July 30, 2026 04:57 PM GMT

AU Optronics | Asia Pacific

New Applications for Glass to Take Longer

AlphaSignals Earnings Reaction

Unchanged	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

We don't see any strong catalysts from here with a lukewarm outlook for its core business and limited contributions from new applications. Stay EW.

3Q26 guidance below seasonal: Management guided for display revenue (48% of 2Q26 mix) to decline modestly QoQ as consumer electronics demand should be relatively soft amid elevated component costs and earlier restocking in 1H26. Mobility revenue (29% of 2Q26 mix) should remain roughly flat QoQ as Europe enters the slow season and China sees weakening demand. Vertical revenue (19% of 2Q26 mix) is expected to rise by low single digits % QoQ as orders from commercial displays and green solutions remain stable. We view 3Q26 guidance as below seasonal, although the revenue mix might turn a bit more favorable since the mobility and vertical business generated higher operating margins of 3.8% and 5.6%, respectively, vs. display at -3.2% in 2Q26. For the longer term, it maintains its target to have 70% of revenue from mobility and vertical solutions by 2030 (vs. 43% in 2025).

New business initiatives to take time: For glass in advanced packaging, AUO has been developing the TGV and RDL process for FOPLP and glass core. It is engaging with potential customers for LEO antenna modules and micro LED optical modules, which we think might see only limited revenue contribution in the coming years. Similar to its display supply chain peers, it is looking into the glass core substrate space and thinks it might take another 2-3 years for the process to mature. Mini/micro LED is still on AUO's agenda for wearables and automobile applications. though we think the complexity in its process remains a big hurdle for this ultimate display technology to be commercialized in mainstream use cases. For CPO, it is in the designing and sampling process with one optical interconnect supplier, although we think it will take more time for AUO's integrated solution (micro LED + photodiode + glass substrate) to be adopted as the industry is still trying to sort out all of the issues in the current architecture.

More asset disposals: AUO announced plans to sell its Kaohsiung and Huaya fabs for expected gains of NT$4.28bn and NT$13.39bn, respectively; timing for recognition has not been finalized.

Stay EW: With a lackluster outlook for its core business and emerging businesses taking more time for contribution, we don't see any strong catalysts.

MORGAN STANLEY TAIWAN LIMITED+

Derrick Yang
Equity Analyst
Derrick.Yang@morganstanley.com +886 2 2730-2862

Vivi Huang
Research Associate
Vivi.Huang@morganstanley.com +886 2 2730-2860

MORGAN STANLEY ASIA LIMITED+

Andy Meng, CFA
Equity Analyst
Andy.Meng@morganstanley.com +852 2239-7689

AU Optronics (2409.TW, 2409 TT)

Greater China Technology Hardware | Taiwan

Stock Rating	**Equal-weight**
Industry View	**In-Line**
Price target	NT$27.00
Up/downside to price target (%)	22
Shr price, close (Jul 30, 2026)	NT$22.20
52-Week Range	NT$34.45-10.80
Sh out, dil, curr (mn)	7,571
Mkt cap, curr (mn)	NT$168,081
EV, curr (mn)	NT$226,747
Avg daily trading value (mn)	NT$3,683

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	0.90	(0.13)	0.21	0.43
EPS (NT$)§	0.44	(0.10)	0.39	0.65
EBITDA (NT$ mn)	36,666	27,007	34,097	35,912
ModelWare net inc (NT $ mn)	6,843	(997)	1,607	3,257
ROE (%)	4.5	(0.7)	1.1	2.2
EV/EBITDA	4.2	5.6	4.0	3.3
Div yld (%)	3.3	0.0	0.7	1.4

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

Results Summary

Earnings turnaround in 2Q26: Off revenue of NT$70,891mn (+3% QoQ/+2% YoY), gross margin expanded by 1.2ppt to 13% on a more favorable product mix and improving operating efficiency. With the opex ratio flat QoQ at 12.7%, operating profit was NT $218mn, slightly better than MSe of a NT$153mn loss but in line with consensus of profit NT$238mn.

With a non-op gain of NT$2,533mn (mainly from asset disposal gain of ~NT$2.3bn), net income came in at NT$1,343mn (EPS NT$0.18), surpassing our expectation of NT$65mn (EPS NT$0.01) and consensus of NT$356mn (EPS NT$0.05).

Exhibit 1: AUO: Results summary

	2Q26E Results						
NT$mn	**Actual**	**QoQ**	**YoY**	**MS estimates**	**Variance**	**Consensus**	**Variance**
Net sales	**70,891**	**3%**	**2%**	**70,251**	**1%**	**69,809**	**2%**
COGS	-61,643	1%	3%	-61,412	0%	-61,245	1%
Gross profit	**9,248**	**13%**	**-1%**	**8,839**	**5%**	**8,564**	**8%**
Operating expenses	-9,030	2%	15%	-8,992	0%	-8,327	8%
Operating income	**218**	**-134%**	**-85%**	**-153**	**-243%**	**238**	**-8%**
Non-operating income	2,533	1787%	302%	230	1001%	236	971%
Pre-tax income	2,751	-649%	29%	77	3474%	474	480%
Net income	**1,343**	**-217%**	**-31%**	**65**	**1953%**	**356**	**278%**
EPS (NT$)	**0.18**	**-217%**	**-31%**	**0.01**	**1953%**	**0.05**	**278%**
Margins (%)		***ppt***	***ppt***		***ppt***		***ppt***
Gross margin	13.0%	1.2	-0.5	12.6%	0.5	12.3%	0.8
Operating margin	0.3%	1.2	-1.9	-0.2%	0.5	0.3%	0.0
Pre-tax margin	3.9%	4.6	0.8	0.1%	3.8	0.7%	3.2
Net margin	1.9%	3.6	-0.9	0.1%	1.8	0.5%	1.4

Source: Company data, Factset consensus, Morgan Stanley Research estimates

Valuation Methodology and Risks

AU Optronics (2409.TW)

Base case, 2026e P/B of 1.4x. We believe price/book value better reflects AUO's intrinsic value, in view of the industry's relatively cyclical nature. The stock's mid-cycle average has been 0.8x P/B, but it has re-rated due to its CPO and LEO businesses. We see our target multiple as reasonable in consideration of the company's business diversification efforts, although they will take time to contribute.

Risks to Upside

- Stronger-than-expected end-demand
- Disciplined capacity control among peers
- Favorable panel pricing environment
- Faster progress on new business initiatives

Risks to Downside

- Macro headwinds leading to weak demand
- Faster yield improvement among Chinese players, leading to more supply
- Faster OLED panel adoption among large-size applications
- Slower progress on new business initiatives

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(as of June 30, 2026)

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Equal-weight/Hold	1577	43%	390	42%	25%	769	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	544	15%	89	10%	16%	204	12%
Total	3,668		933			1731	

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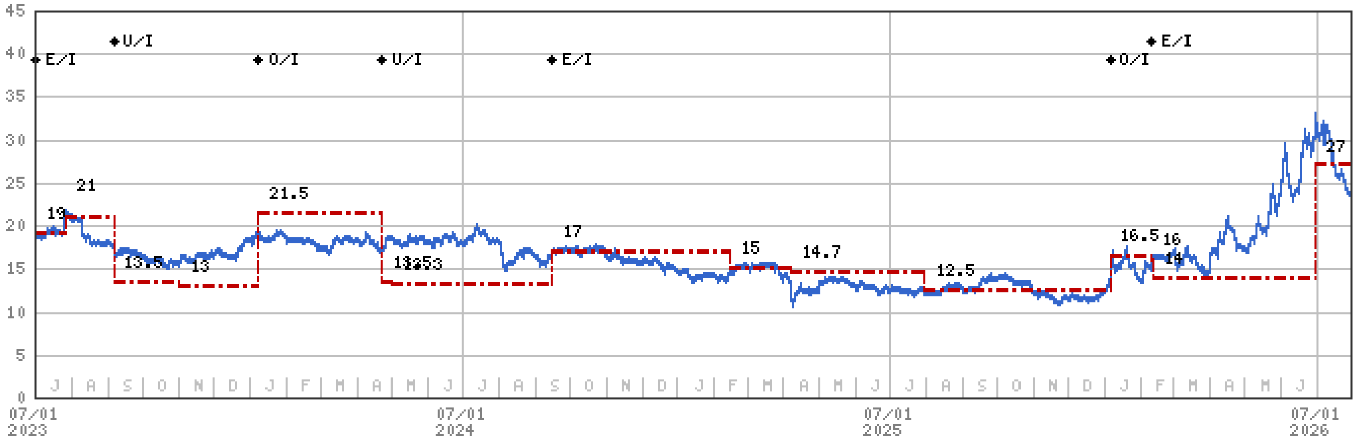
Stock Price, Price Target and Rating History (See Rating Definitions)

AU Optronics (2409.TW) - As of 07/30/26 GMT in TWD
Industry : Greater China Technology Hardware



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INDUSTRY COVERAGE: Greater China Technology Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (07/30/2026)
Andy Meng, CFA		
AAC Technologies Holdings (2018.HK)	O (01/29/2024)	HK$37.94
Accelink Technologies Co. Ltd. (002281.SZ)	U (05/12/2022)	Rmb152.33
BYD Electronics (0285.HK)	O (04/28/2023)	HK$24.02
China TransInfo Technology Co Ltd (002373.SZ)	E (07/18/2023)	Rmb7.75
Dahua Technology Co. Ltd. (002236.SZ)	E (12/12/2024)	Rmb16.16
Eoptolink Technology Inc Ltd (300502.SZ)	O (02/27/2026)	Rmb371.10
Genius Electronic Optical Co. Ltd. (3406.TW)	E (04/23/2025)	NT$447.50
GoerTek Inc (002241.SZ)	U (04/23/2025)	Rmb23.06
Gosuncn Technology Group Co Ltd (300098.SZ)	U (11/07/2022)	Rmb4.54
HIKVision Digital Technology (002415.SZ)	E (12/12/2024)	Rmb35.62
Largan Precision (3008.TW)	O (07/10/2026)	NT$3,715.00
LianChuang Electronic Technology Co Ltd (002036.SZ)	U (06/12/2024)	Rmb6.88
Lingyi Itech Guangdong Co (002600.SZ)	U (04/23/2025)	Rmb12.21
Luxshare Precision Industry Co., Ltd. (002475.SZ)	O (10/24/2016)	Rmb58.35
OFILM Group Co Ltd (002456.SZ)	U (06/12/2024)	Rmb7.03
Q Technology (Group) Company Ltd (1478.HK)	U (03/23/2026)	HK$6.70
Quectel Wireless Solutions Co Ltd (603236.SS)	E (10/09/2024)	Rmb45.41
Shanghai Conant Optical Co Ltd (2276.HK)	O (04/10/2026)	HK$31.00
Shenzhen Transsion Holdings Co Ltd (688036.SS)	E (03/23/2026)	Rmb65.75
Sunny Optical (2382.HK)	E (03/23/2026)	HK$57.20
Suzhou TFC Optical Communication Co Ltd. (300394.SZ)	E (11/06/2025)	Rmb160.10
Wingtech Technology Co Ltd (600745.SS)	U (05/18/2026)	Rmb16.01
Xiaomi Corp (1810.HK)	O (04/14/2021)	HK$31.04
Yangtze Optical Fibre and Cable JSC Ltd (601869.SS)	U (10/13/2021)	Rmb262.66

Yangtze Optical Fibre and Cable JSC Ltd (6869.HK)	O (07/15/2026)	HK$92.00
Yongxin Optics Co Ltd (603297.SS)	E (11/15/2022)	Rmb86.40
Zhejiang Crystal-Optech Co Ltd (002273.SZ)	O (11/15/2022)	Rmb24.69
Zhongji Innolight Co Ltd (300308.SZ)	++	Rmb864.00
ZTE Corporation (0763.HK)	O (06/04/2026)	HK$24.34
ZTE Corporation (000063.SZ)	E (06/04/2026)	Rmb33.30
Derrick Yang		
Accton Technology Corporation (2345.TW)	O (06/06/2024)	NT$1,935.00
Advantech (2395.TW)	O (01/20/2021)	NT$547.00
AirTAC International (1590.TW)	O (04/16/2025)	NT$1,340.00
Asia Vital Components Co. Ltd. (3017.TW)	O (07/30/2024)	NT$2,110.00
AU Optronics (2409.TW)	E (02/10/2026)	NT$22.20
Auras Technology Co Ltd (3324.TWO)	E (05/04/2023)	NT$820.00
Bizlink (3665.TW)	O (03/10/2025)	NT$1,910.00
BOE Technology (000725.SZ)	O (09/06/2019)	Rmb5.36
Chenbro (8210.TW)	O (07/23/2025)	NT$951.00
Chroma Ate Inc. (2360.TW)	O (10/05/2021)	NT$1,910.00
Delta Electronics Inc. (2308.TW)	O (07/13/2017)	NT$1,530.00
E Ink Holdings Inc. (8069.TWO)	O (05/11/2026)	NT$182.00
Ennostar Inc (3714.TW)	U (09/23/2022)	NT$45.55
Fositek Corp (6805.TW)	O (06/25/2025)	NT$1,230.00
Hiwin Technologies Corp. (2049.TW)	O (03/30/2026)	NT$283.00
Innolux (3481.TW)	E (04/07/2025)	NT$41.40
King Slide Works Co. Ltd. (2059.TW)	O (11/08/2023)	NT$7,140.00
Lens Technology (300433.SZ)	E (07/22/2020)	Rmb30.83
Lite-On Technology (2301.TW)	E (01/15/2025)	NT$190.00
TCL Corp. (000100.SZ)	E (04/07/2025)	Rmb4.72
Tianma Microelectronics (000050.SZ)	U (01/24/2018)	Rmb6.45
Wuhan Jingce Electronic Group Co Ltd (300567.SZ)	E (11/26/2021)	Rmb180.19
Howard Kao		
Acer Inc. (2353.TW)	U (04/23/2025)	NT$27.90
Asustek Computer Inc. (2357.TW)	U (11/16/2025)	NT$737.00
Catcher Technology (2474.TW)	U (11/17/2025)	NT$178.50
Compal Electronics (2324.TW)	U (04/23/2025)	NT$33.75
FIT Hon Teng Ltd (6088.HK)	O (11/03/2025)	HK$4.50
Foxconn Industrial Internet Co. Ltd. (601138.SS)	O (07/10/2019)	Rmb53.80
Giga-Byte Technology Co. Ltd. (2376.TW)	E (11/16/2025)	NT$318.50
Gold Circuit Electronics Ltd. (2368.TW)	O (10/06/2022)	NT$721.00
Hon Hai Precision (2317.TW)	O (03/15/2024)	NT$229.50
Inspur Electronic Information (000977.SZ)	E (08/28/2023)	Rmb69.08
LandMark Optoelectronics Corporation (3081.TWO)	E (03/26/2026)	NT$1,485.00
Lenovo (0992.HK)	O (07/10/2026)	HK$21.74
Lotes Co. Ltd. (3533.TW)	E (05/12/2025)	NT$1,690.00
Nan Ya PCB (8046.TW)	O (02/23/2026)	NT$837.00
Pegatron Corporation (4938.TW)	E (03/25/2026)	NT$80.50
Quanta Computer Inc. (2382.TW)	O (05/01/2023)	NT$279.00
Shengyi Technology Co Ltd. (600183.SS)	E (05/26/2022)	Rmb100.08
Shennan Circuits Co Ltd (002916.SZ)	E (08/24/2023)	Rmb284.50
Unimicron (3037.TW)	O (02/23/2026)	NT$716.00
Visual Photonics Epitaxy Co Ltd (2455.TW)	E (09/11/2023)	NT$265.50
Wistron Corporation (3231.TW)	O (07/12/2023)	NT$160.00
Wiwynn Corp (6669.TW)	O (11/10/2025)	NT$4,900.00
Yageo Corp. (2327.TW)	O (10/28/2025)	NT$456.50
Zhen Ding (4958.TW)	O (05/18/2026)	NT$376.00

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* Historical prices are not split adjusted.