Morgan Stanley | RESEARCH

UPDATE

July 28, 2026 12:33 PM GMT

Unimicron | Asia Pacific

2Q26 GM beat with good cost control; OW

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AlphaSignals Earnings Reaction

Strengthens our thesis	Meaningful upside	Meaningful 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

- We attribute Unimicron's sequential margin expansion in 2Q primarily to price increases and higher utilization across both its ABF and BT substrate businesses.
- This is consistent with our supply-chain checks, which indicated stronger pricing for ABF and BT substrates during the quarter...
- ...driven by raw material cost inflation and tightening supply.
- The 2Q GM improvement exceeded both our preview and broader buy-side expectations, but was in line with the more bullish investor forecasts.
- Stay OW. We continue to prefer Unimicron to NYPCB and Zhen Ding on a 12-month view.

Details of 2Q:

- GM was 24.8% (+680bps q/q, +1,170bps y/y), 270bps above our estimate and 280bps above the Street.
- OP was NT$6,651mn (+141% q/q, +341% y/y), 30% above our estimate and 22% above the Street, for OpM of 15.5% (+810bps q/q, +1,090bps y/y).
- Non-op income was exceptionally high at NT$8,925mn, which could be attributed to gains on financial assets.
- Thus, NP came in at NT$13.1bn (+160% q/q), 238% above our estimate and 153% above the Street, for EPS of NT$8.45.

Capex for 2026 is raised NT$19.7bn, to NT$53.7bn: The purchase order of long-lead time equipment increases NT$17.6bn, to NT$31.7bn.

Management should be able to provide more color on the quarter and outlook during its post-earnings briefing at 2 PM HKT tomorrow.

See our preview.

Unimicron (3037.TW, 3037 TT)

Greater China Technology Hardware | Taiwan

Stock Rating	**Overweight**
Industry View	**In-Line**
Price target	NT$1,465.00
Up/downside to price target (%)	92
Shr price, close (Jul 28, 2026)	NT$764.00
52-Week Range	NT$1,130.00-128.18
Sh out, dil, curr (mn)	1,505
Mkt cap, curr (mn)	US$35,607
EV, curr (mn)	US$37,973
Avg daily trading value (mn)	US$455

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	4.34	14.85	33.48	58.07
EPS (NT$)§	3.93	16.08	33.71	52.70
Revenue, net (NT$ mn)	131,241	184,755	265,117	355,074
EBITDA (NT$ mn)	26,272	45,798	84,898	131,827
ModelWare net inc (NT $ mn)	6,673	22,855	51,521	89,367
P/E	50.7	51.4	22.8	13.2
P/BV	3.2	9.3	7.0	5.0
RNOA (%)	3.7	11.3	25.6	41.9
ROE (%)	6.7	21.4	40.7	53.4
EV/EBITDA	15.8	26.7	14.1	8.7
Div yld (%)	0.7	0.3	0.9	2.0
FCF yld ratio (%)	(0.6)	2.5	6.5	9.8
Leverage (EOP) (%)	(8.6)	(31.2)	(64.3)	(86.1)

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

Valuation Methodology and Risks

Unimicron (3037.TW)

Base case, residual income (RI) valuation model, which we think derives the most accurate value of the firm given that it takes into account cost of equity. We use a cost of equity of 9.2% [risk-free rate of 1% (10-year Taiwan government note yield), equity risk premium of 8.7%, and a beta of 1.0], a medium-term growth rate of 15%, and a terminal growth rate of 3%.

Risks to Upside

- Better-than-expected ABF substrate demand from PC and server customers
- Capex cuts; halt to its capacity expansion plan
- Continued yield issues of alternative technology that doesn't require substrate (e.g., CoWoP)

Risks to Downside

- Sudden demand shortfall
- Technological change that would not require ABF substrates
- Intensifying competition
- Yield issues or production hiccups when ramping new capacity

Zhen Ding (4958.TW)

Base case, residual income model. Key assumptions include a cost of equity of 10%, a medium-term growth rate of 15% and a terminal growth rate of 3%.

Risks to Upside

- Higher-than-expected F-PCB content increase for iPhones
- Better-than-expected production yield/share allocation for SLP
- Share gains on higher margin F-PCB pieces

Risks to Downside

- Worse-than-expected iPhone sell-through
- Lower-than-expected F-PCB content increase for iPhones
- Worse-than-expected production yield/share allocation for SLP
- Increasing competition from Chinese peers, intensifying pricing pressure

Nan Ya PCB (8046.TW)

Base case, residual income (RI) valuation model, which we think derives the most accurate value of the firm given that it takes into account cost of equity. We use a cost of equity of 9.3% [risk-free rate of 1% (10-year Taiwan government note yield), equity risk premium of 8.7%, and a beta of 1.0], a medium-term growth rate of 17%, and a terminal growth rate of 3%.

Risks to Upside

- Better-than-expected ABF and BT demand
- Faster-than-expected pickup in AI and 5G demand
- Stronger-than-expected ASP hike

- Continued yield issues of alternative technology that doesn't require substrate (e.g. CoWoP)

Risks to Downside

- Sudden demand shortfall, creating headwinds for ABF substrate demand and pricing
- Technological change that would not require ABF substrates
- Intensifying competition

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(as of June 30, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
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.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

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Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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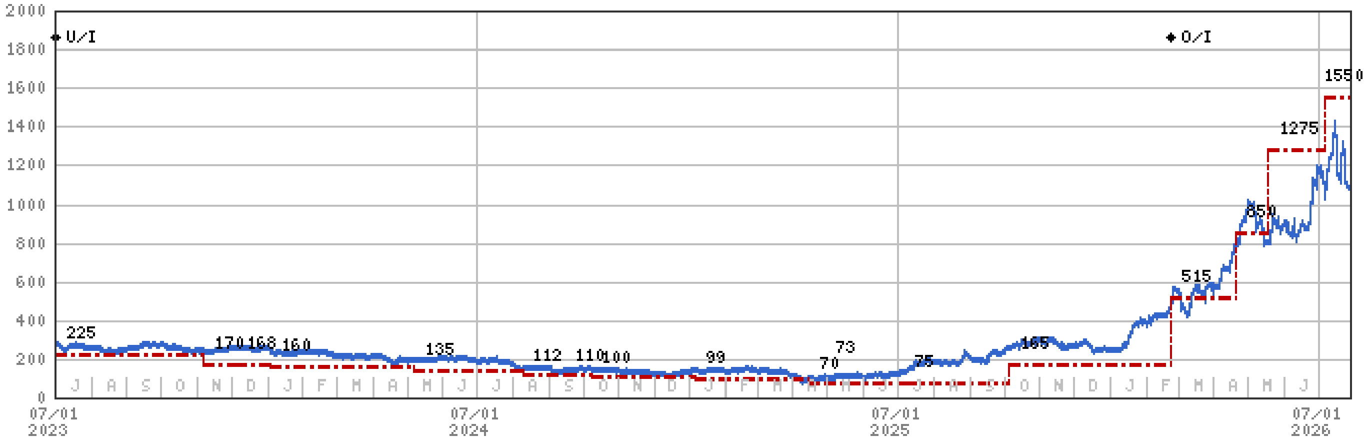
Stock Price, Price Target and Rating History (See Rating Definitions)

Nan Ya PCB (8046.TW) - As of 07/28/26 GMT in TWD
Industry : Greater China Technology Hardware



Stock Rating History: 7/1/21 : NA/I; 10/22/21 : O/I; 6/1/22 : E/I; 12/21/22 : U/I; 2/23/26 : O/I

Price Target History: 10/22/21 : 580; 11/9/21 : 630; 2/9/22 : 650; 2/25/22 : 670; 6/1/22 : 420; 8/23/22 : 275; 10/27/22 : 235; 12/21/22 : 180; 2/2/23 : 165; 2/25/23 : 155; 6/7/23 : 225; 11/7/23 : 170; 12/4/23 : 168; 1/4/24 : 160; 5/7/24 : 135; 8/9/24 : 112; 9/15/24 : 110; 10/8/24 : 100; 1/6/25 : 99; 4/15/25 : 70; 4/29/25 : 73; 7/7/25 : 75; 10/6/25 : 165; 2/23/26 : 515; 4/20/26 : 850; 5/18/26 : 1275; 7/7/26 : 1550

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) —
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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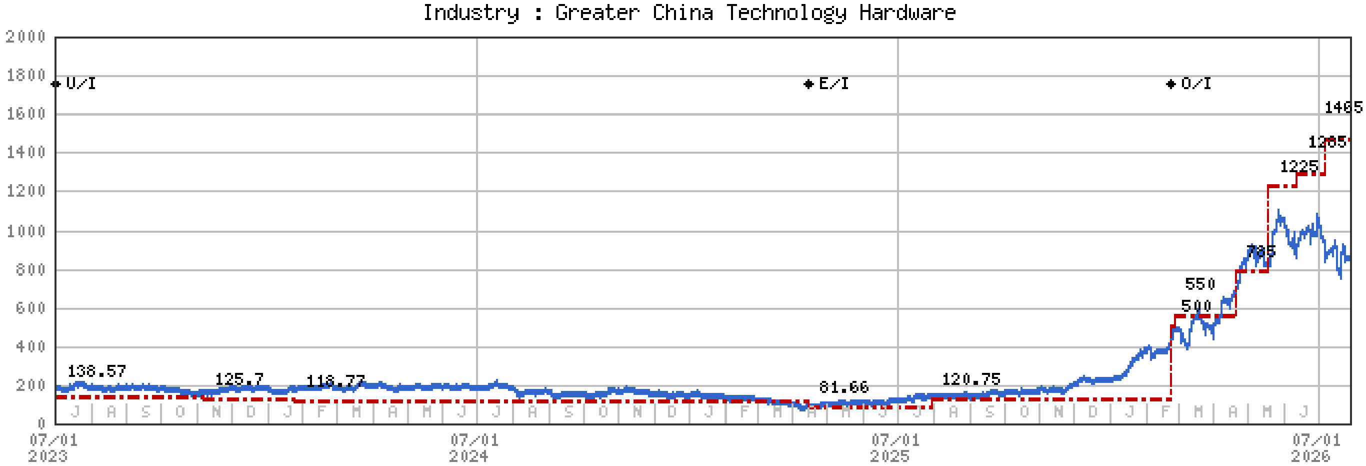
Unimicron (3037.TW) - As of 07/28/26 GMT in TWD
Industry : Greater China Technology Hardware



Stock Rating History: 7/1/21 : NA/I; 10/22/21 : O/I; 6/1/22 : E/I; 2/22/23 : U/I; 4/15/25 : E/I; 2/23/26 : O/I

Price Target History: 10/22/21 : 188.06; 10/27/21 : 237.55; 2/9/22 : 267.24; 2/24/22 : 366.22; 6/1/22 : 237.55; 8/23/22 : 178.16; 10/27/22 : 133.62; 12/21/22 : 123.72; 2/2/23 : 116.79; 2/22/23 : 98.98; 6/7/23 : 138.57; 11/7/23 : 125.7; 1/24/24 : 118.77; 4/15/25 : 81.66; 7/30/25 : 120.75; 2/23/26 : 500; 2/26/26 : 550; 4/20/26 : 785; 5/18/26 : 1225; 6/12/26 : 1285; 7/7/26 : 1465

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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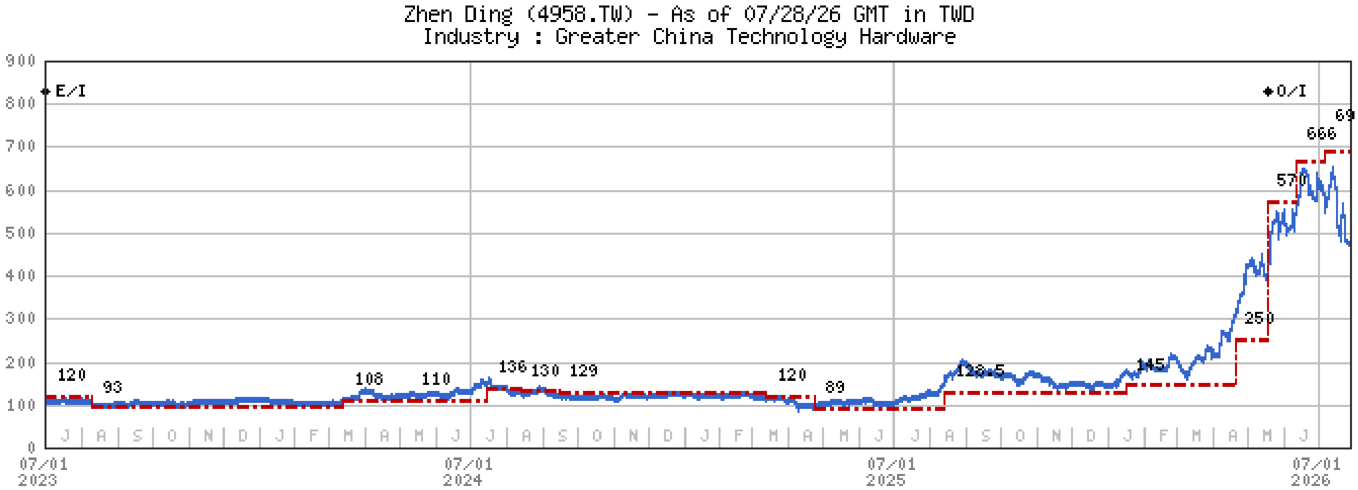

Stock Rating History: 7/1/21 : U/I; 8/2/22 : E/I; 5/18/26 : O/I

Price Target History: 3/30/21 : 105; 8/2/22 : 124; 11/4/22 : 126; 3/14/23 : 120; 8/10/23 : 93; 3/13/24 : 108; 5/11/24 : 110; 7/15/24 : 136; 8/13/24 : 130; 9/15/24 : 129; 3/12/25 : 120; 4/23/25 : 89; 8/13/25 : 128.5; 1/16/26 : 145; 4/20/26 : 250; 5/18/26 : 570; 6/12/26 : 666; 7/7/26 : 690

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)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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INDUSTRY COVERAGE: Greater China Technology Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (07/28/2026)
Andy Meng, CFA		
AAC Technologies Holdings (2018.HK)	O (01/29/2024)	HK$38.84
Accelink Technologies Co. Ltd. (002281.SZ)	U (05/12/2022)	Rmb173.57
BYD Electronics (0285.HK)	O (04/28/2023)	HK$23.18
China TransInfo Technology Co Ltd (002373.SZ)	E (07/18/2023)	Rmb7.53
Dahua Technology Co. Ltd. (002236.SZ)	E (12/12/2024)	Rmb16.37
Eoptolink Technology Inc Ltd (300502.SZ)	O (02/27/2026)	Rmb406.90
Genius Electronic Optical Co. Ltd. (3406.TW)	E (04/23/2025)	NT$482.50
GoerTek Inc (002241.SZ)	U (04/23/2025)	Rmb22.85
Gosuncn Technology Group Co Ltd (300098.SZ)	U (11/07/2022)	Rmb4.42
HIKVision Digital Technology (002415.SZ)	E (12/12/2024)	Rmb36.14
Largan Precision (3008.TW)	O (07/10/2026)	NT$3,900.00
LianChuang Electronic Technology Co Ltd (002036.SZ)	U (06/12/2024)	Rmb7.23
Lingyi Itech Guangdong Co (002600.SZ)	U (04/23/2025)	Rmb12.03
Luxshare Precision Industry Co., Ltd. (002475.SZ)	O (10/24/2016)	Rmb60.10
OFILM Group Co Ltd (002456.SZ)	U (06/12/2024)	Rmb6.83
Q Technology (Group) Company Ltd (1478.HK)	U (03/23/2026)	HK$6.78
Quectel Wireless Solutions Co Ltd (603236.SS)	E (10/09/2024)	Rmb48.92
Shanghai Conant Optical Co Ltd (2276.HK)	O (04/10/2026)	HK$29.46
Shenzhen Transsion Holdings Co Ltd (688036.SS)	E (03/23/2026)	Rmb65.60
Sunny Optical (2382.HK)	E (03/23/2026)	HK$58.05
Suzhou TFC Optical Communication Co Ltd. (300394.SZ)	E (11/06/2025)	Rmb181.56
Wingtech Technology Co Ltd (600745.SS)	U (05/18/2026)	Rmb16.84
Xiaomi Corp (1810.HK)	O (04/14/2021)	HK$29.26
Yangtze Optical Fibre and Cable JSC Ltd (601869.SS)	U (10/13/2021)	Rmb302.30
Yangtze Optical Fibre and Cable JSC Ltd (6869.HK)	O (07/15/2026)	HK$109.30

Yongxin Optics Co Ltd (603297.SS)	E (11/15/2022)	Rmb101.66
Zhejiang Crystal-Optech Co Ltd (002273.SZ)	O (11/15/2022)	Rmb26.10
Zhongji Innolight Co Ltd (300308.SZ)	++	Rmb908.00
ZTE Corporation (0763.HK)	O (06/04/2026)	HK$24.12
ZTE Corporation (000063.SZ)	E (06/04/2026)	Rmb34.03
Derrick Yang		
Accton Technology Corporation (2345.TW)	O (06/06/2024)	NT$2,040.00
Advantech (2395.TW)	O (01/20/2021)	NT$556.00
AirTAC International (1590.TW)	O (04/16/2025)	NT$1,365.00
Asia Vital Components Co. Ltd. (3017.TW)	O (07/30/2024)	NT$2,240.00
AU Optronics (2409.TW)	E (02/10/2026)	NT$23.90
Auras Technology Co Ltd (3324.TWO)	E (05/04/2023)	NT$870.00
Bizlink (3665.TW)	O (03/10/2025)	NT$2,215.00
BOE Technology (000725.SZ)	O (09/06/2019)	Rmb5.58
Chenbro (8210.TW)	O (07/23/2025)	NT$1,020.00
Chroma Ate Inc. (2360.TW)	O (10/05/2021)	NT$1,940.00
Delta Electronics Inc. (2308.TW)	O (07/13/2017)	NT$1,580.00
E Ink Holdings Inc. (8069.TWO)	O (05/11/2026)	NT$173.00
Ennostar Inc (3714.TW)	U (09/23/2022)	NT$49.20
Fositek Corp (6805.TW)	O (06/25/2025)	NT$1,340.00
Hiwin Technologies Corp. (2049.TW)	O (03/30/2026)	NT$300.00
Innolux (3481.TW)	E (04/07/2025)	NT$45.00
King Slide Works Co. Ltd. (2059.TW)	O (11/08/2023)	NT$7,450.00
Lens Technology (300433.SZ)	E (07/22/2020)	Rmb33.86
Lite-On Technology (2301.TW)	E (01/15/2025)	NT$194.00
TCL Corp. (000100.SZ)	E (04/07/2025)	Rmb4.91
Tianma Microelectronics (000050.SZ)	U (01/24/2018)	Rmb6.33
Wuhan Jingce Electronic Group Co Ltd (300567.SZ)	E (11/26/2021)	Rmb209.40
Howard Kao		
Acer Inc. (2353.TW)	U (04/23/2025)	NT$28.85
Asustek Computer Inc. (2357.TW)	U (11/16/2025)	NT$735.00
Catcher Technology (2474.TW)	U (11/17/2025)	NT$184.50
Compal Electronics (2324.TW)	U (04/23/2025)	NT$34.70
FIT Hon Teng Ltd (6088.HK)	O (11/03/2025)	HK$4.86
Foxconn Industrial Internet Co. Ltd. (601138.SS)	O (07/10/2019)	Rmb58.08
Giga-Byte Technology Co. Ltd. (2376.TW)	E (11/16/2025)	NT$327.00
Gold Circuit Electronics Ltd. (2368.TW)	O (10/06/2022)	NT$809.00
Hon Hai Precision (2317.TW)	O (03/15/2024)	NT$238.00
Inspur Electronic Information (000977.SZ)	E (08/28/2023)	Rmb79.85
LandMark Optoelectronics Corporation (3081.TWO)	E (03/26/2026)	NT$1,710.00
Lenovo (0992.HK)	O (07/10/2026)	HK$23.42
Lotes Co. Ltd. (3533.TW)	E (05/12/2025)	NT$1,835.00
Nan Ya PCB (8046.TW)	O (02/23/2026)	NT$976.00
Pegatron Corporation (4938.TW)	E (03/25/2026)	NT$83.20
Quanta Computer Inc. (2382.TW)	O (05/01/2023)	NT$313.50
Shengyi Technology Co Ltd. (600183.SS)	E (05/26/2022)	Rmb113.39
Shennan Circuits Co Ltd (002916.SZ)	E (08/24/2023)	Rmb318.10
Unimicron (3037.TW)	O (02/23/2026)	NT$764.00
Visual Photonics Epitaxy Co Ltd (2455.TW)	E (09/11/2023)	NT$302.50
Wistron Corporation (3231.TW)	O (07/12/2023)	NT$170.00
Wiwynn Corp (6669.TW)	O (11/10/2025)	NT$5,315.00
Yageo Corp. (2327.TW)	O (10/28/2025)	NT$563.00
Zhen Ding (4958.TW)	O (05/18/2026)	NT$427.50

Stock Ratings are subject to change. Please see latest research for each company.

* Historical prices are not split adjusted.