Daiwa Capital Markets Hong Kong Limited

Ardentec (3264 TT)

Target price: **TWD395.00** (from TWD340.00)

Share price (15 Oct): **TWD268.00** | Up/downside: **+47.4%**

5 4 3 2 **1**

Buy (unchanged)

3Q26 preview: AI defies seasonality

- Solid AI networking demand drives counter-seasonal resilience
- On-track Longtan ramp and CPO upside expand advanced testing
- Reaffirming our Buy (1) rating; raising our 12M TP to TWD395

Leon Chen
(886) 2 8758 6247
leon.chen@daiwacm-cathay.com.tw

Stacy Lin
(886) 2 8758 6252
stacy.lin@daiwacm-cathay.com.tw



What's new: We preview Ardentec's 3Q26 results. In our initiation report, *"Initiation: an emerging force in AI/HPC testing" (Sep 9)*, we expected traditional seasonality in 4Q26-1Q27 to weigh on Ardentec's capacity utilisation. However, we now expect stronger-than-expected momentum in the networking segment to drive counter-seasonal resilience through 1Q27E. We also expect AI revenue (with AI connectivity) contribution to exceed 40% in 1Q27E, well ahead of our original expectations.

What's the impact: Robust networking demand bolsters high utilisation and CPO traction. Our industry checks indicate that demand for networking products is surging across the testing supply chain, primarily fuelled by the acceleration of 1.6T networking adoption. We forecast Ardentec's revenue in 4Q26 and 1Q27 to beat typical seasonal slowdowns. As these high-speed networking programs largely follow a customer-consignment model, their rising revenue mix should provide upside to overall gross margin. Concurrently, subsidiary Giga Solution is gaining momentum in co-packaged optics (CPO) testing, having already qualified and begun ramping up with leading US tier-1 players. While current engagement is centred on insertion 1, we see potential for customer base diversification and expansion into subsequent test insertions (2 and 3).

3Q26 results preview. With the Longtan fab expansion on track and spillover demand continuing, Ardentec 3Q26 revenue reached TWD5.34bn (+17.7% QoQ, +48.5% YoY), above the market consensus by 0.8% but slightly missing our estimate by 1.4%. With utilisation remaining high in 3Q26, we estimate its gross margin and operating margin will reach 45.1% and 35.5%, respectively, above the consensus by 1.3pp and 1.9pp, respectively. We expect cleanroom construction of 2nd and 3rd floors will be finalised by year-end 2026 driven by solid domestic AI/HPC orders, with 2nd-floor capacity likely contributing by late-1Q27.

What we recommend: We raise our 2027-28E EPS by 7% to reflect better-than-expected networking demand but lower our 2026E EPS by 1%. We reaffirm our Buy (1) rating and raise our 12M TP to TWD395 (from TWD340), based on an unchanged target PER of 25x on our 2027E EPS. While our target PER represents a premium over the OSAT/testing peer average, we believe this premium is justified by steady demand for high-speed AI connectivity and the Longtan ramp-up. Our estimates indicate these factors could lift AI-related revenue to more than 40% of total sales by 1Q27. Key downside risk: delays in capacity expansion.

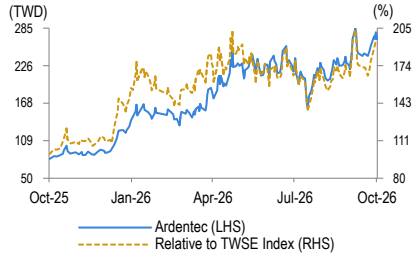
How we differ: Our 2027-28E EPS are 7-26% above the Bloomberg consensus, likely on our more aggressive utilisation rate and margin profile.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	(0.7)	1.0	1.9
Net profit change	0.3	10.0	10.4
Core EPS (FD) change	(0.9)	6.5	6.9

Source: Daiwa forecasts

Share price performance



12-month range	81.40-284.00
Market cap (USDbn)	4.04
3m avg daily turnover (USDm)	82.02
Shares outstanding (m)	489
Major shareholder	Dresdner Bank AG (8.4%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	19,361	27,081	35,046
Operating profit (m)	6,263	10,117	13,366
Net profit (m)	5,092	7,984	10,591
Core EPS (fully-diluted)	10.404	15.773	20.924
EPS change (%)	73.4	51.6	32.7
Daiwa vs Cons. EPS (%)	2.5	6.8	26.1
PER (x)	25.8	17.0	12.8
Dividend yield (%)	2.3	2.9	4.3
DPS	6.2	7.9	11.5
PBR (x)	4.7	4.1	3.4
EV/EBITDA (x)	13.8	9.3	6.5
ROE (%)	21.3	25.8	28.9

Source: FactSet, Daiwa forecasts

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

Flash

Ardentec: 3Q26 Daiwa vs. Bloomberg estimates

(TWDm)	New forecast	QoQ	YoY	Previous forecast	Difference	Bloomberg consensus	Difference
Revenue	5,337	*17.7%*	*48.5%*	5,415	-1.4%	5,297	0.8%
Gross profit	2,407	*32.2%*	*87.7%*	2,450	-1.8%	2,318	3.8%
Operating profit	1,892	*37.4%*	*116.5%*	1,928	-1.9%	1,778	6.4%
Profit before tax	1,897	*30.1%*	*81.6%*	1,908	-0.6%	1,780	6.6%
Net profit	1,505	*30.2%*	*81.9%*	1,513	-0.6%	1,461	3.0%
Basic EPS (TWD)	3.04	*24.5%*	*73.5%*	3.09	-1.6%	2.90	4.7%
Margin							
Gross margin	45.1%	*4.9pp*	*9.4pp*	45.2%	-0.2pp	43.8%	1.3pp
Operating margin	35.5%	*5.1pp*	*11.1pp*	35.6%	-0.2pp	33.6%	1.9pp
Pre tax margin	35.6%	*3.4pp*	*6.5pp*	35.2%	0.3pp	33.6%	2.0pp
Net margin	28.2%	*2.7pp*	*5.2pp*	27.9%	0.3pp	27.6%	0.6pp

Source: Company, Bloomberg, Daiwa forecasts

Ardentec: quarterly and annual P&L statements

(TWDm)	2026E				2027E				2026E	2027E	2028E
	1Q	2Q	3QE	4QE	1QE	2QE	3QE	4QE			
Net sales	**3,983**	**4,534**	**5,337**	**5,508**	**5,773**	**6,497**	**7,197**	**7,615**	**19,361**	**27,081**	**35,046**
Gross profit	**1,528**	**1,821**	**2,407**	**2,423**	**2,587**	**3,032**	**3,440**	**3,570**	**8,178**	**12,629**	**16,548**
Operating costs	431	444	514	526	546	608	660	698	1,915	2,512	3,182
Operating profit	**1,097**	**1,377**	**1,892**	**1,897**	**2,041**	**2,423**	**2,781**	**2,872**	**6,263**	**10,117**	**13,366**
Pre-tax profit	1,164	1,458	1,897	1,898	2,038	2,414	2,765	2,845	6,418	10,062	13,347
Net profit	**924**	**1,156**	**1,505**	**1,507**	**1,617**	**1,916**	**2,193**	**2,257**	**5,092**	**7,984**	**10,591**
EPS (TWD)	**1.95**	**2.44**	**3.04**	**2.98**	**3.19**	**3.79**	**4.33**	**4.46**	**10.40**	**15.77**	**20.92**
Operating Ratios											
Gross margin	38.4%	40.2%	45.1%	44.0%	44.8%	46.7%	47.8%	46.9%	42.2%	46.6%	47.2%
Operating margin	27.5%	30.4%	35.5%	34.4%	35.4%	37.3%	38.6%	37.7%	32.3%	37.4%	38.1%
Pre-tax margin	29.2%	32.2%	35.6%	34.5%	35.3%	37.2%	38.4%	37.4%	33.1%	37.2%	38.1%
Net margin	23.2%	25.5%	28.2%	27.4%	28.0%	29.5%	30.5%	29.6%	26.3%	29.5%	30.2%
YoY (%)											
Net revenue	24%	32%	49%	45%	45%	43%	35%	38%	38%	40%	29%
Gross profit	35%	46%	88%	69%	69%	66%	43%	47%	61%	54%	31%
Operating income	41%	52%	117%	88%	86%	76%	47%	51%	76%	62%	32%
Net income	54%	105%	82%	78%	75%	66%	46%	50%	79%	57%	33%
QoQ (%)											
Net revenue	5%	14%	18%	3%	5%	13%	11%	6%			
Gross profit	6%	19%	32%	1%	7%	17%	13%	4%			
Operating income	9%	26%	37%	0%	8%	19%	15%	3%			
Net income	9%	25%	30%	0%	7%	18%	14%	3%			

Source: Company, Daiwa forecasts

Ardentec: revenue and earnings forecast revisions

	2026E			2027E		
(TWDm)	Previous	New	Consensus	Previous	New	Consensus
Revenue	19,503	19,361	19,326	26,817	27,081	27,615
Diff (%)		-0.7%	0.2%		1.0%	-1.9%
Gross margin (%)	42.3%	42.2%	41.7%	44.5%	46.6%	43.6%
Operating Profit	6,317	6,263	6,078	9,453	10,117	9,296
Operating margin	32.4%	32.3%	31.5%	35.3%	37.4%	33.7%
Net Profit	5,076	5,092	4,957	7,258	7,984	7,345
EPS	10.50	10.40	10.15	14.81	15.77	14.77
Diff (%)		-0.9%	2.5%		6.5%	6.8%

Source: Daiwa estimates and forecasts

Financial summary

Key assumptions

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Testing Equipment (units)	1,758	1,868	1,921	1,894	1,879	1,988	2,244	2,523
Utilisation Rate (%)	84	77	64	59	63	74	80	83
Blended Hourly Rate (TWD)	922	1,155	1,312	1,333	1,343	1,493	1,731	1,904

Profit and loss (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Wafer Sorting	8,253	10,555	10,371	9,157	10,030	13,982	20,848	27,896
Final Testing	3,614	3,871	3,625	3,878	3,956	5,255	6,042	6,927
Other Revenue	60	72	56	66	42	124	192	223
Total Revenue	**11,926**	**14,499**	**14,052**	**13,101**	**14,028**	**19,361**	**27,081**	**35,046**
Other income	0	0	0	0	0	0	0	0
COGS	(7,495)	(8,579)	(9,179)	(9,425)	(8,937)	(11,183)	(14,452)	(18,498)
SG&A	(915)	(1,042)	(975)	(845)	(994)	(1,244)	(1,606)	(2,026)
Other op.expenses	(450)	(525)	(493)	(477)	(533)	(671)	(906)	(1,157)
Operating profit	**3,065**	**4,353**	**3,405**	**2,354**	**3,565**	**6,263**	**10,117**	**13,366**
Net-interest inc./(exp.)	(98)	(133)	(207)	(233)	(272)	(288)	(435)	(428)
Assoc/forex/extraord./others	217	148	182	297	318	443	380	409
Pre-tax profit	**3,184**	**4,368**	**3,379**	**2,417**	**3,612**	**6,418**	**10,062**	**13,347**
Tax	(604)	(822)	(633)	(313)	(771)	(1,326)	(2,078)	(2,756)
Min. int./pref. div./others	0	0	0	0	0	0	0	0
Net profit (reported)	**2,580**	**3,546**	**2,746**	**2,104**	**2,840**	**5,092**	**7,984**	**10,591**
Net profit (adjusted)	**2,580**	**3,546**	**2,746**	**2,104**	**2,840**	**5,092**	**7,984**	**10,591**
EPS (reported)(TWD)	**n.a.**	**7.480**	**5.790**	**4.440**	**6.000**	**10.404**	**15.773**	**20.924**
EPS (adjusted)(TWD)	**n.a.**	**7.480**	**5.790**	**4.440**	**6.000**	**10.404**	**15.773**	**20.924**
EPS (adjusted fully-diluted)(TWD)	**n.a.**	**7.480**	**5.790**	**4.440**	**6.000**	**10.404**	**15.773**	**20.924**
DPS (TWD)	**2.800**	**3.500**	**3.300**	**4.000**	**4.200**	**6.242**	**7.887**	**11.508**
EBIT	**3,065**	**4,353**	**3,405**	**2,354**	**3,565**	**6,263**	**10,117**	**13,366**
EBITDA	**6,178**	**7,862**	**7,430**	**6,492**	**6,704**	**10,099**	**15,889**	**21,482**

Cash flow (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	3,184	4,368	3,379	2,417	3,612	6,418	10,062	13,347
Depreciation and amortisation	3,112	3,509	4,024	4,138	3,139	3,836	5,772	8,116
Tax paid	(604)	(822)	(633)	(313)	(771)	(1,326)	(2,078)	(2,756)
Change in working capital	(321)	(467)	(123)	438	(726)	(2,119)	(460)	(508)
Other operational CF items	233	377	(484)	(315)	463	(421)	(0)	0
Cash flow from operations	**5,604**	**6,964**	**6,164**	**6,366**	**5,716**	**6,388**	**13,295**	**18,199**
Capex	(6,037)	(6,139)	(5,395)	(3,692)	(3,773)	(14,507)	(18,540)	(7,125)
Net (acquisitions)/disposals	0	0	0	0	0	0	0	0
Other investing CF items	355	(443)	(636)	(925)	917	889	150	211
Cash flow from investing	**(5,683)**	**(6,582)**	**(6,030)**	**(4,618)**	**(2,856)**	**(13,618)**	**(18,390)**	**(6,914)**
Change in debt	1,724	1,853	(1,034)	138	(659)	3,366	7,500	(6,900)
Net share issues/(repurchases)	0	0	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	(2,081)	(3,160)	(3,992)
Other financing CF items	(1,168)	(1,588)	3	(1,818)	(2,131)	7,863	0	0
Cash flow from financing	**556**	**265**	**(1,031)**	**(1,680)**	**(2,791)**	**9,147**	**4,340**	**(10,892)**
Forex effect/others	(58)	100	20	16	(24)	6	(8)	(8)
Change in cash	**420**	**748**	**(878)**	**85**	**46**	**1,923**	**(762)**	**385**
Free cash flow	(433)	826	769	2,674	1,943	(8,119)	(5,245)	11,074

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	3,480	4,628	4,376	5,392	4,563	5,621	4,858	5,243
Inventory	0	0	0	0	0	0	0	0
Accounts receivable	2,491	2,982	3,106	2,681	3,386	4,933	6,914	8,307
Other current assets	861	991	1,033	948	1,089	1,465	1,465	1,465
Total current assets	**6,832**	**8,601**	**8,515**	**9,022**	**9,038**	**12,018**	**13,237**	**15,015**
Fixed assets	19,112	22,075	24,091	24,281	25,371	37,038	49,806	48,815
Goodwill & intangibles	0	0	0	0	0	0	0	0
Other non-current assets	375	354	379	386	416	666	516	305
Total assets	**26,318**	**31,030**	**32,985**	**33,689**	**34,824**	**49,722**	**63,559**	**64,135**
Short-term debt	1,180	1,194	1,654	2,914	3,580	4,472	6,472	3,772
Accounts payable	2,259	2,414	2,521	2,074	2,673	4,198	5,719	6,604
Other current liabilities	729	1,050	725	650	797	1,004	1,004	1,004
Total current liabilities	**4,169**	**4,657**	**4,899**	**5,638**	**7,050**	**9,675**	**13,196**	**11,381**
Long-term debt	6,723	8,546	8,981	7,885	6,557	9,005	14,505	10,305
Other non-current liabilities	1,422	1,294	1,491	1,867	1,969	2,455	2,455	2,455
Total liabilities	**12,313**	**14,498**	**15,371**	**15,390**	**15,577**	**21,136**	**30,157**	**24,142**
Share capital	4,902	4,902	4,902	4,902	4,902	5,061	5,061	5,061
Reserves/R.E./others	9,104	11,630	12,713	13,397	14,346	23,525	28,341	34,932
Shareholders' equity	**14,006**	**16,532**	**17,614**	**18,299**	**19,247**	**28,587**	**33,402**	**39,994**
Minority interests	0	0	0	0	0	0	0	0
Total equity & liabilities	**26,318**	**31,030**	**32,985**	**33,689**	**34,824**	**49,722**	**63,559**	**64,135**
EV	135,584	136,273	137,420	136,569	136,737	139,019	147,281	139,996
Net debt/(cash)	**4,422**	**5,111**	**6,258**	**5,407**	**5,575**	**7,857**	**16,119**	**8,834**
BVPS (TWD)	**28.573**	**33.727**	**35.935**	**37.332**	**39.267**	**56.480**	**65.994**	**79.016**

Key ratios (%)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales (YoY)	23.3	21.6	(3.1)	(6.8)	7.1	38.0	39.9	29.4
EBITDA (YoY)	23.7	27.3	(5.5)	(12.6)	3.3	50.6	57.3	35.2
Operating profit (YoY)	37.5	42.0	(21.8)	(30.9)	51.5	75.7	61.5	32.1
Net profit (YoY)	44.8	37.4	(22.5)	(23.4)	35.0	79.3	56.8	32.7
Core EPS (fully-diluted) (YoY)	n.a.	n.a.	(22.6)	(23.3)	35.1	73.4	51.6	32.7
Gross-profit margin	37.2	40.8	34.7	28.1	36.3	42.2	46.6	47.2
EBITDA margin	51.8	54.2	52.9	49.6	47.8	52.2	58.7	61.3
Operating-profit margin	25.7	30.0	24.2	18.0	25.4	32.3	37.4	38.1
Net profit margin	21.6	24.5	19.5	16.1	20.2	26.3	29.5	30.2
ROAE	19.5	23.2	16.1	11.7	15.1	21.3	25.8	28.9
ROAA	10.6	12.4	8.6	6.3	8.3	12.0	14.1	16.6
ROCE	15.1	18.1	12.5	8.2	12.2	17.5	21.0	24.6
ROIC	14.7	17.6	12.2	8.6	11.6	16.2	18.7	21.6
Net debt to equity	40.7	41.0	48.6	47.2	41.2	32.7	52.7	25.8
Effective tax rate	19.0	18.8	18.7	12.9	21.4	20.7	20.7	20.6
Accounts receivable (days)	71.5	68.9	79.1	80.6	78.9	78.4	79.8	79.3
Current ratio (x)	1.6	1.8	1.7	1.6	1.3	1.2	1.0	1.3
Net interest cover (x)	33.5	33.8	17.3	11.4	14.3	23.3	24.1	32.1
Net dividend payout	n.a.	46.8	57.0	90.1	70.0	60.0	50.0	55.0
Free cash flow yield	n.a.	0.6	0.6	2.0	1.5	n.a.	n.a.	8.4

Source: FactSet, Daiwa forecasts

Company profile

Founded in 1999, Ardentec is a leading Taiwanese pure-play wafer-testing provider serving foundries, IDMs and fabless chipmakers. Its acquisitions of Giga Solution and Raytek over 2016-17 added RF testing and bumping capabilities. Combining automotive-grade reliability with flexible AI/HPC capacity, the company provides customers a secondary supplier which enhances supply-chain resilience.

ESG analysis

ESG risks

Risks		Management	Analyst comments
G	Executive/board quality	2	The board demonstrates strong governance oversight, with 42% independent directors, regular performance evaluations, and ESG-linked executive compensation. Governance quality is further supported by a top 5% ranking in Taiwan's corporate governance assessment for nine consecutive years.
	Capital management	2	Capital allocation appears disciplined, balancing expansion investments with shareholder returns. The company funded major capacity growth while maintaining strong profitability and distributed stable cash dividends, reflecting a prudent and shareholder-friendly capital management approach.
	Related party & transaction	1	Related-party transactions appear well governed and transparent. The company states that intercompany dealings follow arm's-length principles and are not used for tax minimization, while directors are required to disclose conflicts and abstain from related decisions.

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: 9 Sep 2026

Source: Daiwa, Company

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Disclosure of investment ratings

Rating	Percentage of total
Buy*	73.96%
Hold**	19.58%
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Source: Daiwa

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