

# Taiwan Electronic Components & Equipment

## Investor Feedback and Key Questions Post BBU Sector Report and Dynapack Initiation

### CITI'S TAKE

Following our Dynapack (3211.TWO) initiation and BBU sector report, investor feedback has generally been constructive. Most investors appear interested in the BBU theme particularly given rising AI rack power density, increasing adoption of rack-level backup power, and the potential for the higher BBU content value. Dynapack is viewed as an interesting stock idea to gain exposure to the BBU growth cycle, given its improving sales mix, margin expansion potential and direct exposure to AI power architecture evolution. We highlight several key questions below.

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**1. Would a delay in HVDC rack commercialization or next generation GPU platforms impact the investment thesis?** We think a delay in HVDC commercialization could postpone the upside from higher-power BBU products but should not derail the investment thesis. Near-term BBU demand is primarily driven by rising AI rack power density under existing rack scale architecture and the continued ramp of 3kW/5kW products, followed by 8kW/12kW BBU in 4Q26E. HVDC should be viewed as an incremental long-term content value driver, rather than a necessary condition for BBU adoption.

**2. What is the timeline for Dynapack's HVDC BBU products?** Dynapack is working on higher-power BBU products including 25kW modules. We expect product verification to take place around 1H27E, with limited initial shipment potentially starting in 2H27E. A more meaningful sales contribution is more likely from 2H28E, which means our 2026-2027E sales forecasts remain mainly supported by existing 3kW/5kW BBU and the ramp of 8kW/12kW BBU modules.

**3. Could PSU suppliers vertically integrate and enter the BBU business themselves?** We think it is unlikely for PSU suppliers to vertically integrate and enter the BBU business themselves as BBU requires entirely different technical skillsets including battery pack design, BMS integration, thermal management, safety certification, and highly customized manufacturing. Given the safety-critical nature of BBU, we believe PSU suppliers are more likely to continue partnering with qualified battery pack makers rather than building the entire capability in-house, especially as BBU products become more complex under higher power and HVDC architecture.

**4. Is there room for TW suppliers to gain shares from Panasonic?** While Panasonic remains a strong player with strong cell technology, scale, and direct CSP

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relationships, we believe its dominant market share is likely to be under pressure as the market scales. We think CSPs typically prefer supplier diversification for supply security, pricing leverage, and qualification redundancy. Taiwan suppliers such as AES and Dynapack currently have <10% market share each, suggesting room for expansion. We believe Dynapack's PSU partnership model provides an effective way to gain share as it can access CPS platforms through PSU partners.

**5. Why has Dynapack's share price underperformed in 1H26 despite being a direct beneficiary of AI power architecture evolution?** We believe the underperformance mainly reflected a lack of catalysts in 1H26 following the stock's significant re-rating in 2025. In 1H26, BBU still accounts for not more than 50% of group sales, so overall sales momentum remained partly diluted by the legacy IT business, which we estimate to decline y/y. In addition to that, we also believe sector rotation toward other high momentum tech segments has contributed to the stock's relative underperformance.

We expect sales to grow meaningfully from 2H26E, driven by continued strong demand for 3kW/5kW BBU products and the initial ramp of 8kW/12kW products. As BBU becomes a larger sales and profit contributor, we expect the market to refocus on Dynapack's earnings inflection.

# Dynapack International

(3211.TWO; NT\$454.0; 1; 09 Jul 26; 15:00)

## Valuation

We assign a 32x target P/E to our 2027E EPS of NT\$25 to derive a target price of NT\$800. We value Dynapack based on 2027E target P/E as we believe 2027E better reflects its earnings power after BBU capacity expansion. Our target P/E of 32x is based on our forecast EPS CAGR of 66% in 2025–2027E and a PEG of 0.5x, which we benchmark against its major PSU partner, as we expect Dynapack to grow alongside its partner.

## Risks

Our quantitative model assigns a High Risk rating to Dynapack. However, we believe such a rating is not warranted for Dynapack due to: 1) the company is generating solid revenue and earnings growth over next 3 years; the underlying industry, BBU for AIDC, also enjoys secular growth; 2) the business model that involves with product customization and strict safety/reliability requirements would imply relatively benign competition and therefore stable pricing and margins; and 3) the company has a strong balance sheet and has been in net cash position since 2019.

Key downside risks to our price target/rating are: 1) Slower-than-expected BBU adoption in AIDC, 2) Delay in PSU customer qualifications, 3) Competition from larger battery or power solution vendors, 4) Safety, certification and reliability issues.

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## Appendix A-1

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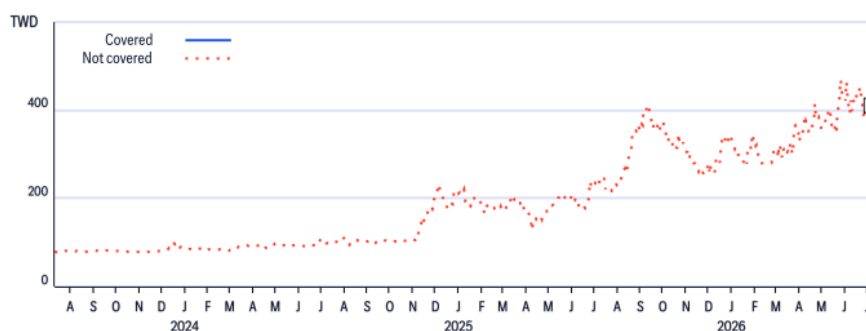
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Ratings and Target Price History  
Fundamental Research

Analyst: Angela Hsu



| Date                 | Rating | Target Price | Closing Price |
|----------------------|--------|--------------|---------------|
| 1 07-Jul-26 04:00:10 | *1     | *800.00      | 389.00        |

\*Indicates Change

Rating/target price changes above reflect Eastern Time

#### Panasonic Holdings (6752)

Ratings and Target Price History  
Fundamental Research

Analyst: Masahiro Shibano



| Date                 | Rating | Target Price | Closing Price |
|----------------------|--------|--------------|---------------|
| 1 23-Jan-24 13:38:06 | 1      | *2,000       | 1,380         |
| 2 18-Jun-24 08:36:01 | 1      | *1,900       | 1,272         |
| 3 19-Mar-25 02:38:23 | 1      | *2,300       | 1,869         |

\*Indicates Change

| Date                 | Rating | Target Price | Closing Price |
|----------------------|--------|--------------|---------------|
| 4 01-Jul-25 12:04:01 | 1      | *2,200       | 1,545         |
| 5 29-Aug-25 02:35:06 | 1      | *2,100       | 1,515         |
| 6 20-Apr-26 02:35:28 | 1      | *3,500       | 2,983         |

| Date                 | Rating | Target Price | Closing Price |
|----------------------|--------|--------------|---------------|
| 7 29-Jun-26 09:26:26 | 1      | *5,100       | 4,393         |

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## Panasonic Holdings (6752)

### Short-Term View/Catalyst Watch Research

Analyst: Masahiro Shibano



|   | Date               | Action     | Expected Direction | Duration | Closing Price |
|---|--------------------|------------|--------------------|----------|---------------|
| 1 | 05-Sep-23 22:14:50 | Remove CW  | Upside             | 90 Days  | 1,729         |
| 2 | 03-Jul-25 22:35:54 | Add CW     | Upside             | 90 Days  | 1,519         |
| 3 | 13-Jul-25 13:56:57 | Remove CW  | Upside             | 90 Days  | 1,448         |
| 4 | 13-Jul-25 13:56:57 | Add STV    | Upside             | 90 Days  | 1,028         |
| 5 | 10-Oct-25 14:20:25 | Remove STV | Upside             | 90 Days  | 1,870         |

CW - Catalyst Watch, STV - Short-Term View

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|----------------------------------------------------------------------------|-----------------|------|------|----------------|------|------|
|                                                                            | Buy             | Hold | Sell | Buy            | Hold | Sell |
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