Daiwa Capital Markets Hong Kong Limited

ITEQ Corp (6213 TT)

Target price: **TWD1,110.00** (from TWD600.00)

Share price (14 Oct): **TWD856.00** | Up/downside: **+29.7%**

5 4 3 2 **1**

Buy (unchanged)

3Q26 results preview: better-than-expected price hikes

- Expecting better price hikes from 2H26 to 1H27
- Spec upgrades driven by new CPU platform adoption in 2027
- Reiterating our Buy (1) rating; raising our 12M TP to TWD1,110

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What's new: We preview ITEQ's 3Q26 results (due on 6 November). In our previous note, "*Upgrading: strong beat in 2Q26 with improving outlook*" (7 August), we had underestimated the magnitude and durability of price hikes for E-glass and M4-and-below CCL. We raise our 2026-28E earnings by 43-70% to reflect better-than-expected pricing and gross margin performance, which leads to our higher TP of TWD1,110 (from TWD600).

What's the impact: Ongoing price hike of E-glass and M4-and-below CCL. This week, a major Japanese copper-clad laminate (CCL) vendor raised its entry-level CCL price by 200% to catch up with other global peers' price hike level. One of the Chinese peers is also having a constant c.10% ASP hike on a monthly basis in 2026. We are increasingly confident in the management's target for its blended price hike in 2H26. We now forecast c.30%/20% price hikes in 3Q26E and 4Q26E, respectively (vs. our previous estimates of 20%/10%). Looking ahead, we expect another 10% price hike per quarter in 1H27 (c.20% price hike in total), while pricing should gradually stabilise in 2H27 given the rising supply of E-glass, in our view. While the visibility towards 2H27 and 2028 remains relatively limited, we believe the key upside risks to our current forecast will be the stronger-than-expected price hike magnitude and durability of the current up-cycle.

3Q26 results preview. After factoring in stronger-than-expected price hikes, ITEQ's 3Q26 revenue grew c.35% QoQ, mainly driven by the 30% price hike despite utilisation rate staying at c.75%. We lift our gross margin forecast to c.30.3% (from 24.7% in our August note), in line with the August preliminary results' pre-tax margin of 25.8%. With price hikes continuing, we expect the 4Q26E gross margin to expand to c.35%. Given disciplined capacity expansion through 2028, we expect the higher GM to be sustained through 2028. Beyond price hike, we believe the key longer-term growth drivers include: a) rising regular server demand and new platform adoption (using M7 grade CCL) in 2027; and b) M9 certification by more clients.

What we recommend: We raise our 2026-28E EPS by 43-70% to factor in the price hikes. We reaffirm our Buy (1) rating, and raise our 12M TP to TWD1,110 (from TWD600), based on an unchanged target PER of 22x (higher than the range during the past 12 months of 5-18x) applied to our 1-year-forward EPS. While we expect the current upcycle will eventually ease starting from mid-2027, we remain positive on the near-term price outlook. Key downside risk: weaker-than-expected regular server demand.

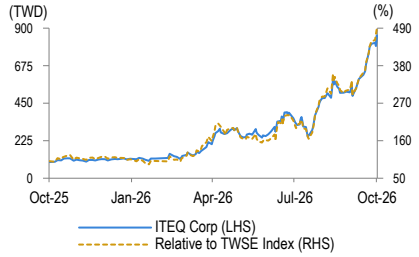
How we differ: Our 2026-28E EPS are 36-60% above the Bloomberg consensus, mainly due to our more aggressive view on ITEQ's price hikes and margin profile.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	9.8	19.6	19.7
Net profit change	43.4	69.8	50.0
Core EPS (FD) change	43.2	69.6	49.8

Source: Daiwa forecasts

Share price performance



12-month range	97.90-856.00
Market cap (USDbn)	9.66
3m avg daily turnover (USDm)	268.04
Shares outstanding (m)	364
Major shareholder	Yu Chang Investment Co Ltd (7.4%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	54,661	84,949	114,940
Operating profit (m)	11,424	26,025	34,121
Net profit (m)	7,932	18,013	23,594
Core EPS (fully-diluted)	21.828	49.553	64.907
EPS change (%)	424.6	127.0	31.0
Daiwa vs Cons. EPS (%)	36.4	58.8	60.4
PER (x)	39.2	17.3	13.2
Dividend yield (%)	1.9	4.3	5.7
DPS	16.4	37.2	48.7
PBR (x)	10.9	7.6	6.0
EV/EBITDA (x)	24.2	11.1	8.6
ROE (%)	31.9	51.8	50.7

Source: FactSet, Daiwa forecasts

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

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	49,782	54,661	50,496	71,038	84,949	75,813	96,034	114,940	90,130
Diff (%)		9.8%	8.2%		19.6%	12.0%		19.7%	27.5%
Gross Margin (%)	22.2%	26.8%	23.6%	27.3%	36.1%	28.4%	29.3%	34.7%	28.6%
Operating profit	7,952	11,424	8,582	15,312	26,025	16,726	22,746	34,121	21,499
Op Margin (%)	16.0%	20.9%	17.0%	21.6%	30.6%	22.1%	23.7%	29.7%	23.9%
Net profit	5,532	7,932	5,819	10,608	18,013	11,340	15,730	23,594	14,709
EPS (TWD)	15.24	21.82	16.01	29.22	49.55	31.20	43.34	64.91	40.47
Diff (%)		43.2%	36.4%		69.6%	58.8%		49.8%	60.4%

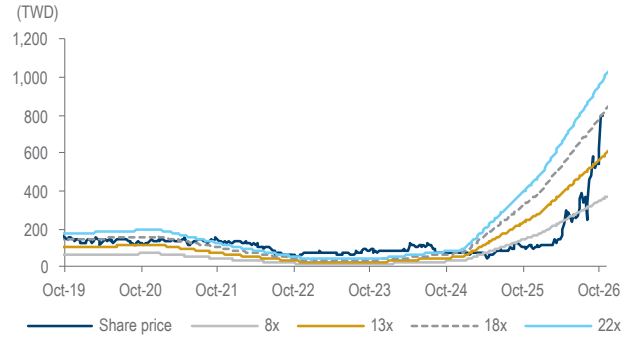
Source: Bloomberg, Daiwa forecasts

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**	**15,617**	**18,371**	**18,653**	**20,297**	**22,642**	**23,357**	**33,098**	**54,661**	**84,949**	**114,940**
COGS	-8,099	-8,991	-10,891	-12,029	-12,021	-12,971	-14,363	-14,966	-28,314	-40,010	-54,322	-75,072
Gross profit	**1,044**	**2,539**	**4,726**	**6,341**	**6,631**	**7,326**	**8,278**	**8,391**	**4,785**	**14,651**	**30,626**	**39,868**
Operating expenses	620	691	906	1,010	1,045	1,096	1,223	1,238	2,402	3,227	4,601	5,747
Operating profit	**424**	**1,848**	**3,821**	**5,331**	**5,587**	**6,230**	**7,056**	**7,153**	**2,383**	**11,424**	**26,025**	**34,121**
Non-operating profit	59	-14	16	18	18	19	21	22	-16	79	81	73
Pre-tax profit	**483**	**1,834**	**3,836**	**5,349**	**5,605**	**6,249**	**7,077**	**7,175**	**2,367**	**11,502**	**26,106**	**34,194**
Net profit	**315**	**1,279**	**2,647**	**3,691**	**3,867**	**4,312**	**4,883**	**4,951**	**1,510**	**7,932**	**18,013**	**23,594**
Net EPS (TWD)	**0.87**	**3.52**	**7.28**	**10.15**	**10.64**	**11.86**	**13.43**	**13.62**	**4.16**	**21.82**	**49.55**	**64.91**
Operating Ratios												
Gross margin	11.4%	22.0%	30.3%	34.5%	35.6%	36.1%	36.6%	35.9%	14.5%	26.8%	36.1%	34.7%
Operating margin	4.6%	16.0%	24.5%	29.0%	30.0%	30.7%	31.2%	30.6%	7.2%	20.9%	30.6%	29.7%
Pre-tax margin	5.3%	15.9%	24.6%	29.1%	30.0%	30.8%	31.3%	30.7%	7.2%	21.0%	30.7%	29.7%
Net margin	3.4%	11.1%	16.9%	20.1%	20.7%	21.2%	21.6%	21.2%	4.6%	14.5%	21.2%	20.5%
YoY (%)												
Net revenue	21%	30%	102%	106%	104%	76%	45%	27%	13%	65%	55%	35%
Gross profit	-3%	84%	346%	403%	535%	189%	75%	32%	30%	206%	109%	30%
Operating profit	-19%	135%	757%	750%	1217%	237%	85%	34%	76%	379%	128%	31%
Pre-tax profit	-10%	174%	636%	734%	1059%	241%	84%	34%	80%	386%	127%	31%
Net profit	-7%	204%	715%	762%	1130%	237%	84%	34%	84%	425%	127%	31%
QoQ (%)												
Net revenue	3%	26%	35%	18%	2%	9%	12%	3%				
Gross profit	-17%	143%	86%	34%	5%	10%	13%	1%				
Operating profit	-32%	336%	107%	40%	5%	12%	13%	1%				
Pre-tax profit	-25%	279%	109%	39%	5%	11%	13%	1%				
Net profit	-27%	307%	107%	39%	5%	11%	13%	1%				

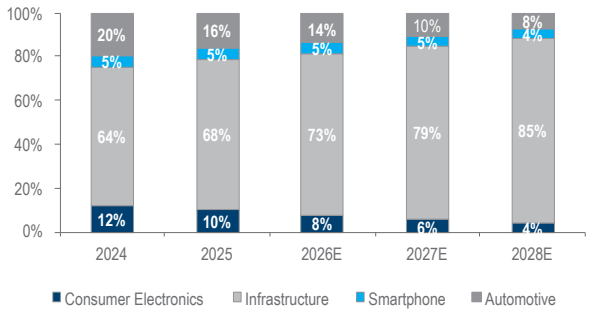
Source: Company, Daiwa forecasts

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	40,112	67,244	97,489
Consumer	8,658	5,644	3,878	3,511	3,454	4,213	4,701	4,206
Other Revenue	6,571	6,604	6,198	7,184	7,046	10,336	13,004	13,245
Total Revenue	**32,525**	**29,130**	**25,079**	**29,378**	**33,098**	**54,661**	**84,949**	**114,940**
Other income	0	0	0	0	0	0	0	0
COGS	(26,545)	(25,190)	(21,973)	(25,688)	(28,314)	(40,010)	(54,322)	(75,072)
SG&A	(1,654)	(1,511)	(1,580)	(1,644)	(1,605)	(907)	0	0
Other op.expenses	(506)	(533)	(531)	(696)	(797)	(2,321)	(4,601)	(5,747)
Operating profit	**3,819**	**1,896**	**995**	**1,351**	**2,383**	**11,424**	**26,025**	**34,121**
Net-interest inc./(exp.)	(81)	(107)	(143)	(174)	(145)	(124)	(128)	(129)
Assoc/forex/extraord./others	76	526	301	140	129	203	209	202
Pre-tax profit	**3,815**	**2,315**	**1,152**	**1,317**	**2,367**	**11,502**	**26,106**	**34,194**
Tax	(670)	(460)	(476)	(496)	(856)	(3,571)	(8,093)	(10,600)
Min. int./pref. div./others	0	0	0	0	0	0	0	0
Net profit (reported)	**3,145**	**1,855**	**677**	**822**	**1,510**	**7,932**	**18,013**	**23,594**
Net profit (adjusted)	**3,145**	**1,855**	**677**	**822**	**1,510**	**7,932**	**18,013**	**23,594**
EPS (reported)(TWD)	**8.997**	**4.940**	**1.864**	**2.264**	**4.161**	**21.820**	**49.553**	**64.907**
EPS (adjusted)(TWD)	**8.997**	**4.940**	**1.864**	**2.264**	**4.161**	**21.820**	**49.553**	**64.907**
EPS (adjusted fully-diluted)(TWD)	**9.221**	**4.899**	**1.864**	**2.264**	**4.161**	**21.828**	**49.553**	**64.907**
DPS (TWD)	**5.000**	**3.000**	**1.500**	**1.800**	**2.999**	**16.369**	**37.165**	**48.680**
EBIT	**3,819**	**1,896**	**995**	**1,351**	**2,383**	**11,424**	**26,025**	**34,121**
EBITDA	**4,767**	**2,966**	**2,158**	**2,824**	**3,969**	**13,080**	**27,764**	**35,947**

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	11,502	26,106	34,194
Depreciation and amortisation	948	1,069	1,163	1,474	1,586	1,656	1,739	1,826
Tax paid	(670)	(460)	(476)	(496)	(856)	(3,571)	(8,093)	(10,600)
Change in working capital	7,455	(7,092)	(114)	1,041	6,742	21,005	14,579	28,738
Other operational CF items	(8,395)	10,597	371	(2,411)	(7,569)	(35,115)	(20,965)	(41,334)
Cash flow from operations	**3,153**	**6,429**	**2,097**	**925**	**2,269**	**(4,522)**	**13,366**	**12,824**
Capex	(4,948)	(1,325)	(567)	(677)	(325)	(66)	(204)	(163)
Net (acquisitions)/disposals	(8)	51	(2)	(11)	17	(5)	6	1
Other investing CF items	(7)	(1,947)	(679)	(1,008)	(1,174)	(1,969)	0	0
Cash flow from investing	**(4,964)**	**(3,221)**	**(1,248)**	**(1,696)**	**(1,482)**	**(2,039)**	**(198)**	**(163)**
Change in debt	(2,733)	901	1,110	217	148	2,190	0	0
Net share issues/(repurchases)	0	0	0	0	0	0	0	0
Dividends paid	(1,665)	(1,915)	(1,089)	(544)	(653)	(1,090)	(5,950)	(13,510)
Other financing CF items	7,330	(381)	(192)	(61)	(30)	366	0	0
Cash flow from financing	**2,933**	**(1,395)**	**(171)**	**(389)**	**(535)**	**1,466**	**(5,950)**	**(13,510)**
Forex effect/others	14	(1,022)	(297)	149	154	888	669	694
Change in cash	**1,136**	**791**	**380**	**(1,011)**	**406**	**(4,208)**	**7,887**	**(154)**
Free cash flow	(1,795)	5,104	1,529	248	1,944	(4,588)	13,162	12,661

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	1,966	9,853	9,698
Inventory	5,167	2,731	3,014	3,763	4,890	7,250	9,290	13,478
Accounts receivable	13,260	12,119	11,498	12,790	15,009	30,790	39,232	55,711
Other current assets	1,520	1,401	1,110	1,058	1,078	914	914	914
Total current assets	**24,375**	**21,469**	**21,306**	**22,259**	**25,972**	**40,920**	**59,289**	**79,802**
Fixed assets	11,832	11,834	11,995	12,519	12,157	11,568	10,033	8,370
Goodwill & intangibles	0	0	0	0	0	0	0	0
Other non-current assets	30	80	78	67	84	93	87	86
Total assets	**36,237**	**33,384**	**33,380**	**34,844**	**38,213**	**52,581**	**69,409**	**88,258**
Short-term debt	2,131	2,483	2,921	3,983	3,643	5,564	5,564	5,564
Accounts payable	11,380	7,562	7,170	7,158	9,619	14,039	18,135	26,206
Other current liabilities	753	838	449	244	298	661	661	661
Total current liabilities	**14,265**	**10,883**	**10,540**	**11,385**	**13,561**	**20,264**	**24,360**	**32,431**
Long-term debt	0	1,677	2,346	1,592	2,102	2,431	2,431	2,431
Other non-current liabilities	658	713	1,054	1,221	1,284	1,463	1,463	1,463
Total liabilities	**14,923**	**13,273**	**13,940**	**14,198**	**16,946**	**24,158**	**28,254**	**36,325**
Share capital	3,830	3,630	3,630	3,630	3,632	3,636	3,636	3,636
Reserves/R.E./others	17,485	16,481	15,810	17,016	17,635	24,788	37,519	48,298
Shareholders' equity	**21,315**	**20,111**	**19,440**	**20,646**	**21,267**	**28,423**	**41,155**	**51,933**
Minority interests	0	0	0	0	0	0	0	0
Total equity & liabilities	**36,237**	**33,384**	**33,380**	**34,844**	**38,213**	**52,581**	**69,409**	**88,258**
EV	308,866	310,105	310,746	312,090	311,914	317,192	309,305	309,459
Net debt/(cash)	**(2,297)**	**(1,058)**	**(417)**	**928**	**751**	**6,029**	**(1,858)**	**(1,704)**
BVPS (TWD)	**60.981**	**53.556**	**53.560**	**56.883**	**58.589**	**78.192**	**113.216**	**142.867**

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	65.1	55.4	35.3
EBITDA (YoY)	19.3	(37.8)	(27.2)	30.9	40.5	229.6	112.3	29.5
Operating profit (YoY)	18.7	(50.3)	(47.5)	35.8	76.4	379.4	127.8	31.1
Net profit (YoY)	18.0	(41.0)	(63.5)	21.5	83.8	425.2	127.1	31.0
Core EPS (fully-diluted) (YoY)	12.0	(46.9)	(61.9)	21.5	83.8	424.6	127.0	31.0
Gross-profit margin	18.4	13.5	12.4	12.6	14.5	26.8	36.1	34.7
EBITDA margin	14.7	10.2	8.6	9.6	12.0	23.9	32.7	31.3
Operating-profit margin	11.7	6.5	4.0	4.6	7.2	20.9	30.6	29.7
Net profit margin	9.7	6.4	2.7	2.8	4.6	14.5	21.2	20.5
ROAE	18.1	9.0	3.4	4.1	7.2	31.9	51.8	50.7
ROAA	10.2	5.3	2.0	2.4	4.1	17.5	29.5	29.9
ROCE	18.7	7.9	4.1	5.3	9.0	36.0	60.8	62.6
ROIC	19.0	8.0	3.1	4.2	7.0	27.9	48.7	52.6
Net debt to equity	net cash	net cash	net cash	4.8	3.6	25.4	net cash	net cash
Effective tax rate	17.6	19.9	41.3	37.6	36.2	31.0	31.0	31.0
Accounts receivable (days)	135.1	159.0	171.9	150.9	153.3	152.9	150.4	150.7
Current ratio (x)	1.7	2.0	2.0	2.0	1.9	2.0	2.4	2.5
Net interest cover (x)	0.5	0.2	0.1	0.1	0.2	0.9	2.0	2.7
Net dividend payout	55.6	61.0	80.6	79.6	72.1	75.0	75.0	75.0
Free cash flow yield	n.a.	1.6	0.5	0.1	0.6	n.a.	4.2	4.1

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 in 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.
	Capital management	2	ITEQ paid a cash DPS of TWD3 in 2025, representing a 72% payout ratio. We believe ITEQ will sustain a similar payout level of c.75% over 2026-28E. We see its balance between investment and dividend as appropriate.
	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: 14 Oct 2026

Source: Daiwa, Company

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Rating	Percentage of total
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Source: Daiwa

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