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Taiwan PCB & Laminates

CCL sector: 3Q26 quality beat; price hike for AI products; Buy

CITI'S TAKE

Despite several concerns about the CCL sector (such as PTFE, de-spec, and potential new suppliers) over the last few months, we think the overall CCL undersupply situation expected in 2027 and beyond remains unchanged as more customers seek long-term agreements to secure long-term supplies. After their 3Q26 results beats, we still expect price hikes in 4Q26E to drive growth for EMC and TUC, which are both ramping up capacity to fulfill demand in the coming years. We reiterate our Buy rating on both names and raise our TP to NT$7,400 (28x 2027E EPS) for EMC and NT$2,400 (23x 2027E EPS) for TUC.

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EMC: 3Q26 results beat — 3Q26 sales grew 29% QoQ, led by the infra segment with 32% QoQ growth. Per mgmt, infra/M7 and above sales accounted for 70-80%/65-70% of total sales, respectively. 3Q GM was 37.7%, beating Citi/consensus forecasts of 36.3%/35.7%. Thanks to strong GM expansion and operating leverage, overall earnings beat Citi/consensus by 20%/15%. In 3Q26, M9 sales still accounted for a low-single digit percentage of total sales.

EMC: 4Q26 driven by product mix/price hike — The company guided 4Q26 sales to increase 15-20% QoQ, with a GM range of 38-39.5%. Mgmt said they will initiate price hikes in 4Q26 across AI/non-AI products, with the effective date varying by customer. With not much new capacity ramped in 4Q26, we think 4Q26 sales will be driven mainly by price hike/product mix enhancements. As EMC currently sees strong demand and is negotiating long-term agreements with customers. It announced a capacity expansion plan through 2030, with capacity increasing 49%/20%/14%/28% end-to-end YoY for 2027/28/29/30. Regarding competition from PTFE, mgmt said they continue to have a conservative view on the adoption of this raw material, and EMC intends to compete with PTFE via its M10 solutions. M9 is guided to reach double-digit % of total sales in 2027.

TUC: 3Q26 results beat — 3Q26 sales grew 29% QoQ, with higher QoQ growth in non-low loss and power products due to more aggressive price hikes vs M7/8 products. M7+8 products accounted for 38% of total 3Q26 sales (vs 39% mix in 2Q26). 3Q26 GM of 36.9% (+7.2ppt QoQ) beat Citi/consensus forecasts by 4.3ppt/5.1ppt, as the company benefited from price hikes and efficiency improvements in its Thailand plant (with GM turning positive, per mgmt). 3Q26 opex ratio also saw leverage benefit of 0.3ppt QoQ, leading to OP levels beating Citi/consensus by 28%/25%. Due to a higher tax rate, 3Q26 earnings came in 16%/15% higher than Citi/consensus forecasts.

TUC: 4Q26 driven by price hike and new capacity — TUC ramped new capacity in Thailand in 3Q26 and plans an additional ramp in 4Q26. On pricing strategy, given EMC's initiative to hike prices on AI products, TUC also plans to focus on hiking prices amid AI-related demand in 4Q26 given less price hike magnitude on AI products in 1H26. We currently forecast 4Q26E sales to grow 17% QoQ, with GM expanding 2.4ppt QoQ to 39.3%. The company is also working to increase capacity by 43%/34%/11%/25% end-to-end YoY for 2027/28/29/30. On recent concerns about competition from new suppliers entering the ASIC business, the company sees no change in its position with ASIC customers.

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

Data Summary

															Current Fiscal Year		Next Fiscal Year	
						Rating		Short-Term	Target Price						EPS		EPS	
Company	Ticker	Ccy	Price	Mkt Cap (M)	Date & Time	Old	New	View	Old	New	ESPR (%)	Div Yld (%)	ETR (%)	Last Rpt Yr	Old	New	Old	New
Elite Material	2383.TW	NT$	5,025.00	1,800,564	28 Oct 13:30	1	nc	-	6,000.00	7,400.00	47.3	1.6	48.9	Dec-25	112.88	135.11	201.42	264.00
tuc	6274.TWO	NT$	1,375.00	411,758	28 Oct 15:00	1	nc	-	1,950.00	2,300.00	67.3	2.0	69.3	Dec-25	36.96	43.04	79.28	98.23

1 = Buy, 2 = Neutral, 3 = Sell, H = High Risk
ESPR = Expected Share Price Return, ETR = Expected Total Return, nc = no change
Source: Citi Research
^Catalyst Watch

Earnings Estimates

				Last Reported Year					Current Fiscal Year					Next Fiscal Year				
Company Name	Ticker	Last Rpt Year	Currency	1Q	2Q	3Q	4Q	FY0	1Q	2Q	3Q	4Q	FY1	1Q	2Q	3Q	4Q	FY2
Elite Material	2383.TW	Dec-25	NT$	10.01	10.02	11.19	10.63	41.86	14.90	27.55	40.47	52.19	135.11	55.43	61.19	69.77	77.62	264.00
Old		Dec-25	NT$	10.01	10.02	11.19	10.63	41.86	14.90	27.55	33.58	36.85	112.88	38.87	46.79	54.79	60.97	201.42
tuc	6274.TWO	Dec-25	NT$	2.32	2.24	3.44	3.71	11.71	4.17	7.73	12.72	18.41	43.04	18.74	22.86	27.84	28.79	98.23
Old		Dec-25	NT$	2.32	2.24	3.44	3.71	11.71	4.32	8.03	11.36	13.25	36.96	13.52	17.07	24.02	24.66	79.28

Source: Citi Research

Upward earnings revisions; reiterate our Buy on both names — We raise EMC's 2026/27/28E earnings by 20%/31%/44% to factor in price hikes and enhanced product mix. We thus raise EMC's TP to NT$7,400 (28x 2027E EPS) from NT$6,000 (30x 2027E EPS). For TUC, we raise 2026/27/28E earnings by 21%/29%/27% to factor in price hike and enhanced product mix as well. We lift our TUC TP to NT$2,300 (23x 2027E EPS) from NT$1,950 (25x 2027E EPS). We lower PE multiple for both names given recent AI concerns amid the rate hike backdrop.

Figure 1. EMC – 3Q26 Results

(NT$mn)	3Q26 Actual	2Q26 Actual	Q/Q	3Q25 Actual	Y/Y	3Q26 Citi	Diff.	3Q26 Cons.	Diff.
Revenue	60,885	47,275	29%	25,146	142%	55,427	10%	56,148	8%
Gross profit	22,951	16,003	43%	7,576	203%	20,104	14%	20,073	14%
Gross margin	37.7%	33.9%	+3.8 ppt	30.1%	+7.6 ppt	36.3%	+1.4 ppt	35.7%	+1.9 ppt
Op. profit	18,687	12,734	47%	4,990	274%	15,344	22%	16,232	15%
OP margin	30.7%	26.9%	+3.8 ppt	19.8%	+10.8 ppt	27.7%	+3.0 ppt	28.9%	+1.8 ppt
Net income	14,500	9,873	47%	3,965	266%	12,035	20%	12,566	15%
EPS (NT$)	40.47	27.55	47%	11.19	262%	33.58	20%	35.24	15%

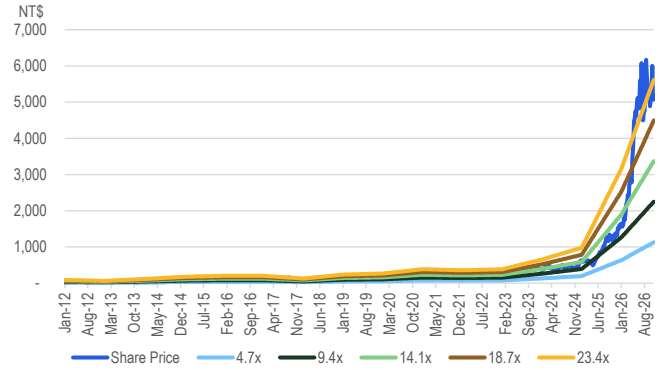
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Source: Citi Research Estimates, Company Reports, Bloomberg

Figure 2. EMC – Earnings Revisions

	4Q26E			1Q27E			2026E			2027E			2028E		
(NT$mn)	New	Old	Chg.	New	Old	Chg.	New	Old	Chg.	New	Old	Chg.	New	Old	Chg.
Sales	71,847	56,995	26%	74,914	59,345	26%	213,074	192,764	11%	342,728	290,850	18%	478,246	402,336	19%
Sequential growth (%)	18%	3%		4%	4%		126%	105%		61%	51%		40%	38%	
Gross profit	28,909	21,221	36%	31,570	22,538	40%	77,592	67,057	16%	146,833	113,743	29%	223,801	161,202	39%
Opex	-5,754	4,953	-216%	-5,400	-4,266	27%	-15,888	-15,582	2%	-24,890	-21,078	18%	-34,458	-29,959	15%
Operating profit	23,155	16,268	42%	26,170	18,272	43%	61,703	51,475	20%	121,942	92,666	32%	189,342	131,243	44%
Pre-tax profit	23,125	16,328	42%	26,130	18,327	43%	61,808	51,735	19%	121,842	92,945	31%	189,256	131,522	44%
Net income	18,700	13,205	42%	19,860	13,930	43%	48,413	40,453	20%	94,597	72,185	31%	146,995	102,164	44%
EPS (NT$)	52.19	36.85	42%	55.43	38.87	43%	135.11	112.88	20%	264.00	201.42	31%	410.23	285.08	44%
Gross margin (%)	40.2%	37.2%	+3.0 ppt	42.1%	38.0%	+4.2 ppt	36.4%	34.8%	+1.6 ppt	42.8%	39.1%	+3.7 ppt	46.8%	40.1%	+6.7 ppt
Opex ratio (%)	-8.0%	8.7%	-16.7 ppt	-7.2%	-7.2%	-0.0 ppt	-7.5%	-8.1%	+0.6 ppt	-7.3%	-7.2%	-0.0 ppt	-7.2%	-7.4%	+0.2 ppt
Operating margin (%)	32.2%	28.5%	+3.7 ppt	34.9%	30.8%	+4.1 ppt	29.0%	26.7%	+2.3 ppt	35.6%	31.9%	+3.7 ppt	39.6%	32.6%	+7.0 ppt
Net margin (%)	26.0%	23.2%	+2.9 ppt	26.5%	23.5%	+3.0 ppt	22.7%	21.0%	+1.7 ppt	27.6%	24.8%	+2.8 ppt	30.7%	25.4%	+5.3 ppt

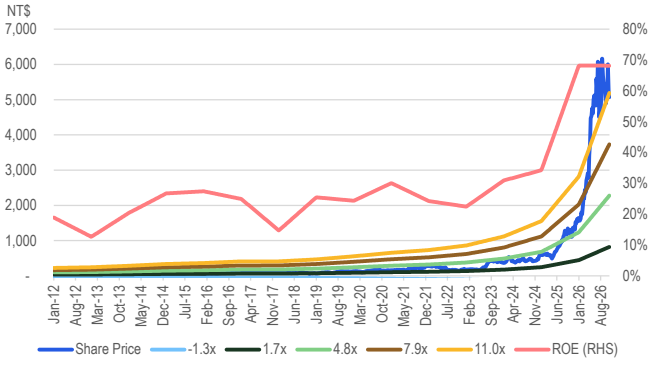
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Source: Citi Research Estimates

Figure 3. EMC – 12M Forward P/E Band



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Source: dataCentral, Citi Research

Figure 4. EMC – 12M Forward P/B Band



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Source: dataCentral, Citi Research

Figure 5. EMC – Forecast Summary

EMC	2026				2027												
(NT$ in Mn, year-end Dec)	1Q	2Q	3QE	4QE	1QE	2QE	3QE	4QE	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Revenue	33,067	47,275	60,885	71,847	74,914	78,424	89,297	100,092	27,201	38,500	38,673	41,296	64,377	94,261	213,074	342,728	478,246
COGS	-23,338	-31,272	-37,934	-42,938	-43,344	-45,325	-50,725	-56,502	-20,161	-28,431	-28,962	-29,964	-46,407	-66,141	-135,482	-195,895	-254,446
Depreciation costs	-480	-523	-608	-736	-1,155	-1,359	-1,508	-1,662	-543	-615	-643	-1,104	-1,501	-1,522	-2,346	-5,685	-7,866
Gross Profit	9,729	16,003	22,951	28,909	31,570	33,100	38,572	43,590	7,040	10,069	9,710	11,333	17,970	28,120	77,592	146,833	223,801
Operating Expense	-2,601	-3,269	-4,264	-5,754	-5,400	-5,653	-6,525	-7,313	-2,357	-3,146	-3,485	-3,987	-5,818	-9,012	-15,888	-24,890	-34,458
SG&A expenses	-1,829	-2,357	-3,101	-4,311	-4,195	-4,392	-5,001	-5,605	-1,781	-2,379	-2,532	-2,717	-4,048	-6,865	-11,598	-19,193	-26,304
R&D expenses	-764	-907	-1,157	-1,437	-1,199	-1,255	-1,518	-1,702	-583	-771	-953	-1,267	-1,747	-2,142	-4,265	-5,673	-8,130
EBIT	7,128	12,734	18,687	23,155	26,170	27,447	32,047	36,278	4,683	6,923	6,225	7,346	12,152	19,108	61,703	121,942	189,342
Net Interest Income	-65	-89	-144	-135	-140	-140	-140	-140	14	-24	-122	-198	-315	-216	-433	-560	-546
Net Other Income	131	140	161	105	100	100	140	120	147	13	193	271	297	-16	537	460	460
Pre-Tax Profit	7,194	12,785	18,703	23,125	26,130	27,407	32,047	36,258	4,844	6,912	6,296	7,420	12,133	18,876	61,808	121,842	189,256
Tax	-1,855	-2,914	-4,204	-4,426	-6,271	-5,481	-7,050	-8,448	-1,149	-1,412	-1,220	-1,931	-2,564	-4,231	-13,400	-27,251	-42,268
Net Profit	5,340	9,873	14,500	18,700	19,860	21,927	24,999	27,812	3,689	5,493	5,073	5,488	9,578	14,649	48,413	94,597	146,995
EPS (NT$)	14.90	27.55	40.47	52.19	55.43	61.19	69.77	77.62	11.39	16.50	15.24	16.43	27.83	41.86	135.11	264.00	410.23
Key Drivers																	
Margins (%)																	
Gross Margin	29.4%	33.9%	37.7%	40.2%	42.1%	42.2%	43.2%	43.6%	25.9%	26.2%	25.1%	27.4%	27.9%	29.8%	36.4%	42.8%	46.8%
Operating Margin	21.6%	26.9%	30.7%	32.2%	34.9%	35.0%	35.9%	36.2%	17.2%	18.0%	16.1%	17.8%	18.9%	20.3%	29.0%	35.6%	39.6%
Net Margin	16.1%	20.9%	23.8%	26.0%	26.5%	28.0%	28.0%	27.8%	13.6%	14.3%	13.1%	13.3%	14.9%	15.5%	22.7%	27.6%	30.7%
Sequential Growth (%)																	
Revenue	33%	43%	29%	18%	4%	5%	14%	12%	9%	42%	0%	7%	56%	46%	126%	61%	40%
Gross Profit	37%	64%	43%	26%	9%	5%	17%	13%	15%	43%	-4%	17%	59%	56%	176%	89%	52%
EBIT	44%	79%	47%	24%	13%	5%	17%	13%	15%	48%	-10%	18%	65%	57%	223%	98%	55%
Net Profit	43%	85%	47%	29%	6%	10%	14%	11%	14%	49%	-8%	8%	75%	53%	230%	95%	55%
EPS	40%	85%	47%	29%	6%	10%	14%	11%	12%	45%	-8%	8%	69%	50%	223%	95%	55%

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Source: Citi Research Estimates, Company Reports

Figure 6. TUC – 3Q26 Results

(NT$mn)	3Q26 Actual	2Q26 Actual	Q/Q	3Q25 Actual	Y/Y	3Q26 Citi	Diff.	3Q26 Cons.	Diff.
Revenue	17,949	14,301	26%	8,063	123%	16,677	8%	17,173	5%
Gross profit	6,628	4,250	56%	1,915	246%	5,446	22%	5,460	21%
Gross margin	36.9%	29.7%	+7.2 ppt	23.7%	+13.2 ppt	32.7%	+4.3 ppt	31.8%	+5.1 ppt
Op. profit	5,568	3,358	66%	1,266	340%	4,343	28%	4,441	25%
OP margin	31.0%	23.5%	+7.5 ppt	15.7%	+15.3 ppt	26.0%	+5.0 ppt	25.9%	+5.2 ppt
Net income	3,857	2,342	65%	1,003	285%	3,312	16%	3,342	15%
EPS (NT$)	12.72	7.73	65%	3.44	270%	11.36	12%	11.67	9%

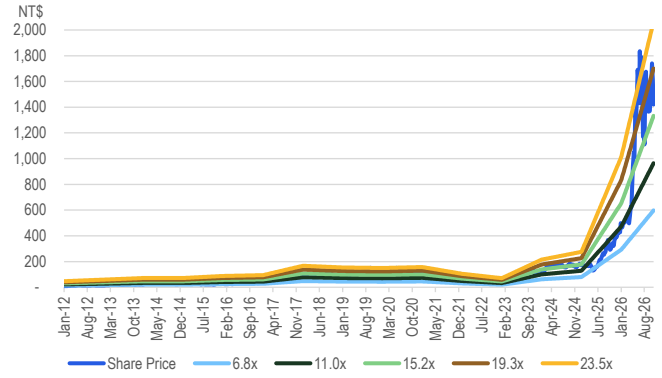
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Figure 7. TUC – Earnings Revisions

	4Q26E			1Q26E			2026E			2027E			2028E		
(NT$mn)	New	Old	Chg.	New	Old	Chg.	New	Old	Chg.	New	Old	Chg.	New	Old	Chg.
Sales	20,928	17,989	16%	22,094	19,236	15%	63,232	59,021	7%	111,763	100,038	12%	159,210	139,243	14%
Sequential growth (%)	17%	8%		6%	7%		108%	95%		77%	69%		42%	39%	
Gross profit	8,227	5,967	38%	9,062	6,615	37%	21,634	18,191	19%	46,079	36,910	25%	68,294	54,757	25%
Opex	-1,275	-1,187	7%	-1,371	-1,308	5%	-3,928	-3,882	1%	-6,929	-6,629	5%	-9,753	-8,886	10%
Operating profit	6,952	4,780	45%	7,691	5,307	45%	17,706	14,309	24%	39,150	30,281	29%	58,542	45,871	28%
Pre-tax profit	6,977	4,830	44%	7,679	5,329	44%	17,872	14,489	23%	39,155	30,389	29%	58,536	45,980	27%
Net income	5,582	3,864	44%	5,683	3,943	44%	13,040	10,778	21%	29,782	23,117	29%	44,517	34,965	27%
EPS (NT$)	18.41	13.25	39%	18.74	13.52	39%	43.04	36.96	16%	98.23	79.28	24%	146.83	119.92	22%
Gross margin (%)	39.3%	33.2%	+6.1 ppt	41.0%	34.4%	+6.6 ppt	34.2%	30.8%	+3.4 ppt	41.2%	36.9%	+4.3 ppt	42.9%	39.3%	+3.6 ppt
Opex ratio (%)	-6.1%	-6.6%	+0.5 ppt	-6.2%	-6.8%	+0.6 ppt	-6.2%	-6.6%	+0.4 ppt	-6.2%	-6.6%	+0.4 ppt	-6.1%	-6.4%	+0.3 ppt
Operating margin (%)	33.2%	26.6%	+6.6 ppt	34.8%	27.6%	+7.2 ppt	28.0%	24.2%	+3.8 ppt	35.0%	30.3%	+4.8 ppt	36.8%	32.9%	+3.8 ppt
Net margin (%)	26.7%	21.5%	+5.2 ppt	25.7%	20.5%	+5.2 ppt	20.6%	18.3%	+2.4 ppt	26.6%	23.1%	+3.5 ppt	28.0%	25.1%	+2.9 ppt

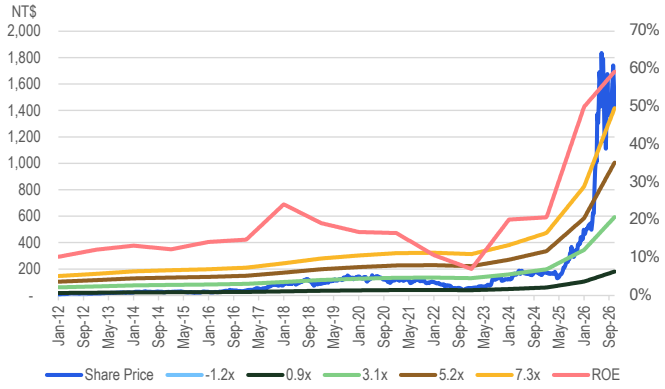
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Source: Citi Research Estimates

Figure 8. TUC – 12M Forward P/E Band



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Source: dataCentral, Citi Research

Figure 9. TUC – 12M Forward P/B Band



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Source: dataCentral, Citi Research

Figure 10. TUC – Forecast Summary

TUC	2026				2027													
(NT$ in Mn, year-end Dec)	1Q	2Q	3QE	4QE	1QE	2QE	3QE	4QE	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Revenue	10,054	14,301	17,949	20,928	22,094	25,761	31,262	32,647	17,527	18,047	21,132	18,472	16,003	23,070	30,340	63,232	111,763	159,210
COGS	-7,525	-10,051	-11,321	-12,701	-13,032	-15,271	-18,209	-19,172	-13,389	-13,822	-16,702	-15,067	-12,844	-17,729	-23,442	-41,599	-65,684	-90,915
Depreciation costs	-109	-101	-105	-161	-269	-338	-393	-448	-317	-332	-360	-379	-375	-363	-359	-476	-1,447	-2,184
Gross Profit	2,529	4,250	6,628	8,227	9,062	10,491	13,052	13,474	4,138	4,225	4,430	3,405	3,159	5,342	6,898	21,634	46,079	68,294
Operating Expense	-701	-892	-1,060	-1,275	-1,371	-1,599	-1,937	-2,023	-1,981	-1,951	-2,050	-1,908	-1,735	-2,010	-2,554	-3,928	-6,929	-9,753
SG&A expenses	-605	-772	-879	-1,067	-1,105	-1,288	-1,563	-1,632	-1,748	-1,667	-1,786	-1,597	-1,422	-1,668	-2,039	-3,324	-5,588	-7,801
R&D expenses	-95	-118	-182	-209	-265	-309	-375	-392	-272	-269	-264	-311	-310	-359	-514	-604	-1,341	-1,951
EBIT	1,828	3,358	5,568	6,952	7,691	8,892	11,115	11,452	2,157	2,273	2,380	1,498	1,424	3,332	4,344	17,706	39,150	58,542
Net Interest Income	-7	-10	-23	-20	-17	-10	-15	-13	0	12	18	46	100	90	42	-60	-55	-66
Net Other Income	53	79	49	45	5	5	5	45	79	-22	16	77	26	-45	133	226	60	60
Pre-Tax Profit	1,874	3,427	5,594	6,977	7,679	8,887	11,105	11,484	2,235	2,264	2,413	1,621	1,550	3,378	4,519	17,872	39,155	58,536
Tax	-614	-1,085	-1,738	-1,395	-1,997	-1,955	-2,665	-2,756	-483	-488	-532	-360	-726	-773	-1,109	-4,832	-9,373	-14,018
Net Profit	1,260	2,342	3,857	5,582	5,683	6,932	8,440	8,728	1,752	1,776	1,881	1,261	823	2,604	3,409	13,040	29,782	44,517
EPS - diluted (NT$)	4.17	7.73	12.72	18.41	18.98	23.15	28.18	29.14	6.55	6.38	6.70	4.46	3.01	9.15	11.71	43.04	98.23	146.83
Revenue breakdown																		
HSD	82%	80%	79%	78%	80%	77%	79%	77%		85%	84%	84%	84%	84%	84%	79%	78%	75%
HDI	6%	6%	6%	6%	6%	6%	5%	5%		8%	8%	8%	8%	6%	7%	6%	6%	5%
Others	12%	14%	15%	16%	14%	17%	15%	18%		7%	9%	8%	8%	11%	9%	15%	16%	20%
Margins (%)																		
Gross Margin	25.1%	29.7%	36.9%	39.3%	41.0%	40.7%	41.8%	41.3%	23.6%	23.4%	21.0%	18.4%	19.7%	23.2%	22.7%	34.2%	41.2%	42.9%
Operating Margin	18.2%	23.5%	31.0%	33.2%	34.8%	34.5%	35.6%	35.1%	12.3%	12.6%	11.3%	8.1%	8.9%	14.4%	14.3%	28.0%	35.0%	36.8%
Net Margin	12.5%	16.4%	21.5%	26.7%	25.7%	26.9%	27.0%	26.7%	10.0%	9.8%	8.9%	6.8%	5.1%	11.3%	11.2%	20.6%	26.6%	28.0%
Sequential Growth (%)																		
Revenue	10%	42%	26%	17%	6%	17%	21%	4%	-1%	3%	17%	-13%	-13%	44%	32%	108%	77%	42%
Gross Profit	26%	68%	56%	24%	10%	16%	24%	3%	3%	2%	5%	-23%	-7%	69%	29%	214%	113%	48%
EBIT	42%	84%	66%	25%	11%	16%	25%	3%	-10%	5%	5%	-37%	-5%	134%	30%	308%	121%	50%
Net Profit	16%	86%	65%	45%	2%	22%	22%	3%	-5%	1%	6%	-33%	-35%	216%	31%	283%	128%	49%
EPS	12%	85%	65%	45%	3%	22%	22%	3%	-8%	-3%	5%	-33%	-33%	204%	28%	267%	128%	49%

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Source: Citi Research Estimates, Company Reports

2383.TW: Fiscal year end 31-Dec						Price: NT$5,025.00; TP: NT$7,400.00; Market Cap: NT$1,800,564m; Recomm: Buy				
Profit & Loss (NT$m)	**2024**	**2025**	**2026E**	**2027E**	**2028E**	**Valuation ratios**	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Sales revenue	64,377	94,261	213,074	342,728	478,246	PE (x)	na	na	37.2	19.0	12.2
Cost of sales	-46,407	-66,141	-135,482	-195,895	-254,446	PB (x)	49.3	35.0	19.7	9.7	5.4
Gross profit	17,970	28,120	77,592	146,833	223,801	EV/EBITDA (x)	na	86.2	27.9	13.7	8.4
Gross Margin (%)	27.9	29.8	36.4	42.8	46.8	FCF yield (%)	0.0	0.1	0.6	3.7	6.6
EBITDA (Adj)	**13,866**	**20,903**	**64,492**	**128,710**	**198,707**	Dividend yield (%)	0.2	0.3	0.5	1.6	3.2
EBITDA Margin (Adj) (%)	21.5	22.2	30.3	37.6	41.5	Payout ratio (%)	36	39	18	31	39
Depreciation	-1,714	-1,795	-2,789	-6,768	-9,364	ROE (%)	30.9	34.2	68.2	68.1	56.6
Amortisation	0	0	0	0	0	**Cashflow (NT$m)**	**2024**	**2025**	**2026E**	**2027E**	**2028E**
EBIT (Adj)	**12,152**	**19,108**	**61,703**	**121,942**	**189,342**	EBITDA	13,866	20,903	64,492	128,710	198,707
EBIT Margin (Adj) (%)	18.9	20.3	29.0	35.6	39.6	Working capital	-5,993	-4,367	-12,936	-7,534	-9,268
Net interest	-315	-216	-433	-560	-546	Other	-2,564	-4,455	-13,285	-27,339	-42,342
Associates	-159	-442	55	60	60	**Operating cashflow**	**5,310**	**12,081**	**38,272**	**93,837**	**147,097**
Non-Op/Except/Other Adj	456	426	482	400	400	Capex	-5,867	-9,490	-27,819	-28,000	-28,000
Pre-tax profit	**12,133**	**18,876**	**61,808**	**121,842**	**189,256**	Net acq/disposals	396	-95	574	0	0
Tax	-2,564	-4,231	-13,400	-27,251	-42,268	Other	0	0	0	0	0
Extraord./Min.Int./Pref.div.	9	4	5	6	6	**Investing cashflow**	**-5,470**	**-9,585**	**-27,245**	**-28,000**	**-28,000**
Reported net profit	**9,578**	**14,649**	**48,413**	**94,597**	**146,995**	Dividends paid	-3,439	-5,894	-8,936	-29,048	-56,758
Net Margin (%)	14.9	15.5	22.7	27.6	30.7	**Financing cashflow**	**5,890**	**4,622**	**6,860**	**5,107**	**4,954**
Core NPAT	9,578	14,649	48,413	94,597	146,995	**Net change in cash**	**5,729**	**7,117**	**17,887**	**70,944**	**124,051**
Per share data	**2024**	**2025**	**2026E**	**2027E**	**2028E**	**Free cashflow to s/holders**	**-557**	**2,591**	**10,453**	**65,837**	**119,097**
Reported EPS ($)	27.83	41.86	135.11	264.00	410.23						
Core EPS ($)	27.83	41.86	135.11	264.00	410.23						
DPS ($)	9.92	16.45	24.94	81.07	158.40						
CFPS ($)	15.42	34.52	106.81	261.88	410.52						
FCFPS ($)	-1.62	7.40	29.17	183.74	332.38						
BVPS ($)	101.93	143.52	255.46	519.46	929.69						
Wtd avg ord shares (m)	344	350	358	358	358						
Wtd avg diluted shares (m)	344	350	358	358	358						
Growth rates	**2024**	**2025**	**2026E**	**2027E**	**2028E**						
Sales revenue (%)	55.9	46.4	126.0	60.8	39.5						
EBIT (Adj) (%)	65.4	57.2	222.9	97.6	55.3						
Core NPAT (%)	74.5	52.9	230.5	95.4	55.4						
Core EPS (%)	69.4	50.4	222.8	95.4	55.4						
Balance Sheet (NT$m)	**2024**	**2025**	**2026E**	**2027E**	**2028E**						
Cash & cash equiv.	14,988	20,008	35,943	106,843	230,850						
Accounts receivables	25,897	36,115	91,286	125,127	159,579						
Inventory	9,437	16,752	30,814	41,897	52,528						
Net fixed & other tangibles	23,983	33,830	60,187	81,419	100,055						
Goodwill & intangibles	585	103	110	110	110						
Financial & other assets	1,189	1,106	2,356	3,207	4,074						
Total assets	**76,080**	**107,913**	**220,697**	**358,604**	**547,196**						
Accounts payable	15,963	24,518	51,886	69,692	86,771						
Short-term debt	7,781	11,264	15,776	15,776	15,776						
Long-term debt	8,772	8,219	16,361	21,468	26,422						
Provisions & other liab	8,470	13,477	45,164	65,567	85,137						
Total liabilities	**40,986**	**57,477**	**129,187**	**172,503**	**214,107**						
Shareholders' equity	35,111	50,456	91,536	186,133	333,127						
Minority interests	-17	-20	-26	-32	-38						
Total equity	**35,094**	**50,435**	**91,510**	**186,101**	**333,089**						
Net debt (Adj)	**1,565**	**-525**	**-3,805**	**-69,598**	**-186,652**						
Net debt to equity (Adj) (%)	4.5	-1.0	-4.2	-37.4	-56.6						

For definitions of the items in this table, please click here.

6274.TWO: Fiscal year end 31-Dec

Price: NT$1,375.00; TP: NT$2,300.00; Market Cap: NT$411,758m; Recomm: Buy

Profit & Loss (NT$m)	2024	2025	2026E	2027E	2028E
Sales revenue	23,070	30,340	63,232	111,763	159,210
Cost of sales	-17,729	-23,442	-41,599	-65,684	-90,915
Gross profit	5,342	6,898	21,634	46,079	68,294
Gross Margin (%)	23.2	22.7	34.2	41.2	42.9
EBITDA (Adj)	**3,784**	**4,803**	**18,376**	**41,243**	**61,700**
EBITDA Margin (Adj) (%)	16.4	15.8	29.1	36.9	38.8
Depreciation	-448	-447	-671	-2,093	-3,158
Amortisation	-5	-13	0	0	0
EBIT (Adj)	**3,332**	**4,344**	**17,706**	**39,150**	**58,542**
EBIT Margin (Adj) (%)	14.4	14.3	28.0	35.0	36.8
Net interest	90	42	-60	-55	-66
Associates	-49	35	46	40	40
Non-Op/Except/Other Adj	5	98	180	20	20
Pre-tax profit	**3,378**	**4,519**	**17,872**	**39,155**	**58,536**
Tax	-773	-1,109	-4,832	-9,373	-14,018
Extraord./Min.Int./Pref.div.	0	0	0	0	0
Reported net profit	**2,604**	**3,409**	**13,040**	**29,782**	**44,517**
Net Margin (%)	11.3	11.2	20.6	26.6	28.0
Core NPAT	2,604	3,409	13,040	29,782	44,517

Per share data	2024	2025	2026E	2027E	2028E
Reported EPS ($)	9.15	11.71	43.04	98.23	146.83
Core EPS ($)	9.15	11.71	43.04	98.23	146.83
DPS ($)	3.95	6.22	14.47	27.66	63.18
CFPS ($)	2.38	2.05	11.09	72.22	107.77
FCFPS ($)	-1.82	-4.65	-11.43	45.83	94.58
BVPS ($)	49.64	63.84	110.79	209.02	355.85
Wtd avg ord shares (m)	272	278	295	299	299
Wtd avg diluted shares (m)	285	291	303	303	303

Growth rates	2024	2025	2026E	2027E	2028E
Sales revenue (%)	44.2	31.5	108.4	76.8	42.5
EBIT (Adj) (%)	133.9	30.4	307.6	121.1	49.5
Core NPAT (%)	216.3	30.9	282.5	128.4	49.5
Core EPS (%)	204.0	28.1	267.4	128.2	49.5

Balance Sheet (NT$m)	2024	2025	2026E	2027E	2028E
Cash & cash equiv.	6,280	5,165	6,443	22,593	53,515
Accounts receivables	9,711	13,823	29,372	41,098	58,719
Inventory	3,189	7,405	12,808	19,143	28,338
Net fixed & other tangibles	5,604	7,349	10,562	16,469	17,310
Goodwill & intangibles	10	36	39	39	39
Financial & other assets	1,084	5,963	2,964	5,089	8,090
Total assets	**25,878**	**39,741**	**62,188**	**104,431**	**166,012**
Accounts payable	5,499	10,320	15,275	22,766	33,638
Short-term debt	962	2,141	2,894	2,894	2,894
Long-term debt	3,449	6,304	5,058	7,312	9,559
Provisions & other liab	1,631	2,363	5,369	8,086	12,029
Total liabilities	**11,541**	**21,127**	**28,596**	**41,057**	**58,120**
Shareholders' equity	14,337	18,614	33,592	63,374	107,892
Minority interests	0	0	0	0	0
Total equity	**14,337**	**18,614**	**33,592**	**63,374**	**107,892**
Net debt (Adj)	**-1,869**	**3,280**	**1,509**	**-12,387**	**-41,062**
Net debt to equity (Adj) (%)	-13.0	17.6	4.5	-19.5	-38.1

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	na	na	31.9	14.0	9.4
PB (x)	27.7	21.5	12.4	6.6	3.9
EV/EBITDA (x)	na	85.9	22.5	9.9	6.2
FCF yield (%)	-0.1	-0.3	-0.8	3.3	6.9
Dividend yield (%)	0.3	0.5	1.1	2.0	4.6
Payout ratio (%)	43	53	34	28	43
ROE (%)	20.1	20.7	50.0	61.4	52.0

Cashflow (NT$m)	2024	2025	2026E	2027E	2028E
EBITDA	3,784	4,803	18,376	41,243	61,700
Working capital	-2,379	-3,272	-10,351	-9,979	-15,001
Other	-728	-935	-4,666	-9,368	-14,024
Operating cashflow	**677**	**596**	**3,360**	**21,896**	**32,675**
Capex	-1,196	-1,949	-6,823	-8,000	-4,000
Net acq/disposals	-993	-528	1,700	0	0
Other	1,059	-4,025	0	0	1
Investing cashflow	**-1,130**	**-6,502**	**-5,122**	**-8,000**	**-3,999**
Dividends paid	-1,090	-1,797	-4,333	-8,280	-18,911
Financing cashflow	**1,376**	**4,888**	**1,800**	**2,254**	**2,247**
Net change in cash	**1,322**	**-1,018**	**37**	**16,149**	**30,923**
Free cashflow to s/holders	**-519**	**-1,353**	**-3,463**	**13,896**	**28,675**

For definitions of the items in this table, please click here.

Bull/Bear: Elite Material (2383.TW)

NT$ 8,000.00 ▲59% Upside | NT$ 7,400.00 ▲47% Upside | NT$ 2,000.00 ▼60% Downside



Spread 119pp
Current Price and expected returns (upside/downside) as of 28 Oct 2026

BULL Assumptions

- Higher market share in AI ASIC customers' AI servers
- Higher market share in AI GPU customers' AI servers
- Wider adoption of M9 or Q-glass in AI servers
- Less strict practice of OOC policies by end customers

BASE Assumptions

- High market share in AI ASIC customers' AI servers
- Major supplier of AI GPU customers' AI switch boards
- Adoption of M9 in next-gen AI GPU customers' AI servers
- Spec migration to M8 in AI ASIC servers with higher layer count

BEAR Assumptions

- New CCL competitor joining; lower market share in AI ASIC customers' AI servers
- New CCL competitor joining; lower market share in AI GPU customers' AI servers
- Less adoption of M9 or Q-glass in the next AI servers

Bull/Bear: TUC (6274.TWO)

NT$2,500.00	NT$2,300.00	NT$1,000.00
▲82% Upside	▲67% Upside	▼27% Downside



Spread 109pp
Current Price and expected returns (upside/downside) as of 28 Oct 2026

BULL Assumptions

- New project wins or share gains in AI customers
- Faster-than-expected CCL upgrade trend
- Stronger-than-expected AI server/800G demand

BASE Assumptions

- 2nd supplier in AI ASIC customers' AI servers
- 800G entering into mass production industrywide
- CCL spec migration to M8 for AI ASIC servers or 800G switches

BEAR Assumptions

- Slower-than-expected CCL upgrade trend
- Weaker-than-expected AI server/800G demand
- Production bottlenecks in AI supply chain

Elite Material

Company description

Established in 1992 in Taoyuan, Taiwan, EMC is a global leading copper clad laminate (CCL) and prepreg supplier for HDI and smartphone applications. EMC has developed several green materials products, from Mid Loss, Low Loss, Very Low Loss, Ultra Low Loss down to Extreme Low Loss categories. In the past few years, EMC has continued to gain presence in AI datacenter, networking and HPC sectors. In the AI server market, EMC is one of the key suppliers to global AI GPU customers and a major supplier to US CSPs for AI ASIC projects.

Investment strategy

We are positive over EMC's long-term growth outlook as we believe its technology leadership in high-end CCL should position it well to benefit from the structural spec migration in PCB materials amid the AI demand boom. We expect EMC to maintain its market share in AI GPU projects and to gradually gain share in next-gen ASIC projects in 2026. Given its leading position in high-end CCL, sufficient raw material support, expanding capacity and solid earnings outlook, we rate EMC a Buy.

Valuation

Our target price for EMC is set at NT$7,400, based on a target PE multiple of 28x on our 2027E EPS average. We believe our target PE multiple, at the peak of its forward PE average in the past 5 years, is justified by a strong earnings outlook supported by its leading position in CCL supply for AI GPU and ASIC (high m/s) from 2026E onwards. We also believe the continued spec upgrade for CCL, price hikes and product mix enhancement should help support its margin expansion going forward. At our target price, the shares would trade at 55x/28x 2026E/27E PB.

Risks

Citi's quant system rates EMC high-risk given high share price volatility, which we largely attribute to frequent debates over the spec upgrade for next-gen AI servers. In general, we believe some investors initially tend to have high hope for aggressive spec upgrade without sufficiently considering the scalability and cost structure of CCL products, which then leads to a shortfall in the end. However, from a longer-term perspective, we see a decent and clear spec upgrade trend with meaningful ASP growth potential among AI servers of different generations. As such, we do not assign a high-risk rating.

Key downside risks that could prevent the shares from reaching our target price include: 1) a slower-than-expected CCL upgrade trend; 2) weaker-than-expected AI server demand; 3) production bottlenecks in AI supply chain (eg, glass, copper foil, foundry or OSAT); 4) unexpected share loss in key AI server projects; and 5) stricter practice of OOC policy by end customers.

TUC

Company description

TUC was established in 1974 and mainly produced optical glass initially. Since 1997, it started to provide copper clad laminate (CCL) and prepreg. Headquartered in Hsinchu, Taiwan, TUC has an extensive global service network spanning mainland China, Japan, Korea, the US and Germany. It has been specializing in high-speed CCL for networking and now has a strong position in supplying 800G switch opportunities. The company also started to supply AI ASIC from 2025.

Investment strategy

We expect increasing AI ASIC exposure for TUC as it continues to see new project opportunities among US CSP customers, including the high-end CCL market for Trainium chip. We like TUC as it has production expertise in high-speed CCL products, especially in networking, such as 800G, and has long built solid relationships with upstream high-end materials suppliers to ensure raw material support. We rate TUC a Buy given meaningful 800G ramp from 2026E onwards and its increasing opportunities in AI projects within CSPs and enterprise players.

Valuation

Our target price for TUC is set at NT$2,300, based on a target PE multiple of 23x on our 2027E EPS. We believe our target PE multiple, at the peak of TUC's PE average in the last upcycle, is justified by its strong margin expansion potential on a higher sales mix from AI ASIC server/800G products and price hikes on supply tightness. We believe TUC's growth outlook is well supported by AI ASIC and 800G with its capacity ramp in Thailand from 3Q26 onward. At our target price, the shares would trade at 2026E/27E PB of 53x/23x.

Risks

Citi's quant system rates TUC High Risk given high share price volatility, which we largely attribute to frequent debates over the spec upgrade for next-gen AI servers. In general, we believe some investors initially tend to have high hope for aggressive spec upgrade without sufficiently considering the scalability and cost structure of CCL products, which then leads to a shortfall in the end. However, from a longer-term perspective, we see a decent and clear spec upgrade trend with meaningful ASP growth potential among AI servers of different generations. As such, we do not assign a High Risk rating.

Key downside risks that could prevent the shares from reaching our target price include: 1) a slower-than-expected CCL upgrade trend; 2) weaker-than-expected AI server/800G demand; 3) production bottlenecks in AI supply chain (e.g., glass, copper foil, foundry, or OSAT); 4) unexpected share loss in key AI server projects; 5) flexible practice of OOC policy by end customers; and 6) slow development of the PCB industry in Southeast Asia.

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Appendix A-1

ANALYST CERTIFICATION

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IMPORTANT DISCLOSURES

Elite Material (2383.TW)

Ratings and Target Price History
Fundamental Research

Analyst: Jack Chen



	Date	Rating	Target Price	Closing Price
1	12-Jan-26 05:58:26	*1	*2,100.00	1,610.00
2	11-Mar-26 12:43:44	1	*3,000.00	2,450.00
3	29-Apr-26 14:52:44	1	*5,100.00	4,440.00
4	29-Jul-26 20:17:20	1	*6,000.00	4,100.00

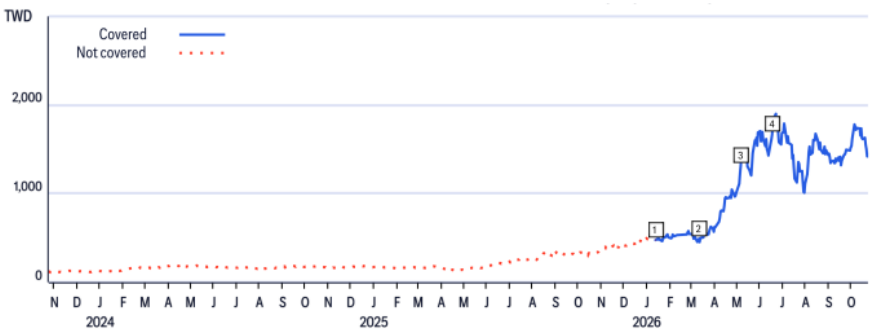
*Indicates Change

Rating/target price changes above reflect Eastern Time

TUC (6274.TWO)

Ratings and Target Price History
Fundamental Research

Analyst: Jack Chen



	Date	Rating	Target Price	Closing Price
1	12-Jan-26 05:58:26	*1	*600.00	475.50
2	11-Mar-26 12:43:44	1	*660.00	488.50
3	06-May-26 10:57:02	1	*1,600.00	1,315.00
4	17-Jun-26 17:44:56	1	*1,950.00	1,670.00

*Indicates Change

Rating/target price changes above reflect Eastern Time



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