Goldman Sachs Research

Equity Research

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SZS (3376.TW): 3Q26 QoQ improvement on better seasonality and new product launches; 2Q26 GM miss on higher new project cost; Buy

SZS's 2Q26 revenues were up 12% QoQ (or -10% YoY) to NT$2.6bn, and we attribute the slow down to clients' new product momentum and higher memory cost weighing on demand. The company reported 2Q GM at 9.8% (vs. 1Q26/ 2Q25 GM at 14.3%/ 14.2%), and management notes the lower GM is due to the spending on the new design-in projects, while taking time to contribute revenues. The operating losses widened in 2Q26 at NT$82m (vs. our estimate at operating profit at NT$133bn), and 2Q NI was 57%/ 33% below our/ Bloomberg consensus estimates. Despite near-term fluctuations, we remain positive on the company's growing capacity and R&D capability, enabling it to benefit from the rising adoption of foldable devices ahead. Maintain Buy.

3-month preview: SZS July revenues remained weak at -10% YoY/ -12% MoM at NT$811m, and we see it takes time for new projects to reflect on company's revenues and earnings. Looking ahead, we expect to see improving MoM in Aug/ Sep on better seasonality and new product launches, supporting 3Q26 to deliver strong YoY and QoQ growth.

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Exhibit 1: We expect SZS Aug revenues to grow 5% YoY/ 62% MoM to NT$1.3bn

	26-Apr	26-May	26-Jun	26-Jul	Aug-26 (E)	Sep-26 (E)	Oct-26 (E)	1Q26	2Q26	3Q26E
Rev (NT$m)	907	802	922	811	1,314	2,445	2,689	2,353	2,631	4,570
Rev YoY	-10%	-17%	-5%	-10%	5%	101%	131%	-16%	-10%	72%
Rev MoM/QoQ	13%	-12%	15%	-12%	62%	86%	10%	1%	12%	74%
GS estimates (NT$m)	903	993						2,407	2,717	
Act vs. GS	0%	-19%						-2%	-3%	

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: SZS 2Q26 result snapshot

NT$m	2Q25	1Q26	2Q26	QoQ	YoY	GS	Act / GS	Cons.	Act / Cons.
Revenues	2,940	2,353	2,631	12%	-10%	2,717	-3%	2,484	6%
GP	417	336	258	-23%	-38%	494	-48%	360	-28%
OP	92	-10	-82	na	na	133	na		
Net income	-90	30	62	109%	na	145	-57%	93	-33%
Margins									
GM	14.2%	14.3%	9.8%			18.2%		14.5%	
OPM	3.1%	-0.4%	-3.1%			4.9%			
NM	-3.1%	1.3%	2.4%			5.3%		3.7%	

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

Earnings revision: We factor in SZS 2Q26 result, and revise down 2026-28E earnings by 21%/ 13%/ 14% on lower revenues of headset hinges on the momentum of new product launches, while we remain positive on company's growth ahead on rising foldable devices. We revise down GM by 1.3ppts/ 0.2ppts/ 0.1ppts in 2026-28E to reflect higher cost on new design-in projects.

Exhibit 3: Earnings revision

	2026E			2027E			2028E		
NT$m	Old	New	Diff %	Old	New	Diff %	Old	New	Diff %
Revenues	23,658	20,508	-13%	32,726	28,240	-14%	38,153	33,290	-13%
GP	4,499	3,636	-19%	6,522	5,581	-14%	7,640	6,620	-13%
OP	2,379	1,771	-26%	4,060	3,457	-15%	4,779	4,123	-14%
Pre-tax income	2,675	2,109	-21%	4,372	3,810	-13%	5,172	4,472	-14%
Net income	1,872	1,476	-21%	3,061	2,667	-13%	3,620	3,131	-14%
Margins									
GM	19.0%	17.7%	-1.3ppts	19.9%	19.8%	-0.2ppts	20.0%	19.9%	-0.1ppts
OPM	10.1%	8.6%	-1.4ppts	12.4%	12.2%	-0.2ppts	12.5%	12.4%	-0.1ppts
NM	7.9%	7.2%	-0.7ppts	9.4%	9.4%	0.1ppts	9.5%	9.4%	-0.1ppts

Source: Goldman Sachs Global Investment Research

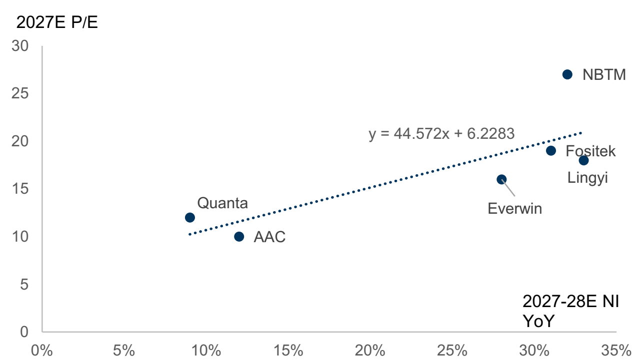
Valuation: We are Buy rated on SZS with a 12-month target price of NT$286 (vs. previously at NT$332) on lower earnings. Our TP is based on a 21x 2027E P/E (unchanged), which is derived from the sector correlation of 2027E P/E vs. 2027E-28E EPS YoY (peers unchanged), with SZS's 2027E-28E NI growth at 40% YoY. The 21x 2027E P/E is also within SZS's trading range since Aug 2019.

Exhibit 4: SZS P&L Summary

NT$ mn	2023	2024	2025	2026E	2027E	2028E	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E
Income statement														
Revenue	10,068	13,327	10,723	20,508	28,240	33,290	2,806	2,940	2,650	2,328	2,353	2,631	4,570	10,953
Gross profit	1,805	2,462	1,496	3,636	5,581	6,620	450	417	361	268	336	258	879	2,164
OP income	895	1,252	167	1,771	3,457	4,123	159	92	(0)	(84)	(10)	(82)	532	1,331
Pretax income	1,163	1,875	537	2,109	3,810	4,472	279	(32)	181	109	43	43	608	1,415
Net income	807	1,359	318	1,476	2,667	3,131	215	(90)	116	77	30	62	426	990
EPS (NT$)	4.29	7.19	1.64	7.66	13.55	15.90	1.12	(0.46)	0.59	0.39	0.15	0.31	2.16	5.03
Ratios														
R&D to rev	3.1%	3.9%	5.8%	4.5%	3.5%	3.5%	4.4%	5.8%	5.9%	7.2%	6.8%	9.0%	3.5%	3.5%
Opex ratio	9.0%	9.1%	12.4%	9.1%	7.5%	7.5%	10.4%	11.1%	13.6%	15.1%	14.7%	12.9%	7.6%	7.6%
Tax rate	30.6%	27.5%	40.8%	30.0%	30.0%	30.0%	22.7%	-181.4%	36.2%	29.6%	30.0%	30.0%	30.0%	30.0%
Margins														
Gross margin	17.9%	18.5%	14.0%	17.7%	19.8%	19.9%	16.1%	14.2%	13.6%	11.5%	14.3%	9.8%	19.2%	19.8%
Operating margin	8.9%	9.4%	1.6%	8.6%	12.2%	12.4%	5.7%	3.1%	0.0%	-3.6%	-0.4%	-3.1%	11.6%	12.2%
Net margin	8.0%	10.2%	3.0%	7.2%	9.4%	9.4%	7.7%	-3.1%	4.4%	3.3%	1.3%	2.4%	9.3%	9.0%
YoY														
Revenue	-15%	32%	-20%	91%	38%	18%	-3%	-16%	-28%	-29%	-16%	-10%	72%	371%
Gross profit	-28%	36%	-39%	143%	53%	19%	-12%	-36%	-52%	-50%	-25%	-38%	144%	706%
OP income	-43%	40%	-87%	962%	95%	19%	-39%	-74%	na	na	na	na	na	na
Net income	-51%	68%	-77%	364%	81%	17%	-32%	na	-65%	-74%	-86%	na	267%	1188%
QoQ														
Revenue							-15%	5%	-10%	-12%	1%	12%	74%	140%
Gross profit							-17%	-7%	-14%	-26%	25%	-23%	241%	146%
OP income							-23%	-42%	-101%	na	na	695%	-751%	150%
Net income							-28%	-142%	na	-34%	-61%	109%	586%	133%

Source: Company data, Goldman Sachs Global Investment Research

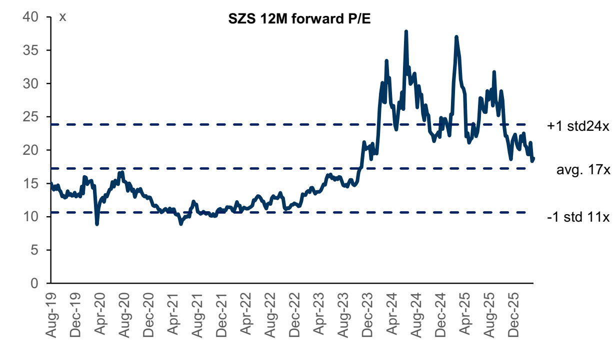
Exhibit 5: Target multiple is derived from peers correlation between P/E and NI YoY



Non-covered company data from Eikon

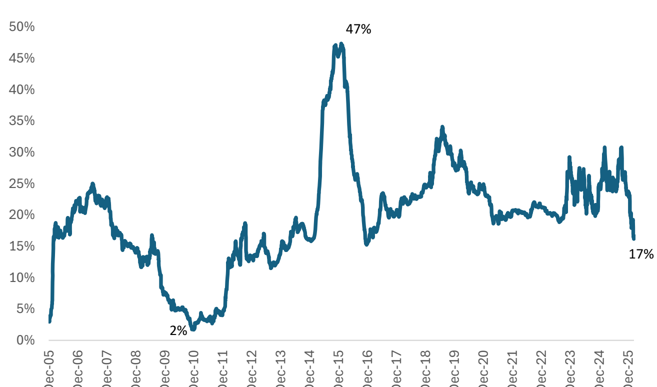
Source: Eikon Datastream, Company data, Goldman Sachs Global Investment Research

Exhibit 6: SZS 12m forward P/E



Source: Eikon Datastream

Exhibit 7: SZS QFII holdings



Source: TEJ

Price Target Risks and Methodology - SZS

Valuation: We use a near-term P/E vs. EPS growth correlation to derive our target price for SZS, consistent with our Taiwan Technology coverage. Our target 2027E P/E multiple of 21x for SZS is based on the sector correlation of 2027E P/E vs. 2027-28E earnings growth. We thus derive our 12-month target price at NT$286. We are Buy rated. **Key risks:** Weaker-than-expected headset hinges demand; slower-than-expected foldable phone penetration; potential competition from more suppliers; soft market demand.

3376.TW	12m Price Target: **NT$286.00**	Price: **NT$183.50**	Upside: **55.9%**

Buy

Market cap: NT$34.6bn / $1.1bn
Enterprise value: NT$32.6bn / $1.0bn
3m ADTV: NT$1.2bn / $39.1mn
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	**10,723.1**	**20,507.5**	**28,239.5**	**33,290.4**
Revenue (NT$ mn) Old	10,723.1	23,657.9	32,726.3	38,153.2
EBITDA (NT$ mn)	730.8	2,444.3	4,104.0	4,728.4
EPS (NT$) New	**1.64**	**7.66**	**13.55**	**15.90**
EPS (NT$) Old	1.65	9.65	15.78	18.67
P/E (X)	132.7	24.0	13.5	11.5
P/B (X)	2.5	2.0	2.0	2.0
Dividend yield (%)	0.7	3.6	6.4	7.5
CROCI (%)	0.9	12.1	18.2	20.5

	6/26	9/26E	12/26E	3/27E
EPS (NT$)	0.31	2.16	5.03	2.86

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 10 Aug 2026 close.

Disclosure Appendix

Reg AC

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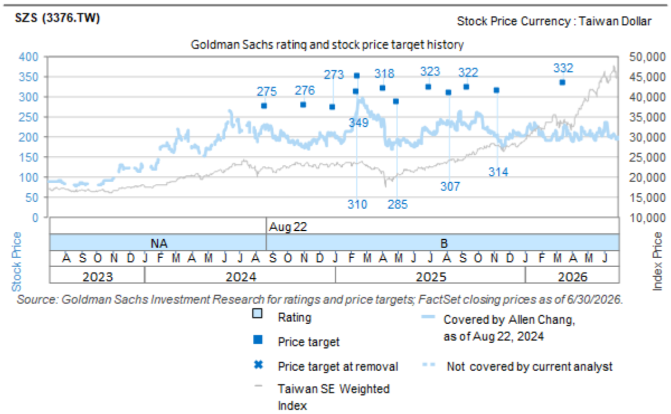

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Target price history table(s)

SZS (3376.TW)

Date of report	Target price (NT$)	Closing price (NT$)
16-Mar-26	332.00	216.50
11-Nov-25	314.00	196.50
14-Sep-25	322.00	226.00
11-Aug-25	307.00	229.50
02-Jul-25	323.00	211.50
02-May-25	285.00	193.50
06-Apr-25	318.00	244.50
16-Feb-25	349.00	283.00
12-Feb-25	310.00	264.50
31-Dec-24	273.00	210.00
05-Nov-24	276.00	173.00
22-Aug-24	275.00	221.50

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

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