Action | Citi Research

06 Aug 2026 10:21:28 ET | 14 pages

WT Micro (3036.TW)

AI demand should be stronger in 2H26; Buy

CITI'S TAKE

Overall WT Micro is benefiting from the semi upcycle, especially from datacenter segment on ASIC demand and recovery in auto/industrial segments of its subsidiary, Future Electronics. Though 3Q26E sales is guided to be muted QoQ due to temporary slowdown in datacenter segment, the chairman is confident on datacenter momentum resumption from 4Q26 onward. Also, Future Electronics' GM profile likely sees some upside during upcycle, in our view. We raise our DCF-based TP to NT$365 (implied 11x 2027E EPS). We think the PE multiple is not stretched given its AI trend and upside from Future Electronics. Reiterate our Buy rating.

2Q26 GM in line — 2Q26 sales grew 20% QoQ, driven by auto/industrial (up 20-25% QoQ), datacenter (up 24% QoQ) and consumer (up 28% QoQ). Communication (up 14% QoQ), PC (up 6% QoQ) and smartphone (down 6% QoQ) demand underperformed. 2Q26 GM/OPM came in line with Citi/consensus forecasts. Overall, earnings came 14%/18% than Citi/consensus forecasts.

3Q26 high season but datacenter slowdown temporarily — For 3Q26 outlook, the company sees QoQ growth in industrial, communication and smartphone segments. For datacenter demand, shipments would decrease QoQ in 3Q26, reflecting the shipment cadence of its ASIC customer. Thus, the company currently guided overall 3Q26 sales (at the midpoint) to be flat QoQ. However, the chairman expects overall 2H26 datacenter demand would be stronger than 1H, which implied datacenter demand would recover meaningful QoQ in 4Q26. Meanwhile, despite the market' concerns over the sustainability of its datacenter segment, the chairman is positive on its 2027 growth. Thanks to favorable product mix, 2Q26 GM/OPM are guided to improvement QoQ in 3Q26.

Likely some upsides from Future Electronics — Overall, auto/industrial segment is recovering better than expected in 1H26, driving the group GM profile. Meanwhile, given rising demand and tight supply for passive components, power ICs and other analog ICs, we think Future Electronics would likely benefit more from the price hike vs WT Micro standalone, as Future focuses more on mass market, facing small/medium customers. Future Electronics' GM seemingly is quite stable in the 16-17% range from 2Q24 on till now. To note that, last upcycle during Covid, Future's GM once reached 20%ish levels.

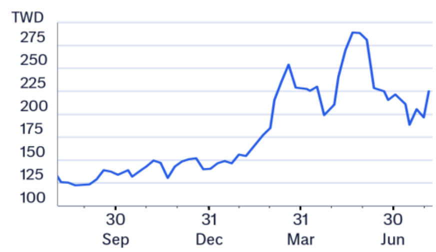
Earnings Summary

Year to 31 Dec	Net Profit (NT$M)	Diluted EPS (NT$)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	8,842	8.06	92.0	29.0	2.6	10.3	0.8
2025A	13,274	11.77	46.1	19.8	2.3	12.2	2.1
2026E	36,508	28.30	140.4	8.3	2.1	28.2	3.4
2027E	43,303	34.02	20.2	6.9	1.6	26.4	9.2
2028E	62,453	49.09	44.3	4.8	1.2	28.8	11.0

Source: Powered by dataCentral

Buy	
Price (06 Aug 26 13:30)	NT$233.50
Target price	NT$365.00↑
from NT$350.00	
Expected share price return	56.3%
Expected dividend yield	9.3%
Expected total return	65.6%
Market Cap	NT$296,346M
	US$9,181M

Price Performance (RIC: 3036.TW, BB: 3036 TT)



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

3036.TW: Fiscal year end 31-Dec

Price: NT$233.50; TP: NT$365.00; Market Cap: NT$296,346m; Recomm: Buy

Profit & Loss (NT$m)	2024	2025	2026E	2027E	2028E
Sales revenue	959,432	1,177,949	2,319,543	3,402,972	4,633,878
Cost of sales	-921,830	-1,130,325	-2,239,397	-3,299,730	-4,498,726
Gross profit	37,602	47,624	80,145	103,242	135,153
Gross Margin (%)	3.9	4.0	3.5	3.0	2.9
EBITDA (Adj)	**16,671**	**22,637**	**53,242**	**64,300**	**88,139**
EBITDA Margin (Adj) (%)	1.7	1.9	2.3	1.9	1.9
Depreciation	-1,048	-1,180	-1,265	-1,311	-824
Amortisation	-359	-575	-430	-430	-430
EBIT (Adj)	**15,264**	**20,882**	**51,547**	**62,559**	**86,885**
EBIT Margin (Adj) (%)	1.6	1.8	2.2	1.8	1.9
Net interest	-4,251	-4,280	-5,815	-6,360	-6,360
Associates	642	-396	253	-100	-100
Non-Op/Except/Other Adj	179	1,192	580	-230	-230
Pre-tax profit	**11,835**	**17,399**	**46,564**	**55,870**	**80,195**
Tax	-2,629	-3,833	-9,782	-12,286	-17,462
Extraord./Min.Int./Pref.div.	-364	-293	-274	-280	-280
Reported net profit	**8,842**	**13,274**	**36,508**	**43,303**	**62,453**
Net Margin (%)	0.9	1.1	1.6	1.3	1.3
Core NPAT	8,842	13,274	36,508	43,303	62,453
Per share data	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Reported EPS ($)	8.06	11.77	28.30	34.02	49.09
Core EPS ($)	8.06	11.77	28.30	34.02	49.09
DPS ($)	1.82	5.00	7.84	21.57	25.59
CFPS ($)	38.68	15.61	-4.96	20.25	10.87
FCFPS ($)	38.45	14.14	-5.16	20.06	10.68
BVPS ($)	90.33	103.08	111.95	145.97	195.04
Wtd avg ord shares (m)	1,080	1,126	1,265	1,266	1,265
Wtd avg diluted shares (m)	1,097	1,128	1,290	1,273	1,272
Growth rates	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Sales revenue (%)	61.4	22.8	96.9	46.7	36.2
EBIT (Adj) (%)	86.2	36.8	146.8	21.4	38.9
Core NPAT (%)	136.3	50.1	175.0	18.6	44.2
Core EPS (%)	92.0	46.1	140.4	20.2	44.3
Balance Sheet (NT$m)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Cash & cash equiv.	39,728	28,139	25,463	40,468	43,373
Accounts receivables	142,094	170,018	118,762	162,708	292,354
Inventory	160,928	259,760	368,144	668,535	936,343
Net fixed & other tangibles	5,315	7,219	4,014	2,791	2,206
Goodwill & intangibles	43,103	40,606	40,935	40,935	40,935
Financial & other assets	21,323	21,817	32,539	51,399	83,687
Total assets	**412,490**	**527,560**	**589,857**	**966,835**	**1,398,897**
Accounts payable	186,741	317,278	310,932	610,728	946,583
Short-term debt	35,486	33,601	58,818	58,818	58,818
Long-term debt	63,366	34,383	34,218	34,218	34,218
Provisions & other liab	23,034	24,359	43,113	76,982	110,726
Total liabilities	**308,627**	**409,622**	**447,081**	**780,746**	**1,150,344**
Shareholders' equity	102,876	117,663	142,486	185,789	248,242
Minority interests	988	275	291	301	311
Total equity	**103,863**	**117,938**	**142,776**	**186,090**	**248,553**
Net debt (Adj)	**59,125**	**39,846**	**67,573**	**52,568**	**49,663**
Net debt to equity (Adj) (%)	56.9	33.8	47.3	28.2	20.0

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	29.0	19.8	8.3	6.9	4.8
PB (x)	2.6	2.3	2.1	1.6	1.2
EV/EBITDA (x)	19.0	14.8	6.3	5.3	3.8
FCF yield (%)	16.5	6.1	-2.2	8.6	4.6
Dividend yield (%)	0.8	2.1	3.4	9.2	11.0
Payout ratio (%)	23	42	28	63	52
ROE (%)	10.3	12.2	28.2	26.4	28.8
Cashflow (NT$m)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
EBITDA	16,671	22,637	53,242	64,300	88,139
Working capital	32,003	2,331	-44,894	-19,532	-50,143
Other	-6,246	-7,361	-14,741	-18,996	-24,172
Operating cashflow	**42,428**	**17,606**	**-6,394**	**25,772**	**13,825**
Capex	-249	-1,668	-266	-240	-240
Net acq/disposals	6,596	-3,948	1,729	0	0
Other	-115,233	3,855	-10,489	-10,489	-10,489
Investing cashflow	**-108,886**	**-1,761**	**-9,027**	**-10,729**	**-10,729**
Dividends paid	-2,548	-7,267	-10,241	-27,651	-32,748
Financing cashflow	**82,030**	**-26,818**	**13,332**	**-270**	**-270**
Net change in cash	**16,980**	**-11,589**	**-2,089**	**14,773**	**2,825**
Free cashflow to s/holders	**42,179**	**15,938**	**-6,660**	**25,532**	**13,585**

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

Earnings upward revisions; lift TP NT$365 on attractive valuation; Buy— We lift our 2026/27/28E earnings by 9%/4%/9% to factor in more AI ASIC ramp from 4Q26 onward and auto/industrial recovery. We raise our DCF-based TP to NT$365 (implied 11x 2027E EPS) from NT$350 (implied 10x 2027E EPS). We believe 11x multiple isn't stretched and justified by semiconductor upcycle. Reiterate our Buy rating.

Figure 1. WT Micro – 2Q26 Results

(NT$mn)	2Q26 Actual	1Q26 Actual	Q/Q	2Q25 Actual	Y/Y	2Q26 Citi	Diff.	2Q26 Cons.	Diff.
Revenue	590,694	494,273	20%	259,503	128%	589,855	0%	580,201	2%
Gross profit	20,142	17,044	18%	11,217	80%	19,275	4%	19,025	6%
Gross margin	3.4%	3.4%	-0.0 ppt	4.3%	-0.9 ppt	3.3%	+0.1 ppt	3.3%	+0.1 ppt
Op. profit	12,994	9,944	31%	4,660	179%	12,136	7%	11,817	10%
OP margin	2.2%	2.0%	+0.2 ppt	1.8%	+0.4 ppt	2.1%	+0.1 ppt	2.0%	+0.2 ppt
Net income	9,713	6,723	44%	2,560	279%	8,533	14%	8,251	18%
EPS (NT$)	7.63	5.01	52%	2.27	236%	6.70	14%	6.46	18%

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Source: Citi Research Estimates, Company Reports, Bloomberg

Figure 2. WT Micro – Earnings Revisions

	3Q26E			4Q26E			2026E			2027E			2028E		
(NT$mn)	New	Old	Chg.	New	Old	Chg.	New	Old	Chg.	New	Old	Chg.	New	Old	Chg.
Sales	601,326	630,892	-5%	633,250	647,056	-2%	2,319,543	2,362,077	-2%	3,402,972	3,539,175	-4%	4,633,878	4,788,919	-3%
Sequential growth (%)	2%	7%		5%	3%		97%	101%		47%	50%		36%	35%	
Gross profit	21,365	20,070	6%	21,594	19,761	9%	80,145	76,151	5%	103,242	99,231	4%	135,153	126,782	7%
Opex	6,992	7,628	-8%	7,357	7,820	-6%	28,599	29,687	-4%	40,683	42,185	-4%	-48,268	-49,743	-3%
Operating profit	14,373	12,443	16%	14,236	11,941	19%	51,547	46,464	11%	62,559	57,046	10%	86,885	77,039	13%
Pre-tax profit	12,726	11,648	9%	12,589	11,146	13%	46,564	43,057	8%	55,870	53,766	4%	80,195	73,759	9%
Net income	10,073	9,222	9%	9,998	8,851	13%	36,508	33,345	9%	43,303	41,669	4%	62,453	57,411	9%
EPS (NT$)	7.91	7.25	9%	7.86	6.95	13%	28.30	26.21	8%	34.02	32.74	4%	49.09	45.13	9%
Gross margin (%)	3.55%	3.18%	+0.4 ppt	3.41%	3.05%	+0.4 ppt	3.46%	3.22%	+0.2 ppt	3.03%	2.80%	+0.2 ppt	2.92%	2.65%	+0.3 ppt
Opex ratio (%)	1.16%	1.21%	-0.0 ppt	1.16%	1.21%	-0.0 ppt	1.23%	1.26%	-0.0 ppt	1.20%	1.19%	+0.0 ppt	-1.04%	-1.04%	-0.0 ppt
Operating margin (%)	2.39%	1.97%	+0.4 ppt	2.25%	1.85%	+0.4 ppt	2.22%	1.97%	+0.3 ppt	1.84%	1.61%	+0.2 ppt	1.87%	1.61%	+0.3 ppt
Net margin (%)	1.68%	1.46%	+0.2 ppt	1.58%	1.37%	+0.2 ppt	1.57%	1.41%	+0.2 ppt	1.27%	1.18%	+0.1 ppt	1.35%	1.20%	+0.1 ppt

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Source: Citi Research Estimates

Figure 3. WT Micro – Forecast Summary

WT Micro (NT$ in Mn, year-end Dec)	2026 1Q	2026 2QE	2026 3QE	2026 4QE	2027 1QE	2027 2QE	2027 3QE	2027 4QE	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Revenue	494,273	590,694	601,326	633,250	539,461	761,555	1,040,400	1,061,557	335,187	353,152	447,896	571,197	594,519	959,432	1,177,949	2,319,543	3,402,972	4,633,878
COGS	-477,229	-570,551	-579,961	-611,656	-520,582	-737,836	-1,010,382	-1,030,930	-324,387	-342,378	-430,909	-551,365	-576,113	-921,830	-1,130,325	-2,239,397	-3,299,730	-4,498,726
Depreciation costs	-293	-321	-324	-327	-326	-327	-328	-330	-288	-297	-348	-380	-448	-1,048	-1,180	-1,265	-1,311	-824
Gross Profit	17,044	20,142	21,365	21,594	18,879	23,719	30,018	30,626	10,800	10,774	16,987	19,832	18,406	37,602	47,624	80,145	103,242	135,153
Operating Expense	-7,100	-7,149	-6,992	-7,357	-6,896	-9,494	-11,919	-12,374	-5,547	-5,458	-6,430	-8,050	-10,206	-22,338	-26,742	-28,599	-40,683	-48,268
SG&A expenses	-6,707	-6,776	-6,615	-6,966	-6,635	-9,139	-11,444	-11,889	-5,138	-5,048	-5,818	-7,394	-9,443	-21,389	-25,291	-27,063	-39,108	-46,161
R&D expenses	-212	-253	-258	-271	-231	-327	-446	-455	-407	-386	-609	-655	-755	-851	-810	-994	-1,459	-1,987
EBIT	9,944	12,994	14,373	14,236	11,984	14,225	18,098	18,253	5,253	5,316	10,557	11,783	8,200	15,264	20,882	51,547	62,559	86,885
Net Interest Income	-1,045	-1,590	-1,590	-1,590	-1,590	-1,590	-1,590	-1,590	-1,932	-975	-709	-2,406	-3,728	-4,251	-4,280	-5,815	-6,360	-6,360
Net Other Income	124	824	-57	-57	-157	-57	-57	-57	-13	457	331	535	724	821	796	833	-330	-330
Pre-Tax Profit	9,022	12,227	12,726	12,589	10,236	12,577	16,451	16,605	3,309	4,799	10,180	9,911	5,195	11,835	17,399	46,564	55,870	80,195
Tax	-2,027	-2,502	-2,672	-2,581	-2,300	-3,144	-3,455	-3,387	-778	-1,004	-2,325	-2,311	-1,217	-2,629	-3,833	-9,782	-12,286	-17,462
Net Profit	6,723	9,713	10,073	9,998	7,926	9,153	13,016	13,208	2,531	3,794	7,866	7,361	3,742	8,842	13,274	36,508	43,303	62,453
EPS (NT$)	5.01	7.63	7.91	7.86	6.23	7.19	10.23	10.38	4.17	5.07	9.80	8.55	4.20	8.06	11.77	28.30	34.02	49.09
Margins (%)																		
Gross Margin	3.4%	3.4%	3.6%	3.4%	3.5%	3.1%	2.9%	2.9%	3.2%	3.1%	3.8%	3.5%	3.1%	3.9%	4.0%	3.5%	3.0%	2.9%
Operating Margin	2.0%	2.2%	2.4%	2.2%	2.2%	1.9%	1.7%	1.7%	1.6%	1.5%	2.4%	2.1%	1.4%	1.6%	1.8%	2.2%	1.8%	1.9%
Net Margin	1.4%	1.6%	1.7%	1.6%	1.5%	1.2%	1.3%	1.2%	0.8%	1.1%	1.8%	1.3%	0.6%	0.9%	1.1%	1.6%	1.3%	1.3%
Sequential Growth (%)																		
Revenue	0.4	20%	2%	5%	-15%	41%	37%	2%	23%	5%	27%	28%	4%	61%	23%	97%	47%	36%
Gross Profit	0.3	18%	6%	1%	-13%	26%	27%	2%	1%	0%	58%	17%	-7%	104%	27%	68%	29%	31%
EBIT	0.7	31%	11%	-1%	-16%	19%	27%	1%	0%	1%	99%	12%	-30%	86%	37%	147%	21%	39%
Net Profit	0.6	44%	4%	-1%	-21%	15%	42%	1%	-9%	50%	107%	-6%	-49%	136%	50%	175%	19%	44%
EPS	0.3	52%	4%	-1%	-21%	15%	42%	1%	-11%	22%	93%	-13%	-51%	92%	46%	140%	20%	44%

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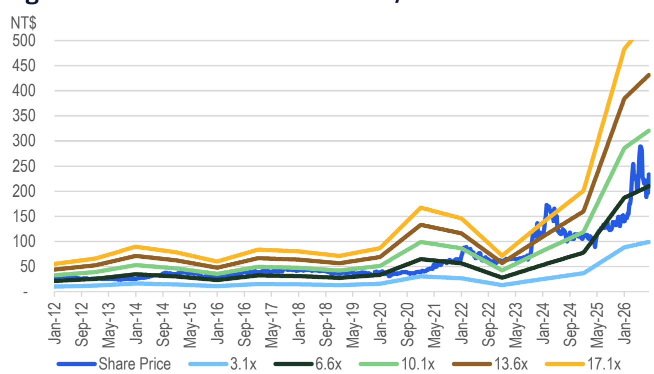
Source: Citi Research Estimates, Company Reports

Figure 4. WT Micro – 12M Forward P/E Band



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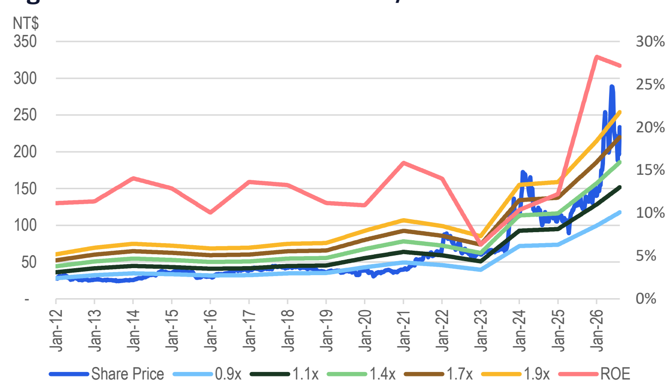
Source: dataCentral, Citi Research

Figure 5. WT Micro – 12M Forward P/B Band



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Source: dataCentral, Citi Research

Bull/Bear: WT Micro (3036.TW)

NT$ 380.00 ▲63% Upside	NT$ 365.00 ▲56% Upside	NT$ 150.00 ▼36% Downside

Spread 99pp
Current Price and expected returns (upside/downside) as of 06 Aug 2026

BULL Assumptions

- Higher recovery rate in overall semiconductor market
- Early recovery in auto/industrial sectors.
- Better synergy created from the merger of Future.

BASE Assumptions

- Recovery in overall semiconductor market
- Mild recovery in auto/industrial sectors.
- Mild synergy created from the merger of Future.

BEAR Assumptions

- Slower recovery in overall semiconductor market
- Furthur decline in auto/industrial sectors.
- No synergy created from the merger of Future.

WT Micro

Company description

Founded in 1993, WT Micro focuses on semiconductor-related component agency sales. Currently, it ranks among the top four IC distributors globally and holds a market share of around 12%. Headquartered in Taiwan, WT Micro has an extensive marketing and sales channel with nearly 50 regional offices across China, Korea, Singapore, India, Thailand, Malaysia, and Vietnam. WT Micro currently serves as the distribution partner to >25,000 customers for over 80 global leading semiconductor partners. As of 2023, 28% revenues came from mobile phone, 22% from datacenter, 14% from communication, 10% from industrial, 10% from PC, 9% from consumer and 8% from automotive application

Investment strategy

We rate WT Micro as Buy. From a top-down view, we expect the IC distribution industry to be aided by semi upcycle on AI in 2026. We also see global supply chain relocation favoring WT Micro going forward given its more diversified global footprints. For its subsidiary, Future Electronics, which WT Micro acquired in 2024, we are seeing the merger bearing fruit given ongoing recovery in auto/industrial business for US/European customers with higher GM profile. Furthermore, we believe there is significant further potential from synergies, primarily through cross-selling to each company's customer base and securing new distribution rights in the U.S. and Europe.

Valuation

We use DCF methodology to derive our target price of NT$365. Key assumptions of our DCF model include a risk-free rate of 4.1% (10-year government bond rate), a market risk premium of 7%, and an equity beta of 0.9 (1-year weekly share price), which derives a WACC of 8.6%. Our model assumes 1% long-term revenue growth and gradual expanding of EBIT margin from 1.9% in 2028 to 2.3% in the long term. Our target price is equivalent to 13x/11x 2026/27E EPS and 3.3x/2.5x BVPS, which is in line with its peers' valuation and we believe is justified by AI trend, upsides from its subsidiary, Future Electronics.

Risks

Key downside risks that could prevent WT Micro's share price from reaching our target price are: 1) weaker-than-expected end market demand; 2) lower-than-expected synergy from the acquisition of Future; 3) taking longer time to acquire new distribution rights or 4) aggressive funding for its working capital via higher leverage ratio (more interest expense) or GDR issuance (earnings dilution).

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Appendix A-1

ANALYST CERTIFICATION

The research analysts primarily responsible for the preparation and content of this research report are either (i) designated by "AC" in the author block or (ii) listed in bold alongside content which is attributable to that analyst. If multiple AC analysts are designated in the author block, each analyst is certifying with respect to the entire research report other than (a) content attributable to another AC certifying analyst listed in bold alongside the content and (b) views expressed solely with respect to a specific issuer which are attributable to another AC certifying analyst identified in the price charts or rating history tables for that issuer shown below. Each of these analysts certify, with respect to the sections of the report for which they are responsible: (1) that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc. and its affiliates; and (2) no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in this report.

IMPORTANT DISCLOSURES

WT Micro (3036.TW)
Ratings and Target Price History
Fundamental Research

Analyst: Jack Chen

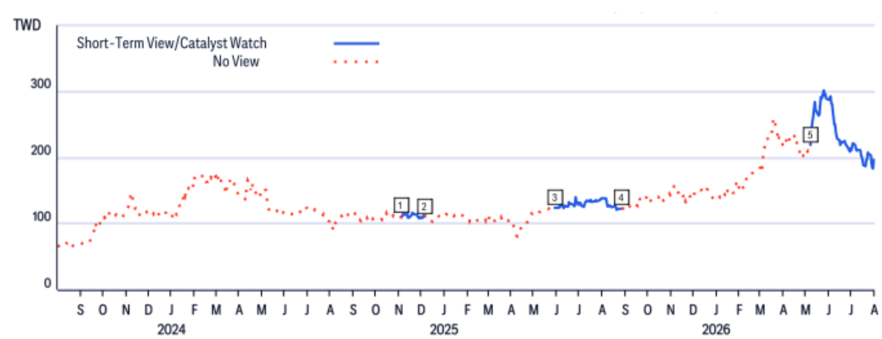
	Date	Rating	Target Price	Closing Price
1	11-Oct-24 09:50:37	*1	*130.00	114.00
2	10-Mar-25 08:27:03	1	*132.00	104.00
3	29-May-25 06:34:23	1	*150.00	124.00
4	08-Oct-25 08:20:45	1	*165.00	139.00
5	04-Mar-26 09:13:33	1	*260.00	195.50
6	07-May-26 19:23:17	1	*350.00	219.00

*Indicates Change

Rating/target price changes above reflect Eastern Time

WT Micro (3036.TW)
Short-Term View/Catalyst Watch Research

Analyst: Jack Chen



	Date	Action	Expected Direction	Duration	Closing Price
1	05-Nov-24 13:34:55	Add STV	Upside	30 Days	111.50
2	05-Dec-24 19:58:11	Remove STV	Upside	30 Days	110.50
3	29-May-25 02:34:23	Add STV	Upside	90 Days	124.00
4	27-Aug-25 21:43:12	Remove STV	Upside	90 Days	123.00
5	07-May-26 15:23:17	Add CW	Upside	90 Days	219.00

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**
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% of companies in each rating category that are investment banking clients	38%	42%	27%	42%	37%	36%

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