Accton Technology (2345 TT)

Target price: **TWD3,666.00** (from TWD3,222.00)

Share price (1 Jul): **TWD2,660.00** | Up/downside: **+37.8%**

5 4 3 2 1

Buy
(unchanged)

Next revenue momentum is around the corner

- Strong revenue pick-up likely due to Amazon's Trn3 ramp-up
- Long-term growth opportunities on track with solid capacity increase
- Reaffirming our Buy (1) rating; lifting our 12M TP to TWD3,666

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What's new: Trainium 3 will soon begin mass production and is likely to become the key catalyst for the supply chain.

What's the impact: **Near-term: ASIC AI server shipment strength is likely around the corner.** Based on our supply chain check and one rail kit company's quarter-to-date revenue strength in 2Q26, we believe the entire supply chain for Trainium will benefit from the next generation that will begin mass production from June. We also revise up our shipment forecast for Amazon's Trainium from 2.6m to 3.2m (upward revision by c.25%) in 2027, as we believe the hyperscalers would focus more on ASIC AI server development due to budget concerns given the high-cost inflation environment (eg, memory, substrate). Correspondingly, we raise our revenue forecasts by 11-18% for 2026-27. We now forecast Accton's revenue in 2Q26/3Q26 to reach TWD87/107bn (vs. our prior estimates of TWD83/91bn). A stronger-than-expected revenue momentum will likely act as the key share price catalyst for Accton.

Long-term development: new growth opportunities largely on track. Given the strong AI demand ahead, we expect Accton's capacity to increase by 30-50% from the Taoyuan and Zhubei plants in 2026 (vs. 30% earlier). Also, Accton is still eager to ramp up its new capacity in the US, Malaysia, and Vietnam (third phase) in 2027 to meet the strong demand for AI infrastructure (for both switch and AI card business). For its first client, we still expect the scale-up switch from the next generation (T4) to become the new growth driver for Accton in 2H27-2028. As for the second client, we expect the rising AI card business and potential scale-up switch to be potential growth drivers. Moreover, we believe Accton's further penetration into the L11 level would present opportunities for Accton beyond 2027. We are not overly concerned by the potential gross margin dilution as Accton would be able to provide most of the value within L11 except for memory, power, and rail kit. Finally, we see Accton aggressively developing CPO-related technology to provide value add when designing next generation switches.

What we recommend: We raise our 2026-28E EPS by 11-22% to factor in higher Trainium shipment in the forecast period. We raise our 12M TP to TWD3,666, based on an unchanged PER multiple of 35x (higher than its past-3-year range of 10-33x), applied to our 1-year forward EPS forecast. The PEG of 0.71 (2025-28E EPS CAGR of 49%) makes our target PER undemanding. Key downside risk: worse-than-expected ASIC server and switch demand.

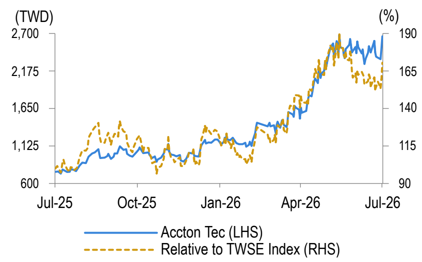
How we differ: Our 2026-28E EPS are 1-6% higher than the Bloomberg consensus, likely due to our positive view on Accton's revenue growth.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	10.8	18.3	12.7
Net profit change	20.5	21.5	10.8
Core EPS (FD) change	20.5	21.5	10.8

Source: Daiwa forecasts

Share price performance



12-month range	738.00-2,675.00
Market cap (USDbn)	46.85
3m avg daily turnover (USDm)	315.50
Shares outstanding (m)	561
Major shareholder	Chin Chieh Min Co. Ltd (8.1%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	374,820	519,281	717,767
Operating profit (m)	55,858	78,396	108,615
Net profit (m)	45,159	62,762	86,639
Core EPS (fully-diluted)	80.481	111.852	154.404
EPS change (%)	71.4	39.0	38.0
Daiwa vs Cons. EPS (%)	5.6	2.4	0.6
PER (x)	33.1	23.8	17.2
Dividend yield (%)	0.6	0.8	0.8
DPS	15.0	22.0	22.0
PBR (x)	17.2	10.9	7.1
EV/EBITDA (x)	24.5	17.0	11.7
ROE (%)	62.6	56.1	49.7

Source: FactSet, Daiwa forecasts

Flash

Accton: revenue and earnings forecasts vs. the consensus

	2026E			2027E			2028E		
(TWDm)	Previous	New	Consensus	Previous	New	Consensus	Previous	New	Consensus
Revenue	338,373	374,820	361,803	439,089	519,281	502,843	637,062	717,767	670,378
Diff (%)		10.8%	3.6%		18.3%	3.3%		12.7%	7.1%
Gross Margin (%)	18.5%	19.3%	19.1%	18.7%	18.9%	19.2%	18.9%	18.6%	19.3%
Operating profit	46,357	55,859	52,830	64,293	78,396	75,802	97,901	108,615	106,964
Op Margin (%)	13.7%	14.9%	14.6%	14.6%	15.1%	15.1%	15.4%	15.1%	16.0%
Net profit	37,477	45,160	42,752	51,656	62,762	61,298	78,209	86,639	86,150
EPS (TWD)	66.79	80.48	76.19	92.06	111.85	109.24	139.38	154.40	153.53
Diff (%)		20.5%	5.6%		21.5%	2.4%		10.8%	0.6%

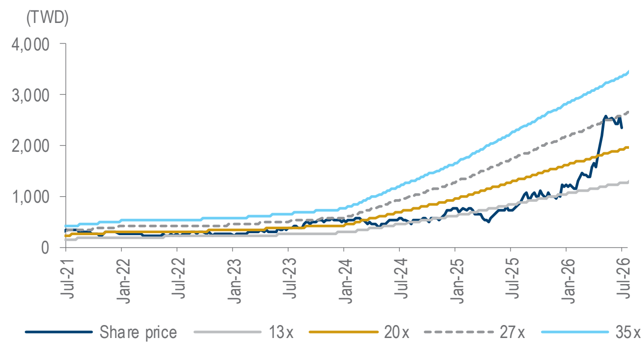
Source: Bloomberg, Daiwa forecasts

Accton: quarterly and annual P&L highlights

	2026E				2027E				2025	2026E	2027E	2028E
(TWDm)	1Q	2QE	3QE	4QE	1QE	2QE	3QE	4QE				
Net revenue	**70,121**	**86,778**	**106,949**	**110,972**	**109,335**	**128,178**	**139,474**	**142,295**	**248,320**	**374,820**	**519,281**	**717,767**
COGS	-56,412	-69,811	-86,508	-89,806	-88,621	-103,951	-113,096	-115,484	-203,401	-302,537	-421,151	-584,177
Gross profit	**13,701**	**16,967**	**20,441**	**21,166**	**20,714**	**24,226**	**26,378**	**26,811**	**44,886**	**72,275**	**98,130**	**133,590**
Operating expenses	-3,652	-3,992	-4,278	-4,494	-4,647	-4,871	-4,951	-5,265	-12,752	-16,417	-19,734	-24,975
Operating profit	**10,049**	**12,975**	**16,163**	**16,672**	**16,068**	**19,356**	**21,427**	**21,546**	**32,135**	**55,859**	**78,396**	**108,615**
Non-operating profit	313	246	253	265	247	252	254	254	782	1,076	1,007	1,011
Pre-tax profit	**10,362**	**13,222**	**16,416**	**16,936**	**16,314**	**19,608**	**21,681**	**21,800**	**32,917**	**56,935**	**79,403**	**109,627**
Income taxes	-2,029	-2,777	-3,447	-3,557	-3,426	-4,118	-4,553	-4,578	-6,611	-11,809	-16,675	-23,022
Net profit	**8,341**	**10,454**	**12,977**	**13,388**	**12,897**	**15,499**	**17,136**	**17,231**	**26,342**	**45,160**	**62,762**	**86,639**
Net EPS (TWD)	**14.87**	**18.63**	**23.13**	**23.86**	**22.98**	**27.62**	**30.54**	**30.71**	**46.95**	**80.48**	**111.85**	**154.40**
Operating Ratios												
Gross margin	19.5%	19.6%	19.1%	19.1%	18.9%	18.9%	18.9%	18.8%	18.1%	19.3%	18.9%	18.6%
Operating margin	14.3%	15.0%	15.1%	15.0%	14.7%	15.1%	15.4%	15.1%	12.9%	14.9%	15.1%	15.1%
Pre-tax margin	14.8%	15.2%	15.3%	15.3%	14.9%	15.3%	15.5%	15.3%	13.3%	15.2%	15.3%	15.3%
Net margin	11.9%	12.0%	12.1%	12.1%	11.8%	12.1%	12.3%	12.1%	10.6%	12.0%	12.1%	12.1%
YoY (%)												
Net revenue	64%	43%	47%	54%	56%	48%	30%	28%	125%	51%	39%	38%
Gross profit	59%	56%	63%	64%	51%	43%	29%	27%	97%	61%	36%	36%
Operating profit	70%	60%	80%	83%	60%	49%	33%	29%	136%	74%	40%	39%
Pre-tax profit	65%	100%	69%	64%	57%	48%	32%	29%	118%	73%	39%	38%
Net profit	63%	108%	66%	60%	55%	48%	32%	29%	120%	71%	39%	38%
QoQ (%)												
Net revenue	-3%	24%	23%	4%	-1%	17%	9%	2%				
Gross profit	6%	24%	20%	4%	-2%	17%	9%	2%				
Operating profit	10%	29%	25%	3%	-4%	20%	11%	1%				
Pre-tax profit	0%	28%	24%	3%	-4%	20%	11%	1%				
Net profit	0%	25%	24%	3%	-4%	20%	11%	1%				

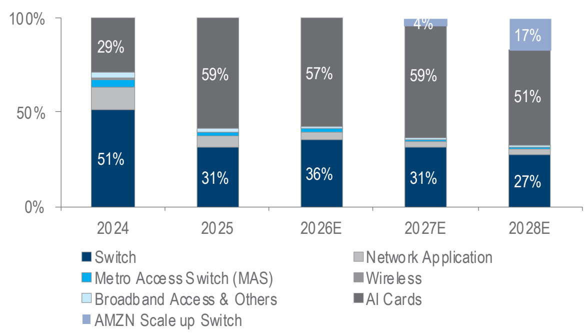
Source: Company, Daiwa forecasts

Accton: 1-year forward PER bands



Source: TEJ, Daiwa forecasts

Accton: revenue breakdown by product



Source: Company, Daiwa forecasts

Financial summary

Key assumptions

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Switch Shipment (k units)	3,053.0	3,538.1	4,035.6	4,381.5	4,739.1	5,125.9	5,544.3	5,996.8
Network Application Shipment (k units)	2,417.5	2,891.4	3,638.9	4,160.1	4,814.8	5,572.4	6,449.3	7,464.2
Switch ASP (USD)	463.8	451.4	506.6	454.6	573.2	913.1	1,019.5	1,153.0

Profit and loss (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Switch	40,359	45,521	58,270	56,763	77,426	133,399	161,093	197,057
Network Application	10,916	20,472	17,468	13,043	14,560	15,351	16,854	18,616
Other Revenue	8,323	11,212	8,450	40,618	156,334	226,071	341,334	502,093
Total Revenue	**59,599**	**77,205**	**84,188**	**110,425**	**248,320**	**374,820**	**519,281**	**717,767**
Other income	0	0	0	0	0	0	0	0
COGS	(48,254)	(60,687)	(64,926)	(87,647)	(203,433)	(302,545)	(421,151)	(584,177)
SG&A	(3,236)	(3,913)	(3,981)	(4,474)	(5,782)	(7,129)	(8,121)	(10,519)
Other op.expenses	(2,668)	(2,973)	(3,781)	(4,702)	(6,970)	(9,289)	(11,613)	(14,456)
Operating profit	**5,441**	**9,633**	**11,501**	**13,601**	**32,135**	**55,858**	**78,396**	**108,615**
Net-interest inc./(exp.)	(10)	111	566	782	987	986	1,007	1,011
Assoc/forex/extraord./others	300	532	(335)	750	(205)	90	0	0
Pre-tax profit	**5,731**	**10,276**	**11,732**	**15,134**	**32,917**	**56,934**	**79,403**	**109,627**
Tax	(1,026)	(2,110)	(2,812)	(3,135)	(6,611)	(11,809)	(16,675)	(23,022)
Min. int./pref. div./others	0	0	0	1	36	34	34	34
Net profit (reported)	**4,705**	**8,166**	**8,920**	**12,000**	**26,342**	**45,159**	**62,762**	**86,639**
Net profit (adjusted)	**4,705**	**8,166**	**8,920**	**12,000**	**26,342**	**45,159**	**62,762**	**86,639**
EPS (reported)(TWD)	**8.403**	**14.578**	**15.919**	**21.385**	**46.945**	**80.481**	**111.852**	**154.404**
EPS (adjusted)(TWD)	**8.403**	**14.578**	**15.919**	**21.385**	**46.945**	**80.481**	**111.852**	**154.404**
EPS (adjusted fully-diluted)(TWD)	**8.403**	**14.578**	**15.919**	**21.385**	**46.945**	**80.481**	**111.852**	**154.404**
DPS (TWD)	**6.474**	**5.976**	**7.471**	**9.961**	**10.957**	**15.000**	**22.000**	**22.000**
EBIT	**5,441**	**9,633**	**11,501**	**13,601**	**32,135**	**55,858**	**78,396**	**108,615**
EBITDA	**6,207**	**10,499**	**12,455**	**14,764**	**33,861**	**57,849**	**80,893**	**111,580**

Cash flow (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	5,731	10,276	11,732	15,134	32,917	56,934	79,403	109,627
Depreciation and amortisation	767	867	953	1,163	1,727	1,991	2,497	2,965
Tax paid	(1,026)	(2,110)	(2,812)	(3,135)	(6,611)	(11,809)	(16,675)	(23,022)
Change in working capital	(3,574)	(1,670)	2,131	(3,784)	3,360	(9,260)	(7,393)	(10,153)
Other operational CF items	(529)	2,361	6,366	565	3,459	0	0	(0)
Cash flow from operations	**1,368**	**9,723**	**18,371**	**9,942**	**34,852**	**37,857**	**57,833**	**79,417**
Capex	(480)	(952)	(2,245)	(2,762)	(4,894)	(3,373)	(3,116)	(4,307)
Net (acquisitions)/disposals	2,261	(5,108)	(2,276)	629	(12,347)	0	0	0
Other investing CF items	2,119	(45)	(1,146)	2,929	(1,907)	0	0	0
Cash flow from investing	**3,900**	**(6,104)**	**(5,666)**	**796**	**(19,149)**	**(3,373)**	**(3,116)**	**(4,307)**
Change in debt	0	2,325	(2,564)	(338)	(187)	0	0	0
Net share issues/(repurchases)	0	0	0	0	0	0	0	0
Dividends paid	(3,622)	(3,346)	(4,185)	(5,582)	(6,148)	(8,417)	(12,345)	(12,345)
Other financing CF items	(320)	(261)	(307)	(295)	(327)	4	4	4
Cash flow from financing	**(3,943)**	**(1,282)**	**(7,056)**	**(6,215)**	**(6,663)**	**(8,413)**	**(12,341)**	**(12,340)**
Forex effect/others	0	0	0	0	0	0	0	0
Change in cash	**1,325**	**2,336**	**5,649**	**4,523**	**9,041**	**26,070**	**42,377**	**62,770**
Free cash flow	888	8,772	16,126	7,181	29,958	34,483	54,717	75,110

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	7,592	15,015	24,333	25,465	51,463	77,535	119,911	182,681
Inventory	13,246	12,788	13,551	19,371	30,202	36,867	51,321	71,188
Accounts receivable	10,731	13,730	11,722	21,714	38,653	45,560	63,120	87,246
Other current assets	214	349	386	4,089	749	749	749	749
Total current assets	**31,782**	**41,883**	**49,991**	**70,639**	**121,067**	**160,711**	**235,102**	**341,864**
Fixed assets	1,487	1,804	3,181	5,445	9,228	10,610	11,228	12,570
Goodwill & intangibles	109	168	178	1,016	771	771	771	771
Other non-current assets	1,642	2,206	3,225	9,366	12,165	4,572	4,572	4,572
Total assets	**35,021**	**46,061**	**56,576**	**86,467**	**143,231**	**176,663**	**251,672**	**359,777**
Short-term debt	0	0	133	175	333	333	333	333
Accounts payable	11,567	12,478	13,681	25,955	58,486	62,798	87,419	121,258
Other current liabilities	6,076	9,090	15,265	20,790	23,365	23,365	23,365	23,365
Total current liabilities	**17,643**	**21,568**	**29,080**	**46,920**	**82,184**	**86,496**	**111,117**	**144,956**
Long-term debt	1,003	2,605	538	281	84	84	84	84
Other non-current liabilities	822	1,460	1,771	2,831	3,328	3,328	3,328	3,328
Total liabilities	**19,468**	**25,633**	**31,388**	**50,032**	**85,596**	**89,908**	**114,529**	**148,369**
Share capital	5,599	5,601	5,604	5,611	5,611	5,611	5,611	5,611
Reserves/R.E./others	9,954	14,827	19,584	30,715	51,928	81,048	131,436	205,701
Shareholders' equity	**15,553**	**20,428**	**25,188**	**36,327**	**57,540**	**86,659**	**137,047**	**211,312**
Minority interests	0	0	0	108	96	96	96	96
Total equity & liabilities	**35,021**	**46,061**	**56,576**	**86,467**	**143,231**	**176,663**	**251,672**	**359,777**
EV	1,485,985	1,480,164	1,468,912	1,467,672	1,441,623	1,415,552	1,373,175	1,310,405
Net debt/(cash)	**(6,588)**	**(12,410)**	**(23,662)**	**(25,010)**	**(51,046)**	**(77,117)**	**(119,494)**	**(182,264)**
BVPS (TWD)	**27.777**	**36.470**	**44.950**	**64.740**	**102.544**	**154.441**	**244.240**	**376.592**

Key ratios (%)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales (YoY)	9.4	29.5	9.0	31.2	124.9	50.9	38.5	38.2
EBITDA (YoY)	(12.3)	69.1	18.6	18.5	129.3	70.8	39.8	37.9
Operating profit (YoY)	(15.0)	77.0	19.4	18.3	136.3	73.8	40.3	38.5
Net profit (YoY)	(6.8)	73.6	9.2	34.5	119.5	71.4	39.0	38.0
Core EPS (fully-diluted) (YoY)	(6.9)	73.5	9.2	34.3	119.5	71.4	39.0	38.0
Gross-profit margin	19.0	21.4	22.9	20.6	18.1	19.3	18.9	18.6
EBITDA margin	10.4	13.6	14.8	13.4	13.6	15.4	15.6	15.5
Operating-profit margin	9.1	12.5	13.7	12.3	12.9	14.9	15.1	15.1
Net profit margin	7.9	10.6	10.6	10.9	10.6	12.0	12.1	12.1
ROAE	31.3	45.4	39.1	39.0	56.1	62.6	56.1	49.7
ROAA	14.2	20.1	17.4	16.8	22.9	28.2	29.3	28.3
ROCE	33.8	48.7	47.0	43.4	67.7	76.9	69.8	62.2
ROIC	64.2	90.1	n.a	n.a	n.a	n.a	n.a	n.a
Net debt to equity	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Effective tax rate	17.9	20.5	24.0	20.7	20.1	20.7	21.0	21.0
Accounts receivable (days)	61.0	57.8	55.2	55.3	44.4	41.0	38.2	38.2
Current ratio (x)	1.8	1.9	1.7	1.5	1.5	1.9	2.1	2.4
Net interest cover (x)	548.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net dividend payout	71.7	71.1	51.2	62.6	51.2	32.0	27.3	19.7
Free cash flow yield	0.1	0.6	1.1	0.5	2.0	2.3	3.7	5.0

Source: FactSet, Daiwa forecasts

Company profile

Founded in 1988, Accton is dedicated to the design and manufacturing of enterprise networking and communication products. With its long-term experience and expertise, Accton is one of the leading open-source networking ODM partners for major players worldwide, with particular focuses on data centres, telco carriers and campus networks. Major products include enterprise switches, metro access switches, network applications and wireless products.

ESG analysis

ESG risks

Risks		Management	Analyst comments
G	Executive/board quality	1	Accton's board has 8 directors, with 4 independent directors. The independent directors account for 50% of all directors. A total of 5 board meetings were held in 2023, and the average attendee rate was 96%. The background of independent directors is diversified and their competence includes networking technology, business management, acounting, and work experience in the medical industry. We deem the diversified background as a positive factor for the company's board quality. Besides, the Chairman and CEO are not the same person, which increases the board and executive management's quality. Based on its board structure and key executive hiring, we believe that Accton has already professionalised the family business by allowing external professionals to run the business for major shareholders.
G	Capital management	1	Accton declared DPS of TWD10.0 in 2024, representing a 62.5% payout ratio. The ratio was lower than its range of 69-75% from 2018 to 2022. That said, it still points towards a friendly shareholder dividend policy, in our view. We attribute the slightly lower payout ratio to the higher capacities investment in its new Zhunan and Vietnam plants due to the US-China tension. The DPS CAGR in the past 10 years was c.18%, which showcased Accton's capability in capital management. The continuous improvement in networking capabilities (eg, 100G switch, 400G switch) has helped it to differentiate itself from other competitors and successfully penetrate into the white-box switch supply chain for major US cloud service providers recently.
G	Related party & transaction	1	There was no related parties transactions in 2024. We see limited risk from related party transactions.
S	Supply chain management	1	Like most vendors, Accton asks its suppliers to follow: 1) the hazard substance requirements of the RoHS, Reach and corporate social responsibilities (5 categories, including labour, health and safety, environmental, ethics and management system) required by the RBA Code of Conduct, and 2) QC08000 (Hazardous Substances Process Management), while the company conducts annual reviews to evaluate its suppliers' performance. To effectively track, communicate and manage its supply chain to manufacture green products, each supplier can use the eGreen system® platform, developed independently by Accton, to learn about environmental protection control and management requirements for components and materials.
S	Data security	2	To ensure information security for customers and the company, Accton passed the CNS 27001:2014 (ISO/IEC 27001:2013) in 2016 and will complete re-certification for information security every year. Apart from the global information security standards setup, Accton also takes some physical measures to improve its information security, including: 1) implementing power supply improvement plans in the server room by replacing the UPS system and strengthening the power stability, so that the servers can remain in operation and services are not interrupted due to external power outages. 2) purchasing vulnerability analysis software to execute vulnerability scans and penetration tests to cope with risks in the network and prevent damage or abuse.

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: 5 Nov 2025

Source: Daiwa, Company

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