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Lite-On Technology | Asia Pacific

September Sales -4% MoM/ +22% YoY

In this report, we focus on Lite-on's monthly sales, which we believe could be a catalyst for its share price.

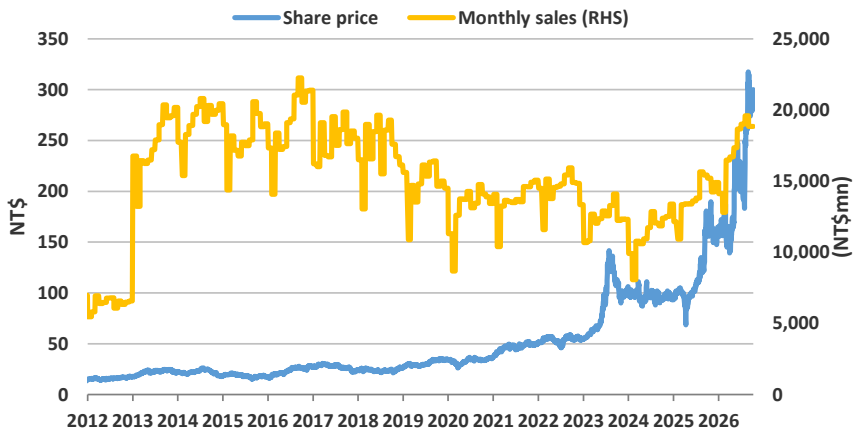
Details:

- September sales were NT$18,848mn (-4% MoM/+22% YoY).
- 3Q26 sales came in at NT$57,446mn (+9% QoQ/+28% YoY), lower than our estimate of NT$59,526mn (+13% QoQ/+33% YoY) and the consensus at NT $60,259mn (+14% QoQ/+34% YoY).
- By segment, Cloud&AIoT/Opto-electronics/IT&Consumer Electronics accounted for 59%/14%/27% of total sales, respectively. This implies growth of -5%/-4%/flat MoM and +53%/+7%/-11% YoY for each segment, respectively, in the month.

Our view:

- We believe softer revenue growth in September primarily reflected component shortages at customers in the cloud segment and, to a lesser extent, the consumer electronics segment.
- Looking ahead, we expect 4Q26 revenue to grow by double digits QoQ, driven mainly by the cloud segment. We expect gross margin to normalise to around 25% in 2H26, versus 27.2% in 2Q26, as inventory write-back benefits fade and shipments of high-margin products delayed from 2Q26 flow through.
- Stay EW.

Exhibit 1: Lite-on's monthly sales vs. its share price



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

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Lite-On Technology (2301.TW, 2301 TT)

Greater China Technology Hardware | Taiwan

Stock Rating	**Equal-weight**
Industry View	**In-Line**
Price target	NT$315.00
Up/downside to price target (%)	6
Shr price, close (Oct 8, 2026)	NT$297.50
52-Week Range	NT$328.00-139.50
Sh out, dil, curr (mn)	2,275
Mkt cap, curr (mn)	NT$676,960
EV, curr (mn)	NT$613,369
Avg daily trading value (mn)	NT$5,513

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	6.64	11.07	15.97	21.07
Revenue, net (NT$ bn)	166.1	224.8	298.0	357.7
EBITDA (NT$ bn)	19.7	33.5	48.7	63.9
ModelWare net inc (NT $ bn)	15.1	25.2	36.3	47.9
P/E	24.6	26.9	18.6	14.1
P/BV	4.1	7.1	6.6	6.0
RNOA (%)	70.7	85.3	112.7	140.4
ROE (%)	16.6	28.0	38.1	46.6
EV/EBITDA	15.7	18.2	12.5	9.5
Div yld (%)	2.8	2.9	4.2	5.6
FCF yld ratio (%)**	1.9	3.1	5.0	5.7
Leverage (EOP) (%)	(74.1)	(71.8)	(71.8)	(66.7)

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
e = Morgan Stanley Research estimates

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AlphaSignals Catalyst Event Reaction

Company / Catalyst	Date	Impact to thesis	Catalyst versus expectation
Lite-On Technology 2301.TW			
September 2026 Sales	08 Oct 2026	Unchanged	↓ Modest downside surprise

Source: Company data, Morgan Stanley Research

Valuation Methodology and Risks

Lite-On Technology (2301.TW)

Base case: P/E multiple of 17x based on average 2027-28 EPS. We believe our target multiple is justified by the 47% earnings CAGR we estimate for 2025-28, implying a PEG of 0.4, versus the stock's 16x P/E and 2% earnings CAGR during 2022-25, which implied a PEG of 7.2.

Risks to Upside

- Stronger optical business growth
- Stronger data center/server demand
- PC/NB demand growth
- Downtrend in raw material prices

Risks to Downside

- Macro demand weakness
- Weaker data center/server demand
- PC/NB demand slowdown
- Uptrend in raw material prices

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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	1599	43%	455	48%	28%	783	44%
Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

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.

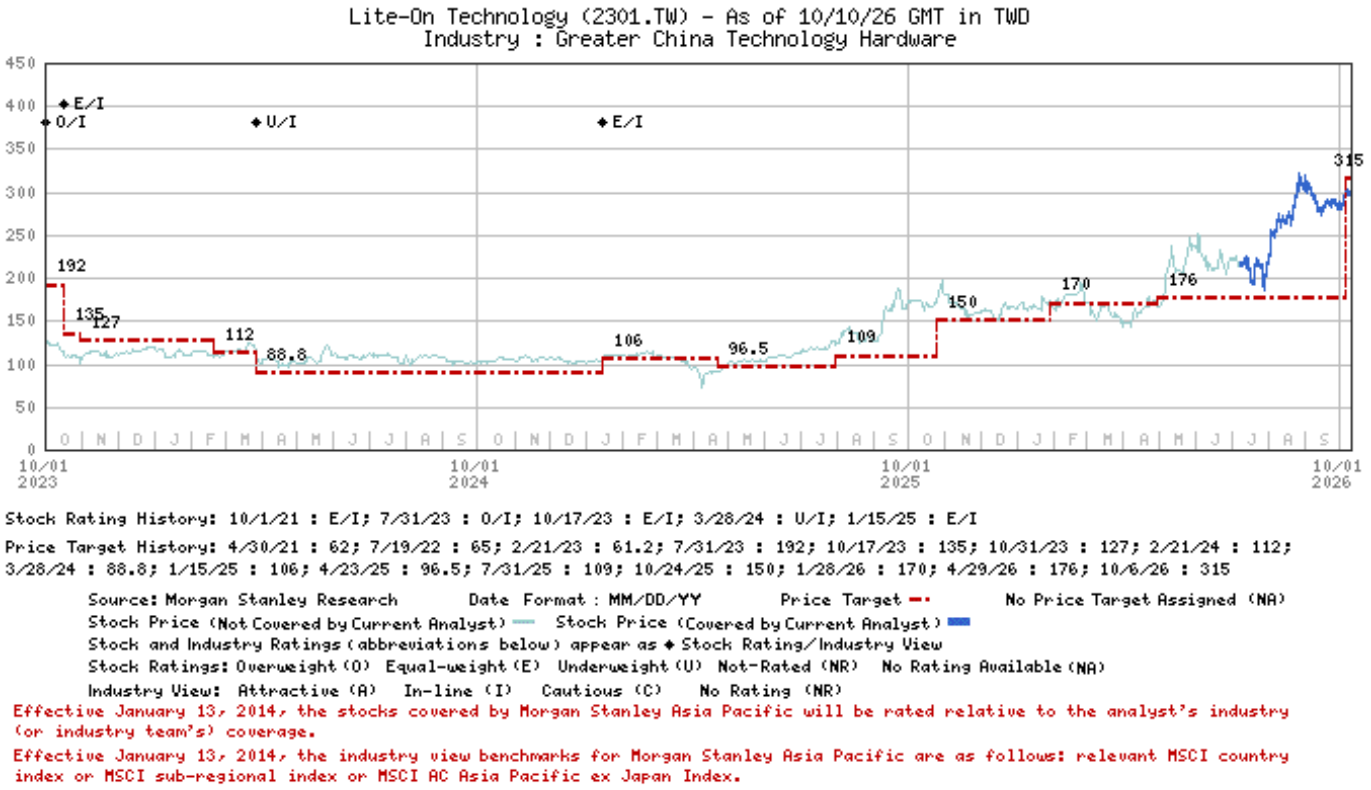
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INDUSTRY COVERAGE: Greater China Technology Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/09/2026)
Andy Meng, CFA		
AAC Technologies Holdings (2018.HK)	O (01/29/2024)	HK$37.36
Accelink Technologies Co. Ltd. (002281.SZ)	U (05/12/2022)	Rmb148.71
BYD Electronics (0285.HK)	O (04/28/2023)	HK$23.16
China TransInfo Technology Co Ltd (002373.SZ)	E (07/18/2023)	Rmb7.40
Dahua Technology Co. Ltd. (002236.SZ)	E (12/12/2024)	Rmb15.46
Eoptolink Technology Inc Ltd (300502.SZ)	O (02/27/2026)	Rmb370.20
Genius Electronic Optical Co. Ltd. (3406.TW)	U (09/10/2026)	NT$1,060.00
GoerTek Inc (002241.SZ)	E (08/14/2026)	Rmb21.51
Gosuncn Technology Group Co Ltd (300098.SZ)	U (11/07/2022)	Rmb4.20
HIKVision Digital Technology (002415.SZ)	E (12/12/2024)	Rmb32.97
Largan Precision (3008.TW)	E (09/10/2026)	NT$6,660.00
LianChuang Electronic Technology Co Ltd (002036.SZ)	U (06/12/2024)	Rmb5.90
Lingyi Itech Guangdong Co (002600.SZ)	U (04/23/2025)	Rmb11.15
Lingyi Itech Guangdong Co (1688.HK)	O (08/14/2026)	HK$5.05
Luxshare Precision Industry Co., Ltd. (2475.HK)	O (08/14/2026)	HK$50.55
Luxshare Precision Industry Co., Ltd. (002475.SZ)	O (10/24/2016)	Rmb47.59
OFILM Group Co Ltd (002456.SZ)	U (06/12/2024)	Rmb6.46
Q Technology (Group) Company Ltd (1478.HK)	U (03/23/2026)	HK$4.90
Quectel Wireless Solutions Co Ltd (603236.SS)	E (10/09/2024)	Rmb72.20
Shanghai Conant Optical Co Ltd (2276.HK)	O (04/10/2026)	HK$35.60
Shenzhen Transsion Holdings Co Ltd (688036.SS)	E (03/23/2026)	Rmb48.95
Sunny Optical (2382.HK)	E (03/23/2026)	HK$60.50
Suzhou TFC Optical Communication Co Ltd. (300394.SZ)	E (11/06/2025)	Rmb235.04
Wingtech Technology Co Ltd (600745.SS)	U (05/18/2026)	Rmb15.64
Xiaomi Corp (1810.HK)	O (04/14/2021)	HK$25.96

Yangtze Optical Fibre and Cable JSC Ltd (601869.SS)	U (10/13/2021)	Rmb387.87
Yangtze Optical Fibre and Cable JSC Ltd (6869.HK)	O (07/15/2026)	HK$168.30
Yongxin Optics Co Ltd (603297.SS)	E (11/15/2022)	Rmb98.38
Zhejiang Crystal-Optech Co Ltd (002273.SZ)	O (11/15/2022)	Rmb22.37
Zhongji Innolight Co Ltd (300308.SZ)	O (09/07/2026)	Rmb775.29
Zhongji Innolight Co Ltd (3308.HK)	O (09/07/2026)	HK$974.50
ZTE Corporation (0763.HK)	O (06/04/2026)	HK$20.76
ZTE Corporation (000063.SZ)	E (06/04/2026)	Rmb29.03
Derrick Yang		
Accton Technology Corporation (2345.TW)	O (06/06/2024)	NT$2,070.00
Advantech (2395.TW)	O (01/20/2021)	NT$727.00
AirTAC International (1590.TW)	O (04/16/2025)	NT$1,205.00
Asia Vital Components Co. Ltd. (3017.TW)	O (07/30/2024)	NT$3,440.00
AU Optronics (2409.TW)	E (02/10/2026)	NT$36.60
Auras Technology Co Ltd (3324.TWO)	E (05/04/2023)	NT$1,520.00
Bizlink (3665.TW)	O (03/10/2025)	NT$2,360.00
BOE Technology (000725.SZ)	O (09/06/2019)	Rmb5.50
Chenbro (8210.TW)	O (07/23/2025)	NT$874.00
Chroma Ate Inc. (2360.TW)	O (10/05/2021)	NT$2,330.00
Delta Electronics Inc. (2308.TW)	O (07/13/2017)	NT$1,965.00
E Ink Holdings Inc. (8069.TWO)	E (08/10/2026)	NT$144.00
Ennostar Inc (3714.TW)	U (09/23/2022)	NT$67.00
Fositek Corp (6805.TW)	O (06/25/2025)	NT$2,370.00
Hiwin Technologies Corp. (2049.TW)	O (03/30/2026)	NT$332.50
Innolux (3481.TW)	E (04/07/2025)	NT$51.00
King Slide Works Co. Ltd. (2059.TW)	O (11/08/2023)	NT$10,615.00
Lens Technology (300433.SZ)	E (07/22/2020)	Rmb28.41
Lite-On Technology (2301.TW)	E (01/15/2025)	NT$297.50
TCL Corp. (000100.SZ)	E (04/07/2025)	Rmb4.64
Tianma Microelectronics (000050.SZ)	U (01/24/2018)	Rmb6.23
Wuhan Jingce Electronic Group Co Ltd (300567.SZ)	E (11/26/2021)	Rmb168.22
Howard Kao		
Acer Inc. (2353.TW)	U (04/23/2025)	NT$31.30
Asustek Computer Inc. (2357.TW)	U (11/16/2025)	NT$996.00
Catcher Technology (2474.TW)	U (11/17/2025)	NT$195.50
Compal Electronics (2324.TW)	U (04/23/2025)	NT$35.50
Elite Material Co. (2383.TW)	O (09/14/2026)	NT$6,000.00
FIT Hon Teng Ltd (6088.HK)	O (11/03/2025)	HK$4.63
Foxconn Industrial Internet Co. Ltd. (601138.SS)	O (07/10/2019)	Rmb56.07
Giga-Byte Technology Co. Ltd. (2376.TW)	E (11/16/2025)	NT$363.00
Gold Circuit Electronics Ltd. (2368.TW)	O (10/06/2022)	NT$1,285.00
Hon Hai Precision (2317.TW)	O (03/15/2024)	NT$249.00
Inspur Electronic Information (000977.SZ)	E (08/28/2023)	Rmb64.69
Kingboard Laminates Holdings Ltd. (1888.HK)	O (09/14/2026)	HK$49.00
LandMark Optoelectronics Corporation (3081.TWO)	E (03/26/2026)	NT$2,960.00
Lenovo (0992.HK)	O (07/10/2026)	HK$32.84
Lotes Co. Ltd. (3533.TW)	E (05/12/2025)	NT$1,915.00
Nan Ya PCB (8046.TW)	O (02/23/2026)	NT$1,475.00
Pegatron Corporation (4938.TW)	E (03/25/2026)	NT$89.70
Quanta Computer Inc. (2382.TW)	O (05/01/2023)	NT$325.50
Shengyi Technology Co Ltd. (600183.SS)	E (05/26/2022)	Rmb124.14
Shennan Circuits Co Ltd (002916.SZ)	E (08/24/2023)	Rmb347.25
Unimicron (3037.TW)	O (02/23/2026)	NT$1,270.00
Visual Photonics Epitaxy Co Ltd (2455.TW)	E (09/11/2023)	NT$558.00
Wistron Corporation (3231.TW)	O (07/12/2023)	NT$188.50

Wiwynn Corp (6669.TW)	O (11/10/2025)	NT$2,240.00
Yageo Corp. (2327.TW)	O (10/28/2025)	NT$635.00
Zhen Ding (4958.TW)	++	NT$592.00
Irene Yen		
Co-Tech Development Corp. (8358.TWO)	O (09/14/2026)	NT$535.00
Taiwan Union Technology Corporation (6274.TWO)	O (09/14/2026)	NT$1,740.00

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