June 8, 2026 10:55 AM GMT

Genius Electronic Optical Co. Ltd. | Asia Pacific

May Sales Up 30.2% YoY but Down 29.6% MoM

Details:

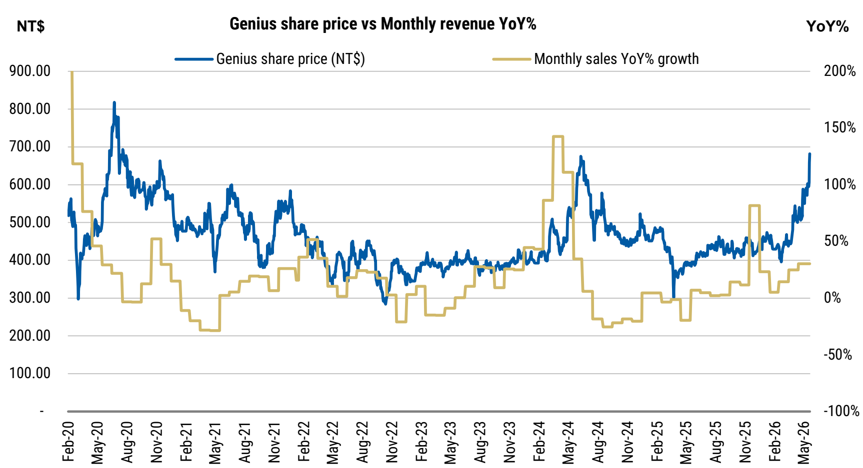
- Revenue was NT$1,629mn in May, up 30.2% YoY but down 29.6% MoM. 5M26 revenue arrived at NT$10,084mn, up 19.7% YoY.

- The company expects June revenue to remain weak and July demand to see a strong increase as optical lenses enter mass production.

Our view:

- We believe Android smartphone shipments will face headwinds in 2026, which could negatively affect lens demand.
- Besides smartphone lenses, the company plans to spend great efforts on optical communication products. If progress is smooth, they could become new growth drivers in 2027-28.

Exhibit 1: Genius monthly revenue YoY growth rate vs. share price



Note: Past performance is no guarantee of future results. Results shown do not include transaction costs. Source: Company data, FactSet, Morgan Stanley Research.

MORGAN STANLEY ASIA LIMITED+

Andy Meng, CFA
Equity Analyst
Andy.Meng@morganstanley.com +852 2239-7689

Betty Chen
Research Associate
Betty.H.Chen@morganstanley.com +852 2239-7213

MORGAN STANLEY TAIWAN LIMITED+

Sharon Shih
Equity Analyst
Sharon.Shih@morganstanley.com +886 2 2730-2865

Genius Electronic Optical Co. Ltd. (3406.TW, 3406 TT)

Greater China Technology Hardware | Taiwan

Stock Rating	**Equal-weight**
Industry View	**In-Line**
Price target	NT$425.00
Up/downside to price target (%)	(35)
Shr price, close (Jun 8, 2026)	NT$654.00
52-Week Range	NT$704.00-381.00
Sh out, dil, curr (mn)	112
Mkt cap, curr (mn)	NT$73,195
EV, curr (mn)	NT$64,429
Avg daily trading value (mn)	NT$597

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	32.84	31.74	39.14	40.78
EPS (NT$)§	31.91	36.20	39.09	43.67
Revenue, net (NT$ mn)	24,989	24,941	27,328	28,458
EBITDA (NT$ mn)	8,742	8,735	10,134	10,681
ModelWare net inc (NT$ mn)	3,702	3,578	4,413	4,598
P/E	13.7	20.6	16.7	16.0
P/BV	1.9	2.5	2.1	1.9
RNOA (%)	18.9	18.9	20.8	17.9
ROE (%)	14.9	13.5	14.7	13.3
EV/EBITDA	4.8	7.2	6.2	5.7
Div yld (%)	16.9	11.3	14.0	14.6
FCF yld ratio (%)**	11.2	3.5	3.6	5.4
Leverage (EOP) (%)	(36.8)	(35.0)	(31.8)	(32.4)

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

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Catalyst Event Reaction

Company / Catalyst	Date	Impact to thesis	Catalyst versus expectation
Genius Electronic Optical Co. Ltd.	3406.TW		
May monthly sales	08 Jun 2026	Unchanged	⬇ Modest downside surprise

Source: Company data, Morgan Stanley Research

Valuation Methodology and Risks

Genius Electronic Optical Co. Ltd. (3406.TW)

Base case, residual income model, which is the same method we use for our Greater China Tech coverage. We apply a CoE of 8.5% (3% risk free, 1.0 beta and 5.5% ERP), a medium-term net profit CAGR of 4% and a terminal growth rate of 3%.

Risks to Upside

- More share gains in iPhones
- Better-than-expected mixed reality demand from Apple
- Better-than-expected VR/MR shipments

Risks to Downside

- Delays in Apple's mixed reality shipments
- Share loss in iPhones
- Execution/yield
- Slower VR/MR shipments

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(as of May 31, 2026)
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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
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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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
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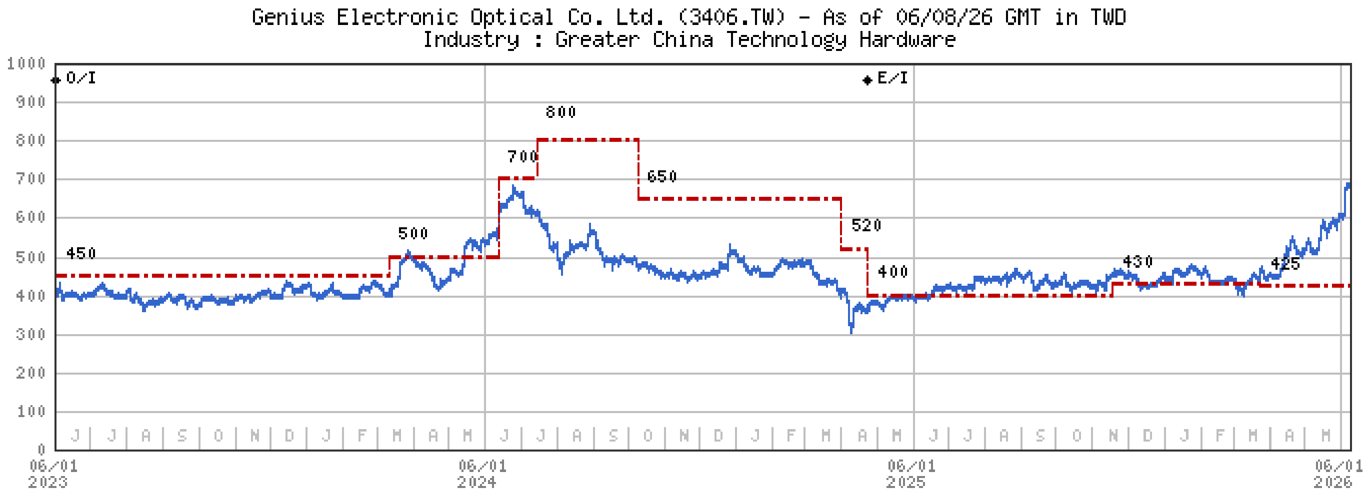
Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 4/5/22 : O/I; 1/9/23 : E/I; 5/16/23 : O/I; 4/23/25 : E/I

Price Target History: 4/5/22 : 600; 7/25/22 : 630; 9/13/22 : 600; 11/15/22 : 430; 1/9/23 : 400; 5/16/23 : 450; 3/11/24 : 500; 6/12/24 : 700; 7/15/24 : 800; 10/9/24 : 650; 3/31/25 : 520; 4/23/25 : 400; 11/18/25 : 430; 3/23/26 : 425

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
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INDUSTRY COVERAGE: Greater China Technology Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (06/08/2026)
Andy Meng, CFA		
AAC Technologies Holdings (2018.HK)	O (01/29/2024)	HK$45.18
Accelink Technologies Co. Ltd. (002281.SZ)	U (05/12/2022)	Rmb206.99
BYD Electronics (0285.HK)	O (04/28/2023)	HK$27.26
China TransInfo Technology Co Ltd (002373.SZ)	E (07/18/2023)	Rmb7.47
Dahua Technology Co. Ltd. (002236.SZ)	E (12/12/2024)	Rmb16.46
Eoptolink Technology Inc Ltd (300502.SZ)	O (02/27/2026)	Rmb725.00
Genius Electronic Optical Co. Ltd. (3406.TW)	E (04/23/2025)	NT$654.00
Gosuncn Technology Group Co Ltd (300098.SZ)	U (11/07/2022)	Rmb5.17
HIKVision Digital Technology (002415.SZ)	E (12/12/2024)	Rmb30.30
Largan Precision (3008.TW)	E (10/17/2025)	NT$3,535.00
LianChuang Electronic Technology Co Ltd (002036.SZ)	U (06/12/2024)	Rmb8.62
OFILM Group Co Ltd (002456.SZ)	U (06/12/2024)	Rmb9.24
Q Technology (Group) Company Ltd (1478.HK)	U (03/23/2026)	HK$8.72
Quectel Wireless Solutions Co Ltd (603236.SS)	E (10/09/2024)	Rmb58.30
Shanghai Conant Optical Co Ltd (2276.HK)	O (04/10/2026)	HK$39.00
Shenzhen Transsion Holdings Co Ltd (688036.SS)	E (03/23/2026)	Rmb56.77
Sunny Optical (2382.HK)	E (03/23/2026)	HK$77.10
Suzhou TFC Optical Communication Co Ltd. (300394.SZ)	E (11/06/2025)	Rmb425.11
Wingtech Technology Co Ltd (600745.SS)	U (05/18/2026)	Rmb20.91
Xiaomi Corp (1810.HK)	O (04/14/2021)	HK$27.38
Yangtze Optical Fibre and Cable JSC Ltd (601869.SS)	U (10/13/2021)	Rmb440.30
Yangtze Optical Fibre and Cable JSC Ltd (6869.HK)	E (04/20/2023)	HK$234.20
Yongxin Optics Co Ltd (603297.SS)	E (11/15/2022)	Rmb115.68
Zhejiang Crystal-Optech Co Ltd (002273.SZ)	O (11/15/2022)	Rmb34.23
Zhongji Innolight Co Ltd (300308.SZ)	++	Rmb1,154.99
ZTE Corporation (0763.HK)	O (06/04/2026)	HK$27.54
ZTE Corporation (000063.SZ)	E (06/04/2026)	Rmb36.81

Derrick Yang		
Accton Technology Corporation (2345.TW)	O (06/06/2024)	NT$2,420.00
Advantech (2395.TW)	O (01/20/2021)	NT$471.00
AirTAC International (1590.TW)	O (04/16/2025)	NT$1,280.00
AU Optronics (2409.TW)	E (02/10/2026)	NT$24.40
Bizlink (3665.TW)	O (03/10/2025)	NT$2,095.00
BOE Technology (000725.SZ)	O (09/06/2019)	Rmb6.29
Chenbro (8210.TW)	O (07/23/2025)	NT$1,375.00
Chroma Ate Inc. (2360.TW)	O (10/05/2021)	NT$2,450.00
E Ink Holdings Inc. (8069.TWO)	O (05/11/2026)	NT$198.50
Ennostar Inc (3714.TW)	U (09/23/2022)	NT$64.80
Hiwin Technologies Corp. (2049.TW)	O (03/30/2026)	NT$329.50
Innolux (3481.TW)	E (04/07/2025)	NT$48.35
King Slide Works Co. Ltd. (2059.TW)	O (11/08/2023)	NT$6,180.00
Lens Technology (300433.SZ)	E (07/22/2020)	Rmb42.64
Radiant Opto-Electronics Corporation (6176.TW)	E (03/01/2024)	NT$94.10
Sanan Optoelectronics (600703.SS)	U (08/21/2023)	Rmb16.45
TCL Corp. (000100.SZ)	E (04/07/2025)	Rmb4.65
Tianma Microelectronics (000050.SZ)	U (01/24/2018)	Rmb8.22
Wuhan Jingce Electronic Group Co Ltd (300567.SZ)	E (11/26/2021)	Rmb177.80
Howard Kao		
Acer Inc. (2353.TW)	U (04/23/2025)	NT$35.30
Asustek Computer Inc. (2357.TW)	U (11/16/2025)	NT$844.00
Compal Electronics (2324.TW)	U (04/23/2025)	NT$38.60
FIT Hon Teng Ltd (6088.HK)	O (11/03/2025)	HK$8.02
Giga-Byte Technology Co. Ltd. (2376.TW)	E (11/16/2025)	NT$345.00
Gold Circuit Electronics Ltd. (2368.TW)	O (10/06/2022)	NT$1,360.00
Inspur Electronic Information (000977.SZ)	E (08/28/2023)	Rmb57.89
Lenovo (0992.HK)	E (11/16/2025)	HK$24.56
Lotes Co. Ltd. (3533.TW)	E (05/12/2025)	NT$2,290.00
Nan Ya PCB (8046.TW)	O (02/23/2026)	NT$831.00
Pegatron Corporation (4938.TW)	E (03/25/2026)	NT$92.10
Quanta Computer Inc. (2382.TW)	O (05/01/2023)	NT$376.50
Shengyi Technology Co Ltd. (600183.SS)	E (05/26/2022)	Rmb134.06
Shennan Circuits Co Ltd (002916.SZ)	E (08/24/2023)	Rmb369.64
Unimicron (3037.TW)	O (02/23/2026)	NT$911.00
Wistron Corporation (3231.TW)	O (07/12/2023)	NT$163.50
Wiwynn Corp (6669.TW)	O (11/10/2025)	NT$5,275.00
Yageo Corp. (2327.TW)	O (10/28/2025)	NT$751.00
Zhen Ding (4958.TW)	O (05/18/2026)	NT$512.00
Sharon Shih		
Asia Vital Components Co. Ltd. (3017.TW)	O (07/30/2024)	NT$2,570.00
Auras Technology Co Ltd (3324.TWO)	E (05/04/2023)	NT$1,095.00
Catcher Technology (2474.TW)	U (11/17/2025)	NT$220.00
Delta Electronics Inc. (2308.TW)	O (07/13/2017)	NT$2,255.00
Fositek Corp (6805.TW)	O (06/25/2025)	NT$1,895.00
Foxconn Industrial Internet Co. Ltd. (601138.SS)	O (07/10/2019)	Rmb70.48
Foxconn Technology (2354.TW)	U (04/23/2025)	NT$56.40
GoerTek Inc (002241.SZ)	U (04/23/2025)	Rmb23.10
Hon Hai Precision (2317.TW)	O (03/15/2024)	NT$269.50
LandMark Optoelectronics Corporation (3081.TWO)	E (03/26/2026)	NT$2,495.00
Lingyi Itech Guangdong Co (002600.SZ)	U (04/23/2025)	Rmb14.34
Lite-On Technology (2301.TW)	E (01/15/2025)	NT$218.50
Luxshare Precision Industry Co., Ltd. (002475.SZ)	O (10/24/2016)	Rmb66.14
Sunonwealth Electric Machine Industry Co (2421.TW)	E (02/23/2024)	NT$157.00

Tong Hsing (6271.TW)	E (03/18/2019)	NT$218.50
Visual Photonics Epitaxy Co Ltd (2455.TW)	E (09/11/2023)	NT$359.50

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