November 2, 2026 03:04 PM GMT

Global Unichip Corp | Asia Pacific

Further CPU demand upside; stay OW

WHAT'S CHANGED

Global Unichip Corp (3443.TW)	From	To
Price Target	NT$6,288.00	**NT$8,600.00**

CPU demand remains robust and we see upside in both 2027 and 2028 from our previous forecast. We raise our price target to NT$8,600.

Axion CPU demand remains strong and on track: We noted in a prior report that demand for Google's Axion CPUs, which GUC helps design, remains robust. However, we now see further upside in both 2027 and 2028 from our previous forecast. Also, some investors have questioned whether the Axion3 schedule has been pushed out. Our recent supply chain checks suggest that Axion3 has already reached wafer-in and is on track for wafer-out in mid-2027. Axion CPU could reach 4-5mn units of Axion2 equivalent CPU in 2027, given that Axion3 includes two computing dies but also adopts TSMC 3nm process. We now forecast volume at 4mn units of Axion2 and 500k units of Axion3 in 2027, then 3mn units of Axion3 in 2028. We project ASP at US$700 and US$1400, respectively.

We also see upside surprise from Cobalt CPU: We believe the CPU demand upside is coming not just from Axion but also Microsoft's Cobalt CPU. GUC continues to get more front-end wafer support from TSMC; given strong CPU demand, we now forecast >1mn units of Cobalt 200 in 2027 with ASP of ~US$700. Our industry checks also suggest that Cobalt 300 is on track for mass production in 2028, which might adopt TSMC's 2nm process. By assuming it could also be a dual-computing-die CPU, we currently forecast the ASP to be ~US$1800 with 500k units in 2028.

3Q26 revenue beat from CPU customers' demand pull-forward and new customer: The company posted its 3Q26 results: revenue beat our estimate strongly (by 23%); the upside comes mostly from the largest CPU customer's pulling demand forward (50-55% of 3Q26 total revenue) and also the new US AI customer, which has adopted the 5nm process and SoW (system-on-wafer) at TSMC. In 4Q26, we expect a major Chinese auto company to start to contribute revenue. With the ongoing robust CPU demand, we now expect 4Q26 revenue to be up 20% QoQ. See Exhibit 3 for our 3Q26 earnings review.

Reiterate OW and raise price target to NT$8600: This 37% increase mostly reflects the upside we have seen from CPU demand. However, aside from CPU demand, we also see strong revenue from Tesla, Meta, Horizon, etc. in 2028. Thus, we expect 2025-28 revenue CAGR to reach 120%. Our new price target implies P/E of 52x for 2027e and 27x for 2028e, which we think is justified by its strong revenue growth.

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Morgan Stanley appreciates your support in the 2027 Extel Asia Research Survey. Voting opens 10 November 2026.

Global Unichip Corp (3443.TW, 3443 TT)

Greater China Technology Semiconductors | Taiwan

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	NT$8,600.00
Up/downside to price target (%)	18
Shr price, close (Nov 2, 2026)	NT$7,285.00
52-Week Range	NT$8,750.00-1,470.00
Mkt cap, curr (mn)	NT$982,542
Avg daily trading value (mn)	NT$10,923

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	27.95	58.52	162.81	314.17
Prior EPS (NT$)**	-	49.97	138.14	209.53
EPS (NT$)§	27.83	55.32	127.64	230.88
Revenue, net (NT$ mn)	34,141	66,686	216,300	381,686
P/E	76.0	124.5	44.7	23.2

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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Strong chip demand from CPU and AI business

Axion CPU should be the largest customer for GUC in 2026-2028: We therefore now forecast only 1.5mn units of Google Axion2 CPU in 2026, given the demand pull-in. By assuming chip ASP at ~US$700, we now see 2026 Google CPU contributing slightly more than US$1000mn.

For 2027, we have been seeing strong rises in demand expectations for Axion CPU, including the ramp of the next-generation Axion3. We now expect Axion CPU revenue of close to US$3.5bn, including 4mn units of Axion2 and 500k units of Axion3. In addition, we also expect the chip ASP of Axion3 to double from Axion2 given the increase of 3nm computing dies from one to two.

For 2028, we now forecast 3mn units of Axion3, slightly lower than Axion2's annual run rate of 4mn units, mostly also driven by the doubling of computing dies.

CPU turnkey revenue carries a low gross margin for Axion CPU – likely around 10% – because this is a "Turnkey 2 or 3" project, where GUC provides advanced packaging design support (e.g., silicon interposer and ABF substrates) but does not own the photomasks for the ASIC designs. We also expect margin for Axion3 to be slightly lower than for Axion2, given higher chip ASP or larger project size.

Cobalt demand could also grow 3-4x in 2027: GUC also helps with Microsoft's Cobalt 200/300 CPU. We now forecast at least US$1bn of GUC revenue contribution from Cobalt 200 and Maia 200 in 2027. Also, our industry checks also suggest that Cobalt 300 is on track for mass production in 2028, which might adopt TSMC's 2nm process. By assuming it could also be a dual-computing-die CPU, we currently forecast the ASP to be ~US$1800 with 500k units in 2028.

Meta ASIC (MTIA 600): In our AI supply chain tracker, we noted our belief that GUC could win one of the Meta ASIC projects, led by the Rivos team, and we now think it might be MTIA 600, based on supply chain checks. The AI ASIC targets tape-out in 1H27, with potential CoWoS out in 2028.

Note: these forecasts are from Asia Pacific research and incorporate supply chain and industry checks.

Exhibit 1: We expect US CSP projects to contribute >70% of GUC's 2027 revenue

Revenue (US$ mn)	2025e	2026e	2027e	2028e	2025 Y/Y	2026 Y/Y	2027 Y/Y	2028 Y/Y
NRE								
Normal NRE projects	76	100	130	150	-49%	32%	30%	15%
Ship-outs	185	200	220	250	68%	8%	10%	14%
Total NRE	**261**	**300**	**350**	**400**	**0%**	**15%**	**17%**	**14%**
Turnkey								
US CSPs	210	1,130	4,950	9,000	600%	438%	338%	82%
Others	621	670	1,550	2,700	31%	8%	131%	74%
Total turnkey	**831**	**1,800**	**6,500**	**11,700**	**65%**	**117%**	**261%**	**80%**
Others								
IP	8	17	17	17	-43%	113%	0%	0%
Total revenue	**1,100**	**2,117**	**6,867**	**12,117**	**41%**	**92%**	**224%**	**76%**

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

Exhibit 2: GUC: Major customer breakdown

Revenue (US$ mn)	2025e	2026e	2027e	2028e	2025 Y/Y	2026 Y/Y	2027 Y/Y	2028 Y/Y
NRE								
Normal NRE projects	76	100	130	150	-49%	32%	30%	15%
Ship-outs	185	200	220	250	68%	8%	10%	14%
Total NRE	**261**	**300**	**350**	**400**	**0%**	**15%**	**17%**	**14%**
Turnkey								
Microsoft	60	80	1,050	1,500	100%	33%	1213%	43%
Google	150	1,050	3,500	4,200	NA	600%	233%	20%
Korean AI Start-up	0	20	0	0	NA	NA	-100%	NA
Tesla	0	0	400	1,800	NA	NA	NA	350%
Meta	0	0	0	1,500	NA	NA	NA	NA
US AI design house using SoW	0	100	480	1,000	NA	NA	NA	NA
Amazon Lab 126	0	50	100	100	NA	NA	100%	0%
SK Hynix	50	10	10	10	-38%	-80%	0%	0%
Sandisk	0	20	250	250	NA	NA	1150%	0%
Horizon	0	20	250	750	NA	NA	1150%	200%
Suzhou Centec	54	27	14	7	-50%	-50%	-50%	-50%
Macronix	56	68	81	98	30%	20%	20%	20%
DJI	35	10	5	5	-31%	-71%	-50%	0%
Aspeed	105	121	139	150	50%	15%	15%	8%
Sony	29	26	23	21	-10%	-10%	-10%	-10%
Other turnkey	292	198	198	310	221%	-32%	0%	56%
Total turnkey	**831**	**1,800**	**6,500**	**11,700**	**65%**	**117%**	**261%**	**80%**
Ex-US CSP turnkey	621	670	1,550	4,200	31%	8%	131%	171%
IP								
Google (GLink)	2	5	5	5	NA	150%	0%	0%
Microsoft (HBM3E)	4	5	5	5	0%	25%	0%	0%
Others	2	7	7	7	-80%	250%	0%	0%
Total revenue	**1,100**	**2,117**	**6,867**	**12,117**	**41.2%**	**92.5%**	**224.4%**	**76.5%**

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

Exhibit 3: GUC strongly beat our previous 3Q26 estimates

(NT$ mn)	3Q26				
	Actual	Q/Q	Y/Y	MS Est.	Consensus
Financials					
Revenue	18,755	35.0%	117.7%	15,288	15,860
Opex	(1,309)	-0.6%	26.9%	(1,432)	(1,399)
EPS (NT$)	16.95	47.0%	163.7%	9.14	12.44
GP	3,860			2,828	3,324
Ratios					
GM (%)	20.6%	-96bps	-364bps	18.5%	21.0%
OP	2,551			1,396	1,925
Opex (%)	7.0%	-250bps	-499bps	9.4%	8.8%
OPM (%)	13.6%	154bps	136bps	9.1%	12.1%

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

Estimate revision summary

We raise our EPS estimates 17% for 2026, 18% for 2027, and 50% for 2028: Our increases come mostly from the strength in CPU as well as other AI projects' contribution, including Meta ASIC, US design house adopting SoW, etc. With turnkey revenue share seen increasing in both 2027 and 2028, we now assume that gross margin will fall from 21.4% in 2026 to 15.4% in 2028. However, we expect firmer operating margin this year, thanks to a policy change regarding employee bonus; although this assumption dips in 2027, it rebounds in 2028 because of larger revenue scale with better operating leverage. The same trend is visible in net margin.

Exhibit 4: GUC: Estimate revision summary

NT$ mn	New '26e	Old '26e	Diff.	New '27e	Old '27e	Diff.	New '28e	Old '28e	Diff.
Net sales	66,686	63,487	5%	216,300	181,440	19%	381,686	264,915	44%
NRE	*9,450*	*9,452*	*0%*	*11,015*	*11,003*	*0%*	*12,600*	*12,555*	*0%*
Turnkey	*57,236*	*54,035*	*6%*	*205,286*	*170,437*	*20%*	*369,086*	*252,360*	*46%*
Gross profit	14,263	13,179	8%	32,343	28,269	14%	58,800	40,642	45%
Operating profit	8,830	7,554	17%	25,515	21,650	18%	49,531	32,978	50%
Pretax Income	9,152	7,844	17%	25,833	21,919	18%	49,849	33,247	50%
Net income	7,892	6,740	17%	21,958	18,631	18%	42,372	28,260	50%
Reported EPS	**58.52**	**49.97**	**17%**	**162.81**	**138.14**	**18%**	**314.17**	**209.53**	**50%**
Margins									
Gross margin	21.4%	20.8%		15.0%	15.6%		15.4%	15.3%	
Opex ratio	8.1%	8.9%		3.2%	3.6%		2.4%	2.9%	
Operating margin	13.2%	11.9%		11.8%	11.9%		13.0%	12.4%	
Net margin	11.8%	10.6%		10.2%	10.3%		11.1%	10.7%	

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

Exhibit 5: GUC: Quarterly financials

(NT$ mn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26e	2024	2025	2026e	2027e	2028e
Total revenues	**7,024**	**6,105**	**8,613**	**12,400**	**11,448**	**13,897**	**18,755**	**22,587**	**25,044**	**34,141**	**66,686**	**216,300**	**381,686**
Q/Q Change	*16.6%*	*-13.1%*	*41.1%*	*44.0%*	*-7.7%*	*21.4%*	*35.0%*	*20.4%*					
Y/Y Change	*23.4%*	*-9.2%*	*30.3%*	*105.9%*	*63.0%*	*127.6%*	*117.7%*	*82.2%*	*-4.6%*	*36.3%*	*95.3%*	*224.4%*	*76.5%*
Cost of Sales	**5,051**	**4,071**	**6,527**	**10,038**	**8,335**	**10,903**	**14,894**	**18,292**	**16,937**	**25,687**	**52,423**	**183,957**	**322,886**
Percent of Revenues	*71.9%*	*66.7%*	*75.8%*	*81.0%*	*72.8%*	*78.5%*	*79.4%*	*81.0%*	*67.6%*	*75.2%*	*78.6%*	*85.0%*	*84.6%*
Gross Profit	**1,973**	**2,034**	**2,086**	**2,361**	**3,113**	**2,994**	**3,860**	**4,295**	**8,108**	**8,454**	**14,263**	**32,343**	**58,800**
Gross Margin	***28.1%***	***33.3%***	***24.2%***	***19.0%***	***27.2%***	***21.5%***	***20.6%***	***19.0%***	***32.4%***	***24.8%***	***21.4%***	***15.0%***	***15.4%***
Total Opex	**878**	**1,090**	**1,031**	**1,105**	**1,289**	**1,318**	**1,309**	**1,516**	**4,305**	**4,104**	**5,432**	**6,828**	**9,268**
Percent of Revenues	*12.5%*	*17.9%*	*12.0%*	*8.9%*	*11.3%*	*9.5%*	*7.0%*	*6.7%*	*17.2%*	*12.0%*	*8.1%*	*3.2%*	*2.4%*
R&D	800	837	813	880	1,013	1,046	1,038	1,099	3,223	3,330	4,196	4,791	6,340
Percent of Revenues	*11.4%*	*13.7%*	*9.4%*	*7.1%*	*8.9%*	*7.5%*	*5.5%*	*4.9%*	*12.9%*	*9.8%*	*6.3%*	*2.2%*	*1.7%*
General & Adm Exp.	-18	159	125	129	151	153	159	169	674	395	633	740	1,020
Percent of Revenues	*-0.3%*	*2.6%*	*1.5%*	*1.0%*	*1.3%*	*1.1%*	*0.9%*	*0.8%*	*2.7%*	*1.2%*	*0.9%*	*0.3%*	*0.3%*
Selling Expenses	97	94	93	96	125	119	112	248	407	379	603	1,298	1,908
Percent of Revenues	1.4%	1.5%	1.1%	0.8%	1.1%	0.9%	0.6%	1.1%	1.6%	1.1%	0.9%	0.6%	0.5%
Operating Income	**1,095**	**944**	**1,055**	**1,257**	**1,824**	**1,676**	**2,551**	**2,779**	**3,803**	**4,350**	**8,830**	**25,515**	**49,531**
Operating Margin	*15.6%*	*15.5%*	*12.2%*	*10.1%*	*15.9%*	*12.1%*	*13.6%*	*12.3%*	*15.2%*	*12.7%*	*13.2%*	*11.8%*	*13.0%*
Total Non-operating Income (loss)	**48**	**-15**	**-40**	**99**	**101**	**80**	**74**	**67**	**260**	**93**	**322**	**318**	**318**
Profit Before Taxes	**1,143**	**929**	**1,015**	**1,356**	**1,925**	**1,756**	**2,626**	**2,846**	**4,062**	**4,443**	**9,152**	**25,833**	**49,849**
Percent of Revenues	*16.3%*	*15.2%*	*11.8%*	*10.9%*	*16.8%*	*12.6%*	*14.0%*	*12.6%*	*16.2%*	*13.0%*	*13.7%*	*11.9%*	*13.1%*
Taxes	**181**	**147**	**148**	**196**	**278**	**201**	**354**	**427**	**612**	**673**	**1,260**	**3,875**	**7,477**
Tax Rate	15.9%	15.9%	14.6%	14.5%	14.5%	11.4%	13.5%	15.0%	15.1%	15.2%	13.8%	15.0%	15.0%
Minor interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Net Income to Parent	**961**	**782**	**867**	**1,160**	**1,646**	**1,555**	**2,272**	**2,419**	**3,451**	**3,770**	**7,892**	**21,958**	**42,372**
Percent of Revenues	*13.7%*	*12.8%*	*10.1%*	*9.4%*	*14.4%*	*11.2%*	*12.1%*	*10.7%*	*13.8%*	*11.0%*	*11.8%*	*10.2%*	*11.1%*
Reported Basic EPS (NT$, TW GAAP)	**7.13**	**5.80**	**6.43**	**8.60**	**12.21**	**11.53**	**16.85**	**17.93**	**25.63**	**27.95**	**58.52**	**162.81**	**314.17**
Y/Y Change	*45%*	*-14%*	*-16%*	*37%*	*71%*	*99%*	*162%*	*109%*	*-2%*	*9%*	*109%*	*178%*	*93%*

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

Price target rises 37%, to NT$8,600

This reflects our 2027-28 estimate revisions. Although we are cutting our terminal growth rate assumption from 5% to 4.5% because of margin dilution, our other key valuation assumptions are unchanged, including cost of equity of 9.2% (a beta of 1.2, a risk premium of 6%, and a risk-free rate of 2%), and intermediate growth rate of 14.5%.

Our bull and bear case values rise by similar magnitudes, to NT$11,680 and NT$5,300, respectively.

Exhibit 6: GUC: Residual income model

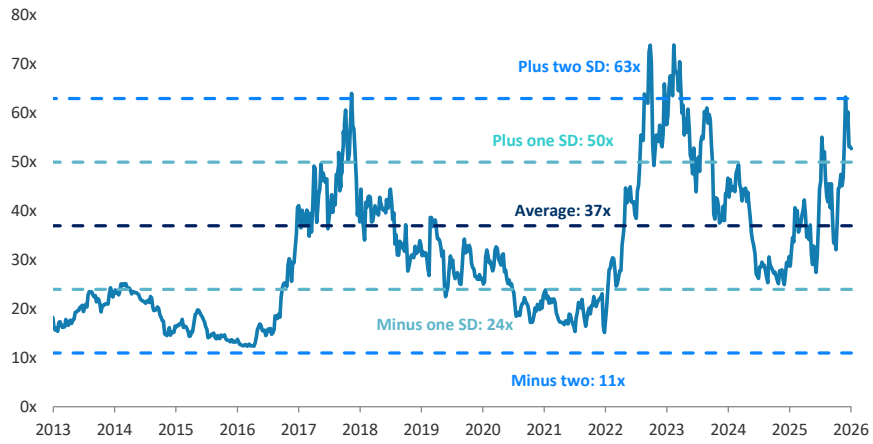
NT$million	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e	2037e
Total Equity	**18,759**	**36,433**	**66,886**	**87,478**	**111,057**	**138,054**	**168,966**	**204,361**	**244,887**	**291,290**	**344,421**	**405,256**
Net Profit	**7,892**	**21,958**	**42,372**	**48,516**	**55,551**	**63,606**	**72,828**	**83,389**	**95,480**	**109,325**	**125,177**	**143,327**
ROAE	**49.8%**	**79.6%**	**82.0%**	**62.9%**	**56.0%**	**51.1%**	**47.4%**	**44.7%**	**42.5%**	**40.8%**	**39.4%**	**38.2%**
Residual Income	5,247	13,201	26,531	35,890	40,905	46,495	52,795	59,938	68,066	77,334	87,916	100,010
Spread	**40.6%**	**70.4%**	**72.8%**	**53.7%**	**46.8%**	**41.9%**	**38.2%**	**35.5%**	**33.3%**	**31.6%**	**30.2%**	**29.0%**
Ending Equity Capital	18,759											
PV of Forecast Period	289,263											
PV of Continuing Value	844,523											
Equity Value	**1,152,545**											
No. of Shares	134											
Projected Price	**8,600**											

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

Relative valuation

Our price target of NT$8,600 implies 52x our 2027 EPS estimate, around +1 SD from GUC's historical NTM P/E since 2013. We maintain our view that the design service market will proliferate with AI ASIC outgrowing AI GPU in the long term, and therefore believe that further re-rating would be justified with project wins likely to come. Despite slower recovery of non-AI business, we continue to appreciate GUC's growing exposure to cloud AI semis (including AI accelerators, AI server CPU, and BMC chips).

Exhibit 7: GUC: NTM rolling P/E



Source: Company data, FactSet, Morgan Stanley Research estimates

Risk Reward – Global Unichip Corp (3443.TW)

Winning more CSP projects

PRICE TARGET NT$8,600.00

Base case, residual income model. Key assumptions: a cost of equity of 9.2%, an intermediate growth rate of 14.5%, and a terminal growth rate of 4.5%.

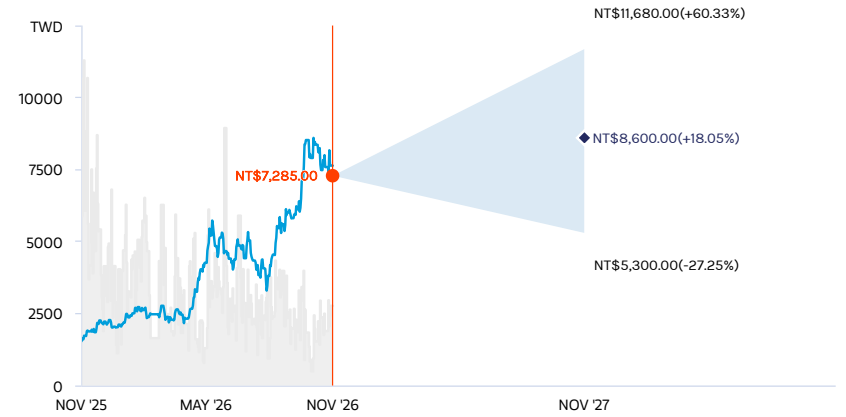
Consensus Price Target Distribution NT$3,265.00 NT$7,030.59 NT$12,000.00

MS PT

Mean Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART



Key: Historical Stock Performance Current Stock Price Price Target

Source: Refinitiv, Morgan Stanley Research

OVERWEIGHT THESIS

- We maintain our view that the design service market will proliferate with AI ASIC outgrowing AI GPU in the long term.
- We therefore believe that further re-rating would be justified with project wins likely to come.
- Despite slower recovery of non-AI business, we continue to appreciate GUC's growing exposure to cloud AI semis (including AI accelerators, AI server CPU, and BMC chips).
- Axion CPU demand remains strong and on track: We also see upside surprise from Cobalt CPU.
- Our price target of NT$8,600 implies 52x our 2027 EPS estimate, around +1 SD from GUC's historical NTM P/E since 2013.
- This multiple is just 27x based on our significantly increased 2028e EPS.

Consensus Rating Distribution

100%	Overweight
0%	Equal-weight
0%	Underweight

MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

New Data Era:	*Positive*
Pricing Power:	*Negative*
Secular Growth:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE NT$11,680.00

71x 2027e EPS

Multiple leading-edge NRE projects successfully translate into volume production with healthy margin profiles. Many AI chipsets or other projects start to proliferate with substantial end demand, with customers' interest in migrating to more advanced nodes. Networking switch demand is stronger than expected, while SSD controller project contributions are sustainable in 2026. 3/5nm turnkey revenue growth is stronger than expected in 2026 and beyond.

BASE CASE NT$8,600.00

52x 2027e EPS

Networking switch turnkey projects volume remains stable. A few new leading-edge turnkey projects start to show decent shipments. TSMC's leading-edge tape-out numbers increase steadily, while some "turnkey 2/3" (TK2 and TK3) projects contribute to NRE and turnkey revenue. CSP (AI) revenue contribution should be the major growth driver for 2026 and 2027, as well as the auto chip and SSD controller projects.

BEAR CASE NT$5,300.00

32x 2027e EPS

AI chipsets and other projects lack concrete end demand, resulting in delayed tape-outs. TSMC's leading-edge tape-out numbers decrease or some customers turn directly to TSMC. BMC and SSD project losses arise from customers' in-sourcing. Fiercer-than-expected talent competition leads to higher opex to retain R&D engineers. High volume turnkey projects carry lower-than-expected gross margin.

Risk Reward – Global Unichip Corp (3443.TW)

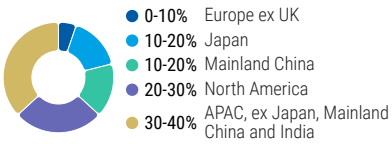
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
NRE revenue Y/Y (%)	(4.8)	17.6	16.6	14.4
Turnkey revenue Y/Y (%)	59.2	122.4	258.7	79.8
Turnkey revenue (NT$, mn)	25,736	57,236	205,286	369,086
Turnkey revenue contribution (%)	75.4	85.8	94.9	96.7

INVESTMENT DRIVERS

- ASIC/ASSP industry demand
- Technology migration to more advanced nodes
- New projects driven by China's semi localization efforts

GLOBAL REVENUE EXPOSURE



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

- Design service market proliferates even more rapidly.
- 5nm, 3nm and advanced packaging customers speed up tape-outs.
- AI and other high-growth projects gain greater customer traction.
- 5nm turnkey momentum is faster than expected.

RISKS TO DOWNSIDE

- AI and other high-growth projects lose customer traction.
- Customers' inventory correction is longer than expected.
- 5nm and below ASIC projects contribute less than expected.

OWNERSHIP POSITIONING

Inst. Owners, % Active 67%



Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

Sales / Revenue (NT$, mn)	51,446	66,686 / 62,620	73,926
EBIT (NT$, mn)	7,015	8,830 / 8,303	9,548
Net income (NT$, mn)	6,377	7,892 / 7,420	8,583
EPS (NT$)	47.62	58.52 / 55.32	63.94

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Financial summary

Income Statement

NT$mn (Years End Dec)	2024	2025	2026e	2027e	2028e
Net sales	25,044	34,141	66,686	216,300	381,686
COGS	(16,937)	(25,687)	(52,423)	(183,957)	(322,886)
Gross profit	8,108	8,454	14,263	32,343	58,800
Operating expenses	(4,305)	(4,104)	(5,432)	(6,828)	(9,268)
Operating income	**3,803**	**4,350**	**8,830**	**25,515**	**49,531**
Non-operating income	260	93	322	318	318
Pre-tax income	4,062	4,443	9,152	25,833	49,849
Income tax	612	673	1,260	3,875	7,477
Minority Interest	0	0	0	0	0
Reported net Income	**3,451**	**3,770**	**7,892**	**21,958**	**42,372**
Adj.wtd.avg.shrs(m)	134	134	134	134	134
Reported EPS (NT$)	**25.63**	**27.95**	**58.52**	**162.81**	**314.17**
Modelware EPS (NT$)	**25.63**	**27.95**	**58.52**	**162.81**	**314.17**

Balance Sheet

NT$mn (Years End Dec)	2024	2025	2026e	2027e	2028e
Cash	10,427	6,650	7,600	616	11,516
Mkt Securities	2,980	2,082	2,082	2,082	2,082
AR/NR	2,007	3,417	5,298	17,184	30,324
Inventory	2,794	10,148	14,973	42,639	64,785
Other	6,271	3,440	3,440	3,440	3,440
Current Assets	**24,480**	**25,737**	**33,393**	**65,962**	**112,147**
Long-term investments	0	0	0	0	0
Fixed assets	942	1,347	1,347	1,347	1,347
Deffered assets	37	24	24	24	24
Other assets	850	1,335	1,335	1,335	1,335
Total Assets	**26,309**	**28,443**	**36,099**	**68,668**	**114,852**
S/T borrowings	0	0	0	0	0
AP/NP	1,691	4,126	5,936	20,831	36,563
Other ST liabilities	12,977	10,907	10,907	10,907	10,907
LT debt	73	169	169	169	169
Other LT liabilities	273	328	328	328	328
Common shares	1,340	1,340	1,340	1,340	1,340
Total Liabilities	**15,015**	**15,530**	**17,340**	**32,235**	**47,967**
Additional capital	1,812	2,158	2,158	2,158	2,158
Retained earning	8,145	9,431	15,277	32,951	63,403
Other shareholders' equity	(3)	(16)	(16)	(16)	(16)
Total Equity	**11,294**	**12,913**	**18,759**	**36,433**	**66,886**
Total Liab. & ShrhIdr's Equity	**26,309**	**28,443**	**36,099**	**68,668**	**114,852**

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	**6,242**	**(1,143)**	**3,270**	**(2,427)**	**23,092**
Net profits	3,451	3,770	7,892	21,958	42,372
Depreciation	247	273	273	273	273
Working Capital Change	1,925	(5,930)	(4,895)	(24,658)	(19,553)
Other adjustments	619	744	0	0	0
Cashflow from Investing	**(1,522)**	**(398)**	**(273)**	**(273)**	**(273)**
Capex	(471)	(840)	(273)	(273)	(273)
Change of LT Investment	0	0	0	0	0
Change of ST Investment	(850)	688	0	0	0
Other adjustments	(201)	(246)	0	0	0
Cashflow from financing	**(1,962)**	**(2,227)**	**(2,046)**	**(4,284)**	**(11,919)**
Increase in L/T debt	(40)	96	0	0	0
Increase in S/T debt	0	0	0	0	0
Cash Dividend Paid	(1,876)	(2,144)	(2,046)	(4,284)	(11,919)
Dir& Emp Bonus Paid	0	0	0	0	0
Issuance of stock	0	0	0	0	0
Other adjustments	(46)	(178)	0	0	0
Exchange rate adjustment	31	(10)	0	0	0
Net change in cash	**2,790**	**-3,778**	**951**	**-6,984**	**10,900**

Financial Ratios

	2024	2025	2026e	2027e	2028e
Growth(%)					
Turnover	-4.6	36.3	95.3	224.4	76.5
Operating profits	-4.2	14.4	103.0	188.9	94.1
Pretax profits	-2.2	9.4	106.0	182.3	93.0
Net profits	-15.8	9.2	109.4	178.2	93.0
EPS	-1.5	9.1	109.4	178.2	93.0
Margins (%)					
Gross Margin	32.4	24.8	21.4	15.0	15.4
Operating Margin	15.2	12.7	13.2	11.8	13.0
Pretax Margin	16.2	13.0	13.7	11.9	13.1
Net Profit	13.8	11.0	11.8	10.2	11.1
Return (%)					
ROAE	32.9	31.1	49.8	79.6	82.0
ROAA	14.6	13.8	24.5	41.9	46.2
Gearing (%)					
Net Debt/Equity	(92.3)	(51.5)	(40.5)	(1.7)	(17.2)
Liabilities/Equity	132.9	120.3	92.4	88.5	71.7
Ratios (X)					
Current ratio	1.7	1.7	2.0	2.1	2.4
Quick ratio	0.8	0.7	0.8	0.6	0.9
Others					
AR/NR Turnover (days)	29	29	29	29	29
Inventory Turnover (days)	82	92	82	72	62
AP Turnover (days)	36	41	41	41	41
Cash Conversion (days)	75	80	70	60	50

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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	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
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Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	92	10%	16%	218	13%
Total	3,684		946			1681	

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.

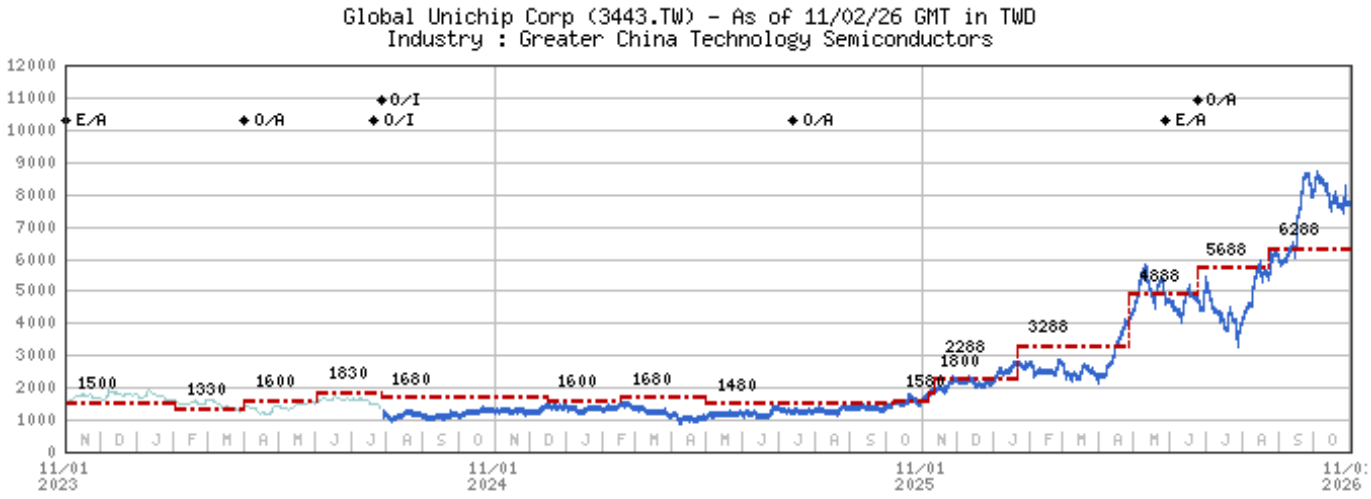
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Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 11/1/21 : U/C; 10/4/22 : U/A; 10/28/22 : O/A; 12/28/22 : E/A; 2/22/23 : E/I; 5/4/23 : O/I; 7/7/23 : O/A; 10/23/23 : E/A; 4/1/24 : O/A; 7/21/24 : O/I; 7/27/24 : O/I; 7/14/25 : O/A; 5/28/26 : E/A; 6/24/26 : O/A

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INDUSTRY COVERAGE: Greater China Technology Semiconductors

COMPANY (TICKER)	RATING (AS OF)	PRICE* (11/02/2026)
Charlie Chan		
Advanced Wireless Semiconductor Co (8086.TWO)	U (07/14/2025)	NT$114.50
Alchip Technologies Ltd (3661.TW)	O (05/14/2021)	NT$3,395.00
ASE Technology Holding Co. Ltd. (3711.TW)	O (09/15/2024)	NT$674.00
Cambricon Technology Corporation (688256.SS)	O (04/27/2026)	Rmb861.00
CXMT Corp (688825.SS)	O (08/26/2026)	Rmb41.72
Global Unichip Corp (3443.TW)	O (06/24/2026)	NT$7,285.00
GlobalWafers Co Ltd (6488.TWO)	E (05/19/2026)	NT$760.00
Gudeng Precision (3680.TWO)	O (11/25/2025)	NT$489.00
Hua Hong Semiconductor Ltd (1347.HK)	E (03/12/2026)	HK$62.50
Iluvatar CoreX Semiconductor Co., Ltd. (9903.HK)	O (04/27/2026)	HK$61.55
MediaTek (2454.TW)	O (11/28/2025)	NT$3,970.00
MetaX Integrated Circuits (688802.SS)	U (11/02/2026)	Rmb466.50
Nanya Technology Corp. (2408.TW)	O (05/28/2026)	NT$456.50
Phison Electronics Corp (8299.TWO)	E (02/25/2026)	NT$1,875.00
SG Micro Corp. (300661.SZ)	E (11/03/2025)	Rmb79.51
Silergy Corp. (6415.TW)	U (05/19/2026)	NT$501.00
SMIC (0981.HK)	O (10/21/2025)	HK$43.62
TSMC (2330.TW)	O (02/07/2022)	NT$2,330.00
UMC (2303.TW)	O (05/19/2026)	NT$110.00
Vanguard International Semiconductor (5347.TWO)	U (10/30/2026)	NT$145.00
WIN Semiconductors Corp (3105.TWO)	O (10/29/2026)	NT$588.00
Daisy Dai, CFA		
ASMPT Ltd (0522.HK)	O (07/24/2025)	HK$107.70

China Resources Microelectronics Limited (688396.SS)	U (03/02/2026)	Rmb47.50
Empyrean Technology Co Ltd (301269.SZ)	O (11/02/2026)	Rmb91.38
Hangzhou Silan Microelectronics Co. Ltd. (600460.SS)	U (08/25/2025)	Rmb23.14
Hygon Information Technology Co., Ltd. (688041.SS)	O (07/03/2026)	Rmb177.00
Innoscience (2577.HK)	E (10/13/2025)	HK$26.70
JCET Group Co Ltd (600584.SS)	O (09/16/2026)	Rmb50.30
Shanghai Fudan Microelectronics (1385.HK)	O (03/07/2025)	HK$21.84
SICC Co Ltd (688234.SS)	O (03/20/2026)	Rmb71.41
SJ Semiconductor Corp (688820.SS)	E (09/16/2026)	Rmb76.65
StarPower Semiconductor Ltd (603290.SS)	U (10/31/2026)	Rmb67.03
Unigroup Guoxin Microelectronics Co Ltd (002049.SZ)	U (01/10/2023)	Rmb47.93
Universal Scientific Ind. (Shanghai) (601231.SS)	O (11/05/2025)	Rmb18.09
Yangjie Technology (300373.SZ)	O (06/10/2022)	Rmb72.51
Daniel Yen, CFA		
AP Memory Technology Corp (6531.TW)	O (07/11/2025)	NT$775.00
ASMedia Technology Inc (5269.TW)	U (10/03/2025)	NT$1,400.00
Aspeed Technology (5274.TWO)	O (06/09/2025)	NT$15,625.00
Egis Technology Inc (6462.TWO)	E (01/28/2026)	NT$93.70
Elan Microelectronics Corp (2458.TW)	O (10/03/2025)	NT$124.50
eMemory Technology Inc (3529.TWO)	O (08/18/2026)	NT$2,395.00
Espressif Systems (688018.SS)	O (05/15/2023)	Rmb135.64
GigaDevice Semiconductor Beijing Inc (603986.SS)	O (05/15/2025)	Rmb265.67
Himax Technologies Inc (HIMX.O)	E (02/04/2026)	US$10.87
Macronix International Co Ltd (2337.TW)	O (09/18/2025)	NT$96.20
Montage Technology Co Ltd (6809.HK)	O (03/18/2026)	HK$212.20
Montage Technology Co Ltd (688008.SS)	O (03/18/2026)	Rmb164.58
Novatek (3034.TW)	U (02/04/2026)	NT$571.00
Nuvoton Technology Corporation (4919.TW)	U (11/10/2025)	NT$119.00
Parade Technologies Ltd (4966.TWO)	U (10/29/2026)	NT$485.00
Powerchip Semiconductor Manufacturing Co (6770.TW)	O (10/27/2025)	NT$65.30
Realtek Semiconductor (2379.TW)	E (01/30/2026)	NT$785.00
Shenzhen Goodix Technology Co Ltd (603160.SS)	U (07/14/2025)	Rmb59.96
Silicon Motion (SIMO.O)	O (05/06/2024)	US$208.65
Winbond Electronics Corp (2344.TW)	O (05/28/2026)	NT$162.00
WPG Holdings (3702.TW)	O (03/16/2026)	NT$105.50
WT Microelectronics Co. Ltd. (3036.TW)	O (01/27/2026)	NT$204.50
Henry Zhao		
ACM Research Inc (ACMR.O)	O (03/07/2023)	US$45.47
Advanced Micro-Fabrication Equipment Inc (688012.SS)	O (11/06/2023)	Rmb216.59
Maxscend Microelectronics Co Ltd (300782.SZ)	U (01/11/2021)	Rmb50.60
NAURA Technology Group Co Ltd (002371.SZ)	O (11/06/2023)	Rmb504.00
OmniVision Integrated Circuits Group Inc (603501.SS)	E (10/29/2026)	Rmb83.15
Lucas Wang		
AllRing Tech Co. (6187.TWO)	O (09/23/2025)	NT$1,195.00
FOCI Fiber Optic Communications Inc (3363.TWO)	E (10/09/2026)	NT$458.00
Hon Precision (7769.TW)	O (04/17/2026)	NT$4,915.00
King Yuan Electronics Co Ltd (2449.TW)	O (03/03/2023)	NT$263.00
MPI Corporation (6223.TWO)	O (04/17/2026)	NT$4,655.00

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