Morgan Stanley | RESEARCH

UPDATE

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Greater China Technology Hardware | Asia Pacific

ABF Substrates – Takeaways from AT&S FY25/26 Results Call

AT&S raised revenue and EBITDA margin guidance for FY26/27, which supports our bullish view on ABF substrate suppliers Unimicron, NYPCB, and ZDT.

Key Takeaways

- AT&S (ATSV.VI, not covered) reported C1Q revenue of €477mn (+2% q/q): Electronics Solutions (-13% q/q) and Microelectronics (ABF; +14% q/q).
- C1Q/F4Q Microelectronics (ABF) EBIT margin jumped by 920bp q/q to 17.4%, which management attributed to bigger volumes in all sites and pricing effects.
- FY26/27 revenue was guided to grow 30-35% y/y, primarily driven by volumes, with Microelectronics (ABF) seeing more pronounced growth...
- ...and EBITDA margin was guided to fall in the range of 25-29% (vs. 23.3% in FY25/26), on the back of volumes, pricing and passing on increasing input costs.

Medium-term 2026/27 guidance

- Revenue: +30-35% y/y (implying the high end of the communicated €2.1-2.4bn range)
- EBITDA margin: 25-29% (raised from 24-28% previously)
- *This guidance is subject to supply and the geopolitical situation, as well as currency developments. Also not included are the potential effects of ongoing negotiations with customers. These would result in a capacity expansion that is partially financed by customers and would accordingly impact earnings performance and capital expenditure planning.

Other key takeaways:

- (+) FY26/27 revenue growth will be mainly driven by volume growth, with Microelectronics (ABF substrate) seeing more pronounced growth from AI infra investments, which impact demand for both GPU and increasingly CPU as the ecosystem broadens towards more inference workloads.
- (+) AT&S noted that customer demand for its technologies is so large that some of them cannot be fulfilled; particularly for Microelectronics, it is seeing strong demand from both existing and new customers.
- (+) Now AT&S' agreements with its customers often include financing for investments from its customers, one example being the newly announced capacity expansion for high-end substrates in Chongqing, China, for which the required investments in the 'high double-digit € million' range will be fully financed based on long-term customer agreements. This is expected to ensure profitability for AT&S.
- (+) AT&S also noted increasing input costs from suppliers, which AT&S

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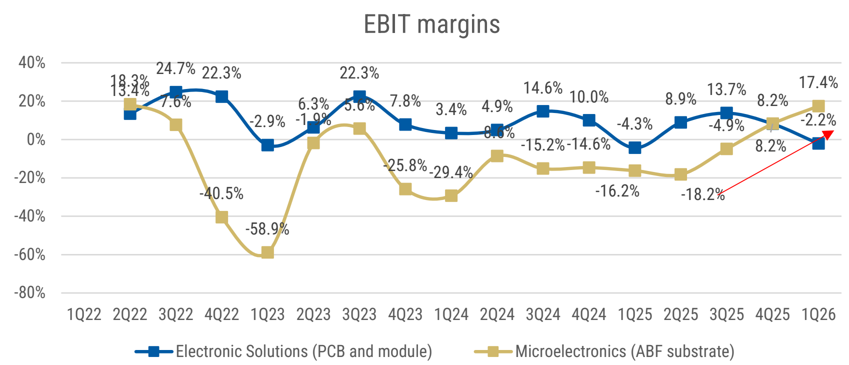
Industry View **In-Line**

expects to pass on to its customers, though typically with a delay of a few months. However, management is confident that it will be able to balance cost increases and price hikes for the remainder of this year.

- (+) AT&S confirmed that it did adjust the pricing for its ABF substrate products in C1Q/F4Q.
- (=) AT&S is also engaging with partners and customers to develop future technologies, including larger substrates, glass core substrates, embedded component substrates/PCBs, optical PCBs, etc.

Our thoughts: Management sounded very positive during the call, citing several growth tailwinds for ABF substrates, including larger volumes, more customer commitments and continuing pricing actions to offset inflationary cost pressures. This echoes our view that we are just in the early phase of an upcycle, and that the substrate suppliers will be able to expand margins through pricing adjustments that more than offset the cost pressures. We believe AT&S' view on ABF substrates aligns with our positive view on Unimicron, NYPCB, and Zhen Ding.

Exhibit 1: AT&S EBIT margins by product segment



Source: Company data, Morgan Stanley Research.

Valuation Methodology and Risks

Unimicron (3037.TW)

Base case, residual income (RI) valuation model, which we think derives the most accurate value of the firm given that it takes into account cost of equity. We use a cost of equity of 9.2% [risk-free rate of 1% (10-year Taiwan government note yield), equity risk premium of 8.7%, and a beta of 1.0], a medium-term growth rate of 15%, and a terminal growth rate of 3%.

Risks to Upside

- Better-than-expected ABF substrate demand from PC and server customers
- Capex cuts; halt to its capacity expansion plan
- Continued yield issues of alternative technology that doesn't require substrate (e.g., CoWoP)

Risks to Downside

- Sudden demand shortfall
- Technological change that would not require ABF substrates
- Intensifying competition
- Yield issues or production hiccups when ramping new capacity

Zhen Ding (4958.TW)

Base case, residual income model. Key assumptions include a cost of equity of 10%, a medium-term growth rate of 15% and a terminal growth rate of 3%.

Risks to Upside

- Higher-than-expected F-PCB content increase for iPhones
- Better-than-expected production yield/share allocation for SLP
- Share gains on higher margin F-PCB pieces

Risks to Downside

- Worse-than-expected iPhone sell-through
- Lower-than-expected F-PCB content increase for iPhones
- Worse-than-expected production yield/share allocation for SLP
- Increasing competition from Chinese peers, intensifying pricing pressure

Nan Ya PCB (8046.TW)

Base case, residual income (RI) valuation model, which we think derives the most accurate value of the firm given that it takes into account cost of equity. We use a cost of equity of 9.3% [risk-free rate of 1% (10-year Taiwan government note yield), equity risk premium of 8.7%, and a beta of 1.0], a medium-term growth rate of 17%, and a terminal growth rate of 3%.

Risks to Upside

- Better-than-expected ABF and BT demand
- Faster-than-expected pickup in AI and 5G demand
- Stronger-than-expected ASP hike

- Continued yield issues of alternative technology that doesn't require substrate (e.g. CoWoP)

Risks to Downside

- A sudden demand shortfall, creating headwinds for ABF substrate demand and pricing
- Technological change that would not require ABF substrates
- Intensifying competition

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Not-Rated/Hold	4	0%	0	0%	0%	1	0%
Underweight/Sell	555	15%	84	9%	15%	202	12%
Total	3,673		909			1627	

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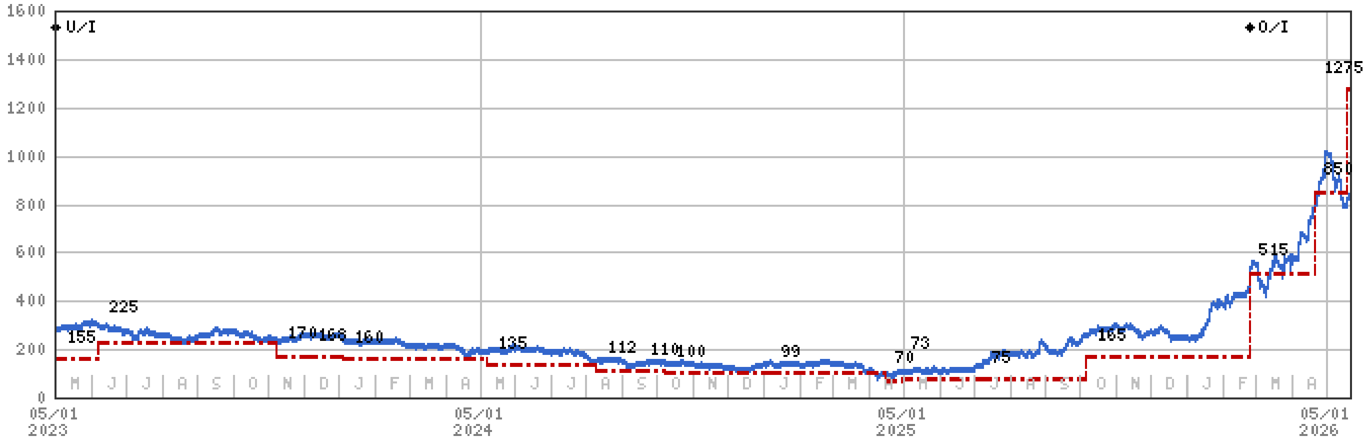
Stock Price, Price Target and Rating History (See Rating Definitions)

Nan Ya PCB (8046.TW) - As of 05/21/26 GMT in TWD
Industry : Greater China Technology Hardware



Stock Rating History: 5/1/21 : NA/I; 10/22/21 : O/I; 6/1/22 : E/I; 12/21/22 : U/I; 2/23/26 : O/I

Price Target History: 10/22/21 : 580; 11/9/21 : 630; 2/9/22 : 650; 2/25/22 : 670; 6/1/22 : 420; 8/23/22 : 275; 10/27/22 : 235; 12/21/22 : 180; 2/2/23 : 165; 2/25/23 : 155; 6/7/23 : 225; 11/7/23 : 170; 12/4/23 : 168; 1/4/24 : 160; 5/7/24 : 135; 8/9/24 : 112; 9/15/24 : 110; 10/8/24 : 100; 1/6/25 : 99; 4/15/25 : 70; 4/29/25 : 73; 7/7/25 : 75; 10/6/25 : 165; 2/23/26 : 515; 4/20/26 : 850; 5/18/26 : 1275

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
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Unimicron (3037.TW) - As of 05/21/26 GMT in TWD
Industry : Greater China Technology Hardware

Stock Rating History: 5/1/21 : NA/I; 10/22/21 : O/I; 6/1/22 : E/I; 2/22/23 : U/I; 4/15/25 : E/I; 2/23/26 : O/I

Price Target History: 10/22/21 : 188.06; 10/27/21 : 237.55; 2/9/22 : 267.24; 2/24/22 : 366.22; 6/1/22 : 237.55; 8/23/22 : 178.16; 10/27/22 : 133.62; 12/21/22 : 123.72; 2/2/23 : 116.79; 2/22/23 : 98.98; 6/7/23 : 138.57; 11/7/23 : 125.7; 1/24/24 : 118.77; 4/15/25 : 81.66; 7/30/25 : 120.75; 2/23/26 : 500; 2/26/26 : 550; 4/20/26 : 785; 5/18/26 : 1225

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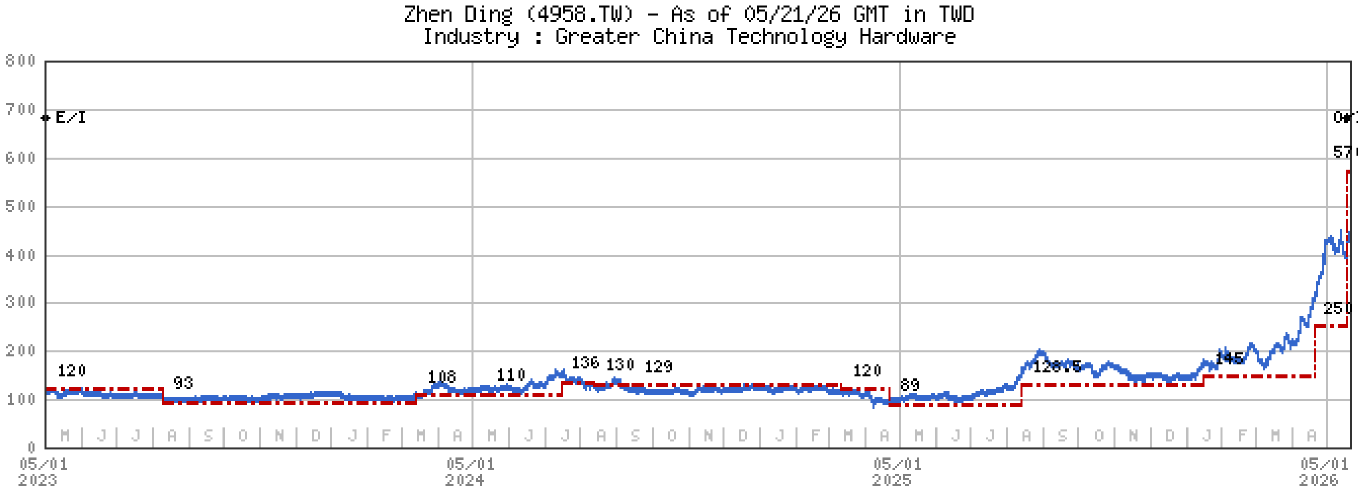

Stock Rating History: 5/1/21 : U/I; 8/2/22 : E/I; 5/18/26 : O/I

Price Target History: 3/30/21 : 105; 8/2/22 : 124; 11/4/22 : 126; 3/14/23 : 120; 8/10/23 : 93; 3/13/24 : 108; 5/11/24 : 110; 7/15/24 : 136; 8/13/24 : 130; 9/15/24 : 129; 3/12/25 : 120; 4/23/25 : 89; 8/13/25 : 128.5; 1/16/26 : 145; 4/20/26 : 250; 5/18/26 : 570

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INDUSTRY COVERAGE: Greater China Technology Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (05/21/2026)
Andy Meng, CFA		
AAC Technologies Holdings (2018.HK)	O (01/29/2024)	HK$41.62
Accelink Technologies Co. Ltd. (002281.SZ)	U (05/12/2022)	Rmb217.30
BYD Electronics (0285.HK)	O (04/28/2023)	HK$26.10
China TransInfo Technology Co Ltd (002373.SZ)	E (07/18/2023)	Rmb8.47
Dahua Technology Co. Ltd. (002236.SZ)	E (12/12/2024)	Rmb17.57
Eoptolink Technology Inc Ltd (300502.SZ)	O (02/27/2026)	Rmb566.00
Genius Electronic Optical Co. Ltd. (3406.TW)	E (04/23/2025)	NT$577.00
Gosuncn Technology Group Co Ltd (300098.SZ)	U (11/07/2022)	Rmb5.73
HIKVision Digital Technology (002415.SZ)	E (12/12/2024)	Rmb31.63
Largan Precision (3008.TW)	E (10/17/2025)	NT$3,460.00
LianChuang Electronic Technology Co Ltd (002036.SZ)	U (06/12/2024)	Rmb9.36
OFILM Group Co Ltd (002456.SZ)	U (06/12/2024)	Rmb8.64
Q Technology (Group) Company Ltd (1478.HK)	U (03/23/2026)	HK$8.73
Quectel Wireless Solutions Co Ltd (603236.SS)	E (10/09/2024)	Rmb74.51
Shanghai Conant Optical Co Ltd (2276.HK)	O (04/10/2026)	HK$43.00
Shenzhen Transsion Holdings Co Ltd (688036.SS)	E (03/23/2026)	Rmb62.94
Sunny Optical (2382.HK)	E (03/23/2026)	HK$68.60
Suzhou TFC Optical Communication Co Ltd. (300394.SZ)	E (11/06/2025)	Rmb337.21
Wingtech Technology Co Ltd (600745.SS)	U (05/18/2026)	Rmb16.80
Xiaomi Corp (1810.HK)	O (04/14/2021)	HK$29.66
Yangtze Optical Fibre and Cable JSC Ltd (601869.SS)	U (10/13/2021)	Rmb375.80
Yangtze Optical Fibre and Cable JSC Ltd (6869.HK)	E (04/20/2023)	HK$215.20
Yongxin Optics Co Ltd (603297.SS)	E (11/15/2022)	Rmb145.35
Zhejiang Crystal-Optech Co Ltd (002273.SZ)	O (11/15/2022)	Rmb36.67
Zhongji Innolight Co Ltd (300308.SZ)	++	Rmb993.34
ZTE Corporation (0763.HK)	E (03/11/2024)	HK$23.78

ZTE Corporation (000063.SZ)	U (07/02/2021)	Rmb34.83
Derrick Yang		
Accton Technology Corporation (2345.TW)	O (06/06/2024)	NT$2,480.00
Advantech (2395.TW)	O (01/20/2021)	NT$463.50
AirTAC International (1590.TW)	O (04/16/2025)	NT$1,420.00
AU Optronics (2409.TW)	E (02/10/2026)	NT$20.20
Bizlink (3665.TW)	O (03/10/2025)	NT$2,155.00
BOE Technology (000725.SZ)	O (09/06/2019)	Rmb4.69
Chenbro (8210.TW)	O (07/23/2025)	NT$1,335.00
Chroma Ate Inc. (2360.TW)	O (10/05/2021)	NT$2,270.00
E Ink Holdings Inc. (8069.TWO)	O (05/11/2026)	NT$230.50
Ennostar Inc (3714.TW)	U (09/23/2022)	NT$74.00
Hiwin Technologies Corp. (2049.TW)	O (03/30/2026)	NT$373.50
Innolux (3481.TW)	E (04/07/2025)	NT$40.60
King Slide Works Co. Ltd. (2059.TW)	O (11/08/2023)	NT$4,895.00
Lens Technology (300433.SZ)	E (07/22/2020)	Rmb36.51
Radiant Opto-Electronics Corporation (6176.TW)	E (03/01/2024)	NT$105.00
Sanan Optoelectronics (600703.SS)	U (08/21/2023)	Rmb15.70
TCL Corp. (000100.SZ)	E (04/07/2025)	Rmb4.37
Tianma Microelectronics (000050.SZ)	U (01/24/2018)	Rmb7.60
Wuhan Jingce Electronic Group Co Ltd (300567.SZ)	E (11/26/2021)	Rmb190.83
Howard Kao		
Acer Inc. (2353.TW)	U (04/23/2025)	NT$28.40
Asustek Computer Inc. (2357.TW)	U (11/16/2025)	NT$656.00
Compal Electronics (2324.TW)	U (04/23/2025)	NT$30.35
FIT Hon Teng Ltd (6088.HK)	O (11/03/2025)	HK$8.48
Giga-Byte Technology Co. Ltd. (2376.TW)	E (11/16/2025)	NT$316.50
Gold Circuit Electronics Ltd. (2368.TW)	O (10/06/2022)	NT$1,285.00
Inspur Electronic Information (000977.SZ)	E (08/28/2023)	Rmb66.31
Lenovo (0992.HK)	E (11/16/2025)	HK$13.15
Lotes Co. Ltd. (3533.TW)	E (05/12/2025)	NT$2,525.00
Nan Ya PCB (8046.TW)	O (02/23/2026)	NT$872.00
Pegatron Corporation (4938.TW)	E (03/25/2026)	NT$79.10
Quanta Computer Inc. (2382.TW)	O (05/01/2023)	NT$308.00
Shengyi Technology Co Ltd. (600183.SS)	E (05/26/2022)	Rmb98.19
Shennan Circuits Co Ltd (002916.SZ)	E (08/24/2023)	Rmb343.88
Unimicron (3037.TW)	O (02/23/2026)	NT$905.00
Wistron Corporation (3231.TW)	O (07/12/2023)	NT$140.00
Wiwynn Corp (6669.TW)	O (11/10/2025)	NT$5,345.00
Yageo Corp. (2327.TW)	O (10/28/2025)	NT$572.00
Zhen Ding (4958.TW)	O (05/18/2026)	NT$469.50
Sharon Shih		
Asia Vital Components Co. Ltd. (3017.TW)	O (07/30/2024)	NT$2,495.00
Auras Technology Co Ltd (3324.TWO)	E (05/04/2023)	NT$1,000.00
Catcher Technology (2474.TW)	U (11/17/2025)	NT$185.00
Delta Electronics Inc. (2308.TW)	O (07/13/2017)	NT$2,030.00
Fositek Corp (6805.TW)	O (06/25/2025)	NT$1,810.00
Foxconn Industrial Internet Co. Ltd. (601138.SS)	O (07/10/2019)	Rmb65.50
Foxconn Technology (2354.TW)	U (04/23/2025)	NT$58.90
GoerTek Inc (002241.SZ)	U (04/23/2025)	Rmb24.94
Hon Hai Precision (2317.TW)	O (03/15/2024)	NT$247.50
LandMark Optoelectronics Corporation (3081.TWO)	E (03/26/2026)	NT$2,555.00
Lingyi Itech Guangdong Co (002600.SZ)	U (04/23/2025)	Rmb15.52
Lite-On Technology (2301.TW)	E (01/15/2025)	NT$204.50
Luxshare Precision Industry Co., Ltd. (002475.SZ)	O (10/24/2016)	Rmb67.87

Sunonwealth Electric Machine Industry Co (2421.TW)	E (02/23/2024)	NT$152.00
Tong Hsing (6271.TW)	E (03/18/2019)	NT$206.00
Visual Photonics Epitaxy Co Ltd (2455.TW)	E (09/11/2023)	NT$386.50

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* Historical prices are not split adjusted.