17 Jun 2026 17:44:56 ET | 15 pages

TUC (6274.TWO)

Sales/GM upside potential; Buy

CITI'S TAKE

CCL price hike is ongoing with TUC and EMC continuously posting monthly sales uptick in April and May. We expect the price hike to continue in June and 2H26E. EMC just posted unaudited May ESP likely implied to GM upside on price hike and enhanced product mix. We believe TUC would also benefit from the CCL tightness given its more aggressive pricing strategies. Thus, we raise our TP to NT$1,950 (25x 2027E EPS) to factor in strong price hike benefit and open a 30-day positive Catalyst Watch on upcoming monthly sales/unaudited earnings upside potential. Buy.

Enhanced product mix and aggressive price hike — Our industry check suggests that leading CCL makers like EMC may be facing capacity constraint and cherry-picking of orders, resulting in enhanced product mix or aggressive price hike to those non-AI demand. We expect TUC either to receive some outflowing orders or to hike the prices to customers continuously. We believe TUC's pricing would be more aggressive on those non-AI demand and be at least on par with EMC for AI customers.

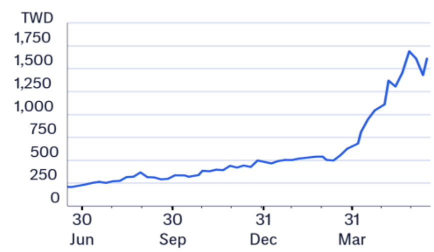
Read-across from EMC's unaudited May earnings beat on price hike — EMC just reported unaudited May EPS of NT$9.07 vs 1Q26 Citi/BBG forecasts of NT$19.5/21.7. We think EMC unaudited May EPS likely implies GM profile of up to range 34-35% in May, higher than EMC's previous 2Q26 guidance range of 29.5-32.5%. To note that, EMC would see pricing benefit as well in June. We believe TUC would also see the price hike benefits as EMC does in 2Q26, leading to a GM beat in 2Q26.

CCL supply tightness continued with potential price hike again in 2H26 — We think CCL industry supply side will just increase 20-30%/30-40% YoY in 2026/27E, which we believe couldn't catch up with PCB capacity expansion pace or end-customer demand. Even if CCL makers now are converting their capacity from mid-to-low end capacity to high-end one, we think it wouldn't alleviate the tightness in the near term. We expect another round of CCL price hike in 2H26 given the high season impact. TUC's new Thailand capacity now targets to ramp by end-3Q26, which would help the company to secure more demand going forward.

Earnings/TP raise. Buy — We lift our 2026/27/28E earnings by 14%/25%/24% to factor in better benefits from price hike. We lift our TP to NT$1,950 (25x 2027E EPS) from NT$1,600 (25x 2027E EPS) and reiterate our Buy rating.

Buy	
Catalyst Watch: Upside	
Price (17 Jun 26 15:00)	NT$1,670.00
Target price	NT$1,950.00↑
from NT$1,600.00	
Expected share price return	16.8%
Expected dividend yield	0.4%
Expected total return	17.2%
Market Cap	NT$482,254M
	US$15,327M

Price Performance
(RIC: 6274.TWO, BB: 6274 TT)



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Earnings Summary

Year to 31 Dec	Net Profit (NT$M)	Diluted EPS (NT$)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	2,604	9.15	204.0	182.6	33.6	20.1	0.2
2025A	3,409	11.71	28.1	142.6	26.2	20.7	0.4
2026E	10,432	35.78	205.4	46.7	16.8	43.8	0.4
2027E	22,951	78.71	120.0	21.2	9.4	56.6	1.4
2028E	34,731	119.11	51.3	14.0	5.6	50.1	3.0

Source: Powered by dataCentral

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

6274.TWO: Fiscal year end 31-Dec

Price: NT$1,670.00; TP: NT$1,950.00; Market Cap: NT$482,254m; Recomm: Buy

Profit & Loss (NT$m)	2024	2025	2026E	2027E	2028E
Sales revenue	23,070	30,340	58,970	99,923	139,104
Cost of sales	-17,729	-23,442	-41,255	-63,020	-84,356
Gross profit	5,342	6,898	17,715	36,902	54,748
Gross Margin (%)	23.2	22.7	30.0	36.9	39.4
EBITDA (Adj)	**3,784**	**4,803**	**14,585**	**32,912**	**49,425**
EBITDA Margin (Adj) (%)	16.4	15.8	24.7	32.9	35.5
Depreciation	-448	-447	-1,053	-2,850	-3,863
Amortisation	-5	-13	0	0	0
EBIT (Adj)	**3,332**	**4,344**	**13,532**	**30,062**	**45,563**
EBIT Margin (Adj) (%)	14.4	14.3	22.9	30.1	32.8
Net interest	90	42	48	48	48
Associates	-49	35	40	40	40
Non-Op/Except/Other Adj	5	98	44	20	20
Pre-tax profit	**3,378**	**4,519**	**13,665**	**30,171**	**45,671**
Tax	-773	-1,109	-3,233	-7,220	-10,940
Extraord./Min.Int./Pref.div.	0	0	0	0	0
Reported net profit	**2,604**	**3,409**	**10,432**	**22,951**	**34,731**
Net Margin (%)	11.3	11.2	17.7	23.0	25.0
Core NPAT	2,604	3,409	10,432	22,951	34,731
Per share data	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Reported EPS ($)	9.15	11.71	35.78	78.71	119.11
Core EPS ($)	9.15	11.71	35.78	78.71	119.11
DPS ($)	3.95	6.22	7.50	22.94	50.48
CFPS ($)	2.38	2.05	-7.51	58.46	103.33
FCFPS ($)	-1.82	-4.65	-43.52	31.02	89.61
BVPS ($)	49.64	63.84	99.62	178.33	297.44
Wtd avg ord shares (m)	272	278	281	281	281
Wtd avg diluted shares (m)	285	291	292	292	292
Growth rates	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Sales revenue (%)	44.2	31.5	94.4	69.4	39.2
EBIT (Adj) (%)	133.9	30.4	211.5	122.2	51.6
Core NPAT (%)	216.3	30.9	206.0	120.0	51.3
Core EPS (%)	204.0	28.1	205.4	120.0	51.3
Balance Sheet (NT$m)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Cash & cash equiv.	6,280	5,165	283	13,296	41,879
Accounts receivables	9,711	13,823	27,558	36,174	44,439
Inventory	3,189	7,405	13,284	17,415	21,260
Net fixed & other tangibles	5,604	7,349	15,100	20,251	20,388
Goodwill & intangibles	10	36	36	36	36
Financial & other assets	1,084	5,963	10,899	14,255	17,451
Total assets	**25,878**	**39,741**	**67,162**	**101,428**	**145,453**
Accounts payable	5,499	10,320	19,418	25,516	31,193
Short-term debt	962	2,141	2,141	2,141	2,141
Long-term debt	3,449	6,304	12,416	16,383	18,837
Provisions & other liab	1,631	2,363	4,141	5,391	6,554
Total liabilities	**11,541**	**21,127**	**38,116**	**49,431**	**58,725**
Shareholders' equity	14,337	18,614	29,046	51,997	86,728
Minority interests	0	0	0	0	0
Total equity	**14,337**	**18,614**	**29,046**	**51,997**	**86,728**
Net debt (Adj)	**-1,869**	**3,280**	**14,274**	**5,228**	**-20,901**
Net debt to equity (Adj) (%)	-13.0	17.6	49.1	10.1	-24.1

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	na	na	46.7	21.2	14.0
PB (x)	33.6	26.2	16.8	9.4	5.6
EV/EBITDA (x)	na	na	33.7	14.9	9.6
FCF yield (%)	-0.1	-0.3	-2.6	1.9	5.4
Dividend yield (%)	0.2	0.4	0.4	1.4	3.0
Payout ratio (%)	43	53	21	29	42
ROE (%)	20.1	20.7	43.8	56.6	50.1
Cashflow (NT$m)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
EBITDA	3,784	4,803	14,585	32,912	49,425
Working capital	-2,379	-3,272	-13,675	-8,755	-8,465
Other	-728	-935	-3,100	-7,111	-10,832
Operating cashflow	**677**	**596**	**-2,190**	**17,046**	**30,129**
Capex	-1,196	-1,949	-10,500	-8,000	-4,000
Net acq/disposals	-993	-528	1,696	0	0
Other	1,059	-4,025	0	0	1
Investing cashflow	**-1,130**	**-6,502**	**-8,804**	**-8,000**	**-3,999**
Dividends paid	-1,090	-1,797	-2,165	-6,624	-14,574
Financing cashflow	**1,376**	**4,888**	**6,112**	**3,967**	**2,454**
Net change in cash	**1,322**	**-1,018**	**-4,882**	**13,013**	**28,584**
Free cashflow to s/holders	**-519**	**-1,353**	**-12,690**	**9,046**	**26,129**

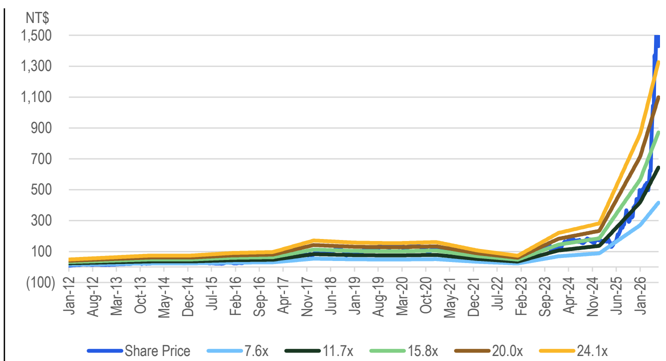
For definitions of the items in this table, please click here.

Figure 1. TUC – Earnings Revisions

	2Q26E			3Q26E			2026E			2027E			2028E		
(NT$mn)	New	Old	Chg.	New	Old	Chg.	New	Old	Chg.	New	Old	Chg.	New		
Sales	14,297	14,110	1%	16,654	15,697	6%	58,970	56,056	5%	99,923	89,957	11%	139,104	125,848	11%
Sequential growth (%)	42%	40%		16%	11%		94%	85%		69%	60%		39%	40%	
Gross profit	4,285	3,788	13%	5,202	4,591	13%	17,715	15,815	12%	36,902	30,243	22%	54,748	45,145	21%
Opex	-987	-974	1%	-1,184	-1,116	6%	-4,183	-3,973	5%	-6,840	-6,248	9%	-9,185	-8,436	9%
Operating profit	3,298	2,814	17%	4,018	3,475	16%	13,532	11,842	14%	30,062	23,996	25%	45,563	36,709	24%
Pre-tax profit	3,320	2,836	17%	4,032	3,489	16%	13,665	11,975	14%	30,171	24,104	25%	45,671	36,818	24%
Net income	2,557	2,184	17%	3,064	2,652	16%	10,432	9,116	14%	22,951	18,339	25%	34,731	27,998	24%
EPS (NT$)	8.77	7.49	17%	10.51	9.10	16%	35.78	31.27	14%	78.71	62.90	25%	119.11	96.02	24%
Gross margin (%)	30.0%	26.8%	+3.1 ppt	31.2%	29.3%	+2.0 ppt	30.0%	28.2%	+1.8 ppt	36.9%	33.6%	+3.3 ppt	39.4%	35.9%	+3.5 ppt
Opex ratio (%)	-6.9%	-6.9%	+0.0 ppt	-7.1%	-7.1%	+0.0 ppt	-7.1%	-7.1%	-0.0 ppt	-6.8%	-6.9%	+0.1 ppt	-6.6%	-6.7%	+0.1 ppt
Operating margin (%)	23.1%	19.9%	+3.1 ppt	24.1%	22.1%	+2.0 ppt	22.9%	21.1%	+1.8 ppt	30.1%	26.7%	+3.4 ppt	32.8%	29.2%	+3.6 ppt
Net margin (%)	17.9%	15.5%	+2.4 ppt	18.4%	16.9%	+1.5 ppt	17.7%	16.3%	+1.4 ppt	23.0%	20.4%	+2.6 ppt	25.0%	22.2%	+2.7 ppt

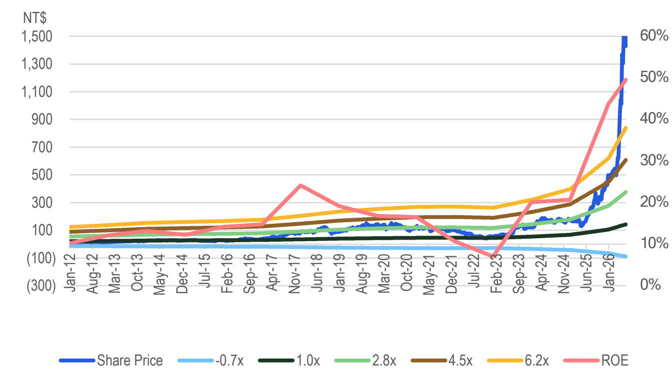
Source: Citi Research Estimates

Figure 2. TUC – 12M Forward P/E Band



Source: dataCentral, Citi Research

Figure 3. TUC – 12M Forward P/B Band



Source: dataCentral, Citi Research

Figure 4. TUC – Forecast Summary

TUC	2026				2027														
(NT$ in Mn, year-end Dec)	1Q	2QE	3QE	4QE	1QE	2QE	3QE	4QE	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Revenue	10,054	14,297	16,654	17,965	19,211	22,656	28,862	29,194	17,527	18,047	21,132	18,472	16,003	23,070	30,340	58,970	99,923	139,104
COGS	-7,525	-10,012	-11,452	-12,266	-12,597	-14,756	-17,753	-17,914	-13,389	-13,822	-16,702	-15,067	-12,844	-17,729	-23,442	-41,255	-63,020	-84,356
Depreciation costs	-113	-162	-238	-317	-455	-534	-597	-660	-317	-332	-360	-379	-375	-363	-359	-829	-2,245	-3,043
Gross Profit	2,529	4,285	5,202	5,700	6,614	7,900	11,109	11,280	4,138	4,225	4,430	3,405	3,159	5,342	6,898	17,715	36,902	54,748
Operating Expense	-701	-987	-1,184	-1,311	-1,364	-1,586	-1,965	-1,925	-1,981	-1,951	-2,050	-1,908	-1,735	-2,010	-2,554	-4,183	-6,840	-9,185
SG&A expenses	-600	-815	-966	-1,114	-1,095	-1,269	-1,616	-1,635	-1,748	-1,667	-1,786	-1,597	-1,422	-1,668	-2,039	-3,495	-5,615	-7,472
R&D expenses	-101	-172	-217	-199	-269	-317	-346	-292	-272	-269	-264	-311	-310	-359	-514	-688	-1,224	-1,712
EBIT	1,828	3,298	4,018	4,388	5,250	6,314	9,144	9,354	2,157	2,273	2,380	1,498	1,424	3,332	4,344	13,532	30,062	45,563
Net Interest Income	17	17	10	5	17	17	10	5	0	12	18	46	100	90	42	48	48	48
Net Other Income	29	5	5	45	5	5	5	45	79	-22	16	77	26	-45	133	84	60	60
Pre-Tax Profit	1,874	3,320	4,032	4,439	5,272	6,336	9,159	9,405	2,235	2,264	2,413	1,621	1,550	3,378	4,519	13,665	30,171	45,671
Tax	-614	-764	-968	-888	-1,371	-1,394	-2,198	-2,257	-483	-488	-532	-360	-726	-773	-1,109	-3,233	-7,220	-10,940
Net Profit	1,260	2,557	3,064	3,551	3,901	4,942	6,960	7,147	1,752	1,776	1,881	1,261	823	2,604	3,409	10,432	22,951	34,731
EPS -diluted (NT$)	4.32	8.77	10.51	12.18	13.89	17.59	24.78	25.44	6.55	6.38	6.70	4.46	3.01	9.15	11.71	35.78	78.71	119.11
Revenue breakdown																		
HSD	82%	83%	84%	86%	87%	87%	88%	88%		85%	84%	84%	84%	84%	84%	84%	88%	89%
HDI	6%	6%	6%	6%	6%	5%	5%	5%		8%	8%	8%	8%	6%	7%	6%	5%	4%
Others	12%	11%	10%	9%	8%	8%	7%	7%		7%	9%	8%	8%	11%	9%	10%	7%	7%
Margins (%)																		
Gross Margin	25.1%	30.0%	31.2%	31.7%	34.4%	34.9%	38.5%	38.6%	23.6%	23.4%	21.0%	18.4%	19.7%	23.2%	22.7%	30.0%	36.9%	39.4%
Operating Margin	18.2%	23.1%	24.1%	24.4%	27.3%	27.9%	31.7%	32.0%	12.3%	12.6%	11.3%	8.1%	8.9%	14.4%	14.3%	22.9%	30.1%	32.8%
Net Margin	12.5%	17.9%	18.4%	19.8%	20.3%	21.8%	24.1%	24.5%	10.0%	9.8%	8.9%	6.8%	5.1%	11.3%	11.2%	17.7%	23.0%	25.0%
Sequential Growth (%)																		
Revenue	10%	42%	16%	8%	7%	18%	27%	1%	-1%	3%	17%	-13%	-13%	44%	32%	94%	69%	39%
Gross Profit	26%	69%	21%	10%	16%	19%	41%	2%	3%	2%	5%	-23%	-7%	69%	29%	157%	108%	48%
EBIT	42%	80%	22%	9%	20%	20%	45%	2%	-10%	5%	5%	-37%	-5%	134%	30%	212%	122%	52%
Net Profit	16%	103%	20%	16%	10%	27%	41%	3%	-5%	1%	6%	-33%	-35%	216%	31%	206%	120%	51%
EPS	16%	103%	20%	16%	14%	27%	41%	3%	-8%	-3%	5%	-33%	-33%	204%	28%	205%	120%	51%

Source: Citi Research Estimates, Company Reports

Adding Upside 30-Day Catalyst Watch on TUC (6274.TWO)

Direction:	**Upside**
Duration:	Within 30 Days
Catalyst:	Earnings

We expect upcoming monthly sales or unaudited earnings, if released, would surprise to the upside.

Bull/Bear: TUC (6274.TWO)

NT$2,200.00	NT$1,950.00	NT$1,400.00
▲32% Upside	▲17% Upside	▼16% Downside

Spread 48pp
Current Price and expected returns (upside/downside) as of 17 Jun 2026

BULL Assumptions

- New project wins or share gains in AI customers
- Faster-than-expected CCL upgrade trend
- Stronger-than-expected AI server/800G demand

BASE Assumptions

- 2nd supplier in AI ASIC customers' AI servers
- 800G entering into mass production industrywide
- CCL spec migration to M8 for AI ASIC servers or 800G switches

BEAR Assumptions

- Slower-than-expected CCL upgrade trend
- Weaker-than-expected AI server/800G demand
- Production bottlenecks in AI supply chain

TUC

Company description

TUC was established in 1974 and mainly produced optical glass initially. Since 1997, it started to provide copper clad laminate (CCL) and prepreg. Headquartered in Hsinchu, Taiwan, TUC has an extensive global service network spanning mainland China, Japan, Korea, the US and Germany. It has been specializing in high-speed CCL for networking and now has a strong position in supplying 800G switch opportunities. The company also started to supply AI ASIC from 2025.

Investment strategy

We expect increasing AI ASIC exposure for TUC as it continues to see new project opportunities among US CSP customers, including the high-end CCL market for Trainium chip. We like TUC as it has production expertise in high-speed CCL products, especially in networking, such as 800G, and has long built solid relationships with upstream high-end materials suppliers to ensure raw material support. We rate TUC a Buy given meaningful 800G ramp from 2026E onwards and its increasing opportunities in AI projects within CSPs and enterprise players.

Valuation

Our target price for TUC is set at NT$1,950, based on a target PE multiple of 25x on our 2027E EPS. We believe our target PE multiple, at the peak of TUC's PE average in the last upcycle, is justified by its strong margin expansion potential on a higher sales mix from AI ASIC server/800G products and price hikes on supply tightness. We believe TUC's growth outlook is well supported by AI ASIC and 800G with its capacity ramp in Thailand from 2Q26 onward. At our target price, the shares would trade at 2026E/27E PB of 19.4x/10.8x.

Risks

Citi's quant system rates TUC High Risk given high share price volatility, which we largely attribute to frequent debates over the spec upgrade for next-gen AI servers. In general, we believe some investors initially tend to have high hope for aggressive spec upgrade without sufficiently considering the scalability and cost structure of CCL products, which then leads to a shortfall in the end. However, from a longer-term perspective, we see a decent and clear spec upgrade trend with meaningful ASP growth potential among AI servers of different generations. As such, we do not assign a High Risk rating.

Key downside risks that could prevent the shares from reaching our target price include: 1) a slower-than-expected CCL upgrade trend; 2) weaker-than-expected AI server/800G demand; 3) production bottlenecks in AI supply chain (e.g., glass, copper foil, foundry, or OSAT); 4) unexpected share loss in key AI server projects; 5) flexible practice of OOC policy by end customers; and 6) slow development of the PCB industry in Southeast Asia.

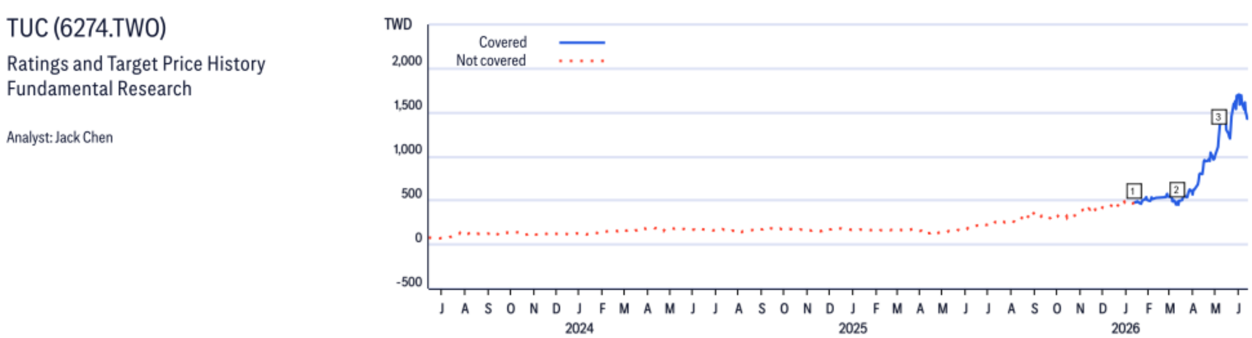
If you are visually impaired and would like to speak to a Citi representative regarding the details of the graphics in this document, please call USA 1-888-500-5008 (TTY: 711), from outside the US +1-210-677-3788

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.

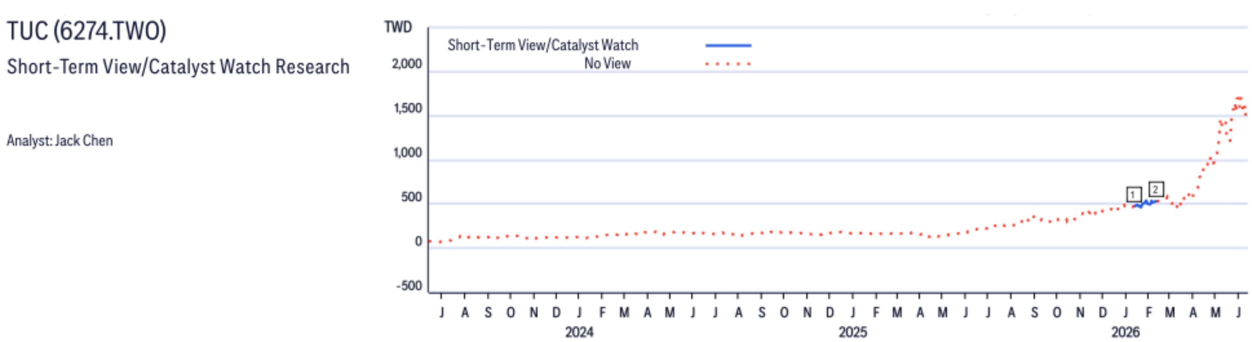
IMPORTANT DISCLOSURES



	Date	Rating	Target Price	Closing Price
1	12-Jan-26 05:58:26	*1	*600.00	475.50
2	11-Mar-26 12:43:44	1	*660.00	488.50
3	06-May-26 10:57:02	1	*1,600.00	1,315.00

*Indicates Change

Rating/target price changes above reflect Eastern Time



	Date	Action	Expected Direction	Duration	Closing Price
1	12-Jan-26 00:58:26	Add CW	Upside	30 Days	475.50
2	11-Feb-26 20:14:42	Remove CW	Upside	30 Days	532.00

CW - Catalyst Watch , STV - Short-Term View

Rating/target price changes above reflect Eastern Time

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