Daiwa Capital Markets Hong Kong Limited

Pegavision Corp (6491 TT)

Target price: **TWD375.00** (from TWD335.00)

Share price (31 Jul): **TWD324.00** | Up/downside: **+15.7%**

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Outperform
(unchanged)

2Q26 results review: better than expected

- 2Q26 results beat both Daiwa and Bloomberg estimates
- Intact outlook for silicone hydrogel contact lenses and Japan market
- Reaffirming our Outperform (2) rating; raising 12-month TP to TWD375

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What's new: Pegavision released its 2Q26 results on 31 July after market hours. The company maintained a positive view on the Japan market and its product roadmap for silicone hydrogel contact lenses in multiple regions, including Japan and Europe. We reaffirm our Outperform (2) call.

What's the impact: **2Q26 results beat.** Pegavision's 2Q26 revenue of TWD2,115m (+12.1% QoQ; +30.0% YoY) beat our estimate and the Bloomberg consensus by 14.3% and 1.1%, respectively, mainly due to the Japan market in light of its order share gains following vendor consolidation. Its gross margin of 53.0% (vs. 53.3% in 1Q26 and 50.9% in 2Q25) was roughly in line with our estimate (53.0%) and the Bloomberg consensus estimate (53.2%). Operating margin of 27.6% (vs. 28.8% in 1Q26 and 23.3% in 2Q25) beat our estimate (25.5%) but was slightly below the Bloomberg consensus estimate (28.2%). Its 2Q26 operating profit of TWD585m (+7.7% QoQ; +54.3% YoY) beat our estimate by 23.9% but was in line with consensus. Due to some non-op gains and a lower-than-expected tax rate, its 2Q26 net profit came in at TWD544m (+15.2% QoQ; +73.6% YoY), beating our and Bloomberg consensus estimates by 33.8% and 10.6%, respectively. Its 2Q26 EPS was TWD7.07. Japan accounted for 60%+ of its revenue in 1H26 while China accounted for 10%+.

Bright 2H26 revenue; capacity expansion plans in Vietnam and Taiwan. Pegavision targets revenue to grow QoQ in 2H26, driven by the ramp-up of silicone hydrogel daily contact lenses, which accounted for 10% of 2Q26 revenue and is targeted to contribute 15% of 4Q26 revenue, and a solid order outlook from the Japan market. In China, Pegavision remains cautious on the price war despite its China revenue rising 10% YoY in 1H26. For 2026-28, Pegavision aims for revenue to grow a double digit % YoY vs. its 1H26 revenue growth of 24.2% YoY. It plans to launch its new Vietnam plant in 2027. We raise our 2026-27E EPS by 11-18%, mainly on our more aggressive revenue forecasts, and introduce our 2028 forecasts.

What we recommend: We reaffirm our Outperform (2) rating and raise our 12M TP to TWD375 (from TWD335), now based on a PER of 14x (from 15x) on its slightly decelerating earnings momentum, lower than the midpoint (16x) of its past-3-year trading range of 10-22x, applied to our 12-month forward EPS forecast. However, we believe the launch of silicone hydrogel contact-lens products will likely be a share-price catalyst, with a dividend yield of 3.1-3.8% over 2026-28E to support the share price. Downside risks: a macroeconomic slowdown and increased competition.

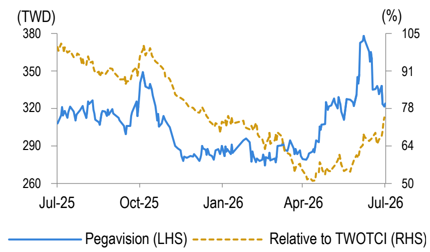
How we differ: Our 2027E EPS is 8% below Bloomberg consensus, likely as we are more conservative on Pegavision's revenue expansion.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	7.9	9.9	n.a.
Net profit change	17.6	11.3	n.a.
Core EPS (FD) change	17.7	11.4	n.a.

Source: Daiwa forecasts

Share price performance



12-month range	274.50-378.00
Market cap (USDbn)	0.78
3m avg daily turnover (USDm)	6.35
Shares outstanding (m)	78
Major shareholder	Kinsus investment (30.3%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	8,271	9,098	10,008
Operating profit (m)	2,270	2,458	2,696
Net profit (m)	2,046	2,156	2,388
Core EPS (fully-diluted)	26.054	27.452	30.409
EPS change (%)	26.4	5.4	10.8
Daiwa vs Cons. EPS (%)	2.2	(8.2)	n.a.
PER (x)	12.4	11.8	10.7
Dividend yield (%)	3.1	3.6	3.8
DPS	10.0	11.8	12.4
PBR (x)	2.1	1.9	1.7
EV/EBITDA (x)	6.8	6.0	5.2
ROE (%)	17.3	17.1	17.1

Source: FactSet, Daiwa forecasts

Flash

Pegavision: revisions to revenue and earnings forecasts

	2026E			2027E			2028E		
(TWDm)	Previous	New	Consensus	Previous	New	Consensus	Previous	New	Consensus
Revenue	7,666	8,271	8,376	8,279	9,098	9,634	n.a.	10,008	n.a.
Diff (%)		7.9%	-1.3%		9.9%	-5.6%		n.a.	n.a.
Gross margin (%)	53.0%	52.8%	53.4%	53.5%	52.9%	54.1%	n.a.	53.1%	n.a.
Operating profit	2,027	2,270	2,358	2,238	2,458	2,816	n.a.	2,696	n.a.
Operating margin (%)	26.4%	27.4%	28.2%	27.0%	27.0%	29.2%	n.a.	26.9%	n.a.
Net profit	1,740	2,046	1,991	1,936	2,156	2,334	n.a.	2,388	n.a.
Diluted EPS (TWD)	22.14	26.05	25.49	24.64	27.45	29.92	n.a.	30.41	n.a.
Diff (%)		17.7%	2.2%		11.4%	-8.2%		n.a.	n.a.

Source: Bloomberg, Daiwa forecasts

Pegavision: quarterly and annual P&L statement

	2026E				2027E						
(TWDm)	1Q	2QE	3QE	4QE	1QE	2QE	3QE	4QE	2026E	2027E	2028E
Revenue	1,886	2,115	2,130	2,141	2,065	2,200	2,400	2,433	8,271	9,098	10,008
Gross profit	1,006	1,120	1,118	1,124	1,097	1,173	1,265	1,282	4,368	4,816	5,314
Operating profit	543	585	564	578	601	579	629	650	2,270	2,458	2,696
Pre-tax profit	566	650	606	616	644	628	682	697	2,438	2,652	2,935
Net profit	472	544	510	519	523	510	555	567	2,046	2,156	2,388
Basic EPS (TWD)	6.06	7.07	6.55	6.66	6.71	6.55	7.12	7.27	26.24	27.65	30.63
Operating Ratios											
Gross margin	53.3%	53.0%	52.5%	52.5%	53.1%	53.3%	52.7%	52.7%	52.8%	52.9%	53.1%
Operating margin	28.8%	27.6%	26.5%	27.0%	29.1%	26.3%	26.2%	26.7%	27.4%	27.0%	26.9%
Pre-tax margin	30.0%	30.7%	28.5%	28.8%	31.2%	28.6%	28.4%	28.7%	29.5%	29.2%	29.3%
Net margin	25.0%	25.7%	24.0%	24.2%	25.3%	23.2%	23.1%	23.3%	24.7%	23.7%	23.9%
YoY (%)											
Net revenue	18.3%	30.0%	12.8%	10.9%	9.5%	4.0%	12.7%	13.7%	17.5%	10.0%	10.0%
Gross profit	14.5%	35.3%	16.9%	10.7%	9.0%	4.7%	13.1%	14.1%	18.8%	10.3%	10.3%
Operating profit	25.9%	54.3%	17.5%	11.9%	10.7%	-1.0%	11.4%	12.4%	25.6%	8.3%	9.7%
Pre-tax profit	-2.5%	68.8%	19.9%	12.5%	13.7%	-3.3%	12.6%	13.2%	20.8%	8.8%	10.7%
Net profit	-3.5%	73.6%	28.6%	21.1%	10.8%	-6.2%	8.7%	9.3%	25.7%	5.4%	10.8%
QoQ (%)											
Net revenue	-2.3%	12.1%	0.7%	0.5%	-3.6%	6.5%	9.1%	1.4%			
Gross profit	-1.0%	11.4%	-0.2%	0.5%	-2.5%	6.9%	7.9%	1.4%			
Operating profit	5.0%	7.7%	-3.4%	2.4%	3.9%	-3.7%	8.7%	3.3%			
Pre-tax profit	3.4%	14.7%	-6.7%	1.7%	4.6%	-2.5%	8.6%	2.2%			
Net profit	10.2%	15.2%	-6.2%	1.7%	0.9%	-2.5%	8.7%	2.2%			

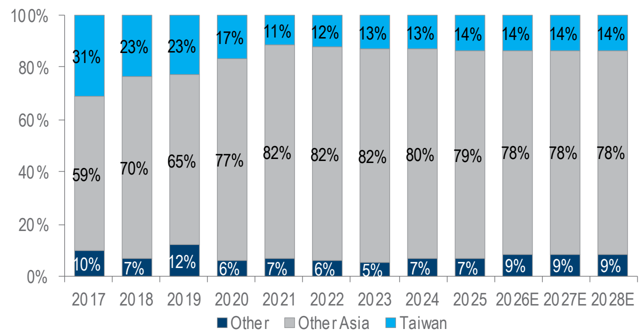
Source: Company, Daiwa forecasts

Pegavision: 2Q26 results review

(TWDm)	Pegavision's 2Q26 results	Daiwa forecast	Differ	Bloomberg consensus	Differ
Revenue	2,115	1,850	14.3%	2,092	1.1%
Gross profit	1,120	981	14.3%	1,112	0.7%
Operating profit	585	472	23.9%	591	-1.0%
Profit before tax	650	502	29.3%	602	7.9%
Net profit	544	407	33.8%	492	10.6%
Basic EPS (TWD)	7.07	5.21	35.7%	6.29	12.5%
Margin					
Gross margin	53.0%	53.0%	0pp	53.2%	-0.2pp
Operating margin	27.6%	25.5%	2.1pp	28.2%	-0.6pp
Pre-tax margin	30.7%	27.2%	3.6pp	28.8%	1.9pp
Net margin	25.7%	22.0%	3.8pp	23.5%	2.2pp

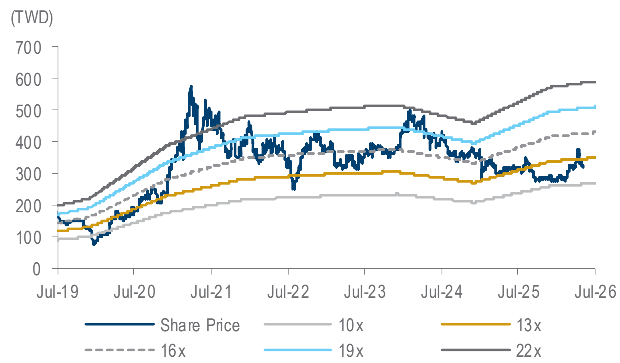
Source: Company, Bloomberg, Daiwa forecasts

Pegavision: revenue by region



Source: Company, Daiwa forecasts

Pegavision: 1-year forward PER bands



Source: Bloomberg, Daiwa forecasts

Financial summary

Key assumptions

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
revenue YoY growth - Other Asia (%)	49.8	12.7	7.5	(1.7)	2.5	15.0	10.0	10.0
revenue YoY growth - Taiwan (%)	(4)	21	15	1	10	15	10	10
revenue YoY growth - Other (%)	46.0	4.1	(7.7)	32.6	0.2	52.0	10.0	10.0

Profit and loss (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Other Asia	4,585	5,165	5,551	5,455	5,590	6,429	7,071	7,779
Taiwan	638	769	881	888	974	1,120	1,232	1,355
Other Revenue	372	387	358	474	475	723	795	874
Total Revenue	**5,595**	**6,321**	**6,790**	**6,817**	**7,039**	**8,271**	**9,098**	**10,008**
Other income	0	0	0	0	0	0	0	0
COGS	(2,631)	(3,006)	(3,122)	(2,993)	(3,361)	(3,903)	(4,282)	(4,695)
SG&A	(958)	(920)	(1,095)	(1,091)	(1,247)	(1,431)	(1,581)	(1,717)
Other op.expenses	(547)	(576)	(592)	(646)	(625)	(668)	(778)	(901)
Operating profit	**1,460**	**1,820**	**1,981**	**2,087**	**1,807**	**2,270**	**2,458**	**2,696**
Net-interest inc./(exp.)	0	(14)	(16)	(33)	(7)	118	194	240
Assoc/forex/extraord./others	(16)	11	13	79	219	50	0	0
Pre-tax profit	**1,444**	**1,817**	**1,979**	**2,133**	**2,019**	**2,438**	**2,652**	**2,935**
Tax	(196)	(272)	(301)	(279)	(368)	(373)	(477)	(528)
Min. int./pref. div./others	0	(3)	(22)	(23)	(22)	(20)	(19)	(19)
Net profit (reported)	**1,249**	**1,542**	**1,656**	**1,831**	**1,628**	**2,046**	**2,156**	**2,388**
Net profit (adjusted)	**1,249**	**1,542**	**1,656**	**1,831**	**1,628**	**2,046**	**2,156**	**2,388**
EPS (reported)(TWD)	**17.837**	**22.031**	**22.827**	**23.470**	**20.872**	**26.241**	**27.649**	**30.627**
EPS (adjusted)(TWD)	**17.837**	**22.031**	**22.827**	**23.470**	**20.872**	**26.241**	**27.649**	**30.627**
EPS (adjusted fully-diluted)(TWD)	**17.718**	**21.843**	**22.614**	**23.243**	**20.615**	**26.054**	**27.452**	**30.409**
DPS (TWD)	**8.500**	**10.000**	**10.000**	**11.000**	**10.000**	**10.000**	**11.802**	**12.436**
EBIT	**1,460**	**1,820**	**1,981**	**2,087**	**1,807**	**2,270**	**2,458**	**2,696**
EBITDA	**2,117**	**2,753**	**2,918**	**2,814**	**2,581**	**3,158**	**3,403**	**3,701**

Cash flow (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	1,444	1,817	1,979	2,133	2,019	2,438	2,652	2,935
Depreciation and amortisation	657	933	937	727	774	888	945	1,006
Tax paid	(196)	(272)	(301)	(279)	(368)	(373)	(477)	(528)
Change in working capital	1,216	(892)	(4,020)	2,506	(97)	(421)	(257)	(211)
Other operational CF items	(488)	461	2,205	(886)	331	(299)	(19)	(19)
Cash flow from operations	**2,633**	**2,047**	**799**	**4,201**	**2,658**	**2,233**	**2,843**	**3,183**
Capex	(1,841)	(1,411)	(1,112)	(3,320)	(1,409)	(1,120)	(1,000)	(1,000)
Net (acquisitions)/disposals	0	0	(2,118)	963	(617)	(334)	0	0
Other investing CF items	(9)	(18)	(168)	(120)	(110)	(4)	0	0
Cash flow from investing	**(1,849)**	**(1,429)**	**(3,398)**	**(2,476)**	**(2,136)**	**(1,458)**	**(1,000)**	**(1,000)**
Change in debt	206	67	636	(380)	118	269	0	0
Net share issues/(repurchases)	0	0	2,480	0	0	0	0	0
Dividends paid	(350)	(595)	(708)	(780)	(858)	(780)	(921)	(970)
Other financing CF items	(28)	(95)	(141)	(68)	(51)	(159)	0	0
Cash flow from financing	**(172)**	**(623)**	**2,268**	**(1,229)**	**(790)**	**(670)**	**(921)**	**(970)**
Forex effect/others	(9)	1	(15)	6	(25)	10	0	0
Change in cash	**603**	**(3)**	**(346)**	**502**	**(293)**	**116**	**923**	**1,213**
Free cash flow	792	637	(312)	881	1,250	1,114	1,843	2,183

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	1,916	2,513	6,234	4,258	4,481	5,222	6,145	7,358
Inventory	574	569	583	671	881	1,093	1,237	1,352
Accounts receivable	634	751	866	827	967	1,178	1,339	1,472
Other current assets	139	139	191	161	207	265	265	265
Total current assets	**3,263**	**3,971**	**7,875**	**5,918**	**6,536**	**7,757**	**8,985**	**10,446**
Fixed assets	4,915	5,037	4,724	7,860	8,729	8,767	8,822	8,816
Goodwill & intangibles	14	22	20	22	44	40	40	40
Other non-current assets	373	531	1,241	746	865	933	933	933
Total assets	**8,565**	**9,562**	**13,859**	**14,546**	**16,174**	**17,497**	**18,779**	**20,235**
Short-term debt	445	289	925	361	573	840	840	840
Accounts payable	203	195	233	199	328	361	409	447
Other current liabilities	2,131	1,958	2,148	2,230	2,917	3,568	3,568	3,568
Total current liabilities	**2,778**	**2,442**	**3,307**	**2,790**	**3,818**	**4,769**	**4,817**	**4,855**
Long-term debt	142	365	365	549	454	457	457	457
Other non-current liabilities	136	269	207	148	166	164	164	164
Total liabilities	**3,056**	**3,076**	**3,879**	**3,487**	**4,438**	**5,391**	**5,438**	**5,476**
Share capital	700	700	780	780	780	780	780	780
Reserves/R.E./others	4,786	5,727	9,128	10,186	10,851	11,229	12,484	13,921
Shareholders' equity	**5,486**	**6,427**	**9,908**	**10,966**	**11,631**	**12,009**	**13,264**	**14,701**
Minority interests	22	58	73	92	105	97	78	58
Total equity & liabilities	**8,565**	**9,562**	**13,859**	**14,546**	**16,174**	**17,497**	**18,779**	**20,235**
EV	23,965	23,471	20,400	22,016	21,923	21,444	20,502	19,270
Net debt/(cash)	**(1,329)**	**(1,859)**	**(4,944)**	**(3,349)**	**(3,453)**	**(3,925)**	**(4,847)**	**(6,060)**
BVPS (TWD)	**78.372**	**91.821**	**127.022**	**140.595**	**149.117**	**153.967**	**170.048**	**188.472**

Key ratios (%)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales (YoY)	40.6	13.0	7.4	0.4	3.3	17.5	10.0	10.0
EBITDA (YoY)	44.5	30.1	6.0	(3.6)	(8.3)	22.3	7.8	8.8
Operating profit (YoY)	70.6	24.6	8.9	5.3	(13.4)	25.6	8.3	9.7
Net profit (YoY)	74.5	23.5	7.4	10.6	(11.1)	25.7	5.4	10.8
Core EPS (fully-diluted) (YoY)	74.4	23.3	3.5	2.8	(11.3)	26.4	5.4	10.8
Gross-profit margin	53.0	52.4	54.0	56.1	52.3	52.8	52.9	53.1
EBITDA margin	37.8	43.5	43.0	41.3	36.7	38.2	37.4	37.0
Operating-profit margin	26.1	28.8	29.2	30.6	25.7	27.4	27.0	26.9
Net profit margin	22.3	24.4	24.4	26.9	23.1	24.7	23.7	23.9
ROAE	24.8	25.9	20.3	17.5	14.4	17.3	17.1	17.1
ROAA	16.7	17.0	14.1	12.9	10.6	12.2	11.9	12.2
ROCE	26.4	27.5	21.5	18.0	14.6	17.3	17.5	17.6
ROIC	34.4	35.1	34.8	28.5	18.5	23.4	24.2	25.7
Net debt to equity	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Effective tax rate	13.5	15.0	15.2	13.1	18.2	15.3	18.0	18.0
Accounts receivable (days)	39.5	40.0	43.4	45.3	46.5	47.3	50.5	51.3
Current ratio (x)	1.2	1.6	2.4	2.1	1.7	1.6	1.9	2.2
Net interest cover (x)	n.a.	130.9	126.9	63.1	255.4	n.a.	n.a.	n.a.
Net dividend payout	47.7	45.4	43.8	46.9	47.9	38.1	42.7	40.6
Free cash flow yield	3.1	2.5	n.a.	3.5	4.9	4.4	7.3	8.6

Source: FactSet, Daiwa forecasts

Company profile

Founded in 2009, Pegavision is a joint venture between Kinsus and Pegatron focusing on the production and sale of soft contact lenses. Pegavision's revenue contribution from OBM (Pegavision) was 20% and ODM was 80% in 2025. The company was listed on Taiwan's main board in October 2019.

ESG analysis

ESG risks

Risks		Management	Analyst comments
G	Executive/board quality	2	The CEO and chairperson of Pegavision are not the same individual. The company's board consists of 9 members, including 3 independent directors. We note the board members come from diverse backgrounds, indicating their capabilities in handling various challenges that may arise.
G	Capital management	2	Pegavision's dividend payout ratio was only 17% for 2018, but was 38-49% over 2019-25, which we consider fair (lower than St. Shine and Ginko) due to its more aggressive capacity expansion plans. The company aims for a long-term dividend payout ratio of 50%.
G	Related party & transaction	2	We note no major revenue exchange from related-party transactions; thus, we see marginal related-party risk.
S	Product quality & safety	1	Pegavision has a significantly more aggressive R&D investment strategy than peers, which we consider positive for its product quality and development going forward. As contact lenses are considered healthcare products, the company acquired international certifications for product quality and safety, including those from TFDA (Taiwan), ISO13485, CE Certificate (Europe), QMS & PMDA (Japan), NMPA (China), FDA (US) and GMP (Taiwan and Korea). It also passed the ISO14001 certification that mandates adherence to environment-related requirements. We believe Pegavision has put significant efforts in this area.
S	Selling practices & product labelling	1	Pegavision's product packaging labels and instructions for use comply with the international ISO standard for medical equipment. The company also has high after-sales service operation standards. In 2025, there were no violations of product- or service-related health and safety regulations and we do not note any specific risks in this area.

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: 31 Jul 2026
Source: Daiwa, Company

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Rating	Percentage of total
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Source: Daiwa

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