08 Jun 2026 14:04:50 ET | 14 pages

Gold Circuit Electronics (2368.TW)

Record monthly sales backed by robust demand; Buy

CITI'S TAKE

Gold Circuit saw strong April–May sales driven by a better product mix (i.e., networking), higher ASP, and likely some new capacity ramp, in our view. We expect stronger sales momentum in the coming months given the start of production ramp for its existing ASIC customer. Given its market share gain in 2026, we expect GCE's plants to be fully utilized in the coming quarters. Further, the company sees a high likelihood of supplying a new ASIC customer, which we view as an important growth driver for 2027. We believe GCE's aggressive capacity expansion will help it capture more AI demand. Reiterate Buy with higher TP of NT$1,740 (26x 2027E EPS).

Strong sales uptick— GCE reported NT$8.8bn sales in May (+88% YoY, +20% MoM), driven in our view by ASP hike, enhanced product mix, and some sales delayed from April. Combined April and May sales account for c.70% of our 2Q26 Citi/consensus forecasts. Going forward, we believe the company could fully reflect the CCL price hike on end-customers given its leading PCB player position and tight capacity.

ASIC demand ramping up; potential new customer from 4Q26 — We expect existing ASIC demand to start ramping up in late 2Q26, with more meaningful contribution from 3Q26. GCE will likely leverage its Thailand plant to support the ASIC demand. We expect the company to gain market share at its existing ASIC customer. Management also sees a high likelihood of securing a new AI ASIC customer starting 4Q26. The company could supply its AI ASIC mainboard with >30L layer count design.

Continued capacity ramp to catch up with demand — This year, GCE is taking measures to debottleneck and ramp up additional capacity in Taiwan and Thailand. We also see it aiming to ramp up with one greenfield plant each year in 2027/28/29E across Thailand, China, and Taiwan. Despite the three plants currently planned, management thinks overall capacity is still not able to fulfill customer demand.

Earnings/TP upward revisions; higher TP NT$1,740 — We raise our 2026/27/28E earnings by 4%/4%/6% to reflect strong sales and enhanced product mix. We raise our TP to NT$1,740 (26x 2027E EPS) from NT$1,650 (26x 2027E EPS). We believe the high PE multiple of 26x is justified by GCE's market share gain with its existing ASIC customer and potential to secure a new ASIC customer. Reiterate Buy.

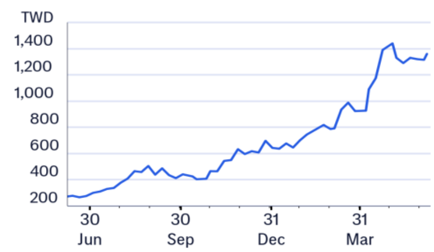
Earnings Summary

Year to 31 Dec	Net Profit (NT$M)	Diluted EPS (NT$)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	5,616	11.11	53.6	122.4	32.2	29.4	0.3
2025A	9,607	18.98	70.9	71.6	20.6	35.1	0.4
2026E	19,840	39.21	106.6	34.7	12.9	45.7	0.7
2027E	33,399	66.00	68.3	20.6	7.9	47.7	1.4
2028E	45,623	90.16	36.6	15.1	5.2	41.7	2.4

Source: Powered by dataCentral

Buy	
Price (08 Jun 26 13:30)	NT$1,360.00
Target price	NT$1,740.00↑
from NT$1,650.00	
Expected share price return	27.9%
Expected dividend yield	0.7%
Expected total return	28.7%
Market Cap	NT$703,184M
	US$22,349M

Price Performance (RIC: 2368.TW, BB: 2368 TT)



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See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

2368.TW: Fiscal year end 31-Dec

Price: NT$1,360.00; TP: NT$1,740.00; Market Cap: NT$703,184m; Recomm: Buy

Profit & Loss (NT$m)	2024	2025	2026E	2027E	2028E
Sales revenue	38,952	60,004	99,046	146,911	192,448
Cost of sales	-27,556	-40,321	-62,234	-87,491	-112,470
Gross profit	11,396	19,683	36,812	59,420	79,978
Gross Margin (%)	29.3	32.8	37.2	40.4	41.6
EBITDA (Adj)	**9,118**	**15,327**	**31,792**	**53,816**	**72,977**
EBITDA Margin (Adj) (%)	23.4	25.5	32.1	36.6	37.9
Depreciation	-1,051	-1,284	-2,932	-5,492	-6,825
Amortisation	0	0	0	0	0
EBIT (Adj)	**8,067**	**14,043**	**28,860**	**48,324**	**66,152**
EBIT Margin (Adj) (%)	20.7	23.4	29.1	32.9	34.4
Net interest	78	55	122	272	272
Associates	-340	-79	0	0	0
Non-Op/Except/Other Adj	685	154	-88	50	50
Pre-tax profit	**8,490**	**14,173**	**28,894**	**48,646**	**66,474**
Tax	-2,875	-4,567	-9,054	-15,247	-20,851
Extraord./Min.Int./Pref.div.	0	0	0	0	0
Reported net profit	**5,616**	**9,607**	**19,840**	**33,399**	**45,623**
Net Margin (%)	14.4	16.0	20.0	22.7	23.7
Core NPAT	5,616	9,607	19,840	33,399	45,623
Per share data	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Reported EPS ($)	11.11	18.98	39.21	66.00	90.16
Core EPS ($)	11.11	18.98	39.21	66.00	90.16
DPS ($)	3.46	5.72	10.00	19.43	32.71
CFPS ($)	10.96	4.60	24.88	63.48	87.13
FCFPS ($)	0.81	-8.71	-9.71	39.76	63.42
BVPS ($)	42.17	66.16	105.37	171.37	261.53
Wtd avg ord shares (m)	487	491	493	493	493
Wtd avg diluted shares (m)	505	506	506	506	506
Growth rates	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Sales revenue (%)	29.6	54.0	65.1	48.3	31.0
EBIT (Adj) (%)	57.1	74.1	105.5	67.4	36.9
Core NPAT (%)	59.1	71.1	106.5	68.3	36.6
Core EPS (%)	53.6	70.9	106.6	68.3	36.6
Balance Sheet (NT$m)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Cash & cash equiv.	9,185	18,114	22,222	46,721	87,107
Accounts receivables	13,401	27,001	42,165	52,667	65,420
Inventory	7,900	9,747	14,365	17,787	21,835
Net fixed & other tangibles	12,779	19,121	32,408	38,917	38,372
Goodwill & intangibles	257	284	284	284	284
Financial & other assets	1,062	1,478	2,329	2,917	3,632
Total assets	**44,584**	**75,746**	**113,774**	**159,294**	**216,651**
Accounts payable	8,268	11,029	16,690	20,886	25,848
Short-term debt	2,722	5,937	5,937	5,937	5,937
Long-term debt	4,531	11,875	19,614	23,992	26,568
Provisions & other liab	7,751	13,425	18,212	21,759	25,955
Total liabilities	**23,272**	**42,265**	**60,453**	**72,574**	**84,308**
Shareholders' equity	21,312	33,481	53,321	86,720	132,343
Minority interests	0	0	0	0	0
Total equity	**21,312**	**33,481**	**53,321**	**86,720**	**132,343**
Net debt (Adj)	**-1,931**	**-303**	**3,329**	**-16,792**	**-54,602**
Net debt to equity (Adj) (%)	-9.1	-0.9	6.2	-19.4	-41.3

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	na	71.6	34.7	20.6	15.1
PB (x)	32.2	20.6	12.9	7.9	5.2
EV/EBITDA (x)	76.9	45.8	22.2	12.9	9.1
FCF yield (%)	0.1	-0.6	-0.7	2.9	4.7
Dividend yield (%)	0.3	0.4	0.7	1.4	2.4
Payout ratio (%)	31	30	26	29	36
ROE (%)	29.4	35.1	45.7	47.7	41.7
Cashflow (NT$m)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
EBITDA	9,118	15,327	31,792	53,816	72,977
Working capital	-1,129	-8,564	-10,184	-6,770	-8,358
Other	-2,451	-4,437	-9,020	-14,925	-20,529
Operating cashflow	**5,538**	**2,327**	**12,588**	**32,121**	**44,091**
Capex	-5,131	-6,733	-17,500	-12,000	-12,000
Net acq/disposals	-263	-66	1,281	0	0
Other	0	0	0	0	0
Investing cashflow	**-5,394**	**-6,799**	**-16,219**	**-12,000**	**-12,000**
Dividends paid	-1,703	-2,920	-5,105	-9,920	-16,700
Financing cashflow	**1,879**	**14,186**	**7,739**	**4,378**	**2,576**
Net change in cash	**2,023**	**9,714**	**4,107**	**24,499**	**34,667**
Free cashflow to s/holders	**407**	**-4,407**	**-4,912**	**20,121**	**32,091**

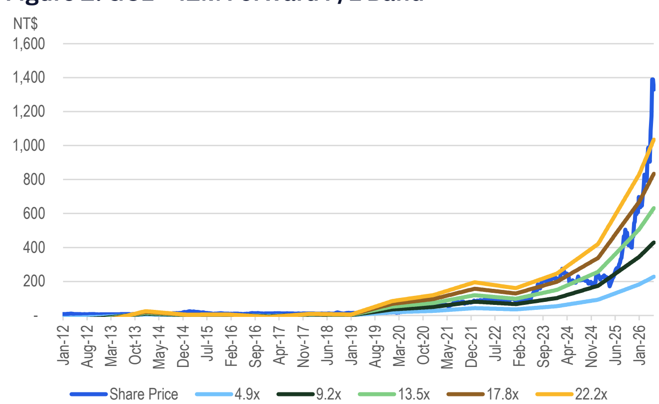
For definitions of the items in this table, please click here.

Figure 1. GCE – Earnings Revisions

	2Q26E			3Q26E			2026E			2027E			2028E		
(NT$mn)	**New**	**Old**	**Chg.**	**New**	**Old**	**Chg.**	**New**	**Old**	**Chg.**	**New**	**Old**	**Chg.**	**New**	**Old**	**Chg.**
Sales	24,427	22,804	7%	27,807	26,838	4%	99,046	95,067	4%	146,911	142,815	3%	192,448	185,148	4%
Sequential growth (%)	26%	18%		14%	18%		65%	58%		48%	50%		31%	30%	
Gross profit	8,943	8,320	7%	10,592	10,205	4%	36,812	35,247	4%	59,420	57,335	4%	79,978	75,817	5%
Opex	1,946	1,814	7%	2,220	2,141	4%	7,953	7,628	4%	11,096	10,783	3%	13,826	13,298	4%
Operating profit	6,997	6,505	8%	8,373	8,063	4%	28,860	27,619	4%	48,324	46,552	4%	66,152	62,519	6%
Pre-tax profit	7,035	6,543	8%	8,420	8,110	4%	28,894	27,653	4%	48,646	46,874	4%	66,474	62,841	6%
Net income	4,784	4,450	8%	5,810	5,596	4%	19,840	18,988	4%	33,399	32,190	4%	45,623	43,133	6%
EPS (NT$)	9.45	8.79	8%	11.48	11.06	4%	39.21	37.52	4%	66.00	63.61	4%	90.16	85.24	6%
Gross margin (%)	36.6%	36.5%	+0.1 ppt	38.1%	38.0%	+0.1 ppt	37.2%	37.1%	+0.1 ppt	40.4%	40.1%	+0.3 ppt	41.6%	40.9%	+0.6 ppt
Opex ratio (%)	8.0%	8.0%	+0.0 ppt	8.0%	8.0%	+0.0 ppt	8.0%	8.0%	+0.0 ppt	7.6%	7.6%	+0.0 ppt	7.2%	7.2%	+0.0 ppt
Operating margin (%)	28.6%	28.5%	+0.1 ppt	30.1%	30.0%	+0.1 ppt	29.1%	29.1%	+0.1 ppt	32.9%	32.6%	+0.3 ppt	34.4%	33.8%	+0.6 ppt
Net margin (%)	19.6%	19.5%	+0.1 ppt	20.9%	20.9%	+0.0 ppt	20.0%	20.0%	+0.1 ppt	22.7%	22.5%	+0.2 ppt	23.7%	23.3%	+0.4 ppt

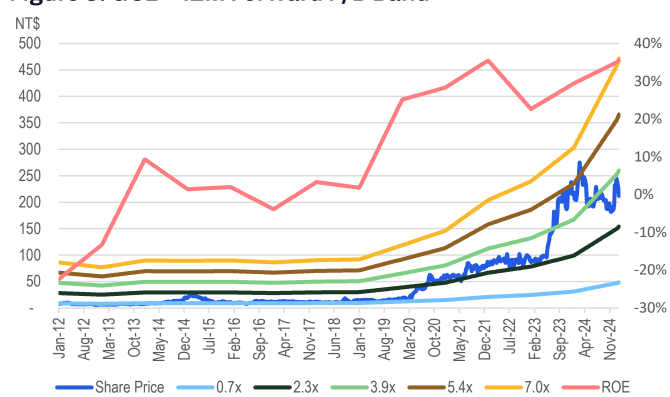
Source: Citi Research Estimates

Figure 2. GCE – 12M Forward P/E Band



Source: dataCentral, Citi Research

Figure 3. GCE – 12M Forward P/B Band



Source: dataCentral, Citi Research

Figure 4. GCE – Forecast Summary

GCE	2026				2027															
(NT$ in Mn, year-end Dec)	1Q	2QE	3QE	4QE	1QE	2QE	3QE	4QE	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Revenue	19,313	24,427	27,807	27,499	32,684	36,210	39,108	38,909	19,166	20,596	18,991	23,398	26,607	32,785	30,044	38,952	60,004	99,046	146,911	192,448
COGS	-12,590	-15,484	-17,215	-16,944	-19,579	-21,663	-23,195	-23,054	-17,283	-17,596	-16,500	-18,108	-20,236	-24,057	-22,320	-27,556	-40,321	-62,234	-87,491	-112,470
Depreciation costs	-469	-599	-752	-906	-1,080	-1,230	-1,341	-1,453	-942	-887	-754	-615	-653	-743	-821	-960	-1,195	-2,725	-5,104	-6,343
Gross Profit	6,722	8,943	10,592	10,555	13,105	14,547	15,913	15,855	1,883	3,000	2,491	5,291	6,371	8,728	7,724	11,396	19,683	36,812	59,420	79,978
Operating Expense	-1,538	-1,946	-2,220	-2,250	-2,516	-2,755	-2,939	-2,885	-1,963	-2,226	-1,821	-2,217	-2,249	-2,691	-2,588	-3,329	-5,640	-7,953	-11,096	-13,826
SG&A expenses	-1,223	-1,514	-1,724	-1,760	-1,961	-2,136	-2,307	-2,296	-1,404	-1,462	-1,285	-1,575	-1,673	-1,948	-1,866	-2,342	-4,430	-6,221	-8,700	-10,777
R&D expenses	-348	-464	-528	-522	-588	-652	-665	-623	-420	-474	-471	-533	-623	-718	-803	-974	-1,256	-1,863	-2,527	-3,180
EBIT	5,185	6,997	8,373	8,306	10,589	11,792	12,973	12,970	-80	774	669	3,074	4,123	6,037	5,136	8,067	14,043	28,860	48,324	66,152
Net Interest Income	28	26	34	34	58	66	74	74	-219	-258	-213	-147	-51	-27	78	78	55	122	272	272
Net Other Income	-125	12	13	12	13	12	13	12	37	-196	-186	-229	-23	379	3	345	75	-88	50	50
Pre-Tax Profit	5,088	7,035	8,420	8,352	10,660	11,870	13,060	13,056	-263	320	270	2,698	4,049	6,388	5,218	8,490	14,173	28,894	48,646	66,474
Tax	-1,604	-2,251	-2,610	-2,589	-3,614	-3,798	-3,918	-3,917	-6	-92	-140	-631	-1,122	-1,820	-1,689	-2,875	-4,567	-9,054	-15,247	-20,851
Net Profit	3,484	4,784	5,810	5,763	7,046	8,072	9,142	9,139	-269	229	130	2,067	2,927	4,568	3,529	5,616	9,607	19,840	33,399	45,623
EPS (NT$)	6.88	9.45	11.48	11.39	13.92	15.95	18.07	18.06	-0.50	0.42	0.24	3.81	5.40	8.80	7.23	11.11	18.98	39.21	66.00	90.16
Sequential Growth (%)																				
Networking	12%	-3%	8%	-3%	34%	-2%	10%	0%	-12%	42%	-30%	18%	3%	30%	-25%	12%	59%	79%	39%	27%
Server	21%	34%	15%	0%	19%	13%	8%	0%	-7%	5%	8%	28%	11%	48%	-3%	40%	67%	70%	54%	34%
NB	-2%	45%	14%	-9%	-10%	12%	14%	-2%	23%	-12%	-8%	12%	25%	-16%	-13%	-15%	25%	19%	13%	0%
Others	18%	10%	1%	-12%	1%	12%	1%	-12%	14%	-6%	-8%	41%	28%	-32%	3%	83%	-29%	11%	0%	0%
Margins (%)																				
Gross Margin	34.8%	36.6%	38.1%	38.4%	40.1%	40.2%	40.7%	40.7%	9.8%	14.6%	13.1%	22.6%	23.9%	26.6%	25.7%	29.3%	32.8%	37.2%	40.4%	41.6%
Operating Margin	26.8%	28.6%	30.1%	30.2%	32.4%	32.6%	33.2%	33.3%	-0.4%	3.8%	3.5%	13.1%	15.5%	18.4%	17.1%	20.7%	23.4%	29.1%	32.9%	34.4%
Net Margin	18.0%	19.6%	20.9%	21.0%	21.6%	22.3%	23.4%	23.5%	-1.4%	1.1%	0.7%	8.8%	11.0%	13.9%	11.7%	14.4%	16.0%	20.0%	22.7%	23.7%
Sequential Growth (%)																				
Revenue	18%	26%	14%	-1%	19%	11%	8%	-1%	0%	7%	-8%	23%	14%	23%	-8%	30%	54%	65%	48%	31%
Gross Profit	22%	33%	18%	0%	24%	11%	9%	0%	-28%	59%	-17%	112%	20%	37%	-12%	48%	73%	87%	61%	35%
EBIT	30%	35%	20%	-1%	27%	11%	10%	0%	-111%	-1066%	-13%	359%	34%	46%	-15%	57%	74%	106%	67%	37%
Net Profit	19%	37%	21%	-1%	22%	15%	13%	0%	-287%	-185%	-43%	1493%	42%	56%	-23%	59%	71%	107%	68%	37%
EPS	19%	37%	21%	-1%	22%	15%	13%	0%	-289%	-185%	-43%	1490%	42%	63%	-18%	54%	71%	107%	68%	37%

Source: Citi Research Estimates, Company Reports

Bull/Bear: Gold Circuit Electronics (2368.TW)

NT$1,800.00 ▲32% Upside	NT$1,740.00 ▲28% Upside	NT$1,100.00 ▼19% Downside

Spread 51pp
Current Price and expected returns (upside/downside) as of 08 Jun 2026

BULL Assumptions

- Penetration into more switch board/UBB/OAM businesses of US CSPs.
- Better efficiency of its Thailand plant.

BASE Assumptions

- Revenue YoY growth of +65%/+48% in 2026/27E.
- GM at 37.2%/40.4% in 2026/27E.

BEAR Assumptions

- Share loss to its peers in switch board/UBB/OAM businesses of US CSPs.
- Poor efficiency of its Thailand plant.

Gold Circuit Electronics

Company description

Founded in 1981, Gold Circuit Electronics (GCE) is a Taiwanese company specializing in the production of printed circuit board (PCB) including double-sided PCB, multi-layer PCB, and HDI. GCE's products primarily focus on applications of servers, networking, laptops, base stations, mobile phones, and tablets. The company is known for its high-layer count design capabilities (maximum layer count: +50L) in the PCB industry, which help it to penetrate into more high-end applications such as AI servers and 400G networking. Currently, server/networking accounts for +70% of its total sales. The company has four plants, with one located in Taiwan and the other three in China, and plans to build one plant in Thailand.

Investment strategy

We rate GCE a Buy as we believe its high-tech capabilities in server/networking design will allow it to catch more AI opportunities from US CSPs or US IC designers in the AI boom cycle. We expect its rising sales exposure toward high-end applications with better margins and improving UTR to drive its margin going forward. In our view, geopolitical tensions should benefit non-China suppliers more, which would prevent GCE from fierce ASP competition from China PCB peers.

Valuation

Our TP of NT$1,740 for GCE is based on 26x our 2027E EPS estimate, which is higher than 22x or +2std level of its 1-year-forward PE over the past three years. We believe the 26x multiple is justified by GCE's high AI server/networking sales exposure, market share gain in existing ASIC customer and new AI ASIC customer wins from 4Q26, which drives its AI ASIC sales growth and margin profile. Recall that TSMC expects close to a 50%+ CAGR in the next five years for its AI-related demand, which is stronger than any other applications. Thus, we believe investors would be willing to pay for high-growth AI names (especially ASIC) with high PE multiples. Our target price is equivalent to 44x/26x our 2026/27E EPS estimates and 16.7x/10.2x our 2026/27E BVPS.

Risks

Key downside risks that could prevent the shares from reaching our target price include: 1) weaker-than-expected server recovery; 2) slower ramp-up pace of new server platform; 3) less-than-expected AI demand; 4) more PCB peers added into AI supply chain; and 5) stricter practice of China+1 by customers due to geopolitical concerns.

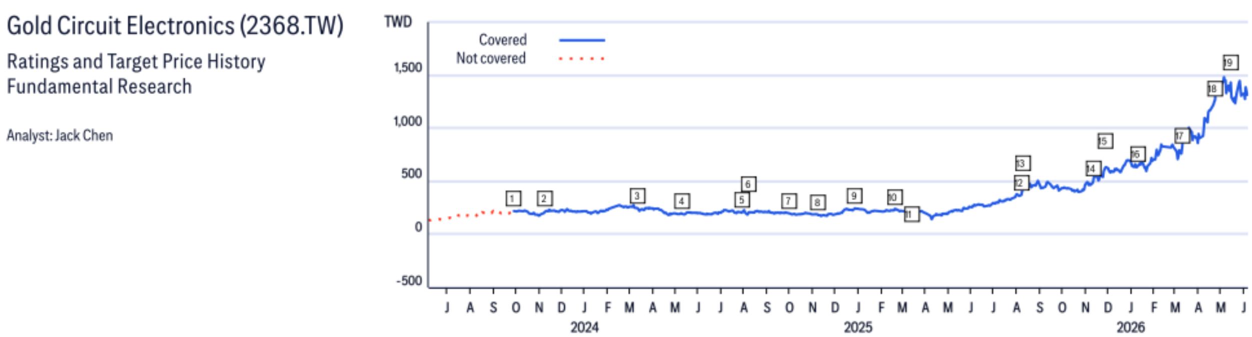
If you are visually impaired and would like to speak to a Citi representative regarding the details of the graphics in this document, please call USA 1-888-500-5008 (TTY: 711), from outside the US +1-210-677-3788

Appendix A-1

ANALYST CERTIFICATION

The research analysts primarily responsible for the preparation and content of this research report are either (i) designated by "AC" in the author block or (ii) listed in bold alongside content which is attributable to that analyst. If multiple AC analysts are designated in the author block, each analyst is certifying with respect to the entire research report other than (a) content attributable to another AC certifying analyst listed in bold alongside the content and (b) views expressed solely with respect to a specific issuer which are attributable to another AC certifying analyst identified in the price charts or rating history tables for that issuer shown below. Each of these analysts certify, with respect to the sections of the report for which they are responsible: (1) that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc. and its affiliates; and (2) no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in this report.

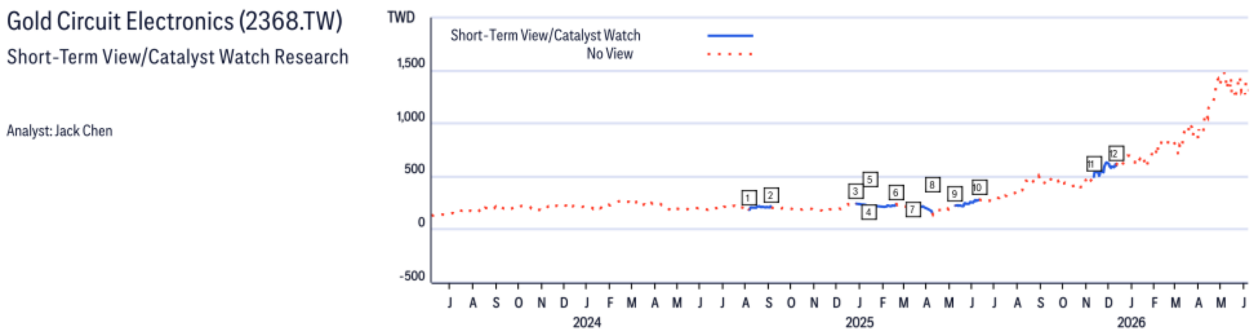
IMPORTANT DISCLOSURES



	Date	Rating	Target Price	Closing Price
1	28-Sep-23 03:46:01	*1	*270.00	219.50
2	09-Nov-23 13:43:33	1	*275.00	215.00
3	12-Mar-24 09:50:59	1	*280.00	242.50
4	09-May-24 19:40:33	1	*270.00	198.50
5	29-Jul-24 14:25:02	1	*280.00	204.00
6	07-Aug-24 10:24:15	1	*285.00	207.00
7	30-Sep-24 06:13:16	1	*290.00	198.00
8	07-Nov-24 16:47:02	1	*275.00	188.50
9	27-Dec-24 08:55:33	1	*300.00	244.50
10	18-Feb-25 12:07:53	1	*305.00	236.50
11	13-Mar-25 10:30:00	1	*310.00	217.00
12	07-Aug-25 13:42:52	1	*450.00	372.00
13	08-Aug-25 10:05:38	1	*500.00	409.00
14	11-Nov-25 09:42:04	1	*600.00	498.50
15	26-Nov-25 12:21:53	1	*750.00	610.00
16	09-Jan-26 12:27:10	1	*820.00	637.00
17	10-Mar-26 19:51:47	1	*1,100.00	817.00
18	22-Apr-26 04:54:40	1	*1,500.00	1,250.00
19	13-May-26 11:55:06	1	*1,650.00	1,350.00

*Indicates Change

Rating/target price changes above reflect Eastern Time



	Date	Action	Expected Direction	Duration	Closing Price
1	05-Aug-24 02:41:35	Add CW	Upside	30 Days	187.00
2	04-Sep-24 21:42:12	Remove CW	Upside	30 Days	210.50
3	27-Dec-24 03:55:33	Add STV	Upside	30 Days	244.50
4	13-Jan-25 00:16:57	Remove STV	Upside	30 Days	203.50
5	13-Jan-25 00:16:57	Add CW	Downside	90 Days	203.50
6	18-Feb-25 07:07:53	Remove CW	Downside	90 Days	236.50
7	13-Mar-25 06:30:00	Add CW	Upside	30 Days	217.00
8	08-Apr-25 01:45:16	Remove CW	Upside	30 Days	158.00
9	11-May-25 16:26:29	Add CW	Upside	30 Days	226.00
10	10-Jun-25 21:35:53	Remove CW	Upside	30 Days	281.50
11	11-Nov-25 04:42:04	Add CW	Upside	30 Days	498.50
12	11-Dec-25 19:37:10	Remove CW	Upside	30 Days	603.00

CW - Catalyst Watch , STV - Short-Term View

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	12 Month Rating			Catalyst Watch		
Data current as of 01 Apr 2026	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
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