Action | Citi Research

07 Aug 2026 12:26:55 ET | 14 pages

Auras Technology (3324.TWO)

2Q26 Missed on Margins/Non-Ops; GB300 Momentum Supports 3Q26E Outlook

CITI'S TAKE

Auras reported 2Q26 net profit of NT$969mn (-17% QoQ/+513% YoY), missing Citi/cons forecasts on weaker-than-expected GPM and non-ops. 2Q26 GPM reflected trail-production scrap tied to new product ramps and inventory provisions. Looking ahead, mgmt. guided for 3Q26E rev growth of mid-teens or higher QoQ, supported by strong incremental GB300 orders, with potential upside from earlier-than-expected next-gen platform ramp. GPM should improve sequentially on a richer liquid cooling mix with better revenue scale. We tweak our 2026E forecast but raise 2027E/28E, and lift our TP to NT$1,550 (20x 2027E EPS, rolled forward from 23x avg 2026-27E EPS). Reiterate Buy given structural growth and attractive valuation.

2Q26 results missed on margins & non-ops — Auras reported 2Q26 net profit of NT$969mn (-17% QoQ/+513% YoY), missing Citi/cons forecasts by 21%/22%, primarily on weaker-than-expected GPM and non-op items. 2Q26 GPM came in at 28.4% (-1.2ppts QoQ/+2.3ppts YoY), below expectations, reflecting trail-production scrap costs from new product ramps alongside inventory provision. Non-op items were also a drag, with an FX loss of NT$108mn the primary contributor.

3Q26: Solid server orders with rising liquid cooling mix — Mgmt. guided for 3Q26E revenue to grow mid-teens-plus QoQ, driven by robust incremental GB300 orders. Earlier-than-expected next-gen platform ramp represents additional upside, and we now model +18% QoQ revenue growth. GPM should improve sequentially from 2Q26 levels, supported by a richer liquid cooling mix and better scale as volumes ramp. We expect liquid cooling mix to exceed 60% of total revenue for the first time. NB should also benefit from seasonal strength heading into the peak season, while VGA growth remains constrained by chip shortages.

Implications — We slightly tweak our 2026E earnings forecast to reflect the 2Q26 miss, while raising our 2027E/28E earnings forecasts by 10%/8% to reflect updated guidance and outlook. We adjust our TP to NT$1,550, based on c.20x 2027E EPS (rolled from an avg. of 2026E-27E EPS, down from 23x previously), reflecting continued investor sentiment uncertainty around the AI hardware demand outlook. Given Auras' structural growth in the server and liquid cooling business, we view current valuation levels as attractive. We reiterate our Buy rating.

Earnings Summary

Year to 31 Dec	Net Profit (NT$M)	Diluted EPS (NT$)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	1,893	21.23	48.6	47.8	10.5	24.3	0.6
2025A	2,572	28.26	33.1	35.9	8.6	25.7	1.0
2026E	5,326	57.68	104.1	17.6	5.5	37.2	1.1
2027E	7,244	78.45	36.0	12.9	3.9	34.2	2.4
2028E	8,686	94.07	19.9	10.8	2.9	29.8	3.2

Source: Powered by dataCentral

Buy	
Price (07 Aug 26 15:00)	NT$1,015.00
Target price	NT$1,550.00↑
from NT$1,480.00	
Expected share price return	52.7%
Expected dividend yield	2.4%
Expected total return	55.1%
Market Cap	NT$94,473M
	US$2,929M

Price Performance
(RIC: 3324.TWO, BB: 3324 TT)

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3324.TWO: Fiscal year end 31-Dec

Price: NT$1,015.00; TP: NT$1,550.00; Market Cap: NT$94,473m; Recomm: Buy

Profit & Loss (NT$m)	2024	2025	2026E	2027E	2028E
Sales revenue	15,779	23,276	38,534	47,965	56,281
Cost of sales	-11,753	-16,904	-26,968	-33,086	-38,660
Gross profit	4,026	6,372	11,566	14,879	17,620
Gross Margin (%)	25.5	27.4	30.0	31.0	31.3
EBITDA (Adj)	**2,420**	**3,931**	**7,874**	**10,385**	**12,121**
EBITDA Margin (Adj) (%)	15.3	16.9	20.4	21.7	21.5
Depreciation	-509	-672	-875	-1,067	-1,025
Amortisation	0	0	0	0	0
EBIT (Adj)	**1,911**	**3,259**	**6,999**	**9,318**	**11,096**
EBIT Margin (Adj) (%)	12.1	14.0	18.2	19.4	19.7
Net interest	9	-34	-95	-95	-95
Associates	-21	-45	-35	0	0
Non-Op/Except/Other Adj	468	97	60	0	0
Pre-tax profit	**2,366**	**3,277**	**6,929**	**9,223**	**11,001**
Tax	-434	-580	-1,332	-1,779	-2,115
Extraord./Min.Int./Pref.div.	-39	-126	-271	-200	-200
Reported net profit	**1,893**	**2,572**	**5,326**	**7,244**	**8,686**
Net Margin (%)	12.0	11.1	13.8	15.1	15.4
Core NPAT	1,893	2,572	5,326	7,244	8,686

Per share data	2024	2025	2026E	2027E	2028E
Reported EPS ($)	21.23	28.26	57.68	78.45	94.07
Core EPS ($)	21.23	28.26	57.68	78.45	94.07
DPS ($)	6.19	9.86	11.63	24.07	32.74
CFPS ($)	18.43	-6.27	48.01	71.78	66.50
FCFPS ($)	2.33	-30.81	10.06	33.83	28.55
BVPS ($)	96.41	117.63	183.09	258.72	349.40
Wtd avg ord shares (m)	89.2	91.0	92.3	92.3	92.3
Wtd avg diluted shares (m)	89.2	91.0	92.3	92.3	92.3

Growth rates	2024	2025	2026E	2027E	2028E
Sales revenue (%)	24.1	47.5	65.5	24.5	17.3
EBIT (Adj) (%)	38.8	70.6	114.8	33.1	19.1
Core NPAT (%)	53.6	35.9	107.1	36.0	19.9
Core EPS (%)	48.6	33.1	104.1	36.0	19.9

Balance Sheet (NT$m)	2024	2025	2026E	2027E	2028E
Cash & cash equiv.	2,809	1,439	8,433	13,230	18,287
Accounts receivables	5,429	10,068	12,231	14,593	19,307
Inventory	2,810	6,057	7,606	9,148	12,093
Net fixed & other tangibles	4,641	6,610	9,508	12,000	14,533
Goodwill & intangibles	212	197	239	239	239
Financial & other assets	1,026	1,753	2,218	2,484	3,015
Total assets	**16,926**	**26,125**	**40,234**	**51,694**	**67,474**
Accounts payable	3,775	7,594	9,374	11,146	14,529
Short-term debt	475	2,678	1,976	1,976	1,976
Long-term debt	1,675	2,021	7,594	9,267	11,688
Provisions & other liab	1,713	2,337	3,066	3,637	4,726
Total liabilities	**7,638**	**14,630**	**22,010**	**26,025**	**32,919**
Shareholders' equity	8,961	11,085	17,536	24,780	33,467
Minority interests	327	410	688	888	1,088
Total equity	**9,288**	**11,494**	**18,225**	**25,669**	**34,555**
Net debt (Adj)	**-659**	**3,260**	**1,136**	**-1,987**	**-4,623**
Net debt to equity (Adj) (%)	-7.1	28.4	6.2	-7.7	-13.4

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	47.8	35.9	17.6	12.9	10.8
PB (x)	10.5	8.6	5.5	3.9	2.9
EV/EBITDA (x)	38.8	24.3	12.2	9.0	7.5
FCF yield (%)	0.2	-3.0	1.0	3.3	2.8
Dividend yield (%)	0.6	1.0	1.1	2.4	3.2
Payout ratio (%)	29	35	20	31	35
ROE (%)	24.3	25.7	37.2	34.2	29.8

Cashflow (NT$m)	2024	2025	2026E	2027E	2028E
EBITDA	2,420	3,931	7,874	10,385	12,121
Working capital	-85	-82	-383	0	0
Other	-692	-4,420	-3,058	-3,757	-5,981
Operating cashflow	**1,643**	**-571**	**4,433**	**6,628**	**6,140**
Capex	-1,436	-2,234	-3,504	-3,504	-3,504
Net acq/disposals	-285	-191	-274	0	0
Other	154	-269	0	0	0
Investing cashflow	**-1,567**	**-2,695**	**-3,778**	**-3,504**	**-3,504**
Dividends paid	-568	-918	-1,117	-2,313	-3,146
Financing cashflow	**1,364**	**1,950**	**6,160**	**1,674**	**2,421**
Net change in cash	**1,443**	**-1,370**	**6,815**	**4,797**	**5,057**
Free cashflow to s/holders	**208**	**-2,805**	**929**	**3,124**	**2,636**

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

Figure 1. Auras – 2Q26 earnings review

(NT$mn)	2Q26 Actual	1Q26 Actual	Q/Q	2Q25 Actual	Y/Y	2Q26 Citi	Diff.	2Q26 Cons.	Diff.
Revenue	8,700	8,552	2%	5,306	64%	8,889	-2%	8,815	-1%
Gross profit	2,472	2,537	-3%	1,387	78%	2,652	-7%	2,586	-4%
Gross margin	*28.4%*	*29.7%*	*-1.2 ppt*	*26.1%*	*+2.3 ppt*	*29.8%*	*-1.4 ppt*	*29.3%*	*-0.9 ppt*
Op. profit	1,390	1,520	-9%	634	119%	1,596	-13%	1,588	-12%
OP margin	*16.0%*	*17.8%*	*-1.8 ppt*	*11.9%*	*+4.0 ppt*	*18.0%*	*-2.0 ppt*	*18.0%*	*-2.0 ppt*
Net income	969	1,164	-17%	158	513%	1,224	-21%	1,232	-21%
EPS (NT$)	10.49	12.61	-17%	1.75	499%	13.26	-21%	13.29	-21%

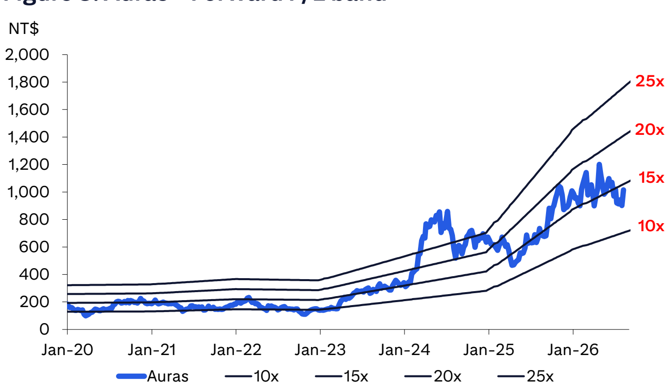
Source: Company Reports, Citi Research Estimates, Bloomberg consensus

Figure 2. Auras – Earnings estimate revisions

	2026E			2027E			2028E		
(NT$mn)	New	Old	Chg.	New	Old	Chg.	New	Old	Chg.
Sales	38,534	36,963	4%	47,965	43,694	10%	56,281	51,026	10%
Sequential growth	*66%*	*59%*		*24%*	*18%*		*17%*	*17%*	
Gross profit	11,566	11,135	4%	14,879	13,511	10%	17,620	16,112	9%
Opex	4,567	4,295	6%	5,561	5,073	10%	6,525	5,925	10%
Operating profit	6,999	6,840	2%	9,318	8,438	10%	11,096	10,187	9%
Pre-tax profit	6,929	6,819	2%	9,223	8,342	11%	11,001	10,091	9%
Net income	5,326	5,293	1%	7,244	6,585	10%	8,686	8,015	8%
EPS (NT$)	57.68	57.34	1%	78.45	71.33	10%	94.07	86.82	8%
Gross margin	30.0%	30.1%	-0.1 ppt	31.0%	30.9%	+0.1 ppt	31.3%	31.6%	-0.3 ppt
Opex ratio	11.9%	11.6%	+0.2 ppt	11.6%	11.6%	-0.0 ppt	11.6%	11.6%	-0.0 ppt
Operating margin	18.2%	18.5%	-0.3 ppt	19.4%	19.3%	+0.1 ppt	19.7%	20.0%	-0.2 ppt
Net margin	13.8%	14.3%	-0.5 ppt	15.1%	15.1%	+0.0 ppt	15.4%	15.7%	-0.3 ppt

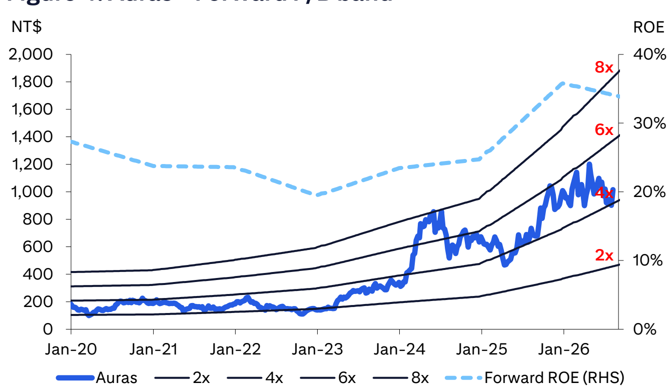
Source: Citi Research Estimates

Figure 3. Auras – Forward P/E band



Source: Company Reports, Citi Research Estimates, TEJ

Figure 4. Auras – Forward P/B band



Source: Company Reports, Citi Research Estimates, TEJ

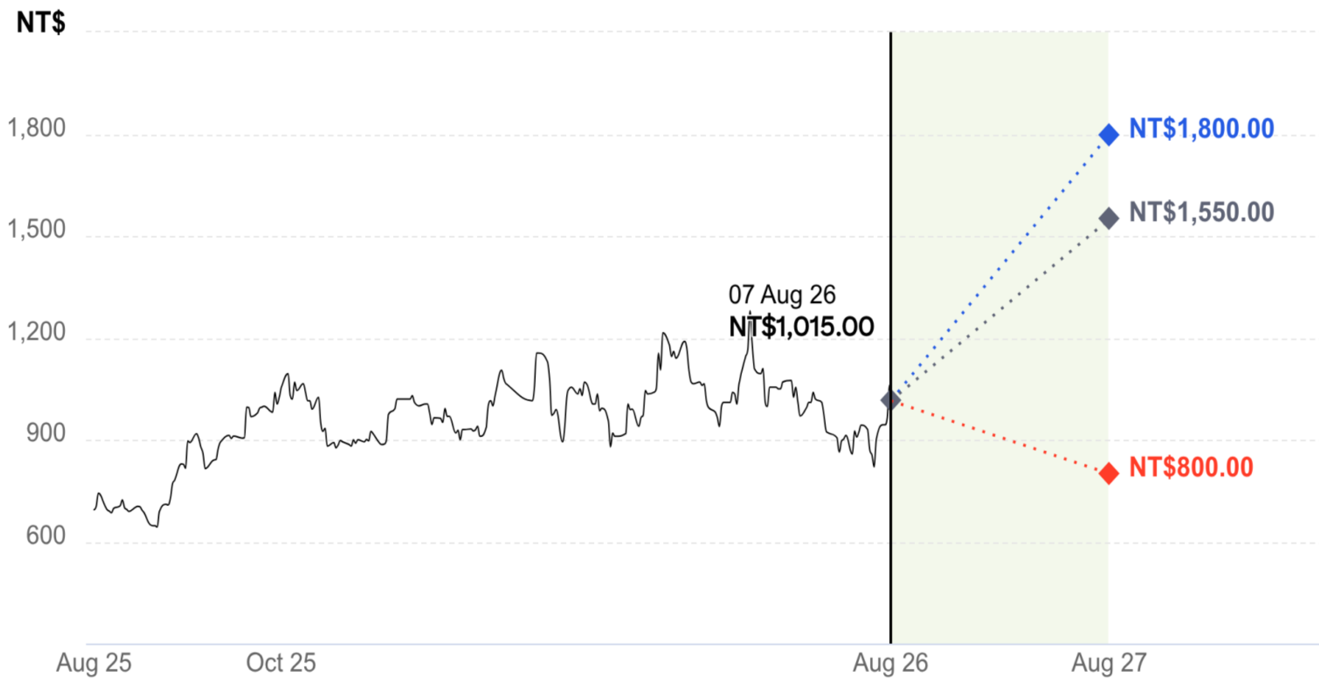
Figure 5. Auras – Quarterly earnings forecasts

(NT$ in Mn, year-end Dec)	1Q26	2Q26	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2025	2026E	2027E	2028E
Net sales	**8,552**	**8,700**	**10,261**	**11,021**	**10,796**	**11,508**	**12,690**	**12,971**	**23,276**	**38,534**	**47,965**	**56,281**
Gross Profit	**2,537**	**2,472**	**3,135**	**3,422**	**3,364**	**3,566**	**3,920**	**4,029**	**6,372**	**11,566**	**14,879**	**17,620**
OPEX	(1,017)	(1,082)	(1,190)	(1,277)	(1,252)	(1,334)	(1,472)	(1,503)	(3,113)	(4,567)	(5,561)	(6,525)
Operating profit	**1,520**	**1,390**	**1,944**	**2,145**	**2,111**	**2,232**	**2,449**	**2,525**	**3,259**	**6,999**	**9,318**	**11,096**
Total Non-OP	50	(73)	(24)	(24)	(24)	(24)	(24)	(24)	19	(70)	(95)	(95)
Pre-tax profit	1,570	1,317	1,921	2,121	2,088	2,209	2,425	2,502	3,277	6,929	9,223	11,001
Income tax	(305)	(278)	(359)	(390)	(405)	(428)	(471)	(475)	(580)	(1,332)	(1,779)	(2,115)
Net Profit	**1,164**	**969**	**1,512**	**1,681**	**1,632**	**1,730**	**1,904**	**1,977**	**2,572**	**5,326**	**7,244**	**8,686**
EPS (NT$)	**12.61**	**10.49**	**16.37**	**18.21**	**17.68**	**18.74**	**20.63**	**21.41**	**28.26**	**57.68**	**78.45**	**94.07**
Revenue mix												
Server	76%	78%	84%	85%	86%	85%	84%	84%	57%	81%	85%	86%
VGA	6%	4%	3%	2%	2%	3%	4%	3%	13%	4%	3%	3%
NB	13%	13%	9%	9%	8%	9%	9%	9%	20%	11%	9%	8%
DT	4%	4%	3%	3%	3%	3%	3%	3%	7%	3%	3%	2%
Others	1%	1%	1%	1%	1%	1%	1%	1%	2%	1%	1%	1%
Margins (%)												
Gross profit	**29.7%**	**28.4%**	**30.5%**	**31.0%**	**31.2%**	**31.0%**	**30.9%**	**31.1%**	**27.4%**	**30.0%**	**31.0%**	**31.3%**
OPEX to sales	11.9%	12.4%	11.6%	11.6%	11.6%	11.6%	11.6%	11.6%	13.4%	11.9%	11.6%	11.6%
Operating Margin	**17.8%**	**16.0%**	**18.9%**	**19.5%**	**19.6%**	**19.4%**	**19.3%**	**19.5%**	**14.0%**	**18.2%**	**19.4%**	**19.7%**
Pre-tax profit	18.4%	15.1%	18.7%	19.2%	19.3%	19.2%	19.1%	19.3%	14.1%	18.0%	19.2%	19.5%
Net Margin	**13.6%**	**11.1%**	**14.7%**	**15.3%**	**15.1%**	**15.0%**	**15.0%**	**15.2%**	**11.1%**	**13.8%**	**15.1%**	**15.4%**
Y/Y												
Net sales	93.7%	64.0%	72.2%	45.1%	26.2%	32.3%	23.7%	17.7%	47.5%	65.5%	24.5%	17.3%
Gross profit	109.9%	78.3%	76.8%	70.8%	32.6%	44.2%	25.1%	17.7%	43.8%	59.5%	22.7%	16.8%
Operating profit	169.7%	119.4%	95.9%	100.6%	38.9%	60.6%	25.9%	17.8%	70.6%	114.8%	33.1%	19.1%
Pre-tax profit	135.6%	524.9%	59.4%	77.4%	33.0%	67.7%	26.3%	17.9%	38.5%	111.4%	33.1%	19.3%
Net Margin	127.7%	512.8%	55.2%	80.9%	40.2%	78.6%	26.0%	17.6%	35.9%	107.1%	36.0%	19.9%
Q/Q												
Net sales	12.6%	1.7%	17.9%	7.4%	-2%	7%	10%	2%				
Gross profit	26.6%	-2.5%	26.8%	9.2%	-2%	6%	10%	3%				
Operating profit	42.1%	-8.5%	39.8%	10.3%	-2%	6%	10%	3%				
Pre-tax profit	31.3%	-16.1%	45.8%	10.4%	-2%	6%	10%	3%				
Net Margin	25.3%	-16.8%	56.0%	11.2%	-3%	6%	10%	4%				

Source: Company Reports, Citi Research Estimates

Bull/Bear: Auras Technology (3324.TWO)

NT$1,800.00 ▲77% Upside	NT$1,550.00 ▲53% Upside	NT$800.00 ▼21% Downside



Spread 99pp
Current Price and expected returns (upside/downside) as of 07 Aug 2026

BULL Assumptions

- Higher target multiple at 25x

BASE Assumptions

- Sales to grow by 66% YoY in 2026E, followed by 25% YoY growth in 2027E; OPM estimated at 18.2–19.4%
- Target multiple at 20x

BEAR Assumptions

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

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$1,550 is based on 20x 2027E EPS, which we believe is justified give 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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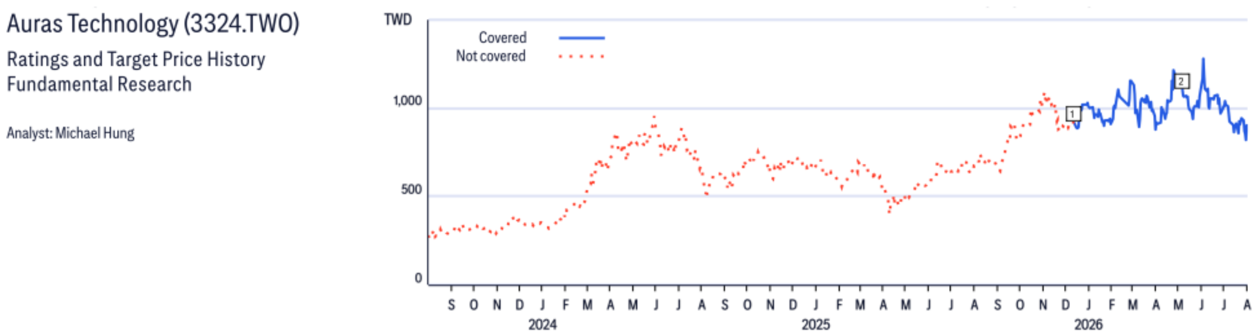
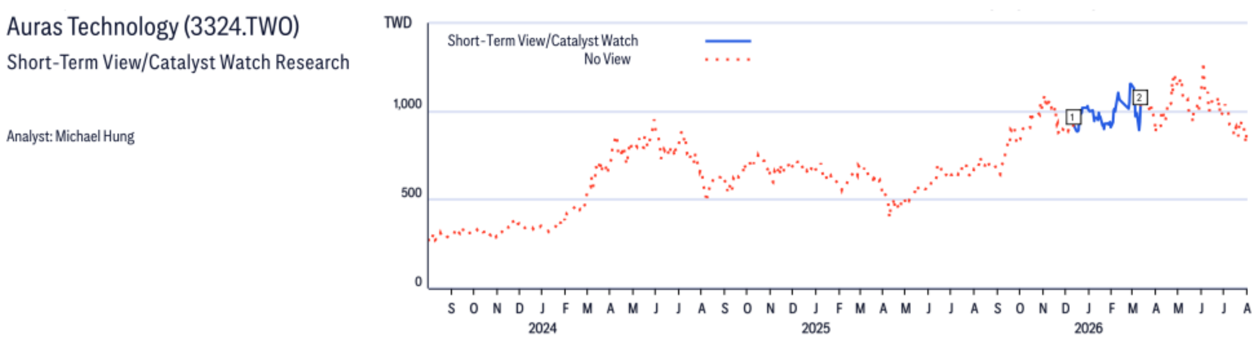


Date	Rating	Target Price	Closing Price
1 11-Dec-25 07:34:19	*1	*1,525.00	925.00
2 06-May-26 11:45:54	1	*1,480.00	1,105.00

*Indicates Change

Rating/target price changes above reflect Eastern Time



Date	Action	Expected Direction	Duration	Closing Price
1 11-Dec-25 02:34:19	Add STV	Upside	90 Days	925.00
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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