VPEC (2455.TW): New equipment reflects strong orders; 3Q26 to ride on better InP substrate supply and capacity expansion; Buy

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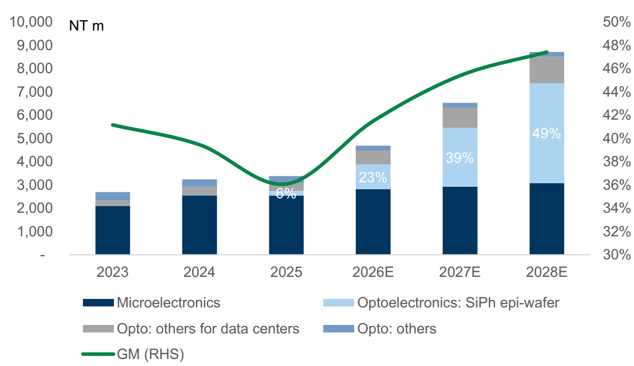
VPEC announced equipment procurement of NT$653m (US$20m) from Aixtron (MOCVD supplier), reflecting strong orders on hand and demand sustainability beyond 2027E, considering the lead time of MOCVD is now around 12 months. The continued investment in MOCVD reaffirms our positive view on VPEC, which is positioned to benefit from the AI server rack ramp up, optical networking specification upgrades across transmitters / CW lasers (toward 1.6T optical modules) and receivers (toward 200G PD), product expansion toward EML base epiwafers, further customer penetration for CW lasers, improving InP substrate supply, and opportunities in CPO (with customers placing R&D orders on InP epiwafers for 300mW CW lasers). Maintain Buy with TP at NT$505 (implied 52.3x 2027E PE vs. 49% NI YoY in 2027-28E).

Exhibit 1: VPEC revenues by products and GM trend



Source: Company data, Goldman Sachs Global Investment Research

3-month revenue preview: VPEC delivered flat revenues QoQ in 1Q26 and 2Q26; however, we expect +23% QoQ in 3Q26 thanks to capacity expansion and better InP substrate supply, on the back of more customers carrying substrate, InP substrate suppliers' capacity expansion, and consecutive export permission received from the Chinese government. We expect VPEC to better capture strong AI data center demand in 3Q26, driving its Optoelectronics revenue contribution up to 41% (vs. 27% in 2Q26), leading to further GM expansion.

Exhibit 2: VPEC monthly revenue preview

	Apr-26	May-26	Jun-26	Jul-26 (E)	Aug-26 (E)	Sep-26 (E)	1Q26	2Q26	3Q26E
Rev (NT$m)	319	321	326	342	377	467	959	965	1,186
YoY	38%	47%	24%	18%	37%	35%	21%	35%	30%
MoM/QoQ	2%	1%	2%	5%	10%	24%	0%	1%	23%
GS (NT$m)	334	325	353				968	996	
Actual vs. GS	-5%	-1%	-8%				-1%	-3%	

Source: Company data, Goldman Sachs Global Investment Research

2Q26 net income in line: VPEC gross profits increased +2% QoQ in 2Q26, largely in line with our and Bloomberg consensus. The company's optoelectronics (mainly InP epiwafer for optical networking) carrying higher GM compared to microelectronics (mainly GaAs epiwafer for smartphone PA), while it continues to deliver blended GM expansion despite a less favorable product mix in 2Q26 vs. 4Q25, reflecting InP epiwafer ASP increase under strong demand. With better InP substrate supply going forward, we expect GM expansion to continue, along with product mix upgrade toward optoelectronics. Opex ratio remained high in 2Q26 at 15.4% (vs. 14.5% in 1Q26), given modest revenues QoQ and continuous R&D investments, leading OP income to decline 1% QoQ, or 11% / 10% below our / Bloomberg consensus. With strong revenues QoQ in 3Q26, we expect opex ratio to improve to 13%. With lower than expected tax rate, net income increased +9% QoQ in 2Q26, in line with our / Bloomberg consensus.

Exhibit 3: VPEC 2Q26 results snapshot

NT$m	2Q25	1Q26	2Q26	QoQ	YoY	GS	Act / GS	Cons.	Act / Cons.
Revenues	714	959	965	1%	35%	996	-3%	987	-2%
GP	246	365	373	2%	52%	386	-3%	394	-5%
OP	122	227	224	-1%	83%	252	-11%	248	-10%
Net income	36	195	214	9%	488%	212	1%	215	-1%
Margins									
GM	34.4%	38.1%	38.6%			38.7%		39.9%	
OPM	17.1%	23.6%	23.2%			25.2%		25.1%	
NM	5.1%	20.3%	22.1%			21.2%		21.8%	

Source: Company data, Goldman Sachs Global Investment Research, Bloomberg

Earnings revision: We raise net income by 2% / 3% in 2027 / 28E mainly on better optoelectronics, considering better InP substrate supply and the company's capacity expansion to better capture strong demand. We factor in 2Q26 results and keep our 2026E net income largely unchanged.

Exhibit 4: Earnings revision

	2026E			2027E			2028E		
NT$m	Old	New	Diff %	Old	New	Diff %	Old	New	Diff %
Revenues	4,702	4,688	0%	6,473	6,532	1%	8,655	8,714	1%
GP	1,952	1,945	0%	2,918	2,965	2%	4,022	4,132	3%
OP	1,378	1,346	-2%	2,160	2,201	2%	3,056	3,133	3%
Net income	1,149	1,148	0%	1,779	1,811	2%	2,488	2,556	3%
Margins									
GM	41.5%	41.5%		45.1%	45.4%		46.5%	47.4%	
OPM	29.3%	28.7%		33.4%	33.7%		35.3%	36.0%	
NM	24.4%	24.5%		27.5%	27.7%		28.7%	29.3%	
Opex ratio	12.2%	12.8%		11.7%	11.7%		11.2%	11.5%	

Source: Goldman Sachs Global Investment Research

Compared to Bloomberg consensus, our net income is 13% / 7% higher in 2026 / 27E, mainly on higher revenues and GM, reflecting our positive view on its InP epiwafers for optical networking across transmitters / CW lasers and receivers, which we believe will continue to drive its product mix upgrade, GM expansion, and expanding the end market exposure from consumer electronics to AI data centers.

Exhibit 5: GS vs. Bloomberg consensus

	2026E			2027E		
NT$m	GS	Cons.	Diff %	GS	Cons.	Diff %
Revenues	4,688	4,401	7%	6,532	6,185	6%
GP	1,945	1,811	7%	2,965	2,730	9%
OP	1,346	1,214	11%	2,201	2,064	7%
Net income	1,148	1,018	13%	1,811	1,692	7%
Margins						
GM	41.5%	40.4%		45.4%	43.3%	
OPM	28.7%	27.6%		33.7%	33.4%	
NM	24.5%	23.1%		27.7%	27.4%	

Source: Goldman Sachs Global Investment Research, Bloomberg

Exhibit 6: VPEC P&L

NT$ mn	2022	2023	2024	2025	2026E	2027E	2028E	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E
Income statement															
Revenue	2,604	2,694	3,241	3,380	4,688	6,532	8,714	794	714	913	960	959	965	1,186	1,577
Gross profit	1,089	1,109	1,279	1,220	1,945	2,965	4,132	317	246	300	358	365	373	486	721
OP income	580	542	721	669	1,346	2,201	3,133	179	122	159	209	227	224	333	563
Net income	545	450	671	548	1,148	1,811	2,556	157	36	160	194	195	214	276	463
EPS (NT$)	2.93	2.43	3.62	2.95	6.12	9.65	13.63	0.85	0.20	0.86	1.04	1.04	1.14	1.47	2.47
Ratios															
Opex ratio	19.6%	21.0%	17.2%	16.3%	12.8%	11.7%	11.5%	17.3%	17.3%	15.4%	15.5%	14.5%	15.4%	13.0%	10.0%
Tax rate	18.4%	16.9%	17.9%	17.9%	18.2%	19.9%	19.9%	20.0%	-48.8%	19.9%	21.2%	19.9%	9.8%	19.9%	19.9%
Margins															
Gross margin	41.8%	41.2%	39.5%	36.1%	41.5%	45.4%	47.4%	39.9%	34.4%	32.9%	37.3%	38.1%	38.6%	41.0%	45.7%
Operating margin	22.3%	20.1%	22.3%	19.8%	28.7%	33.7%	36.0%	22.6%	17.1%	17.4%	21.8%	23.6%	23.2%	28.0%	35.7%
Net margin	20.9%	16.7%	20.7%	16.2%	24.5%	27.7%	29.3%	19.8%	5.1%	17.6%	20.2%	20.3%	22.1%	23.3%	29.3%
YoY															
Revenue	-28%	3%	20%	4%	39%	39%	33%	-5%	-18%	13%	33%	21%	35%	30%	64%
Gross profit	-28%	2%	15%	-5%	59%	52%	39%	-7%	-29%	-9%	37%	15%	52%	62%	102%
OP income	-45%	-7%	33%	-7%	101%	63%	42%	-10%	-41%	-18%	71%	27%	83%	109%	169%
Net income	-36%	-17%	49%	-18%	109%	58%	41%	-18%	-82%	11%	46%	24%	488%	72%	139%
QoQ															
Revenue								10%	-10%	28%	5%	0%	1%	23%	33%
Gross profit								22%	-22%	22%	19%	2%	2%	30%	48%
OP income								47%	-32%	30%	31%	8%	-1%	49%	69%
Net income								18%	-77%	342%	21%	1%	9%	29%	67%

Source: Company data, Goldman Sachs Global Investment Research

Valuation: We continue to derive target price from 2029E discounted P/E back to 2027E via 10.5% COE (no change), and derive target PE multiple from peers' trading P/E vs. forward year fundamentals (NI YoY and OPM). Based on our updated 2029-30E NI YoY of 20% (vs. 13% previously) and 2029-30E OPM of 37% (vs. 35% previously), and peers' PEG&M of 0.3x (vs. 0.4x previously), we derive target PE multiple at 18.2x (vs. 19.6x previously), reflecting the sector de-rating under the AI server rack model transition and concerns on AI spending sustainability. Our new target price is at NT$505 (vs. NT$504 previously). Our new TP implied 2027E PE is at 52x, within the company's trading range (vs. peak at 74x, and +1stv. at 46x). Maintain Buy.

Exhibit 7: VPEC peers comparison

Ticker	Company	Rating	2027E P/E	2027-28E NI YoY	2027-28E OPM	Ratio
3081.TWO	LandMark	Buy	42.3	85%	48%	0.3
688498.SS	*YJ Semi*	*Neutral*	*149.0*	*82%*	*51%*	*1.1*
5802.JT	Sumitomo	Buy	15.1	22%	11%	0.5
LITE	Lumentum	NC	30.3	80%	41%	0.2
COHR	Coherent	NC	24.5	45%	24%	0.4
6503.JT	*Mitsubishi*	*Buy*	*19.5*	*18%*	*11%*	*0.7*
300502.SZ	Eoptolink	Buy	17.2	30%	47%	0.2
Avg. (excl. outliers)			25.9	52%	34%	0.3
			2029E P/E	2029-30E NI YoY	2029-30E OPM	PEG&M
2455.TW	VPEC	Buy	18.2	20%	37%	0.3

Outliers are in grey. NC companies' estimates are from Bloomberg consensus. Price as of July 30, 2026.

Source: Company data, Goldman Sachs Global Investment Research, Bloomberg

Exhibit 8: VPEC discounted PE

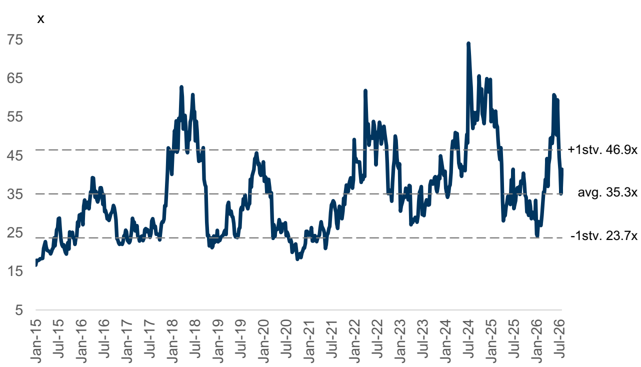
(NT$mn)	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
SiPh Rev contribution			1%	6%	23%	39%	49%		
SiPh GP contribution			1%	8%	32%	49%	59%		
Revenue	**2,604**	**2,694**	**3,241**	**3,380**	**4,688**	**6,532**	**8,714**	**10,587**	**12,175**
YoY	*-28%*	*3%*	*20%*	*4%*	*39%*	*39%*	*33%*	*22%*	*15%*
Gross margin	41.8%	41.2%	39.5%	36.1%	41.5%	45.4%	47.4%	*47.9%*	*48.4%*
Operating profit	580	542	721	669	1,346	2,201	3,133	3,859	4,499
YoY	-45%	-7%	33%	-7%	101%	63%	42%	23%	17%
Operating margin	*22%*	*20%*	*22%*	*20%*	*29%*	*34%*	*36%*	*36%*	*37%*
Pre-tax profit	667	542	818	667	1,403	2,260	3,191	3,918	4,558
Net profit	545	450	671	548	1,148	1,811	2,556	3,138	3,651
EPS (NT$, diluted)	**2.93**	**2.43**	**3.62**	**2.95**	**6.12**	**9.65**	**13.63**	**33.92**	**39.45**
YoY	*-36%*	*-17%*	*49%*	*-18%*	*109%*	*58%*	*41%*	*23%*	*16%*
TP implied P/E	172	208	140	171	83	52	37	15	13

2029E target P/E	18.2
Target multiple x EPS	617
Discounted back to 2027; TP (NTD)	**505.0**
Implied 2027 P/E	52.3

COE assumption	
Beta	1.7
Risk free	1.6%
Market risk premium	5.1%
COE	**10.5%**

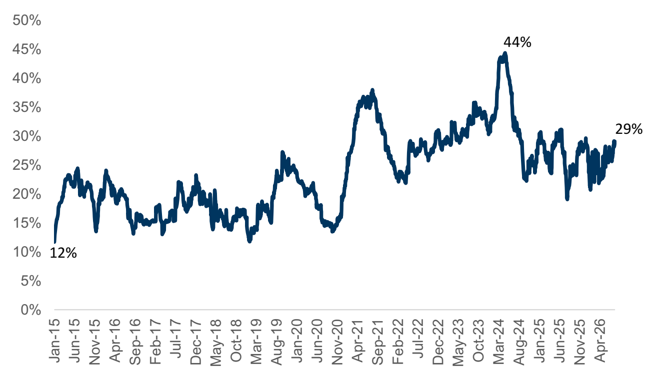
Source: Company data, Goldman Sachs Global Investment Research, Bloomberg

Exhibit 9: VPEC 12M forward PE ratio



Source: Company data, Goldman Sachs Global Investment Research, Bloomberg

Exhibit 10: VPEC QFII holdings



Source: TEJ

Price Target Risks and Methodology - VPEC

Valuation: We adopt a discounted P/E method and apply a 18.2x target P/E on VPEC's 2029E EPS, discounting back to 2027E at a COE of 10.5% (beta 1.7x, risk free rate 1.6% and market risk premium at 5.1%), to derive our 12m TP of NT$505. Our target P/E is based on 0.3x PEG&M ratio derived from the average level of peers in the photonics supply chain.

Key risk: Slower-than-expected SiPh business ramp up; weaker-than-expected microelectronics demand from smartphones clients; IDM offers EPI wafer in-house.

2455.TW	12m Price Target: **NT$505.00**	Price: **NT$265.50**	Upside: **90.2%**

Buy

Market cap: NT$49.8bn / $1.5bn
Enterprise value: NT$49.1bn / $1.5bn
3m ADTV: NT$3.0bn / $93.3mn
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) New	**3,380.1**	**4,688.2**	**6,532.3**	**8,713.5**
Revenue (NT$ mn) Old	3,380.1	4,702.4	6,473.0	8,655.5
EBITDA (NT$ mn)	960.2	1,659.3	2,548.2	3,461.7
EPS (NT$) New	**2.95**	**6.12**	**9.65**	**13.63**
EPS (NT$) Old	2.95	6.12	9.49	13.27
P/E (X)	46.4	43.4	27.5	19.5
P/B (X)	7.7	14.6	13.8	12.8
Dividend yield (%)	1.9	2.1	3.3	4.6
CROCI (%)	11.5	19.9	28.9	39.6

	6/26	9/26E	12/26E	3/27E
EPS (NT$)	1.14	1.47	2.47	1.92

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 30 Jul 2026 close.

Disclosure Appendix

Reg AC

We, Verena Jeng, Allen Chang 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.

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Rating and pricing information

Eoptolink (Buy, Rmb371.10), LandMark (Buy, NT$1,485.00), Mitsubishi Electric (Buy, ¥5,318), Sumitomo Electric Industries (Buy, ¥2,110), VPEC (Buy, NT$265.50) and YJ Semitech (Neutral, Rmb1,016.80)

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Goldman Sachs Investment Research global Equity coverage universe

	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	50%	34%	16%	65%	59%	43%

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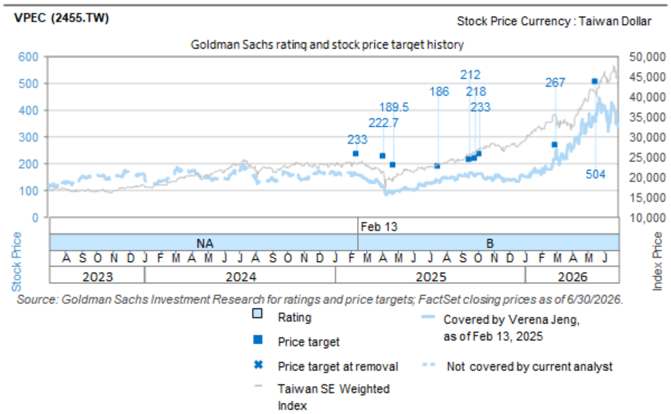
Price target and rating history chart(s)



The price targets shown should be considered in the context of all prior published Goldman Sachs research, which may or may not have included price targets, as well as developments relating to the company, its industry and financial markets.

Target price history table(s)
VPEC (2455.TW)

Date of report	Target price (NT$)	Closing price (NT$)
17-May-26	504.00	358.50
02-Mar-26	267.00	239.00
07-Oct-25	233.00	163.00
28-Sep-25	218.00	154.00
17-Sep-25	212.00	160.50
20-Jul-25	186.00	136.00
24-Apr-25	189.50	92.40
06-Apr-25	222.70	115.50
13-Feb-25	233.00	156.50

Price targets shown in table(s) are unadjusted for corporate actions.

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