FOCI (3363.TWO)

FAU for CPO switch riding on optical networking migration; Initiate at Buy with TP at NT$864

3363.TWO	12m Price Target: **NT$864.00**	Price: **NT$574.00**	Upside: **50.5%**

We identify FOCI as a key beneficiary of the optical networking migration trend and expect its net income to grow at a 250% CAGR in 2025-30E, driven by (1) FAU (fiber array unit) used in CPO switches, carrying higher ASP and GM, along with healthier competition and continuous specification upgrades (3.2T, 6.4T, and more advanced), (2) growing CPO switch demand (see our Optical Networking thematic), riding on the AI infrastructure upcycle, (3) early participation with global-leading CPO switch brand makers and chipset suppliers, supporting its timely product design amid fast technology migration, (4) automated production driving manufacturing efficiency and yield rates, and (5) a strong commitment to capacity expansion to support the CPO FAU shipment ramp-up. We initiate FOCI at Buy with a 12-month target price of NT$864 (which implies 48x 2027E P/E vs. 1,100% NI YoY in 2027-28E).

Key debate: There are market concerns that new technologies (e.g., GlassBridge) could replace FAU; however, we argue that for a technology to become mainstream, it requires stable performance and affordable costs in mass production, along with the related system support and supply chain readiness. Our supply chain checks suggest: (1) it is normal that other solutions (e.g., glass, metal, etc.) are proposed to connect fibers and chips, but FAU continues to be the one chosen by customers, and (2) FAU is also evolving, including more channels (toward 100+ channels vs. 24+ channels for GlassBridge, link), narrower pitch, 2D architecture, and heat-resistant materials to withstand the heat during the reflow process. We believe GlassBridge is a complement to FAU rather than a replacement, and the strong AI server rack ramp-up, along with fast bandwidth upgrades, would continue to support FAU demand,

BUY

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Key Data

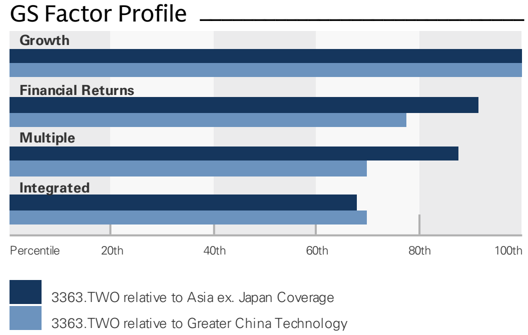
Market cap: NT$62.9bn / $2.0bn
Enterprise value: NT$60.2bn / $1.9bn
3m ADTV: NT$2.8bn / $87.4mn
Taiwan
Greater China Technology
M&A Rank: 3
Leases incl. in net debt & EV?: Yes

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (NT$ mn)	1,892.0	2,924.3	10,648.7	26,212.1
EBITDA (NT$ mn)	124.2	248.5	2,897.4	7,764.7
EPS (NT$)	0.16	0.84	17.83	50.03
P/E (X)	NM	NM	32.2	11.5
P/B (X)	12.3	10.6	8.0	4.7
Dividend yield (%)	0.0	0.0	0.0	0.0
N debt/EBITDA (ex lease,X)	(10.1)	(10.9)	(1.0)	(0.7)
CROCI (%)	3.6	9.2	49.6	81.5
FCF yield (%)	(0.8)	(2.9)	0.4	4.4

	3/26	6/26E	9/26E	12/26E
EPS (NT$)	(0.98)	(0.92)	1.23	1.51

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates.
See disclosures for details.

FOCI (3363.TWO)

BUY

Rating since Jul 6, 2026

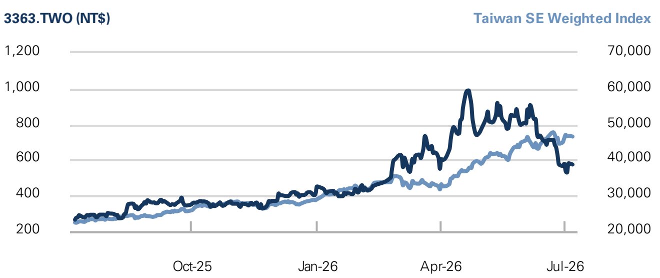
Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	NM	NM	32.2	11.5
P/B (X)	12.3	10.6	8.0	4.7
FCF yield (%)	(0.8)	(2.9)	0.4	4.4
EV/EBITDAR (X)	242.5	242.4	20.7	7.4
EV/EBITDA (excl. leases) (X)	242.5	242.4	20.7	7.4
CROCI (%)	3.6	9.2	49.6	81.5
ROE (%)	0.6	2.2	28.3	51.6
Net debt/equity (%)	(49.4)	(45.8)	(37.6)	(42.9)
Net debt/equity (excl. leases) (%)	(49.4)	(45.8)	(37.6)	(42.9)
Interest cover (X)	0.1	8.4	285.2	820.3
Days inventory outst, sales	67.2	64.3	39.9	34.8
Receivable days	55.6	50.0	25.0	22.0
Days payable outstanding	75.6	60.0	60.0	60.0
DuPont ROE (%)	0.6	1.6	24.8	41.0
Turnover (X)	0.6	0.4	1.1	1.5
Leverage (X)	1.2	1.1	1.3	1.3
Gross cash invested (ex cash) (NT$)	1,624.1	3,723.4	5,925.2	9,490.5
Average capital employed (NT$)	1,175.6	2,251.1	4,065.4	6,273.4
BVPS (NT$)	24.60	54.09	71.92	121.95

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	38.7	54.6	264.1	146.2
EBITDA growth	445.7	100.1	NM	168.0
EPS growth	132.8	438.3	2,019.7	180.6
DPS growth	NM	NM	NM	NM
EBIT margin	0.1	2.4	22.6	26.4
EBITDA margin	6.6	8.5	27.2	29.6
Net income margin	0.9	3.2	18.4	20.9

Price Performance



	3m	6m	12m
Absolute	(4.3)%	35.1%	109.9%
Rel. to the Taiwan SE Weighted Index	(33.1)%	(11.2)%	1.7%

Source: FactSet. Price as of 6 Jul 2026 close.

Income Statement (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Total revenue	1,892.0	2,924.3	10,648.7	26,212.1
Cost of goods sold	(1,536.4)	(2,349.4)	(7,075.1)	(16,577.2)
SG&A	(142.2)	(200.3)	(425.9)	(891.2)
R&D	(212.3)	(303.6)	(745.4)	(1,834.8)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**124.2**	**248.5**	**2,897.4**	**7,764.7**
Depreciation & amortization	(123.0)	(177.5)	(495.1)	(855.9)
EBIT	**1.2**	**70.9**	**2,402.2**	**6,908.8**
Net interest inc./(exp.)	11.1	31.1	72.0	78.9
Income/(loss) from associates	4.4	2.9	–	–
Pre-tax profit	**22.8**	**115.9**	**2,474.2**	**6,987.7**
Provision for taxes	(6.6)	(23.7)	(519.6)	(1,502.4)
Minority interest	–	–	–	–
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**16.2**	**92.2**	**1,954.6**	**5,485.3**
Post-tax exceptionals	–	–	–	–
Net inc. (post-exceptionals)	**16.2**	**92.2**	**1,954.6**	**5,485.3**
EPS (basic, pre-except) (NT$)	**0.16**	**0.84**	**17.83**	**50.03**
EPS (diluted, pre-except) (NT$)	**0.16**	**0.84**	**17.83**	**50.03**
EPS (basic, post-except) (NT$)	**0.16**	**0.84**	**17.83**	**50.03**
EPS (diluted, post-except) (NT$)	**0.16**	**0.84**	**17.83**	**50.03**
DPS (NT$)	–	–	–	–
Div. payout ratio (%)	0.0	0.0	0.0	0.0

Balance Sheet (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Cash & cash equivalents	1,412.0	2,871.3	3,119.3	5,895.3
Accounts receivable	281.3	519.9	938.8	2,221.0
Inventory	408.7	621.2	1,704.9	3,291.0
Other current assets	105.4	105.4	105.4	105.4
Total current assets	**2,207.4**	**4,117.8**	**5,868.4**	**11,512.7**
Net PP&E	647.4	2,225.5	3,869.1	5,383.9
Net intangibles	22.4	22.4	29.1	33.1
Total investments	0.0	0.0	0.0	0.0
Other long-term assets	279.9	279.9	279.9	279.9
Total assets	**3,157.1**	**6,645.6**	**10,046.5**	**17,209.6**
Accounts payable	332.5	439.9	1,886.1	3,563.9
Short-term debt	153.1	153.1	153.1	153.1
Short-term lease liabilities	–	–	–	–
Other current liabilities	36.3	36.3	36.3	36.3
Total current liabilities	**522.0**	**629.4**	**2,075.6**	**3,753.4**
Long-term debt	–	–	–	–
Long-term lease liabilities	–	–	–	–
Other long-term liabilities	86.0	86.0	86.0	86.0
Total long-term liabilities	**86.0**	**86.0**	**86.0**	**86.0**
Total liabilities	**608.0**	**715.4**	**2,161.6**	**3,839.4**
Preferred shares	–	–	–	–
Total common equity	2,549.1	5,930.2	7,884.9	13,370.2
Minority interest	**--**	**--**	**--**	**--**
Total liabilities & equity	**3,157.1**	**6,645.6**	**10,046.5**	**17,209.6**
Net debt, adjusted	(1,258.8)	(2,718.2)	(2,966.2)	(5,742.2)

Cash Flow (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Net income	16.2	92.2	1,954.6	5,485.3
D&A add-back	123.0	177.5	495.1	855.9
Minority interest add-back	–	–	–	–
Net (inc)/dec working capital	(78.3)	(343.7)	(56.4)	(1,190.5)
Other operating cash flow	(78.3)	–	–	–
Cash flow from operations	**(17.5)**	**(74.0)**	**2,393.3**	**5,150.8**
Capital expenditures	(218.9)	(1,740.0)	(2,129.7)	(2,359.1)
Acquisitions	–	–	–	–
Divestitures	–	–	–	–
Others	54.0	(15.7)	(15.7)	(15.7)
Cash flow from investing	**(164.8)**	**(1,755.6)**	**(2,145.4)**	**(2,374.8)**
Repayment of lease liabilities	–	–	–	–
Dividends paid (common & pref)	–	–	–	–
Inc/(dec) in debt	153.1	–	–	–
Other financing cash flows	(28.6)	3,288.9	0.0	0.0
Cash flow from financing	**124.5**	**3,288.9**	**0.0**	**0.0**
Total cash flow	**(57.8)**	**1,459.4**	**247.9**	**2,776.0**
Free cash flow	(236.3)	(1,813.9)	263.6	2,791.7

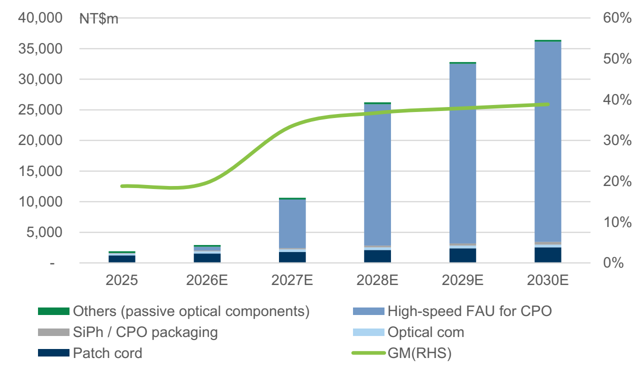
Source: Company data, Goldman Sachs Research estimates.

driving FOCI's growth going forward.

Valuation: Our target price is based on a 2030E discounted P/E. Our target P/E multiple is derived from peers' trading P/E relative to their forward-year EPS YoY. Our TP implies 48x 2027E P/E with NI YoY at 1,100% in 2027-28E. **Key downside risks:** fiercer-than-expected market competition, technology migration trends in optical networking, and slower-than-expected capacity ramp up.

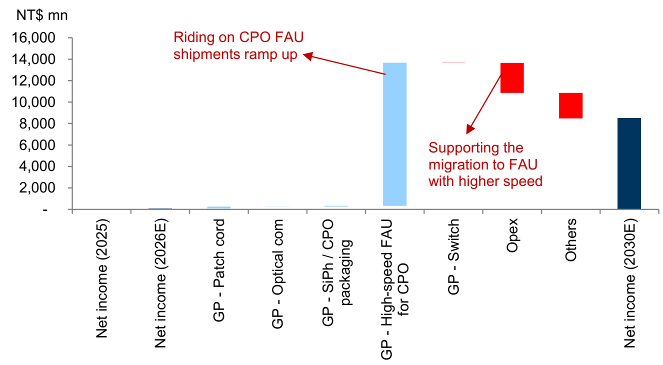
FOCI in six charts

Exhibit 1: FOCI's revenue and GM trends
GM improvement on rising contribution from CPO FAU



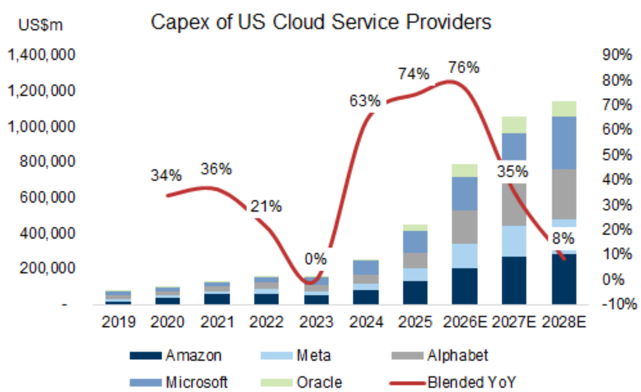
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: FOCI's NI waterfall chart 2025-30E
CPO FAU as a key driver ahead



Source: Company data, Goldman Sachs Global Investment Research

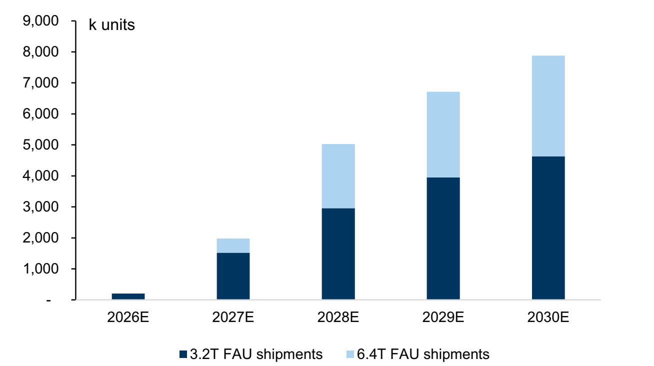
Exhibit 3: US CSP Capex trend



Data include Microsoft, Amazon, Meta, Alphabet and Oracle. For Microsoft, we use capex incl. financial lease. In FY24, 50% of the capex of Microsoft was spent on land and 50% on AI/Cloud.

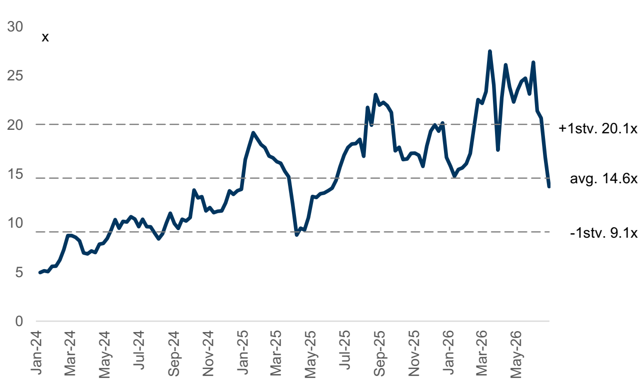
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 4: FOCI's FAU shipments trend



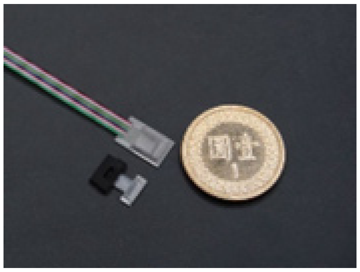
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 5: FOCI 12M forward P/S



Source: Company data, Goldman Sachs Global Investment Research

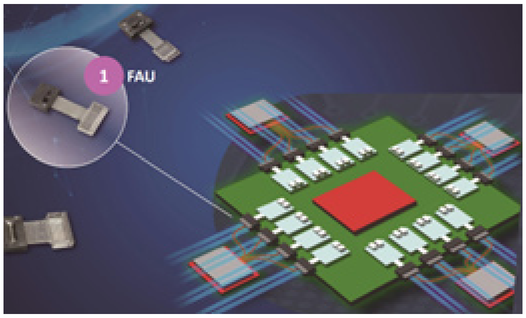
Exhibit 6: FOCI's 40 channel FAU for 3.2T or above CPO switch



Source: Company data

FOCI's products

Exhibit 7: FOCI's FAU in CPO switch



Source: Company data

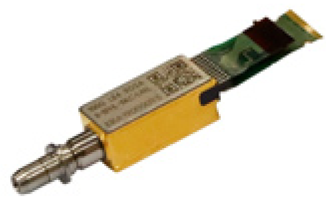
Exhibit 8: FOCI's filter devices

Source: Company data

Exhibit 9: FOCI's 100G LR4 TOSA

Source: Company data

Exhibit 10: FOCI's 100G LR4 ROSA

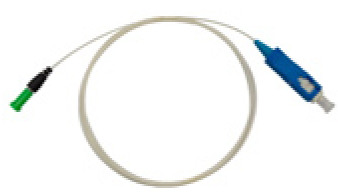


Source: Company data

Exhibit 11: FOCI's data center AOC

Source: Company data

Exhibit 12: FOCI's polarization maintaining fiber patchcords

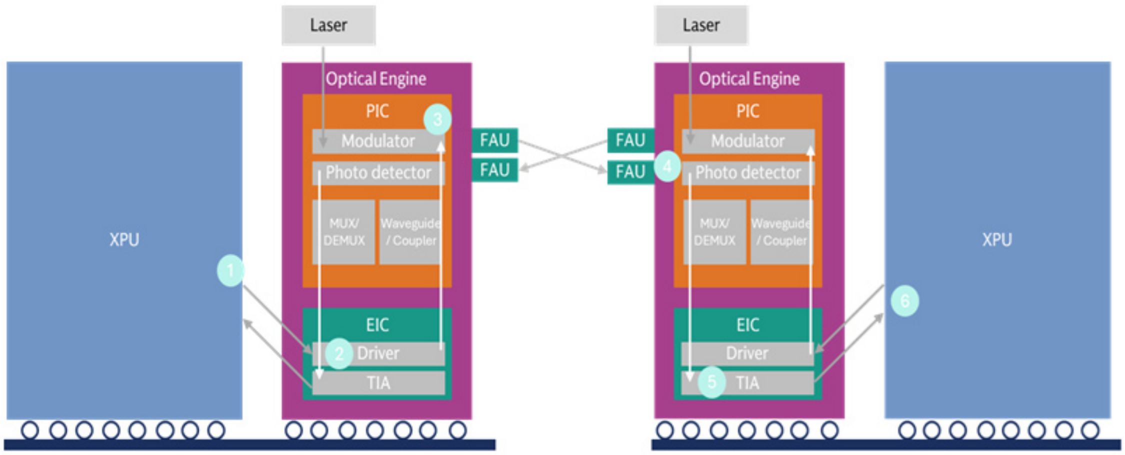


Source: Company data

FAU to grow on rising CPO switch demand

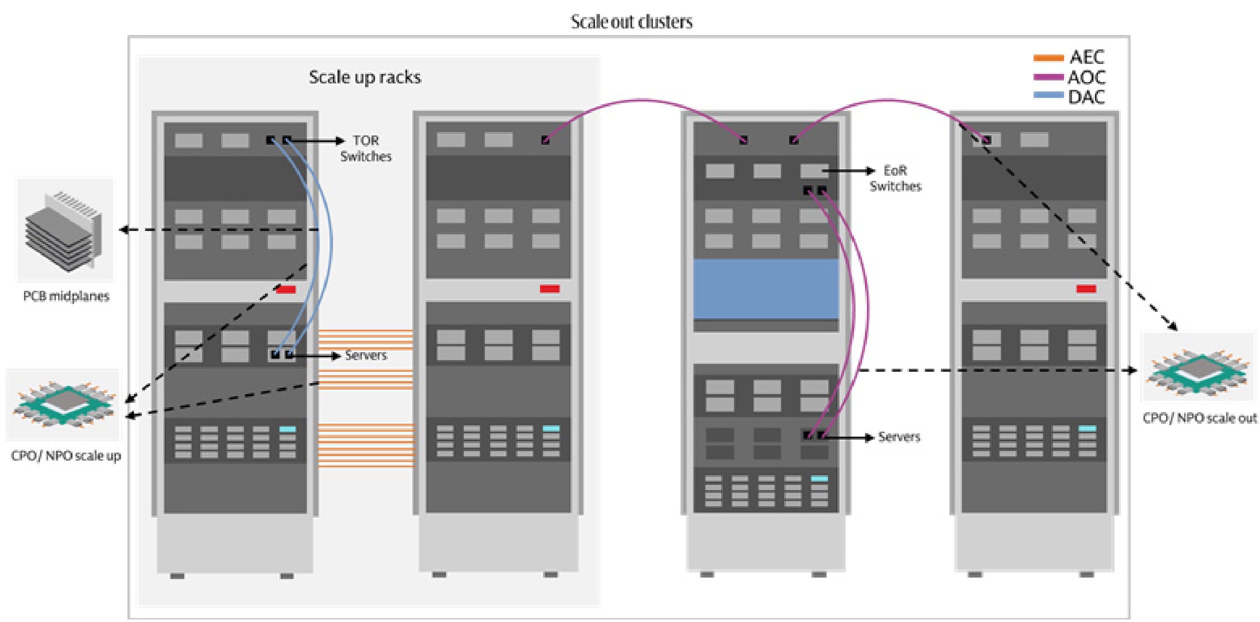
To meet the increasing demand for bandwidth, power consumption, and miniaturization, the form of optical connection is evolving, such as expanding from the pluggable optical module to onboard optics (NPO) and co-packaged optics (CPO), covering short-distance connections with high bandwidth and better power efficiency. We expect CPO will initially be integrated with the switch ASIC, followed by XPUs (GPUs, CPUs, ASICs, etc.).

Exhibit 13: How CPO works in data transmission



Source: Company data, Data compiled by Goldman Sachs Global Investment Research

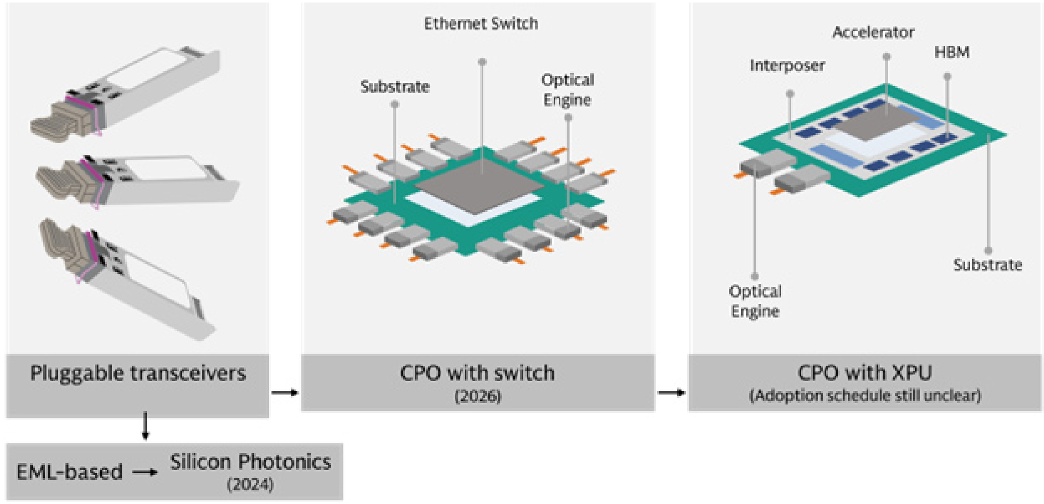
Exhibit 14: Connections in data center: Scale-up vs. Scale-out



TOR Switch: Top of rack switch; EoR Switch: End of row switch

Source: Company data, Data compiled by Goldman Sachs Global Investment Research

Exhibit 15: Optics technology migrations



Source: Company data, Data compiled by Goldman Sachs Global Investment Research

Exhibit 16: CPO switch specification comparison

	Nvidia		Broadcom	
	Quantum-X Photonics	Spectrum-X Photonics	Tomahawk 5 – Bailly	Tomahawk 6 – Davisson
Network	InfiniBand	Ethernet	Ethernet	Ethernet
Switching capacity	115.2Tb/s	409.6 Tb/s	51.2 Tb/s	102.4 Tb/s
# of Switch ASIC	4	4	1	1
Switch ASIC	28.8Tb/s	102.4Tb/s	51.2Tb/s	102.4Tb/s
Ports	144 x 800G	512 x 800G	128 x 400G	64 x 1.6T / 128 x 800G
Speed	200G/lane SerDes	200G/lane SerDes	100G/lane SerDes	200G/lane SerDes
External laser source	18	64	TBA	TBA
Optical engines	72 (1.6T)	128 (3.2T)	8 (6.4T)	16 (6.4T)
Size	4U	5U	4U	TBA

Source: Company data, Data compiled by Goldman Sachs Global Investment Research

Co-Packaged Optics (CPO) expands optics to cover short-distance connections and higher bandwidth requirements. It places optical engines as close as possible to the chips, shortening the electrical paths from several centimeters to the millimeter level, lowering power consumption. The shorter transmission path also reduces latency and eliminates the need for DSPs and retimers, further reducing the overall power consumption of these devices. Additionally, this higher integration results in a smaller form factor.

On the other hand, CPO requires a comprehensive supply chain technology migration rather than a single-device upgrade, which could take time to develop. Furthermore, the co-packaging leads to higher maintenance costs. For instance, in a pluggable optical module, if the optical engine fails, one simply replaces the optical module while the switch system remains intact. Conversely, failures in highly-integrated systems have broader impacts: (1) with onboard optics / NPO, one would need to replace the switch PCB; (2) with CPO integrated into the switch, a failure would affect the switch ASIC, and (3) with CPO integrated into a XPU, a failure would affect the entire XPU (e.g., GPU, CPU, NPU, etc.).

Moreover, the lifecycles of PICs (Photonic Integrated Circuits) and EICs (Electronic Integrated Circuits) are different, with PICs being more delicate, which led to the design of the pluggable optical modules. As a result, we expect that: (1) pluggable optical modules will co-exist with NPO / CPO, and continue speed migration toward 3.2T; (2) CPO will become more attractive to clients for short-distance and higher bandwidth applications that pluggable optical module cannot support; and (3) pluggable optical module suppliers will also enjoy new optics device opportunities within the NPO / CPO ecosystem, such as providing optical engines, FAUs, ELS modules.

Exhibit 17: CPO: Key development of major players

Key players	Progress	Progress details	Highlights
NVIDIA	- CPO Switch commercially available in 2026 (Scale out)	**Mar-2025:** Announced CPO switch (Quantum-X InfiniBand, Spectrum-X Ethernet) **Early 2026:** Commercial availability of CPO switch	Adopt **MRM (Micro Ring Modulator)** technology, achieving higher density and efficiency
BROADCOM	- Davisson (102.4T) CPO switch sampling in Oct 2025 (Scale-out and scale-up)	**Mar-2022**: world's first 25.6T CPO Demo **June-2023:** 51.2T CPO sampling **Mar-2024:** Bailly (51.2T) CPO switch delivered to customers **Oct-2025:** Davisson (102.4T) CPO switch delivered to customers	Adopt **MZM** (Mach-Zehnder Modulator), which is more matured, while also developing MRM
MARVELL	- CPO ethernet swith sampling in 2027 (Scale-out) - Developing CPO for XPUs (Scale-up)	**Feb-2026:** Acquired Celestial AI, a startup focusing on CPO for XPUs **2027:** CPO (204T) Ethernet switch sampling	CPO solution to combine with custom XPUs for CSPs
RANOVUS MEDIATEK	Announced co-developed CPO for ASIC in 2024	**Mar-2024:** Announced Odin CPO solutions (6.4T) collaborating with Mediatek's ASIC platform	Targeting CPO technology on XPU

Source: Company data, Data compiled by Goldman Sachs Global Investment Research

Exhibit 18: CPO switch BoM breakdown, by value (GSe)

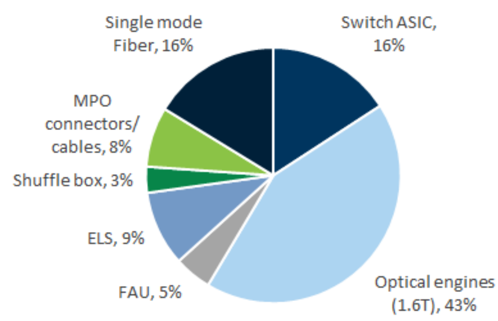
CPO switch BoM (Quantum-X Photonics)

US$	#	ASP	Value
Switch ASIC	4	3,000	12,000
Optical engines (1.6T)	72	450	32,400
FAU	72	50	3,600
ELS	18	400	7,200
Among which: CW laser (300mw)	144	30	4,320
Shuffle box	1	2,500	2,500
MPO connectors/ cables	144	40.0	5,760
Single mode Fiber	1,152	11	12,343
BoM			**75,803**
Markup			62,220
Selling price			**130,000**

ASP estimates are based on industry checks

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 19: CPO switch BoM breakdown, by % (GSe)



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 20: Technology adoption by cloud service providers (CSPs)

	Nvidia	Google	Microsoft	Meta	Amazon	Oracle	Chinese CSP
Optical module							
800G	√	√	√	√	√	√	√
1.6T	√	√	O (2027)	O (2026)	O (2027)	O (2027)	O
3.2T	O (2028)	O (2028)					
CPO							
Scale up	O			O			
Scale out	O	O		O			
OCS							
Scale up or scale out		√					

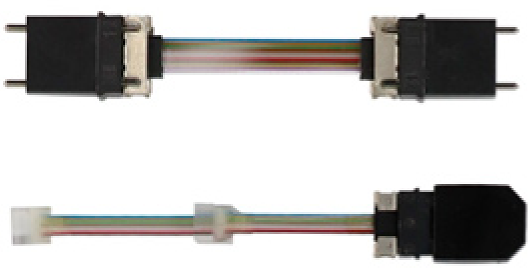
Note: √: adopted O: See progress in adoption

Source: Company data, Data compiled by Goldman Sachs Global Investment Research

FAU vs. GlassBridge

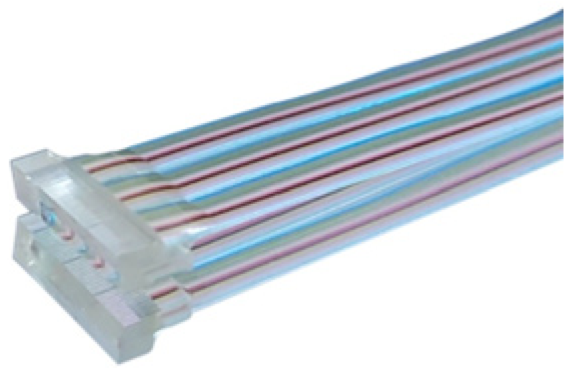
The FAU is a passive optical component that holds multiple optical fibers in a precisely aligned array, typically using a V-groove substrate. Its functions include: (1) high-precision optical coupling: providing micron-level alignment between optical fibers and the on-chip waveguides of the silicon photonic engine, (2) polarization management: FAUs often adopt polarization-maintaining fibers to ensure stable optical performance and high Polarization Extinction Ratios (PER), and (3) high-density interconnect: FAUs enable high-density interconnect by arranging fibers at a very tight pitch.

Exhibit 21: FOCI's FA solution for SiPh chip (1)



Source: Company data

Exhibit 22: FOCI's FA solution for SiPh chip (2)



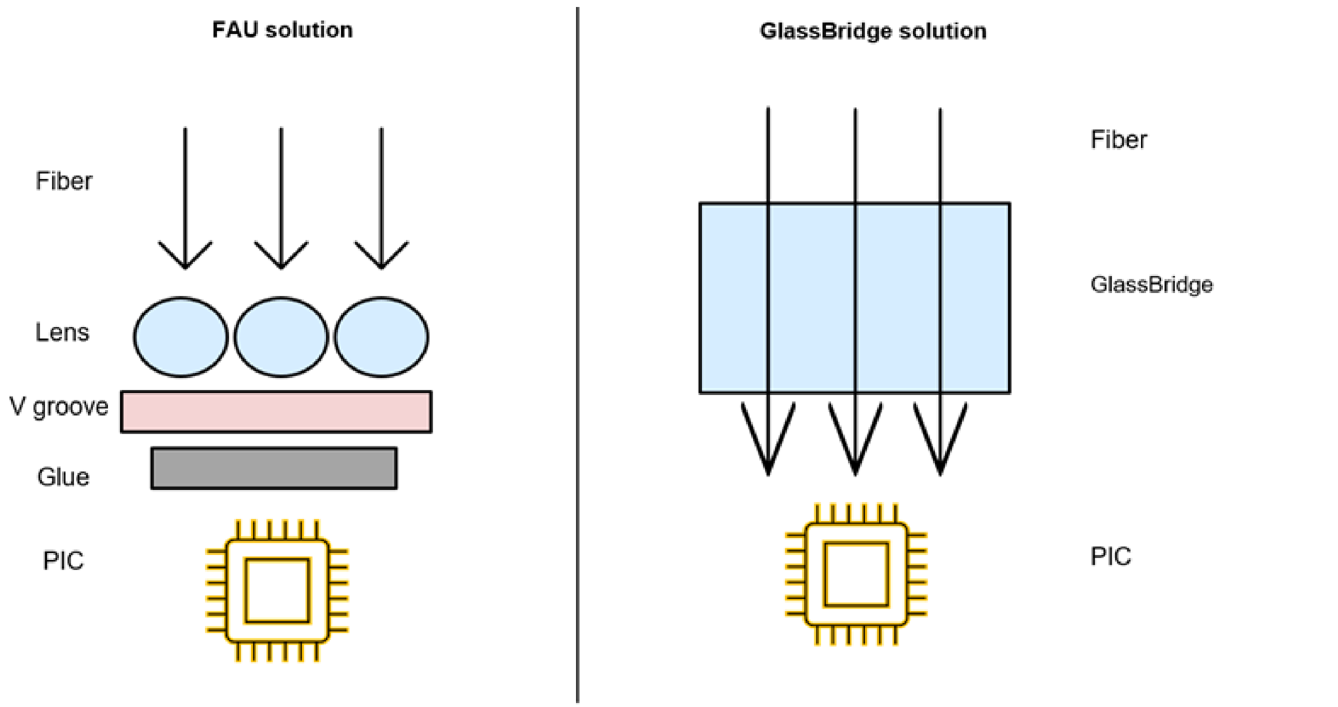
Source: Company data

Corning Inc. (GLW, Not Covered) is the major player in GlassBridge in the market (link), which is a wafer level-manufactured fiber-to-PIC technology designed as a detachable connector that supports 24+ optical channels. GlassBridge acts both as a high-precision glass component and as an integrated connector for fiber and optical engine, used in next-generation optical networking products (e.g., NPO, CPO, etc.). GlassBridge adopts IOX (ion-exchange) waveguides, which are optical pathways integrated in glass that enable high-precision optical alignment and low-loss performance, fulfilling the strict requirements in optical networking products used in AIDC.

The market is concerned that new technologies (e.g., GlassBridge) could replace FAU; however, we argue that for a technology to become mainstream, it requires stable performance and affordable costs in mass production, along with related system support and supply chain readiness. Our supply chain checks suggest: (1) it is normal that other solutions (e.g., glass, metal) are proposed to connect fibers and chips, but FAU continues to be the one chosen by customers, and (2) FAU is also evolving, including more channels (toward 100+ channels vs. 24+ channels for GlassBridge, link), narrower pitch, 2D architecture, and heat-resistant materials to withstand the heat during the reflow process. We believe GlassBridge is a complement to FAU rather than a replacement, and the strong AI server rack ramp-up, along with fast bandwidth upgrades, would continue to support FAU demand, driving FOCI's growth.

The rising demand for high-speed transmission drives high density, high precision, and high integration, lifting the entry barrier for FAUs: the size of FAUs will not increase, but the number of fibers will keep doubling with the rising transmission speed if per-channel speed stays the same. The increasing density will raise the difficulty in both design and manufacturing, and in CPO, the FAU couples with the PIC via optical co-packaging, with one end connecting with the PIC, and the other end connecting to high-density fiber optic cables, further lifting the entry barrier. FOCI works closely with a global-leading foundry to develop a standardized platform (IP ReLFACon: reflowable lensed fiber array connector). The ReLFACon is a connector or I/O (input/output) on the optical engine (EIC and PIC packaged together), connecting the optical engine and fiber optic cables to transmit data in and out. The ReLFACon can withstand the high temperature (up to 280 degrees Celsius) during semiconductor packaging, and can connect multiple fibers in a small space.

Exhibit 23: FAU and GlassBridge's structures



Source: Goldman Sachs Global Investment Research

Earnings estimates

Revenues: +81% CAGR in 2025-30E, driven by: **(1) Expanding from telecom to AIDC optical networking:** FOCI provides optical components to telecom operators and is expanding to high-speed FAU used in the AIDC CPO switch, riding on the growing AI infrastructure trend globally, **(2) CPO switch shipment ramp-up:** FOCI serves major CPO switch players in the global market, and the rising end demand would drive FOCI's high-speed FAU shipment growth ahead, **(3) Product migration:** We model FOCI to enjoy the product migration from 3.2T to 6.4T FAU in coming years, leading to an ASP uptrend, and **(4) Capacity expansion:** FOCI raised capital in 2026 to support its capacity expansion plan for FAU, supporting the company's shipment growth ahead.

GM: Up from 19% in 2025 to 39% in 2030E on rising contribution from CPO FAU and migration toward FAU with higher speed, which carries a higher GM than other product lines. **Opex ratio:** Improving from 18.7% in 2025 to 9.1% in 2030E on growing revenue scale and higher operational efficiency, with R&D expense at a +59% CAGR to support the product specification upgrades. **NI:** +250% CAGR in 2025-30E, driven by the rising revenue scale and profitability improvement.

Exhibit 24: FOCI P&L summary

(NT$ m)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E	2028E	2029E	2030E
Revenue	411	582	508	391	382	433	1,032	1,077	1,364	1,892	2,924	10,649	26,212	32,793	36,410
Gross profit	71	115	121	49	7	12	257	298	181	356	575	3,574	9,635	12,422	14,140
Operating expense	(77)	(83)	(110)	(84)	(163)	(147)	(95)	(99)	(272)	(354)	(504)	(1,171)	(2,726)	(3,214)	(3,313)
Operating income	(6)	33	11	(36)	(156)	(135)	162	199	(92)	1	71	2,402	6,909	9,208	10,826
Net income	1	17	21	(22)	(107)	(101)	135	165	(48)	16	92	1,955	5,485	7,259	8,485
EPS, diluted (NT$)	0.01	0.16	0.20	(0.22)	(0.98)	(0.92)	1.23	1.51	(0.48)	0.16	0.84	17.83	50.03	66.20	77.38
Margins / ratio															
Gross margin	17.2%	19.8%	23.8%	12.4%	1.9%	2.7%	24.9%	27.7%	13.3%	18.8%	19.7%	33.6%	36.8%	37.9%	38.8%
Opex ratio	-18.8%	-14.2%	-21.7%	-21.6%	-42.7%	-33.9%	-9.2%	-9.2%	-20.0%	-18.7%	-17.2%	-11.0%	-10.4%	-9.8%	-9.1%
Operating margin	-1.6%	5.6%	2.2%	-9.2%	-40.8%	-31.2%	15.7%	18.5%	-6.7%	0.1%	2.4%	22.6%	26.4%	28.1%	29.7%
Net margin	0.3%	2.9%	4.1%	-5.7%	-28.0%	-23.4%	13.1%	15.3%	-3.5%	0.9%	3.2%	18.4%	20.9%	22.1%	23.3%
QoQ															
Revenue	14%	41%	-13%	-23%	-2%	13%	139%	4%							
Gross profit	110%	63%	5%	-60%	-85%	63%	2091%	16%							
Operating income	nm	nm	-66%	nm	nm	nm	nm	23%							
Net income	nm	1420%	22%	nm	nm	nm	nm	22%							
YoY															
Revenue	53%	65%	33%	9%	-7%	-26%	103%	176%	7%	39%	55%	264%	146%	25%	11%
Gross profit	235%	62%	121%	44%	-90%	-90%	113%	514%	0%	97%	62%	522%	170%	29%	14%
Operating income	nm	376%	nm	nm	nm	nm	1382%	nm	nm	nm	5856%	3286%	188%	33%	18%
Net income	nm	-34%	nm	nm	nm	nm	557%	nm	nm	nm	469%	2020%	181%	32%	17%

Source: Company data, Goldman Sachs Global Investment Research

We expect **CCC days** to improve from 63 days in 2025 to 18 days in 2030E, mainly due to the gradually improving accounts receivable, inventory, and accounts payable days in the coming years, driven by the CPO FAU shipment ramp-up. We forecast **ROE** to increase to 34% in 2030E from 1% in 2025, mainly on improving asset turnover and net margins driven by the rising contribution from the high-margin CPO FAU business. We believe **FCF** should keep improving in the coming years, driven by higher operating cash flow as earnings scale up.

Exhibit 25: FOCI's balance sheet

NT$m	2024	2025	2026E	2027E	2028E	2029E	2030E
Balance Sheet							
Cash and equivalents	1,470	1,412	2,871	3,119	5,895	12,976	21,561
Accounts receivable	295	281	520	939	2,221	2,271	2,317
Inventory	288	409	621	1,705	3,291	3,406	3,549
Other current assets	88	105	105	105	105	105	105
Current assets	**2,141**	**2,207**	**4,118**	**5,868**	**11,513**	**18,759**	**27,533**
Net PP&E/Fixed assets	485	647	2,226	3,869	5,384	5,521	5,413
Net intangibles	32	22	22	29	33	36	37
Other long-term assets	309	280	280	280	280	280	280
Non-current assets	**826**	**950**	**2,528**	**4,178**	**5,697**	**5,837**	**5,730**
Total assets	**2,967**	**3,157**	**6,646**	**10,047**	**17,210**	**24,596**	**33,263**
Accounts payable	304	332	440	1,886	3,564	3,692	3,874
Short-term debt	-	153	153	153	153	153	153
Other current liabilities	43	36	36	36	36	36	36
Current liabilities	**347**	**522**	**629**	**2,076**	**3,753**	**3,881**	**4,064**
Long-term debt	-	-	-	-	-	-	-
Other long-term liabilities	89	86	86	86	86	86	86
Non-current liabilities	**89**	**86**	**86**	**86**	**86**	**86**	**86**
Total liabilities	**437**	**608**	**715**	**2,162**	**3,839**	**3,967**	**4,150**
Common stock	2,476	2,500	5,789	5,789	5,789	5,789	5,789
Retained earnings	276	273	366	2,320	7,806	15,064	23,549
Other common equity	(222)	(225)	(225)	(225)	(225)	(225)	(225)
Total common equity	**2,531**	**2,549**	**5,930**	**7,885**	**13,370**	**20,629**	**29,113**
Minority interest	-	-	-	-	-	-	-
Total equity	**2,531**	**2,549**	**5,930**	**7,885**	**13,370**	**20,629**	**29,113**
BVPS (NT$)	25.00	24.59	54.09	71.92	121.95	188.15	265.53
Cash conversion cycle							
Account receivable days	78	56	50	25	22	25	23
Inventory days	82	83	80	60	55	60	57
Net payable days	73	76	60	60	60	65	62
Cash conversion cycle	87	63	70	25	17	20	18
Ratios							
ROE (common equity)	-2%	1%	2%	28%	52%	43%	34%
ROA	-2%	1%	2%	23%	40%	35%	29%
Net debt to total equity	-58%	-49%	-46%	-38%	-43%	-62%	-74%
Net cash per share (NT$)	14.52	12.15	24.79	27.05	52.37	116.95	195.26
Total liabilities to total assets	15%	19%	11%	22%	22%	16%	12%
Dupont analysis							
Asset turnover	0.5	0.6	0.6	1.3	1.9	1.6	1.3
Leverage (assets to equity)	1.2	1.2	1.2	1.2	1.3	1.2	1.2
Net margin	-4%	1%	3%	18%	21%	22%	23%
CROCI (EDBITA/total equity)	1%	5%	4%	37%	58%	50%	41%

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 26: FOCI's cash flow statement

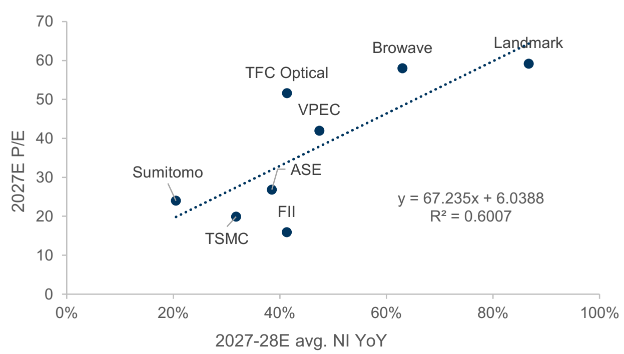
NT$m	2024	2025	2026E	2027E	2028E	2029E	2030E
Cash flow statement							
Net income	(48)	16	92	1,955	5,485	7,259	8,485
Minority interest add-back	-	-	-	-	-	-	-
Depreciation and amortization add-back	114	123	178	495	856	1,187	1,215
(Increase)/decrease in working capital	81	(78)	(344)	(56)	(1,191)	(38)	(6)
Other operating cash flow items	(77)	(78)	-	-	-	-	-
Cash flow from operating	**70**	**(17)**	**(74)**	**2,393**	**5,151**	**8,408**	**9,693**
Capital expenditure	(182)	(219)	(1,740)	(2,130)	(2,359)	(1,312)	(1,092)
Other investment cash flow items	200	54	(16)	(16)	(16)	(16)	(16)
Cash flow from investing	**19**	**(165)**	**(1,756)**	**(2,145)**	**(2,375)**	**(1,327)**	**(1,108)**
Dividends paid	(49)	-	-	-	-	-	-
Change in common stock	473	24	3,289	-	-	-	-
Increase/(decrease) in short-term debt	-	153	-	-	-	-	-
Increase/(decrease) in long-term debt	-	-	-	-	-	-	-
Other financing cash flow items	30	(56)	-	-	-	-	-
Cash flow from financing	**453**	**122**	**3,289**	**-**	**-**	**-**	**-**
Net change in cash	557	(58)	1,459	248	2,776	7,081	8,585
FCF	(112)	(236)	(1,814)	264	2,792	7,096	8,601
Ratio							
Capex to revenue	13%	12%	60%	20%	9%	4%	3%

Source: Company data, Goldman Sachs Global Investment Research

Valuation and Risks

We derive our 12-month target price of NT$864 based on a discounted P/E methodology to capture the company's long-term growth, which is consistent with our Greater China Tech coverage. Our 2030E target P/E multiple of 15.9x is based on the peers' correlation between forward-year trading P/E and earnings growth, with FOCI's 2030-31E average net income YoY at 15%. We apply the 15.9x target P/E to 2030E EPS and discount it back to 2027E with a COE of 12.6%. With a potential 49% upside to our target price, **we initiate coverage on FOCI at Buy.** Our TP-implied PEG is at 0.8x, within the peers' range of 0.3x-1.2x.

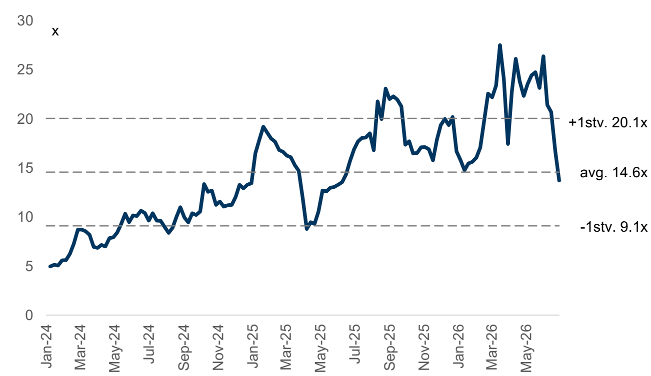
Exhibit 27: Our target P/E multiple is derived from peers' correlation between P/E and forward-year NI YoY growth



Estimates for not covered (NC) names are based on consensus.

Source: Company data, Goldman Sachs Global Investment Research, Refinitiv Eikon

Exhibit 28: FOCI's 12M forward P/S



Source: Refinitiv Eikon

Exhibit 29: FOCI and peers' PEG ratio

Company	FOCI	Company	FII	Browave	Landmark	VPEC	TFC Optical	Sumitomo	ASE	TSMC
Ticker	3363.TWO	Ticker	601138.SS	3163.TWO	3081.TWO	2455.TW	300394.SZ	5802.T	ASX	2330.TW
Rating	Buy	Rating	Buy	NC	Buy	Buy	Buy	Buy	NC	Buy
2030E TP implied P/E	11	2027E trading P/E	16	58	59	42	52	24	27	20
2030-31E avg. NI YoY	15%	2027-28E avg. NI YoY	41%	63%	87%	47%	41%	1.2	0.7	0.6
PEG	0.8	PEG	0.4	0.9	0.7	0.9	1.2	0.2	0.4	0.3

Estimates for not covered (NC) names are based on consensus.

Source: Company data, Goldman Sachs Global Investment Research, Refinitiv Eikon

Exhibit 30: FOCI's discounted P/E

NT$m	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E
Milestones	Optical components			High-speed FAU for CPO			Migrating to higher speed FAU			
Revenue	**1,621**	**1,272**	**1,364**	**1,892**	**2,924**	**10,649**	**26,212**	**32,793**	**36,410**	**40,051**
YoY		*-22%*	*7%*	*39%*	*55%*	*264%*	*146%*	*25%*	*11%*	*10%*
Gross profit	**299**	**180**	**181**	**356**	**575**	**3,574**	**9,635**	**12,422**	**14,140**	**15,740**
Gross margin	18.4%	14.1%	13.3%	18.8%	19.7%	33.6%	36.8%	37.9%	38.8%	39.3%
OPEX	200	238	272	354	504	1,171	2,726	3,214	3,313	3,524
YoY		19%	15%	30%	42%	132%	133%	18%	3%	6%
Opex ratio	12.3%	18.7%	20.0%	18.7%	17.2%	11.0%	10.4%	9.8%	9.1%	8.8%
Operating profit	**99**	**-58**	**-92**	**1**	**71**	**2,402**	**6,909**	**9,208**	**10,826**	**12,215**
YoY		-158%	58%	-101%	5856%	3286%	188%	33%	18%	13%
Operating margin	*6%*	*-5%*	*-7%*	*0%*	*2%*	*23%*	*26%*	*28%*	*30%*	*31%*
Pre-tax profit	**73**	**6**	**-57**	**23**	**116**	**2,474**	**6,988**	**9,306**	**10,948**	**12,337**
Net profit	**47**	**12**	**-48**	**16**	**92**	**1,955**	**5,485**	**7,259**	**8,485**	**9,561**
EPS (Rmb, diluted)	**0.53**	**0.13**	**-0.48**	**0.16**	**0.84**	**17.83**	**50.03**	**66.20**	**77.38**	**87.20**
YoY		*-74%*	*na*	*na*	*469%*	*2020%*	*181%*	*32%*	*17%*	*13%*
TP implied P/S						9	4	3	3	2
TP implied P/E						48	17	13	11	10

2030E target P/E	15.9
Target multiple x EPS	1,234
Discounted back to 2027; TP (NT$)	**864**
Implied 2027 P/E	48

COE assumption	
Beta	1.4
Risk free	3.5%
Market risk premium	6.5%
COE	**12.6%**

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 31: FOCI's peers comp table

Company	Ticker	Rating	Market cap US$m	PE 2027E	PE 2028E	PS 2027E	PS 2028E	NI YoY 2027E	NI YoY 2028E	Rev YoY 2027E	Rev YoY 2028E	OPM 2027E	OPM 2028E
FOCI	3363.TWO	Buy	1,920	30	11	5	2	2020%	181%	264%	146%	23%	26%
Peers													
TFC Optical	300394.SZ	Buy	40,108	42	32	17	13	51%	31%	47%	33%	47%	47%
Largan	3008.TW	Buy	17,815	20	18	6	5	14%	11%	16%	12%	43%	44%
Sumitomo	5802.T	Buy	51,602	20	16	1	1	17%	24%	7%	9%	10%	11%
FII	601138.SS	Buy	189,261	14	10	0	0	47%	36%	61%	52%	4%	4%
Fabrinet	FN	Not Covered	20,908	119	87	3	2	47%	39%	40%	31%	11%	11%
Coherent	COHR	Not Covered	74,582	39	26	7	5	54%	54%	34%	46%	24%	25%
Everprox	300548.SZ	Not Covered	12,248	71	NA	10	8	66%	NA	53%	NA	41%	NA
Browave	3163.TWO	Not Covered	2,137	45	NA	9	NA	142%	NA	146%	NA	41%	NA
AFR	300620.SZ	Not Covered	14,899	169	NA	22	NA	40%	NA	26%	NA	19%	NA
Accelink	002281.SZ	Not Covered	32,464	69	49	9	6	37%	59%	27%	39%	13%	13%
Average			**45,602**	**61**	**34**	**8**	**5**	**51%**	**36%**	**46%**	**32%**	**25%**	**22%**

Data as of Jul 3, 2026. Estimates for not covered (NC) names are based on consensus.

Source: Company data, Goldman Sachs Global Investment Research, Refinitiv Eikon

M&A framework: We assign an M&A rank of 3 (indicating a low probability of the company being acquired) to FOCI, given its long operational history and that it is currently in a rapid growth stage driven by its CPO FAU business, and therefore, we do not include any M&A component in our price target.

Key downside risks

- **Fiercer-than-expected market competition:** We see peers proactively developing and promoting their FAU products, and fiercer-than-expected market competition could weigh on FOCI's revenue and earnings growth.
- **Technology migration trend in optical networking:** We see fast technology migration in the optical networking market, and the development of new solutions that could outperform FAU could drag on FOCI's growth going forward, as we model

FAU as FOCI's key growth driver.

- **Slower-than-expected capacity ramp up:** FOCI is expanding its CPO FAU capacity to support rising end demand. If FOCI's capacity expansion pace or yield rate is lower than expected, it would pose downside risks to our forecasts for FOCI's shipment and revenue growth.

FOCI is an optical component supplier expanding from telecom to AIDC, co-designing and providing high-speed FAU for global-leading CPO switch players. We are positive on FOCI's earnings growth going forward, driven by (1) business expansion from optical components for telecom operators to FAU (fiber array unit) used in CPO switches, (2) increasing CPO switch shipments globally, (3) collaboration with global-leading CPO switch players in FAU design and manufacturing, (4) fully-automated FAU packaging technology supporting manufacturing efficiency and driving yield rates, (5) profitability improvement driven by the rising contribution from CPO FAU, (6) product migration toward higher-speed FAU (e.g., from 3.2T to 6.4T), and (7) capacity expansion in the coming years. **We are Buy-rated on FOCI.**

Valuation: Our 12-month target price of NT$864 is based on a 15.9x 2030E P/E, discounted back to 2027E at a COE of 12.6%. Our target multiple is derived from peers' correlation between forward-year trading P/E and earnings growth.

Key downside risks: Fiercer-than-expected market competition, technology migration trends in optical networking, and slower-than-expected capacity ramp-up.

Disclosure Appendix

Reg AC

We, Allen Chang, Verena Jeng and Yifan Hu, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

For a more detailed description of how we calculate the GS Factor Profile, please contact your GS representative.

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Across our global coverage, we examine stocks using an M&A framework, considering both qualitative factors and quantitative factors (which may vary across sectors and regions) to incorporate the potential that certain companies could be acquired. We then assign a M&A rank as a means of scoring companies under our rated coverage from 1 to 3, with 1 representing high (30%-50%) probability of the company becoming an acquisition target, 2 representing medium (15%-30%) probability and 3 representing low (0%-15%) probability. For companies ranked 1 or 2, in line with our standard departmental guidelines we incorporate an M&A component into our target price. M&A rank of 3 is considered immaterial and therefore does not factor into our price target, and may or may not be discussed in research.

Quantum

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