Morgan Stanley | RESEARCH

UPDATE

October 8, 2026 11:00 AM GMT

Largan Precision | Asia Pacific

3Q26 Results Miss on Lower GPM, but FAU/CPO Development Well on Track

AlphaSignals Earnings Reaction

Unchanged	**Meaningful shortfall**	**Modest revision lower**
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

Key Takeaways

- 3Q26 gross margin is 42.2%, which is lower-than-expected and triggers a 31-36% GP and OP miss vs. our estimates.
- Revenue is likely to be flat MoM in October and decline sequentially in November.
- CPO-related (FAU) has seen good progress with new product verification passed.

Largan reported 3Q26 net income of NT$5.182bn, down 27% YoY.

The company reported a 11% YoY revenue decline, to NT$15.651bn; gross margin declined YoY and QoQ to 42.2% in 3Q26, lower than expected due to lower new-project yields and structural green electricity cost hikes.

Management expects shipments to be flat MoM in October and decline sequentially in November as order momentum is weaker-than-expected.

FAU/CPO development well on track: First FA project passed customer verification; expanding from FA into FAU, including coupling and potential FAU-to-carrier assembly, with a dedicated new facility expected to support mass production from around mid-2027. We maintain our long-term positive view on Largan's FAU/CPO opportunities.

Exhibit 1: 3Q26 results summary

NT$mn	3Q26	2Q26	QoQ	3Q25	YoY
Net sales	15,651	13,665	15%	17,677	-11%
Gross profit	6,607	6,753	-2%	8,352	-21%
% margin	42.2%	49.4%	-7%	47.2%	-5%
OPEX	-1,872	-1,605	17%	-2,088	-10%
% OPEX	12.0%	11.7%	0%	11.8%	0%
Operating income	4,735	5,148	-8%	6,265	-24%
% margin	30.3%	37.7%	-7%	35.4%	-5%
Net income	5,182	4,670	11%	7,080	-27%
% margin	33.1%	34.2%	-1%	40.1%	-7%
EPS (NT$)	39.62	35.73	11%	53.05	-25%

Source: Company data, Morgan Stanley Research

MORGAN STANLEY ASIA LIMITED+

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

Betty Chen
Research Associate
Betty.H.Chen@morganstanley.com +852 2239-7213

Largan Precision (3008.TW, 3008 TT)

Greater China Technology Hardware | Taiwan

Stock Rating	**Equal-weight**
Industry View	**In-Line**
Price target	NT$7,100.00
Up/downside to price target (%)	7
Shr price, close (Oct 8, 2026)	NT$6,660.00
52-Week Range	NT$7,995.00-2,020.00
Sh out, dil, curr (mn)	134
Mkt cap, curr (mn)	NT$893,374
EV, curr (mn)	NT$762,165
Avg daily trading value (mn)	NT$5,658

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	159.40	184.85	204.18	215.63
Prior EPS (NT$)**	-	-	-	-
Revenue, net (NT$ mn)	61,148	66,920	74,757	77,025
EBITDA (NT$ mn)	31,260	33,813	37,386	39,037
ModelWare net inc (NT $ mn)	21,275	24,179	26,707	28,204
P/E	15.7	36.0	32.6	30.9
P/BV	1.7	4.1	3.6	3.2
ROE (%)	11.5	12.7	12.4	11.7

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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Exhibit 2: 3Q26 results vs. our estimates and consensus

NT$ mn	3Q26	MSe	Diff	Cons.	Diff
Net sales	15,651	19,255	-19%	18,403	-15%
Gross profit	6,607	9,627	-31%	9,131	-28%
% margin	42.2%	50.0%	-8%	49.6%	-7%
OPEX	-1,872	-2,274	-18%	-2,169	-14%
% OPEX	12.0%	11.8%	0%	11.8%	0%
Operating income	4,735	7,353	-36%	6,962	-32%
% margin	30.3%	38.2%	-8%	37.8%	-8%
Net income	5,182	6,988	-26%	6,743	-23%
% margin	33.1%	36.3%	-3%	36.6%	-4%
EPS (NT$)	39.62	53.43	-26%	51.35	-23%

Source: Company data, FactSet, Morgan Stanley Research estimates

Valuation Methodology and Risks

Largan Precision (3008.TW)

Base case: Our price target is based on an SOTP valuation, comprising the traditional business and potential FAU opportunity. We value the traditional business using a residual income model, consistent with our Greater China Hardware Tech coverage, assuming an 8.5% cost of equity, a 7% net profit CAGR over 2026-36E and a 3% terminal growth rate. We separately value the FAU business, assuming a 40% market share in 2028.

Risks to Upside

- Better-than-expected high-end smartphone demand
- Faster-than-expected penetration of periscopes
- Stronger-than-expected CPO volume growth

Risks to Downside

- Greater-than-expected competition, which would erode Largan's ASP and gross margin
- Weaker-than-expected smartphone demand, especially for high-end models
- Market share gains and more pricing pressure from Sunny
- Weaker-than-expected CPO volume growth

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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	

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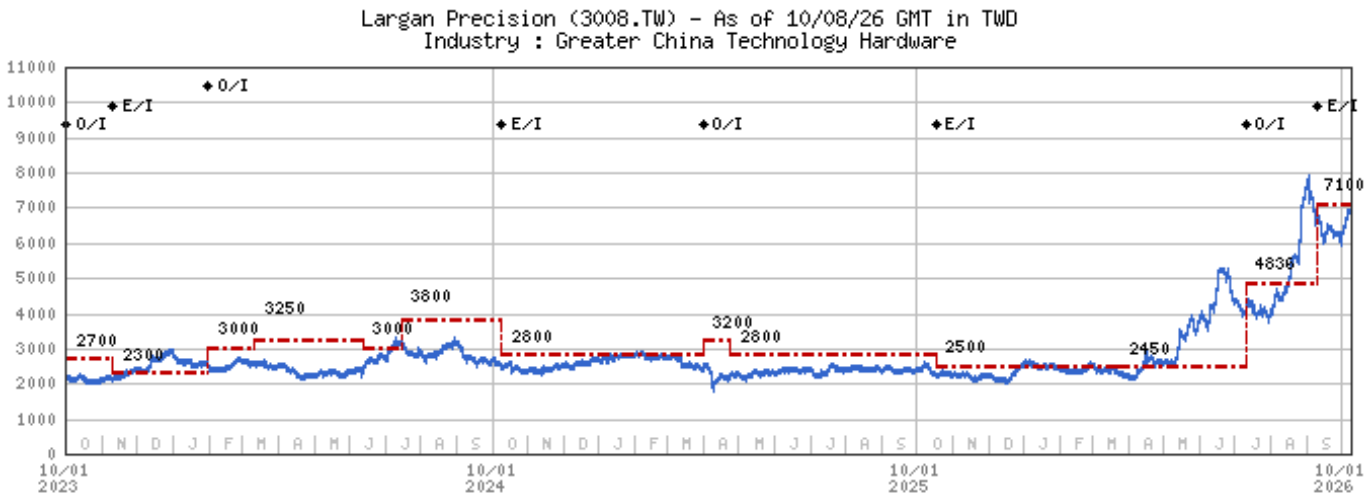
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INDUSTRY COVERAGE: Greater China Technology Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/08/2026)
Andy Meng, CFA		
AAC Technologies Holdings (2018.HK)	O (01/29/2024)	HK$37.24
Accelink Technologies Co. Ltd. (002281.SZ)	U (05/12/2022)	Rmb152.01
BYD Electronics (0285.HK)	O (04/28/2023)	HK$22.14
China TransInfo Technology Co Ltd (002373.SZ)	E (07/18/2023)	Rmb7.18
Dahua Technology Co. Ltd. (002236.SZ)	E (12/12/2024)	Rmb15.29
Eoptolink Technology Inc Ltd (300502.SZ)	O (02/27/2026)	Rmb378.50
Genius Electronic Optical Co. Ltd. (3406.TW)	U (09/10/2026)	NT$1,060.00
GoerTek Inc (002241.SZ)	E (08/14/2026)	Rmb21.70
Gosuncn Technology Group Co Ltd (300098.SZ)	U (11/07/2022)	Rmb4.10
HIKVision Digital Technology (002415.SZ)	E (12/12/2024)	Rmb33.00
Largan Precision (3008.TW)	E (09/10/2026)	NT$6,660.00
LianChuang Electronic Technology Co Ltd (002036.SZ)	U (06/12/2024)	Rmb5.83
Lingyi Itech Guangdong Co (002600.SZ)	U (04/23/2025)	Rmb11.42
Lingyi Itech Guangdong Co (1688.HK)	O (08/14/2026)	HK$5.18
Luxshare Precision Industry Co., Ltd. (2475.HK)	O (08/14/2026)	HK$50.80
Luxshare Precision Industry Co., Ltd. (002475.SZ)	O (10/24/2016)	Rmb48.43
OFILM Group Co Ltd (002456.SZ)	U (06/12/2024)	Rmb6.39
Q Technology (Group) Company Ltd (1478.HK)	U (03/23/2026)	HK$4.84
Quectel Wireless Solutions Co Ltd (603236.SS)	E (10/09/2024)	Rmb68.49
Shanghai Conant Optical Co Ltd (2276.HK)	O (04/10/2026)	HK$35.06
Shenzhen Transsion Holdings Co Ltd (688036.SS)	E (03/23/2026)	Rmb46.10
Sunny Optical (2382.HK)	E (03/23/2026)	HK$60.05
Suzhou TFC Optical Communication Co Ltd. (300394.SZ)	E (11/06/2025)	Rmb235.07

Wingtech Technology Co Ltd (600745.SS)	U (05/18/2026)	Rmb16.00
Xiaomi Corp (1810.HK)	O (04/14/2021)	HK$23.66
Yangtze Optical Fibre and Cable JSC Ltd (601869.SS)	U (10/13/2021)	Rmb393.99
Yangtze Optical Fibre and Cable JSC Ltd (6869.HK)	O (07/15/2026)	HK$167.60
Yongxin Optics Co Ltd (603297.SS)	E (11/15/2022)	Rmb101.20
Zhejiang Crystal-Optech Co Ltd (002273.SZ)	O (11/15/2022)	Rmb23.15
Zhongji Innolight Co Ltd (300308.SZ)	O (09/07/2026)	Rmb783.00
Zhongji Innolight Co Ltd (3308.HK)	O (09/07/2026)	HK$999.50
ZTE Corporation (0763.HK)	O (06/04/2026)	HK$20.70
ZTE Corporation (000063.SZ)	E (06/04/2026)	Rmb29.32
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)	Rmb30.04
Lite-On Technology (2301.TW)	E (01/15/2025)	NT$297.50
TCL Corp. (000100.SZ)	E (04/07/2025)	Rmb4.63
Tianma Microelectronics (000050.SZ)	U (01/24/2018)	Rmb6.18
Wuhan Jingce Electronic Group Co Ltd (300567.SZ)	E (11/26/2021)	Rmb175.19
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$4.67
Foxconn Industrial Internet Co. Ltd. (601138.SS)	O (07/10/2019)	Rmb55.69
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)	Rmb64.56
Kingboard Laminates Holdings Ltd. (1888.HK)	O (09/14/2026)	HK$50.15
LandMark Optoelectronics Corporation (3081.TWO)	E (03/26/2026)	NT$2,960.00
Lenovo (0992.HK)	O (07/10/2026)	HK$32.32
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)	Rmb131.86
Shennan Circuits Co Ltd (002916.SZ)	E (08/24/2023)	Rmb368.02
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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