Daiwa Capital Markets Hong Kong Limited

Unimicron Technology Corp (3037 TT)

Target price: **TWD1,500.00** (from TWD1,000.00)

Share price (29 Jul): **TWD688.00** | Up/downside: **+118.0%**

5 4 3 2 **1**

Buy
(unchanged)

2Q26 results: on-track gross margin expansion

- Gross margin further expands on price hikes and technology migration
- Strong capex guidance indicates a decent ABF substrate outlook
- Reiterating Buy (1) call; lifting 12M TP to TWD1,500 (from TWD1,000)

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What's new: We provide our latest view on Unimicron after 2Q26 results.

What's the impact: **2Q26 results beat.** Unimicron's 2Q26 earnings came in at TWD13.1bn (EPS: TWD8.53), which was 196% and 141% higher than our and the street's expectations due to a higher-than-expected gross margin and non-operating gains. Unimicron's 2Q26 revenue grew 15% QoQ to TWD42.9bn, while we attribute revenue strength to price hikes on substrate and new capacity ramp. Management attributes half of the margin expansion in 2Q26 to price hikes and the rest to utilisation rate (UTR) and yield improvement. As such, gross margin expanded 6.9pp QoQ to 24.8%; operating margin thus expanded by 8.2pp QoQ on gross margin expansion and better opex control. Additionally, Unimicron recognised a mark-to-market gain of TWD9.2bn mainly from its holding in UMC in 2Q26.

Business outlook. We believe management holds a positive view on both revenue and gross margin trends in 2H26 given the rising AI substrate and PCB sales mix and ongoing cost inflation. In the results call, we noted investors are keen to know the development of EMIB-T and glass-core substrate, capacity expansion plan, margin trend/pricing trend, HDI strategy, etc. For EMIB-T, management guides that end customers will likely adopt this technology for at least three generations in their products, which would lead to Unimicron and the other two JP substrate companies investing in related equipment in this new packaging technology and target the first stage of yield rate at 50% in 2H27E. Of total capex, management believes only 1-2% is tailored for EMIB-T equipment, while most of the rest (c.85%) is still marked for ABF substrate capacity expansion. As Unimicron further raised capex guidance to TWD53.7bn, we expect its ABF capacity expansion plan to reach 40%/20%/20% in 2026/27/28E respectively. Unimicron may also drive slightly incremental capacity from de-bottlenecking. As for HDI strategy, it mentioned no direct contest with its Chinese competitor and a focus on non-China markets. Considering the enlarging substate body size due to die size or co-packaging requirements and advanced technology has to cooperate with substrate, mgmt. expects value from substrate to gradually increase with long-term GM target at 50-60%. As such, we expect GM to expand to 26.3/38.6/45.4% (up 3-7pp vs. our prior estimate) in 2026/27/28, respectively, along with price hike trend.

What we recommend: We lift our 2026-28E EPS by 31-66% due to higher gross margin assumptions. We reaffirm our Buy (1) call and raise our 12M TP to TWD1,500 on an unchanged target PER of 35x applied to 1-year-forward EPS. Downside risk: weaker-than-expected PC/server demand.

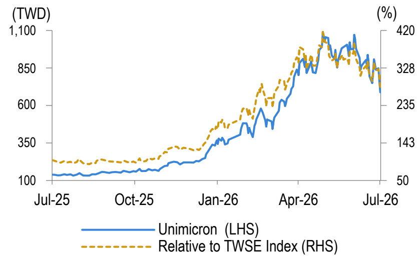
How we differ: Our 2026-28E EPS are 26-33% above the Bloomberg consensus, likely due to our more bullish gross margin assumptions.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	(0.5)	16.7	30.4
Net profit change	31.0	37.1	65.7
Core EPS (FD) change	31.1	37.1	65.7

Source: Daiwa forecasts

Share price performance



12-month range	129.99-1,085.00
Market cap (USDbn)	32.60
3m avg daily turnover (USDm)	803.05
Shares outstanding (m)	1,537
Major shareholder	United Microelectronics Corp (13.0%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	186,355	278,423	371,883
Operating profit (m)	31,297	85,025	141,596
Net profit (m)	32,206	69,085	114,372
Core EPS (fully-diluted)	20.954	44.949	74.415
EPS change (%)	378.3	114.5	65.6
Daiwa vs Cons. EPS (%)	25.9	29.1	32.8
PER (x)	32.8	15.3	9.2
Dividend yield (%)	1.2	2.6	4.3
DPS	8.4	18.0	29.8
PBR (x)	7.9	5.6	3.9
EV/EBITDA (x)	20.2	9.3	5.5
ROE (%)	25.8	40.2	46.6

Source: FactSet, Daiwa forecasts

Flash

Unimicron: revenue and earnings forecasts – Daiwa vs. consensus

	2026E			2027E			2028E		
(TWDm)	Previous	New	Consensus	Previous	New	Consensus	Previous	New	Consensus
Revenue	187,308	186,355	184,396	238,636	278,423	265,798	285,284	371,883	349,156
Diff (%)		-0.5%	1.1%		16.7%	4.7%		30.4%	6.5%
Gross Margin (%)	23.0%	26.2%	23.3%	34.4%	38.5%	32.2%	38.4%	45.6%	36.0%
Operating profit	24,828	31,297	26,831	59,331	85,025	65,240	82,472	141,596	105,856
Op Margin (%)	13.3%	16.8%	14.6%	24.9%	30.5%	24.5%	28.9%	38.1%	30.3%
Net profit	24,580	32,206	25,574	50,398	69,085	53,498	69,037	114,372	86,131
EPS	15.99	20.95	16.64	32.78	44.95	34.81	44.90	74.41	56.04
Diff (%)		31.0%	25.9%		37.1%	29.1%		65.7%	32.8%

Source: Bloomberg, Daiwa forecasts

Unimicron: quarterly and annual P&L statement

	2026E				2027E				2025	2026E	2027E	2028E
(TWDm)	1Q	2Q	3QE	4QE	1QE	2QE	3QE	4QE				
Net revenue	**37,446**	**42,890**	**51,251**	**54,767**	**55,111**	**65,643**	**79,387**	**78,281**	**131,241**	**186,355**	**278,423**	**371,883**
COGS	-30,720	-32,252	-36,738	-37,849	-37,056	-41,729	-47,450	-45,086	-112,949	-137,560	-171,322	-202,396
Gross profit	**6,726**	**10,638**	**14,513**	**16,918**	**18,055**	**23,914**	**31,937**	**33,195**	**18,292**	**48,795**	**107,101**	**169,488**
Operating expenses	3,993	3,987	4,613	4,929	4,684	5,251	6,113	6,028	11,782	17,522	22,076	27,891
Operating profit	**2,757**	**6,651**	**9,901**	**11,988**	**13,371**	**18,663**	**25,824**	**27,167**	**6,674**	**31,297**	**85,025**	**141,596**
Non-operating profit	3,542	8,925	-4,428	600	621	648	639	688	2,153	8,639	2,597	2,572
Pre-tax profit	**6,299**	**15,576**	**5,473**	**12,588**	**13,992**	**19,311**	**26,463**	**27,856**	**8,827**	**39,936**	**87,621**	**144,168**
Income taxes	-918	-2,233	-1,095	-2,518	-2,798	-3,862	-5,293	-5,571	-1,277	-6,764	-17,524	-28,834
Net profit	**5,043**	**13,115**	**4,184**	**9,864**	**10,964**	**15,190**	**20,909**	**22,022**	**6,673**	**32,206**	**69,085**	**114,372**
Net EPS (TWD)	**3.28**	**8.53**	**2.72**	**6.42**	**7.13**	**9.88**	**13.60**	**14.33**	**4.4**	**21.0**	**44.9**	**74.4**
Operating Ratios												
Gross margin	18.0%	24.8%	28.3%	30.9%	32.8%	36.4%	40.2%	42.4%	13.9%	26.2%	38.5%	45.6%
Operating margin	7.4%	15.5%	19.3%	21.9%	24.3%	28.4%	32.5%	34.7%	5.1%	16.8%	30.5%	38.1%
Pre-tax margin	16.8%	36.3%	10.7%	23.0%	25.4%	29.4%	33.3%	35.6%	6.7%	21.4%	31.5%	38.8%
Net margin	13.5%	30.6%	8.2%	18.0%	19.9%	23.1%	26.3%	28.1%	5.1%	17.3%	24.8%	30.8%
YoY (%)												
Net revenue	24%	32%	51%	58%	47%	53%	55%	43%	14%	42%	49%	34%
Gross profit	67%	151%	219%	209%	168%	125%	120%	96%	12%	167%	119%	58%
Operating profit	118%	341%	546%	407%	385%	181%	161%	127%	30%	369%	172%	67%
Pre-tax profit	359%	4266%	86%	203%	122%	24%	384%	121%	21%	352%	119%	65%
Net profit	451%	44197%	91%	179%	117%	16%	400%	123%	31%	383%	115%	66%
QoQ (%)												
Net revenue	8%	15%	19%	7%	1%	19%	21%	-1%				
Gross profit	23%	58%	36%	17%	7%	32%	34%	4%				
Operating profit	17%	141%	49%	21%	12%	40%	38%	5%				
Pre-tax profit	52%	147%	-65%	130%	11%	38%	37%	5%				
Net profit	43%	160%	-68%	136%	11%	39%	38%	5%				

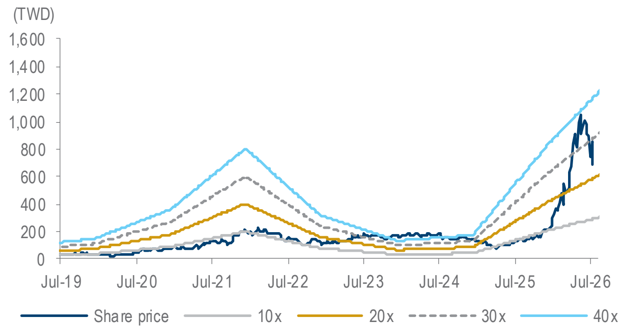
Source: Company, Daiwa forecasts

Unimicron: 2Q26 comparison table

(TWDm)	Actual	QoQ%	YoY%	Daiwa	Diff %	Consensus	Diff %
Revenue	42,890	15%	32%	44,404	-3%	42,708	0%
Gross profit	10,638	58%	151%	9,108	17%	9,268	15%
Gross margin (%)	24.8%			20.5%		21.7%	
Operating profit	6,651	141%	341%	4,889	36%	5,486	21%
Operating margin (%)	15.5%			11.0%		12.8%	
Pre-tax profit	15,576	147%	4266%	5,745	171%	7,507	107%
Net profit	13,115	160%	44197%	4,434	196%	5,439	141%
EPS (TWD)	8.53	160%	44197%	2.88	196%	3.54	141%

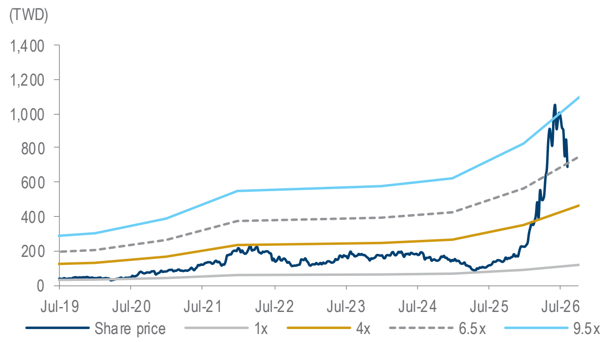
Source: Company data, Daiwa forecasts, Bloomberg

Unimicron: 1-year forward PER bands



Source: TEJ, Daiwa forecasts

Unimicron: 1-year forward PBR bands



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
Substrate	57,486	93,989	66,057	70,882	76,127	117,366	203,631	293,207
HDI	27,167	26,940	21,073	27,826	35,736	46,397	52,299	55,797
Other Revenue	19,910	19,559	16,907	16,665	19,378	22,592	22,494	22,879
Total Revenue	**104,563**	**140,489**	**104,036**	**115,373**	**131,241**	**186,355**	**278,423**	**371,883**
Other income	0	0	0	0	0	0	0	0
COGS	(80,900)	(90,056)	(83,735)	(99,058)	(112,949)	(137,560)	(171,322)	(202,396)
SG&A	(5,913)	(6,478)	(6,554)	(6,222)	(6,469)	(9,768)	(12,208)	(15,429)
Other op.expenses	(4,579)	(5,783)	(4,828)	(4,977)	(5,149)	(7,730)	(9,869)	(12,462)
Operating profit	**13,170**	**38,172**	**8,920**	**5,117**	**6,674**	**31,297**	**85,025**	**141,596**
Net-interest inc./(exp.)	(325)	(447)	(625)	(786)	(1,104)	(1,075)	(1,103)	(1,085)
Assoc/forex/extraord./others	3,784	2,150	7,280	2,990	3,257	9,714	3,700	3,657
Pre-tax profit	**16,629**	**39,875**	**15,575**	**7,321**	**8,827**	**39,936**	**87,621**	**144,168**
Tax	(3,104)	(8,649)	(3,350)	(1,765)	(1,277)	(6,764)	(17,524)	(28,834)
Min. int./pref. div./others	(302)	(1,607)	(245)	(474)	(877)	(966)	(1,012)	(963)
Net profit (reported)	**13,222**	**29,619**	**11,980**	**5,082**	**6,673**	**32,206**	**69,085**	**114,372**
Net profit (adjusted)	**13,222**	**29,619**	**11,980**	**5,082**	**6,673**	**32,206**	**69,085**	**114,372**
EPS (reported)(TWD)	**8.999**	**20.086**	**7.884**	**3.341**	**4.381**	**20.954**	**44.949**	**74.415**
EPS (adjusted)(TWD)	**8.999**	**20.086**	**7.884**	**3.341**	**4.381**	**20.954**	**44.949**	**74.415**
EPS (adjusted fully-diluted)(TWD)	**8.999**	**20.086**	**7.884**	**3.341**	**4.381**	**20.954**	**44.949**	**74.415**
DPS (TWD)	**3.400**	**7.993**	**3.000**	**1.500**	**1.752**	**8.381**	**17.980**	**29.766**
EBIT	**13,170**	**38,172**	**8,920**	**5,117**	**6,674**	**31,297**	**85,025**	**141,596**
EBITDA	**22,944**	**49,899**	**24,017**	**22,347**	**25,447**	**52,285**	**108,636**	**168,159**

Cash flow (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	16,629	39,875	15,575	7,321	8,827	39,936	87,621	144,168
Depreciation and amortisation	9,774	11,727	15,097	17,231	18,773	20,988	23,611	26,563
Tax paid	(3,104)	(8,649)	(3,350)	(1,765)	(1,277)	(6,764)	(17,524)	(28,834)
Change in working capital	(8,156)	(7,696)	12,490	(5,295)	(4,548)	(8,883)	(13,631)	(11,324)
Other operational CF items	27,814	25,826	(8,913)	(7,198)	(6,808)	(2,070)	(0)	(0)
Cash flow from operations	**42,957**	**61,082**	**30,900**	**10,294**	**14,967**	**43,207**	**80,077**	**130,574**
Capex	(23,167)	(32,073)	(22,938)	(26,128)	(25,617)	(50,475)	(25,000)	(25,000)
Net (acquisitions)/disposals	0	0	0	0	0	0	0	0
Other investing CF items	(1,289)	(1,323)	1,839	(3,102)	2,600	2,681	2,333	3,497
Cash flow from investing	**(24,456)**	**(33,396)**	**(21,099)**	**(29,230)**	**(23,018)**	**(47,793)**	**(22,667)**	**(21,503)**
Change in debt	(1,412)	(818)	(6,210)	13,215	9,324	6,917	8,455	8,471
Net share issues/(repurchases)	0	0	0	0	0	0	0	0
Dividends paid	(2,055)	(5,016)	(12,190)	(4,575)	(2,295)	(2,693)	(12,882)	(27,634)
Other financing CF items	(518)	1,003	341	(303)	12,044	3,730	0	0
Cash flow from financing	**(3,984)**	**(4,831)**	**(18,060)**	**8,336**	**19,073**	**7,955**	**(4,426)**	**(19,163)**
Forex effect/others	691	(797)	(341)	1,494	96	1,171	1,338	1,146
Change in cash	**15,207**	**22,058**	**(8,600)**	**(9,106)**	**11,118**	**4,539**	**54,322**	**91,054**
Free cash flow	19,789	29,009	7,962	(15,834)	(10,650)	(7,268)	55,077	105,574

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	39,498	61,496	52,948	43,972	55,049	59,651	113,973	205,027
Inventory	12,152	12,835	10,927	14,863	17,802	22,355	27,050	31,933
Accounts receivable	23,639	28,746	18,563	23,612	27,565	43,765	62,378	80,132
Other current assets	4,588	4,511	4,141	4,423	4,882	5,813	5,813	5,813
Total current assets	**79,877**	**107,588**	**86,579**	**86,869**	**105,298**	**131,585**	**209,214**	**322,905**
Fixed assets	77,869	99,297	116,168	127,593	134,103	162,556	163,945	162,382
Goodwill & intangibles	0	0	0	0	0	0	0	0
Other non-current assets	12,309	11,779	13,259	16,385	16,391	17,393	15,059	11,563
Total assets	**170,055**	**218,663**	**216,006**	**230,847**	**255,792**	**311,533**	**388,218**	**496,850**
Short-term debt	12,771	10,056	5,574	10,871	22,206	30,886	36,787	42,943
Accounts payable	29,928	33,419	29,839	34,362	38,848	50,190	59,866	71,179
Other current liabilities	6,361	11,417	8,834	13,148	14,401	21,236	21,236	21,236
Total current liabilities	**49,060**	**54,893**	**44,247**	**58,382**	**75,455**	**102,311**	**117,888**	**135,358**
Long-term debt	22,242	24,563	24,807	32,905	34,873	27,360	29,914	32,229
Other non-current liabilities	33,236	46,550	50,667	39,973	38,457	39,392	39,392	39,392
Total liabilities	**104,539**	**126,005**	**119,721**	**131,260**	**148,785**	**169,063**	**187,195**	**206,980**
Share capital	14,753	14,784	15,251	15,300	15,296	15,892	15,892	15,892
Reserves/R.E./others	50,764	77,875	81,033	84,287	91,711	126,577	185,131	273,978
Shareholders' equity	**65,516**	**92,658**	**96,284**	**99,587**	**107,007**	**142,470**	**201,023**	**289,870**
Minority interests	0	0	0	0	0	0	0	0
Total equity & liabilities	**170,055**	**218,663**	**216,006**	**230,847**	**255,792**	**311,533**	**388,218**	**496,850**
EV	1,052,940	1,030,548	1,034,857	1,057,228	1,059,454	1,056,019	1,010,152	927,570
Net debt/(cash)	**(4,484)**	**(26,876)**	**(22,567)**	**(196)**	**2,030**	**(1,405)**	**(47,272)**	**(129,855)**
BVPS (TWD)	**41.154**	**57.993**	**59.445**	**60.958**	**65.749**	**87.005**	**123.212**	**178.512**

Key ratios (%)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales (YoY)	19.0	34.4	(25.9)	10.9	13.8	42.0	49.4	33.6
EBITDA (YoY)	78.2	117.5	(51.9)	(7.0)	13.9	105.5	107.8	54.8
Operating profit (YoY)	227.9	189.8	(76.6)	(42.6)	30.4	368.9	171.7	66.5
Net profit (YoY)	142.1	124.0	(59.6)	(57.6)	31.3	382.6	114.5	65.6
Core EPS (fully-diluted) (YoY)	140.3	123.2	(60.7)	(57.6)	31.1	378.3	114.5	65.6
Gross-profit margin	22.6	35.9	19.5	14.1	13.9	26.2	38.5	45.6
EBITDA margin	21.9	35.5	23.1	19.4	19.4	28.1	39.0	45.2
Operating-profit margin	12.6	27.2	8.6	4.4	5.1	16.8	30.5	38.1
Net profit margin	12.6	21.1	11.5	4.4	5.1	17.3	24.8	30.8
ROAE	22.3	37.5	12.7	5.2	6.5	25.8	40.2	46.6
ROAA	9.0	15.2	5.5	2.3	2.7	11.4	19.7	25.8
ROCE	13.9	33.5	7.0	3.8	4.3	17.2	36.3	44.8
ROIC	16.9	47.1	10.0	4.5	5.5	20.8	46.1	72.2
Net debt to equity	net cash	net cash	net cash	0.0	2.1	2.0	net cash	net cash
Effective tax rate	18.7	21.7	21.5	24.1	14.5	16.9	20.0	20.0
Accounts receivable (days)	71.4	68.1	83.0	66.7	71.2	69.9	69.6	69.9
Current ratio (x)	1.6	2.0	2.0	1.5	1.4	1.3	1.8	2.4
Net interest cover (x)	52.2	90.2	25.9	10.3	9.0	38.1	80.4	133.8
Net dividend payout	37.8	39.8	38.1	44.8	40.0	40.0	40.0	40.0
Free cash flow yield	1.9	2.7	0.8	n.a.	n.a.	n.a.	5.2	10.0

Source: FactSet, Daiwa forecasts

Company profile

Unimicron is a leading global manufacturer of IC substrate. The company also produces high-density interconnection (HDI) boards, flexible PCBs (FPC), and rigid flex PCBs (RFPCB). The company has manufacturing sites in Taiwan, China, Japan and Germany, with products' major applications including servers, PC/NB, and smartphones.

ESG analysis

ESG risks

Risks		Management	Analyst comments
G	Executive/board quality	1	Unimicron's Board of Directors comprises 9 members from diverse professional backgrounds including business management, financial accounting, chemical industry, physics and investment. This diversity enables the board to provide comprehensive oversight and guidance across various aspects of corporate governance, environmental sustainability and social responsibility. The board includes three independent directors, one of whom is female, ensuring a degree of independence and gender diversity in its composition.
G	Capital management	1	Unimicron's capital management strategy focuses on ensuring the availability of necessary financial resources to support its operations and growth. This approach reflects a commitment to maintaining a robust financial position, which is essential for sustainable development and resilience in the high-tech electronics industry. Overall, Unimicron's capital management practices demonstrate a prudent approach to financial governance, aligning with ESG principles by ensuring financial stability and supporting sustainable growth.
G	Related party & transaction	2	Unimicron engages in related-party transactions, primarily involving its subsidiaries and affiliates. These transactions include sales, purchases and investments conducted under terms comparable to those with independent third parties. The company adheres to established procedures for board meetings, which include provisions for handling related-party transactions. Significant transactions, such as donations to related parties or major donations to non-related parties, require board approval to ensure transparency and compliance with corporate governance standards.
S	Supply chain management	1	Unimicron demonstrates a strong commitment to sustainable supply chain management, integrating risk management into daily procurement activities. The company has established a Procurement Risk Management Procedure within its supply chain risk framework, utilising a risk matrix to assess and mitigate potential risks. The company holds annual supplier meetings to communicate standards and expectations, and to recognise outstanding suppliers. Overall, Unimicron's supply chain management practices reflect a comprehensive approach to sustainability, risk management and supplier collaboration, aligning with its corporate social responsibility objectives.
E	Data security	1	Unimicron places significant emphasis on data security and privacy protection. The company has established an Information Security Management Committee to oversee and implement its data security strategies. This committee is responsible for formulating and enforcing the Information Security Management Plan, which includes measures to protect customer privacy and ensure the integrity of information systems. The company also adheres to a comprehensive Privacy Policy that outlines the collection, use and protection of personal information. This policy ensures compliance with relevant data protection regulations and demonstrates the company's commitment to maintaining the confidentiality and security of personal data.

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: 25 Feb 2026

Source: Daiwa, Company

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Source: Daiwa

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