Elite Material (2383 TT)

Target price: **TWD10,000.00** (from TWD7,200.00)

Share price (28 Oct): **TWD5,025.00** | Up/downside: **+99.0%**

5 4 3 2 **1**

Buy (unchanged)

3Q26 review: beat on better-than-expected price hike

- Ongoing better-than-expected price hike level from 3Q26 onwards
- Capacity expansion plan announced on improved demand visibility
- Reaffirming our Buy (1) rating; raising 12M TP to TWD10,000

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What's new: We provide our latest view on EMC after its 3Q26 results announced on 28 October.

What's the impact: 3Q26 results beat on higher-than-expected price hike. EMC's net income came in at TWD14.5bn (EPS: TWD40.47), beating our estimate (TWD11.8bn) and Bloomberg consensus (TWD12.6bn) by 23% and 15%, respectively. We attribute this outperformance to a higher-than-expected price hike in 3Q26 (c.10% higher than our expectation). 3Q26 revenue was TWD60.9bn, up 29% QoQ and 142% YoY, and c.10% above our expectation. Gross margin also rose 3.8pp QoQ to 37.7%, reflecting improved pricing.

Business outlook. Looking ahead, the company expects to implement a second price increase in 4Q26, after its first in 2Q26. We forecast a 15-20% increase, which we expect to be a key revenue growth driver in 4Q26; we currently estimate revenue to rise 18% QoQ, with gross margin reaching 39.4%. Today, EMC also announced its capacity expansion plan for 2H28-2030. Despite some delays at its Guanyin plant in Taiwan, the company expects progress in 2027-28 to remain largely on track; EMC expects the total monthly capacity to rise to 15.25m in 2030 from 5.85m in 2026 and 10.45m in 2028. Management expects total orders under long-term agreements (LTAs) to exceed the planned capacity expansion. LTAs secure 3-year volume but not pricing; penalties apply if clients do not honor the agreements. This also suggests that management is optimistic about demand, particularly in 2030, when the company plans its largest percentage increase in capacity during 2028–30, despite having no protection from LTAs. Management sees rising demand from LEO satellites (which are likely to adopt M10-grade CCL by 2030) and robotics as key growth drivers by 2030. For ABF CCL, the company currently targets monthly capacity of 1.2m by end-2027. As this capacity may be shared with high-end PCB CCL and substrate CCL, utilisation of the initial capacity will depend on an ASIC project involving a Taiwan IC design house in 2H27, per EMC. Following TPCA Show, we believe interest in PTFE adoption has waned. Based on the technology migration roadmap, we remain positive on EMC's decision to use Q-glass alongside HC resin in its M10 development.

What we recommend: We raise our 2026-28E EPS by 19-31% to reflect 3Q26 results and higher price hike. We reaffirm our Buy (1) call and raise our 12M TP to TWD10,000 (from TWD7,200), based on an unchanged PER multiple of 38x on 1-year-forward EPS. Key downside risk: weaker-than-expected AI server demand.

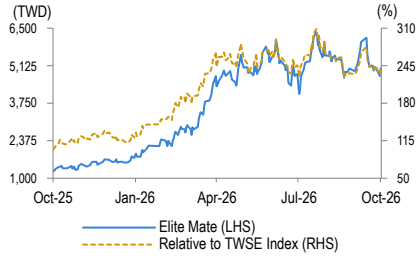
How we differ: Our 2026-28E EPS are 13-22% above the Bloomberg consensus, likely due to our higher price hike assumptions.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	9.8	17.3	19.3
Net profit change	18.4	29.6	30.8
Core EPS (FD) change	18.5	29.7	30.9

Source: Daiwa forecasts

Share price performance



12-month range	1,250.00-6,350.00
Market cap (USDbn)	55.44
3m avg daily turnover (USDm)	402.34
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)	213,032	387,633	577,750
Operating profit (m)	61,777	132,162	206,183
Net profit (m)	47,742	102,457	159,864
Core EPS (fully-diluted)	133.215	285.963	446.191
EPS change (%)	219.7	114.7	56.0
Daiwa vs Cons. EPS (%)	13.3	21.7	17.3
PER (x)	37.7	17.6	11.3
Dividend yield (%)	1.6	3.4	5.3
DPS	79.9	171.6	267.7
PBR (x)	19.2	10.7	6.7
EV/EBITDA (x)	28.2	13.3	8.4
ROE (%)	66.3	78.2	73.2

Source: FactSet, Daiwa forecasts

See important disclosures, including any required research certifications, beginning on page 6

Flash

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

	2026E			2027E			2028E		
(TWDm)	Previous	New	Consensus	Previous	New	Consensus	Previous	New	Consensus
Revenue	193,997	213,032	197,854	330,550	387,633	338,254	484,308	577,750	513,568
Diff (%)		9.8%	7.7%		17.3%	14.6%		19.3%	12.5%
Gross Margin (%)	34.3%	36.1%	34.3%	37.9%	41.3%	38.1%	39.3%	42.7%	39.4%
Operating profit	51,970	61,777	54,366	101,298	132,162	108,411	156,513	206,183	174,162
Op Margin (%)	26.8%	29.0%	27.5%	30.6%	34.1%	32.1%	32.3%	35.7%	33.9%
Net profit	40,324	47,742	42,146	79,072	102,456.656	84,208	122,177	159,864	136,273
EPS (TWD)	112.46	133.21	117.60	220.53	285.96	235.03	340.75	446.19	380.35
Diff (%)		18.4%	13.3%		29.6%	21.7%		30.8%	17.3%

Source: Bloomberg, Daiwa forecasts

EMC: quarterly and annual P&L statement

	2026E				2027E				2025	2026E	2027E	2028E
(TWDm)	1Q	2Q	3Q	4QE	1QE	2QE	3QE	4QE				
Net revenue	**33,067**	**47,275**	**60,885**	**71,805**	**79,812**	**91,068**	**104,371**	**112,381**	**94,261**	**213,032**	**387,633**	**577,750**
COGS	-23,338	-31,272	-37,934	-43,548	-47,523	-53,492	-61,223	-65,163	-66,141	-136,092	-227,401	-331,124
Gross profit	**9,729**	**16,003**	**22,951**	**28,257**	**32,289**	**37,577**	**43,148**	**47,218**	**28,120**	**76,940**	**160,232**	**246,626**
Operating expenses	2,601	3,269	4,264	5,029	5,906	6,557	7,515	8,091	9,012	15,163	28,069	40,443
Operating profit	**7,128**	**12,734**	**18,687**	**23,228**	**26,383**	**31,020**	**35,633**	**39,126**	**19,108**	**61,777**	**132,162**	**206,183**
Non-operating profit	66	52	17	27	27	26	-25	-30	-232	161	-2	31
Pre-tax profit	**7,194**	**12,785**	**18,703**	**23,255**	**26,410**	**31,046**	**35,608**	**39,096**	**18,876**	**61,938**	**132,160**	**206,214**
Income taxes	-1,855	-2,914	-4,204	-5,228	-5,937	-6,979	-8,004	-8,788	-4,231	-14,201	-29,708	-46,355
Net profit	**5,340**	**9,873**	**14,500**	**18,029**	**20,475**	**24,068**	**27,605**	**30,309**	**14,649**	**47,742**	**102,457**	**159,864**
Net EPS (TWD)	**14.89**	**27.55**	**40.47**	**50.32**	**57.15**	**67.18**	**77.05**	**84.59**	**40.84**	**133.21**	**285.96**	**446.19**
Operating Ratios												
Gross margin	29.4%	33.9%	37.7%	39.4%	40.5%	41.3%	41.3%	42.0%	29.8%	36.1%	41.3%	42.7%
Operating margin	21.6%	26.9%	30.7%	32.3%	33.1%	34.1%	34.1%	34.8%	20.3%	29.0%	34.1%	35.7%
Pre-tax margin	21.8%	27.0%	30.7%	32.4%	33.1%	34.1%	34.1%	34.8%	20.0%	29.1%	34.1%	35.7%
Net margin	16.1%	20.9%	23.8%	25.1%	25.7%	26.4%	26.4%	27.0%	15.5%	22.4%	26.4%	27.7%
YoY (%)												
Net revenue	53%	110%	142%	188%	141%	93%	71%	57%	46%	126%	82%	49%
Gross profit	48%	134%	203%	297%	232%	135%	88%	67%	56%	174%	108%	54%
Operating profit	57%	174%	274%	371%	270%	144%	91%	68%	57%	223%	114%	56%
Pre-tax profit	54%	186%	265%	403%	267%	143%	90%	68%	56%	228%	113%	56%
Net profit	54%	184%	266%	382%	283%	144%	90%	68%	53%	226%	115%	56%
QoQ (%)												
Net revenue	33%	43%	29%	18%	11%	14%	15%	8%				
Gross profit	37%	64%	43%	23%	14%	16%	15%	9%				
Operating profit	44%	79%	47%	24%	14%	18%	15%	10%				
Pre-tax profit	56%	78%	46%	24%	14%	18%	15%	10%				
Net profit	43%	85%	47%	24%	14%	18%	15%	10%				

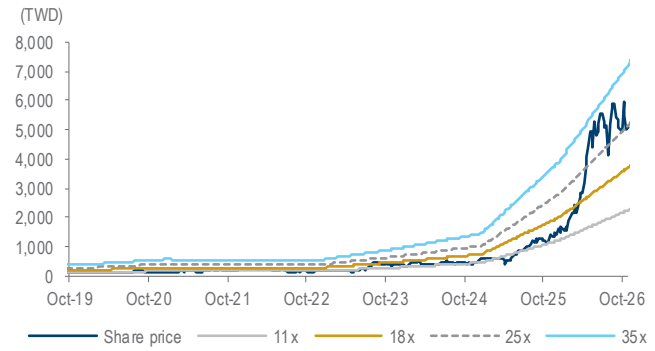
Source: Company, Daiwa forecasts

EMC: 3Q26 comparison table

(TWDm)	Actual	QoQ%	YoY%	Daiwa	Diff %	Consensus	Diff %
Revenue	60,885	29%	142%	54,443	12%	56,148	8%
Gross profit	22,951	43%	203%	19,201	20%	20,073	14%
Gross margin (%)	37.7%			35.3%		35.7%	
Operating profit	18,687	47%	274%	15,064	24%	16,232	15%
Operating margin (%)	30.7%			27.7%		28.9%	
Pre-tax profit	18,703	46%	265%	15,103	24%	16,163	16%
Net profit	14,500	47%	266%	11,782	23%	12,566	15%
EPS (TWD)	40.47	47%	266%	32.86	23%	35.07	15%

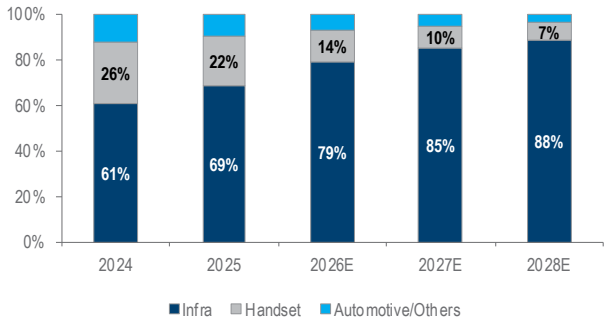
Source: Company data, Daiwa forecasts, Bloomberg

EMC: 1-year forward PER bands



Source: TEJ, Daiwa forecasts

EMC: revenue breakdown by product



Source: Company, Daiwa forecasts

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	168,111	328,567	510,997
Handset	19,413	16,378	14,716	17,033	20,538	29,774	38,601	42,628
Other Revenue	6,998	7,005	5,455	8,297	9,106	15,147	20,465	24,126
Total Revenue	**38,500**	**38,673**	**41,296**	**64,377**	**94,261**	**213,032**	**387,633**	**577,750**
Other income	0	0	0	0	0	0	0	0
COGS	(28,431)	(28,962)	(29,964)	(46,407)	(66,141)	(136,092)	(227,401)	(331,124)
SG&A	(2,379)	(2,532)	(2,717)	(4,048)	(6,320)	(10,507)	(19,555)	(28,186)
Other op.expenses	(767)	(953)	(1,269)	(1,770)	(2,692)	(4,657)	(8,514)	(12,256)
Operating profit	**6,923**	**6,225**	**7,346**	**12,152**	**19,108**	**61,777**	**132,162**	**206,183**
Net-interest inc./(exp.)	(76)	(184)	(319)	(459)	(476)	(630)	(574)	(601)
Assoc/forex/extraord./others	66	255	392	440	244	791	572	632
Pre-tax profit	**6,912**	**6,296**	**7,420**	**12,133**	**18,876**	**61,938**	**132,160**	**206,214**
Tax	(1,412)	(1,220)	(1,931)	(2,564)	(4,231)	(14,201)	(29,708)	(46,355)
Min. int./pref. div./others	(7)	(3)	0	9	4	5	4	5
Net profit (reported)	**5,493**	**5,073**	**5,488**	**9,578**	**14,649**	**47,742**	**102,457**	**159,864**
Net profit (adjusted)	**5,493**	**5,073**	**5,488**	**9,578**	**14,649**	**47,742**	**102,457**	**159,864**
EPS (reported)(TWD)	**16.500**	**15.238**	**16.349**	**27.807**	**41.667**	**133.252**	**285.963**	**446.191**
EPS (adjusted)(TWD)	**16.500**	**15.238**	**16.349**	**27.807**	**41.667**	**133.252**	**285.963**	**446.191**
EPS (adjusted fully-diluted)(TWD)	**16.472**	**14.798**	**15.797**	**27.552**	**41.667**	**133.215**	**285.963**	**446.191**
DPS (TWD)	**10.000**	**8.407**	**9.979**	**16.575**	**24.996**	**79.944**	**171.578**	**267.715**
EBIT	**6,923**	**6,225**	**7,346**	**12,152**	**19,108**	**61,777**	**132,162**	**206,183**
EBITDA	**7,642**	**7,000**	**8,648**	**13,921**	**20,958**	**64,454**	**135,839**	**210,861**

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	61,938	132,160	206,214
Depreciation and amortisation	719	774	1,302	1,769	1,849	2,677	3,677	4,677
Tax paid	(1,412)	(1,220)	(1,931)	(2,564)	(4,231)	(14,201)	(29,708)	(46,355)
Change in working capital	7,481	(4,810)	12,237	16,078	25,148	117,500	122,721	128,536
Other operational CF items	(9,679)	6,457	(16,138)	(20,153)	(29,674)	(153,105)	(161,616)	(170,911)
Cash flow from operations	**4,022**	**7,498**	**2,890**	**7,263**	**11,968**	**14,810**	**67,235**	**122,161**
Capex	(2,470)	(6,493)	(3,281)	(5,867)	(9,490)	(21,878)	(25,160)	(28,934)
Net (acquisitions)/disposals	(26)	0	6	13	(18)	7	(6)	1
Other investing CF items	(122)	(103)	(782)	(47)	(380)	(1,618)	0	0
Cash flow from investing	**(2,618)**	**(6,596)**	**(4,057)**	**(5,901)**	**(9,888)**	**(23,489)**	**(25,166)**	**(28,933)**
Change in debt	1,719	2,732	2,954	5,296	8,721	27,970	19,597	23,863
Net share issues/(repurchases)	0	0	0	0	0	0	0	0
Dividends paid	(2,333)	(3,333)	(2,830)	(3,439)	(5,894)	(8,958)	(28,643)	(61,474)
Other financing CF items	194	3,289	(15)	2,259	(51)	1,985	0	0
Cash flow from financing	**(420)**	**2,687**	**109**	**4,116**	**2,776**	**20,997**	**(9,046)**	**(37,611)**
Forex effect/others	(73)	211	(126)	251	163	1,297	1,086	1,106
Change in cash	**910**	**3,802**	**(1,185)**	**5,729**	**5,020**	**13,614**	**34,109**	**56,723**
Free cash flow	1,551	1,005	(391)	1,397	2,478	(7,069)	42,075	93,227

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	33,622	67,731	124,454
Inventory	5,465	4,236	6,135	9,437	16,752	35,961	57,564	77,598
Accounts receivable	13,274	11,683	17,327	25,897	36,115	102,105	161,311	226,732
Other current assets	463	217	955	1,171	1,106	1,788	1,788	1,788
Total current assets	**25,844**	**26,580**	**33,675**	**51,494**	**73,980**	**173,477**	**288,393**	**430,572**
Fixed assets	10,721	16,803	19,746	24,568	33,933	56,671	78,154	102,411
Goodwill & intangibles	0	0	0	0	0	0	0	0
Other non-current assets	0	0	6	18	0	(7)	(2)	(2)
Total assets	**36,565**	**43,382**	**53,427**	**76,080**	**107,913**	**230,140**	**366,545**	**532,980**
Short-term debt	2,717	5,299	7,866	7,781	11,264	23,115	30,048	38,055
Accounts payable	10,969	9,802	14,491	21,199	33,285	75,467	117,380	160,460
Other current liabilities	799	659	716	1,202	1,682	7,622	7,622	7,622
Total current liabilities	**14,485**	**15,760**	**23,073**	**30,182**	**46,231**	**106,204**	**155,050**	**206,137**
Long-term debt	721	4,218	2,109	8,772	8,219	25,451	38,115	53,971
Other non-current liabilities	1,585	1,330	1,435	2,032	3,027	4,876	4,876	4,876
Total liabilities	**16,791**	**21,308**	**26,617**	**40,986**	**57,477**	**136,530**	**198,041**	**264,984**
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	90,052	164,951	264,447
Shareholders' equity	**19,753**	**22,075**	**26,809**	**35,111**	**50,456**	**93,635**	**168,534**	**268,030**
Minority interests	21	0	0	(17)	(20)	(26)	(30)	(35)
Total equity & liabilities	**36,565**	**43,382**	**53,427**	**76,080**	**107,913**	**230,140**	**366,545**	**532,980**
EV	1,797,205	1,799,461	1,801,103	1,801,934	1,799,842	1,815,305	1,800,789	1,767,925
Net debt/(cash)	**(3,203)**	**(926)**	**716**	**1,564**	**(525)**	**14,944**	**432**	**(32,428)**
BVPS (TWD)	**59.332**	**66.306**	**79.860**	**101.931**	**143.516**	**261.342**	**470.391**	**748.091**

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	126.0	82.0	49.0
EBITDA (YoY)	44.4	(8.4)	23.6	61.0	50.5	207.5	110.8	55.2
Operating profit (YoY)	47.8	(10.1)	18.0	65.4	57.2	223.3	113.9	56.0
Net profit (YoY)	48.9	(7.7)	8.2	74.5	52.9	225.9	114.6	56.0
Core EPS (fully-diluted) (YoY)	48.9	(10.2)	6.7	74.4	51.2	219.7	114.7	56.0
Gross-profit margin	26.2	25.1	27.4	27.9	29.8	36.1	41.3	42.7
EBITDA margin	19.8	18.1	20.9	21.6	22.2	30.3	35.0	36.5
Operating-profit margin	18.0	16.1	17.8	18.9	20.3	29.0	34.1	35.7
Net profit margin	14.3	13.1	13.3	14.9	15.5	22.4	26.4	27.7
ROAE	30.1	24.3	22.5	30.9	34.2	66.3	78.2	73.2
ROAA	17.1	12.7	11.3	14.8	15.9	28.2	34.3	35.5
ROCE	33.2	22.7	21.5	27.5	31.4	58.3	69.8	69.1
ROIC	37.6	26.6	22.3	29.9	34.3	60.1	73.8	79.0
Net debt to equity	net cash	net cash	2.7	4.5	net cash	16.0	0.3	net cash
Effective tax rate	20.4	19.4	26.0	21.1	22.4	22.9	22.5	22.5
Accounts receivable (days)	110.0	117.8	128.2	122.5	120.1	118.4	124.0	122.6
Current ratio (x)	1.8	1.7	1.5	1.7	1.6	1.6	1.9	2.1
Net interest cover (x)	0.9	0.4	0.2	0.3	0.4	1.0	2.3	3.4
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	0.1	n.a.	2.3	5.2

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
	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.
	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.
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.
Company specific		**Management**	**Analyst comments**
G	Cybersecurity & data protection	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 2025, there were no incidents involving the violation of information-security-related laws and regulations, and no information security incidents occurred.

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: 28 Oct 2026

Source: Daiwa, Company

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Rating	Percentage of total
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Source: Daiwa

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