Goldman Sachs Research

Equity Research

30 July 2026 | 6:01PM CST

Elite Material (2383.TW)

Better high-end M9/substrate CCL contribution from 2H26, suggesting even better GM/OPM in coming quarters; reiterate Buy

2383.TW	12m Price Target: **NT$10,200.00**	Price: **NT$4,100.00**	Upside: **148.8%**

We hosted EMC's 2Q26 post result call on July 30th. Key takeaways include:

(1) EMC mentioned MP (mass production) for the M9 CCL products has started in 3Q26 and the demand will get even stronger in 4Q26 and beyond, while M9 CCL has already accounted for low single digits of total revenue in 1H26, despite limited shipments. Management expects Nvidia HGX R200 UBB to be the first board to adopt M9 CCL in 3Q26 and further expects shipment of M9 CCL for LPU to start from 4Q26.

(2) Management mentioned the possibility of another round of CCL pricing hike to occur in 2H26 as the company continues to see cost increases in raw materials. Material supply remains tight in 2H26, which spans across glass fiber (E-glass & low-DK2) and high-end copper foil (mostly HVLP4). Despite seeing possibility of further cost increases in 2H26, the company can pass-through the higher cost through price hikes.

(3) Without considering the potential pricing hike and further M9 grade CCL demand growth in 3Q26, EMC now sees its 3Q revenue minimal growth rate at 15% QoQ and the most conservative 3Q GM estimate is 35% +-1.5ppt (1.1ppt GM expansion at the midpoint vs. 2Q26 GM), while the company also mentioned potential upward revision is possible if market conditions continue to be even more favorable.

(4) EMC continue to make progress on substrate CCL, and expects the product shipment could start from 4Q26 the earliest with a high GM (40-50%+ vs. company 's ~34% in 2Q26). The company holds 1.6% market share in substrate CCL market in 2025 and expects to double the share in a one-year time frame; it will expand its substrate CCL capacity by 100% in 4Q26 and will expand the capacity by another 100% in 2027.

BUY

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Key Data

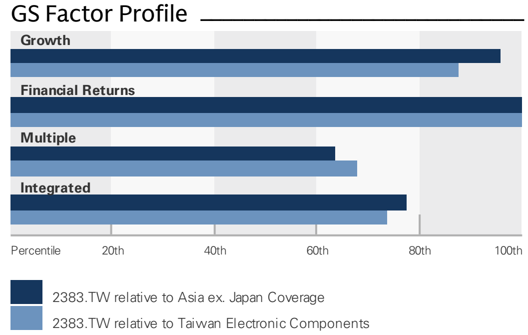
Market cap: NT$1.3tr / $40.5bn
Enterprise value: NT$1.3tr / $40.4bn
3m ADTV: NT$11.8bn / $370.3mn
Taiwan
Taiwan Electronic Components
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (NT$ mn)	94,260.6	197,643.3	353,024.1	580,049.0
EBITDA (NT$ mn)	20,957.5	58,100.2	126,466.7	229,583.3
EPS (NT$)	41.67	121.03	267.52	488.99
P/E (X)	23.1	33.9	15.3	8.4
P/B (X)	6.8	21.7	13.8	8.3
Dividend yield (%)	2.6	1.8	3.9	7.2
N debt/EBITDA (ex lease,X)	(0.1)	(0.1)	(0.2)	(0.4)
CROCI (%)	37.1	62.4	109.7	169.0
FCF yield (%)	0.7	0.7	3.5	7.7

	6/26	9/26E	12/26E	3/27E
EPS (NT$)	27.56	37.75	40.83	46.88

GS Factor Profile



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

BUY

Elite Material (2383.TW)

Rating since Oct 26, 2023

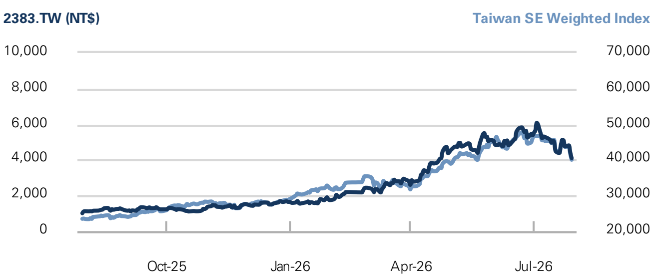
Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	23.1	33.9	15.3	8.4
P/B (X)	6.8	21.7	13.8	8.3
FCF yield (%)	0.7	0.7	3.5	7.7
EV/EBITDAR (X)	16.1	25.2	11.4	6.0
EV/EBITDA (excl. leases) (X)	16.1	25.2	11.4	6.0
CROCI (%)	37.1	62.4	109.7	169.0
ROE (%)	34.2	73.3	110.2	124.1
Net debt/equity (%)	(4.9)	(4.8)	(27.6)	(48.2)
Net debt/equity (excl. leases) (%)	(4.9)	(4.8)	(27.6)	(48.2)
Interest cover (X)	43.6	79.1	149.2	278.2
Days inventory outst, sales	50.7	33.3	26.3	25.5
Receivable days	121.8	88.8	83.3	84.5
Days payable outstanding	111.7	87.4	84.6	86.0
DuPont ROE (%)	29.0	64.0	90.3	99.4
Turnover (X)	0.9	1.2	1.4	1.4
Leverage (X)	2.1	2.4	2.4	2.3
Gross cash invested (ex cash) (NT$)	63,748.5	82,214.6	96,578.0	113,023.8
Average capital employed (NT$)	38,551.2	56,237.4	70,690.4	84,058.3
BVPS (NT$)	140.81	189.25	296.26	491.86

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	46.4	109.7	78.6	64.3
EBITDA growth	50.5	177.2	117.7	81.5
EPS growth	49.8	190.5	121.0	82.8
DPS growth	47.1	190.5	121.0	82.8
EBIT margin	20.3	28.4	35.3	39.2
EBITDA margin	22.2	29.4	35.8	39.6
Net income margin	15.5	21.9	27.1	30.2

Price Performance



	3m	6m	12m
Absolute	(7.7)%	129.1%	303.9%
Rel. to the Taiwan SE Weighted Index	(9.4)%	86.1%	134.1%

Source: FactSet. Price as of 29 Jul 2026 close.

Income Statement (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Total revenue	94,260.6	197,643.3	353,024.1	580,049.0
Cost of goods sold	(66,140.7)	(128,144.8)	(209,475.8)	(328,155.0)
SG&A	(6,869.7)	(9,343.0)	(12,129.0)	(13,944.0)
R&D	(2,141.9)	(3,979.5)	(6,951.9)	(10,440.9)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**20,957.5**	**58,100.2**	**126,466.7**	**229,583.3**
Depreciation & amortization	(1,849.3)	(1,924.3)	(1,999.3)	(2,074.3)
EBIT	**19,108.3**	**56,176.0**	**124,467.4**	**227,509.0**
Net interest inc./(exp.)	(178.8)	(364.2)	(335.5)	122.0
Income/(loss) from associates	–	–	–	–
Pre-tax profit	**18,876.1**	**56,293.2**	**124,467.4**	**227,509.0**
Provision for taxes	(4,231.2)	(12,933.6)	(28,627.5)	(52,327.1)
Minority interest	4.0	2.8	–	–
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**14,648.9**	**43,362.4**	**95,839.9**	**175,182.0**
Post-tax exceptionals	–	–	–	–
Net inc. (post-exceptionals)	**14,648.9**	**43,362.4**	**95,839.9**	**175,182.0**
EPS (basic, pre-except) (NT$)	**41.67**	**121.03**	**267.52**	**488.99**
EPS (diluted, pre-except) (NT$)	**41.67**	**121.03**	**267.52**	**488.99**
EPS (basic, post-except) (NT$)	**41.67**	**121.03**	**267.52**	**488.99**
EPS (diluted, post-except) (NT$)	**41.67**	**121.03**	**267.52**	**488.99**
DPS (NT$)	25.00	72.62	160.51	293.40
Div. payout ratio (%)	60.0	60.0	60.0	60.0

Balance Sheet (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Cash & cash equivalents	20,007.8	28,808.2	54,280.0	109,481.2
Accounts receivable	36,581.3	59,563.7	101,554.9	166,863.4
Inventory	16,751.6	19,309.5	31,564.8	49,448.0
Other current assets	639.0	639.0	639.0	639.0
Total current assets	**73,979.7**	**108,320.4**	**188,038.7**	**326,431.6**
Net PP&E	30,863.9	51,494.1	64,549.4	77,529.6
Net intangibles	102.8	48.3	(6.2)	(60.7)
Total investments	0.0	0.0	0.0	0.0
Other long-term assets	2,966.2	2,966.2	2,966.2	2,966.2
Total assets	**107,912.5**	**162,829.0**	**255,548.1**	**406,866.7**
Accounts payable	24,517.5	36,863.6	60,260.2	94,400.8
Short-term debt	9,319.8	12,319.8	11,819.8	11,319.8
Short-term lease liabilities	–	–	–	–
Other current liabilities	12,393.4	29,621.6	61,108.2	108,713.4
Total current liabilities	**46,230.7**	**78,805.0**	**133,188.1**	**214,434.0**
Long-term debt	8,219.3	13,219.3	13,219.3	13,219.3
Long-term lease liabilities	–	–	–	–
Other long-term liabilities	3,027.3	3,027.3	3,027.3	3,027.3
Total long-term liabilities	**11,246.6**	**16,246.6**	**16,246.6**	**16,246.6**
Total liabilities	**57,477.3**	**95,051.6**	**149,434.7**	**230,680.6**
Preferred shares	–	–	–	–
Total common equity	50,455.5	67,800.5	106,136.4	176,209.2
Minority interest	**(20.3)**	**(23.1)**	**(23.1)**	**(23.1)**
Total liabilities & equity	**107,912.5**	**162,829.0**	**255,548.1**	**406,866.7**
Net debt, adjusted	(2,468.7)	(3,269.0)	(29,240.9)	(84,942.0)

Cash Flow (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Net income	14,648.9	43,362.4	95,839.9	175,182.0
D&A add-back	1,849.3	1,924.3	1,999.3	2,074.3
Minority interest add-back	(4.0)	(2.8)	–	–
Net (inc)/dec working capital	(8,696.1)	(13,194.3)	(30,849.9)	(49,051.1)
Other operating cash flow	4,169.8	–	–	–
Cash flow from operations	**11,967.8**	**32,089.6**	**66,989.2**	**128,205.1**
Capital expenditures	(9,489.7)	(22,500.0)	(15,000.0)	(15,000.0)
Acquisitions	–	–	–	–
Divestitures	1.7	–	–	–
Others	(399.5)	–	–	–
Cash flow from investing	**(9,887.6)**	**(22,500.0)**	**(15,000.0)**	**(15,000.0)**
Repayment of lease liabilities	–	–	–	–
Dividends paid (common & pref)	(5,893.7)	(8,789.2)	(26,017.4)	(57,503.9)
Inc/(dec) in debt	11,402.8	8,000.0	(500.0)	(500.0)
Other financing cash flows	(2,569.8)	0.0	0.0	0.0
Cash flow from financing	**2,939.2**	**(789.2)**	**(26,517.4)**	**(58,003.9)**
Total cash flow	**5,019.5**	**8,800.4**	**25,471.8**	**55,201.2**
Free cash flow	2,478.1	9,589.6	51,989.2	113,205.1

Source: Company data, Goldman Sachs Research estimates.

(5) Company mentioned its future capacity expansion has already been fully booked by end customers and it's discussing capacity with customers for after 2H28. In terms of overall capacity expansion plans, on top of the existing +5%/+51% YoY capacity growth (year-end to year-end basis) in 2026/27, the company plans to further expand 1.2mn/0.6mn sheets of monthly capacity in 1Q28/2Q28 (another 19% increase by mid 2028 vs. 2027 end capacity).

(6) In terms of the high-end CCL competition, management believe the more favorable competition landscape will be even more favorable going into the long term as CCL migrates to more advanced generation; they also don't expect competition from low-end CCL peers, which claim to be making progress with M10 CCL, will have any impact on the company. The company believes the high-end CCL shortage issue will continue for at least the next 2+ years. For M10, EMC has submitted samples for verification but does not expect the product will be adopted in foreseeable future.

(7) For switches, the company mentioned that 800G switches will remain mainstream in 2026 and start to see shipment for 1.6T switches starting in 3Q26. The company also sees upgrade in CCL for switches, migrating from M8 grade CCL (low-DK glass fiber with HVLP3 copper foil) to M8+ grade CCL (low-DK2 glass fiber with HVLP4 copper foil).

Investment view

We maintain our positive view on EMC, due to not only the potential better pricing outlook with the tightening supply demand conditions on the high-end high quality CCL supply (see here), but also thanks to the company's leadership position in the high GM M9 grade CCL and its good progress on penetrating into the high GM substrate CCL supply chain, while we believe all three factors above should not only drive the company's top line growth in coming years, but also imply an expanding GM/OPM outlook.

We are positive on EMC's commentary that its MP on M9 is ongoing with increasing orders and new models to adopt this high-end product, while we expect the M9 grade CCL to have the highest GM among companies' product portfolios (we expect M9 CCL GM should be 50-55%+ based on current pricing status). Considering EMC's leadership position in M9 grade CCL, we expect the company to enjoy a solid ASP expansion in 2027 and beyond considering (1) we expect the M9+ grade CCL demand will grow 2x+ YoY in 2027 and further expand in 2028 and beyond, and (2) M9 grade CCL pricing per sheet is normally 100%+ higher than M8 grade CCL. We therefore expect the company will enjoy strong revenue/GM growth in coming quarters/years even without any like for like base pricing hike.

For substrate CCL, TAM was ~US$1.3bn in 2025 per EMC (TAM is only ~40% of EMC's revenue in 2025), and if assuming the substrate CCL TAM growth rate to be in-line with ABF/BT substrate industry growth rate, the TAM will increase to US$3.4bn/US$5.5bn in 2027/28 (28%/28% of EMC's 2027/28 per GSe), suggesting a low revenue contribution even if the company can get a higher market share (was 1.6% in 2025). However, if we consider the GM of the substrate CCL during supply tightness periods can be as high as 50-70%, this new business can contribute more profitability growth in coming years.

Overall, we reiterate our Buy rating on EMC with an unchanged TP of NT$10,200, considering its solid position in the AI CCL industry (which should see 100%+ revenue CAGR in at least the next 3-5 years) and its early penetration into the high margin substrate CCL business, as well as the favorable pricing environment now in the AI CCL market, which should continue to drive EMC's profitability in coming quarters/years.

Valuation

Maintain Buy on EMC, with an unchanged 12-TP of NT$10,200 (based on the same 27x 2027E EPS; in line with the peak P/E multiple for AI component suppliers in past 3 years).

Exhibit 1: P&L table

NT$mn	1Q26	2Q26	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	1Q28E	2Q28E	3Q28E	4Q28E	2025	2026E	2027E	2028E	2029E
Revenue	33,067	47,275	57,349	59,952	67,047	81,696	94,459	109,822	122,256	139,528	153,104	165,161	94,261	197,643	353,024	580,049	827,957
Gross profit	9,729	16,003	21,117	22,649	26,204	32,690	38,502	46,151	52,156	60,074	66,695	72,969	28,120	69,498	143,548	251,894	374,578
Operating expense	(2,601)	(3,269)	(3,556)	(3,897)	(4,392)	(4,616)	(4,912)	(5,162)	(5,502)	(6,000)	(6,277)	(6,606)	(9,012)	(13,322)	(19,081)	(24,385)	(34,812)
Operating income	7,128	12,734	17,561	18,752	21,813	28,075	33,591	40,990	46,655	54,074	60,418	66,362	19,108	56,176	124,467	227,509	339,766
Pretax income	7,194	12,785	17,561	18,752	21,813	28,075	33,591	40,990	46,655	54,074	60,418	66,362	18,876	56,293	124,467	227,509	339,766
Taxes expense	(1,855)	(2,914)	(4,039)	(4,126)	(5,017)	(6,457)	(7,726)	(9,428)	(10,731)	(12,437)	(13,896)	(15,263)	(4,231)	(12,934)	(28,628)	(52,327)	(78,146)
Net income	5,340	9,873	13,522	14,627	16,796	21,618	25,865	31,562	35,924	41,637	46,522	51,099	14,649	43,362	95,840	175,182	261,620
EPS, NT$	**14.90**	**27.55**	**37.73**	**40.81**	**46.87**	**60.32**	**72.17**	**88.07**	**100.24**	**116.18**	**129.81**	**142.58**	**41.67**	**121.00**	**267.42**	**488.81**	**730.00**
Ratio analysis and assumption																	
As % of sales																	
Gross margin	29.4%	33.9%	36.8%	37.8%	39.1%	40.0%	40.8%	42.0%	42.7%	43.1%	43.6%	44.2%	29.8%	35.2%	40.7%	43.4%	45.2%
Operating expense ratio	7.9%	6.9%	6.2%	6.5%	6.6%	5.7%	5.2%	4.7%	4.5%	4.3%	4.1%	4.0%	9.6%	6.7%	5.4%	4.2%	4.2%
Operating margin	21.6%	26.9%	30.6%	31.3%	32.5%	34.4%	35.6%	37.3%	38.2%	38.8%	39.5%	40.2%	20.3%	28.4%	35.3%	39.2%	41.0%
Net margin	16.1%	20.9%	23.6%	24.4%	25.1%	26.5%	27.4%	28.7%	29.4%	29.8%	30.4%	30.9%	15.5%	21.9%	27.1%	30.2%	31.6%
QoQ growth (%)																	
Revenue	32.7%	43.0%	21.3%	4.5%	11.8%	21.8%	15.6%	16.3%	11.3%	14.1%	9.7%	7.9%	-	-	-	-	-
Gross profit	36.6%	64.5%	32.0%	7.3%	15.7%	24.8%	17.8%	19.9%	13.0%	15.2%	11.0%	9.4%	-	-	-	-	-
Operating income	44.5%	78.6%	37.9%	6.8%	16.3%	28.7%	19.6%	22.0%	13.8%	15.9%	11.7%	9.8%	-	-	-	-	-
Net income	42.9%	84.9%	37.0%	8.2%	14.8%	28.7%	19.6%	22.0%	13.8%	15.9%	11.7%	9.8%	-	-	-	-	-
YoY growth (%)																	
Revenue	52.5%	110.0%	128.1%	140.5%	102.8%	72.8%	64.7%	83.2%	82.3%	70.8%	62.1%	50.4%	46%	110%	79%	64%	43%
Gross profit	47.6%	134.3%	178.7%	217.9%	169.3%	104.3%	82.3%	103.8%	99.0%	83.8%	73.2%	58.1%	56%	147%	107%	75%	49%
Operating income	57.0%	174.2%	251.9%	280.0%	206.0%	120.5%	91.3%	118.6%	113.9%	92.6%	79.9%	61.9%	57%	194%	122%	83%	49%
Net income	53.9%	183.9%	241.0%	291.4%	214.5%	118.9%	91.3%	115.8%	113.9%	92.6%	79.9%	61.9%	53%	196%	121%	83%	49%

Source: Company data, Goldman Sachs Global Investment Research

Investment Thesis & PT methodology and risks

EMC, a key supplier of high-end HDI material (70%+ market share) and SLP material (90%+ market share), has been focusing on the high-speed switch/server CCL market for 3-5+ years. We are positive on its market share trajectory in the server industry and expect EMC to increase its share from <10% in the Purley generation to 15-20%/20+% in the Whitley/Eagle Stream platforms. EMC is also proactively expanding its share in the switch market (40%/30%+ in 2024/23 vs. <5% before 2019), with an expanding AI customer base (only one 400G customer in 3Q20, to being one of the largest suppliers in 2023), which should continue to benefit the company's top/bottom line growth over time. We believe EMC's leading position in the AI server CCL market should drive strong revenue growth and GM/OPM expansion in the long term, given that it is the major supplier for all Nvidia/Google/AWS AI server projects, and we expect it to maintain its leadership position. Considering its leading position in the high-end CCL industry, solid production skills and earnings growth outlook, we are Buy rated on the stock. With the shares trading at a 2026E P/E below AI server component suppliers and supported by a solid growth outlook, we view valuation as attractive.

Key downside risks include: (1) RCC to replace all high-end smartphone HDI design; (2) rising trade tensions, which could lead to weaker smartphone and server shipments; and (3) rising competition from mainland China peers.

Valuation methodology: Our 12m TP of NT$10,200 is based on 27x 2H27-1H28E P/E (in line with the peak P/E multiple for AI component suppliers in the past 3 years).

Key downside risks: (1) RCC to replace all high-end smartphone HDI design; (2) rising trade tensions, which could lead to weaker smartphone and server shipments; and (3) rising competition from mainland China peers.

Disclosure Appendix

Reg AC

We, Chao Wang, Allen Chang and Al Wang, 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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GS Factor Profile

The Goldman Sachs Factor Profile provides investment context for a stock by comparing key attributes to the market (i.e. our universe of rated stocks) and its sector peers. The four key attributes depicted are: Growth, Financial Returns, Multiple (e.g. valuation) and Integrated (a composite of Growth, Financial Returns and Multiple). Growth, Financial Returns and Multiple are calculated by using normalized ranks for specific metrics for each stock. The normalized ranks for the metrics are then averaged and converted into percentiles for the relevant attribute. The precise calculation of each metric may vary depending on the fiscal year, industry and region, but the standard approach is as follows:

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.

M&A Rank

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Quantum

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Goldman Sachs Investment Research global Equity coverage universe

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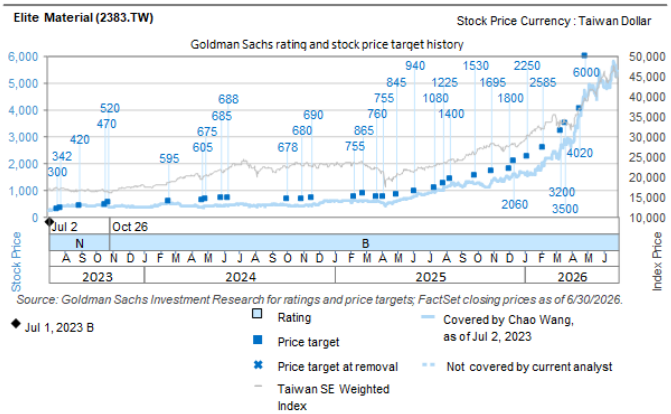
Price target and rating history chart(s)



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Target price history table(s)

Elite Material (2383.TW)

Date of report	Target price (NT$)	Closing price (NT$)
29-Jul-26	10,200.00	4,100.00
17-Jul-26	9,500.00	4,495.00
29-Apr-26	6,000.00	4,440.00
17-Apr-26	4,020.00	3,800.00
20-Mar-26	3,500.00	2,810.00
12-Mar-26	3,200.00	2,600.00
05-Feb-26	2,585.00	1,950.00
06-Jan-26	2,250.00	1,695.00
12-Dec-25	2,060.00	1,605.00
04-Dec-25	1,800.00	1,425.00
30-Oct-25	1,695.00	1,275.00
29-Sep-25	1,530.00	1,225.00
13-Aug-25	1,400.00	1,200.00
30-Jul-25	1,225.00	1,005.00
15-Jul-25	1,080.00	970.00
05-Jun-25	940.00	789.00
30-Apr-25	845.00	556.00
06-Apr-25	755.00	527.00
24-Mar-25	760.00	604.00
25-Feb-25	865.00	576.00
09-Feb-25	755.00	615.00
20-Nov-24	690.00	447.50
30-Oct-24	680.00	419.50
03-Oct-24	678.00	442.00
11-Jun-24	688.00	422.50
29-May-24	685.00	427.00
30-Apr-24	675.00	412.00
23-Apr-24	605.00	376.00
18-Feb-24	595.00	534.00
26-Oct-23	520.00	388.50
20-Oct-23	470.00	403.00
30-Aug-23	420.00	415.50

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

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