Morgan Stanley | RESEARCH

IDEA

July 22, 2026 08:10 AM GMT

Yageo Corp. | Asia Pacific

2Q preview – tightening MLCC narrative is unchanged

WHAT'S CHANGED		
Yageo Corp. (2327.TW)	**From**	**To**
Price Target	NT$1,515.00	**NT$1,465.00**

Recent market volatility has driven the stock to sell-off >40% from the peak (the TAIEX is down 6% over the same period). However, the medium-term narrative remains unchanged – there is not enough capacity to support the strong high-cap, high-end AI MLCCs. Stay OW going into earnings.

Key Takeaways

- Expect 3Q rev guidance "up moderately q/q", with GM/OpM "up slightly q/q".
- Walsin Tech's strong June preliminary profits should imply stronger pricing, which should be seen in Yageo's 3Q guidance.

2Q preview – better than guidance: Revenue reached NT$44.2bn (+16% q/q, +35% y/y), materially stronger than management's guidance of a "moderate increase q/q" (which we interpret as mid single digits), driven by stronger pricing and stronger pull-ins from ODMs as they build up their inventory buffer in response to concerns that midrange/low-end MLCCs would be in shortage once demand for high-cap MLCCs starts to ramp meaningfully, driven by Rubin and other AI server racks (see our previous reports here, here, and here). We forecast 2Q GM at 38.8% (+70bps q/q), 30bps below the Street, but OpM at 26.8% (+170bps q/q), 20bps above the Street, and both in line with management's guidance of "up slightly."

3Q outlook – pricing to drive revenue and margin expansion: Despite sluggish demand for consumer tech, we still see strong demand for AI. We also expect Yageo to benefit from pricing tailwinds; our supply chain checks point to a 30-40% rise in direct customer pricing on average in 2H26, as mentioned before. This drives our expectation that Yageo will be able to lift revenue 8% q/q, to NT$47.6bn, and expand GM 150bps q/q, to 40.3%, with 210bps q/q OpM expansion, to 28.9% – resulting in EPS of NT$5.49. As a result, we see management issuing 3Q revenue guidance of a "moderate increase q/q" and GM/OpM guidance of "up slightly q/q."

Key issues on which we will focus in the earnings call: 1) demand visibility for non-AI; 2) pricing actions for MLCC, 3) pricing actions for tantalum, resistors, magnetics, etc., 4) customer inventory levels, 5) similarities and differences in this cycle vs. the last cycle (2018), 6) view on midrange/low-end capacity shortage in CY27.

Reiterate OW with price target at NT$1,465: This implies ~31x CY28e P/E; however, PEG is only 0.85x. We favor Yageo for its scale, broad product portfolio across all passive components, and leverage to an improving industry cycle.

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Yageo Corp. (2327.TW, 2327 TT)

Greater China Technology Hardware | Taiwan

Stock Rating	**Overweight**
Industry View	**In-Line**
Price target	NT$1,465.00
Up/downside to price target (%)	119
Shr price, close (Jul 21, 2026)	NT$670.00
52-Week Range	NT$1,220.00-126.00
Sh out, dil, curr (mn)	1,997
Mkt cap, curr (mn)	NT$1,337,899
EV, curr (mn)	NT$1,354,638
Avg daily trading value (mn)	NT$15,806

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	11.51	20.11	34.23	46.87
Prior EPS (NT$)**	-	20.59	35.13	48.00
EPS (NT$)§	11.61	19.05	30.11	43.25
Revenue, net (NT$ mn)	132,930	180,835	249,369	305,345
EBITDA (NT$ mn)	39,635	60,272	97,062	130,101
ModelWare net inc (NT $ mn)	23,634	41,299	70,290	96,242
P/E	20.1	33.3	19.6	14.3
P/BV	2.7	6.3	5.2	4.4
RNOA (%)	12.0	20.5	36.8	52.0
ROE (%)	14.5	23.7	32.3	36.7
EV/EBITDA	12.4	21.9	13.1	9.3
Div yld (%)	2.2	0.9	1.8	3.1
FCF yld ratio (%)**	6.6	3.5	5.4	7.1
Leverage (EOP) (%)	9.6	(15.5)	(31.6)	(43.4)

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

AlphaSignals Earnings Preview

Focus KPI	Focus KPI Surprise	Likely impact to consensus EPS*
Yageo Corp. 2327.TW		
2Q OpM	↑ Likely upside surprise	↑ Modest revision higher

• We estiamte 2Q OpM at 26.8% (+170bps q/q), which is 20bps above the Street.

*Likely impact to consensus EPS is for the next 12 months
Source: Company data, Morgan Stanley Research

2Q26 Results Preview

Exhibit 1: 2Q26 Results Preview

NT$mn	Actual	QoQ	YoY	Cons	Variance
	Results				
Net sales	**44,165**	**16%**	**35%**	**43,058**	**3%**
COGS	-27,017	14%	28%	-26,206	3%
Gross profit	**17,148**	**18%**	**47%**	**16,853**	**2%**
Operating expenses	-5,290	7%	15%	-5,376	-2%
Operating income	**11,858**	**23%**	**68%**	**11,476**	**3%**
Non-operating income	700	-2%	NM	537	30%
Pre-tax income	**12,558**	**22%**	**79%**	**12,013**	**5%**
Income tax	-3,391	48%	68%	-2,837	20%
Net income	**9,131**	**14%**	**83%**	**9,176**	**0%**
EPS (NT$)	**4.45**	**14%**	**83%**	**4.47**	**0%**
Margins (%)		***ppt***	***ppt***		***ppt***
Gross margin	38.8%	0.7	3.3	39.1%	-0.3
Operating margin	26.8%	1.7	5.4	26.7%	0.2
Pre-tax margin	28.4%	1.4	7.0	27.9%	0.5
Net margin	20.7%	-0.3	5.4	21.3%	-0.6

Source: Visible Alpha, Morgan Stanley Research estimates (E).

Walsin Tech

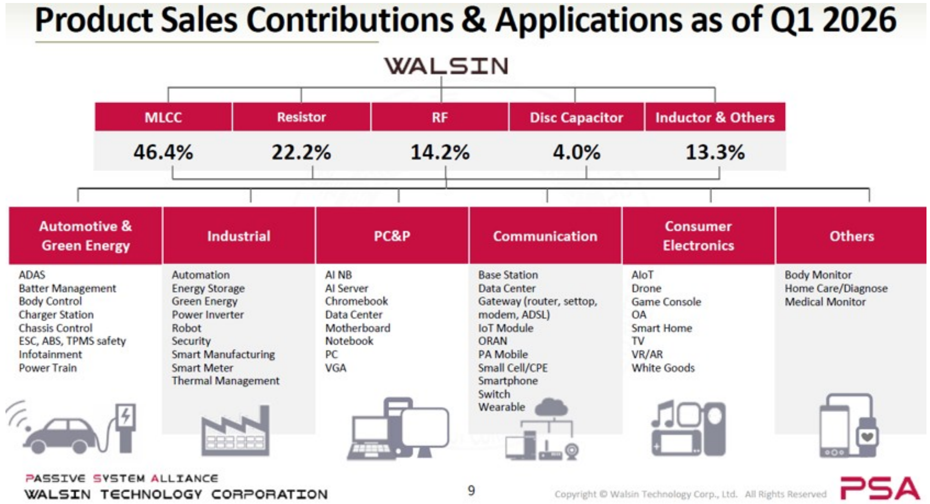
On July 21, Walsin Tech (2492.TW, Not Covered) disclosed its preliminary June profits, with its net profit margin improving to 18.1% for the month of June, vs. 8.6% in 1Q26, or a 950bps improvement. As of 1Q, Walsin's MLCC revenue mix is 46.4% MLCCs, 22.2% resistors, and 13.3% inductors. So combined MLCCs + resistors = 68.6% of total revenue, which is higher than Yageo's 33%. Thus, we do not expect Yageo to show such a strong margin improvement in June. But we do think this implies that pricing is picking up and we think Yageo's guidance in 3Q should reflect this. And we think Yageo's management and tone in the earnings call will likely reflect this as well (assuming there is no one-off impact driving Walsin Tech's meaningful margin improvements in the month of June).

Exhibit 2: Walsin Tech's preliminary June profits show meaningful margin improvement vs 1Q26

	Jun-26	Jun-25	y/y	1Q26
Revenue	3,961	3,185	24%	9,538
Pre-tax income	1,066	372	187%	1,437
Net income	717	337	113%	820
Pre-tax profit margin	26.9%	11.7%		15.1%
NPM	18.1%	10.6%		8.6%

Source: Company data, Morgan Stanley Research.

Exhibit 3: Walsin Tech's 1Q26 product mix



Source: Company data.

Details for Yageo's 2Q26 Earnings Virtual NDR Conference Call

Pre-registration is required.

Date and time: July 29, Wednesday, 4.00 PM Taiwan / HK / China / Singapore

Speakers: Mr. David Wang (President & CEO), Mr. Eddie Chen (Co-COO), Mr. Claudio Lollini (Co-COO), Mr. Gavin Zhong (CFO)

Webcast URL: https://morganstanley.webcasts.com/starthere.jsp?ei=1767430&tp_key=ca4c00c830

Webcast URL for PRC: https://morganstanley.cnwebcasts.cn/starthere.jsp?ei=1767430&tp_key=ca4c00c830

Click the webcast link and enter your name and e-mail address. If you have pre-registered, simply log-in again with your registered e-mail address five minutes before the start time.

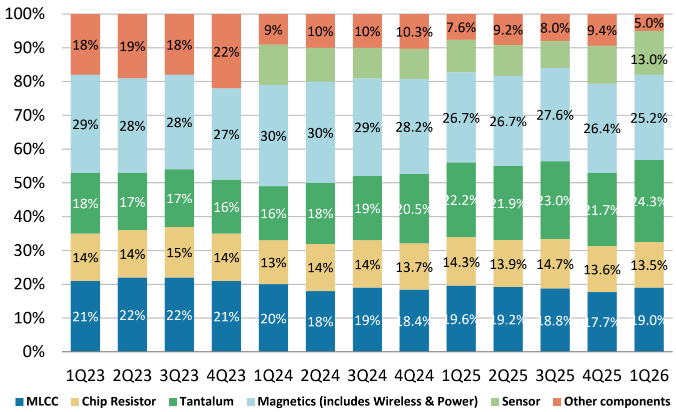
Replay will be available through the same webcast link post-event.

Only pre-registered clients will be allowed to join the webcast.

RSVP – Please register via the webcast links above or contact your Morgan Stanley Sales Representative.

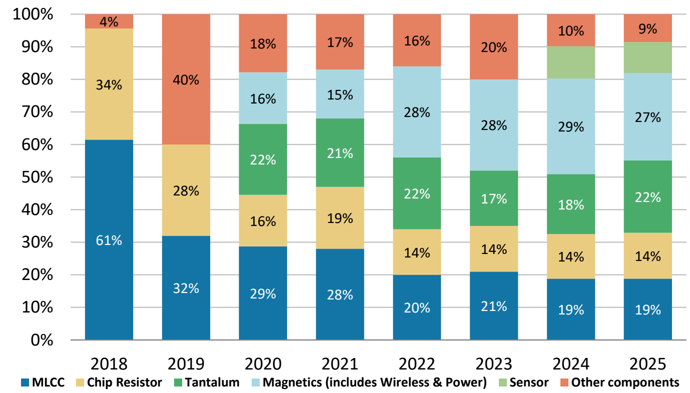
Charts

Exhibit 4: Quarterly Sales, by Product, 1Q23-1Q26



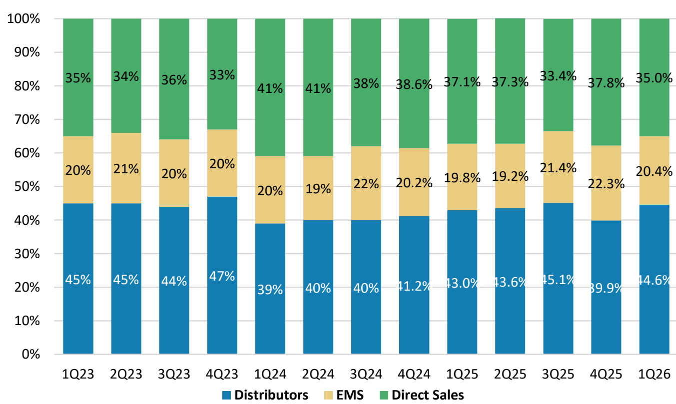
Source: Company data, Morgan Stanley Research

Exhibit 5: Annual Sales, by Product, 2018-25



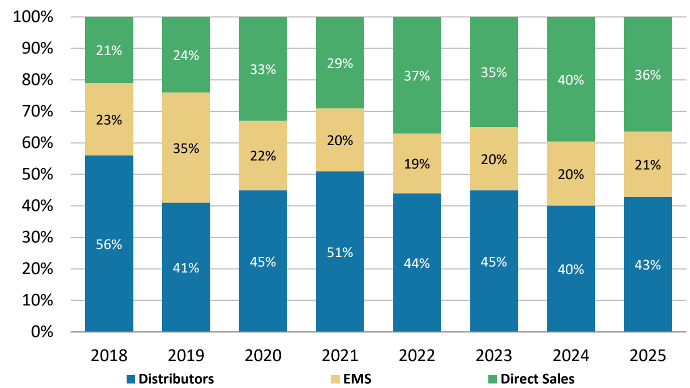
Source: Company data, Morgan Stanley Research

Exhibit 6: Quarterly Sales, by Channel, 1Q23-1Q26



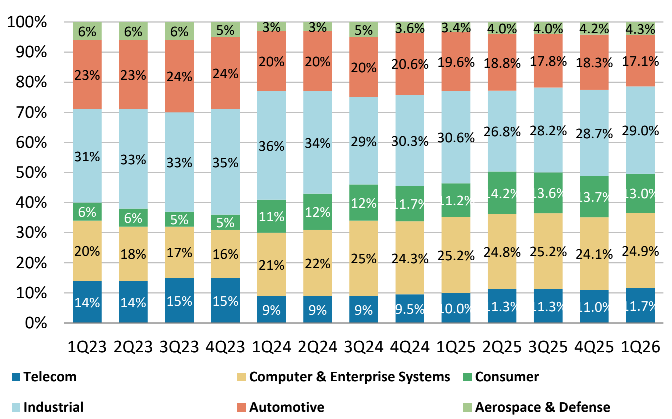
Source: Company data, Morgan Stanley Research

Exhibit 7: Annual Sales, by Channel, 2018-25



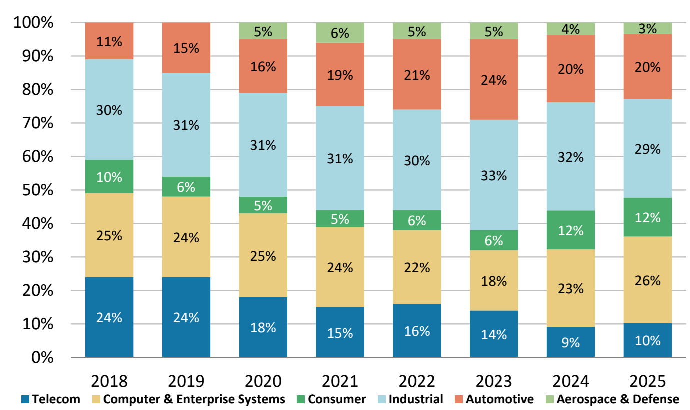
Source: Company data, Morgan Stanley Research

Exhibit 8: Quarterly Sales, by Segment, 1Q23-1Q26



Source: Company data, Morgan Stanley Research

Exhibit 9: Annual Sales, by Segment, 2018-25



Source: Company data, Morgan Stanley Research

Earnings Estimates Changes

We fine-tune our model, resulting in 2-3% decreases in our CY26-28 EPS estimates.

Exhibit 10: Earnings Estimates

	2026e Earnings Estimates			2027e Earnings Estimates			2028e Earnings Estimates		
NT$ mn	New	Old	Variance	New	Old	Variance	New	Old	Variance
Net sales	**180,835**	**180,835**	**0%**	**249,369**	**249,369**	**0%**	**305,345**	**305,345**	**0%**
COGS	-108,778	-107,886	1%	-137,335	-135,342	1%	-157,706	-155,051	2%
Gross profit	**72,058**	**72,950**	**-1%**	**112,034**	**114,027**	**-2%**	**147,639**	**150,294**	**-2%**
Operating expenses	-21,255	-20,858	2%	-24,136	-23,740	2%	-26,406	-26,033	1%
Operating income	50,803	52,092	-2%	87,898	90,287	-3%	121,233	124,261	-2%
Non-operating income	2,949	2,949	0%	3,425	3,425	0%	3,844	3,844	0%
Pre-tax income	53,751	55,040	-2%	91,323	93,712	-3%	125,077	128,105	-2%
Income tax	-12,305	-12,604	-2%	-20,887	-21,434	-3%	-28,688	-29,383	-2%
Net income	**41,299**	**42,289**	**-2%**	**70,290**	**72,131**	**-3%**	**96,242**	**98,575**	**-2%**
EPS (NT$)	**20.11**	**20.59**	**-2%**	**34.23**	**35.13**	**-3%**	**46.87**	**48.00**	**-2%**
Margins (%)			***ppt***			***ppt***			***ppt***
Gross margin	39.8%	40.3%	-0.5	44.9%	39.5%	5.4	48.4%	49.2%	-0.9
Operating margin	28.1%	28.8%	-0.7	35.2%	27.0%	8.3	39.7%	40.7%	-1.0
Pre-tax margin	29.7%	30.4%	-0.7	36.6%	29.0%	7.7	41.0%	42.0%	-1.0
Net margin	22.8%	23.4%	-0.5	28.2%	22.2%	6.0	31.5%	32.3%	-0.8

Source: Morgan Stanley Research (e) estimates

Where we are vs. consensus earnings estimates

We are 4%, 12%, and 11% above the Street on 2026, 2027 and 2028 EPS estimates, respectively.

Exhibit 11: Morgan Stanley estimates vs. consensus

Yageo	MSe			Consensus			Variance		
	2026	2027	2028	2026	2027	2028	2026	2027	2028
Revenue	180,835	249,369	305,345	179,544	237,982	292,942	1%	5%	4%
GM	39.8%	44.9%	48.4%	39.7%	44.3%	48.2%	0.1%	0.6%	0.2%
OpM	28.1%	35.2%	39.7%	27.4%	33.2%	37.2%	0.7%	2.1%	2.5%
Net income	41,299	70,290	96,242	39,732	62,987	86,767	4%	12%	11%
EPS	20.11	34.23	46.87	19.35	30.67	42.25	4%	12%	11%

Source: Visible Alpha, Morgan Stanley Research estimates.

Price target discussion and valuation methodology

We lower our 12-month price target to NT$1,465 (from NT$1,515): This is driven by the lowered EPS estimates in CY26-28. Our price target is our base case value, derived from our residual income valuation model. Similar to our analysis of other tech hardware companies within our coverage, we think this methodology provides the most accurate value of the firm by taking into account the cost of equity.

Our key assumptions are all unchanged, including:

- Cost of equity of 7.8%:
  - Risk-free rate of 1.0% (10-year Taiwanese government bond yield);
  - Equity risk premium of 6.8%;
  - Beta of 1.1;
- Medium-term growth rate of 16%;
- Terminal growth rate of 3%.

Our price target implies 43x 2027e P/E and 31x 2028e P/E. These are above its five-year historical range of 8x to 18x, which we view as justified considering its longer-term transformation story to become a global total solutions provider, moving from passive into active components. In addition, compared to global passive component peers, we believe Yageo stock remains undervalued with higher ROE and margins but lower P/E vs. Japanese peers (which trade on an average at 30x+ P/E).

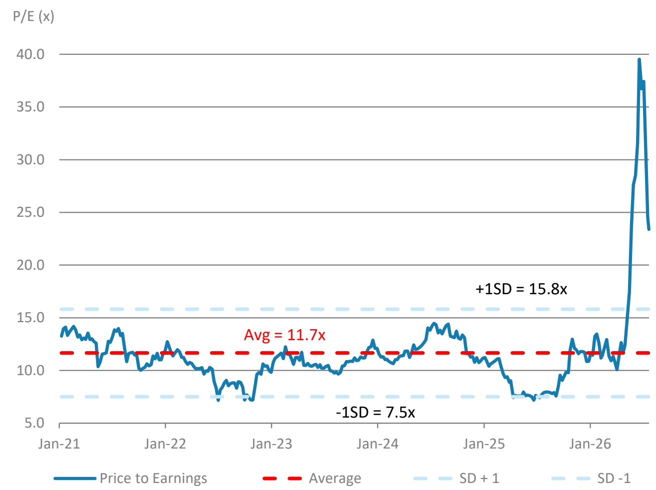
Our bull and bear case scenario values are also lowered to NT$2,075 and NT$685, respectively.

Exhibit 12: Residual Income (RI) Model

		2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Total Equity		**217,731**	**262,495**	**315,778**	**363,206**	**418,223**	**482,042**	**556,072**	**641,947**	**741,562**	**857,116**	**955,798**
Net Profit		**41,299**	**70,290**	**96,242**	**111,641**	**129,503**	**150,224**	**174,259**	**202,141**	**234,483**	**272,001**	**280,161**
Return on Equity		**21.1%**	**29.3%**	**33.3%**	**32.9%**	**33.1%**	**33.4%**	**33.6%**	**33.7%**	**33.9%**	**34.0%**	**30.9%**
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Equity Risk Premium (Rm-Rf)	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%
Risk Free Rate (Rf)	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Cost of Equity	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Residual Income		**23,186**	**46,842**	**67,004**	**79,338**	**92,201**	**107,120**	**124,426**	**144,500**	**167,785**	**194,795**	**198,399**
Spread		**13.3%**	**21.5%**	**25.5%**	**25.1%**	**25.4%**	**25.6%**	**25.8%**	**26.0%**	**26.1%**	**26.3%**	**23.1%**
Beginning Equity Capital		217,731										
PV of Forecast Period		757,427										
PV of Continuing Value		2,033,261										
Equity Value		**3,008,420**										
No. of Shares		2,054										
Projected Price		**1,465.0**										
Implied 2027e PE		43x										
Implied 2028e PE		31x										

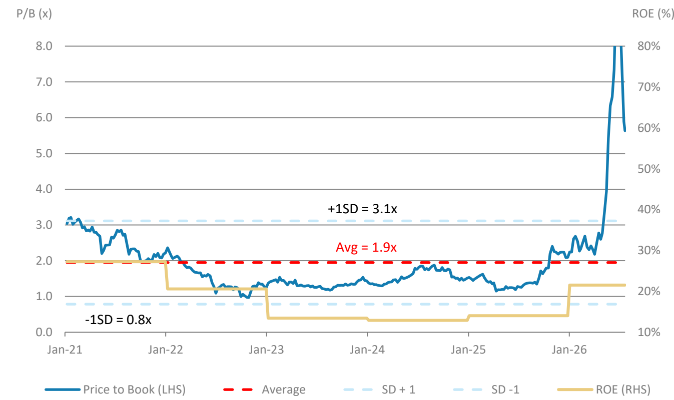
Source: Morgan Stanley Research (E) estimates.

Exhibit 13: Yageo – P/E



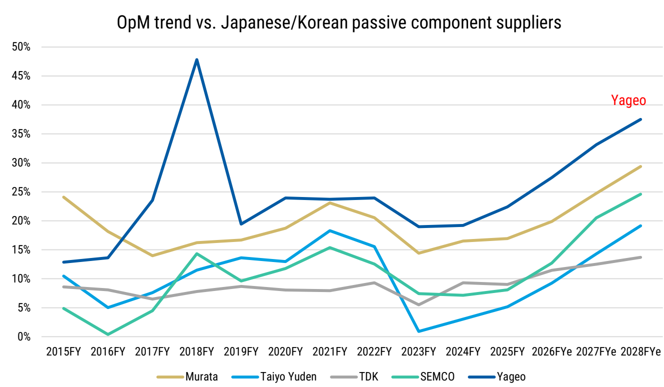
Source: TEJ, Morgan Stanley Research.

Exhibit 14: Yageo – P/B



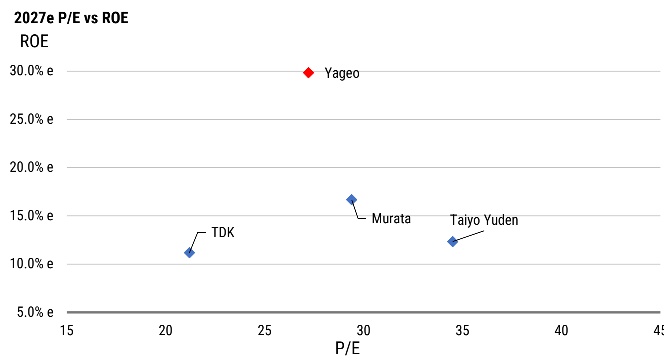
Source: TEJ, Morgan Stanley Research.

Exhibit 15: MLCC peers – operating margins



Source: Visible Alpha.

Exhibit 16: 2027e P/E vs. ROE



Source: Morgan Stanley Research estimates.

Risk Reward – Yageo Corp. (2327.TW)

Demand looks stronger and price increases appear likely - stay OW

PRICE TARGET NT$1,465.00

Base case, multistage residual income valuation model. Key assumptions: cost of equity 7.8% (risk-free rate 1%, equity risk premium 6.8% and beta of 1.1), medium-term growth rate 16%, terminal growth rate 3%.

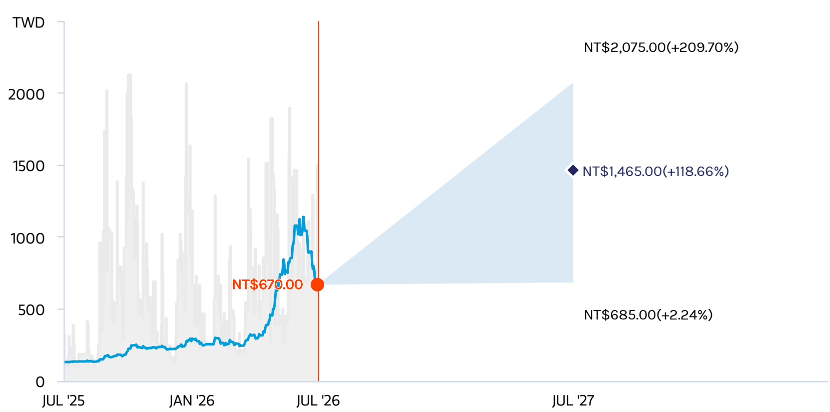
Consensus Price Target Distribution NT$650.00 — NT$1,244.67 — NT$1,515.00

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

- There is fear that leading Japanese and Korean MLCC suppliers are shifting more capacity to cater to the high end, resulting in undersupply for the midrange/low end.
- The same narrative that drove the 2018 cycle is now back in play.
- Utilization rates are increasing, so suppliers are expecting price hikes for the midrange/low end. Distributors and ODMs are both building inventory.
- AI demand is growing and tantalum capacitor pricing may show further price increases in 2H.
- All of this should help support a re-rating in the stock.

Consensus Rating Distribution

100%	Overweight
0%	Equal-weight
0%	Underweight

● MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Electric Vehicles:	*Positive*
Self-help:	*Positive*
Special Situation:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE NT$2,075.00

44x 2028e EPS

Demand continues to grow faster than expected in 2027-28: 1) Demand improves significantly, driving pricing power for Yageo in premium and standard products alike. 2) Yageo makes meaningful progress into AI, driving significant share gains. 3) Yageo takes on more acquisition initiatives to further widen its product portfolio. 4) Severe undersupply leads to continued price hikes for an extended period of time, which helps expand Yageo's margins in 2027-28.

BASE CASE NT$1,465.00

31x 2028e EPS

Demand remains strong into 2027-28: 1) Utilization remains high for premium products. 2) Utilization for standard products stabilizes at 70%+ with resilient consumer tech demand. 3) Transformation and synergies are ongoing with continued active initiatives. 4) Yageo continues to drive expansion into the AI realm and slowly gains market share. 5) High utilization rates and inflationary raw material costs result in continued price hikes.

BEAR CASE NT$685.00

15x 2028e EPS

Earnings erode as macro conditions weaken and demand falls again in 2027-28: 1) Non-AI demand weakens from 2H26 onward, despite AI demand remaining strong. 2) Pricing power shifts to end customers with heightened competition among peers. 3) Acquisitions do not bear fruit, resulting in layoffs and leading to cost burdens. 4) Automotive and industrial end demand does not recover, hampering Yageo's premium business. 5) Yageo does not make any material advancements into AI.

Risk Reward – Yageo Corp. (2327.TW)

KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
MLCC ASP y/y (%)	0.6	29.8	67.4	14.9
MLCC GM (%)	31.7	36.2	44.9	49.0
r-chip ASP y/y (%)	0.8	8.5	45.8	27.3
r-chip GM (%)	43.4	44.0	53.1	58.1

INVESTMENT DRIVERS

- Transformation into global total solutions service provider
- Premium/standard sales mix
- Utilization rates and capacity
- Inventory and pricing

GLOBAL REVENUE EXPOSURE

- 0-10% Japan
- 10-20% APAC, ex Japan, Mainland China and India
- 20-30% Europe ex UK
- 20-30% Mainland China
- 20-30% North America

Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

2/5 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

- Faster-than-expected revenue/profit recognition from stronger AI server/notebook demand
- Further price hikes led by stronger pricing power arising from better demand and/or tighter supply

RISKS TO DOWNSIDE

- A sudden bursting of demand for AI
- Inventory risk
- Consumer electronics demand risk

OWNERSHIP POSITIONING

Inst. Owners, % Active 61.9%

Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2027e

	Low	Morgan Stanley Estimates	Mean	High
Sales / Revenue (NT$, mn)	209,354	249,369	236,476	289,671
EBITDA (NT$, mn)	69,761	97,062	87,994	107,325
Net income (NT$, mn)	49,010	70,290	61,667	77,095
EPS (NT$)	23.87	34.23	30.11	37.56

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Financials

Exhibit 17: Quarterly Earnings Estimates

	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2025	2026E	2027E	2028E
Net sales	**31,104**	**32,771**	**33,087**	**35,968**	**38,166**	**44,165**	**47,614**	**50,891**	**132,930**	**180,835**	**249,369**	**305,345**
COGS	(20,018)	(21,119)	(21,112)	(22,551)	(23,624)	(27,017)	(28,403)	(29,734)	(84,800)	(108,778)	(137,335)	(157,706)
Gross profit	**11,086**	**11,652**	**11,974**	**13,417**	**14,542**	**17,148**	**19,211**	**21,157**	**48,130**	**72,058**	**112,034**	**147,639**
Operating expenses	(4,623)	(4,609)	(4,412)	(4,685)	(4,929)	(5,290)	(5,446)	(5,591)	(18,329)	(21,255)	(24,136)	(26,406)
SG&A	(3,758)	(3,774)	(3,578)	(3,800)	(4,035)	(4,324)	(4,470)	(4,606)	(14,910)	(17,435)	(19,995)	(21,946)
R&D	(865)	(834)	(834)	(886)	(894)	(965)	(975)	(985)	(3,419)	(3,819)	(4,140)	(4,460)
Operating income	**6,463**	**7,044**	**7,562**	**8,732**	**9,613**	**11,858**	**13,765**	**15,567**	**29,801**	**50,803**	**87,898**	**121,233**
Non-operating income	**710**	**(15)**	**650**	**(26)**	**712**	**700**	**749**	**788**	**1,319**	**2,949**	**3,425**	**3,844**
Interest income	533	443	379	216	303	337	369	400	1,571	1,409	1,878	2,260
Investment income	117	24	144	195	181	163	179	188	480	711	747	784
Disposal of investment	100	0	0	0	7	0	0	0	100	7	0	0
Exchange gain	(148)	194	(110)	(677)	(139)	0	0	0	(742)	(139)	0	0
Other	108	(676)	237	241	359	200	200	200	(90)	959	800	800
Pre-tax income	**7,173**	**7,028**	**8,212**	**8,706**	**10,325**	**12,558**	**14,514**	**16,355**	**31,120**	**53,751**	**91,323**	**125,077**
Income tax	(1,610)	(2,016)	(1,817)	(1,900)	(2,287)	(3,391)	(3,193)	(3,435)	(7,343)	(12,305)	(20,887)	(28,688)
Minority interest	33	14	39	56	37	37	37	37	143	147	147	147
Net income	**5,530**	**4,998**	**6,356**	**6,751**	**8,001**	**9,131**	**11,284**	**12,884**	**23,634**	**41,299**	**70,290**	**96,242**
Adj.wtd.avg.shrs (mn)	2,053	2,053	2,054	2,053	2,054	2,054	2,054	2,054	2,053	2,054	2,054	2,054
EPS	**2.69**	**2.43**	**3.10**	**3.29**	**3.90**	**4.45**	**5.49**	**6.27**	**11.51**	**20.11**	**34.23**	**46.87**
Fully Diluted shares (mn)	2,459	2,456	2,055	2,053	2,054	2,054	2,054	2,054	2,053	2,054	2,054	2,054
Diluted EPS (NT$)	**2.25**	**2.03**	**3.09**	**3.29**	**3.90**	**4.45**	**5.49**	**6.27**	**11.51**	**20.11**	**34.23**	**46.87**
Margins (%)												
Gross Margin	35.6	35.6	36.2	37.3	38.1	38.8	40.3	41.6	36.2	39.8	44.9	48.4
Operating Margin	20.8	21.5	22.9	24.3	25.2	26.8	28.9	30.6	22.4	28.1	35.2	39.7
Pretax Margin	23.1	21.4	24.8	24.2	27.1	28.4	30.5	32.1	23.4	29.7	36.6	41.0
Net Margin	17.8	15.3	19.2	18.8	21.0	20.7	23.7	25.3	17.8	22.8	28.2	31.5
QoQ Growth (%)												
Sales	4	5	1	9	6	16	8	7				
Gross Profit	11	5	3	12	8	18	12	10				
Operating Profit	20	9	7	15	10	23	16	13				
Pretax Profit	15	-2	17	6	19	22	16	13				
Net Profit	49	-10	27	6	19	14	24	14				
YoY Growth (%)												
Sales	9	4	4	20	23	35	44	41	9	36	38	22
Gross Profit	15	6	7	35	31	47	60	58	15	50	55	32
Operating Profit	31	9	14	63	49	68	82	78	27	70	73	38
Pretax Profit	18	-5	15	39	44	79	77	88	16	73	70	37
Net Profit	21	-8	13	82	45	83	78	91	22	75	70	37

Source: Company data, Morgan Stanley Research (E) estimates.

Exhibit 18: Consolidated Financial Summary

Consolidated Income Statement

NT$mn (Year End Dec 31)	2025	2026E	2027E	2028E
Net sales	**132,930**	**180,835**	**249,369**	**305,345**
COGS	(84,800)	(108,778)	(137,335)	(157,706)
Gross profit	**48,130**	**72,058**	**112,034**	**147,639**
Operating expenses	(18,329)	(21,255)	(24,136)	(26,406)
Operating income	**29,801**	**50,803**	**87,898**	**121,233**
Non-operating income	**1,319**	**2,949**	**3,425**	**3,844**
Interest income	1,571	1,409	1,878	2,260
Investment income	480	711	747	784
Disposal of investment	100	7	-	-
Exchange gain	(742)	(139)	-	-
Other	(90)	959	800	800
Pre-tax income	**31,120**	**53,751**	**91,323**	**125,077**
Income tax	(7,343)	(12,305)	(20,887)	(28,688)
Minority interests	143	147	147	147
Net income	**23,634**	**41,299**	**70,290**	**96,242**
Adj. wtd. Avg. shrs (m)	2,053	2,054	2,054	2,054
Reported EPS (NT$)	**11.51**	**20.11**	**34.23**	**46.87**
Diluted shrs (m)	2,053	2,054	2,054	2,054
Diluted EPS (NT$)	**11.51**	**20.11**	**34.23**	**46.87**

Consolidated Cash Flow Statement

NT$mn (Year End Dec 31)	2025	2026E	2027E	2028E
Operating Cashflow	**30,863**	**46,288**	**69,130**	**93,472**
Net Profits	23,634	41,299	70,290	96,242
Depreciation & Amort.	9,834	9,469	9,164	8,868
Investment losses/(income)	(581)	(711)	(747)	(784)
Working capital change	(12,663)	(948)	(5,549)	(7,564)
Other adjustments	10,944	(2,815)	(4,027)	(3,289)
Investing Cashflow	**(3,725)**	**(7,363)**	**(7,122)**	**(6,925)**
Capex	(6,056)	(8,000)	(8,000)	(8,000)
Change of L/T investment	(4,146)	0	0	0
Change of S/T investment	817	0	0	0
Other adjustments	5,191	0	0	0
Financing Cashflow	**(3,135)**	**10,349**	**(13,857)**	**(33,436)**
Increase in L/T debt	(543)	(1,000)	(1,000)	(1,000)
Increase in S/T debt	7,613	0	0	0
Issuance of stock	0	15,337	0	0
Cash dividends	(10,265)	(12,321)	(24,779)	(42,174)
Other adjustments	61	8,334	11,922	9,738
FX adjustment	(3,647)	139	0	0
Net change in cash	**20,356**	**49,412**	**48,151**	**53,111**

Consolidated Balance Sheet

NT$mn (Year End Dec 31)	2025	2026E	2027E	2028E
Cash	**81,473**	**130,886**	**179,037**	**232,148**
Mkt securities	16,634	16,634	16,634	16,634
AR/NR	27,792	33,751	46,132	59,487
Inventory	31,636	40,728	50,695	56,888
Others	7,811	10,626	14,653	17,942
Current Assets	**165,346**	**232,625**	**307,151**	**383,099**
Long-term investments	45,572	45,572	45,572	45,572
Fixed assets	65,305	63,199	61,157	59,213
Other assets	114,566	114,566	114,566	114,566
Total Assets	**390,789**	**455,962**	**528,446**	**602,450**
S/T borrowings	86,196	86,196	86,196	86,196
AP/NP	18,031	23,130	29,202	33,534
Other ST liabilities	31,852	40,858	51,584	59,236
Total Current Liabilities	**136,079**	**150,184**	**166,982**	**178,966**
L/T debt	57,589	56,589	55,589	54,589
Other LT libilities	23,124	31,458	43,380	53,118
Total Liabilities	**216,793**	**238,231**	**265,951**	**286,672**
Common shares	5,182	20,519	20,519	20,519
Retained Earnings	104,669	133,067	177,830	231,114
Other SH' Equity	64,145	64,145	64,145	64,145
Total Shareholders' Equity	**173,997**	**217,731**	**262,495**	**315,778**
Total Liab./SH's Equity	**390,789**	**455,962**	**528,446**	**602,450**

Consolidated Financial Ratios

	2025	2026E	2027E	2028E
Margins (%)				
Gross margin	36.2	39.8	44.9	48.4
Operating margin	22.4	28.1	35.2	39.7
Pretax margin	23.4	29.7	36.6	41.0
Net margin	17.8	22.8	28.2	31.5
YoY growth (%)				
Sales	9.3	36.0	37.9	22.4
Operating profits	27.4	70.5	73.0	37.9
Pretax profits	15.8	72.7	69.9	37.0
Net profits	22.1	74.7	70.2	36.9
Others				
Cash dividend payout (%)	52%	60%	60%	60%
Cash div (NT$)	6.00	12.07	20.54	28.12
Yield (%)	0%	1%	1%	2%
Net Debt/Equity (%)	26%	-2%	-21%	-34%
Liabilities/Equity (%)	125%	109%	101%	91%
Liabilities/Assets (%)	55%	52%	50%	48%
ROAE (%)	14%	21%	29%	33%
ROAA (%)	6%	10%	14%	17%
AR/NR Turnover (days)	68	62	58	63
Inventory Turnover (days)	128	121	121	124
AP/NP Turnover (days)	71	69	70	73
Cash conversion cycle	125	114	110	115

Source: Company data, Morgan Stanley Research (E) estimates.

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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(as of June 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	1544	42%	453	49%	29%	757	44%
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	

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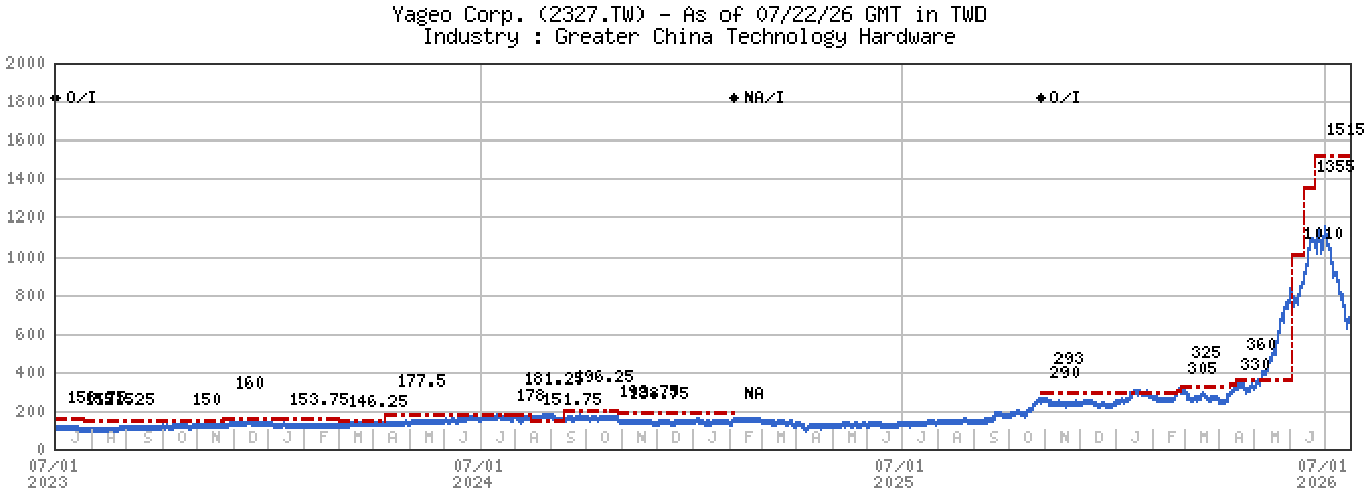
Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 7/1/21 : E/I; 1/4/22 : O/I; 2/5/25 : NA/I; 10/28/25 : O/I

Price Target History: 6/7/21 : 169.61; 7/7/21 : 172.76; 7/27/21 : 182.18; 10/19/21 : 141.35; 1/4/22 : 188.46; 6/23/22 : 155.48; 8/12/22 : 144.49; 10/28/22 : 116.25; 11/10/22 : 123.75; 1/9/23 : 157.5; 4/12/23 : 158.75; 7/17/23 : 152.5; 7/26/23 : 151.25; 10/18/23 : 150; 11/23/23 : 160; 1/9/24 : 153.75; 3/1/24 : 146.25; 4/11/24 : 177.5; 7/23/24 : 178; 7/30/24 : 181.25; 8/15/24 : 151.75; 9/12/24 : 196.25; 10/21/24 : 193.75; 10/29/24 : 188.75; 2/5/25 : NA; 10/28/25 : 290; 10/31/25 : 293; 2/23/26 : 305; 2/26/26 : 325; 4/9/26 : 330; 4/15/26 : 360; 6/2/26 : 1010; 6/13/26 : 1355; 6/22/26 : 1515

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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INDUSTRY COVERAGE: Greater China Technology Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (07/21/2026)
Andy Meng, CFA		
AAC Technologies Holdings (2018.HK)	O (01/29/2024)	HK$39.50
Accelink Technologies Co. Ltd. (002281.SZ)	U (05/12/2022)	Rmb191.90
BYD Electronics (0285.HK)	O (04/28/2023)	HK$23.80
China TransInfo Technology Co Ltd (002373.SZ)	E (07/18/2023)	Rmb7.38
Dahua Technology Co. Ltd. (002236.SZ)	E (12/12/2024)	Rmb16.61
Eoptolink Technology Inc Ltd (300502.SZ)	O (02/27/2026)	Rmb508.80
Genius Electronic Optical Co. Ltd. (3406.TW)	E (04/23/2025)	NT$529.00
GoerTek Inc (002241.SZ)	U (04/23/2025)	Rmb22.38
Gosuncn Technology Group Co Ltd (300098.SZ)	U (11/07/2022)	Rmb4.25
HIKVision Digital Technology (002415.SZ)	E (12/12/2024)	Rmb35.63
Largan Precision (3008.TW)	O (07/10/2026)	NT$4,000.00
LianChuang Electronic Technology Co Ltd (002036.SZ)	U (06/12/2024)	Rmb7.23
Lingyi Itech Guangdong Co (002600.SZ)	U (04/23/2025)	Rmb12.13
Luxshare Precision Industry Co., Ltd. (002475.SZ)	O (10/24/2016)	Rmb59.16
OFILM Group Co Ltd (002456.SZ)	U (06/12/2024)	Rmb6.83
Q Technology (Group) Company Ltd (1478.HK)	U (03/23/2026)	HK$6.96
Quectel Wireless Solutions Co Ltd (603236.SS)	E (10/09/2024)	Rmb51.45
Shanghai Conant Optical Co Ltd (2276.HK)	O (04/10/2026)	HK$29.60
Shenzhen Transsion Holdings Co Ltd (688036.SS)	E (03/23/2026)	Rmb60.05
Sunny Optical (2382.HK)	E (03/23/2026)	HK$57.30
Suzhou TFC Optical Communication Co Ltd. (300394.SZ)	E (11/06/2025)	Rmb217.63
Wingtech Technology Co Ltd (600745.SS)	U (05/18/2026)	Rmb16.28
Xiaomi Corp (1810.HK)	O (04/14/2021)	HK$27.42
Yangtze Optical Fibre and Cable JSC Ltd (601869.SS)	U (10/13/2021)	Rmb366.05

Yangtze Optical Fibre and Cable JSC Ltd (6869.HK)	O (07/15/2026)	HK$142.00
Yongxin Optics Co Ltd (603297.SS)	E (11/15/2022)	Rmb91.99
Zhejiang Crystal-Optech Co Ltd (002273.SZ)	O (11/15/2022)	Rmb26.95
Zhongji Innolight Co Ltd (300308.SZ)	++	Rmb1,060.80
ZTE Corporation (0763.HK)	O (06/04/2026)	HK$24.40
ZTE Corporation (000063.SZ)	E (06/04/2026)	Rmb37.50
Derrick Yang		
Accton Technology Corporation (2345.TW)	O (06/06/2024)	NT$2,285.00
Advantech (2395.TW)	O (01/20/2021)	NT$596.00
AirTAC International (1590.TW)	O (04/16/2025)	NT$1,430.00
Asia Vital Components Co. Ltd. (3017.TW)	O (07/30/2024)	NT$2,265.00
AU Optronics (2409.TW)	E (02/10/2026)	NT$25.80
Auras Technology Co Ltd (3324.TWO)	E (05/04/2023)	NT$926.00
Bizlink (3665.TW)	O (03/10/2025)	NT$2,115.00
BOE Technology (000725.SZ)	O (09/06/2019)	Rmb6.04
Chenbro (8210.TW)	O (07/23/2025)	NT$1,150.00
Chroma Ate Inc. (2360.TW)	O (10/05/2021)	NT$2,125.00
Delta Electronics Inc. (2308.TW)	O (07/13/2017)	NT$1,880.00
E Ink Holdings Inc. (8069.TWO)	O (05/11/2026)	NT$193.00
Ennostar Inc (3714.TW)	U (09/23/2022)	NT$53.80
Fositek Corp (6805.TW)	O (06/25/2025)	NT$1,395.00
Hiwin Technologies Corp. (2049.TW)	O (03/30/2026)	NT$320.50
Innolux (3481.TW)	E (04/07/2025)	NT$52.50
King Slide Works Co. Ltd. (2059.TW)	O (11/08/2023)	NT$8,125.00
Lens Technology (300433.SZ)	E (07/22/2020)	Rmb36.80
Lite-On Technology (2301.TW)	E (01/15/2025)	NT$218.00
Radiant Opto-Electronics Corporation (6176.TW)	E (03/01/2024)	NT$87.40
TCL Corp. (000100.SZ)	E (04/07/2025)	Rmb5.15
Tianma Microelectronics (000050.SZ)	U (01/24/2018)	Rmb6.29
Wuhan Jingce Electronic Group Co Ltd (300567.SZ)	E (11/26/2021)	Rmb225.54
Howard Kao		
Acer Inc. (2353.TW)	U (04/23/2025)	NT$30.55
Asustek Computer Inc. (2357.TW)	U (11/16/2025)	NT$757.00
Catcher Technology (2474.TW)	U (11/17/2025)	NT$193.00
Compal Electronics (2324.TW)	U (04/23/2025)	NT$36.20
FIT Hon Teng Ltd (6088.HK)	O (11/03/2025)	HK$5.56
Foxconn Industrial Internet Co. Ltd. (601138.SS)	O (07/10/2019)	Rmb60.71
Giga-Byte Technology Co. Ltd. (2376.TW)	E (11/16/2025)	NT$348.00
Gold Circuit Electronics Ltd. (2368.TW)	O (10/06/2022)	NT$940.00
Hon Hai Precision (2317.TW)	O (03/15/2024)	NT$251.50
Inspur Electronic Information (000977.SZ)	E (08/28/2023)	Rmb90.47
LandMark Optoelectronics Corporation (3081.TWO)	E (03/26/2026)	NT$1,515.00
Lenovo (0992.HK)	O (07/10/2026)	HK$23.24
Lotes Co. Ltd. (3533.TW)	E (05/12/2025)	NT$2,010.00
Nan Ya PCB (8046.TW)	O (02/23/2026)	NT$1,305.00
Pegatron Corporation (4938.TW)	E (03/25/2026)	NT$84.40
Quanta Computer Inc. (2382.TW)	O (05/01/2023)	NT$329.00
Shengyi Technology Co Ltd. (600183.SS)	E (05/26/2022)	Rmb126.00
Shennan Circuits Co Ltd (002916.SZ)	E (08/24/2023)	Rmb337.98
Unimicron (3037.TW)	O (02/23/2026)	NT$907.00
Visual Photonics Epitaxy Co Ltd (2455.TW)	E (09/11/2023)	NT$324.50
Wistron Corporation (3231.TW)	O (07/12/2023)	NT$164.00
Wiwynn Corp (6669.TW)	O (11/10/2025)	NT$5,500.00
Yageo Corp. (2327.TW)	O (10/28/2025)	NT$703.00
Zhen Ding (4958.TW)	O (05/18/2026)	NT$559.00

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