07 Oct 2026 15:44:06 ET | 15 pages

Zhen Ding Technology (4958.TW)

New businesses taking off; Buy

CITI'S TAKE

Zhen Ding's (ZDT) AI infra business (server/optical/substrate) is tracking better-than-expected YTD. These businesses all carry high GM profiles of >30% vs consumer electronics products' of 20-25%, which bodes well for ZDT's profitability growth in 2027. Looking into 2H26, we expect AI infra business to bear more fruit and would help mitigate the season impact in 1Q27, especially for the bottom line. Meanwhile, given HDI/mSAP capacity supply tightness, we observe that Apple suppliers show less willingness to support iPhone/Mac demand, which would help increase ZDT's bargaining power in consumer electronics products. We raise our 2027/28E earnings forecasts to factor in fast-growing AI infra business and lift our TP to NT$750 (27x 2027E EPS) from NT$600 (25x 2027E EPS), as we sense that the market views ZDT more as an ABF substrate maker. Buy.

3Q26 results preview: GM of 25-26% — We forecast 3Q26E GM of 25.6% (+2.5ppt QoQ) vs consensus forecast of 25.2%, supported by high-season for iPhone, ABF/BT and optical module which more than offset rising depreciation burden from initial ramp of HDI capacity for AI server business in 2H26. AI infra business (server/optical/substrate) accounted for 23% of total 8M26 sales already (vs 21.6% in 1H26), which is tracking well and would likely reach 25% in 2026. We expect AI infra business to gain more traction from 3Q26E onward till 4Q27E, helping mitigate the seasonality difference in 1H/2H. Meanwhile, the management thinks AI infra sales mix could reach 30%/45-50% in 2027/28 which is far ahead of its initial target reaching 45-50% mix by 2030. We expect 4Q26E GM to further improve to 26.1% (+0.5ppt QoQ), close to historical peak levels.

ABF/BT substrate: 2027/28 capacity fully sold out — As with other ABF peers, ZDT's ABF capacity in 2027/28 has been fully sold out. We expect Nvidia, Mediatek and likely an AI ASIC project will be the key drivers to its ABF business, along with China AI demand till 2030. As per the management, US customers would likely account for up to 70% of its ABF sales next year vs 50% in the past. The company's current ABF expansion pace is ramp-up of one new fab in China every year till 2030. For BT substrate, the company would pause its capacity expansion and enhance its product mix first. Considering other BT peers' recent price hike action and improving S/D status, we expect its BT UTR/GM to further improve. In our view, mid-term ABF/BT GM profile of 45-50%/30-35% in 2H27 is achievable for ZDT. We currently forecast 94%/105%/57% YoY sales growth in its ABF+BT segment in 2026/27/28E.

Earnings Summary

Year to 31 Dec	Net Profit (NT$M)	Diluted EPS (NT$)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	8,604	9.04	100.0	65.8	5.2	8.4	1.3
2025A	7,724	7.68	-15.1	77.5	5.1	6.6	1.1
2026E	15,829	14.40	87.6	41.3	4.1	11.1	1.2
2027E	31,402	28.32	96.7	21.0	3.5	18.0	2.4
2028E	48,897	44.10	55.7	13.5	3.0	24.1	4.7

Source: Powered by dataCentral

Buy

Price (07 Oct 26 13:30)	NT$595.00
Target price	NT$750.00↑
from NT$600.00	
Expected share price return	26.1%
Expected dividend yield	1.2%
Expected total return	27.3%
Market Cap	NT$674,371M
	US$21,211M

Price Performance
(RIC: 4958.TW, BB: 4958 TT)



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4958.TW: Fiscal year end 31-Dec

Price: NT$595.00; TP: NT$750.00; Market Cap: NT$674,371m; Recomm: Buy

Profit & Loss (NT$m)	2024	2025	2026E	2027E	2028E
Sales revenue	171,664	182,522	227,321	306,146	389,398
Cost of sales	-139,203	-146,385	-171,554	-216,176	-260,351
Gross profit	32,461	36,136	55,767	89,970	129,047
Gross Margin (%)	18.9	19.8	24.5	29.4	33.1
EBITDA (Adj)	**28,781**	**31,992**	**46,749**	**91,176**	**137,723**
EBITDA Margin (Adj) (%)	16.8	17.5	20.6	29.8	35.4
Depreciation	-17,195	-18,061	-20,548	-37,902	-53,488
Amortisation	0	0	0	0	0
EBIT (Adj)	**11,586**	**13,932**	**26,201**	**53,274**	**84,235**
EBIT Margin (Adj) (%)	6.7	7.6	11.5	17.4	21.6
Net interest	601	374	136	260	-340
Associates	3	-17	-5	-16	-16
Non-Op/Except/Other Adj	2,855	-227	1,428	860	860
Pre-tax profit	**15,045**	**14,063**	**27,761**	**54,378**	**84,739**
Tax	-2,524	-2,524	-5,068	-10,149	-15,871
Extraord./Min.Int./Pref.div.	-3,917	-3,815	-6,863	-12,826	-19,972
Reported net profit	**8,604**	**7,724**	**15,829**	**31,402**	**48,897**
Net Margin (%)	5.0	4.2	7.0	10.3	12.6
Core NPAT	8,604	7,724	15,829	31,402	48,897

Per share data	2024	2025	2026E	2027E	2028E
Reported EPS ($)	9.04	7.68	14.40	28.32	44.10
Core EPS ($)	9.04	7.68	14.40	28.32	44.10
DPS ($)	7.55	6.55	7.14	14.16	28.09
CFPS ($)	27.59	28.33	50.69	72.36	116.96
FCFPS ($)	10.51	-4.55	-19.54	0.21	44.81
BVPS ($)	113.75	115.81	146.49	167.67	197.61
Wtd avg ord shares (m)	952	1,006	1,099	1,109	1,109
Wtd avg diluted shares (m)	952	1,006	1,099	1,109	1,109

Growth rates	2024	2025	2026E	2027E	2028E
Sales revenue (%)	13.4	6.3	24.5	34.7	27.2
EBIT (Adj) (%)	26.5	20.2	88.1	103.3	58.1
Core NPAT (%)	101.0	-10.2	104.9	98.4	55.7
Core EPS (%)	100.0	-15.1	87.6	96.7	55.7

Balance Sheet (NT$m)	2024	2025	2026E	2027E	2028E
Cash & cash equiv.	79,502	71,116	94,865	74,593	112,879
Accounts receivables	30,183	31,412	25,424	29,381	30,976
Inventory	17,990	19,616	26,015	34,858	42,330
Net fixed & other tangibles	129,940	145,607	211,817	253,914	280,426
Goodwill & intangibles	0	0	0	0	0
Financial & other assets	8,379	12,291	25,772	29,178	34,177
Total assets	**265,993**	**280,043**	**383,892**	**421,924**	**500,789**
Accounts payable	21,716	23,501	25,969	27,942	31,253
Short-term debt	23,040	25,689	47,885	57,708	61,987
Long-term debt	34,012	26,430	27,431	5,000	5,000
Provisions & other liab	35,202	33,710	58,650	71,002	89,109
Total liabilities	**113,970**	**109,330**	**159,934**	**161,652**	**187,349**
Shareholders' equity	108,818	123,982	162,442	185,930	219,125
Minority interests	43,205	46,731	61,516	74,342	94,314
Total equity	**152,024**	**170,713**	**223,958**	**260,272**	**313,440**
Net debt (Adj)	**-22,451**	**-18,997**	**-19,549**	**-11,885**	**-45,892**
Net debt to equity (Adj) (%)	-14.8	-11.1	-8.7	-4.6	-14.6

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	65.8	77.5	41.3	21.0	13.5
PB (x)	5.2	5.1	4.1	3.5	3.0
EV/EBITDA (x)	24.2	21.7	15.0	7.8	5.2
FCF yield (%)	1.8	-0.8	-3.3	0.0	7.5
Dividend yield (%)	1.3	1.1	1.2	2.4	4.7
Payout ratio (%)	84	85	50	50	64
ROE (%)	8.4	6.6	11.1	18.0	24.1

Cashflow (NT$m)	2024	2025	2026E	2027E	2028E
EBITDA	28,781	31,992	46,749	91,176	137,723
Working capital	-1,287	-1,071	2,058	-10,827	-5,756
Other	-1,229	-2,414	6,916	-114	-2,276
Operating cashflow	**26,265**	**28,507**	**55,723**	**80,235**	**129,691**
Capex	-16,257	-33,083	-77,199	-80,000	-80,000
Net acq/disposals	0	0	0	0	0
Other	-296	-5,353	-8,417	16	16
Investing cashflow	**-16,553**	**-38,436**	**-85,616**	**-79,984**	**-79,984**
Dividends paid	-4,595	-7,221	-7,010	-7,914	-15,701
Financing cashflow	**8,368**	**1,544**	**53,642**	**-20,522**	**-11,421**
Net change in cash	**18,081**	**-8,386**	**23,748**	**-20,272**	**38,286**
Free cashflow to s/holders	**10,008**	**-4,577**	**-21,476**	**235**	**49,691**

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

Server/optical module: gaining more traction — For server business, the company would focus more on Nvidia, Google and AWS from 2027 onward. Meanwhile, given higher HDI content value for the next-gen AI servers, we expect ZDT's aggressive HDI capacity expansion would bear more fruit and gain share from peers (eg, Unimicron plans to focus less on its capacity expansion for Nvidia's AI compute boards). The industrywide GM profile for AI HDI products is at least >30% levels, which we believe would drive ZDT's server profitability. Meanwhile, for optical module, the company expects 1.6T demand to outgrow 800G in 2027 (vs 50%/50% demand come from 800G/1.6T in 2026). Given optical modules' high GM profile of up to 40% levels, we expect ZDT's GM profile would benefit from it from 2H26 onwards. To note that, considering Apple suppliers (eg, Unimicron and Compeq) now show less willingness to support iPhone/Mac demand, we expect ZDT's consumer electronics business to leverage on improving competition landscape and likely see some profitability upside from better bargaining power in 2027.

Earnings/TP raise; Buy — We adjust 2026E earnings by -6% to factor in weak 2Q26 OPM results but raise our 2027/28E earnings by +24%/+31% to factor in strong growth from AI infra business and better bargaining power against Apple in 2027 onward. We lift our TP to NT$750 (27x 2027E EPS) from NT$600 (25x 2027E EPS). We raise our PE multiple as we gradually sense that the market views ZDT more as an ABF substrate maker (now generally trading at >30x on Bloomberg consensus). Further, we believe the market is willing to pay higher premium for fast-growing optical module business and market share gain story in AI PCB server business. Reiterate our Buy rating.

Figure 1. ZDT – 3Q26 Results Preview

(NT$mn)	3Q26 Citi	2Q26 Actual	Q/Q	3Q25 Actual	Y/Y	3Q26 Cons.	Diff.
Revenue	64,415	48,431	33%	47,366	36%	63,357	2%
Gross profit	16,510	11,186	48%	10,410	59%	15,946	4%
Gross margin	25.6%	23.1%	+2.5 ppt	22.0%	+3.7 ppt	25.2%	+0.5 ppt
Op. profit	8,716	3,761	132%	4,530	92%	7,628	14%
OP margin	13.5%	7.8%	+5.8 ppt	9.6%	+4.0 ppt	12.0%	+1.5 ppt
Net income	5,076	2,392	112%	2,392	112%	4,841	5%
EPS (NT$)	4.58	2.16	112%	2.30	99%	4.21	9%

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Source: Citi Research Estimates, Bloomberg, Company reports

Figure 2. ZDT – Earnings Revisions

	3Q26E			4Q26E			2026E			2027E			2028E		
(NT$mn)	New	Old	Chg.	New	Old	Chg.	New	Old	Chg.	New	Old	Chg.	New	Old	Chg.
Sales	64,415	65,878	-2%	73,747	75,844	-3%	227,321	229,753	-1%	306,146	298,307	3%	389,398	370,836	5%
Sequential growth	33%	39%		14%	15%		25%	26%		35%	30%		27%	24%	
Gross profit	16,510	17,098	-3%	19,259	19,901	-3%	55,767	56,066	-1%	89,970	79,570	13%	129,047	107,873	20%
Opex	7,794	7,510	4%	8,038	8,343	-4%	29,566	27,885	6%	36,696	33,023	11%	44,812	39,194	14%
Operating profit	8,716	9,588	-9%	11,220	11,558	-3%	26,201	28,182	-7%	53,274	46,546	14%	84,235	68,679	23%
Pre-tax profit	8,937	9,954	-10%	11,492	11,925	-4%	27,761	29,202	-5%	54,378	46,950	16%	84,739	69,083	23%
Net income	5,076	5,654	-10%	6,936	7,620	-9%	15,829	16,797	-6%	31,402	25,404	24%	48,897	37,345	31%
EPS (NT$)	4.58	5.28	-13%	6.25	7.12	-12%	14.40	15.69	-8%	28.32	23.73	19%	44.10	34.88	26%
Gross margin	25.6%	26.0%	-0.3 ppt	26.1%	26.2%	-0.1 ppt	24.5%	24.4%	+0.1 ppt	29.4%	26.7%	+2.7 ppt	33.1%	29.1%	+4.1 ppt
Opex ratio	12.1%	11.4%	+0.7 ppt	10.9%	11.0%	-0.1 ppt	13.0%	12.1%	+0.9 ppt	12.0%	11.1%	+0.9 ppt	11.5%	10.6%	+0.9 ppt
Operating margin	13.5%	14.6%	-1.0 ppt	15.2%	15.2%	-0.0 ppt	11.5%	12.3%	-0.7 ppt	17.4%	15.6%	+1.8 ppt	21.6%	18.5%	+3.1 ppt
Net margin	7.9%	8.6%	-0.7 ppt	9.4%	10.0%	-0.6 ppt	7.0%	7.3%	-0.3 ppt	10.3%	8.5%	+1.7 ppt	12.6%	10.1%	+2.5 ppt

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Source: Citi Research estimates

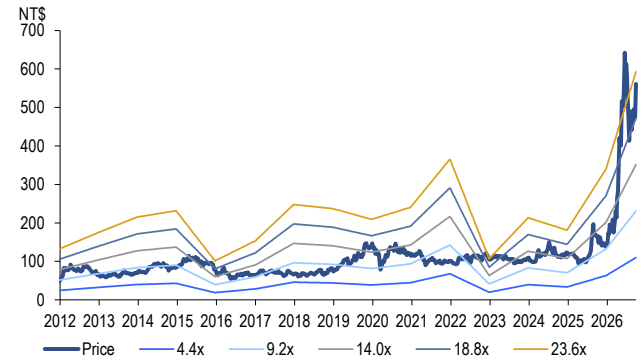
Figure 3. ZDT — Key Earnings Estimates

ZDT	2026				2027																
(NT$ in Mn, year-end Dec)	1Q	2Q	3QE	4QE	1QE	2QE	3QE	4QE	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Revenue	40,728	48,431	64,415	73,747	60,980	68,690	84,015	92,461	82,393	109,238	117,913	120,068	131,279	155,022	171,356	151,398	171,664	182,522	227,321	306,146	389,398
COGS	-31,917	-37,245	-47,905	-54,488	-45,826	-50,224	-57,617	-62,509	-69,851	-91,404	-91,852	-92,845	-104,694	-124,485	-131,468	-123,939	-139,203	-146,385	-171,554	-216,176	-260,351
Gross Profit	8,812	11,186	16,510	19,259	15,155	18,466	26,397	29,952	12,542	17,833	26,061	27,222	26,584	30,537	39,888	27,459	32,461	36,136	55,767	89,970	129,047
Operating Expense	-6,308	-7,425	-7,794	-8,038	-6,952	-9,273	-9,746	-10,726	-7,925	-9,176	-11,215	-12,421	-12,444	-14,756	-17,441	-18,300	-20,875	-22,205	-29,566	-36,696	-44,812
SG&A expenses	-2,732	-3,207	-3,350	-3,466	-3,415	-3,641	-4,117	-4,531	-4,160	-4,451	-5,578	-6,281	-6,898	-7,454	-9,162	-8,634	-9,160	-10,398	-12,755	-15,703	-18,333
R&D expenses	-3,576	-4,218	-4,445	-4,572	-3,537	-5,633	-5,629	-6,195	-3,765	-4,725	-5,638	-6,140	-5,545	-7,302	-8,280	-9,665	-11,715	-11,807	-16,811	-20,993	-26,479
EBIT	2,503	3,761	8,716	11,220	8,203	9,193	16,652	19,227	4,617	8,657	14,846	14,801	14,140	15,781	22,447	9,160	11,586	13,932	26,201	53,274	84,235
Net Interest Income	68	18	0	50	120	120	10	10	-27	4	149	574	250	-199	-113	575	601	374	136	260	-340
Net Other Income	-172	1,152	221	222	210	211	211	212	717	-167	-328	-424	-596	637	1,135	313	2,858	-243	1,423	844	844
Pre-Tax Profit	2,400	4,931	8,937	11,492	8,533	9,524	16,872	19,448	5,307	8,494	14,667	14,951	13,794	16,219	23,469	10,048	15,045	14,063	27,761	54,378	84,739
Tax	353	1,204	1,787	1,724	1,707	1,905	3,037	3,501	-1,851	-1,722	-3,130	-2,549	-2,286	-2,524	-2,524	-2,524	-2,524	-2,524	-5,068	-10,149	-15,871
Net Profit	1,426	2,392	5,076	6,936	4,847	5,410	9,823	11,323	3,456	5,172	8,448	8,685	8,095	9,651	14,606	4,280	8,604	7,724	15,829	31,402	48,897
EPS (NT$)	1.33	2.16	4.58	6.25	4.37	4.88	8.86	10.21	4.29	6.43	10.50	10.05	8.86	10.19	15.44	4.52	9.04	7.68	14.40	28.32	44.10
EPS (NT$) - diluted	1.33	2.16	4.58	6.25	4.37	4.88	8.86	10.21	4.17	6.12	10.19	10.05	8.86	10.14	15.36	4.52	9.04	7.68	14.40	28.32	44.10
Margins (%)																					
Gross Margin	21.6	23.1	25.6	26.1	24.9	26.9	31.4	32.4	15.2	16.3	22.1	22.7	20.3	19.7	23.3	18.1	18.9	19.8	24.5	29.4	33.1
Operating Margin	6.1	7.8	13.5	15.2	13.5	13.4	19.8	20.8	5.6	7.9	12.6	12.3	10.8	10.2	13.1	6.1	6.7	7.6	11.5	17.4	21.6
Net Margin	3.5	4.9	7.9	9.4	7.9	7.9	11.7	12.2	4.2	4.7	7.2	7.2	6.2	6.2	8.5	2.8	5.0	4.2	7.0	10.3	12.6
Sequential Growth (%)																					
Revenue	(28)	19	33	14	(17)	13	22	10	(4)	33	8	2	9	18	11	(12)	13	6	25	35	27
Gross Profit	(31)	27	48	17	(21)	22	43	13	(24)	42	46	4	(2)	15	31	(31)	18	11	54	61	43
EBIT	(58)	50	132	29	(27)	12	81	15	(45)	88	71	(0)	(4)	12	42	(59)	26	20	88	103	58
Net Profit	(65)	68	112	37	(30)	12	82	15	(55)	50	63	3	(7)	19	51	(71)	101	(10)	105	98	56
EPS (NT$)	(65)	62	112	37	(30)	12	82	15	(56)	50	63	(4)	(12)	15	51	(71)	100	(15)	88	97	56
EPS (NT$) - diluted	(65)	62	112	37	(30)	12	82	15	(53)	47	67	(1)	(12)	14	51	(71)	100	(15)	88	97	56

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Source: Company data, Citi Research estimates

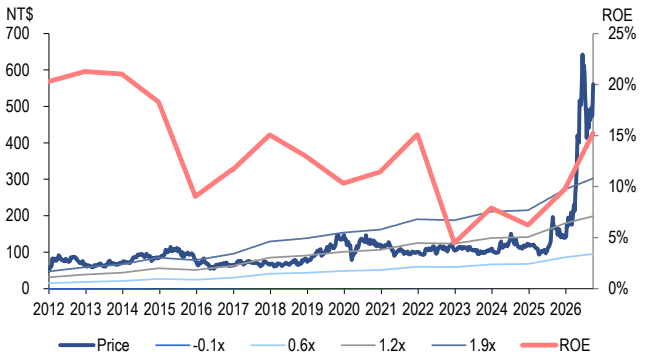
Figure 4. ZDT — Forward 1-yr P/E Band



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Source: dataCentral, Citi Research

Figure 5. ZDT — Forward 1-yr P/B Band



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Source: dataCentral, Citi Research

Bull/Bear: Zhen Ding Technology (4958.TW)

NT$ 800.00	NT$ 750.00	NT$ 500.00
▲34% Upside	▲26% Upside	▼16% Downside



Spread 50pp
Current Price and expected returns (upside/downside) as of 07 Oct 2026

BULL Assumptions

- Stronger market share gains in SLP/HDI
- More progress in AI business, especially in GB200
- Better ABF demand from China market

BASE Assumptions

- 2027/28E sales growth of +35%/+27% YoY
- 2027/28E GM of 29.4%/33.1%

BEAR Assumptions

- Harsher margin dilution from stronger capex
- Worse-than-expected ABF demand from China market

Zhen Ding Technology

Company description

Established in 2006 and headquartered in Shenzhen, China, Zhen Ding Technology (ZDT) is one of the world's key flexible PCB makers. ZDT's manufacturing sites are all in China: Shenzhen, Qinhuangdao, Yingkou, and Huai'an. ZDT manufactures flexible PCB, HDI, conventional PCB, and substrates. FPCB accounts for >50% of revenue, HDI around 20%, and conventional PCB the rest.

Investment strategy

We rate ZDT shares a Buy. While the largest US smartphone brand, to which Zhen Ding has close to 70%+ sales exposure (e.g., iPhone/Mac/iPad), will not be able to avoid the impact of high memory prices, we think Zhen Ding's share gains in HDI/SLP this year could partially offset the pricing pressure. On BT substrates, we expect ZDT to benefit from price hikes due to the T-glass shortage and strong memory demand. On ABF substrates, thanks to its capacity ramp in Taiwan, we believe the ABF plant will benefit from AI ASIC in 2026. On China ABF demand, considering the limited ABF capacity owned by China players, we think Zhen Ding will enjoy China ABF demand in the medium to long term (especially given domestic AI demand).

Valuation

We set a DCF-based TP of NT$750. We use a DCF-based valuation to reflect ZDT's ability to generate stable cash flows. Key assumptions of our DCF model include a risk-free rate of 5.2% (10-year government bond rate), a market risk premium of 7%, and an equity beta of 0.89 (1-year weekly share price), deriving a WACC of 10.7%. Our model assumes high-single-digit long-term growth after 2028E and an 21.6% EBIT margin from 2028E with a gradual annual increase. Our TP is equivalent to 27x/17x 2027E/28E EPS and 4.5x/3.8x 2027E/28E BVPS.

Risks

Key downside risks that could cause the stock to trade below our target price include: 1) lower-than-expected iPhone/Mac/iPad end-demand; 2) lower content value for new smartphone models or pricing pressure; 3) ZDT losing market share from its FPC/HDI peers; 4) a slower demand in the substrate industry; 5) failure to pass the qualifications of major AI GPU or ASIC customers.

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Appendix A-1

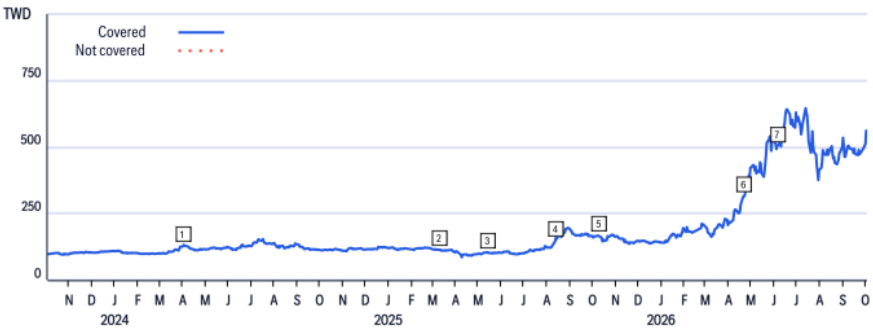
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Zhen Ding Technology (4958.TW)
Ratings and Target Price History
Fundamental Research

Analyst: Jack Chen



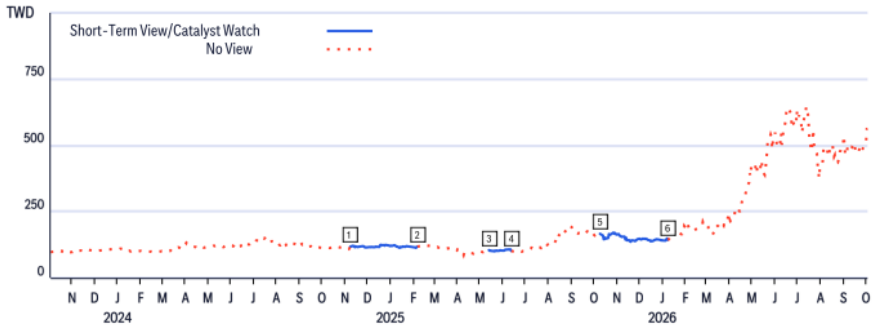
	Date	Rating	Target Price	Closing Price
1	01-Apr-24 14:07:45	1	*180.00	126.50
2	11-Mar-25 14:42:34	1	*150.00	113.50
3	13-May-25 13:56:39	1	*127.00	104.50
4	12-Aug-25 21:00:15	1	*170.00	147.00
5	10-Oct-25 03:35:47	*3	*150.00	166.00
6	22-Apr-26 04:54:40	3	*180.00	315.00
7	05-Jun-26 11:34:58	*1	*600.00	504.00

*Indicates Change

Rating/target price changes above reflect Eastern Time

Zhen Ding Technology (4958.TW)
Short-Term View/Catalyst Watch Research

Analyst: Jack Chen



	Date	Action	Expected Direction	Duration	Closing Price
1	08-Nov-24 08:14:31	Add CW	Upside	90 Days	117.50
2	06-Feb-25 19:44:32	Remove CW	Upside	90 Days	117.50
3	13-May-25 09:56:39	Add STV	Downside	30 Days	104.50
4	12-Jun-25 21:35:38	Remove STV	Downside	30 Days	101.00
5	09-Oct-25 23:35:47	Add CW	Downside	90 Days	166.00
6	08-Jan-26 19:58:49	Remove CW	Downside	90 Days	143.00

CW - Catalyst Watch , STV - Short-Term View

Rating/target price changes above reflect Eastern Time

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