BofA SECURITIES

Faraday

Valuation remains stretched; timely revenue delivery to be key watchpoint

Reiterate Rating: UNDERPERFORM | PO: 120.00 TWD | Price: 191.50 TWD

3Q26 sales beat on record MCU mass production revenue

Faraday's 3Q26 sales was +11% QoQ, above BofAe/street of -7%/-3% QoQ and its guidance of -single-digit% QoQ, mainly driven by strong MP growth (+19.6% QoQ) on record-high MCU sales and accelerating ASIC shipments, coupled with continued IP revenue strength more than offsetting deferred NRE revenue recognition. 3Q26 GM dropped by 270 bps to 42.5% due to product mix, while increased Opex from salary adjustments brought 3Q26 EPS to NT$1.07 (BofAe/Street NT$1.27/0.66).

IP and NRE strength support 4Q26 margin improvement

4Q26 sales is guided to remain flat QoQ, as growth in IP and NRE revenue offset decline in MP revenue on lower MCU shipments following a high base in 3Q26. With sustained strength in IP segment underpinned by higher wafer pricing and utilization, along with NRE milestone delivery, 4Q26 GM should edge up to 43.7% on better mix, in our view.

High-end MCU and advanced projects drive 2027 growth

We now forecast Faraday's 2026/2027 sales to -27%/+36% YoY, supported by healthy demand for high-end MCU and gradual ramp in advanced projects. While the design change from 4nm to 2nm for a US customer's ASIC project should bring greater contract value, Faraday's capability to deliver on schedule and achieve timely revenue recognition remains key watchpoint. On higher advanced packaging/nodes projects contribution through 2027, GM should decline slightly from 44.5% in 2026 to 42.9% in 2027.

Reiterate Underperform with unchanged NT$120 PO

We lower our 2026 EPS from NT$4.05 to NT$3.19 on higher Opex and trim 2027-28 EPS by 3-10% as we remain cautious on the timing of NRE/MP recognition for advanced projects given the increased design complexity and constrained OSAT capacity. We reiterate Underperform rating with unchanged PO of NT$120 on 17x 2027E P/E. Current valuation appears stretched with shares trading at 28x '27 P/E (vs. historical 13-42x).

Estimates (Dec) (NT$)	2024A	2025A	2026E	2027E	2028E
Net Income (Adjusted - mn)	1,041	731	832	1,790	2,060
EPS	4.18	2.81	3.19	6.87	7.91
EPS Change (YoY)	-34.6%	-32.9%	13.7%	115.2%	15.1%
Dividend / Share	3.00	1.80	2.23	4.81	5.53
Free Cash Flow / Share	11.06	2.95	8.84	10.25	11.47
Valuation (Dec)					
P/E	45.78x	68.23x	60.00x	27.88x	24.22x
Dividend Yield	1.57%	0.940%	1.17%	2.51%	2.89%
EV / EBITDA*	22.65x	28.76x	23.54x	13.94x	12.52x
Free Cash Flow Yield*	5.52%	1.54%	4.62%	5.35%	5.99%

* For full definitions of *IQmethod℠* measures, see page 6.

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Refer to important disclosures on page 7 to 9. Analyst Certification on page 4. Price

27 October 2026

Equity

Key Changes

(NT$)	Previous	Current
2026E EPS	4.05	3.19
2027E EPS	7.07	6.87
2028E EPS	8.77	7.91
2026E EBITDA (m)	2,153.4	1,809.6
2027E EBITDA (m)	3,101.9	3,056.1
2028E EBITDA (m)	3,683.9	3,400.4

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Stock Data

Price	191.50 TWD
Price Objective	120.00 TWD
Date Established	13-Mar-2026
Investment Opinion	C-3-7
52-Week Range	139.00 TWD-245.00 TWD
Mrkt Val / Shares Out (mn)	1,530 USD / 260.6
Market Value (mn)	49,895 TWD
Average Daily Value (mn)	27.97 USD
Free Float	81.7%
BofA Ticker / Exchange	FDYTF / TAI
Bloomberg / Reuters	3035 TT / 3035.TW
ROE (2026E)	5.2%
Net Dbt to Eqty (Dec-2025A)	-49.5%

IP: Intellectual property

MP: Mass Production

NRE: Non-Recurring Engineering

MCU: Microcontroller Unit

OSAT: Outsourced Semiconductor

iQprofile℠ Faraday

Key Income Statement Data (Dec)	2024A	2025A	2026E	2027E	2028E
(NT$ Millions)					
Sales	11,065	17,993	13,212	17,946	20,050
Gross Profit	5,051	4,857	5,874	7,702	8,496
Sell General & Admin Expense	(1,024)	(1,094)	(1,549)	(1,653)	(1,804)
Operating Profit	1,071	552	862	2,136	2,481
Net Interest & Other Income	272	449	627	696	707
Associates	NA	NA	NA	NA	NA
Pretax Income	1,343	1,002	1,489	2,832	3,188
Tax (expense) / Benefit	(271)	(229)	(359)	(683)	(768)
Net Income (Adjusted)	1,041	731	832	1,790	2,060
Average Fully Diluted Shares Outstanding	258	261	261	261	261
Key Cash Flow Statement Data					
Net Income	1,041	731	832	1,790	2,060
Depreciation & Amortization	810	929	948	920	920
Change in Working Capital	1,295	(580)	(339)	(220)	(151)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(246)	(151)	1,079	360	360
Cash Flow from Operations	2,901	930	2,519	2,849	3,189
Capital Expenditure	(148)	(162)	(215)	(179)	(200)
(Acquisition) / Disposal of Investments	(911)	(755)	(4,988)	0	0
Other Cash Inflow / (Outflow)	(1,503)	(183)	5,018	(800)	(800)
Cash Flow from Investing	(2,562)	(1,100)	(185)	(979)	(1,000)
Shares Issue / (Repurchase)	3,720	0	0	0	0
Cost of Dividends Paid	(1,118)	(782)	0	(582)	(1,253)
Cash Flow from Financing	2,178	(832)	(134)	(582)	(1,253)
Free Cash Flow	2,752	768	2,304	2,670	2,989
Net Debt	(7,886)	(6,697)	(9,132)	(10,420)	(11,356)
Change in Net Debt	(2,418)	1,171	(2,420)	(1,288)	(936)
Key Balance Sheet Data					
Property, Plant & Equipment	582	617	708	708	708
Other Non-Current Assets	6,724	7,115	11,724	12,234	12,854
Trade Receivables	1,054	1,726	1,767	2,508	2,527
Cash & Equivalents	8,334	7,286	9,611	10,898	11,834
Other Current Assets	1,636	2,188	3,483	4,503	5,001
Total Assets	18,330	18,932	27,292	30,851	32,924
Long-Term Debt	0	0	1	1	1
Other Non-Current Liabilities	984	719	833	833	833
Short-Term Debt	448	589	478	478	478
Other Current Liabilities	3,425	4,096	5,785	7,921	9,059
Total Liabilities	4,857	5,403	7,096	9,232	10,370
Total Equity	13,473	13,529	20,196	21,619	22,554
Total Equity & Liabilities	18,330	18,932	27,292	30,851	32,924
iQmethod℠ **- Bus Performance***					
Return On Capital Employed	7.4%	3.3%	4.0%	7.6%	8.4%
Return On Equity	9.2%	5.6%	5.2%	9.1%	10.0%
Operating Margin	9.7%	3.1%	6.5%	11.9%	12.4%
EBITDA Margin	17.0%	8.2%	13.7%	17.0%	17.0%
iQmethod℠ **- Quality of Earnings***					
Cash Realization Ratio	2.8x	1.3x	3.0x	1.6x	1.5x
Asset Replacement Ratio	1.0x	0.8x	1.0x	0.8x	0.9x
Tax Rate (Reported)	20.2%	22.8%	24.1%	24.1%	24.1%
Net Debt-to-Equity Ratio	-58.5%	-49.5%	-45.2%	-48.2%	-50.4%
Interest Cover	NM	NM	NM	NM	NM

Key Metrics

* For full definitions of *iQmethod*℠ measures, see page 6.

Company Sector

Semiconductors

Company Description

Faraday Technology Corp. was established in 1993 and listed in 1999. The company is an affiliate of the second biggest semiconductor logic foundry (UMC) in Taiwan, and has been the main provider to UMC's IP library. Faraday is also known for its total solution in ASIC (customized chips) which includes chip-design and turnkey mass production, on top of its IP offering. The company has a diversified end-market exposure, including internet of things, factory automation, solar, microcontrollers etc.

Investment Rationale

We have an Underperform rating on Faraday, as we are wary of the slower for longer business outlook in mature node projects, while its collaboration with non-TSMC foundries bears the uncertainty.

Stock Data

Price to Book Value	2.6x

Focus table

Exhibit 1: Faraday 3Q26-4Q26 and 2026-27 estimates BofAe vs. street
Our EPS estimates for '26/27 are now NT$3.19/6.87

	3Q26E			4Q26E			2026E			2027E		
	Actual	Old	Street	BofAe	Old	Street	BofAe	Old	Street	BofAe	Old	Street
Sales (NT$mn)	$3,664	$3,079	$3,235	$3,646	$3,293	$3,648	$13,212	$12,275	$12,810	$17,946	$18,155	$16,307
Sales QoQ / YoY (%)	**10.6%**	**-7.1%**	**-2.4%**	**-0.5%**	**6.9%**	**12.8%**	**-26.6%**	**-31.8%**	**-28.8%**	**35.8%**	**47.9%**	**27.3%**
Gross profit (NT$mn)	$1,557	$1,387	$1,448	$1,594	$1,457	$1,618	$5,874	$5,567	$5,810	$7,702	$7,532	$7,121
GMs (%)	**42.5%**	**45.1%**	**44.8%**	**43.7%**	**44.2%**	**44.4%**	**44.5%**	**45.4%**	**45.4%**	**42.9%**	**41.5%**	**43.7%**
Operating profit (NT$mn)	$214	$340	$238	$281	$469	$409	$862	$1,176	$1,011	$2,136	$2,125	$2,019
OpMs (%)	**5.8%**	**11.1%**	**7.3%**	**7.7%**	**14.2%**	**11.2%**	**6.5%**	**9.6%**	**7.9%**	**11.9%**	**11.7%**	**12.4%**
Pretax profit (NT$mn)	$480	$485	$392	$449	$606	$559	$1,489	$1,651	$1,373	$2,832	$2,632	$2,324
Pretax margins (%)	13.1%	15.7%	12.1%	12.3%	18.4%	15.3%	11.3%	13.5%	10.7%	15.8%	14.5%	14.3%
Tax expense (NT$mn)	-$201	-$153	-$78	-$198	-$184	-$137	-$658	-$595	-$510	-$1,043	-$790	-$700
Tax rate (%)	41.9%	31.5%	19.8%	44.2%	30.4%	24.6%	44.2%	36.1%	37.1%	36.8%	30.0%	30.1%
Net profit (NT$mn)	$279	$332	$315	$250	$422	$421	$832	$1,056	$864	$1,790	$1,842	$1,625
Net margins (%)	7.6%	10.8%	9.7%	6.9%	12.8%	11.5%	6.3%	8.6%	6.7%	10.0%	10.1%	10.0%
EPS (NT$)	**$1.07**	**$1.27**	**$0.66**	**$0.96**	**$1.62**	**$1.32**	**$3.19**	**$4.05**	**$3.25**	**$6.87**	**$7.07**	**$6.09**

Source: BofA Global Research estimates, Bloomberg

BofA GLOBAL RESEARCH

Price objective basis & risk

Faraday (FDYTF)
Our PO NT$120 is derived from 17x 2027E P/E, which is at low-to-mid-end of the company's historical valuation range. In our view, the multiple is backed by gross margin expansion from 27% in 2025 to over 40% in 2026/27 while revenue would slow down from a peak in 2025.

Upside risks: (1) faster-than-expected progress in new businesses including advanced nodes and advanced packaging, and (2) a better margin profile thanks to more stringent opex and enhanced value-add to customers

Downside risks: (1) downturn in foundry business cycle, given that the firm adopts a cost-plus model for turnkey (mass production) business, and (2) slower qualification and ramp-up of the yield rate for advanced packaging business

Analyst Certification

I, Haas Liu, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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APR - Semiconductor Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alchip	ALCPF	3661 TT	Haas Liu
	All Ring	XNQNF	6187 TT	Haas Liu
	AMEC	XRTOF	688012 CH	Dai Shen
	ASE Technology Holding	XSRIF	3711 TT	Haas Liu
	ASE Technology Holding -ADR	ASX	ASX US	Haas Liu
	ASMPT	ASMVF	522 HK	Simon Woo, CFA
	Aspeed	XLKMF	5274 TT	Mike Yang

APR - Semiconductor Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Chroma ATE	CRMJF	2360 TT	Haas Liu
	Doosan Corp	DOSAF	000150 KS	Simon Woo, CFA
	eMemory	XYLWF	3529 TT	Mike Yang
	GigaDevice	XGXIF	603986 CH	Daley Li, CFA
	Global Unichip Corp.	GBUHF	3443 TT	Haas Liu
	Grand Process Technology Corp	XZOWF	3131 TT	Haas Liu
	Hanmi Semiconductor	HNSIF	042700 KS	Simon Woo, CFA
	Hon Precision	XXPIF	7769 TT	Haas Liu
	Horizon Robotics	HRZRF	9660 HK	Daley Li, CFA
	Iluvatar CoreX	XSIBF	9903 HK	Daley Li, CFA
	Ingenic	XISCF	300223 CH	Dai Shen
	InnoScience Technology	XSCHF	2577 HK	Daley Li, CFA
	JCET Group Co Ltd	XJIEF	600584 CH	Dai Shen
	King Yuan Electronics Corp.	KYUFF	2449 TT	Haas Liu
	Kinik	KIKCF	1560 TT	Haas Liu
	Macronix International	MXICF	2337 TT	Dai Shen
	MediaTek	MDTKF	2454 TT	Haas Liu
	Montage Technology	XRDFF	688008 CH	Daley Li, CFA
	MPI Corporation	XMJCF	6223 TT	Mike Yang
	Nanya Technology	NNYAF	2408 TT	Simon Woo, CFA
	NCE Power	XVFFF	605111 CH	Daley Li, CFA
	OmniVision	XXHQF	603501 CH	Dai Shen
	Phison Electronics	PISNF	8299 TT	Simon Woo, CFA
	Powerchip Semiconductor Manufacturing Co	XCHPF	6770 TT	Haas Liu
	Powertech Technology	PWOGF	6239 TT	Simon Woo, CFA
	Rockchip	XRPXF	603893 CH	Daley Li, CFA
	Samsung C&T	XCDTF	028260 KS	Simon Woo, CFA
	Samsung Elec -G	SSNHZ	SMSN LI	Simon Woo, CFA
	Samsung Electronics	SSNLF	005930 KS	Simon Woo, CFA
	Samsung Electronics Preferred	SSNNF	005935 KS	Simon Woo, CFA
	Silergy Corp.	SLEGF	6415 TT	Mike Yang
	Silicon Motion	SIMO	SIMO US	Simon Woo, CFA
	SK Hynix	HXSCF	000660 KS	Simon Woo, CFA
	SK Hynix ADR	SKHY	SKHY US	Simon Woo, CFA
	SK Square	SKSQF	402340 KS	Simon Woo, CFA
	Taiwan Semiconductor Manufacturing Co.	TSM	TSM US	Haas Liu
	Taiwan Semiconductor Manufacturing Co.	TSMWF	2330 TT	Haas Liu
	Vanguard International Semiconductor Co	VGILF	5347 TT	Haas Liu
	Winbond Electronics	WBEKF	2344 TT	Dai Shen
	WinWay Technology	XWCLF	6515 TT	Mike Yang
	WT Microelectronics	XZOPF	3036 TT	Mike Yang
NEUTRAL				
	ASMedia Technology Inc.	XZSFF	5269 TT	Mike Yang
	Black Sesame Intl Holding	BSIHF	2533 HK	Daley Li, CFA
	Hangzhou Silan Microelectronics	XDFRF	600460 CH	Daley Li, CFA
	Lion Electronics	XDHFF	605358 CH	Dai Shen
	MetaX	XMEZF	688802 CH	Daley Li, CFA
	Novatek	NVKMF	3034 TT	Mike Yang
	Realtek	RLTKF	2379 TT	Haas Liu
	Shenzhen Goodix	XQPLF	603160 CH	Daley Li, CFA
	Soulbrain	XSBOF	357780 KS	Simon Woo, CFA
	VeriSilicon	XMLZF	688521 CH	Daley Li, CFA
UNDERPERFORM				
	Crystal Clear	XPPTF	300655 CH	Dai Shen
	Faraday	FDYTF	3035 TT	Haas Liu
	GlobalWafers	XWLFF	6488 TT	Mike Yang
	Hua Hong Grace	HHUSF	1347 HK	Dai Shen
	LX Semicon	XLXSF	108320 KS	Simon Woo, CFA
	M31 Technology	XMTZF	6643 TT	Mike Yang
	Maxscend	XMXSF	300782 CH	Daley Li, CFA
	Parade	PRDWF	4966 TT	Mike Yang
	United Microelectronics Corp.	XUMIF	2303 TT	Haas Liu
	United Microelectronics Corp.	UMC	UMC US	Haas Liu
	Win Semiconductors	WSMIF	3105 TT	Haas Liu



APR - Semiconductor Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Wonik IPS	XRHQF	240810 KS	Simon Woo, CFA

iQmethod℠ Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) × (1 − Tax Rate) + Goodwill Amortization	Total Assets − Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5 Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations − Total Capex	N/A
Quality of Earnings	**Numerator**	**Denominator**
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt − Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit	**Numerator**	**Denominator**
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations − Total Capex	Market Cap = Current Share Price × Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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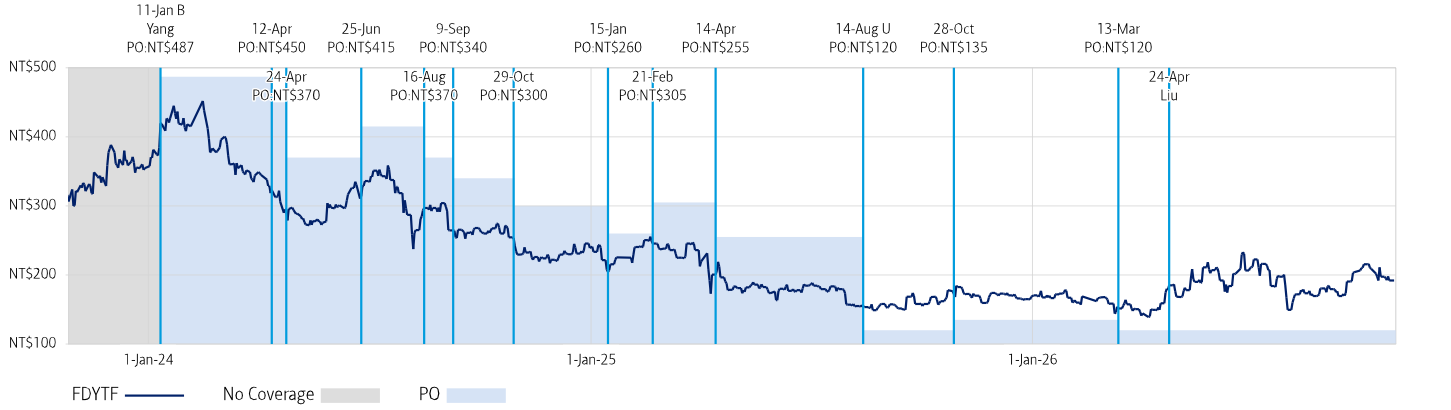
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Disclosures

Important Disclosures

Faraday (FDYTF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Technology Group (as of 30 Sep 2026)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	255	62.04%	Buy	157	61.57%
Hold	82	19.95%	Hold	46	56.10%
Sell	74	18.00%	Sell	31	41.89%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2026)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	2057	57.03%	Buy	1386	67.38%
Hold	806	22.35%	Hold	563	69.85%
Sell	744	20.63%	Sell	446	59.95%

[R1] Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2] Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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