Morgan Stanley | RESEARCH

IDEA

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Alchip Technologies Ltd | Asia Pacific

2Q26 preview: 3nm Trainium3 ramping nicely, what's next?

We keep our Street-high price target of NT$5,088 to reflect Alchip's strong position in AWS Trainium ASIC design service. Additional project wins at other CSPs would bring our Bull Case into play.

2Q26 results preview: In our Asia AI Summit 2026 Feedback (31 May 2026), the company indicated its 3nm shipments were expected to surge in June and July, with maximum shipments starting in August. Full-year 3nm revenue was guided at US $1.5bn+. We anticipate 3Q revenue to see a >250% Q/Q increase, with margins declining Q/Q to 18% given the Trainium3 turnkey revenue ramp.

Key questions for management at the earnings call on August 14: 1) Any increase in 2027 and 2028 ASIC TAM and Alchip's market share, given strong Trainium demand?; 2) 2nm tape-out appears on track for late 2026, with production and shipments expected for 4Q27. Any schedule change or a revenue gap between Trainium3 and Trainium4?; 3) How will you address competition from Marvell, Qualcomm, GUC, and MediaTek within AI ASIC?; 4) What's the chance to win new projects from other CSPs like Google and Meta?

Trainium4 the major growth driver in the next two years: Alchip continues to design for emerging accounts in the US that are investing heavily in innovative 3- and 2-nanometer projects to solve AI infrastructure bottlenecks. We expect Alchip to gradually tape out designs in the chiplets in 4Q27 and 1Q28. Some CPO optical I/O dies will still be at the engineering stage, and Alchip, as the design service vendor for the compute die, will know the progress of CPO adoption for the Trainium series. Although we believe Trainium4 is still several months from broad availability, our supply chain checks indicate Alchip has had its capacity reserved (suggesting mass production in 4Q27). Against this backdrop, we believe the TAM for Trainium is growing. We now forecast Trainium4 to contribute revenue of US$4bn to Alchip in 2028 (400k units at ASP > US$10k) vs. our previous forecast of 500k units at ASP US$8k.

China AI CPU opportunities: For the China market, at our Asia AI Summit, the company indicated ADAS chip for Li Auto is shipping, and its next-gen iteration is scheduled to tape out in 3Q26. Also, given the strong China AI CPU demand (see Integrated CPU+GPU Compute), we think Alchip can generate >US$100mn in annual revenue from major China Arm-based CPU customers, such as HJ Micro. We believe these China CPUs can be done by TSMC's 5nm nodes. Of note, TSMC and its design service comply with US export control rules, if the China CPU die size is within 300mm square.

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Alchip Technologies Ltd (3661.TW, 3661 TT)

Greater China Technology Semiconductors | Taiwan

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	NT$5,088.00
Up/downside to price target (%)	25
Shr price, close (Aug 12, 2026)	NT$4,055.00
52-Week Range	NT$5,640.00-2,480.00
Mkt cap, curr (mn)	NT$329,036
Avg daily trading value (mn)	NT$7,922

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	67.68	162.51	181.22	218.27
Prior EPS (NT$)**	-	151.58	180.46	218.13
EPS (NT$)§	65.78	138.09	180.95	240.97
Revenue, net (NT$ mn)	30,926	92,826	134,592	165,265
P/E	51.9	25.0	22.4	18.6

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

AlphaSignals Earnings Preview

Focus KPI	Focus KPI Surprise	Likely impact to consensus EPS*
Alchip Technologies Ltd 3661.TW		
2Q26 Margin and 2H26 Revenue Guidance	In-line	Modest revision higher

- 2Q26 preliminary revenue rose 82% Q/Q on the Trainium3 production ramp, and management will release the full 2Q26 result on Friday.
- Margins are expected to fall as turnkey mix rises, with 2Q around 30% and 3Q margin seen down to 18% alongside a >250% Q/Q revenue jump.

*Likely impact to consensus EPS is for the next 12 months
Source: Company data, Morgan Stanley Research

Alchip's near-term revenue momentum should accelerate in 3Q26 from Trainium3 ramp

Alchip's 2Q26 preliminary revenue was up 82% Q/Q given the Trainium3 production ramp. We expect 2Q26 and 3Q26 margin to decline significantly Q/Q due to higher turnkey revenue share. We therefore expect that 2Q margin was around 30%, similar to consensus. We anticipate 3Q revenue to see a significant increase of >250% Q/Q, with margin declining to 18% given the Trainium3 turnkey revenue ramp.

Exhibit 1: Alchip: 2Q26 earnings and 3Q26 guidance preview

	2Q26					3Q26			
(NT$ mn)	Guidance	Prelim.	MSe	Consensus	Diff.	Guidance	Mse	Consensus	Diff.
Revenue	Revenue grow Q/Q	7,640	7,640	8,945	-15%		29,370	24,302	21%
Q/Q			*82.5%*	*113.6%*			*284.4%*	*171.7%*	
Y/Y			*-16.4%*	*-2.2%*			*347.0%*	*269.9%*	
GM (%)			30.0%	29.8%	0.2 ppt		18.0%	19.5%	-1.5 ppt
OpM (%)			19.6%	20.9%	-1.3 ppt		14.6%	15.1%	-0.5 ppt
Basic EPS (NT$)			**18.33**	**23.13**	**-21%**		**45.65**	**39.47**	**16%**

Source: Company Data, Morgan Stanley research (e) estimates, Visible Alpha

After several collaboration announcements with AWS, we expect a bigger TAM for Trainium

According to an announcement, a major US AI company and Amazon have expanded collaboration for up to 5 gigawatts of new computing capacity for training and deployment, including new Trainium2 capacity coming online in 1H26 and nearly 1GW of combined Trainium2 and Trainium3 capacity by year-end 2026.

According to the announcement, the commitment spans Graviton and Trainium2 through Trainium4 chips, with an option to buy future generations of Amazon's custom silicon as they become available. On AWS's earnings call, management also said that Trainium3 started shipping at the start of 2026, offering 30-40% better price performance than Trainium2, and it is nearly fully subscribed. Although Trainium4 is still several months from broad availability, our channel checks suggest the capacity has already been reserved (suggesting mass production in 4Q27). Against this backdrop, we believe the TAM for Trainium is growing. We now forecast Trainium4 to contribute revenue of US$4bn to Alchip in 2028 (400k units at ASP US$10k) vs. our previous forecast of 500k units at ASP US$8k.

Exhibit 2: AWS ASIC volume forecast from CoWoS and Morgan Stanley Asia's view

k Units	2023	2024	2025e	2026e	2027e	2028e
Trainium1/Inferentia2	300	600	30			
Trainium2		300	1,200			
Trainium3			85	1,700	2,380	-
Trainium4					150	2,000
Total	**300**	**900**	**1,315**	**1,700**	**2,530**	**2,000**

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

Alchip's 2026 revenue could improve >100% YoY

After a 40% Y/Y decline in 2025 NT$ revenue, we expect Alchip's revenue to rebound strongly in 2026, mostly in 2H26, thanks to the Trainium3 and Li Auto contributions. We continue to expect Trainum3 volume at Alchip to be around 450k with ASP US$4,400 in 2026. We believe other factors could include some Japanese consumer ASIC projects, as well as low production of AI ASIC from US AI start-ups.

Exhibit 3: Our bottom-up assumptions for Alchip's revenue growth

Revenue (US$ mn)	2025e	2026e	2027e	2028e	2025 Y/Y	2026 Y/Y	2027 Y/Y	2028 Y/Y
NRE								
Total NRE	**321**	**403**	**350**	**373**	**-15%**	**26%**	**-13%**	**7%**
Turnkey								
AWS	100	2,000	3,300	4,000	-86%	1900%	65%	21%
Intel Habana	300	0	0	0	50%	-100%	NA	NA
Amazon Lab126	40	50	50	50	-33%	25%	0%	0%
Sony	20	0	0	0	-60%	-100%	NA	NA
Chinese CPU	10	10	10	10	-75%	0%	0%	0%
Li Auto	20	350	500	700	NA	NA	NA	NA
Japan Consumer	30	80	100	100	NA	NA	NA	NA
Others	143	85	68	93	-25%	-41%	-20%	37%
Total turnkey	**663**	**2,575**	**4,028**	**4,953**	**-47%**	**288%**	**56%**	**23%**
Total revenue	**984**	**2,978**	**4,378**	**5,326**	**-39%**	**203%**	**47%**	**22%**

Revenue mix	2025e	2026e	2027e	2028e
NRE				
Total NRE	**33%**	**14%**	**8%**	**7%**
Turnkey				
AWS	10%	67%	75%	75%
Intel Habana	30%	0%	0%	0%
Amazon Lab126	4%	2%	1%	1%
Sony	2%	0%	0%	0%
Chinese CPU	1%	0%	0%	0%
Li Auto	2%	12%	11%	13%
Japan Consumer	3%	3%	2%	2%
Others	15%	3%	2%	2%
Total turnkey	**67%**	**86%**	**92%**	**93%**
Total revenue	**100%**	**100%**	**100%**	**100%**

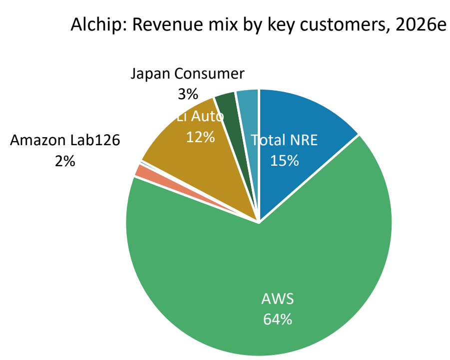
Source: Company data, Morgan Stanley Research (e) estimates

The stock looks attractive on a long-term perspective

Alchip stock is trading at 22x our revised 2027e EPS, vs. its +1SD five-year average of 39x. Our price target implies a target multiple of 28x our 2027e EPS. We think the implied target multiple is justified because:

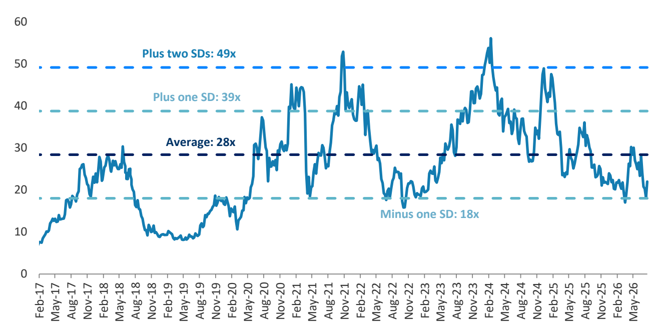
- We estimate a 2025-28 revenue CAGR of 75%;
- We continue to believe that AI ASICs will outgrow AI GPUs in the coming years; and
- Alchip is one of the few ASIC design service providers that can deal with increasingly complex designs (at 2nm) with good production/design track records for large leading-edge chips.

Exhibit 4: We expect AWS to account for c.65% of Alchip's 2026e revenue



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

Exhibit 5: Alchip: NTM rolling P/E



Source: Company data, FactSet, Morgan Stanley Research estimates

Alchip: Earnings estimates revision summary

We raise our earnings estimates 7% for 2026 and 0% for 2027/2028 estimates: Our 2026 revenue estimate increase 1% after we factor in 2Q26 preliminary revenue numbers, and our 2026e EPS increase 7% to reflect operating leverage and well-controlled opex. While our 2027/28 numbers remain largely unchanged.

Exhibit 6: Alchip: Earnings estimate revisions

NT$ mn	New '26E	Old '26E	Diff.	New '27E	Old '27E	Diff.	New '28E	Old '28E	Diff.
Net sales	92,826	92,318	1%	134,592	134,592	0%	165,265	165,250	0%
Gross profit	18,973	18,559	2%	23,545	23,547	0%	28,549	28,546	0%
Operating profit	15,301	13,954	10%	17,423	17,462	0%	21,379	21,472	0%
Pretax Income	16,817	15,590	8%	18,755	18,677	0%	22,590	22,576	0%
Net income	13,455	12,550	7%	15,004	14,941	0%	18,072	18,061	0%
Reported EPS	**162.51**	**151.58**	**7%**	**181.22**	**180.46**	**0%**	**218.27**	**218.13**	**0%**
Margins									
Gross margin	20.4%	20.1%		17.5%	17.5%		17.3%	17.3%	
Operating margin	16.5%	15.1%		12.9%	13.0%		12.9%	13.0%	
Net margin	14.5%	13.6%		11.1%	11.1%		10.9%	10.9%	
Opex %	4.0%	5.0%		4.5%	4.5%		4.3%	4.3%	

Source: Morgan Stanley Research (E) estimates

Exhibit 7: Alchip: Quarterly financials

(NT$ mn) YE DEC 31	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2023	2024	2025	2026E	2027E	2028E
Total revenues	**10,485**	**9,144**	**6,570**	**4,727**	**4,187**	**7,640**	**29,370**	**51,629**	**30,482**	**51,969**	**30,926**	**92,826**	**134,592**	**165,265**
Q/Q Change	*-19.8%*	*-12.8%*	*-28.2%*	*-28.0%*	*-11.4%*	*82.5%*	*284.4%*	*75.8%*						
Y/Y Change	*0.0%*	*-32.7%*	*-55.7%*	*-63.8%*	*-60.1%*	*-16.4%*	*347.0%*	*992.1%*	*122.1%*	*70.5%*	*-40.5%*	*200.2%*	*45.0%*	*22.8%*
Cost of Sales	**8,056**	**7,257**	**4,729**	**2,730**	**2,086**	**5,348**	**24,084**	**42,336**	**23,687**	**41,768**	**22,772**	**73,854**	**111,047**	**136,715**
Percent of Revenues	*76.8%*	*79.4%*	*72.0%*	*57.7%*	*49.8%*	*70.0%*	*82.0%*	*82.0%*	*77.7%*	*80.4%*	*73.6%*	*79.6%*	*82.5%*	*82.7%*
Gross Profit	**2,429**	**1,887**	**1,841**	**1,997**	**2,101**	**2,292**	**5,287**	**9,293**	**6,794**	**10,201**	**8,154**	**18,973**	**23,545**	**28,549**
Gross Margin	***23.2%***	***20.6%***	***28.0%***	***42.3%***	***50.2%***	***30.0%***	***18.0%***	***18.0%***	***22.3%***	***19.6%***	***26.4%***	***20.4%***	***17.5%***	***17.3%***
Incremental Margin	*NM*	*NM*	*NM*	*NM*	*NM*	*6%*	*14%*	*18%*	*14%*	*16%*	*NM*	*17%*	*11%*	*16%*
Total Opex	**934**	**737**	**684**	**782**	**733**	**796**	**1,012**	**1,130**	**3,033**	**3,705**	**3,138**	**3,671**	**6,122**	**7,170**
Percent of Revenues	*8.9%*	*8.1%*	*10.4%*	*16.6%*	*17.5%*	*10.4%*	*3.4%*	*2.2%*	*10.0%*	*7.1%*	*10.1%*	*4.0%*	*4.5%*	*4.3%*
R&D	467	494	453	417	508	558	608	608	1,547	2,142	1,831	2,281	3,545	3,938
Percent of Revenues	*4.5%*	*5.4%*	*6.9%*	*8.8%*	*12.1%*	*7.3%*	*2.1%*	*1.2%*	*5.1%*	*4.1%*	*5.9%*	*2.5%*	*2.6%*	*2.4%*
General & Adm Exp.	406	157	175	273	164	174	184	264	1,237	1,286	1,011	786	1,500	1,910
Percent of Revenues	*3.9%*	*1.7%*	*2.7%*	*5.8%*	*3.9%*	*2.3%*	*0.6%*	*0.5%*	*4.1%*	*2.5%*	*3.3%*	*0.8%*	*1.1%*	*1.2%*
Selling Expenses	61	86	56	92	61	64	221	258	250	276	295	604	1,077	1,322
Percent of Revenues	0.6%	0.9%	0.9%	2.0%	1.5%	0.8%	0.8%	0.5%	0.8%	0.5%	1.0%	0.7%	0.8%	0.8%
Operating Income	**1,494**	**1,150**	**1,157**	**1,215**	**1,368**	**1,496**	**4,274**	**8,163**	**3,761**	**6,496**	**5,017**	**15,301**	**17,423**	**21,379**
Operating Margin	*14.3%*	*12.6%*	*17.6%*	*25.7%*	*32.7%*	*19.6%*	*14.6%*	*15.8%*	*12.3%*	*12.5%*	*16.2%*	*16.5%*	*12.9%*	*12.9%*
Total Non-operating Income (loss)	**299**	**449**	**433**	**522**	**416**	**366**	**366**	**366**	**436**	**1,312**	**1,703**	**1,515**	**1,332**	**1,211**
Profit Before Taxes	**1,793**	**1,599**	**1,591**	**1,737**	**1,784**	**1,862**	**4,641**	**8,530**	**4,198**	**7,808**	**6,720**	**16,817**	**18,755**	**22,590**
Percent of Revenues	*17.1%*	*17.5%*	*24.2%*	*36.7%*	*42.6%*	*24.4%*	*15.8%*	*16.5%*	*13.8%*	*15.0%*	*21.7%*	*18.1%*	*13.9%*	*13.7%*
Taxes	**332**	**277**	**265**	**250**	**357**	**373**	**928**	**1,706**	**877**	**1,362**	**1,124**	**3,364**	**3,751**	**4,518**
Tax Rate	18.5%	17.3%	16.6%	14.4%	20.0%	20.0%	20.0%	20.0%	20.9%	17.4%	16.7%	20.0%	20.0%	20.0%
Minor interest	-2	-1	-2	3	-1	-1	-1	-1	-5	1	-2	-3	0	0
Total Net Income to Parent	**1,464**	**1,324**	**1,328**	**1,483**	**1,428**	**1,491**	**3,713**	**6,824**	**3,325**	**6,446**	**5,598**	**13,455**	**15,004**	**18,072**
Percent of Revenues	*14.0%*	*14.5%*	*20.2%*	*31.4%*	*34.1%*	*19.5%*	*12.6%*	*13.2%*	*10.9%*	*12.4%*	*18.1%*	*14.5%*	*11.1%*	*10.9%*
Y/Y change	*19.0%*	*-16.6%*	*-25.9%*	*-19.2%*	*-2.4%*	*12.6%*	*179.6%*	*360.0%*	*81.3%*	*93.8%*	*-13.1%*	*140.3%*	*11.5%*	*20.4%*
Diluted EPS (NT$)	**17.69**	**16.02**	**16.04**	**17.92**	**17.25**	**18.00**	**44.84**	**82.42**	**43.27**	**79.05**	**67.68**	**162.51**	**181.22**	**218.27**
Reported Basic EPS (NT$, TW GAAP)	**18.13**	**16.37**	**16.40**	**18.33**	**17.55**	**18.33**	**45.65**	**83.89**	**45.42**	**81.51**	**69.22**	**165.42**	**184.46**	**222.18**

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

Alchip: Valuation methodology

Price target unchanged at NT$5,088: We continue to derive our base case value, which is also our price target, from a residual income model. All of our key assumptions are unchanged, including cost of equity of 10.4% (beta of 1.4, equity risk premium of 6.0%, and risk-free rate of 2.0%), intermediate growth rate of 16%, and terminal growth rate of 5.0%.

Our bear case value of NT$2,130 and bull case value of NT$5,950 also remain unchanged.

Exhibit 8: Alchip: Residual income model

NT$ million	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E	2037E
Total Equity	**40,824**	**50,448**	**56,199**	**67,135**	**79,820**	**94,536**	**111,605**	**131,406**	**154,374**	**181,018**	**211,925**	**247,776**
Net Profit	**13,455**	**15,004**	**18,072**	**20,964**	**24,318**	**28,209**	**32,722**	**37,958**	**44,031**	**51,076**	**59,248**	**68,728**
ROAE	**33.5%**	**32.9%**	**33.9%**	**34.0%**	**33.1%**	**32.4%**	**31.7%**	**31.2%**	**30.8%**	**30.5%**	**30.2%**	**29.9%**
Residual Income	9,124	9,176	11,851	13,260	15,237	17,527	20,181	23,258	26,826	30,963	35,762	41,327
Spread	**23.1%**	**22.5%**	**23.5%**	**23.6%**	**22.7%**	**22.0%**	**21.3%**	**20.8%**	**20.4%**	**20.1%**	**19.8%**	**19.5%**
Ending Equity Capital	40,824											
PV of Forecast Period	109,777											
PV of Continuing Value	270,629											
Equity Value	**421,230**											
No. of Shares	83											
Projected Price	**5,088**											

Source: Morgan Stanley Research (E) estimates

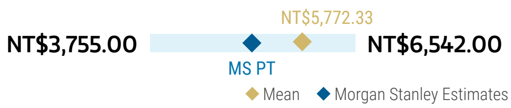
Risk Reward – Alchip Technologies Ltd (3661.TW)

AI ASIC project demand remains strong in 2026-28

PRICE TARGET NT$5,088.00

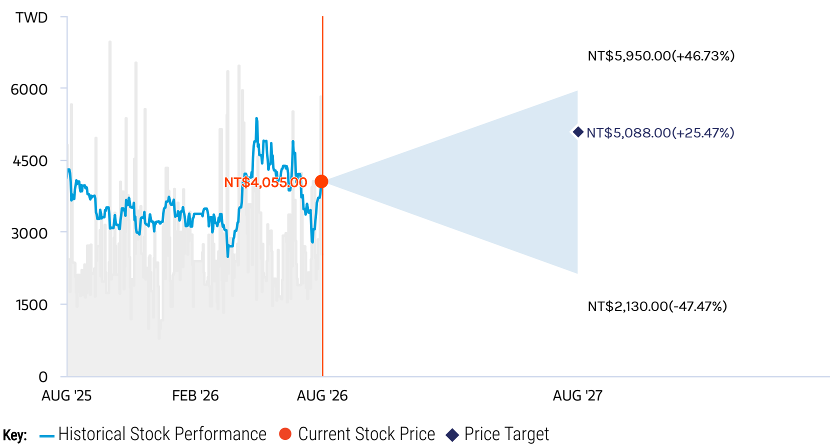
Base case value, derived from a residual income model. We assume the cost of equity is constant at 10.4% (2% risk-free rate, 6% risk premium, 1.4 beta). Our intermediate growth rate and terminal growth rates are 16% and 5%, respectively.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART

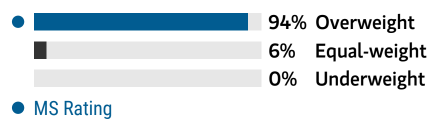


Source: Refinitiv, Morgan Stanley Research

OVERWEIGHT THESIS

- We continue to believe that AI ASICs will outgrow AI GPUs in the coming years, and Alchip is one of the few ASIC design service providers that can deal with increasingly complex designs (at 2nm) with good production/design track records for large leading edge chips.
- AWS's announcement of its 3nm Trainium3 chip matches the timing of Alchip's 3nm project win. The growing number of use cases for Trainium (e.g., Apple's adoption) bodes well for Alchip's revenue growth in 2026.
- We believe Alchip has strong potential to win Trainium4.
- Our price target implies 28x our 2027e EPS, which we find undemanding vs. our >70% revenue CAGR for 2025-28e.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

New Data Era: *Positive*
Secular Growth: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE NT$5,950.00

33x 2027e EPS

AI chipsets and HPC projects start to proliferate, amid substantial end demand. Alchip's leading-edge tape-out numbers increase significantly, with some high-profile project wins at 3nm or even 2nm. Alchip is able to secure enough foundry capacity (front-end wafers and back-end packaging) and substrates for all of its leading-edge turnkey production. Alchip gradually gains market share within the design service market, amid continued proliferation of custom chip demand.

BASE CASE NT$5,088.00

28x 2027e EPS

AI chipsets and HPC projects start to proliferate amid strong end demand, resulting in steady growth in tape-outs and volume. There might be a slowdown in Alchip's Chinese customers' design activity for leading-edge chips as a result of US export controls; we believe this would be largely offset by ASIC demand strength from non-China regions.

BEAR CASE NT$2,130.00

12x 2027e EPS

AI chipsets and HPC projects lack concrete end demand, resulting in delayed tape-outs and mass production. Alchip's leading-edge project pipeline deteriorates, or some customers turn directly to TSMC. AI GPU's dominance in AI computing compresses the market share gain potential for overall ASIC, with customers starting to slow their custom silicon developments - and therefore ASIC procurement plans.

Risk Reward – Alchip Technologies Ltd (3661.TW)

KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
HPC revenue (NT$, mn)	25,816	62,194	90,177	110,727
Networking revenue (NT$, mn)	698	6,498	9,421	11,569

INVESTMENT DRIVERS

- New promising AI chipset entrants
- NRE revenue growth
- Faster migration of semi industry to 7nm

GLOBAL REVENUE EXPOSURE

- 0-10% APAC, ex Japan, Mainland China and India
- 10-20% Japan
- 10-20% Mainland China
- 50-60% North America

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

MS ALPHA MODELS

3/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Demand for Chinese GPUs and AI chipsets takes off earlier than expected.
- NRE demand accelerates.
- Alchip wins more US hyperscaler HPC projects.

RISKS TO DOWNSIDE

- China's HPC localization progress slows down.
- AI chipset progress is much slower to develop.
- NRE demand decelerates.
- Pricing competition intensifies.

OWNERSHIP POSITIONING

Inst. Owners, % Active 62.7%

Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

Sales / Revenue (NT$, mn)	58,887	74,187	92,826	
EBITDA (NT$, mn)	10,163	15,196	18,045	18,837
Net income (NT$, mn)	8,533	11,239	13,455	13,786
EPS (NT$)	103.06	138.09	162.51	168.26

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Alchip: Financial summary

Income Statement

NT$mn (Years End Dec)	2024	2025	2026E	2027E	2028E
Net sales	51,969	30,926	92,826	134,592	165,265
COGS	(41,768)	(22,772)	(73,854)	(111,047)	(136,715)
Gross profit	10,201	8,154	18,973	23,545	28,549
Operating expenses	(3,705)	(3,138)	(3,671)	(6,122)	(7,170)
Operating income	**6,496**	**5,017**	**15,301**	**17,423**	**21,379**
Non-operating income	1,312	1,703	1,515	1,332	1,211
Pre-tax income	7,808	6,720	16,817	18,755	22,590
Income tax	1,362	1,124	3,364	3,751	4,518
Minority Interest	1	(2)	(3)	0	0
Reported net Income	**6,446**	**5,598**	**13,455**	**15,004**	**18,072**
Adj.wtd.avg.shrs(m)	79	81	81	81	81
Reported EPS (NT$)	**79.05**	**67.68**	**162.51**	**181.22**	**218.27**
Modelware EPS (NT$)	**79.05**	**67.68**	**162.51**	**181.22**	**218.27**

Balance Sheet

NT$mn (Years End Dec)	2024	2025	2026E	2027E	2028E
Cash	27,044	32,627	17,979	8,197	4,970
Mkt Securities	16	163	163	163	163
AR/NR	5,730	3,011	13,118	19,020	23,354
Inventory	8,661	6,945	25,307	38,052	46,847
Other	4,733	10,311	10,311	10,311	10,311
Current Assets	**46,184**	**53,057**	**66,877**	**75,742**	**85,645**
Long-term investments	1,600	2,204	2,204	2,204	2,204
Fixed assets	1,775	1,680	1,680	1,680	1,680
Deffered assets	169	440	440	440	440
Other assets	582	659	659	659	659
Total Assets	**50,309**	**58,039**	**71,859**	**80,724**	**90,627**
S/T borrowings	0	0	0	0	0
AP/NP	1,826	1,986	6,183	9,297	11,446
Other ST liabilities	8,845	14,988	14,988	14,988	14,988
LT debt	0	0	0	0	0
Other LT liabilities	161	240	240	240	240
Common shares	806	813	813	813	813
Total Liabilities	**10,833**	**17,214**	**21,411**	**24,525**	**26,674**
Additional capital	25,350	25,755	25,755	25,755	25,755
Retained earning	10,752	13,405	23,029	28,780	36,534
Other shareholders' equity	2,568	852	852	852	852
Total Equity	**39,477**	**40,824**	**50,448**	**56,199**	**63,953**
Total Liab. & Shrhldr's Equity	**50,309**	**58,039**	**71,859**	**80,724**	**90,627**

E = Morgan Stanley Research Estimates

Source: Morgan Stanley Research, Company Data

Cash Flow Statement

NT$mn (Years End Dec)	2024	2025	2026E	2027E	2028E
Cashflow from Operations	**3,358**	**15,272**	**(8,073)**	**2,215**	**9,835**
Net profits	6,446	5,598	13,455	15,004	18,072
Depreciation	2,129	2,744	2,744	2,744	2,744
Working Capital Change	(869)	4,741	(24,272)	(15,533)	(10,981)
Other adjustments	(4,348)	2,189	0	0	0
Cashflow from Investing	**(676)**	**(5,828)**	**(2,744)**	**(2,744)**	**(2,744)**
Capex	(1,998)	(2,287)	(2,744)	(2,744)	(2,744)
Change of LT Investment	1,748	(3,701)	0	0	0
Change of ST Investment	(953)	(929)	0	0	0
Other adjustments	527	1,089	0	0	0
Cashflow from financing	**12,855**	**(2,653)**	**(3,831)**	**(9,253)**	**(10,318)**
Increase in L/T debt	0	0	0	0	0
Increase in S/T debt	0	0	0	0	0
Cash Dividend Paid	(1,818)	(2,946)	(3,831)	(9,253)	(10,318)
Issuance of stock	0	0	0	0	0
Other adjustments	14,673	293	0	0	0
Exchange rate adjustment	1,348	(1,208)	0	0	0
Net change in cash	**16,885**	**5,583**	**-14,648**	**-9,782**	**-3,227**

Financial Ratios

	2024	2025	2026E	2027E	2028E
Growth(%)					
Turnover	70.5	-40.5	200.2	45.0	22.8
Operating profits	72.7	-22.8	205.0	13.9	22.7
Pretax profits	86.0	-13.9	150.2	11.5	20.4
Net profits	93.8	-13.1	140.3	11.5	20.4
EPS	82.7	-14.4	140.1	11.5	20.4
Margins (%)					
Gross Margin	19.6	26.4	20.4	17.5	17.3
Operating Margin	12.5	16.2	16.5	12.9	12.9
Pretax Margin	15.0	21.7	18.1	13.9	13.7
Net Profit	12.4	18.1	14.5	11.1	10.9
Return (%)					
ROAE	22.4	13.9	29.5	28.1	30.1
ROAA	15.6	10.3	20.7	19.7	21.1
Gearing (%)					
Net Debt/Equity	(68.5)	(79.9)	(35.6)	(14.6)	(7.8)
Liabilities/Equity	27.4	42.2	42.4	43.6	41.7
Ratios (X)					
Current ratio	4.3	3.1	3.2	3.1	3.2
Quick ratio	3.1	2.1	1.5	1.1	1.1
Others					
AR/NR Turnover (days)	29	52	52	52	52
Inventory Turnover (days)	89	125	125	125	125
AP Turnover (days)	16	31	31	31	31
Cash Conversion (days)	101	146	146	146	146

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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(as of July 31, 2026)

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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
Overweight/Buy	1529	42%	442	47%	29%	750	43%
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	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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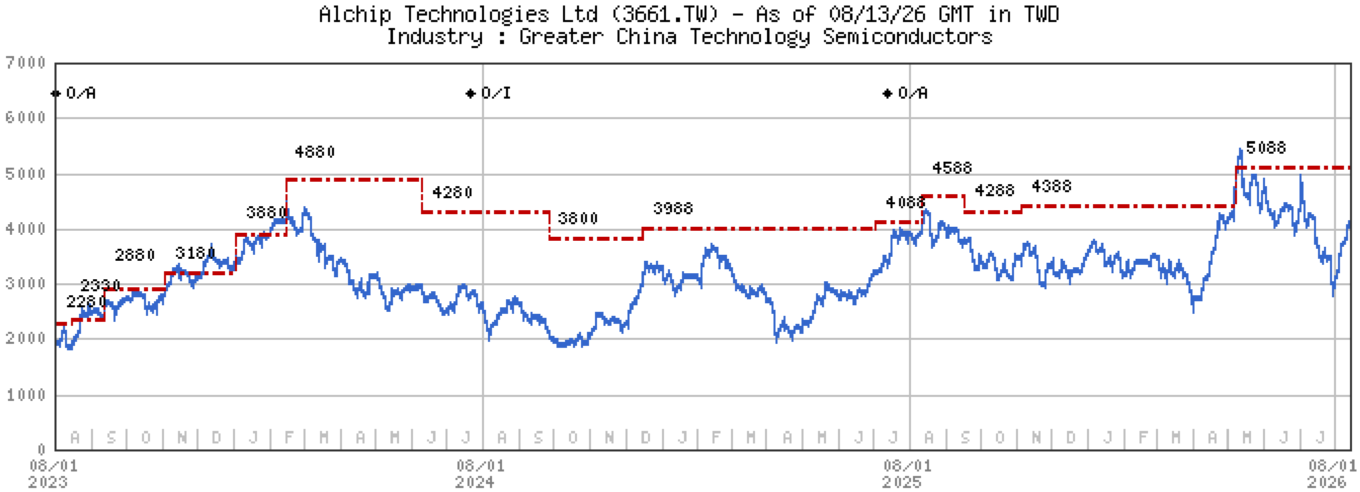
Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 8/1/21 : O/I; 10/12/21 : O/C; 10/4/22 : O/A; 2/22/23 : O/I; 7/7/23 : O/A; 7/21/24 : O/I; 7/14/25 : O/A

Price Target History: 4/12/21 : 780; 9/23/21 : 980; 10/8/21 : 1090; 10/30/21 : 1190; 2/10/22 : 1280; 3/7/22 : 1420; 10/18/22 : 1280; 3/13/23 : 1340; 4/26/23 : 1380; 5/10/23 : 1480; 6/12/23 : 1800; 7/3/23 : 2130; 7/7/23 : 2280; 8/14/23 : 2330; 9/12/23 : 2880; 11/3/23 : 3180; 1/2/24 : 3880; 2/14/24 : 4880; 6/10/24 : 4280; 9/26/24 : 3800; 12/16/24 : 3988; 7/3/25 : 4088; 8/12/25 : 4588; 9/17/25 : 4288; 11/5/25 : 4388; 5/7/26 : 5088

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
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COMPANY (TICKER)	RATING (AS OF)	PRICE* (08/12/2026)
Charlie Chan		
ACM Research Inc (ACMR.O)	O (03/07/2023)	US$81.26
Advanced Micro-Fabrication Equipment Inc (688012.SS)	O (11/06/2023)	Rmb380.95
Advanced Wireless Semiconductor Co (8086.TWO)	U (07/14/2025)	NT$119.00
Alchip Technologies Ltd (3661.TW)	O (05/14/2021)	NT$4,055.00
ASE Technology Holding Co. Ltd. (3711.TW)	O (09/15/2024)	NT$621.00
Cambricon Technology Corporation (688256.SS)	O (04/27/2026)	Rmb1,105.38
Global Unichip Corp (3443.TW)	O (06/24/2026)	NT$5,130.00
GlobalWafers Co Ltd (6488.TWO)	E (05/19/2026)	NT$933.00
Gudeng Precision (3680.TWO)	O (11/25/2025)	NT$452.50
Hua Hong Semiconductor Ltd (1347.HK)	E (03/12/2026)	HK$142.80
Iluvatar CoreX Semiconductor Co., Ltd. (9903.HK)	O (04/27/2026)	HK$416.60
King Yuan Electronics Co Ltd (2449.TW)	O (03/03/2023)	NT$259.00
Maxscend Microelectronics Co Ltd (300782.SZ)	U (01/11/2021)	Rmb80.12
MediaTek (2454.TW)	O (11/28/2025)	NT$4,015.00
MetaX Integrated Circuits (688802.SS)	E (04/27/2026)	Rmb715.29
Nanya Technology Corp. (2408.TW)	O (05/28/2026)	NT$482.50
NAURA Technology Group Co Ltd (002371.SZ)	O (11/06/2023)	Rmb760.00
OmniVision Integrated Circuits Group Inc (603501.SS)	E (11/17/2025)	Rmb91.52
Phison Electronics Corp (8299.TWO)	E (02/25/2026)	NT$2,210.00
SG Micro Corp. (300661.SZ)	E (11/03/2025)	Rmb116.02
Silergy Corp. (6415.TW)	U (05/19/2026)	NT$449.00
SMIC (0981.HK)	O (10/21/2025)	HK$67.40
TSMC (2330.TW)	O (02/07/2022)	NT$2,415.00
UMC (2303.TW)	O (05/19/2026)	NT$123.00
Vanguard International Semiconductor (5347.TWO)	E (01/14/2026)	NT$159.50
WIN Semiconductors Corp (3105.TWO)	U (07/14/2025)	NT$400.00

Daisy Dai, CFA		
ASMPT Ltd (0522.HK)	O (07/24/2025)	HK$169.50
China Resources Microelectronics Limited (688396.SS)	U (03/02/2026)	Rmb62.02
Empyrean Technology Co Ltd (301269.SZ)	E (01/17/2025)	Rmb98.35
Hangzhou Silan Microelectronics Co. Ltd. (600460.SS)	U (08/25/2025)	Rmb32.85
Hygon Information Technology Co., Ltd. (688041.SS)	O (07/03/2026)	Rmb287.66
Innoscience (2577.HK)	E (10/13/2025)	HK$44.78
JCET Group Co Ltd (600584.SS)	E (01/16/2026)	Rmb78.18
Shanghai Fudan Microelectronics (1385.HK)	O (03/07/2025)	HK$26.98
SICC Co Ltd (688234.SS)	O (03/20/2026)	Rmb110.36
StarPower Semiconductor Ltd (603290.SS)	E (05/14/2026)	Rmb88.19
Unigroup Guoxin Microelectronics Co Ltd (002049.SZ)	U (01/10/2023)	Rmb67.28
Universal Scientific Ind. (Shanghai) (601231.SS)	O (11/05/2025)	Rmb28.13
Yangjie Technology (300373.SZ)	O (06/10/2022)	Rmb96.64
Daniel Yen, CFA		
AP Memory Technology Corp (6531.TW)	O (07/11/2025)	NT$878.00
ASMedia Technology Inc (5269.TW)	U (10/03/2025)	NT$1,440.00
Aspeed Technology (5274.TWO)	O (06/09/2025)	NT$17,370.00
Egis Technology Inc (6462.TWO)	E (01/28/2026)	NT$101.50
Elan Microelectronics Corp (2458.TW)	O (10/03/2025)	NT$146.00
Espressif Systems (688018.SS)	O (05/15/2023)	Rmb114.10
GigaDevice Semiconductor Beijing Inc (603986.SS)	O (05/15/2025)	Rmb413.17
Macronix International Co Ltd (2337.TW)	O (09/18/2025)	NT$136.50
Montage Technology Co Ltd (6809.HK)	O (03/18/2026)	HK$283.00
Montage Technology Co Ltd (688008.SS)	O (03/18/2026)	Rmb215.43
Novatek (3034.TW)	U (02/04/2026)	NT$537.00
Nuvoton Technology Corporation (4919.TW)	U (11/10/2025)	NT$125.50
Parade Technologies Ltd (4966.TWO)	O (05/27/2026)	NT$591.00
Powerchip Semiconductor Manufacturing Co (6770.TW)	O (10/27/2025)	NT$73.70
Realtek Semiconductor (2379.TW)	E (01/30/2026)	NT$766.00
Shenzhen Goodix Technology Co Ltd (603160.SS)	U (07/14/2025)	Rmb52.20
Winbond Electronics Corp (2344.TW)	O (05/28/2026)	NT$177.00
WPG Holdings (3702.TW)	O (03/16/2026)	NT$122.50
WT Microelectronics Co. Ltd. (3036.TW)	O (01/27/2026)	NT$217.50
Duan Liu		
Dosilicon Co Ltd (688110.SS)	U (09/06/2024)	Rmb114.69
Shenzhen Longsys Electronics Co Ltd (301308.SZ)	E (02/25/2026)	Rmb414.30
Tiffany Yeh		
AllRing Tech Co. (6187.TWO)	O (09/23/2025)	NT$1,155.00
FOCI Fiber Optic Communications Inc (3363.TWO)	O (01/15/2025)	NT$630.00
Himax Technologies Inc (HIMX.O)	E (02/04/2026)	US$15.09
Hon Precision (7769.TW)	O (04/17/2026)	NT$6,480.00
MPI Corporation (6223.TWO)	O (04/17/2026)	NT$6,600.00
Silicon Motion (SIMO.O)	O (05/06/2024)	US$241.31
WinWay Technology Co Ltd (6515.TW)	O (04/17/2026)	NT$7,170.00

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.