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Taiwan Electronic Components & Equipment

Thermal Sector: Progress on VR, Upside from ASIC; Buy on AVC & Auras

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CITI'S TAKE

Our checks and mgmt. comments indicate Vera Rubin has begun contributing in small volumes at AVC from this month, with a further ramp in 4Q26, while the ongoing ASIC project shifts progressively from air cooling to liquid cooling and another ASIC enters mass production. Auras, following an Aug monthly revenue pullback from a high base in Jul, remains on track for mgmt.'s guidance of at least 15% QoQ in 3Q26E, with Vera Rubin manifolds and ASIC liquid cooling version supporting 4Q26E. Into 2027, cold plate demand continues to run ahead of supply, and both companies should see ASIC contribution rise. We raise AVC's TP to NT$4,350 (from NT$3,800) with unchanged 25x 2027E EPS and Auras' TP to NT$1,800 (from NT$1,550) with unchanged 20x 2027E EPS. Reiterate Buy on both names.

AVC: ASIC carries the near term; further expansion into 2027 — We forecast 3Q26E/4Q26E revenue growth of 18%/12% QoQ, driven by ongoing ASIC's shift to liquid cooling, another ASIC mass production, and Vera Rubin's initial ramp as new capacity comes online. GPM should improve on a sequential basis on yield gains and a higher server and liquid cooling mix. With cold plate demand running ahead of supply, we expect another round of capacity expansion in 2027E, consistent with mgmt.'s view that ASIC contribution catches up with GPU.

Auras: VR qualification underway; broadening 2027 growth base — We forecast 3Q26E/4Q26E revenue growth of 17%/16%, supported by Vera Rubin inner and rack manifolds and the start of mass production for liquid cooling version of ASIC project, with GPM rising on a higher liquid cooling mix. Our checks indicate Auras is still working through cold plate qualification for Vera Rubin and is now participating in next-gen development; given its operating scale, even a modest share gain could contribute meaningfully to its top line, with the earliest contribution potentially from 1Q27E.

Implications — We raise AVC's 2026E/27E/28E earnings forecasts by 3%/13%/16% on higher cold plate capacity and shipment assumptions and a more constructive view on ASIC liquid cooling demand, lifting our target price to NT$4,350 (from NT$3,800) on an unchanged 25x 2027E EPS. For Auras, we raise 2026E/27E/28E earnings forecasts by 2%/14%/17% driven mainly by higher cold plate shipment assumptions alongside a more constructive view on ASIC liquid cooling demand. Our revised target price of NT$1,800 (from NT$1,550) remains based on 20x 2027E EPS. Following the recent share price pullback, we see a favorable risk-reward profile on both names and reiterate our Buy ratings.

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
AVC	3017.TW	NT$	3,185.00	1,250,654	17 Sep 13:30	1	nc	-	3,800.00	4,350.00	36.6	0.7	37.2	Dec-25	102.70	105.62	153.21	173.74
Auras	3324.TWO	NT$	1,385.00	128,911	17 Sep 15:00	1	nc	-	1,550.00	1,800.00	30.0	1.8	31.8	Dec-25	57.68	58.80	78.45	89.09

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

Asia Vital Components (3017.TW)

Buy | TP **NT$4,350.00** from NT$3,800.00 | Price NT$3,185.00 (17 Sep 26 13:30)

Sequential growth intact, ASIC carrying the upside — Our checks and mgmt. comments indicate Vera Rubin platform has begun contributing in small volumes from Sep, with a further ramp expected in 4Q26E. The ongoing ASIC project is now shifting progressively from air cooling to liquid cooling, while another ASIC project enters mass production in 4Q26E, together the main growth drivers as new capacity comes online through the quarter. We now forecast 3Q26E/4Q26E revenue growth at 18%/12% QoQ. GPM should also improve on a sequential basis, supported by yield improvement and a rising contribution from server and liquid cooling products.

ASIC contribution could exceed 50% of liquid cooling revenue in 2027 — With cold plate demand continuing to run ahead of supply, we expect AVC to undertake another round of capacity expansion in 2027 to meet rising ASIC demand, consistent with mgmt.'s view that ASIC contribution catches up with GPU in 2027. We also note ongoing discussion around double-sided cold plate adoption, with several platforms at the R&D stage, which we see as a source of upside momentum. Rubin Ultra spec remains under development, and we do not expect the potential TDP adjustments toward a lower level to affect content value, as cold plate content is driven more by design than by chip TDP itself. On a higher liquid cooling contribution, we forecast 2027E revenue to grow another 50% YoY, with GPM to further increase to 34.9% (+2.2ppts YoY).

Implications — We raise our 2026E/27E/28E earnings forecasts by 3%/13%/16% to reflect the updated outlook, driven mainly by higher cold plate capacity and shipment assumptions alongside a more constructive view on ASIC liquid cooling demand. Our revised target price of NT$4,350 (from NT$3,800) remains based on 25x 2027E EPS. Given AVC's position in the thermal sector and its valuation following the recent share price pullback, we see a favorable risk-reward profile and reiterate our Buy rating.

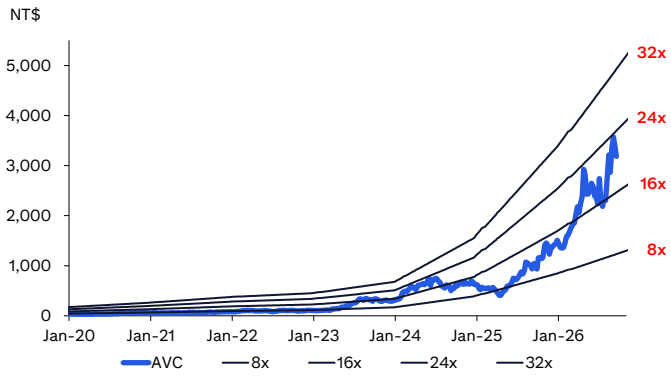
Figure 1. AVC - Earnings estimate revisions

	2026E			2027E			2028E		
(NT$mn)	New	Old	Chg.	New	Old	Chg.	New	Old	Chg.
Sales	221,075	218,505	1%	332,697	305,344	9%	404,256	363,328	11%
Sequential growth	*58%*	*56%*		*50%*	*40%*		*22%*	*19%*	
Gross profit	72,163	70,452	2%	116,061	103,669	12%	143,445	125,321	14%
Opex	11,731	11,595	1%	17,079	15,671	9%	20,577	18,490	11%
Operating profit	60,432	58,857	3%	98,982	87,998	12%	122,868	106,831	15%
Pre-tax profit	61,360	59,785	3%	100,004	89,019	12%	123,889	107,852	15%
Net income	41,464	40,315	3%	68,207	60,150	13%	84,576	72,839	16%
EPS (NT$)	105.62	102.70	3%	173.74	153.21	13%	215.43	185.53	16%
Gross margin	32.6%	32.2%	+0.4 ppt	34.9%	34.0%	+0.9 ppt	35.5%	34.5%	+1.0 ppt
Opex ratio	5.3%	5.3%	-0.0 ppt	5.1%	5.1%	+0.0 ppt	5.1%	5.1%	+0.0 ppt
Operating margin	27.3%	26.9%	+0.4 ppt	29.8%	28.8%	+0.9 ppt	30.4%	29.4%	+1.0 ppt
Net margin	18.8%	18.5%	+0.3 ppt	20.5%	19.7%	+0.8 ppt	20.9%	20.0%	+0.9 ppt

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Source: Citi Research Estimates

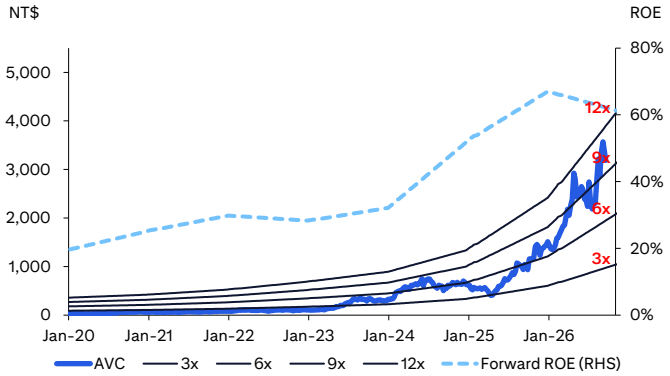
Figure 2. AVC - Forward P/E band



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Source: Company Reports, Citi Research Estimates, TEJ

Figure 3. AVC - Forward P/B band



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Source: Company Reports, Citi Research Estimates, TEJ

Figure 4. AVC - Quarterly earnings forecasts

(NT$ in Mn, year-end Dec)	1Q26	2Q26	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2025	2026E	2027E	2028E
Net sales	**49,038**	**49,121**	**58,054**	**64,862**	**71,848**	**79,326**	**85,579**	**95,943**	**139,639**	**221,075**	**332,697**	**404,256**
Gross Profit	**14,597**	**15,999**	**19,510**	**22,057**	**24,854**	**27,607**	**29,741**	**33,859**	**36,034**	**72,163**	**116,061**	**143,445**
OPEX	(2,578)	(2,521)	(3,170)	(3,461)	(3,733)	(3,971)	(4,458)	(4,917)	(8,478)	(11,731)	(17,079)	(20,577)
Operating profit	**12,019**	**13,478**	**16,340**	**18,596**	**21,122**	**23,636**	**25,283**	**28,942**	**27,556**	**60,432**	**98,982**	**122,868**
Total Non-OP	(40)	457	255	255	255	255	255	255	1,231	928	1,021	1,021
Pre-tax profit	11,979	13,935	16,595	18,851	21,377	23,891	25,538	29,197	28,786	61,360	100,004	123,889
Net Profit	**7,916**	**9,567**	**11,298**	**12,683**	**14,848**	**16,219**	**17,393**	**19,748**	**19,186**	**41,464**	**68,207**	**84,576**
EPS (NT$)	**20.17**	**24.37**	**28.78**	**32.31**	**37.82**	**41.31**	**44.30**	**50.30**	**49.17**	**105.62**	**173.74**	**215.43**
Revenue mix												
Thermal	64%	62%	65%	65%	67%	68%	67%	69%	57%	64%	68%	68%
Chassis	20%	21%	19%	19%	18%	19%	19%	18%	18%	20%	19%	20%
System Integration	8%	9%	8%	7%	7%	6%	6%	5%	16%	8%	6%	5%
Hinge (Fositek)	9%	8%	8%	8%	8%	8%	8%	8%	9%	8%	8%	7%
Margins (%)												
Gross profit	**29.8%**	**32.6%**	**33.6%**	**34.0%**	**34.6%**	**34.8%**	**34.8%**	**35.3%**	**25.8%**	**32.6%**	**34.9%**	**35.5%**
OPEX to sales	5.3%	5.1%	5.5%	5.3%	5.2%	5.0%	5.2%	5.1%	6.1%	5.3%	5.1%	5.1%
Operating Margin	**24.5%**	**27.4%**	**28.1%**	**28.7%**	**29.4%**	**29.8%**	**29.5%**	**30.2%**	**19.7%**	**27.3%**	**29.8%**	**30.4%**
Pre-tax profit	24.4%	28.4%	28.6%	29.1%	29.8%	30.1%	29.8%	30.4%	20.6%	27.8%	30.1%	30.6%
Net Margin	**16.1%**	**19.5%**	**19.5%**	**19.6%**	**20.7%**	**20.4%**	**20.3%**	**20.6%**	**13.7%**	**18.8%**	**20.5%**	**20.9%**
Y/Y												
Net sales	110.2%	66.0%	49.1%	35.8%	46.5%	61.5%	47.4%	47.9%	94.6%	58.3%	50.5%	21.5%
Gross profit	142.2%	121.5%	91.8%	74.9%	70.3%	72.6%	52.4%	53.5%	88.7%	43.7%	45.5%	20.4%
Operating profit	175.6%	164.5%	102.1%	85.7%	75.7%	75.4%	54.7%	55.6%	154.6%	119.3%	63.8%	24.1%
Pre-tax profit	159.3%	136.3%	102.0%	87.5%	78.5%	71.4%	53.9%	54.9%	133.1%	113.2%	63.0%	23.9%
Net Margin	146.3%	139.3%	111.6%	91.1%	87.6%	69.5%	53.9%	55.7%	134.8%	116.1%	64.5%	24.0%
Q/Q												
Net sales	2.6%	0.2%	18.2%	11.7%	11%	10%	8%	12%				
Gross profit	15.8%	9.6%	21.9%	13.1%	13%	11%	8%	14%				
Operating profit	20.0%	12.1%	21.2%	13.8%	14%	12%	7%	14%				
Pre-tax profit	19.2%	16.3%	19.1%	13.6%	13%	12%	7%	14%				
Net Margin	19.3%	20.9%	18.1%	12.3%	17%	9%	7%	14%				

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Source: Company Reports, Citi Research Estimates

Auras Technology (3324.TWO)

Buy | TP **NT$1,800.00** from NT$1,550.00 | Price NT$1,385.00 (17 Sep 26 15:00)

Liquid cooling ramp drives sequential acceleration into 4Q26 — Following Aug-26 revenue, which pulled back from a high base in Jul-26, we believe Auras remains on track to meet mgmt.'s earlier guidance of at least 15% QoQ growth in 3Q26E. Into 4Q26, shipments of Vera Rubin products, including inner/rack manifolds, together with the start of mass production for liquid cooling version of ASIC project, should allow Auras to deliver another solid sequential growth. We now forecast 3Q26E/4Q26E revenue growth of 17%/16% QoQ, with GPM also on an upward trend, supported by a higher liquid cooling revenue mix.

GPU & ASIC projects broaden the 2027 growth base — Our checks and mgmt. comments indicate Auras is still working through cold plate qualification for the Vera Rubin platform and is now participating in next generation product development. Given its operating scale, we believe even a modest share gain could contribute meaningfully to its top line, and we expect the earliest potential contribution from 1Q27E. Auras should also benefit from rising ASIC liquid cooling demand, with existing ASIC project shipments to expand above 4Q26E levels and several further projects now under discussion. We forecast 2027E revenue growth of 35% YoY, with liquid cooling mix rising from 61% in 2026E to 70% in 2027E and GPM reaching 31.3% (+1.2ppts YoY).

Implications — We raise our 2026E/27E/28E earnings forecasts by 2%/14%/17% to reflect the updated outlook, driven mainly by higher cold plate shipment assumptions alongside a more constructive view on ASIC liquid cooling demand. Our revised target price of NT$1,800 (from NT$1,550) remains based on 20x 2027E EPS. Given Auras' structural growth in the server business, widening liquid cooling content across both GPU and ASIC platforms, and an optimizing global manufacturing footprint in Thailand, we view the current valuation as attractive and reiterate our Buy rating.

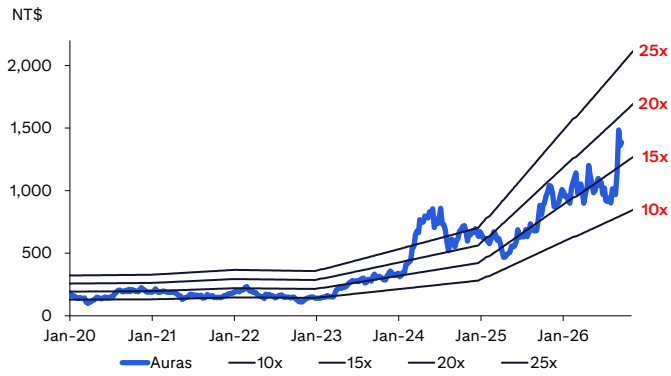
Figure 5. Auras - Earnings estimate revisions

	2026E			2027E			2028E		
(NT$mn)	New	Old	Chg.	New	Old	Chg.	New	Old	Chg.
Sales	39,310	38,534	2%	53,977	47,965	13%	64,616	56,281	15%
Sequential growth	*69%*	*66%*		*37%*	*24%*		*20%*	*17%*	
Gross profit	11,822	11,566	2%	16,873	14,879	13%	20,493	17,620	16%
Opex	4,656	4,567	2%	6,257	5,561	13%	7,490	6,525	15%
Operating profit	7,166	6,999	2%	10,616	9,318	14%	13,003	11,096	17%
Pre-tax profit	7,096	6,929	2%	10,521	9,223	14%	12,908	11,001	17%
Net income	5,462	5,326	3%	8,292	7,244	14%	10,227	8,686	18%
EPS (NT$)	58.80	57.68	2%	89.09	78.45	14%	109.88	94.07	17%
Gross margin	30.1%	30.0%	+0.1 ppt	31.3%	31.0%	+0.2 ppt	31.7%	31.3%	+0.4 ppt
Opex ratio	11.8%	11.9%	-0.0 ppt	11.6%	11.6%	-0.0 ppt	11.6%	11.6%	-0.0 ppt
Operating margin	18.2%	18.2%	+0.1 ppt	19.7%	19.4%	+0.2 ppt	20.1%	19.7%	+0.4 ppt
Net margin	13.9%	13.8%	+0.1 ppt	15.4%	15.1%	+0.3 ppt	15.8%	15.4%	+0.4 ppt

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Source: Citi Research Estimates

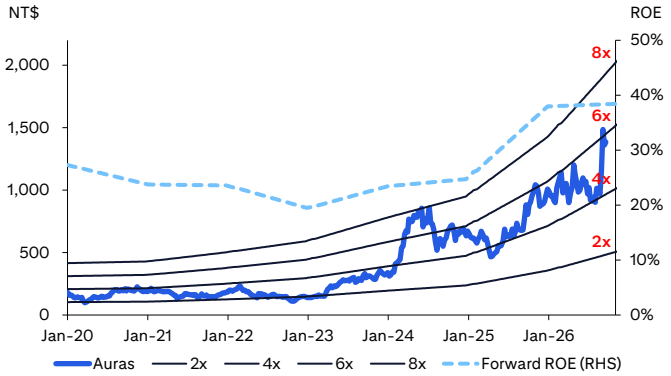
Figure 6. Auras - Forward P/E band



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Source: Company Reports, Citi Research Estimates, TEJ

Figure 7. Auras - Forward P/B band



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Source: Company Reports, Citi Research Estimates, TEJ

Figure 8. Auras - Quarterly earnings forecasts

(NT$ in Mn, year-end Dec)	1Q26	2Q26	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2025	2026E	2027E	2028E
Net sales	**8,552**	**8,700**	**10,217**	**11,841**	**12,060**	**12,895**	**14,210**	**14,812**	**23,276**	**39,310**	**53,977**	**64,616**
Gross Profit	**2,537**	**2,472**	**3,130**	**3,683**	**3,775**	**4,027**	**4,432**	**4,639**	**6,372**	**11,822**	**16,873**	**20,493**
OPEX	(1,017)	(1,082)	(1,185)	(1,372)	(1,399)	(1,494)	(1,648)	(1,716)	(3,113)	(4,656)	(6,257)	(7,490)
Operating profit	**1,520**	**1,390**	**1,945**	**2,311**	**2,376**	**2,532**	**2,784**	**2,923**	**3,259**	**7,166**	**10,616**	**13,003**
Total Non-OP	50	(73)	(24)	(24)	(24)	(24)	(24)	(24)	19	(70)	(95)	(95)
Pre-tax profit	1,570	1,317	1,921	2,287	2,352	2,509	2,761	2,899	3,277	7,096	10,521	12,908
Income tax	(305)	(278)	(359)	(420)	(457)	(487)	(536)	(550)	(580)	(1,362)	(2,029)	(2,481)
Net Profit	**1,164**	**969**	**1,512**	**1,817**	**1,846**	**1,972**	**2,175**	**2,299**	**2,572**	**5,462**	**8,292**	**10,227**
EPS (NT$)	**12.61**	**10.41**	**16.25**	**19.52**	**19.83**	**21.19**	**23.37**	**24.70**	**28.26**	**58.80**	**89.09**	**109.88**
Revenue mix												
Server	76%	78%	84%	86%	88%	86%	85%	86%	57%	82%	86%	88%
VGA	6%	4%	3%	2%	2%	3%	3%	3%	13%	4%	3%	2%
NB	13%	13%	9%	8%	7%	8%	8%	8%	20%	10%	8%	7%
DT	4%	4%	3%	3%	2%	2%	3%	2%	7%	3%	2%	2%
Others	1%	1%	1%	1%	1%	1%	1%	1%	2%	1%	1%	0%
Margins (%)												
Gross profit	**29.7%**	**28.4%**	**30.6%**	**31.1%**	**31.3%**	**31.2%**	**31.2%**	**31.3%**	**27.4%**	**30.1%**	**31.3%**	**31.7%**
OPEX to sales	11.9%	12.4%	11.6%	11.6%	11.6%	11.6%	11.6%	11.6%	13.4%	11.8%	11.6%	11.6%
Operating Margin	**17.8%**	**16.0%**	**19.0%**	**19.5%**	**19.7%**	**19.6%**	**19.6%**	**19.7%**	**14.0%**	**18.2%**	**19.7%**	**20.1%**
Pre-tax profit	18.4%	15.1%	18.8%	19.3%	19.5%	19.5%	19.4%	19.6%	14.1%	18.0%	19.5%	20.0%
Net Margin	**13.6%**	**11.1%**	**14.8%**	**15.3%**	**15.3%**	**15.3%**	**15.3%**	**15.5%**	**11.1%**	**13.9%**	**15.4%**	**15.8%**
Y/Y												
Net sales	93.7%	64.0%	71.5%	55.9%	41.0%	48.2%	39.1%	25.1%	47.5%	68.9%	37.3%	19.7%
Gross profit	109.9%	78.3%	76.5%	83.8%	48.8%	62.9%	41.6%	26.0%	43.8%	62.6%	35.0%	18.9%
Operating profit	169.7%	119.4%	96.0%	116.1%	56.4%	82.1%	43.2%	26.5%	70.6%	119.9%	48.1%	22.5%
Pre-tax profit	135.6%	524.9%	59.5%	91.3%	49.8%	90.4%	43.7%	26.8%	38.5%	116.5%	48.3%	22.7%
Net Margin	127.7%	512.8%	55.3%	95.5%	58.6%	103.5%	43.8%	26.6%	35.9%	112.4%	51.8%	23.3%
Q/Q												
Net sales	12.6%	1.7%	17.4%	15.9%	1.9%	6.9%	10.2%	4.2%				
Gross profit	26.6%	-2.5%	26.6%	17.7%	2.5%	6.7%	10.1%	4.7%				
Operating profit	42.1%	-8.5%	39.9%	18.8%	2.8%	6.6%	10.0%	5.0%				
Pre-tax profit	31.3%	-16.1%	45.9%	19.0%	2.9%	6.6%	10.0%	5.0%				
Net Margin	25.3%	-16.8%	56.1%	20.1%	1.6%	6.8%	10.3%	5.7%				

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Source: Company Reports, Citi Research Estimates

3017.TW: Fiscal year end 31-Dec

Price: NT$3,185.00; TP: NT$4,350.00; Market Cap: NT$1,250,654m; Recomm: Buy

Profit & Loss (NT$m)	2024	2025	2026E	2027E	2028E
Sales revenue	71,761	139,639	221,075	332,697	404,256
Cost of sales	-54,891	-103,605	-148,912	-216,636	-260,811
Gross profit	16,870	36,034	72,163	116,061	143,445
Gross Margin (%)	23.5	25.8	32.6	34.9	35.5
EBITDA (Adj)	**12,810**	**30,314**	**64,516**	**104,936**	**128,982**
EBITDA Margin (Adj) (%)	17.9	21.7	29.2	31.5	31.9
Depreciation	-1,988	-2,759	-4,084	-5,954	-6,114
Amortisation	0	0	0	0	0
EBIT (Adj)	**10,823**	**27,556**	**60,432**	**98,982**	**122,868**
EBIT Margin (Adj) (%)	15.1	19.7	27.3	29.8	30.4
Net interest	114	91	756	1,021	1,021
Associates	-291	-483	-44	0	0
Non-Op/Except/Other Adj	1,707	1,623	216	0	0
Pre-tax profit	**12,352**	**28,786**	**61,360**	**100,004**	**123,889**
Tax	-3,159	-7,836	-16,559	-26,526	-33,212
Extraord./Min.Int./Pref.div.	-1,020	-1,764	-3,337	-5,271	-6,101
Reported net profit	**8,172**	**19,186**	**41,464**	**68,207**	**84,576**
Net Margin (%)	11.4	13.7	18.8	20.5	20.9
Core NPAT	8,172	19,186	41,464	68,207	84,576

Per share data	2024	2025	2026E	2027E	2028E
Reported EPS ($)	21.21	49.17	105.62	173.74	215.43
Core EPS ($)	21.21	49.17	105.62	173.74	215.43
DPS ($)	6.87	9.68	21.27	45.97	75.62
CFPS ($)	25.00	101.02	176.28	248.20	268.81
FCFPS ($)	13.22	82.39	139.06	204.90	222.96
BVPS ($)	73.68	112.45	197.98	368.53	580.00
Wtd avg ord shares (m)	385	390	393	393	393
Wtd avg diluted shares (m)	385	390	393	393	393

Growth rates	2024	2025	2026E	2027E	2028E
Sales revenue (%)	21.2	94.6	58.3	50.5	21.5
EBIT (Adj) (%)	45.8	154.6	119.3	63.8	24.1
Core NPAT (%)	54.1	134.8	116.1	64.5	24.0
Core EPS (%)	50.4	131.8	114.8	64.5	24.0

Balance Sheet (NT$m)	2024	2025	2026E	2027E	2028E
Cash & cash equiv.	29,924	58,530	104,541	181,812	270,774
Accounts receivables	7,767	12,133	12,384	19,973	23,446
Inventory	33,397	49,572	71,877	107,927	124,436
Net fixed & other tangibles	22,481	33,074	48,667	58,858	69,865
Goodwill & intangibles	169	195	243	243	243
Financial & other assets	6,168	6,633	6,979	10,760	12,490
Total assets	**99,906**	**160,137**	**244,691**	**379,573**	**501,255**
Accounts payable	28,884	48,109	66,135	99,881	115,335
Short-term debt	13,130	16,311	19,007	19,007	19,007
Long-term debt	3,349	6,949	6,917	3,748	5,180
Provisions & other liab	21,070	38,203	64,657	95,485	109,604
Total liabilities	**66,433**	**109,572**	**156,717**	**218,122**	**249,127**
Shareholders' equity	28,871	44,601	79,178	147,385	231,961
Minority interests	4,602	5,964	8,796	14,067	20,167
Total equity	**33,473**	**50,565**	**87,974**	**161,451**	**252,128**
Net debt (Adj)	**-13,445**	**-35,270**	**-78,616**	**-159,056**	**-246,586**
Net debt to equity (Adj) (%)	-40.2	-69.8	-89.4	-98.5	-97.8

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	na	64.8	30.2	18.3	14.8
PB (x)	43.2	28.3	16.1	8.6	5.5
EV/EBITDA (x)	96.8	40.6	18.6	10.9	8.3
FCF yield (%)	0.4	2.6	4.4	6.4	7.0
Dividend yield (%)	0.2	0.3	0.7	1.4	2.4
Payout ratio (%)	32	20	20	26	35
ROE (%)	32.1	52.2	67.0	60.2	44.6

Cashflow (NT$m)	2024	2025	2026E	2027E	2028E
EBITDA	12,810	30,314	64,516	104,936	128,982
Working capital	333	730	-1,188	0	0
Other	-3,511	8,371	5,873	-7,496	-23,452
Operating cashflow	**9,632**	**39,415**	**69,202**	**97,440**	**105,530**
Capex	-4,540	-7,267	-14,612	-17,000	-18,000
Net acq/disposals	-3,286	-5,976	-4,563	0	0
Other	157	-93	0	0	0
Investing cashflow	**-7,669**	**-13,336**	**-19,175**	**-17,000**	**-18,000**
Dividends paid	-2,667	-3,855	-8,364	-18,075	-29,733
Financing cashflow	**200**	**2,620**	**-4,016**	**-3,169**	**1,432**
Net change in cash	**2,967**	**28,606**	**46,011**	**77,271**	**88,962**
Free cashflow to s/holders	**5,092**	**32,148**	**54,590**	**80,440**	**87,530**

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

3324.TWO: Fiscal year end 31-Dec

Price: NT$1,385.00; TP: NT$1,800.00; Market Cap: NT$128,911m; Recomm: Buy

Profit & Loss (NT$m)	2024	2025	2026E	2027E	2028E
Sales revenue	15,779	23,276	39,310	53,977	64,616
Cost of sales	-11,753	-16,904	-27,488	-37,104	-44,123
Gross profit	4,026	6,372	11,822	16,873	20,493
Gross Margin (%)	25.5	27.4	30.1	31.3	31.7
EBITDA (Adj)	**2,420**	**3,931**	**8,145**	**11,898**	**14,242**
EBITDA Margin (Adj) (%)	15.3	16.9	20.7	22.0	22.0
Depreciation	-509	-672	-979	-1,282	-1,239
Amortisation	0	0	0	0	0
EBIT (Adj)	**1,911**	**3,259**	**7,166**	**10,616**	**13,003**
EBIT Margin (Adj) (%)	12.1	14.0	18.2	19.7	20.1
Net interest	9	-34	-95	-95	-95
Associates	-21	-45	-26	0	0
Non-Op/Except/Other Adj	468	97	51	0	0
Pre-tax profit	**2,366**	**3,277**	**7,096**	**10,521**	**12,908**
Tax	-434	-580	-1,362	-2,029	-2,481
Extraord./Min.Int./Pref.div.	-39	-126	-271	-200	-200
Reported net profit	**1,893**	**2,572**	**5,462**	**8,292**	**10,227**
Net Margin (%)	12.0	11.1	13.9	15.4	15.8
Core NPAT	1,893	2,572	5,462	8,292	10,227
Per share data	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Reported EPS ($)	21.23	28.26	58.80	89.09	109.88
Core EPS ($)	21.23	28.26	58.80	89.09	109.88
DPS ($)	6.19	9.86	12.00	25.48	38.68
CFPS ($)	18.43	-6.27	20.20	73.65	92.55
FCFPS ($)	2.33	-30.81	-18.30	39.27	58.17
BVPS ($)	96.41	117.63	166.36	249.49	352.02
Wtd avg ord shares (m)	89.2	91.0	92.9	93.1	93.1
Wtd avg diluted shares (m)	89.2	91.0	92.9	93.1	93.1
Growth rates	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Sales revenue (%)	24.1	47.5	68.9	37.3	19.7
EBIT (Adj) (%)	38.8	70.6	119.9	48.1	22.5
Core NPAT (%)	53.6	35.9	112.4	51.8	23.3
Core EPS (%)	48.6	33.1	108.1	51.5	23.3
Balance Sheet (NT$m)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Cash & cash equiv.	2,809	1,439	5,180	10,567	17,775
Accounts receivables	5,429	10,068	14,859	18,358	21,966
Inventory	2,810	6,057	10,309	12,699	15,069
Net fixed & other tangibles	4,641	6,610	9,353	11,325	13,341
Goodwill & intangibles	212	197	239	239	239
Financial & other assets	1,026	1,753	2,743	3,168	3,608
Total assets	**16,926**	**26,125**	**42,683**	**56,356**	**71,998**
Accounts payable	3,775	7,594	9,712	12,088	14,443
Short-term debt	475	2,678	2,133	2,133	2,133
Long-term debt	1,675	2,021	8,071	9,802	11,597
Provisions & other liab	1,713	2,337	5,486	6,560	7,625
Total liabilities	**7,638**	**14,630**	**25,401**	**30,583**	**35,798**
Shareholders' equity	8,961	11,085	16,593	24,885	35,112
Minority interests	327	410	688	888	1,088
Total equity	**9,288**	**11,494**	**17,282**	**25,773**	**36,200**
Net debt (Adj)	**-659**	**3,260**	**5,024**	**1,369**	**-4,045**
Net debt to equity (Adj) (%)	-7.1	28.4	29.1	5.3	-11.2

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	65.2	49.0	23.6	15.5	12.6
PB (x)	14.4	11.8	8.3	5.6	3.9
EV/EBITDA (x)	53.1	33.1	16.3	11.1	9.0
FCF yield (%)	0.2	-2.2	-1.3	2.8	4.2
Dividend yield (%)	0.4	0.7	0.9	1.8	2.8
Payout ratio (%)	29	35	20	29	35
ROE (%)	24.3	25.7	39.5	40.0	34.1
Cashflow (NT$m)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
EBITDA	2,420	3,931	8,145	11,898	14,242
Working capital	-85	-82	-81	0	0
Other	-692	-4,420	-6,187	-5,043	-5,628
Operating cashflow	**1,643**	**-571**	**1,877**	**6,855**	**8,614**
Capex	-1,436	-2,234	-3,577	-3,200	-3,200
Net acq/disposals	-285	-191	-274	0	0
Other	154	-269	0	0	0
Investing cashflow	**-1,567**	**-2,695**	**-3,851**	**-3,200**	**-3,200**
Dividends paid	-568	-918	-1,117	-2,372	-3,601
Financing cashflow	**1,364**	**1,950**	**5,715**	**1,731**	**1,794**
Net change in cash	**1,443**	**-1,370**	**3,741**	**5,386**	**7,208**
Free cashflow to s/holders	**208**	**-2,805**	**-1,700**	**3,655**	**5,414**

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

Bull/Bear: Asia Vital Components (3017.TW)

NT$ 5,000.00 ▲57% Upside | NT$ 4,350.00 ▲37% Upside | NT$ 2,000.00 ▼37% Downside



Spread 94pp
Current Price and expected returns (upside/downside) as of 17 Sep 2026

BULL Assumptions

- Higher target multiple at 30x

BASE Assumptions

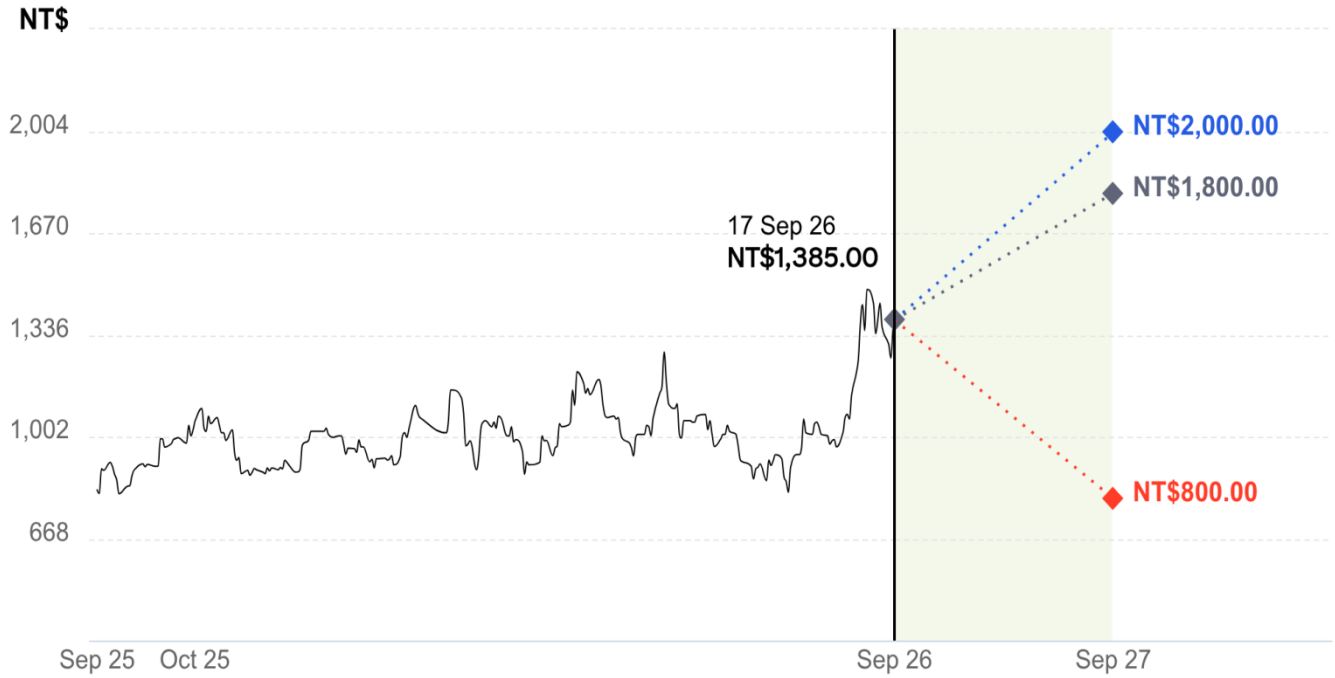
- Sales to grow by 58% y-o-y in 2026E, followed by 50% y-o-y growth in 2027E; OPM at 27.3-29.8%
- Target multiple at 25x

BEAR Assumptions

- Sales to grow by 20%/10% y-o-y in 2026E/27E with OPM at 18.0%
- Target multiple at 20x

Bull/Bear: Auras Technology (3324.TWO)

NT$ 2,000.00 ▲44% Upside | NT$ 1,800.00 ▲30% Upside | NT$ 800.00 ▼42% Downside



Spread 87pp
Current Price and expected returns (upside/downside) as of 17 Sep 2026

BULL Assumptions

- Higher target multiple at 25x

BASE Assumptions

- Sales to grow by 69% YoY in 2026E, followed by 37% YoY growth in 2027E; OPM estimated at 18.2–19.7%
- Target multiple at 20x

BEAR Assumptions

- Sales to grow by 15% YoY in 2026E–27E with OPM at 12%
- Target multiple at 15x

Asia Vital Components

Company description

Asia Vital Components (AVC), founded in 1991, is a global leader in thermal solutions, originally focusing on PCs but now specializing in servers and networking. With Furukawa Electric (Japan) as its largest shareholder, AVC provides a comprehensive range of cooling components, including vapor chambers (VCs), fans, cold plates, CDUs, and manifolds, as well as chassis and assembly services for PCs and servers, enabling holistic thermal solution designs and one-stop shop services. AVC's diverse product portfolio supports various sectors, including consumer IT, cloud infrastructure, transportation, energy and networking.

Investment strategy

We rate AVC a Buy. AVC is well-positioned for the liquid-cooling transition, with leadership in cold plates and broad participation across Nvidia and CSP projects. Its high-volume machining capability, manufacturing uniformity, and Vietnam-based capacity provide it with a defensible position as Blackwell and future deployments expand. The company captures a wider share of the thermal BOM, across coldplates, manifolds, QDs, and CDU opportunities, providing a multi-layered earnings engine.

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.

Auras Technology

Company description

Auras Technology was founded in 1998 and focused on the design and manufacturing of thermal modules for NB/PCs. It quickly became one of Taiwan's top two NB cooling component suppliers. Early products included heatsinks, fins, heat pipes, and fans for NBs, PCs, and smartphones. As device form factor evolved, the company invested in new technologies such

as ultra-thin vapor chamber in the 2000s to address the thermal challenges of increasingly compact consumer electronics. During the 2010s, Auras expanded into graphic card and server cooling and was an early adopter of liquid cooling technology. By 2012, the company had begun developing liquid cooling component and was among the first Taiwanese firms to venture into AI server liquid cooling.

Investment strategy

We rate Auras a Buy. Auras is emerging as a key liquid-cooling supplier as hyperscalers expand deployment. The company has secured qualifications for cold plates and manifolds, opening access to a wider slate of Nvidia and CSP projects. Thailand-based production offers non-China capacity at a scale aligned with hyperscaler sourcing plans, allowing Auras to compete more effectively for next-generation products.

Valuation

We value Auras using a PE-based approach, reflecting its accelerating earnings trajectory and rising share in liquid cooling market of AI servers. Our TP of NT$1,800 is based on 20x 2027E EPS, which we believe is justified given the company's expanding server revenue base, deeper engagement with CSP customers, and broader product portfolio across cold plates, CDMs, and CDUs.

Risks

This stock is High Risk based upon our quantitative model, but assigning a High Risk rating is not supported in our view by other qualitative factors such as rapid RVL progress and Thailand expansion, and so a High Risk rating has not been applied. Key downside risks to our investment thesis and target price include: 1) slower adoption of liquid cooling; 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

ANALYST CERTIFICATION

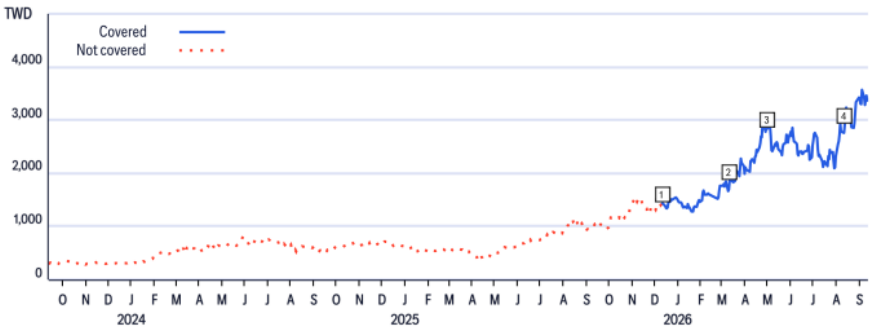
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IMPORTANT DISCLOSURES

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

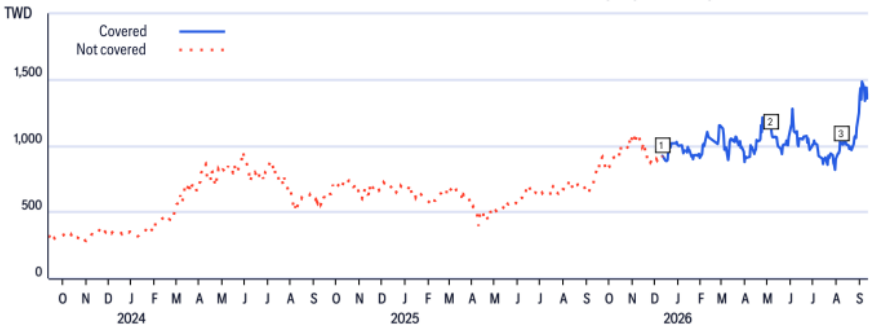
*Indicates Change

Rating/target price changes above reflect Eastern Time

Auras Technology (3324.TWO)

Ratings and Target Price History
Fundamental Research

Analyst: Michael Hung



	Date	Rating	Target Price	Closing Price
1	11-Dec-25 07:34:19	*1	*1,525.00	925.00
2	06-May-26 11:45:54	1	*1,480.00	1,105.00
3	07-Aug-26 12:26:55	1	*1,550.00	1,015.00

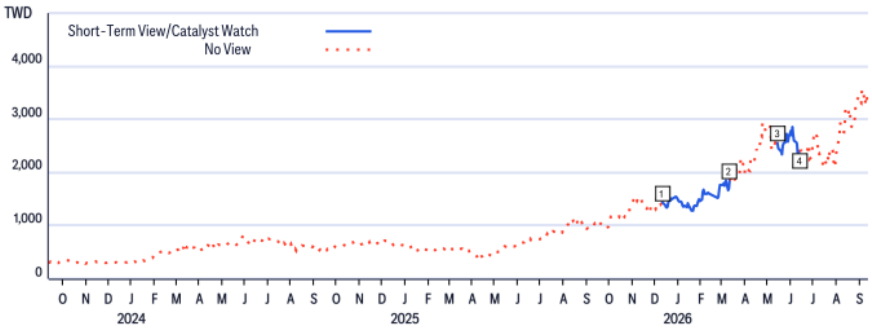
*Indicates Change

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

	Date	Action	Expected Direction	Duration	Closing Price
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

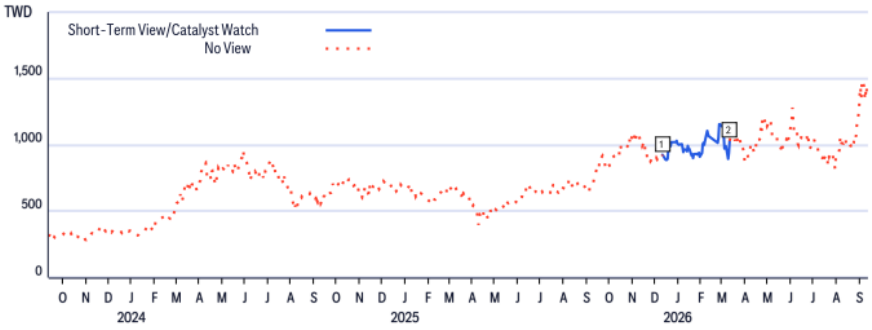
CW - Catalyst Watch , STV - Short-Term View

Rating/target price changes above reflect Eastern Time

Auras Technology (3324.TWO)

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	925.00

	Date	Action	Expected Direction	Duration	Closing Price
2	11-Mar-26 22:16:27	Remove STV	Upside	90 Days	1,030.00

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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Risk rating takes into account both price volatility and fundamental criteria. Stocks will either have no risk rating or a High risk rating assigned.
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