Daiwa Capital Markets Hong Kong Limited

Taiwan Union Technology Corp (6274 TT)

Target price: **TWD2,320.00** (from TWD2,122.00)

Share price (27 Jul): **TWD1,255.00** | Up/downside: **+84.9%**

5 4 3 2 **1**

Buy
(unchanged)

2Q26 preview: intact growth story

- Decent margin expansion on significant price hike in 2Q26
- High-end CCL capacity shortage and spec upgrade key growth drivers
- Reaffirming our Buy (1) rating and lifting 12M TP to TWD2,320

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What's new: We provide our latest view on TUC before its 2Q26 results.

What's the impact: 2Q26 results preview and 2H26 outlook. Based on both TUC and its key competitor's preliminary pre-tax announcement and 2Q26 sales number, we estimate the blended ASP hike on CCL to reach c.30% to pass through the additional raw materials cost hike since 2H25. With the higher ASP from CCL from 2Q26, we estimate CCL vendors' GM to increase 4-5pp in 2Q26. As such, we now expect TUC's GM to expand to 29.5% in 2Q26 (vs. 25.1% in 1Q26). Hence, our new 2Q26E operating profit comes in at TWD3.25bn, 13% higher than our prior estimate. Looking ahead, we forecast 3Q26 and 4Q26 sales to grow by 22%/10% QoQ, respectively, on gradual new capacity ramp-up in Thailand from mid-August (0.3m CCL sheets per month with total capacity reaching 2.6m per month). We expect new capacity to be mainly adopted by Trainium 3, which we expect to be the key driver for growth during 2H26 and on a QoQ basis in 4Q26 due to new capacity not fully operational for the entire 3Q26. In terms of the 300k CCL sheets per month and potential product optimisation, we expect TUC to acquire 20-30% market share within Trainium 3 AI server.

Long-term outlook. While we expect the high-end CCL capacity shortage to continue until 2027 with the incremental new supply coming from product optimisation (capacity shift from the low to high end), we expect TUC to deliver an additional 600k CCL per month from 2H27E, which would deliver c.20% unit growth in 2027E. On top of this, we expect ongoing spec upgrades to drive c.30% ASP hike every generation, and we still expect TUC to continuously to optimise its product mix, which would drive an additional c.10% blended price increase by 2027. Lastly, we expect another c.10% price hike for products due mainly to raw material cost inflation. In all, we expect these factors to lead to 87% YoY revenue growth in 2027E. For 2028E, while TUC hasn't finalised its capacity plan yet (likely to be 2nd phase of plant 2 in Thailand with additional 0.9m CCL sheets per month), we expect c.20% CCL sheet capacity YoY growth along with 30% ASP hike on spec upgrades. We highlight that additional cost inflation and product optimisation haven't been factored into our 2028E forecasts.

What we recommend: We raise our 2026-28E EPS by 12-38% to reflect higher ASPs and a better product mix. We reaffirm our Buy (1) call and lift our 12M TP to TWD2,320 (from TWD2,122), based on a lower target PER of 35x (prior: 48x) applied to our 4Q26-3Q27E EPS (from 2H26-1H27E), on earnings growth deceleration. Downside risks: 1) weaker-than-expected demand for switches/AI servers, and 2) market share loss to CCL peers.

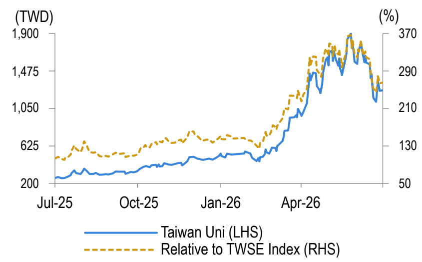
How we differ: Our 2026-28E EPS are 7-26% above the Bloomberg consensus, likely on our higher revenue growth.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	1.5	14.3	15.7
Net profit change	12.4	33.1	38.1
Core EPS (FD) change	12.4	33.1	38.1

Source: Daiwa forecasts

Share price performance



12-month range	253.50-1,900.00
Market cap (USDbn)	11.18
3m avg daily turnover (USDm)	278.47
Shares outstanding (m)	289
Major shareholder	Hsin Chung-Herng (4.0%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	60,950	113,868	170,992
Operating profit (m)	14,272	31,250	50,532
Net profit (m)	10,494	23,146	37,417
Core EPS (fully-diluted)	36.312	80.091	129.471
EPS change (%)	196.4	120.6	61.7
Daiwa vs Cons. EPS (%)	7.3	25.5	9.4
PER (x)	34.6	15.7	9.7
Dividend yield (%)	2.0	4.5	7.2
DPS	25.4	56.1	90.6
PBR (x)	14.3	8.7	5.7
EV/EBITDA (x)	24.6	11.6	7.1
ROE (%)	47.7	69.1	71.4

Source: FactSet, Daiwa forecasts

Flash

TUC: Daiwa's revenue and earnings forecast revisions

	2026E			2027E			2028E		
(TWDm)	**Previous**	**New**	**Consensus**	**Previous**	**New**	**Consensus**	**Previous**	**New**	**Consensus**
Revenue	60,034	60,950	58,344	99,614	113,868	94,347	147,736	170,992	156,700
Diff (%)		1.5%	4.5%		14.3%	20.7%		15.7%	9.1%
Gross margin (%)	28.1%	30.2%	28.0%	30.5%	33.7%	30.5%	31.7%	35.0%	31.9%
Operating profit	12,709	14,272	12,900	23,468	31,250	24,365	36,576	50,532	44,286
Operating margin (%)	21.2%	23.4%	22.1%	23.6%	27.4%	25.8%	24.8%	29.6%	28.3%
Net profit	9,337	10,494	9,778	17,388	23,146	18,443	27,090	37,417	34,194
EPS (TWD)	32.31	36.31	33.83	60.17	80.09	63.82	93.74	129.47	118.32
Diff (%)		12.4%	7.3%		33.1%	25.5%		38.1%	9.4%

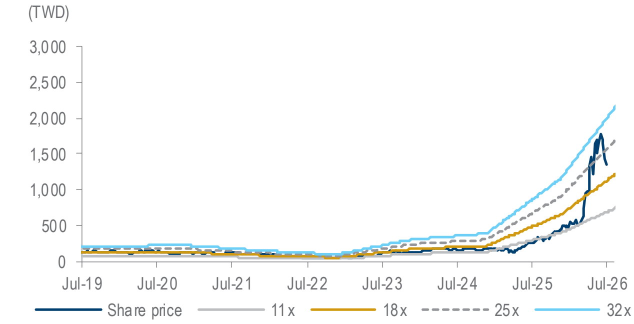
Source: Daiwa forecasts, Bloomberg

TUC: quarterly and annual P&L statement

	2026E				2027E							
(TWDm)	1Q	2QE	3QE	4QE	1QE	2QE	3QE	4QE	**2025**	**2026E**	**2027E**	**2028E**
Net revenue	**10,054**	**14,300**	**17,391**	**19,205**	**21,732**	**24,431**	**31,068**	**36,638**	**30,340**	**60,950**	**113,868**	**170,992**
COGS	-7,525	-10,082	-11,922	-13,041	-14,573	-16,270	-20,523	-24,152	-23,442	-42,571	-75,518	-111,134
Gross profit	**2,529**	**4,218**	**5,469**	**6,163**	**7,158**	**8,160**	**10,545**	**12,487**	**6,898**	**18,379**	**38,350**	**59,859**
Operating expenses	-701	-972	-1,165	-1,267	-1,413	-1,564	-1,926	-2,198	-2,554	-4,106	-7,101	-9,327
Operating profit	**1,828**	**3,246**	**4,303**	**4,896**	**5,746**	**6,597**	**8,619**	**10,288**	**4,344**	**14,272**	**31,250**	**50,532**
Non-operating profit	46	13	11	10	9	8	6	7	175	80	30	32
Pre-tax profit	**1,874**	**3,259**	**4,315**	**4,905**	**5,755**	**6,604**	**8,625**	**10,295**	**4,519**	**14,352**	**31,279**	**50,564**
Net profit	**1,260**	**2,411**	**3,193**	**3,630**	**4,258**	**4,887**	**6,383**	**7,618**	**3,409**	**10,494**	**23,146**	**37,417**
Net EPS (TWD)	**4.36**	**8.34**	**11.05**	**12.56**	**14.73**	**16.91**	**22.08**	**26.36**	**12.1**	**36.3**	**80.1**	**129.5**
Operating Ratios												
Gross margin	25.1%	29.5%	31.4%	32.1%	32.9%	33.4%	33.9%	34.1%	22.7%	30.2%	33.7%	35.0%
Operating margin	18.2%	22.7%	24.7%	25.5%	26.4%	27.0%	27.7%	28.1%	14.3%	23.4%	27.4%	29.6%
Pre-tax margin	18.6%	22.8%	24.8%	25.5%	26.5%	27.0%	27.8%	28.1%	14.9%	23.5%	27.5%	29.6%
Net margin	12.5%	16.9%	18.4%	18.9%	19.6%	20.0%	20.5%	20.8%	11.2%	17.2%	20.3%	21.9%
YoY (%)												
Net revenue	58%	111%	116%	110%	116%	71%	79%	91%	32%	101%	87%	50%
Gross profit	65%	194%	186%	206%	183%	93%	93%	103%	29%	166%	109%	56%
Operating profit	95%	281%	240%	279%	214%	103%	100%	110%	30%	229%	119%	62%
Pre-tax profit	100%	288%	227%	244%	207%	103%	100%	110%	34%	218%	118%	62%
Net profit	88%	270%	218%	235%	238%	103%	100%	110%	31%	208%	121%	62%
QoQ (%)												
Net revenue	10%	42%	22%	10%	13%	12%	27%	18%				
Gross profit	26%	67%	30%	13%	16%	14%	29%	18%				
Operating profit	42%	78%	33%	14%	17%	15%	31%	19%				
Pre-tax profit	31%	74%	32%	14%	17%	15%	31%	19%				
Net profit	16%	91%	32%	14%	17%	15%	31%	19%				

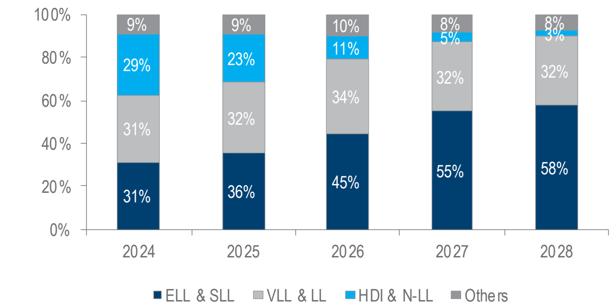
Source: Company, Daiwa forecasts

TUC: 1-year-forward PER bands



Source: TEJ, Daiwa forecasts

TUC: 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 (mn)	361	301	260	263	287	244	244	244
Regular server shipment (mn)	14	15	12	14	16	18	22	26
Global smartphone shipment (mn)	1,655	1,437	1,380	1,437	1,429	1,249	1,255	1,300

Profit and loss (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
HSD Low Loss	9,509	8,355	8,570	14,445	20,651	48,168	99,027	153,416
HSD Non Low Loss	9,932	7,174	4,885	5,241	5,582	5,371	4,428	3,751
Other Revenue	1,691	2,944	2,547	3,385	4,108	7,410	10,413	13,825
Total Revenue	**21,132**	**18,472**	**16,003**	**23,070**	**30,340**	**60,950**	**113,868**	**170,992**
Other income	0	0	0	0	0	0	0	0
COGS	(16,702)	(15,067)	(12,844)	(17,729)	(23,442)	(42,571)	(75,518)	(111,134)
SG&A	(1,786)	(1,597)	(1,422)	(1,668)	(2,039)	(605)	0	0
Other op.expenses	(264)	(311)	(313)	(342)	(515)	(3,501)	(7,101)	(9,327)
Operating profit	**2,380**	**1,498**	**1,424**	**3,332**	**4,344**	**14,272**	**31,250**	**50,532**
Net-interest inc./(exp.)	(30)	(29)	(27)	(52)	(89)	(116)	(110)	(108)
Assoc/forex/extraord./others	63	152	153	98	264	196	139	140
Pre-tax profit	**2,413**	**1,621**	**1,550**	**3,378**	**4,519**	**14,352**	**31,279**	**50,564**
Tax	(532)	(360)	(726)	(773)	(1,109)	(3,858)	(8,133)	(13,147)
Min. int./pref. div./others	0	0	0	0	0	0	0	0
Net profit (reported)	**1,881**	**1,261**	**823**	**2,604**	**3,409**	**10,494**	**23,146**	**37,417**
Net profit (adjusted)	**1,881**	**1,261**	**823**	**2,604**	**3,409**	**10,494**	**23,146**	**37,417**
EPS (reported)(TWD)	**7.010**	**4.687**	**3.049**	**9.561**	**12.135**	**36.312**	**80.091**	**129.471**
EPS (adjusted)(TWD)	**7.010**	**4.687**	**3.049**	**9.561**	**12.135**	**36.312**	**80.091**	**129.471**
EPS (adjusted fully-diluted)(TWD)	**7.014**	**4.687**	**3.052**	**9.573**	**12.250**	**36.312**	**80.091**	**129.471**
DPS (TWD)	**5.005**	**4.000**	**4.008**	**6.504**	**8.491**	**25.418**	**56.064**	**90.630**
EBIT	**2,380**	**1,498**	**1,424**	**3,332**	**4,344**	**14,272**	**31,250**	**50,532**
EBITDA	**2,819**	**1,960**	**1,885**	**3,784**	**4,803**	**14,910**	**31,983**	**51,375**

Cash flow (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	2,413	1,621	1,550	3,378	4,519	14,352	31,279	50,564
Depreciation and amortisation	439	462	461	452	459	638	733	843
Tax paid	(532)	(360)	(726)	(773)	(1,109)	(3,858)	(8,133)	(13,147)
Change in working capital	4,224	(3,625)	1,136	5,588	13,451	24,705	56,849	38,656
Other operational CF items	(5,033)	4,227	(1,300)	(7,967)	(16,724)	(37,755)	(76,310)	(53,563)
Cash flow from operations	**1,512**	**2,326**	**1,120**	**677**	**596**	**(1,919)**	**4,419**	**23,353**
Capex	(433)	(381)	(634)	(1,196)	(1,949)	(2,774)	(1,400)	(1,400)
Net (acquisitions)/disposals	0	3	0	(9)	4	8	6	7
Other investing CF items	1,702	1,054	389	75	(4,558)	1,675	0	0
Cash flow from investing	**1,269**	**677**	**(244)**	**(1,130)**	**(6,502)**	**(1,091)**	**(1,394)**	**(1,393)**
Change in debt	(9)	(583)	531	(372)	4,141	3,209	4,569	3,977
Net share issues/(repurchases)	0	0	0	0	0	0	0	0
Dividends paid	(2,574)	(2,694)	(2,153)	(2,180)	(3,594)	(2,454)	(7,346)	(16,203)
Other financing CF items	1,402	1,333	(19)	3,927	4,341	375	0	0
Cash flow from financing	**(1,180)**	**(1,944)**	**(1,641)**	**1,376**	**4,888**	**1,131**	**(2,777)**	**(12,226)**
Forex effect/others	(21)	115	(166)	399	(97)	508	427	393
Change in cash	**1,580**	**1,173**	**(932)**	**1,322**	**(1,115)**	**(1,370)**	**676**	**10,128**
Free cash flow	1,079	1,945	486	(519)	(1,353)	(4,692)	3,019	21,953

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	6,582	6,814	5,657	7,037	10,602	7,538	8,214	18,342
Inventory	2,857	1,965	2,061	3,189	7,405	11,082	22,838	29,045
Accounts receivable	7,602	6,161	6,713	9,711	13,823	29,324	55,723	76,297
Other current assets	162	143	187	326	521	560	560	560
Total current assets	**17,202**	**15,084**	**14,618**	**20,264**	**32,351**	**48,504**	**87,334**	**124,244**
Fixed assets	4,743	4,671	4,793	5,614	7,386	9,557	10,224	10,781
Goodwill & intangibles	0	0	0	0	0	0	0	0
Other non-current assets	5	8	9	0	4	21	15	8
Total assets	**21,951**	**19,763**	**19,420**	**25,878**	**39,741**	**58,082**	**97,573**	**135,033**
Short-term debt	447	2,237	603	962	2,141	2,481	2,599	2,745
Accounts payable	5,741	4,143	4,581	6,642	11,871	19,823	38,517	50,392
Other current liabilities	252	174	364	269	608	886	886	886
Total current liabilities	**6,440**	**6,553**	**5,548**	**7,873**	**14,621**	**23,189**	**42,003**	**54,022**
Long-term debt	3,521	1,146	2,106	3,449	6,304	9,193	13,643	17,475
Other non-current liabilities	252	205	187	219	203	314	314	314
Total liabilities	**10,214**	**7,904**	**7,840**	**11,541**	**21,127**	**32,696**	**55,959**	**71,810**
Share capital	2,689	2,692	2,712	2,760	2,887	2,888	2,888	2,888
Reserves/R.E./others	9,047	9,167	8,868	11,577	15,727	22,498	38,726	60,335
Shareholders' equity	**11,737**	**11,858**	**11,580**	**14,337**	**18,614**	**25,386**	**41,614**	**63,222**
Minority interests	0	0	0	0	0	0	0	0
Total equity & liabilities	**21,951**	**19,763**	**19,420**	**25,878**	**39,741**	**58,082**	**97,573**	**135,033**
EV	360,083	359,265	359,748	360,070	360,539	366,831	370,724	364,573
Net debt/(cash)	**(2,613)**	**(3,431)**	**(2,948)**	**(2,626)**	**(2,158)**	**4,135**	**8,028**	**1,877**
BVPS (TWD)	**43.735**	**44.063**	**42.875**	**52.635**	**66.255**	**87.841**	**143.993**	**218.761**

Key ratios (%)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales (YoY)	17.1	(12.6)	(13.4)	44.2	31.5	100.9	86.8	50.2
EBITDA (YoY)	5.8	(30.5)	(3.8)	100.8	26.9	210.5	114.5	60.6
Operating profit (YoY)	4.7	(37.1)	(4.9)	133.9	30.4	228.6	119.0	61.7
Net profit (YoY)	6.0	(32.9)	(34.7)	216.3	30.9	207.8	120.6	61.7
Core EPS (fully-diluted) (YoY)	5.1	(33.2)	(34.9)	213.7	28.0	196.4	120.6	61.7
Gross-profit margin	21.0	18.4	19.7	23.2	22.7	30.2	33.7	35.0
EBITDA margin	13.3	10.6	11.8	16.4	15.8	24.5	28.1	30.0
Operating-profit margin	11.3	8.1	8.9	14.4	14.3	23.4	27.4	29.6
Net profit margin	8.9	6.8	5.1	11.3	11.2	17.2	20.3	21.9
ROAE	16.5	10.7	7.0	20.1	20.7	47.7	69.1	71.4
ROAA	9.1	6.0	4.2	11.5	10.4	21.5	29.7	32.2
ROCE	15.5	9.7	9.6	20.2	19.0	44.5	65.8	71.5
ROIC	21.2	13.3	8.9	25.3	23.3	45.4	58.4	65.2
Net debt to equity	net cash	net cash	net cash	net cash	17.6	31.0	28.3	8.9
Effective tax rate	22.0	22.2	46.9	22.9	24.6	26.9	26.0	26.0
Accounts receivable (days)	114.3	136.0	146.8	129.9	141.6	129.2	136.3	140.9
Current ratio (x)	2.7	2.3	2.6	2.6	2.2	2.1	2.1	2.3
Net interest cover (x)	0.8	0.6	0.6	0.7	0.5	1.2	2.9	4.7
Net dividend payout	71.4	85.3	131.8	68.1	70.0	70.0	70.0	70.0
Free cash flow yield	0.3	0.5	0.1	n.a.	n.a.	n.a.	0.8	6.1

Source: FactSet, Daiwa forecasts

Company profile

Taiwan Union Technology Corporation (TUC) was established in 1974. In 2001, TUC started to provide its Mass Lamination service to customers. In Dec., 2003, TUC was officially listed in Taiwan OTC. In 2004, TUC established its Changshu plant in Jiangsu, China to satisfy customer demand in the Greater China area. TUC also provides its services globally from its network in Taiwan, China, Japan, South Korea, USA and Germany.

ESG analysis

ESG risks

Risks		Management	Analyst comments
G	Executive/board quality	2	TUC has diverse stakeholders with varying interests. The concerns of each stakeholder category differ. TUC's departments engage with stakeholders through various channels to ensure timely communication and understanding of the Company's operations. TUC also tracks stakeholder requests and expectations and responds promptly. The Company reports to the Board of Directors annually on its communication with key stakeholders.
	Capital management	1	TUC pays its dividend on a annual basis. In the past 5 years, it has managed its dividend payout well. We believe TUC will at least sustain its cash dividend payout in dollar terms over 2025-27E. We see its balance between investment and dividend as appropriate.
	Related party & transaction	2	TUC's sales to related parties were insignifacnt versus its total revenue. We see limited risk for TUC.
S	Supply chain management	1	TUC audits Tier 1 suppliers for ESG compliance, requiring commitments on hazardous substance bans and human rights. Several supplier audits were completed with a 100% pass rate and no major violations.
S	Data security	2	TUC operates an Information Security Office and implements training, audits, and ISO 27001-compliant systems. No security incidents disrupted operations, and 683 employees attended security training.

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: 6 May 2026

Source: Daiwa, Company

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Rating	Percentage of total
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Source: Daiwa

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