Goldman Sachs Research

Equity Research

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Win Semiconductors Corp. (3105.TWO)

Earnings Review: New optical product to ramp up in 2H26, higher margin but limited contribution; reiterate Sell

3105.TWO	12m Price Target: **NT$142.00**	Price: **NT$341.50**	Downside: **58.4%**

Win Semi's 2Q26 core business (operating income) was 56/5% higher than GSe/BBG consensus, mainly due to a more favorable product mix with higher contribution from high margin infrastructure business, which led to a 1.9ppt QoQ increase in 2Q26 GPM, and came in 0.4ppt above GSe but is 1.0ppt below BBG consensus. Win Semi's OPEX further declined to NT$743mn (vs. NT$778mn in 1Q26). NI was 114/52% higher than GSe/BBG consensus due to the NT$447mn recognized in non-operating income (account for 38% of total pretax income).

For 3Q26, the company expects revenue to increase by low teens QoQ, and expects optical business to deliver the strongest growth driven by the ramp up of new PD (photodiodes) products at the end of 2Q26, infrastructure should also see strong growth, while cellular and WiFi business might see flattish to slight QoQ increase. On GM, the company guides the 3Q26 level to be around low-thirties %, which is better than our prior expectation but is in line with BBG consensus of 31.3%. Management indicated 2Q26 UTR to be higher at 65% (was 60% in 1Q26), with no guidance for 3Q26, and we expect UTR to further increase to ~70%.

Win Semi continued to highlight the company's progress with its AI-related business, expecting shipments of new PD (photodiodes) products for a single client to ramp up in 2H26. For new LD (laser diodes) products, the company is currently engaged with multiple clients on several new solutions (including CW laser and EML solutions), but expects to see more contribution in 2027/28. The company mentioned that CAPEX this year will mainly focus on expanding InP and GaN capacity for the datacom optical and infrastructure business. Overall, management now expect that the AI-related business might reach double-digits of total revenue in 2027 and potentially reach a similar scale as the cellular and infrastructure business in the long term (each at 30-35% in 2Q26).

SELL

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Key Data

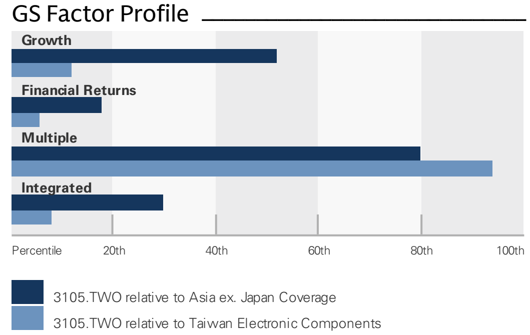
Market cap: NT$137.7bn / $4.3bn
Enterprise value: NT$141.8bn / $4.4bn
3m ADTV: NT$12.5bn / $396.1mn
Taiwan
Taiwan Electronic Components
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (NT$ mn) New	**16,638.5**	**21,320.0**	**24,016.0**	**25,863.5**
Revenue (NT$ mn) Old	16,638.5	20,119.5	22,342.2	25,147.4
EBITDA (NT$ mn)	4,708.4	6,085.5	6,569.2	7,276.9
EPS (NT$) New	**4.00**	**7.51**	**6.35**	**7.86**
EPS (NT$) Old	4.00	5.13	6.09	7.31
P/E (X)	25.9	45.5	53.7	43.5
P/B (X)	1.1	3.4	3.3	3.2
Dividend yield (%)	1.9	1.4	1.2	1.5
CROCI (%)	8.2	9.9	9.7	10.1

	6/26	9/26E	12/26E	3/27E
EPS (NT$)	2.30	2.73	1.22	1.06

GS Factor Profile



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

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SELL

Win Semiconductors Corp. (3105.TWO)

Rating since Dec 2, 2024

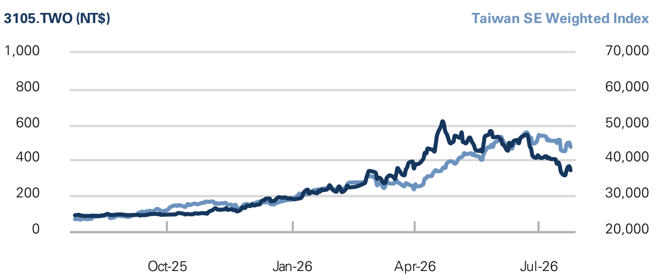
Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	25.9	45.5	53.7	43.5
P/B (X)	1.1	3.4	3.3	3.2
FCF yield (%)	7.4	1.5	1.7	2.3
EV/EBITDAR (X)	10.6	24.5	22.5	20.1
EV/EBITDA (excl. leases) (X)	10.6	24.5	22.5	20.1
CROCI (%)	8.2	9.9	9.7	10.1
ROE (%)	4.3	7.6	6.2	7.5
Net debt/equity (%)	13.3	15.6	20.6	23.2
Net debt/equity (excl. leases) (%)	13.3	15.6	20.6	23.2
Interest cover (X)	1.0	4.7	5.1	5.6
Days inventory outst, sales	109.4	92.4	93.4	94.2
Receivable days	32.9	32.7	34.0	34.7
Days payable outstanding	39.9	42.5	42.7	43.7
DuPont ROE (%)	4.0	7.9	6.9	8.9
Turnover (X)	0.3	0.4	0.4	0.4
Leverage (X)	1.4	1.5	1.5	1.6
Gross cash invested (ex cash) (NT$)	61,343.0	63,693.2	67,123.2	70,164.4
Average capital employed (NT$)	48,929.8	47,177.2	46,772.6	46,370.8
BVPS (NT$)	98.00	100.63	102.85	105.60

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	(4.7)	28.1	12.6	7.7
EBITDA growth	(13.8)	29.2	7.9	10.8
EPS growth	120.5	88.0	(15.4)	23.7
DPS growth	NM	144.1	(15.4)	23.7
EBIT margin	4.3	13.7	13.1	13.3
EBITDA margin	28.3	28.5	27.4	28.1
Net income margin	10.2	14.9	11.2	12.9

Price Performance



	3m	6m	12m
Absolute	(37.6)%	48.2%	289.0%
Rel. to the Taiwan SE Weighted Index	(44.3)%	8.5%	108.3%

Source: FactSet. Price as of 24 Jul 2026 close.

Income Statement (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Total revenue	16,638.5	21,320.0	24,016.0	25,863.5
Cost of goods sold	(12,612.4)	(15,172.2)	(16,882.8)	(17,933.7)
SG&A	(1,711.1)	(1,807.1)	(2,098.7)	(2,172.3)
R&D	(1,600.3)	(1,416.7)	(1,893.1)	(2,327.7)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**4,708.4**	**6,085.5**	**6,569.2**	**7,276.9**
Depreciation & amortization	(3,993.7)	(3,161.4)	(3,427.8)	(3,847.1)
EBIT	**714.7**	**2,924.1**	**3,141.4**	**3,429.8**
Net interest inc./(exp.)	(546.0)	(417.3)	(437.8)	(485.4)
Income/(loss) from associates	0.0	(149.2)	(500.0)	–
Pre-tax profit	**1,386.9**	**3,221.4**	**2,641.4**	**3,429.8**
Provision for taxes	(297.1)	(686.4)	(566.8)	(729.6)
Minority interest	604.0	649.2	619.0	631.2
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**1,693.8**	**3,184.1**	**2,693.6**	**3,331.4**
Post-tax exceptionals	–	–	–	–
Net inc. (post-exceptionals)	**1,693.8**	**3,184.1**	**2,693.6**	**3,331.4**
EPS (basic, pre-except) (NT$)	**4.00**	**7.51**	**6.35**	**7.86**
EPS (diluted, pre-except) (NT$)	**4.00**	**7.51**	**6.35**	**7.86**
EPS (basic, post-except) (NT$)	**4.00**	**7.51**	**6.35**	**7.86**
EPS (diluted, post-except) (NT$)	**4.00**	**7.51**	**6.35**	**7.86**
DPS (NT$)	2.00	4.88	4.13	5.11
Div. payout ratio (%)	50.1	65.0	65.0	65.0

Balance Sheet (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Cash & cash equivalents	7,066.9	6,343.4	4,665.0	4,005.7
Accounts receivable	1,713.9	2,102.8	2,368.7	2,550.9
Inventory	4,978.5	5,819.5	6,475.6	6,878.7
Other current assets	797.6	797.6	797.6	797.6
Total current assets	**14,556.9**	**15,063.2**	**14,306.8**	**14,232.8**
Net PP&E	19,671.9	19,297.5	18,856.7	18,096.7
Net intangibles	65.5	(21.5)	(108.6)	(195.6)
Total investments	21,091.0	20,941.8	20,441.8	20,441.8
Other long-term assets	5,343.4	5,343.4	5,343.4	5,343.4
Total assets	**60,728.7**	**60,624.4**	**58,840.2**	**57,919.1**
Accounts payable	1,661.9	1,870.5	2,081.4	2,211.0
Short-term debt	330.7	330.7	330.7	330.7
Short-term lease liabilities	–	–	–	–
Other current liabilities	3,872.5	5,094.4	4,775.5	5,190.0
Total current liabilities	**5,865.1**	**7,295.6**	**7,187.6**	**7,731.7**
Long-term debt	12,328.2	12,328.2	12,328.2	12,328.2
Long-term lease liabilities	–	–	–	–
Other long-term liabilities	544.5	544.5	544.5	544.5
Total long-term liabilities	**12,872.7**	**12,872.7**	**12,872.7**	**12,872.7**
Total liabilities	**18,737.9**	**20,168.3**	**20,060.4**	**20,604.5**
Preferred shares	–	–	–	–
Total common equity	41,545.3	42,659.7	43,602.5	44,768.4
Minority interest	**445.6**	**(2,203.6)**	**(4,822.6)**	**(7,453.8)**
Total liabilities & equity	**60,728.7**	**60,624.4**	**58,840.2**	**57,919.1**
Net debt, adjusted	5,592.0	6,315.5	7,993.9	8,653.2

Cash Flow (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Net income	1,693.8	3,184.1	2,693.6	3,331.4
D&A add-back	3,993.7	3,161.4	3,427.8	3,847.1
Minority interest add-back	(604.0)	(649.2)	(619.0)	(631.2)
Net (inc)/dec working capital	207.1	(1,021.2)	(711.1)	(455.8)
Other operating cash flow	(337.6)	149.2	500.0	–
Cash flow from operations	**4,953.0**	**4,824.4**	**5,291.3**	**6,091.5**
Capital expenditures	(1,691.4)	(2,700.0)	(2,900.0)	(3,000.0)
Acquisitions	–	–	–	–
Divestitures	6,292.1	–	–	–
Others	511.6	–	–	–
Cash flow from investing	**5,112.3**	**(2,700.0)**	**(2,900.0)**	**(3,000.0)**
Repayment of lease liabilities	–	–	–	–
Dividends paid (common & pref)	(423.9)	(847.9)	(2,069.7)	(1,750.8)
Inc/(dec) in debt	791.3	–	–	–
Other financing cash flows	(8,785.0)	(2,000.0)	(2,000.0)	(2,000.0)
Cash flow from financing	**(8,417.6)**	**(2,847.9)**	**(4,069.7)**	**(3,750.8)**
Total cash flow	**1,647.6**	**(723.5)**	**(1,678.4)**	**(659.3)**
Free cash flow	3,261.6	2,124.4	2,391.3	3,091.5

Source: Company data, Goldman Sachs Research estimates.

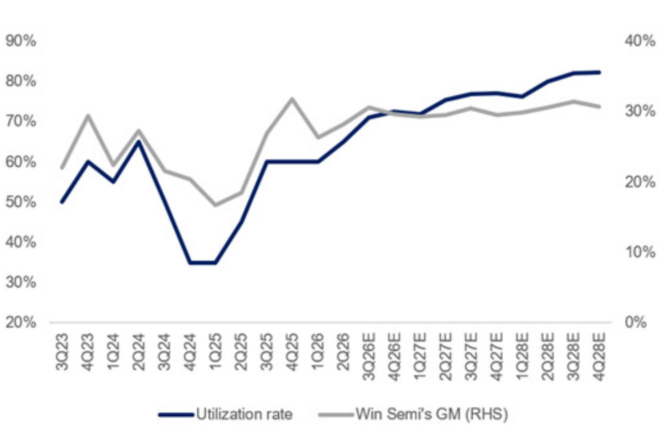
Downward revision to PA foundry TAM on weaker smartphone shipment

We have revised down our 2026/27/28E PA foundry TAM by 1/1/4% to US$1.3bn/1.4bn/1.6bn as we factor in our latest smartphone shipment assumptions (-10%/+3% in 2026/27, was -6%/+2% previously, and now expect shipment to see +1% in 2028, see here) as end-demand continues to be impacted by high memory price (see here). Despite the near-term weakness in the smartphone market, we continue to believe the PA foundry house will gain share in the smartphone PA segment. This continues to be driven by the increasing design complexity and production costs of the PA, and we continue to see newer smartphone projects from design houses being allocated to foundries, which will benefit Win Semi in the long term. We expect the market TAM to deliver an 11% CAGR over 2025-30E (was 13% previously), and we expect foundries' cellular PA shipments to increase by 11% in 2026 (vs. 17% previously), while weak smartphone shipments continue to offset content value growth driven by higher 5G penetration in 2026.

Win Semi delivered 2Q26 revenue that in line with the company's guidance, with the cellular business seeing PA inventory pull-in. Management expects this momentum to continue into 3Q26 and guided revenue to be flattish to slight QoQ growth in the cellular business. We now expect Win Semi's PA foundry revenue to grow 28% YoY in 2026, outpacing the overall PA foundry TAM growth of 17% YoY, as the company continue to focus on mid-to-high-end and premium smartphone models, which are relatively more resilient to rising memory costs, although management did acknowledge potential downside risks to end-demand if high-end smartphone prices increase. Moreover, we expect Win Semi's PA foundry market share to decline from 74% in 2020 to 52% in 2026, and further to 40-50% by 2030, but its revenue will continue to expand further due to the growing foundry TAM.

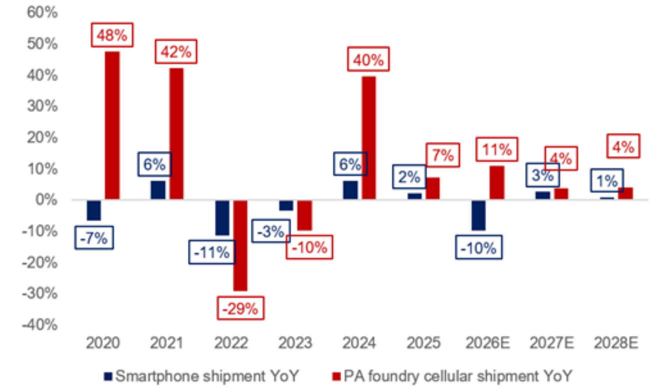
We continue to see a modest recovery in 2026 CAPEX plans among Taiwan PA foundry players. However, we do not see this as an indication of a more constructive demand outlook for the PA foundry industry. Win Semi reiterated its 2026 CAPEX guidance of NT$2-3bn, with the majority of spending allocated to the optical and infrastructure businesses rather than GaAs capacity expansion. We continue to believe GaAs capacity remains sufficient, with Win Semi's utilization rate likely reaching at most 80% during 2026-28E, implying no meaningful need for additional GaAs capacity expansion.

Exhibit 1: Win Semi's GM will be driven by utilization rate and product mix



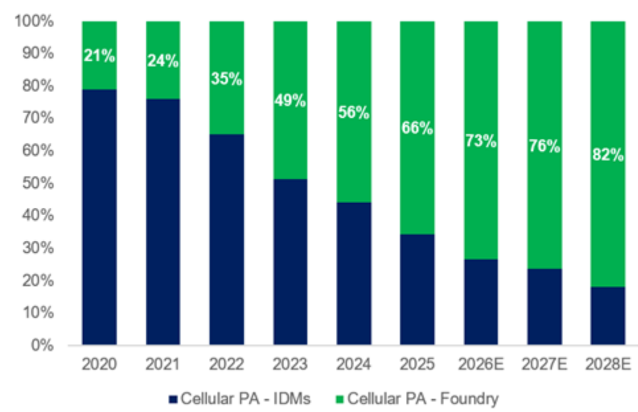
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: We expect cellular PA foundry shipments to increase 11%/4%/4% in 2026/27/28E



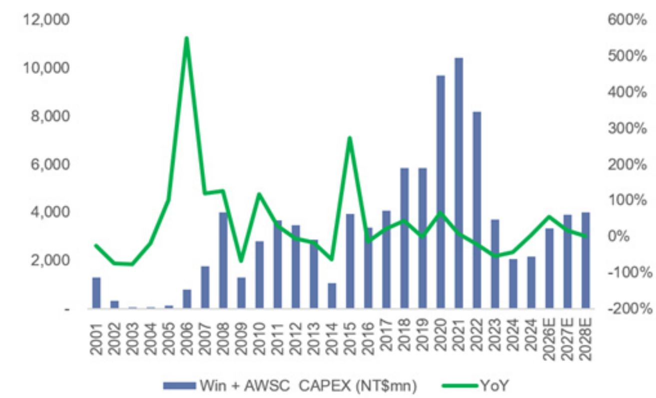
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: China cellular PA market share – Foundry continues to outgrow IDM



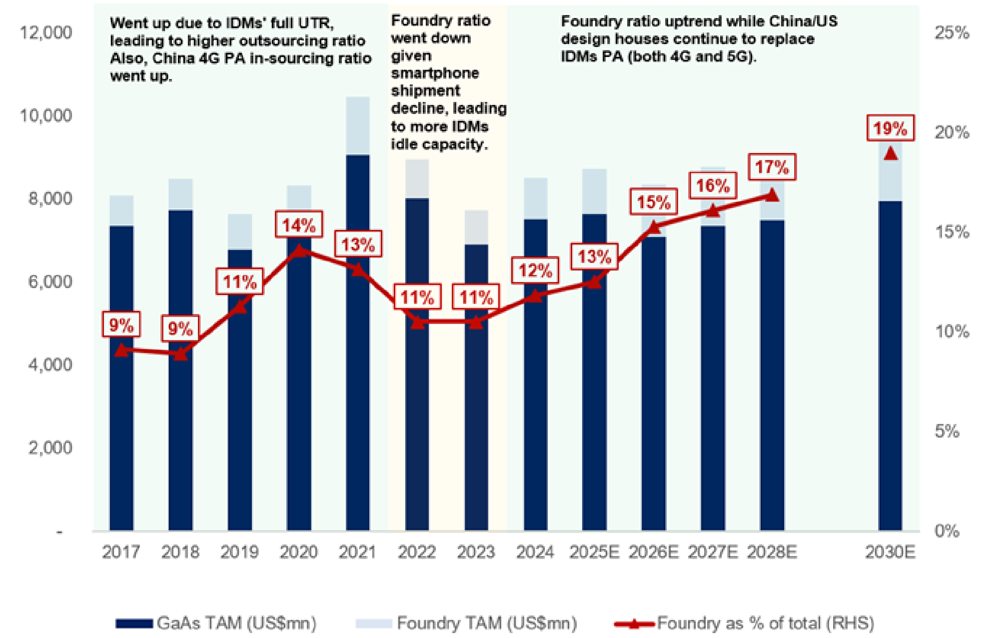
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 4: We believe Taiwan PA foundries' CAPEX will gradually improve starting from 2026



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 5: We believe the foundry penetration rate will grow to 15%/16%/17% in 2026/27/28E



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 6: Win Semi 2Q26 result vs. GSe/consensus

Win Semi (3105.TWO)	2Q26			QoQ		YoY		Bloomberg consensus	
P&L (NT$mn)	Actual	GS est.	Diff (%)	1Q26	QoQ	2Q25	YoY	Consensus	%
Revenue	5,257	5,109	3%	4,590	15%	3,780	39%	5,298	-1%
Gross profits	1,485	1,422	4%	1,209	23%	698	113%	1,550	-4%
Operating profits	742	477	56%	431	72%	(119)	723%	705	5%
Pre-tax income	1,188	477	149%	532	123%	(551)	316%	717	66%
Net profit	977	456	114%	533	83%	(421)	332%	656	49%
EPS, NT$	2.30	1.08	114%	1.26	83%	(0.99)	332%	1.51	52%
Gross margin (%)	28.2%	27.8%	0.4ppt	26.3%	1.9ppt	18.5%	9.8ppt	29.3%	-1.0ppt
EBIT margin (%)	14.1%	9.3%	4.8ppt	9.4%	4.7ppt	-3.1%	17.3ppt	13.3%	0.8ppt
Net margin (%)	18.6%	8.9%	9.6ppt	11.6%	7.0ppt	-11.1%	29.7ppt	12.4%	6.2ppt

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

Investment view

Although the company will begin ramping up new PD product in 2H26 and is making progress on LD products (including CW lasers and EML solutions), we expect the datacom optical business to account for only a high-single-digit of 2026E revenue despite multiple-fold YoY growth. We believe Win Semi will remain primarily driven by its cellular business, and the limited contribution from datacom optical through 2026-27E is insufficient to justify the high valuation that Win Semi is trading at (over 33x 2027E P/E based on GSe/BBG consensus, even after the stock has corrected by more than 30% since the last earnings release).

We maintain our conservative view on Win Semi's stock performance going forward, given (1) our Global Tech team's expectation that global smartphone shipments will decline 10% YoY in 2026E and grow only 3%/1% YoY in 2027/28E (see here), limiting upside for the cellular business; (2) our view that competitors such as AWSC are better positioned to gain share given their lower cost structures and more competitive pricing; and (3) the limited near-term contribution from the company's datacom optical products (e.g., PDs and LDs), with the higher margin LD products to see more contribution in 2027/28E.

Maintain Sell, with a new 12-m TP of NT$142 (from NT$124).

Earnings revisions

We raise our 2026E revenue by 6% after factor in 2Q26 results and raise our 2027/28E revenue by 7/3% to factor in higher infrastructure and optical business contribution. We revise up our 2026/27/28E GM estimates by 1.0/0.1/0.1ppt as we expect more margin expansion from the new businesses. Overall, we revised up our 2026/27/28E EPS estimates by 46/4/7%.

Exhibit 7: Earnings revisions table

Win Semi P&L (NT$ mn)	2026E New	2026E Old	Diff.	2027E New	2027E Old	Diff.	2028E New	2028E Old	Diff.
Sales	21,320	20,120	6%	24,016	22,342	7%	25,864	25,147	3%
Gross Profit	6,148	5,592	10%	7,133	6,609	8%	7,930	7,680	3%
EBIT	2,924	1,784	64%	3,141	2,398	31%	3,430	3,053	12%
Net Income	3,184	2,174	46%	2,694	2,581	4%	3,331	3,101	7%
EPS (NT$)	**7.51**	**5.13**	**46%**	**6.35**	**6.09**	**4%**	**7.86**	**7.31**	**7%**
Ratio analysis									
Gross margin	28.8%	27.8%	1.0pp	29.7%	29.6%	0.1pp	30.7%	30.5%	0.1pp
EBIT margin	13.7%	8.9%	4.8pp	13.1%	10.7%	2.3pp	13.3%	12.1%	1.1pp
Net margin	14.9%	10.8%	4.1pp	11.2%	11.6%	-0.3pp	12.9%	12.3%	0.6pp

Source: Goldman Sachs Global Investment Research

Valuation

We maintain our Sell rating, and revise up our TP from NT$124 to NT$142, based on the same target PE of 24x (1x STDV lower than the industry upcycle average valuation), factoring in our earnings revisions and, consistent with our group coverage practices, roll over our valuation period from 2H26-1H27 to 4Q26-3Q27.

Exhibit 8: P&L table

NT$mn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2024	2025	2026E	2027E	2028E
Revenue	3,576	3,780	4,488	4,794	4,590	5,257	5,781	5,691	5,637	5,916	6,338	6,125	17,457	16,639	21,320	24,016	25,864
Gross profit	598	698	1,205	1,525	1,209	1,485	1,766	1,689	1,648	1,747	1,931	1,806	4,042	4,026	6,148	7,133	7,930
Operating expense	(815)	(817)	(820)	(860)	(778)	(743)	(815)	(888)	(947)	(976)	(1,046)	(1,023)	(3,280)	(3,311)	(3,224)	(3,992)	(4,500)
Operating income	(217)	(119)	386	665	431	742	950	801	701	771	886	784	762	715	2,924	3,141	3,430
Pretax income	(61)	(551)	897	1,102	532	1,188	950	551	451	521	886	784	332	1,387	3,221	2,641	3,430
Taxes expense	(2)	61	(213)	(142)	(83)	(284)	(209)	(110)	(90)	(125)	(195)	(157)	7	(296)	(686)	(567)	(730)
Net income	16	(421)	1,070	1,029	533	977	1,159	515	450	472	1,067	705	768	1,695	3,184	2,694	3,331
EPS, NT$	**0.04**	**(0.99)**	**2.53**	**2.43**	**1.26**	**2.30**	**2.73**	**1.22**	**1.06**	**1.11**	**2.52**	**1.66**	**1.81**	**4.00**	**7.51**	**6.35**	**7.86**
As % of sales																	
Gross margin	16.7%	18.5%	26.9%	31.8%	26.3%	28.2%	30.5%	29.7%	29.2%	29.5%	30.5%	29.5%	23.2%	24.2%	28.8%	29.7%	30.7%
Operating expense ratio	22.8%	21.6%	18.3%	17.9%	16.9%	14.1%	14.1%	15.6%	16.8%	16.5%	16.5%	16.7%	18.8%	19.9%	15.1%	16.6%	17.4%
Operating margin	-6.1%	-3.1%	8.6%	13.9%	9.4%	14.1%	16.4%	14.1%	12.4%	13.0%	14.0%	12.8%	4.4%	4.3%	13.7%	13.1%	13.3%
QoQ growth (%)																	
Revenue	-3.5%	5.7%	18.7%	6.8%	-4.3%	14.5%	10.0%	-1.6%	-0.9%	4.9%	7.1%	-3.4%	-	-	-	-	-
Gross profit	-21.0%	16.6%	72.7%	26.5%	-20.7%	22.8%	18.9%	-4.4%	-2.4%	6.0%	10.5%	-6.5%	-	-	-	-	-
Operating income	NA	NA	NA	72.4%	-35.2%	72.1%	28.1%	-15.7%	-12.5%	10.0%	14.8%	-11.5%	-	-	-	-	-
Net income	NA	NA	NA	-3.9%	-48.2%	83.2%	18.6%	-55.5%	-12.7%	5.0%	125.8%	-33.9%	-	-	-	-	-
YoY growth (%)																	
Revenue	-19.5%	-23.8%	3.2%	29.4%	28.4%	39.1%	28.8%	18.7%	22.8%	12.5%	9.6%	7.6%	10%	-5%	28%	13%	8%
Gross profit	-39.8%	-48.4%	28.5%	101.2%	102.1%	112.7%	46.5%	10.8%	36.3%	17.7%	9.4%	7.0%	17%	0%	53%	16%	11%
Operating income	NA	NA	207.4%	NA	NA	NA	146.5%	20.4%	62.6%	4.0%	-6.8%	-2.2%	NA	-6%	309%	7%	9%
Net income	NA	NA	369.8%	NA	3166.5%	NA	8.2%	-49.9%	-15.7%	NA	-8.0%	36.9%	NA	121%	88%	-15%	24%

Source: Company data, Goldman Sachs Global Investment Research

Investment Thesis and TP & risks

Win Semi is a key GaAs-based semi foundry player with c.49% global market share as of 2025. We believe the company's market share could decline given its much higher-than-peer product pricing in the demand downtrend. We also expect the company to be impacted by the slow PA foundry market growth outlook given weak end-market demand and high inventory levels. This is despite some longer-term demand drivers (China PA in-sourcing trend, WiFi 6E/7 upgrading trend, new smartphone/AR VR optical products, automotive LiDAR opportunity, satellite communication market opportunity, stronger 5G BTS deployment in EU/US market, datacom optical opportunity etc.), which should increase its revenue/GM in the long term. However, we believe Win Semi's market share loss will continue to weigh on its long-term growth opportunity. We are Sell-rated given the ongoing PA foundry industry downcycle, along with our cautious view on the company's market share outlook. Win Semi is now trading above its average downcycle P/E multiple. Key upside risks are (1) easing competition in the China PA foundry market, (2) faster-than-expected progress on 5G/WiFi 7 upgrade trend, and (3) faster-than-expected growth from LEO/AI-related business.

Our 12-month target price of NT$142 is based on a 24x 4Q26-3Q27 EPS, which is 1x STDV lower than the industry upcycle average valuation since 2016. Key upside risks are (1) easing competition in the China PA foundry market, (2) faster-than-expected progress on 5G/WiFi 7 upgrade trend, and (3) faster-than-expected growth from LEO/AI-related business.

Disclosure Appendix

Reg AC

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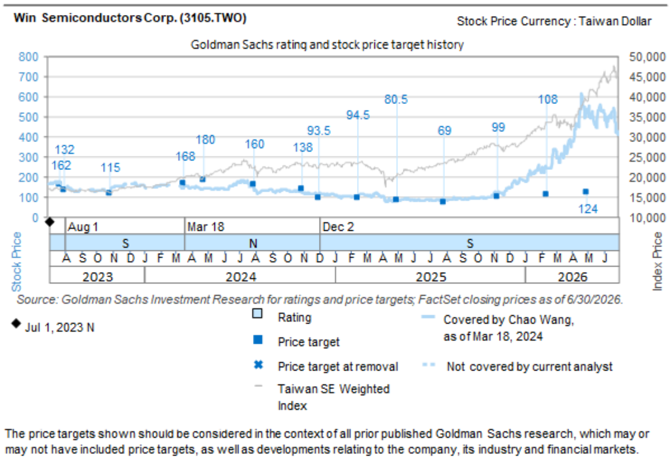

Target price history table(s)

Win Semiconductors Corp. (3105.TWO)

Date of report	Target price (NT$)	Closing price (NT$)
01-May-26	124.00	536.00
12-Feb-26	108.00	246.00
11-Nov-25	99.00	122.00
31-Jul-25	69.00	86.00
30-Apr-25	80.50	90.50
14-Feb-25	94.50	104.00
02-Dec-24	93.50	117.50
30-Oct-24	138.00	122.00
30-Jul-24	160.00	149.00
26-Apr-24	180.00	142.50
18-Mar-24	168.00	149.00
27-Oct-23	115.00	127.50
01-Aug-23	132.00	150.00
24-Jul-23	162.00	-

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

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