Daiwa Capital Markets Hong Kong Limited

Win Semiconductors (3105 TT)

Target price: **TWD620.00** (from TWD449.00)

Share price (28 Oct): **TWD540.00** | Up/downside: **+14.8%**

5 4 3 **2** 1

Outperform (from Buy)

Downgrading: profit optimisation on the go

- Raising our forecasts on a higher margin trajectory
- Growth pillars paying off across infrastructure, optics and RF
- Downgrading our rating to Outperform (2), with a higher TP of TWD620

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What's new: Following our *results memo*, we raise our forecasts and TP for Win Semiconductors (WinSemi), but lower our rating by one notch to Outperform (2) on valuation grounds. While its topline trajectory appears to be unfolding intact, its margin trajectory is running better than our expectations. This, together with management's positive commentary across its key business lines of RF, infrastructure and optics, reinforces our thesis that 3 growth pillars will turn around WinSemi's bottom line and optimise its structural profitability (*Upgrading: profit optimisation round the corner*, 24 July). We suggest accumulating only on pullbacks.

What's the impact: **Forecast revisions.** We raise our 2027-28E EPS by 2-11% for WinSemi to factor in its higher margin trajectory, primarily on better product mix geared towards the infrastructure business, followed by the ramp-up in optics for AI optical communications (OC). We note the surge in our 2026E EPS revision is a result of the company's non-operating gains of TWD684m in 3Q26, mainly from its 23%-owned ITEQ (6213 TT, TWD778, Buy [1], covered by Sheng Cheng), which distorts WinSemi's growth trajectory at the bottom line into 2027.

Transformation paying off. At its results call, management commented on resilient RF demand from iOS and for WiFi routers, strong demand for low Earth orbit (LEO) satellite communications, and a continued ramp in pin diode (PD) sales after the product entered mass-production from late-2Q26. This should be followed by laser diode (LD), such as continuous wave (CW) and electro-absorption modulated laser (EML), though customer qualifications will take time. All the commentary reinforces our thesis that 3 growth pillars will help turn around WinSemi's bottom line for profitability optimisation after its business transformation: 1) RF business transformation paying off with premiumisation across cellular and WiFi for differentiation, 2) high-margin infrastructure scaling up on a robust LEO build, and 3) AI OC ramping fast, with broadened offerings from peripheral chips (optical drivers and modulators) to core chips for PD and LD.

What we recommend: Given our forecast revisions, we lift our 12M TP for WinSemi to TWD620 (previous: TWD449), based on a higher 4-quarter forward PER target of 55x (previous: 50x), justified by its 2025-28E EPS CAGR of 54% (previous: 50%) from a PEG perspective. Yet we lower our rating by one notch to Outperform (2) on valuation grounds, with key downside risk of commodity cost hikes worsening consumer demand.

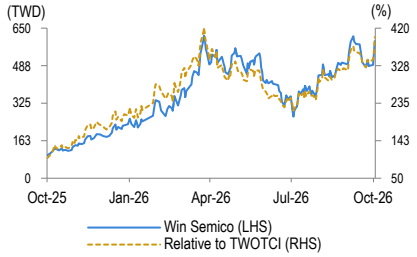
How we differ: Our 2026E EPS is 40% above consensus due to our inclusion of the non-operating gains in 3Q26, while our 2027E EPS is 9% above likely on our higher margin assumptions.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	(0.2)	1.6	1.4
Net profit change	46.3	10.9	1.8
Core EPS (FD) change	46.3	10.9	1.8

Source: Daiwa forecasts

Share price performance



12-month range	97.80-617.00
Market cap (USDbn)	7.06
3m avg daily turnover (USDm)	373.97
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)	21,804	27,628	31,807
Operating profit (m)	3,911	5,968	7,610
Net profit (m)	4,507	4,742	6,136
Core EPS (fully-diluted)	10.630	11.186	14.475
EPS change (%)	166.1	5.2	29.4
Daiwa vs Cons. EPS (%)	39.7	9.2	(10.1)
PER (x)	50.8	48.3	37.3
Dividend yield (%)	0.4	0.9	1.0
DPS	2.0	5.0	5.5
PBR (x)	5.5	5.1	4.7
EV/EBITDA (x)	32.8	24.5	21.2
ROE (%)	10.8	11.0	13.2

Source: FactSet, Daiwa forecasts

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

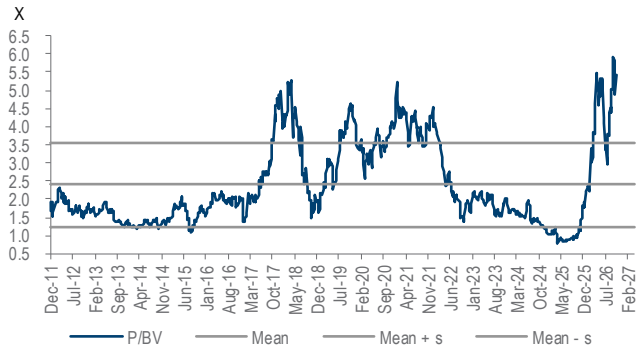
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WinSemi: quarterly P&L estimates and forecasts

TWDm	1Q26	2Q26	3Q26	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2025	2026E	2027E	2028E
Cellular	1,606	1,735	1,641	1,526	1,404	1,544	1,621	1,540	5,299	6,507	6,109	6,354
Infrastructure	1,515	1,735	2,226	2,230	2,045	2,353	2,489	2,332	5,529	7,706	9,219	10,202
WiFi	912	868	914	868	799	903	957	909	2,927	3,563	3,567	3,790
Optics & others	556	919	1,078	1,474	1,717	2,096	2,314	2,604	2,883	4,027	8,732	11,461
Total revenue	4,590	5,257	5,859	6,098	5,964	6,896	7,382	7,386	16,638	21,803	27,628	31,807
COGS	-3,381	-3,773	-3,669	-3,830	-3,878	-4,375	-4,604	-4,566	-12,612	-14,652	-17,423	-19,319
Gross profit	1,209	1,485	2,190	2,268	2,086	2,521	2,777	2,820	4,025	7,151	10,205	12,488
Opex	-778	-743	-775	-945	-930	-1,062	-1,115	-1,130	-3,311	-3,240	-4,237	-4,878
Operating profit	431	742	1,415	1,323	1,156	1,459	1,663	1,690	715	3,911	5,968	7,610
EBITDA	1,223	1,522	2,142	2,158	1,979	2,314	2,509	2,450	4,709	7,046	9,251	10,494
Non-op gains/losses	101	447	698	11	-5	-10	-15	-10	672	1,256	-40	60
Pretax profit	532	1,188	2,113	1,334	1,151	1,449	1,648	1,680	1,387	5,167	5,928	7,670
Income taxes	-83	-284	-288	-267	-230	-290	-330	-336	-297	-922	-1,186	-1,534
Net profit	533	977	1,929	1,067	921	1,159	1,318	1,344	1,694	4,507	4,742	6,136
FD O/S (m)	424	424	424	424	424	424	424	424	424	424	424	424
FD EPS (TWD)	**1.26**	**2.30**	**4.55**	**2.52**	**2.17**	**2.73**	**3.11**	**3.17**	**4.00**	**10.63**	**11.19**	**14.47**
Revenue mix												
Cellular	35%	33%	28%	25%	24%	22%	22%	21%	32%	30%	22%	20%
Infrastructure	33%	33%	38%	37%	34%	34%	34%	32%	33%	35%	33%	32%
WiFi	20%	17%	16%	14%	13%	13%	13%	12%	18%	16%	13%	12%
Optical & others	12%	17%	18%	24%	29%	30%	31%	35%	17%	18%	32%	36%
Margin												
Gross	26%	28%	37%	37%	35%	37%	38%	38%	24%	33%	37%	39%
Operating	9%	14%	24%	22%	19%	21%	23%	23%	4%	18%	22%	24%
EBITDA	27%	29%	37%	35%	33%	34%	34%	33%	28%	32%	33%	33%
Net	12%	19%	33%	17%	15%	17%	18%	18%	10%	21%	17%	19%
Growth (QoQ)												
Cellular revenue	16%	8%	-5%	-7%	-8%	10%	5%	-5%				
Infrastructure revenue	-7%	15%	28%	0%	-8%	15%	6%	-6%				
WiFi revenue	3%	-5%	5%	-5%	-8%	13%	6%	-5%				
Optics & other revenue	-37%	65%	17%	37%	17%	22%	10%	13%				
Total revenue	-4%	15%	11%	4%	-2%	16%	7%	0%				
Gross profit	-21%	23%	48%	4%	-8%	21%	10%	2%				
Operating profit	-35%	72%	91%	-7%	-13%	26%	14%	2%				
EBITDA	-19%	24%	41%	1%	-8%	17%	8%	-2%				
Net profit	-48%	83%	97%	-45%	-14%	26%	14%	2%				
FD EPS	-48%	83%	97%	-45%	-14%	26%	14%	2%				
Growth (YoY)												
Cellular revenue	36%	39%	11%	10%	-13%	-11%	-1%	1%	-24%	23%	-6%	4%
Infrastructure revenue	25%	39%	55%	37%	35%	36%	12%	5%	12%	39%	20%	11%
WiFi revenue	72%	21%	15%	-2%	-12%	4%	5%	5%	20%	22%	0%	6%
Optics & other revenue	-14%	61%	39%	66%	209%	128%	115%	77%	-6%	40%	117%	31%
Total revenue	28%	39%	31%	27%	30%	31%	26%	21%	-5%	31%	27%	15%
Gross profit	102%	113%	82%	49%	73%	70%	27%	24%	0%	78%	43%	22%
Operating profit	nm	nm	267%	99%	168%	97%	17%	28%	-6%	447%	53%	28%
EBITDA	34%	62%	59%	43%	62%	52%	17%	14%	-14%	50%	31%	13%
Net profit	nm	nm	80%	4%	73%	19%	-32%	26%	121%	166%	5%	29%
FD EPS	nm	nm	80%	4%	73%	19%	-32%	26%	121%	166%	5%	29%

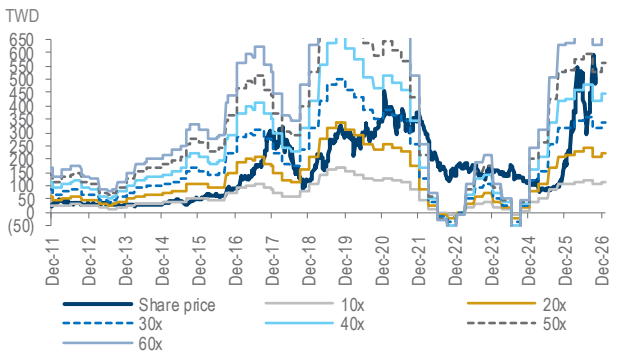
Source: Company, Daiwa estimates and forecasts

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	364,399	397,121	432,527
Utilisation rate (%)	94	61	50	55	54	68	84	93
Blended wafer ASP (USD)	1,730	1,709	1,635	1,607	1,623	1,648	1,696	1,711

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	10,070	9,676	10,144
Infrastructure	5,071	5,276	4,075	4,943	5,529	7,706	9,219	10,202
Other Revenue	4,642	3,891	3,499	3,069	2,884	4,028	8,732	11,461
Total Revenue	**26,182**	**18,334**	**15,836**	**17,458**	**16,639**	**21,804**	**27,628**	**31,807**
Other income	0	0	0	0	0	0	0	0
COGS	(16,412)	(13,610)	(12,367)	(13,416)	(12,612)	(14,652)	(17,423)	(19,319)
SG&A	(2,015)	(1,557)	(1,679)	(1,590)	(1,709)	(1,856)	(2,165)	(2,492)
Other op.expenses	(1,332)	(1,684)	(1,846)	(1,691)	(1,603)	(1,385)	(2,072)	(2,386)
Operating profit	**6,424**	**1,484**	**(56)**	**762**	**715**	**3,911**	**5,968**	**7,610**
Net-interest inc./(exp.)	(246)	(204)	(437)	(587)	(478)	(235)	(140)	(40)
Assoc/forex/extraord./others	222	547	(186)	158	1,150	1,491	100	100
Pre-tax profit	**6,401**	**1,826**	**(679)**	**332**	**1,387**	**5,167**	**5,928**	**7,670**
Tax	(1,189)	(411)	121	7	(297)	(922)	(1,186)	(1,534)
Min. int./pref. div./others	245	388	478	428	604	261	0	0
Net profit (reported)	**5,456**	**1,802**	**(80)**	**768**	**1,694**	**4,507**	**4,742**	**6,136**
Net profit (adjusted)	**5,456**	**1,802**	**(80)**	**768**	**1,694**	**4,507**	**4,742**	**6,136**
EPS (reported)(TWD)	**12.898**	**4.252**	**(0.188)**	**1.811**	**3.995**	**10.630**	**11.186**	**14.475**
EPS (adjusted)(TWD)	**12.898**	**4.252**	**(0.188)**	**1.811**	**3.995**	**10.630**	**11.186**	**14.475**
EPS (adjusted fully-diluted)(TWD)	**12.070**	**4.050**	**(0.188)**	**1.811**	**3.995**	**10.630**	**11.186**	**14.475**
DPS (TWD)	**10.025**	**8.002**	**2.500**	**0.000**	**1.000**	**2.000**	**5.000**	**5.500**
EBIT	**6,424**	**1,484**	**(56)**	**762**	**715**	**3,911**	**5,968**	**7,610**
EBITDA	**10,591**	**5,787**	**4,685**	**5,462**	**4,709**	**7,046**	**9,251**	**10,494**

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	5,167	5,928	7,670
Depreciation and amortisation	4,167	4,304	4,740	4,700	3,994	3,134	3,284	2,883
Tax paid	(1,189)	(411)	121	7	(297)	(922)	(1,186)	(1,534)
Change in working capital	(1,738)	1,743	422	(227)	207	(1,400)	(250)	(650)
Other operational CF items	175	(1,492)	(335)	88	(338)	261	0	0
Cash flow from operations	**7,815**	**5,968**	**4,270**	**4,900**	**4,953**	**6,241**	**7,776**	**8,370**
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)	(2,120)	(2,332)
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)**	**(3,129)**	**(3,230)**
Forex effect/others	(76)	184	106	188	(138)	0	0	0
Change in cash	**7,975**	**(5,952)**	**(54)**	**(4,906)**	**1,648**	**2,260**	**3,146**	**4,139**
Free cash flow	(266)	(1,156)	1,061	3,678	3,262	4,241	6,276	7,370

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	9,651	12,797	16,937
Inventory	6,671	5,420	5,111	4,992	4,979	5,929	6,229	6,629
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**	**17,977**	**22,023**	**26,663**
Fixed assets	27,784	31,546	31,312	28,265	19,672	19,132	17,841	16,390
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**	**61,260**	**64,010**	**67,194**
Short-term debt	0	0	21	26	330	330	330	330
Accounts payable	2,163	1,017	1,362	1,094	1,662	1,562	2,212	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**	**6,925**	**7,752**	**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**	**19,020**	**18,838**	**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	37,500	40,333	44,276
Shareholders' equity	**34,938**	**33,329**	**33,955**	**38,118**	**41,545**	**41,739**	**44,573**	**48,516**
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**	**61,260**	**64,010**	**67,194**
EV	243,997	246,828	239,903	240,811	234,641	231,202	227,046	222,009
Net debt/(cash)	**12,886**	**16,039**	**9,582**	**10,864**	**5,268**	**1,775**	**(2,481)**	**(7,619)**
BVPS (TWD)	**82.600**	**78.631**	**80.094**	**89.914**	**97.998**	**98.456**	**105.139**	**114.440**

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)	31.0	26.7	15.1
EBITDA (YoY)	(8.1)	(45.4)	(19.1)	16.6	(13.8)	49.6	31.3	13.4
Operating profit (YoY)	(17.5)	(76.9)	n.a.	n.a.	(6.2)	447.2	52.6	27.5
Net profit (YoY)	(16.4)	(67.0)	n.a.	n.a.	120.6	166.1	5.2	29.4
Core EPS (fully-diluted) (YoY)	(21.6)	(66.4)	n.a.	n.a.	120.6	166.1	5.2	29.4
Gross-profit margin	37.3	25.8	21.9	23.2	24.2	32.8	36.9	39.3
EBITDA margin	40.5	31.6	29.6	31.3	28.3	32.3	33.5	33.0
Operating-profit margin	24.5	8.1	n.a.	4.4	4.3	17.9	21.6	23.9
Net profit margin	20.8	9.8	n.a.	4.4	10.2	20.7	17.2	19.3
ROAE	15.8	5.3	n.a.	2.1	4.3	10.8	11.0	13.2
ROAA	8.4	2.5	n.a.	1.2	2.7	7.4	7.6	9.4
ROCE	11.3	2.3	n.a.	1.4	1.3	7.2	10.9	13.3
ROIC	11.9	2.3	n.a.	1.6	1.5	7.0	11.0	14.4
Net debt to equity	36.9	48.1	28.2	28.5	12.7	4.3	n.a.	n.a.
Effective tax rate	18.6	22.5	0.0	0.0	0.0	17.8	20.0	20.0
Accounts receivable (days)	33.1	36.2	23.8	24.8	31.0	29.7	29.7	29.8
Current ratio (x)	3.7	2.8	1.3	1.6	2.5	2.6	2.8	3.4
Net interest cover (x)	26.2	7.3	n.a.	1.3	1.5	16.6	42.6	190.3
Net dividend payout	64.8	62.2	58.8	0.0	25.0	18.8	44.7	38.0
Free cash flow yield	n.a.	n.a.	0.5	1.6	1.4	1.9	2.7	3.2

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.
	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.
	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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