Taiwan | Information Technology | 4 August 2026

Daiwa Capital Markets Hong Kong Limited

Fositek Corp (6805 TT)

Target price: **TWD2,615.00** (from TWD2,600.00)

Share price (4 Aug): **TWD1,590.00** | Up/downside: **+64.5%**

5 4 3 2 **1**

Buy
(unchanged)

Investor meeting: positive tone over 2026-27 outlook

- 2Q26 results missed, but historical-high gross margins
- Stronger revenue outlook in 2H26 vs. 1H26, driven by server segment
- Reaffirming our Buy (1) rating; raising 12M TP to TWD2,615

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What's new: We attended Fositek's investor meeting following its 2Q26 results announcement on 4 August. We believe the company will benefit from the AI server trend with rising liquid cooling penetration rate in the following years, with rising server revenue over 2026-28E. Given the company's share-gain potential, we reaffirm our Buy (1) rating. See our *memo*, 7 July 2026.

What's the impact: **2Q26 results missed, but historical-high margins set.** Fositek's 2Q26 revenue of TWD3,740m (-10.6% QoQ, +42.7% YoY) missed our and Bloomberg consensus estimates by 12.1% and 12.8%, respectively, due to the product transition in the foldable phone and server segments. Its 2Q26 gross margin came in at 34.0% (vs. 32.3% in 1Q26 and 24.1% in 2Q25), a record-high level above our (33.0%) and consensus (32.9%) estimates, mainly on manufacturing process improvements and better-than-expected product mix (server revenue accounted for 55.7% in 1H26, up from 36.3% in 2025). Its operating margin of 27.9% (vs. 26.8% in 1Q26 and 19.0% in 2Q25), also a record-high level, beat our (27.2%) and consensus (26.9%) estimates, on better opex control. Thus, its operating profit of TWD1,043m (-6.9% QoQ, +110.0% YoY) missed our and consensus estimates by 9.9% and 9.5%, respectively. Overall, its net profit of TWD849m (-7.4% QoQ, +157.0% YoY) missed our and consensus estimates by 16.0% and 12.4%, respectively. Its 2Q26 EPS finished at TWD12.39. Its 2Q26 product mix was: server (54.9%, +259.9% YoY), foldable phone (38.3%, -20.5% YoY), NB (6.0%, -0.8% YoY) and others (0.7%, +49.1% YoY).

Brighter 2H26 vs. 1H26. We expect a strong 2H26 revenue vs. 1H26 and gross margin expansion on the ramping up of GPU and ASIC projects in 2H26. Due to the rise in liquid cooling penetration rate, product application and QD shipments per rack, we expect its revenue to grow 40.9% YoY in 2026E and 41.7% YoY in 2027E. We lower our 2026-28E EPS by 5-11% due to our slightly conservative revenue and higher tax rate estimates.

What we recommend: We reaffirm our Buy (1) call and raise our 12M TP to TWD2,615 (from TWD2,600), now based on a target PER of 32x (from 33x vs. its past-3-year range of 9-43x [average of 24x]) on decelerating earnings momentum, translating to a 0.8x PEG over 2026-28E on our 1-year forward EPS. Key downside risks: lower-than-expected market share for key clients, slower-than-expected penetration rate of foldable phones and geopolitical risks.

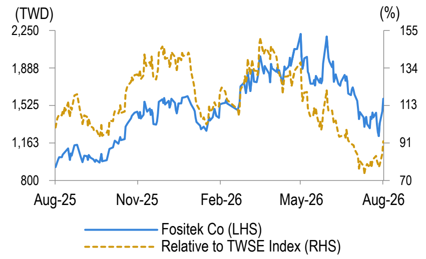
How we differ: Our 2026-27E EPS are 5-8% below the Bloomberg consensus, likely as we are more conservative on revenue.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	(6.2)	(5.7)	(5.5)
Net profit change	(11.3)	(6.9)	(4.6)
Core EPS (FD) change	(11.2)	(6.9)	(4.6)

Source: Daiwa forecasts

Share price performance



12-month range	943.00-2,215.00
Market cap (USDbn)	3.36
3m avg daily turnover (USDm)	89.13
Shares outstanding (m)	69
Major shareholder	AVC (16.9%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	17,494	24,793	30,230
Operating profit (m)	4,948	7,711	9,825
Net profit (m)	4,046	6,254	7,935
Core EPS (fully-diluted)	58.996	91.206	115.720
EPS change (%)	90.4	54.6	26.9
Daiwa vs Cons. EPS (%)	(8.0)	(4.6)	0.9
PER (x)	27.0	17.4	13.7
Dividend yield (%)	1.9	2.9	3.6
DPS	29.5	45.6	57.9
PBR (x)	10.1	7.3	5.5
EV/EBITDA (x)	18.4	11.5	8.7
ROE (%)	45.0	48.5	45.6

Source: FactSet, Daiwa forecasts

Fositek: revenue and earnings forecasts revisions

	2026E			2027E			2028E		
(TWDm)	New	Previous	Change	New	Previous	Change	New	Previous	Change
Sales	**17,494**	**18,644**	-6.2%	**24,793**	**26,294**	-5.7%	**30,230**	**31,998**	-5.5%
Gross profit	**5,948**	**6,283**	-5.3%	**8,925**	**9,071**	-1.6%	**11,185**	**11,199**	-0.1%
Gross margin	*34.0%*	*33.7%*	0.3pp	*36.0%*	*34.5%*	1.5pp	*37.0%*	*35.0%*	2pp
Operating profit	**4,948**	**5,314**	-6.9%	**7,711**	**7,914**	-2.6%	**9,825**	**9,839**	-0.1%
Operating margin	*28.3%*	*28.5%*	-0.2pp	*31.1%*	*30.1%*	1pp	*32.5%*	*30.8%*	1.8pp
Net profit	**4,046**	**4,560**	-11.3%	**6,254**	**6,720**	-6.9%	**7,935**	**8,318**	-4.6%
Net margin	*23.1%*	*24.5%*	-1.3pp	*25.2%*	*25.6%*	-0.3pp	*26.2%*	*26.0%*	0.3pp
Fully diluted EPS (TWD)	**59.00**	**66.47**	-11.2%	**91.21**	**97.96**	-6.9%	**115.72**	**121.26**	-4.6%

Source: Daiwa forecasts

Fositek: 2Q26 results review

(TWDm)	Fositek's 2Q26 results	Our forecasts	Differ	Bloomberg consensus	Differ
Revenue	3,740	4,253	-12.1%	4,287	-12.8%
Gross profit	1,273	1,404	-9.3%	1,410	-9.7%
Operating profit	1,043	1,159	-9.9%	1,153	-9.5%
Profit before tax	1,075	1,204	-10.6%	1,188	-9.5%
Net profit	849	1,011	-16.0%	969	-12.4%
EPS	12.39	14.75	-16.0%	14.23	-12.9%
Margin					
Gross margin	34.0%	33.0%	1pp	32.9%	1.2pp
Operating margin	27.9%	27.2%	0.7pp	26.9%	1pp
Pre-tax margin	28.8%	28.3%	0.5pp	27.7%	1pp
Net margin	22.7%	23.8%	-1.1pp	22.6%	0.1pp

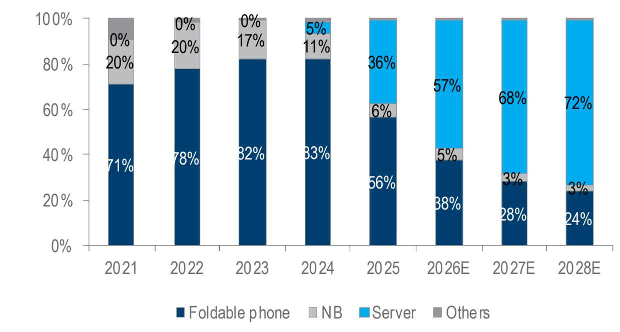
Source: Company, Bloomberg, Daiwa forecasts

Fositek: quarterly and annual P&L

	2026E				2027E				2026E	2027E	2028E
(TWDm)	1Q26	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E			
Revenue	4,184	3,740	4,550	5,020	5,500	6,000	6,300	6,993	17,494	24,793	30,230
Gross profit	1,352	1,273	1,561	1,762	1,870	2,100	2,268	2,687	5,948	8,925	11,185
Operating profit	1,120	1,043	1,316	1,468	1,600	1,820	1,988	2,303	4,948	7,711	9,825
Pre-tax profit	1,165	1,075	1,348	1,500	1,639	1,859	2,027	2,342	5,089	7,867	9,982
Net profit	917	849	1,071	1,208	1,303	1,478	1,612	1,862	4,046	6,254	7,935
Basic EPS (TWD)	13.38	12.39	15.63	17.62	19.01	21.56	23.51	27.16	59.01	91.23	115.75
Margin											
Gross margin	32.3%	34.0%	34.3%	35.1%	34.0%	35.0%	36.0%	38.4%	34.0%	36.0%	37.0%
Operating margin	26.8%	27.9%	28.9%	29.2%	29.1%	30.3%	31.6%	32.9%	28.3%	31.1%	32.5%
Pre-tax margin	27.9%	28.8%	29.6%	29.9%	29.8%	31.0%	32.2%	33.5%	29.1%	31.7%	33.0%
Net margin	21.9%	22.7%	23.5%	24.1%	23.7%	24.6%	25.6%	26.6%	23.1%	25.2%	26.2%
YoY											
Revenue	85.8%	42.7%	27.6%	26.3%	31.5%	60.4%	38.5%	39.3%	40.9%	41.7%	21.9%
Gross profit	171.2%	101.9%	58.2%	52.6%	38.3%	64.9%	45.3%	52.5%	81.9%	50.1%	25.3%
Operating profit	206.3%	110.0%	66.0%	68.9%	42.8%	74.4%	51.1%	56.8%	96.0%	55.8%	27.4%
Pre-tax profit	177.1%	172.5%	62.3%	66.9%	40.7%	72.9%	50.4%	56.1%	100.0%	54.6%	26.9%
Net profit	157.3%	157.0%	56.0%	60.7%	42.1%	74.1%	50.4%	54.1%	90.4%	54.6%	26.9%
QoQ											
Revenue	5.2%	-10.6%	21.7%	10.3%	9.6%	9.1%	5.0%	11.0%			
Gross profit	17.1%	-5.8%	22.6%	12.9%	6.1%	12.3%	8.0%	18.5%			
Operating profit	28.9%	-6.9%	26.1%	11.6%	9.0%	13.8%	9.2%	15.8%			
Pre-tax profit	29.6%	-7.7%	25.3%	11.3%	9.2%	13.4%	9.0%	15.5%			
Net profit	22.1%	-7.4%	26.2%	12.7%	7.9%	13.4%	9.0%	15.5%			

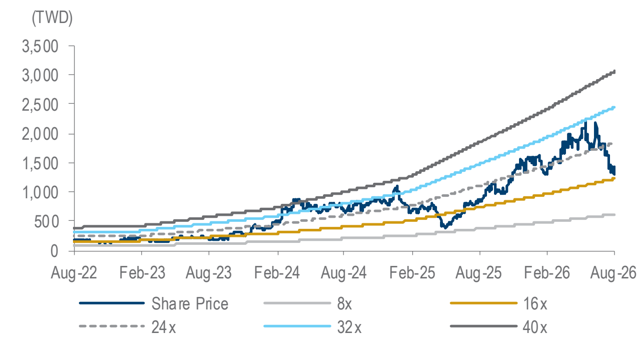
Source: Company, Daiwa forecasts

Fositek: product mix



Source: Company, Daiwa forecasts

Fositek: 1-year forward PER



Source: Bloomberg, Daiwa forecasts

Daiwa Capital Markets Hong Kong Limited

Financial summary

Key assumptions

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Foldable phone revenue YoY growth	0.0	8.9	19.1	45.9	3.6	(5.0)	5.0	5.0
NB YoY growth (%)	0.0	2.4	(5.5)	(7.7)	(11.1)	0.0	0.0	0.0
Server revenue YoY growth (%)	0.0	0.0	0.0	0.0	935.9	120.0	70.0	30.0

Profit and loss (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Foldable phone	3,572	3,889	4,633	6,759	7,001	6,651	6,984	7,333
Server	0	0	0	435	4,506	9,914	16,853	21,909
Other Revenue	1,449	1,125	1,011	994	906	929	955	988
Total Revenue	**5,020**	**5,014**	**5,644**	**8,188**	**12,414**	**17,494**	**24,793**	**30,230**
Other income	0	0	0	0	0	0	0	0
COGS	(3,827)	(3,848)	(4,326)	(6,361)	(9,144)	(11,546)	(15,867)	(19,045)
SG&A	(133)	(153)	(151)	(180)	(187)	(262)	(347)	(393)
Other op.expenses	(251)	(238)	(286)	(450)	(559)	(738)	(868)	(967)
Operating profit	**809**	**775**	**881**	**1,197**	**2,524**	**4,948**	**7,711**	**9,825**
Net-interest inc./(exp.)	(9)	(15)	1	52	41	17	17	17
Assoc/forex/extraord./others	(24)	76	30	245	(21)	124	140	140
Pre-tax profit	**776**	**835**	**911**	**1,495**	**2,545**	**5,089**	**7,867**	**9,982**
Tax	(243)	(271)	(283)	(267)	(419)	(1,043)	(1,613)	(2,046)
Min. int./pref. div./others	0	0	0	0	0	0	0	0
Net profit (reported)	**533**	**564**	**628**	**1,227**	**2,125**	**4,046**	**6,254**	**7,935**
Net profit (adjusted)	**533**	**564**	**628**	**1,227**	**2,125**	**4,046**	**6,254**	**7,935**
EPS (reported)(TWD)	**9.289**	**9.331**	**10.185**	**17.904**	**31.002**	**59.013**	**91.233**	**115.754**
EPS (adjusted)(TWD)	**9.289**	**9.331**	**10.185**	**17.904**	**31.002**	**59.013**	**91.233**	**115.754**
EPS (adjusted fully-diluted)(TWD)	**9.276**	**9.311**	**10.174**	**17.890**	**30.982**	**58.996**	**91.206**	**115.720**
DPS (TWD)	**3.688**	**4.000**	**6.115**	**8.000**	**10.500**	**29.507**	**45.617**	**57.877**
EBIT	**809**	**775**	**881**	**1,197**	**2,524**	**4,948**	**7,711**	**9,825**
EBITDA	**910**	**966**	**1,043**	**1,638**	**2,801**	**5,396**	**8,269**	**10,478**

Cash flow (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	776	835	911	1,495	2,545	5,089	7,867	9,982
Depreciation and amortisation	126	115	132	196	298	325	419	513
Tax paid	(78)	(128)	(125)	(173)	(337)	(1,043)	(1,613)	(2,046)
Change in working capital	(726)	1,400	221	(212)	(260)	(554)	(108)	(316)
Other operational CF items	386	96	80	103	(274)	(17)	(17)	(17)
Cash flow from operations	**484**	**2,318**	**1,218**	**1,409**	**1,970**	**3,799**	**6,549**	**8,115**
Capex	(204)	(106)	(189)	(541)	(322)	(500)	(500)	(500)
Net (acquisitions)/disposals	0	3	5	(70)	6	0	0	0
Other investing CF items	54	(16)	2	(53)	(47)	0	0	0
Cash flow from investing	**(150)**	**(119)**	**(182)**	**(664)**	**(362)**	**(500)**	**(500)**	**(500)**
Change in debt	644	77	(521)	(10)	(10)	0	0	0
Net share issues/(repurchases)	0	0	0	0	0	0	0	0
Dividends paid	(19)	(272)	(242)	(377)	(548)	(720)	(2,023)	(3,127)
Other financing CF items	650	(19)	1,833	(35)	(45)	0	0	0
Cash flow from financing	**1,275**	**(214)**	**1,071**	**(422)**	**(603)**	**(720)**	**(2,023)**	**(3,127)**
Forex effect/others	0	0	0	0	0	0	0	0
Change in cash	**1,609**	**1,985**	**2,107**	**324**	**1,005**	**2,579**	**4,026**	**4,488**
Free cash flow	280	2,131	949	713	1,881	3,299	6,049	7,615

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	1,854	3,841	5,898	6,336	7,446	10,025	14,051	18,539
Inventory	1,111	943	999	2,902	3,606	5,282	6,198	7,647
Accounts receivable	1,375	452	1,462	2,166	2,300	3,930	5,080	6,493
Other current assets	49	36	105	260	143	143	143	143
Total current assets	**4,390**	**5,272**	**8,464**	**11,664**	**13,494**	**19,380**	**25,472**	**32,822**
Fixed assets	324	312	359	758	817	992	1,073	1,060
Goodwill & intangibles	13	12	15	18	17	17	17	17
Other non-current assets	113	107	92	318	351	351	351	351
Total assets	**4,840**	**5,704**	**8,930**	**12,758**	**14,678**	**20,739**	**26,912**	**34,249**
Short-term debt	369	703	440	430	420	420	420	420
Accounts payable	1,502	1,865	3,224	5,811	5,911	8,662	10,618	13,162
Other current liabilities	129	133	166	291	503	228	228	228
Total current liabilities	**1,999**	**2,701**	**3,830**	**6,533**	**6,833**	**9,310**	**11,266**	**13,810**
Long-term debt	515	258	22	22	22	22	22	22
Other non-current liabilities	256	359	483	657	629	629	629	629
Total liabilities	**2,770**	**3,318**	**4,335**	**7,212**	**7,485**	**9,962**	**11,918**	**14,462**
Share capital	605	605	686	686	686	686	686	686
Reserves/R.E./others	1,466	1,781	3,910	4,861	6,507	10,092	14,308	19,102
Shareholders' equity	**2,070**	**2,386**	**4,595**	**5,546**	**7,193**	**10,777**	**14,994**	**19,787**
Minority interests	0	0	0	0	0	0	0	0
Total equity & liabilities	**4,840**	**5,704**	**8,930**	**12,758**	**14,678**	**20,739**	**26,912**	**34,249**
EV	108,030	106,121	103,564	103,117	101,998	99,418	95,393	90,905
Net debt/(cash)	**(971)**	**(2,880)**	**(5,437)**	**(5,884)**	**(7,003)**	**(9,582)**	**(13,608)**	**(18,096)**
BVPS (TWD)	**36.079**	**39.467**	**74.534**	**80.906**	**104.919**	**157.208**	**218.717**	**288.635**

Key ratios (%)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales (YoY)	125.8	(0.1)	12.6	45.1	51.6	40.9	41.7	21.9
EBITDA (YoY)	158.0	6.1	8.0	57.1	71.0	92.7	53.2	26.7
Operating profit (YoY)	179.5	(4.2)	13.7	36.0	110.8	96.0	55.8	27.4
Net profit (YoY)	153.3	5.8	11.3	95.5	73.2	90.4	54.6	26.9
Core EPS (fully-diluted) (YoY)	48.7	0.4	9.3	75.8	73.2	90.4	54.6	26.9
Gross-profit margin	23.8	23.3	23.3	22.3	26.3	34.0	36.0	37.0
EBITDA margin	18.1	19.3	18.5	20.0	22.6	30.8	33.4	34.7
Operating-profit margin	16.1	15.5	15.6	14.6	20.3	28.3	31.1	32.5
Net profit margin	10.6	11.3	11.1	15.0	17.1	23.1	25.2	26.2
ROAE	36.1	25.3	18.0	24.2	33.4	45.0	48.5	45.6
ROAA	13.9	10.7	8.6	11.3	15.5	22.8	26.3	25.9
ROCE	39.6	24.6	21.0	21.7	37.0	52.5	57.9	55.1
ROIC	56.2	n.a	n.a.	n.a.	n.a.	n.a	n.a	n.a
Net debt to equity	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Effective tax rate	31.3	32.4	31.1	17.9	16.5	20.5	20.5	20.5
Accounts receivable (days)	65.8	66.5	61.9	80.9	65.7	65.0	66.3	69.9
Current ratio (x)	2.2	2.0	2.2	1.8	2.0	2.1	2.3	2.4
Net interest cover (x)	91.5	50.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net dividend payout	39.7	42.9	60.0	44.7	33.9	50.0	50.0	50.0
Free cash flow yield	0.3	2.0	0.9	0.7	1.7	3.0	5.5	7.0

Source: FactSet, Daiwa forecasts

Company profile

Fositek is a provider of foldable phone hinges, foldable laptop/tablet hinges, AR/VR glasses hinges, ultra-thin laptop hinges and keyboard hinges, as well as hinges for medical instruments and automobile applications. Its major clients include Huawei and Motorola.

ESG analysis

ESG risks

Risks		Management	Analyst comments
G	Executive/board quality	1	The CEO and chairperson of Fositek are not the same individual, and we see no issue with its board quality. Besides, we note that the chairperson has 24 years of experience in this industry and took over the role of chairman at Fositek in 2014, which is a positive sign from a governance perspective.
	Capital management	2	Fositek's dividend payout ratio was 40-60% over 2022-25, due likely to its capacity expansion plans.
	Related party & transaction	2	Revenue generated from related-party transactions (mainly for AVC and SZFSD) was 0-16% of total revenue during 2022-25, and we found no suspicious activity.
E	Supply chain management	1	Fositek maintains smooth communication channels with its suppliers and executes its business operations effectively. In response to ESG issues, Fositek actively implements supply chain management, striving to optimise the overall environment through product design, raw-material procurement, manufacturing, transportation, packaging and recycling processes. It integrates upstream and downstream suppliers to establish a green supply chain. For example, Fositek has required its suppliers to sign environmental protection agreements since 2021, committing to comply with hazardous substance control regulations.
G	Data security	2	To protect company information and customer data, Fositek has passed the IEC/ISO 27001 information security management system certification and will continue to enhance execution in various management areas.

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: 7 May 2026

Source: Daiwa, Company

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Rating	Percentage of total
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Source: Daiwa

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