ITEQ Corp (6213 TT)

Target price: **TWD600.00** (from TWD333.00)

Share price (7 Aug): **TWD389.00** | Up/downside: **+54.2%**

5 4 3 2 **1**

Buy
(from Outperform)

Upgrading: strong beat in 2Q26 with improving outlook

- Gross margin expanded significantly on favourable pricing trend
- Massive capacity expansion indicates a resolution to tap into AI servers
- Upgrading to Buy (1) rating; raising our 12-month TP to TWD600

Sheng Cheng
(886) 2 8758 6253
sheng.cheng@daiwacm-cathay.com.tw

Allan Wang
(886) 2 8758 6249
allan.wang@daiwacm-cathay.com.tw

What's new: ITEQ released 2Q26 results after market hours on 7 August.

What's the impact: **2Q26 results beat on stronger-than-expected gross margin.** 2Q26 revenue grew 26% QoQ to TWD11.5bn mainly due to a solid price hike of 30% with a stable utilisation rate of 70-75%. 2Q26 net income of TWD1,279m (EPS: TWD3.52) was 71-118% higher than our estimate (TWD587m) and the consensus (TWD750m) due to a stronger-than-expected gross margin. Gross margin expanded to 10.6pp to 22% in 2Q26, while operating margin increased 11.4pp to 16% due to decent opex control. Net income was also boosted by a slightly lower tax rate of 30.2% (vs. 35% in 1Q26). In 2Q26, ITEQ had 60% of total sales from regular servers, with 10% from AI servers and 400G switches, per our estimates.

Business outlook. We believe the CCL industry is experiencing a favourable ASP trend from 2Q26 given that AI servers have continuously crowded out most of the tier-1 CCL capacities, as capacities are shifted from non-AI to AI to meet end demand. This has caused mid-to-low end orders to spill over to the next tranche that is currently benefiting E-glass vendors including ITEQ. We believe the E-glass price rose more than 80% in 1H26, which caused vendors to raise their ASP by 30% to pass on the cost to end customers. Looking ahead, we expect ITEQ to deliver revenue growth of c.20% QoQ in 3Q26 and 10% QoQ in 4Q26 as we expect it to keep passing on additional costs from E-glass price hikes (5-10% per month as of now). We believe these price hikes will continue into 1H27; in our view, the price hike impact from 2026 plus a likely 20% hike in 2027 would cause 2027 revenue to grow 43% without a meaningful capacity increase. ITEQ today announced a new capacity expansion plan in Wuxi, which will likely increase its capacity by 2.85m. With the additional new capacity from Thailand (600k in 2028), its capacity will increase from 5.45m sheets in 2026E to 6.05m/8m/8.9m in 2027-2029E. Its capacity ramp-up is targeting high-end CCL demand from hyperscalers from 2028 onward.

What we recommend: We lift our 2026-28E EPS by 111-206% on price hikes. We lift our 12M TP to TWD600 (from TWD333), based on a target PER of 22x (higher than the range of its past-1-year range of 8-18x), applied to our 1-year-forward EPS forecast. We lower our PER target from 30x as we believe upside from price hikes has been partially priced in. Nonetheless, we upgrade the stock to Buy (1) from Outperform (2), as we believe ITEQ will gradually benefit from high-end CCL demand given the current supply-demand situation. Key risk: weaker-than-expected regular server demand.

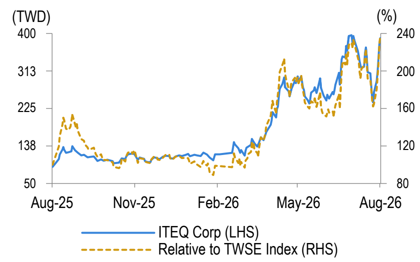
How we differ: Our 2026-27E EPS are 66-180% above consensus, mainly due to our more aggressive view on ITEQ's revenue and margin profile.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	11.9	23.1	45.8
Net profit change	110.6	148.8	206.4
Core EPS (FD) change	110.6	148.8	206.4

Source: Daiwa forecasts

Share price performance



12-month range	90.00-396.00
Market cap (USDbn)	4.38
3m avg daily turnover (USDm)	189.71
Shares outstanding (m)	363
Major shareholder	Yu Chang Investment Co Ltd (7.4%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	49,782	71,038	96,034
Operating profit (m)	7,952	15,312	22,746
Net profit (m)	5,532	10,608	15,730
Core EPS (fully-diluted)	15.240	29.225	43.336
EPS change (%)	266.3	91.8	48.3
Daiwa vs Cons. EPS (%)	66.4	88.6	179.7
PER (x)	25.5	13.3	9.0
Dividend yield (%)	3.1	6.0	8.9
DPS	12.2	23.4	34.7
PBR (x)	5.5	4.4	3.6
EV/EBITDA (x)	15.2	8.4	5.9
ROE (%)	23.7	36.9	43.8

Source: FactSet, Daiwa forecasts

Flash

ITEQ: Daiwa revenue and earnings forecasts revisions vs. the consensus

	2026E			2027E			2028E		
(TWDm)	**Previous**	**New**	**Consensus**	**Previous**	**New**	**Consensus**	**Previous**	**New**	**Consensus**
Revenue	44,501	49,782	46,807	57,717	71,038	60,787	65,873	96,034	66,712
Diff (%)		11.9%	6.4%		23.1%	16.9%		45.8%	44.0%
Gross Margin (%)	15.6%	22.2%	17.4%	18.0%	27.3%	20.2%	18.6%	29.3%	18.6%
Operating profit	3,924	7,952	5,051	6,467	15,312	8,484	7,809	22,746	8,394
Op Margin (%)	8.8%	16.0%	10.8%	11.2%	21.6%	14.0%	11.9%	23.7%	12.6%
Net profit	2,626	5,532	3,324	4,264	10,608	5,625	5,133	15,730	5,624
EPS (TWD)	7.24	15.24	9.16	11.75	29.22	15.50	14.14	43.34	15.49
Diff (%)		110.6%	66.4%		148.8%	88.6%		206.4%	179.7%

Source: Bloomberg, Daiwa forecasts

ITEQ: quarterly and annual P&L statement

	2026E				2027E				2025	2026E	2027E	2028E
(TWDm)	1Q	2Q	3QE	4QE	1QE	2QE	3QE	4QE				
Net revenue	**9,143**	**11,530**	**13,727**	**15,382**	**15,608**	**16,977**	**18,927**	**19,526**	**33,098**	**49,782**	**71,038**	**96,034**
COGS	-8,099	-8,991	-10,338	-11,290	-11,385	-12,343	-13,744	-14,142	-28,314	-38,717	-51,614	-67,910
Gross profit	**1,044**	**2,539**	**3,389**	**4,092**	**4,223**	**4,634**	**5,183**	**5,384**	**4,785**	**11,065**	**19,424**	**28,124**
Operating expenses	620	691	879	923	937	985	1,098	1,093	2,402	3,112	4,112	5,378
Operating profit	**424**	**1,848**	**2,511**	**3,169**	**3,287**	**3,649**	**4,085**	**4,290**	**2,383**	**7,952**	**15,312**	**22,746**
Non-operating profit	59	-14	13	15	14	15	16	17	-16	72	62	51
Pre-tax profit	**483**	**1,834**	**2,524**	**3,184**	**3,301**	**3,664**	**4,102**	**4,307**	**2,367**	**8,025**	**15,374**	**22,798**
Net profit	**315**	**1,279**	**1,741**	**2,197**	**2,278**	**2,528**	**2,830**	**2,972**	**1,510**	**5,532**	**10,608**	**15,730**
Net EPS (TWD)	**0.87**	**3.52**	**4.80**	**6.05**	**6.27**	**6.97**	**7.80**	**8.19**	**4.2**	**15.2**	**29.2**	**43.3**
Operating Ratios												
Gross margin	11.4%	22.0%	24.7%	26.6%	27.1%	27.3%	27.4%	27.6%	14.5%	22.2%	27.3%	29.3%
Operating margin	4.6%	16.0%	18.3%	20.6%	21.1%	21.5%	21.6%	22.0%	7.2%	16.0%	21.6%	23.7%
Pre-tax margin	5.3%	15.9%	18.4%	20.7%	21.1%	21.6%	21.7%	22.1%	7.2%	16.1%	21.6%	23.7%
Net margin	3.4%	11.1%	12.7%	14.3%	14.6%	14.9%	15.0%	15.2%	4.6%	11.1%	14.9%	16.4%
YoY (%)												
Net revenue	21%	30%	78%	73%	71%	47%	38%	27%	13%	50%	43%	35%
Gross profit	-3%	84%	220%	225%	304%	83%	53%	32%	30%	131%	76%	45%
Operating profit	-19%	135%	463%	405%	675%	97%	63%	35%	76%	234%	93%	49%
Pre-tax profit	-10%	174%	384%	397%	583%	100%	63%	35%	80%	239%	92%	48%
Net profit	-7%	204%	436%	413%	624%	98%	63%	35%	84%	266%	92%	48%
QoQ (%)												
Net revenue	3%	26%	19%	12%	1%	9%	11%	3%				
Gross profit	-17%	143%	33%	21%	3%	10%	12%	4%				
Operating profit	-32%	336%	36%	26%	4%	11%	12%	5%				
Pre-tax profit	-25%	279%	38%	26%	4%	11%	12%	5%				
Net profit	-27%	307%	36%	26%	4%	11%	12%	5%				

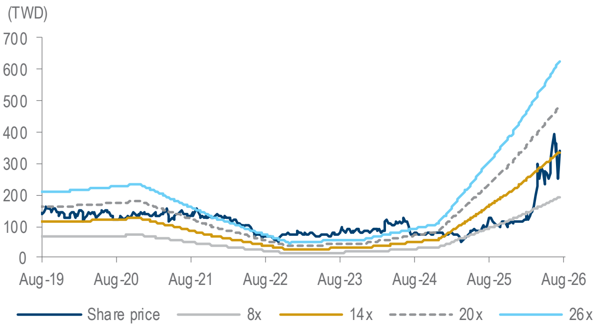
Source: Company, Daiwa forecasts

ITEQ: 2Q26 comparison table

(TWDm)	Actual	QoQ%	YoY%	Daiwa	Diff %	Consensus	Diff %
Revenue	11,530	26%	30%	10,285	12%	11,166	3%
Gross profit	2,539	143%	84%	1,582	61%	1,877	35%
Gross margin (%)	22.0%			15.4%		16.8%	
Operating profit	1,848	336%	135%	884	109%	1,213	52%
Operating margin (%)	16.0%			8.6%		10.9%	
Pre-tax profit	1,834	279%	174%	901	103%	1,268	45%
Net profit	1,279	307%	204%	587	118%	750	71%
EPS (TWD)	3.52	307%	204%	1.62	118%	2.07	71%

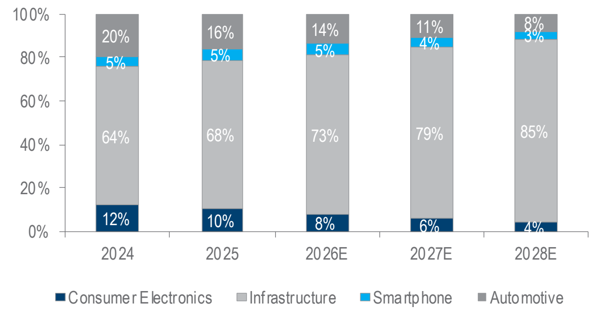
Source: Company data, Daiwa forecasts, Bloomberg

ITEQ: 1-year forward PER bands



Source: TEJ, Daiwa forecasts

ITEQ: revenue breakdown by product



Source: Company, Daiwa forecasts

Financial summary

Key assumptions

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Global PC shipment (mn)	361	301	260	263	287	244	244	244
Regular server shipment (mn)	14	15	12	14	16	18	22	26
Global smartphone shipment (mn)	1,655	1,437	1,380	1,437	1,429	1,249	1,255	1,300

Profit and loss (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Infrastructure	17,295	16,881	15,003	18,682	22,598	36,357	56,163	81,424
Consumer	8,658	5,644	3,878	3,511	3,454	3,945	4,095	3,665
Other Revenue	6,571	6,604	6,198	7,184	7,046	9,480	10,780	10,946
Total Revenue	**32,525**	**29,130**	**25,079**	**29,378**	**33,098**	**49,782**	**71,038**	**96,034**
Other income	0	0	0	0	0	0	0	0
COGS	(26,545)	(25,190)	(21,973)	(25,688)	(28,314)	(38,717)	(51,614)	(67,910)
SG&A	(1,654)	(1,511)	(1,580)	(1,644)	(1,605)	(424)	0	0
Other op.expenses	(506)	(533)	(531)	(696)	(797)	(2,688)	(4,112)	(5,378)
Operating profit	**3,819**	**1,896**	**995**	**1,351**	**2,383**	**7,952**	**15,312**	**22,746**
Net-interest inc./(exp.)	(81)	(107)	(143)	(174)	(145)	(141)	(138)	(141)
Assoc/forex/extraord./others	76	526	301	140	129	213	201	192
Pre-tax profit	**3,815**	**2,315**	**1,152**	**1,317**	**2,367**	**8,025**	**15,374**	**22,798**
Tax	(670)	(460)	(476)	(496)	(856)	(2,493)	(4,766)	(7,067)
Min. int./pref. div./others	0	0	0	0	0	0	0	0
Net profit (reported)	**3,145**	**1,855**	**677**	**822**	**1,510**	**5,532**	**10,608**	**15,730**
Net profit (adjusted)	**3,145**	**1,855**	**677**	**822**	**1,510**	**5,532**	**10,608**	**15,730**
EPS (reported)(TWD)	**8.997**	**4.940**	**1.864**	**2.264**	**4.161**	**15.240**	**29.225**	**43.336**
EPS (adjusted)(TWD)	**8.997**	**4.940**	**1.864**	**2.264**	**4.161**	**15.240**	**29.225**	**43.336**
EPS (adjusted fully-diluted)(TWD)	**9.221**	**4.899**	**1.864**	**2.264**	**4.161**	**15.240**	**29.225**	**43.336**
DPS (TWD)	**5.000**	**3.000**	**1.500**	**1.800**	**3.328**	**12.195**	**23.380**	**34.669**
EBIT	**3,819**	**1,896**	**995**	**1,351**	**2,383**	**7,952**	**15,312**	**22,746**
EBITDA	**4,767**	**2,966**	**2,158**	**2,824**	**3,969**	**9,605**	**17,047**	**24,568**

Cash flow (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	3,815	2,315	1,152	1,317	2,367	8,025	15,374	22,798
Depreciation and amortisation	948	1,069	1,163	1,474	1,586	1,652	1,735	1,822
Tax paid	(670)	(460)	(476)	(496)	(856)	(2,493)	(4,766)	(7,067)
Change in working capital	7,455	(7,092)	(114)	1,041	6,773	14,739	12,952	22,986
Other operational CF items	(8,395)	10,597	371	(2,411)	(7,599)	(24,724)	(17,982)	(33,816)
Cash flow from operations	**3,153**	**6,429**	**2,097**	**925**	**2,269**	**(2,800)**	**7,313**	**6,722**
Capex	(4,948)	(1,325)	(567)	(677)	(325)	(255)	(204)	(163)
Net (acquisitions)/disposals	(8)	51	(2)	(11)	17	(7)	5	(1)
Other investing CF items	(7)	(1,947)	(679)	(1,008)	(1,174)	(1,108)	0	0
Cash flow from investing	**(4,964)**	**(3,221)**	**(1,248)**	**(1,696)**	**(1,482)**	**(1,370)**	**(199)**	**(164)**
Change in debt	(2,733)	901	1,110	217	148	(162)	16	(67)
Net share issues/(repurchases)	0	0	0	0	0	0	0	0
Dividends paid	(1,665)	(1,915)	(1,089)	(544)	(653)	(1,208)	(4,427)	(8,487)
Other financing CF items	7,330	(381)	(192)	(61)	(30)	171	0	0
Cash flow from financing	**2,933**	**(1,395)**	**(171)**	**(389)**	**(535)**	**(1,199)**	**(4,411)**	**(8,554)**
Forex effect/others	14	(1,022)	(297)	149	154	490	430	399
Change in cash	**1,136**	**791**	**380**	**(1,011)**	**406**	**(4,879)**	**3,133**	**(1,597)**
Free cash flow	(1,795)	5,104	1,529	248	1,944	(3,055)	7,109	6,559

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	4,428	5,217	5,685	4,648	4,994	1,058	4,191	2,594
Inventory	5,167	2,731	3,014	3,763	4,890	6,804	8,778	11,939
Accounts receivable	13,260	12,119	11,498	12,790	15,009	25,780	32,797	46,544
Other current assets	1,520	1,401	1,110	1,058	1,078	1,069	1,069	1,069
Total current assets	**24,375**	**21,469**	**21,306**	**22,259**	**25,972**	**34,712**	**46,836**	**62,147**
Fixed assets	11,832	11,834	11,995	12,519	12,157	11,134	9,603	7,945
Goodwill & intangibles	0	0	0	0	0	0	0	0
Other non-current assets	30	80	78	67	84	93	88	89
Total assets	**36,237**	**33,384**	**33,380**	**34,844**	**38,213**	**45,939**	**56,527**	**70,181**
Short-term debt	2,131	2,483	2,921	3,983	3,643	3,880	4,236	4,524
Accounts payable	11,380	7,562	7,170	7,158	9,619	13,176	17,137	23,215
Other current liabilities	753	838	449	244	298	329	329	329
Total current liabilities	**14,265**	**10,883**	**10,540**	**11,385**	**13,561**	**17,384**	**21,701**	**28,067**
Long-term debt	0	1,677	2,346	1,592	2,102	1,677	1,337	981
Other non-current liabilities	658	713	1,054	1,221	1,284	1,423	1,423	1,423
Total liabilities	**14,923**	**13,273**	**13,940**	**14,198**	**16,946**	**20,484**	**24,461**	**30,472**
Share capital	3,830	3,630	3,630	3,630	3,632	3,634	3,634	3,634
Reserves/R.E./others	17,485	16,481	15,810	17,016	17,635	21,820	28,432	36,074
Shareholders' equity	**21,315**	**20,111**	**19,440**	**20,646**	**21,267**	**25,455**	**32,066**	**39,709**
Minority interests	0	0	0	0	0	0	0	0
Total equity & liabilities	**36,237**	**33,384**	**33,380**	**34,844**	**38,213**	**45,939**	**56,527**	**70,181**
EV	138,905	140,144	140,785	142,130	141,953	145,701	142,584	144,113
Net debt/(cash)	**(2,297)**	**(1,058)**	**(417)**	**928**	**751**	**4,499**	**1,382**	**2,911**
BVPS (TWD)	**60.981**	**53.556**	**53.560**	**56.883**	**58.589**	**70.125**	**88.339**	**109.394**

Key ratios (%)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales (YoY)	27.9	(10.4)	(13.9)	17.1	12.7	50.4	42.7	35.2
EBITDA (YoY)	19.3	(37.8)	(27.2)	30.9	40.5	142.0	77.5	44.1
Operating profit (YoY)	18.7	(50.3)	(47.5)	35.8	76.4	233.7	92.5	48.6
Net profit (YoY)	18.0	(41.0)	(63.5)	21.5	83.8	266.3	91.8	48.3
Core EPS (fully-diluted) (YoY)	12.0	(46.9)	(61.9)	21.5	83.8	266.3	91.8	48.3
Gross-profit margin	18.4	13.5	12.4	12.6	14.5	22.2	27.3	29.3
EBITDA margin	14.7	10.2	8.6	9.6	12.0	19.3	24.0	25.6
Operating-profit margin	11.7	6.5	4.0	4.6	7.2	16.0	21.6	23.7
Net profit margin	9.7	6.4	2.7	2.8	4.6	11.1	14.9	16.4
ROAE	18.1	9.0	3.4	4.1	7.2	23.7	36.9	43.8
ROAA	10.2	5.3	2.0	2.4	4.1	13.1	20.7	24.8
ROCE	18.7	7.9	4.1	5.3	9.0	27.4	44.6	54.9
ROIC	19.0	8.0	3.1	4.2	7.0	21.1	33.3	41.3
Net debt to equity	net cash	net cash	net cash	4.8	3.6	21.4	7.3	9.7
Effective tax rate	17.6	19.9	41.3	37.6	36.2	31.1	31.0	31.0
Accounts receivable (days)	135.1	159.0	171.9	150.9	153.3	149.5	150.5	150.8
Current ratio (x)	1.7	2.0	2.0	2.0	1.9	2.0	2.2	2.2
Net interest cover (x)	0.5	0.2	0.1	0.1	0.2	0.6	1.1	1.6
Net dividend payout	55.6	61.0	80.6	79.6	80.0	80.0	80.0	80.0
Free cash flow yield	n.a.	3.6	1.1	0.2	1.4	n.a.	5.0	4.6

Source: FactSet, Daiwa forecasts

Company profile

ITEQ Corporation is a leading manufacturer of high performance copper clad laminate materials used for the fabrication of printed circuit boards and was founded in April of 1997. ITEQ's products find use many different application areas, such as computational and communications applications, Radio Frequency and Microwave devices, Automotive applications, and High Density Interconnect solutions.

ESG analysis

ESG risks

Risks		Management	Analyst comments
G	Executive/board quality	2	All board members implement the company's operation faithfully and fulfil their obligations with discipline and care. Independent directors obey related laws and company regulations to protect the rights of the company and stockholders.
G	Capital management	2	ITEQ pays its dividend on an annual basis. We believe ITEQ will at least sustain its cash dividend payout in dollar terms over 2025-27E. We see its balance between investment and dividend as appropriate.
G	Related party & transaction	2	ITEQ's sales to related parties were insignificant versus its total revenue.
S	Supply chain management	2	ITEQ requires all major raw material suppliers to comply with ESG, ethics, and regulatory standards. Annual RBA audits were conducted for vendors, all rated A–C.
S	Data security	1	ITEQ has established an ISO/IEC 27001-certified Information Security Management System, conducts quarterly training, and implements system recovery drills to ensure risk preparedness.

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: 7 Aug 2026

Source: Daiwa, Company

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Rating	Percentage of total
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Source: Daiwa

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