Daiwa Capital Markets Hong Kong Limited

Nan Juen International (6584 TT)

Target price: **TWD1,022.00** (from TWD1,022.00)

Share price (19 Aug): **TWD600.00** | Up/downside: **+70.3%**

5 4 3 2 **1**

Buy (unchanged)

2Q26 review: structural growth intact

- 2Q26 earnings beat on non-op gains, but core margins softened
- Regular server weakness offset by AI server rail kit
- Reaffirming our Buy (1) rating with 12-month TP of TWD1,022

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What's new: Nan Juen released its 2Q26 results on 12 August. We provide our views in this report.

What's the impact: **2Q26 results beat on non-op gain.** Nan Juen's 2Q26 earnings came in at TWD219m (EPS: TWD3.1), which was 5% higher than our estimate but 6% lower than consensus. Revenue was slightly below expectations, while gross margin edged up 0.2pp QoQ to 41.8%, which was modestly below both our and the street's estimates, mainly due to lower-than-expected revenue contribution from high-ASP regular server rail kits. Operating margin similarly rose 0.2pp QoQ to 29.7%, following the gross margin trend. Net profit was boosted by a higher-than-expected non-operating gain of c.TWD21m, mainly driven by FX gains and government subsidies.

Business outlook. Looking into 3Q26, we expect shipments of one of its CSP client's regular server rail kits to remain weak, with 2Q26 monthly shipment declining to below 30k sets per month (vs. over 80k sets per month in 1Q26), while shipments to other CSP client should remain stable. As a result, we lower our 2026E regular server revenue forecast to TWD2.0bn from TWD2.4bn previously. That said, with Nan Juen now in mass production for both its GPU and ASIC projects, we expect AI server rail kit shipments to drive further revenue growth in 3Q26 and also lift margins, consistent with our previous expectations. Nan Juen's own Vera Rubin shipment schedule remains on track, targeting late-3Q26 shipments to its primary CSP customer. On ASIC, the mass production status by the CSP further solidifies our conviction. We maintain our 20-30% supply share assumption for this generation of ASIC in 2H26E and 2027E. Combined with the structural margin improvement from Vietnam, a regular server rebound could push gross margins above our current estimates, reinforcing our positive view on the stock. We remain positive on Nan Juen's product mix shift toward higher-margin server rail kits and its expanding AI server contribution. Overall, we believe its EPS growth trajectory over 2026-28E remains firmly on track.

What we recommend: We cut our 2026-27E EPS by 11-13% to reflect the current weakness in its regular server rail kit orders, but raise our 2028E EPS by c.2% to factor in the latest positive update on ASIC and AI margin contribution. We reaffirm Buy (1) and 12M TP of TWD1,022, based on a PER of 36x (vs. its past-3-year range of 11-90x), applied to our 4-quarter-forward EPS forecast. Key downside risk: worse-than-expected AI server demand.

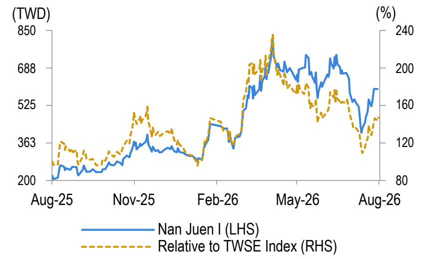
How we differ: Our 2027-28E EPS are 3-8% above the Bloomberg consensus, likely as we are more positive on Nan Juen's gross margin.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	(10.4)	(13.0)	(0.5)
Net profit change	(11.3)	(9.6)	3.2
Core EPS (FD) change	(12.6)	(10.8)	1.7

Source: Daiwa forecasts

Share price performance



12-month range	203.00-805.00
Market cap (USDbn)	1.33
3m avg daily turnover (USDm)	18.75
Shares outstanding (m)	71
Major shareholder	Ho-Ying Investment Co., Ltd. (12.6%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	3,781	6,417	8,206
Operating profit (m)	1,247	2,825	4,023
Net profit (m)	1,050	2,267	3,226
Core EPS (fully-diluted)	14.867	32.093	45.660
EPS change (%)	179.9	115.9	42.3
Daiwa vs Cons. EPS (%)	(10.6)	8.4	3.2
PER (x)	40.4	18.7	13.1
Dividend yield (%)	0.4	1.5	2.8
DPS	2.5	9.0	17.0
PBR (x)	10.5	7.5	5.5
EV/EBITDA (x)	27.5	12.9	8.8
ROE (%)	29.3	46.8	48.3

Source: FactSet, Daiwa forecasts

Flash

Nan Juen: Daiwa revenue and earnings forecasts revisions vs. the consensus

	2026E			2027E			2028E		
(TWDm)	**Previous**	**New**	**Consensus**	**Previous**	**New**	**Consensus**	**Previous**	**New**	**Consensus**
Revenue	4,220	3,781	4,049	7,376	6,417	6,258	8,245	8,206	8,245
Diff (%)		-10.4%	-6.6%		-13.0%	2.5%		-0.5%	-0.5%
Gross Margin (%)	46.1%	45.0%	42.1%	54.3%	55.9%	52.8%	59.1%	60.8%	59.1%
Operating profit	1,439	1,248	1,413	3,129	2,826	2,582	3,904	4,024	3,904
Op Margin (%)	34.1%	33.0%	34.9%	42.4%	44.0%	41.3%	47.3%	49.0%	47.3%
Net profit	1,185	1,050	1,175	2,507	2,268	2,092	3,126	3,226	3,127
EPS (TWD)	17.00	14.87	16.63	35.98	32.10	29.61	44.88	45.67	44.26
Diff (%)		-12.6%	-10.6%		-10.8%	8.4%		1.7%	3.2%

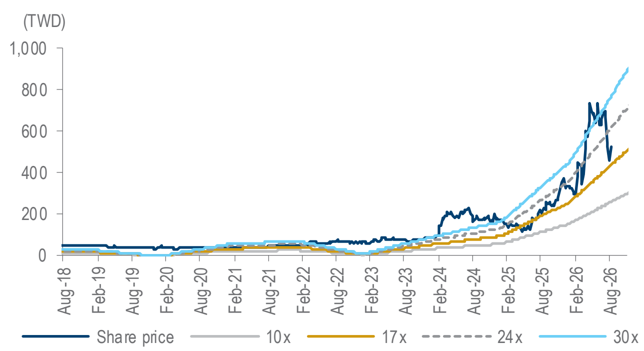
Source: Bloomberg, Daiwa forecasts

Nan Juen: quarterly and annual P&L statement

	2026E				2027E				2025	2026E	2027E	2028E
(TWDm)	1Q	2Q	3QE	4QE	1QE	2QE	3QE	4QE				
Net revenue	**867**	**846**	**898**	**1,169**	**1,329**	**1,618**	**1,774**	**1,696**	**2,433**	**3,781**	**6,417**	**8,206**
COGS	-507	-492	-495	-585	-570	-717	-784	-758	-1,582	-2,079	-2,829	-3,221
Gross profit	**360**	**354**	**403**	**585**	**759**	**901**	**990**	**937**	**851**	**1,702**	**3,588**	**4,985**
Operating expenses	-105	-102	-108	-140	-160	-191	-208	-203	-367	-455	-762	-962
Operating profit	**255**	**251**	**295**	**444**	**600**	**710**	**783**	**734**	**484**	**1,248**	**2,826**	**4,024**
Non-operating profit	39	21	2	3	2	2	2	2	48	65	9	8
Pre-tax profit	**294**	**273**	**297**	**447**	**602**	**712**	**785**	**736**	**532**	**1,312**	**2,835**	**4,033**
Income taxes	-59	-54	-59	-89	-120	-142	-157	-147	-162	-262	-567	-806
Net profit	**235**	**219**	**238**	**358**	**482**	**569**	**628**	**589**	**370**	**1,050**	**2,268**	**3,226**
Net EPS (TWD)	**3.33**	**3.10**	**3.37**	**5.06**	**6.82**	**8.06**	**8.89**	**8.34**	**5.31**	**14.87**	**32.10**	**45.67**
Operating Ratios												
Gross margin	41.6%	41.8%	44.9%	50.0%	57.1%	55.7%	55.8%	55.3%	35.0%	45.0%	55.9%	60.8%
Operating margin	29.5%	29.7%	32.9%	38.0%	45.1%	43.9%	44.1%	43.3%	19.9%	33.0%	44.0%	49.0%
Pre-tax margin	34.0%	32.2%	33.1%	38.2%	45.3%	44.0%	44.2%	43.4%	21.9%	34.7%	44.2%	49.1%
Net margin	27.1%	25.9%	26.5%	30.6%	36.2%	35.2%	35.4%	34.7%	15.2%	27.8%	35.3%	39.3%
YoY (%)												
Net revenue	74%	41%	44%	65%	53%	91%	98%	45%	26%	55%	70%	28%
Gross profit	139%	81%	77%	110%	111%	154%	146%	60%	69%	100%	111%	39%
Operating profit	255%	159%	119%	147%	135%	182%	165%	65%	138%	158%	127%	42%
Pre-tax profit	259%	490%	82%	86%	104%	161%	164%	65%	121%	147%	116%	42%
Net profit	260%	2515%	83%	115%	105%	160%	164%	65%	92%	184%	116%	42%
QoQ (%)												
Net revenue	22%	-2%	6%	30%	14%	22%	10%	-4%				
Gross profit	30%	-2%	14%	45%	30%	19%	10%	-5%				
Operating profit	42%	-2%	18%	50%	35%	18%	10%	-6%				
Pre-tax profit	23%	-7%	9%	50%	35%	18%	10%	-6%				
Net profit	42%	-7%	9%	50%	35%	18%	10%	-6%				

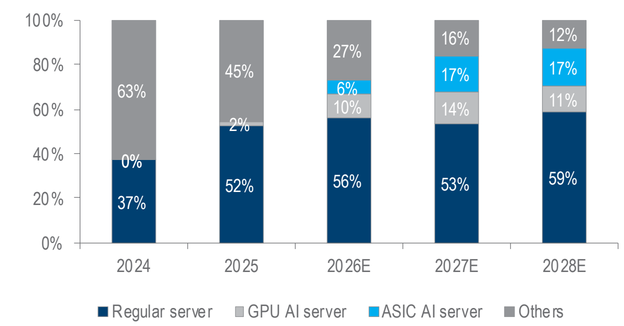
Source: Company, Daiwa forecasts

Nan Juen: 1-year-forward PER bands



Source: TEJ, Daiwa forecasts

Nan Juen: revenue breakdown



Source: Company, Daiwa forecasts

Financial summary

Key assumptions

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Server rail kit revenue	0.0	479.7	357.6	712.1	1,327.1	2,711.8	5,395.1	7,184.7
Regular server rail kit revenue	0.0	479.7	357.6	712.1	1,270.6	2,096.3	3,422.0	4,815.9
AI server rail kit revenue	0.0	0.0	0.0	0.0	56.6	615.4	1,973.1	2,368.8

Profit and loss (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Regular server railkit sales	0	480	358	712	1,271	2,096	3,422	4,816
AI server railkit sales	0	0	0	0	57	615	1,973	2,369
Other Revenue	2,041	1,519	967	1,212	1,106	1,069	1,021	1,021
Total Revenue	**2,041**	**1,999**	**1,324**	**1,924**	**2,433**	**3,781**	**6,417**	**8,206**
Other income	0	0	0	0	0	0	0	0
COGS	(1,669)	(1,636)	(1,085)	(1,422)	(1,582)	(2,079)	(2,829)	(3,221)
SG&A	(208)	(230)	(191)	(237)	(301)	(378)	(633)	(797)
Other op.expenses	(31)	(48)	(38)	(62)	(66)	(77)	(129)	(165)
Operating profit	**133**	**85**	**9**	**203**	**484**	**1,247**	**2,825**	**4,023**
Net-interest inc./(exp.)	(22)	(22)	(17)	(17)	(12)	(6)	(6)	(6)
Assoc/forex/extraord./others	(6)	110	12	54	60	71	15	14
Pre-tax profit	**105**	**172**	**5**	**240**	**532**	**1,312**	**2,834**	**4,032**
Tax	(18)	(42)	4	(48)	(162)	(262)	(567)	(806)
Min. int./pref. div./others	0	0	0	0	0	0	0	0
Net profit (reported)	**87**	**131**	**8**	**192**	**370**	**1,050**	**2,267**	**3,226**
Net profit (adjusted)	**87**	**131**	**8**	**192**	**370**	**1,050**	**2,267**	**3,226**
EPS (reported)(TWD)	**1.653**	**2.234**	**0.127**	**2.914**	**5.311**	**14.867**	**32.093**	**45.660**
EPS (adjusted)(TWD)	**1.653**	**2.234**	**0.127**	**2.914**	**5.311**	**14.867**	**32.093**	**45.660**
EPS (adjusted fully-diluted)(TWD)	**1.653**	**2.234**	**0.127**	**2.914**	**5.311**	**14.867**	**32.093**	**45.660**
DPS (TWD)	**0.000**	**1.000**	**1.200**	**1.005**	**1.500**	**2.500**	**9.000**	**17.000**
EBIT	**133**	**85**	**9**	**203**	**484**	**1,247**	**2,825**	**4,023**
EBITDA	**267**	**218**	**125**	**322**	**628**	**1,500**	**3,101**	**4,332**

Cash flow (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	105	172	5	240	532	1,312	2,834	4,032
Depreciation and amortisation	134	133	116	119	143	253	275	309
Tax paid	(18)	(42)	4	(48)	(162)	(262)	(567)	(806)
Change in working capital	(238)	64	(10)	(133)	(251)	322	(288)	(190)
Other operational CF items	57	43	(34)	117	78	0	0	0
Cash flow from operations	**40**	**370**	**80**	**295**	**341**	**1,625**	**2,255**	**3,344**
Capex	(68)	(70)	(29)	(113)	(122)	(284)	(417)	(246)
Net (acquisitions)/disposals	0	0	0	0	0	0	0	0
Other investing CF items	(7)	(4)	(3)	(21)	(9)	0	0	0
Cash flow from investing	**(76)**	**(74)**	**(32)**	**(134)**	**(131)**	**(284)**	**(417)**	**(246)**
Change in debt	226	(383)	(328)	111	84	0	0	0
Net share issues/(repurchases)	45	171	413	0	0	10	0	0
Dividends paid	0	(52)	(70)	(66)	(99)	(177)	(636)	(1,201)
Other financing CF items	(23)	(24)	(21)	(285)	(47)	0	0	0
Cash flow from financing	**248**	**(289)**	**(7)**	**(240)**	**(62)**	**(167)**	**(636)**	**(1,201)**
Forex effect/others	(0)	1	0	(3)	(2)	0	0	0
Change in cash	**212**	**9**	**42**	**(82)**	**145**	**1,175**	**1,202**	**1,897**
Free cash flow	(29)	300	52	181	219	1,342	1,838	3,098

Source: FactSet, Daiwa forecasts

Financial summary continued …

Balance sheet (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Cash & short-term investment	363	384	414	327	496	1,671	2,874	4,772
Inventory	330	288	262	298	487	456	620	706
Accounts receivable	432	280	297	436	536	363	615	787
Other current assets	40	13	12	23	57	57	57	57
Total current assets	**1,164**	**965**	**984**	**1,084**	**1,577**	**2,546**	**4,166**	**6,322**
Fixed assets	2,530	2,492	2,430	2,454	2,464	2,495	2,637	2,574
Goodwill & intangibles	7	7	7	9	11	11	11	11
Other non-current assets	58	50	78	394	334	334	334	334
Total assets	**3,759**	**3,513**	**3,499**	**3,941**	**4,386**	**5,386**	**7,148**	**9,242**
Short-term debt	428	253	419	117	0	0	0	0
Accounts payable	305	185	161	204	242	359	488	556
Other current liabilities	319	335	259	301	411	411	411	411
Total current liabilities	**1,052**	**773**	**839**	**622**	**653**	**770**	**900**	**967**
Long-term debt	1,388	1,166	696	1,027	552	552	552	552
Other non-current liabilities	11	4	39	61	37	37	37	37
Total liabilities	**2,451**	**1,942**	**1,573**	**1,710**	**1,243**	**1,360**	**1,489**	**1,557**
Share capital	525	585	656	660	697	706	706	706
Reserves/R.E./others	784	986	1,269	1,571	2,447	3,320	4,953	6,978
Shareholders' equity	**1,309**	**1,571**	**1,925**	**2,231**	**3,144**	**4,027**	**5,659**	**7,685**
Minority interests	0	0	0	0	0	0	0	0
Total equity & liabilities	**3,759**	**3,513**	**3,499**	**3,941**	**4,386**	**5,386**	**7,148**	**9,242**
EV	43,839	43,421	43,086	43,203	42,442	41,268	40,065	38,166
Net debt/(cash)	**1,453**	**1,035**	**700**	**817**	**56**	**(1,118)**	**(2,321)**	**(4,220)**
BVPS (TWD)	**24.931**	**26.864**	**29.333**	**33.826**	**45.126**	**57.003**	**80.109**	**108.782**

Key ratios (%)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales (YoY)	40.2	(2.1)	(33.7)	45.3	26.4	55.4	69.7	27.9
EBITDA (YoY)	137.5	(18.6)	(42.5)	157.3	94.8	138.8	106.8	39.7
Operating profit (YoY)	3,825.2	(36.2)	(88.8)	2,042.9	138.1	157.4	126.6	42.4
Net profit (YoY)	n.a.	50.6	(93.6)	2,208.0	92.5	183.9	115.9	42.3
Core EPS (fully-diluted) (YoY)	n.a.	35.1	(94.3)	2,197.0	82.2	179.9	115.9	42.3
Gross-profit margin	18.2	18.1	18.0	26.1	35.0	45.0	55.9	60.8
EBITDA margin	13.1	10.9	9.5	16.8	25.8	39.7	48.3	52.8
Operating-profit margin	6.5	4.2	0.7	10.6	19.9	33.0	44.0	49.0
Net profit margin	4.3	6.5	0.6	10.0	15.2	27.8	35.3	39.3
ROAE	7.0	9.1	0.5	9.2	13.8	29.3	46.8	48.3
ROAA	2.5	3.6	0.2	5.2	8.9	21.5	36.2	39.4
ROCE	4.5	2.8	0.3	6.3	13.7	30.1	52.4	55.7
ROIC	4.1	2.4	0.4	5.7	10.8	32.7	72.4	94.6
Net debt to equity	111.0	65.9	36.4	36.6	1.8	n.a.	n.a.	n.a.
Effective tax rate	17.0	24.2	0.0	20.0	30.4	19.9	20.0	20.0
Accounts receivable (days)	61.4	65.1	79.5	69.5	72.9	43.4	27.8	31.2
Current ratio (x)	1.1	1.2	1.2	1.7	2.4	3.3	4.6	6.5
Net interest cover (x)	6.0	3.8	0.6	12.1	38.9	198.9	472.0	685.1
Net dividend payout	n.a.	60.5	53.7	792.1	51.5	47.1	60.5	53.0
Free cash flow yield	n.a.	0.7	0.1	0.4	0.5	3.2	4.3	7.3

Source: FactSet, Daiwa forecasts

Company profile

Founded in 1984, Nan Juen International Co., LTD. is a Taiwan-based slide and rail kit manufacturer headquartered in Taoyuan City. The company began its operations as a producer of furniture and kitchen rail kits, leveraging its mechanical engineering expertise to gradually expand its product portfolio. Building on decades of slide mechanism design experience, Nan Juen extended its capabilities into the server rail kit market, which has since become the primary growth driver of the business.

Nan Juen's current product portfolio spans two core categories: server rail kits and others (including kitchen rail kits, office furniture rail kits, etc.). Within the server rail kit segment, the company produces both regular server rail kits and AI server rail kits, serving major CSPs globally. The company has been listed on the Taiwan Stock Exchange under the ticker 6584 TT.

ESG analysis

ESG risks

	Risks	Management	Analyst comments
G	Executive/board quality	2	Nan Juen's board consists of 9 directors, including 4 independent directors. The total number of directors is slightly lower than that of other listed companies in our coverage. Nan Juen held 6 board meetings in 2025; the actual attendee rate was 98%. Most of the board members are Nan Juen's founder's family members, which we believe presents downside risks to independent governance. However, the independent directors have diversified backgrounds with expertise in accounting and management, a positive for the board's quality.
G	Capital management	2	Nan Juen declared a DPS of TWD2.5 in 2025, representing a payout ratio of 48%. The payout ratio was in line with the level of 45-60% during 2021-24. As a rail kit manufacturer, Nan Juen is set to deliver solid revenue growth and FCF over our forecast horizon amidst strong ASP increase in the server rail kit market.
G	Related party & transaction	1	The company did not report any related-party transactions in 2025. We see limited risks from related-party transactions.
S	Product quality & safety	2	Nan Juen has implemented a Project Management Information System (PMIS) to streamline R&D workflows and enhance cross-departmental collaboration. The company is further planning to introduce a Product Lifecycle Management (PLM) system, integrating the full product lifecycle from concept through to manufacturing and after-sales service. Beyond operational efficiency, the PLM adoption reflects Nan Juen's commitment to responsible product stewardship, enabling better oversight of material consumption and environmental impact across its operations. The company continues to advance its green product programme.
S	Product design & lifecycle management	2	Nan Juen is actively reducing its greenhouse gas emissions under a core commitment to net-zero carbon operations, aligned with Taiwan's 2050 net-zero emission policy. The company has adopted ISO 14064-1 GHG inventory standards and maintains ISO 14001:2015 environmental management system certification, providing a structured framework for monitoring and improving energy use and emissions across its operations. Practical measures include regular audits of high-energy-consuming equipment, employee sustainability training, and collaboration with supply chain partners on green procurement. Progress is tracked through internal audits and external verification, with findings reviewed periodically to refine the company's decarbonisation strategy.
	Supply chain management		

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 Aug 2026

Source: Daiwa, Company

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