Morgan Stanley | RESEARCH

IDEA

*November 3, 2026 09:00 PM GMT*

## Greater China Semiconductors | Asia Pacific

# PC Semis: More divergent outlooks

Business diversification, KGD (known good die) pricing power and supply chain management create a divergent revenue outlook for PC semis into 4Q and likely also 1Q27. Downgrade Elan to EW.

### Key Takeaways

- The FOMP (fear of missing procurement for PC semis in 1Q-3Q26) has caused a deeper correction for some PC semis into 4Q.
- It's easier for large-scale PC semis to navigate through the downturn, while small design houses are more concentrated on PC.
- We stay conservative on PC semis, with no OW and await the cycle bottom sometime in 2027.

**A much tougher 4Q…** We mentioned in the prior PC semis note that the FOMP (fear of missing procurement) could lead to stable PC semis shipments in 3Q; now, the inventory accumulation in 1Q-3Q26 could cause a deeper correction in 4Q. PC semis customers currently still aim for only a 5-10% Q/Q procurement decline in 4Q. That said, the downside surprise in Parade's 4Q outlook (link), which calls for a 20-25% Q/Q revenue decline, could suggest a worse component correction. The still-elevated Windows activation period of 200+ days and much smaller price hikes from PC semis customers in 2H vs. 1H could suggest ongoing weakness into 1Q27.

**But why are some companies resilient?** Many investors are asking why Realtek's revenue could be up Q/Q in 4Q amid the PC correction (link). We cite three factors: 1) Consumer demand (other than PC/smartphones) is not necessarily all bad, especially for IoT devices (low memory content). Espressif is guiding for Q/Q revenue growth in 4Q, following sequential growth in 3Q. 2) Price hikes reflect increases at both foundries/OSATs and in KGD. For example, TV SoC pricing is several times higher than in past years due to KGD price hikes (mainly DDR4). 3) Large-scale IC design houses usually have better supply chain management and lower exposure to PC.

**No new growth driver into 2027:** With the recent debate on cloud AI, we think it's still a matter of time before edge AI takes off. However, we haven't seen a clear growth driver for PC semis. Preliminary outlooks from PC semis customers range from flattish to down 20% Y/Y in 2027. Thus, it's difficult to turn positive now.

**Reduce earnings:** We revise down Elan's PT and earnings and cut the stock to EW. We appreciate the company's growth from smart Edge AI devices, but its exposure to NB is still too significant to overlook. Our PT implies 16x our downward-revised 2027 EPS. Stay EW Realtek and UW Novatek, ASMedia, Parade, and Nuvoton.

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**GREATER CHINA TECHNOLOGY SEMICONDUCTORS**

**Asia Pacific**
Industry View **Attractive**

**WHAT'S CHANGED**

| **Elan Microelectronics Corp (2458.TW)** | **From** | **To** |
|---|---|---|
| Rating | Overweight | **Equal-weight** |
| Price Target | NT$250.00 | **NT$160.00** |

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# Elan Micro: Earnings estimate revisions

**We revise our EPS estimates by +1%/-20%/-16% for 2026/27/28:** For 2026, we incorporate actual 2Q26 results, which benefited from investment gains. For 2027-28, we reduce our revenue and GM forecasts due to continued weak PC demand, which we believe cannot be fully offset by the non PC business (mainly the drone market).

**Exhibit 1:** Elan: Estimate revisions

| (NT$ mn) | New '26e | Old '26e | Diff. | New '27e | Old '27e | Diff. | New '28e | Old '28e | Diff. |
|---|---|---|---|---|---|---|---|---|---|
| Net sales | 13,257 | 13,886 | -5% | 13,943 | 15,901 | -12% | 14,686 | 16,713 | -12% |
| COGS | 6,972 | 7,051 | | 7,444 | 7,999 | | 7,856 | 8,696 | |
| Gross profit | 6,285 | 6,836 | -8% | 6,499 | 7,902 | -18% | 6,830 | 8,017 | -15% |
| Operating expenses | 3,288 | 3,300 | | 3,446 | 3,572 | | 3,639 | 3,622 | |
| Operating profit | 2,997 | 3,535 | -15% | 3,053 | 4,330 | -29% | 3,191 | 4,395 | -27% |
| Non-op. income (exp.) | 443 | 254 | | 82 | 187 | | 173 | 176 | |
| Pretax income | 3,440 | 3,789 | -9% | 3,135 | 4,517 | -31% | 3,363 | 4,571 | -26% |
| Taxes | 546 | 901 | | 460 | 1,129 | | 494 | 1,143 | |
| Net income | 3,023 | 3,004 | 1% | 2,815 | 3,528 | -20% | 3,010 | 3,568 | -16% |
| **Reported EPS** | **10.56** | **10.49** | **1%** | **9.83** | **12.32** | **-20%** | **10.51** | **12.46** | **-16%** |
| | | | | | | | | | |
| **Margins** | | | | | | | | | |
| Gross margin | 47.4% | 49.2% | -1.8% | 46.6% | 49.7% | -3.1% | 46.5% | 48.0% | -1.5% |
| Operating margin | 22.6% | 25.5% | -2.9% | 21.9% | 27.2% | -5.3% | 21.7% | 26.3% | -4.6% |
| Pretax margin | 25.9% | 27.3% | -1.3% | 22.5% | 28.4% | -5.9% | 22.9% | 27.3% | -4.4% |
| Net margin | 22.8% | 21.6% | 1.2% | 20.2% | 22.2% | -2.0% | 20.5% | 21.3% | -0.9% |
| Opex % | 24.8% | 23.8% | 1.0% | 24.7% | 22.5% | 2.3% | 24.8% | 21.7% | 3.1% |

Source: Company data, Morgan Stanley Research (e) estimates.

**Exhibit 2:** Elan: Quarterly financial statement

| (NT$ mn) | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26 | 2Q26 | 3Q26e | 4Q26e | 1Q27e | 2Q27e | 3Q27e | 4Q27e | 1Q28e | 2Q28e | 3Q28e | 4Q28e | 2025 | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Revenues** | **3,119** | **3,032** | **3,316** | **2,860** | **3,225** | **3,205** | **3,365** | **3,463** | **3,355** | **3,472** | **3,568** | **3,549** | **3,409** | **3,585** | **3,775** | **3,918** | **12,326** | **13,257** | **13,943** | **14,686** |
| *Sequential Change* | *2.7%* | *-2.8%* | *9.4%* | *-13.8%* | *12.8%* | *-0.6%* | *5.0%* | *2.9%* | *-3.1%* | *3.5%* | *2.8%* | *-0.5%* | *-3.9%* | *5.2%* | *5.3%* | *3.8%* | | | | |
| *Change vs Year Ago* | *0.4%* | *-3.8%* | *-2.5%* | *-5.8%* | *3.4%* | *5.7%* | *1.5%* | *21.1%* | *4.0%* | *8.3%* | *6.0%* | *2.5%* | *1.6%* | *3.2%* | *5.8%* | *10.4%* | *-2.9%* | *7.6%* | *5.2%* | *5.3%* |
| Cost of Sales | 1,555 | 1,575 | 1,750 | 1,450 | 1,688 | 1,686 | 1,766 | 1,832 | 1,780 | 1,849 | 1,908 | 1,906 | 1,825 | 1,918 | 2,019 | 2,095 | 6,330 | 6,972 | 7,444 | 7,856 |
| *Percent of Revenues* | *50%* | *52%* | *53%* | *51%* | *52%* | *53%* | *52%* | *53%* | *53%* | *53%* | *53%* | *54%* | *54%* | *54%* | *53%* | *53%* | *51%* | *53%* | *53%* | *53%* |
| **Gross Profit** | **1,564** | **1,457** | **1,566** | **1,410** | **1,537** | **1,519** | **1,599** | **1,630** | **1,575** | **1,623** | **1,660** | **1,642** | **1,584** | **1,667** | **1,756** | **1,823** | **5,996** | **6,285** | **6,499** | **6,830** |
| *Percent of Revenues* | *50.1%* | *48.0%* | *47.2%* | *49.3%* | *47.6%* | *47.4%* | *47.5%* | *47.1%* | *46.9%* | *46.7%* | *46.5%* | *46.3%* | *46.5%* | *46.5%* | *46.5%* | *46.5%* | *48.6%* | *47.4%* | *46.6%* | *46.5%* |
| *Incremental Margin* | *67%* | *NM* | *38%* | *NM* | *35%* | *NM* | *50%* | *32%* | *NM* | *41%* | *39%* | *NM* | *NM* | *47%* | *47%* | *47%* | *NM* | *31%* | *31%* | *45%* |
| Total Opex | 778 | 712 | 774 | 748 | 758 | 822 | 853 | 855 | 790 | 843 | 910 | 903 | 830 | 887 | 959 | 963 | 3,014 | 3,288 | 3,446 | 3,639 |
| *Percent of Revenues* | *25.0%* | *23.5%* | *23.3%* | *26.2%* | *23.5%* | *25.7%* | *25.4%* | *24.7%* | *23.6%* | *24.3%* | *25.5%* | *25.5%* | *24.4%* | *24.7%* | *25.4%* | *24.6%* | *24.4%* | *24.8%* | *24.7%* | *24.8%* |
| **Operating Income** | **785** | **744** | **792** | **661** | **779** | **697** | **745** | **776** | **785** | **780** | **750** | **739** | **753** | **780** | **797** | **860** | **2,982** | **2,997** | **3,053** | **3,191** |
| *Percent of Revenues* | *25.2%* | *24.5%* | *23.9%* | *23.1%* | *24.1%* | *21.7%* | *22.1%* | *22.4%* | *23.4%* | *22.5%* | *21.0%* | *20.8%* | *22.1%* | *21.8%* | *21.1%* | *22.0%* | *24.2%* | *22.6%* | *21.9%* | *21.7%* |
| Total Non-operating Income (Loss) | (66) | (324) | 151 | 106 | 61 | 294 | 44 | 44 | 21 | 21 | 21 | 21 | 43 | 43 | 43 | 43 | (132) | 443 | 82 | 173 |
| Profit Before Taxes | 719 | 420 | 943 | 768 | 840 | 991 | 789 | 820 | 805 | 800 | 770 | 760 | 797 | 823 | 840 | 903 | 2,850 | 3,440 | 3,135 | 3,363 |
| *Percent of Revenues* | *23%* | *14%* | *28%* | *27%* | *26%* | *31%* | *23%* | *24%* | *24%* | *23%* | *22%* | *21%* | *23%* | *23%* | *22%* | *23%* | *23%* | *26%* | *22%* | *23%* |
| Taxes | 204 | 110 | 173 | 55 | 164 | 146 | 116 | 120 | 118 | 117 | 113 | 112 | 117 | 121 | 123 | 133 | 543 | 546 | 460 | 494 |
| *Tax Rate* | *28.4%* | *26.2%* | *18.3%* | *7.2%* | *19.5%* | *14.7%* | *14.7%* | *14.7%* | *14.7%* | *14.7%* | *14.7%* | *14.7%* | *14.7%* | *14.7%* | *14.7%* | *14.7%* | *19.0%* | *15.9%* | *14.7%* | *14.7%* |
| **Reported Income (TW GAAP)** | **548** | **354** | **804** | **736** | **705** | **879** | **707** | **733** | **722** | **718** | **692** | **683** | **715** | **737** | **752** | **806** | **2,442** | **3,023** | **2,815** | **3,010** |
| *Percent of Revenues* | *17.6%* | *11.7%* | *24.3%* | *25.7%* | *21.9%* | *27.4%* | *21.0%* | *21.2%* | *21.5%* | *20.7%* | *19.4%* | *19.2%* | *21.0%* | *20.6%* | *19.9%* | *20.6%* | *19.8%* | *22.8%* | *20.2%* | *20.5%* |
| *Change vs Year Ago* | *-20%* | *-52%* | *13%* | *22%* | *29%* | *148%* | *-12%* | *0%* | *2%* | *-18%* | *-2%* | *-7%* | *-1%* | *3%* | *9%* | *18%* | *-11%* | *24%* | *-7%* | *7%* |
| **Reported EPS (NT$, TW GAAP)** | **1.92** | **1.24** | **2.81** | **2.57** | **2.46** | **3.07** | **2.47** | **2.56** | **2.52** | **2.51** | **2.42** | **2.39** | **2.50** | **2.58** | **2.63** | **2.81** | **8.53** | **10.56** | **9.83** | **10.51** |
| *Change vs Year Ago* | *-20%* | *-52%* | *13%* | *22%* | *29%* | *148%* | *-12%* | *0%* | *2%* | *-18%* | *-2%* | *-7%* | *-1%* | *3%* | *9%* | *18%* | *-11%* | *24%* | *-7%* | *7%* |

Source: Company data, Morgan Stanley Research (e) estimates

## Valuation Methodology

**We cut our price target to NT$160:** This reflects our earnings estimate revisions for 2026-28. Our price target is our base-case scenario value, which we continue to derive from our residual income model. We reduce our intermediate growth rate estimate from 10.0% to 8.0% to reflect a weak PC business outlook. We reduce our terminal growth rate estimate from 4.5% to 3.0% to better align it with broader economic growth. We continue to assume a cost of equity of 9.6% and a payout ratio of 80%.

Our bull case value is cut to NT$234 from NT$366, and our bear case value is cut to NT $84 from NT$131.

**Exhibit 3:** Elan: Residual income

| (NT$ mn) | 2026e | 2027e | 2028e | 2029e | 2030e | 2031e | 2032e | 2033e | 2034e | 2035e | 2036e | 2037e |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Equity** | **11,841** | **12,628** | **13,750** | **14,660** | **15,643** | **16,705** | **17,851** | **19,089** | **20,427** | **21,871** | **23,430** | **25,115** |
| **Net Profit** | **3,023** | **2,815** | **3,010** | **3,250** | **3,510** | **3,791** | **4,094** | **4,422** | **4,776** | **5,158** | **5,570** | **6,016** |
| **ROAE** | **27.1%** | **23.0%** | **22.8%** | **22.9%** | **23.2%** | **23.4%** | **23.7%** | **23.9%** | **24.2%** | **24.4%** | **24.6%** | **24.8%** |
| **Residual Income** | 1,832 | 1,588 | 1,669 | 1,826 | 1,989 | 2,165 | 2,355 | 2,560 | 2,782 | 3,021 | 3,279 | 3,558 |
| **Spread** | **17.5%** | **13.4%** | **13.2%** | **13.3%** | **13.6%** | **13.8%** | **14.1%** | **14.3%** | **14.6%** | **14.8%** | **15.0%** | **15.2%** |
| Ending Equity Capital | 11,841 | | | | | | | | | | | |
| PV of Forecast Period | 13,650 | | | | | | | | | | | |
| PV of Continuing Value | 20,257 | | | | | | | | | | | |
| **Equity Value** | **45,748** | | | | | | | | | | | |
| No. of Shares | 286 | | | | | | | | | | | |
| **Projected Price** | **160** | | | | | | | | | | | |

Source: Company data, Morgan Stanley Research (e) estimates

**Exhibit 4:** Elan Microelectronics: P/E band




Source: Company data, TEJ, Morgan Stanley Research estimates

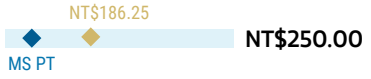
# Risk Reward – Elan Microelectronics Corp (2458.TW)

Non-PC business starting to bear fruit, but PC demand remains weak

## PRICE TARGET NT$160.00

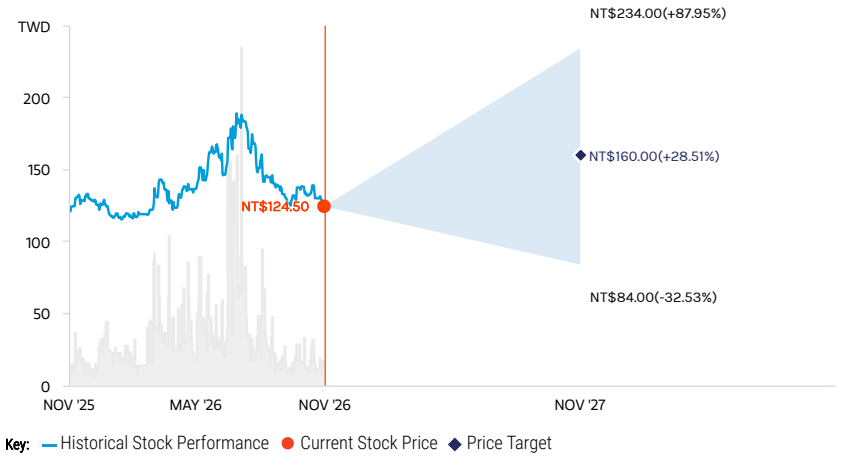
Residual income. We assume a cost of equity of 9.6%, an intermediate growth rate of 8.0%, payout ratio of 80% and terminal growth rate of 3.0%.

**Consensus Price Target Distribution**




Source: Refinitiv, Morgan Stanley Research

## RISK REWARD CHART




Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

## EQUAL-WEIGHT THESIS

- Elan Microelectronics is a global leader in notebook-related ICs, capturing a 50%+ share of touchpads, point-sticks and other peripheral ICs.
- We expect haptic touchpad penetration to increase as the Windows 11 operating system allows users to customize the feel of their touchpads.
- Shipments have begun in non-PC segments such as drones, ADAS and AI glasses, and growth is expected to be robust over the next three years.
- However, exposure to NB is still significant, and PC demand remains weak.

**Consensus Rating Distribution**




Source: Refinitiv, Morgan Stanley Research

**Risk Reward Themes**

| | |
|---|---|
| **New Data Era:** | *Positive* |
| **Self-help:** | *Positive* |

View descriptions of Risk Rewards Themes here

## BULL CASE NT$234.00

**24x 2027e EPS**

**We expect AI PC to bring more content upgrades:** 1) Elan Micro revenue CAGR of 15% (2025-28e); 2) non-PC contribution rises to 25% in 2027; 3) gross margin goes to 52% on average in 2026-28 vs. 49% in 2025.

## BASE CASE NT$160.00

**16x 2027e EPS**

**We expect the haptics touchpad and non-PC business to add growth:** 1) Elan Micro revenue CAGR of 6% (2025-28); 2) non-PC contribution rises to 15% in 2027; 3) gross margin to be around 46-47% in 2026-28e.

## BEAR CASE NT$84.00

**9x 2027e EPS**

**We expect the notebook replacement cycle to stay at around four years over the next three years:** 1) Elan Micro revenue CAGR (2025-28e) to be zero; 2) non-PC contribution stays at 10% in 2027; 3) gross margin falls to 40% on average in 2026-28e vs. 49% in 2025.

# Risk Reward – Elan Microelectronics Corp (2458.TW)

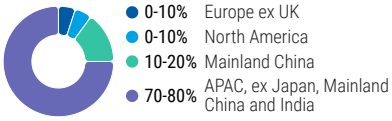
## KEY EARNINGS INPUTS

| Drivers | Dec 2025 | Dec 2026e | Dec 2027e | Dec 2028e |
|---|---|---|---|---|
| Touchpad shipment growth (%) | (2) | (12) | (3) | (5) |
| Touchpad ASP growth (%) | 1 | 7 | 8 | 4 |
| Gross margin (%) | 48.6 | 47.4 | 46.6 | 46.5 |

## INVESTMENT DRIVERS

- Global notebook shipment growth
- Touchpad, controller IC and fingerprint market share in notebooks
- Notebook peripheral IC content growth

## GLOBAL REVENUE EXPOSURE




Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

## RISKS TO PT/RATING

**RISKS TO UPSIDE**

- Notebook shipments stronger than expected.
- AI PCs help content growth in notebook peripheral ICs.
- e-book controller IC ramps up faster then expected.

**RISKS TO DOWNSIDE**

- Notebook replacement cycle extents, shipments lower than expected.
- No spec upgrade in notebook peripheral ICs in AI PC era.
- No progress in e-book controller IC.

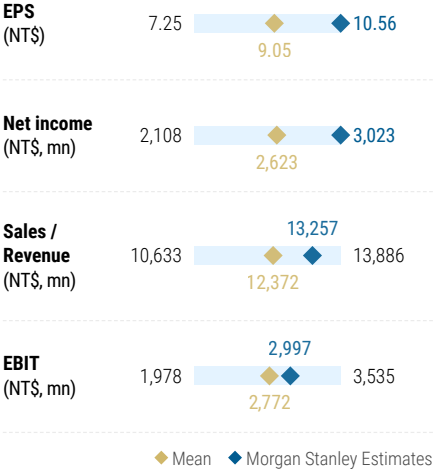
## OWNERSHIP POSITIONING

**Inst. Owners, % Active** 68.9%

Source: Refinitiv, Morgan Stanley Research

## MS ESTIMATES VS. CONSENSUS

*FY Dec 2026e*




Source: Refinitiv, Morgan Stanley Research

# Elan: Financial Summary

**Exhibit 5:** Elan Micro: Financial Summary

**Income Statement**

| NT$mn (Years End Dec ) | 2025 | 2026e | 2027e | 2028e |
|---|---|---|---|---|
| Net sales | 12,326 | 13,257 | 13,943 | 14,686 |
| COGS | (6,330) | (6,972) | (7,444) | (7,856) |
| Gross profit | 5,996 | 6,285 | 6,499 | 6,830 |
| Operating expenses | (3,014) | (3,288) | (3,446) | (3,639) |
| **Operating income** | **2,982** | **2,997** | **3,053** | **3,191** |
| Non-operating income | (132) | 443 | 82 | 173 |
| Pre-tax income | 2,850 | 3,440 | 3,135 | 3,363 |
| Income tax | 543 | 546 | 460 | 494 |
| Net Income, Cont Ops | 2,307 | 2,894 | 2,675 | 2,870 |
| Minority Interest | 135 | 129 | 140 | 140 |
| **Reported net income** | **2,442** | **3,023** | **2,815** | **3,010** |
| Adj. wtd. avg. shrs (million) | 286 | 286 | 286 | 286 |
| **Reported EPS (NT$)** | **8.53** | **10.56** | **9.83** | **10.51** |
| **Modelware Diluted EPS (NT$)** | **8.46** | **10.51** | **9.83** | **10.51** |

**Balance Sheet**

| NT$mn (Years End Dec ) | 2025 | 2026e | 2027e | 2028e |
|---|---|---|---|---|
| Cash | 2,400 | 3,127 | 3,312 | 3,785 |
| Mkt Securities | 380 | 380 | 380 | 380 |
| AR/NR | 1,236 | 1,325 | 1,394 | 1,468 |
| Inventory | 1,583 | 1,833 | 1,957 | 2,066 |
| Other | 2,411 | 2,411 | 2,411 | 2,411 |
| **Current Assets** | **8,010** | **9,077** | **9,455** | **10,110** |
| Long-term investments | 1,901 | 1,901 | 1,901 | 1,901 |
| Fixed assets | 4,398 | 4,837 | 5,321 | 5,853 |
| Deffered assets | 53 | 53 | 53 | 53 |
| Other assets | 1,210 | 1,210 | 1,210 | 1,210 |
| **Total Assets** | **15,572** | **17,079** | **17,941** | **19,128** |
| S/T borrowings | 200 | 200 | 200 | 200 |
| AP/NP | 982 | 1,103 | 1,178 | 1,243 |
| Other ST liabilities | 1,976 | 1,976 | 1,976 | 1,976 |
| LT debt | 969 | 969 | 969 | 969 |
| Other LT liabilities | 990 | 990 | 990 | 990 |
| Common shares | 3,039 | 3,039 | 3,039 | 3,039 |
| **Total Liabilities** | **5,116** | **5,238** | **5,312** | **5,377** |
| Additional capital | 3,467 | 3,467 | 3,467 | 3,467 |
| Retained earning | 3,877 | 5,263 | 6,050 | 7,172 |
| Other shareholders' equity | 72 | 72 | 72 | 72 |
| **Total Equity** | **10,456** | **11,841** | **12,628** | **13,750** |
| **Total Liab. & Shrhldr's Equity** | **15,572** | **17,079** | **17,941** | **19,128** |

e = Morgan Stanley Research Estimates

Source: Morgan Stanley Research, Company Data

**Cash Flow Statement**

| NT$mn (Years End Dec ) | 2025 | 2026e | 2027e | 2028e |
|---|---|---|---|---|
| **Cashflow from Operations** | **2,650** | **2,956** | **2,853** | **3,053** |
| Net profits | 2,442 | 3,023 | 2,815 | 3,010 |
| Depreciation | 147 | 151 | 156 | 161 |
| Working Capital Change | 102 | (219) | (118) | (117) |
| Other adjustments | (41) | 0 | 0 | 0 |
| **Cashflow from Investing** | **(2,253)** | **(591)** | **(640)** | **(693)** |
| Capex | (1,709) | (591) | (640) | (693) |
| Change of LT Investment | (35) | 0 | 0 | 0 |
| Change of ST Investment | (27) | 0 | 0 | 0 |
| Other adjustments | (481) | 0 | 0 | 0 |
| **Cashflow from financing** | **(1,269)** | **(1,638)** | **(2,027)** | **(1,888)** |
| Increase in L/T debt | 500 | 0 | 0 | 0 |
| Increase in S/T debt | 70 | 0 | 0 | 0 |
| Cash Dividend Paid | (1,835) | (1,638) | (2,027) | (1,888) |
| Dir& Emp Bonus Paid | 0 | 0 | 0 | 0 |
| Issuance of stock | 16 | 0 | 0 | 0 |
| Other adjustments | (20) | 0 | 0 | 0 |
| Exchange rate adjustment | (1) | 0 | 0 | 0 |
| **Net change in cash** | **-873** | **727** | **186** | **472** |

**Financial Ratios**

| | 2025 | 2026e | 2027e | 2028e |
|---|---|---|---|---|
| **Growth(%)** | | | | |
| Turnover | -2.9 | 7.6 | 5.2 | 5.3 |
| Operating profits | -2.7 | 0.5 | 1.9 | 4.5 |
| Pretax profits | -12.9 | 20.7 | -8.9 | 7.3 |
| Net profits | -10.7 | 23.8 | -6.9 | 6.9 |
| EPS | -10.9 | 24.3 | -6.5 | 6.9 |
| **Margins (%)** | | | | |
| Gross Margin | 48.6 | 47.4 | 46.6 | 46.5 |
| Operating Margin | 24.2 | 22.6 | 21.9 | 21.7 |
| Pretax Margin | 23.1 | 25.9 | 22.5 | 22.9 |
| Net Profit | 19.8 | 22.8 | 20.2 | 20.5 |
| **Return (%)** | | | | |
| ROAE | 23.9 | 27.1 | 23.0 | 22.8 |
| ROAA | 16.0 | 18.5 | 16.1 | 16.2 |
| **Gearing (%)** | | | | |
| Net Debt/Equity | (21.0) | (24.7) | (24.6) | (26.1) |
| Liabilities/Equity | 48.9 | 44.2 | 42.1 | 39.1 |
| **Ratios (X)** | | | | |
| Current ratio | 2.5 | 2.8 | 2.8 | 3.0 |
| Quick ratio | 1.2 | 1.4 | 1.4 | 1.5 |
| **Others** | | | | |
| AR/NR Turnover (days) | 36 | 36 | 36 | 36 |
| Inventory Turnover (days) | 96 | 96 | 96 | 96 |
| AP Turnover (days) | 58 | 58 | 58 | 58 |
| Cash Conversion (days) | 75 | 75 | 75 | 75 |

Source: Company data, Morgan Stanley Research (e) estimates

# Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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| | Coverage Universe | | Investment Banking Clients (IBC) | | | Other Material Investment Services Clients (MISC) | |
|---|---|---|---|---|---|---|---|
| Stock Rating Category | Count | % of Total | Count | % of Total IBC | % of Rating Category | Count | % of Total Other MISC |
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| Not-Rated/Hold | 2 | 0% | 1 | 0% | 50% | 1 | 0% |
| Underweight/Sell | 570 | 15% | 92 | 10% | 16% | 218 | 13% |
| Total | 3,684 | | 946 | | | 1681 | |

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## INDUSTRY COVERAGE: Greater China Technology Semiconductors

| COMPANY (TICKER) | RATING (AS OF) | PRICE* (11/02/2026) |
|---|---|---|
| **Charlie Chan** | | |
| Advanced Wireless Semiconductor Co (8086.TWO) | U (07/14/2025) | NT$114.50 |
| Alchip Technologies Ltd (3661.TW) | O (05/14/2021) | NT$3,395.00 |
| ASE Technology Holding Co. Ltd. (3711.TW) | O (09/15/2024) | NT$674.00 |
| Cambricon Technology Corporation (688256.SS) | O (04/27/2026) | Rmb861.00 |

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|---|---|---|
| CXMT Corp (688825.SS) | O (08/26/2026) | Rmb41.72 |
| Global Unichip Corp (3443.TW) | O (06/24/2026) | NT$7,285.00 |
| GlobalWafers Co Ltd (6488.TWO) | E (05/19/2026) | NT$760.00 |
| Gudeng Precision (3680.TWO) | O (11/25/2025) | NT$489.00 |
| Hua Hong Semiconductor Ltd (1347.HK) | E (03/12/2026) | HK$62.50 |
| Iluvatar CoreX Semiconductor Co., Ltd. (9903.HK) | O (04/27/2026) | HK$61.55 |
| MediaTek (2454.TW) | O (11/28/2025) | NT$3,970.00 |
| MetaX Integrated Circuits (688802.SS) | U (11/02/2026) | Rmb466.50 |
| Nanya Technology Corp. (2408.TW) | O (05/28/2026) | NT$456.50 |
| Phison Electronics Corp (8299.TWO) | E (02/25/2026) | NT$1,875.00 |
| SG Micro Corp. (300661.SZ) | E (11/03/2025) | Rmb79.51 |
| Silergy Corp. (6415.TW) | U (05/19/2026) | NT$501.00 |
| SMIC (0981.HK) | O (10/21/2025) | HK$43.62 |
| TSMC (2330.TW) | O (02/07/2022) | NT$2,330.00 |
| UMC (2303.TW) | O (05/19/2026) | NT$110.00 |
| Vanguard International Semiconductor (5347.TWO) | U (10/30/2026) | NT$145.00 |
| WIN Semiconductors Corp (3105.TWO) | O (10/29/2026) | NT$588.00 |
| **Daisy Dai, CFA** | | |
| ASMPT Ltd (0522.HK) | O (07/24/2025) | HK$107.70 |
| China Resources Microelectronics Limited (688396.SS) | U (03/02/2026) | Rmb47.50 |
| Empyrean Technology Co Ltd (301269.SZ) | O (11/02/2026) | Rmb91.38 |
| Hangzhou Silan Microelectronics Co. Ltd. (600460.SS) | U (08/25/2025) | Rmb23.14 |
| Hygon Information Technology Co., Ltd. (688041.SS) | O (07/03/2026) | Rmb177.00 |
| Innoscience (2577.HK) | E (10/13/2025) | HK$26.70 |
| JCET Group Co Ltd (600584.SS) | O (09/16/2026) | Rmb50.30 |
| Shanghai Fudan Microelectronics (1385.HK) | O (03/07/2025) | HK$21.84 |
| SICC Co Ltd (688234.SS) | O (03/20/2026) | Rmb71.41 |
| SJ Semiconductor Corp (688820.SS) | E (09/16/2026) | Rmb76.65 |
| StarPower Semiconductor Ltd (603290.SS) | U (10/31/2026) | Rmb67.03 |
| Unigroup Guoxin Microelectronics Co Ltd (002049.SZ) | U (01/10/2023) | Rmb47.93 |
| Universal Scientific Ind. (Shanghai) (601231.SS) | O (11/05/2025) | Rmb18.09 |
| Yangjie Technology (300373.SZ) | O (06/10/2022) | Rmb72.51 |
| **Daniel Yen, CFA** | | |
| AP Memory Technology Corp (6531.TW) | O (07/11/2025) | NT$775.00 |
| ASMedia Technology Inc (5269.TW) | U (10/03/2025) | NT$1,400.00 |
| Aspeed Technology (5274.TWO) | O (06/09/2025) | NT$15,625.00 |
| Egis Technology Inc (6462.TWO) | E (01/28/2026) | NT$93.70 |
| Elan Microelectronics Corp (2458.TW) | E (11/03/2026) | NT$124.50 |
| eMemory Technology Inc (3529.TWO) | O (08/18/2026) | NT$2,395.00 |
| Espressif Systems (688018.SS) | O (05/15/2023) | Rmb135.64 |
| GigaDevice Semiconductor Beijing Inc (603986.SS) | O (05/15/2025) | Rmb265.67 |
| Himax Technologies Inc (HIMX.O) | E (02/04/2026) | US$10.45 |
| Macronix International Co Ltd (2337.TW) | O (09/18/2025) | NT$96.20 |
| Montage Technology Co Ltd (6809.HK) | O (03/18/2026) | HK$212.20 |
| Montage Technology Co Ltd (688008.SS) | O (03/18/2026) | Rmb164.58 |
| Novatek (3034.TW) | U (02/04/2026) | NT$571.00 |
| Nuvoton Technology Corporation (4919.TW) | U (11/10/2025) | NT$119.00 |
| Parade Technologies Ltd (4966.TWO) | U (10/29/2026) | NT$485.00 |
| Powerchip Semiconductor Manufacturing Co (6770.TW) | O (10/27/2025) | NT$65.30 |
| Realtek Semiconductor (2379.TW) | E (01/30/2026) | NT$785.00 |
| Shenzhen Goodix Technology Co Ltd (603160.SS) | U (07/14/2025) | Rmb59.96 |
| Silicon Motion (SIMO.O) | O (05/06/2024) | US$187.90 |
| Winbond Electronics Corp (2344.TW) | O (05/28/2026) | NT$162.00 |
| WPG Holdings (3702.TW) | O (03/16/2026) | NT$105.50 |
| WT Microelectronics Co. Ltd. (3036.TW) | O (01/27/2026) | NT$204.50 |

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|---|---|---|
| **Henry Zhao** | | |
| ACM Research Inc (ACMR.O) | O (03/07/2023) | US$44.15 |
| Advanced Micro-Fabrication Equipment Inc (688012.SS) | O (11/06/2023) | Rmb216.59 |
| Maxscend Microelectronics Co Ltd (300782.SZ) | U (01/11/2021) | Rmb50.60 |
| NAURA Technology Group Co Ltd (002371.SZ) | O (11/06/2023) | Rmb504.00 |
| OmniVision Integrated Circuits Group Inc (603501.SS) | E (10/29/2026) | Rmb83.15 |
| **Lucas Wang** | | |
| AllRing Tech Co. (6187.TWO) | O (09/23/2025) | NT$1,195.00 |
| FOCI Fiber Optic Communications Inc (3363.TWO) | E (10/09/2026) | NT$458.00 |
| Hon Precision (7769.TW) | O (04/17/2026) | NT$4,915.00 |
| King Yuan Electronics Co Ltd (2449.TW) | O (03/03/2023) | NT$263.00 |
| MPI Corporation (6223.TWO) | O (04/17/2026) | NT$4,655.00 |

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* Historical prices are not split adjusted.

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