Morgan Stanley | RESEARCH

UPDATE

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Vanguard International Semiconductor | Asia Pacific

Strong demand but limited by supply constraint; reiterate EW

MORGAN STANLEY TAIWAN LIMITED+

Charlie Chan
Equity Analyst
Charlie.Chan@morganstanley.com +886 2 2730-1725

Daniel Yen, CFA
Equity Analyst
Daniel.Yen@morganstanley.com +886 2 2730-2863

MORGAN STANLEY ASIA LIMITED+

Daisy Dai, CFA
Equity Analyst
Daisy.Dai@morganstanley.com +852 2848-7310

MORGAN STANLEY TAIWAN LIMITED+

Tiffany Yeh
Equity Analyst
Tiffany.Yeh@morganstanley.com +886 2 7712-3032

Lucas Wang
Research Associate
Lucas.Wang@morganstanley.com +886 2 2730-2875

MORGAN STANLEY ASIA LIMITED+

Henry Zhao
Research Associate
Henry.Zhao@morganstanley.com +852 2239-7731

Ethan Jia
Research Associate
Ethan.Jia@morganstanley.com +852 3963-2287

AlphaSignals Earnings Reaction

Unchanged	In-line	Largely unchanged
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

Key Takeaways

- AI-related revenue has reached a double-digit share of total revenue, and growth should be even stronger in 2027.
- AI demand includes interposer production in Singapore starting in 1Q27.
- Management is satisfied with its Singapore fab wafer sample out in June. Yield rate is above 99%.
- 2Q26 results came in largely in line with our estimate. 3Q26 utilization rate could reach above 90%.
- Stay EW: strong industry recovery is offset by supply constraints, potentially higher depreciation from the Singapore fab, and more expensive valuation vs. UMC.

Price hikes in 2027 should be larger than in 2026 with tighter supply/demand dynamics: Management expects supply to be tighter in 2027 than in 2026, driven by AI, industrial demand recovery, and share gain in the consumer sector. 2027 pricing will reflect incremental production cost and depreciation from capacity expansion, with a larger adjustment than in 2026. The company continues to invest in both 8- and 12-inch capacity to meet the strong demand.

3Q26 guidance lower than peer's given supply constraint: Management guided for 3Q26 wafer shipments up only 1-3% Q/Q owing to bottlenecks from a few tools, vs. UMC's high-single-digit Q/Q rise. However, Vanguard continues to lift wafer ASP by hiking prices and optimizing product mix, driving a 2-4% Q/Q ASP rise.

No concrete plan for Singapore fab phase 2 yet: Singapore fab phase 1's break-even point and ramp are ahead of schedule, and its 44kwpm capacity is fully booked. However, the company currently doesn't have a concrete plan for phase 2 capacity expansion. It would like to focus on phase 1 ramp and execution.

Vanguard International Semiconductor (5347.TWO, 5347 TT)

Greater China Technology Semiconductors | Taiwan

Stock Rating	**Equal-weight**
Industry View	**Attractive**
Price target	NT$180.00
Up/downside to price target (%)	17
Shr price, close (Aug 4, 2026)	NT$154.50
52-Week Range	NT$223.00-87.60
Sh out, dil, curr (mn)	1,858
Mkt cap, curr (mn)	NT$287,124
EV, curr (mn)	NT$264,578
Avg daily trading value (mn)	NT$2,808

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	4.18	5.46	6.76	8.32
EPS (NT$)§	4.32	5.71	6.93	8.98

Exhibit 1: Vanguard – 2Q26 Earnings Review

(NT$ mn)	2Q26				
	Actual	Q/Q	Y/Y	MS Est.	Consensus
Financials					
Revenue	14,245	13.7%	21.8%	14,415	14,149
Opex	(1,703)	7.5%	23.1%	(1,708)	(1,756)
EPS (NT$)	1.56	34.2%	43.7%	1.41	1.50
Ratios					
GM (%)	32.3%	303bps	428bps	32.2%	32.8%
Opex (%)	12.0%	-69bps	13bps	11.9%	12.4%
OPM (%)	20.4%	371bps	415bps	20.3%	20.4%

Source: Company Data, Visible Alpha, Morgan Stanley Research estimates

Revenue, net (NT$ mn)	48,591	56,799	68,133	77,468
EBITDA (NT$ mn)	16,326	20,717	25,023	29,713
ModelWare net inc (NT $ mn)	7,770	10,167	12,579	15,487
P/E	22.0	28.3	22.9	18.6
P/BV	2.0	3.3	3.1	2.9
ROE (%)	11.3	12.2	14.7	17.1
EV/EBITDA	9.0	16.3	13.9	12.0

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

Valuation Methodology and Risks

Vanguard International Semiconductor (5347.TWO)

Base case, residual income model. Key assumptions: a cost of equity of 9.2%, a medium-term growth rate of 13.5%, and a terminal growth rate of 4.0%.

Risks to Upside

- Stronger-than-expected LCD driver IC demand
- Loosened competition in power semi business
- Faster-than-expected EV penetration
- Inability of IDM customers to move production in-house

Risks to Downside

- Inability to fully utilize VSMC 12-inch investment
- Weaker-than-expected LCD driver IC demand
- Intensified competition in power semi business
- Slower-than-expected EV penetration
- IDM customers moving production in-house

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(as of July 31, 2026)
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Equal-weight/Hold	1582	43%	396	42%	25%	773	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	560	15%	97	10%	17%	217	12%
Total	3,674		936			1741	

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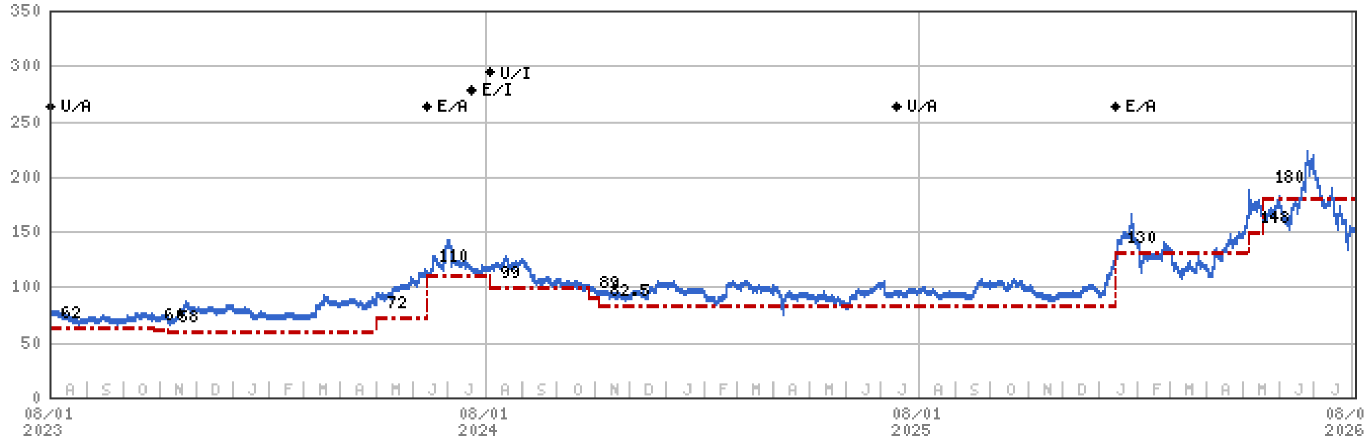
Stock Price, Price Target and Rating History (See Rating Definitions)

Vanguard International Semiconductor (5347.TWO) - As of 08/04/26 GMT in TWD
Industry : Greater China Technology Semiconductors



Stock Rating History: 8/1/21 : U/I; 10/12/21 : U/C; 2/12/22 : E/C; 9/21/22 : U/C; 10/4/22 : U/A; 2/22/23 : U/I; 7/7/23 : U/A; 6/13/24 : E/A; 7/21/24 : E/I; 8/5/24 : U/I; 7/14/25 : U/A; 1/14/26 : E/A

Price Target History: 5/20/21 : 93; 8/3/21 : 106; 9/14/21 : 145; 2/12/22 : 135; 6/21/22 : 100; 7/12/22 : 80; 8/2/22 : 75; 9/21/22 : 65; 11/2/22 : 58; 5/3/23 : 62; 10/27/23 : 60; 11/8/23 : 58; 5/1/24 : 72; 6/13/24 : 110; 8/5/24 : 99; 10/28/24 : 89; 11/6/24 : 82.5; 1/14/26 : 130; 5/7/26 : 148; 5/19/26 : 180

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INDUSTRY COVERAGE: Greater China Technology Semiconductors

COMPANY (TICKER)	RATING (AS OF)	PRICE* (08/04/2026)
Charlie Chan		
ACM Research Inc (ACMR.O)	O (03/07/2023)	US$78.64
Advanced Micro-Fabrication Equipment Inc (688012.SS)	O (11/06/2023)	Rmb317.74
Advanced Wireless Semiconductor Co (8086.TWO)	U (07/14/2025)	NT$122.50
Alchip Technologies Ltd (3661.TW)	O (05/14/2021)	NT$3,390.00
ASE Technology Holding Co. Ltd. (3711.TW)	O (09/15/2024)	NT$585.00
Cambricon Technology Corporation (688256.SS)	O (04/27/2026)	Rmb1,078.21
Global Unichip Corp (3443.TW)	O (06/24/2026)	NT$4,145.00
GlobalWafers Co Ltd (6488.TWO)	E (05/19/2026)	NT$952.00
Gudeng Precision (3680.TWO)	O (11/25/2025)	NT$430.00
Hua Hong Semiconductor Ltd (1347.HK)	E (03/12/2026)	HK$135.10
Iluvatar CoreX Semiconductor Co., Ltd. (9903.HK)	O (04/27/2026)	HK$479.20
King Yuan Electronics Co Ltd (2449.TW)	O (03/03/2023)	NT$245.50
Maxscend Microelectronics Co Ltd (300782.SZ)	U (01/11/2021)	Rmb72.34
MediaTek (2454.TW)	O (11/28/2025)	NT$3,865.00
MetaX Integrated Circuits (688802.SS)	E (04/27/2026)	Rmb696.04
Nanya Technology Corp. (2408.TW)	O (05/28/2026)	NT$436.00
NAURA Technology Group Co Ltd (002371.SZ)	O (11/06/2023)	Rmb687.00
OmniVision Integrated Circuits Group Inc (603501.SS)	E (11/17/2025)	Rmb87.95
Phison Electronics Corp (8299.TWO)	E (02/25/2026)	NT$1,820.00
SG Micro Corp. (300661.SZ)	E (11/03/2025)	Rmb101.56
Silergy Corp. (6415.TW)	U (05/19/2026)	NT$424.00
SMIC (0981.HK)	O (10/21/2025)	HK$65.30
TSMC (2330.TW)	O (02/07/2022)	NT$2,320.00
UMC (2303.TW)	O (05/19/2026)	NT$118.50
Vanguard International Semiconductor (5347.TWO)	E (01/14/2026)	NT$154.50
WIN Semiconductors Corp (3105.TWO)	U (07/14/2025)	NT$342.00

Daisy Dai, CFA		
ASMPT Ltd (0522.HK)	O (07/24/2025)	HK$158.00
China Resources Microelectronics Limited (688396.SS)	U (03/02/2026)	Rmb54.15
Empyrean Technology Co Ltd (301269.SZ)	E (01/17/2025)	Rmb89.81
Hangzhou Silan Microelectronics Co. Ltd. (600460.SS)	U (08/25/2025)	Rmb29.12
Hygon Information Technology Co., Ltd. (688041.SS)	O (07/03/2026)	Rmb275.35
Innoscience (2577.HK)	E (10/13/2025)	HK$42.68
JCET Group Co Ltd (600584.SS)	E (01/16/2026)	Rmb65.41
Shanghai Fudan Microelectronics (1385.HK)	O (03/07/2025)	HK$25.80
SICC Co Ltd (688234.SS)	O (03/20/2026)	Rmb86.45
StarPower Semiconductor Ltd (603290.SS)	E (05/14/2026)	Rmb82.80
Unigroup Guoxin Microelectronics Co Ltd (002049.SZ)	U (01/10/2023)	Rmb65.55
Universal Scientific Ind. (Shanghai) (601231.SS)	O (11/05/2025)	Rmb23.60
Yangjie Technology (300373.SZ)	O (06/10/2022)	Rmb86.80
Daniel Yen, CFA		
AP Memory Technology Corp (6531.TW)	O (07/11/2025)	NT$806.00
ASMedia Technology Inc (5269.TW)	U (10/03/2025)	NT$1,360.00
Aspeed Technology (5274.TWO)	O (06/09/2025)	NT$15,500.00
Egis Technology Inc (6462.TWO)	E (01/28/2026)	NT$96.50
Elan Microelectronics Corp (2458.TW)	O (10/03/2025)	NT$157.50
Espressif Systems (688018.SS)	O (05/15/2023)	Rmb105.38
GigaDevice Semiconductor Beijing Inc (603986.SS)	O (05/15/2025)	Rmb356.02
Macronix International Co Ltd (2337.TW)	O (09/18/2025)	NT$120.00
Montage Technology Co Ltd (6809.HK)	O (03/18/2026)	HK$262.60
Montage Technology Co Ltd (688008.SS)	O (03/18/2026)	Rmb203.25
Novatek (3034.TW)	U (02/04/2026)	NT$524.00
Nuvoton Technology Corporation (4919.TW)	U (11/10/2025)	NT$129.50
Parade Technologies Ltd (4966.TWO)	O (05/27/2026)	NT$584.00
Powerchip Semiconductor Manufacturing Co (6770.TW)	O (10/27/2025)	NT$60.10
Realtek Semiconductor (2379.TW)	E (01/30/2026)	NT$723.00
Shenzhen Goodix Technology Co Ltd (603160.SS)	U (07/14/2025)	Rmb52.69
Winbond Electronics Corp (2344.TW)	O (05/28/2026)	NT$157.00
WPG Holdings (3702.TW)	O (03/16/2026)	NT$117.50
WT Microelectronics Co. Ltd. (3036.TW)	O (01/27/2026)	NT$212.50
Duan Liu		
Dosilicon Co Ltd (688110.SS)	U (09/06/2024)	Rmb101.78
Shenzhen Longsys Electronics Co Ltd (301308.SZ)	E (02/25/2026)	Rmb336.05
Tiffany Yeh		
AllRing Tech Co. (6187.TWO)	O (09/23/2025)	NT$1,090.00
FOCI Fiber Optic Communications Inc (3363.TWO)	O (01/15/2025)	NT$563.00
Himax Technologies Inc (HIMX.O)	E (02/04/2026)	US$12.78
Hon Precision (7769.TW)	O (04/17/2026)	NT$6,190.00
MPI Corporation (6223.TWO)	O (04/17/2026)	NT$5,900.00
Silicon Motion (SIMO.O)	O (05/06/2024)	US$251.52
WinWay Technology Co Ltd (6515.TW)	O (04/17/2026)	NT$6,575.00

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* Historical prices are not split adjusted.