07 Jul 2026 02:16:08 ET | 11 pages

Asia Vital Components (3017.TW)

2Q26 Revenue In Line with Guidance; Transition Quarter Cleared

CITI'S TAKE

AVC reported Jun-26 revenue of NT$17.6bn (+11% MoM/+66% YoY), bringing 2Q26 revenue to NT$49.1bn (flat QoQ/+66% YoY). 2Q26 revenue was 3% below Citi/cons forecast but in line with guidance of 0-5% QoQ. The near-term shortfall reflects GPU platform transition headwinds as the cycle shifts toward Rubin generation. Looking ahead, margins upside is emerging from improving yield and the volume ramp of one of the ASIC project entering the mass production cycle. Within multiple ASIC engagements expected to accelerate in 2H26E, we expect a stronger revenue trajectory in 2H vs. 1H. Based on our supply chain checks, the recent revised up liquid cooling penetration in ASIC platforms could become the upside catalyst and further support AVC's growth into 2027E. Maintain Buy.

Buy	
Price (06 Jul 26 13:30)	NT$2,670.00
Target price	NT$3,450.00
Expected share price return	29.2%
Expected dividend yield	0.8%
Expected total return	30.0%
Market Cap	NT$1,048,090M
	US$32,813M

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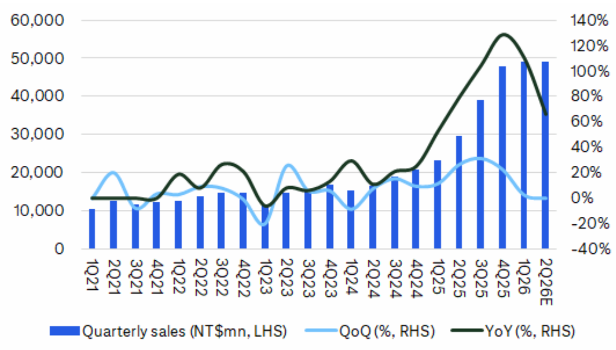
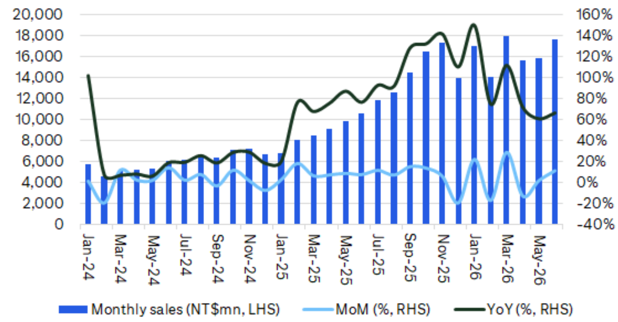
Figure 1. AVC – Quarterly sales trend



Source: Company Reports, Citi Research

Figure 2. AVC – Monthly sales trend



Source: Company Reports, Citi Research

Asia Vital Components

Valuation

We value AVC using a PE-based approach that factors in earnings momentum and the expansion of its addressable market. Our TP of NT$3,450 is derived from applying a 25x PE multiple on 2027E EPS, which we believe is justified given the company's entrenched positioned in the server thermal segment, rising contribution from liquid cooling, and the increasing value of thermal content per server as power density continues to climb. With these structural drivers still in place, we expect the multiple to hold at a premium relative to its historical averages.

Risks

This stock is High Risk based upon our quantitative model but assigning a High Risk rating is not supported by other qualitative factors such as cold-plate leadership and deep CSP penetration, and so a High Risk rating has not been applied. Key downside risks to our investment thesis and target price include: 1) slower adoption pace for liquid cooling adoption; 2) heightened price competition; 3) lower-than-expected share in liquid cooling components; and 4) emerging alternative cooling technologies.

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Appendix A-1

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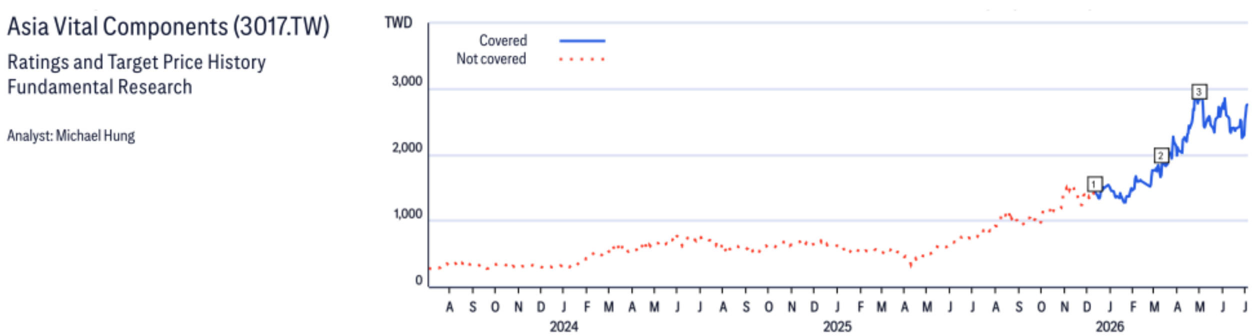
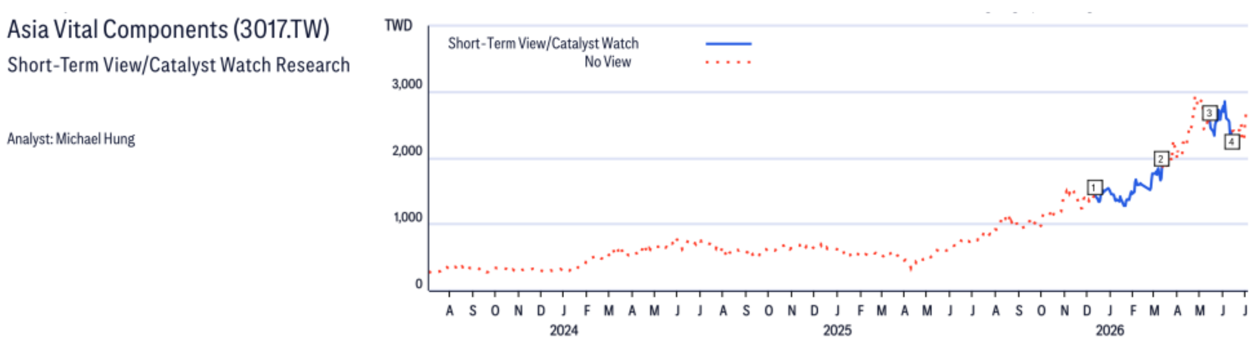


	Date	Rating	Target Price	Closing Price
1	11-Dec-25 07:34:19	*1	*2,055.00	1,430.00
2	11-Mar-26 12:50:47	1	*2,400.00	1,860.00
3	30-Apr-26 11:37:17	1	*3,450.00	2,835.00

*Indicates Change

Rating/target price changes above reflect Eastern Time



	Date	Action	Expected Direction	Duration	Closing Price
1	11-Dec-25 02:34:19	Add STV	Upside	90 Days	1,430.00
2	11-Mar-26 21:46:27	Remove STV	Upside	90 Days	1,860.00
3	14-May-26 07:40:28	Add STV	Upside	30 Days	2,555.00
4	12-Jun-26 14:22:58	Remove STV	Upside	30 Days	2,405.00

CW - Catalyst Watch , STV - Short-Term View

Rating/target price changes above reflect Eastern Time

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	12 Month Rating			Catalyst Watch		
Data current as of 01 Jul 2026	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
Citi Research Global Fundamental Coverage (Neutral=Hold)	61%	32%	7%	36%	48%	16%
% of companies in each rating category that are investment banking clients	38%	42%	27%	42%	37%	36%

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