Morgan Stanley | RESEARCH

UPDATE

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Accton Technology Corporation | Asia Pacific

Read-across from Celestica's 3Q26 Results

We see positive implications for Accton given demand strength (1.6T migration amid sustaining 800G) and breadth (scale up opportunities) of ethernet switches in future.

Celestica (CLS.N, not covered) 3Q26 results:

- 3Q26 revenue of US$5,830mn (+24% QoQ/+83% YoY), non-GAAP operating margin of 8.5%, a record high, and non-GAAP EPS of US$3.30 (+30% QoQ/ +109% YoY).
  - Higher than guidance and 7%/13% above consensus for revenue/earnings, respectively.
  - Drivers: Stronger CCS revenue (84% of the mix in 3Q26), including networking and compute/storage growth of 68% and 242% YoY, respectively, vs. guidance 60% and 190% YoY.
- 4Q26 revenue guided at US$6,275-6,575mn (+10% QoQ/+76% YoY at the midpoint) vs. consensus at US$6,396mn, management raising 2026 target to US$21bn for revenue (+69% YoY vs. prior US$20.5bn) and US$11.55 for non-GAAP EPS (+91% YoY vs. prior US$11.3).
  - Driven by hyperscaler-led 800G demand and ramping 1.6T programs, along with continued AI compute and storage demand.
- 2027 revenue guided at US$40bn (+90% YoY), non-GAAP OPM at 9.0% (+0.6ppt YoY) and non-GAAP EPS at US$21.5 (+86% YoY)
  - It expects CCS to grow 110% (1.6T/800G on networking and ASIC ramp on compute/storage) and ATS at 10%, with revenue skewed to 2H on multiple large ramps and momentum likely sustaining into 2028.
- Pluggable should remain the mainstream interconnect solution, while CPO might pick up more meaningfully from 3.2T, per company.
- CLS expects ethernet scale up could represent new opportunities in future.

Our view:

- While the customer profiles are different, we still see positive implications from Celestica's comments for Accton regarding demand strength (1.6T migration amid sustaining 800G) and breadth (scale up opportunities) of ethernet switches.
- We stay constructive on Accton, and believe it will continue to benefit from the secular growth in network switches amid increasing data traffic, spec upgrades, and a wider customer base as well as the AI accelerator modules on the initiatives for compute diversity.

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Accton Technology Corporation (2345.TW, 2345 TT)
Top Pick

Greater China Technology Hardware | Taiwan

Stock Rating	**Overweight**
Industry View	**In-Line**
Price target	NT$3,500.00
Up/downside to price target (%)	99
Shr price, close (Oct 27, 2026)	NT$1,760.00
52-Week Range	NT$2,825.00-888.00
Sh out, dil, curr (mn)	559
Mkt cap, curr (mn)	NT$983,678
EV, curr (mn)	NT$923,027
Avg daily trading value (mn)	NT$8,388

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	47.13	83.77	115.77	145.77
Prior EPS (NT$)**	-	-	-	-
EPS (NT$)§	45.42	85.80	118.74	166.21
Revenue, net (NT$ mn)	248,320	413,479	541,272	667,428
EBITDA (NT$ mn)	33,894	62,436	85,653	106,950
ModelWare net inc (NT $ mn)	26,342	46,817	64,707	81,472
P/E	25.1	21.0	15.2	12.1
P/BV	11.5	10.5	6.9	4.8
RNOA (%)	622.3	(1,479.8)	4,110.1	1,435.9
ROE (%)	72.6	81.2	69.2	56.9
EV/EBITDA	17.8	14.3	9.9	7.4
Div yld (%)	0.9	1.1	1.5	1.9
FCF yld ratio (%)**	4.5	4.3	6.2	7.9
Leverage (EOP) (%)	(101.7)	(96.2)	(94.8)	(94.4)

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

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AlphaSignals Catalyst Event Reaction

Company / Catalyst	Date	Impact to thesis	Catalyst versus expectation
Accton Technology Corporation 2345.TW			
Celestica's 3Q26 Results	27 Oct 2026	Unchanged	↑ Modest upside surprise

Source: Company data, Morgan Stanley Research

More Takeaways

Further comments from Celestica:

- Demand visibility is lengthening and it is now having conversations with customers for 2029/2030 projects
- Still seeing lots of pluggables during 1.6T, while it expects CPO to play out more prominently in 3.2T.
- It has won a new hyperscaler program to co-design and manufacture a 1.6T rack-scale CPO networking solution, with production scheduled to ramp in late 2027, per management.

Valuation Methodology and Risks

Accton Technology Corporation (2345.TW)

Base case, P/E, which we believe better captures the company's earnings growth momentum. We assign a target P/E of 30x to our 2027 EPS estimate, which we view as justified by an operating profit CAGR of 48% for 2025-28, based on our estimates. This implies a PEG of around 0.6, vs. its average of 0.7 over 2019-25, when the stock was trading at a P/E of 22x for an operating profit CAGR of 32%.

Risks to Upside

- Stronger data center capex
- Faster network switch spec migration
- InfiniBand losing share in AI networks
- Stronger custom AI accelerator growth
- Stronger ODM direct business model adoption

Risks to Downside

- Weaker data center capex
- Slower network switch spec migration
- InfiniBand taking more share in AI networks
- Softer custom AI accelerator growth
- Softer ODM direct business model adoption

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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	

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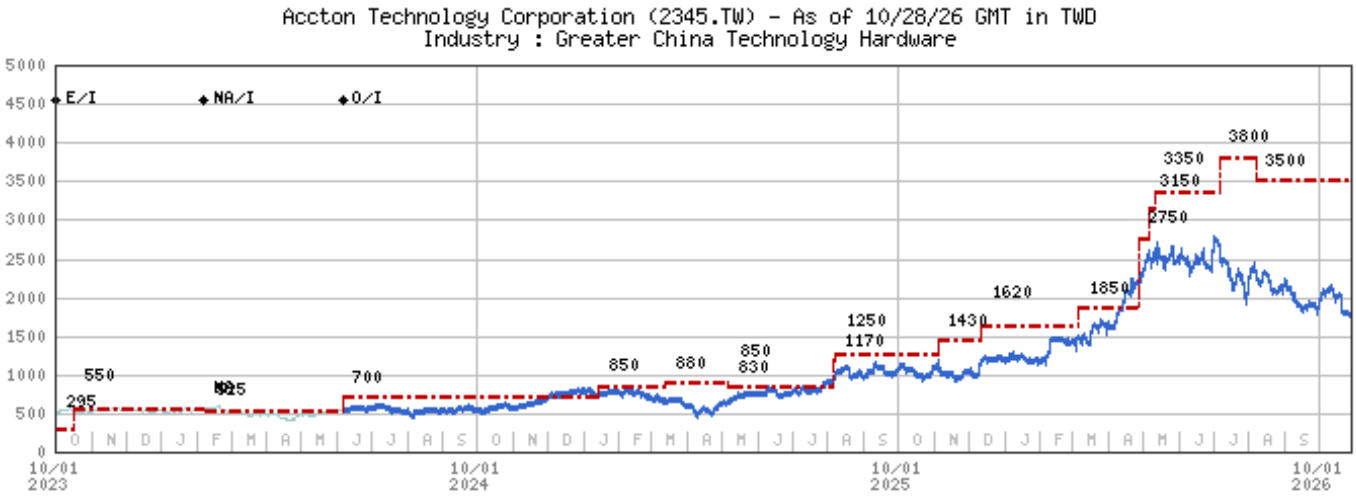
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INDUSTRY COVERAGE: Greater China Technology Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/27/2026)
Andy Meng, CFA		
AAC Technologies Holdings (2018.HK)	O (01/29/2024)	HK$35.20
Accelink Technologies Co. Ltd. (002281.SZ)	U (05/12/2022)	Rmb119.97
BYD Electronics (0285.HK)	O (04/28/2023)	HK$21.98
China TransInfo Technology Co Ltd (002373.SZ)	E (07/18/2023)	Rmb7.99
Dahua Technology Co. Ltd. (002236.SZ)	E (12/12/2024)	Rmb14.54
Eoptolink Technology Inc Ltd (300502.SZ)	O (02/27/2026)	Rmb237.59
Genius Electronic Optical Co. Ltd. (3406.TW)	E (10/13/2026)	NT$1,210.00
GoerTek Inc (002241.SZ)	E (08/14/2026)	Rmb23.11
Gosuncn Technology Group Co Ltd (300098.SZ)	U (11/07/2022)	Rmb4.25
HIKVision Digital Technology (002415.SZ)	E (12/12/2024)	Rmb34.25
Largan Precision (3008.TW)	O (10/13/2026)	NT$6,000.00
LianChuang Electronic Technology Co Ltd (002036.SZ)	U (06/12/2024)	Rmb5.58
Lingyi Itech Guangdong Co (002600.SZ)	U (04/23/2025)	Rmb11.35
Lingyi Itech Guangdong Co (1688.HK)	O (08/14/2026)	HK$4.78
Luxshare Precision Industry Co., Ltd. (2475.HK)	O (08/14/2026)	HK$48.20
Luxshare Precision Industry Co., Ltd. (002475.SZ)	O (10/24/2016)	Rmb48.80
OFILM Group Co Ltd (002456.SZ)	U (06/12/2024)	Rmb6.23
Q Technology (Group) Company Ltd (1478.HK)	U (03/23/2026)	HK$4.61
Quectel Wireless Solutions Co Ltd (603236.SS)	E (10/09/2024)	Rmb70.72
Shanghai Conant Optical Co Ltd (2276.HK)	O (04/10/2026)	HK$34.36
Shenzhen Transsion Holdings Co Ltd (688036.SS)	E (03/23/2026)	Rmb54.99
Sunny Optical (2382.HK)	E (03/23/2026)	HK$63.35
Suzhou TFC Optical Communication Co Ltd. (300394.SZ)	E (11/06/2025)	Rmb188.62

Wingtech Technology Co Ltd (600745.SS)	U (05/18/2026)	Rmb10.50
Xiaomi Corp (1810.HK)	O (04/14/2021)	HK$25.66
Yangtze Optical Fibre and Cable JSC Ltd (601869.SS)	U (10/13/2021)	Rmb289.51
Yangtze Optical Fibre and Cable JSC Ltd (6869.HK)	O (07/15/2026)	HK$103.70
Yongxin Optics Co Ltd (603297.SS)	E (11/15/2022)	Rmb95.18
Zhejiang Crystal-Optech Co Ltd (002273.SZ)	O (11/15/2022)	Rmb21.44
Zhongji Innolight Co Ltd (300308.SZ)	O (09/07/2026)	Rmb577.00
Zhongji Innolight Co Ltd (3308.HK)	O (09/07/2026)	HK$725.00
ZTE Corporation (0763.HK)	O (06/04/2026)	HK$19.94
ZTE Corporation (000063.SZ)	E (06/04/2026)	Rmb28.33
Derrick Yang		
Accton Technology Corporation (2345.TW)	O (06/06/2024)	NT$1,760.00
Advantech (2395.TW)	O (01/20/2021)	NT$687.00
AirTAC International (1590.TW)	O (04/16/2025)	NT$1,140.00
Asia Vital Components Co. Ltd. (3017.TW)	O (07/30/2024)	NT$3,130.00
AU Optronics (2409.TW)	E (02/10/2026)	NT$33.45
Auras Technology Co Ltd (3324.TWO)	E (05/04/2023)	NT$1,335.00
Bizlink (3665.TW)	O (03/10/2025)	NT$1,735.00
BOE Technology (000725.SZ)	O (09/06/2019)	Rmb4.73
Chenbro (8210.TW)	O (07/23/2025)	NT$775.00
Chroma Ate Inc. (2360.TW)	O (10/05/2021)	NT$1,955.00
Delta Electronics Inc. (2308.TW)	O (07/13/2017)	NT$1,510.00
E Ink Holdings Inc. (8069.TWO)	E (08/10/2026)	NT$157.00
Ennostar Inc (3714.TW)	U (09/23/2022)	NT$61.90
Fositek Corp (6805.TW)	O (06/25/2025)	NT$2,250.00
Hiwin Technologies Corp. (2049.TW)	O (03/30/2026)	NT$328.50
Innolux (3481.TW)	E (04/07/2025)	NT$46.25
King Slide Works Co. Ltd. (2059.TW)	O (11/08/2023)	NT$9,810.00
Lens Technology (300433.SZ)	E (07/22/2020)	Rmb26.58
Lite-On Technology (2301.TW)	E (01/15/2025)	NT$252.50
TCL Corp. (000100.SZ)	E (04/07/2025)	Rmb4.43
Tianma Microelectronics (000050.SZ)	U (01/24/2018)	Rmb5.75
Howard Kao		
Acer Inc. (2353.TW)	U (04/23/2025)	NT$33.15
Asustek Computer Inc. (2357.TW)	U (11/16/2025)	NT$967.00
Catcher Technology (2474.TW)	U (11/17/2025)	NT$198.00
Compal Electronics (2324.TW)	U (04/23/2025)	NT$37.60
Elite Material Co. (2383.TW)	O (09/14/2026)	NT$4,750.00
FIT Hon Teng Ltd (6088.HK)	O (11/03/2025)	HK$3.56
Foxconn Industrial Internet Co. Ltd. (601138.SS)	O (07/10/2019)	Rmb45.92
Giga-Byte Technology Co. Ltd. (2376.TW)	E (11/16/2025)	NT$357.50
Gold Circuit Electronics Ltd. (2368.TW)	O (10/06/2022)	NT$1,080.00
Hon Hai Precision (2317.TW)	O (03/15/2024)	NT$247.50
Inspur Electronic Information (000977.SZ)	E (08/28/2023)	Rmb54.84
Kingboard Laminates Holdings Ltd. (1888.HK)	O (09/14/2026)	HK$37.22
LandMark Optoelectronics Corporation (3081.TWO)	E (03/26/2026)	NT$2,500.00
Lenovo (0992.HK)	O (07/10/2026)	HK$22.38
Lotes Co. Ltd. (3533.TW)	O (10/27/2026)	NT$1,925.00
Nan Ya PCB (8046.TW)	O (02/23/2026)	NT$1,255.00
Pegatron Corporation (4938.TW)	E (03/25/2026)	NT$105.00
Quanta Computer Inc. (2382.TW)	O (05/01/2023)	NT$327.50
Shengyi Technology Co Ltd. (600183.SS)	E (05/26/2022)	Rmb97.61
Shennan Circuits Co Ltd (002916.SZ)	E (08/24/2023)	Rmb260.01
Unimicron (3037.TW)	O (02/23/2026)	NT$1,060.00
Visual Photonics Epitaxy Co Ltd (2455.TW)	E (09/11/2023)	NT$466.00

Wistron Corporation (3231.TW)	O (07/12/2023)	NT$190.50
Wiwynn Corp (6669.TW)	O (11/10/2025)	NT$1,950.00
Yageo Corp. (2327.TW)	O (10/28/2025)	NT$521.00
Zhen Ding (4958.TW)	++	NT$520.00
Irene Yen		
Co-Tech Development Corp. (8358.TWO)	O (09/14/2026)	NT$420.50
Taiwan Union Technology Corporation (6274.TWO)	O (09/14/2026)	NT$1,280.00

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