Morgan Stanley | RESEARCH

IDEA

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Greater China Technology Semiconductors | Asia Pacific

Thoughts on Investor Concerns Regarding CPO

Long-term story unchanged, while sentiment might be weak in the near term to reset expectations.

Key Takeaways

- Modeling 2027 optical engine shipments at 6-7mn units suggests a far smaller ramp than investor expectations of 20-30mn units.
- Linking capacity and output, PIC capacity expansion to 10kwpm in 1Q27 still leaves SoIC yield at 50–60% as a key swing factor.
- Stressing manufacturing bottlenecks, downstream assembly yield at 20-50% now sets another major swing factor for final CPO-related shipments.
- Positioning the inflection, CPO starting to boom from 2028 onward should support a longer-dated catalyst path despite near-term resets in expectations.

What's new? Investors' feedback shows they are worried about delays in CPO introduction, driving further sell-down in CPO-related names.

Our thoughts: In our CPO update, we estimate 2027 optical engine (OE) shipments likely at 6-7mn units, including scale-up and scale-out solutions. Although TSMC decided to expand PIC capacity to 10kwpm in 1Q27, SoIC yield (50-60%) and downstream assembly yield (20-50%) remain the key swing factors for final shipments. However, investors' expectations for OE sit at 20-30mn units, likely resetting near-term CPO stock sentiment. On the other hand, we agree 2026-28 would be a cadence where transceivers, optics (e.g., CPO/NPO) and copper co-exist, as the mainstream solution still stays at 1.6/3.2T and CPO still needs time to ramp, with CPO starting to boom in 2028 onward (see note).

Stock implication: We stay OW on key CPO enablers – TSMC (2330.TW), ASE (3711.TW), FOCI (3363.TWO), AllRing (6187.TWO), MPI (6223.TWO), Hon Precision (7769.TW) and Winway (6515.TW) – as the long-term CPO story remains unchanged. FOCI's CPO revenue should start to ramp in late 3Q; revenue before then should remain lukewarm as it prepares for mass production. For Suzhou TFC Optical (300394.SZ), while the company has a good opportunity to play an important role in CPO components; covering analyst Andy Meng EW on the stock, as the company also has material exposure to pluggable transceiver components business but at a significant valuation premium to A-share industry peers.

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Advanced Micro-Fabrication Equipment Inc (688012.SS)	O (11/06/2023)	Rmb285.04
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ASE Technology Holding Co. Ltd. (3711.TW)	O (09/15/2024)	NT$569.00
Cambricon Technology Corporation (688256.SS)	O (04/27/2026)	Rmb1,270.01
Global Unichip Corp (3443.TW)	E (05/28/2026)	NT$4,310.00

GlobalWafers Co Ltd (6488.TWO)	E (05/19/2026)	NT$803.00
Gudeng Precision (3680.TWO)	O (11/25/2025)	NT$519.00
Hua Hong Semiconductor Ltd (1347.HK)	E (03/12/2026)	HK$140.10
Iluvatar CoreX Semiconductor Co., Ltd. (9903.HK)	O (04/27/2026)	HK$515.50
King Yuan Electronics Co Ltd (2449.TW)	O (03/03/2023)	NT$291.00
Maxscend Microelectronics Co Ltd (300782.SZ)	U (01/11/2021)	Rmb99.00
MediaTek (2454.TW)	O (11/28/2025)	NT$4,475.00
MetaX Integrated Circuits (688802.SS)	E (04/27/2026)	Rmb704.98
Nanya Technology Corp. (2408.TW)	O (05/28/2026)	NT$363.00
NAURA Technology Group Co Ltd (002371.SZ)	O (11/06/2023)	Rmb617.10
OmniVision Integrated Circuits Group Inc (603501.SS)	E (11/17/2025)	Rmb93.32
Phison Electronics Corp (8299.TWO)	E (02/25/2026)	NT$2,360.00
SG Micro Corp. (300661.SZ)	E (11/03/2025)	Rmb109.99
Silergy Corp. (6415.TW)	U (05/19/2026)	NT$528.00
SMIC (0981.HK)	O (10/21/2025)	HK$75.00
TSMC (2330.TW)	O (02/07/2022)	NT$2,305.00
UMC (2303.TW)	O (05/19/2026)	NT$127.50
Vanguard International Semiconductor (5347.TWO)	E (01/14/2026)	NT$161.00
WIN Semiconductors Corp (3105.TWO)	U (07/14/2025)	NT$496.50
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ASMPT Ltd (0522.HK)	O (07/24/2025)	HK$185.30
China Resources Microelectronics Limited (688396.SS)	U (03/02/2026)	Rmb67.68
Elan Microelectronics Corp (2458.TW)	O (10/03/2025)	NT$161.00
Empyrean Technology Co Ltd (301269.SZ)	E (01/17/2025)	Rmb99.50
Hangzhou Silan Microelectronics Co. Ltd. (600460.SS)	U (08/25/2025)	Rmb34.72
Innoscience (2577.HK)	E (10/13/2025)	HK$65.70
JCET Group Co Ltd (600584.SS)	E (01/16/2026)	Rmb75.29
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Nuvoton Technology Corporation (4919.TW)	U (11/10/2025)	NT$174.50
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Powerchip Semiconductor Manufacturing Co (6770.TW)	O (10/27/2025)	NT$71.50
Realtek Semiconductor (2379.TW)	E (01/30/2026)	NT$651.00
Shenzhen Goodix Technology Co Ltd (603160.SS)	U (07/14/2025)	Rmb54.53
Winbond Electronics Corp (2344.TW)	O (05/28/2026)	NT$156.50
WPG Holdings (3702.TW)	O (03/16/2026)	NT$110.50
WT Microelectronics Co. Ltd. (3036.TW)	O (01/27/2026)	NT$250.00
Duan Liu		
Dosilicon Co Ltd (688110.SS)	U (09/06/2024)	Rmb127.66
Shenzhen Longsys Electronics Co Ltd (301308.SZ)	E (02/25/2026)	Rmb514.65

Tiffany Yeh		
AllRing Tech Co. (6187.TWO)	O (09/23/2025)	NT$1,130.00
FOCI Fiber Optic Communications Inc (3363.TWO)	O (01/15/2025)	NT$830.00
Himax Technologies Inc (HIMX.O)	E (02/04/2026)	US$18.27
Hon Precision (7769.TW)	O (04/17/2026)	NT$6,945.00
MPI Corporation (6223.TWO)	O (04/17/2026)	NT$5,885.00
Silicon Motion (SIMO.O)	O (05/06/2024)	US$259.75
WinWay Technology Co Ltd (6515.TW)	O (04/17/2026)	NT$8,610.00

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

* Historical prices are not split adjusted.