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Powerchip Semiconductor Manufacturing Co | Asia Pacific

Margin beat; pricing catch-up continues

AlphaSignals Earnings Reaction

Strengthens our thesis	Modest upside	Modest revision higher
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

Key Takeaways

- Management expects double-digit Q/Q sales growth in 4Q26.
- Memory shipment ASPs still lag wafer start pricing by ~30%, supporting further catch-up over the four-month production cycle.
- Management targets another 10-20% logic price hike in 2027, subject to LTA negotiations.

3Q26 earnings beat:

- Revenue was NT$21.34bn, +23% Q/Q, +80% Y/Y, 2% below our estimate.
- Gross profit was NT$10.1bn, GM was 47.5%, +19.3ppt Q/Q, +54.1ppt Y/Y, 21.2ppt above our estimate
- EPS was NT$1.38, +82% Q/Q, 84% above our estimate.
- 3Q26 recorded NT$660mn of opex associated with the Tongluo fab (reclassified from COGS).

Other takeaways:

- AI packaging remains an execution watchpoint – 3D AI foundry's revenue decreased from 5.4% of the mix in 2Q to 1.4% in 3Q during the relocation, although interposers are expected to be fully loaded by year-end.
- IPD offers structural growth potential. Management estimates that industry-wide 30-50kwpm high capacitance demand for 2H27 and onward far exceeds PSMC's planned capacity of 8-10kwpm.
- PWF mass production is targeted for 4Q27, with revenue growth contribution from 2028.

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Powerchip Semiconductor Manufacturing Co (6770.TW, 6770 TT)

Greater China Technology Semiconductors | Taiwan

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	NT$111.00
Up/downside to price target (%)	68
Shr price, close (Oct 21, 2026)	NT$66.20
52-Week Range	NT$94.50-27.35
Sh out, dil, curr (mn)	4,188
Mkt cap, curr (mn)	NT$277,240
EV, curr (mn)	NT$264,464
Avg daily trading value (mn)	NT$13,067

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	(1.87)	5.66	6.54	8.11
Prior EPS (NT$)**	-	-	-	-
EPS (NT$)§	(1.89)	6.43	8.30	9.28
Revenue, net (NT$ mn)	46,730	77,163	107,846	123,668
EBITDA (NT$ mn)	(309)	15,758	40,443	47,746
ModelWare net inc (NT $ mn)	(11,444)	6,205	26,049	33,387
P/E	NM	47.5	11.8	9.2
P/BV	2.0	1.5	1.2	1.0
RNOA (%)	(8.7)	8.9	65.5	94.9
ROE (%)	(12.9)	7.6	13.0	13.2
EV/EBITDA	NM	8.9	2.0	0.4
Div yld (%)	0.0	-	-	-
FCF yld ratio (%)**	4.7	35.2	19.4	21.7
Leverage (EOP) (%)	(15.6)	(81.2)	(86.8)	(90.6)

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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Valuation Methodology and Risks

Powerchip Semiconductor Manufacturing Co (6770.TW)

Base case, 2.0x 2027e P/B. This method is in line with our approach for Greater China memory IDM players, in view of the industry's high volatility. Our 2.0x target P/B is higher than the historical average of 1.5x since 2021, reflecting our optimistic view on improved pricing and utilization.

Risks to Upside

- Pricing power is sustained in 2026.
- Listing on main board attracts investment fund flows.
- Aluminum process enjoys higher margins.

Risks to Downside

- Competition from China intensifies.
- Price erosion is faster than expected.
- Demand from consumer electronics clients weakens further.
- Inventory in the supply chain takes longer to digest.

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(as of September 30, 2026)
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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.

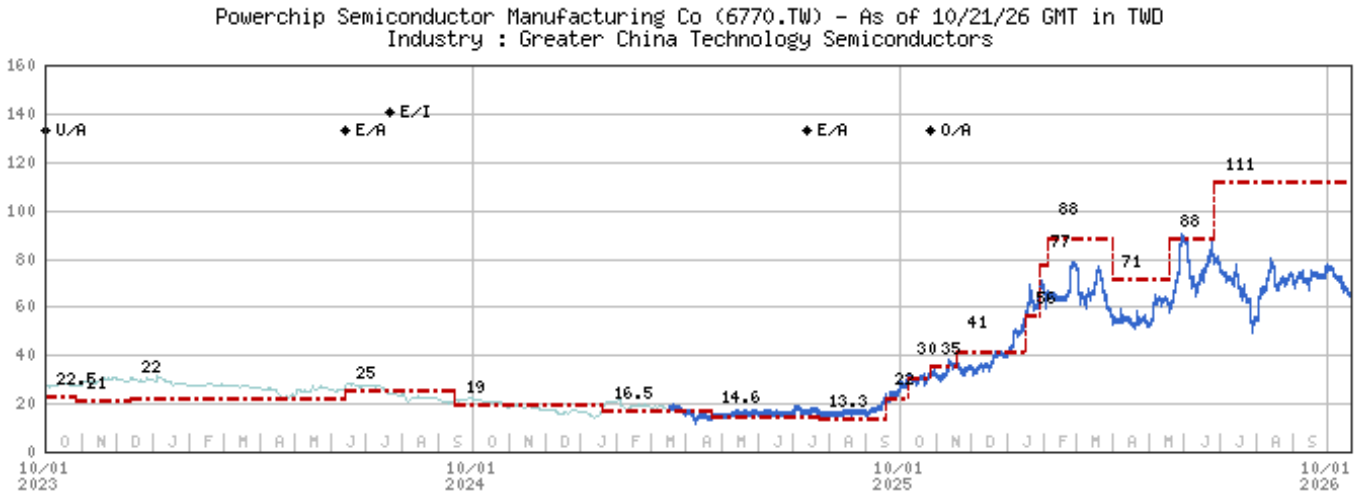
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Stock Rating History: 10/1/21 : U/I; 10/12/21 : U/C; 10/4/22 : U/A; 2/22/23 : U/I; 7/7/23 : U/A; 6/13/24 : E/A; 7/21/24 : E/I; 7/14/25 : E/A; 10/27/25 : O/A

Price Target History: 9/14/21 : 57; 3/28/22 : 53; 4/12/22 : 49; 6/21/22 : 40; 7/1/22 : 35; 7/15/22 : 33; 8/30/22 : 27; 10/13/22 : 23.5; 12/14/22 : 22.5; 10/27/23 : 21; 12/13/23 : 22; 6/13/24 : 25; 9/15/24 : 19; 1/20/25 : 16.5; 4/22/25 : 14.6; 7/23/25 : 13.3; 9/18/25 : 22; 10/7/25 : 30; 10/27/25 : 35; 11/18/25 : 41; 1/16/26 : 56; 1/28/26 : 77; 2/5/26 : 88; 3/31/26 : 71; 5/19/26 : 88; 6/26/26 : 111

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INDUSTRY COVERAGE: Greater China Technology Semiconductors

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/21/2026)
Charlie Chan		
Advanced Wireless Semiconductor Co (8086.TWO)	U (07/14/2025)	NT$128.50
Alchip Technologies Ltd (3661.TW)	O (05/14/2021)	NT$3,710.00
ASE Technology Holding Co. Ltd. (3711.TW)	O (09/15/2024)	NT$684.00
Cambricon Technology Corporation (688256.SS)	O (04/27/2026)	Rmb916.42
CXMT Corp (688825.SS)	O (08/26/2026)	Rmb40.97
Global Unichip Corp (3443.TW)	O (06/24/2026)	NT$8,000.00
GlobalWafers Co Ltd (6488.TWO)	E (05/19/2026)	NT$880.00
Gudeng Precision (3680.TWO)	O (11/25/2025)	NT$521.00
Hua Hong Semiconductor Ltd (1347.HK)	E (03/12/2026)	HK$73.50
Iluvatar CoreX Semiconductor Co., Ltd. (9903.HK)	O (04/27/2026)	HK$80.15
MediaTek (2454.TW)	O (11/28/2025)	NT$4,140.00
MetaX Integrated Circuits (688802.SS)	E (04/27/2026)	Rmb447.36
Nanya Technology Corp. (2408.TW)	O (05/28/2026)	NT$436.50
OmniVision Integrated Circuits Group Inc (603501.SS)	E (11/17/2025)	Rmb77.48
Phison Electronics Corp (8299.TWO)	E (02/25/2026)	NT$1,930.00
SG Micro Corp. (300661.SZ)	E (11/03/2025)	Rmb89.79
Silergy Corp. (6415.TW)	U (05/19/2026)	NT$490.00
SMIC (0981.HK)	O (10/21/2025)	HK$49.96
TSMC (2330.TW)	O (02/07/2022)	NT$2,420.00
UMC (2303.TW)	O (05/19/2026)	NT$128.00
Vanguard International Semiconductor (5347.TWO)	E (01/14/2026)	NT$166.50
WIN Semiconductors Corp (3105.TWO)	E (10/09/2026)	NT$512.00

Daisy Dai, CFA

ASMPT Ltd (0522.HK)	O (07/24/2025)	HK$134.40
China Resources Microelectronics Limited (688396.SS)	U (03/02/2026)	Rmb50.52
Empyrean Technology Co Ltd (301269.SZ)	E (01/17/2025)	Rmb100.00
Hangzhou Silan Microelectronics Co. Ltd. (600460.SS)	U (08/25/2025)	Rmb25.81
Hygon Information Technology Co., Ltd. (688041.SS)	O (07/03/2026)	Rmb193.30
Innoscience (2577.HK)	E (10/13/2025)	HK$33.40
JCET Group Co Ltd (600584.SS)	O (09/16/2026)	Rmb57.23
Shanghai Fudan Microelectronics (1385.HK)	O (03/07/2025)	HK$23.70
SICC Co Ltd (688234.SS)	O (03/20/2026)	Rmb88.52
SJ Semiconductor Corp (688820.SS)	E (09/16/2026)	Rmb94.49
StarPower Semiconductor Ltd (603290.SS)	E (05/14/2026)	Rmb72.15
Unigroup Guoxin Microelectronics Co Ltd (002049.SZ)	U (01/10/2023)	Rmb54.43
Universal Scientific Ind. (Shanghai) (601231.SS)	O (11/05/2025)	Rmb21.49
Yangjie Technology (300373.SZ)	O (06/10/2022)	Rmb77.07
Daniel Yen, CFA		
AP Memory Technology Corp (6531.TW)	O (07/11/2025)	NT$831.00
ASMedia Technology Inc (5269.TW)	U (10/03/2025)	NT$1,485.00
Aspeed Technology (5274.TWO)	O (06/09/2025)	NT$16,515.00
Egis Technology Inc (6462.TWO)	E (01/28/2026)	NT$96.00
Elan Microelectronics Corp (2458.TW)	O (10/03/2025)	NT$130.50
eMemory Technology Inc (3529.TWO)	O (08/18/2026)	NT$2,590.00
Espressif Systems (688018.SS)	O (05/15/2023)	Rmb145.86
GigaDevice Semiconductor Beijing Inc (603986.SS)	O (05/15/2025)	Rmb288.02
Himax Technologies Inc (HIMX.O)	E (02/04/2026)	US$11.85
Macronix International Co Ltd (2337.TW)	O (09/18/2025)	NT$103.00
Montage Technology Co Ltd (6809.HK)	O (03/18/2026)	HK$221.20
Montage Technology Co Ltd (688008.SS)	O (03/18/2026)	Rmb178.34
Novatek (3034.TW)	U (02/04/2026)	NT$590.00
Nuvoton Technology Corporation (4919.TW)	U (11/10/2025)	NT$143.50
Parade Technologies Ltd (4966.TWO)	O (05/27/2026)	NT$527.00
Powerchip Semiconductor Manufacturing Co (6770.TW)	O (10/27/2025)	NT$66.20
Realtek Semiconductor (2379.TW)	E (01/30/2026)	NT$792.00
Shenzhen Goodix Technology Co Ltd (603160.SS)	U (07/14/2025)	Rmb52.92
Silicon Motion (SIMO.O)	O (05/06/2024)	US$213.70
Winbond Electronics Corp (2344.TW)	O (05/28/2026)	NT$159.50
WPG Holdings (3702.TW)	O (03/16/2026)	NT$115.00
WT Microelectronics Co. Ltd. (3036.TW)	O (01/27/2026)	NT$212.50
Henry Zhao		
ACM Research Inc (ACMR.O)	O (03/07/2023)	US$54.96
Advanced Micro-Fabrication Equipment Inc (688012.SS)	O (11/06/2023)	Rmb274.00
Maxscend Microelectronics Co Ltd (300782.SZ)	U (01/11/2021)	Rmb56.37
NAURA Technology Group Co Ltd (002371.SZ)	O (11/06/2023)	Rmb560.99
Lucas Wang		
AllRing Tech Co. (6187.TWO)	O (09/23/2025)	NT$1,330.00
FOCI Fiber Optic Communications Inc (3363.TWO)	E (10/09/2026)	NT$549.00
Hon Precision (7769.TW)	O (04/17/2026)	NT$5,130.00
King Yuan Electronics Co Ltd (2449.TW)	O (03/03/2023)	NT$278.00
MPI Corporation (6223.TWO)	O (04/17/2026)	NT$5,005.00
Tiffany Yeh		
WinWay Technology Co Ltd (6515.TW)	O (04/17/2026)	NT$4,970.00

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