07 Oct 2026 10:51:03 ET | 11 pages

Asia Vital Components (3017.TW)

Sep-26 Sales Lift 3Q26 Above Expectations; IBMJ Search Unrelated to Core Operations

CITI'S TAKE

AVC reported Sep-26 revenues of NT$21.0bn (+8% MoM/+45% YoY). 3Q26 revenues at NT$59.1bn (+20% QoQ/+52% YoY) beat Citi/cons (Bloomberg) forecasts by 4%/3%, mainly coming from stronger Trainium project demand and from the initial ramp of Vera Rubin. Looking into 4Q26E, we see multiple drivers supporting sequential growth, including Trainium project's shift to liquid cooling, TPU project entering mass production, and further ramp of Vera Rubin platform, while the additional capacity AVC has built will also join mass production. As such, we expect 4Q26E growth to remain solid. AVC also reported that the Investigation Bureau under the Ministry of Justice conducted a search and investigation at its Xinzhuang plant today (Oct 7). Based on our checks with mgmt, the search and interviews were related to matters during subsidiary Fositek's 2023 listing application and has no direct impact on AVC's operations. Maintain Buy.

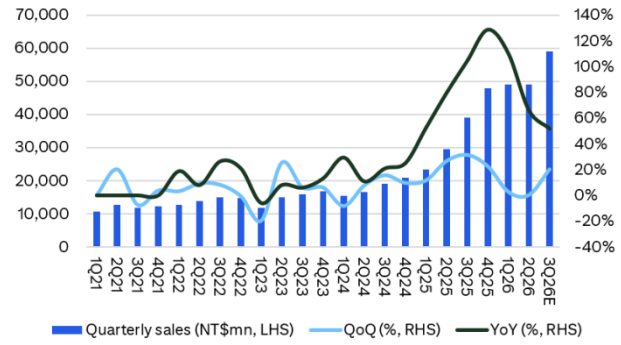
Buy	
Price (07 Oct 26 13:30)	NT$3,545.00
Target price	NT$4,350.00
Expected share price return	22.7%
Expected dividend yield	0.6%
Expected total return	23.3%
Market Cap	NT$1,392,016M US$43,784M

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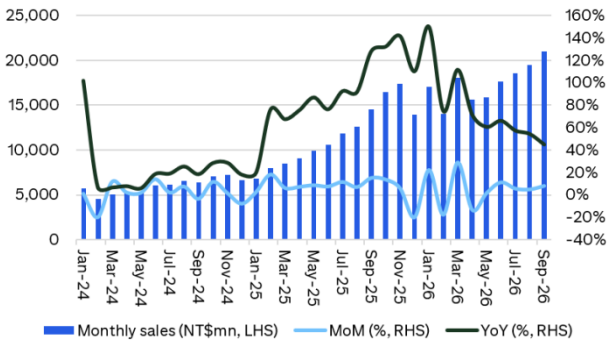
Figure 1. AVC - Quarterly sales trend



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Source: Company Reports, Citi Research

Figure 2. AVC - Monthly sales trend



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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$4,350 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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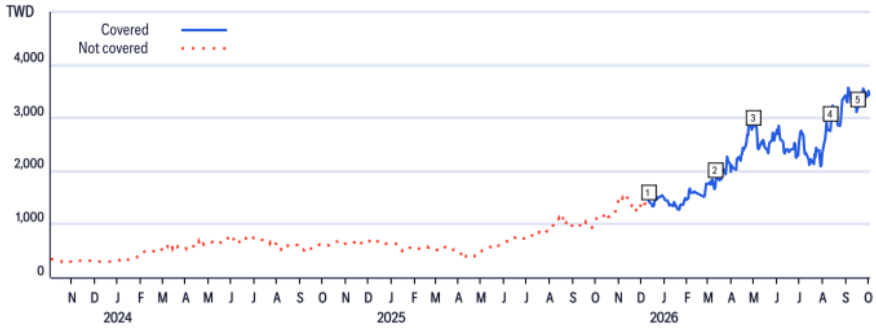
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Asia Vital Components (3017.TW)

Ratings and Target Price History
Fundamental Research

Analyst: Michael Hung



	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
4	12-Aug-26 08:14:33	1	*3,800.00	2,910.00
5	17-Sep-26 11:26:13	1	*4,350.00	3,185.00

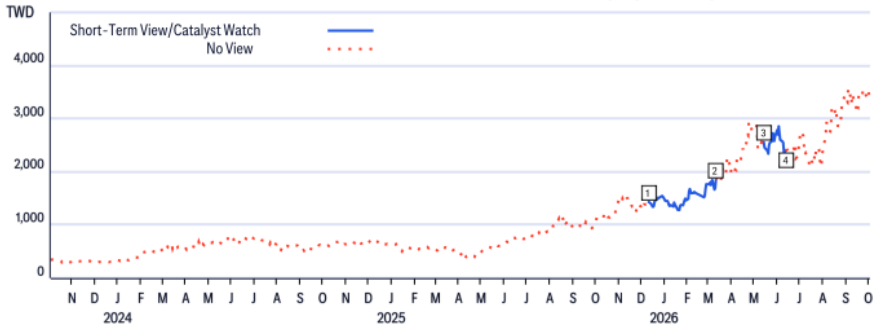
*Indicates Change

Rating/target price changes above reflect Eastern Time

Asia Vital Components (3017.TW)

Short-Term View/Catalyst Watch Research

Analyst: Michael Hung



	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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Data current as of 01 Oct 2026	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
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