data

9 July 2026

MEMO

ASE Technology Holding (3711 TT)

Share price (9 Jul): **TWD677.00** 12-mth rating: **Outperform (2)** **Information Technology: Taiwan**

Intact revenue run-rate but perhaps not valuation

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Summary: ASE Technology Holding (ASE) reported intact 2Q26 revenue thanks to the accelerated AI demand strength and sustained automotive & industrial (A&I) recovery. Assuming the 2 demand drivers will continue, we are comfortable with our 2Q26 bottom-line estimate and forecasts for ASE's 3Q26 outlook. That said, the share price has surged c.2.7x YTD, raising our concern that it seemed to be running too far ahead of fundamentals, though we rate the stock Outperform (2). ASE is scheduled to report 2Q26 results by end-July, and we will be visiting our model in due course.

Highlight

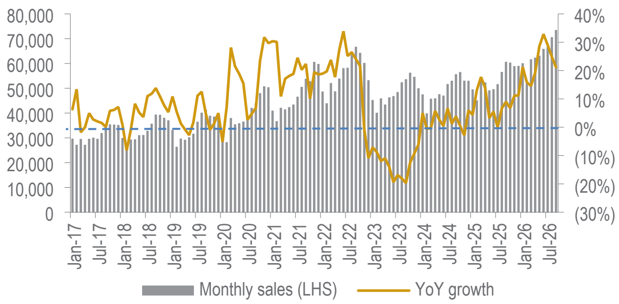
- **Revenue run-rate intact but …** ASE reported June sales of TWD65.8bn, up 4% MoM (+33% YoY) which concluded its 2Q26 topline at TWD191bn, up 10% QoQ (+27% YoY) and roughly in line with our/consensus estimates of TWD188bn. Nevertheless, while the EMS revenue looks intact, we estimate its IC ATM (ie, OSAT) revenue at TWD125-126bn, 2% above our estimate thanks to the accelerated AI demand strength benefiting its leading-edge advanced packaging (LEAP) business, as well as a sustained A&I recovery benefiting its mainstream OSAT business, plus pricing power (see our note on 29 April, *Entering an even stronger earnings cycle*). That said, its share price seemed to be running too far ahead of fundamentals despite the LEAP strength, in our opinion.

- **Near-term preview and outlook.** We expect ASE to have earned net profit of c.TWD17bn for 2Q26, not varying much from the consensus estimate. Given the intact 2Q26 topline run-rate, we are comfortable with our current expectation. As for 3Q26, we forecast its consolidated revenue to advance 12% QoQ to TWD210bn (+25% YoY) for net profit of TWD21bn, up 24% QoQ (+94% YoY) which also doesn't vary much from the consensus forecast, thanks to the continued AI strength and A&I recovery backed by hyperscalers' active AI datacentre infrastructure build. ASE is scheduled to report 2Q26 results by end-July, and we will be reviewing our model in due course.

Recommendation

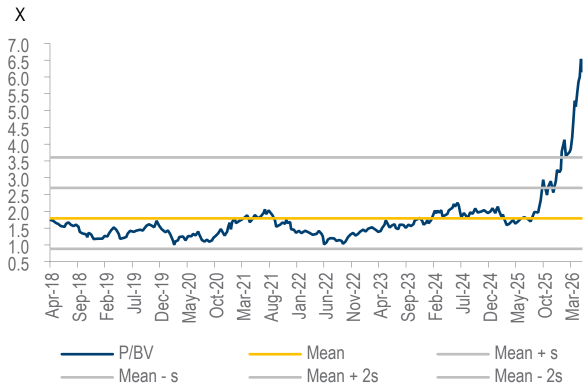
We rate ASE Outperform (2) against the backdrop of its business strength on the accelerated AI ramp and sustained A&I recovery. Yet, the stock has surged c.2.7x YTD, raising our concern that it seemed to be running too far ahead of fundamentals for a risk of an expectation reset, since the stock trades at 5.9x 2027E PBR and 32x 2027E PER. Key downside risk to our call would be any price hike across the supply chain inducing "silicon inflation" for hyperscalers' AI capex cuts.

ASE: monthly revenue run-rates



Source: Company

ASE: PBR trend



Source: Company, TEJ, Daiwa estimates and forecasts

ASE: 2Q26 results preview and 3Q26 preliminary outlook

	2Q26E			3Q26E		
TWDm	**Daiwa**	**Consensus**	**Variance**	**Daiwa**	**Consensus**	**Variance**
Revenue	188,319	188,449	0%	210,381	207,693	1%
Gross profit	39,943			45,536		
Operating profit	21,789			27,389		
Pretax profit	21,389			26,489		
Net profit	17,068	16,737	2%	21,138	20,661	2%
Adjusted EPS (TWD)	3.83	3.75	2%	4.74	4.63	2%
Margin						
Gross	21.2%			21.6%		
Operating	11.6%			13.0%		
Net	9.1%			10.0%		
Operation						
Wirebonder utilisation	80%			80%		
Tester utilisation	80%			85%		
Bumping utilisation	80%			82%		

Source: Bloomberg, Daiwa forecasts

In the interests of timeliness, this document has not been edited.

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Rating	Percentage of total
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Hold**	20.53%
Sell***	6.84%

Source: Daiwa

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