Zhen Ding Technology (4958 TT)

Target price: **n.a.**

Share price (19 Oct): **TWD547.00** | Up/downside: **-**

5 4 3 2 1

No Rating

Business transformation bears fruit

- Key beneficiary of growth in optical transceiver & AI server HDI demand
- Aggressive substrate capacity strategy paying off in current conditions
- Margin expansion on fast-growing segments (HDI and substrates)

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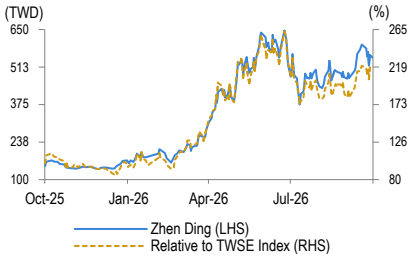
Background: Zhen Ding Technology (ZDT), the world's largest PCB manufacturer by revenue, generated revenue of TWD182.5bn in 2025. Historically focused on consumer electronics and smartphones, the company is shifting towards higher-value AI-server PCBs (HLC/iHDI), optical-module PCBs (mSAP), and IC substrates (ABF/BT). These businesses accounted for 21.6% of its revenue in 1H26, up from 11.7% in 2025. Management targets this ratio to reach c.25% in 2026 and c.30% in 2027. To support this shift, ZDT has 22 fabs under construction and plans to build nine more, primarily for mSAP/HDI, HLC, and ABF substrates.

Highlights: **ZDT's "One ZDT strategy" is gradually bearing fruit.** Since 2018, management has pursued its "One ZDT strategy" to broaden the product portfolio – including HLC, substrates, mSAP/HDI, rigid-flex and SLP – by leveraging its strengths in FPCB and consumer HDI. This strategy is beginning to pay off, and management expects its fast-growing segments, including mSAP HDI for optical transceivers, AI-server HDI and ABF/BT substrates, to gain momentum from this year. Management expects revenue from these segments to increase by c.150% YoY and account for c.25% of total revenue (or c.TWD50bn) in 2026, and to further increase by 100% YoY to TWD100bn in 2027. ZDT targets these fast-growing segments to reach 30% of its revenue mix in 2027 and c.45-50% in 2030. Given current progress, the 2030 target could be reached in 2028. For mSAP HDI, management expects the 800G/1.6T transceiver product mix to shift to 7:3 in 2027, from 5:5 in 2026, and aims to become the largest supplier of optical-transceiver HDI in 2027. In AI-server HDI, we expect the 2 leading ASIC vendors to gradually shift from pure HLC to thick HDI boards – a combination of HLC and HDI – in their next-generation designs, with ZDT a potential beneficiary. This could drive c.3x growth in ZDT's business in 2027.

Product mix to support gross margin expansion. Margin expansion is increasingly driven by a favourable product mix. Gross margin reached 22.4% in 1H26 (vs. 16.5% in 1H25). Management indicated that optical-transceiver HDIs currently have the highest gross margin, at over 40%, followed by IC substrates, with ABF margins potentially reaching 50-60% and BT margins around 30% as a long-term target. Server HLC margins are around 20-30%, while HDI margins should be higher given their greater process complexity. With margins in traditional businesses at c.20%, ZDT expects growth in the newer segments to drive further margin expansion.

Valuation: The stock is trading at 36/19x PER for 2026/27E based on Bloomberg consensus. It's past 3-year PER range is 10-30x.

Share price performance



12-month range	136.00-646.00
Market cap (USDbn)	19.05
3m avg daily turnover (USDm)	530.30

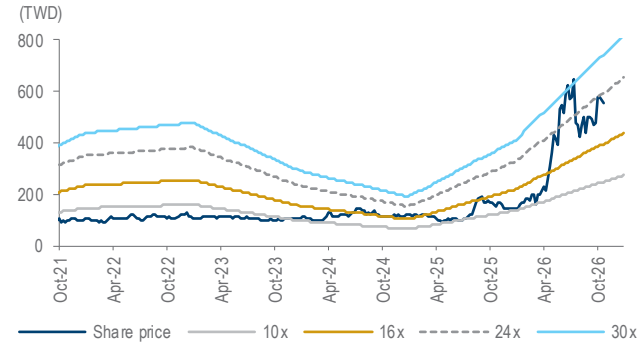
Source: FactSet, Daiwa forecasts

ZDT quarterly and annual P&L statement

	2024				2025				2026					
(TWDm)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	2023	2024	2025	1H26
Net revenue	**32,510**	**32,411**	**50,609**	**56,133**	**40,082**	**38,203**	**47,366**	**56,870**	**40,728**	**48,431**	**151,398**	**171,664**	**182,522**	**89,159**
Gross profit	**5,337**	**4,247**	**11,406**	**11,471**	**5,885**	**7,011**	**10,410**	**12,830**	**8,812**	**11,186**	**27,459**	**32,461**	**36,136**	**19,998**
Operating profit	**743**	**-644**	**5,933**	**5,554**	**1,056**	**2,425**	**4,530**	**5,921**	**2,503**	**3,761**	**9,160**	**11,586**	**13,932**	**6,265**
Non-operating profit	755	1,153	-655	2,206	401	-153	131	-248	-103	1,170	888	3,459	131	1,067
Pre-tax profit	**1,498**	**510**	**5,278**	**7,760**	**1,457**	**2,272**	**4,661**	**5,673**	**2,400**	**4,931**	**10,048**	**15,045**	**14,063**	**7,332**
Income taxes	-62	158	-527	-1,518	-431	-885	-1,072	-1,070	-353	-1,204	-616	-1,948	-3,458	-1,557
Net profit	**977**	**486**	**3,353**	**4,363**	**632**	**605**	**2,392**	**3,161**	**1,426**	**2,392**	**6,189**	**9,180**	**6,791**	**3,817**
Net EPS (TWD)	**1.03**	**0.51**	**3.51**	**4.56**	**0.66**	**0.63**	**2.30**	**2.95**	**1.33**	**2.16**	**6.47**	**9.60**	**6.34**	**3.49**
Operating Ratios														
Gross margin	16.4%	13.1%	22.5%	20.4%	14.7%	18.4%	22.0%	22.6%	21.6%	23.1%	18.1%	18.9%	19.8%	22.4%
Operating margin	2.3%	-2.0%	11.7%	9.9%	2.6%	6.3%	9.6%	10.4%	6.1%	7.8%	6.1%	6.7%	7.6%	7.0%
Pre-tax margin	4.6%	1.6%	10.4%	13.8%	3.6%	5.9%	9.8%	10.0%	5.9%	10.2%	6.6%	8.8%	7.7%	8.2%
Net margin	3.0%	1.5%	6.6%	7.8%	1.6%	1.6%	5.0%	5.6%	3.5%	4.9%	4.1%	5.3%	3.7%	4.3%
YoY (%)														
Net revenue	3%	38%	21%	3%	23%	18%	-6%	1%	2%	27%	-12%	13%	6%	14%
Gross profit	5%	100%	33%	-2%	10%	65%	-9%	12%	50%	60%	-31%	18%	11%	55%
Operating profit	-39%	n.m.	66%	-11%	42%	n.m.	-24%	7%	137%	55%	-59%	26%	20%	80%
Pre-tax profit	66%	45%	38%	33%	-3%	346%	-12%	-27%	65%	117%	-57%	38%	-7%	97%
Net profit	94%	-36%	46%	25%	-35%	25%	-29%	-28%	125%	295%	-56%	30%	-26%	208%
QoQ (%)														
Net revenue	-40%	0%	56%	11%	-29%	-5%	24%	20%	-28%	19%				
Gross profit	-54%	-20%	169%	1%	-49%	19%	48%	23%	-31%	27%				
Operating profit	-88%	n.m.	n.m.	-6%	-81%	130%	87%	31%	-58%	50%				
Pre-tax profit	-74%	-66%	935%	47%	-81%	56%	105%	22%	-58%	105%				
Net profit	-72%	-50%	590%	30%	-86%	-4%	295%	32%	-55%	68%				

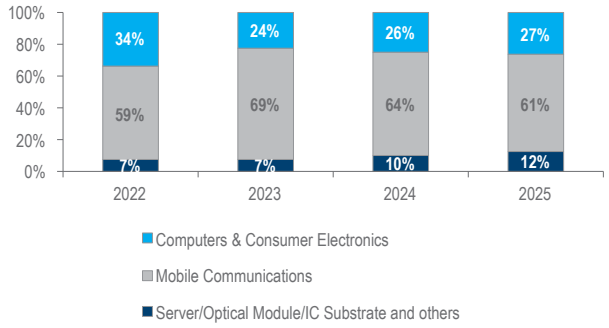
Source: Company

ZDT: 1-year-forward PER bands



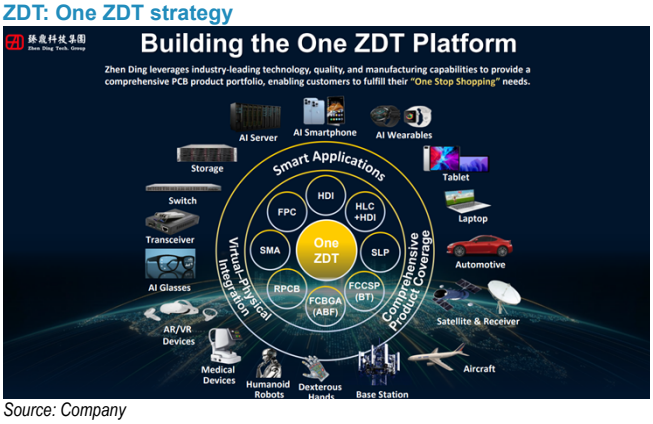
Source: Company, Bloomberg consensus

ZDT: revenue breakdown by product



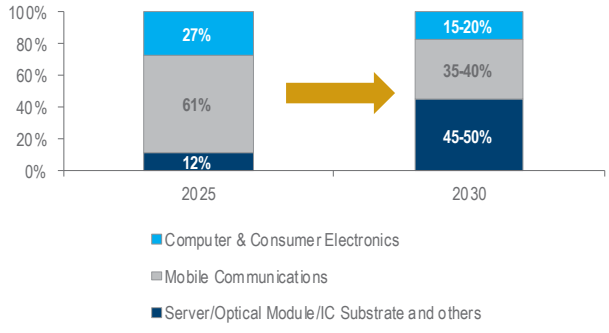
Source: Company

ZDT: One ZDT strategy



Source: Company

ZDT: revenue breakdown by end applications (2025 vs. 2030)



Source: Company

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Rating	Percentage of total
Buy*	73.96%
Hold**	19.58%
Sell***	6.46%

Source: Daiwa

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