Eclat Textile (1476 TT)

Target price: **TWD460.00** (from TWD560.00)

Share price (18 Aug): **TWD310.50** | Up/downside: **+48.1%**

5 4 3 2 1

Buy
(unchanged)

2Q26 results review: held up well despite inflation

- 2026: gross margin guidance unchanged at 28-32%
- New products revenue account for 15% of 1H26 revenue
- Reaffirming our Buy (1) rating; lowering 12-month TP to TWD460

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What's new: Eclat held an investor conference on 18 August to discuss its 2Q26 results (see *our memo*, 6 August) and its outlook for 2H26. We reaffirm our Buy (1) rating, as we expect its gross margin to improve in 2H26, as the acquisition of new clients and product development underpin its profit growth momentum. Eclat is in a relatively solid position to gain market share with functionality upgrades designed to navigate macroeconomic uncertainties, such as US inflation and oil price hikes.

What's the impact: **Key highlights of 2Q26 results (details in p2): results missed market expectations.** Its 2Q26 gross margin came in at 30.0% (vs. 32.2% in 1Q26 and 25.7% in 2Q25), in line with our estimate (30.0%) but missing consensus (31.1%). Management attributed the decline to a less favourable product mix and the negative impact from increased raw material costs. However, with higher-than-expected personnel expenses from rising labour headcount and salaries, its operating margin of 19.2% (vs. 22.8% in 1Q26 and 15.4% in 2Q25) missed our estimate (20.2%) and the Bloomberg consensus (21.2%).

Unchanged 2026 order outlook and gross margin guidance. Its order visibility remains at 6 months, and the company aims to deliver monthly revenue of TWD3bn+ (vs. its July revenue of TWD3.7bn) for the remaining months of 2026. Despite the inflationary environment in the US, the company believes order placement momentum and new product development remain intact. Management maintains its gross margin guidance for 2026 at 28-32% as the positive impact from new products' contribution is offset by carryover products, and will review it again by end-2026. However, we expect its gross margin in 2H26 to likely improve from 30% in 2Q26 on a better raw materials environment and revenue contributions from new products and clients. We trim our 2026-28E EPS by 1%, mainly on our more conservative operating margin assumptions.

What we recommend: We reaffirm our Buy (1) rating but lower our 12-month TP to TWD460 (from TWD560), now based on a target PER of 18x (from 22x, close to the midpoint of its past-5-year range of 12-27x [average PER of 20x]) due to decelerating earnings CAGR of 8.9% over 2026-28E from 15.0% over 2025-27E, and on 1-year forward EPS. Key downside risks: slower-than-expected gross margin expansion; lower-than-expected demand; and uncertainty over high inflation and tariffs.

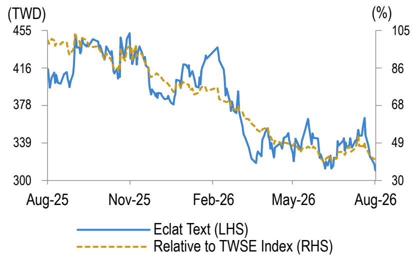
How we differ: Our 2026-28E EPS are 2-5% below Bloomberg consensus, likely as we are slightly conservative on Eclat's revenue and operating margins assumptions.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	-	(0.5)	(1.0)
Net profit change	(1.2)	(1.4)	(1.4)
Core EPS (FD) change	(1.1)	(1.3)	(1.3)

Source: Daiwa forecasts

Share price performance



12-month range	310.50-452.00
Market cap (USDbn)	2.68
3m avg daily turnover (USDm)	19.33
Shares outstanding (m)	274
Major shareholder	Zhen-Hai Hong (Chairman) (3.3%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	40,570	43,675	47,077
Operating profit (m)	8,215	9,041	9,886
Net profit (m)	6,712	7,293	7,962
Core EPS (fully-diluted)	24.454	26.567	29.006
EPS change (%)	21.7	8.6	9.2
Daiwa vs Cons. EPS (%)	(2.1)	(2.1)	(4.6)
PER (x)	12.7	11.7	10.7
Dividend yield (%)	5.9	6.4	7.0
DPS	18.3	19.9	21.8
PBR (x)	2.6	2.5	2.3
EV/EBITDA (x)	9.1	8.2	7.4
ROE (%)	21.7	21.9	22.3

Source: FactSet, Daiwa forecasts

Flash

Eclat: revenue and earnings forecasts revisions

	2026E			2027E			2028E		
(TWDm)	**New**	**Previous**	**Change**	**New**	**Previous**	**Change**	**New**	**Previous**	**Change**
Fabric revenue	12,765	13,286	-3.9%	13,020	13,823	-5.8%	13,281	14,381	-7.7%
Garment revenue	27,805	27,275	1.9%	30,655	30,071	1.9%	33,797	33,153	1.9%
Sales	**40,570**	**40,561**	0.0%	**43,675**	**43,894**	-0.5%	**47,077**	**47,534**	-1.0%
Gross profit	**12,475**	**12,371**	0.8%	**13,452**	**13,475**	-0.2%	**14,594**	**14,641**	-0.3%
Gross profit margin	*30.8%*	*30.5%*	*0.3pp*	*30.8%*	*30.7%*	*0.1pp*	*31.0%*	*30.8%*	*0.2pp*
Operating profit	**8,215**	**8,396**	-2.2%	**9,041**	**9,218**	-1.9%	**9,886**	**10,077**	-1.9%
Operating profit margin	*20.3%*	*20.7%*	*-0.4pp*	*20.7%*	*21.0%*	*-0.3pp*	*21.0%*	*21.2%*	*-0.2pp*
Net profit	**6,712**	**6,797**	-1.2%	**7,293**	**7,396**	-1.4%	**7,962**	**8,077**	-1.4%
Net profit margin	*16.5%*	*16.8%*	*-0.2pp*	*16.7%*	*16.9%*	*-0.2pp*	*16.9%*	*17.0%*	*-0.1pp*
EPS (TWD)	**24.45**	**24.73**	-1.1%	**26.57**	**26.91**	-1.3%	**29.01**	**29.38**	-1.3%

Source: Daiwa forecasts

Eclat: 2Q26 results vs. Daiwa and Bloomberg forecasts

(TWDm)	Eclat's 2Q26 results	Daiwa's previous forecast	Difference	Bloomberg consensus	Difference
Revenue	10,086	10,264	-1.7%	10,206	-1.2%
Gross profit	3,027	3,079	-1.7%	3,176	-4.7%
Operating profit	1,935	2,069	-6.5%	2,167	-10.7%
Profit before tax	2,009	2,100	-4.4%	2,198	-8.6%
Net profit	1,553	1,522	2.0%	1,688	-8.0%
Basic EPS (TWD)	5.66	5.55	2.1%	6.13	-7.6%
Margin					
Gross margin	30.0%	30.0%	0pp	31.1%	-1.1pp
Operating margin	19.2%	20.2%	-1pp	21.2%	-2.1pp
Pre-tax margin	19.9%	20.5%	-0.5pp	21.5%	-1.6pp
Net margin	15.4%	14.8%	0.6pp	16.5%	-1.1pp

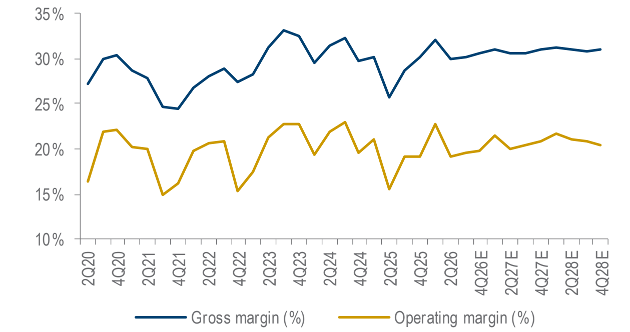
Source: Company, Bloomberg, Daiwa forecasts

Eclat: quarterly P&L

	2026E				2027E				2026E	2027E	2028E
(TWDm)	**1Q26**	**2Q26E**	**3Q26E**	**4Q26E**	**1Q27E**	**2Q27E**	**3Q27E**	**4Q27E**			
Revenue	9,621	10,086	10,352	10,510	10,300	10,900	11,100	11,375	40,570	43,675	47,077
Gross profit	3,095	3,027	3,126	3,227	3,193	3,325	3,408	3,527	12,475	13,452	14,594
Operating profit	2,195	1,935	2,016	2,069	2,223	2,190	2,268	2,361	8,215	9,041	9,886
Pre-tax profit	2,291	2,009	2,063	2,116	2,266	2,232	2,310	2,403	8,478	9,211	10,057
Net profit	1,835	1,553	1,632	1,693	1,814	1,726	1,828	1,925	6,712	7,293	7,962
Basic EPS (TWD)	6.69	5.66	5.95	6.17	6.61	6.29	6.66	7.02	24.46	26.58	29.02
Margin											
Gross margin	32.2%	30.0%	30.2%	30.7%	31.0%	30.5%	30.7%	31.0%	30.8%	30.8%	31.0%
Operating margin	22.8%	19.2%	19.5%	19.7%	21.6%	20.1%	20.4%	20.8%	20.3%	20.7%	21.0%
Pre-tax margin	23.8%	19.9%	19.9%	20.1%	22.0%	20.5%	20.8%	21.1%	20.9%	21.1%	21.4%
Net margin	19.1%	15.4%	15.8%	16.1%	17.6%	15.8%	16.5%	16.9%	16.5%	16.7%	16.9%
YoY											
Revenue	2.6%	3.8%	7.5%	13.5%	7.1%	8.1%	7.2%	8.2%	6.8%	7.7%	7.8%
Gross profit	9.3%	21.4%	13.2%	15.4%	3.2%	9.8%	9.0%	9.3%	14.6%	7.8%	8.5%
Operating profit	11.1%	28.9%	9.6%	16.6%	1.3%	13.2%	12.5%	14.1%	15.8%	10.0%	9.4%
Pre-tax profit	9.8%	142.2%	-1.2%	7.9%	-1.1%	11.1%	12.0%	13.6%	21.7%	8.6%	9.2%
Net profit	9.2%	158.3%	-1.2%	7.0%	-1.1%	11.1%	12.0%	13.7%	21.7%	8.6%	9.2%
QoQ											
Revenue	3.9%	4.8%	2.6%	1.5%	-2.0%	5.8%	1.8%	2.5%			
Gross profit	10.7%	-2.2%	3.3%	3.2%	-1.1%	4.1%	2.5%	3.5%			
Operating profit	23.6%	-11.8%	4.2%	2.6%	7.4%	-1.5%	3.6%	4.1%			
Pre-tax profit	16.9%	-12.3%	2.7%	2.6%	7.1%	-1.5%	3.5%	4.0%			
Net profit	16.0%	-15.4%	5.1%	3.7%	7.2%	-4.9%	5.9%	5.3%			

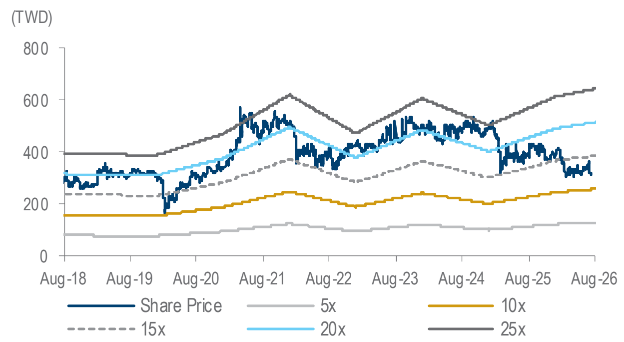
Source: Company, Daiwa forecasts

Eclat: margin trend



Source: Company, Daiwa forecasts

Eclat: 1-year forward PER



Source: Bloomberg, Daiwa forecasts

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Financial summary

Key assumptions

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Garment revenue growth (YoY %)	16.9	5.2	(22.6)	23.9	6.2	10.3	10.3	10.3
Fabric revenue growth (YoY %)	52.9	21.8	(22.4)	12.5	(2.3)	(0.0)	2.0	2.0
Gross margin (%)	26.4	27.8	31.4	30.9	28.6	30.8	30.8	31.0

Profit and loss (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Garment revenue	23,552	24,774	19,174	23,755	25,220	27,805	30,655	33,797
Fabric revenue	12,284	14,962	11,617	13,073	12,770	12,765	13,020	13,281
Other Revenue	81	0	0	0	0	0	0	0
Total Revenue	**35,917**	**39,736**	**30,790**	**36,828**	**37,990**	**40,570**	**43,675**	**47,077**
Other income	0	0	0	0	0	0	0	0
COGS	(26,426)	(28,671)	(21,111)	(25,460)	(27,108)	(28,094)	(30,223)	(32,483)
SG&A	(2,930)	(3,168)	(2,977)	(3,442)	(3,614)	(4,016)	(4,193)	(4,472)
Other op.expenses	(163)	(160)	(153)	(171)	(176)	(243)	(218)	(235)
Operating profit	**6,398**	**7,737**	**6,549**	**7,755**	**7,092**	**8,215**	**9,041**	**9,886**
Net-interest inc./(exp.)	(2)	(23)	(2)	38	99	130	130	130
Assoc/forex/extraord./others	(11)	826	128	557	(225)	132	40	40
Pre-tax profit	**6,386**	**8,540**	**6,676**	**8,351**	**6,966**	**8,478**	**9,211**	**10,057**
Tax	(1,237)	(1,750)	(1,499)	(1,710)	(1,451)	(1,766)	(1,918)	(2,094)
Min. int./pref. div./others	0	0	0	0	0	0	0	0
Net profit (reported)	**5,149**	**6,790**	**5,176**	**6,641**	**5,515**	**6,712**	**7,293**	**7,962**
Net profit (adjusted)	**5,149**	**6,790**	**5,176**	**6,641**	**5,515**	**6,712**	**7,293**	**7,962**
EPS (reported)(TWD)	**18.765**	**24.749**	**18.867**	**24.204**	**20.101**	**24.465**	**26.580**	**29.021**
EPS (adjusted)(TWD)	**18.765**	**24.749**	**18.867**	**24.204**	**20.101**	**24.465**	**26.580**	**29.021**
EPS (adjusted fully-diluted)(TWD)	**18.764**	**24.747**	**18.866**	**24.203**	**20.087**	**24.454**	**26.567**	**29.006**
DPS (TWD)	**12.000**	**17.000**	**13.500**	**17.000**	**15.000**	**18.349**	**19.935**	**21.766**
EBIT	**6,398**	**7,737**	**6,549**	**7,755**	**7,092**	**8,215**	**9,041**	**9,886**
EBITDA	**7,031**	**8,531**	**7,430**	**8,642**	**7,968**	**9,074**	**9,981**	**10,899**

Cash flow (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	6,386	8,540	6,676	8,351	6,966	8,478	9,211	10,057
Depreciation and amortisation	632	794	881	886	876	859	940	1,012
Tax paid	(1,237)	(1,750)	(1,499)	(1,710)	(1,451)	(1,766)	(1,918)	(2,094)
Change in working capital	(3,020)	3,828	(708)	(2,365)	1,283	(1,254)	(185)	(904)
Other operational CF items	16	905	(686)	(442)	(104)	(0)	0	0
Cash flow from operations	**2,778**	**12,318**	**4,664**	**4,720**	**7,570**	**6,317**	**8,047**	**8,070**
Capex	(2,490)	(1,796)	(303)	(484)	(370)	(2,480)	(2,000)	(2,000)
Net (acquisitions)/disposals	5	0	46	93	0	0	0	0
Other investing CF items	(13)	(3,011)	(1,579)	(401)	(1,497)	0	0	0
Cash flow from investing	**(2,498)**	**(4,807)**	**(1,836)**	**(792)**	**(1,866)**	**(2,480)**	**(2,000)**	**(2,000)**
Change in debt	4	431	(1,154)	1,181	(1,171)	0	0	0
Net share issues/(repurchases)	0	0	0	0	0	0	0	0
Dividends paid	(3,018)	(3,292)	(4,664)	(3,704)	(4,664)	(4,116)	(5,034)	(5,469)
Other financing CF items	525	(393)	(233)	(586)	(18)	0	0	0
Cash flow from financing	**(2,489)**	**(3,254)**	**(6,052)**	**(3,109)**	**(5,854)**	**(4,116)**	**(5,034)**	**(5,469)**
Forex effect/others	(54)	5	15	(15)	(59)	0	0	0
Change in cash	**(2,264)**	**4,262**	**(3,209)**	**804**	**(209)**	**(279)**	**1,013**	**601**
Free cash flow	287	10,522	4,361	4,236	7,200	3,837	6,047	6,070

Source: FactSet, Daiwa forecasts

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Financial summary continued …

Balance sheet (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Cash & short-term investment	1,760	6,022	2,814	3,618	3,409	3,131	4,144	4,745
Inventory	8,276	4,625	4,402	5,522	5,931	6,120	6,598	7,084
Accounts receivable	5,209	4,087	4,967	6,638	4,817	6,228	6,121	6,913
Other current assets	578	3,621	5,215	5,730	7,210	7,210	7,210	7,210
Total current assets	**15,823**	**18,355**	**17,398**	**21,508**	**21,367**	**22,689**	**24,073**	**25,951**
Fixed assets	12,065	13,627	12,288	12,994	12,328	13,944	15,004	15,992
Goodwill & intangibles	19	19	25	27	20	20	20	20
Other non-current assets	1,372	1,362	2,122	1,337	1,326	1,326	1,326	1,326
Total assets	**29,279**	**33,364**	**31,833**	**35,865**	**35,042**	**37,980**	**40,424**	**43,290**
Short-term debt	1,347	1,778	624	1,804	547	547	547	547
Accounts payable	4,144	3,526	3,137	3,793	3,625	3,971	4,157	4,530
Other current liabilities	1,536	2,274	2,320	1,169	1,090	1,090	1,090	1,090
Total current liabilities	**7,027**	**7,577**	**6,081**	**6,767**	**5,263**	**5,609**	**5,795**	**6,168**
Long-term debt	1,037	563	0	0	0	0	0	0
Other non-current liabilities	66	81	81	177	137	137	137	137
Total liabilities	**8,129**	**8,222**	**6,162**	**6,943**	**5,400**	**5,746**	**5,932**	**6,304**
Share capital	2,744	2,744	2,744	2,744	2,744	2,744	2,744	2,744
Reserves/R.E./others	18,406	22,398	22,927	26,178	26,893	29,490	31,749	34,242
Shareholders' equity	**21,149**	**25,142**	**25,671**	**28,922**	**29,637**	**32,234**	**34,492**	**36,985**
Minority interests	0	0	0	0	0	0	0	0
Total equity & liabilities	**29,279**	**33,364**	**31,833**	**35,865**	**35,037**	**37,980**	**40,424**	**43,290**
EV	85,815	81,510	83,001	83,377	82,329	82,607	81,595	80,994
Net debt/(cash)	**624**	**(3,681)**	**(2,190)**	**(1,814)**	**(2,862)**	**(2,584)**	**(3,596)**	**(4,197)**
BVPS (TWD)	**77.084**	**91.636**	**93.563**	**105.412**	**108.020**	**117.485**	**125.716**	**134.802**

Key ratios (%)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales (YoY)	27.5	10.6	(22.5)	19.6	3.2	6.8	7.7	7.8
EBITDA (YoY)	13.4	21.3	(12.9)	16.3	(7.8)	13.9	10.0	9.2
Operating profit (YoY)	16.4	20.9	(15.4)	18.4	(8.6)	15.8	10.0	9.4
Net profit (YoY)	21.0	31.9	(23.8)	28.3	(17.0)	21.7	8.6	9.2
Core EPS (fully-diluted) (YoY)	21.0	31.9	(23.8)	28.3	(17.0)	21.7	8.6	9.2
Gross-profit margin	26.4	27.8	31.4	30.9	28.6	30.8	30.8	31.0
EBITDA margin	19.6	21.5	24.1	23.5	21.0	22.4	22.9	23.2
Operating-profit margin	17.8	19.5	21.3	21.1	18.7	20.3	20.7	21.0
Net profit margin	14.3	17.1	16.8	18.0	14.5	16.5	16.7	16.9
ROAE	25.5	29.3	20.4	24.3	18.8	21.7	21.9	22.3
ROAA	18.5	21.7	15.9	19.6	15.6	18.4	18.6	19.0
ROCE	28.7	30.3	24.4	27.2	23.3	26.1	26.7	27.2
ROIC	26.6	28.5	22.6	24.4	20.8	23.1	23.6	24.6
Net debt to equity	2.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Effective tax rate	19.4	20.5	22.5	20.5	20.8	20.8	20.8	20.8
Accounts receivable (days)	53.7	42.7	53.7	57.5	55.0	49.7	51.6	50.5
Current ratio (x)	2.3	2.4	2.9	3.2	4.1	4.0	4.2	4.2
Net interest cover (x)	4,206.8	337.2	3,882.0	n.a.	n.a.	n.a.	n.a.	n.a.
Net dividend payout	63.9	68.7	71.6	70.2	74.6	75.0	75.0	75.0
Free cash flow yield	0.3	12.4	5.1	5.0	8.5	4.5	7.1	7.1

Source: FactSet, Daiwa forecasts

Company profile

Eclat Textile (Eclat) is a technology-based Taiwanese textiles company that supplies functional and flexible knitwear fabrics, as well as sports apparel products, to a diversified client base. Its major clients include Nike, Gap (Athleta), Under Armour and Lululemon.

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ESG analysis

ESG risks

Risks		Management	Analyst comments
G	Executive/board quality	1	The CEO and Chairman of Eclat are not the same individual. The Chairman leads the board and the 2 independent CEOs manage its fabric and garment divisions, respectively. The board includes 4 independent directors and 1 female member. Moreover, 3 of the board members (including the Chairman) are founding members, with more than 40 years of experience in Eclat's business, indicating strong leadership and management capability.
	Capital management	1	Eclat has maintained its payout ratio at 64-75% over 2019-25. As it is expanding its capacity in Indonesia, we believe the current payout level is reasonable.
	Related party & transaction	1	Eclat's garment division sources partially from its fabric division, with an internal transfer ratio of 40%. We believe this is a strong sign to its clients about the company's competitive advantages in production cost and quality.
S	Supply chain management	1	Eclat adheres to the ZDHC regulation (MRSL) and has adopted the Higg Index to evaluate its sustainability. It is also a partner of the Bluesign system. Eclat has also set up its ERP system, which could save 50k+ hours per year. To lower supplier-related risks, it adopts a decentralised procurement strategy that conducts collaborative R&D with suppliers. Its capacity allocation has expanded to different regions in the past few years, including Taiwan, Vietnam, Cambodia and Indonesia. We believe the risk-mitigation measures from the decentralised procurement strategy can offset the costs incurred from managing suppliers from various locations.
E	Materials sourcing & efficiency	1	As one of the few textile companies that have R&D capability to develop innovative products, Eclat has invested substantially in its environment-friendly products on the back of the ESG trend in the fashion industry. Also, Eclat has been increasing its recycled yarn percentage every year (2022: 17.23%) and is dedicated to improving its local-to-local sourcing ratio (2022: 85.43% in Taiwan; 45.81% in Vietnam), which saves transportation costs and energy, and lowers carbon emissions.

Note: Management score represents a company's ability to manage/benefit from certain ESG topics. The scores range from 1 to 3, with 1 being the strongest.

Update Date: 19 May 2026
Source: Daiwa, Company

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Source: Daiwa

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