Taiwan | Information Technology | 29 July 2026

Daiwa Capital Markets Hong Kong Limited

Elite Material (2383 TT)

Target price: **TWD7,200.00** (from TWD6,022.00)

Share price (29 Jul): **TWD4,100.00** | Up/downside: **+75.6%**

5 4 3 2 **1**

Buy
(unchanged)

2Q26 results review: beat on higher price hikes

- High-end CCL tightness continues with on-going spec upgrade trend
- New upsides likely due to substrate CCL opportunities
- Reaffirming our Buy (1) rating; lifting our 12M TP to TWD7,200

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What's new: We provide our latest view on EMC after 2Q26 results.

What's the impact: **2Q26 results beat on higher-than-expected price hikes.** EMC posted 2Q26 net profit at TWD9.8bn (EPS: TWD27.55), which was 18-27% higher than expectations. We attribute the strength mainly to ASP increases in 2Q26. EMC's 2Q26 revenue came in at TWD47.2bn (up 43% QoQ and 110% YoY), which was higher than management's original guidance of 15-20% QoQ, while we attribute the strength to c.30% ASP hikes in 2Q26 to factor in cost inflation from 3Q25 to 1Q26. Hence, gross margin improved 4.4pp QoQ to 33.9% (vs. our prior estimate of 31.6%), while operating margin increased 5.4pp QoQ to 26.9% (vs. our estimate of 23.8%) on gross margin expansion and better operating control. In general, we believe the 2Q26 results were without any particular surprise as EMC released its preliminary results in May due to regulatory requirements.

Business outlook. We expect the revenue to grow c.15% QoQ in 3Q26, which could be 3x from June sales given EMC's new capacity ramp up is behind them. However, gross margin could further lift to 35% in 3Q26 given the price hike impact has not been fully factored in 2Q26. Based on our understanding, EMC might have a chance to further pass through higher material costs in 2H26. As of now, EMC deems e-glass and high-end copper prices as the tightest components for CCL (similar comments from its key Taiwan competitors). When we compare EMC and TUC, we believe EMC's revenue from M7 and above should reach 60-65% in 2Q26 and will likely increase to c.70% in 2H26. The room for EMC to further optimise its product mix may be smaller than its peers. However, we believe new upsides for EMC will come from the substrate CCL that will likely provide multiple-time ASP increases when we compare EMC with M8 CCL for PCB. Also, gross margin for substrate CCL can easily reach c.50%, per our estimate. It is likely to be a key growth driver for EMC; but we have not factored it into our model yet. Per management, EMC hopes to pass the substrate CCL certification in 3Q26 and achieve c.80k substrate CCL shipment (c.10% capacity) target in 2027. For spec upgrades, the company indicates M9 (including M9 and M9Q) will have single-digit/teens % contribution in 2H26/2027. However, PTFE is not a choice from EMC while the company focuses on the M10 development as its tech roadmap.

What we recommend: We reaffirm our Buy (1) rating. We raise our 2026-28E EPS by 27-34% and our 12-month TP to TWD7,200, based on a lower PER multiple of 38x (vs. prior: 48x) on 1-year-forward EPS as its earnings growth rate starts to slow down from 4Q26E. Key downside risk: weaker-than-expected AI server demand.

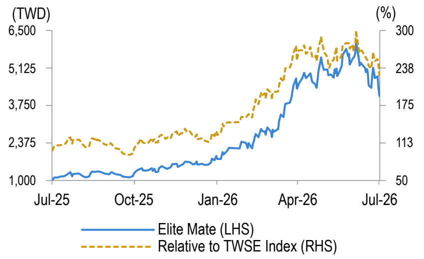
How we differ: Our 2026-28E EPS are 14-15% above the Bloomberg consensus, likely due to our higher gross margin assumptions.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	15.0	22.3	22.8
Net profit change	26.5	34.1	33.5
Core EPS (FD) change	26.5	34.1	33.5

Source: Daiwa forecasts

Share price performance



12-month range	1,005.00-6,080.00
Market cap (USDbn)	45.30
3m avg daily turnover (USDm)	363.73
Shares outstanding (m)	358
Major shareholder	Yu Chang Investment Co Ltd (7.4%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	193,997	330,550	484,308
Operating profit (m)	51,970	101,298	156,513
Net profit (m)	40,324	79,072	122,177
Core EPS (fully-diluted)	112.462	220.531	340.748
EPS change (%)	169.9	96.1	54.5
Daiwa vs Cons. EPS (%)	14.9	14.4	15.1
PER (x)	36.5	18.6	12.0
Dividend yield (%)	1.6	3.2	5.0
DPS	67.5	132.4	204.6
PBR (x)	19.0	11.0	7.0
EV/EBITDA (x)	27.2	14.1	9.0
ROE (%)	63.1	75.2	71.6

Source: FactSet, Daiwa forecasts

Flash

EMC: Daiwa revenue and earnings forecasts revisions vs. the consensus

	2026E			2027E			2028E		
(TWDm)	Previous	New	Consensus	Previous	New	Consensus	Previous	New	Consensus
Revenue	168,675	193,997	177,555	270,192	330,550	296,214	394,466	484,308	427,819
Diff (%)		15.0%	9.3%		22.3%	11.6%		22.8%	13.2%
Gross Margin (%)	32.1%	34.3%	32.7%	35.2%	37.9%	35.8%	36.7%	39.3%	36.9%
Operating profit	41,090	51,970	45,321	75,568	101,298	89,119	117,298	156,513	135,379
Op Margin (%)	24.4%	26.8%	25.5%	28.0%	30.6%	30.1%	29.7%	32.3%	31.6%
Net profit	31,867	40,324	35,086	58,978	79,072	69,134	91,549	122,177	106,138
EPS (TWD)	88.93	112.46	97.85	164.60	220.53	192.81	255.50	340.75	296.02
Diff (%)		26.5%	14.9%		34.1%	14.4%		33.5%	15.1%

Source: Bloomberg, Daiwa forecasts

EMC: quarterly and annual P&L statement

	2026E				2027E				2025	2026E	2027E	2028E
(TWDm)	1Q	2Q	3QE	4QE	1QE	2QE	3QE	4QE				
Net revenue	**33,067**	**47,275**	**54,443**	**59,211**	**68,588**	**78,384**	**86,460**	**97,119**	**94,261**	**193,997**	**330,550**	**484,308**
COGS	(23,338)	(31,272)	(35,241)	(37,667)	(43,044)	(48,850)	(53,555)	(59,867)	(66,141)	(127,519)	(205,316)	(293,893)
Gross profit	**9,729**	**16,003**	**19,201**	**21,544**	**25,544**	**29,534**	**32,904**	**37,252**	**28,120**	**66,477**	**125,235**	**190,415**
Operating expenses	2,601	3,269	4,138	4,500	5,075	5,644	6,225	6,993	9,012	14,508	23,937	33,902
Operating profit	**7,128**	**12,734**	**15,064**	**17,044**	**20,469**	**23,890**	**26,679**	**30,260**	**19,108**	**51,970**	**101,298**	**156,513**
Non-operating profit	66	52	39	42	44	45	(8)	(11)	(232)	199	70	116
Pre-tax profit	**7,194**	**12,785**	**15,103**	**17,086**	**20,513**	**23,935**	**26,672**	**30,249**	**18,876**	**52,168**	**101,368**	**156,630**
Income taxes	(1,855)	(2,914)	(3,323)	(3,759)	(4,513)	(5,266)	(5,868)	(6,655)	(4,231)	(11,851)	(22,301)	(34,459)
Net profit	**5,340**	**9,873**	**11,782**	**13,328**	**16,001**	**18,671**	**20,805**	**23,595**	**14,649**	**40,324**	**79,072**	**122,177**
Net EPS (TWD)	**14.89**	**27.54**	**32.86**	**37.17**	**44.63**	**52.07**	**58.03**	**65.81**	**40.8**	**112.5**	**220.5**	**340.7**
Operating Ratios												
Gross margin	29.4%	33.9%	35.3%	36.4%	37.2%	37.7%	38.1%	38.4%	29.8%	34.3%	37.9%	39.3%
Operating margin	21.6%	26.9%	27.7%	28.8%	29.8%	30.5%	30.9%	31.2%	20.3%	26.8%	30.6%	32.3%
Pre-tax margin	21.8%	27.0%	27.7%	28.9%	29.9%	30.5%	30.8%	31.1%	20.0%	26.9%	30.7%	32.3%
Net margin	16.1%	20.9%	21.6%	22.5%	23.3%	23.8%	24.1%	24.3%	15.5%	20.8%	23.9%	25.2%
YoY (%)												
Net revenue	53%	110%	117%	138%	107%	66%	59%	64%	46%	106%	70%	47%
Gross profit	48%	134%	153%	202%	163%	85%	71%	73%	56%	136%	88%	52%
Operating profit	57%	174%	202%	245%	187%	88%	77%	78%	57%	172%	95%	55%
Pre-tax profit	54%	186%	195%	270%	185%	87%	77%	77%	56%	176%	94%	55%
Net profit	54%	184%	197%	257%	200%	89%	77%	77%	53%	175%	96%	55%
QoQ (%)												
Net revenue	33%	43%	15%	9%	16%	14%	10%	12%				
Gross profit	37%	64%	20%	12%	19%	16%	11%	13%				
Operating profit	44%	79%	18%	13%	20%	17%	12%	13%				
Pre-tax profit	56%	78%	18%	13%	20%	17%	11%	13%				
Net profit	43%	85%	19%	13%	20%	17%	11%	13%				

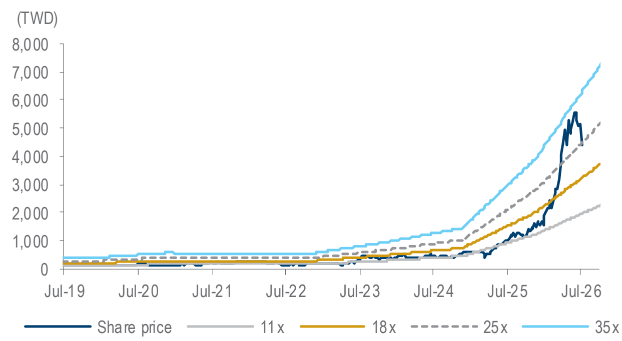
Source: Company, Daiwa forecasts

EMC: 2Q26 comparison table

(TWDm)	Actual	QoQ%	YoY%	Daiwa	Diff %	Consensus	Diff %
Revenue	47,275	43%	110%	42,246	12%	43,045	10%
Gross profit	16,003	64%	134%	13,334	20%	13,983	14%
Gross margin (%)	33.9%			31.6%		32.5%	
Operating profit	12,734	79%	174%	10,038	27%	12,571	1%
Operating margin (%)	26.9%			23.8%		29.2%	
Pre-tax profit	12,785	78%	186%	10,004	28%	10,713	19%
Net profit	9,873	85%	184%	7,805	27%	8,398	18%
EPS (TWD)	27.55	85%	184%	21.78	27%	23.44	18%

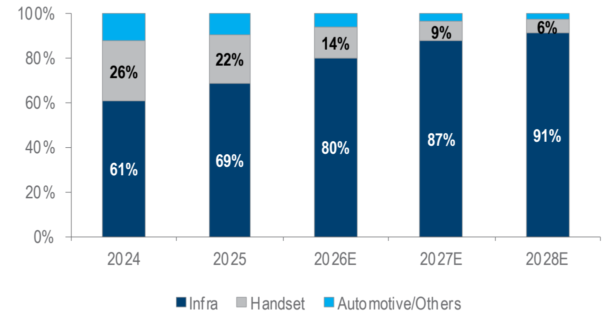
Source: Company data, Daiwa forecasts, Bloomberg

EMC: 1-year forward PER bands



Source: TEJ, Daiwa forecasts

EMC: revenue breakdown by product



Source: Company, Daiwa forecasts

Daiwa Capital Markets Hong Kong Limited

Financial summary

Key assumptions

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Global PC shipment (m)	361	301	260	263	287	244	244	244
Regular server shipment (m)	14	15	12	14	16	18	22	26
Global smartphone shipment (m)	1,655	1,437	1,381	1,439	1,429	1,249	1,255	1,300

Profit and loss (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Infra	12,089	15,289	21,125	39,046	64,617	155,214	288,379	439,188
Handset	19,413	16,378	14,716	17,033	20,538	26,352	28,739	30,101
Other Revenue	6,998	7,005	5,455	8,297	9,106	12,431	13,432	15,019
Total Revenue	**38,500**	**38,673**	**41,296**	**64,377**	**94,261**	**193,997**	**330,550**	**484,308**
Other income	0	0	0	0	0	0	0	0
COGS	(28,431)	(28,962)	(29,964)	(46,407)	(66,141)	(127,519)	(205,316)	(293,893)
SG&A	(2,379)	(2,532)	(2,717)	(4,048)	(6,320)	(10,052)	(16,676)	(23,628)
Other op.expenses	(767)	(953)	(1,269)	(1,770)	(2,692)	(4,455)	(7,261)	(10,274)
Operating profit	**6,923**	**6,225**	**7,346**	**12,152**	**19,108**	**51,970**	**101,298**	**156,513**
Net-interest inc./(exp.)	(76)	(184)	(319)	(459)	(476)	(499)	(496)	(494)
Assoc/forex/extraord./others	66	255	392	440	244	698	566	610
Pre-tax profit	**6,912**	**6,296**	**7,420**	**12,133**	**18,876**	**52,168**	**101,368**	**156,630**
Tax	(1,412)	(1,220)	(1,931)	(2,564)	(4,231)	(11,851)	(22,301)	(34,459)
Min. int./pref. div./others	(7)	(3)	0	9	4	6	5	6
Net profit (reported)	**5,493**	**5,073**	**5,488**	**9,578**	**14,649**	**40,324**	**79,072**	**122,177**
Net profit (adjusted)	**5,493**	**5,073**	**5,488**	**9,578**	**14,649**	**40,324**	**79,072**	**122,177**
EPS (reported)(TWD)	**16.500**	**15.238**	**16.349**	**27.807**	**41.667**	**112.535**	**220.674**	**340.970**
EPS (adjusted)(TWD)	**16.500**	**15.238**	**16.349**	**27.807**	**41.667**	**112.535**	**220.674**	**340.970**
EPS (adjusted fully-diluted)(TWD)	**16.472**	**14.798**	**15.797**	**27.552**	**41.667**	**112.462**	**220.531**	**340.748**
DPS (TWD)	**10.000**	**8.407**	**9.979**	**16.575**	**24.996**	**67.520**	**132.405**	**204.582**
EBIT	**6,923**	**6,225**	**7,346**	**12,152**	**19,108**	**51,970**	**101,298**	**156,513**
EBITDA	**7,642**	**7,000**	**8,648**	**13,921**	**20,958**	**54,684**	**105,012**	**161,228**

Cash flow (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	6,912	6,296	7,420	12,133	18,876	52,168	101,368	156,630
Depreciation and amortisation	719	774	1,302	1,769	1,849	2,714	3,714	4,714
Tax paid	(1,412)	(1,220)	(1,931)	(2,564)	(4,231)	(11,851)	(22,301)	(34,459)
Change in working capital	7,481	(4,810)	12,237	16,078	25,148	81,685	119,550	85,649
Other operational CF items	(9,679)	6,457	(16,138)	(20,153)	(29,674)	(118,115)	(153,972)	(113,748)
Cash flow from operations	**4,022**	**7,498**	**2,890**	**7,263**	**11,968**	**6,602**	**48,359**	**98,786**
Capex	(2,470)	(6,493)	(3,281)	(5,867)	(9,490)	(18,664)	(21,463)	(24,683)
Net (acquisitions)/disposals	(26)	0	6	13	(18)	1	(9)	(4)
Other investing CF items	(122)	(103)	(782)	(47)	(380)	(8)	0	0
Cash flow from investing	**(2,618)**	**(6,596)**	**(4,057)**	**(5,901)**	**(9,888)**	**(18,671)**	**(21,472)**	**(24,687)**
Change in debt	1,719	2,732	2,954	5,296	8,721	11,241	9,530	9,748
Net share issues/(repurchases)	0	0	0	0	0	0	0	0
Dividends paid	(2,333)	(3,333)	(2,830)	(3,439)	(5,894)	(8,957)	(24,194)	(47,443)
Other financing CF items	194	3,289	(15)	2,259	(51)	3,109	0	0
Cash flow from financing	**(420)**	**2,687**	**109**	**4,116**	**2,776**	**5,394**	**(14,664)**	**(37,695)**
Forex effect/others	(73)	211	(126)	251	163	800	786	700
Change in cash	**910**	**3,802**	**(1,185)**	**5,729**	**5,020**	**(5,875)**	**13,009**	**37,104**
Free cash flow	1,551	1,005	(391)	1,397	2,478	(12,061)	26,895	74,103

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	6,642	10,444	9,259	14,989	20,008	14,133	27,142	64,246
Inventory	5,465	4,236	6,135	9,437	16,752	31,105	52,885	66,066
Accounts receivable	13,274	11,683	17,327	25,897	36,115	84,197	139,404	183,097
Other current assets	463	217	955	1,171	1,106	1,110	1,110	1,110
Total current assets	**25,844**	**26,580**	**33,675**	**51,494**	**73,980**	**130,545**	**220,540**	**314,518**
Fixed assets	10,721	16,803	19,746	24,568	33,933	51,105	68,854	88,822
Goodwill & intangibles	0	0	0	0	0	0	0	0
Other non-current assets	0	0	6	18	0	(1)	8	12
Total assets	**36,565**	**43,382**	**53,427**	**76,080**	**107,913**	**181,649**	**289,403**	**403,353**
Short-term debt	2,717	5,299	7,866	7,781	11,264	15,405	19,226	22,909
Accounts payable	10,969	9,802	14,491	21,199	33,285	65,276	107,839	136,614
Other current liabilities	799	659	716	1,202	1,682	4,098	4,098	4,098
Total current liabilities	**14,485**	**15,760**	**23,073**	**30,182**	**46,231**	**84,779**	**131,163**	**163,621**
Long-term debt	721	4,218	2,109	8,772	8,219	15,799	21,508	27,573
Other non-current liabilities	1,585	1,330	1,435	2,032	3,027	3,726	3,726	3,726
Total liabilities	**16,791**	**21,308**	**26,617**	**40,986**	**57,477**	**104,304**	**156,397**	**194,920**
Share capital	3,329	3,329	3,432	3,466	3,583	3,583	3,583	3,583
Reserves/R.E./others	16,424	18,745	23,378	31,644	46,872	73,789	129,454	204,887
Shareholders' equity	**19,753**	**22,075**	**26,809**	**35,111**	**50,456**	**77,372**	**133,037**	**208,470**
Minority interests	21	0	0	(17)	(20)	(27)	(32)	(37)
Total equity & liabilities	**36,565**	**43,382**	**53,427**	**76,080**	**107,913**	**181,649**	**289,403**	**403,353**
EV	1,465,934	1,468,190	1,469,832	1,470,663	1,468,571	1,486,161	1,482,676	1,455,315
Net debt/(cash)	**(3,203)**	**(926)**	**716**	**1,564**	**(525)**	**17,071**	**13,592**	**(13,764)**
BVPS (TWD)	**59.332**	**66.306**	**79.860**	**101.931**	**143.516**	**215.929**	**371.278**	**581.797**

Key ratios (%)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales (YoY)	41.5	0.4	6.8	55.9	46.4	105.8	70.4	46.5
EBITDA (YoY)	44.4	(8.4)	23.6	61.0	50.5	160.9	92.0	53.5
Operating profit (YoY)	47.8	(10.1)	18.0	65.4	57.2	172.0	94.9	54.5
Net profit (YoY)	48.9	(7.7)	8.2	74.5	52.9	175.3	96.1	54.5
Core EPS (fully-diluted) (YoY)	48.9	(10.2)	6.7	74.4	51.2	169.9	96.1	54.5
Gross-profit margin	26.2	25.1	27.4	27.9	29.8	34.3	37.9	39.3
EBITDA margin	19.8	18.1	20.9	21.6	22.2	28.2	31.8	33.3
Operating-profit margin	18.0	16.1	17.8	18.9	20.3	26.8	30.6	32.3
Net profit margin	14.3	13.1	13.3	14.9	15.5	20.8	23.9	25.2
ROAE	30.1	24.3	22.5	30.9	34.2	63.1	75.2	71.6
ROAA	17.1	12.7	11.3	14.8	15.9	27.9	33.6	35.3
ROCE	33.2	22.7	21.5	27.5	31.4	58.2	71.8	72.4
ROIC	37.6	26.6	22.3	29.9	34.3	55.7	65.6	71.5
Net debt to equity	net cash	net cash	2.7	4.5	net cash	22.1	10.2	net cash
Effective tax rate	20.4	19.4	26.0	21.1	22.4	22.7	22.0	22.0
Accounts receivable (days)	110.0	117.8	128.2	122.5	120.1	113.2	123.5	121.5
Current ratio (x)	1.8	1.7	1.5	1.7	1.6	1.5	1.7	1.9
Net interest cover (x)	0.9	0.4	0.2	0.3	0.4	1.1	2.1	3.2
Net dividend payout	60.6	55.2	61.1	59.6	60.0	60.0	60.0	60.0
Free cash flow yield	0.1	0.1	n.a.	0.1	0.2	n.a.	1.8	5.0

Source: FactSet, Daiwa forecasts

Company profile

Established in 1992 and listed on the Taiwan Stock Exchange in 1996, Elite Material Co. (EMC) is a leading manufacturer of copper clad laminate (CCL) and prepreg (PP), and a mass lamination foundry for PCB players. The company is also the world's largest green (halogen-free) CCL supplier.

ESG analysis

ESG risks

Risks		Management	Analyst comments
G	Executive/board quality	2	EMC has incorporated 3 independent members into its 7-people board of directors in pursuit of better governance. Besides, EMC's Chairman and CEO roles are held separately, which reduce the risk of conflict of interest and excessive concentration of power. In addition, the company has 2 committees: the Audit Committee and the Remuneration Committee to assist the Board of Directors in performing their supervisory duties
G	Capital management	1	EMC has declared a dividend payout ratio of over 50% in the past ten years, which we view as a shareholder-friendly dividend policy.
G	Related party & transaction	2	Revenue from related parties accounted for <1% of total revenue, and the purchases from related parties comprised <1% of cost of sales. We see limited risk from related-party transactions
S	Product design & lifecycle management	2	EMC strives to create a safe and healthy workplace for every employee. EMC has introduced the occupational safety and health management systems (ISO 45001) in its Headquarters and all production plants to reduce the workplace hazards and enhance its safety and health management level.
S	GHG emissions	2	To ensure data security, EMC has formulated its Directions for Information Security Management based on three principles for information security management, which are confidentiality, integrity, and availability. In 2023, there were no incidents involving the violation of information-security-related laws and regulations, and no information security incidents occurred.
Company specific		**Management**	**Analyst comments**
E	GHG emissions	2	EMC follows ISO 14061-1 2018 standards to conduct GHG emissions inventory and propose feasible solutions for greenhouse gas reduction. Besides, a third-party inspection agency is appointed to perform external verification.

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: 30 Jul 2025

Source: Daiwa, Company

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Rating	Percentage of total
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Source: Daiwa

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