J.P.Morgan

Asia Pacific Equity Research
11 August 2026

Kinik

Margin tailwind to further strengthen into 2H26; more aggressive diamond disk capacity expansion; OW

Overweight

1560.TW, 1560 TT
Price (11 Aug 26):NT$687.00

▲**Price Target (Dec-27):NT$850.00**
Prior (Dec-27):NT$800.00

Technology

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 27E (NT$)	21.18	21.83	3.1%

Quarterly Forecasts (FYE Dec)

Adj. EPS (NT$)

	2025A	2026E	2027E
Q1	1.96	2.94A	4.57
Q2	1.82	3.49A	5.21
Q3	2.24	4.03	5.80
Q4	3.27	4.37	6.26
FY	9.29	14.84	21.83

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	98	95	95	50	51
Growth	62	46	14	47	82
Momentum	37	51	23	39	87
Quality	45	58	45	36	70
Low Vol	64	69	83	81	18

Kinik reported its 2Q26 earnings and held an investor meeting. The stronger-than-expected 2Q GM growth (reaching 40% from 35% in 1Q) was in line with our preview (link), and we believe the margin expansion trend will strengthen into 2H26 and 2027driven by 1) ABU (grinding wheel) demand recovery plus potential price hike, 2) larger scale of DBU (diamond disk), and 3) more favorable SBU (test/reclaim wafer) product mix. In terms of the revenue outlook, we believe the more aggressive diamond disk capacity expansion plan in 2H26-2027 and even in the longer term (more than tripling in the next 8 years) suggests stronger advanced node demand from customers with continued content increase and Kinik's solid share gain. OW.

- **2Q26 results beat on GM.** Reported 2Q26 EPS of NT$3.5 was in line with JPMe, but higher than consensus estimate by 8% mainly due to stronger-than-expected GM expansion. GM of 40% was a strong beat vs. BBGe of 37% and implied a solid growth vs. 1Q26 GM of 35% and 2Q25 GM of 31%, driven by all-business margin uptick with ABU demand recovery, larger sales scale (+9% QoQ; +36% YoY) and more favorable product mix from increasing HBM carrier wafer shipments.
- **More aggressive diamond disk capacity expansion plan backed by accelerating advanced node demand with continued content increase.** The company guided for its diamond disk capacity to increase meaningfully from ~60k/month currently to 70k/month by end of 2026 and 95k/month by end of 2027. We believe the new guidance suggests an accelerating expansion schedule with more aggressive capacity increase. Longer-term, management even expects to further reach 200k/month by 2034, implying more than triple its diamond disk capacity in the next 8 years. This is driven by 1) structural advanced node and packaging technology migration with continued content increase given more CMP steps required, 2) solid market share increase in both the major Taiwan customer and US memory customer, and 3) rising demand in US IDM customer.
- **Margin upgrade to accelerate into 2H26 and 2027, with all businesses' GMs stepping up to the next level.** We believe the company's 2H26 and 2027 GM will grow more meaningfully to 41-42% and 44% levels (vs consensus estimate at 38% and 40%), from 33% in 2025, 35% in 1Q26 and 40% in 2Q26E as the surge point. In our view, the GMs of Kinik's three businesses (ABU, DBU and SBU) are all upgrading to a new level given strengthening demand and mix enhancement. For ABU, we believe it will see more meaningful GM expansion (from 20% or below to 25% or above in 2Q26 and beyond), thanks to decent demand recovery along with price hikes expected from 2H26. As for DBU, we see continued rising diamond disk demand with a more aggressive capacity expansion plan, and the enhancing rev/scale could lead to a better cost structure with lower depreciation and average labor costs, driving its DBU GM to reach >55% in 2Q26 and beyond from 50% or below in 2025. Lastly, we think SBU's GM will see the most significant improvement to ~40% levels (from 30% in 2025), thanks to the increasing contribution from high-end carrier wafers.

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

See page 9 for analyst certification and important disclosures, including non-US analyst disclosures.

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Price Performance

	YTD	1m	3m	12m
Abs	73.3%	-3.1%	9.2%	122.3%
Rel	17.5%	-2.6%	1.3%	35.4%

Company Data

Shares O/S (mn)	145
52-week range (NT$)	788.63-296.48
Market cap ($ mn)	3,091
Exchange rate	32.22
Free float (%)	75.0%
3M ADV (mn)	1.83
3M ADV ($ mn)	38.8
Volatility (90 Day)	66
Index	TAIEX
BBG ANR (Buy | Hold | Sell)	14|0|0

Key Metrics (FYE Dec)

NT$ in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	8,149	10,292	13,004	15,293
Adj. EBITDA	1,955	3,279	4,718	5,920
Adj. EBIT	1,303	2,505	3,842	4,948
Adj. net income	1,360	2,217	3,270	4,230
Adj. EPS	9.29	14.84	21.83	28.24
BBG EPS	8.70	13.90	18.74	23.50
Cashflow from operations	1,704	3,394	3,766	4,926
FCFF	(106)	1,799	2,385	3,546
Margins and Growth				
Revenue Growth Y/Y (%)	16.1%	26.3%	26.3%	17.6%
EBITDA margin	24.0%	31.9%	36.3%	38.7%
EBITDA Growth Y/Y (%)	12.8%	67.7%	43.9%	25.5%
EBIT margin	16.0%	24.3%	29.5%	32.4%
Net margin	16.7%	21.5%	25.1%	27.7%
Adj. EPS growth	30.5%	59.8%	47.1%	29.3%
Ratios				
Adj. tax rate	15.8%	16.9%	17.0%	17.0%
Interest cover	NM	NM	NM	NM
Net debt/Equity	0.1	0.0	NM	NM
Net debt/EBITDA	0.4	0.0	NM	NM
ROCE	10.8%	18.3%	24.7%	27.1%
ROE	17.1%	24.5%	30.7%	32.8%
Valuation				
FCFF yield	(0.1%)	1.8%	2.3%	3.4%
Dividend yield	0.6%	0.7%	1.2%	1.7%
EV/Revenue	12.3	9.7	7.6	6.3
EV/EBITDA	51.3	30.4	20.9	16.3
Adj. P/E	74.0	46.3	31.5	24.3

Summary Investment Thesis and Valuation

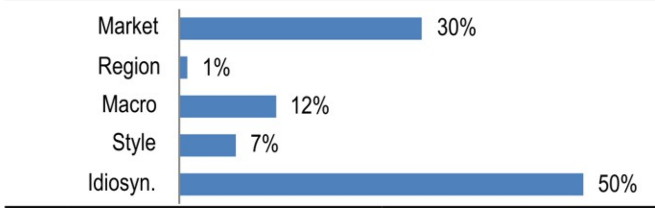
Investment Thesis

We are OW on Kinik for its stronger-than-peers' earnings growth potential over the next few years, supported by continued share gains at existing customers, with new customer win potential and an improving product portfolio with blended ASP/GM growth.

Valuation

Our Dec-27 PT of NT$850 is based on a 30x 2028E P/E, higher than its historical average P/E, which we believe is warranted by Kinik's strong earnings potential.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.64	0.55
Region: Taiwan	0.26	0.13
Macro:		
Generic 1st 'CO' Future	0.60	0.28
JPM Global Equity Sentiment	0.02	0.25
JPM Forecast Revision EM	-0.19	-0.22
Quant Styles:		
DivYld	-0.41	-0.32
Growth	0.40	0.31
Momentum	0.47	0.25

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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- **Implications.** We keep our above-consensus 2026E EPS largely unchanged at NT$15, while we lift our 2027E/28E EPS estimates by 3%/5% to NT$22/NT$28 to factor in the stronger diamond disk capacity expansion with accelerating GM upgrades. Thus, our Dec-27 PT is revised up to NT$850 (from NT$800 previously) based on 30x 2028E P/E, which is higher than the company's historical average P/E, but should be warranted by Kinik's solid ~45% earnings growth potential in 2025-28E.

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Earnings review and estimates revisions

Table 1: 2Q26 results recap

	2Q26					1Q26		2Q25	
	Actual	JPM est.	Diff. %	Consensus	Diff. %	Actual	QoQ %	Actual	YoY %
Revenues	2,493	2,493	0%	2,500	0%	2,293	9%	1,834	36%
Gross Profit	998	986	1%	932	7%	803	24%	566	76%
GM	40.0%	39.6%	47 bps	37.3%	274 bps	35.0%	505 bps	30.9%	916 bps
Operating Profit	604	589	3%	544	11%	444	36%	294	105%
OPM	24.2%	23.6%	59 bps	21.7%	247 bps	19.4%	484 bps	16.0%	818 bps
Pretax profit	664	649	2%	580	15%	532	25%	307	116%
Net Income	523	525	0%	483	8%	436	20%	239	119%
NM	*21.0%*	*21.1%*	-8 bps	*19.3%*	166 bps	*19.0%*	197 bps	*13.0%*	795 bps
EPS (NT$)	**3.5**	**3.5**	**-1%**	**3.2**	**8%**	**2.9**	**19%**	**1.6**	**113%**

Source: Company data, J.P. Morgan estimates, Bloomberg Finance L.P.

Table 2: J.P. Morgan estimates – new vs old

NT$mn, %

	Revised				Prior				Change			
(NT$M)	3Q26E	2026E	2027E	2028E	3Q26E	2026E	2027E	2028E	3Q26E	2026E	2027E	2028E
Sales	**2,683**	**10,292**	**13,004**	**15,293**	**2,706**	**10,294**	**12,564**	**14,551**	**-1%**	**0%**	**4%**	**5%**
Gross profit	1,109	4,099	5,709	6,942	1,092	4,031	5,291	6,301	2%	2%	8%	10%
GM	41.3%	39.8%	43.9%	45.4%	40.4%	39.2%	42.1%	43.3%	98 bps	67 bps	179 bps	209 bps
Operating profit	696	2,505	3,842	4,948	681	2,448	3,553	4,452	2%	2%	8%	11%
OPM	25.9%	24.3%	29.5%	32.4%	25.2%	23.8%	28.3%	30.6%	78 bps	56 bps	127 bps	175 bps
Net Income	603	2,217	3,270	4,230	597	2,201	3,139	3,975	1%	1%	4%	6%
EPS (NT$)	**4.0**	**14.8**	**21.8**	**28.2**	**4.0**	**14.8**	**21.2**	**26.8**	**0%**	**0%**	**3%**	**5%**

Source: J.P. Morgan estimates.

Table 3: J.P. Morgan estimates vs. Bloomberg consensus

NT$mn, %

	JPMe				Bloomberg				Diff			
(NT$M)	3Q26E	2026E	2027E	2028E	3Q26E	2026E	2027E	2028E	3Q26E	2026E	2027E	2028E
Sales	**2,683**	**10,292**	**13,004**	**15,293**	**2,720**	**10,314**	**12,456**	**14,454**	**-1%**	**0%**	**4%**	**6%**
Gross profit	1,109	4,099	5,709	6,942	1,041	3,882	5,026	6,033	7%	6%	14%	15%
GM	41.3%	39.8%	43.9%	45.4%	38.3%	37.6%	40.4%	41.7%	305 bps	219 bps	355 bps	366 bps
Operating profit	696	2,505	3,842	4,948	631	2,296	3,301	4,399	10%	9%	16%	12%
OPM	25.9%	24.3%	29.5%	32.4%	23.2%	22.3%	26.5%	30.4%	272 bps	208 bps	305 bps	192 bps
Net Income	603	2,217	3,270	4,230	563	2,069	2,895	3,537	7%	7%	13%	20%
EPS (NT$)	**4.0**	**14.8**	**21.8**	**28.2**	**3.8**	**13.9**	**18.7**	**23.5**	**7%**	**7%**	**17%**	**20%**

Source: Bloomberg Finance L.P., J.P. Morgan estimates.

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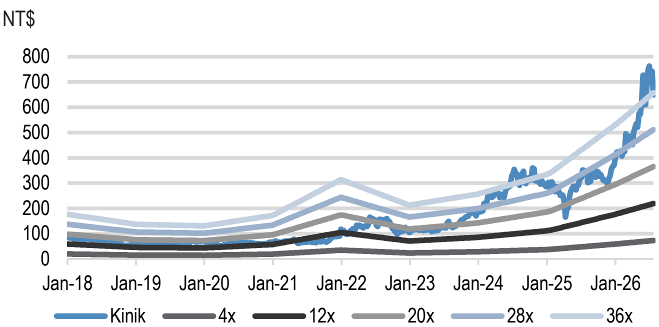
Valuation

Table 4: Kinik's five-year trading multiple (from January 2019 to date)

x	12M trailing P/E	12M fwd P/E	12M trailing P/B	12M fwd P/B
Standard deviation	12.7	8.0	2.2	1.9
Max	63.2	42.9	12.5	10.8
Minimum	10.7	8.4	1.6	1.5
Median	17.9	17.6	2.7	2.5
Average	24.3	20.4	3.6	3.3

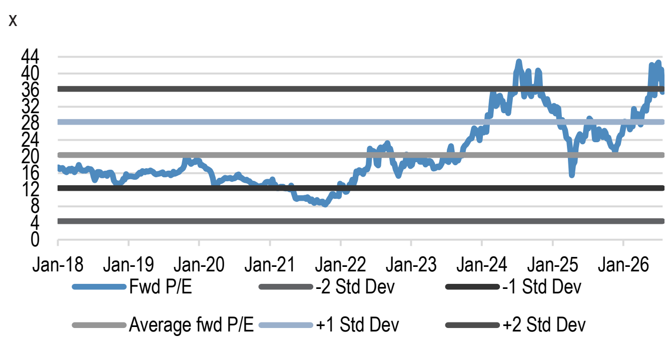
Source: Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 1: Kinik's one-year forward P/E



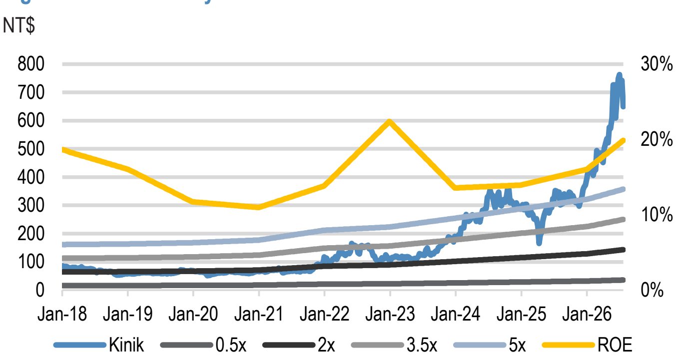
Source: Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 2: Kinik's one-year forward P/E vs mean



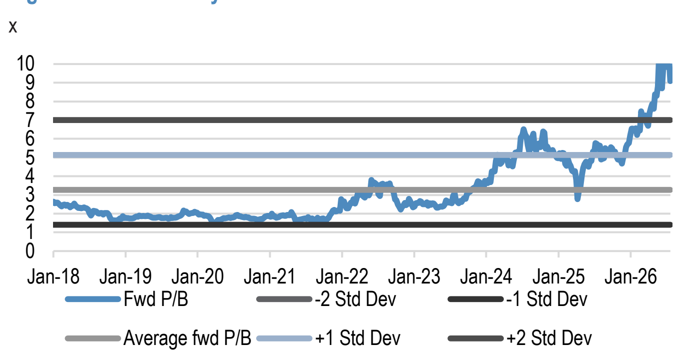
Source: Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 3: Kinik's one-year forward P/B



Source: Bloomberg Finance L.P., J.P. Morgan estimates.

Figure 4: Kinik's one-year forward P/B vs mean



Source: Bloomberg Finance L.P., J.P. Morgan estimates.

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Table 5: Income statement

	2024				2025				2026E				2027E				2028E								
(NT$ in Mn, year-end December)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	1QE	2QE	3QE	4QE	1QE	2QE	3QE	4QE	2024	2025	2026E	2027E	2028E
Revenue	**1,595**	**1,731**	**1,859**	**1,834**	**1,772**	**2,115**	**2,091**	**2,172**	**2,293**	**2,493**	**2,683**	**2,823**	**2,885**	**3,169**	**3,379**	**3,572**	**3,536**	**3,764**	**3,923**	**4,071**	**7,019**	**8,149**	**10,292**	**13,004**	**15,293**
D&A	141	143	147	146	143	154	161	194	181	192	195	207	212	215	220	229	237	239	244	253	578	652	774	876	972
COGS	1,079	1,184	1,300	1,268	1,224	1,435	1,414	1,429	1,491	1,494	1,574	1,634	1,646	1,793	1,884	1,972	1,942	2,067	2,136	2,205	4,831	5,502	6,194	7,295	8,351
Gross profit	**516**	**547**	**559**	**566**	**548**	**680**	**677**	**742**	**803**	**998**	**1,109**	**1,189**	**1,239**	**1,376**	**1,494**	**1,600**	**1,594**	**1,696**	**1,786**	**1,866**	**2,188**	**2,647**	**4,099**	**5,709**	**6,942**
Operating expense	255	252	253	272	266	328	344	406	358	395	413	428	433	461	478	495	484	491	504	515	1,033	1,344	1,594	1,867	1,995
Operating income	**261**	**294**	**305**	**294**	**281**	**352**	**333**	**337**	**444**	**604**	**696**	**761**	**806**	**915**	**1,016**	**1,105**	**1,110**	**1,205**	**1,282**	**1,351**	**1,155**	**1,303**	**2,505**	**3,842**	**4,948**
Net Interest Income	-2	9	8	3	3	0	-2	2	-3	3	11	6	10	15	21	15	21	29	37	29	18	4	17	61	116
Net Other Income	62	30	13	11	31	-16	86	252	91	57	27	28	29	32	34	36	35	38	39	41	115	352	203	130	153
Non-op gain (loss)	60	39	21	13	34	-16	84	254	88	61	38	34	38	47	54	51	56	67	76	70	134	356	220	191	269
Pre-tax profit	321	333	327	307	315	336	417	590	532	664	733	796	845	962	1,071	1,156	1,166	1,271	1,359	1,421	1,289	1,659	2,725	4,033	5,217
Tax expense (credit)	52	74	42	59	27	55	87	93	90	129	116	126	144	164	182	197	198	216	231	242	227	262	460	686	887
Net profit reported	**257**	**254**	**285**	**239**	**286**	**266**	**328**	**480**	**436**	**523**	**603**	**654**	**685**	**780**	**868**	**938**	**945**	**1,031**	**1,102**	**1,152**	**1,035**	**1,360**	**2,217**	**3,270**	**4,230**
EPS (NT$)	**1.8**	**1.7**	**2.0**	**1.6**	**2.0**	**1.8**	**2.2**	**3.3**	**2.9**	**3.5**	**4.0**	**4.4**	**4.6**	**5.2**	**5.8**	**6.3**	**6.3**	**6.9**	**7.4**	**7.7**	**7.1**	**9.3**	**14.8**	**21.8**	**28.2**
Margins (%)																									
Gross Margin	32.4	31.6	30.1	30.9	30.9	32.1	32.4	34.2	35.0	40.0	41.3	42.1	42.9	43.4	44.2	44.8	45.1	45.1	45.5	45.8	31.2	32.5	39.8	43.9	45.4
- Opex ratio	16.0	14.6	13.6	14.8	15.0	15.5	16.5	18.7	15.6	15.8	15.4	15.2	15.0	14.6	14.2	13.9	13.7	13.1	12.9	12.7	14.7	16.5	15.5	14.4	13.0
Operating Margin	16.4	17.0	16.4	16.0	15.9	16.7	15.9	15.5	19.4	24.2	25.9	27.0	27.9	28.9	30.1	30.9	31.4	32.0	32.7	33.2	16.5	16.0	24.3	29.5	32.4
EBITDA Margin	25.2	25.3	24.3	24.0	24.0	23.9	23.6	24.4	27.3	31.9	33.2	34.3	35.3	35.7	36.6	37.4	38.1	38.4	38.9	39.4	24.7	24.0	31.9	36.3	38.7
Net Margin	16.1	14.7	15.3	13.0	16.1	12.6	15.7	22.1	19.0	21.0	22.5	23.2	23.7	24.6	25.7	26.2	26.7	27.4	28.1	28.3	14.7	16.7	21.5	25.1	27.7
Sequential Growth (%)																									
Revenue	0.0	8.5	7.4	-1.4	-3.4	19.4	-1.1	3.9	5.6	8.7	7.6	5.2	2.2	9.9	6.6	5.7	-1.0	6.4	4.2	3.8					
Gross Profit	1.2	5.9	2.2	1.4	-3.3	24.1	-0.4	9.6	8.1	24.4	11.1	7.2	4.2	11.1	8.6	7.1	-0.4	6.4	5.3	4.4					
EBIT	-4.4	12.6	3.8	-3.7	-4.3	25.1	-5.4	1.0	32.1	35.8	15.3	9.4	5.9	13.5	11.1	8.8	0.4	8.6	6.4	5.3					
EPS	59.7	-1.3	12.2	-16.3	19.2	-6.9	22.9	46.2	-10.0	18.7	15.2	8.5	4.6	13.9	11.3	8.0	0.8	9.1	6.9	4.6					
YoY Growth (%)																									
Revenue	2.1	9.9	12.8	15.0	11.1	22.2	12.5	18.4	29.4	17.9	28.3	30.0	25.8	27.1	25.9	26.5	22.6	18.8	16.1	14.0	10.0	16.1	26.3	26.3	17.6
Gross Profit	17.9	17.3	5.8	11.0	6.1	24.3	21.2	31.1	46.6	46.9	63.7	60.2	54.4	37.8	34.7	34.6	28.7	23.3	19.6	16.6	12.7	21.0	54.8	39.3	21.6
EBIT	24.1	30.6	9.1	7.6	7.7	19.7	9.1	14.4	57.9	71.4	108.8	126.2	81.4	51.5	46.1	45.2	37.7	31.7	26.2	22.2	16.8	12.8	92.2	53.4	28.8
EPS	42.5	13.8	-3.1	48.1	10.5	4.2	14.1	99.3	50.5	91.9	80.0	33.5	55.3	49.0	43.9	43.3	38.0	32.2	26.9	22.9	20.4	30.5	59.8	47.1	29.3
Sales mix (%)																									
ABU (Abrasive)	13%	12%	11%	10%	11%	20%	19%	18%	18%	19%	18%	17%	15%	15%	15%	14%	13%	14%	14%	13%	12%	17%	18%	15%	13%
DBU (Diamond)	32%	31%	32%	34%	32%	29%	31%	31%	31%	31%	34%	35%	38%	40%	42%	45%	45%	46%	47%	48%	32%	31%	33%	41%	47%
SBU (Semiconductor)	47%	51%	52%	50%	51%	45%	45%	45%	45%	43%	44%	43%	42%	40%	39%	37%	38%	36%	36%	35%	50%	46%	44%	39%	36%
Others (mainly subsidiaries: KTC & Hongia)	7%	6%	6%	6%	6%	6%	5%	6%	5%	6%	5%	5%	4%	5%	4%	4%	4%	4%	4%	4%	6%	6%	5%	4%	4%

Source: Company reports, J.P. Morgan estimates.

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Investment Thesis, Valuation and Risks

Kinik *(Overweight; Price Target: NT$850.00)*

Investment Thesis

We are OW on Kinik for its stronger-than-peers' earnings growth potential over the next few years, supported by continued share gains at existing customers, with new customer win potential and an improving product portfolio with blended ASP/GM growth.

Valuation

Our Dec-27 PT of NT$850 is based on a 30x 2028E P/E, higher than its historical average P/E, which we believe is warranted by Kinik's strong earnings potential.

Risks to Rating and Price Target

Key downside risks include: weaker-than-expected foundry demand, slow leading-edge uptake, market share losses, new DD competitors, and lighter ABU/SBU demand.

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Kinik: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**7,019**	**8,149**	**10,292**	**13,004**	**15,293**
COGS	(4,831)	(5,502)	(6,194)	(7,295)	(8,351)
Gross profit	**2,188**	**2,647**	**4,099**	**5,709**	**6,942**
SG&A	(869)	(1,153)	(1,369)	(1,599)	(1,695)
Adj. EBITDA	**1,733**	**1,955**	**3,279**	**4,718**	**5,920**
D&A	(578)	(652)	(774)	(876)	(972)
Adj. EBIT	**1,155**	**1,303**	**2,505**	**3,842**	**4,948**
Net Interest	18	4	17	61	116
Adj. PBT	**1,289**	**1,659**	**2,725**	**4,033**	**5,217**
Tax	(227)	(262)	(460)	(686)	(887)
Minority Interest	-	-	-	-	-
Adj. Net Income	**1,035**	**1,360**	**2,217**	**3,270**	**4,230**
Reported EPS	7.12	9.29	14.84	21.83	28.24
Adj. EPS	**7.12**	**9.29**	**14.84**	**21.83**	**28.24**
DPS	**4.00**	**4.00**	**5.04**	**8.13**	**11.99**
Payout ratio	56.2%	43.1%	34.0%	37.2%	42.5%
Shares outstanding	145	146	149	150	150

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	2,001	1,578	2,152	3,392	5,202
Accounts receivable	1,149	1,420	1,903	2,407	2,744
Inventories	2,049	2,431	2,239	2,701	3,021
Other current assets	38	52	81	104	118
Current assets	**5,237**	**5,482**	**6,374**	**8,604**	**11,084**
PP&E	4,249	5,417	6,251	6,770	7,194
LT investments	1,125	1,376	1,422	1,422	1,422
Other non current assets	440	984	1,066	1,061	1,058
Total assets	**11,051**	**13,258**	**15,112**	**17,856**	**20,758**
Short term borrowings	75	412	776	776	776
Payables	417	490	627	756	846
Other short term liabilities	983	1,279	1,877	2,372	2,693
Current liabilities	**1,475**	**2,182**	**3,280**	**3,904**	**4,314**
Long-term debt	1,987	1,938	1,496	1,496	1,496
Other long term liabilities	162	649	719	780	827
Total liabilities	**3,625**	**4,769**	**5,496**	**6,180**	**6,638**
Shareholders' equity	7,426	8,489	9,616	11,676	14,120
Minority interests	-	-	-	-	-
Total liabilities & equity	**11,051**	**13,258**	**15,112**	**17,856**	**20,758**
BVPS	**50.88**	**57.63**	**64.57**	**78.40**	**94.81**
y/y Growth	*13.9%*	*13.3%*	*12.0%*	*21.4%*	*20.9%*
Net debt/(cash)	61	772	121	(1,120)	(2,930)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**1,520**	**1,704**	**3,394**	**3,766**	**4,926**
o/w Depreciation & amortization	578	652	774	876	972
o/w Changes in working capital	(85)	(298)	416	(366)	(260)
Cash flow from investing activities	**(563)**	**(2,604)**	**(1,724)**	**(1,375)**	**(1,377)**
o/w Capital expenditure	(579)	(1,810)	(1,595)	(1,380)	(1,380)
as % of sales	*8.2%*	*22.2%*	*15.5%*	*10.6%*	*9.0%*
Cash flow from financing activities	**49**	**477**	**(1,097)**	**(1,150)**	**(1,739)**
o/w Dividends paid	(580)	(584)	(743)	(1,211)	(1,786)
o/w Shares issued/(repurchased)	0	0	0	0	0
o/w Net debt issued/(repaid)	93	288	(78)	0	0
Net change in cash	**1,006**	**(422)**	**573**	**1,240**	**1,810**
Adj. Free cash flow to firm	**941**	**(106)**	**1,799**	**2,385**	**3,546**
y/y Growth	*(2.9%)*	*(111.2%)*	*(1802.0%)*	*32.6%*	*48.7%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	31.2%	32.5%	39.8%	43.9%	45.4%
EBITDA margin	24.7%	24.0%	31.9%	36.3%	38.7%
EBIT margin	16.5%	16.0%	24.3%	29.5%	32.4%
Net profit margin	14.7%	16.7%	21.5%	25.1%	27.7%
ROE	14.9%	17.1%	24.5%	30.7%	32.8%
ROA	9.9%	11.2%	15.6%	19.8%	21.9%
ROCE	10.6%	10.8%	18.3%	24.7%	27.1%
SG&A/Sales	12.4%	14.1%	13.3%	12.3%	11.1%
Net debt/Equity	0.0	0.1	0.0	NM	NM
Net debt/EBITDA	0.0	0.4	0.0	NM	NM
Sales/Assets (x)	0.7	0.7	0.7	0.8	0.8
Assets/Equity (x)	1.5	1.5	1.6	1.5	1.5
Interest cover (x)	NM	NM	NM	NM	NM
Operating leverage	167.6%	79.6%	350.7%	202.6%	163.4%
Tax rate	17.6%	15.8%	16.9%	17.0%	17.0%
Revenue y/y Growth	10.0%	16.1%	26.3%	26.3%	17.6%
EBITDA y/y Growth	8.6%	12.8%	67.7%	43.9%	25.5%
EPS y/y Growth	20.4%	30.5%	59.8%	47.1%	29.3%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	96.5	74.0	46.3	31.5	24.3
P/BV (x)	13.5	11.9	10.6	8.8	7.2
EV/EBITDA (x)	57.5	51.3	30.4	20.9	16.3
Dividend Yield	0.6%	0.6%	0.7%	1.2%	1.7%

Source: Company reports and J.P. Morgan estimates.
Note: NT$ in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Date	Rating	Price (NT$)	Price Target (NT$)
31-May-24	OW	295.50	400
13-Feb-26	OW	425.00	500
11-May-26	OW	572.00	680
21-Jul-26	OW	647.00	800

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage May 30, 2024. All share prices are as of market close on the previous business day.

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