Goldman Sachs Research

Equity Research

3 August 2026 | 10:05PM CST

Kinsus (3189.TW)

More favorable ABF substrate supply demand outlook with potential supply shortage in 2027/28; Buy

3189.TW	12m Price Target: **NT$1,125.00**	Price: **NT$698.00**	Upside: **61.2%**

We hosted Kinsus' 2Q26 post-result follow-up call today (Aug 3rd). Key takeaways include:

(1) The company didn't rule out the possibility of a potential supply shortage for ABF substrate in 2027/28 (previously mentioned that high layer count ABF substrate market to be in SD balance while expecting low layer count ABF substrate market to be in oversupply) as the company is receiving strong forecasts for next-gen AI related products with packaging size and layer counts that continue to go up.

(2) In terms of pricing, Kinsus expect ABF and BT substrate pricing to have gone up by ~8% QoQ on average in 3Q/4Q26 with ABF substrate pricing to increase faster than BT substrate (reversing its previous expectation that BT substrate pricing to increase faster than ABF substrate in 2H26). The company expects revenue to see +10% QoQ in both 3Q/4Q26 (vs. 13% QoQ in 2Q26) and expects GM to reach 27-28/29% in 3Q/4Q26 (vs. 26% in 2Q26).

(3) Without considering the potential pricing hike on ABF substrate going into 2027/28, Kinsus expects revenue in 2027/28 to increase at least 30% YoY per year while expecting GM to improve by 5ppt each year in 2027/28 as the company will continue to focus on product mix improvement and reaching higher UTR.

(4) Kinsus announced a project CAPEX of NT$19.6bn, which will be split into 3 years and result in upward revision in 2026/27 CAPEX of ~NT$14bn/~NT$16bn (75%+/60%+ upward revision from NT$8bn/NT$10bn). The project CAPEX is driven entirely by new facility construction while equipment is sponsored by key customers (3-4 customers or more). Moreover, Kinsus is considering to expand K7 and K8 Plant in Taiwan as customers seek to secure capacity beyond 2030, while capacity and investment scale have yet to be finalized.

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.

Al Wang
+886(2)2730-4081 | al.wang@gs.com
Goldman Sachs (Asia) L.L.C., Taipei Branch

Key Data

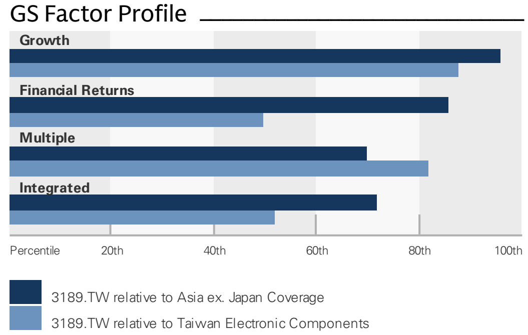
Market cap: NT$314.8bn / $9.7bn
Enterprise value: NT$332.7bn / $10.3bn
3m ADTV: NT$13.1bn / $413.6mn
Taiwan
Taiwan Electronic Components
M&A Rank: 3
Leases incl. in net debt & EV?: Yes

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (NT$ mn) New	**39,351.1**	**54,805.1**	**96,230.8**	**158,178.3**
Revenue (NT$ mn) Old	39,351.1	54,949.1	95,644.9	154,184.8
EBITDA (NT$ mn)	9,913.6	15,148.9	30,068.6	50,394.8
EPS (NT$) New	**3.51**	**11.79**	**35.10**	**68.29**
EPS (NT$) Old	3.51	13.36	36.42	67.79
P/E (X)	29.0	59.2	19.9	10.2
P/B (X)	1.4	9.9	7.7	5.3
Dividend yield (%)	1.7	0.8	2.0	3.9
CROCI (%)	12.4	16.2	24.3	34.0

	6/26	9/26E	12/26E	3/27E
EPS (NT$)	2.57	3.46	4.58	5.65

GS Factor Profile



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

BUY

Kinsus (3189.TW)

Rating since Feb 3, 2026

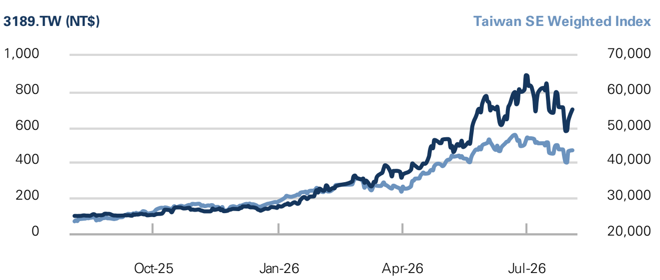
Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	29.0	59.2	19.9	10.2
P/B (X)	1.4	9.9	7.7	5.3
FCF yield (%)	3.6	(0.2)	0.9	4.7
EV/EBITDAR (X)	6.2	24.4	12.4	7.3
EV/EBITDA (excl. leases) (X)	6.2	24.4	12.4	7.3
CROCI (%)	12.4	16.2	24.3	34.0
ROE (%)	5.0	17.4	43.5	61.2
Net debt/equity (%)	14.9	16.9	12.6	(3.7)
Net debt/equity (excl. leases) (%)	14.9	16.9	12.6	(3.7)
Interest cover (X)	6.9	26.2	81.3	147.9
Days inventory outst, sales	36.2	34.3	26.5	25.0
Receivable days	56.7	50.5	43.2	44.2
Days payable outstanding	37.6	37.8	33.9	34.5
DuPont ROE (%)	3.9	13.0	30.8	43.3
Turnover (X)	0.5	0.6	0.9	1.1
Leverage (X)	1.9	1.9	1.8	1.7
Gross cash invested (ex cash) (NT$)	84,844.7	97,707.3	116,042.1	134,366.7
Average capital employed (NT$)	46,133.1	50,528.8	59,411.7	71,357.2
BVPS (NT$)	71.66	70.70	91.18	132.15

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	28.9	39.3	75.6	64.4
EBITDA growth	37.1	52.8	98.5	67.6
EPS growth	3,153.4	236.3	197.8	94.6
DPS growth	75.0	236.8	138.2	94.6
EBIT margin	6.8	15.1	24.4	27.9
EBITDA margin	25.2	27.6	31.2	31.9
Net income margin	4.1	10.9	18.6	22.0

Price Performance



	3m	6m	12m
Absolute	32.2%	183.7%	601.0%
Rel. to the Taiwan SE Weighted Index	18.6%	110.6%	278.6%

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

Income Statement (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Total revenue	39,351.1	54,805.1	96,230.8	158,178.3
Cost of goods sold	(31,036.7)	(39,907.0)	(61,997.7)	(96,246.5)
SG&A	(3,034.8)	(3,838.4)	(6,173.5)	(10,376.8)
R&D	(2,609.8)	(2,796.6)	(4,536.8)	(7,382.8)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**9,913.6**	**15,148.9**	**30,068.6**	**50,394.8**
Depreciation & amortization	(7,243.8)	(6,885.8)	(6,545.7)	(6,222.7)
EBIT	**2,669.8**	**8,263.1**	**23,522.9**	**44,172.1**
Net interest inc./(exp.)	(4.0)	(66.6)	(111.5)	(101.0)
Income/(loss) from associates	(0.9)	–	–	–
Pre-tax profit	**3,087.2**	**8,542.6**	**23,607.9**	**44,257.1**
Provision for taxes	(369.9)	(1,174.5)	(4,249.4)	(7,966.3)
Minority interest	(1,121.4)	(1,414.7)	(1,484.3)	(1,515.1)
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**1,595.9**	**5,953.5**	**17,874.1**	**34,775.8**
Post-tax exceptionals	–	–	–	–
Net inc. (post-exceptionals)	**1,595.9**	**5,953.5**	**17,874.1**	**34,775.8**
EPS (basic, pre-except) (NT$)	**3.51**	**11.79**	**35.10**	**68.29**
EPS (diluted, pre-except) (NT$)	**3.51**	**11.79**	**35.10**	**68.29**
EPS (basic, post-except) (NT$)	**3.51**	**11.79**	**35.10**	**68.29**
EPS (diluted, post-except) (NT$)	**3.51**	**11.79**	**35.10**	**68.29**
DPS (NT$)	1.75	5.89	14.04	27.32
Div. payout ratio (%)	49.9	50.0	40.0	40.0

Balance Sheet (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Cash & cash equivalents	12,281.2	10,695.8	11,115.5	21,394.1
Accounts receivable	6,900.7	8,258.3	14,500.5	23,835.1
Inventory	4,828.3	5,466.7	8,492.8	13,184.5
Other current assets	4,927.4	4,447.6	4,447.6	4,447.6
Total current assets	**28,937.6**	**28,868.4**	**38,556.5**	**62,861.2**
Net PP&E	41,936.7	49,135.5	58,674.3	67,536.2
Net intangibles	175.3	90.7	6.1	(78.5)
Total investments	138.4	138.4	138.4	138.4
Other long-term assets	8,785.3	8,785.3	8,785.3	8,785.3
Total assets	**79,973.3**	**87,018.2**	**106,160.5**	**139,242.7**
Accounts payable	3,899.8	4,373.4	7,134.0	11,074.9
Short-term debt	7,251.3	7,251.3	7,251.3	7,251.3
Short-term lease liabilities	–	–	–	–
Other current liabilities	8,955.4	11,135.4	15,308.3	22,068.9
Total current liabilities	**20,106.4**	**22,760.0**	**29,693.5**	**40,395.1**
Long-term debt	11,197.1	11,197.1	11,197.1	11,197.1
Long-term lease liabilities	–	–	–	–
Other long-term liabilities	7,296.5	7,296.5	7,296.5	7,296.5
Total long-term liabilities	**18,493.7**	**18,493.7**	**18,493.7**	**18,493.7**
Total liabilities	**38,600.1**	**41,253.6**	**48,187.2**	**58,888.8**
Preferred shares	–	–	–	–
Total common equity	32,731.8	35,708.5	46,433.0	67,298.4
Minority interest	**8,641.4**	**10,056.1**	**11,540.4**	**13,055.4**
Total liabilities & equity	**79,973.3**	**87,018.2**	**106,160.5**	**139,242.7**
Net debt, adjusted	6,167.1	7,752.6	7,332.9	(2,945.7)

Cash Flow (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Net income	1,595.9	5,953.5	17,874.1	34,775.8
D&A add-back	7,243.8	6,885.8	6,545.7	6,222.7
Minority interest add-back	1,121.4	1,414.7	1,484.3	1,515.1
Net (inc)/dec working capital	(1,959.6)	(1,522.4)	(6,507.7)	(10,085.2)
Other operating cash flow	91.5	479.8	(0.0)	–
Cash flow from operations	**8,093.0**	**13,211.3**	**19,396.4**	**32,428.3**
Capital expenditures	(6,116.8)	(14,000.0)	(16,000.0)	(15,000.0)
Acquisitions	(1,526.4)	–	–	–
Divestitures	–	–	–	–
Others	(225.3)	–	–	–
Cash flow from investing	**(7,868.5)**	**(14,000.0)**	**(16,000.0)**	**(15,000.0)**
Repayment of lease liabilities	–	–	–	–
Dividends paid (common & pref)	(456.6)	(796.8)	(2,976.7)	(7,149.7)
Inc/(dec) in debt	1,466.0	–	–	–
Other financing cash flows	(4,318.2)	0.0	0.0	0.0
Cash flow from financing	**(3,308.9)**	**(796.8)**	**(2,976.7)**	**(7,149.7)**
Total cash flow	**(3,084.4)**	**(1,585.4)**	**419.7**	**10,278.6**
Free cash flow	1,976.2	(788.7)	3,396.4	17,428.3

Source: Company data, Goldman Sachs Research estimates.

(5) For AI-related products, Kinsus is targeting 100% market share for Vera CPU substrate (previously targeting 50-100% market share for AI CPU substrate), expanding from the current 50% share for Grace CPU substrate. The company continues to expect its AI GPU market share to go up to 20% in coming quarters (vs. 10% now). Moreover, the company also targets to gain market share in AMD/META/AWS's AI accelerator substrates in 2H26 and expects to further expand its share. The company expects AI contribution to reach ~10% of total revenue in 2026, and expand to 15-20% in 2027.

(6) In terms of BT substrate demand, the company mentioned optical modules as being one of the key drivers for the first time, given the PCB for optical modules applies a similar production process to BT substrate (mSAP solutions), and expecting this segment to reach 5% of total revenue in 2027 from <1% in 2026. Another driver for the BT substrate business included demand from memory that will continue to grow in coming years.

(7) In terms of BT substrate supply, the company hinted that it may potentially expand capacity in China in 2027 to capture spillover orders from other ABF substrate suppliers, as peers continue to convert BT substrate capacity to ABF substrate production (see here).

(8) For future product opportunities, Kinsus is currently developing both glass/ceramic core substrate, it is still at a very early stage of R&D and expects no/very limited revenue contribution from this product prior to 2029.

(9) Kinsus reiteratedcits goal of reaching 80mn units of ABF capacity per month by the end of 2029 (doubling capacity vs. now), with total facility construction spending expected to be NT$45bn while the company mentioned that key customers will spend NT$60-80bn for the equipment (with NT$60bn already secured) throughout 2026-29. These customers will own 30mn units of the 2029 end capacity (~38% of total capacity) due to its direct equipment investment.

Investment view

We are positive on Kinsus' 2Q result (the solid jump on GM in 2Q -see here), and expect the company to further deliver a strong revenue/GM expansion in 2H26 thanks to the much better than expected market share on the high volume NVDA Vera CPU substrate (the company expects 100% market share for Vera CPU substrate, while the company only expected 50%+ three months ago – see here), which should contribute ~10%/15% of the company's ABF revenue or 15/20%+ of the ABF profit contribution in 2026/27E with a much higher than company's average GM/OPM.

Moreover, Kinsus' tone on ABF substrates S/D outlook turns much more favorable (and echos our view on more tightness on ABF substrates in coming years -see here), while the company sees more and more high-layer/large size projects have been introduced by customers who are asking for more capacity from Kinsus to support the demand, despite the company having no numerical data to support this assumption, and still input any like for like base pricing hike assumption in their +30% YoY revenue guidance for 2027/28 or +5ppt GM YoY growth in 2027 &2028.

Going into LT, the company's (1) new CAPEX raise (see here), (2) its new comment on potential new K7/8 plant for 2030 and beyond new capacity expansion, and (3) customers' direct investment in ABF substrate capacity for more than NT$80bn in the next 3 years, should imply a long term demand sustainability and could improve investor confidence levels on long term AI demand sustainability.

Overall, we maintain our Buy rating on Kinsus, and we expect the better market share in AI server CPU and its better position in the high-end ABF substrate industry into long term. We revise up our Kinsus TP to NT$1,125 (from NT$1,120).

Earnings revisions

We revise up our 2027/28/29E earnings estimate by 5/10/10% to factor in the solid GM/OPM expansion from a more favorable pricing outlook given the potential supply shortage environment (revise up 2027/28/29 GM by 0.9/1.7/1.2ppt and OPM by 0.9/1.7/1.2ppt).

We revise down our 2026E earnings estimate by 5% after reflecting a more conservative margin assumption on its IC substrate business in 2H26E, though we expect solid GM/OPM expansion in coming quarters.

Exhibit 1: Earnings revision table

Kinsus P&L (NT$ mn)	2026E New	2026E Old	Diff.	2027E New	2027E Old	Diff.	2028E New	2028E Old	Diff.	2029E New	2029E Old	Diff.
Sales	54,805	54,949	0%	96,231	95,645	1%	158,178	154,185	3%	250,634	236,684	6%
Gross Profit	14,898	15,529	-4%	34,233	33,138	3%	61,932	57,734	7%	103,203	94,697	9%
EBIT	8,263	8,895	-7%	23,523	22,494	5%	44,172	40,422	9%	75,156	68,211	10%
Net Income	5,953	6,250	-5%	17,874	17,030	5%	34,776	31,701	10%	60,183	54,488	10%
EPS (NT$)	**11.79**	**13.36**	-12%	**35.10**	**36.42**	-4%	**68.29**	**67.79**	1%	**118.18**	**116.52**	1%
Ratio analysis												
Gross margin	27.2%	28.3%	-1.1ppt	35.6%	34.6%	0.9ppt	39.2%	37.4%	1.7ppt	41.2%	40.0%	1.2ppt
EBIT margin	15.1%	16.2%	-1.1ppt	24.4%	23.5%	0.9ppt	27.9%	26.2%	1.7ppt	30.0%	28.8%	1.2ppt
Net margin	10.9%	11.4%	-0.5ppt	18.6%	17.8%	0.8ppt	22.0%	20.6%	1.4ppt	24.0%	23.0%	1.0ppt

Source: Company data, Goldman Sachs Global Investment Research

Valuation

We maintain our Buy rating with a new 12m TP of NT$1,125 (from NT$1,120), based on 16.5x 2028E P/E, which is +1.2x STDV higher than Kinsus' past upcycle average P/E (14.2x), and factor in our latest earnings revisions.

Exhibit 2: P&L table

NT$mn	1Q26	2Q26	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	1Q28E	2Q28E	3Q28E	4Q28E	2025E	2026E	2027E	2028E	2029E
Revenue	11,105	12,496	14,690	16,514	17,893	22,643	27,056	28,638	31,241	37,225	42,160	47,552	39,351	54,805	96,231	158,178	250,634
Gross profit	2,349	3,261	4,174	5,114	5,902	7,932	9,738	10,661	11,891	14,506	16,620	18,914	8,314	14,898	34,233	61,932	103,203
Operating expense	(1,459)	(1,582)	(1,711)	(1,883)	(2,054)	(2,445)	(3,003)	(3,207)	(3,473)	(4,214)	(4,734)	(5,339)	(5,645)	(6,635)	(10,710)	(17,760)	(28,047)
Operating income	890	1,679	2,463	3,231	3,848	5,487	6,734	7,454	8,419	10,292	11,887	13,575	2,670	8,263	23,523	44,172	75,156
Pretax income	964	1,785	2,563	3,231	3,898	5,537	6,734	7,439	8,469	10,342	11,887	13,560	3,087	8,543	23,608	44,257	75,341
Taxes expense	(89)	(101)	(436)	(549)	(702)	(997)	(1,212)	(1,339)	(1,524)	(1,862)	(2,140)	(2,441)	(370)	(1,174)	(4,249)	(7,966)	(13,561)
Net income	549	1,311	1,762	2,331	2,877	4,125	5,140	5,732	6,652	8,065	9,336	10,723	1,596	5,953	17,874	34,776	60,183
EPS, NT$	**1.17**	**2.57**	**3.46**	**4.58**	**5.65**	**8.10**	**10.09**	**11.26**	**13.06**	**15.84**	**18.33**	**21.06**	**3.52**	**11.79**	**35.10**	**68.29**	**118.18**
Ratio analysis and assumption																	
As % of sales																	
Gross margin	21.2%	26.1%	28.4%	31.0%	33.0%	35.0%	36.0%	37.2%	38.1%	39.0%	39.4%	39.8%	21.1%	27.2%	35.6%	39.2%	41.2%
Operating expense ratio	13.1%	12.7%	11.7%	11.4%	11.5%	10.8%	11.1%	11.2%	11.1%	11.3%	11.2%	11.2%	14.3%	12.1%	11.1%	11.2%	11.2%
Operating margin	8.0%	13.4%	16.8%	19.6%	21.5%	24.2%	24.9%	26.0%	26.9%	27.6%	28.2%	28.5%	6.8%	15.1%	24.4%	27.9%	30.0%
Net margin	4.9%	10.5%	12.0%	14.1%	16.1%	18.2%	19.0%	20.0%	21.3%	21.7%	22.1%	22.5%	4.1%	10.9%	18.6%	22.0%	24.0%
QoQ growth (%)																	
Revenue	2.7%	12.5%	17.6%	12.4%	8.4%	26.5%	19.5%	5.8%	9.1%	19.2%	13.3%	12.8%	-	-	-	-	-
Gross profit	-1.8%	38.8%	28.0%	22.5%	15.4%	34.4%	22.8%	9.5%	11.5%	22.0%	14.6%	13.8%	-	-	-	-	-
Operating income	-3.3%	88.6%	46.7%	31.2%	19.1%	42.6%	22.7%	10.7%	12.9%	22.3%	15.5%	14.2%	-	-	-	-	-
Net income	-14.5%	138.8%	34.5%	32.3%	23.4%	43.4%	24.6%	11.5%	16.0%	21.2%	15.8%	14.9%	-	-	-	-	-
Revenue	28.8%	30.7%	41.9%	52.7%	61.1%	81.2%	84.2%	73.4%	74.6%	64.4%	55.8%	66.0%	29%	39%	76%	64%	58%
Gross profit	21.0%	61.8%	112.6%	113.7%	151.2%	143.2%	133.3%	108.5%	101.5%	82.9%	70.7%	77.4%	-4%	79%	130%	81%	67%
Operating income	77.7%	170.8%	292.1%	250.9%	332.2%	226.8%	173.5%	130.7%	118.8%	87.6%	76.5%	82.1%	144%	210%	185%	88%	70%
Net income	98.9%	287.6%	419.4%	262.9%	424.0%	214.7%	191.7%	145.9%	131.2%	95.5%	81.6%	87.1%	3164%	273%	200%	95%	73%

Source: Company data, Goldman Sachs Global Investment Research

Investment Thesis - Kinsus

Kinsus is one of the key IC substrates suppliers globally with ~10% ABF/BT substrates market share in 2024, with ~18% of total 2025 revenue contributed by its contact lens subsidiary, Pegavision (6941.TW, Not Covered). With our view that the ABF substrate shortage started from 2Q26 (ABF substrate return to supply demand balance from late 2025), we believe Kinsus' performance will continue to improve compared with high-end ABF peers considering the company's increasing market share in the high-end ABF substrate market; however, ~36% of the company's revenue was contributed by BT substrates in 2025 and 30% of the company's ABF revenue is from non-LTA customers, which we believe will continue to enjoy a better pricing outlook. As a result, we believe Kinsus' earnings outlook should continue to be strong (~106% 2026-29E CAGR), mainly driven by better BT substrate and non-LTA ABF substrate pricing outlook, despite the unfavorable demand outlook before 2H26. We believe Kinsus is an experienced substrate supplier with a clear capacity expansion plan that can also upgrade its product portfolio in the long term. We believe we are at the beginning of an industry upcycle, making us positive on Kinsus' stock performance over the next 12 months.

Price Target Risks and Methodology - Kinsus

Valuation methodology: Our 12-month target price of NT$1,125 for Kinsus is based on 16.5x 2028E P/E, which is +1.2x STDV higher than Kinsus' past upcycle average P/E (14.2x).

Key downside risks: (1) Slower-than-expected PC demand recovery, (2) Slower-than-expected ABF substrates pricing upgrading outlook, (3) Slower/Less-than-expected AI server orders from 2H26.

Disclosure Appendix

Reg AC

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Contributing Authors: Chao Wang Goldman Sachs (Asia) L.L.C., Taipei Branch, Allen Chang Goldman Sachs (Asia) L.L.C., Al Wang Goldman Sachs (Asia) L.L.C., Taipei Branch.

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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).

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Goldman Sachs Investment Research global Equity coverage universe

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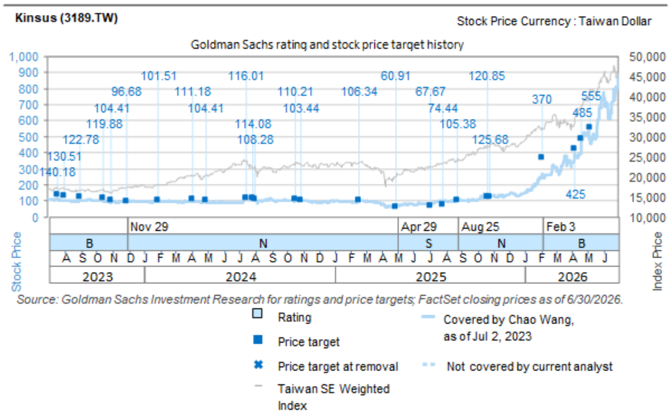
Price target and rating history chart(s)



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Target price history table(s)

Kinsus (3189.TW)

Date of report	Target price (NT$)	Closing price (NT$)
12-Jul-26	1,120.00	795.00
08-May-26	555.00	458.00
21-Apr-26	485.00	473.50
08-Apr-26	425.00	394.00
03-Feb-26	370.00	246.00
27-Oct-25	130.00	143.57
21-Oct-25	125.00	145.02
25-Aug-25	109.00	103.93
29-Jul-25	77.00	102.48
04-Jul-25	70.00	85.27
29-Apr-25	63.00	73.57
17-Feb-25	110.00	96.68
28-Oct-24	107.00	108.76
18-Oct-24	114.00	101.51
01-Aug-24	112.00	107.31
29-Jul-24	118.00	115.05
16-Jul-24	120.00	116.01
29-Apr-24	108.00	94.65
03-Apr-24	115.00	98.61
29-Jan-24	105.00	98.13
29-Nov-23	100.00	96.00
31-Oct-23	108.00	91.65
16-Oct-23	124.00	98.13
01-Sep-23	127.00	103.44

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

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