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Sinbon (3023.TW)

3Q26 First Take: Known Margin Pressure from Mix Shift; a Defensive Play with Structural Growth

CITI'S TAKE

Sinbon's 3Q26 earnings were broadly in line with our estimate. While revenue beat our/consensus estimates, GPM decreased 77bps q/q to 23.8%, reflecting a higher contribution from lower-margin semi cabinet assembly. We believe the market is well aware of this mix-driven dilution, leaving our investment thesis intact. Top-line momentum should remain solid into 2027E, led by strong demand from semi and industrial automation, alongside incremental contributions from humanoid robots and drones. Steady growth in established businesses provides fundamental support, while humanoids, drone, and LEO satellites offer medium- to long-term opportunities. We view Sinbon as a relatively defensive stock amid AI-related volatility, given its limited direct AI exposure and diversified businesses. The shares could benefit from investor rotation toward resilient fundamentals and a broader set of growth drivers.

Buy

Price (22 Oct 26 13:30)	NT$298.00
Target price	NT$370.00
Expected share price return	24.2%
Expected dividend yield	3.4%
Expected total return	27.6%
Market Cap	NT$71,541M
	US$2,195M

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3Q largely in-line; mix-driven margin dilution is well understood — Sinbon reported 3Q26 EPS of NT$3.79 (+1% q/q and +24% y/y), broadly in line with our estimate and 4% below consensus. Revenue rose 8% q/q and +28% y/y to NT$9.7bn, topping our/BBG forecast 4%/2%. GPM decreased 77bps to 23.8% vs. our estimate of 24.6%, primarily reflecting rising semi cabinet assembly sales and increased shipments of auto and communications. We believe the market is well aware of this mix-driven dilution. Opex remained at an elevated level due to increased product development and sampling, alongside higher freight expenses. Operating profits +50% y/y, missing our/BBG estimates 4%/7%, respectively.

Solid topline momentum into 2027E led by semi — We expect semi cabinet assembly to remain the key growth driver, with sales potentially increasing to NT$5–5.5bn in 2027E from NT$3–3.5bn in 2026E, led by solid demand from two major semi customers. While increasing contribution from this business could dilute group GPM, it should support sales and absolute gross profit growth. Emerging applications including humanoid robots and drones should provide additional

Earnings Summary

Year to 31 Dec	Net Profit (NT$M)	Diluted EPS (NT$)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	3,529	14.70	7.1	20.3	4.7	24.3	3.4
2025A	3,125	13.02	-11.5	22.9	4.4	19.8	3.4
2026E	3,542	14.75	13.3	20.2	3.6	19.7	3.5
2027E	4,117	17.15	16.2	17.4	3.3	20.0	4.0
2028E	4,562	19.00	10.8	15.7	2.9	19.7	4.4

Source: Powered by dataCentral

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

contributions as shipment volume scales. These opportunities should complement steady growth across Sinbon's established businesses.

Implications — We believe the margin implications of a rising semi sales mix are well understood by the market and leave our investment thesis intact. Our constructive view is based on steady growth in existing businesses, supplemented by medium- to long-term opportunities in humanoid robots, drones, and LEO satellites. We also view Sinbon as a relatively defensive stock amid AI-related market volatility, given its limited direct AI exposure and diversified business portfolio. The shares could benefit from investor rotation toward companies with resilient underlying fundamentals, while emerging applications provide additional support for the longer-term growth outlook.

Figure 1. Sinbon: 3Q26 Results Comp

Consolidated financials	3Q26			2Q26	QoQ	3Q25	YoY	3Q26	
(NT$ mn)	Actual	Citi est.	Diff (%)	Actual	(%)	Actual	(%)	Cons	Diff (%)
Revenue	9,696	9,341	4%	9,019	8%	7,551	28%	9,507	2%
Gross profits	2,305	2,294	0%	2,213	4%	1,739	33%	2,328	-1%
Operating profits	945	984	-4%	939	1%	630	50%	1,017	-7%
Pretax earnings	1,135	1,201	-6%	1,089	4%	932	22%	1,196	-5%
Net income	911	916	-1%	903	1%	732	24%	930	-2%
EPS (NT$)	3.79	3.82	-1%	3.76	1%	3.05	24%	3.94	-4%
Magins (%)									
Gross margin	23.8%	24.6%	-0.8%	24.5%	-0.8%	23.0%	0.8%	24.5%	-0.7%
Operaing margin	9.7%	10.5%	-0.8%	10.4%	-0.7%	8.3%	1.4%	10.7%	-1.0%
Net margin	9.4%	9.8%	-0.4%	10.0%	-0.6%	9.7%	-0.3%	9.8%	-0.4%

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Source: Bloomberg, Company Reports, Citi Research, Citi Research Estimates

Sinbon

Valuation

Our TP for Sinbon is NT$370. We value Sinbon on PE to capture the company's earnings growth prospects. We set our target PE at 23x, which we set at a 20% premium to the historical average of 19x since 2018. We believe 23x is justified in view of improving fundamentals with strong momentum of industrials segment, driving a clear margin expansion and solid earnings growth in 2026E. Applying this to our 2H26-1H27E EPS forecast, we arrive at our target price of NT$370.

Risks

Key downside risks that could cause Sinbon's share to deviate from our target price include 1) slower-than-expected growth in non-IT/non-consumer applications; 2) Intensified competition; 3) Raw material price hike and labor cost increases; 4) FX volatility; 5) Greater-than-expected impact from the geopolitical conflict.

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Appendix A-1

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Sinbon (3023.TW)

Ratings and Target Price History
Fundamental Research

Analyst: Angela Hsu



	Date	Rating	Target Price	Closing Price
1	02-Jan-24 04:31:51	1	*375.00	300.00
2	29-Sep-24 23:38:47	1	*360.00	304.50
3	11-Dec-24 07:09:03	1	*330.00	257.00
4	06-Mar-25 09:28:31	1	*335.00	293.00
5	10-Jun-25 03:24:28	1	*273.00	227.50
6	24-Jul-25 07:51:51	1	*270.00	234.50
7	20-Mar-26 09:14:23	1	*310.00	270.00
8	05-Jun-26 12:11:48	1	*370.00	329.00

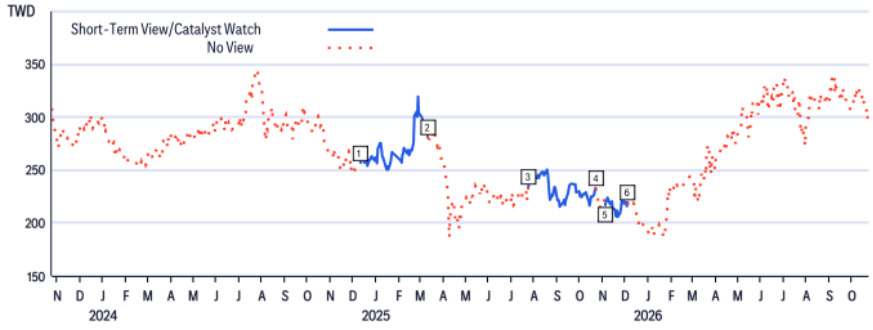
*Indicates Change

Rating/target price changes above reflect Eastern Time

Sinbon (3023.TW)

Short-Term View/Catalyst Watch Research

Analyst: Angela Hsu



	Date	Action	Expected Direction	Duration	Closing Price
1	11-Dec-24 02:09:03	Add STV	Upside	90 Days	257.00
2	11-Mar-25 21:44:15	Remove STV	Upside	90 Days	281.00
3	24-Jul-25 03:51:51	Add STV	Downside	90 Days	234.50
4	22-Oct-25 21:33:55	Remove STV	Downside	90 Days	233.00
5	04-Nov-25 03:25:41	Add STV	Upside	30 Days	217.00
6	04-Dec-25 19:34:46	Remove STV	Upside	30 Days	219.50

CW - Catalyst Watch , STV - Short-Term View

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Data current as of 01 Oct 2026	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
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% of companies in each rating category that are investment banking clients	39%	43%	30%	42%	38%	36%

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