VPEC (2455.TW)

Aug revenue strong beat; Product mix upgrade leading to margin expansion; Buy with 12M TP raised to NT$793

2455.TW	12m Price Target: **NT$793.00**	Price: **NT$500.00**	Upside: **58.6%**

VPEC's Jul and Aug revenue delivered double digit YoY growth, or 23% / 25% higher than our estimate, reflecting strong AI data center optical networking demand, InP substrate supply getting better, and VPEC's continuous customers penetration. We expect sequential revenues growth through Dec 2026, leading 3Q26 / 4Q26E revenues at 44% / 23% QoQ, and the product mix upgrade toward AI data center optical networking would continue to drive the GM expansion. VPEC's July net margin up to 27% from 18% / 22% in 3Q25 / 2Q26, reflecting the strong product mix upgrade. Maintain Buy with 12M TP raised to NT$793 (implied 69x 2027E PE vs. +61% NI YoY in 2027-28E). **Read more:** Global Optical Module TAM.

BUY

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Key Data

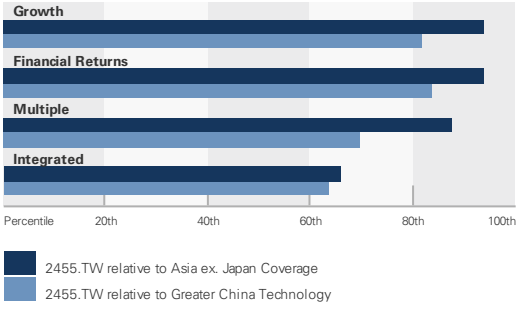
Market cap: NT$93.8bn / $3.0bn
Enterprise value: NT$93.0bn / $2.9bn
3m ADTV: NT$4.0bn / $126.6mn
Taiwan
Greater China Technology
M&A Rank: 3
Leases incl. in net debt & EV?: Yes

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (NT$ mn) New	**3,380.1**	**5,009.3**	**7,437.4**	**10,934.4**
Revenue (NT$ mn) Old	3,380.1	4,688.2	6,532.3	8,713.5
EBITDA (NT$ mn)	960.2	1,827.8	2,970.7	4,413.2
EPS (NT$) New	**2.95**	**6.84**	**11.43**	**17.66**
EPS (NT$) Old	2.95	6.12	9.65	13.63
P/E (X)	46.4	73.1	43.7	28.3
P/B (X)	7.7	27.3	25.6	23.4
Dividend yield (%)	1.9	1.2	2.0	3.2
CROCI (%)	11.5	21.8	33.7	51.3

	6/26	9/26E	12/26E	3/27E
EPS (NT$)	1.14	1.89	2.77	2.35

GS Factor Profile



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

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BUY

VPEC (2455.TW)

Rating since Feb 13, 2025

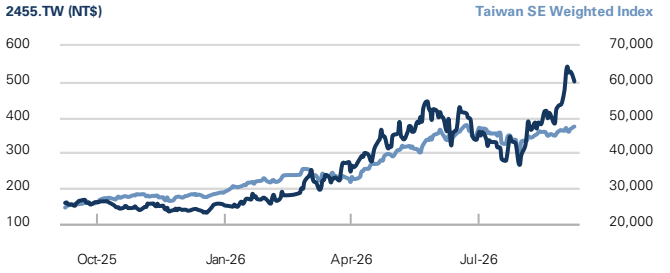
Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	46.4	73.1	43.7	28.3
P/B (X)	7.7	27.3	25.6	23.4
FCF yield (%)	1.1	1.0	1.8	3.6
EV/EBITDAR (X)	26.0	50.2	30.7	20.4
EV/EBITDA (excl. leases) (X)	26.0	50.2	30.7	20.4
CROCI (%)	11.5	21.8	33.7	51.3
ROE (%)	16.5	38.1	60.5	86.4
Net debt/equity (%)	(10.5)	(21.5)	(34.2)	(65.6)
Net debt/equity (excl. leases) (%)	(10.5)	(21.5)	(34.2)	(65.6)
Interest cover (X)	73.5	63.1	109.0	169.8
Days inventory outst, sales	71.5	54.2	48.7	46.0
Receivable days	48.6	43.0	42.0	41.0
Days payable outstanding	108.4	108.0	108.0	108.0
DuPont ROE (%)	16.6	37.4	58.6	82.7
Turnover (X)	0.7	0.9	1.0	1.2
Leverage (X)	1.4	1.7	1.9	2.3
Gross cash invested (ex cash) (NT$)	7,330.5	7,385.3	7,453.1	6,765.2
Average capital employed (NT$)	2,801.6	2,820.6	2,548.2	1,891.4
BVPS (NT$)	17.72	18.29	19.50	21.37

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	4.3	48.2	48.5	47.0
EBITDA growth	(4.9)	90.4	62.5	48.6
EPS growth	(18.5)	132.1	67.1	54.5
DPS growth	(17.4)	132.1	67.1	54.5
EBIT margin	19.8	30.2	35.2	37.3
EBITDA margin	28.4	36.5	39.9	40.4
Net income margin	16.2	25.6	28.8	30.3

Price Performance



	3m	6m	12m
Absolute	25.3%	130.4%	223.6%
Rel. to the Taiwan SE Weighted Index	19.3%	63.6%	67.5%

Source: FactSet. Price as of 7 Sep 2026 close.

Income Statement (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Total revenue	3,380.1	5,009.3	7,437.4	10,934.4
Cost of goods sold	(2,160.4)	(2,857.4)	(3,935.3)	(5,529.5)
SG&A	(167.0)	(196.1)	(275.9)	(379.4)
R&D	(383.4)	(441.0)	(609.9)	(951.3)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**960.2**	**1,827.8**	**2,970.7**	**4,413.2**
Depreciation & amortization	(291.0)	(313.0)	(354.4)	(339.0)
EBIT	**669.3**	**1,514.8**	**2,616.3**	**4,074.2**
Net interest inc./(exp.)	10.5	(7.9)	0.1	9.3
Income/(loss) from associates	–	–	–	–
Pre-tax profit	**667.4**	**1,571.5**	**2,676.4**	**4,135.6**
Provision for taxes	(119.4)	(288.8)	(532.6)	(823.0)
Minority interest	–	–	–	–
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**547.9**	**1,282.7**	**2,143.8**	**3,312.6**
Post-tax exceptionals	–	–	–	–
Net inc. (post-exceptionals)	**547.9**	**1,282.7**	**2,143.8**	**3,312.6**
EPS (basic, pre-except) (NT$)	**2.96**	**6.94**	**11.59**	**17.91**
EPS (diluted, pre-except) (NT$)	**2.95**	**6.84**	**11.43**	**17.66**
EPS (basic, post-except) (NT$)	**2.96**	**6.94**	**11.59**	**17.91**
EPS (diluted, post-except) (NT$)	**2.95**	**6.84**	**11.43**	**17.66**
DPS (NT$)	2.63	6.12	10.22	15.79
Div. payout ratio (%)	89.0	88.2	88.2	88.2

Balance Sheet (NT$ mn)

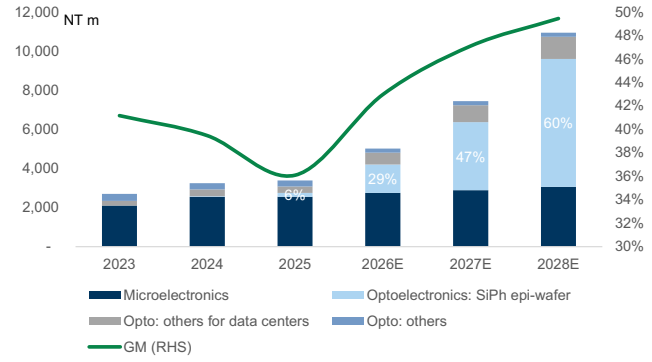
	12/25	12/26E	12/27E	12/28E
Cash & cash equivalents	945.0	1,338.8	1,852.2	3,229.3
Accounts receivable	518.6	661.7	1,049.9	1,406.6
Inventory	706.0	781.4	1,202.4	1,554.7
Other current assets	137.3	137.3	137.3	137.3
Total current assets	**2,306.9**	**2,919.2**	**4,241.8**	**6,327.9**
Net PP&E	2,315.2	2,861.6	2,807.5	2,788.3
Net intangibles	7.9	8.0	8.0	8.1
Total investments	0.0	0.0	0.0	0.0
Other long-term assets	46.7	46.7	46.7	46.7
Total assets	**4,676.7**	**5,835.4**	**7,103.9**	**9,171.0**
Accounts payable	662.5	1,028.5	1,300.4	1,971.9
Short-term debt	–	–	–	–
Short-term lease liabilities	–	–	–	–
Other current liabilities	115.8	772.9	1,542.9	2,588.1
Total current liabilities	**778.3**	**1,801.4**	**2,843.3**	**4,560.0**
Long-term debt	600.0	600.0	600.0	600.0
Long-term lease liabilities	–	–	–	–
Other long-term liabilities	3.6	3.6	3.6	3.6
Total long-term liabilities	**603.6**	**603.6**	**603.6**	**603.6**
Total liabilities	**1,382.0**	**2,405.1**	**3,446.9**	**5,163.7**
Preferred shares	–	–	–	–
Total common equity	3,294.7	3,430.3	3,657.0	4,007.3
Minority interest	**0.0**	**0.0**	**0.0**	**--**
Total liabilities & equity	**4,676.7**	**5,835.4**	**7,103.9**	**9,171.0**
Net debt, adjusted	(345.0)	(738.8)	(1,252.2)	(2,629.3)

Cash Flow (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Net income	547.9	1,282.7	2,143.8	3,312.6
D&A add-back	291.0	313.0	354.4	339.0
Minority interest add-back	–	–	–	–
Net (inc)/dec working capital	(184.1)	147.5	(537.4)	(37.4)
Other operating cash flow	(15.2)	–	–	–
Cash flow from operations	**639.6**	**1,743.2**	**1,960.8**	**3,614.2**
Capital expenditures	(361.1)	(856.6)	(297.5)	(317.1)
Acquisitions	–	–	–	–
Divestitures	–	–	–	–
Others	(2.6)	(2.8)	(2.8)	(2.8)
Cash flow from investing	**(363.7)**	**(859.4)**	**(300.3)**	**(319.9)**
Repayment of lease liabilities	–	–	–	–
Dividends paid (common & pref)	(591.7)	(490.0)	(1,147.1)	(1,917.1)
Inc/(dec) in debt	100.0	0.0	0.0	0.0
Other financing cash flows	(15.0)	0.0	0.0	0.0
Cash flow from financing	**(506.7)**	**(490.0)**	**(1,147.1)**	**(1,917.1)**
Total cash flow	**(230.8)**	**393.8**	**513.3**	**1,377.2**
Free cash flow	278.4	886.7	1,663.3	3,297.1

Source: Company data, Goldman Sachs Research estimates.

Exhibit 1: VPEC revenues by products and GM trend



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: VPEC Jul 2026 net income

NT$m	3Q25	2Q26	Jul-26
Rev	913	965	422
Net income	160	214	116
NM (%)	18%	22%	27%

Source: Company data

Exhibit 3: VPEC 2Q26 results snapshot

	Jul-26	Aug-26	Sep-26 (E)	Oct-26 (E)	Nov-26 (E)	Dec-26 (E)	3Q26E	4Q26E
Rev (NT$m)	422	471	493	518	559	622	1,386	1,699
YoY	45%	71%	42%	46%	96%	95%	52%	77%
MoM/QoQ	29%	12%	5%	5%	8%	11%	44%	23%
GS (NT$m)	342	377						
Actual vs. GS	23%	25%						

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

Earnings revision: We factor in VPEC's Jul-Aug revenues and raise our 2026-28E net incomes by 12% / 18% / 30%, mainly on higher revenues and GMs. 2026-28E revenues are revised up by 7% / 14% / 25%, mainly on higher contribution from optoelectronics business, driven by the strong end demand of AI data center optical networking, better InP substrate supply, and VPEC's customers' expansion and product expansion from CW lasers to EML, along with specification upgrade. Our 2026-28E GMs are revised up on rising contribution from optoelectronics business, which carries a higher margin than other product lines. We revise up 2027-28E opex ratios, mainly on higher R&D expense to collaborate with key customers on next generation optical networking products.

Exhibit 4: Earnings revision

	2026E			2027E			2028E		
NT$m	Old	New	Diff %	Old	New	Diff %	Old	New	Diff %
Revenues	4,688	5,009	7%	6,532	7,437	14%	8,714	10,934	25%
GP	1,945	2,152	11%	2,965	3,502	18%	4,132	5,405	31%
OP	1,346	1,515	13%	2,201	2,616	19%	3,133	4,074	30%
Net income	1,148	1,283	12%	1,811	2,144	18%	2,556	3,313	30%
Margins									
GM	41.5%	43.0%		45.4%	47.1%		47.4%	49.4%	
OPM	28.7%	30.2%		33.7%	35.2%		36.0%	37.3%	
NM	24.5%	25.6%		27.7%	28.8%		29.3%	30.3%	

Source: Goldman Sachs Global Investment Research

Exhibit 5: Changes by products

CHG	2026E	2027E	2028E	GM	2026E	2027E	2028E
NEW	**5,009**	**7,437**	**10,934**	**NEW**	**43%**	**47%**	**49%**
Microelectronics - Android PA epi-wafer	1,154	1,104	1,057	Microelectronics - Android PA epi-wafer	31%	31%	31%
Microelectronics - iPhone PA epi-wafer	719	726	730	Microelectronics - iPhone PA epi-wafer	31%	31%	31%
Microelectronics -WiFi and others epi-wafer	877	1,053	1,264	Microelectronics -WiFi and others epi-wafer	31%	31%	31%
Optoelectronics - Silicon Photonics epi-wafer	1,445	3,476	6,546	Optoelectronics - Silicon Photonics epi-wafer	59%	58%	57%
Optoelectronics - Data center (ex SiPh) epi-wafer	603	868	1,128	Optoelectronics - Data center (ex SiPh) epi-wafer	56%	56%	55%
Optoelectronics - Non Data center epi-wafer	210	210	210	Optoelectronics - Non Data center epi-wafer	50%	50%	50%
OLD	**4,688**	**6,532**	**8,714**	**OLD**	**41%**	**45%**	**47%**
Microelectronics - Android PA epi-wafer	1,225	1,154	1,091	Microelectronics - Android PA epi-wafer	31%	31%	31%
Microelectronics - iPhone PA epi-wafer	719	726	730	Microelectronics - iPhone PA epi-wafer	31%	31%	31%
Microelectronics -WiFi and others epi-wafer	872	1,046	1,255	Microelectronics -WiFi and others epi-wafer	31%	31%	31%
Optoelectronics - Silicon Photonics epi-wafer	1,059	2,528	4,299	Optoelectronics - Silicon Photonics epi-wafer	59%	58%	57%
Optoelectronics - Data center (ex SiPh) epi-wafer	603	868	1,128	Optoelectronics - Data center (ex SiPh) epi-wafer	56%	56%	55%
Optoelectronics - Non Data center epi-wafer	210	210	210	Optoelectronics - Non Data center epi-wafer	50%	50%	50%
CHG	***7%***	***14%***	***25%***	**CHG**	***1.5ppts***	***1.7ppts***	***2ppts***
Microelectronics - Android PA epi-wafer	*-6%*	*-4%*	*-3%*	Microelectronics - Android PA epi-wafer	*0ppts*	*0ppts*	*0ppts*
Microelectronics - iPhone PA epi-wafer	*0%*	*0%*	*0%*	Microelectronics - iPhone PA epi-wafer	*0ppts*	*0ppts*	*0ppts*
Microelectronics -WiFi and others epi-wafer	*1%*	*1%*	*1%*	Microelectronics -WiFi and others epi-wafer	*0ppts*	*0ppts*	*0ppts*
Optoelectronics - Silicon Photonics epi-wafer	*36%*	*38%*	*52%*	Optoelectronics - Silicon Photonics epi-wafer	*0ppts*	*0ppts*	*0ppts*
Optoelectronics - Data center (ex SiPh) epi-wafer	*0%*	*0%*	*0%*	Optoelectronics - Data center (ex SiPh) epi-wafer	*0ppts*	*0ppts*	*0ppts*
Optoelectronics - Non Data center epi-wafer	*0%*	*0%*	*0%*	Optoelectronics - Non Data center epi-wafer	*0ppts*	*0ppts*	*0ppts*

Source: Goldman Sachs Global Investment Research

GS vs. Bloomberg consensus: Our 2026-27E revenues are higher than Bloomberg consensus, reflecting our positive view on VPEC's optoelectronics business growth. Our 2026-27E GMs are higher than Bloomberg consensus, mainly on product mix upgrade towards optoelectronics. Overall, our 2026-37E net incomes are 27% / 26% higher than Bloomberg consensus.

Exhibit 6: GS vs. Bloomberg consensus

	2026E			2027E		
NT$m	GS	Cons.	Diff %	GS	Cons.	Diff %
Revenues	5,009	4,391	14%	7,437	6,177	20%
GP	2,152	1,786	20%	3,502	2,737	28%
OP	1,515	1,196	27%	2,616	2,052	27%
Net income	1,283	1,010	27%	2,144	1,695	26%
Margins						
GM	43.0%	40.4%		47.1%	43.3%	
OPM	30.2%	27.2%		35.2%	33.2%	
NM	25.6%	23.0%		28.8%	27.4%	

Source: Goldman Sachs Global Investment Research, Bloomberg

Valuation: We continue to derive target price from 2029E P/E discounted back to 2027E at 10.5% COE (no change), and derive target PE multiple from refreshed peers' trading P/E vs. forward year fundamentals (NI YoY and OPM). Based on our updated 2029-30E NI YoY of 18% (vs. 20% previously) and 2029-30E OPM of 38% (vs. 37% previously), and peers' PEG&M of 0.4x (vs. 0.3x previously), we derive target PE multiple at 22.2x (vs. 18.2x previously), reflecting the sector re-rating on new AI server racks ramp up driving optical modules specification upgrade, and InP substrate supply getting better. Our new

12-month target price is at NT$793 (vs. NT$505 previously). Our new TP implies 2027E P/E at 69x (52x previously), 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	89.6	82%	48%	0.7
688498.SS	*YJ Semi*	*Neutral*	*215.0*	*82%*	*51%*	*1.6*
5802.JT	Sumitomo	Buy	15.5	21%	10%	0.5
LITE	Lumentum	NC	30.3	80%	41%	0.2
COHR	Coherent	NC	24.5	45%	24%	0.4
6503.JT	*Mitsubishi*	*Buy*	*14.2*	*24%*	*18%*	*0.3*
300502.SZ	Eoptolink	Buy	16.8	33%	46%	0.2
Avg. (excl. outliers)			35.3	52%	34%	0.4
			2029E P/E	2029-30E NI YoY	2029-30E OPM	PEG&M
2455.TW	VPEC	Buy	22.2	18%	38%	0.4

Outliers are in grey. NC companies' estimates are from Bloomberg consensus

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

Exhibit 8: VPEC discounted PE

(NT$mn)	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
SiPh Rev contribution			1%	6%	29%	47%	60%		
SiPh GP contribution			1%	8%	39%	58%	69%		
Revenue	**2,604**	**2,694**	**3,241**	**3,380**	**5,009**	**7,437**	**10,934**	**13,285**	**15,145**
YoY	*-28%*	*3%*	*20%*	*4%*	*48%*	*48%*	*47%*	*22%*	*14%*
Gross margin	41.8%	41.2%	39.5%	36.1%	43.0%	47.1%	49.4%	*49.6%*	*49.8%*
Operating profit	580	542	721	669	1,515	2,616	4,074	4,977	5,704
YoY	-45%	-7%	33%	-7%	126%	73%	56%	22%	15%
Operating margin	*22%*	*20%*	*22%*	*20%*	*30%*	*35%*	*37%*	*37%*	*38%*
Pre-tax profit	667	542	818	667	1,572	2,676	4,136	5,038	5,765
Net profit	545	450	671	548	1,283	2,144	3,313	4,036	4,618
EPS (NT$, diluted)	**2.93**	**2.43**	**3.62**	**2.95**	**6.84**	**11.43**	**17.66**	**43.61**	**49.91**
YoY	*-36%*	*-17%*	*49%*	*-18%*	*134%*	*67%*	*55%*	*22%*	*14%*
TP implied P/E	271	326	219	269	116	69	45	18	16

2029E target P/E	22.2
Target multiple x EPS	968
Discounted back to 2027; TP (NTD)	**793.0**
Implied 2027 P/E	69.4

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

Exhibit 10: VPEC P&L summary

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	5,009	7,437	10,934	794	714	913	960	959	965	1,386	1,699
Gross profit	1,089	1,109	1,279	1,220	2,152	3,502	5,405	317	246	300	358	365	373	609	805
OP income	580	542	721	669	1,515	2,616	4,074	179	122	159	209	227	224	429	635
Net income	545	450	671	548	1,283	2,144	3,313	157	36	160	194	195	214	354	520
EPS (NT$)	2.93	2.43	3.62	2.95	6.84	11.43	17.66	0.85	0.20	0.86	1.04	1.04	1.14	1.89	2.77
Ratios															
R&D to rev	13.8%	15.9%	12.0%	11.3%	8.8%	8.2%	8.7%	12.3%	12.9%	10.3%	10.4%	9.4%	11.1%	9.1%	6.9%
Opex ratio	19.6%	21.0%	17.2%	16.3%	12.7%	11.9%	12.2%	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%	18.4%	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%	43.0%	47.1%	49.4%	39.9%	34.4%	32.9%	37.3%	38.1%	38.6%	43.9%	47.4%
Operating margin	22.3%	20.1%	22.3%	19.8%	30.2%	35.2%	37.3%	22.6%	17.1%	17.4%	21.8%	23.6%	23.2%	31.0%	37.4%
Net margin	20.9%	16.7%	20.7%	16.2%	25.6%	28.8%	30.3%	19.8%	5.1%	17.6%	20.2%	20.3%	22.1%	25.5%	30.6%
YoY															
Revenue	-28%	3%	20%	4%	48%	48%	47%	-5%	-18%	13%	33%	21%	35%	52%	77%
Gross profit	-28%	2%	15%	-5%	76%	63%	54%	-7%	-29%	-9%	37%	15%	52%	103%	125%
OP income	-45%	-7%	33%	-7%	126%	73%	56%	-10%	-41%	-18%	71%	27%	83%	170%	204%
Net income	-36%	-17%	49%	-18%	134%	67%	55%	-18%	-82%	11%	46%	24%	488%	121%	168%
QoQ															
Revenue								10%	-10%	28%	5%	0%	1%	44%	23%
Gross profit								22%	-22%	22%	19%	2%	2%	63%	32%
OP income								47%	-32%	30%	31%	8%	-1%	92%	48%
Net income								18%	-77%	342%	21%	1%	9%	66%	47%

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 11: VPEC balance sheet

NT$ mn	2022	2023	2024	2025	2026E	2027E	2028E
Balance Sheet							
Cash and equivalents	753	826	1,176	945	1,339	1,852	3,229
Accounts receivable	292	623	381	519	662	1,050	1,407
Inventory	487	505	619	706	781	1,202	1,555
Other current assets	88	92	108	137	137	137	137
Current assets	**1,620**	**2,045**	**2,284**	**2,307**	**2,919**	**4,242**	**6,328**
Net PP&E/Fixed assets	2,712	2,490	2,262	2,315	2,862	2,807	2,788
Net intangibles	6	7	8	8	8	8	8
Other long-term assets	74	35	30	47	47	47	47
Non-current assets	**2,792**	**2,532**	**2,299**	**2,370**	**2,916**	**2,862**	**2,843**
Total assets	**4,412**	**4,578**	**4,583**	**4,677**	**5,835**	**7,104**	**9,171**
Accounts payable	468	630	621	662	1,029	1,300	1,972
Short-term debt	200	100	-	-	-	-	-
Other current liabilities	64	69	125	116	773	1,543	2,588
Current liabilities	**732**	**799**	**747**	**778**	**1,801**	**2,843**	**4,560**
Long-term debt	590	700	500	600	600	600	600
Other long-term liabilities	7	9	7	4	4	4	4
Non-current liabilities	**597**	**709**	**507**	**604**	**604**	**604**	**604**
Total liabilities	**1,329**	**1,508**	**1,254**	**1,382**	**2,405**	**3,447**	**5,164**
Common stock	1,866	1,866	1,866	1,879	1,879	1,879	1,879
Retained earnings	1,217	1,242	1,506	1,462	1,598	1,824	2,175
Other common equity	-	(38)	(42)	(46)	(46)	(46)	(46)
Total common equity	**3,083**	**3,069**	**3,329**	**3,295**	**3,430**	**3,657**	**4,007**
Minority interest	-	-	-	-	-	-	-
Total equity	**3,083**	**3,069**	**3,329**	**3,295**	**3,430**	**3,657**	**4,007**
BVPS	16.57	16.56	17.95	17.72	18.29	19.50	21.37
Cash conversion cycle							
Account receivable days	62	62	57	49	43	42	41
Inventory days	109	114	104	112	95	92	91
Net payable days	144	126	116	108	108	108	108
Cash conversion cycle	26	50	45	52	30	26	24
Ratios							
ROE (common equity)	17%	15%	21%	17%	38%	60%	86%
ROA	12%	10%	15%	12%	24%	33%	41%
Net debt to total equity	1%	-1%	-20%	-10%	-22%	-34%	-66%
Net cash per share (NTD)	(0.20)	0.14	3.66	1.86	4.00	6.77	14.22
Total liabilities to total assets	30%	33%	27%	30%	41%	49%	56%
Dupont analysis							
Asset turnover	0.6	0.6	0.7	0.7	1.0	1.1	1.3
Leverage (assets to equity)	1.5	1.5	1.4	1.4	1.6	1.8	2.1
Net margin	21%	17%	21%	16%	26%	29%	30%
ROE (total equity)	17%	15%	21%	17%	38%	60%	86%
ROE (common equity)	17%	15%	21%	17%	38%	60%	86%
ROA	12%	10%	15%	12%	24%	33%	41%
CROCI (EDBITA/total equity)	27%	27%	30%	29%	53%	81%	110%

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 12: VPEC cash flow statement

NT$ mn	2022	2023	2024	2025	2026E	2027E	2028E
Cash flow statement							
Net income	545	450	671	548	1,283	2,144	3,313
Minority interest add-back	-	-	-	-	-	-	-
Depreciation and amortization add-back	243	284	288	291	313	354	339
(Increase)/decrease in working capital	(39)	(186)	119	(184)	148	(537)	(37)
Other operating cash flow items	(106)	24	8	(15)	-	-	-
Cash flow from operating	**644**	**572**	**1,086**	**640**	**1,743**	**1,961**	**3,614**
Capital expenditure	(418)	(71)	(44)	(361)	(857)	(297)	(317)
Other investment cash flow items	(52)	(0)	(3)	(3)	(3)	(3)	(3)
Cash flow from investing	**(470)**	**(71)**	**(47)**	**(364)**	**(859)**	**(300)**	**(320)**
Dividends paid	(740)	(425)	(407)	(592)	(490)	(1,147)	(1,917)
Change in common stock	-	-	-	13	-	-	-
Increase/(decrease) in short-term debt	(280)	(100)	(100)	-	-	-	-
Increase/(decrease) in long-term debt	390	110	(200)	100	-	-	-
Other financing cash flow items	(2)	(3)	(4)	(17)	-	-	-
Cash flow from financing	**(632)**	**(419)**	**(711)**	**(496)**	**(490)**	**(1,147)**	**(1,917)**
Net change in cash	(457)	73	350	(231)	394	513	1,377
FCF	226	501	1,042	278	887	1,663	3,297
Ratio							
Capex to revenue	16%	3%	1%	11%	17%	4%	3%

Source: Company data, Goldman Sachs Global Investment Research

VPEC focuses on III-V compound semiconductor EPI wafer for microelectronics and optoelectronics devices based on InP and GaA substrate, and expands to EPI wafer for SiPh transceivers CW laser for data center applications. We expect strong momentum in VPEC growth driven by the SiPh ramp up in 2026E, microelectronics clients' increasing demand, and its accumulated technology advantages on EPI wafer. We note that VPEC is currently trading lower than our TP implied 69x 2027E forward P/E, which is attractive, in our view.

Price Target Risks and Methodology - VPEC

Valuation: We adopt a discounted P/E method and apply a 22.2x 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$793. Our target P/E is based on 0.4x 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.

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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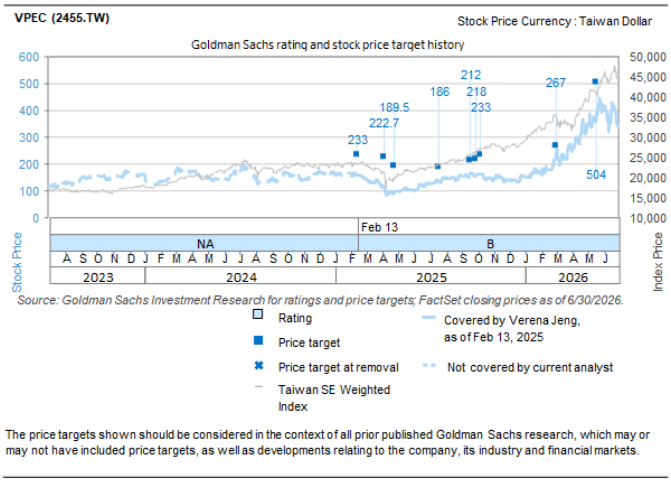
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Target price history table(s)

VPEC (2455.TW)

Date of report	Target price (NT$)	Closing price (NT$)
30-Jul-26	505.00	265.50
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

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