YAGEO

AI story a bit different, but could be just as good

- **MLCC UTR could rise fast in coming months.** YAGEO does not have the leadership in the high capacitance/voltage MLCCs, which are used heavily in AI server systems. However, as much of its major peers' capacity is tied up with these fast-growing AI products, which can consume as much as 3-5x production resources vs regular MLCCs, we expect the overflow orders to lift YAGEO's IT MLCC UTR by 10ppt in 1H (YoY), and further increased to 15ppt YoY in 2H (hence we now expect 85-90% peak IT UTR for YAGEO to be reached in 2H; while auto/industrial MLCC UTR shall also improve on YoY basis). We also believe that, due to the AI-driven high UTR and B/B ratios of the industry, the potential consumer demand impact (if the segment weakens) should be manageable. As a rule of thumb, the key factor behind the pricing of passive component is the respective UTR of the product.
- **General IT MLCC could see a bit of pricing surprise.** On the pricing side, while the major AI MLCC suppliers in Japan and Korea have not finalized the price hike decisions, the JPM team expects an increasingly constructive pricing environment. It is crucial to understand that the price hike timing and momentum for general IT (non-AI) MLCCs could surprise on the upside, as hikes could take place earlier/rise in stronger magnitude vs the AI MLCCs. We believe many suppliers would leverage the industry supply tightness to improve the mix and/or the relatively low margins of these non-AI applications, where the pricing initiative could start with non-AI products. Please keep in mind we have seen this situation occurr for memory, PCB and CCL in the past few years, and this could result in strong incremental improvements in profitability for general IT MLCCs, a situation that we believe is favorable for YAGEO.
- **AI story much beyond MLCC**: **Tantalum entering multi-year up-cycle.** We believe YAGEO has a bit of a different AI story vs. its peers, which mainly produce MLCCs. YAGEO's revenue mix is largely filled with non-MLCC products such as Tantalum (No.1 product by rev mix for YAGEO at ~25/30% in 2026/27e), power inductors (25-30% of YAGEO's total inductors, which are its No.2 product by revenue) and resistors (14/15% of YAGEO revenue in 2026/27e). This could see a very rapid rise in AI mix, and/or see stronger pricing momentum as YAGEO can exert much more clout on pricing vs. MLCCs, which are largely determined by Japanese producers (which have a tendency to maintain stable pricing). We expect tantalum's double-digit ASP growth in recent years will likely accelerate as AI quickly becomes 35-40% of its mix (driven by the need for power management and data storage). Investors should realize that Tantalum market consists of several niche applications, hence AI could move the needle faster here vs. other passive component segments.
- **AI story much beyond MLCC**: **Resistors could be the realsource of upside**. While YAGEO's strong positioning in tantalum is widely known by investors, we believe the chip resistors, which is the No.3/4 product of YAGEO in 2027e

Overweight

2327.TW, 2327 TT
Price (01 Jun 26):NT$790.00

▲**Price Target (Dec-26):NT$1,000.00**
Prior (Dec-26):NT$406.00

Technology

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 27E (NT$)	21.38	30.22	41.4%

Quarterly Forecasts (FYE Dec)

Adj. EPS (NT$)

	2025A	2026E	2027E
Q1	10.77	3.90A	6.55
Q2	9.74	3.89	7.49
Q3	3.10	4.51	8.09
Q4	3.29	4.67	8.08
FY	11.40	16.98	30.22

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	52	37	20	28	44
Growth	48	53	57	33	16
Momentum	23	34	61	29	30
Quality	46	38	49	31	57
Low Vol	62	47	43	57	78
ESGQ	100	99	100	94	11

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

See page 10 for analyst certification and important disclosures, including non-US analyst disclosures.

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Price Performance

	YTD	1m	3m	12m
Abs	242.0%	149.2%	165.1%	544.9%
Rel	185.5%	132.7%	137.1%	429.0%

Company Data

Shares O/S (mn)	2,054
52-week range (NT$)	811.00-111.75
Market cap ($ mn)	51,729
Exchange rate	31.36
Free float (%)	80.8%
3M ADV (mn)	40.99
3M ADV ($ mn)	495.7
Volatility (90 Day)	72
Index	TAIEX
BBG ANR (Buy | Hold | Sell)	16|0|0

Key Metrics (FYE Dec)

NT$ in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	132,930	171,165	240,511	312,892
Adj. EBIT	29,801	43,217	78,860	121,616
Adj. EBITDA	39,635	58,376	102,611	152,606
Adj. net income	23,634	35,106	62,646	97,111
Adj. EPS	11.40	16.98	30.22	46.85
BBG EPS	11.32	17.35	22.46	25.46
Cashflow from operations	49,937	(1,422)	41,668	73,763
FCFF	43,881	(10,147)	31,668	63,763
Margins and Growth				
Revenue Growth Y/Y (%)	9.3%	28.8%	40.5%	30.1%
EBIT margin	22.4%	25.2%	32.8%	38.9%
EBIT Growth Y/Y (%)	27.4%	45.0%	82.5%	54.2%
EBITDA margin	29.8%	34.1%	42.7%	48.8%
EBITDA Growth Y/Y (%)	20.1%	47.3%	75.8%	48.7%
Net margin	17.8%	20.5%	26.0%	31.0%
Adj. EPS growth	(72.6%)	48.9%	78.0%	55.0%
Ratios				
Adj. tax rate	23.6%	22.8%	23.0%	23.0%
Interest cover	NM	NM	NM	NM
Net debt/Equity	0.4	0.5	0.3	0.1
Net debt/EBITDA	1.7	1.5	0.6	0.2
ROE	14.3%	19.8%	30.0%	36.2%
Valuation				
FCFF yield	2.7%	(0.6%)	1.9%	3.9%
Dividend yield	0.6%	0.4%	0.6%	1.1%
EV/Revenue	2.0	1.7	1.1	0.7
EV/EBITDA	6.7	4.9	2.6	1.5
Adj. P/E	69.3	46.5	26.1	16.9

Summary Investment Thesis and Valuation

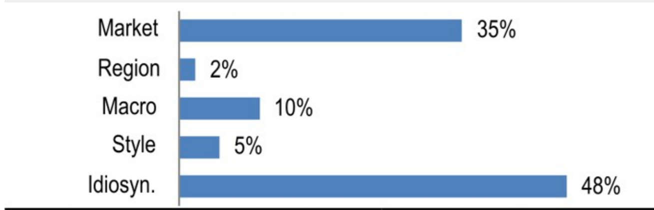
Investment Thesis

We are OW on YAGEO, given its leading position in tantalum capacitors after acquiring Kemet and its strong presence in MLCCs/R-Chips, a market that has consolidated over time with disciplined supply expansion. We believe less exposure to commodity-type products can help smooth the revenue fluctuations, while increasing demand for tantalum capacitors can support YAGEO's future top- and bottom-line growth.

Valuation

Our Dec-26 PT of NT$1,000 is based on 26x 2027/28E EPS. 26x is beyond 1.5-STD above average forward P/E at which the company has traded since 2021. We believe the multiple is justified as passive component enters demand-driven upcycle, which is more structural and healthy versus the previous cycle in 2018-19. We believe YAGEO is one of the key beneficiaries of this cycle with 1) dominance in high-end passives (global leader in Tantalum), and 2) MLCC price hike starting from the lower-end segment.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.61	0.60
Region: Taiwan	0.03	0.20
Macro:		
Generic 1st 'CO' Future	0.34	0.31
JP Morgan GBI-EM Global Div	-0.20	-0.29
JPM Forecast Revision EM	0.27	0.22
Quant Styles:		
DivYld	-0.32	-0.27
LowVol	-0.36	-0.25
Value	-0.28	-0.22

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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(behind Tantalum and inductor), has drew much less attention. We believe resistors, which have a high correlation in usage vs. MLCC, could be a major incremental OP contributor with comparable impact to Tantalum in the coming years, as we see healthy pricing upside. YAGEO has quite a dominating global share (40% by volume, which is a very high level in the world of passive components), while the product has gone through many years of modest pricing (hence it currently makes up a tiny small portion of the passive BOM despite its indispensable role), the growing demand now likely pushes YAGEO's resistor UTR to north of 90% in the upcoming peak season. Given these favorable conditions, we expect resistor pricing, which saw a successful hike in 1Q26, to increase by 15-20% CAGR in the coming years and further improve its already decent profitability.

- **Lifting TP to NT$1,000**, **based on 26x of average 2027/28e EPS.** YAGEO is currently trading at 48/27x 2026/27e EPS, which is meaningfully below its Japanese and Korean peers, despite 1) comparably strong earnings growth (with potential upside if price adjustment becomes stronger vs. our assumptions of ASP showing a ~15% CAGR in the coming 2-3 years), and 2) similar exposure to AI/HPC (but with much more diverse product exposure). Our new target multiple, at 26x (was 19x which was above 1.5-STD above mean; previous TP based on 2027e), is slightly above the 23-24x forward earnings multiple YAGEO traded at during the 2018-19 peak cycle. While there are some similarities between the previous cycle vs the current one (EV/industrial caused supply tightness vs. AI) we believe such re-rating is deserving as this margin expansion cycle could last even longer as most of the major suppliers seem to have taken mix improvement as their long term goal, which leads more rational capacity expansions. We also believe the AI driven demand will moderate the pace of component size miniaturization, hence positive to the industry supply/demand balance.

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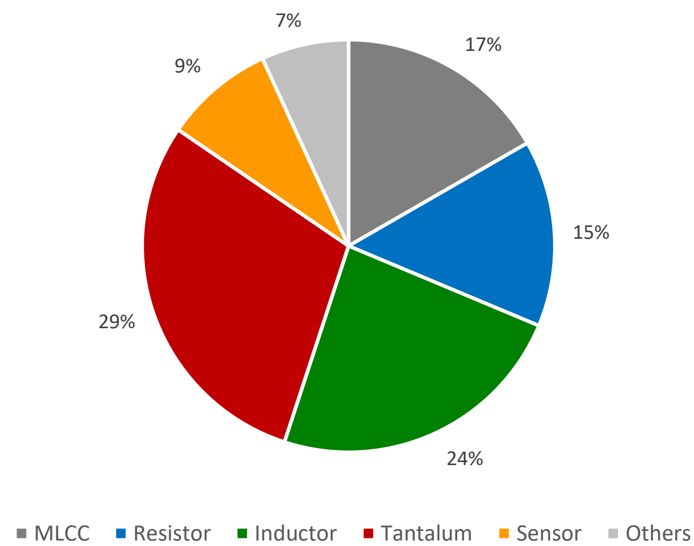
Figure 1: YAGEO 2027e rev mix by product

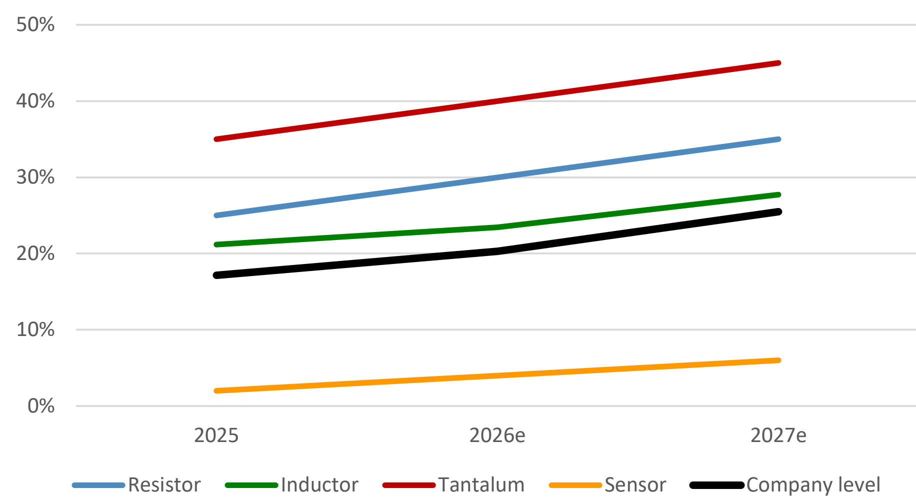
%



Source: J.P. Morgan estimates.

Figure 2: YAGEO AI/HPC mix by product

%



All data is based on J.P.Morgan estimates.
Source: J.P. Morgan estimates.

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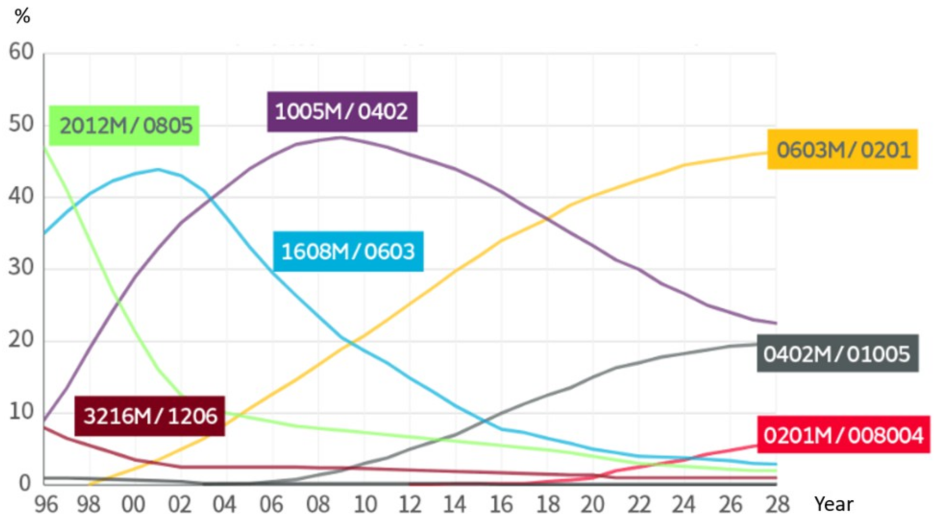
Figure 3: Consumer MLCC size: Miniaturization has been a LT trend affecting MLCC supplies

% (vertical axis); year (omit the first two digits) (horizontal axis)



Source: Murata

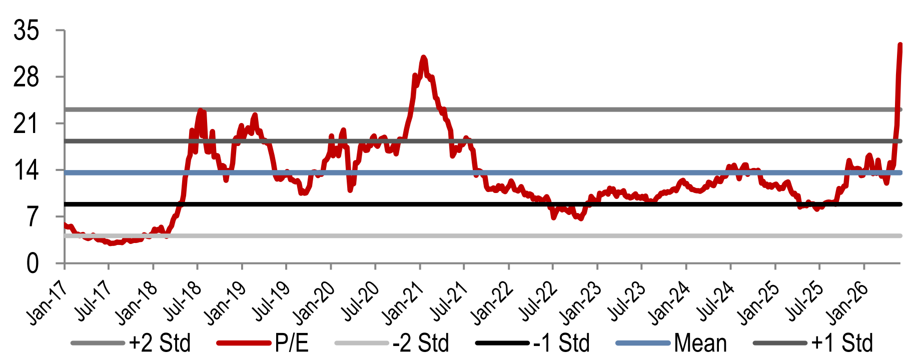
Table 1: YAGEO price hike scenario analysis

	2026e	2027e	2028e	2027e OP vs base case	2028e OP vs base case
Scen 1	No price hike on MLCC; 65-70% of resistor sees 10% price hike; 35-40% of inductor sees 10% price hike; 85%+ of Tantalum sees 10% price hike	No price hike on MLCC; 65-70% of resistor sees 20% price hike; 45-50% of inductor sees 20% price hike; 85%+ of Tantalum sees 20% price hike	25-30% of MLCC sees 10% price hike; 85%+ of resistor sees 10% price hike; 55-60% of inductor sees 10% price hike; 85%+ of Tantalum sees 20% price hike	-11%	-15%
Scen 2 (base case)	35-40% of MLCC sees 10% price hike; 85%+ of resistor sees 10% price hike; 45-50% of inductor sees 10% price hike; 85%+ of Tantalum sees 10% price hike	35-40% of MLCC sees 20% price hike; 85%+ of resistor sees 20% price hike; 45-50% of inductor sees 20% price hike; 85%+ of Tantalum sees 20% price hike	85%+ of MLCC sees 15% price hike; 85%+ of resistor sees 15% price hike; 55-60% of inductor sees 15% price hike; 85%+ of Tantalum sees 25% price hike	0%	0%
Scen 3	85%+ of MLCC sees 10% price hike; 85%+ of resistor sees 10% price hike; 45-50% of inductor sees 10% price hike; 85%+ of Tantalum sees 10% price hike	85%+ of MLCC sees 25% price hike; 85%+ of resistor sees 25% price hike; 45-50% of inductor sees 25% price hike; 85%+ of Tantalum sees 25% price hike	85%+ of MLCC sees 15% price hike; 85%+ of resistor sees 20% price hike; 55-60% of inductor sees 20% price hike; 85%+ of Tantalum sees 30% price hike	+15%	+20%

Source: J.P. Morgan estimates.

Figure 4: YAGEO P/E trend

x



Source: J.P. Morgan estimates, Company data.

Table 2: Peer valuation

Company	Ticker	Price (LCY$)	PE (x)			PB (x)			NI yoy (%)			ROE (%)		
			2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Yageo	2327 TT	810	47.7	26.8	17.3	9.1	7.2	5.5	49%	78%	55%	20%	30%	36%
Murata Mfg Co	6981 JP	10,955	67.3	45.9	34.9	7.2	6.5	5.7	27%	47%	31%	11%	15%	17%
Taiyo Yuden Co	6976 JP	16,930	88.1	47.0	31.3	6.3	5.6	4.8	62%	105%	50%	7%	14%	18%
Tdk Corp	6762 JP	4,104	31.6	26.5	N.A.	3.7	3.4	N.A.	26%	19%	N.A.	12%	13%	N.A.
Samsung Electro	009150 KS	2,043,000	103.9	49.9	38.4	15.0	11.9	8.5	108%	108%	35%	14%	25%	26%
Vishay Intertech	VSH US	52	70.3	33.7	N.A.	3.7	3.5	N.A.	N.A.	140%	N.A.	6%	N.A.	N.A.
Average			68.2	38.3	30.5	7.5	6.4	6.1	54%	83%	43%	12%	19%	25%

J.P.Morgan covers YAGEO (by Jerry Tsai), Murata (by Akinori Kanemoto), Taiyo Yuden (by Akinori Kanemoto), TDK (by Akinori Kanemoto), and Samsung Electro (by Jay Kwon) - whose financial data is based on J.P.Morgan estimates. All other data is based on Bloomberg Finance L.P. estimates. Stocks priced as of 1 June 2026, except Vishay, which is priced as of 29 May,
Source: J.P. Morgan estimates, Bloomberg Finance L.P. estimates.

Table 3: I/S Highlights: Annual JPMe vs Consensus

NT$ mn except for EPS

	JPMe			Consensus			Difference		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenues	**171,165**	**240,511**	**312,892**	**167,455**	**199,548**	**224,690**	**2%**	**21%**	**39%**
Gross profit	65,630	110,009	160,650	65,566	81,587	92,143	0%	35%	74%
GM (%)	***38.3%***	***45.7%***	***51.3%***	***39.2%***	***40.9%***	***41.0%***	***-81bps***	***485bps***	***1,033bps***
Operating profit	43,217	78,860	121,616	44,203	56,927	64,257	-2%	39%	89%
OPM (%)	***25.2%***	***32.8%***	***38.9%***	***26.4%***	***28.5%***	***28.6%***	***-115bps***	***426bps***	***1,027bps***
Pre-Tax profit	45,670	81,549	126,309	46,756	59,853	69,094	-2%	36%	83%
Net profit	35,106	62,646	97,111	35,690	45,525	52,335	-2%	38%	86%
Net Margin	***20.5%***	***26.0%***	***31.0%***	***21.3%***	***22.8%***	***23.3%***	***-80bps***	***323bps***	***774bps***
EPS (NT$)	**16.98**	**30.22**	**46.85**	**17.35**	**22.46**	**25.46**	**-2%**	**35%**	**84%**

Source: J.P. Morgan estimates, Bloomberg Finance L.P.

Table 4: I/S Highlights: Annual Revised vs Previous

NT$ mn except for EPS

	Revised			Previous		Difference	
	FY26E	FY27E	FY28E	FY26E	FY27E	FY26E	FY27E
Revenues	**171,165**	**240,511**	**312,892**	**162,554**	**191,190**	**5%**	**26%**
Gross profit	65,630	110,009	160,650	64,028	78,907	3%	39%
GM (%)	***38.3%***	***45.7%***	***51.3%***	***39.4%***	***41.3%***	***-105bps***	***447bps***
Operating profit	43,217	78,860	121,616	43,139	54,812	0%	44%
OPM (%)	***25.2%***	***32.8%***	***38.9%***	***26.5%***	***28.7%***	***-129bps***	***412bps***
Pre-Tax profit	45,670	81,549	126,309	45,814	57,746	0%	41%
Net profit	35,106	62,646	97,111	35,217	44,317	0%	41%
Net Margin	***20.5%***	***26.0%***	***31.0%***	***21.7%***	***23.2%***	***-115bps***	***287bps***
EPS (NT$)	**16.98**	**30.22**	**46.85**	**16.99**	**21.38**	**0%**	**41%**

Source: J.P. Morgan estimates.

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Table 5: JPM Quarterly and Annual Estimates

NT$mn, year-end December

	FY25				FY26E				FY27E				FY28E									
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	1QE	2QE	3QE	4QE	1QE	2QE	3QE	4QE	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sales	**31,104**	**32,771**	**33,087**	**35,968**	**38,166**	**40,809**	**45,517**	**46,673**	**53,649**	**60,921**	**63,625**	**62,316**	**72,717**	**77,675**	**80,898**	**81,601**	**107,609**	**121,667**	**132,930**	**171,165**	**240,511**	**312,892**
qoq (%)	4%	5%	1%	9%	6%	7%	12%	3%	15%	14%	4%	-2%	17%	7%	4%	1%	0%	0%	0%	0%	0%	0%
yoy (%)	9%	4%	4%	20%	23%	25%	38%	30%	41%	49%	40%	34%	36%	28%	27%	31%	-11%	13%	9%	29%	41%	30%
Gross profit	11,086	11,652	11,974	13,417	14,542	15,141	17,666	18,281	24,175	27,455	29,262	29,117	37,226	39,762	41,453	42,209	36,026	41,803	48,130	65,630	110,009	160,650
Operating (EBIT)	**6,463**	**7,044**	**7,562**	**8,732**	**9,613**	**9,698**	**11,695**	**12,210**	**17,132**	**19,560**	**21,097**	**21,071**	**28,099**	**30,103**	**31,396**	**32,019**	**20,430**	**23,386**	**29,801**	**43,217**	**78,860**	**121,616**
Net profit	**5,530**	**4,998**	**6,356**	**6,751**	**8,001**	**8,073**	**9,342**	**9,690**	**13,586**	**15,530**	**16,771**	**16,759**	**22,334**	**24,007**	**25,166**	**25,603**	**17,427**	**19,356**	**23,634**	**35,106**	**62,646**	**97,111**
Revenue breakdown by application																						
YAGEO original	**33%**	**33%**	**34%**	**32%**	**31%**	**31%**	**32%**	**32%**	**32%**	**32%**	**32%**	**31%**	**30%**	**30%**	**29%**	**29%**	**40%**	**35%**	**33%**	**31%**	**32%**	**30%**
R-chip	14%	14%	15%	14%	14%	13%	14%	14%	15%	15%	15%	14%	14%	14%	14%	14%	14%	14%	14%	14%	15%	14%
MLCC	7%	7%	7%	6%	6%	6%	7%	7%	8%	8%	7%	7%	7%	6%	6%	6%	8%	7%	7%	7%	7%	6%
Others	3%	4%	3%	4%	4%	4%	3%	3%	3%	3%	3%	3%	2%	2%	2%	2%	5%	5%	4%	3%	3%	2%
Pulse	8%	8%	10%	9%	8%	8%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	13%	10%	9%	8%	7%	7%
Kemet contribution	**44%**	**44%**	**44%**	**44%**	**43%**	**45%**	**46%**	**46%**	**48%**	**49%**	**50%**	**50%**	**54%**	**54%**	**55%**	**55%**	**43%**	**41%**	**44%**	**45%**	**36%**	**31%**
Tantalum	22%	22%	23%	22%	24%	24%	25%	26%	30%	28%	29%	30%	34%	35%	36%	36%	17%	18%	22%	25%	20%	18%
Ceramic	12%	12%	12%	11%	13%	10%	10%	10%	11%	9%	9%	9%	9%	8%	8%	8%	14%	11%	12%	11%	8%	7%
Chilisin	**13%**	**13%**	**13%**	**12%**	**13%**	**13%**	**11%**	**11%**	**10%**	**10%**	**10%**	**10%**	**9%**	**9%**	**9%**	**9%**	**15%**	**14%**	**13%**	**12%**	**9%**	**7%**
Sensor business	**10%**	**9%**	**8%**	**11%**	**13%**	**12%**	**11%**	**10%**	**9%**	**9%**	**8%**	**8%**	**7%**	**7%**	**7%**	**7%**	**3%**	**10%**	**10%**	**12%**	**8%**	**6%**
Margins (%)																						
Gross	35.6	35.6	36.2	37.3	38.1	37.1	38.8	39.2	45.1	45.1	46.0	46.7	51.2	51.2	51.2	51.7	33.5	34.4	36.2	38.3	45.7	51.3
Operating	20.8	21.5	22.9	24.3	25.2	23.8	25.7	26.2	31.9	32.1	33.2	33.8	38.6	38.8	38.8	39.2	19.0	19.2	22.4	25.2	32.8	38.9
EBITDA	28.7	28.7	30.1	31.6	32.2	32.9	35.2	35.7	41.8	42.0	43.1	43.6	48.6	48.6	48.7	49.1	27.1	27.1	29.8	34.1	42.7	48.8
Net	17.8	15.3	19.2	18.8	21.0	19.8	20.5	20.8	25.3	25.5	26.4	26.9	30.7	30.9	31.1	31.4	16.2	15.9	17.8	20.5	26.0	31.0

Source: J.P. Morgan estimates, Company data.

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Investment Thesis, Valuation and Risks

YAGEO *(Overweight; Price Target: NT$1,000.00)*

Investment Thesis

We are OW on YAGEO, given its leading position in tantalum capacitors after acquiring Kemet and its strong presence in MLCCs/R-Chips, a market that has consolidated over time with disciplined supply expansion. We believe less exposure to commodity-type products can help smooth the revenue fluctuations, while increasing demand for tantalum capacitors can support YAGEO's future top- and bottom-line growth.

Valuation

Our Dec-26 PT of NT$1,000 is based on 26x 2027/28E EPS. 26x is beyond 1.5-STD above average forward P/E at which the company has traded since 2021. We believe the multiple is justified as passive component enters demand-driven upcycle, which is more structural and healthy versus the previous cycle in 2018-19. We believe YAGEO is one of the key beneficiaries of this cycle with 1) dominance in high-end passives (global leader in Tantalum), and 2) MLCC price hike starting from the lower-end segment.

Risks to Rating and Price Target

Downside risks include MLCC/R-Chip price reversals (which could be driven by a slower pace of auto electrification, inventory corrections, etc.) and execution issues during mergers.

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YAGEO: Summary of Financials

Income Statement - Annual	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**121,667**	**132,930**	**171,165**	**240,511**	**312,892**
COGS	(70,235)	(74,966)	(90,376)	(106,752)	(121,252)
Gross profit	**41,803**	**48,130**	**65,630**	**110,009**	**160,650**
SG&A	(14,945)	(14,910)	(18,348)	(25,499)	(31,954)
Adj. EBITDA	**33,014**	**39,635**	**58,376**	**102,611**	**152,606**
D&A	(9,629)	(9,834)	(15,159)	(23,750)	(30,990)
Adj. EBIT	**23,386**	**29,801**	**43,217**	**78,860**	**121,616**
Net Interest	2,190	1,571	2,044	2,689	5,293
Adj. PBT	**26,863**	**31,120**	**45,670**	**81,549**	**126,309**
Tax	(7,377)	(7,343)	(10,417)	(18,756)	(29,051)
Minority Interest	130	143	147	147	147
Adj. Net Income	**19,356**	**23,634**	**35,106**	**62,646**	**97,111**
Reported EPS	41.68	11.40	16.98	30.22	46.85
Adj. EPS	**41.68**	**11.40**	**16.98**	**30.22**	**46.85**
DPS	**16.34**	**5.01**	**3.42**	**5.08**	**9.07**
Payout ratio	39.2%	43.9%	20.1%	16.8%	19.4%
Shares outstanding	464	2,073	2,068	2,073	2,073

Balance Sheet & Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	61,118	81,473	76,295	109,807	161,309
Accounts receivable	25,032	30,510	46,034	61,462	80,484
Inventories	27,823	31,636	62,542	83,430	109,200
Other current assets	44,315	21,727	30,319	41,186	54,094
Current assets	**158,288**	**165,346**	**215,191**	**295,885**	**405,086**
PP&E	66,410	65,305	59,075	55,234	52,075
LT investments	-	-	-	-	-
Other non current assets	141,978	160,139	163,242	163,242	163,242
Total assets	**366,676**	**390,789**	**437,508**	**514,362**	**620,402**
Short term borrowings	70,633	86,196	100,882	110,305	121,554
Payables	15,003	18,031	21,220	23,528	26,742
Other short term liabilities	28,342	31,852	46,853	63,084	82,524
Current liabilities	**113,978**	**136,079**	**168,955**	**196,917**	**230,820**
Long-term debt	70,578	62,088	62,812	62,812	62,812
Other long term liabilities	19,566	18,626	19,184	19,760	20,353
Total liabilities	**204,123**	**216,793**	**250,952**	**279,489**	**313,984**
Shareholders' equity	160,461	170,878	184,328	232,644	304,190
Minority interests	2,092	3,119	2,228	2,228	2,228
Total liabilities & equity	**366,676**	**390,789**	**437,508**	**514,362**	**620,402**
BVPS	**345.51**	**82.43**	**89.13**	**112.23**	**146.74**
y/y Growth	*6.6%*	*(76.1%)*	*8.1%*	*25.9%*	*30.8%*
Net debt/(cash)	80,093	66,811	87,399	63,310	23,058
Cash flow from operating activities	**10,823**	**49,937**	**(1,422)**	**41,668**	**73,763**
o/w Depreciation & amortization	9,629	9,834	15,159	23,750	30,990
o/w Changes in working capital	(18,293)	16,326	(51,834)	(44,875)	(54,485)
Cash flow from investing activities	**(10,814)**	**(18,419)**	**(9,423)**	**(10,000)**	**(10,000)**
o/w Capital expenditure	(10,814)	(18,419)	(9,423)	(10,000)	(10,000)
as % of sales	*8.9%*	*13.9%*	*5.5%*	*4.2%*	*3.2%*
Cash flow from financing activities	**1,868**	**(4,158)**	**8,879**	**(534)**	**(6,969)**
o/w Dividends paid	(8,385)	(10,284)	(7,090)	(10,532)	(18,794)
o/w Net debt issued/(repaid)	5,904	7,073	15,410	9,423	11,249
Net change in cash	**1,876**	**27,361**	**(1,967)**	**31,134**	**56,794**
Adj. Free cash flow to firm	**4,177**	**43,881**	**(10,147)**	**31,668**	**63,763**
y/y Growth	*(71.4%)*	*950.6%*	*(123.1%)*	*(412.1%)*	*101.3%*

Income Statement - Quarterly	1Q26A	2Q26E	3Q26E	4Q26E
Revenue	**38,166**	**40,809**	**45,517**	**46,673**
COGS	(20,953)	(21,959)	(23,529)	(23,935)
Gross profit	**14,542**	**15,141**	**17,666**	**18,281**
SG&A	(4,035)	(4,455)	(4,888)	(4,970)
Adj. EBITDA	**12,284**	**13,407**	**16,018**	**16,667**
D&A	(2,671)	(3,709)	(4,322)	(4,457)
Adj. EBIT	**9,613**	**9,698**	**11,695**	**12,210**
Net Interest	303	834	485	422
Adj. PBT	**10,325**	**10,532**	**12,181**	**12,632**
Tax	(2,287)	(2,422)	(2,802)	(2,905)
Minority Interest	37	37	37	37
Adj. Net Income	**8,001**	**8,073**	**9,342**	**9,690**
Reported EPS	3.90	3.89	4.51	4.67
Adj. EPS	**3.90**	**3.89**	**4.51**	**4.67**
DPS	**0.00**	**0.00**	**3.42**	**0.00**
Payout ratio	0.0%	0.0%	75.9%	0.0%
Shares outstanding	2,054	2,073	2,073	2,073

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	34.4%	36.2%	38.3%	45.7%	51.3%
EBITDA margin	27.1%	29.8%	34.1%	42.7%	48.8%
EBIT margin	19.2%	22.4%	25.2%	32.8%	38.9%
Net profit margin	15.9%	17.8%	20.5%	26.0%	31.0%
ROE	13.1%	14.3%	19.8%	30.0%	36.2%
ROA	5.5%	6.2%	8.5%	13.2%	17.1%
ROCE	5.9%	7.3%	10.0%	16.1%	20.9%
SG&A/Sales	12.3%	11.2%	10.7%	10.6%	10.2%
Net debt/equity	0.5	0.4	0.5	0.3	0.1
P/E (x)	19.0	69.3	46.5	26.1	16.9
P/BV (x)	2.3	9.6	8.9	7.0	5.4
EV/EBITDA (x)	3.2	6.7	4.9	2.6	1.5
Dividend Yield	2.1%	0.6%	0.4%	0.6%	1.1%
Sales/Assets (x)	0.3	0.4	0.4	0.5	0.6
Interest cover (x)	NM	NM	NM	NM	NM
Operating leverage	110.7%	296.3%	156.5%	203.6%	180.2%
Revenue y/y Growth	13.1%	9.3%	28.8%	40.5%	30.1%
EBITDA y/y Growth	13.2%	20.1%	47.3%	75.8%	48.7%
Tax rate	27.5%	23.6%	22.8%	23.0%	23.0%
Adj. Net Income y/y Growth	11.1%	22.1%	48.5%	78.4%	55.0%
EPS y/y Growth	(0.1%)	(72.6%)	48.9%	78.0%	55.0%
DPS y/y Growth	133.0%	(69.4%)	(31.7%)	48.5%	78.4%

Source: Company reports and J.P. Morgan estimates.
Note: NT$ in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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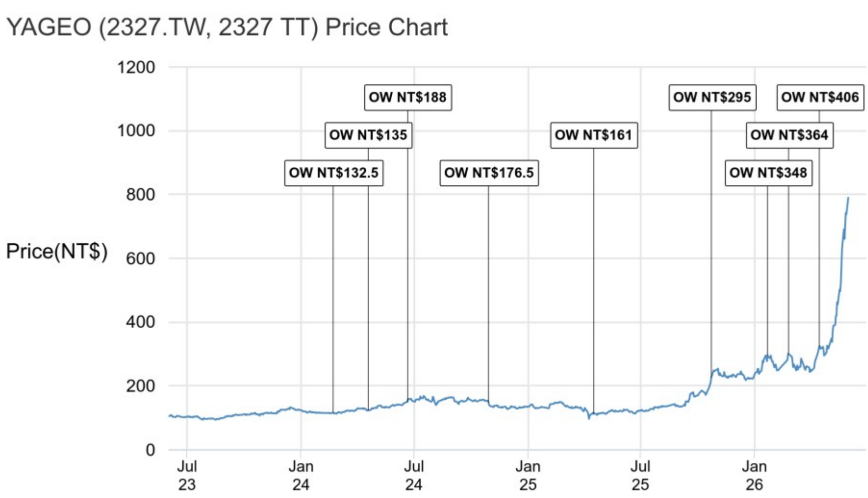

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Oct 17, 2001. All share prices are as of market close on the previous business day.

Date	Rating	Price (NT$)	Price Target (NT$)
22-Feb-24	OW	116.33	132.5
18-Apr-24	OW	124.08	135
21-Jun-24	OW	149.60	188
30-Oct-24	OW	147.75	176.5
17-Apr-25	OW	112.50	161
24-Oct-25	OW	226.00	295
23-Jan-26	OW	296.00	348
26-Feb-26	OW	300.00	364
16-Apr-26	OW	322.00	406

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