Morgan Stanley | RESEARCH

UPDATE

August 18, 2026 10:17 AM GMT

Eclat Textile | Asia Pacific

Growth Trajectory Unchanged; Attractive after Recent Pullback

Key highlights from Eclat's analyst briefing on August 18:

- 2Q26 GPM was down QoQ due to better strength of existing customers' legacy products despite new customers' high-GPM products still contributing to Eclat's growth (sales to new customers up double-digits).
- Order visibility remained at 6 months despite some uncertainty toward the end of 2026. Eclat was cautiously optimistic on the 1H27 outlook. Monthly sales run rate of NT$3bn as a floor was unchanged, but the company sounded confident on having a higher bar.
- One of the three new customers started shipments while the other two will start in 3Q26.
- Raw material cost (started coming down since May) is not an issue for 2H26 GPM but Eclat is closely monitoring the FX trend. It did not change prior GPM range guidance at 28-32%, noting it may revisit toward year-end.
- There is some delay on the Indonesia plant due to more complex design; Eclat still targets 4Q27 for mass production.

We believe the recent share price pullback since 2Q26 results (-15% vs. TAIEX +2%) has largely factored in softer margins and current valuation at 11.6x MSe 2026 EPS is attractive, in our view.

MORGAN STANLEY TAIWAN LIMITED+

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Eclat Textile (1476.TW, 1476 TT)

Taiwan Consumer and Industrials | Taiwan

Stock Rating	**Overweight**
Industry View	**In-Line**
Price target	NT$470.00
Up/downside to price target (%)	51
Shr price, close (Aug 18, 2026)	NT$310.50
52-Week Range	NT$470.00-307.50
Sh out, dil, curr (mn)	274
Mkt cap, curr (mn)	NT$85,191
EV, curr (mn)	NT$81,138
Avg daily trading value (mn)	NT$479

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	20.10	26.85	29.40	32.20
Prior EPS (NT$)**	-	-	-	-
Revenue, net (NT$ mn)	37,990	40,932	44,945	48,850
EBITDA (NT$ mn)	7,968	10,026	11,102	12,158
ModelWare net inc (NT $ mn)	5,515	7,365	8,065	8,835
P/E	19.1	11.6	10.6	9.6
P/BV	3.6	3.1	2.9	2.7
RNOA (%)	22.7	29.7	35.3	38.6
ROE (%)	19.1	24.9	29.3	29.9
EV/EBITDA	12.7	8.1	7.2	6.4
Div yld (%)	4.4	6.4	7.1	7.7
FCF yld ratio (%)**	5.6	8.5	9.2	10.5
Leverage (EOP) (%)	(9.6)	(8.8)	(14.3)	(20.7)

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework

** = Based on consensus methodology

e = Morgan Stanley Research estimates

Valuation Methodology and Risks

Eclat Textile (1476.TW)

We apply a 17.5x P/E multiple to our 2026e EPS estimate vs. the 11-37x range since its 2015 re-rating, reasonable in our view, and moderately below the average of 24x since 2015, reflecting our positive stance on its quality growth track, supported by strong R&D on top of supply-side consolidation with near-term volatility. We believe an optimistic outlook with both revenue and margin upside should continue to drive the structural upcycle.

Risks to Upside

- Favorable FX trends (TWD depreciation vs. USD)
- Market share gains from competitors
- Smooth capacity ramp-ups in Vietnam and Indonesia
- New customers' revenue contribution better than expected

Risks to Downside

- Deteriorating macro environment
- Changes to brands' sourcing and product strategy
- Failure to execute on innovation
- Weak market sentiment toward the apparel OEM group, pressuring valuation

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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 Rating History: 8/1/21 : O/I

Price Target History: 7/5/21 : 888; 11/9/21 : 1000; 3/9/22 : 855; 5/24/22 : 875; 7/12/22 : 600; 8/29/22 : 630; 11/28/22 : 640; 1/30/23 : 650; 3/9/23 : 600; 7/13/23 : 630; 11/10/23 : 700; 1/26/24 : 680; 3/7/24 : 688; 5/23/24 : 675; 12/5/24 : 665; 2/20/25 : 660; 5/19/25 : 640; 6/23/25 : 550; 8/14/25 : 560; 11/13/25 : 565; 3/17/26 : 510; 5/19/26 : 500; 6/27/26 : 470

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)
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Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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COMPANY (TICKER)	RATING (AS OF)	PRICE* (08/18/2026)
Terence Cheng		
China Airlines Ltd (2610.TW)	E (09/16/2025)	NT$20.10
Chung-Hsin Electric & Machinery Mfg (1513.TW)	E (08/07/2026)	NT$167.00
Eclat Textile (1476.TW)	O (12/04/2014)	NT$310.50
Eva Airways Corp (2618.TW)	O (09/16/2025)	NT$41.90
Feng Tay (9910.TW)	U (02/10/2026)	NT$69.10
Fortune Electric Co Ltd. (1519.TW)	O (08/07/2026)	NT$714.00
Fulgent Sun International Holding Co Ltd (9802.TW)	E (02/10/2026)	NT$70.30
Giant Manufacturing (9921.TW)	O (02/02/2026)	NT$97.40
Lai Yih Footwear Co Ltd (6890.TW)	E (11/24/2025)	NT$160.50
Makalot Industrial (1477.TW)	O (11/07/2025)	NT$197.50
Merida Industry (9914.TW)	O (02/02/2026)	NT$80.60
Momo Com Inc (8454.TW)	U (01/15/2026)	NT$258.00
Nien Made Enterprise (8464.TW)	O (04/10/2026)	NT$371.00
Poya International Co Ltd (5904.TWO)	E (01/15/2026)	NT$78.70
President Chain Store (2912.TW)	U (01/15/2026)	NT$215.00
Uni-President Enterprises Corp. (1216.TW)	U (01/15/2026)	NT$76.20

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