LandMark Optoelectronics (3081 TT)

Target price: **TWD1,210.00** (from TWD900.00)

Share price (28 Oct): **TWD2,580.00** | Up/downside: **-53.1%**

5 4 3 2 1

Sell
(unchanged)

Mindful of reset to street's margin hype

- Another set of upbeat quarterly results and guidance
- Raising forecasts on clear order visibility secured by LTAs
- Reaffirming Sell (5) on valuation with higher TP of TWD1,210

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What's new: LandMark Opto (LMO) disclosed another set of upbeat results and guidance on 28 October, thanks to continued strong demand for broadband optical transceivers on cloud service providers' (CSP) active AI datacentre build that spurred demand for LMO's silicon photonics (SiPh) epiwafer and chip solutions. While we raise our forecasts and TP on its clear order visibility secured by long-term agreements (LTAs) signed with customers and suppliers, we retain our Sell (5) call on valuation grounds; be mindful of downside risk to any margin hype from the street.

What's the impact: Another set of upbeat results and guidance. LMO reported 3Q26 net profit of TWD621m, 11%/5% above our/consensus estimates thanks to lower R&D, while gross margin (GM) differed not much despite a higher top line. Guidance calls for 4Q26 revenue to reach TWD1.8bn, 15% above our previous forecast, thanks to stronger demand for CW lasers (ie, SiPh) and likely continued passthrough of materials cost hikes such as InP substrates. Management gave no margin guidance yet expects not much continued GM expansion in the next few quarters, considering supply-chain value proposition. We suspect this has to do with bargaining power of its customers who are hyperscale CSPs worldwide.

Clear-sky business visibility yet… Management at the call elaborated its 4-year LTAs signed with both CSP customers and substrate vendors, which secured business visibility for LMO to commit to a capex hike aimed at increasing capacity by 150% YoY each year over 2027-28. While we merit such efforts and raise our 2026-28E EPS forecasts by 10-25%, we flag the LTAs wouldn't offer downside protection should the global AI investments slow down — a risk we've flagged for likely a *soft-landing* in 2028. More importantly, we remain concerned on valuations.

… hefty valuations still under test. Valuations look still stretched as the stock continues trading at 32x 2027E PBR and 80x 2027E PER (charts on p.2), which in our opinion have discounted too much ahead of LMO's fundamentals despite strong growth.

What we recommend: Given our forecast revisions, we raise our 12M TP for LMO to TWD1,210 (previous: TWD900), based on a revised ROE-adjusted PBR target of 15x (previous: 13x) 2027E BVPS on a higher ROE trajectory. We reaffirm our Sell (5) call on stretched valuations with key upside risks of any better-than-expected SiPh ramp and margin execution.

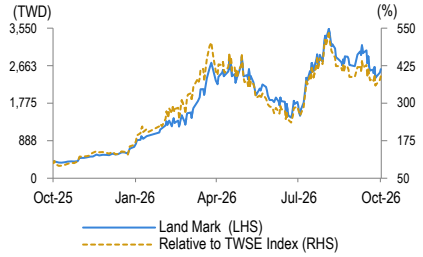
How we differ: Our 2027-28E EPS are 29-48% below the consensus forecasts as we believe the street is too aggressive on the SiPh strength.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	6.2	17.6	17.4
Net profit change	10.0	24.9	20.3
Core EPS (FD) change	9.9	24.8	20.2

Source: Daiwa forecasts

Share price performance



12-month range	353.64-3,530.00
Market cap (USDbn)	8.08
3m avg daily turnover (USDm)	298.08
Shares outstanding (m)	102
Major shareholder	Hwa Sheng Int'l Investment (8.4%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	5,505	8,169	8,829
Operating profit (m)	2,623	4,046	4,108
Net profit (m)	2,131	3,295	3,372
Core EPS (fully-diluted)	20.915	32.345	33.103
EPS change (%)	396.9	54.6	2.3
Daiwa vs Cons. EPS (%)	3.0	(29.1)	(47.9)
PER (x)	123.4	79.8	77.9
Dividend yield (%)	0.1	0.4	0.7
DPS	3.0	11.1	19.1
PBR (x)	n.a.	n.a.	27.3
EV/EBITDA (x)	88.9	58.0	53.8
ROE (%)	41.7	46.3	37.8

Source: FactSet, Daiwa forecasts
Note: 2026E PBR = 43.5x / 2027E PBR = 32.0x

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

Flash

LMO: quarterly P&L estimates and forecasts

TWDm	1Q26	2Q26	3Q26	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2025	2026E	2027E	2028E
Revenue	904	1,221	1,562	1,817	1,834	2,017	2,148	2,170	2,203	5,505	8,169	8,829
COGS	-409	-520	-647	-730	-737	-806	-869	-886	-1,262	-2,306	-3,299	-3,812
Gross profit	495	702	915	1,087	1,097	1,211	1,279	1,284	941	3,199	4,871	5,017
Opex	-122	-129	-143	-182	-185	-204	-217	-219	-432	-576	-825	-909
Operating profit	373	573	771	906	912	1,007	1,062	1,065	508	2,623	4,046	4,108
EBITDA	444	648	849	996	1,003	1,098	1,175	1,198	818	2,937	4,474	4,799
Pretax profit	397	586	777	904	922	1,023	1,083	1,091	525	2,663	4,119	4,215
Income taxes	79	117	155	181	184	205	217	218	-97	-533	-824	-843
Net profit	318	468	621	723	737	819	867	872	428	2,131	3,295	3,372
EPS (TWD, basic)	3.12	4.60	6.11	7.11	7.24	8.04	8.51	8.56	4.24	20.94	32.34	33.10
EPS (TWD, fully diluted)	**3.12**	**4.60**	**6.11**	**7.10**	**7.24**	**8.04**	**8.51**	**8.56**	**4.21**	**20.92**	**32.34**	**33.10**
Margin												
Gross	55%	57%	59%	60%	60%	60%	60%	59%	43%	58%	60%	57%
Operating	41%	47%	49%	50%	50%	50%	49%	49%	23%	48%	50%	47%
EBITDA	49%	53%	54%	55%	55%	54%	55%	55%	37%	53%	55%	54%
Net	35%	38%	40%	40%	40%	41%	40%	40%	19%	39%	40%	38%
Growth (QoQ)												
Revenue	41%	35%	28%	16%	1%	10%	7%	1%				
Gross profit	58%	42%	30%	19%	1%	10%	6%	0%				
Operating profit	77%	53%	35%	17%	1%	10%	5%	0%				
Net profit	67%	48%	33%	16%	2%	11%	6%	1%				
EPS (basic)	66%	48%	33%	16%	2%	11%	6%	1%				
EPS (FD)	67%	48%	33%	16%	2%	11%	6%	1%				
Growth (YoY)												
Revenue	99%	121%	183%	183%	103%	65%	38%	19%	82%	150%	48%	8%
Gross profit	237%	193%	279%	248%	122%	73%	40%	18%	294%	240%	52%	3%
Operating profit	734%	284%	644%	330%	144%	76%	38%	18%	nm	416%	54%	2%
Net profit	651%	384%	528%	280%	132%	75%	39%	21%	nm	397%	55%	2%
EPS (basic)	645%	380%	524%	278%	132%	75%	39%	21%	nm	394%	54%	2%
EPS (FD)	651%	384%	528%	280%	132%	75%	39%	21%	nm	397%	55%	2%

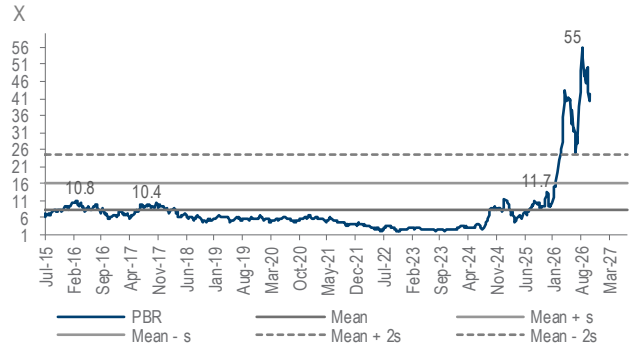
Source: Company, Daiwa estimates and forecasts

LMO: 3Q26 results and 4Q26 guidance check

			3Q26	Growth			4Q26E
TWDm	Actual	Daiwa	Variance	QoQ	YoY	Guidance	Daiwa (previous)
Revenue	1,562	1,500	4%	28%	183%	Revenue QoQ growth to be similar to 4Q25	up 4% QoQ
Gross profit	915	885	3%	30%	279%	na	GM = 60%
Operating profit	771	698	11%	35%	644%		
Pretax profit	777	700	11%	33%	528%		
Net profit	621	560	11%	33%	528%		
Adjusted EPS (TWD)	6.11	5.50	11%	33%	528%		
Margin							
Gross	58.6%	59.0%	-0.5%				
Operating	49.4%	46.5%	2.9%				
Net	39.8%	37.3%	2.5%				
Revenue mix*							
Telecom	5-10%	9%					
Datacom	80-85%	88%					
Others	c.5%	3%					

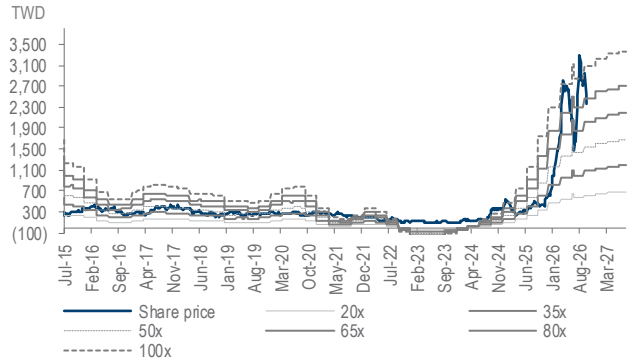
Source: Company, Daiwa estimates and forecasts
*Note: * Telecom includes PON and cellular interconnectivity, Datacom includes SiPh and datacentre connectivity, Others include consumer, automotive LiDAR, industrial and other applications*

LMO: PBR trend



Source: Company, TEJ, Daiwa forecasts

LMO: 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 ('000)	49	65	27	31	53	101	133	154
Capacity utilization (%)	53	64	26	30	51	92	98	99
Blended ASP (USD)	1,366	1,234	1,242	1,205	1,345	1,710	1,916	1,794

Profit and loss (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
PON	564	521	285	374	273	343	408	441
SiPhotonics	289	317	380	522	1,505	4,679	7,107	7,637
Other Revenue	1,019	1,542	392	313	425	483	654	751
Total Revenue	**1,873**	**2,381**	**1,056**	**1,208**	**2,203**	**5,505**	**8,169**	**8,829**
Other income	0	0	0	0	0	0	0	0
COGS	(1,104)	(1,622)	(918)	(970)	(1,262)	(2,306)	(3,299)	(3,812)
SG&A	(153)	(155)	(125)	(130)	(160)	(323)	(457)	(503)
Other op.expenses	(203)	(270)	(292)	(220)	(272)	(254)	(368)	(406)
Operating profit	**412**	**334**	**(279)**	**(112)**	**508**	**2,623**	**4,046**	**4,108**
Net-interest inc./(exp.)	3	6	16	21	26	20	73	107
Assoc/forex/extraord./others	3	39	(1)	23	(9)	20	0	0
Pre-tax profit	**418**	**378**	**(264)**	**(68)**	**525**	**2,663**	**4,119**	**4,215**
Tax	(80)	(49)	53	14	(97)	(533)	(824)	(843)
Min. int./pref. div./others	0	0	0	0	0	0	0	0
Net profit (reported)	**338**	**330**	**(212)**	**(55)**	**428**	**2,131**	**3,295**	**3,372**
Net profit (adjusted)	**338**	**330**	**(212)**	**(55)**	**428**	**2,131**	**3,295**	**3,372**
EPS (reported)(TWD)	**3.358**	**3.284**	**(2.103)**	**(0.541)**	**4.236**	**20.936**	**32.345**	**33.103**
EPS (adjusted)(TWD)	**3.358**	**3.284**	**(2.103)**	**(0.541)**	**4.236**	**20.936**	**32.345**	**33.103**
EPS (adjusted fully-diluted)(TWD)	**3.358**	**3.261**	**(2.093)**	**(0.536)**	**4.209**	**20.915**	**32.345**	**33.103**
DPS (TWD)	**5.000**	**3.500**	**3.500**	**0.500**	**0.500**	**3.000**	**11.085**	**19.083**
EBIT	**412**	**334**	**(279)**	**(112)**	**508**	**2,623**	**4,046**	**4,108**
EBITDA	**904**	**811**	**178**	**280**	**818**	**2,937**	**4,474**	**4,799**

Cash flow (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	418	378	(264)	(68)	525	2,663	4,119	4,215
Depreciation and amortisation	492	477	457	391	309	314	428	691
Tax paid	(80)	(49)	53	14	(97)	(533)	(824)	(843)
Change in working capital	207	(193)	90	30	(355)	(680)	(95)	(75)
Other operational CF items	(15)	25	(96)	10	331	0	0	0
Cash flow from operations	**1,022**	**639**	**240**	**377**	**714**	**1,764**	**3,628**	**3,988**
Capex	(206)	(363)	(151)	(70)	(87)	(1,896)	(960)	(760)
Net (acquisitions)/disposals	0	0	0	0	0	0	0	0
Other investing CF items	(127)	(97)	(819)	(312)	(400)	0	0	0
Cash flow from investing	**(333)**	**(460)**	**(970)**	**(382)**	**(487)**	**(1,896)**	**(960)**	**(760)**
Change in debt	0	0	0	0	0	0	0	(100)
Net share issues/(repurchases)	0	0	0	0	0	0	0	0
Dividends paid	(457)	(320)	(322)	(46)	(46)	(305)	(1,129)	(1,944)
Other financing CF items	(8)	14	(8)	(2)	(7)	500	0	(100)
Cash flow from financing	**(465)**	**(306)**	**(330)**	**(48)**	**(53)**	**195**	**(1,129)**	**(2,144)**
Forex effect/others	0	0	0	0	0	0	0	0
Change in cash	**225**	**(127)**	**(1,060)**	**(53)**	**174**	**63**	**1,539**	**1,084**
Free cash flow	816	276	89	306	627	(132)	2,668	3,228

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	1,771	1,644	1,299	1,548	1,973	2,036	3,575	4,659
Inventory	289	376	357	346	571	661	711	711
Accounts receivable	297	458	230	199	337	987	1,037	1,137
Other current assets	24	33	22	31	30	30	30	30
Total current assets	**2,381**	**2,511**	**1,909**	**2,125**	**2,911**	**3,714**	**5,353**	**6,537**
Fixed assets	2,123	2,164	1,969	1,665	1,522	3,086	3,711	3,809
Goodwill & intangibles	6	6	4	3	3	3	3	3
Other non-current assets	471	437	503	497	571	581	601	601
Total assets	**4,981**	**5,117**	**4,384**	**4,290**	**5,008**	**7,385**	**9,668**	**10,950**
Short-term debt	0	0	0	0	0	0	0	0
Accounts payable	89	176	56	41	45	105	110	135
Other current liabilities	302	273	163	183	487	440	555	580
Total current liabilities	**391**	**450**	**219**	**225**	**532**	**545**	**665**	**715**
Long-term debt	0	0	0	0	0	500	500	300
Other non-current liabilities	318	311	303	294	286	300	300	300
Total liabilities	**709**	**761**	**522**	**519**	**817**	**1,345**	**1,465**	**1,315**
Share capital	914	919	919	925	925	925	925	925
Reserves/R.E./others	3,359	3,438	2,943	2,846	3,266	5,114	7,278	8,710
Shareholders' equity	**4,272**	**4,357**	**3,862**	**3,772**	**4,191**	**6,039**	**8,203**	**9,635**
Minority interests	0	0	0	0	0	0	0	0
Total equity & liabilities	**4,981**	**5,117**	**4,384**	**4,290**	**5,008**	**7,385**	**9,668**	**10,950**
EV	260,795	260,923	261,267	261,019	260,594	261,031	259,492	258,208
Net debt/(cash)	**(1,771)**	**(1,644)**	**(1,299)**	**(1,548)**	**(1,973)**	**(1,536)**	**(3,075)**	**(4,359)**
BVPS (TWD)	**42.508**	**43.415**	**38.384**	**37.397**	**41.441**	**59.344**	**80.524**	**94.584**

Key ratios (%)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales (YoY)	(18.9)	27.1	(55.6)	14.4	82.3	149.9	48.4	8.1
EBITDA (YoY)	(22.7)	(10.3)	(78.0)	56.8	192.4	259.2	52.4	7.3
Operating profit (YoY)	(41.8)	(19.0)	n.a.	n.a.	n.a.	416.2	54.2	1.5
Net profit (YoY)	(42.9)	(2.4)	n.a.	n.a.	n.a.	397.3	54.6	2.3
Core EPS (fully-diluted) (YoY)	(42.9)	(2.9)	n.a.	n.a.	n.a.	396.9	54.6	2.3
Gross-profit margin	41.0	31.9	13.1	19.8	42.7	58.1	59.6	56.8
EBITDA margin	48.3	34.1	16.9	23.1	37.1	53.3	54.8	54.4
Operating-profit margin	22.0	14.0	n.a.	n.a.	23.1	47.6	49.5	46.5
Net profit margin	18.0	13.8	n.a.	n.a.	19.4	38.7	40.3	38.2
ROAE	7.8	7.6	n.a.	n.a.	10.8	41.7	46.3	37.8
ROAA	6.6	6.5	n.a.	n.a.	9.2	34.4	38.6	32.7
ROCE	9.6	7.7	n.a.	n.a.	12.8	48.9	53.1	44.1
ROIC	12.5	11.2	n.a.	n.a.	18.7	62.4	67.2	63.2
Net debt to equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Effective tax rate	19.2	12.9	0.0	0.0	18.4	20.0	20.0	20.0
Accounts receivable (days)	90.4	57.9	118.9	64.8	44.4	43.9	45.2	44.9
Current ratio (x)	6.1	5.6	8.7	9.5	5.5	6.8	8.0	9.1
Net interest cover (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net dividend payout	85.1	104.2	107.3	(23.9)	(93.3)	71.3	53.0	59.0
Free cash flow yield	0.3	0.1	0.0	0.1	0.2	n.a.	1.0	1.2

Source: FactSet, Daiwa forecasts

Company profile

Founded in June 1997, LandMark Optoelectronics Corporation (LMO) is a dedicated compound semiconductor epiwafer supplier for optical communication (OC), with end-applications focusing primarily on telecom and datacom, including passive optical network (PON), datacentre and cellular infrastructure, as well as industrial and consumer electronics. LMO is one of the largest pure OC epiwafer suppliers globally by revenue.

ESG analysis

ESG risks

Risks		Management	Analyst comments
G	Executive/board quality	2	LMO's Board of Directors consists of seven members whose expertise covers industry, academia, finance, accounting, and management. Among these directors, three are independent, representing 43 percent of the board. This proportion exceeds the regulatory requirement, which mandates a minimum of 20 percent independent directors. Although the chairman and the president are different individuals, several members of the executive management team, including the CSO, CTO, and CFO, also serve as directors. This concentration of managerial and oversight roles may increase the likelihood of agency problems because the same individuals influence both strategic decision making and governance. The board currently includes only one female director out of seven members, which represents 14 percent of the total. The company recognizes this gender imbalance and is actLMO's Board of Directors consists of seven members whose expertise covers industry, academia, finance, accounting, and management. Among these directors, three are independent, representing 43 percent of the board. This proportion exceeds the regulatory requirement, which mandates a minimum of 20 percent independent directors. Although the chairman and the president are different individuals, several members of the executive management team, including the CSO, CTO, and CFO, also serve as directors. This concentration of managerial and oversight roles may increase the likelihood of agency problems because the same individuals influence both strategic decision making and governance. The board currently includes only one female director out of seven members, which represents 14 percent of the total. The company recognizes this gender imbalance and is actively working toward a more inclusive and balanced board composition.
	Capital management	2	In the past 10 years, LMO's dividend payout ratio has been above 65%. Despite the payout ratio decreasing to 65-70% during 2018-19 due to a decrease in earnings from a high level of above 80% over 2015-17, the payout ratio returned to above 75% during 2020-23.
	Related party & transaction	1	The company does not engage in any meaningful related-party transactions.
S	Supply chain management	2	LMO has established a "Supplier Management Procedure" to shortlist qualified business partners and evaluates suppliers annually based on its suppliers' environmental protection procedures as well as health management system. Also, LMO requires its suppliers to sign a "Letter of Commitment of Supplier for Corporate Social Responsibility" and establish an RBA (Responsible Business Alliance). If its suppliers have a significant impact on society due to their inappropriate conduct relating to labour, human rights and environmental pollution, LMO would investigate and consider the possibility of terminating the contract.
E	Water & wastewater management	3	As part of its ISO 14001 environmental management framework, LMO continuously implements multiple water conservation measures and promotes water recycling. Measures include enhancing cooling tower concentration ratios, recovering condensate from air handling unit cooling coils, and using a purified water RO R (Reverse Osmosis Reject) recovery system. The Company sources process and utility water from the site water treatment plant to meet operational needs (including ice machine cooling towers, evaporation losses, and water used and evaporated in manufacturing and washing processes). To increase production value per unit of water and improve water use efficiency, factories and buildings are equipped with water meters that are read daily to monitor and control consumption. In 2024, these efforts and technologies resulted in total water savings of approximately 16.79 thousand m^3, a water conservation rate of about 33%, representing a 23% increase in total water savings compared with the prior year.
E	Waste & hazardous materials management	1	LMO's main wastes include sludge generated from manufacturing wastewater treatment process, chemical waste liquids used in the manufacturing process, chemical-contaminated clean cloths and filtering materials, and waste wafers, as well as employees' daily garbage, nonprocess-generated packaging materials, waste plastics, and other wastes, which are all disposed of by qualified removal and treatment providers. The Company set a short term target of annual hazardous waste generated per unit of product below 0.07 kg/cm2 and achieved 0.043 kg/cm2 in 2024 (a 20.4% reduction year on year). Its medium term target is to reduce hazardous waste per unit of product by 10% in 2025 compared with 2020, with a longer term ambition to lower waste per unit of product by 20% by 2030.
E	GHG emissions	3	Starting from 2022, LMO has conducted a greenhouse gas inventory in accordance with ISO 14064-1 in order to accurately grasp the sources of greenhouse gas emissions and emissions from each factory, and to implement various energy-saving and emission reduction measures based on the inventory results. Through continuous improvement programs, LMO minimizes the environmental and climate impacts of global warming from GHG emissions, and fulfills its corporate social responsibility.

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: 29 Jan 2026
Source: Daiwa, Company

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Rating	Percentage of total
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Source: Daiwa

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