Daiwa Capital Markets Hong Kong Limited

Advantech (2395 TT)

Target price: **TWD750.00** (from TWD700.00)

Share price (4 Nov): **TWD629.00** | Up/downside: **+19.2%**

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Outperform (unchanged)

3Q26 results: positive tone towards 2027

- Up-cycle will last into 2027, with limited early pull-in shipments in 2026
- Key growth drivers in 2026 include ASP hike and fast Edge AI growth
- Reaffirming our Outperform (2) rating; raising 12-month TP to TWD750

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What's new: We update our view on Advantech after 3Q26 results (released on 4 November).

What's the impact: **3Q26 results beat.** Advantech's 3Q26 earnings of TWD6.2bn (EPS: TWD7.15) beat our estimate and BBG consensus by 26% and 28%, respectively, driven by record-high OPM (20.9%) and better-than-expected non-ops (gains from its Japan plant's asset disposal). However, GM fell 1pp QoQ to 36.7%, mainly due to raw-material cost inflation. Management said CPU, memory and other component costs rose to 70% (vs. 30% previously). Although the company could pass on higher costs, it couldn't maintain its blended GM on an incremental sales.

Business update. Looking ahead, Advantech remains positive on its 4Q26 and 2027 outlook, supported by a c.USD2.5bn order backlog and a 3Q26 B/B ratio of 1.64 (vs. 1.6 in October). Management said cost-inflation-driven demand pull-ins were limited in 9M26, but order visibility has extended as clients seek greater allocations. Advantech sees AI infrastructure, semiconductors, factory automation and medical equipment as key growth drivers, with shipments in these applications expected to grow c.15% YoY in 2026E and into 2027E, based on our forecasts. Edge AI remains its fastest-growing application: its revenue contribution rose to 24.5% in 9M26, with c.109% YoY growth, vs. 22.5% in 1H26 and the company's c.30% target for 2026. Growth has been driven mainly by higher ASPs, but we expect unit growth to become the primary driver in 2027E as ASPs lap the increase in 2026 already. In the near term, while management guides its revenue would decrease by single-digit % QoQ due to fewer working days over Christmas holiday period in 4Q26, but we believe this is too conservative. We expect 4Q26E revenue to be broadly flat QoQ, as a solid backlog is on hand. We also expect gross margin to remain similar to 3Q26 amid ongoing cost inflation. Management reported ASP increases of 10-20% for CPUs and 15-20% for PCBs, while SSD and memory prices have been relatively stable recently. We expect shortages to ease gradually, particularly for memory, but to persist for CPUs and CCLs.

What we recommend: We raise our 2026-28E EPS by 7-22% to reflect Advantech's 3Q26 results. We reaffirm our Outperform (2) call and raise our 12M TP to TWD750 (from TWD700), based on a lower PER of 26x (prior: 30x; slightly higher than the mid-point of its past-3-year range of 20-37x), as we are closer to the end of the up-cycle, and applied to our 1-year forward EPS. Key downside risk: slower-than-expected demand recovery.

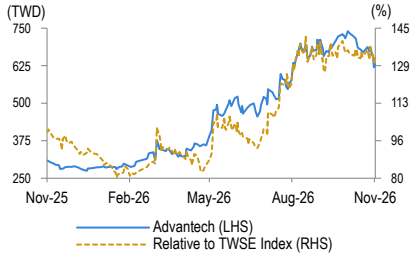
How we differ: Our 2026-28E EPS are 10-17% above the consensus, likely due to our more bullish outlook on Advantech's revenue.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	2.9	17.4	17.5
Net profit change	7.8	22.4	22.9
Core EPS (FD) change	7.4	22.0	22.4

Source: Daiwa forecasts

Share price performance



12-month range	273.50-740.00
Market cap (USDbn)	16.64
3m avg daily turnover (USDm)	65.08
Shares outstanding (m)	869
Major shareholder	AsusTek Computer Inc. (14.4%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	111,304	147,931	159,395
Operating profit (m)	21,932	29,744	32,129
Net profit (m)	19,369	25,021	26,939
Core EPS (fully-diluted)	22.288	28.792	30.999
EPS change (%)	82.0	29.2	7.7
Daiwa vs Cons. EPS (%)	9.8	16.6	10.0
PER (x)	28.2	21.8	20.3
Dividend yield (%)	1.8	1.9	2.1
DPS	11.2	12.0	13.0
PBR (x)	9.8	7.7	6.2
EV/EBITDA (x)	23.3	17.2	15.5
ROE (%)	34.9	39.4	33.9

Source: FactSet, Daiwa forecasts

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

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Advantech: Daiwa's revenue and earnings forecast revisions

	2026E			2027E			2028E		
(TWDm)	Previous	New	Consensus	Previous	New	Consensus	Previous	New	Consensus
Revenue	108,139	111,304	105,375	125,982	147,931	126,075	135,599	159,395	139,286
Diff (%)		**2.9%**	**5.6%**		**17.4%**	**17.3%**		**17.5%**	**14.4%**
Gross margin (%)	38.0%	37.5%	38.0%	37.7%	37.8%	38.5%	38.8%	38.4%	38.6%
Operating profit	21,047	21,932	20,269	24,662	29,744	25,248	26,516	32,129	29,213
Operating margin (%)	19.5%	19.7%	19.2%	19.6%	20.1%	20.0%	19.6%	20.2%	21.0%
Net profit	17,969	19,369	17,642	20,441	25,021	21,458	21,925	26,939	24,489
EPS (TWD)	20.75	22.29	20.30	23.61	28.79	24.69	25.32	31.00	28.18
Diff (%)		**7.4%**	**9.8%**		**22.0%**	**16.6%**		**22.4%**	**10.0%**

Source: Daiwa forecasts, Bloomberg

Advantech: quarterly and annual P&L statement

	2026E				2027E				2025	2026E	2027E	2028E
(TWDm)	1Q	2Q	3Q	4QE	1QE	2QE	3QE	4QE				
Net revenue	**20,385**	**26,126**	**32,440**	**32,353**	**33,884**	**36,841**	**38,916**	**38,289**	**70,882**	**111,304**	**147,931**	**159,395**
COGS	-12,405	-16,281	-20,544	-20,377	-21,266	-22,907	-24,141	-23,671	-42,685	-69,608	-91,984	-98,225
Gross profit	**7,980**	**9,845**	**11,896**	**11,975**	**12,619**	**13,934**	**14,775**	**14,619**	**28,198**	**41,696**	**55,947**	**61,170**
Operating costs	-4,251	-4,718	-5,101	-5,694	-6,133	-6,521	-6,771	-6,777	-16,631	-19,765	-26,203	-29,042
Operating profit	**3,728**	**5,127**	**6,795**	**6,281**	**6,485**	**7,413**	**8,004**	**7,841**	**11,567**	**21,932**	**29,744**	**32,129**
Non-operating profit	340	463	1,106	325	340	370	385	362	1,123	2,233	1,456	1,470
Pre-tax profit	**4,068**	**5,590**	**7,901**	**6,606**	**6,825**	**7,783**	**8,389**	**8,203**	**12,690**	**24,165**	**31,200**	**33,598**
Income taxes	-750	-1,087	-1,700	-1,321	-1,365	-1,557	-1,678	-1,641	-2,097	-4,796	-6,179	-6,659
Net profit	**3,334**	**4,518**	**6,218**	**5,299**	**5,476**	**6,242**	**6,726**	**6,578**	**10,593**	**19,369**	**25,021**	**26,939**
EPS (TWD)	**3.85**	**5.20**	**7.15**	**6.10**	**6.30**	**7.18**	**7.74**	**7.57**	**12.24**	**22.29**	**28.79**	**31.00**
Operating Ratios												
Gross margin	39.1%	37.7%	36.7%	37.0%	37.2%	37.8%	38.0%	38.2%	39.8%	37.5%	37.8%	38.4%
Operating margin	18.3%	19.6%	20.9%	19.4%	19.1%	20.1%	20.6%	20.5%	16.3%	19.7%	20.1%	20.2%
Pre-tax margin	20.0%	21.4%	24.4%	20.4%	20.1%	21.1%	21.6%	21.4%	17.9%	21.7%	21.1%	21.1%
Net margin	16.4%	17.3%	19.2%	16.4%	16.2%	16.9%	17.3%	17.2%	14.9%	17.4%	16.9%	16.9%
YoY (%)												
Net revenue	17%	46%	83%	81%	66%	41%	20%	18%	19%	57%	33%	8%
Gross profit	14%	38%	72%	68%	58%	42%	24%	22%	16%	48%	34%	9%
Operating profit	28%	64%	151%	123%	74%	45%	18%	25%	28%	90%	36%	8%
Pre-tax profit	26%	124%	141%	79%	68%	39%	6%	24%	16%	90%	29%	8%
Net profit	22%	127%	125%	71%	64%	38%	8%	24%	18%	83%	29%	8%
QoQ (%)												
Net revenue	14%	28%	24%	0%	5%	9%	6%	-2%				
Gross profit	12%	23%	21%	1%	5%	10%	6%	-1%				
Operating profit	33%	38%	33%	-8%	3%	14%	8%	-2%				
Pre-tax profit	11%	37%	41%	-16%	3%	14%	8%	-2%				
Net profit	7%	36%	38%	-15%	3%	14%	8%	-2%				

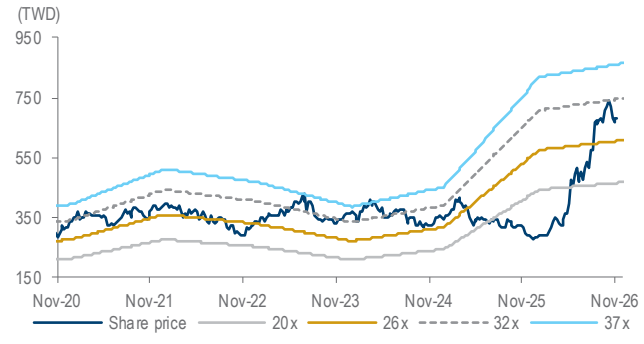
Source: Company, Daiwa forecasts

Advantech: 3Q26 results highlights

(TWDm)	Actual	QoQ%	YoY%	Daiwa	Diff %	Consensus	Diff %
Revenues	32,440	24%	83%	30,130	8%	28,945	12%
Gross profit	11,896	21%	72%	11,333	5%	10,877	9%
Gross margin (%)	36.7%			37.6%		37.6%	
Operating profit	6,795	33%	151%	5,940	14%	5,628	21%
Operating margin (%)	20.9%			19.7%		19.4%	
Pre-tax profit	7,901	41%	141%	6,165	28%	5,927	33%
Net profit	6,218	38%	125%	4,947	26%	4,842	28%
EPS (TWD)	7.15	38%	125%	5.71	26%	5.59	28%

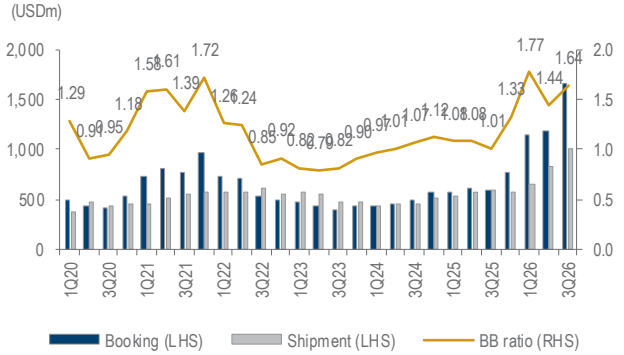
Source: Company data, Daiwa forecasts, Bloomberg

Advantech: 1-year forward PER



Source: TEJ, Daiwa forecasts

Advantech: B/B ratio



Source: Company

Financial summary

Key assumptions

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Embedded Design-in sales YoY%	11.6	31.1	(0.7)	(14.2)	7.3	27.7	10.5	13.2
Industrial IoT sales YoY%	16.0	2.3	(17.4)	4.5	27.4	35.5	10.1	4.0
Service IoT sales YoY%	20.2	26.7	(6.1)	(6.7)	31.3	(25.5)	14.0	10.2

Profit and loss (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Embedded Design-in	26,652	34,940	34,683	29,747	31,927	40,774	45,051	50,993
Industrial IoT	19,803	20,260	16,744	17,506	22,303	30,223	33,284	34,605
Other Revenue	12,168	13,544	13,141	12,533	16,652	40,307	69,596	73,797
Total Revenue	**58,622**	**68,745**	**64,568**	**59,786**	**70,882**	**111,304**	**147,931**	**159,395**
Other income	0	0	0	0	0	0	0	0
COGS	(36,490)	(42,632)	(38,406)	(35,410)	(42,685)	(69,608)	(91,984)	(98,225)
SG&A	(8,057)	(8,762)	(9,172)	(9,866)	(10,835)	(12,743)	(17,336)	(18,763)
Other op.expenses	(4,270)	(4,768)	(4,830)	(5,416)	(5,795)	(7,021)	(8,866)	(10,279)
Operating profit	**9,804**	**12,583**	**12,160**	**9,094**	**11,567**	**21,932**	**29,744**	**32,129**
Net-interest inc./(exp.)	12	16	230	294	252	218	217	217
Assoc/forex/extraord./others	229	587	377	934	870	2,015	1,239	1,253
Pre-tax profit	**10,045**	**13,187**	**12,767**	**10,322**	**12,690**	**24,165**	**31,200**	**33,598**
Tax	(1,948)	(2,700)	(2,477)	(2,086)	(2,189)	(4,858)	(6,240)	(6,720)
Min. int./pref. div./others	(57)	15	48	117	92	61	61	61
Net profit (reported)	**8,040**	**10,501**	**10,338**	**8,352**	**10,593**	**19,369**	**25,021**	**26,939**
Net profit (adjusted)	**8,040**	**10,501**	**10,338**	**8,352**	**10,593**	**19,369**	**25,021**	**26,939**
EPS (reported)(TWD)	**10.390**	**13.500**	**12.052**	**9.673**	**12.243**	**22.288**	**28.792**	**30.999**
EPS (adjusted)(TWD)	**10.390**	**13.500**	**12.052**	**9.673**	**12.243**	**22.288**	**28.792**	**30.999**
EPS (adjusted fully-diluted)(TWD)	**10.390**	**13.500**	**12.052**	**9.673**	**12.243**	**22.288**	**28.792**	**30.999**
DPS (TWD)	**7.127**	**8.071**	**10.080**	**9.449**	**8.405**	**11.200**	**12.000**	**13.000**
EBIT	**9,804**	**12,583**	**12,160**	**9,094**	**11,567**	**21,932**	**29,744**	**32,129**
EBITDA	**10,901**	**13,640**	**13,247**	**10,188**	**12,777**	**22,977**	**30,920**	**33,478**

Cash flow (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	10,045	13,187	12,767	10,322	12,690	24,165	31,200	33,598
Depreciation and amortisation	1,097	1,057	1,086	1,094	1,210	1,045	1,176	1,350
Tax paid	(1,948)	(2,700)	(2,477)	(2,086)	(2,189)	(4,858)	(6,240)	(6,720)
Change in working capital	(3,061)	(2,727)	5,006	(596)	(906)	(7,933)	(7,422)	(2,253)
Other operational CF items	4,541	915	(6,717)	1,778	(901)	(95)	(71)	(96)
Cash flow from operations	**10,674**	**9,731**	**9,665**	**10,511**	**9,903**	**12,324**	**18,642**	**25,879**
Capex	(1,036)	(1,353)	(1,236)	(1,505)	(2,837)	(2,337)	(3,107)	(3,347)
Net (acquisitions)/disposals	(354)	(55)	(1,708)	764	(1,050)	0	0	0
Other investing CF items	(2,908)	(1,703)	645	666	(342)	1	1	1
Cash flow from investing	**(4,298)**	**(3,111)**	**(2,299)**	**(75)**	**(4,228)**	**(2,336)**	**(3,106)**	**(3,346)**
Change in debt	91	401	(276)	(111)	(61)	0	0	0
Net share issues/(repurchases)	0	0	0	0	0	0	0	0
Dividends paid	(5,506)	(6,236)	(7,800)	(8,158)	(7,259)	(9,690)	(10,429)	(11,298)
Other financing CF items	(148)	187	12	477	(526)	506	524	545
Cash flow from financing	**(5,564)**	**(5,649)**	**(8,064)**	**(7,792)**	**(7,846)**	**(9,184)**	**(9,905)**	**(10,753)**
Forex effect/others	(488)	886	(46)	357	(136)	0	0	0
Change in cash	**324**	**1,857**	**(744)**	**3,000**	**(2,308)**	**804**	**5,632**	**11,780**
Free cash flow	9,638	8,378	8,429	9,005	7,066	9,987	15,536	22,531

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	11,426	15,381	21,200	20,456	19,194	10,584	16,216	27,996
Inventory	12,517	14,008	9,804	10,554	11,835	18,255	24,123	25,760
Accounts receivable	10,346	11,190	9,345	10,203	10,614	16,345	21,723	23,407
Other current assets	832	1,168	1,037	986	853	853	853	853
Total current assets	**35,121**	**41,747**	**41,386**	**42,200**	**42,496**	**46,036**	**62,915**	**78,015**
Fixed assets	10,247	11,039	11,326	12,244	14,452	15,744	17,675	19,673
Goodwill & intangibles	2,665	2,789	2,750	2,814	2,735	2,735	2,735	2,735
Other non-current assets	9,795	10,809	13,594	14,484	16,036	16,314	16,657	17,009
Total assets	**57,828**	**66,385**	**69,056**	**71,742**	**75,718**	**80,830**	**99,982**	**117,432**
Short-term debt	256	531	238	0	0	0	0	0
Accounts payable	7,487	7,126	6,089	6,911	7,681	11,898	15,723	16,789
Other current liabilities	8,761	10,823	9,700	8,658	8,837	8,760	8,760	8,760
Total current liabilities	**16,504**	**18,481**	**16,027**	**15,569**	**16,517**	**20,657**	**24,482**	**25,549**
Long-term debt	0	122	0	156	150	150	150	150
Other non-current liabilities	2,962	3,499	4,220	4,219	4,001	4,001	4,001	4,001
Total liabilities	**19,465**	**22,101**	**20,247**	**19,945**	**20,668**	**24,808**	**28,633**	**29,700**
Share capital	7,738	7,778	8,578	8,634	8,652	8,690	8,690	8,690
Reserves/R.E./others	30,114	36,036	39,883	42,794	46,296	47,229	62,557	78,940
Shareholders' equity	**37,853**	**43,815**	**48,461**	**51,428**	**54,947**	**55,920**	**71,247**	**87,630**
Minority interests	510	469	348	369	102	102	102	102
Total equity & liabilities	**57,828**	**66,385**	**69,056**	**71,742**	**75,718**	**80,830**	**99,982**	**117,432**
EV	535,970	532,371	526,016	526,698	527,688	536,298	530,666	518,886
Net debt/(cash)	**(11,170)**	**(14,728)**	**(20,962)**	**(20,300)**	**(19,044)**	**(10,434)**	**(16,066)**	**(27,846)**
BVPS (TWD)	**48.916**	**56.328**	**56.496**	**59.563**	**63.509**	**64.346**	**81.983**	**100.835**

Key ratios (%)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales (YoY)	14.7	17.3	(6.1)	(7.4)	18.6	57.0	32.9	7.7
EBITDA (YoY)	9.1	25.1	(2.9)	(23.1)	25.4	79.8	34.6	8.3
Operating profit (YoY)	8.6	28.3	(3.4)	(25.2)	27.2	89.6	35.6	8.0
Net profit (YoY)	10.3	30.6	(1.6)	(19.2)	26.8	82.9	29.2	7.7
Core EPS (fully-diluted) (YoY)	10.0	29.9	(10.7)	(19.7)	26.6	82.0	29.2	7.7
Gross-profit margin	37.8	38.0	40.5	40.8	39.8	37.5	37.8	38.4
EBITDA margin	18.6	19.8	20.5	17.0	18.0	20.6	20.9	21.0
Operating-profit margin	16.7	18.3	18.8	15.2	16.3	19.7	20.1	20.2
Net profit margin	13.7	15.3	16.0	14.0	14.9	17.4	16.9	16.9
ROAE	22.3	25.7	22.4	16.7	19.9	34.9	39.4	33.9
ROAA	14.9	16.9	15.3	11.9	14.4	24.7	27.7	24.8
ROCE	26.6	30.1	25.9	18.0	21.6	39.4	46.6	40.3
ROIC	32.1	35.3	34.1	24.5	28.4	43.0	47.2	44.6
Net debt to equity	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Effective tax rate	19.4	20.5	19.4	20.2	17.3	20.1	20.0	20.0
Accounts receivable (days)	59.7	57.2	58.0	59.7	53.6	44.2	47.0	51.7
Current ratio (x)	2.1	2.3	2.6	2.7	2.6	2.2	2.6	3.1
Net interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net dividend payout	75.5	77.7	74.7	78.4	86.9	91.5	53.8	45.2
Free cash flow yield	1.8	1.5	1.5	1.6	1.3	1.8	2.8	4.1

Source: FactSet, Daiwa forecasts

Company profile

Founded in 1981 and listed in 1999, Advantech is the largest industrial PC (IPC) maker worldwide in terms of embedded board/system sales, followed by the company's main competitors, Germany-based Kontron and US-based Radisys. The company mainly provides embedded computing boards, chassis, industrial computers, applied computers and design-in services. The businesses are categorised into 4 segments: Embedded design-in, Industrial IoT, Service IoT, and Global services.

ESG analysis

ESG risks

Risks		Management	Analyst comments
G	Executive/board quality	1	Advantech's current board consists of nine directors, with three independent directors. To effectively enhance corporate governance, the company's constitution specifies that its number of independent directors cannot be less than three. This regulation is even stricter than the regulations set by the government. The backgrounds of its three independent directors are diversified, with expertise in technology, finance, business, management and accounting. We see it as a positive factor for the board's quality.
	Capital management	2	For 2026, Advantech declared a DPS of TWD11.20 to be paid out of the 2025 results, representing a 92% payout ratio. The payout ratio has been quite stable in the past few years and in the range of 70-84%. According to Advantech's dividend policy, management may consider paying out an additional TWD2 stock dividend in the next three years, if the business operation has achieved the company's targets. Indeed, Advantech has executed this policy in 2014, 2017, 2020 and 2023. The IPC market growth has been stable at 5-10% per year recently. This makes Advantech eager to develop its WISW-PaaS 3.0 platform to integrate its hardware business with software. By doing so, the company believes it can lift its profit margins by creating additional value via its total solutions offerings. Besides, Advantech aims to acquire partial stakes in its competitors in order to propel the communication standardisation for the AIoT platform (eg, Wise-PaaS 3.0). We believe these investments will be long-term value-accretive to investors.
	Related party & transaction	3	Revenue from related parties was 0.2% of total 2025 revenue, while purchases and other operating costs from related parties were 0.6% of total cost of sales. We see limited risk from these related-party transactions given their small contribution and the company's disclosure that transactions were generally conducted under normal pricing and commercial terms. Separately, Advantech has sizable intra-group transactions with its subsidiaries due to its global manufacturing and sales structure. In 2025, ANA remained the parent company's largest disclosed intra-group sales counterparty, while AKMC remained a major manufacturing counterparty. These intra-group transactions are eliminated upon consolidation, and disclosed transaction terms showed no significant difference from those with third parties. We therefore see limited governance risk from related-party transactions based on current disclosures.
S	Supply chain management	1	In 2010, Advantech established its "green supply management system". In its management system, suppliers must promise and guarantee that their products will not contain hazardous substances prohibited by Advantech. Based on the procurement procedure within the management system, Advantech conducts onsite inspections at high-risk suppliers on its Preferred Vendor List (PVL). Inspection includes the vendors' manufacturing processes, quality, environmental safety and health, labour conditions, and CSR management. Besides, Advantech strictly incorporates environmental protection principles in its supplier management mechanism. The company has incorporated the Responsible Business Alliance (RBA) management system, demanding that its suppliers promote CSR. To date, Advantech's evaluation index management for all suppliers has included critical CSR indices such as RoHS (HSF), QC080000, ISO14001, OHSAS18001 (ISO 45001), and supplier localisation regulated by the RBA. Overall, we see that Advantech has created a systematic platform to regulate and manage its supply chain to meet ethical and environmental standards.
S	Data security	2	Based on Advantech's information policy, it will establish a dedicated information security organisation and appropriate management procedures to ensure confidentiality and integrity, and protect the privacy of users and customer data. The major measures include: 1) an appropriate IT backup mechanism, and 2) third-party information security certifications and regular external inspections. Advantech will implement an information security management system in accordance with the requirements of the ISO / IEC 27001: 2013 standards. Both the Linkou and Kunshan plants have acquired the ISO 27001 certification.

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: 4 Nov 2026

Source: Daiwa, Company

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