Taiwan Union Technology Corp (6274 TT)

Target price: **TWD2,122.00** (from TWD1,680.00)

Share price (10 Jun): **TWD1,500.00** | Up/downside: **+41.5%**

5 4 3 2 1

Buy
(unchanged)

Favourable revenue momentum ahead

- We expect TUC to benefit from the favourable market environment…
- … with the improving product mix being a key alpha
- Reaffirming our Buy (1) rating; lifting 12M TP to TWD2,122

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What's new: We provide our latest view on TUC after it joined our Taiwan Corporate day. Overall, we believe the pricing environment remains favourable towards the CCL/PCB industry given the more conservative capacity expansion from 2025/2026 (vs. a 40-50% CAGR for AI server shipments). TUC plans to increase its capacity by 0.3m/0.3m/ 1.2m to reach 2.3m/2.6m (+13%)/3.8m (+46%) from 2025 to 2027 (year end). On top of this, we believe AMZN's Trainium 3 has ramped up from 2Q26, while TUC will start benefiting more from this project from 2H26 once the key PCB vendor leverages its Taiwan/Thailand plants to manufacture, which should act as key share-price catalyst, in our view.

What's the impact: Favourable pricing environment. As we highlighted in our *previous note*, glass fibre and copper prices from 2H25 to 1Q26 have increased more than 20% and 40%, respectively, which has triggered TUC to increase its ASPs by 20% and 40% (above M6/below M4) to reflect the cost material increase. The last key material (ie, resin) price also increased by c.30-40% after the war began in February. We believe this would also lead another c.10% price hike from 2H26, which we didn't factor in our previous note. On top of it, we also underestimated TUC's capabilities to optimise its product mix given its current supply demand situation. While the low-end product (non-low loss) only accounted for 18% of total sales in 1Q26, we expect it consumed c.50% of product capacity (eg, square feet of CCL). By relocating its capacity from low-end product (eg, M2) to high-end product (M7-8), revenue per square feet could increase by 6-8x (based on our assumptions), which we underestimated earlier. As such, we further lift our 2026 revenue growth rate to 98% YoY (from 76% YoY last time), and believe half of the upward revision is driven by the 10% ASP hike assumption from resin and the other driven by product optimisation. Also, given the CCL capacity constraint, we believe TUC also doesn't prefer to manufacture low-end products for its clients considering the return difference. As such, we also expect that gross margin from low-end product would have more meaningful increase (than high-end product) for following quarters. Along with the product mix shift, this is the key reason why we lift our gross margin assumptions by 1.3-2pp over our forecast period.

What we recommend: We lift our 2026-28E EPS by 19-39% to reflect higher ASP hikes and improving product mix. We reaffirm our Buy (1) rating and raise our 12-month TP to TWD2,122 (from TWD1,680), based on an unchanged target PER of 48x, applied to our 2H26-1H27E EPS. Downside risks: 1) weaker-than-expected demand for switches/AI servers; 2) market share loss to CCL peers; and 3) raw material shortages.

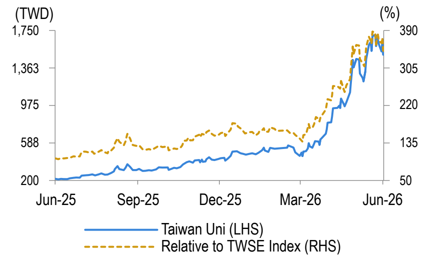
How we differ: Our 2026-27E EPS are 1-2% above the Bloomberg consensus, mainly due to our higher confidence on revenue growth.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	12.2	23.5	29.5
Net profit change	19.0	32.5	38.9
Core EPS (FD) change	19.0	32.5	38.9

Source: Daiwa forecasts

Share price performance



12-month range	208.00-1,705.00
Market cap (USDbn)	13.71
3m avg daily turnover (USDm)	256.23
Shares outstanding (m)	289
Major shareholder	Hsin Chung-Herng (4.0%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	60,034	99,614	147,736
Operating profit (m)	12,709	23,468	36,576
Net profit (m)	9,337	17,388	27,090
Core EPS (fully-diluted)	32.308	60.165	93.735
EPS change (%)	163.7	86.2	55.8
Daiwa vs Cons. EPS (%)	1.1	1.5	(9.6)
PER (x)	46.4	24.9	16.0
Dividend yield (%)	1.5	2.8	4.4
DPS	22.6	42.1	65.6
PBR (x)	17.9	12.2	8.5
EV/EBITDA (x)	32.8	18.3	11.7
ROE (%)	43.6	58.2	62.8

Source: FactSet, Daiwa forecasts

Flash

TUC: Daiwa's revenue and earnings forecast revisions

	2026E			2027E			2028E		
(TWDm)	Previous	New	Consensus	Previous	New	Consensus	Previous	New	Consensus
Revenue	53,488	60,034	57,224	80,668	99,614	88,157	114,086	147,736	142,938
Diff (%)		12.2%	4.9%		23.5%	13.0%		29.5%	3.4%
Gross margin (%)	26.8%	28.1%	28.1%	28.6%	30.5%	30.5%	29.7%	31.7%	31.4%
Operating profit	10,579	12,709	12,236	17,470	23,468	21,483	25,967	36,576	38,842
Operating margin (%)	19.8%	21.2%	21.4%	21.7%	23.6%	24.4%	22.8%	24.8%	27.2%
Net profit	7,849	9,337	9,433	13,125	17,388	16,378	19,499	27,090	29,887
EPS (TWD)	27.16	32.31	31.97	45.41	60.17	59.25	67.47	93.74	103.68
Diff (%)		19.0%	1.1%		32.5%	1.5%		38.9%	-9.6%

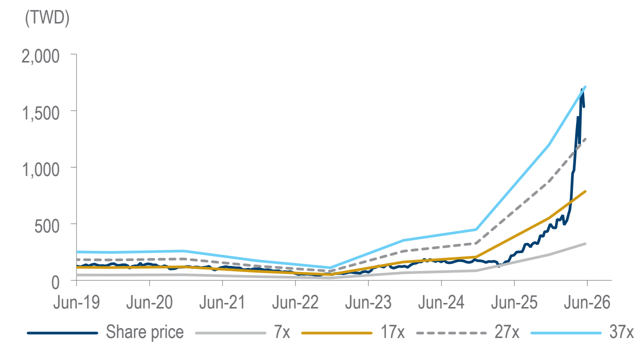
Source: Daiwa forecasts, Bloomberg

TUC: quarterly and annual P&L statement

	2026E				2027E				2025	2026E	2027E	2028E
(TWDm)	1Q	2QE	3QE	4QE	1QE	2QE	3QE	4QE				
Net revenue	**10,054**	**13,925**	**16,898**	**19,157**	**19,381**	**21,325**	**27,041**	**31,867**	**30,340**	**60,034**	**99,614**	**147,736**
COGS	-7,525	-10,071	-12,006	-13,537	-13,663	-14,955	-18,633	-21,949	-23,442	-43,139	-69,200	-100,859
Gross profit	**2,529**	**3,854**	**4,892**	**5,620**	**5,719**	**6,369**	**8,407**	**9,918**	**6,898**	**16,895**	**30,413**	**46,877**
Operating expenses	-701	-971	-1,178	-1,336	-1,351	-1,487	-1,885	-2,222	-2,554	-4,186	-6,946	-10,301
Operating profit	**1,828**	**2,883**	**3,714**	**4,284**	**4,367**	**4,883**	**6,522**	**7,696**	**4,344**	**12,709**	**23,468**	**36,576**
Non-operating profit	46	13	11	10	9	8	6	7	175	80	30	32
Pre-tax profit	**1,874**	**2,896**	**3,725**	**4,294**	**4,376**	**4,890**	**6,528**	**7,703**	**4,519**	**12,789**	**23,497**	**36,608**
Net profit	**1,260**	**2,143**	**2,757**	**3,177**	**3,238**	**3,619**	**4,831**	**5,700**	**3,409**	**9,337**	**17,388**	**27,090**
Net EPS (TWD)	**4.36**	**7.42**	**9.54**	**10.99**	**11.20**	**12.52**	**16.72**	**19.72**	**12.1**	**32.3**	**60.2**	**93.7**
Operating Ratios												
Gross margin	25.1%	27.7%	29.0%	29.3%	29.5%	29.9%	31.1%	31.1%	22.7%	28.1%	30.5%	31.7%
Operating margin	18.2%	20.7%	22.0%	22.4%	22.5%	22.9%	24.1%	24.2%	14.3%	21.2%	23.6%	24.8%
Pre-tax margin	18.6%	20.8%	22.0%	22.4%	22.6%	22.9%	24.1%	24.2%	14.9%	21.3%	23.6%	24.8%
Net margin	12.5%	15.4%	16.3%	16.6%	16.7%	17.0%	17.9%	17.9%	11.2%	15.6%	17.5%	18.3%
YoY (%)												
Net revenue	58%	105%	110%	110%	93%	53%	60%	66%	32%	98%	66%	48%
Gross profit	65%	169%	155%	179%	126%	65%	72%	76%	29%	145%	80%	54%
Operating profit	95%	238%	193%	232%	139%	69%	76%	80%	30%	193%	85%	56%
Pre-tax profit	100%	245%	183%	201%	134%	69%	75%	79%	34%	183%	84%	56%
Net profit	88%	229%	175%	193%	157%	69%	75%	79%	31%	174%	86%	56%
QoQ (%)												
Net revenue	10%	39%	21%	13%	1%	10%	27%	18%				
Gross profit	26%	52%	27%	15%	2%	11%	32%	18%				
Operating profit	42%	58%	29%	15%	2%	12%	34%	18%				
Pre-tax profit	31%	55%	29%	15%	2%	12%	34%	18%				
Net profit	16%	70%	29%	15%	2%	12%	34%	18%				

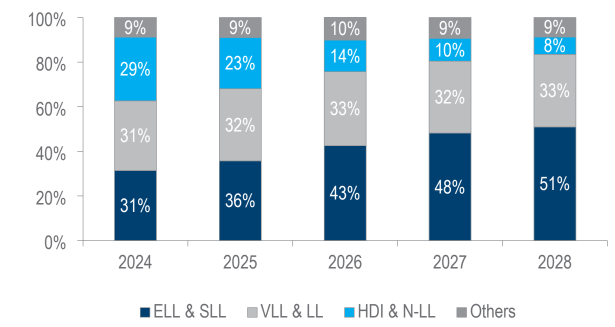
Source: Company, Daiwa forecasts

TUC: 1-year forward PER bands



Source: TEJ, Daiwa forecasts

TUC: revenue breakdown by product



Source: Company, Daiwa forecasts

Financial summary

Key assumptions

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Global PC shipment (mn)	361	301	260	263	287	244	244	244
Regular server shipment (mn)	14	15	12	14	16	18	22	26
Global smartphone shipment (mn)	1,655	1,437	1,380	1,437	1,429	1,249	1,255	1,300

Profit and loss (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
HSD Low Loss	9,509	8,355	8,570	14,445	20,651	45,487	80,087	123,273
HSD Non Low Loss	9,932	7,174	4,885	5,241	5,582	6,784	8,176	9,261
Other Revenue	1,691	2,944	2,547	3,385	4,108	7,763	11,350	15,202
Total Revenue	**21,132**	**18,472**	**16,003**	**23,070**	**30,340**	**60,034**	**99,614**	**147,736**
Other income	0	0	0	0	0	0	0	0
COGS	(16,702)	(15,067)	(12,844)	(17,729)	(23,442)	(43,139)	(69,200)	(100,859)
SG&A	(1,786)	(1,597)	(1,422)	(1,668)	(2,039)	(605)	0	0
Other op.expenses	(264)	(311)	(313)	(342)	(515)	(3,581)	(6,946)	(10,301)
Operating profit	**2,380**	**1,498**	**1,424**	**3,332**	**4,344**	**12,709**	**23,468**	**36,576**
Net-interest inc./(exp.)	(30)	(29)	(27)	(52)	(89)	(116)	(110)	(108)
Assoc/forex/extraord./others	63	152	153	98	264	196	139	140
Pre-tax profit	**2,413**	**1,621**	**1,550**	**3,378**	**4,519**	**12,789**	**23,497**	**36,608**
Tax	(532)	(360)	(726)	(773)	(1,109)	(3,452)	(6,109)	(9,518)
Min. int./pref. div./others	0	0	0	0	0	0	0	0
Net profit (reported)	**1,881**	**1,261**	**823**	**2,604**	**3,409**	**9,337**	**17,388**	**27,090**
Net profit (adjusted)	**1,881**	**1,261**	**823**	**2,604**	**3,409**	**9,337**	**17,388**	**27,090**
EPS (reported)(TWD)	**7.010**	**4.687**	**3.049**	**9.561**	**12.135**	**32.308**	**60.165**	**93.735**
EPS (adjusted)(TWD)	**7.010**	**4.687**	**3.049**	**9.561**	**12.135**	**32.308**	**60.165**	**93.735**
EPS (adjusted fully-diluted)(TWD)	**7.014**	**4.687**	**3.052**	**9.573**	**12.250**	**32.308**	**60.165**	**93.735**
DPS (TWD)	**5.005**	**4.000**	**4.008**	**6.504**	**8.491**	**22.616**	**42.116**	**65.615**
EBIT	**2,380**	**1,498**	**1,424**	**3,332**	**4,344**	**12,709**	**23,468**	**36,576**
EBITDA	**2,819**	**1,960**	**1,885**	**3,784**	**4,803**	**13,347**	**24,201**	**37,419**

Cash flow (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	2,413	1,621	1,550	3,378	4,519	12,789	23,497	36,608
Depreciation and amortisation	439	462	461	452	459	638	733	843
Tax paid	(532)	(360)	(726)	(773)	(1,109)	(3,452)	(6,109)	(9,518)
Change in working capital	4,224	(3,625)	1,136	5,588	13,451	25,807	42,895	32,474
Other operational CF items	(5,033)	4,227	(1,300)	(7,967)	(16,724)	(38,453)	(56,933)	(44,470)
Cash flow from operations	**1,512**	**2,326**	**1,120**	**677**	**596**	**(2,671)**	**4,083**	**15,937**
Capex	(433)	(381)	(634)	(1,196)	(1,949)	(2,774)	(1,400)	(1,400)
Net (acquisitions)/disposals	0	3	0	(9)	4	8	6	7
Other investing CF items	1,702	1,054	389	75	(4,558)	1,675	0	0
Cash flow from investing	**1,269**	**677**	**(244)**	**(1,130)**	**(6,502)**	**(1,091)**	**(1,394)**	**(1,393)**
Change in debt	(9)	(583)	531	(372)	4,141	3,209	4,569	3,977
Net share issues/(repurchases)	0	0	0	0	0	0	0	0
Dividends paid	(2,574)	(2,694)	(2,153)	(2,180)	(3,594)	(2,454)	(6,536)	(12,171)
Other financing CF items	1,402	1,333	(19)	3,927	4,341	375	0	0
Cash flow from financing	**(1,180)**	**(1,944)**	**(1,641)**	**1,376**	**4,888**	**1,131**	**(1,967)**	**(8,195)**
Forex effect/others	(21)	115	(166)	399	(97)	508	427	393
Change in cash	**1,580**	**1,173**	**(932)**	**1,322**	**(1,115)**	**(2,123)**	**1,149**	**6,743**
Free cash flow	1,079	1,945	486	(519)	(1,353)	(5,445)	2,683	14,537

Source: FactSet, Daiwa forecasts

Financial summary continued …

Balance sheet (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Cash & short-term investment	6,582	6,814	5,657	7,037	10,602	6,786	7,935	14,678
Inventory	2,857	1,965	2,061	3,189	7,405	11,503	20,755	26,078
Accounts receivable	7,602	6,161	6,713	9,711	13,823	29,252	48,466	65,378
Other current assets	162	143	187	326	521	560	560	560
Total current assets	**17,202**	**15,084**	**14,618**	**20,264**	**32,351**	**48,100**	**77,716**	**106,694**
Fixed assets	4,743	4,671	4,793	5,614	7,386	9,557	10,224	10,781
Goodwill & intangibles	0	0	0	0	0	0	0	0
Other non-current assets	5	8	9	0	4	21	15	8
Total assets	**21,951**	**19,763**	**19,420**	**25,878**	**39,741**	**57,679**	**87,955**	**117,483**
Short-term debt	447	2,237	603	962	2,141	2,481	2,599	2,745
Accounts payable	5,741	4,143	4,581	6,642	11,871	20,577	35,005	45,244
Other current liabilities	252	174	364	269	608	886	886	886
Total current liabilities	**6,440**	**6,553**	**5,548**	**7,873**	**14,621**	**23,943**	**38,490**	**48,874**
Long-term debt	3,521	1,146	2,106	3,449	6,304	9,193	13,643	17,475
Other non-current liabilities	252	205	187	219	203	314	314	314
Total liabilities	**10,214**	**7,904**	**7,840**	**11,541**	**21,127**	**33,450**	**52,447**	**66,663**
Share capital	2,689	2,692	2,712	2,760	2,887	2,888	2,888	2,888
Reserves/R.E./others	9,047	9,167	8,868	11,577	15,727	21,341	32,621	47,932
Shareholders' equity	**11,737**	**11,858**	**11,580**	**14,337**	**18,614**	**24,229**	**35,508**	**50,820**
Minority interests	0	0	0	0	0	0	0	0
Total equity & liabilities	**21,951**	**19,763**	**19,420**	**25,878**	**39,741**	**57,679**	**87,955**	**117,483**
EV	430,888	430,070	430,553	430,875	431,344	438,389	441,809	439,042
Net debt/(cash)	**(2,613)**	**(3,431)**	**(2,948)**	**(2,626)**	**(2,158)**	**4,888**	**8,307**	**5,541**
BVPS (TWD)	**43.735**	**44.063**	**42.875**	**52.635**	**66.255**	**83.837**	**122.866**	**175.847**

Key ratios (%)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales (YoY)	17.1	(12.6)	(13.4)	44.2	31.5	97.9	65.9	48.3
EBITDA (YoY)	5.8	(30.5)	(3.8)	100.8	26.9	177.9	81.3	54.6
Operating profit (YoY)	4.7	(37.1)	(4.9)	133.9	30.4	192.6	84.7	55.9
Net profit (YoY)	6.0	(32.9)	(34.7)	216.3	30.9	173.9	86.2	55.8
Core EPS (fully-diluted) (YoY)	5.1	(33.2)	(34.9)	213.7	28.0	163.7	86.2	55.8
Gross-profit margin	21.0	18.4	19.7	23.2	22.7	28.1	30.5	31.7
EBITDA margin	13.3	10.6	11.8	16.4	15.8	22.2	24.3	25.3
Operating-profit margin	11.3	8.1	8.9	14.4	14.3	21.2	23.6	24.8
Net profit margin	8.9	6.8	5.1	11.3	11.2	15.6	17.5	18.3
ROAE	16.5	10.7	7.0	20.1	20.7	43.6	58.2	62.8
ROAA	9.1	6.0	4.2	11.5	10.4	19.2	23.9	26.4
ROCE	15.5	9.7	9.6	20.2	19.0	40.4	53.5	59.6
ROIC	21.2	13.3	8.9	25.3	23.3	40.7	47.6	54.0
Net debt to equity	net cash	net cash	net cash	net cash	17.6	35.6	33.9	18.3
Effective tax rate	22.0	22.2	46.9	22.9	24.6	27.0	26.0	26.0
Accounts receivable (days)	114.3	136.0	146.8	129.9	141.6	130.9	142.4	140.6
Current ratio (x)	2.7	2.3	2.6	2.6	2.2	2.0	2.0	2.2
Net interest cover (x)	0.8	0.6	0.6	0.7	0.5	1.1	2.1	3.4
Net dividend payout	71.4	85.3	131.8	68.1	70.0	70.0	70.0	70.0
Free cash flow yield	0.2	0.4	0.1	n.a.	n.a.	n.a.	0.6	3.4

Source: FactSet, Daiwa forecasts

Company profile

Taiwan Union Technology Corporation (TUC) was established in 1974. In 2001, TUC started to provide its Mass Lamination service to customers. In Dec., 2003, TUC was officially listed in Taiwan OTC. In 2004, TUC established its Changshu plant in Jiangsu, China to satisfy customer demand in the Greater China area. TUC also provides its services globally from its network in Taiwan, China, Japan, South Korea, USA and Germany.

ESG analysis

ESG risks

Risks		Management	Analyst comments
G	Executive/board quality	2	TUC has diverse stakeholders with varying interests. The concerns of each stakeholder category differ. TUC's departments engage with stakeholders through various channels to ensure timely communication and understanding of the Company's operations. TUC also tracks stakeholder requests and expectations and responds promptly. The Company reports to the Board of Directors annually on its communication with key stakeholders.
G	Capital management	1	TUC pays its dividend on a annual basis. In the past 5 years, it has managed its dividend payout well. We believe TUC will at least sustain its cash dividend payout in dollar terms over 2025-27E. We see its balance between investment and dividend as appropriate.
G	Related party & transaction	2	TUC's sales to related parties were insignifacnt versus its total revenue. We see limited risk for TUC.
S	Supply chain management	1	TUC audits Tier 1 suppliers for ESG compliance, requiring commitments on hazardous substance bans and human rights. Several supplier audits were completed with a 100% pass rate and no major violations.
S	Data security	2	TUC operates an Information Security Office and implements training, audits, and ISO 27001-compliant systems. No security incidents disrupted operations, and 683 employees attended security training.

Note: Management score represents a company's ability to manage/benefit from certain ESG topics. The scores range from 1 to 3, with 1 being the strongest.

Update Date: 6 May 2026

Source: Daiwa, Company

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Rating	Percentage of total
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