** | **6,463** | **7,044** | **7,562** | **8,732** | **9,613** | **11,249** | **12,093** | **12,789** | **29,801** | **45,744** | **78,458** | **110,556** |
| **Non-operating income** | **710** | **(15)** | **650** | **(26)** | **712** | **700** | **749** | **788** | **1,319** | **2,949** | **3,425** | **3,844** |
| Interest income | 533 | 443 | 379 | 216 | 303 | 337 | 369 | 400 | 1,571 | 1,409 | 1,878 | 2,260 |
| Investment income | 117 | 24 | 144 | 195 | 181 | 163 | 179 | 188 | 480 | 711 | 747 | 784 |
| Disposal of investment | 100 | 0 | 0 | 0 | 7 | 0 | 0 | 0 | 100 | 7 | 0 | 0 |
| Exchange gain | (148) | 194 | (110) | (677) | (139) | 0 | 0 | 0 | (742) | (139) | 0 | 0 |
| Other | 108 | (676) | 237 | 241 | 359 | 200 | 200 | 200 | (90) | 959 | 800 | 800 |
| **Pre-tax income** | **7,173** | **7,028** | **8,212** | **8,706** | **10,325** | **11,949** | **12,842** | **13,578** | **31,120** | **48,693** | **81,883** | **114,400** |
| Income tax | (1,610) | (2,016) | (1,817) | (1,900) | (2,287) | (3,226) | (2,825) | (2,851) | (7,343) | (11,190) | (18,671) | (26,260) |
| Minority interest | 33 | 14 | 39 | 56 | 37 | 37 | 37 | 37 | 143 | 147 | 147 | 147 |
| **Net income** | **5,530** | **4,998** | **6,356** | **6,751** | **8,001** | **8,686** | **9,980** | **10,690** | **23,634** | **37,356** | **63,065** | **87,993** |
| Adj.wtd.avg.shrs (mn) | 2,053 | 2,053 | 2,054 | 2,053 | 2,054 | 2,054 | 2,054 | 2,054 | 2,053 | 2,054 | 2,054 | 2,054 |
| **EPS** | **2.69** | **2.43** | **3.10** | **3.29** | **3.90** | **4.23** | **4.86** | **5.21** | **11.51** | **18.19** | **30.71** | **42.85** |
| Fully Diluted shares (mn) | 2,459 | 2,456 | 2,055 | 2,053 | 2,054 | 2,054 | 2,054 | 2,054 | 2,053 | 2,054 | 2,054 | 2,054 |
| **Diluted EPS (NT$)** | **2.25** | **2.03** | **3.09** | **3.29** | **3.90** | **4.23** | **4.86** | **5.21** | **11.51** | **18.19** | **30.71** | **42.85** |
| | | | | | | | | | | | | |
| **Margins (%)** | | | | | | | | | | | | |
| Gross Margin | 35.6 | 35.6 | 36.2 | 37.3 | 38.1 | 39.0 | 39.8 | 40.8 | 36.2 | 39.5 | 44.6 | 48.2 |
| Operating Margin | 20.8 | 21.5 | 22.9 | 24.3 | 25.2 | 26.8 | 28.0 | 29.1 | 22.4 | 27.3 | 34.6 | 39.4 |
| Pretax Margin | 23.1 | 21.4 | 24.8 | 24.2 | 27.1 | 28.5 | 29.7 | 30.9 | 23.4 | 29.1 | 36.1 | 40.8 |
| Net Margin | 17.8 | 15.3 | 19.2 | 18.8 | 21.0 | 20.7 | 23.1 | 24.3 | 17.8 | 22.3 | 27.8 | 31.4 |
| | | | | | | | | | | | | |
| **QoQ Growth (%)** | | | | | | | | | | | | |
| Sales | 4 | 5 | 1 | 9 | 6 | 10 | 3 | 2 | | | | |
| Gross Profit | 11 | 5 | 3 | 12 | 8 | 12 | 5 | 5 | | | | |
| Operating Profit | 20 | 9 | 7 | 15 | 10 | 17 | 8 | 6 | | | | |
| Pretax Profit | 15 | -2 | 17 | 6 | 19 | 16 | 7 | 6 | | | | |
| Net Profit | 49 | -10 | 27 | 6 | 19 | 9 | 15 | 7 | | | | |
| | | | | | | | | | | | | |
| **YoY Growth (%)** | | | | | | | | | | | | |
| Sales | 9 | 4 | 4 | 20 | 23 | 28 | 31 | 22 | 9 | 26 | 36 | 24 |
| Gross Profit | 15 | 6 | 7 | 35 | 31 | 40 | 43 | 34 | 15 | 37 | 53 | 34 |
| Operating Profit | 31 | 9 | 14 | 63 | 49 | 60 | 60 | 46 | 27 | 54 | 72 | 41 |
| Pretax Profit | 18 | -5 | 15 | 39 | 44 | 70 | 56 | 56 | 16 | 56 | 68 | 40 |
| Net Profit | 21 | -8 | 13 | 82 | 45 | 74 | 57 | 58 | 22 | 58 | 69 | 40 |

Source: Company data, Morgan Stanley Research (E) estimates.

**Exhibit 26:** Consolidated Financial Summary

**Consolidated Income Statement**

| NT$mn (Year End Dec 31) | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|
| **Net sales** | **132,930** | **167,293** | **226,791** | **280,529** |
| COGS | (84,800) | (101,261) | (125,598) | (145,390) |
| **Gross profit** | **48,130** | **66,031** | **101,193** | **135,139** |
| Operating expenses | (18,329) | (20,287) | (22,735) | (24,583) |
| **Operating income** | **29,801** | **45,744** | **78,458** | **110,556** |
| **Non-operating income** | **1,319** | **2,949** | **3,425** | **3,844** |
| Interest income | 1,571 | 1,409 | 1,878 | 2,260 |
| Investment income | 480 | 711 | 747 | 784 |
| Disposal of investment | 100 | 7 | - | - |
| Exchange gain | (742) | (139) | - | - |
| Other | (90) | 959 | 800 | 800 |
| **Pre-tax income** | **31,120** | **48,693** | **81,883** | **114,400** |
| Income tax | (7,343) | (11,190) | (18,671) | (26,260) |
| Minority interests | 143 | 147 | 147 | 147 |
| **Net income** | **23,634** | **37,356** | **63,065** | **87,993** |
| Adj. wtd. Avg. shrs (m) | 2,053 | 2,054 | 2,054 | 2,054 |
| **Reported EPS (NT$)** | **11.51** | **18.19** | **30.71** | **42.85** |
| Diluted shrs (m) | 2,053 | 2,054 | 2,054 | 2,054 |
| **Diluted EPS (NT$)** | **11.51** | **18.19** | **30.71** | **42.85** |

**Consolidated Cash Flow Statement**

| NT$mn (Year End Dec 31) | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|
| **Operating Cashflow** | **30,863** | **44,061** | **63,128** | **85,799** |
| Net Profits | 23,634 | 37,356 | 63,065 | 87,993 |
| Depreciation & Amort. | 9,834 | 9,469 | 9,171 | 8,885 |
| Investment losses/(income) | (581) | (711) | (747) | (784) |
| Working capital change | (12,663) | (27) | (4,865) | (7,137) |
| Other adjustments | 10,944 | (2,019) | (3,496) | (3,158) |
| **Investing Cashflow** | **(3,725)** | **(7,411)** | **(7,201)** | **(7,012)** |
| Capex | (6,056) | (8,000) | (8,000) | (8,000) |
| Change of L/T investment | (4,146) | 0 | 0 | 0 |
| Change of S/T investment | 817 | 0 | 0 | 0 |
| Other adjustments | 5,191 | 0 | 0 | 0 |
| **Financing Cashflow** | **(3,135)** | **7,993** | **(13,063)** | **(29,491)** |
| Increase in L/T debt | (543) | (1,000) | (1,000) | (1,000) |
| Increase in S/T debt | 7,613 | 0 | 0 | 0 |
| Issuance of stock | 0 | 15,337 | 0 | 0 |
| Cash dividends | (10,265) | (12,321) | (22,414) | (37,839) |
| Other adjustments | 61 | 5,978 | 10,350 | 9,348 |
| FX adjustment | (3,647) | 139 | 0 | 0 |
| **Net change in cash** | **20,356** | **44,782** | **42,863** | **49,296** |

**Consolidated Balance Sheet**

| NT$mn (Year End Dec 31) | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|
| **Cash** | **81,473** | **126,255** | **169,119** | **218,415** |
| Mkt securities | 16,634 | 16,634 | 16,634 | 16,634 |
| AR/NR | 27,792 | 31,224 | 41,955 | 54,652 |
| Inventory | 31,636 | 37,914 | 46,363 | 52,445 |
| Others | 7,811 | 9,830 | 13,326 | 16,484 |
| **Current Assets** | **165,346** | **221,857** | **287,397** | **358,630** |
| Long-term investments | 45,572 | 45,572 | 45,572 | 45,572 |
| Fixed assets | 65,305 | 63,246 | 61,277 | 59,404 |
| Other assets | 114,566 | 114,566 | 114,566 | 114,566 |
| **Total Assets** | **390,789** | **445,242** | **508,812** | **578,172** |
| S/T borrowings | 86,196 | 86,196 | 86,196 | 86,196 |
| AP/NP | 18,031 | 21,532 | 26,706 | 30,915 |
| Other ST liabilities | 31,852 | 38,035 | 47,175 | 54,610 |
| **Total Current Liabilities** | **136,079** | **145,763** | **160,078** | **171,721** |
| L/T debt | 57,589 | 56,589 | 55,589 | 54,589 |
| Other LT libilities | 23,124 | 29,102 | 39,452 | 48,801 |
| **Total Liabilities** | **216,793** | **231,454** | **255,119** | **275,110** |
| Common shares | 5,182 | 20,519 | 20,519 | 20,519 |
| Retained Earnings | 104,669 | 129,124 | 169,028 | 218,398 |
| Other SH' Equity | 64,145 | 64,145 | 64,145 | 64,145 |
| **Total Shareholders' Equity** | **173,997** | **213,788** | **253,693** | **303,062** |
| **Total Liab./SH's Equity** | **390,789** | **445,242** | **508,812** | **578,172** |

**Consolidated Financial Ratios**

| | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|
| **Margins (%)** | | | | |
| Gross margin | 36.2 | 39.5 | 44.6 | 48.2 |
| Operating margin | 22.4 | 27.3 | 34.6 | 39.4 |
| Pretax margin | 23.4 | 29.1 | 36.1 | 40.8 |
| Net margin | 17.8 | 22.3 | 27.8 | 31.4 |
| **YoY growth (%)** | | | | |
| Sales | 9.3 | 25.9 | 35.6 | 23.7 |
| Operating profits | 27.4 | 53.5 | 71.5 | 40.9 |
| Pretax profits | 15.8 | 56.5 | 68.2 | 39.7 |
| Net profits | 22.1 | 58.1 | 68.8 | 39.5 |
| **Others** | | | | |
| Cash dividend payout (%) | 52% | 60% | 60% | 60% |
| Cash div (NT$) | 6.00 | 10.91 | 18.43 | 25.71 |
| Yield (%) | 1% | 1% | 2% | 3% |
| Net Debt/Equity (%) | 26% | 0% | -17% | -31% |
| Liabilities/Equity (%) | 125% | 108% | 101% | 91% |
| Liabilities/Assets (%) | 55% | 52% | 50% | 48% |
| ROAE (%) | 14% | 19% | 27% | 32% |
| ROAA (%) | 6% | 9% | 13% | 16% |
| AR/NR Turnover (days) | 68 | 64 | 59 | 63 |
| Inventory Turnover (days) | 128 | 125 | 122 | 124 |
| AP/NP Turnover (days) | 71 | 71 | 70 | 72 |
| Cash conversion cycle | 125 | 118 | 111 | 115 |

Source: Company data, Morgan Stanley Research (E) estimates.

# 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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| | Coverage Universe | | Investment Banking Clients (IBC) | | | Other Material Investment Services Clients (MISC) | |
|---|---|---|---|---|---|---|---|
| Stock Rating Category | Count | % of Total | Count | % of Total IBC | % of Rating Category | Count | % of Total Other MISC |
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| Equal-weight/Hold | 1571 | 43% | 369 | 40% | 23% | 723 | 44% |
| Not-Rated/Hold | 3 | 0% | 0 | 0% | 0% | 1 | 0% |
| Underweight/Sell | 551 | 15% | 86 | 9% | 16% | 201 | 12% |
| Total | 3,667 | | 920 | | | 1632 | |

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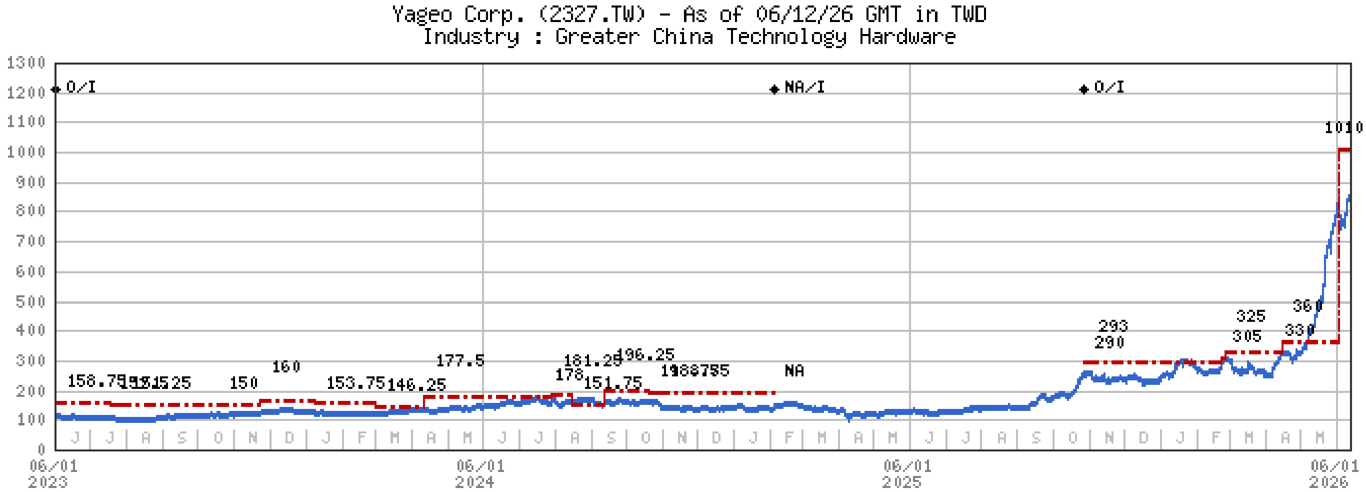


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## INDUSTRY COVERAGE: Greater China Technology Hardware

| COMPANY (TICKER) | RATING (AS OF) | PRICE* (06/12/2026) |
|---|---|---|
| **Andy Meng, CFA** | | |
| AAC Technologies Holdings (2018.HK) | O (01/29/2024) | HK$42.92 |
| Accelink Technologies Co. Ltd. (002281.SZ) | U (05/12/2022) | Rmb204.97 |
| BYD Electronics (0285.HK) | O (04/28/2023) | HK$24.78 |
| China TransInfo Technology Co Ltd (002373.SZ) | E (07/18/2023) | Rmb7.40 |
| Dahua Technology Co. Ltd. (002236.SZ) | E (12/12/2024) | Rmb15.95 |
| Eoptolink Technology Inc Ltd (300502.SZ) | O (02/27/2026) | Rmb506.46 |
| Genius Electronic Optical Co. Ltd. (3406.TW) | E (04/23/2025) | NT$662.00 |
| Gosuncn Technology Group Co Ltd (300098.SZ) | U (11/07/2022) | Rmb4.96 |
| HIKVision Digital Technology (002415.SZ) | E (12/12/2024) | Rmb30.24 |
| Largan Precision (3008.TW) | E (10/17/2025) | NT$4,020.00 |
| LianChuang Electronic Technology Co Ltd (002036.SZ) | U (06/12/2024) | Rmb7.86 |
| OFILM Group Co Ltd (002456.SZ) | U (06/12/2024) | Rmb8.70 |
| Q Technology (Group) Company Ltd (1478.HK) | U (03/23/2026) | HK$8.13 |
| Quectel Wireless Solutions Co Ltd (603236.SS) | E (10/09/2024) | Rmb55.50 |
| Shanghai Conant Optical Co Ltd (2276.HK) | O (04/10/2026) | HK$38.58 |
| Shenzhen Transsion Holdings Co Ltd (688036.SS) | E (03/23/2026) | Rmb53.67 |
| Sunny Optical (2382.HK) | E (03/23/2026) | HK$71.55 |
| Suzhou TFC Optical Communication Co Ltd. (300394.SZ) | E (11/06/2025) | Rmb280.95 |
| Wingtech Technology Co Ltd (600745.SS) | U (05/18/2026) | Rmb17.36 |
| Xiaomi Corp (1810.HK) | O (04/14/2021) | HK$26.20 |
| Yangtze Optical Fibre and Cable JSC Ltd (601869.SS) | U (10/13/2021) | Rmb436.50 |
| Yangtze Optical Fibre and Cable JSC Ltd (6869.HK) | E (04/20/2023) | HK$226.60 |
| Yongxin Optics Co Ltd (603297.SS) | E (11/15/2022) | Rmb117.30 |
| Zhejiang Crystal-Optech Co Ltd (002273.SZ) | O (11/15/2022) | Rmb32.39 |
| Zhongji Innolight Co Ltd (300308.SZ) | ++ | Rmb1,149.00 |
| ZTE Corporation (0763.HK) | O (06/04/2026) | HK$26.00 |

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|---|---|---|
| ZTE Corporation (000063.SZ) | E (06/04/2026) | Rmb36.35 |
| **Derrick Yang** | | |
| Accton Technology Corporation (2345.TW) | O (06/06/2024) | NT$2,335.00 |
| Advantech (2395.TW) | O (01/20/2021) | NT$473.00 |
| AirTAC International (1590.TW) | O (04/16/2025) | NT$1,290.00 |
| AU Optronics (2409.TW) | E (02/10/2026) | NT$23.50 |
| Bizlink (3665.TW) | O (03/10/2025) | NT$2,310.00 |
| BOE Technology (000725.SZ) | O (09/06/2019) | Rmb5.57 |
| Chenbro (8210.TW) | O (07/23/2025) | NT$1,475.00 |
| Chroma Ate Inc. (2360.TW) | O (10/05/2021) | NT$2,295.00 |
| E Ink Holdings Inc. (8069.TWO) | O (05/11/2026) | NT$196.00 |
| Ennostar Inc (3714.TW) | U (09/23/2022) | NT$64.40 |
| Hiwin Technologies Corp. (2049.TW) | O (03/30/2026) | NT$323.50 |
| Innolux (3481.TW) | E (04/07/2025) | NT$48.55 |
| King Slide Works Co. Ltd. (2059.TW) | O (11/08/2023) | NT$6,910.00 |
| Lens Technology (300433.SZ) | E (07/22/2020) | Rmb41.14 |
| Radiant Opto-Electronics Corporation (6176.TW) | E (03/01/2024) | NT$91.30 |
| Sanan Optoelectronics (600703.SS) | U (08/21/2023) | Rmb13.92 |
| TCL Corp. (000100.SZ) | E (04/07/2025) | Rmb4.55 |
| Tianma Microelectronics (000050.SZ) | U (01/24/2018) | Rmb7.51 |
| Wuhan Jingce Electronic Group Co Ltd (300567.SZ) | E (11/26/2021) | Rmb196.30 |
| **Howard Kao** | | |
| Acer Inc. (2353.TW) | U (04/23/2025) | NT$36.70 |
| Asustek Computer Inc. (2357.TW) | U (11/16/2025) | NT$785.00 |
| Compal Electronics (2324.TW) | U (04/23/2025) | NT$36.35 |
| FIT Hon Teng Ltd (6088.HK) | O (11/03/2025) | HK$7.36 |
| Giga-Byte Technology Co. Ltd. (2376.TW) | E (11/16/2025) | NT$342.00 |
| Gold Circuit Electronics Ltd. (2368.TW) | O (10/06/2022) | NT$1,320.00 |
| Inspur Electronic Information (000977.SZ) | E (08/28/2023) | Rmb57.86 |
| Lenovo (0992.HK) | E (11/16/2025) | HK$22.34 |
| Lotes Co. Ltd. (3533.TW) | E (05/12/2025) | NT$2,240.00 |
| Nan Ya PCB (8046.TW) | O (02/23/2026) | NT$819.00 |
| Pegatron Corporation (4938.TW) | E (03/25/2026) | NT$93.10 |
| Quanta Computer Inc. (2382.TW) | O (05/01/2023) | NT$372.00 |
| Shengyi Technology Co Ltd. (600183.SS) | E (05/26/2022) | Rmb151.28 |
| Shennan Circuits Co Ltd (002916.SZ) | E (08/24/2023) | Rmb379.50 |
| Unimicron (3037.TW) | O (02/23/2026) | NT$902.00 |
| Wistron Corporation (3231.TW) | O (07/12/2023) | NT$156.00 |
| Wiwynn Corp (6669.TW) | O (11/10/2025) | NT$4,850.00 |
| Yageo Corp. (2327.TW) | O (10/28/2025) | NT$855.00 |
| Zhen Ding (4958.TW) | O (05/18/2026) | NT$552.00 |
| **Sharon Shih** | | |
| Asia Vital Components Co. Ltd. (3017.TW) | O (07/30/2024) | NT$2,405.00 |
| Auras Technology Co Ltd (3324.TWO) | E (05/04/2023) | NT$1,055.00 |
| Catcher Technology (2474.TW) | U (11/17/2025) | NT$205.50 |
| Delta Electronics Inc. (2308.TW) | O (07/13/2017) | NT$2,215.00 |
| Fositek Corp (6805.TW) | O (06/25/2025) | NT$1,825.00 |
| Foxconn Industrial Internet Co. Ltd. (601138.SS) | O (07/10/2019) | Rmb70.13 |
| Foxconn Technology (2354.TW) | U (04/23/2025) | NT$57.00 |
| GoerTek Inc (002241.SZ) | U (04/23/2025) | Rmb23.01 |
| Hon Hai Precision (2317.TW) | O (03/15/2024) | NT$260.50 |
| LandMark Optoelectronics Corporation (3081.TWO) | E (03/26/2026) | NT$2,195.00 |
| Lingyi Itech Guangdong Co (002600.SZ) | U (04/23/2025) | Rmb14.01 |
| Lite-On Technology (2301.TW) | E (01/15/2025) | NT$217.00 |
| Luxshare Precision Industry Co., Ltd. (002475.SZ) | O (10/24/2016) | Rmb63.76 |

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|---|---|---|
| Sunonwealth Electric Machine Industry Co (2421.TW) | E (02/23/2024) | NT$144.00 |
| Tong Hsing (6271.TW) | E (03/18/2019) | NT$238.50 |
| Visual Photonics Epitaxy Co Ltd (2455.TW) | E (09/11/2023) | NT$352.00 |

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* Historical prices are not split adjusted.