Morgan Stanley | RESEARCH

UPDATE

June 1, 2026 12:05 PM GMT

Powerchip Semiconductor Manufacturing Co | Asia Pacific

Profitability turnaround in April

Turning profitable in April: Powerchip reported Apr 2026 net profit of NT$552mn, +243.46% Y/Y; April 2026 EPS of NT$0.13, +244.44% Y/Y. Apr 2026 net margin was 10.94%. This is not comparable to 1Q26 net margin, which was skewed by NT $20.1bn gains from the Fab P5 disposal and NT$5.5bn related impairments booked in 1Q. Excluding these gains and impairments, 1Q26 net margin would be -2.7%. Therefore, April's profit reflects the company actually turning profitable excluding one-off items. The 10.94% margin is also stronger than our 2Q26e net margin estimate of 7.1%. April EPS of NT$0.13 represents 66% of our 2Q26e EPS estimate of NT$0.29.

Reiterate OW: we believe Powerchip is a beneficiary of mature node up-cycle and EMIB supply chain. The company's improved profitability reflects its ability to benefit from the mature mode up-cycle, and the volume ramp-up of the company's Si-SiCap production as the foundry partner of AP Memory.

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Powerchip Semiconductor Manufacturing Co (6770.TW, 6770 TT)

Greater China Technology Semiconductors | Taiwan

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	NT$88.00
Up/downside to price target (%)	1
Shr price, close (Jun 1, 2026)	NT$87.00
52-Week Range	NT$94.50-14.50
Sh out, dil, curr (mn)	4,188
Mkt cap, curr (mn)	NT$364,349
EV, curr (mn)	NT$351,572
Avg daily trading value (mn)	NT$6,994

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e

EPS (NT$)**	(1.87)	4.64	3.78	4.43
Prior EPS (NT$)**	-	-	-	-
EPS (NT$)§	(1.89)	5.37	4.12	4.43
Revenue, net (NT$ mn)	46,730	73,014	89,835	91,960
EBITDA (NT$ mn)	(309)	13,009	27,573	29,481
ModelWare net inc (NT$ mn)	(11,444)	4,364	16,395	19,420
P/E	NM	88.7	24.7	20.9
P/BV	2.0	2.1	1.7	1.4
RNOA (%)	(8.7)	5.9	39.8	53.3
ROE (%)	(12.9)	5.3	8.4	8.2
EV/EBITDA	NM	17.8	6.8	4.7
Div yld (%)	0.0	-	-	-
FCF yld ratio (%)**	4.7	26.2	12.4	12.7
Leverage (EOP) (%)	(15.6)	(80.7)	(85.8)	(89.0)

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

Valuation Methodology and Risks

Powerchip Semiconductor Manufacturing Co (6770.TW)

Base case, 2.1x 2026e P/B. This method is in line with our approach for Greater China memory IDM players, in view of the industry's high volatility. Our 2.1x target P/B is higher than the historical average of 1.5x since 2021, reflecting our optimistic view on improved pricing and utilization.

Risks to Upside

- Pricing power is sustained in 2026.
- Listing on main board attracts investment fund flows.
- Aluminum process enjoys higher margins.

Risks to Downside

- Competition from China intensifies.
- Price erosion is faster than expected.
- Demand from consumer electronics clients weakens further.
- Inventory in the supply chain takes longer to digest.

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(as of May 31, 2026)

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Overweight/Buy	1542	42%	465	51%	30%	707	43%
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	

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

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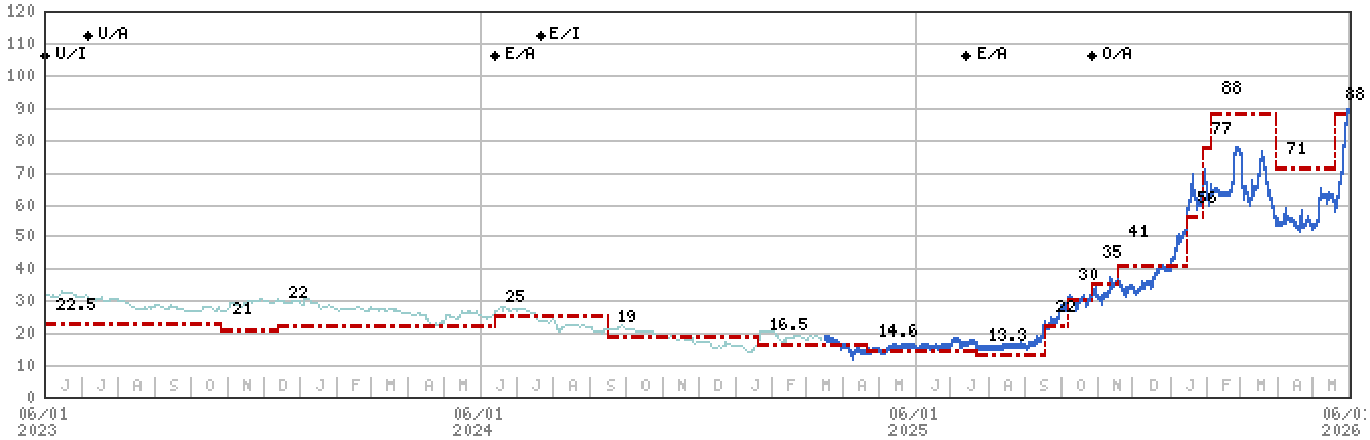
Stock Price, Price Target and Rating History (See Rating Definitions)

Powerchip Semiconductor Manufacturing Co (6770.TW) - As of 06/01/26 GMT in TWD
Industry : Greater China Technology Semiconductors



Stock Rating History: 7/12/21 : U/I; 10/12/21 : U/C; 10/4/22 : U/A; 2/22/23 : U/I; 7/7/23 : U/A; 6/13/24 : E/A; 7/21/24 : E/I; 7/14/25 : E/A; 10/27/25 : O/A

Price Target History: 7/12/21 : 58; 9/14/21 : 57; 3/28/22 : 53; 4/12/22 : 49; 6/21/22 : 40; 7/1/22 : 35; 7/15/22 : 33; 8/30/22 : 27; 10/13/22 : 23.5; 12/14/22 : 22.5; 10/27/23 : 21; 12/13/23 : 22; 6/13/24 : 25; 9/15/24 : 19; 1/20/25 : 16.5; 4/22/25 : 14.6; 7/23/25 : 13.3; 9/18/25 : 22; 10/7/25 : 30; 10/27/25 : 35; 11/18/25 : 41; 1/16/26 : 56; 1/28/26 : 77; 2/5/26 : 88; 3/31/26 : 71; 5/19/26 : 88

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INDUSTRY COVERAGE: Greater China Technology Semiconductors

COMPANY (TICKER)	RATING (AS OF)	PRICE* (06/01/2026)
Charlie Chan		
ACM Research Inc (ACMR.O)	O (03/07/2023)	US$86.56
Advanced Micro-Fabrication Equipment Inc (688012.SS)	O (11/06/2023)	Rmb273.00
Advanced Wireless Semiconductor Co (8086.TWO)	U (07/14/2025)	NT$166.00
Alchip Technologies Ltd (3661.TW)	O (05/14/2021)	NT$4,855.00
ASE Technology Holding Co. Ltd. (3711.TW)	O (09/15/2024)	NT$601.00
Cambricon Technology Corporation (688256.SS)	O (04/27/2026)	Rmb1,238.00
Global Unichip Corp (3443.TW)	E (05/28/2026)	NT$4,655.00
GlobalWafers Co Ltd (6488.TWO)	E (05/19/2026)	NT$950.00
Gudeng Precision (3680.TWO)	O (11/25/2025)	NT$536.00
Hua Hong Semiconductor Ltd (1347.HK)	E (03/12/2026)	HK$152.30
Iluvatar CoreX Semiconductor Co., Ltd. (9903.HK)	O (04/27/2026)	HK$450.20
King Yuan Electronics Co Ltd (2449.TW)	O (03/03/2023)	NT$318.00
Maxscend Microelectronics Co Ltd (300782.SZ)	U (01/11/2021)	Rmb100.35
MediaTek (2454.TW)	O (11/28/2025)	NT$4,555.00
MetaX Integrated Circuits (688802.SS)	E (04/27/2026)	Rmb637.60
Nanya Technology Corp. (2408.TW)	O (05/28/2026)	NT$381.50
NAURA Technology Group Co Ltd (002371.SZ)	O (11/06/2023)	Rmb589.89
OmniVision Integrated Circuits Group Inc (603501.SS)	E (11/17/2025)	Rmb92.23
Phison Electronics Corp (8299.TWO)	E (02/25/2026)	NT$2,770.00
SG Micro Corp. (300661.SZ)	E (11/03/2025)	Rmb105.66
Silergy Corp. (6415.TW)	U (05/19/2026)	NT$606.00
SMIC (0981.HK)	O (10/21/2025)	HK$79.45
TSMC (2330.TW)	O (02/07/2022)	NT$2,355.00
UMC (2303.TW)	O (05/19/2026)	NT$146.00
Vanguard International Semiconductor (5347.TWO)	E (01/14/2026)	NT$179.00
WIN Semiconductors Corp (3105.TWO)	U (07/14/2025)	NT$530.00

Daisy Dai, CFA		
ASMPT Ltd (0522.HK)	O (07/24/2025)	HK$185.70
China Resources Microelectronics Limited (688396.SS)	U (03/02/2026)	Rmb65.60
Elan Microelectronics Corp (2458.TW)	O (10/03/2025)	NT$167.00
Empyrean Technology Co Ltd (301269.SZ)	E (01/17/2025)	Rmb105.75
Hangzhou Silan Microelectronics Co. Ltd. (600460.SS)	U (08/25/2025)	Rmb32.80
Innoscience (2577.HK)	E (10/13/2025)	HK$67.40
JCET Group Co Ltd (600584.SS)	E (01/16/2026)	Rmb75.65
Shanghai Fudan Microelectronics (1385.HK)	O (03/07/2025)	HK$32.46
SICC Co Ltd (688234.SS)	O (03/20/2026)	Rmb135.98
StarPower Semiconductor Ltd (603290.SS)	E (05/14/2026)	Rmb117.11
Unigroup Guoxin Microelectronics Co Ltd (002049.SZ)	U (01/10/2023)	Rmb76.51
Universal Scientific Ind. (Shanghai) (601231.SS)	O (11/05/2025)	Rmb40.34
Yangjie Technology (300373.SZ)	O (06/10/2022)	Rmb99.25
Daniel Yen, CFA		
AP Memory Technology Corp (6531.TW)	O (07/11/2025)	NT$1,125.00
ASMedia Technology Inc (5269.TW)	U (10/03/2025)	NT$1,520.00
Aspeed Technology (5274.TWO)	O (06/09/2025)	NT$18,500.00
Egis Technology Inc (6462.TWO)	E (01/28/2026)	NT$123.00
Espressif Systems (688018.SS)	O (05/15/2023)	Rmb164.78
GigaDevice Semiconductor Beijing Inc (603986.SS)	O (05/15/2025)	Rmb468.00
Macronix International Co Ltd (2337.TW)	O (09/18/2025)	NT$167.50
Montage Technology Co Ltd (6809.HK)	O (03/18/2026)	HK$372.40
Montage Technology Co Ltd (688008.SS)	O (03/18/2026)	Rmb232.30
Novatek (3034.TW)	U (02/04/2026)	NT$496.50
Nuvoton Technology Corporation (4919.TW)	U (11/10/2025)	NT$208.00
Parade Technologies Ltd (4966.TWO)	O (05/27/2026)	NT$859.00
Powerchip Semiconductor Manufacturing Co (6770.TW)	O (10/27/2025)	NT$87.00
Realtek Semiconductor (2379.TW)	E (01/30/2026)	NT$609.00
Shenzhen Goodix Technology Co Ltd (603160.SS)	U (07/14/2025)	Rmb57.04
Winbond Electronics Corp (2344.TW)	O (05/28/2026)	NT$168.00
WPG Holdings (3702.TW)	O (03/16/2026)	NT$118.50
WT Microelectronics Co. Ltd. (3036.TW)	O (01/27/2026)	NT$287.50
Duan Liu		
Dosilicon Co Ltd (688110.SS)	U (09/06/2024)	Rmb125.53
Shenzhen Longsys Electronics Co Ltd (301308.SZ)	E (02/25/2026)	Rmb505.80
Tiffany Yeh		
AllRing Tech Co. (6187.TWO)	O (09/23/2025)	NT$1,070.00
FOCI Fiber Optic Communications Inc (3363.TWO)	O (01/15/2025)	NT$809.00
Himax Technologies Inc (HIMX.O)	E (02/04/2026)	US$20.57
Hon Precision (7769.TW)	O (04/17/2026)	NT$7,515.00
MPI Corporation (6223.TWO)	O (04/17/2026)	NT$5,680.00
Silicon Motion (SIMO.O)	O (05/06/2024)	US$276.87
WinWay Technology Co Ltd (6515.TW)	O (04/17/2026)	NT$8,705.00

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

* Historical prices are not split adjusted.