Fositek Corp (6805 TT)

Target price: **TWD2,910.00** (from TWD2,615.00)

Share price (3 Nov): **TWD2,160.00** | Up/downside: **+34.7%**

5 4 3 2 **1**

Buy (unchanged)

Brighter 2027 outlook driven by server segment

- 3Q26 results beat our estimates and Bloomberg consensus
- Stronger revenue outlook in 2027 with gross margin expansion
- Reaffirming our Buy (1) rating and raising 12M TP to TWD2,910

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What's new: We attended Fositek's investor meeting following its 3Q26 results announcement on 3 November. We believe the company will benefit from the AI server trend with a rising liquid-cooling penetration rate in the following years. With rising server revenue over 2026-28E given its share-gain potential, we reaffirm our Buy (1) rating. See our previous memo *3Q26 revenue largely in line with expectations*, 7 October 2026.

What's the impact: 3Q26 results beat our estimates and Bloomberg consensus. Fositek's 3Q26 revenue of TWD4,502m (+20.4% QoQ, +26.2% YoY), a record high, was in line with our estimate and the Bloomberg consensus. Its 3Q26 gross margin came in at 38.0% (vs. 34.0% in 2Q26 and 27.7% in 3Q25), also a record-high level, above our estimates (34.3%) and the consensus (36.5%), mainly on manufacturing process improvements and better-than-expected product mix (server revenue accounted for 81.6% in 3Q26, up from 54.9% in 2Q26 and 56.4% in 1Q26). Its operating margin of 32.4% (vs. 27.9% in 2Q26 and 22.2% in 3Q25), another record high, beat our estimate (28.9%) and the consensus (31.2%), on better opex control. Thus, its operating profit of TWD1,460m (+39.9% QoQ, +84.2% YoY) beat our estimate and the consensus by 11.0% and 3.3%, respectively. Its net profit of TWD1,242m (+46.3% QoQ, +80.8% YoY) beat our estimate and the consensus by 15.9% and 6.5%, respectively. Its 3Q26 EPS finished at TWD18.11. Its 3Q26 product mix was: server (81.6%, +92.7% YoY), foldable phone (15.4%, -53.1% YoY), notebook (4.5%, -28.1% YoY) and others (0.6%, -10.8% YoY).

Brighter 2027 outlook, driven by server segment. Following the ramping up of GPU and ASICs projects in 2H26, we expect a stronger 2027 revenue outlook vs. 2026, along with gross margin expansion. With the rise in the liquid-cooling penetration rate, quick disconnect (QD) shipments per rack and QD spec upgrade for ASP expansion, we forecast its revenue to grow by 40.3% YoY in 2026 and 59.2% YoY in 2027. We raise our 2026-28E EPS by 9-29% on our more aggressive revenue and gross- and operating-margin assumptions.

What we recommend: We reaffirm our Buy (1) call and lift our 12M TP to TWD2,910 (from TWD2,615), still based on a target PER of 32x (vs. its past-3-year range of 9-42x [average of 24x]), translating to a 0.6x 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.

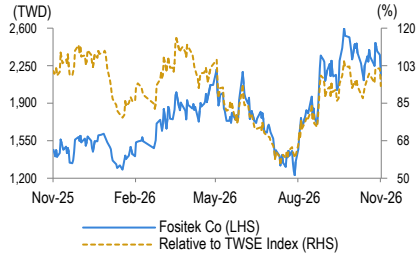
How we differ: Our 2028E EPS is 8% above the Bloomberg consensus likely as we are more aggressive on revenue.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	(0.4)	11.9	21.9
Net profit change	8.9	18.8	28.6
Core EPS (FD) change	8.9	18.8	28.6

Source: Daiwa forecasts

Share price performance



12-month range	1,230.00-2,600.00
Market cap (USDbn)	4.54
3m avg daily turnover (USDm)	117.05
Shares outstanding (m)	69
Major shareholder	AVC (16.9%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	17,421	27,740	36,848
Operating profit (m)	5,261	9,182	12,676
Net profit (m)	4,406	7,429	10,206
Core EPS (fully-diluted)	64.257	108.335	148.844
EPS change (%)	107.4	68.6	37.4
Daiwa vs Cons. EPS (%)	1.8	(1.4)	8.4
PER (x)	33.6	19.9	14.5
Dividend yield (%)	1.5	2.5	3.4
DPS	32.1	54.2	74.4
PBR (x)	13.3	9.1	6.5
EV/EBITDA (x)	23.7	13.7	9.6
ROE (%)	48.1	54.1	52.1

Source: FactSet, Daiwa forecasts

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

Fositek: revenue and earnings forecasts revisions

	2026E			2027E			2028E		
(TWDm)	New	Previous	Change	New	Previous	Change	New	Previous	Change
Sales	**17,421**	**17,494**	-0.4%	**27,740**	**24,793**	11.9%	**36,848**	**30,230**	21.9%
Gross profit	**6,254**	**5,948**	5.1%	**10,541**	**8,925**	18.1%	**14,371**	**11,185**	28.5%
Gross margin	*35.9%*	*34.0%*	1.9pp	*38.0%*	*36.0%*	2pp	*39.0%*	*37.0%*	2pp
Operating profit	**5,261**	**4,948**	6.3%	**9,182**	**7,711**	19.1%	**12,676**	**9,825**	29.0%
Operating margin	*30.2%*	*28.3%*	1.9pp	*33.1%*	*31.1%*	2pp	*34.4%*	*32.5%*	1.9pp
Net profit	**4,406**	**4,046**	8.9%	**7,429**	**6,254**	18.8%	**10,206**	**7,935**	28.6%
Net margin	*25.3%*	*23.1%*	2.2pp	*26.8%*	*25.2%*	1.6pp	*27.7%*	*26.2%*	1.4pp
Fully diluted EPS (TWD)	**64.26**	**59.00**	8.9%	**108.34**	**91.21**	18.8%	**148.84**	**115.72**	28.6%

Source: Daiwa forecasts

Fositek: 3Q26 results review

(TWDm)	Fositek's 3Q26 results	Our forecasts	Differ	Bloomberg consensus	Differ
Revenue	4,502	4,550	-1.1%	4,534	-0.7%
Gross profit	1,712	1,561	9.7%	1,654	3.5%
Operating profit	1,460	1,316	11.0%	1,413	3.3%
Profit before tax	1,562	1,348	15.9%	1,444	8.2%
Net profit	1,242	1,071	15.9%	1,153	7.7%
EPS	18.11	15.63	15.9%	17.00	6.5%
Margin					
Gross margin	38.0%	34.3%	3.7pp	36.5%	1.5pp
Operating margin	32.4%	28.9%	3.5pp	31.2%	1.3pp
Pre-tax margin	34.7%	29.6%	5.1pp	31.9%	2.8pp
Net margin	27.6%	23.5%	4pp	25.4%	2.2pp

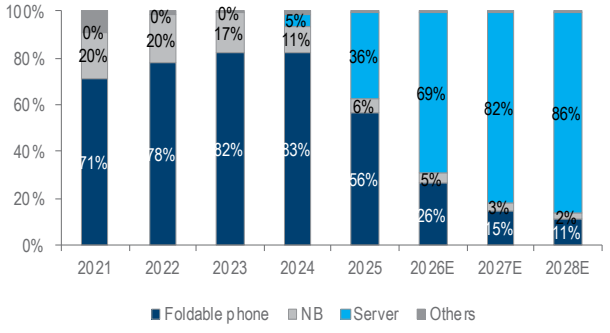
Source: Company, Bloomberg, Daiwa forecasts

Fositek: quarterly and annual P&L

	2026E				2027E				2026E	2027E	2028E
(TWDm)	1Q26	2Q26	3Q26	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E			
Revenue	4,184	3,740	4,502	4,996	5,100	6,000	7,200	9,440	17,421	27,740	36,848
Gross profit	1,352	1,273	1,712	1,917	1,928	2,280	2,736	3,597	6,254	10,541	14,371
Operating profit	1,120	1,043	1,460	1,638	1,628	1,950	2,391	3,213	5,261	9,182	12,676
Pre-tax profit	1,165	1,075	1,562	1,740	1,668	1,991	2,432	3,254	5,542	9,344	12,838
Net profit	917	849	1,242	1,398	1,326	1,582	1,933	2,587	4,406	7,429	10,206
Basic EPS (TWD)	13.38	12.39	18.11	20.38	19.34	23.08	28.19	37.73	64.27	108.34	148.85
Margin											
Gross margin	32.3%	34.0%	38.0%	38.4%	37.8%	38.0%	38.0%	38.1%	35.9%	38.0%	39.0%
Operating margin	26.8%	27.9%	32.4%	32.8%	31.9%	32.5%	33.2%	34.0%	30.2%	33.1%	34.4%
Pre-tax margin	27.9%	28.8%	34.7%	34.8%	32.7%	33.2%	33.8%	34.5%	31.8%	33.7%	34.8%
Net margin	21.9%	22.7%	27.6%	28.0%	26.0%	26.4%	26.8%	27.4%	25.3%	26.8%	27.7%
YoY											
Revenue	85.8%	42.7%	26.2%	25.6%	21.9%	60.4%	59.9%	89.0%	40.3%	59.2%	32.8%
Gross profit	171.2%	101.9%	73.5%	66.0%	42.6%	79.1%	59.8%	87.6%	91.2%	68.5%	36.3%
Operating profit	206.3%	110.0%	84.2%	88.4%	45.3%	86.9%	63.8%	96.2%	108.4%	74.5%	38.0%
Pre-tax profit	177.1%	172.5%	88.1%	93.5%	43.2%	85.1%	55.7%	87.0%	117.8%	68.6%	37.4%
Net profit	157.3%	157.0%	80.8%	86.0%	44.6%	86.4%	55.6%	85.1%	107.3%	68.6%	37.4%
QoQ											
Revenue	5.2%	-10.6%	20.4%	11.0%	2.1%	17.6%	20.0%	31.1%			
Gross profit	17.1%	-5.8%	34.5%	12.0%	0.5%	18.3%	20.0%	31.5%			
Operating profit	28.9%	-6.9%	39.9%	12.2%	-0.6%	19.8%	22.6%	34.4%			
Pre-tax profit	29.6%	-7.7%	45.2%	11.4%	-4.1%	19.3%	22.2%	33.8%			
Net profit	22.1%	-7.4%	46.3%	12.5%	-5.1%	19.3%	22.2%	33.8%			

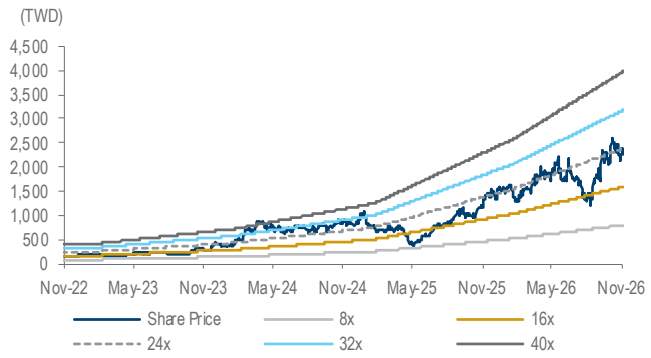
Source: Company, Daiwa forecasts

Fositek: product mix



Source: Company, Daiwa forecasts

Fositek: 1-year forward PER



Source: Bloomberg, Daiwa forecasts

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	(35.0)	(10.0)	0.0
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	165.0	90.0	40.0

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	4,551	4,096	4,096
Server	0	0	0	435	4,506	11,942	22,689	31,765
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**	**17,421**	**27,740**	**36,848**
Other income	0	0	0	0	0	0	0	0
COGS	(3,827)	(3,848)	(4,326)	(6,361)	(9,144)	(11,167)	(17,199)	(22,477)
SG&A	(133)	(153)	(151)	(180)	(187)	(261)	(388)	(479)
Other op.expenses	(251)	(238)	(286)	(450)	(559)	(732)	(971)	(1,216)
Operating profit	**809**	**775**	**881**	**1,197**	**2,524**	**5,261**	**9,182**	**12,676**
Net-interest inc./(exp.)	(9)	(15)	1	52	41	22	22	22
Assoc/forex/extraord./others	(24)	76	30	245	(21)	259	140	140
Pre-tax profit	**776**	**835**	**911**	**1,495**	**2,545**	**5,542**	**9,344**	**12,838**
Tax	(243)	(271)	(283)	(267)	(419)	(1,136)	(1,916)	(2,632)
Min. int./pref. div./others	0	0	0	0	0	0	0	0
Net profit (reported)	**533**	**564**	**628**	**1,227**	**2,125**	**4,406**	**7,429**	**10,206**
Net profit (adjusted)	**533**	**564**	**628**	**1,227**	**2,125**	**4,406**	**7,429**	**10,206**
EPS (reported)(TWD)	**9.289**	**9.331**	**10.185**	**17.904**	**31.002**	**64.269**	**108.339**	**148.849**
EPS (adjusted)(TWD)	**9.289**	**9.331**	**10.185**	**17.904**	**31.002**	**64.269**	**108.339**	**148.849**
EPS (adjusted fully-diluted)(TWD)	**9.276**	**9.311**	**10.174**	**17.890**	**30.982**	**64.257**	**108.335**	**148.844**
DPS (TWD)	**3.688**	**4.000**	**6.115**	**8.000**	**10.500**	**32.134**	**54.169**	**74.424**
EBIT	**809**	**775**	**881**	**1,197**	**2,524**	**5,261**	**9,182**	**12,676**
EBITDA	**910**	**966**	**1,043**	**1,638**	**2,801**	**5,845**	**9,741**	**13,329**

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	5,542	9,344	12,838
Depreciation and amortisation	126	115	132	196	298	325	419	513
Tax paid	(78)	(128)	(125)	(173)	(337)	(1,136)	(1,916)	(2,632)
Change in working capital	(726)	1,400	221	(212)	(260)	(655)	(226)	(494)
Other operational CF items	386	96	80	103	(274)	(22)	(22)	(22)
Cash flow from operations	**484**	**2,318**	**1,218**	**1,409**	**1,970**	**4,054**	**7,599**	**10,203**
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)	(2,203)	(3,714)
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)**	**(2,203)**	**(3,714)**
Forex effect/others	0	0	0	0	0	0	0	0
Change in cash	**1,609**	**1,985**	**2,107**	**324**	**1,005**	**2,834**	**4,896**	**5,989**
Free cash flow	280	2,131	949	713	1,881	3,554	7,099	9,703

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	10,280	15,176	21,165
Inventory	1,111	943	999	2,902	3,606	5,142	6,633	8,843
Accounts receivable	1,375	452	1,462	2,166	2,300	3,914	5,684	7,915
Other current assets	49	36	105	260	143	143	143	143
Total current assets	**4,390**	**5,272**	**8,464**	**11,664**	**13,494**	**19,478**	**27,636**	**38,065**
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**	**20,838**	**29,077**	**39,493**
Short-term debt	369	703	440	430	420	420	420	420
Accounts payable	1,502	1,865	3,224	5,811	5,911	8,405	11,439	15,384
Other current liabilities	129	133	166	291	503	228	228	228
Total current liabilities	**1,999**	**2,701**	**3,830**	**6,533**	**6,833**	**9,053**	**12,088**	**16,032**
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**	**9,705**	**12,739**	**16,684**
Share capital	605	605	686	686	686	686	686	686
Reserves/R.E./others	1,466	1,781	3,910	4,861	6,507	10,447	15,652	22,123
Shareholders' equity	**2,070**	**2,386**	**4,595**	**5,546**	**7,193**	**11,132**	**16,338**	**22,809**
Minority interests	0	0	0	0	0	0	0	0
Total equity & liabilities	**4,840**	**5,704**	**8,930**	**12,758**	**14,678**	**20,838**	**29,077**	**39,493**
EV	147,135	145,226	142,669	142,222	141,103	138,269	133,372	127,384
Net debt/(cash)	**(971)**	**(2,880)**	**(5,437)**	**(5,884)**	**(7,003)**	**(9,837)**	**(14,734)**	**(20,722)**
BVPS (TWD)	**36.079**	**39.467**	**74.534**	**80.906**	**104.919**	**162.358**	**238.271**	**332.651**

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	40.3	59.2	32.8
EBITDA (YoY)	158.0	6.1	8.0	57.1	71.0	108.7	66.7	36.8
Operating profit (YoY)	179.5	(4.2)	13.7	36.0	110.8	108.4	74.5	38.0
Net profit (YoY)	153.3	5.8	11.3	95.5	73.2	107.3	68.6	37.4
Core EPS (fully-diluted) (YoY)	48.7	0.4	9.3	75.8	73.2	107.4	68.6	37.4
Gross-profit margin	23.8	23.3	23.3	22.3	26.3	35.9	38.0	39.0
EBITDA margin	18.1	19.3	18.5	20.0	22.6	33.5	35.1	36.2
Operating-profit margin	16.1	15.5	15.6	14.6	20.3	30.2	33.1	34.4
Net profit margin	10.6	11.3	11.1	15.0	17.1	25.3	26.8	27.7
ROAE	36.1	25.3	18.0	24.2	33.4	48.1	54.1	52.1
ROAA	13.9	10.7	8.6	11.3	15.5	24.8	29.8	29.8
ROCE	39.6	24.6	21.0	21.7	37.0	54.8	64.8	63.3
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	65.1	63.1	67.4
Current ratio (x)	2.2	2.0	2.2	1.8	2.0	2.2	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	0.2	1.4	0.6	0.5	1.3	2.4	4.8	6.6

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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