Daiwa Capital Markets Hong Kong Limited

Win Semiconductors (3105 TT)

Target price: **TWD449.00** (from TWD505.00)

Share price (24 Jul): **TWD341.50** | Up/downside: **+31.5%**

5 4 3 2 **1**

Buy (from Hold)

Upgrading: profit optimisation round the corner

- 2Q26 results and 3Q26 guidance all upbeat
- On track to optimise profitability thanks to AI and aerospace
- Upgrading to Buy (1) despite lower 12M TP of TWD449

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What's new: Win Semiconductors (WinSemi) reported *another set of upbeat* quarterly results and guidance, thanks to seasonal ramp of high-end smartphones, continued strength from infrastructure aerospace deployments, and strong ramp of new optical communication (OC) business for AI datacentre (DC) builds. We raise our forecasts and upgrade our rating 2 notches to Buy (1), and suggest taking advantage of the share price pullback to accumulate on the attractive risk/reward profile.

What's the impact: Results and guidance all upbeat. WinSemi reported 2Q26 EPS of TWD2.3, beating our/consensus estimates by 104%/50%, thanks to strength at both operating and non-operating levels. Operating profit came in 16% above our estimate due to better opex control more than offsetting lower gross margin (GM) on initial ramp of OC products. Non-op gains of TWD446m were contributed by FX and investment income under the equity method. 3Q26 guidance was above market expectations thanks to: 1) seasonal ramp of new smartphone models across iOS and Android platforms, especially in the high-end segment where WinSemi differentiates, 2) continued resilience of infrastructure demand for aerospace applications, and 3) ramps of new OC products for AI DC.

Diversifying into AI/aerospace. Infrastructure and AI OC were focal discussions at today's conference. For infrastructure, management sees low earth-orbit (LEO) satellite communications rising to become another key contributor besides base stations and stays positive on the LEO ramp. For AI OC, pin-diodes (PD) have entered mass production (MP) since late 2Q26, on track for a strong ramp into 2027, driven by strong demand from a single customer with forecast orders committed beyond 2027. This should be followed by MP of EML and VCSEL, and CW lasers in 2H27 for total AI OC to reach a high single-digit (HSD) % revenue contribution in 2026 and double-digit % in 2027, from HSD in 2Q26 and LSD in 2025. All of these echo our positive stance on WinSemi, based on 3 growth pillars: 1) RF transformation pays off with premiumisation strategy across cellular and WiFi; 2) infrastructure scales up on robust LEO builds; and 3) OC ramps with diversified offerings from peripherals chips (optical drivers, modulators) to PD and laser diodes to capture the fast-growing AI optical connectivity.

What we recommend: Though we lower our 12M TP to TWD449 (previous: TWD505) due to our lower 4-quarter forward PER target of 50x (previous: 67x), justified by our 2025-28E EPS CAGR of 53%, we upgrade our rating 2 notches to Buy (1) on valuation grounds. Key downside risk is commodity price hikes further dampening consumer purchases.

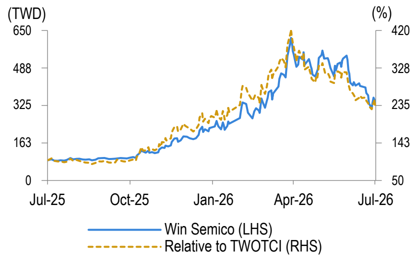
How we differ: Our 2026E EPS is 16% above the consensus forecast mainly attributable to the higher non-operating gains in 2Q26.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	0.3	0.6	0.4
Net profit change	25.8	0.4	1.2
Core EPS (FD) change	25.8	0.4	1.2

Source: Daiwa forecasts

Share price performance



12-month range	84.80-617.00
Market cap (USDbn)	4.48
3m avg daily turnover (USDm)	397.20
Shares outstanding (m)	424
Major shareholder	Cathay Life Insurance Co Ltd (5.6%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	21,848	27,193	31,358
Operating profit (m)	3,170	5,405	7,498
Net profit (m)	3,081	4,276	6,027
Core EPS (fully-diluted)	7.267	10.086	14.216
EPS change (%)	81.9	38.8	41.0
Daiwa vs Cons. EPS (%)	16.4	0.9	0.9
PER (x)	47.0	33.9	24.0
Dividend yield (%)	0.6	1.0	1.5
DPS	2.0	3.5	5.0
PBR (x)	3.6	3.3	3.1
EV/EBITDA (x)	23.1	16.6	13.4
ROE (%)	7.5	10.2	13.3

Source: FactSet, Daiwa forecasts

Flash

WinSemi: quarterly P&L estimates and forecasts

TWDm	1Q26	2Q26	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2025	2026E	2027E	2028E
Total revenue	4,590	5,257	5,904	6,097	5,952	6,726	7,235	7,280	16,638	21,848	27,193	31,358
COGS	-3,381	-3,772	-4,042	-4,102	-4,059	-4,432	-4,625	-4,503	-12,612	-15,297	-17,618	-19,050
Gross profit	1,209	1,485	1,862	1,995	1,893	2,294	2,611	2,777	4,025	6,551	9,575	12,307
Opex	-778	-743	-915	-945	-929	-1,036	-1,093	-1,114	-3,311	-3,381	-4,171	-4,809
Operating profit	431	742	947	1,050	965	1,258	1,518	1,663	715	3,170	5,405	7,498
EBITDA	1,223	1,523	1,762	1,911	1,788	2,113	2,364	2,423	4,709	6,418	8,688	10,381
Non-op gains/losses	101	446	-30	-4	-5	-15	-20	-20	672	513	-60	35
Pretax profit	532	1,188	917	1,046	960	1,243	1,498	1,643	1,387	3,683	5,345	7,533
Income taxes	-83	-284	-183	-209	-192	-249	-300	-329	-297	-760	-1,069	-1,507
Net profit	533	977	734	837	768	995	1,199	1,315	1,694	3,081	4,276	6,027
FD O/S (m)	424	424	424	424	424	424	424	424	424	424	424	424
FD EPS (TWD)	**1.26**	**2.30**	**1.73**	**1.97**	**1.81**	**2.35**	**2.83**	**3.10**	**4.00**	**7.27**	**10.09**	**14.22**
Revenue mix												
Cellular	35%	33%	31%	29%	26%	25%	25%	24%	32%	32%	25%	23%
Infrastructure	33%	33%	33%	31%	30%	29%	29%	27%	33%	32%	29%	28%
WiFi	20%	17%	15%	15%	14%	14%	14%	13%	18%	16%	14%	13%
Optical & others	12%	17%	21%	26%	30%	31%	32%	36%	17%	20%	32%	37%
Margin												
Gross	26%	28%	32%	33%	32%	34%	36%	38%	24%	30%	35%	39%
Operating	9%	14%	16%	17%	16%	19%	21%	23%	4%	15%	20%	24%
EBITDA	27%	29%	30%	31%	30%	31%	33%	33%	28%	29%	32%	33%
Net	12%	19%	12%	14%	13%	15%	17%	18%	10%	14%	16%	19%
Growth (QoQ)												
Total revenue	-4%	15%	12%	3%	-2%	13%	8%	1%				
Gross profit	-21%	23%	25%	7%	-5%	21%	14%	6%				
Operating profit	-35%	72%	28%	11%	-8%	30%	21%	10%				
Net profit	-48%	83%	-25%	14%	-8%	30%	21%	10%				
FD EPS	-48%	83%	-25%	14%	-8%	30%	21%	10%				
Growth (YoY)												
Total revenue	28%	39%	32%	27%	30%	28%	23%	19%	-5%	31%	24%	15%
Gross profit	102%	113%	54%	31%	57%	54%	40%	39%	0%	63%	46%	29%
Operating profit	nm	nm	146%	58%	124%	70%	60%	58%	-6%	344%	70%	39%
Net profit	nm	nm	-31%	-19%	44%	2%	63%	57%	121%	82%	39%	41%
FD EPS	nm	nm	-31%	-19%	44%	2%	63%	57%	121%	82%	39%	41%

Source: Company, Daiwa estimates and forecasts

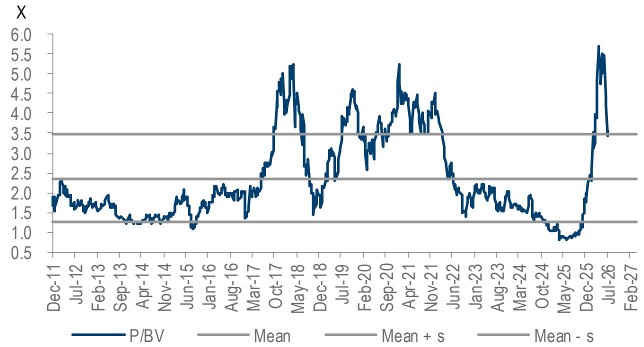
WinSemi: quarterly P&L estimates and forecasts

	2Q26			Growth		3Q26E	
TWDm	Actual	Daiwa	Variance	QoQ	YoY	Guidance	Daiwa (previous)
Revenue	5,257	5,267	0%	15%	39%	Revenue to grow by low-teens % QoQ	up 11% QoQ
Gross profit	1,485	1,517	-2%	23%	113%	GM to be around low-30s	30%
Operating profit	742	637	16%	72%	nm		
EBITDA	1,523	1,483	3%	25%	62%		
Pretax profit	1,188	597	99%	123%	nm		
Net profit	977	478	104%	83%	nm		
Adjusted EPS (TWD)	2.30	1.13	104%	83%	nm		
Margin							
Gross	28.2%	28.8%	-0.6%				
Operating	14.1%	12.1%	2.0%				
EBITDA	29.0%	28.2%	0.8%				
Net	18.6%	9.1%	9.5%				
Operation							
Utilization*	65%	67%					
Revenue mix							
Cellular	30-35%	34%					
Infrastructure	30-35%	30%					
WiFi	10-15%	19%					
Others**	15-20%	18%					

Source: Company, Daiwa estimates and forecasts

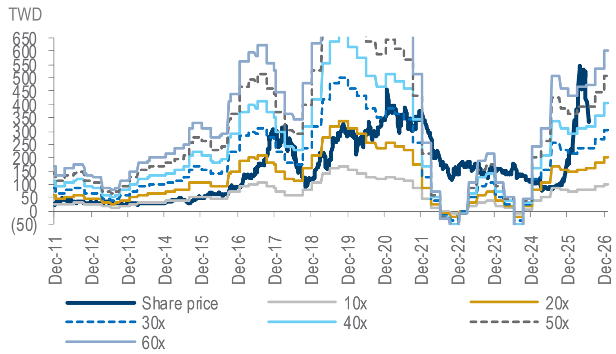
*Note: * Daiwa: wafer shipment / capacity; Company: wafer output / capacity; ** Others including vertical cavity surface emitting lasers (VCSEL) and other optical sales*

WinSemi: PBR trend



Source: Company, TEJ, Daiwa forecasts

WinSemi: 4-quarter forward PER band



Source: Company, TEJ, Daiwa forecasts

Financial summary

Key assumptions

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Wafer shipment (6" equ)	483,237	316,573	265,500	300,450	292,525	360,255	388,514	423,152
Utilisation rate (%)	94	61	50	55	54	68	82	92
Blended wafer ASP (USD)	1,730	1,709	1,635	1,607	1,623	1,655	1,695	1,715

Profit and loss (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Cellular & WiFi	16,469	9,168	8,263	9,446	8,226	10,502	10,545	11,083
Infrastructure	5,071	5,276	4,075	4,943	5,529	7,057	7,845	8,822
Other Revenue	4,642	3,891	3,499	3,069	2,884	4,289	8,803	11,453
Total Revenue	**26,182**	**18,334**	**15,836**	**17,458**	**16,639**	**21,848**	**27,193**	**31,358**
Other income	0	0	0	0	0	0	0	0
COGS	(16,412)	(13,610)	(12,367)	(13,416)	(12,612)	(15,297)	(17,618)	(19,050)
SG&A	(2,015)	(1,557)	(1,679)	(1,590)	(1,709)	(1,797)	(2,131)	(2,457)
Other op.expenses	(1,332)	(1,684)	(1,846)	(1,691)	(1,603)	(1,584)	(2,040)	(2,352)
Operating profit	**6,424**	**1,484**	**(56)**	**762**	**715**	**3,170**	**5,405**	**7,498**
Net-interest inc./(exp.)	(246)	(204)	(437)	(587)	(478)	(240)	(160)	(65)
Assoc/forex/extraord./others	222	547	(186)	158	1,150	753	100	100
Pre-tax profit	**6,401**	**1,826**	**(679)**	**332**	**1,387**	**3,683**	**5,345**	**7,533**
Tax	(1,189)	(411)	121	7	(297)	(760)	(1,069)	(1,507)
Min. int./pref. div./others	245	388	478	428	604	157	0	0
Net profit (reported)	**5,456**	**1,802**	**(80)**	**768**	**1,694**	**3,081**	**4,276**	**6,027**
Net profit (adjusted)	**5,456**	**1,802**	**(80)**	**768**	**1,694**	**3,081**	**4,276**	**6,027**
EPS (reported)(TWD)	**12.898**	**4.252**	**(0.188)**	**1.811**	**3.995**	**7.267**	**10.086**	**14.216**
EPS (adjusted)(TWD)	**12.898**	**4.252**	**(0.188)**	**1.811**	**3.995**	**7.267**	**10.086**	**14.216**
EPS (adjusted fully-diluted)(TWD)	**12.070**	**4.050**	**(0.188)**	**1.811**	**3.995**	**7.267**	**10.086**	**14.216**
DPS (TWD)	**10.025**	**8.002**	**2.500**	**0.000**	**1.000**	**2.000**	**3.500**	**5.000**
EBIT	**6,424**	**1,484**	**(56)**	**762**	**715**	**3,170**	**5,405**	**7,498**
EBITDA	**10,591**	**5,787**	**4,685**	**5,462**	**4,709**	**6,418**	**8,688**	**10,381**

Cash flow (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	6,401	1,826	(679)	332	1,387	3,683	5,345	7,533
Depreciation and amortisation	4,167	4,304	4,740	4,700	3,994	3,248	3,284	2,883
Tax paid	(1,189)	(411)	121	7	(297)	(760)	(1,069)	(1,507)
Change in working capital	(1,738)	1,743	422	(227)	207	(1,300)	(500)	(550)
Other operational CF items	175	(1,492)	(335)	88	(338)	157	(0)	0
Cash flow from operations	**7,815**	**5,968**	**4,270**	**4,900**	**4,953**	**5,029**	**7,059**	**8,360**
Capex	(8,081)	(7,124)	(3,209)	(1,222)	(1,691)	(2,000)	(1,500)	(1,000)
Net (acquisitions)/disposals	0	0	0	0	0	0	0	0
Other investing CF items	(6,514)	43	456	166	6,804	0	0	0
Cash flow from investing	**(14,594)**	**(7,081)**	**(2,753)**	**(1,055)**	**5,112**	**(2,000)**	**(1,500)**	**(1,000)**
Change in debt	18,581	(1,384)	(7)	(8,113)	(7,202)	(1,233)	(1,110)	(999)
Net share issues/(repurchases)	0	0	0	0	0	0	0	0
Dividends paid	(4,240)	(3,392)	(1,060)	0	(424)	(848)	(1,484)	(2,120)
Other financing CF items	491	(248)	(609)	(826)	(654)	100	100	100
Cash flow from financing	**14,831**	**(5,023)**	**(1,676)**	**(8,939)**	**(8,280)**	**(1,981)**	**(2,493)**	**(3,018)**
Forex effect/others	(76)	184	106	188	(138)	0	0	0
Change in cash	**7,975**	**(5,952)**	**(54)**	**(4,906)**	**1,648**	**1,048**	**3,066**	**4,342**
Free cash flow	(266)	(1,156)	1,061	3,678	3,262	3,029	5,559	7,360

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	16,394	10,501	10,469	5,695	7,391	8,438	11,504	15,846
Inventory	6,671	5,420	5,111	4,992	4,979	5,979	6,279	6,679
Accounts receivable	2,718	917	1,149	1,226	1,597	1,947	2,547	2,647
Other current assets	672	376	435	543	590	450	450	450
Total current assets	**26,455**	**17,213**	**17,163**	**12,455**	**14,557**	**16,814**	**20,780**	**25,622**
Fixed assets	27,784	31,546	31,312	28,265	19,672	19,041	17,750	16,299
Goodwill & intangibles	5,187	4,944	3,588	3,538	5,409	3,060	3,055	3,050
Other non-current assets	15,468	15,425	17,104	20,000	21,091	21,091	21,091	21,091
Total assets	**74,894**	**69,128**	**69,168**	**64,259**	**60,729**	**60,006**	**62,676**	**66,062**
Short-term debt	0	0	21	26	330	330	330	330
Accounts payable	2,163	1,017	1,362	1,094	1,662	1,712	2,112	2,062
Other current liabilities	5,052	5,230	11,340	6,483	3,873	5,033	5,210	5,399
Total current liabilities	**7,215**	**6,247**	**12,724**	**7,603**	**5,865**	**7,075**	**7,652**	**7,791**
Long-term debt	29,279	26,540	20,030	16,532	12,328	11,095	9,986	8,987
Other non-current liabilities	1,278	1,152	1,065	986	545	1,000	1,100	1,200
Total liabilities	**37,772**	**33,939**	**33,819**	**25,121**	**18,738**	**19,170**	**18,738**	**17,978**
Share capital	4,240	4,239	4,239	4,239	4,239	4,239	4,239	4,239
Reserves/R.E./others	30,698	29,089	29,716	33,879	37,306	36,097	39,099	43,145
Shareholders' equity	**34,938**	**33,329**	**33,955**	**38,118**	**41,545**	**40,336**	**43,339**	**47,384**
Minority interests	2,184	1,861	1,394	1,020	446	500	600	700
Total equity & liabilities	**74,894**	**69,128**	**69,168**	**64,259**	**60,729**	**60,006**	**62,676**	**66,062**
EV	159,845	162,676	155,751	156,659	150,489	148,263	144,187	138,947
Net debt/(cash)	**12,886**	**16,039**	**9,582**	**10,864**	**5,268**	**2,987**	**(1,188)**	**(6,528)**
BVPS (TWD)	**82.600**	**78.631**	**80.094**	**89.914**	**97.998**	**95.146**	**102.229**	**111.771**

Key ratios (%)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales (YoY)	2.5	(30.0)	(13.6)	10.2	(4.7)	31.3	24.5	15.3
EBITDA (YoY)	(8.1)	(45.4)	(19.1)	16.6	(13.8)	36.3	35.4	19.5
Operating profit (YoY)	(17.5)	(76.9)	n.a.	n.a.	(6.2)	343.6	70.5	38.7
Net profit (YoY)	(16.4)	(67.0)	n.a.	n.a.	120.6	81.9	38.8	41.0
Core EPS (fully-diluted) (YoY)	(21.6)	(66.4)	n.a.	n.a.	120.6	81.9	38.8	41.0
Gross-profit margin	37.3	25.8	21.9	23.2	24.2	30.0	35.2	39.2
EBITDA margin	40.5	31.6	29.6	31.3	28.3	29.4	31.9	33.1
Operating-profit margin	24.5	8.1	n.a.	4.4	4.3	14.5	19.9	23.9
Net profit margin	20.8	9.8	n.a.	4.4	10.2	14.1	15.7	19.2
ROAE	15.8	5.3	n.a.	2.1	4.3	7.5	10.2	13.3
ROAA	8.4	2.5	n.a.	1.2	2.7	5.1	7.0	9.4
ROCE	11.3	2.3	n.a.	1.4	1.3	5.9	10.1	13.4
ROIC	11.9	2.3	n.a.	1.6	1.5	5.5	10.0	14.2
Net debt to equity	36.9	48.1	28.2	28.5	12.7	7.4	n.a.	n.a.
Effective tax rate	18.6	22.5	0.0	0.0	0.0	20.6	20.0	20.0
Accounts receivable (days)	33.1	36.2	23.8	24.8	31.0	29.6	30.2	30.2
Current ratio (x)	3.7	2.8	1.3	1.6	2.5	2.4	2.7	3.3
Net interest cover (x)	26.2	7.3	n.a.	1.3	1.5	13.2	33.8	115.4
Net dividend payout	64.8	62.2	58.8	0.0	25.0	27.5	34.7	35.2
Free cash flow yield	n.a.	n.a.	0.7	2.5	2.3	2.1	3.8	5.1

Source: FactSet, Daiwa forecasts

Company profile

Founded in 1999, Win Semiconductors Corp (WinSemi) is the world's largest compound semiconductor foundry, focusing on gallium-arsenide (GaAs) foundry services for customers in both wireless and wire-line communication markets, as well as infrastructure applications. It has a diverse technology portfolio of processes that supports microwave frequency requirements from 50MHz to 100GHz, with applications including smartphones, tablet PCs, cellular base-stations, very small aperture terminals (VSAT) and fibre optics. It has started penetrating into vertical cavity surface emitting laser (VCSEL) foundries since 2017 for consumer laser applications such as 3D laser sensors and cameras.

ESG analysis

ESG risks

Risks		Management	Analyst comments
G	Executive/board quality	2	WinSemi's board of directors (BoD) has 10 members, including 3 independent directors, representing 30% of total directors. Among the BoD, three of its non-independent directors are also executive management.
G	Capital management	2	Since 2017, its dividend payout ratio has remained above 58%, except for 2024 when no dividend was paid. Despite being the largest compound semiconductor foundry in the world, WinSemi is continually expanding its capacity for future growth. Thus, we see the balance between investment and dividend as appropriate.
G	Related party & transaction	1	It did not have any meaningful related-party transactions in 2023.
S	Supply chain management	2	WinSemi We actively cooperate with local suppliers and improve their development capabilities, reduce carbon emissions and create local employment opportunities. WinSemi also conducts on-site audits of suppliers and annual assessment of suppliers on environmental protection and safety & health management systems. In 2023, 100% of WinSemi's new suppliers signed the "WIN Supplier Code of Conduct"."'
E	Water & wastewater management	1	Effluent that flows out of WinSemi's facilities will first undergo pre-treatment in-house and then treatment by the wastewater treatment plant at Hwaya Technology Park before discharge. The plant has an acid and alkali wastewater recycling system and chemical mechanical polishing wastewater recycling system for wastewater management.
E	Waste & hazardous materials management	1	WinSemi has established a hazardous substance-free management procedure and also collaborates with its suppliers to produce products that are hazardous substance-free for customers and consumers. WinSemi specifies in purchase contracts and order forms with its suppliers that the provided materials may not contain hazardous substances as defined by WinSemi. For waste management, it aims to increase the recycling rate of waste solvents and reduce the use of raw materials in production.
E	GHG emissions	1	For reduction of energy consumption, it prioritises high-efficiency and low energy consumption models when replacing equipment and has also established annual energy conservation management objectives. WinSemi targets to reduce electricity consumption (kWh/6"e wafer) by 12% from 2018 to 458.58 and PFCs emission (ton CO2e/6"e wafer) by 50% from 2018 to 0.114 in 2030.

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 May 2026

Source: Daiwa, Company

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Source: Daiwa

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