Yageo Corp. (2327.TW)

Commodity MLCC pricing upcycle is coming, with more capacity transferred into AI industry; Buy, with new TP of NT$1,490 (from NT$346)

2327.TW	12m Price Target: **NT$1,490.00**	Price: **NT$1,045.00**	Upside: **42.6%**

BUY

Chao Wang
+886(2)2730-4195 | kuan-chao.wang@gs.com
Goldman Sachs (Asia) L.L.C., Taipei Branch

Allen Chang
+852-2978-2930 | allen.k.chang@gs.com
Goldman Sachs (Asia) L.L.C.

Daiki Takayama
+81(3)4587-9870 | daiki.takayama@gs.com
Goldman Sachs Japan Co., Ltd.

We are seeing a new trend of commodity MLCC pricing hikes emerging, and we believe Yageo is in a good position (~25% of the global commodity MLCC capacity share in 2026-28) to benefit from the solid commodity MLCC pricing hike outlook (we expect Yageo's commodity MLCC pricing to go up by 93%/84% in 2027/28E), leading to a 46%/51% GM in 2027E/28E and record high EPS.

Considering (1) more and more MLCC capacity is being transferred into the AI grade MLCC supply chain (we expect 14/24/32% of global MLCC capacity to support AI MLCC demand in 2026/27/28E, up from 9% in 2025), (2) the back-to-normal growth of non-AI MLCC demand (2025-28E volume CAGR at 9%, per GSe), and (3) inventory demand building up in coming years (inventory level in 2025 was 36% less than the peak level of the past ten years), we believe the global non-AI MLCC industry utilization rate will revert to 97%/100% in 2027/28E (vs. last peak of 94/99% in 2017/18), suggesting a solid pricing outlook for the overall MLCC market.

We raise our 2026/27/28E earnings by 11%/49%/106% to factor in the better pricing conditions for commodity MLCC as well as better order visibility. Reflecting this and rollover of our valuation base from 3Q26-2Q27 to 2H27-1H28 we revise up our 12-m TP to NT$1,490 (vs. NT$346 previously), with the target PB/ROE multiple at 26x (in line with past 20 years peak multiple). Overall, we are bullish on Yageo's traditional MLCC business profitability, seeing a structural change in the industry supply demand conditions, suggesting good earnings outlook.

In this note, we transfer Yageo coverage from Daiki Takayama to Chao Wang.

Key Data

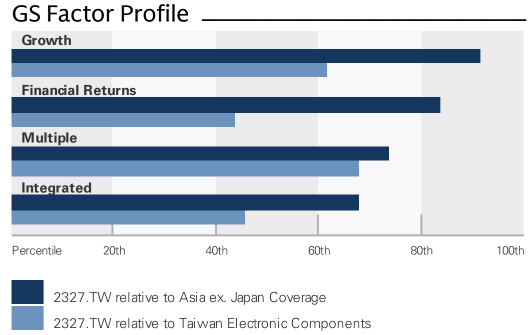
Market cap: NT$2.1tr / $67.2bn
Enterprise value: NT$2.2tr / $68.6bn
3m ADTV: NT$33.2bn / $1.0bn
Taiwan
Taiwan Electronic Components
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (NT$ mn) New	**132,930.0**	**196,764.5**	**289,670.6**	**388,444.8**
Revenue (NT$ mn) Old	132,930.0	184,797.8	230,447.8	252,550.2
EBITDA (NT$ mn)	39,634.5	64,139.7	107,325.3	158,305.3
EPS (NT$) New	**11.51**	**21.22**	**37.56**	**57.32**
EPS (NT$) Old	11.51	19.12	25.27	27.87
P/E (X)	13.4	49.3	27.8	18.2
P/B (X)	1.9	11.2	9.4	7.5
Dividend yield (%)	3.9	1.1	1.9	2.9
CROCI (%)	9.5	13.6	21.8	30.9

	3/26	6/26E	9/26E	12/26E
EPS (NT$)	3.91	4.71	5.93	6.68

GS Factor Profile



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

BUY

Yageo Corp. (2327.TW)

Rating since Jun 22, 2020

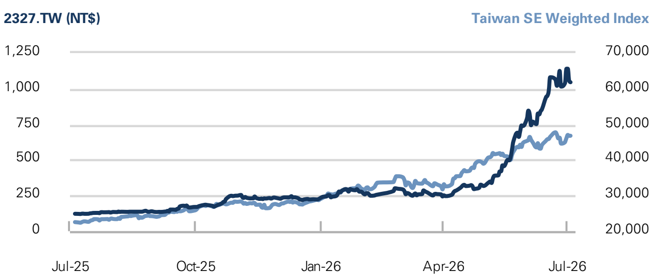
Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	13.4	49.3	27.8	18.2
P/B (X)	1.9	11.2	9.4	7.5
FCF yield (%)	7.8	1.6	2.6	4.4
EV/EBITDAR (X)	9.6	34.1	20.1	13.3
EV/EBITDA (excl. leases) (X)	9.6	34.1	20.1	13.3
CROCI (%)	9.5	13.6	21.8	30.9
ROE (%)	14.3	24.0	36.7	45.8
Net debt/equity (%)	35.8	21.2	3.8	(16.2)
Net debt/equity (excl. leases) (%)	35.8	21.2	3.8	(16.2)
Interest cover (X)	10.4	17.7	31.7	48.4
Days inventory outst, sales	81.6	59.2	47.3	44.9
Receivable days	76.3	73.3	75.6	78.6
Days payable outstanding	71.1	63.6	62.2	64.5
DuPont ROE (%)	13.6	22.3	33.2	40.8
Turnover (X)	0.3	0.5	0.6	0.7
Leverage (X)	2.2	2.2	2.1	2.0
Gross cash invested (ex cash) (NT$)	367,675.4	378,066.1	393,402.5	405,759.7
Average capital employed (NT$)	232,763.5	236,363.4	238,536.9	241,244.5
BVPS (NT$)	83.22	93.40	111.38	138.82

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	9.3	48.0	47.2	34.1
EBITDA growth	20.1	61.8	67.3	47.5
EPS growth	(69.8)	84.3	77.0	52.6
DPS growth	(70.0)	84.3	77.0	52.6
EBIT margin	22.4	27.3	33.3	37.8
EBITDA margin	29.8	32.6	37.1	40.8
Net income margin	17.8	22.1	26.6	30.3

Price Performance



	3m	6m	12m
Absolute	324.8%	333.6%	736.8%
Rel. to the Taiwan SE Weighted Index	195.8%	172.0%	306.3%

Source: FactSet. Price as of 3 Jul 2026 close.

Income Statement (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Total revenue	132,930.0	196,764.5	289,670.6	388,444.8
Cost of goods sold	(84,800.2)	(117,442.3)	(156,769.5)	(192,349.6)
SG&A	(14,910.4)	–	–	–
R&D	(3,418.7)	0.0	0.0	0.0
Other operating inc./(exp.)	0.0	(25,587.4)	(36,551.0)	(49,093.2)
EBITDA	**39,634.5**	**64,139.7**	**107,325.3**	**158,305.3**
Depreciation & amortization	(9,833.8)	(10,404.9)	(10,975.3)	(11,303.1)
EBIT	**29,800.7**	**53,734.8**	**96,350.0**	**147,002.1**
Net interest inc./(exp.)	1,570.7	2,878.9	4,403.6	6,776.4
Income/(loss) from associates	0.0	1,013.8	742.7	279.6
Pre-tax profit	**31,119.7**	**56,126.6**	**98,470.8**	**148,659.7**
Provision for taxes	(7,342.8)	(12,447.4)	(21,255.9)	(30,869.1)
Minority interest	(142.6)	(126.7)	(120.0)	(120.0)
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**23,634.2**	**43,552.5**	**77,094.9**	**117,670.6**
Post-tax exceptionals	–	–	–	–
Net inc. (post-exceptionals)	**23,634.2**	**43,552.5**	**77,094.9**	**117,670.6**
EPS (basic, pre-except) (NT$)	**11.51**	**21.22**	**37.56**	**57.32**
EPS (diluted, pre-except) (NT$)	**11.51**	**21.22**	**37.56**	**57.32**
EPS (basic, post-except) (NT$)	**11.51**	**21.22**	**37.56**	**57.32**
EPS (diluted, post-except) (NT$)	**11.51**	**21.22**	**37.56**	**57.32**
DPS (NT$)	6.00	11.06	19.58	29.88
Div. payout ratio (%)	52.1	52.1	52.1	52.1

Balance Sheet (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Cash & cash equivalents	81,473.5	102,463.7	135,129.1	190,526.0
Accounts receivable	30,509.6	48,517.3	71,425.6	95,780.9
Inventory	31,635.6	32,176.0	42,950.6	52,698.5
Other current assets	21,727.1	21,727.1	21,727.1	21,727.1
Total current assets	**165,345.8**	**204,884.1**	**271,232.5**	**360,732.6**
Net PP&E	65,304.8	61,959.6	58,044.0	53,800.6
Net intangibles	106,699.8	105,696.2	104,692.5	103,688.8
Total investments	45,202.5	46,216.3	46,959.0	47,238.6
Other long-term assets	8,236.2	8,236.2	8,236.2	8,236.2
Total assets	**390,789.2**	**426,992.4**	**489,164.2**	**573,696.8**
Accounts payable	18,031.4	22,875.5	30,535.7	37,466.0
Short-term debt	86,258.7	86,258.7	86,258.7	86,258.7
Short-term lease liabilities	–	–	–	–
Other current liabilities	31,789.3	42,172.3	59,657.4	80,808.9
Total current liabilities	**136,079.4**	**151,306.5**	**176,451.8**	**204,533.6**
Long-term debt	57,588.8	57,588.8	57,588.8	57,588.8
Long-term lease liabilities	–	–	–	–
Other long-term liabilities	23,124.5	23,124.5	23,124.5	23,124.5
Total long-term liabilities	**80,713.2**	**80,713.2**	**80,713.2**	**80,713.2**
Total liabilities	**216,792.6**	**232,019.8**	**257,165.0**	**285,246.8**
Preferred shares	–	–	–	–
Total common equity	170,877.8	191,727.1	228,633.7	284,964.6
Minority interest	**3,118.7**	**3,245.4**	**3,365.4**	**3,485.4**
Total liabilities & equity	**390,789.2**	**426,992.4**	**489,164.2**	**573,696.8**
Net debt, adjusted	62,374.0	41,383.8	8,718.3	(46,678.5)

Cash Flow (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Net income	23,634.2	43,552.5	77,094.9	117,670.6
D&A add-back	9,833.8	10,404.9	10,975.3	11,303.1
Minority interest add-back	142.6	126.7	120.0	120.0
Net (inc)/dec working capital	(5,002.1)	(13,704.0)	(26,022.7)	(27,172.9)
Other operating cash flow	2,254.6	(1,013.8)	(742.7)	(279.6)
Cash flow from operations	**30,863.1**	**39,366.4**	**61,424.7**	**101,641.2**
Capital expenditures	(6,056.0)	(6,056.0)	(6,056.0)	(6,056.0)
Acquisitions	21,996.0	–	–	–
Divestitures	1,344.3	–	–	–
Others	(21,009.6)	–	–	–
Cash flow from investing	**(3,725.3)**	**(6,056.0)**	**(6,056.0)**	**(6,056.0)**
Repayment of lease liabilities	–	–	–	–
Dividends paid (common & pref)	(10,265.2)	(12,320.1)	(22,703.2)	(40,188.3)
Inc/(dec) in debt	89,213.2	–	–	–
Other financing cash flows	(85,730.0)	0.0	0.0	0.0
Cash flow from financing	**(6,782.0)**	**(12,320.1)**	**(22,703.2)**	**(40,188.3)**
Total cash flow	**20,355.9**	**20,990.2**	**32,665.4**	**55,396.9**
Free cash flow	24,807.1	33,310.3	55,368.7	95,585.2

Source: Company data, Goldman Sachs Research estimates.

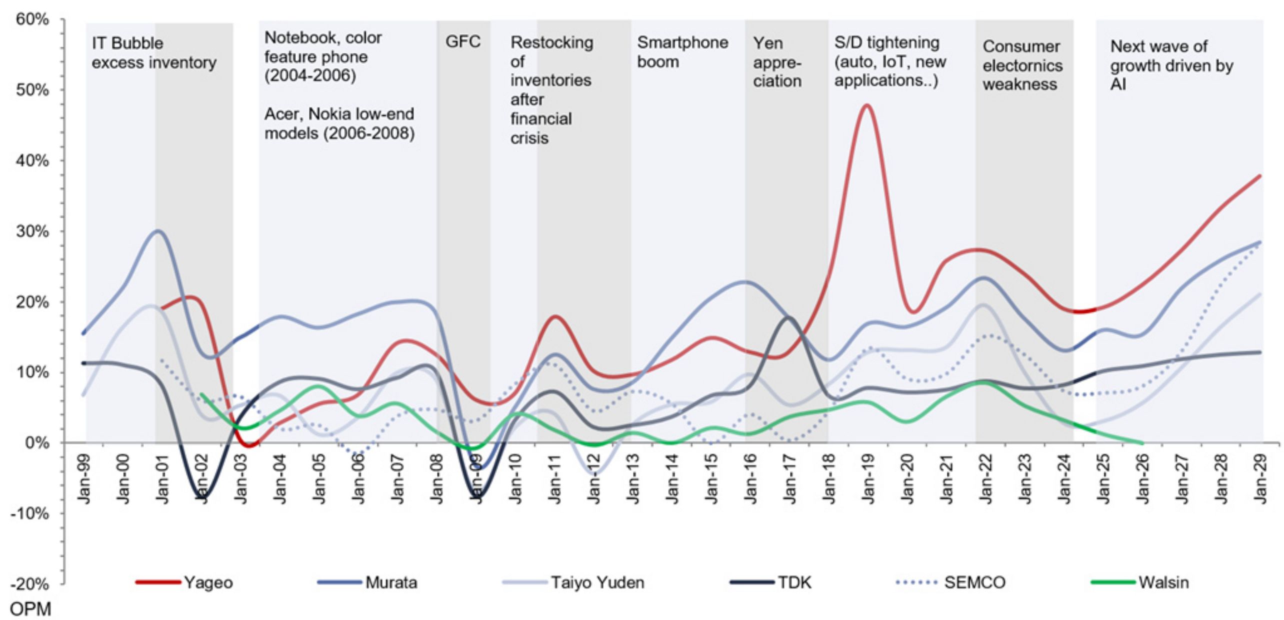
MLCC industry analysis - Commodity MLCC should see a much better pricing outlook, as suppliers are all transferring commodity capacity into AI grade capacity

We believe the next upcycle for the MLCC industry will be driven by AI, in order to meet with the strong AI demand, and major JP/KR MLCC suppliers continuing to shift capacity towards AI applications, which should tighten commodity MLCC supply and lead to full utilization and a more favorable pricing environment. We expect the pricing hike ratio for commodity products to surpass the high-end due to their lower margin and diverse customer base, offering more room for price increases.

AI will be a key driver for global MLCC TAM

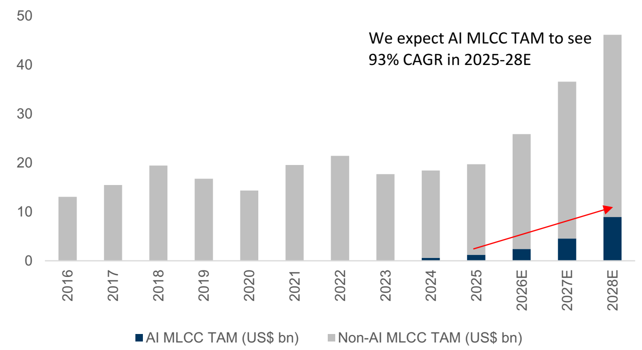
We expect global MLCC TAM to reach 33% CAGR over 2025-28E, with AI MLCC TAM tracking faster at 93% CAGR and reaching 19% of total global MLCC TAM in 2028E (from 6% in 2025). The strong demand for AI MLCC should be supported by both higher server shipment volumes and a significant increase in MLCC content per server (we expect MLCC to reach 300K+/500K+ for GB300/VR200 vs. 12k for general server).

Exhibit 1: Major MLCC up cycles / down cycles in last two decades



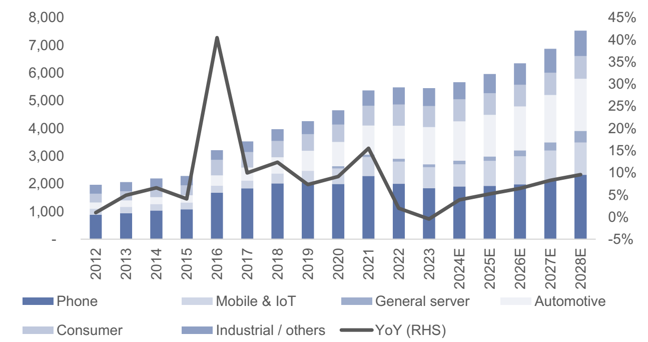
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: AI to drive MLCC TAM expansion through 2025-28E



Source: Goldman Sachs Global Investment Research, Company data

Exhibit 3: Smartphone and automotive continues to drive non-AI MLCC demand

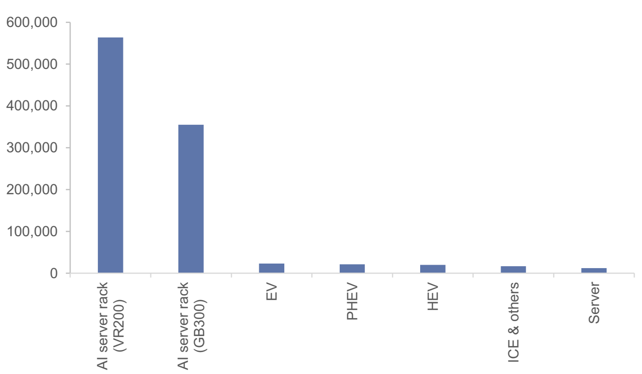


Source: Goldman Sachs Global Investment Research, Company data

Non-AI MLCC remains a stable market

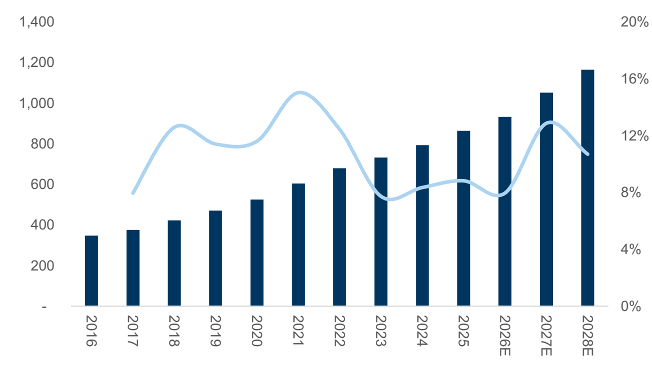
We expect non-AI MLCC volume to see a stable CAGR of 9% in 2025-28E, continuing to be supported by both automotive and smartphone, with CAGR of 8%/7% in 2025-28E, respectively. We view the automotive MLCC segment as a key sector as it accounts for 20%+ of total non-AI MLCC through 2025-28E, with the level of MLCC consumption to be notably higher than other non-AI segments (e.g. 20k+ on average vs. ~2K for smartphones and ~2.5K on average for desktop PCs). Smartphone accounts for 25%+ of total non-AI MLCC through 2025-28E, with shipments continuing to be impacted by high memory costs (see here), while the content-per-box increase has largely offset the negative impact. We also expect segments such as PCs and servers continuing to see content-per-box increases.

Exhibit 4: MLCC content per device (including power) comparison



Source: Goldman Sachs Global Investment Research

Exhibit 5: Global MLCC capacity growth (2016-28E)



Source: Goldman Sachs Global Investment Research, Company data

Major suppliers shifting capacity toward AI application to meet the strong demand

We believe annual capacity for the MLCC industry will see a stable increase of around 10% per year through 2026-28E, while the capacity expansion plans for major MLCC suppliers will outpace the market with double digit YoY expansion. Other than the stable capacity expansion, we continue to see major JP/KR suppliers continuing to shift capacity toward AI applications in order to meet the strong AI demand. Also, major MLCC suppliers are prioritizing AI-related orders due to their better margin profiles, which may mean they will start considering taking on more orders from non-AI segments.

Commodity MLCC to see price hikes driven by the tightened supply

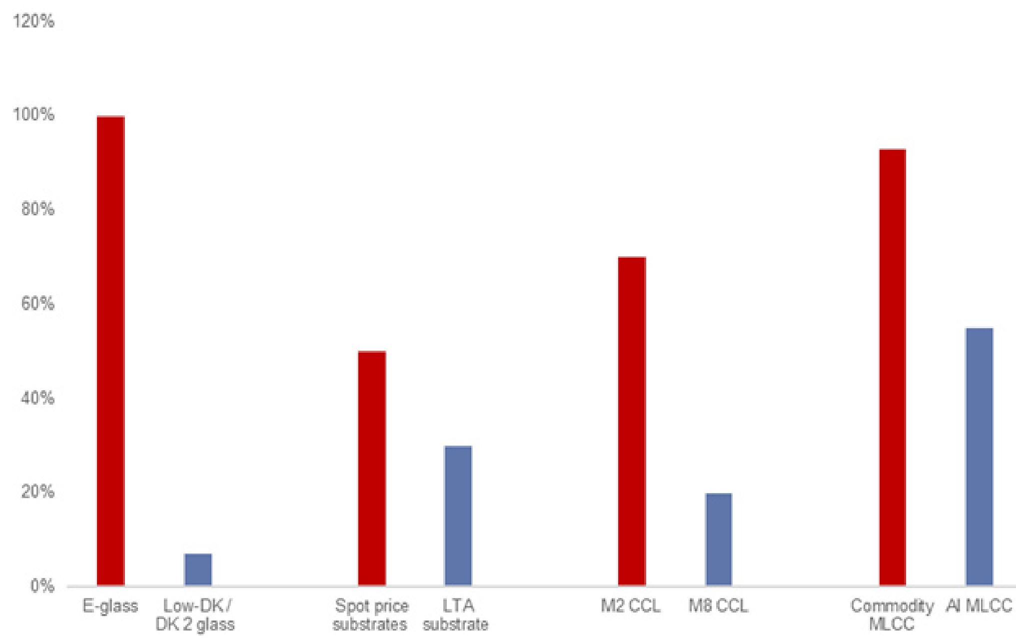
The industry shift in capacity expansion toward AI is also constructive for the commodity MLCC segment, as the segment is more sensitive to supply demand conditions. More capacity dedicated to AI MLCCs effectively tightens the supply available for commodity MLCCs, and we forecast the global non-AI MLCC industry utilization rate to revert to 97%/100% in 2027/28E, similar to the level of last peak of 94/99% in 2017/18. This creates a more favorable pricing environment for commodity MLCCs. Given that AI MLCC already enjoy higher margins and are mainly focused on bigger customers with contracts, its relatively difficult for them to adopt aggressive pricing adjustments, and we believe commodity product pricing hike ratios are likely to surpass the high-end MLCC products (Exhibit 7).

Exhibit 6: Non-AI MLCC industry utilization rate to be to 97/100% in 2027/28E

Non-AI capacity (bn units/ month)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Yageo	37	45	54	58	62	62	71	80	80	80	72	70
Total non-AI capacity	367	413	460	513	593	668	720	762	786	798	795	793
Non-AI supply growth rate	8%	13%	11%	12%	15%	13%	8%	6%	3%	1%	0%	0%
Non-AI demand growth rate	11%	13%	8%	8%	18%	0%	-2%	5%	6%	6%	9%	11%
Theoretical UTR	92%	92%	89%	85%	87%	77%	70%	70%	71%	75%	82%	90%
Acutal UTR	**94%**	**99%**	**71%**	**74%**	**81%**	**71%**	**62%**	**70%**	**75%**	**82%**	**97%**	**100%**
Inventory build / access demand	108	367	(946)	(684)	(432)	(545)	(719)	45	338	714	1,449	876
Inventory volume (bn units)	**108**	**474**	**(472)**	**(1,156)**	**(1,588)**	**(2,133)**	**(2,851)**	**(2,806)**	**(2,468)**	**(1,754)**	**(305)**	**571**

Source: Goldman Sachs Global Investment Research, Company data

Exhibit 7: We expect low-end product pricing hike ratio to surpass high-end, due to the capacity transformation into high-end driven by AI technology migration demand
2027 YoY



Source: Company data, Goldman Sachs Global Investment Research

Yageo is in a good position to benefit from the solid commodity MLCC pricing hike

As mentioned above, we do expect the commodity MLCC product pricing to rise much faster than the industry MLCC pricing hike level, which should benefit Yageo the most in the overall MLCC supply chain, as its commodity MLCC accounts for more than 72%/85% of its total MLCC revenue in 2026/27 (vs. all other JP/KR players, which are all focusing on high-end / AI grade MLCC) with a 23% capacity share in the commodity MLCC market in 2026 (the single largest commodity MLCC capacity holder, while the second largest supplier's capacity only holds 15% of the industry capacity; Exhibit 10).

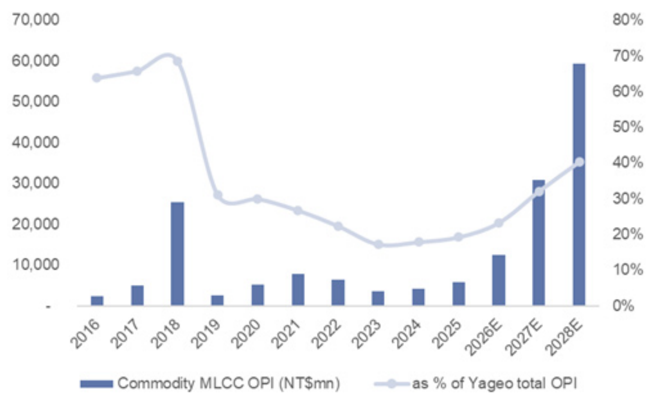
Yageo to benefit the most from the commodity MLCC pricing hike; we expect the company to enjoy a 29/93/84% YoY pricing upside in 2026/27/28E

For Yageo's MLCC business, only ~10% is related to the AI server industry today, which mostly is not covered by LTA or any agreement and is covered by distributors; moreover, ~72%/85/90% of the MLCC revenue will be contributed by commodity business in 2026/27/28, or 23/32/40% of the company's overall GP in 2026/27/28, based on GSe (vs. 20% in the past 5 years; Exhibit 8).

We now expect Yageo's commodity MLCC pricing to go up by 29%/93%/84% YoY in 2026/27/28E vs. -5%~+10% YoY in 2022-25 (Exhibit 9), which was not only driven by the company leadership position in the commodity MLCC market, but also its high capacity share and good relationship with distributors, making the company able to control its utilization rate and industry inventory levels to help with pricing hike progress.

On the margin side, as we see no significant cost hike from key components; we believe the commodity MLCC pricing hike from 2H26 should directly improve the company's overall profitability and absolute profit level in coming years, which should boost the company's overall OPM from the last trough level at 19% in 2023 or 22% in 2025 directly to 27.3%/33.3%/37.8% in 2026/27/28E (Exhibit 11). We believe the OPM expansion speed this time will be more sustainable than in 2017-18 (this time we believe the pricing uptrend period should last for at least 30 months if AI demand doesn't slow down in the next 30 months), thanks to the expanding demand from AI, and key high-end suppliers' focus on expanding high capacity MLCC, allowing the second tier players like Yageo to benefit from the pricing/margin tailwind in coming years.

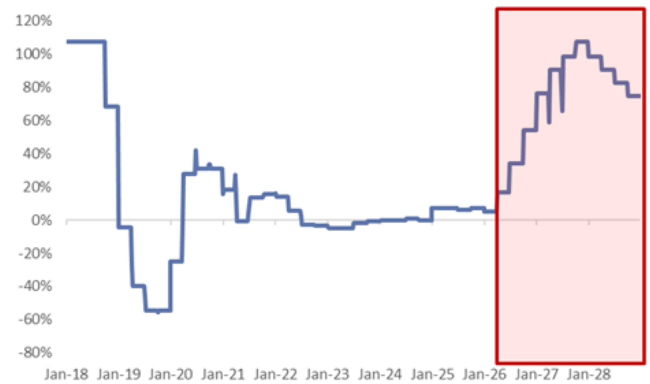
Exhibit 8: Commodity MLCC will contribute 23/32/40% of total Yageo OPI in 2026/27/28E, up from 20% in the past 5 years



Source: Company data, Goldman Sachs Global Investment Research

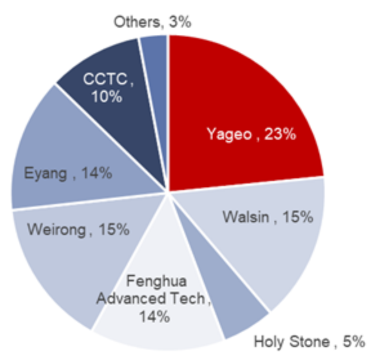
Exhibit 9: We expect Yageo's MLCC pricing YoY will start to accelerate from 2H26 and continue in the next 24-30 months

Yageo's MLCC pricing YoY trend



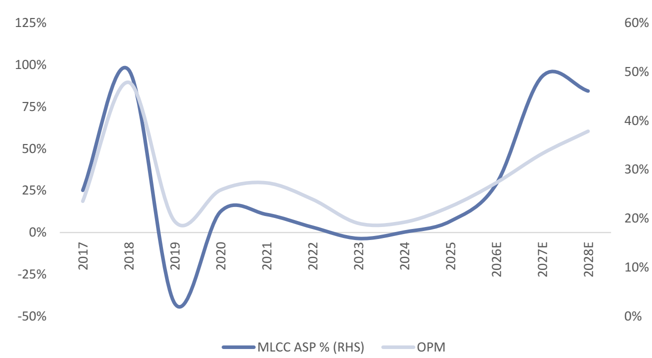
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 10: Yageo holds 23% of the commodity MLCC industry capacity in 2026



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 11: Yageo's commodity MLCC ASP trend vs. OPM



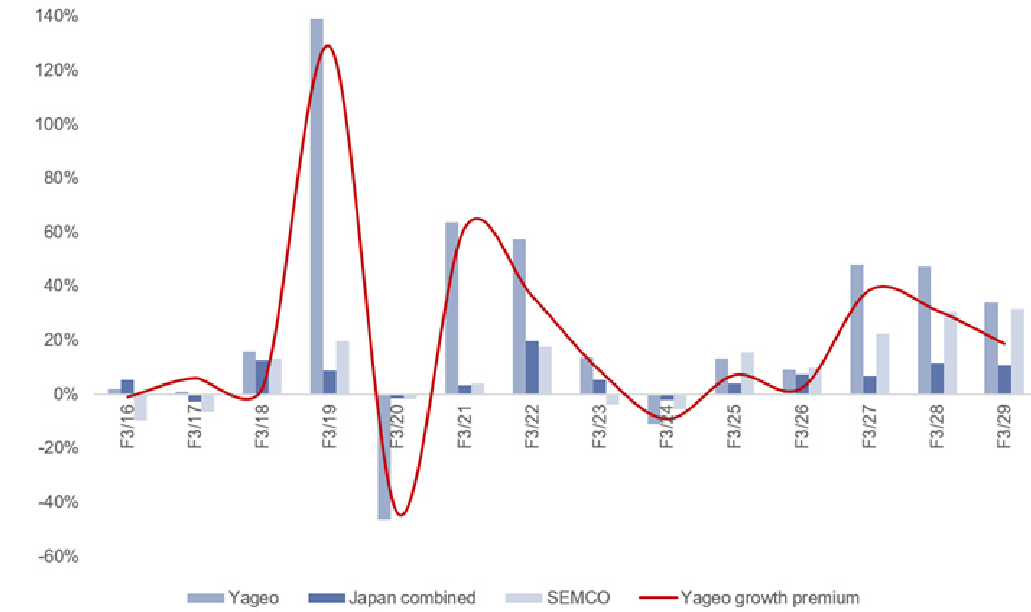
Source: Company data, Goldman Sachs Global Investment Research

Yageo should start outperforming JP/KR peers in revenue/margin growth outlook, thanks to the commodity MLCC pricing hike

Like what we have seen in the past two cycles in the past 10 years, we believe Yageo will again start to outperform the high-end peers in JP/KR in coming years, due mainly to the much better than expected commodity pricing outlook (while we expect the high-end players' ASP to only grow by ~50% CAGR in next 3 years). We forecast Yageo's commodity MLCC pricing will grow by ~70% 2025-28E CAGR, which suggests Yageo's growth/margin growth premium vs. JP/KR peers will be in-line with the past 10-year upcycle period.

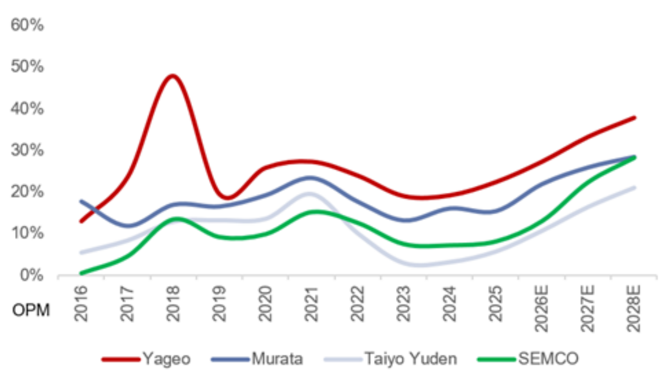
We expect Yageo's overall revenue to grow by 43% 2025-28E CAGR, with the OPM to expand by 15ppt from 2025 (22.4%) to 2028 (37.8%), while expecting the other JP/KR high-end players together to only enjoy a 14% 2025-28E revenue CAGR with the OPM only increasing from 10.0% in 2025 to 20.4% in 2028E.

Exhibit 12: We believe Yageo will enjoy much better revenue growth than others from 2H26, thanks to the better pricing outlook



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 13: Yageo's OPM to continue to outgrow peers, with a much better pricing outlook



Source: Company data, Goldman Sachs Global Investment Research

Earnings revision: Revising up 2026-28E EPS by 11-106% to factor in the better MLCC pricing outlook

Earnings revisions

We revise up our 2026/27/28E EPS by 11/49/106% to factor in better pricing conditions for commodity MLCC as well as better order visibility (we revise up 2026/27/28E revenue estimates by 6/26/54%). We expect the contribution to be margin accretive thus we revise up our 2026/27/28E GM by 0.9/4.7/8.9ppt.

Exhibit 14: Earnings revision table

Yageo P&L (NT$ mn)	2026E New	2026E Old	Diff.	2027E New	2027E Old	Diff.	2028E New	2028E Old	Diff.
Sales	196,765	184,798	6%	289,671	230,448	26%	388,445	252,550	54%
Gross Profit	79,322	72,789	9%	132,901	94,832	40%	196,095	105,057	87%
EBIT	53,735	48,333	11%	96,350	65,206	48%	147,002	72,825	102%
Net Income	43,553	39,255	11%	77,095	51,867	49%	117,671	57,208	106%
EPS (NT$)	**21.22**	**19.12**	11%	**37.56**	**25.27**	49%	**57.32**	**27.87**	106%
Ratio analysis									
Gross margin	40.3%	39.4%	0.9pp	45.9%	41.2%	4.7pp	50.5%	41.6%	8.9pp
EBIT margin	27.3%	26.2%	1.2pp	33.3%	28.3%	5.0pp	37.8%	28.8%	9.0pp
Net margin	22.1%	21.2%	0.9pp	26.6%	22.5%	4.1pp	30.3%	22.7%	7.6pp

Source: Company data, Goldman Sachs Global Investment Research

Where are we vs. consensus?

Our 2026/27/28E revenue estimates are 18/32/45% higher than Bloomberg consensus, due to our positive view on the better pricing for commodity MLCC, which we expect to increase 15-20% in each quarter throughout 2027/28 (BBG consensus only implies ~10% per quarter pricing hike). As such, considering the better operating leverage driven by price hikes, our 2026/27/28E GM estimate is 1.3/3.4/4.4ppt higher than Bloomberg consensus, as we believe the company's revenue will be mainly driven by MLCC in the coming years (35%/45%/53% revenue contribution in 2026/27/28E).

Exhibit 15: Our numbers vs. Bloomberg consensus

	2026E			2027E			2028E		
Yageo's P&L (NT$mn)	GS est,	Consensus	Diff (%)	GS est,	Consensus	Diff (%)	GS est,	Consensus	Diff (%)
Revenue	196,765	166,358	18%	289,671	219,069	32%	388,445	267,065	45%
Gross profits	79,322	64,951	22%	132,901	93,094	43%	196,095	123,187	59%
Operating profits	53,735	43,591	23%	96,350	68,675	40%	147,002	92,021	60%
Net earnings	43,553	35,291	23%	77,095	54,777	41%	117,671	75,232	56%
EPS, NT$	21.22	17.16	24%	37.56	26.98	39%	57.32	36.53	57%
Gross margin (%)	40.3%	39.0%	1.3ppt	45.9%	42.5%	3.4ppt	50.5%	46.1%	4.4ppt
EBIT margin (%)	27.3%	26.2%	1.1ppt	33.3%	31.3%	1.9ppt	37.8%	34.5%	3.4ppt
Net margin (%)	22.1%	21.2%	0.9ppt	26.6%	25.0%	1.6ppt	30.3%	28.2%	2.1ppt

Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 16: P&L table

NT$mn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2024	2025	2026E	2027E	2028E
Revenue	31,104	32,771	33,087	35,968	38,166	44,653	55,280	58,666	62,822	69,318	76,935	80,596	121,667	132,930	196,765	289,671	388,445
Gross profit	11,086	11,652	11,974	13,417	14,542	17,844	22,453	24,483	27,254	31,363	35,746	38,537	41,803	48,130	79,322	132,901	196,095
Operating expense	(4,623)	(4,609)	(4,412)	(4,664)	(4,897)	(5,983)	(7,291)	(7,417)	(7,906)	(8,831)	(9,605)	(10,209)	(18,377)	(18,307)	(25,587)	(36,551)	(49,093)
Operating income	6,463	7,044	7,562	8,753	9,645	11,861	15,163	17,066	19,349	22,532	26,141	28,328	23,427	29,822	53,735	96,350	147,002
Pretax income	7,173	7,028	8,212	8,727	10,357	12,431	15,683	17,656	19,869	23,102	26,661	28,839	26,906	31,140	56,127	98,471	148,660
Taxes expense	(1,610)	(2,016)	(1,817)	(1,904)	(2,293)	(2,739)	(3,487)	(3,928)	(4,383)	(5,032)	(5,703)	(6,138)	(7,376)	(7,346)	(12,447)	(21,256)	(30,869)
Net income	5,530	4,998	6,356	6,768	8,027	9,662	12,165	13,698	15,456	18,040	20,928	22,671	19,398	23,652	43,553	77,095	117,671
EPS, NT$	**2.69**	**2.43**	**3.10**	**3.30**	**3.91**	**4.71**	**5.93**	**6.68**	**7.53**	**8.79**	**10.20**	**11.05**	**9.50**	**11.52**	**21.22**	**37.56**	**57.32**
Ratio analysis and assumption																	
As % of sales																	
Gross margin	35.6%	35.6%	36.2%	37.3%	38.1%	40.0%	40.6%	41.7%	43.4%	45.2%	46.5%	47.8%	34.4%	36.2%	40.3%	45.9%	50.5%
Operating expense ratio	14.9%	14.1%	13.3%	13.0%	12.8%	13.4%	13.2%	12.6%	12.6%	12.7%	12.5%	12.7%	15.1%	13.8%	13.0%	12.6%	12.6%
Operating margin	20.8%	21.5%	22.9%	24.3%	25.3%	26.6%	27.4%	29.1%	30.8%	32.5%	34.0%	35.1%	19.3%	22.4%	27.3%	33.3%	37.8%
Net margin	17.8%	15.3%	19.2%	18.8%	21.0%	21.6%	22.0%	23.3%	24.6%	26.0%	27.2%	28.1%	15.9%	17.8%	22.1%	26.6%	30.3%
QoQ growth (%)																	
Revenue	3.7%	5.4%	1.0%	8.7%	6.1%	17.0%	23.8%	6.1%	7.1%	10.3%	11.0%	4.8%	-	-	-	-	-
Gross profit	11.4%	5.1%	2.8%	12.1%	8.4%	22.7%	25.8%	9.0%	11.3%	15.1%	14.0%	7.8%	-	-	-	-	-
Operating income	20.5%	9.0%	7.4%	15.8%	10.2%	23.0%	27.8%	12.6%	13.4%	16.5%	16.0%	8.4%	-	-	-	-	-
Net income	49.1%	-9.6%	27.2%	6.5%	18.6%	20.4%	25.9%	12.6%	12.8%	16.7%	16.0%	8.3%	-	-	-	-	-
YoY growth (%)																	
Revenue	9.1%	4.3%	4.3%	19.9%	22.7%	36.3%	67.1%	63.1%	64.6%	55.2%	39.2%	37.4%	13%	9%	48%	47%	34%
Gross profit	15.1%	5.6%	7.1%	34.8%	31.2%	53.1%	87.5%	82.5%	87.4%	75.8%	59.2%	57.4%	16%	15%	65%	68%	48%
Operating income	30.8%	8.7%	14.0%	63.1%	49.2%	68.4%	100.5%	95.0%	100.6%	90.0%	72.4%	66.0%	14%	27%	80%	79%	53%
Net income	20.5%	-8.3%	12.5%	82.5%	45.2%	93.3%	91.4%	102.4%	92.6%	86.7%	72.0%	65.5%	11%	22%	84%	77%	53%

Source: Company data, Goldman Sachs Global Investment Research

Valuation and risks - Raise TP to NT$1,490 with much better pricing visibility and sustainability

We reiterate our Buy rating on Yageo with a new TP of NT$1,490 (from NT$346), implying 43% upside. We believe the company will continue to deliver a solid earnings growth rate (83%+ 2025-28E EPS CAGR) which is much faster than MLCC industry peers (45% CAGR 2025-28).

Our 12-month target price is based on a higher 26x PB/ROE (up from 15x previously), and we roll over our valuation base from 2H26-1H27E to 2028E to factor in the long visibility of the pricing upcycle this time (we expect demand will continue to be driven by the AI server related demand in at least the next 2.5-3 years). The 26x PB/ROE multiple is in line with the past 10-year peak multiple (Exhibit 17), and is in-line with the JP/KR MLCC suppliers' P/E multiples today, despite Yageo's fast earnings growth (Exhibit 19).

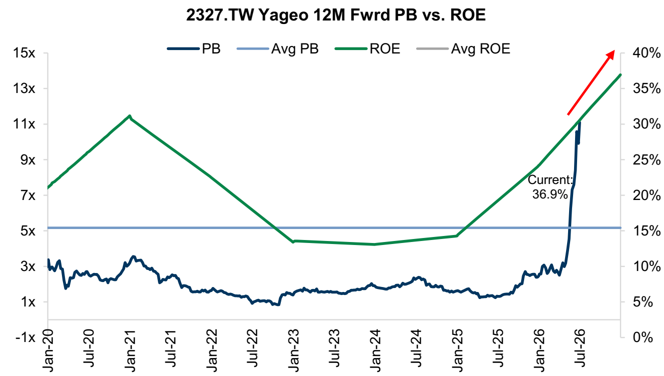
Our TP-implied 10.8x 2028E P/B is much higher than the company's average P/B multiple in the past (Exhibit 18); however, after considering the high ROE (increasing to 23%/36%/41% in 2026/27/28E based on GSe), we believe this higher implied multiple is justified as the company should be traded at a premium considering our forecast of its accelerating expansion in ROE in coming years.

Overall, considering the company's ongoing earnings expansion trend and the solid pricing outlook as well as the long S/D visibility (to end of 2028), we maintain our positive view on Yageo's fundamentals and stock price upside, and see a good opportunity for a valuation rerating if the company can continue to deliver good earnings performance. Reiterate our Buy rating on Yageo, with a new TP of NT$1,490.

Exhibit 17: Yageo's avg PB/ROE multiple in the past 10-years is at 11x, but peak multiple was 26x
12-m forward PB/ROE trend in the past 10 years

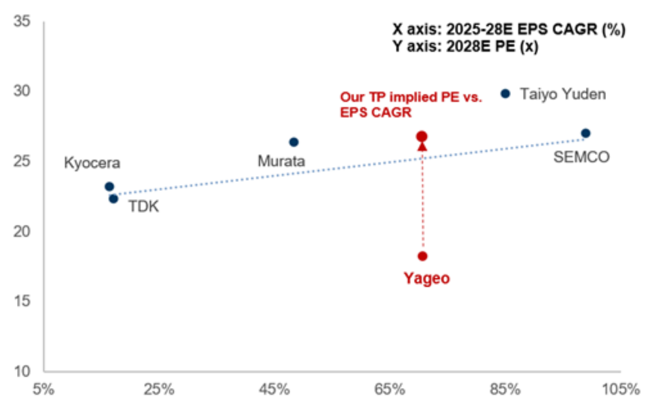
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 18: The solid ROE uptrend suggests a much higher P/B multiple in the coming years



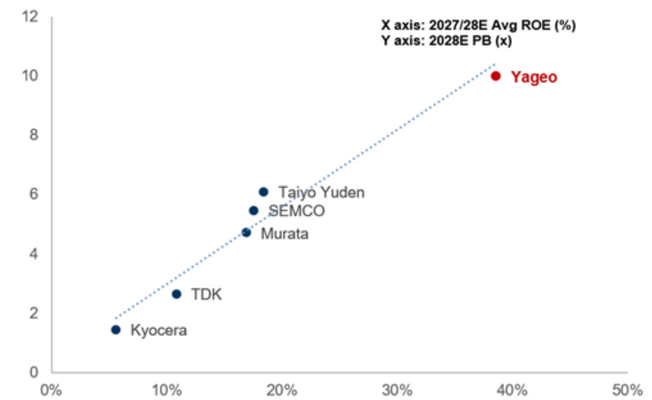
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 19: We expect accelerating EPS growth for Yageo in coming years, suggesting a potential rerating opportunity in coming quarters



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 20: The high P/B is slightly below industry linear regression (vs. ROE), and we expect the company will deliver a solid ROE outlook in coming years



Source: Company data, Goldman Sachs Global Investment Research

Investment thesis and Valuation & Risks

Yageo, as the third largest MLCC and largest resistor / tantalum capacitor supplier globally, should see a stronger then peers earnings growth in the future, underpinned by better pricing environment, product upgrade, expansion strategy and more diversified product portfolio given the recent Kemet, Chilisin and Shibaura acquisitions. Yageo continues to penetrate into the high-end MLCC market (especially automotive/EV, industrial and high-end computing), which has a better S/D outlook compared to the commoditized market. Also, high-end MLCC market demand visibility is much clearer, with a more stable pricing trend, which suggests a less volatile earnings outlook. Yageo has started to benefit from an improving pricing environment for low-end MLCCs, driven by tightening supply. We hold a positive view on Yageo, given it is the supplier with the broadest product portfolio, which should help the company increase its market share by cross-selling and up-selling. Valuation offers attractive risk-reward with shares trading below historical multiples. Key downside risks: (1) weaker inventory builds from OEMs; (2) softer IT end-demand; and (3) slower-than-expected integration of

Kemet/Chilisin/Telemecanique/Shibaura.

Our 12m TP of NT$1,490 is based on a 26x average 2028E PB/ROE (in-line with the peak valuation historically and is in-line with JP peers' average 2027/28E PB/ROE). Key downside risks: (1) weaker inventory builds from OEMs; (2) softer IT end-demand; and (3) slower-than-expected integration of Kemet/Chilisin/Telemecanique/Shibaura.

Disclosure Appendix

Reg AC

We, Chao Wang, Allen Chang, Daiki Takayama 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.

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Contributing Authors: Chao Wang Goldman Sachs (Asia) L.L.C., Taipei Branch, Allen Chang Goldman Sachs (Asia) L.L.C., Daiki Takayama Goldman Sachs Japan Co., Ltd., Al Wang Goldman Sachs (Asia) L.L.C., Taipei Branch.

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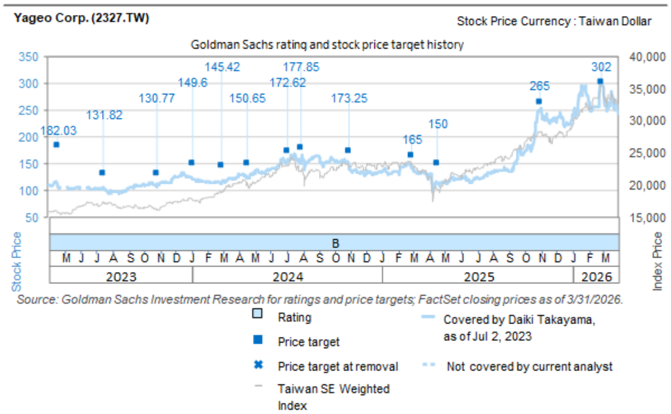
Price target and rating history chart(s)



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Target price history table(s)

Yageo Corp. (2327.TW)

Date of report	Target price (NT$)	Closing price (NT$)
15-Apr-26	346.00	322.00
26-Feb-26	302.00	298.00
31-Oct-25	265.00	249.00
17-Apr-25	600.00	114.25
27-Feb-25	660.00	141.50
30-Oct-24	693.00	139.50
30-Jul-24	850.00	152.74
03-Jul-24	825.00	152.95
18-Apr-24	720.00	124.08
29-Feb-24	695.00	116.75
03-Jan-24	715.00	120.94
26-Oct-23	625.00	106.71
17-Jul-23	630.00	105.24

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

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