Chroma ATE

3Q26 sales tracking stronger; SLT/power business concerns unfounded

Maintain Rating: BUY | PO: 3,050 TWD | Price: 1,975 TWD

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Equity

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July sales booking 35%/39% BofAe/street 3Q26 estimates

Chroma reported July consolidated sales +32% MoM and +175% YoY to NT$5.4bn, representing 35%/39% of BofAe/street estimate of +16%/+5% QoQ, much stronger than seasonal +32%. We believe the strength is led by its power testing equipment shipment to its China customers' ESS battery capacity builds along with solid demand for semiconductor testing equipment across SLT with continued orders from AMD for GPU system level testing (SLT) equipment and its gains in CPU SLT. The growing contribution from its photonics business could see further strength through 2H26 on initial capacity builds for CPO pilot production and surge in optical transceiver demand.

Market concerns on GMs, SLT and power specs overdone

Investors post Chroma's earnings call on July 30th are concerned on **1) its GMs/OpMs trend into 2H26 following a slight disappointment in 2Q26,** we believe the company should see another round of operating leverage as it passes the material inflationary cost to its customers and stronger than feared sales trend in 2H26 as witnessed in July , **2) its SLT opportunity in AMD CPU:** we expect Chroma and Hon Precision to be in charge of different SKU of the products which is not reflected in current street expectations, and **3) milder GPU power upgrades extended in 2027:** we believe it is premature to confirm the Rubin Ultra upgrade at this stage as the chipset is designed for 3,500W+ peak power and the component supply chain still has 9 months to improve the specs to meet the requirement on the system level design.

Undershoot from unfounded concerns provides good entry

We keep our Buy rating on Chroma with NT$3,050 PO based on 38x 2027 P/E and maintain our '26/'27 EPS estimate at NT$46.73/80.05. While the near term sentiment is dragged by the investor concerns on CPO and HVDC (800V) upgrade push out, we would note the timeframe is largely consistent with our view earlier this year and see the current valuation compelling at 25x '27 P/E well backed by sales/EPS +59%/+75% CAGR.

Estimates (Dec) (NT$)	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
EPS	12.49	27.70	46.73	80.05	100.11
EPS Change (YoY)	32.2%	121.7%	68.7%	71.3%	25.1%
Dividend / Share	7.00	10.00	20.00	33.00	33.00
Free Cash Flow / Share	6.60	7.01	19.61	37.48	65.86
Valuation (Dec)					
P/E	158.09x	71.29x	42.27x	24.67x	19.73x
Dividend Yield	0.354%	0.506%	1.01%	1.67%	1.67%
EV / EBITDA*	133.48x	83.20x	36.36x	20.54x	16.27x
Free Cash Flow Yield*	0.331%	0.352%	0.984%	1.88%	3.31%

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

Stock Data

Price	1,975 TWD
Price Objective	3,050 TWD
Date Established	24-Jun-2026
Investment Opinion	C-1-7
52-Week Range	488.00 TWD-2,795 TWD
Mrkt Val / Shares Out (mn)	25,999 USD / 425.2
Market Value (mn)	839,860 TWD
Average Daily Value (mn)	197.81 USD
Free Float	83.0%
BofA Ticker / Exchange	CRMJF / TAI
Bloomberg / Reuters	2360 TT / 2360.TW
ROE (2026E)	0%
Net Dbt to Eqty (Dec-2025A)	-15.3%

iQprofile℠ Chroma ATE

Key Income Statement Data (Dec)	2024A	2025A	2026E	2027E	2028E
(NT$ Millions)					
Sales	21,604	28,311	55,617	86,809	107,071
Gross Profit	12,746	17,425	33,833	54,207	67,204
Sell General & Admin Expense	(5,065)	(5,671)	(8,057)	(10,104)	(11,865)
Operating Profit	5,482	9,197	22,055	39,646	50,197
Net Interest & Other Income	1,226	4,720	2,892	2,982	3,191
Associates	NA	NA	NA	NA	NA
Pretax Income	6,709	13,918	24,947	42,628	53,388
Tax (expense) / Benefit	(1,308)	(1,992)	(4,894)	(8,360)	(10,535)
Net Income (Adjusted)	NA	NA	NA	NA	NA
Average Fully Diluted Shares Outstanding	421	422	422	422	422
Key Cash Flow Statement Data					
Net Income	5,264	11,692	19,695	33,742	42,280
Depreciation & Amortization	775	841	916	1,023	1,143
Change in Working Capital	(1,020)	(4,306)	(7,402)	(10,569)	(5,902)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(235)	(2,969)	(613)	(2,320)	(2,265)
Cash Flow from Operations	4,784	5,258	12,597	21,876	35,255
Capital Expenditure	(2,005)	(2,301)	(4,333)	(6,077)	(7,495)
(Acquisition) / Disposal of Investments	(1,067)	(186)	(1,865)	0	0
Other Cash Inflow / (Outflow)	1,181	3,915	2,969	2,846	2,837
Cash Flow from Investing	(1,891)	1,428	(3,229)	(3,231)	(4,658)
Shares Issue / (Repurchase)	0	0	0	0	0
Cost of Dividends Paid	(2,807)	(3,828)	(8,184)	(13,787)	(23,619)
Cash Flow from Financing	(2,997)	(4,548)	(8,208)	(13,787)	(23,619)
Free Cash Flow	2,779	2,957	8,264	15,799	27,761
Net Debt	(1,515)	(4,997)	(7,797)	(12,656)	(19,634)
Change in Net Debt	433	(2,331)	(1,146)	(4,858)	(6,979)
Key Balance Sheet Data					
Property, Plant & Equipment	6,956	7,232	0	0	0
Other Non-Current Assets	12,927	13,792	24,679	29,733	36,085
Trade Receivables	6,070	8,925	14,435	22,172	26,140
Cash & Equivalents	5,040	8,314	11,152	16,010	22,989
Other Current Assets	6,315	8,886	13,731	19,864	23,600
Total Assets	37,308	47,150	63,997	87,779	108,814
Long-Term Debt	2,108	3,304	3,050	3,050	3,050
Other Non-Current Liabilities	1,515	2,125	2,082	2,082	2,082
Short-Term Debt	1,417	14	305	305	305
Other Current Liabilities	6,817	9,145	22,112	25,414	27,216
Total Liabilities	11,858	14,587	27,550	30,851	32,653
Total Equity	25,450	32,563	36,447	56,928	76,161
Total Equity & Liabilities	37,308	47,150	63,997	87,779	108,814
iQ**method*℠ **- Bus Performance					
Return On Capital Employed	15.6%	23.2%	44.6%	61.5%	56.5%
Return On Equity	NA	NA	NA	NA	NA
Operating Margin	25.4%	32.5%	39.7%	45.7%	46.9%
EBITDA Margin	29.0%	35.5%	41.3%	46.8%	47.9%
iQ**method*℠ **- Quality of Earnings					
Cash Realization Ratio	NA	NA	NA	NA	NA
Asset Replacement Ratio	2.7x	3.0x	5.1x	6.4x	7.0x
Tax Rate (Reported)	19.5%	14.3%	19.6%	19.6%	19.7%
Net Debt-to-Equity Ratio	-6.0%	-15.3%	-21.4%	-22.2%	-25.8%
Interest Cover	NM	NM	NM	NM	NM

Key Metrics

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

Company Sector

Semiconductor Capital Equipment

Company Description

Chroma is a world leading provider of automated test equipment (ATE) and precision measurement solutions with 4,300+ system installed globally. Founded in 1984, the company has built a one of a kind diversified technology portfolio spanning semiconductor testers, power electronics testers, battery formation systems, photonics test instruments.

Investment Rationale

We have a Buy rating on Chroma, in view of its strong technology leadership in the high power testing and complex semiconductor testing equipment. It has a solid position working with Nvidia for more than a decade and is seeing growing traction from AMD and hyperscalers' ASIC for system level testing and metrology tools. Longer term, the company could further expand its addressable market leveraging the technology in its existing product portfolio for co-packaged optics, panel level packaging.

Stock Data

Price to Book Value	23.7x

Focus charts and tables

Exhibit 1: Chroma's revenue by segment
AT&S and semiconductor segments will lead the sales growth

Chroma's revenue (NT$mn)	2022	2023	2024	2025	2026	2027
Traditional power testing	$5,515	$6,950	$5,718	$5,814	$10,875	$14,969
Data center related (including infrastructure)	$1,537	$1,227	$1,108	$4,732	$12,075	$18,296
Total AT&S sales	$7,052	$8,177	$6,826	$10,546	$22,950	$33,266
Semiconductor	2022	2023	2024	2025	2026	2027
Legacy semiconductor testing	$2,663	$1,554	$3,903	$3,398	$3,451	$2,026
AI SLT	$1,010	$1,020	$2,268	$3,080	$6,100	$12,165
Metrology for advanced back-end	$0	$0	$0	$1,870	$4,800	$5,000
Photonics	$850	$382	$802	$1,411	$4,300	$11,466
Others (panel level, CPO, etc)	$0	$0	$0	$0	$0	$0
Total semiconductor sales	$4,523	$2,956	$6,973	$9,759	$18,651	$30,658
Parent company sales	$11,575	$11,133	$13,799	$20,305	$41,601	$63,923
Consolidated testing equipment sales	$20,269	$17,787	$20,418	$27,166	$54,257	$85,170
MAS / Automation	$830	$659	$873	$884	$1,210	$1,458
Materials	$635	$0	$0	$0	$0	$0
Others	$333	$230	$313	$260	$313	$378
Chroma's consolidated sales (NT$mn)	$22,067	$18,676	$21,604	$28,310	$55,781	$87,006

Source: BofA Global Research estimates

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Exhibit 2: Terms and definitions
Glossary of abbreviations/acronyms

Term	Definition
AI	Artificial Intelligence
ASIC	Application Specific Integrated Circuit
CoWoS	Chip-on-Wafer-on-Substrate
CPU	Central Processing Unit
GM	Gross margin
GPU	Graphic Processing Unit
HPC	High-Performance Computing
IC	Integrated Circuit
OpMs	Operating margins
OSAT	Outsourced Semiconductor Assembly/Testing
TPU	Tensor Processing Unit
WMCM	Wafer-level-multi-chip-module
SLT	System level testing
CPO	Co-packaged optics

Source: BofA Global Research

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Price objective basis & risk

Chroma ATE (CRMJF)

Our price objective of NT$3,050 on Chroma is based on 38x 2027E P/E, which is at the top of the company's historical trading range of 12-39x. In our view, the valuation multiple is underpinned by
1) +70% earnings CAGR in 2025-27E supported by +75% sales CAGR growth and GMs/OpMs expanding, 2) ROE expansion to around 35% in 2025-27E, 3) net cash of around NT$21/share, and 4) free cash flow generation of around NT$15/share per annum across 2025-27E.

Downside risks to our price objective are:
1) weaker market demand, especially the cloud AI investment moderation, leading to slower infrastructure builds especially in China and dragging the company's revenue growth for its power testing equipment business and operating leverage
2) a more conservative investment cycle from the hyperscalers on further data center deployment due to growing capex could dampen the demand for GPU and ASIC, negatively impacting the testing equipment demand for related chipsets.
3) failure to execute on the customized equipment requested by its customers or delay of technology roadmap could lead to an order shift to its competitors.

Analyst Certification

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APR - Semiconductor Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alchip	ALCPF	3661 TT	Haas Liu

APR - Semiconductor Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
	Chroma ATE	CRMJF	2360 TT	Haas Liu
	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	Mike Yang
	Shenzhen Goodix	XQPLF	603160 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 Semi	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

APR - Semiconductor Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Soulbrain	XSBOF	357780 KS	Simon Woo, CFA
	United Microelectronics Corp.	XUMIF	2303 TT	Haas Liu
	United Microelectronics Corp.	UMC	UMC US	Haas Liu
	VeriSilicon	XMLZF	688521 CH	Daley Li, CFA
	Win Semiconductors	WSMIF	3105 TT	Haas Liu
	Wonik IPS	XRHQF	240810 KS	Simon Woo, CFA

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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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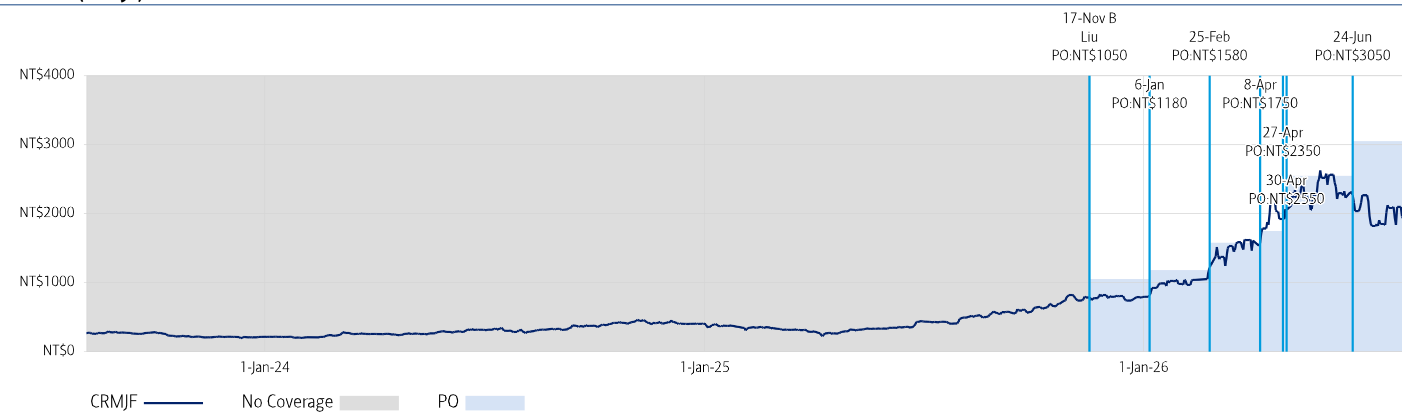
Important Disclosures

Chroma ATE (CRMJF) Price Chart



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

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

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	243	60.60%	Buy	123	50.62%
Hold	87	21.70%	Hold	45	51.72%
Sell	71	17.71%	Sell	21	29.58%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1987	56.11%	Buy	1190	59.89%
Hold	797	22.51%	Hold	496	62.23%
Sell	757	21.38%	Sell	391	51.65%

[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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