October 26, 2026 10:57 PM GMT

Chroma Ate Inc. | Asia Pacific

2H26 Driven by Semis and Photonics; 2027 Seen as Another Strong Year

A unique combination of power, electrical and optical testing tool capabilities position the company well in AI deployment. Stay OW.

We see 3Q26 EPS of NT$13.71: Chroma's 3Q26 revenue came in at NT$17,926mn, up 32% QoQ and 180% YoY. We believe the strength was driven mainly by the semiconductor and photonics businesses, while the power testing business likely remained at an elevated level. Within the semiconductor and photonics businesses, SLT should benefit from AI HPC customers' ramping; meanwhile, optical testing tools for transceivers and, to a lesser extent, CPO, are also seen as growth drivers during the quarter. We estimate GM of 60.5% (flat QoQ) as scale tailwinds should be largely offset by a less favorable product mix, while OPM should expand by 0.5ppt QoQ to 39.3% on some operating leverage. Overall, we expect EPS of NT $13.71 (+13% QoQ/+15% YoY).

Growth momentum seen sustained into 2027: Looking ahead, we expect Chroma to see another year of strong growth, supported by the power testing (51% growth for 42% mix) and semi & photonics businesses (58% growth for 40% mix).

- **Power testing:** The ever-increasing power consumption of AI clusters should continue to drive demand for higher spec testing tools. Along with our forecast of a 75% CAGR for global power supply unit demand in the next three years (see report), we think this should stay a major driver for Chroma.
- **SLT:** We are seeing more HPC chip designers adopting the system level testing process to make sure defects won't be incorporated into the AI systems. As the first mover in this market. Chroma should benefit from increasing chip volume as well as higher TDP, in our view.
- **Photonics:** Transceivers should continue to be the mainstream solution; architectures such as CPO and NPO also need testing tools.
- **Emerging business:** We expect Chroma, by leveraging its existing customer relationship and technology expertise, to gain more traction in FT handlers and burn-in ovens for AI HPCs in 2027. These are the markets that Chroma previously focused less on, so they represent new opportunities.

Stay OW: We remain constructive on Chroma for its testing equipment's unique combination of power, electrical and optical capabilities, allowing it to capture growth opportunities in various aspects of AI deployment. Our PT remains NT $2,800 as our estimate increases are offset by a lower target multiple of 40x 2027e P/E (previously 45x) to factor in generally more conservative sentiment toward the AI space now. This implies a PEG of 0.6 (vs. 1.0 over the past decade).

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Morgan Stanley appreciates your support in the 2027 Extel Asia Research Survey. Voting opens 10 November 2026.

Chroma Ate Inc. (2360.TW, 2360 TT)

Greater China Technology Hardware | Taiwan

Stock Rating	**Overweight**
Industry View	**In-Line**
Price target	NT$2,800.00
Up/downside to price target (%)	41
Shr price, close (Oct 22, 2026)	NT$1,980.00
52-Week Range	NT$2,795.00-717.00
Sh out, dil, curr (mn)	425
Mkt cap, curr (mn)	US$25,851
EV, curr (mn)	US$25,517
Avg daily trading value (mn)	US$181

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	27.49	48.57	70.77	85.57
Prior EPS (NT$)**	-	43.97	62.77	74.77
EPS (NT$)§	26.88	45.46	68.09	88.26
Revenue, net (NT$ mn)	28,311	61,591	89,238	106,126
EBITDA (NT$ mn)	10,038	25,071	36,903	44,562
ModelWare net inc (NT $ mn)	11,692	20,656	30,097	36,387
P/E	28.2	40.8	28.0	23.1
P/BV	10.1	18.5	13.6	10.8
RNOA (%)	49.4	89.2	102.7	103.2
ROE (%)	45.9	63.4	66.0	58.6
EV/EBITDA	31.8	32.9	22.1	18.0
Div yld (%)	1.2	1.0	1.7	2.5
FCF yld ratio (%)**	2.4	1.7	3.0	4.0
Leverage (EOP) (%)	(33.4)	(37.2)	(44.3)	(51.1)

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

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AlphaSignals Earnings Preview

Focus KPI	Focus KPI Surprise	Likely impact to consensus EPS*
Chroma Ate Inc. 2360.TW		
3Q26 business update and outlook	↑ Likely upside surprise	↑ Modest revision higher

- We estimate the GM to be 60.5% (flat QoQ), as the scale tailwinds could be largely offset by a less favorable product mix.
- OPM should expand by 0.5ppt QoQ to 39.3% on some operating leverage.
- Overall, we expect the EPS to be NT$13.71 (+13% QoQ/+15% YoY).

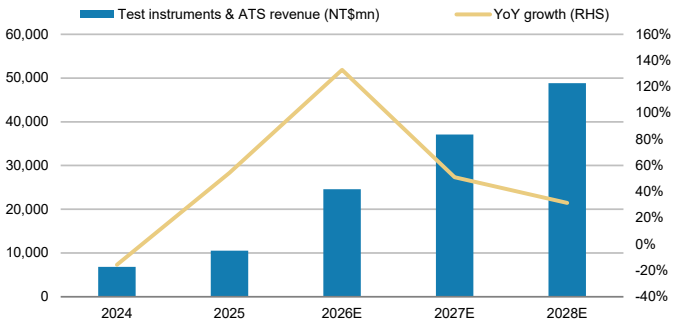
*Likely impact to consensus EPS is for the next 12 months
Source: Company data, Morgan Stanley Research

A Closer Look

Test instrument and ATS segment set to reach another record high in 2026

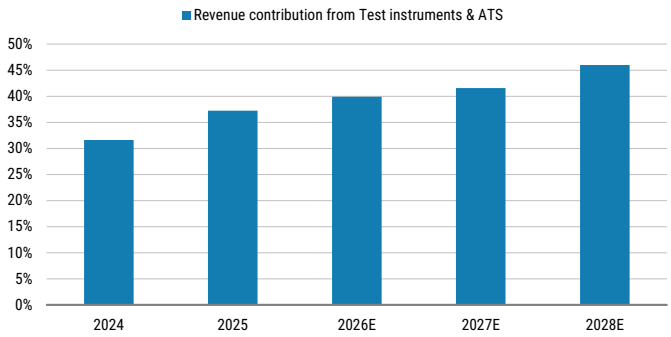
Revenue for the segment increased 55% YoY to NT$10,546mn (37% of the mix) in 2025. We estimate it will rise 118% YoY to NT$24,564mn (40% of the mix) in 2026. The ever-increasing power consumption of AI clusters should continue to drive demand for higher spec testing tools. Along with our forecast of a 75% CAGR for global power supply unit demand in the coming three years (see our report), this should remain a major driver for Chroma, in our view.

Exhibit 1: Test Instrument and ATS Revenue (Annual)



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

Exhibit 2: Test Instrument and ATS Revenue Mix



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

Multiple drivers in the semiconductor business

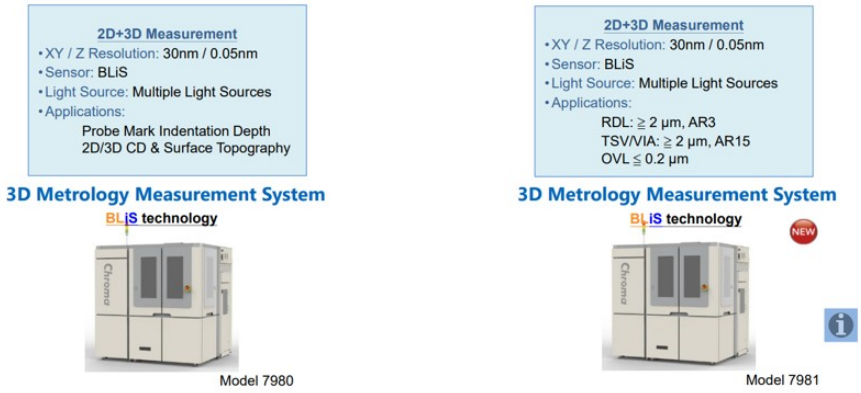
System-level testing (SLT) business

SLT should benefit from the capex cycle of NVIDIA's Rubin generation GPU, AMD's MI450 GPU and more ASIC accelerators. Management pointed out that discrete testing tools are still preferred by major customers. We are also seeing more HPC chip designers adopting the system level testing process to make sure defects won't be incorporated into the AI systems. We believe Chroma, as the first mover in this market, should benefit from increasing chip volume, as well as higher TDP.

Metrology business

The metrology business should continue to benefit from current advanced packaging architectures from its foundry and OSAT customers. It is confident that the performance of its tools can win future architecture projects, which our industry checks suggest should have higher metrology density.

Exhibit 3: Chroma – Offerings for Metrology in Advanced Packaging

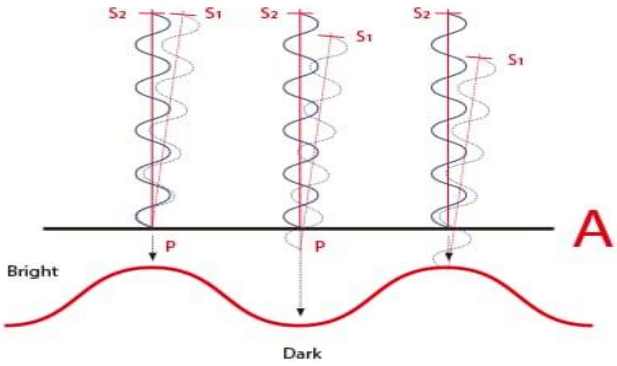


Source: Chroma

Chroma's metrology equipment employs white light interferometry technology. The basic working principle is that white light is emitted on the reference mirror and the sample, which are placed at the same distance from the light source. The reflected beams from the reference mirror and sample surface are then received by a light sensor.

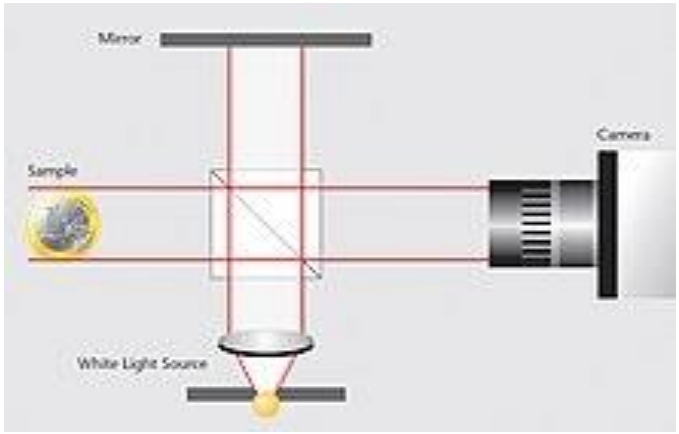
Interference occurs when two light beams collide, which could cause them to either strengthen or weaken, depending on the phase of the two light beams. Thus, by measuring the intensity of the combined light beams, the distance between light sensor and multiple points on the target surface can be calculated through an algorithm. This can then be used to measure the dimensions of the structure or the alignment of layers.

Exhibit 4: Concept of Light Interference



Source: Keyence

Exhibit 5: Setup of Interferometer

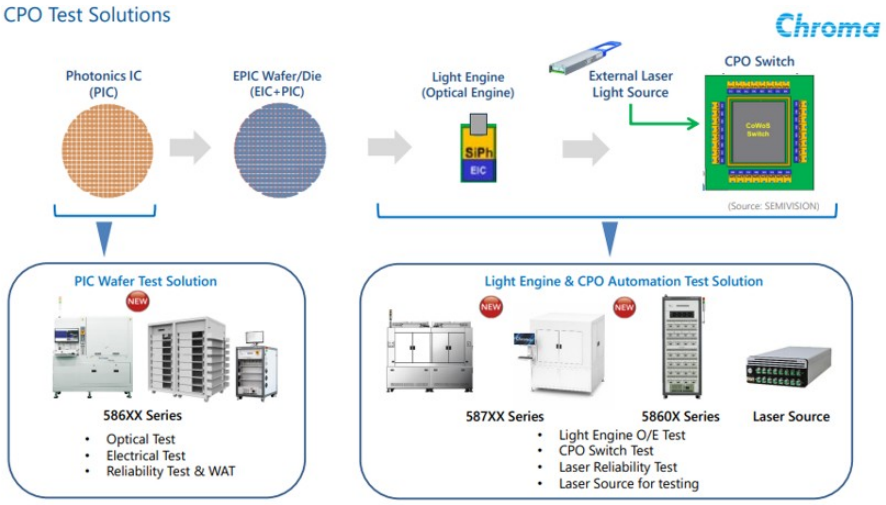


Source: Wikipedia

CPO contribution to start from 2026

Chroma has been qualified for optical engine testing in Insertion 3 and system-level testing in Insertion 4, and there might be incremental opportunities if supply chain players' progress falls behind for testing equipment in Insertion 2. Over the longer term, Chroma also aspires to participate in the PIC optical/electrical/reliability testing in Insertion 1.

Exhibit 6: Chroma's Offerings in CPO



Source: Chroma

FT handlers to add another revenue stream

In HPC testing, Chroma used to focus mostly on the SLT side, although it did unveil its first HPC FT handler earlier this year and is now going through the qualification process. We believe this is a natural extension of its expertise and customer relationships accumulated in SLTs. We expect Chroma to gain more traction in FT handlers for AI HPCs in 2027.

Exhibit 7: Chroma's FT Handler Offering

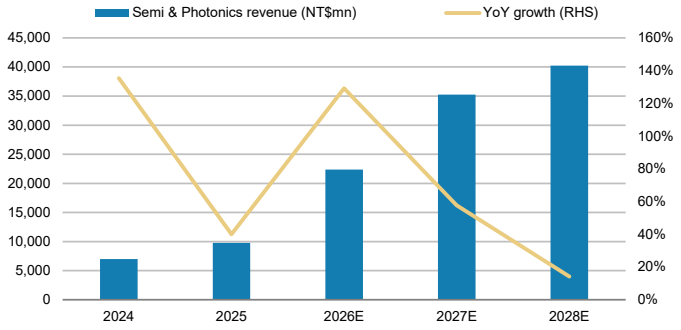


Source: Chroma

129% YoY growth seen for the semiconductor and photonics business in 2026

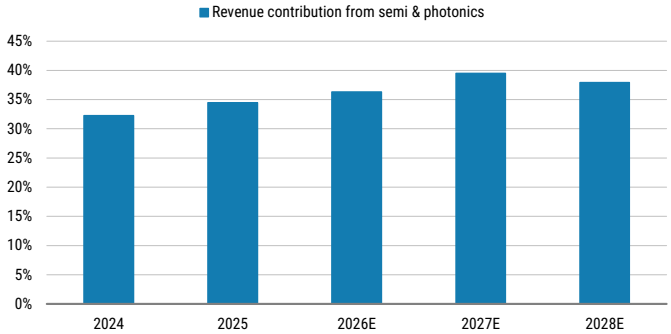
Overall, we forecast semiconductor and photonics revenue will grow 129% YoY in 2026, accounting for 36% of Chroma's mix.

Exhibit 8: Semi and Photonics Revenue (Annual)



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

Exhibit 9: Semi and Photonics Revenue Mix



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

Chroma: Quarterly Financial Summary

Exhibit 10: Chroma: Quarterly Financial Summary

NT$ mn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2025	2026E	2027E
Net sales	**6,865**	**6,455**	**6,410**	**8,580**	**11,860**	**13,529**	**17,926**	**18,276**	**28,311**	**61,591**	**89,238**
COGS	-2,717	-2,231	-2,575	-3,363	-4,436	-5,344	-7,089	-7,256	(10,886)	(24,125)	(34,504)
Gross profit	**4,148**	**4,224**	**3,835**	**5,217**	**7,424**	**8,185**	**10,837**	**11,020**	**17,425**	**37,467**	**54,735**
Operating expenses	-1,984	-2,027	-1,987	-2,229	-2,627	-2,944	-3,797	-3,869	(8,227)	(13,236)	(18,611)
SG&A, R&D exp.	-1,984	-2,027	-1,987	-2,229	-2,627	-2,944	-3,797	-3,869	(8,227)	(13,236)	(18,611)
Operating income	**2,164**	**2,197**	**1,848**	**2,988**	**4,797**	**5,241**	**7,040**	**7,151**	**9,198**	**24,230**	**36,124**
Non-operating income	**433**	**241**	**3,626**	**420**	**297**	**1,272**	**258**	**258**	**4,720**	**2,085**	**1,032**
Interest income	9	21	7	20	10	14	23	23	56	71	92
Investment income	18	507	0	0	0	0	0	0	525	0	0
Disposal of investment	3	115	3,169	29	2	443	0	0	3,316	444	0
Exchange gain	152	-676	241	284	200	38	0	0	1	238	0
Others	251	274	209	87	84	778	235	235	821	1,332	940
Pre-tax income	**2,597**	**2,438**	**5,475**	**3,408**	**5,094**	**6,514**	**7,298**	**7,409**	**13,918**	**26,315**	**37,156**
Income tax	-441	-431	-361	-759	-1,146	-1,284	-1,423	-1,445	(1,992)	(5,298)	(6,919)
Minority interest	-33	-54	-48	-99	-84	-107	-85	-85	(234)	(361)	(140)
Net income	**2,122**	**1,953**	**5,066**	**2,550**	**3,864**	**5,123**	**5,790**	**5,879**	**11,692**	**20,656**	**30,097**
Adj.wtd.avg.shrs (mn)	425	425	425	425	424	422	422	422	425	425	425
EPS (NT$)	**4.99**	**4.59**	**11.91**	**5.99**	**9.12**	**12.13**	**13.71**	**13.92**	**27.49**	**48.57**	**70.77**
Margins (%)											
Gross Margin	60	65	60	61	63	60	60	60	62	61	61
Operating Margin	32	34	29	35	40	39	39	39	32	39	40
Pretax Margin	38	38	85	40	43	48	41	41	49	43	42
Net Margin	31	30	79	30	33	38	32	32	41	34	34
QoQ Growth (%)											
Sales	14	-6	-1	34	38	14	32	2			
Gross Profit	15	2	-9	36	42	10	32	2			
Operating Profit	39	2	-16	62	61	9	34	2			
Pretax Profit	34	-6	125	-38	49	28	12	2			
Net Profit	44	-8	159	-50	52	33	13	2			
YoY Growth (%)											
Sales	55	17	14	42	73	110	180	113	31	118	45
Gross Profit	62	29	16	45	79	94	183	111	37	115	46
Operating Profit	140	45	23	92	122	139	281	139	68	163	49
Pretax Profit	113	35	214	76	96	167	33	117	107	89	41
Net Profit	122	39	255	73	82	162	14	131	122	77	46

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

Chroma: Financial Summary

Exhibit 11: Chroma: Financial Summary

Consolidated Income Statement

NT$ mn (Year End Dec 31)	2024	2025	2026E	2027E	2028E
Net sales	**21,604**	**28,311**	**61,591**	**89,238**	**106,126**
COGS	-8,858	-10,886	-24,125	-34,504	-40,595
Gross profit	**12,746**	**17,425**	**37,467**	**54,735**	**65,531**
Operating expenses	-7,264	-8,227	-13,236	-18,611	-21,709
Operating income	**5,482**	**9,198**	**24,230**	**36,124**	**43,821**
Non-operating income	**1,226**	**4,720**	**2,085**	**1,032**	**1,032**
Interest income	48	56	71	92	92
Investment income	47	525	0	0	0
Disposal of investment	9	3,316	444	0	0
Exchange gain	250	1	238	0	0
Others	873	821	1,332	940	940
Pre-tax income	**6,709**	**13,918**	**26,315**	**37,156**	**44,853**
Income tax	-1,308	-1,992	-5,298	-6,919	-8,327
Minority interests	-136	-234	-361	-140	-140
Net income	**5,264**	**11,692**	**20,656**	**30,097**	**36,387**
Adj. wtd. Avg. shrs (m)	425	425	425	425	425
Reported EPS (NT$)	**12.38**	**27.49**	**48.57**	**70.77**	**85.57**

Consolidated Cash Flow Statement

NT$ mn (Year End Dec 31)	2024	2025	2026E	2027E	2028E
Operating Cashflow	**4,784**	**5,258**	**11,089**	**22,528**	**32,000**
Net Profits	5,264	11,692	20,656	30,097	36,387
Depreciation & Amort.	775	841	841	779	740
Investment losses/(income)	-715	-1,259	0	0	0
Working capital change	-1,020	-4,306	-8,996	-7,543	-4,635
Other adjustments	480	-1,710	-1,413	-805	-491
Investing Cashflow	**-1,891**	**1,428**	**-308**	**-446**	**-531**
Capex	-2,005	-2,301	-2,156	-3,123	-3,714
Change of L/T investment	0	-150	0	0	0
Change of S/T investment	-187	-289	0	0	0
Other adjustments	247	210	0	0	0
Financing Cashflow	**-2,997**	**-4,548**	**-4,420**	**-11,560**	**-19,028**
Increase in L/T debt	1,111	1,203	0	0	0
Increase in S/T debt	-718	-1,402	0	0	0
Issuance of stock	0	0	0	0	0
Cash dividends	-2,897	-3,905	-8,250	-14,574	-21,235
Other adjustments	-493	-444	3,829	3,015	2,207
FX adjustment	71	-15	-238	0	0
Net change in cash	**-33**	**2,123**	**6,122**	**10,522**	**12,442**

Consolidated Balance Sheet

NT$ mn (Year End Dec 31)	2024	2025	2026E	2027E	2028E
Cash	**4,099**	**6,222**	**12,344**	**22,866**	**35,308**
Mkt securities	1,213	2,236	2,236	2,236	2,236
AR/NR	6,070	8,925	19,417	28,133	33,456
Inventory	5,458	7,919	17,549	25,099	29,530
Others	584	824	1,793	2,597	3,089
Current Assets	**17,425**	**26,126**	**53,339**	**80,931**	**103,619**
Long-term investments	8,918	7,953	7,953	7,953	7,953
Fixed assets	6,956	7,232	6,700	6,367	6,158
Other assets	4,009	5,839	5,839	5,839	5,839
Total Assets	**37,308**	**47,150**	**73,830**	**101,090**	**123,568**
S/T borrowings	1,414	10	10	10	10
AP/NP	3,106	4,116	9,121	13,044	15,347
Other ST liabilities	3,715	5,034	11,155	15,954	18,771
Total Current Liabilities	**8,235**	**9,159**	**20,286**	**29,009**	**34,128**
L/T debt	2,108	3,304	3,304	3,304	3,304
Other LT liabilities	1,515	2,125	4,622	6,697	7,964
Total Liabilities	**11,858**	**14,587**	**28,212**	**39,009**	**45,396**
Common shares	4,253	4,252	4,252	4,252	4,252
Retained Earnings	11,021	18,170	29,894	45,416	60,568
Other SH' Equity	10,175	10,140	11,472	12,412	13,352
Total Shareholders' Equity	**25,450**	**32,563**	**45,619**	**62,081**	**78,173**
Total Liab./SH's Equity	**37,308**	**47,150**	**73,830**	**101,090**	**123,568**

Consolidated Financial Ratios

	2024	2025	2026E	2027E	2028E
Margins (%)					
Gross margin	59.0	61.5	60.8	61.3	61.7
Operating margin	25.4	32.5	39.3	40.5	41.3
Pretax margin	31.1	49.2	42.7	41.6	42.3
Net margin	24.4	41.3	33.5	33.7	34.3
YoY growth (%)					
Sales	15.7	31.0	117.6	44.9	18.9
Operating profits	17.3	67.8	163.4	49.1	21.3
Pretax profits	29.9	107.5	89.1	41.2	20.7
Net profits	32.3	122.1	76.7	45.7	20.9
Others					
Cash dividend payout (%)	71	71	71	71	71
Cash div (NT$)	8.7	19.4	34.3	49.9	60.4
Yield (%)	3	3	8	14	20
Net Debt/Equity (%)	-7	-16	-25	-35	-44
Liabilities/Equity (%)	47	45	62	63	58
Liabilities/Assets (%)	32	31	38	39	37
ROAE (%)	22	40	53	56	52
ROAA (%)	15	28	34	34	32
AR/NR Turnover (days)	96	97	84	97	106
Inventory Turnover (days)	209	224	193	226	246
AP/NP Turnover (days)	118	121	100	117	128
Cash conversion cycle	187	200	177	206	224

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

Estimate Revisions

We lift our earnings estimates by 10-14% for 2026-28, factoring in strong 3Q26 actual revenue along with more operating leverage on the bottom line.

Exhibit 12: Chroma: Estimate Revisions

	2026e Earnings Estimates			2027e Earnings Estimates			2028e Earnings Estimates		
NT$mn	**New**	**Old**	**Variance**	**New**	**Old**	**Variance**	**New**	**Old**	**Variance**
Net sales	**61,591**	**55,154**	**12%**	**89,238**	**76,117**	**17%**	**106,126**	**89,224**	**19%**
COGS	(24,125)	(21,435)	13%	(34,504)	(28,281)	22%	(40,595)	(32,791)	24%
Gross profit	**37,467**	**33,719**	**11%**	**54,735**	**47,836**	**14%**	**65,531**	**56,433**	**16%**
Operating expenses	(13,236)	(11,875)	11%	(18,611)	(15,869)	17%	(21,709)	(18,233)	19%
Operating income	**24,230**	**21,844**	**11%**	**36,124**	**31,967**	**13%**	**43,821**	**38,201**	**15%**
Non-operating income	2,085	2,075	0%	1,032	1,012	2%	1,032	1,012	2%
Pre-tax income	26,315	23,919	10%	37,156	32,979	13%	44,853	39,213	14%
Income tax	(5,298)	(4,831)	10%	(6,919)	(6,148)	13%	(8,327)	(7,276)	14%
Net income	**20,656**	**18,697**	**10%**	**30,097**	**26,691**	**13%**	**36,387**	**31,797**	**14%**
EPS (NT$)	**48.57**	**43.97**	**10%**	**70.77**	**62.77**	**13%**	**85.57**	**74.77**	**14%**
Margins (%)			***ppt***			***ppt***			***ppt***
Gross margin	60.8%	61.1%	-0.3	61.3%	62.8%	-1.5	61.7%	63.2%	-1.5
Operating margin	39.3%	39.6%	-0.3	40.5%	42.0%	-1.5	41.3%	42.8%	-1.5
Pre-tax margin	42.7%	43.4%	-0.6	41.6%	43.3%	-1.7	42.3%	43.9%	-1.7
Net margin	33.5%	33.9%	-0.4	33.7%	35.1%	-1.3	34.3%	35.6%	-1.4

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

Valuation Methodology and Risks

Our price target (base case scenario value) remains NT$2,800: Our PT is based on a target multiple of 40x 2027e P/E (vs. 45x 2027e previously). We lowered our multiple to factor in recent volatility in market sentiment toward AI. We view our multiple as justified based on our estimated 68% operating profit CAGR over 2025-28. This implies a PEG of 0.6 vs. its average of 1.0 in the past decade, when the stock was trading at an average of ~19x forward P/E with an operating profit CAGR of 20%.

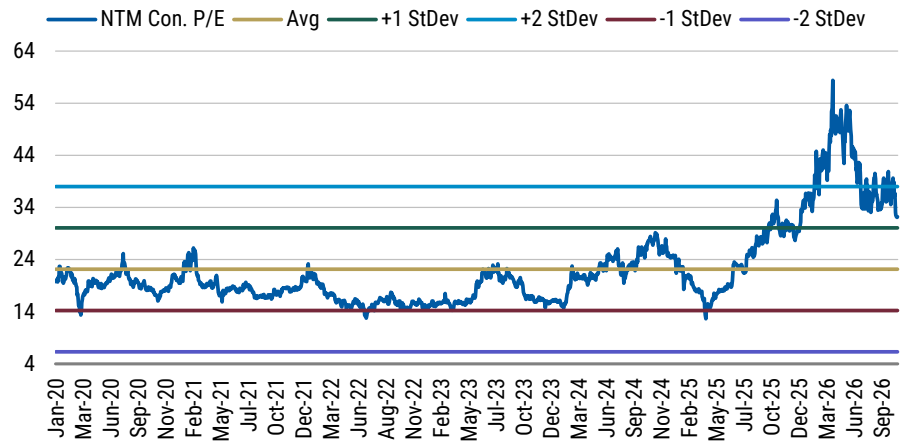
Bull case scenario value – NT$3,900 (unchanged): We apply a 55x multiple (vs. 62x P/E previously) to our earnings estimate for 2027. This scenario reflects stronger 5G and HPC demand, driving more earnings upside.

Bear case scenario value – NT$1,100 (unchanged): We apply a 16x P/E multiple (vs. 18x P/E previously) to our earnings estimate for 2027. This scenario factors in weaker HPC revenue as hyperscalers start to focus more on ROI for AI capex than they did in the past couple of years.

Risks:

- Softer-than-expected AI capex
- Slower progress in advanced packaging capacity expansion
- Weaker consumer electronics and automobile related demand

Exhibit 13: Chroma – One-year Forward Consensus P/E



Source: FactSet consensus estimates, Morgan Stanley Research

Risk Reward – Chroma Ate Inc. (2360.TW)

2027 Expected to Be Another Strong Year

PRICE TARGET NT$2,800.00

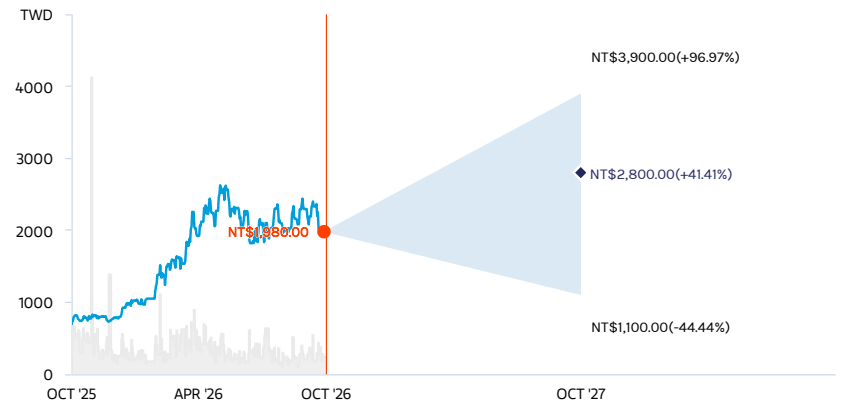
Base case, 40x 2027e P/E. We use P/E as our valuation methodology because we think it better captures Chroma's earnings growth momentum. The stock traded at an average valuation of ~19x P/E during 2014-25 with an operating profit CAGR of 20%, implying a PEG of 1.0. We think our target multiple of 40x is justified by the 68% operating profit CAGR we project for 2025-28.

Consensus Price Target Distribution NT$430.00 NT$2,675.79 MS PT NT$4,000.00

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

- **Multiple drivers for semi business growth:** SLT will see the first year of capex cycle for the Rubin generation GPU, along with adoption at MI450 and ASIC accelerators. The metrology business should grow along with advanced packaging capacity expansion. On CPO, Chroma was qualified for optical engine testing in Insertion 3 and system-level testing in Insertion 4.
- **Power testing business continues to ride the AI capex cycle**: Migration into the ±400/800VDC power rack architecture should be a positive development, while infrastructure builds in China should drive better ESS demand.
- **Stay OW:** Our PT of NT$2,800 is based on target P/E of 40x 2027e vs. an average of ~19x forward P/E since 2010.

Consensus Rating Distribution

100%	Overweight
0%	Equal-weight
0%	Underweight

MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Electric Vehicles:	*Positive*
New Data Era:	*Positive*
Secular Growth:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE NT$3,900.00

55x 2027e EPS

Stronger demand from EV, 5G and HPC: This scenario mainly reflects stronger-than-expected EV, 5G and HPC demand, driving higher earnings.

BASE CASE NT$2,800.00

40x 2027e EPS

Growth drivers intact for the coming years: We see Chroma as well positioned to ride the AI deployment cycle in 2026-27 through its dominance in power testing, SLT and metrology tools. Its business outlook remains strong with growth emerging from semiconductors, photonics/CPO and power testing businesses. We also see potential upside from its FT handler business.

BEAR CASE NT$1,100.00

16x 2027e EPS

Weaker sales momentum from EV, semiconductor and power testing: This scenario factors in weaker-than-expected EV sales owing to component supply shortages as well as slower semiconductor and power testing equipment orders.

Risk Reward – Chroma Ate Inc. (2360.TW)

KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Test Instruments & ATS (NT$, mn)	10,546	24,564	37,108	48,814
Semiconductor/Photonics Test Solutions (NT$, mn)	9,759	22,362	35,252	40,249

INVESTMENT DRIVERS

- New semi testing, EV or 3D sensing project/order wins
- Smartphone (iPhone/Android phone) ToF adoption
- Strong 5G infrastructure demand
- Mini LED product launch

GLOBAL REVENUE EXPOSURE



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

- Better-than-expected macro conditions
- Stronger semi and photonics and power testing demand
- Margin improvement via better product mix
- Better opex control

RISKS TO DOWNSIDE

- Macro slowdown
- Softer-than-expected AI capex
- Slower progress in the advanced packaging capacity expansion
- Weaker consumer electronics and automobile related demand
- Margin contraction arising from lack of revenue scale and increasing opex

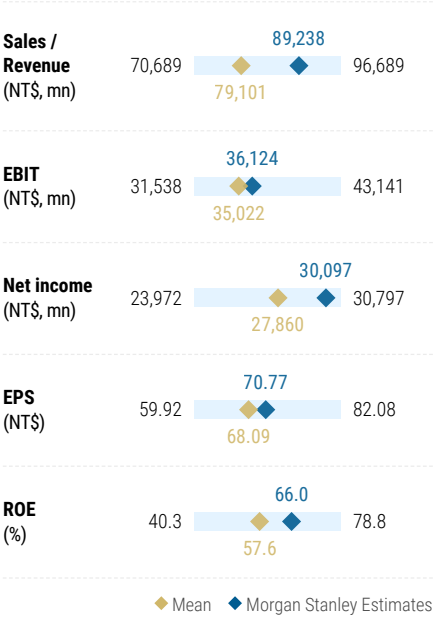
OWNERSHIP POSITIONING

Inst. Owners, % Active 73.5%

Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2027e



Source: Refinitiv, Morgan Stanley Research

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 September 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	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	

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.

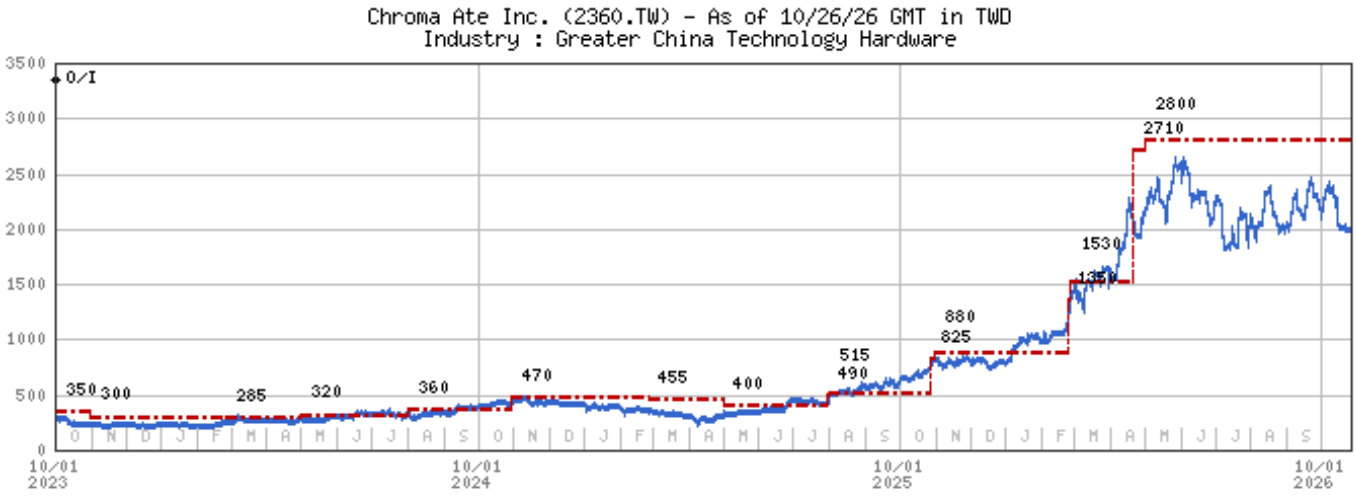
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Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 10/1/21 : O/I; 10/5/21 : O/I

Price Target History: 7/31/20 : 200; 10/5/21 : 220; 2/23/22 : 230; 2/24/23 : 215; 4/27/23 : 225; 7/7/23 : 320; 8/1/23 : 350; 10/31/23 : 300; 2/26/24 : 285; 4/30/24 : 320; 8/1/24 : 360; 10/30/24 : 470; 2/25/25 : 455; 5/1/25 : 400; 7/30/25 : 490; 8/1/25 : 515; 10/28/25 : 825; 10/31/25 : 880; 2/23/26 : 1350; 2/26/26 : 1530; 4/21/26 : 2710; 5/1/26 : 2800

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 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* (10/26/2026)
Andy Meng, CFA		
AAC Technologies Holdings (2018.HK)	O (01/29/2024)	HK$35.38
Accelink Technologies Co. Ltd. (002281.SZ)	U (05/12/2022)	Rmb122.53
BYD Electronics (0285.HK)	O (04/28/2023)	HK$22.58
China TransInfo Technology Co Ltd (002373.SZ)	E (07/18/2023)	Rmb8.05
Dahua Technology Co. Ltd. (002236.SZ)	E (12/12/2024)	Rmb14.69
Eoptolink Technology Inc Ltd (300502.SZ)	O (02/27/2026)	Rmb251.69
Genius Electronic Optical Co. Ltd. (3406.TW)	E (10/13/2026)	NT$1,160.00
GoerTek Inc (002241.SZ)	E (08/14/2026)	Rmb23.52
Gosuncn Technology Group Co Ltd (300098.SZ)	U (11/07/2022)	Rmb4.42
HIKVision Digital Technology (002415.SZ)	E (12/12/2024)	Rmb34.99
Largan Precision (3008.TW)	O (10/13/2026)	NT$6,175.00
LianChuang Electronic Technology Co Ltd (002036.SZ)	U (06/12/2024)	Rmb5.70
Lingyi Itech Guangdong Co (002600.SZ)	U (04/23/2025)	Rmb11.59
Lingyi Itech Guangdong Co (1688.HK)	O (08/14/2026)	HK$4.81
Luxshare Precision Industry Co., Ltd. (2475.HK)	O (08/14/2026)	HK$49.00
Luxshare Precision Industry Co., Ltd. (002475.SZ)	O (10/24/2016)	Rmb49.81
OFILM Group Co Ltd (002456.SZ)	U (06/12/2024)	Rmb6.37
Q Technology (Group) Company Ltd (1478.HK)	U (03/23/2026)	HK$4.66
Quectel Wireless Solutions Co Ltd (603236.SS)	E (10/09/2024)	Rmb76.09
Shanghai Conant Optical Co Ltd (2276.HK)	O (04/10/2026)	HK$36.52
Shenzhen Transsion Holdings Co Ltd (688036.SS)	E (03/23/2026)	Rmb56.59
Sunny Optical (2382.HK)	E (03/23/2026)	HK$62.95
Suzhou TFC Optical Communication Co Ltd. (300394.SZ)	E (11/06/2025)	Rmb196.98
Wingtech Technology Co Ltd (600745.SS)	U (05/18/2026)	Rmb10.85

Xiaomi Corp (1810.HK)	O (04/14/2021)	HK$26.90
Yangtze Optical Fibre and Cable JSC Ltd (601869.SS)	U (10/13/2021)	Rmb297.80
Yangtze Optical Fibre and Cable JSC Ltd (6869.HK)	O (07/15/2026)	HK$102.30
Yongxin Optics Co Ltd (603297.SS)	E (11/15/2022)	Rmb96.23
Zhejiang Crystal-Optech Co Ltd (002273.SZ)	O (11/15/2022)	Rmb22.13
Zhongji Innolight Co Ltd (300308.SZ)	O (09/07/2026)	Rmb594.50
Zhongji Innolight Co Ltd (3308.HK)	O (09/07/2026)	HK$721.50
ZTE Corporation (0763.HK)	O (06/04/2026)	HK$19.10
ZTE Corporation (000063.SZ)	E (06/04/2026)	Rmb28.03
Derrick Yang		
Accton Technology Corporation (2345.TW)	O (06/06/2024)	NT$1,775.00
Advantech (2395.TW)	O (01/20/2021)	NT$670.00
AirTAC International (1590.TW)	O (04/16/2025)	NT$1,100.00
Asia Vital Components Co. Ltd. (3017.TW)	O (07/30/2024)	NT$3,145.00
AU Optronics (2409.TW)	E (02/10/2026)	NT$35.40
Auras Technology Co Ltd (3324.TWO)	E (05/04/2023)	NT$1,360.00
Bizlink (3665.TW)	O (03/10/2025)	NT$1,875.00
BOE Technology (000725.SZ)	O (09/06/2019)	Rmb4.87
Chenbro (8210.TW)	O (07/23/2025)	NT$764.00
Chroma Ate Inc. (2360.TW)	O (10/05/2021)	NT$1,980.00
Delta Electronics Inc. (2308.TW)	O (07/13/2017)	NT$1,560.00
E Ink Holdings Inc. (8069.TWO)	E (08/10/2026)	NT$153.50
Ennostar Inc (3714.TW)	U (09/23/2022)	NT$61.70
Fositek Corp (6805.TW)	O (06/25/2025)	NT$2,335.00
Hiwin Technologies Corp. (2049.TW)	O (03/30/2026)	NT$299.00
Innolux (3481.TW)	E (04/07/2025)	NT$46.75
King Slide Works Co. Ltd. (2059.TW)	O (11/08/2023)	NT$9,755.00
Lens Technology (300433.SZ)	E (07/22/2020)	Rmb27.96
Lite-On Technology (2301.TW)	E (01/15/2025)	NT$255.50
TCL Corp. (000100.SZ)	E (04/07/2025)	Rmb4.47
Tianma Microelectronics (000050.SZ)	U (01/24/2018)	Rmb5.92
Howard Kao		
Acer Inc. (2353.TW)	U (04/23/2025)	NT$32.45
Asustek Computer Inc. (2357.TW)	U (11/16/2025)	NT$946.00
Catcher Technology (2474.TW)	U (11/17/2025)	NT$196.50
Compal Electronics (2324.TW)	U (04/23/2025)	NT$37.30
Elite Material Co. (2383.TW)	O (09/14/2026)	NT$5,070.00
FIT Hon Teng Ltd (6088.HK)	O (11/03/2025)	HK$3.59
Foxconn Industrial Internet Co. Ltd. (601138.SS)	O (07/10/2019)	Rmb46.73
Giga-Byte Technology Co. Ltd. (2376.TW)	E (11/16/2025)	NT$349.00
Gold Circuit Electronics Ltd. (2368.TW)	O (10/06/2022)	NT$1,115.00
Hon Hai Precision (2317.TW)	O (03/15/2024)	NT$245.00
Inspur Electronic Information (000977.SZ)	E (08/28/2023)	Rmb57.16
Kingboard Laminates Holdings Ltd. (1888.HK)	O (09/14/2026)	HK$35.98
LandMark Optoelectronics Corporation (3081.TWO)	E (03/26/2026)	NT$2,375.00
Lenovo (0992.HK)	O (07/10/2026)	HK$21.74
Lotes Co. Ltd. (3533.TW)	E (05/12/2025)	NT$1,795.00
Nan Ya PCB (8046.TW)	O (02/23/2026)	NT$1,265.00
Pegatron Corporation (4938.TW)	E (03/25/2026)	NT$103.50
Quanta Computer Inc. (2382.TW)	O (05/01/2023)	NT$322.00
Shengyi Technology Co Ltd. (600183.SS)	E (05/26/2022)	Rmb100.26
Shennan Circuits Co Ltd (002916.SZ)	E (08/24/2023)	Rmb267.51
Unimicron (3037.TW)	O (02/23/2026)	NT$1,085.00
Visual Photonics Epitaxy Co Ltd (2455.TW)	E (09/11/2023)	NT$467.00
Wistron Corporation (3231.TW)	O (07/12/2023)	NT$190.00

Wiwynn Corp (6669.TW)	O (11/10/2025)	NT$1,840.00
Yageo Corp. (2327.TW)	O (10/28/2025)	NT$507.00
Zhen Ding (4958.TW)	++	NT$567.00
Irene Yen		
Co-Tech Development Corp. (8358.TWO)	O (09/14/2026)	NT$438.50
Taiwan Union Technology Corporation (6274.TWO)	O (09/14/2026)	NT$1,420.00

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