Morgan Stanley | RESEARCH

UPDATE

November 5, 2026 10:10 AM GMT

King Yuan Electronics Co Ltd | Asia Pacific

2027 outlook remains promising; OW

AlphaSignals Earnings Reaction

Unchanged	In-line	Modest revision lower
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

Key Takeaways

- 3Q26 results largely in line with both MSe and consensus, but 4Q26 both revenue and margin guidance missed.
- Despite the near-term headwind from the supply chain leading to KYEC's weaker performance, we expect GPU, TPU, and CPU demand to all ramp up rapidly from 1Q27.
- KYEC US capacity is on track for mass production by 4Q27 and full-year contribution in 2028.
- We stay OW on robust 2027 demand, margin recovery, and new capacity expansion with strong customers' commitment.

4Q26 guidance cut from the major product delay and weaker smartphone demand: The company cut 4Q26 revenue guidance from up >10% to high-single digit QoQ growth, given the R-series GPU shipment delays and weaker smartphone/ consumer demand. The gross margin should also decline slightly to 36-37%, given the capacity build but lower-than-expected utilization rate.

1Q27 and 2027 demand remains robust: However, the company reiterated that delayed demand will be pushed out to 1Q27, suggesting 1Q27 revenue will be up at least 10-15% QoQ and gross margin will recover to >40%. Looking ahead into 2027, demand remains robust, and the company expects 2027 revenue to grow 40-50% YoY with margins >40%.

KYEC in-house burn-in oven could start to support MediaTek TPU: Despite the shipment delay from Micro Control Company (MCC), MediaTek management still raised its 4Q26 TPU revenue projection for both 4Q26 and 2027. We believe it relates to KYEC's supports of its in-house burn-in oven by end-2026, which could potentially leave more share to KYEC against ASE if MCC's oven shipments continue to fall short in 2027.

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King Yuan Electronics Co Ltd (2449.TW, 2449 TT)

Greater China Technology Semiconductors | Taiwan

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	NT$348.00
Up/downside to price target (%)	52
Shr price, close (Nov 5, 2026)	NT$228.50
52-Week Range	NT$350.00-187.14
Sh out, dil, curr (mn)	1,230
Mkt cap, curr (mn)	NT$280,978
Avg daily trading value (mn)	NT$7,867

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	8.96	9.06	13.66	18.89
EPS (NT$)§	8.94	8.59	14.55	20.35
Revenue, net (NT$ mn)	34,934	47,683	67,303	89,529
EBITDA (NT$ mn)	16,516	27,207	43,467	54,032
ModelWare net inc (NT $ mn)	11,016	11,369	17,559	24,281
Div yld (%)	1.9	2.0	4.3	4.3
P/E**	26.3	25.2	16.7	12.1

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

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Exhibit 1: 3Q26 Earnings Review - largely in line

(NT$ mn)	3Q26				
	Actual	Q/Q	Y/Y	MS Est.	Consensus
Financials					
Revenue	12,142	9.0%	30.7%	12,079	12,113
Opex	(1,427)	-9.2%	67.0%	(1,092)	(1,386)
EPS (NT$)	2.06	15.9%	16.3%	2.22	2.02
GP	4,560			4,596	4,617
Ratios					
GM (%)	37.6%	-194bps	153bps	38.0%	38.1%
OP	3,133			3,504	3,232
Opex (%)	11.8%	-236bps	255bps	9.0%	11.4%
OPM (%)	25.8%	42bps	-102bps	29.0%	26.7%

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

Valuation Methodology and Risks

King Yuan Electronics Co Ltd (2449.TW)

Base case, residual income model. Key assumptions: cost of equity of 9.8%, intermediate-term growth rate of 10.5%, terminal growth rate of 3.0%, and cash dividend payout ratio of 65%.

Risks to Upside

- Rise in shipments for core customers such as MediaTek
- Strong AI demand from both GPU and ASIC
- Penetration of wafer sorting business
- Rise in IDM outsourcing to OSAT

Risks to Downside

- Overall non-AI demand remaining weak
- Significant testing market share loss
- Drop in shipments for core customers such as MediaTek

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Equal-weight/Hold	1537	42%	393	42%	26%	720	43%
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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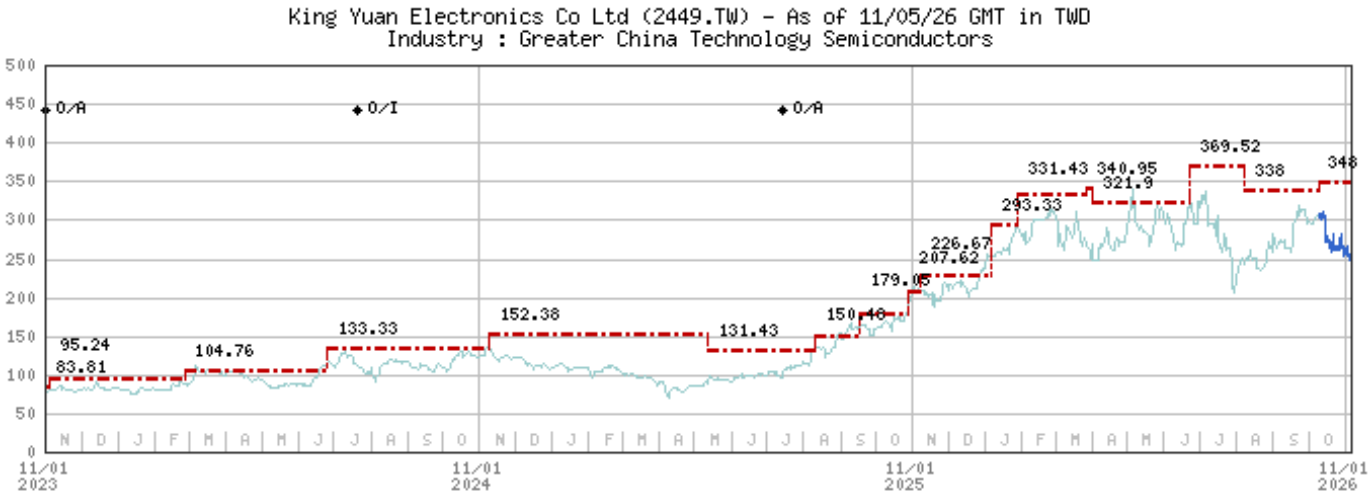
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Price Target History: 10/12/21 : 40.95; 1/24/22 : 42.86; 5/6/22 : 45.71; 7/12/22 : 38.1; 3/3/23 : 46.67; 6/12/23 : 57.14; 7/7/23 : 64.76; 8/29/23 : 83.81; 11/4/23 : 95.24; 2/26/24 : 104.76; 6/25/24 : 133.33; 11/9/24 : 152.38; 5/12/25 : 131.43; 8/11/25 : 150.48; 9/17/25 : 179.05; 10/28/25 : 207.62; 11/7/25 : 226.67; 1/7/26 : 293.33; 1/29/26 : 331.43; 3/27/26 : 340.95; 4/1/26 : 321.9; 6/22/26 : 369.52; 8/8/26 : 338; 10/9/26 : 348

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INDUSTRY COVERAGE: Greater China Technology Semiconductors

COMPANY (TICKER)	RATING (AS OF)	PRICE* (11/05/2026)
Charlie Chan		
Advanced Wireless Semiconductor Co (8086.TWO)	U (07/14/2025)	NT$96.40
Alchip Technologies Ltd (3661.TW)	O (05/14/2021)	NT$2,960.00
ASE Technology Holding Co. Ltd. (3711.TW)	O (09/15/2024)	NT$572.00
Cambricon Technology Corporation (688256.SS)	O (04/27/2026)	Rmb845.00
CXMT Corp (688825.SS)	O (08/26/2026)	Rmb42.53
Global Unichip Corp (3443.TW)	O (06/24/2026)	NT$6,405.00
Gudeng Precision (3680.TWO)	O (11/25/2025)	NT$408.50
Hua Hong Semiconductor Ltd (1347.HK)	E (03/12/2026)	HK$67.30
Iluvatar CoreX Semiconductor Co., Ltd. (9903.HK)	O (04/27/2026)	HK$69.00
MediaTek (2454.TW)	O (11/28/2025)	NT$3,460.00
MetaX Integrated Circuits (688802.SS)	U (11/02/2026)	Rmb487.03
Nanya Technology Corp. (2408.TW)	O (05/28/2026)	NT$360.00
Phison Electronics Corp (8299.TWO)	E (02/25/2026)	NT$1,560.00
SG Micro Corp. (300661.SZ)	E (11/03/2025)	Rmb85.20
Silergy Corp. (6415.TW)	U (05/19/2026)	NT$412.00
SMIC (0981.HK)	O (10/21/2025)	HK$47.50
TSMC (2330.TW)	O (02/07/2022)	NT$2,240.00
UMC (2303.TW)	O (05/19/2026)	NT$98.40
Vanguard International Semiconductor (5347.TWO)	U (10/30/2026)	NT$126.00
WIN Semiconductors Corp (3105.TWO)	O (10/29/2026)	NT$451.00
Daisy Dai, CFA		
ASMPT Ltd (0522.HK)	O (07/24/2025)	HK$101.00
China Resources Microelectronics Limited (688396.SS)	U (03/02/2026)	Rmb50.76

Empyrean Technology Co Ltd (301269.SZ)	O (11/02/2026)	Rmb97.43
Hangzhou Silan Microelectronics Co. Ltd. (600460.SS)	U (08/25/2025)	Rmb24.56
Hygon Information Technology Co., Ltd. (688041.SS)	O (07/03/2026)	Rmb192.80
Innoscience (2577.HK)	E (10/13/2025)	HK$27.88
JCET Group Co Ltd (600584.SS)	O (09/16/2026)	Rmb53.63
Shanghai Fudan Microelectronics (1385.HK)	O (03/07/2025)	HK$23.18
SICC Co Ltd (688234.SS)	O (03/20/2026)	Rmb78.79
SJ Semiconductor Corp (688820.SS)	E (09/16/2026)	Rmb85.17
StarPower Semiconductor Ltd (603290.SS)	U (10/31/2026)	Rmb71.85
Unigroup Guoxin Microelectronics Co Ltd (002049.SZ)	U (01/10/2023)	Rmb51.33
Universal Scientific Ind. (Shanghai) (601231.SS)	O (11/05/2025)	Rmb18.70
Yangjie Technology (300373.SZ)	O (06/10/2022)	Rmb77.69
Daniel Yen, CFA		
AP Memory Technology Corp (6531.TW)	O (07/11/2025)	NT$648.00
ASMedia Technology Inc (5269.TW)	U (10/03/2025)	NT$1,220.00
Aspeed Technology (5274.TWO)	O (06/09/2025)	NT$12,635.00
Egis Technology Inc (6462.TWO)	E (01/28/2026)	NT$84.30
Elan Microelectronics Corp (2458.TW)	E (11/04/2026)	NT$117.50
eMemory Technology Inc (3529.TWO)	O (08/18/2026)	NT$2,025.00
Espressif Systems (688018.SS)	O (05/15/2023)	Rmb164.47
GigaDevice Semiconductor Beijing Inc (603986.SS)	O (05/15/2025)	Rmb263.15
Himax Technologies Inc (HIMX.O)	E (02/04/2026)	US$10.44
Macronix International Co Ltd (2337.TW)	O (09/18/2025)	NT$79.70
Montage Technology Co Ltd (6809.HK)	O (03/18/2026)	HK$202.80
Montage Technology Co Ltd (688008.SS)	O (03/18/2026)	Rmb163.80
Novatek (3034.TW)	U (02/04/2026)	NT$510.00
Nuvoton Technology Corporation (4919.TW)	U (11/10/2025)	NT$97.70
Parade Technologies Ltd (4966.TWO)	U (10/29/2026)	NT$420.50
Powerchip Semiconductor Manufacturing Co (6770.TW)	O (10/27/2025)	NT$54.80
Realtek Semiconductor (2379.TW)	E (01/30/2026)	NT$720.00
Shenzhen Goodix Technology Co Ltd (603160.SS)	U (07/14/2025)	Rmb62.88
Silicon Motion (SIMO.O)	O (05/06/2024)	US$182.54
Winbond Electronics Corp (2344.TW)	O (05/28/2026)	NT$127.50
WPG Holdings (3702.TW)	O (03/16/2026)	NT$92.10
WT Microelectronics Co. Ltd. (3036.TW)	O (01/27/2026)	NT$195.00
Henry Zhao		
ACM Research Inc (ACMR.O)	O (03/07/2023)	US$44.43
Advanced Micro-Fabrication Equipment Inc (688012.SS)	O (11/06/2023)	Rmb254.00
Maxscend Microelectronics Co Ltd (300782.SZ)	U (01/11/2021)	Rmb54.48
NAURA Technology Group Co Ltd (002371.SZ)	O (11/06/2023)	Rmb561.01
OmniVision Integrated Circuits Group Inc (603501.SS)	E (10/29/2026)	Rmb87.98
Lucas Wang		
AllRing Tech Co. (6187.TWO)	O (09/23/2025)	NT$959.00
FOCI Fiber Optic Communications Inc (3363.TWO)	E (10/09/2026)	NT$400.50
GlobalWafers Co Ltd (6488.TWO)	E (11/04/2026)	NT$564.00
Hon Precision (7769.TW)	O (04/17/2026)	NT$3,980.00
King Yuan Electronics Co Ltd (2449.TW)	O (03/03/2023)	NT$228.50
MPI Corporation (6223.TWO)	O (04/17/2026)	NT$3,725.00

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