Action | Citi Research

13 Aug 2026 10:38:48 ET | 14 pages

Quanta Computer (2382.TW)

2Q26 results beat with gradually improving OPM profile; Buy

CITI'S TAKE

Despite concerns over rising component costs and rising AI server mix, Quanta still reported resilient 2Q26 GM results, which we think partially benefited from yield improvement QoQ. OPM levels also saw 0.2ppt QoQ on better leverage. Looking into 2H26/2027, the company still sees rising server demand and stabilizing OPM profile in 2H26 vs 1H26. Similar to other ODMs' comments, leveraging on rising AI demand, the company has better bargain power against customers and is negotiating for better business terms (e.g., consignment or better AR/AP terms). Overall, we think Quanta would benefit from 1) stabilizing OPM in 2H26 with upside potential, 2) upcoming ramp-up of next-gen AI server, and 3) better business terms with less working capital burden. We raise our TP to NT$500 (15x 2027E EPS) from NT$390 (20x 2026E EPS). We cut our multiple to factor in concerns over AI bubble risks and sustainability of CSPs' capex.

2Q26 OPM beat — 2Q26 sales grew 28% QoQ, driven by both server and NB demand (unit shipments +15% QoQ). Server still saw tailwinds from both AI and regular server, while NB benefited from sustained Macbook demand and early pull-in. Despite rising cost burden and increasing demand, 2Q26 GM posted 5.0% (+0.2ppt QoQ). The mgmt. attributed stabilizing GM to enhanced product mix, though we think the yield improvement also played an important role. Thanks to increasing sales scale, 2Q26 OPM was 3.3%, higher than Citi/consensus forecasts by 0.8ppt/0.2ppt. Overall earnings beat Citi/consensus forecasts by 50%/22%. In 2Q26, server accounts for 85-90% of total sales. AI server accounts for 75-80% of total server sales in 1Q/2Q26. As GB200/300 production transition impact faded, ASP of AI server remained stable QoQ in 2Q26, as per the mgmt.

3Q26 outlook: continued growth in AI and regular server and stabilizing OPM — Mgmt. guided 3Q26E sales to grow at milder QoQ growth magnitude (vs 2Q26 QoQ growth of 28%) on 2Q26 high base. Regular and AI servers still see robust demand, while NB would see down 20% QoQ in unit shipments in 3Q due to rising memory costs. Auto is guided to improving gradually. For profitability, mgmt. is positive in the growth in its gross profit despite dynamic quarterly GM profile due to varying product mix and rising ASP of AI servers. For OPM, mgmt. expects similar 2H26 OPM to 1H26 OPM of 3.1%. For 2026, mgmt. remains confident in its server guidance of double AI server sales and double-digit YoY growth in regular server sales.

Earnings Summary

Year to 31 Dec	Net Profit (NT$M)	Diluted EPS (NT$)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	59,702	15.46	50.5	21.0	5.6	29.2	4.0
2025A	74,988	19.41	25.6	16.7	5.3	32.7	4.8
2026E	102,716	26.59	37.0	12.2	4.5	39.9	6.5
2027E	130,257	33.72	26.8	9.6	3.8	43.0	8.3
2028E	168,308	43.57	29.2	7.5	3.2	46.8	10.7

Source: Powered by dataCentral

Buy	
Price (13 Aug 26 13:30)	NT$325.00
Target price	NT$500.00↑
from NT$390.00	
Expected share price return	53.8%
Expected dividend yield	6.6%
Expected total return	60.4%
Market Cap	NT$1,255,354M
	US$38,947M

Price Performance (RIC: 2382.TW, BB: 2382 TT)

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

2382.TW: Fiscal year end 31-Dec

Price: NT$325.00; TP: NT$500.00; Market Cap: NT$1,255,354m; Recomm: Buy

Profit & Loss (NT$m)	2024	2025	2026E	2027E	2028E
Sales revenue	1,410,756	2,123,689	4,096,828	5,373,345	6,619,848
Cost of sales	-1,299,996	-1,975,357	-3,900,242	-5,126,538	-6,325,578
Gross profit	110,760	148,332	196,586	246,808	294,270
Gross Margin (%)	7.9	7.0	4.8	4.6	4.4
EBITDA (Adj)	**70,206**	**96,661**	**139,855**	**188,592**	**239,397**
EBITDA Margin (Adj) (%)	5.0	4.6	3.4	3.5	3.6
Depreciation	-8,584	-9,265	-11,607	-15,437	-17,945
Amortisation	0	0	0	0	0
EBIT (Adj)	**61,622**	**87,396**	**128,248**	**173,155**	**221,452**
EBIT Margin (Adj) (%)	4.4	4.1	3.1	3.2	3.3
Net interest	2,454	-1,920	-8,299	-8,299	-8,299
Associates	-123	220	298	0	0
Non-Op/Except/Other Adj	9,214	9,576	7,681	0	0
Pre-tax profit	**73,167**	**95,273**	**127,928**	**164,857**	**213,153**
Tax	-12,884	-19,487	-24,577	-33,965	-44,211
Extraord./Min.Int./Pref.div.	-581	-799	-635	-635	-635
Reported net profit	**59,702**	**74,988**	**102,716**	**130,257**	**168,308**
Net Margin (%)	4.2	3.5	2.5	2.4	2.5
Core NPAT	59,702	74,988	102,716	130,257	168,308
Per share data	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Reported EPS ($)	15.46	19.41	26.59	33.72	43.57
Core EPS ($)	15.46	19.41	26.59	33.72	43.57
DPS ($)	13.00	15.48	21.20	26.88	34.86
CFPS ($)	-9.95	0.98	-1.07	23.57	70.85
FCFPS ($)	-13.35	-1.91	-11.17	15.29	64.64
BVPS ($)	57.55	61.03	72.14	84.67	101.35
Wtd avg ord shares (m)	3,863	3,863	3,863	3,863	3,863
Wtd avg diluted shares (m)	3,863	3,863	3,863	3,863	3,863
Growth rates	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Sales revenue (%)	30.0	50.5	92.9	31.2	23.2
EBIT (Adj) (%)	41.5	41.8	46.7	35.0	27.9
Core NPAT (%)	50.5	25.6	37.0	26.8	29.2
Core EPS (%)	50.5	25.6	37.0	26.8	29.2
Balance Sheet (NT$m)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Cash & cash equiv.	201,099	184,914	90,166	58,244	192,307
Accounts receivables	371,246	524,907	866,284	1,087,125	1,032,921
Inventory	261,886	372,126	752,494	953,934	1,001,212
Net fixed & other tangibles	67,061	68,961	96,366	112,929	118,984
Goodwill & intangibles	0	0	0	0	0
Financial & other assets	31,155	55,392	88,362	113,574	127,805
Total assets	**932,446**	**1,206,301**	**1,893,673**	**2,325,806**	**2,473,230**
Accounts payable	282,782	411,297	836,105	1,052,617	1,104,786
Short-term debt	179,540	253,372	253,372	253,372	253,372
Long-term debt	50,983	43,921	65,881	65,881	65,881
Provisions & other liab	188,836	250,207	447,877	615,129	645,920
Total liabilities	**702,141**	**958,797**	**1,603,235**	**1,986,999**	**2,069,959**
Shareholders' equity	222,286	235,729	278,663	327,033	391,496
Minority interests	8,020	11,775	11,775	11,775	11,775
Total equity	**230,306**	**247,504**	**290,438**	**338,808**	**403,271**
Net debt (Adj)	**29,424**	**112,379**	**229,087**	**261,009**	**126,946**
Net debt to equity (Adj) (%)	12.8	45.4	78.9	77.0	31.5

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	21.0	16.7	12.2	9.6	7.5
PB (x)	5.6	5.3	4.5	3.8	3.2
EV/EBITDA (x)	17.5	13.5	10.0	7.8	5.9
FCF yield (%)	-4.1	-0.6	-3.4	4.7	19.9
Dividend yield (%)	4.0	4.8	6.5	8.3	10.7
Payout ratio (%)	84	80	80	80	80
ROE (%)	29.2	32.7	39.9	43.0	46.8
Cashflow (NT$m)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
EBITDA	70,206	96,661	139,855	188,592	239,397
Working capital	-108,509	-81,269	-119,087	-55,286	86,798
Other	-121	-11,610	-24,897	-42,263	-52,509
Operating cashflow	**-38,424**	**3,782**	**-4,129**	**91,043**	**273,686**
Capex	-13,132	-11,166	-39,012	-32,000	-24,000
Net acq/disposals	842	-5,735	-13,151	-8,442	-11,144
Other	0	0	0	0	0
Investing cashflow	**-12,290**	**-16,901**	**-52,163**	**-40,442**	**-35,144**
Dividends paid	-34,691	-50,204	-59,782	-81,888	-103,844
Financing cashflow	**28,917**	**-3,066**	**-38,457**	**-82,523**	**-104,479**
Net change in cash	**-16,336**	**-16,185**	**-94,748**	**-31,922**	**134,063**
Free cashflow to s/holders	**-51,557**	**-7,384**	**-43,140**	**59,043**	**249,686**

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

Rising bargain power: gradual progress in consignment business model — From 3Q26 onward, the company would have a few projects with models changed to consignment. Mgmt. indicated that although the consignment mix is still very low, they now observe better bargain power against a rising number of server customers including neocloud. Overall, the company is negotiating for better business terms via consignment or better AR/AP days to lower its working capital. For long-term demand, mgmt. has visibility into 2027/28, which is why they raise its capex to NT$40bn from NT$30bn and purchase a new plant in Taiwan for 2028 demand. Overall, we think gradual progress in negotiation for better business terms would be supportive to its long-term OPM profile.

Earnings upward revision; TP lifted to NT$500; Buy — We raise our 2026/27/28E earnings estimates by +33%/+25%/+32% to factor in stabilizing OPM profile and better sales growth in AI/regular server. We raise our TP to NT$500 (rolled over to 15x 2027E EPS) from NT$390 (20x 2026E EPS). We cut our target multiple to factor in recent concerns over AI bubble risks and the sustainability of CSPs' capex. Our PE is slightly higher than Quanta's 5-year average PE level of 14x (figure 4). Reiterate our Buy rating.

Figure 1. Quanta – 2Q26 Results

(NT$mn)	2Q26 Actual	1Q26 Actual	Q/Q	2Q25 Actual	Y/Y	2Q26 Citi	Diff.	2Q26 Cons.	Diff.
Revenue	1,036,593	809,221	28%	504,122	106%	982,903	5%	971,483	7%
Gross profit	52,079	38,697	35%	35,533	47%	41,324	26%	48,526	7%
Gross margin	5.0%	4.8%	+0.2 ppt	7.0%	-2.0 ppt	4.2%	+0.8 ppt	5.0%	+0.0 ppt
Op. profit	34,244	23,024	49%	20,403	68%	24,615	39%	29,774	15%
OP margin	3.3%	2.8%	+0.5 ppt	4.0%	-0.7 ppt	2.5%	+0.8 ppt	3.1%	+0.2 ppt
Net income	28,787	21,306	35%	17,075	69%	19,053	51%	23,414	23%
EPS (NT$)	7.42	5.49	35%	4.37	70%	4.93	50%	6.07	22%

Source: Citi Research Estimates, Company Reports, Bloomberg

Figure 2. Quanta – Earnings Revisions

	3Q26E			4Q26E			2026E			2027E			2028E		
(NT$mn)	New	Old	diff	New	Old	diff	New	Old	diff	New	Old	diff	New	Old	diff
Sales	1,105,385	1,084,133	2%	1,145,629	922,017	24%	4,096,828	3,798,274	8%	5,373,345	4,921,452	9%	6,619,848	5,929,436	12%
Sequential growth (%)	7%	10%		4%	-15%		93%	79%		31%	30%		23%	20%	
Gross profit	53,322	47,565	12%	52,488	45,417	16%	196,586	173,002	14%	246,808	223,461	10%	294,270	257,133	14%
Opex	18,792	22,767	-17%	16,039	19,362	-17%	68,338	74,512	-8%	73,652	90,678	-19%	72,818	94,871	-23%
Operating profit	34,530	24,798	39%	36,449	26,054	40%	128,248	98,491	30%	173,155	132,783	30%	221,452	162,262	36%
Pre-tax profit	32,456	24,766	31%	34,375	26,023	32%	127,928	98,365	30%	164,857	132,658	24%	213,153	162,137	31%
Net income	25,586	19,326	32%	27,672	21,133	31%	102,716	77,206	33%	130,257	104,582	25%	168,308	127,857	32%
EPS (NT$)	6.57	5.00	31%	7.12	5.47	30%	26.59	19.99	33%	33.72	27.08	25%	43.57	33.10	32%
Gross margin (%)	4.8%	4.4%	+0.4 ppt	4.6%	4.9%	-0.3 ppt	4.8%	4.6%	+0.2 ppt	4.6%	4.5%	+0.1 ppt	4.4%	4.3%	+0.1 ppt
Opex ratio (%)	1.7%	2.1%	-0.4 ppt	1.4%	2.1%	-0.7 ppt	1.7%	2.0%	-0.3 ppt	1.4%	1.8%	-0.5 ppt	1.1%	1.6%	-0.5 ppt
Operating margin (%)	3.1%	2.3%	+0.8 ppt	3.2%	2.8%	+0.4 ppt	3.1%	2.6%	+0.5 ppt	3.2%	2.7%	+0.5 ppt	3.3%	2.7%	+0.6 ppt
Net margin (%)	2.3%	1.8%	+0.5 ppt	2.4%	2.3%	+0.1 ppt	2.5%	2.0%	+0.5 ppt	2.4%	2.1%	+0.3 ppt	2.5%	2.2%	+0.4 ppt

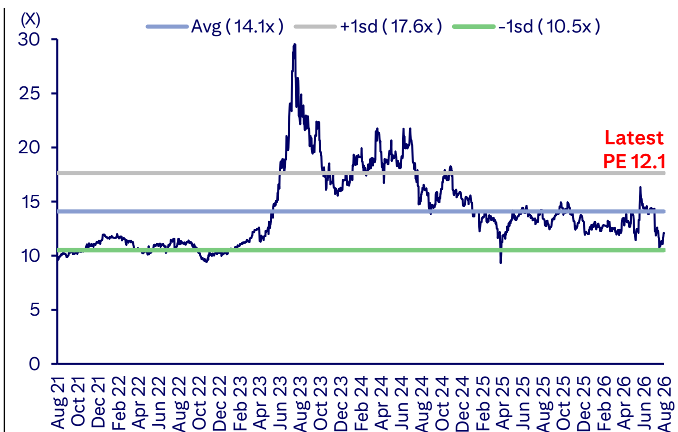
Source: Citi Research Estimates

Figure 3. Quanta – Forecast summary

NT$mn	1Q26	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Net Sales	809,221	1,036,593	1,105,385	1,145,629	1,147,872	1,185,638	1,465,230	1,574,605	1,090,859	1,129,453	1,280,429	1,085,611	1,410,756	2,123,689	4,096,828	5,373,345	6,619,848
Gross profit	**38,697**	**52,079**	**53,322**	**52,488**	**53,248**	**56,187**	**67,728**	**69,645**	**63,971**	**72,111**	**70,915**	**84,883**	**110,760**	**148,332**	**196,586**	**246,808**	**294,270**
OPEX	15,673	17,835	18,792	16,039	16,070	16,599	20,513	20,470	31,519	34,833	39,725	41,339	49,138	60,936	68,338	73,652	72,818
Operating profit	**23,024**	**34,244**	**34,530**	**36,449**	**37,178**	**39,588**	**47,215**	**49,175**	**32,452**	**37,278**	**31,190**	**43,544**	**61,622**	**87,396**	**128,248**	**173,155**	**221,452**
Total Non-OP	1,513	2,317	(2,075)	(2,075)	(2,075)	(2,075)	(2,075)	(2,075)	1,980	6,158	9,591	8,187	11,545	7,877	(319)	(8,299)	(8,299)
Pre-tax profit	**24,537**	**36,561**	**32,456**	**34,375**	**35,103**	**37,513**	**45,140**	**47,100**	**34,432**	**43,436**	**40,781**	**51,731**	**73,167**	**95,273**	**127,928**	**164,857**	**213,153**
Income tax	3,231	7,774	6,870	6,703	7,785	8,111	9,555	8,513	9,042	9,077	11,058	11,243	12,884	19,487	24,577	33,965	44,211
Net profit	**21,192**	**28,651**	**25,387**	**27,485**	**27,204**	**29,267**	**35,387**	**38,400**	**25,328**	**33,653**	**28,957**	**39,676**	**59,702**	**74,988**	**102,716**	**130,257**	**168,308**
EPS (NT$)	**5.49**	**7.42**	**6.57**	**7.12**	**7.04**	**7.58**	**9.16**	**9.94**	**6.56**	**8.71**	**7.50**	**10.27**	**15.46**	**19.41**	**26.59**	**33.72**	**43.57**
Margins (%)																	
Gross profit	**4.8**	**5.0**	**4.8**	**4.6**	**4.6**	**4.7**	**4.6**	**4.4**	**5.9**	**6.4**	**5.5**	**7.8**	**7.9**	**7.0**	**4.8**	**4.6**	**4.4**
OPEX	1.9	1.7	1.7	1.4	1.4	1.4	1.4	1.3	2.9	3.1	3.1	3.8	3.5	2.9	1.7	1.4	1.1
Operating profit	**2.8**	**3.3**	**3.1**	**3.2**	**3.2**	**3.3**	**3.2**	**3.1**	**3.0**	**3.3**	**2.4**	**4.0**	**4.4**	**4.1**	**3.1**	**3.2**	**3.3**
Pre-tax profit	**3.0**	**3.5**	**2.9**	**3.0**	**3.1**	**3.2**	**3.1**	**3.0**	**3.2**	**3.8**	**3.2**	**4.8**	**5.2**	**4.5**	**3.1**	**3.1**	**3.2**
Net profit	2.6	2.8	2.3	2.4	2.4	2.5	2.4	2.4	2.3	3.0	2.3	3.7	4.2	3.5	2.5	2.4	2.5
Y/Y(%)																	
Net sales	66.6	105.6	123.2	79.4	41.8	14.4	32.6	37.4	5.9	3.5	13.4	(15.2)	30.0	50.5	92.9	31.2	23.2
Gross profit	0.6	46.6	57.2	29.9	37.6	7.9	27.0	32.7	30.1	12.7	(1.7)	19.7	30.5	33.9	32.5	25.5	19.2
Opex	12.9	17.9	20.9	(2.1)	2.5	(6.9)	9.2	27.6					18.9	24.0	12.1	7.8	(1.1)
Operating profit	(6.4)	67.8	87.9	51.8	61.5	15.6	36.7	34.9	70.9	14.9	(16.3)	39.6	41.5	41.8	46.7	35.0	27.9
Pre-tax profit	(2.9)	69.1	55.2	25.1	43.1	2.6	39.1	37.0	67.5	26.2	(6.1)	26.9	41.4	30.2	34.3	28.9	29.3
Net profit	8.7	69.9	54.5	23.8	28.4	2.1	39.4	39.7	58.9	32.9	(14.0)	37.0	50.5	25.6	37.0	26.8	29.2
Q/Q(%)																	
Net sales	26.7	28.1	6.6	3.6	0.2	3.3	23.6	7.5									
Gross profit	(4.2)	34.6	2.4	(1.6)	1.4	5.5	20.5	2.8									
Opex	(4.3)	13.8	5.4	(14.6)	0.2	3.3	23.6	(0.2)									
Operating profit	(4.1)	48.7	0.8	5.6	2.0	6.5	19.3	4.2									
Pre-tax profit	(10.7)	49.0	(11.2)	5.9	2.1	6.9	20.3	4.3									
Net profit	(4.5)	35.2	(11.4)	8.3	(1.0)	7.6	20.9	8.5									

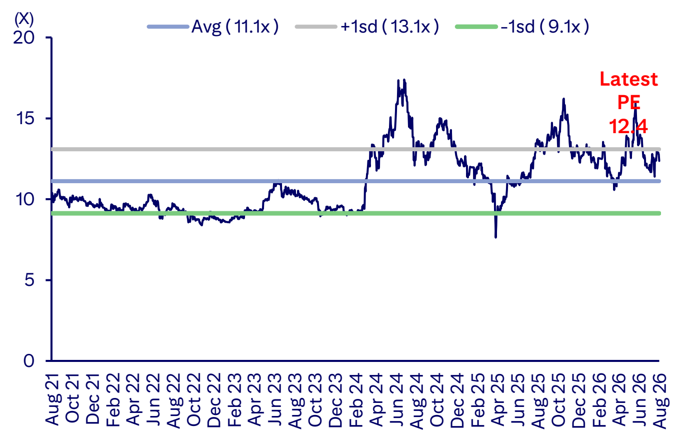
Source: Company Reports, Citi Research

Figure 4. Quanta – 12M Forward P/E Band on Bloomberg consensus



Source: Citi Research, Bloomberg

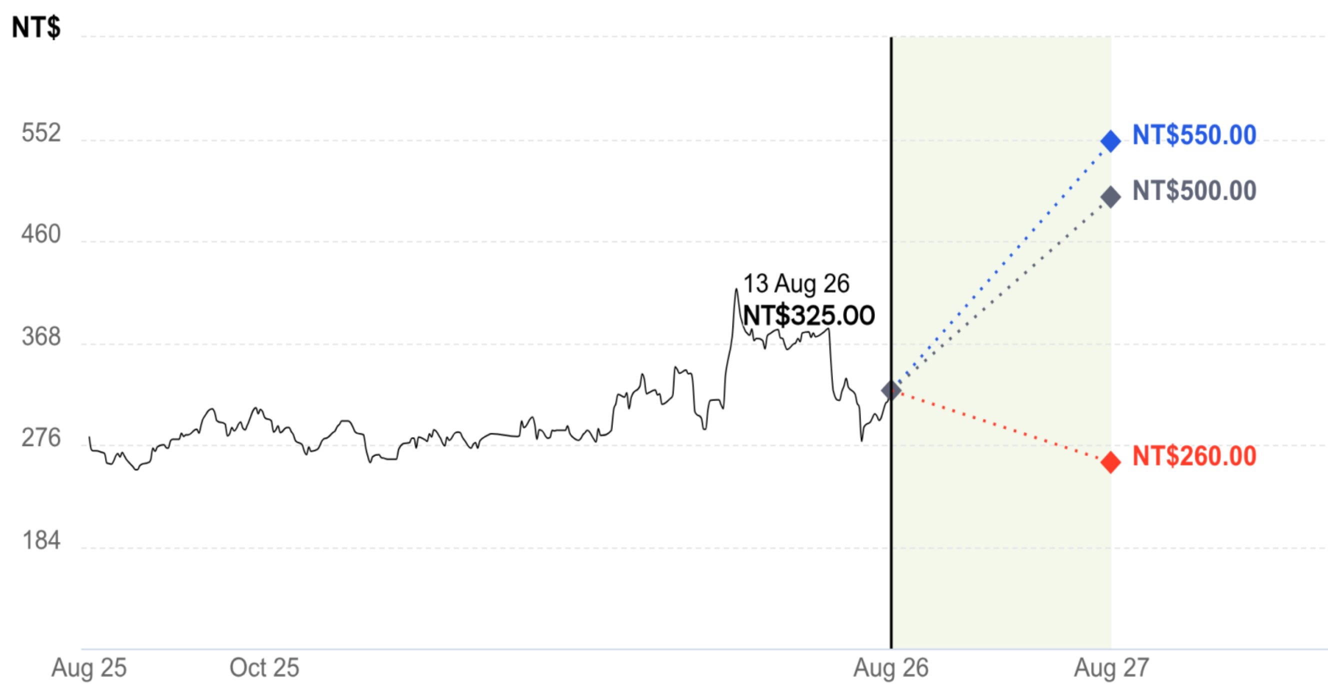
Figure 5. Hon Hai – 12M Forward P/B Band on Bloomberg consensus



Source: Citi Research, Bloomberg

Bull/Bear: Quanta Computer (2382.TW)

NT$ 550.00 ▲69% Upside	NT$ 500.00 ▲54% Upside	NT$ 260.00 ▼20% Downside



Spread 89pp
Current Price and expected returns (upside/downside) as of 13 Aug 2026

BULL Assumptions

- PE multiple at 20x 2027E EPS

BASE Assumptions

- OPM to be at 3.2% in 2027E
- PE multiple at 15x 2027E EPS

BEAR Assumptions

- OPM to be at 2.0% in 2027E
- PE multiple at 12x 2027E EPS

Quanta Computer

Company description

Founded in 1988, Quanta Computer is a Taiwan-based original design manufacturer (ODM) of notebook (NB) PCs and other electronic hardware. It is the world's largest NB ODM in terms of shipments, with major customers including the leading Taiwan, US, and Japanese electronics brands. In addition to notebooks, Quanta is expanding into cloud-related product development, which accounted for 30-35% of total revenues in 2022.

Investment strategy

We rate Quanta at Buy. We expect stabilizing NB shipment, solid server sales growth amid increasing AI-related applications, as well as rising EV component exposure to drive better margins and stronger earnings growth. The company's attractive cash yield should also help support the shares on the downside in case of market volatility.

Valuation

Our target price of NT$500 is based on a 15x PE multiple on 2027E earnings. The target multiple is slightly higher than historical trading average since 2021, mainly to reflect strong earnings growth trajectory brought about by servers/AI servers and EV components. We use a P/E-based methodology as we believe the market will be primarily focused on Quanta's earnings performance given the dynamics of the NB/server industry.

Risks

Downside risks that could prevent the stock from reaching our target price include: 1) slower-than-expected server/AI server demand growth; 2) execution risks relating to margin improvement such as production yield rate following capacity relocation or supply-chain management; and 3) market share loss of key customers.

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Appendix A-1

ANALYST CERTIFICATION

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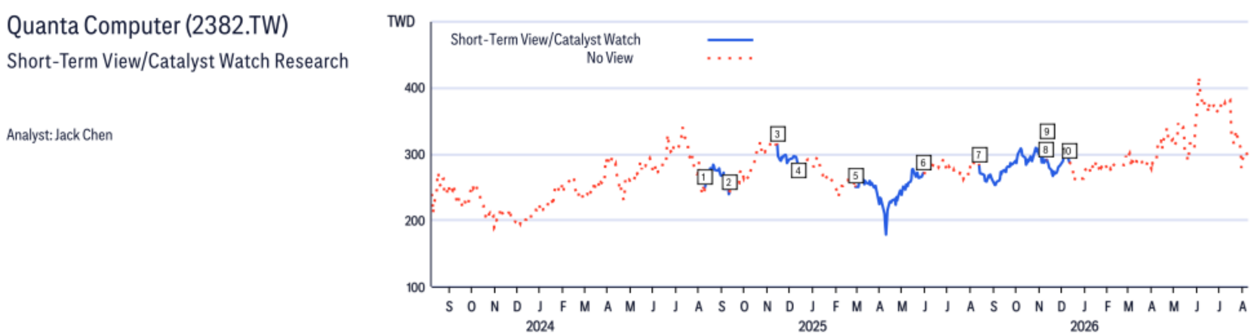
	Date	Rating	Target Price	Closing Price
1	11-Aug-23 13:45:20	1	*320.00	223.50
2	15-Mar-24 11:16:53	1	*330.00	257.50
3	15-May-24 10:25:20	1	*360.00	287.00
4	12-Aug-24 00:05:26	1	*425.00	267.00
5	14-May-25 10:45:57	1	*400.00	276.50
6	12-Aug-25 11:05:06	1	*360.00	283.00
7	12-Nov-25 09:18:15	1	*425.00	288.00
8	14-May-26 11:37:26	1	*390.00	334.50

*Indicates Change

Rating/target price changes above reflect Eastern Time



	Date	Action	Expected Direction	Duration	Closing Price
1	11-Aug-24 20:05:26	Add STV	Upside	30 Days	250.00
2	11-Sep-24 21:44:35	Remove STV	Upside	30 Days	242.00
3	14-Nov-24 06:22:36	Add STV	Downside	30 Days	314.50
4	13-Dec-24 12:29:46	Remove STV	Downside	30 Days	285.50
5	28-Feb-25 03:39:56	Add STV	Upside	90 Days	250.50
6	29-May-25 21:56:17	Remove STV	Upside	90 Days	271.50
7	12-Aug-25 07:05:06	Add STV	Downside	90 Days	283.00
8	10-Nov-25 19:59:30	Remove STV	Downside	90 Days	291.50
9	11-Nov-25 04:26:38	Add STV	Upside	30 Days	291.50
10	11-Dec-25 19:36:56	Remove STV	Upside	30 Days	288.00

CW - Catalyst Watch , STV - Short-Term View

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