Morgan Stanley | RESEARCH

UPDATE

August 13, 2026 02:32 PM GMT

Compal Electronics | Asia Pacific

2Q26 GM missed despite non-PC strength; stay UW

AlphaSignals Earnings Reaction

Unchanged	Meaningful upside	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

- CY26 capex is guided to be NT$18bn; 1H26 capex was ~NT$9bn, NT$6-7bn of which was dedicated to server capacity expansion.
- CY27 capex is expected to remain elevated, though no numerical guidance was provided.
- 2Q GM was 4.6% (-60bps q/q), 80bps below our estimate/70 bps below the Street. Higher component costs diluted GM.
- 2Q OP was NT$2.9bn (+8% q/q), 13% below our estimate/9% below the Street, for OpM of 1.2% (-10bps q/q), reflecting operating leverage.
- 2Q non-op income was higher because of FVTPL gains. Thus, NP reached NT $3.1bn (+59% q/q), 44% above our estimate/39% above the Street, for EPS of NT $0.72.

PCs are the near-term drag: Management expects its 3Q NB shipment units to be flat q/q thanks to share gains; higher ASPs support sequential PC revenue growth. For the full year, Compal expects its PC shipments to decline ~15% y/y, in line with the market.

AI servers remain the growth driver: AI servers made up ~70% of server revenue in 2Q (servers' share of total revenue was in mid-single digits in 1Q an d high single digits in 2Q), with new Neocloud wins widening the pipeline. 3Q server revenue is guided to grow in high double digits q/q. For full-year 2026, servers are targeted at ~10% of the mix (unchanged). They are guided to rise to more than 30–40% in 2027, potentially taking PCs below 50% of total revenue (though we remain skeptical).

Compal currently mainly ships L6 for general servers and L10 for AI servers (B300 HGX), both of which carry higher GM and OpM vs. AI racks and the corporate average., but it expects more rack-scale AI server shipments from late 2026 onwards. This implies that Compal's margins could trend lower h/h because of a different product mix within servers in 2H. Of note, Compal's AI server business currently runs 100% on buy-and-sell.

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Compal Electronics (2324.TW, 2324 TT)

Greater China Technology Hardware | Taiwan

Stock Rating	**Underweight**
Industry View	**In-Line**
Price target	NT$23.00
Up/downside to price target (%)	(41)
Shr price, close (Aug 13, 2026)	NT$39.30
52-Week Range	NT$47.75-26.70
Sh out, dil, curr (mn)	4,471
Mkt cap, curr (mn)	NT$175,695
EV, curr (mn)	NT$146,904
Avg daily trading value (mn)	NT$1,817

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	1.38	1.98	2.23	2.63
EPS (NT$)§	1.49	2.11	2.52	2.91
Revenue, net (NT$ mn)	757,513	892,173	976,621	1,025,983
EBITDA (NT$ mn)	17,782	19,752	20,466	22,175
ModelWare net inc (NT $ mn)	6,030	8,644	9,722	11,492
P/E	22.0	19.9	17.7	14.9
RNOA (%)	7.7	8.8	9.6	10.9
ROE (%)	3.9	5.9	6.4	7.3
EV/EBITDA	5.9	7.4	7.1	6.3
Div yld (%)	4.6	2.2	3.1	3.5
FCF yld ratio (%)**	11.5	2.1	4.0	5.8
Leverage (EOP) (%)	(19.5)	(18.9)	(19.5)	(21.5)

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

Exhibit 1: Compal's 2Q26 results – summary

Year to Dec. 31 (NT$m)	Actual 2Q26P	Q/Q	Y/Y	MSe 2Q26E	Diff. %	Cons. 2Q26E	Diff. %
P&L Summary							
Net sales	**238,295**	**18%**	**32%**	**221,330**	**8%**	**220,341**	**8%**
COGS	(227,274)			(209,393)		(208,701)	
Gross profit	**11,021**	**4%**	**4%**	**11,937**	**-8%**	**11,640**	**-5%**
Operating expenses	(8,166)			(8,673)		(8,494)	
Operating income	**2,855**	**8%**	**9%**	**3,264**	**-13%**	**3,146**	**-9%**
Non-operating income	1,784			239		303	
Pre-tax income	**4,639**	**50%**	**260%**	**3,503**	**32%**	**3,449**	**35%**
Income tax	(1,030)			(858)			
Minority interest	(476)			(469)			
Net income	**3,133**	**59%**	**549%**	**2,176**	**44%**	**2,255**	**39%**
EPS (NT$)	**0.72**			**0.50**		**0.52**	
Margins		**ppt**	**ppt**		**ppt**		**ppt**
Gross margin	4.6%	-0.6	-1.2	5.4%	-0.8	5.3%	-0.7
Operating margin	1.2%	-0.1	-0.3	1.5%	-0.3	1.4%	-0.2
Pretax margin	1.9%	0.4	1.2	1.6%	0.4	1.6%	0.4
Net margin	1.3%	0.3	1.0	1.0%	0.3	1.0%	0.3

Note: Past performance is no guarantee of future results. Results shown do not include transaction costs. Source: Company data, TEJ, Morgan Stanley Research.

Valuation Methodology and Risks

Compal Electronics (2324.TW)

Base case, residual income model. Our key assumptions include a cost of equity of 9.1% (beta 1.3, equity risk premium 6.0%, and risk-free rate 1.5%), a medium-term growth rate of 5.0%, and a long-term earnings growth rate of 3.0%.

Risks to Upside

- Stronger-than-expected NB and smartphone demand
- Further share gains in iPad
- Margin expansion thanks to better scale

Risks to Downside

- Weaker-than-expected NB demand
- Margin contraction from sales shortfall and fierce price competition
- Weaker-than-expected iPad shipments

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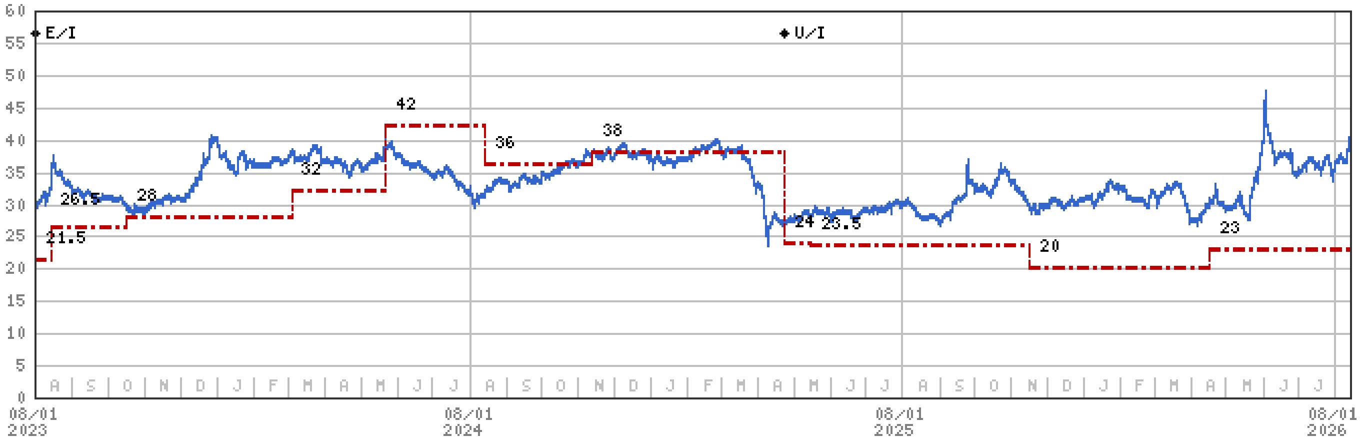
Stock Price, Price Target and Rating History (See Rating Definitions)

Compal Electronics (2324.TW) - As of 08/13/26 GMT in TWD
Industry : Greater China Technology Hardware



Stock Rating History: 8/1/21 : U/I; 5/1/23 : E/I; 4/23/25 : U/I

Price Target History: 7/28/21 : 18; 11/12/21 : 19; 3/7/22 : 21; 5/12/22 : 19.5; 7/26/22 : 19; 8/14/22 : 18; 5/1/23 : 21.5; 8/14/23 : 26.5; 10/17/23 : 28; 3/4/24 : 32; 5/22/24 : 42; 8/14/24 : 36; 11/13/24 : 38; 4/23/25 : 24; 5/15/25 : 23.5; 11/16/25 : 20; 4/17/26 : 23

Source: Morgan Stanley Research   Date Format : MM/DD/YY   Price Target   No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst)   Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
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INDUSTRY COVERAGE: Greater China Technology Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (08/13/2026)
Andy Meng, CFA		
AAC Technologies Holdings (2018.HK)	O (01/29/2024)	HK$41.82
Accelink Technologies Co. Ltd. (002281.SZ)	U (05/12/2022)	Rmb184.85
BYD Electronics (0285.HK)	O (04/28/2023)	HK$23.74
China TransInfo Technology Co Ltd (002373.SZ)	E (07/18/2023)	Rmb7.82
Dahua Technology Co. Ltd. (002236.SZ)	E (12/12/2024)	Rmb16.46
Eoptolink Technology Inc Ltd (300502.SZ)	O (02/27/2026)	Rmb429.90
Genius Electronic Optical Co. Ltd. (3406.TW)	E (04/23/2025)	NT$629.00
GoerTek Inc (002241.SZ)	U (04/23/2025)	Rmb22.12
Gosuncn Technology Group Co Ltd (300098.SZ)	U (11/07/2022)	Rmb4.63
HIKVision Digital Technology (002415.SZ)	E (12/12/2024)	Rmb35.66
Largan Precision (3008.TW)	O (07/10/2026)	NT$4,660.00
LianChuang Electronic Technology Co Ltd (002036.SZ)	U (06/12/2024)	Rmb7.03
Lingyi Itech Guangdong Co (002600.SZ)	U (04/23/2025)	Rmb12.55
Luxshare Precision Industry Co., Ltd. (002475.SZ)	O (10/24/2016)	Rmb56.06
OFILM Group Co Ltd (002456.SZ)	U (06/12/2024)	Rmb7.34
Q Technology (Group) Company Ltd (1478.HK)	U (03/23/2026)	HK$6.86
Quectel Wireless Solutions Co Ltd (603236.SS)	E (10/09/2024)	Rmb59.43
Shanghai Conant Optical Co Ltd (2276.HK)	O (04/10/2026)	HK$38.20
Shenzhen Transsion Holdings Co Ltd (688036.SS)	E (03/23/2026)	Rmb54.57
Sunny Optical (2382.HK)	E (03/23/2026)	HK$58.60
Suzhou TFC Optical Communication Co Ltd. (300394.SZ)	E (11/06/2025)	Rmb257.16
Wingtech Technology Co Ltd (600745.SS)	U (05/18/2026)	Rmb17.43
Xiaomi Corp (1810.HK)	O (04/14/2021)	HK$25.88
Yangtze Optical Fibre and Cable JSC Ltd (601869.SS)	U (10/13/2021)	Rmb337.51
Yangtze Optical Fibre and Cable JSC Ltd (6869.HK)	O (07/15/2026)	HK$129.60

Yongxin Optics Co Ltd (603297.SS)	E (11/15/2022)	Rmb102.78
Zhejiang Crystal-Optech Co Ltd (002273.SZ)	O (11/15/2022)	Rmb26.96
Zhongji Innolight Co Ltd (300308.SZ)	++	Rmb921.04
ZTE Corporation (0763.HK)	O (06/04/2026)	HK$25.32
ZTE Corporation (000063.SZ)	E (06/04/2026)	Rmb35.08
Derrick Yang		
Accton Technology Corporation (2345.TW)	O (06/06/2024)	NT$2,270.00
Advantech (2395.TW)	O (01/20/2021)	NT$698.00
AirTAC International (1590.TW)	O (04/16/2025)	NT$1,470.00
Asia Vital Components Co. Ltd. (3017.TW)	O (07/30/2024)	NT$3,200.00
AU Optronics (2409.TW)	E (02/10/2026)	NT$25.75
Auras Technology Co Ltd (3324.TWO)	E (05/04/2023)	NT$1,035.00
Bizlink (3665.TW)	O (03/10/2025)	NT$2,205.00
BOE Technology (000725.SZ)	O (09/06/2019)	Rmb5.86
Chenbro (8210.TW)	O (07/23/2025)	NT$990.00
Chroma Ate Inc. (2360.TW)	O (10/05/2021)	NT$2,300.00
Delta Electronics Inc. (2308.TW)	O (07/13/2017)	NT$1,885.00
E Ink Holdings Inc. (8069.TWO)	E (08/10/2026)	NT$171.00
Ennostar Inc (3714.TW)	U (09/23/2022)	NT$58.60
Fositek Corp (6805.TW)	O (06/25/2025)	NT$1,830.00
Hiwin Technologies Corp. (2049.TW)	O (03/30/2026)	NT$381.00
Innolux (3481.TW)	E (04/07/2025)	NT$49.40
King Slide Works Co. Ltd. (2059.TW)	O (11/08/2023)	NT$12,235.00
Lens Technology (300433.SZ)	E (07/22/2020)	Rmb34.65
Lite-On Technology (2301.TW)	E (01/15/2025)	NT$269.50
TCL Corp. (000100.SZ)	E (04/07/2025)	Rmb5.17
Tianma Microelectronics (000050.SZ)	U (01/24/2018)	Rmb6.62
Wuhan Jingce Electronic Group Co Ltd (300567.SZ)	E (11/26/2021)	Rmb224.24
Howard Kao		
Acer Inc. (2353.TW)	U (04/23/2025)	NT$31.55
Asustek Computer Inc. (2357.TW)	U (11/16/2025)	NT$937.00
Catcher Technology (2474.TW)	U (11/17/2025)	NT$203.00
Compal Electronics (2324.TW)	U (04/23/2025)	NT$39.30
FIT Hon Teng Ltd (6088.HK)	O (11/03/2025)	HK$5.21
Foxconn Industrial Internet Co. Ltd. (601138.SS)	O (07/10/2019)	Rmb65.23
Giga-Byte Technology Co. Ltd. (2376.TW)	E (11/16/2025)	NT$393.50
Gold Circuit Electronics Ltd. (2368.TW)	O (10/06/2022)	NT$1,010.00
Hon Hai Precision (2317.TW)	O (03/15/2024)	NT$262.00
Inspur Electronic Information (000977.SZ)	E (08/28/2023)	Rmb79.46
LandMark Optoelectronics Corporation (3081.TWO)	E (03/26/2026)	NT$2,665.00
Lenovo (0992.HK)	O (07/10/2026)	HK$34.90
Lotes Co. Ltd. (3533.TW)	E (05/12/2025)	NT$1,810.00
Nan Ya PCB (8046.TW)	O (02/23/2026)	NT$1,215.00
Pegatron Corporation (4938.TW)	E (03/25/2026)	NT$94.80
Quanta Computer Inc. (2382.TW)	O (05/01/2023)	NT$325.00
Shengyi Technology Co Ltd. (600183.SS)	E (05/26/2022)	Rmb141.74
Shennan Circuits Co Ltd (002916.SZ)	E (08/24/2023)	Rmb377.98
Unimicron (3037.TW)	O (02/23/2026)	NT$1,000.00
Visual Photonics Epitaxy Co Ltd (2455.TW)	E (09/11/2023)	NT$384.00
Wistron Corporation (3231.TW)	O (07/12/2023)	NT$197.00
Wiwynn Corp (6669.TW)	O (11/10/2025)	NT$6,070.00
Yageo Corp. (2327.TW)	O (10/28/2025)	NT$662.00
Zhen Ding (4958.TW)	++	NT$477.50

Stock Ratings are subject to change. Please see latest research for each company.

* Historical prices are not split adjusted.