Morgan Stanley | RESEARCH

IDEA

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GlobalWafers Co Ltd | Asia Pacific

LTA negotiations ongoing; price hikes have never been easy

MORGAN STANLEY TAIWAN LIMITED+

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AlphaSignals Earnings Reaction

Unchanged	Modest upside	Largely unchanged
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

Despite existing capacity operating near full utilization, we believe 2027 price increases could be more modest than the bull camp expects. Stay EW.

New LTA negotiations ongoing; price hikes have never been easy: Management indicated that more customers are actively discussing new LTAs (long-term agreements) to secure localized sourcing, but reiterated that pricing negotiations have never been easy. GWC noted that it "aims to gain customers' understanding and support" for new pricing. This aligns with our preview that 2027 price increases may be less aggressive than some bulls expect. On the positive side, management expects 2Q26 to mark the trough for prepayments, with levels increasing in subsequent quarters as payments from Micron are received, followed by a larger step-up in 1H27 from other customers.

New LTAs may incorporate flexible pricing and longer durations: When asked how the new LTAs could differ from 2021–22, mgmt said negotiations no longer focus solely on pricing or volume commitments. Instead, they increasingly emphasize longer-term, more flexible partnerships that include pricing adjustment mechanisms and localized supply. The longest LTAs signed in the previous cycle had terms of 5–8 years, while the recent Micron/GWC agreements cover 10 years of supply. However, ASPs from overseas fabs (GWA, Novara) do not necessarily need to exceed those of existing fabs given lower transportation costs. Flexible pricing could help GWC protect margins by reflecting underlying costs, but they do not necessarily imply continuous price increases over the next 5–10 years, as the raw wafer industry remains cyclical in our view.

Fire at Novara fab in Italy weighs on near-term supply; 2027 should see significant recovery: The fire at the Novara fab will have a greater impact on 3Q26 revenue than on 2Q26, suggesting 2026 revenue could be flat or increase only modestly YoY. Management expects meaningful rev. growth in 2027, driven by: (1) ramp-up of new greenfield capacity, (2) recovery at the Novara 8-inch fab, and (3) potential price increases. We forecast rev. growth of 4%/40% in 2026/27.

We stay EW as we believe buy-side expectations for 2027 price increases are too high despite improving raw wafer fundamentals. We note that 2027e LTA wafer pricing has not yet been finalized. We could become more constructive if pricing ultimately exceeds our expectations. Our PT of NT$900 implies 25x 2027e EPS.

GlobalWafers Co Ltd (6488.TWO, 6488 TT)

Greater China Technology Semiconductors | Taiwan

Stock Rating	**Equal-weight**
Industry View	**Attractive**
Price target	NT$900.00
Up/downside to price target (%)	(5)
Shr price, close (Aug 4, 2026)	NT$952.00
52-Week Range	NT$1,600.00-333.00
Sh out, dil, curr (mn)	437
Mkt cap, curr (mn)	NT$416,262
EV, curr (mn)	NT$456,217
Avg daily trading value (mn)	NT$3,403

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	15.28	23.68	35.56	51.09
Prior EPS (NT$)**	-	27.70	35.81	50.94
EPS (NT$)§	14.68	21.49	32.77	55.44
Revenue, net (NT$ mn)	60,598	62,770	90,337	113,424
EBITDA (NT$ mn)	17,585	18,119	31,788	45,348
ModelWare net inc (NT $ mn)	7,312	11,326	17,012	24,437
P/E	26.6	40.2	26.8	18.6
P/BV	2.1	4.6	4.2	3.7
RNOA (%)	6.2	4.6	11.1	15.9
ROE (%)	8.0	12.1	17.3	22.5
EV/EBITDA	13.3	24.8	14.0	9.6
Div yld (%)	2.7	1.2	1.5	2.2
FCF yld ratio (%)**	(11.1)	2.3	2.3	4.8
Leverage (EOP) (%)	42.8	34.3	27.8	15.2

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
§ = Consensus data is provided by Refinitiv Estimates
** = Based on consensus methodology
e = Morgan Stanley Research estimates

Better supply/demand dynamics into 2027/28e

2Q26 earnings and 3Q26 outlook review: 2Q26 gross margin missed both our estimate and consensus expectations due to continued margin dilution from new capacity and the fire at the Novara 8-inch fab in Italy. Looking ahead to 3Q26, management expects a larger revenue impact from the fire, leading to more modest quarterly revenue growth than 2Q (+8.8% Q/Q), while full-year 2026 revenue may be flat to up slightly YoY.

Exhibit 1: GWC: 2Q26 earnings review

(NT$ mn)	2Q26				
	Actual	Q/Q	Y/Y	MS Est.	Consensus
Financials					
Revenue	15,214	8.8%	-5.0%	15,214	15,467
Opex	(1,717)	19.4%	1.9%	(1,481)	(1,517)
EPS (NT$)	7.90	99.2%	124.6%	12.18	6.39
Ratios					
GM (%)	20.6%	-19bps	-512bps	23.3%	23.0%
Opex (%)	11.3%	100bps	76bps	9.7%	9.8%
OPM (%)	9.4%	-120bps	-588bps	13.6%	13.2%

Source: Company Data, Visible Alpha, Morgan Stanley Research estimates

Exhibit 2: GWC: 3Q26 outlook review

(NT$ mn)	3Q26				
	Guidance	MS Est.	Q/Q	Y/Y	Consensus
Financials					
Revenue	Larger impact from the fire	16,702	9.8%	15.2%	16,686
Opex		(1,531)	-10.8%	6.9%	(1,595)
EPS (NT$)		5.52	-30.2%	34.0%	4.94
Ratios					
GM (%)		25.7%	505bps	732bps	23.4%
Opex (%)		9.2%	-212bps	-72bps	9.6%
OPM (%)		16.5%	717bps	803bps	13.8%

Source: Company Data, Visible Alpha, Morgan Stanley Research estimates

New Micron/GWC deal marks a new milestone for GWC

Micron Technology and GlobalWafers announced a deeper strategic partnership on July 9, 2026, centered on a 10-year supply agreement and US$500mn of strategic financing from Micron to support GlobalWafers' new 12-inch silicon wafer facility in Sherman, Texas. The agreement secures significant raw silicon wafer capacity for Micron's long-term manufacturing plans, with the financing linked to the buildout of GlobalWafers America's (GWA) Sherman facility.

GlobalWafers Chairwoman Doris Hsu described the agreement as the largest and longest contract in the company's history. The two companies will also collaborate on next-generation wafer technologies and process innovation. The Sherman plant is notable as the only US-based source of advanced 12-inch wafers.

The agreement forms part of Micron's broader US$3bn commitment to strengthen the US semiconductor supply chain and accompanies its target of manufacturing 40% of its DRAM output domestically by the mid-2030s. We believe GWC is well positioned to support ongoing foundry and memory capacity expansion in the US, not only for Micron but also for TSMC and Samsung, which are already GWC's two largest customers. We currently assume Micron/GWC LTA pricing could be 20–30% above current LTA pricing (after discounts), reflecting the higher US cost base. This would be broadly in line with, or slightly above, LTAs signed in 2021–22.

Current inventory levels remain higher than during the 2021–22 upcycle when existing LTAs were signed

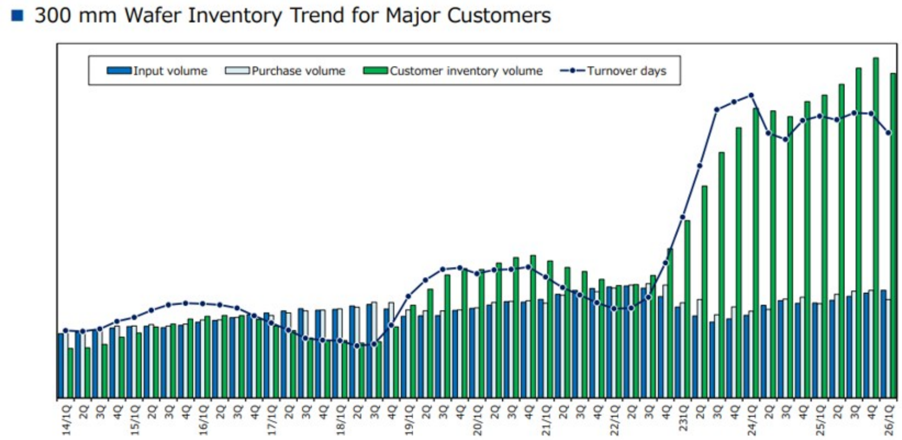
Notably, customer inventories of 12-inch wafers remain well above levels seen during the previous industry upcycle. According to SUMCO's inventory trend data (see Exhibit 3), inventory volumes and turnover days were near the lowest levels of the 2014–2026 period during 2021–22, reflecting a lean and highly utilized supply chain. By contrast, the current cycle presents the opposite picture: shipment volumes are approaching record highs, but customer inventories are also near record levels, with inventory days and absolute inventory exceeding those seen even at the peak of the 2021–22 upcycle.

This backdrop differs meaningfully from the 2021–22 environment and, in our view, supports a more moderate and delayed pricing recovery in 2027 rather than a repeat of the broad-based increases seen during the prior cycle. In 2021–22, wafer makers held significant pricing leverage as customer inventories sat near cycle lows despite record shipment volumes. Fabs consumed nearly all purchased wafers with minimal inventory buffers, creating a tight supply environment that enabled wafer manufacturers to implement meaningful price increases across 12-inch wafers.

Today, while shipment volumes remain elevated, customers also hold substantial inventory. This provides a buffer against demand growth and moderate supply disruptions, reducing the urgency to secure incremental wafer supply. Historically, this dynamic weakens suppliers' pricing power. Until inventories normalize meaningfully, wafer makers are likely to have less pricing leverage than they did entering the 2021–22 upcycle. We believe SUMCO's comment that "long-term contract prices [will be] maintained" is broadly consistent with our view that 2027 LTA negotiations will focus primarily on removing current discounts rather than driving nominal price increases.

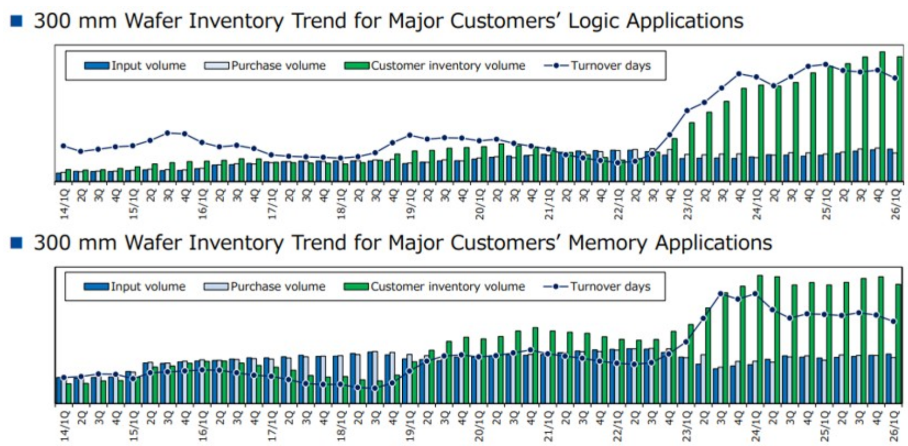
That said, silicon wafer capacity investment remained notably more disciplined during the 2023–25 downturn than during the 2021–22 boom. In addition, raw wafer capacity requires long lead times to bring online, with equipment lead times currently ranging from 12–18 months. This underpins the strategic rationale for Micron's recent US$500mn, 10-year agreement with GlobalWafers. As a result, we expect wafer pricing to continue improving in 2027, albeit in a more selective and gradual manner than during the 2021–22 cycle. We broadly expect industry pricing increases of 10–20%, with GWC's US-based capacity potentially achieving higher gains of 20–30%.

Exhibit 3: Customer 12-inch wafer inventory trend (May. 12, 2026)



Source: Sumco

Exhibit 4: Customer 12-inch wafer inventory trend (Logic vs. memory; May. 12, 2026)

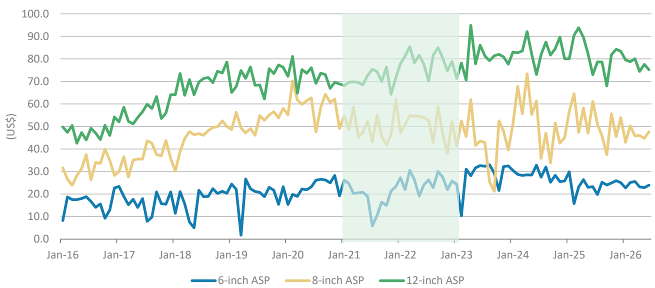


Source: Sumco

What was pricing like during the prior wafer up-cycle?

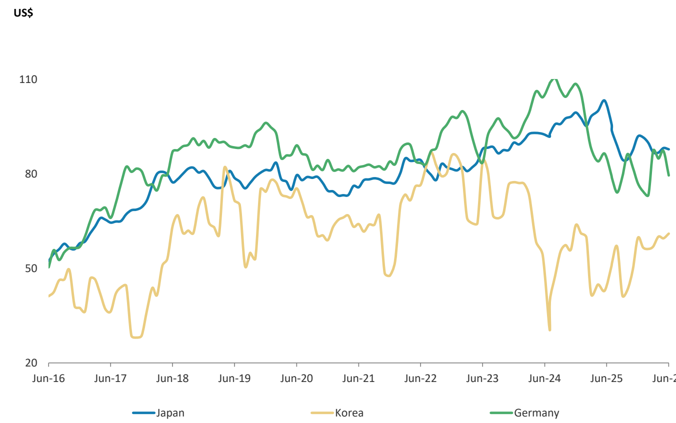
Back in 2022, average 12-inch wafer prices (including both LTA and spot pricing) increased by approximately 12%, while 8-inch wafer pricing remained weak, suggesting that LTAs primarily supported demand for 12-inch wafers. Given that reported pricing reflects a blend of LTA and spot transactions, we estimate that nominal 12-inch LTA pricing likely increased by at least 20–30% during the 2021–22 cycle. In our view, this could represent the upper bound for potential 2027e price increases.

Exhibit 5: We expect memory to lift 12-inch wafer prices



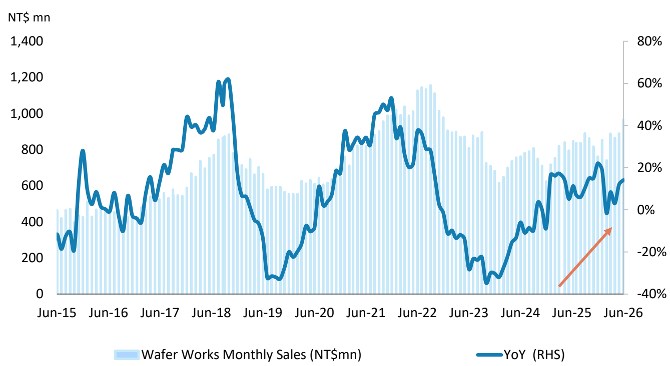
Source: Taiwan Customs CPT Single Window, Morgan Stanley Research

Exhibit 6: Japan 12-inch wafer prices have seen consecutive quarters of decline



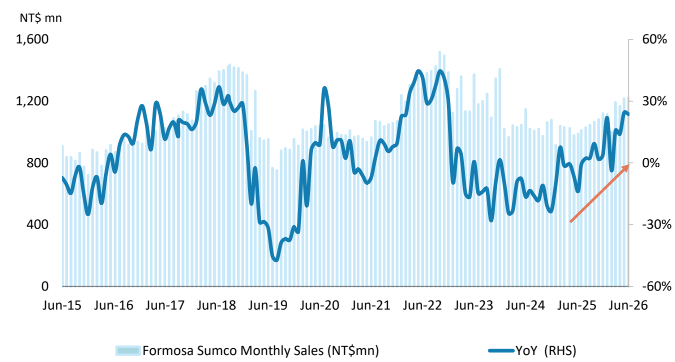
Source: Taiwan Customs CPT Single Window, Morgan Stanley Research

Exhibit 7: Wafer Works' monthly sales as 8-inch spot indicator



Source: TEJ, Morgan Stanley Research

Exhibit 8: Formosa Sumco's monthly sales as 12-inch spot indicator



Source: TEJ, Morgan Stanley Research

Estimate Revisions

We cut our EPS estimates by 14.5%, 1.0%, and 0% for 2026–28, respectively. The reductions to our 2026 and 2027 forecasts primarily reflect lower investment income from Siltronic and the impact of the fire at the Novara fab.

Exhibit 9: GlobalWafers: Earnings estimate revisions

(NT$ mn)	New 2026e	Old 2026e	Diff.%	New 2027e	Old 2027e	Diff.%	New 2028e	Old 2028e	Diff.%
Net sales	62,770	63,873	-2%	90,337	90,728	0%	113,424	113,214	0%
Gross profit	14,282	15,353	-7%	26,102	26,267	-1%	36,821	36,724	0%
Operating profit	8,258	9,333	-12%	19,486	19,643	-1%	29,394	29,301	0%
Pretax income	14,466	16,998	-15%	22,683	22,840	-1%	32,582	32,489	0%
Net income	11,326	13,248	-15%	17,012	17,130	-1%	24,437	24,367	0%
EPS for Consensus	**23.68**	**27.70**	**-15%**	**35.56**	**35.81**	**-1%**	**51.09**	**50.94**	**0%**
Margins									
Gross margin	22.8%	24.0%		28.9%	29.0%		32.5%	32.4%	
Operating margin	13.2%	14.6%		21.6%	21.7%		25.9%	25.9%	
Pretax margin	23.0%	26.6%		25.1%	25.2%		28.7%	28.7%	
Net margin	18.0%	20.7%		18.8%	18.9%		21.5%	21.5%	

Source: Company data, Morgan Stanley Research (e) estimates

Valuation Methodology

We keep our price target at NT$900: All of our key assumptions are unchanged, including a cost of equity of 11% (beta of 1.5, risk premium of 6% and risk-free rate of 2%), an intermediate growth rate of 13%, and a terminal growth rate of 4%.

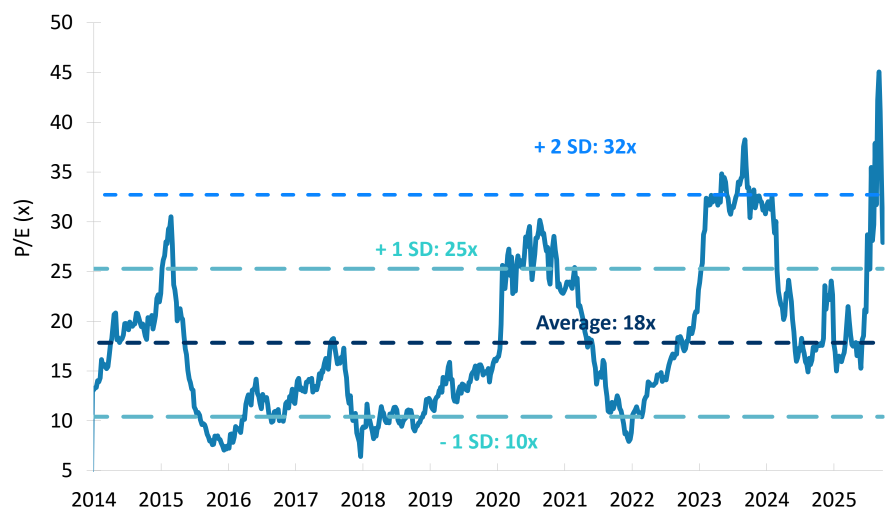
Our bull- and bear-case values also remained NT$1,140 and NT$450, respectively, implying P/Es of 32x and 13x 2027e.

Exhibit 10: GWC: Residual income model

(NT$ mn)	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e	2037e
Total Equity	**98,534**	**108,684**	**122,913**	**129,974**	**137,952**	**146,968**	**157,156**	**168,668**	**181,677**	**196,377**	**212,988**	**231,759**
Net Profit	**11,438**	**17,012**	**24,437**	**27,613**	**31,203**	**35,259**	**39,843**	**45,023**	**50,876**	**57,490**	**64,963**	**73,408**
ROAE	**11.9%**	**16.4%**	**21.1%**	**21.8%**	**23.3%**	**24.8%**	**26.2%**	**27.6%**	**29.0%**	**30.4%**	**31.7%**	**33.0%**
Residual Income	863	5,340	10,980	13,322	15,977	18,969	22,342	26,145	30,433	35,270	40,726	46,881
Spread	**0.9%**	**5.4%**	**10.1%**	**10.8%**	**12.3%**	**13.8%**	**15.2%**	**16.6%**	**18.0%**	**19.4%**	**20.7%**	**22.0%**
Ending Equity Capital	98,534											
PV of Forecast Period	111,119											
PV of Continuing Value	220,996											
Equity Value	**430,649**											
No. of Shares	478											
Projected Price (NT$)	**900**											

Source: Company data, Morgan Stanley Research (e) estimates

Exhibit 11: GlobalWafers: One-year forward P/E chart



Source: Company data, Morgan Stanley Research estimates

Quarterly Financials

Exhibit 12: GlobalWafers: Quarterly financials

(NT$ mn)	1Q26	2Q26e	3Q26e	4Q26e	1Q27e	2Q27e	3Q27e	4Q27e	2024	2025	2026e	2027e	2028e
Total Revenues	**13,985**	**15,214**	**16,172**	**17,399**	**20,137**	**22,582**	**23,339**	**24,279**	**62,626**	**60,598**	**62,770**	**90,337**	**113,424**
Sequential Change	*-3.6%*	*8.8%*	*6.3%*	*7.6%*	*15.7%*	*12.1%*	*3.3%*	*4.0%*					
Change vs Year Ago	*-10.3%*	*-5.0%*	*11.6%*	*20.0%*	*44.0%*	*48.4%*	*44.3%*	*39.5%*	*-11.4%*	*-3.2%*	*3.6%*	*43.9%*	*25.6%*
Cost of Sales	**(11,071)**	**(12,074)**	**(12,417)**	**(12,925)**	**(14,307)**	**(16,057)**	**(16,496)**	**(17,374)**	**(42,823)**	**(45,974)**	**(48,488)**	**(64,234)**	**(76,603)**
Gross Profit	**2,914**	**3,140**	**3,755**	**4,474**	**5,831**	**6,525**	**6,842**	**6,904**	**19,804**	**14,624**	**14,282**	**26,102**	**36,821**
Gross Margin	20.8%	20.6%	23.2%	25.7%	29.0%	28.9%	29.3%	28.4%	31.6%	24.1%	22.8%	28.9%	32.5%
Total Opex	(1,438)	(1,717)	(1,415)	(1,453)	(1,592)	(1,651)	(1,675)	(1,697)	(5,685)	(5,987)	(6,024)	(6,616)	(7,427)
Percent of Revenues	*10.3%*	*11.3%*	*8.8%*	*8.4%*	*7.9%*	*7.3%*	*7.2%*	*7.0%*	*9.1%*	*9.9%*	*9.6%*	*7.3%*	*6.5%*
R&D	(471)	(476)	(481)	(486)	(600)	(610)	(615)	(620)	(2,363)	(2,218)	(1,914)	(2,445)	(2,740)
Percent of Revenues	*3.4%*	*3.1%*	*3.0%*	*2.8%*	*3.0%*	*2.7%*	*2.6%*	*2.6%*	*3.8%*	*3.7%*	*3.0%*	*2.7%*	*2.4%*
Sales and Marketing	(375)	(408)	(434)	(467)	(362)	(406)	(420)	(437)	(1,352)	(1,600)	(1,685)	(1,626)	(2,042)
Percent of Revenues	*2.7%*	*2.7%*	*2.7%*	*2.7%*	*1.8%*	*1.8%*	*1.8%*	*1.8%*	*2.2%*	*2.6%*	*2.7%*	*1.8%*	*1.8%*
General and Admin	(592)	(832)	(500)	(500)	(630)	(635)	(640)	(640)	(1,970)	(2,169)	(2,424)	(2,545)	(2,645)
Percent of Revenues	*4.2%*	*5.5%*	*3.1%*	*2.9%*	*3.1%*	*2.8%*	*2.7%*	*2.6%*	*3.1%*	*3.6%*	*3.9%*	*2.8%*	*2.3%*
Operating Income	**1,475**	**1,423**	**2,339**	**3,021**	**4,238**	**4,873**	**5,167**	**5,207**	**14,118**	**8,636**	**8,258**	**19,486**	**29,394**
Percent of Revenues	*10.5%*	*9.4%*	*14.5%*	*17.4%*	*21.0%*	*21.6%*	*22.1%*	*21.4%*	*22.5%*	*14.3%*	*13.2%*	*21.6%*	*25.9%*
Total Non-operating Income(Loss)	**871**	**3,162**	**1,059**	**1,116**	**821**	**779**	**794**	**803**	**(1,690)**	**880**	**6,208**	**3,197**	**3,188**
Profit Before Taxes	**2,347**	**4,585**	**3,398**	**4,137**	**5,060**	**5,652**	**5,961**	**6,010**	**12,429**	**9,516**	**14,466**	**22,683**	**32,582**
Percent of Revenues	*16.8%*	*30.1%*	*21.0%*	*23.8%*	*25.1%*	*25.0%*	*25.5%*	*24.8%*	*19.8%*	*15.7%*	*23.0%*	*25.1%*	*28.7%*
Change vs Year Ago	*10.0%*	*100.3%*	*55.4%*	*42.3%*	*115.6%*	*23.3%*	*75.4%*	*45.3%*					
Taxes	(451)	(806)	(849)	(1,034)	(1,265)	(1,413)	(1,490)	(1,503)	(2,590)	(2,205)	(3,141)	(5,671)	(8,146)
Tax Rate	*19.2%*	*17.6%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*20.8%*	*23.2%*	*21.7%*	*25.0%*	*25.0%*
Net Income, Cont Ops	1,896	3,779	2,548	3,103	3,795	4,239	4,471	4,508	9,839	7,312	11,326	17,012	24,437
Percent of Revenues	*13.6%*	*24.8%*	*15.8%*	*17.8%*	*18.8%*	*18.8%*	*19.2%*	*18.6%*	*15.7%*	*12.1%*	*18.0%*	*18.8%*	*21.5%*
Minority Interest	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	7	0	(0)	(0)	(0)
Reported Income (TW GAAP)	**1,896**	**3,779**	**2,548**	**3,103**	**3,795**	**4,239**	**4,471**	**4,507**	**9,846**	**7,312**	**11,326**	**17,012**	**24,437**
Percent of Revenues	*13.6%*	*24.8%*	*15.8%*	*17.8%*	*18.8%*	*18.8%*	*19.2%*	*18.6%*	*15.7%*	*12.1%*	*18.0%*	*18.8%*	*21.5%*
Change vs Year Ago	*30.2%*	*124.7%*	*29.4%*	*40.7%*	*100.2%*	*12.2%*	*75.4%*	*45.3%*	*-50.2%*	*-25.7%*	*54.9%*	*50.2%*	*43.6%*
Reported Diluted EPS (NT$, TW GAAP)	**3.96**	**7.90**	**5.33**	**6.49**	**7.93**	**8.86**	**9.35**	**9.42**	**21.14**	**15.28**	**23.68**	**35.56**	**51.09**
Reported Basic EPS (NT$, GAAP)	**3.97**	**7.90**	**5.33**	**6.49**	**7.94**	**8.87**	**9.35**	**9.43**	**21.06**	**15.29**	**23.69**	**35.58**	**51.11**

Source: Company data, Morgan Stanley Research (e) estimates

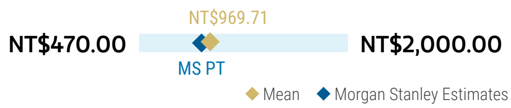
Risk Reward – GlobalWafers Co Ltd (6488.TWO)

More balanced set-up from here

PRICE TARGET NT$900.00

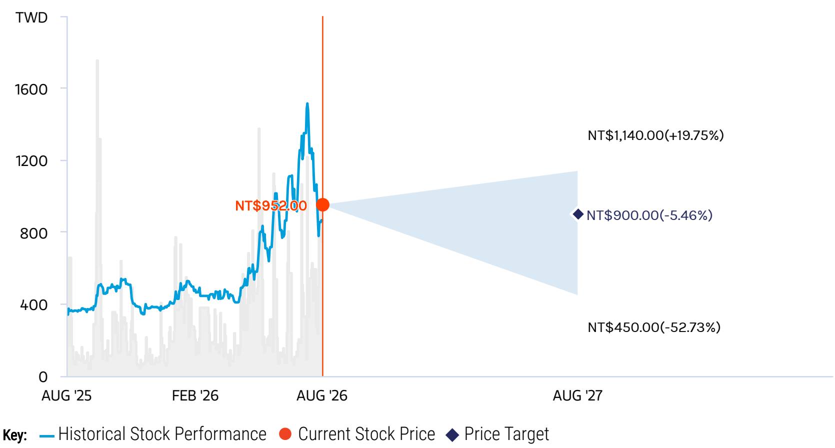
Base-case, residual income model. We assume a cost of equity of 11.0% (risk-free rate of 2.0%, beta of 1.5 and equity risk premium of 6.0%), intermediate-term growth rate of 13%, and terminal growth rate of 4.0%.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART

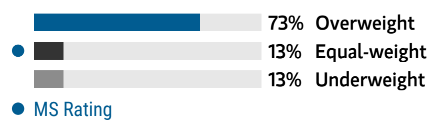


Source: Refinitiv, Morgan Stanley Research

EQUAL-WEIGHT THESIS

- The 2H26 pricing recovery, improving LTA fulfillment, and compound semiconductor progress are constructive.
- However, we believe much of this is increasingly reflected in expectations.
- At the same time, higher production costs and new capacity ramp up could limit the pace of margin recovery.
- With pricing upside back-end-loaded and cost pressure still visible, we see a more balanced set-up from here.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Secular Growth: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE NT$1,140.00

32x 2027e EPS

Semiconductor industry recovers faster than expected. Pure foundry players' utilization rates rebound to 100%, and memory players start to pull in more raw wafers. GWC's total revenue CAGR picks up to >30% in 2025-28 vs. 8% in 2021-23. Gross margin recovers to over 40% vs. 37.4% in 2023.

BASE CASE NT$900.00

25x 2027e EPS

Semiconductor industry recovers from a down-cycle. Pure foundry and memory players start to see recovery in utilization rate, while both spot price and LTA amount also increase gradually. GWC's total revenue CAGR rises to >15% in 2025-28 vs. 8% in 2021-23. Gross margin stays above 25%.

BEAR CASE NT$450.00

13x 2027e EPS

Semiconductor industry recovers more slowly than expected during this down-cycle. Pure foundry players start to breach LTAs and memory players start to cut more raw wafer orders. GWC's total revenue CAGR slows to 0% in 2025-28 vs. 8% in 2021-23. Gross margin declines to <20% vs. 37.4% in 2023.

Risk Reward – GlobalWafers Co Ltd (6488.TWO)

KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Total Wafer Shipment (NT$, 000s)	32,501	33,263	37,382	32,035
GWC Utilization Rate (%)	60.1	59.0	63.7	60.4
Blended ASP Per Wafer (NT$)	60	61	78	61

INVESTMENT DRIVERS

- Monthly sales inflection
- Stronger outlooks from key customers
- Extension of LTA pricing or shipments by GWC or peers

GLOBAL REVENUE EXPOSURE

- **10-20%** Europe ex UK
- **10-20%** North America
- **20-30%** Mainland China
- **30-40%** APAC, ex Japan, Mainland China and India

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

MS ALPHA MODELS

5/5 **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

- Margins improve as loosening competition boosts overall wafer ASP.
- Wafer supply remains stable or even goes into shortage amid stronger-than-expected wafer demand.

RISKS TO DOWNSIDE

- Global semiconductor growth slows again, triggering less wafer demand.
- Margins erode as rising competition lowers overall wafer ASP.
- Global wafer supply rises unexpectedly from new projects.

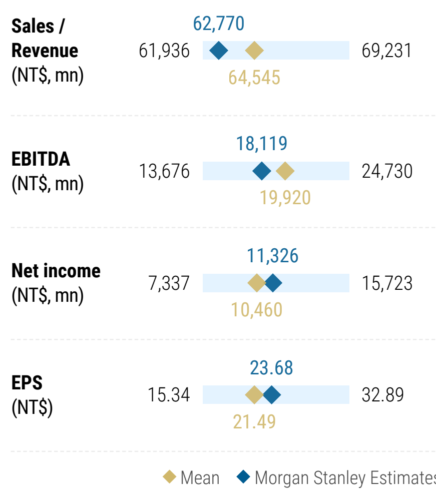
OWNERSHIP POSITIONING

Inst. Owners, % Active 65.4%

Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Source: Refinitiv, Morgan Stanley Research

Financial Summary

Income Statement, 2024-2028e, Year End Dec

(NT$ mn)	2024	2025	2026e	2027e	2028e
Turnover	**62,626**	**60,598**	**62,770**	**90,337**	**113,424**
YoY Growth	*-11.4%*	*-3.2%*	*3.6%*	*43.9%*	*25.6%*
Less: COGS	**(42,823)**	**(45,974)**	**(48,488)**	**(64,234)**	**(76,603)**
Variable costs	(35,056)	(37,362)	(38,998)	(52,395)	(61,249)
Depreciation & amort	(7,766)	(8,612)	(9,490)	(11,839)	(15,354)
Gross profit	**19,804**	**14,624**	**14,282**	**26,102**	**36,821**
YoY Growth	*-25.1%*	*-26.2%*	*-2.3%*	*82.8%*	*41.1%*
% margin	*31.6%*	*24.1%*	*22.8%*	*28.9%*	*32.5%*
Operating Expenses:	**(5,685)**	**(5,987)**	**(6,024)**	**(6,616)**	**(7,427)**
R&D	(2,363)	(2,218)	(1,914)	(2,445)	(2,740)
Sales and Marketing	(1,352)	(1,600)	(1,685)	(1,626)	(2,042)
General and Admin	(1,970)	(2,169)	(2,424)	(2,545)	(2,645)
Operating Profit	**14,118**	**8,636**	**8,258**	**19,486**	**29,394**
YoY Growth	*-29.6%*	*-38.8%*	*-4.4%*	*136.0%*	*50.8%*
% margin	*22.5%*	*14.3%*	*13.2%*	*21.6%*	*25.9%*
Total Non-op	**(1,690)**	**880**	**6,208**	**3,197**	**3,188**
Pretax Profit	12,429	9,516	14,466	22,683	32,582
YoY Growth	*-53.1%*	*-23.4%*	*52.0%*	*56.8%*	*43.6%*
% margin	*19.8%*	*15.7%*	*23.0%*	*25.1%*	*28.7%*
Tax	(2,590)	(2,205)	(3,141)	(5,671)	(8,146)
Reported Net Income	9,846	7,312	11,326	17,012	24,437
EPS (NT$)	**21.14**	**15.28**	**23.68**	**35.56**	**51.09**

Key Ratios

	2024	2025	2026e	2027e	2028e
Return (%)					
ROAA	*4.4%*	*2.7%*	*3.9%*	*5.5%*	*7.3%*
ROAE	*11.3%*	*7.1%*	*10.7%*	*15.5%*	*21.1%*
OP. ATO	*51.1%*	*38.6%*	*39.3%*	*54.3%*	*67.1%*
Gearing (x)					
Net Debt/ Equity	(0.0x)	0.3x	0.1x	0.1x	(0.0x)
Current Ratio	1.3x	1.6x	1.8x	2.6x	3.5x
Quick Ratio	0.8x	0.5x	1.1x	1.8x	2.7x
Operating Cycle					
AR/NR Turnover (days)	62	87	90	70	64
Inventory Turnover (days)	92	114	114	95	90
AP Turnover (days)	40	44	42	35	33
Cash Conversion (days)	114	156	162	130	120

e = Morgan Stanley Research Estimates
Source: Company Data, Morgan Stanley Research

Balance sheet

(NT$ mn)	2024	2025	2026e	2027e	2028e
Assets					
Cash & Equivalents	38,929	19,484	57,431	100,965	152,451
Marketable Security	29	1	21	21	21
A/R & N/R	10,265	10,113	12,612	17,600	22,465
Inventories	11,238	10,399	12,842	17,263	20,870
Other Current Asset	20,030	46,632	31,636	31,636	31,636
Total current assets	**81,349**	**87,237**	**115,205**	**168,147**	**228,106**
LT Investment	14,280	14,811	15,495	15,495	15,495
Total Fixed Assets	119,074	107,241	116,929	115,584	110,939
Total Other Assets	9,877	9,054	9,270	9,502	9,734
Total Assets	**224,581**	**218,343**	**256,898**	**308,728**	**364,274**
A/P & N/P	5,371	4,161	4,686	6,299	7,615
Accrued Expenses	0	0	0	0	0
Other Payable	4,650	3,613	5,597	5,597	5,597
Total Current Liab.	**65,065**	**54,109**	**63,043**	**64,656**	**65,972**
L-T Liabilities	37,678	43,244	69,221	109,221	149,221
Total Other L-T Liab	30,810	27,695	26,213	26,213	26,213
Total Liabilities	**133,553**	**125,048**	**158,476**	**200,089**	**241,406**
Common Stock	4,781	4,781	4,781	4,781	4,781
Preferred Stock					
Capital Reserve	45,720	44,764	44,764	44,764	44,764
Retained earnings	40,530	43,753	48,881	59,097	73,327
Treasury Stock	0	0	0	0	0
Total Equity	**91,028**	**93,295**	**98,422**	**108,639**	**122,868**

Cash Flow Statement

(NT$ mn)	2024	2025	2026e	2027e	2028e
Net Income	9,846	7,312	11,326	17,012	24,437
Depreciation	8,069	8,949	9,861	12,301	15,954
Net Investment Losses (Gains)	(49)	48	(89)	(89)	(89)
Others	(2,825)	(3,564)	(6,902)	(7,795)	(7,157)
Cash Flow-Operating	**15,041**	**12,745**	**14,194**	**21,429**	**33,145**
(Purchase) of FA	(48,319)	(33,497)	(19,117)	(10,867)	(11,220)
Sale of Fix Asset	380	86	35	0	0
(Purchase)L-T Inv.	0	0	0	0	0
Sale of L-T Inv.	0	0	0	0	0
Sale(Pur.)S-T Inv.	(6,846)	(106)	13	0	0
Cash Flow-Investing	**(29,620)**	**(34,049)**	**(3,633)**	**(11,099)**	**(11,452)**
Inc(Dec)-S-T Debt	8,222	(3,977)	(3,382)	0	0
Dividend Paid	(8,748)	(5,259)	(5,343)	(6,795)	(10,207)
Dir.&Emp.Bonus	0	0	0	0	0
Proceed from New Issue	21,891	0	0	0	0
Dec/Inc-TreasureSt	0	0	0	0	0
Others	4,375	10,540	35,568	40,000	40,000
Cash Flow-Financing	**25,740**	**1,303**	**26,843**	**33,205**	**29,793**
Change in Cash	**12,765**	**(19,445)**	**37,947**	**43,534**	**51,485**
Net cash/(debt), b/f	26,165	38,929	19,484	57,431	100,965
Net cash/(debt), c/f	**38,929**	**19,484**	**57,431**	**100,965**	**152,451**

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 July 31, 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	1529	42%	442	47%	29%	750	43%
Equal-weight/Hold	1582	43%	396	42%	25%	773	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	560	15%	97	10%	17%	217	12%
Total	3,674		936			1741	

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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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.

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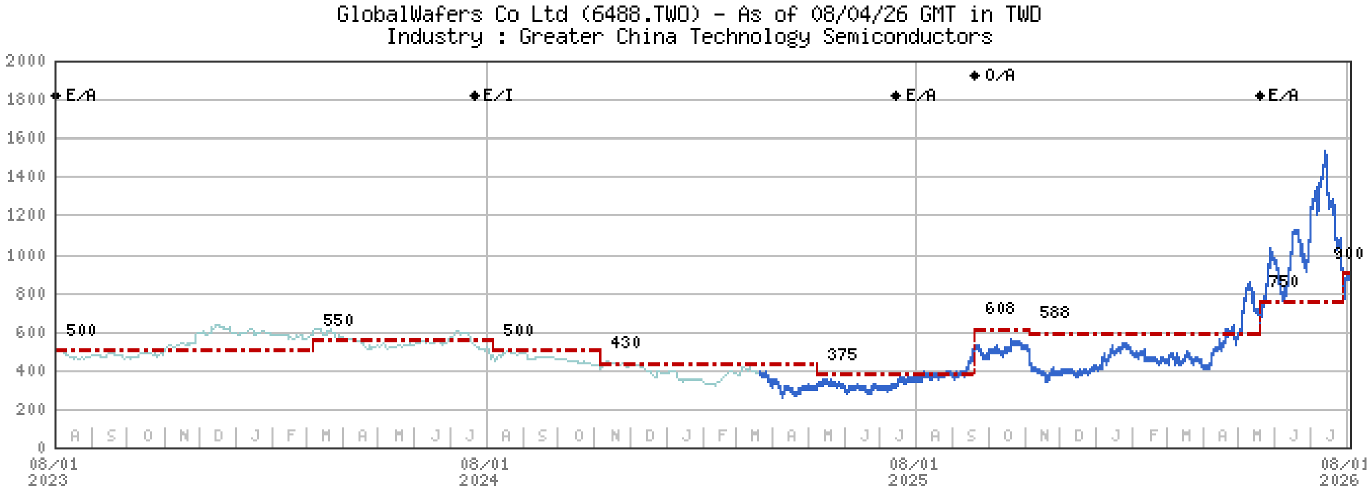
Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 8/1/21 : O/I; 10/12/21 : O/C; 10/4/22 : O/A; 2/22/23 : E/I; 7/7/23 : E/A; 7/21/24 : E/I; 7/14/25 : E/A; 9/19/25 : O/A; 5/19/26 : E/A

Price Target History: 6/29/21 : 1020; 2/7/22 : 920; 3/15/22 : 800; 7/12/22 : 580; 11/1/22 : 500; 3/6/24 : 550; 8/6/24 : 500; 11/5/24 : 430; 5/8/25 : 375; 9/19/25 : 608; 11/5/25 : 588; 5/19/26 : 750; 7/29/26 : 900

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 Semiconductors

COMPANY (TICKER)	RATING (AS OF)	PRICE* (08/04/2026)
Charlie Chan		
ACM Research Inc (ACMR.O)	O (03/07/2023)	US$78.64
Advanced Micro-Fabrication Equipment Inc (688012.SS)	O (11/06/2023)	Rmb317.74
Advanced Wireless Semiconductor Co (8086.TWO)	U (07/14/2025)	NT$122.50
Alchip Technologies Ltd (3661.TW)	O (05/14/2021)	NT$3,390.00
ASE Technology Holding Co. Ltd. (3711.TW)	O (09/15/2024)	NT$585.00
Cambricon Technology Corporation (688256.SS)	O (04/27/2026)	Rmb1,078.21
Global Unichip Corp (3443.TW)	O (06/24/2026)	NT$4,145.00
GlobalWafers Co Ltd (6488.TWO)	E (05/19/2026)	NT$952.00
Gudeng Precision (3680.TWO)	O (11/25/2025)	NT$430.00
Hua Hong Semiconductor Ltd (1347.HK)	E (03/12/2026)	HK$135.10
Iluvatar CoreX Semiconductor Co., Ltd. (9903.HK)	O (04/27/2026)	HK$479.20
King Yuan Electronics Co Ltd (2449.TW)	O (03/03/2023)	NT$245.50
Maxscend Microelectronics Co Ltd (300782.SZ)	U (01/11/2021)	Rmb72.34
MediaTek (2454.TW)	O (11/28/2025)	NT$3,865.00
MetaX Integrated Circuits (688802.SS)	E (04/27/2026)	Rmb696.04
Nanya Technology Corp. (2408.TW)	O (05/28/2026)	NT$436.00
NAURA Technology Group Co Ltd (002371.SZ)	O (11/06/2023)	Rmb687.00
OmniVision Integrated Circuits Group Inc (603501.SS)	E (11/17/2025)	Rmb87.95
Phison Electronics Corp (8299.TWO)	E (02/25/2026)	NT$1,820.00
SG Micro Corp. (300661.SZ)	E (11/03/2025)	Rmb101.56
Silergy Corp. (6415.TW)	U (05/19/2026)	NT$424.00
SMIC (0981.HK)	O (10/21/2025)	HK$65.30
TSMC (2330.TW)	O (02/07/2022)	NT$2,320.00
UMC (2303.TW)	O (05/19/2026)	NT$118.50
Vanguard International Semiconductor (5347.TWO)	E (01/14/2026)	NT$154.50
WIN Semiconductors Corp (3105.TWO)	U (07/14/2025)	NT$342.00

Daisy Dai, CFA

ASMPT Ltd (0522.HK)	O (07/24/2025)	HK$158.00
China Resources Microelectronics Limited (688396.SS)	U (03/02/2026)	Rmb54.15
Empyrean Technology Co Ltd (301269.SZ)	E (01/17/2025)	Rmb89.81
Hangzhou Silan Microelectronics Co. Ltd. (600460.SS)	U (08/25/2025)	Rmb29.12
Hygon Information Technology Co., Ltd. (688041.SS)	O (07/03/2026)	Rmb275.35
Innoscience (2577.HK)	E (10/13/2025)	HK$42.68
JCET Group Co Ltd (600584.SS)	E (01/16/2026)	Rmb65.41
Shanghai Fudan Microelectronics (1385.HK)	O (03/07/2025)	HK$25.80
SICC Co Ltd (688234.SS)	O (03/20/2026)	Rmb86.45
StarPower Semiconductor Ltd (603290.SS)	E (05/14/2026)	Rmb82.80
Unigroup Guoxin Microelectronics Co Ltd (002049.SZ)	U (01/10/2023)	Rmb65.55
Universal Scientific Ind. (Shanghai) (601231.SS)	O (11/05/2025)	Rmb23.60
Yangjie Technology (300373.SZ)	O (06/10/2022)	Rmb86.80
Daniel Yen, CFA		
AP Memory Technology Corp (6531.TW)	O (07/11/2025)	NT$806.00
ASMedia Technology Inc (5269.TW)	U (10/03/2025)	NT$1,360.00
Aspeed Technology (5274.TWO)	O (06/09/2025)	NT$15,500.00
Egis Technology Inc (6462.TWO)	E (01/28/2026)	NT$96.50
Elan Microelectronics Corp (2458.TW)	O (10/03/2025)	NT$157.50
Espressif Systems (688018.SS)	O (05/15/2023)	Rmb105.38
GigaDevice Semiconductor Beijing Inc (603986.SS)	O (05/15/2025)	Rmb356.02
Macronix International Co Ltd (2337.TW)	O (09/18/2025)	NT$120.00
Montage Technology Co Ltd (6809.HK)	O (03/18/2026)	HK$262.60
Montage Technology Co Ltd (688008.SS)	O (03/18/2026)	Rmb203.25
Novatek (3034.TW)	U (02/04/2026)	NT$524.00
Nuvoton Technology Corporation (4919.TW)	U (11/10/2025)	NT$129.50
Parade Technologies Ltd (4966.TWO)	O (05/27/2026)	NT$584.00
Powerchip Semiconductor Manufacturing Co (6770.TW)	O (10/27/2025)	NT$60.10
Realtek Semiconductor (2379.TW)	E (01/30/2026)	NT$723.00
Shenzhen Goodix Technology Co Ltd (603160.SS)	U (07/14/2025)	Rmb52.69
Winbond Electronics Corp (2344.TW)	O (05/28/2026)	NT$157.00
WPG Holdings (3702.TW)	O (03/16/2026)	NT$117.50
WT Microelectronics Co. Ltd. (3036.TW)	O (01/27/2026)	NT$212.50
Duan Liu		
Dosilicon Co Ltd (688110.SS)	U (09/06/2024)	Rmb101.78
Shenzhen Longsys Electronics Co Ltd (301308.SZ)	E (02/25/2026)	Rmb336.05
Tiffany Yeh		
AllRing Tech Co. (6187.TWO)	O (09/23/2025)	NT$1,090.00
FOCI Fiber Optic Communications Inc (3363.TWO)	O (01/15/2025)	NT$563.00
Himax Technologies Inc (HIMX.O)	E (02/04/2026)	US$12.78
Hon Precision (7769.TW)	O (04/17/2026)	NT$6,190.00
MPI Corporation (6223.TWO)	O (04/17/2026)	NT$5,900.00
Silicon Motion (SIMO.O)	O (05/06/2024)	US$251.52
WinWay Technology Co Ltd (6515.TW)	O (04/17/2026)	NT$6,575.00

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* Historical prices are not split adjusted.