08 Oct 2026 10:19:53 ET | 16 pages

Largan Precision (3008.TW)

Better FAU visibility despite smartphone shortfall

CITI'S TAKE

Largan's 3Q26 earning was below expectation. 3Q26 revenue of NT$15.65bn (up 15% QoQ but down 11% YoY). GM declined to 42.2% with EPS reaching NT$39.6. Management attributed margin pressure to manufacturing yield challenges associated with increasingly complicated smartphone lenses, alongside the rising cost of renewable electricity. The latter is becoming a structural cost burden because of contractual commitments to customers. While yields are gradually improving, management see weakening smartphone order flow into 4Q26. **Nevertheless, the management's view on FAU development is positive and seeing great feedback and strong business engagement into the next generation CPO design**. We reiterate our Buy and see any pull back on weak smartphone business as a great buying opportunity.

CPO Strategy — Moving to integrated FAU and carrier assembly — The most important development during the call is Largan's expanded product scope. Previously, the company primarily targeted Fiber Array alignment, positioning itself as a high-precision component supplier to established FAU manufacturers. Management now plans to produce FAU, purchase PMLA and other optical components, and perform precision optical coupling and assembly to deliver complete FAUs. It also intends to pursue the additional assembly step of mounting the FAU onto a carrier, which subsequently interfaces with the receptacle. This represents a meaningful expansion in value capture, moving Largan to higher-value integrated optical interconnect assemblies.

Customer qualification has progressed well, production starting in mid-2027 — Largan indicated that FA qualification is complete, and the automated pilot line is already operational and has been inspected repeatedly by the customer. Largan currently has one customer progressing toward commercial volume production, while several other customers, including CSP-related opportunities, are involved in next-generation development targeting 2028. Management expects the first scaled production lines to be ready around mid-2027, with meaningful FAU mass production potentially beginning in 2H27. Management also confirmed that recently acquired land and facilities have designated expansion purposes, primarily cleanrooms and production lines for FA/FAU rather than smartphone lenses.

Buy

Short-Term View: Upside

Price (08 Oct 26 13:30)	NT$6,660.00
Target price	NT$8,500.00
Expected share price return	27.6%
Expected dividend yield	1.2%
Expected total return	28.8%
Market Cap	NT$871,116M
	US$27,335M

Price Performance
(RIC: 3008.TW, BB: 3008 TT)



Earnings Summary

Year to 31 Dec	Net Profit (NT$M)	Diluted EPS (NT$)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	25,915	194.17	44.8	34.3	4.8	14.8	1.3
2025A	21,275	159.40	-17.9	41.8	4.7	11.3	0.8
2026E	20,449	155.54	-2.4	42.8	4.3	10.4	1.2
2027E	21,410	163.69	5.2	40.7	4.1	10.3	1.2
2028E	45,921	351.08	114.5	19.0	3.5	19.8	2.6

Source: Powered by dataCentral

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3008.TW: Fiscal year end 31-Dec

Price: NT$6,660.00; TP: NT$8,500.00; Market Cap: NT$871,116m; Recomm: Buy

Profit & Loss (NT$m)	2024	2025	2026E	2027E	2028E
Sales revenue	59,458	61,148	61,099	77,607	163,572
Cost of sales	-28,248	-30,311	-33,508	-44,656	-88,753
Gross profit	31,209	30,837	27,591	32,950	74,819
Gross Margin (%)	52.5	50.4	45.2	42.5	45.7
EBITDA (Adj)	**29,617**	**30,526**	**28,406**	**31,769**	**63,555**
EBITDA Margin (Adj) (%)	49.8	49.9	46.5	40.9	38.9
Depreciation	-5,585	-6,968	-8,027	-9,246	-10,713
Amortisation	0	0	0	0	0
EBIT (Adj)	**24,032**	**23,558**	**20,379**	**22,522**	**52,842**
EBIT Margin (Adj) (%)	40.4	38.5	33.4	29.0	32.3
Net interest	4,404	4,259	3,745	3,600	3,600
Associates	0	3	102	200	200
Non-Op/Except/Other Adj	3,738	-1,919	957	280	280
Pre-tax profit	**32,174**	**25,900**	**25,183**	**26,602**	**56,922**
Tax	-5,963	-4,340	-4,658	-5,192	-11,001
Extraord./Min.Int./Pref.div.	-296	-285	-77	0	0
Reported net profit	**25,915**	**21,275**	**20,449**	**21,410**	**45,921**
Net Margin (%)	43.6	34.8	33.5	27.6	28.1
Core NPAT	25,915	21,275	20,449	21,410	45,921

Per share data	2024	2025	2026E	2027E	2028E
Reported EPS ($)	194.17	159.40	155.54	163.69	351.08
Core EPS ($)	194.17	159.40	155.54	163.69	351.08
DPS ($)	85.50	50.96	78.48	82.17	176.24
CFPS ($)	205.13	162.32	273.56	227.93	420.99
FCFPS ($)	119.83	76.12	195.19	151.87	341.40
BVPS ($)	1,389.00	1,430.06	1,552.87	1,638.07	1,906.98
Wtd avg ord shares (m)	133	133	131	131	131
Wtd avg diluted shares (m)	133	133	131	131	131

Growth rates	2024	2025	2026E	2027E	2028E
Sales revenue (%)	21.7	2.8	-0.1	27.0	110.8
EBIT (Adj) (%)	35.0	-2.0	-13.5	10.5	134.6
Core NPAT (%)	44.8	-17.9	-3.9	4.7	114.5
Core EPS (%)	44.8	-17.9	-2.4	5.2	114.5

Balance Sheet (NT$m)	2024	2025	2026E	2027E	2028E
Cash & cash equiv.	113,658	115,942	132,174	141,574	175,281
Accounts receivables	10,360	10,462	12,457	23,869	38,792
Inventory	5,733	6,713	6,331	12,131	19,715
Net fixed & other tangibles	46,936	51,472	53,748	54,450	54,146
Goodwill & intangibles	0	0	0	0	0
Financial & other assets	39,839	36,198	37,859	57,893	84,031
Total assets	**216,527**	**220,787**	**242,569**	**289,915**	**371,966**
Accounts payable	1,855	1,728	3,136	6,249	9,854
Short-term debt	203	0	0	0	0
Long-term debt	0	0	0	0	0
Provisions & other liab	29,081	28,191	36,321	69,409	112,681
Total liabilities	**31,139**	**29,919**	**39,457**	**75,659**	**122,536**
Shareholders' equity	185,388	190,868	203,112	214,257	249,430
Minority interests	0	0	0	0	0
Total equity	**185,388**	**190,868**	**203,112**	**214,257**	**249,430**
Net debt (Adj)	**-113,455**	**-115,942**	**-132,174**	**-141,573**	**-175,280**
Net debt to equity (Adj) (%)	-61.2	-60.7	-65.1	-66.1	-70.3

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	34.3	41.8	42.8	40.7	19.0
PB (x)	4.8	4.7	4.3	4.1	3.5
EV/EBITDA (x)	24.9	24.1	25.7	22.6	11.0
FCF yield (%)	1.8	1.1	2.9	2.3	5.1
Dividend yield (%)	1.3	0.8	1.2	1.2	2.6
Payout ratio (%)	44	32	50	50	50
ROE (%)	14.8	11.3	10.4	10.3	19.8

Cashflow (NT$m)	2024	2025	2026E	2027E	2028E
EBITDA	29,617	30,526	28,406	31,769	63,555
Working capital	-4,417	-6,864	7,411	-843	-1,569
Other	2,178	-1,998	146	-1,112	-6,921
Operating cashflow	**27,378**	**21,664**	**35,963**	**29,813**	**55,065**
Capex	-11,385	-11,504	-10,302	-9,948	-10,410
Net acq/disposals	1,369	0	-100	-200	-200
Other	-5,514	8,798	-1,078	0	0
Investing cashflow	**-15,531**	**-2,707**	**-11,480**	**-10,148**	**-10,610**
Dividends paid	-10,811	-11,412	-6,802	-10,265	-10,748
Financing cashflow	**-5,679**	**-16,674**	**-8,251**	**-10,265**	**-10,748**
Net change in cash	**6,168**	**2,283**	**16,232**	**9,400**	**33,707**
Free cashflow to s/holders	**15,993**	**10,160**	**25,661**	**19,865**	**44,655**

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

Seeing multiple generation and years opportunities — Compared with these broader solutions providers, Largan remains primarily as a high-precision manufacturing and assembly specialist. Management described its current business relationship as closer to contract manufacturing, with direct discussions with end customers focused mainly on next-generation products. On product architecture, the initial 2027 commercial project remains focused on single-row FA using grating coupling (GC), while multi-row and multilayer configurations remain in sampling and are primarily associated with 2028 programs. Management believes its FA/FAU solution is broadly applicable to both CPO and NPO when the underlying optical interface remains similar, because the primary difference is the placement of the optical package. Largan's primary differentiation is not the FA design itself but its ability to manufacture highly precise assembly using imperfect input components.

Automation and Yield Control Are the Real Competitive Advantages

During the earnings call, Largan's management emphasized that almost all critical FA/FAU alignment equipment is developed internally, including machinery and control software. This enables faster equipment modification, process optimization and troubleshooting compared with labor-intensive assembly. Automated production also offers better traceability and root-cause analysis when yield problems emerge. Management stated that customer feedback is positive and the FAU certification process progressing well. The key competitive advantage, in our view, is the ability to combine submicron accuracy, high throughput and reproducible yields at scale, rather than precision alone.

In our view, the earnings call supports a more constructive medium-term view of Largan's CPO opportunities than our previous assessment, particularly given the apparent completion of initial FA qualification, customer interest in integrated FAU assembly and a clearer path toward commercial production in 2H27. Moving from standalone FA to FAU and potentially carrier assembly could materially increase revenue content per optical connection, while the company's automated manufacturing capabilities may support differentiation in increasingly complex, high-density optical architectures. The next growth opportunity could emerge from multi-row FA and higher-channel-count optical solutions beginning in 2028, particularly as AI networking bandwidth moves beyond current-generation platforms.

Maintaining Buy on better FAU visibility

Given the weak smartphone order flow and GM pressure in the near term, we revise down our net income projections by 9%/29% for 2026/2027, but slightly raise our 2028 net income projection by 1% given the solid growth opportunity in FAU business. However, we think Largan is transitioning from a smartphone optics manufacturer into a potential high-precision optical interconnect assembly supplier. As they are moving to FAU not just FA; we assume higher revenue contribution for 2027/2028 of 28%/44% considering Largan could get 15%/30% market share.

Figure 1. Largan - 3Q26 results overview

(NT$mn)	3Q26 Actual	3Q25 Actual	2Q26 Actual	YoY	QoQ	3Q26 Citi	diff	3Q26 Consensus	diff
Revenue	15,651	17,677	13,665	-11%	15%	16,011	-2%	18,196	-14%
Gross profit	6,607	8,352	6,753	-21%	-2%	7,782	-15%	9,120	-28%
OP profit	4,735	6,265	5,148	-24%	-8%	5,829	-19%	6,946	-32%
Non-op	1,357	1,890	951			1,020		1,183	
PBT	6,092	8,155	6,099	-25%	0%	6,849	-11%	8,129	-25%
Net Income	5,182	7,080	4,670	-27%	11%	5,751	-10%	6,723	-23%
EPS (NT$)	39.62	54.13	35.70	-27%	11%	43.97	-10%	51.40	-23%
GM	42.2%	47.2%	49.4%	-5.0 ppt	-7.2 ppt	48.6%	-6.4 ppt	50.1%	-7.9 ppt
OPEX ratio	-12.0%	-11.8%	-11.7%	-0.1 ppt	-0.2 ppt	-12.2%	0.2 ppt	-11.9%	-0.0 ppt
OPM	30.3%	35.4%	37.7%	-5.2 ppt	-7.4 ppt	36.4%	-6.1 ppt	38.2%	-7.9 ppt
NM	33.1%	40.1%	34.2%	-6.9 ppt	-1.1 ppt	35.9%	-2.8 ppt	36.9%	-3.8 ppt

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Source: Citi Research, Bloomberg

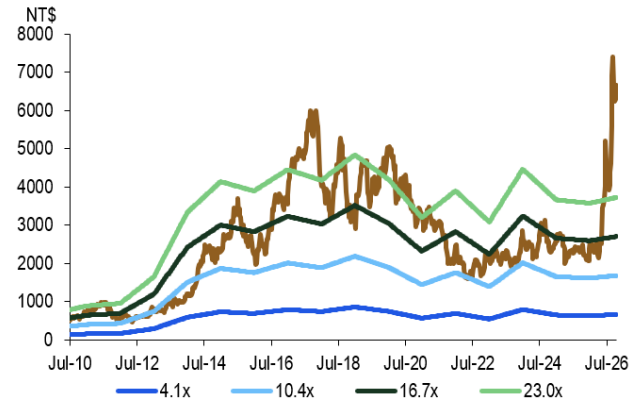
We view customer acceptance and manufacturing differentiation positively, despite near-term earnings visibility remains constrained by smartphone demand at least into 1H27. We thus maintain our Buy rating with TP NT$8,500 unchanged, implying 33x of our 2027/28 EPS projection from 30x previously thanks to its better visibility on FAU progress.

Figure 2. Largan – Estimates Revisions

	2026E			2027E			2028E		
(NT$mn)	New	Old	Chg.	New	Old	Chg.	New	Old	Chg.
Sales	61,099	62,461	-2%	77,607	95,009	-18%	163,572	156,848	4%
Gross profit	27,591	30,753	-10%	32,950	46,156	-29%	74,819	73,629	2%
Opex	(7,212)	(7,407)	-3%	(10,428)	(12,763)	-18%	(21,977)	(21,077)	4%
Operating profit	20,379	23,346	-13%	22,522	33,393	-33%	52,842	52,552	1%
Pre-tax profit	25,183	27,813	-9%	26,602	37,473	-29%	56,922	56,632	1%
Net income	20,449	22,444	-9%	21,410	30,213	-29%	45,921	45,639	1%
EPS (NT$)	155.5	168.2	-8%	163.7	226.4	-28%	351.1	341.9	3%
Gross margin	45.2	49.2	-4.1ppts	42.5	48.6	-6.1ppts	45.7	46.9	-1.2ppts
Opex ratio	(11.8)	(11.9)	-0.1ppts	(13.4)	(13.4)	0.0ppts	(13.4)	(13.4)	0.0ppts
Operating margin	33.4	37.4	-4.0ppts	29.0	35.1	-6.1ppts	32.3	33.5	-1.2ppts
Net margin	33.5	35.9	-2.5ppts	27.6	31.8	-4.2ppts	28.1	29.1	-1.0ppts

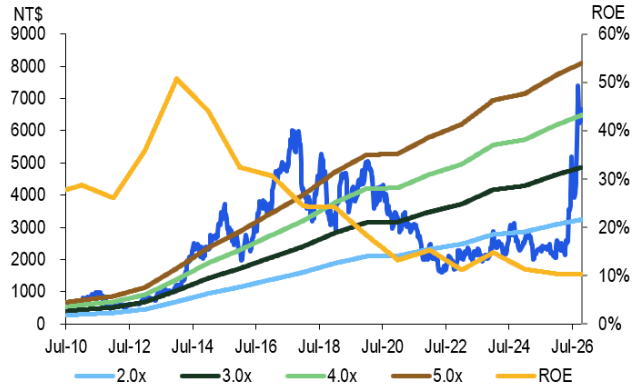
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Source: Citi Research

Figure 3. Largan – Forward P/E band



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Source: Citi Research, company data

Figure 4. Largan – Forward P/B band & ROE



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Figure 5. Largan – Forecast Summary

NT$mn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2025	2026E	2027E	2028E
Net sales	14,579	11,673	17,677	17,219	15,544	13,665	15,651	16,239	13,628	11,251	21,613	31,114	61,148	61,099	77,607	163,572
Gross profit	**7,965**	**6,260**	**8,352**	**8,260**	**7,680**	**6,753**	**6,607**	**6,552**	**5,718**	**4,663**	**9,010**	**13,560**	**30,837**	**27,591**	**32,950**	**74,819**
OPEX	1,878	1,381	2,088	1,932	1,867	1,605	1,872	1,868	1,867	1,508	2,853	4,200	7,279	7,212	10,428	21,977
Operating profit	**6,086**	**4,879**	**6,265**	**6,329**	**5,812**	**5,148**	**4,735**	**4,684**	**3,851**	**3,155**	**6,157**	**9,359**	**23,558**	**20,379**	**22,522**	**52,842**
Total Non-OP	1,630	(3,085)	1,890	1,907	1,476	951	1,357	1,020	1,020	1,020	1,020	1,020	2,342	4,804	4,080	4,080
Pre-tax profit	7,716	1,794	8,155	8,236	7,288	6,099	6,092	5,704	4,871	4,175	7,177	10,379	25,900	25,183	26,602	56,922
Income tax	1,173	738	996	1,434	1,112	1,373	910	1,263	899	845	1,150	2,298	4,340	4,658	5,192	11,001
Net profit	**6,443**	**1,032**	**7,080**	**6,720**	**6,123**	**4,702**	**5,182**	**4,441**	**3,972**	**3,329**	**6,027**	**8,082**	**21,275**	**20,449**	**21,410**	**45,921**
EPS	**48.3**	**7.7**	**53.0**	**50.3**	**45.9**	**35.9**	**39.6**	**34.0**	**30.4**	**25.5**	**46.1**	**61.8**	**159.4**	**155.5**	**163.7**	**351.1**
Margins (%)																
Gross profit	**54.6**	**53.6**	**47.2**	**48.0**	**49.4**	**49.4**	**42.2**	**40.3**	**42.0**	**41.4**	**41.7**	**43.6**	**50.4**	**45.2**	**42.5**	**45.7**
OPEX to Sales Ratio	12.9	11.8	11.8	11.2	12.0	11.7	12.0	11.5	13.7	13.4	13.2	13.5	11.9	11.8	13.4	13.4
Operating profit	**41.7**	**41.8**	**35.4**	**36.8**	**37.4**	**37.7**	**30.3**	**28.8**	**28.3**	**28.0**	**28.5**	**30.1**	**38.5**	**33.4**	**29.0**	**32.3**
Total Non-OP	11.2	(26.4)	10.7	11.1	9.5	7.0	8.7	6.3	7.5	9.1	4.7	3.3	3.8	7.9	5.3	2.5
Pre-tax profit	52.9	15.4	46.1	47.8	46.9	44.6	38.9	35.1	35.7	37.1	33.2	33.4	42.4	41.2	34.3	34.8
Net profit	**44.2**	**8.8**	**40.1**	**39.0**	**39.4**	**34.4**	**33.1**	**27.3**	**29.1**	**29.6**	**27.9**	**26.0**	**34.8**	**33.5**	**27.6**	**28.1**
Y/Y (%)																
Net sales	28.9	6.3	(6.7)	(5.4)	6.6	17.1	(11.5)	(5.7)	(12.3)	(17.7)	38.1	91.6	2.8	(0.1)	27.0	110.8
Gross profit	43.2	17.8	(12.2)	(23.6)	(3.6)	7.9	(20.9)	(20.7)	(25.5)	(31.0)	36.4	107.0	(1.2)	(10.5)	19.4	127.1
Operating profit	53.7	25.4	(19.7)	(24.5)	(4.5)	5.5	(24.4)	(26.0)	(33.7)	(38.7)	30.0	99.8	(2.0)	(13.5)	10.5	134.6
Pre-tax profit	3.9	(69.1)	3.9	(25.7)	(5.6)	240.0	(25.3)	(30.7)	(33.2)	(31.5)	17.8	82.0	(19.5)	(2.8)	5.6	114.0
Net profit	5.4	(77.1)	6.8	(22.5)	(5.0)	355.6	(26.8)	(33.9)	(35.1)	(29.2)	16.3	82.0	(17.9)	(3.9)	4.7	114.5
Q/Q(%)																
Net sales	(19.9)	(19.9)	51.4	(2.6)	(9.7)	(12.1)	14.5	3.8	(16.1)	(17.4)	92.1	44.0				
Gross profit	(26.4)	(21.4)	33.4	(1.1)	(7.0)	(12.1)	(2.2)	(0.8)	(12.7)	(18.5)	93.2	50.5				
Operating profit	(27.4)	(19.8)	28.4	1.0	(8.2)	(11.4)	(8.0)	(1.1)	(17.8)	(18.1)	95.1	52.0				
Pre-tax profit	(30.4)	(76.8)	354.6	1.0	(11.5)	(16.3)	(0.1)	(6.4)	(14.6)	(14.3)	71.9	44.6				
Net profit	(25.7)	(84.0)	586.0	(5.1)	(8.9)	(23.2)	10.2	(14.3)	(10.6)	(16.2)	81.0	34.1				

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Source: Citi Research, company data

Adding Upside 90-Day Short-Term View on Largan Precision (3008.TW)

Direction:	**Upside**
Duration:	Within 90 Days
Category:	Thematic driven

We see management's upbeat outlook on its FA/FAU business should support Largan's share price performance in the coming months.

Bull/Bear: Largan Precision (3008.TW)

NT$ 9,000.00	NT$ 8,500.00	NT$ 5,600.00
▲35% Upside	▲28% Upside	▼16% Downside



Spread 51pp
Current Price and expected returns (upside/downside) as of 08 Oct 2026

BULL Assumptions

- Higher than expected UTR or better than expected product mix
- Winning significant shares in lens market
- Based on 35x PER

BASE Assumptions

- Overall GM >45% in 2026-28E
- Stable share in lens market with steady lens upgrade trend

BEAR Assumptions

- Lower than expected UTR or worse than expected product mix
- Losing significant shares in lens market
- Based on 23x PER

Largan Precision

Company description

Largan is a plastic/glass/hybrid lens supplier in Taiwan with end-applications including phone cameras, DSCs, MFPs, and tablets. Its new development into FAU business should server as a long term growth opportunity.

Investment strategy

We rate Largan a Buy as we expect its core iPhone business to remain resilient and its co-packaged optics (CPO) development to provide strong upside potential in the longer term. We believe Largan could be a long-term winner in the lens market driven by: 1) its technology leadership; 2) intellectual property (IP) protection; and 3) higher yield vs. competitors. In the longer term, we believe spec migration could keep Largan ahead of competitors.

Valuation

Our target price of NT$8,500 for Largan shares is based on 33x 2027/28E EPS. We are using 2027/28E EPS average as we see new Fiber Array + PMLA revenue to kick in from next year. Our 33x PER is higher than its historical 5-year PER range, which we think is justified by its better order visibility proven by its recent strong capacity expansion plan, and we expect its CPO business engagement should provide a strong long-term growth opportunity.

Risks

Key downside risks include: 1) weaker smartphone demand or replacement demand, and in particular, demand headwinds for certain key clients; 2) longer learning curve and slower ramp of the yield rate; 3) slower spec migration; and 4) slower development in CPO business. Any of these risk factors could cause the shares to deviate from our target price.

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Appendix A-1

ANALYST CERTIFICATION

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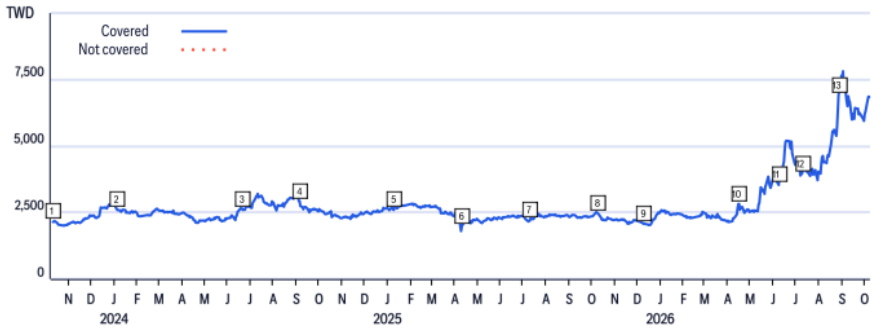
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Largan Precision (3008.TW)

Ratings and Target Price History
Fundamental Research

Analyst: Laura (Chia Yi) Chen



	Date	Rating	Target Price	Closing Price
1	12-Oct-23 09:51:12	1	*2,520.00	2,150.00
2	07-Jan-24 20:04:59	1	*3,060.00	2,595.00
3	21-Jun-24 08:28:17	1	*3,560.00	2,595.00
4	05-Sep-24 09:18:51	1	*3,650.00	2,925.00
5	09-Jan-25 09:26:45	1	*3,920.00	2,595.00
6	10-Apr-25 09:42:59	1	*3,300.00	1,980.00
7	10-Jul-25 08:26:53	1	*2,500.00	2,190.00
8	09-Oct-25 07:33:18	1	*2,755.00	2,470.00
9	09-Dec-25 06:01:38	*2	*2,150.00	2,070.00
10	15-Apr-26 10:31:04	2	*3,060.00	2,820.00
11	08-Jun-26 04:01:46	*1	*5,325.00	3,535.00
12	09-Jul-26 07:52:49	1	*6,125.00	3,950.00
13	27-Aug-26 13:18:48	1	*8,500.00	6,915.00

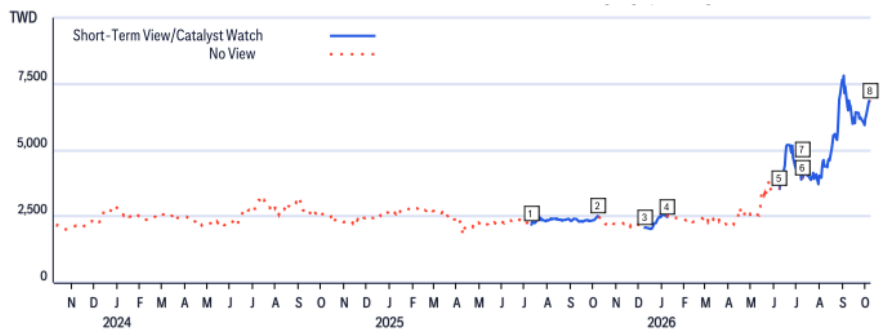
*Indicates Change

Rating/target price changes above reflect Eastern Time

Largan Precision (3008.TW)

Short-Term View/Catalyst Watch Research

Analyst: Laura (Chia Yi) Chen



	Date	Action	Expected Direction	Duration	Closing Price
1	10-Jul-25 04:26:53	Add CW	Downside	90 Days	2,190.00
2	08-Oct-25 21:49:48	Remove CW	Downside	90 Days	2,485.00
3	09-Dec-25 01:01:38	Add STV	Downside	30 Days	2,070.00
4	08-Jan-26 19:58:44	Remove STV	Downside	30 Days	2,475.00
5	08-Jun-26 00:01:46	Add CW	Upside	30 Days	3,535.00
6	08-Jul-26 21:51:08	Remove CW	Upside	30 Days	3,950.00
7	09-Jul-26 03:52:49	Add STV	Upside	90 Days	3,950.00
8	07-Oct-26 21:34:32	Remove STV	Upside	90 Days	6,845.00

CW - Catalyst Watch , STV - Short-Term View

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	12 Month Rating			Catalyst Watch		
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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Citigroup Global Markets Taiwan Securities Company Limited	Jack Chen; Laura (Chia Yi) Chen; Nicholas Lai

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