Morgan Stanley | RESEARCH

UPDATE

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Asustek Computer Inc. | Asia Pacific

2Q OP beat MSe by 38% and consensus by 87%

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AlphaSignals Earnings Reaction

Unchanged Impact to our thesis	**Meaningful upside** Financial results versus consensus	**Meaningful revision higher** Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

Key Takeaways

- We underestimated Asustek's pricing power, and expect the stock to react positively on the material 2Q beat.
- CY26 server revenue guidance raised to +150% y/y (up from +100% y/y).
- Management maintained its mid-term OpM guidance at 4-5%, which we view as conservative given the stronger revenue outlook.

2Q operating profit came in 38% above MSe and 87% above the Street:

- GM was 16.5% (+280bps q/q, +420bps y/y) - 390bps above MSe and 350bps above the Street
- OpM was 8.1% (+270bps q/q, +470bps y/y) - 230bps above MSe and 350bps above the Street
- Net profit reached NT$19.0B (+94% q/q and y/y) for EPS of NT$25.64, 34% above MSe and 79% above the Street
- 2Q mix: System 45%, Open Platform 19%, IS 36% (HGX 60%, NVL72 30%, General Server 10%)

3Q outlook:

- PC revenue +15% to 20% q/q (driven by volume and price, roughly 50/50)
- Component revenue +5-10% q/q
- Server revenue +10-15% q/q

Asustek Computer Inc. (2357.TW, 2357 TT)

Greater China Technology Hardware | Taiwan

Stock Rating	**Underweight**
Industry View	**In-Line**
Price target	NT$700.00
Up/downside to price target (%)	(18)
Shr price, close (Aug 12, 2026)	NT$852.00
52-Week Range	NT$964.00-490.00
Sh out, dil, curr (mn)	743
Mkt cap, curr (mn)	NT$632,832
EV, curr (mn)	NT$544,316
Avg daily trading value (mn)	NT$2,918

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	59.99	65.16	68.06	69.60
Prior EPS (NT$)**	-	-	-	-
EPS (NT$)§	56.11	55.67	61.46	64.74
Revenue, net (NT$ mn)	688,935	881,855	980,967	1,112,157
EBITDA (NT$ mn)	35,091	52,492	54,496	56,033
ModelWare net inc (NT$ mn)	44,558	48,399	50,556	51,695
P/E	9.1	13.1	12.5	12.2
P/BV	1.4	2.1	2.0	1.7
ROE (%)	16.5	16.8	16.7	16.2
EV/EBITDA	9.1	10.3	9.8	8.8
Div yld (%)	6.2	5.4	5.6	0.0

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

Exhibit 1: Asustek's 2Q26 result summary table

Year to Dec. 31 (NT$m)	MSe 2Q26	Q/Q	Y/Y	MS Forecast 2Q26E	Diff. %	Cons. 2Q26E	Diff. %
Net sales	**241,056**	**24%**	**39%**	**241,056**	**0%**	**226,230**	**7%**
COGS	(201,199)			(210,501)		(196,821)	
Gross profit	**39,857**	**49%**	**85%**	**30,555**	**30%**	**29,409**	**36%**
Operating expenses	(20,219)			(16,362)		(18,907)	
Operating income	**19,638**	**87%**	**230%**	**14,193**	**38%**	**10,502**	**87%**
Non-operating income	5,036			3,866		2,775	
Pre-tax income	**24,674**	**101%**	**122%**	**18,058**	**37%**	**13,277**	**86%**
Income tax	(5,626)			(3,837)		(2,655)	
Net income	**19,048**	**94%**	**94%**	**14,221**	**34%**	**10,622**	**79%**
EPS (NT$)	**25.64**			**19.15**		**14.30**	
Margins		**ppt**	**ppt**		**ppt**		**ppt**
Gross margin	16.5%	2.8	4.2	12.7%	3.9	13.0%	3.5
Operating margin	8.1%	2.7	4.7	5.9%	2.3	4.6%	3.5
Pretax margin	10.2%	3.9	3.9	7.5%	2.7	5.9%	4.4
Net margin	7.9%	2.9	2.3	5.9%	2.0	4.7%	3.2

Source: Company data, Visible Alpha, Morgan Stanley Research estimates.

Valuation Methodology and Risks

Lenovo (0992.HK)

Base case, residual income model. Our key assumptions include a cost of equity of 9.3% (based on a beta of 1.1, risk-free rate of 2.0%), a medium-term growth rate of 5.0%, and a terminal growth rate of 3.0%.

Risks to Upside

- Faster-than-expected smartphone and data center turnaround
- Stronger PC demand recovery in China
- Better cost savings and improved product mix
- Lower-than-expected increase in memory price

Risks to Downside

- Slower-than-expected smartphone and data center turnaround
- Weaker PC demand recovery in China
- Deterioration in cost savings and product mix
- Higher-than-expected increase in memory price

Acer Inc. (2353.TW)

Base case, residual income model. We use RI model for Acer's valuation. Key assumptions include a cost of equity of 9.2% (beta of 0.9, equity risk premium of 10.2% and risk-free rate of 0.5%), a 6.0% medium-term growth rate, and a 3% terminal growth rate.

Risks to Upside

- Stronger macro recovery than expected
- Share gains in the PC market
- Better-than-expected cost controls
- Lower-than-expected increase in memory cost

Risks to Downside

- Weaker macro recovery than expected
- Share loss in the PC market
- Worse-than-expected cost controls
- Higher-than-expected increase in memory cost

Asustek Computer Inc. (2357.TW)

Base case, sum of the parts:

We apply a 9x multiple to Asustek's 2026 brand profits. This is somewhat below the midpoint of its historical band of 7-15x since 2009, which we view as fair because memory prices are rising and will have a negative impact on margins.

We value its stakes in Pegatron and Advantech based on our price targets in proportion to Asustek's holdings.

Risks to Upside

- Stronger global NB demand
- Stronger AI server demand
- Stronger ROG Ally demand
- Better margin recovery
- Slower rise of memory prices

Risks to Downside

- Weaker global NB demand
- Weaker AI server demand
- Weaker ROG Ally demand
- Slower margin recovery
- Memory prices rises faster than expected

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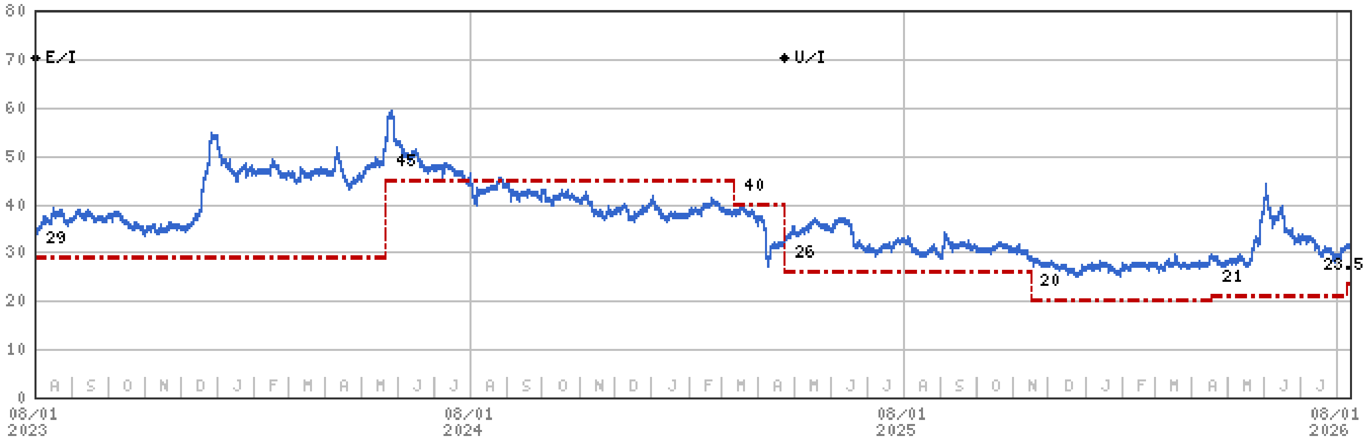
Stock Price, Price Target and Rating History (See Rating Definitions)

Acer Inc. (2353.TW) - As of 08/12/26 GMT in TWD
Industry : Greater China Technology Hardware



Stock Rating History: 8/1/21 : U/I; 5/1/23 : E/I; 4/23/25 : U/I

Price Target History: 7/23/21 : 21.5; 3/7/22 : 23; 5/6/22 : 22.5; 7/15/22 : 17; 10/6/22 : 15.5; 1/30/23 : 14.6; 3/17/23 : 15.5; 5/1/23 : 24; 8/1/23 : 29; 5/22/24 : 45; 3/11/25 : 40; 4/23/25 : 26; 11/16/25 : 20; 4/17/26 : 21; 8/10/26 : 23.5

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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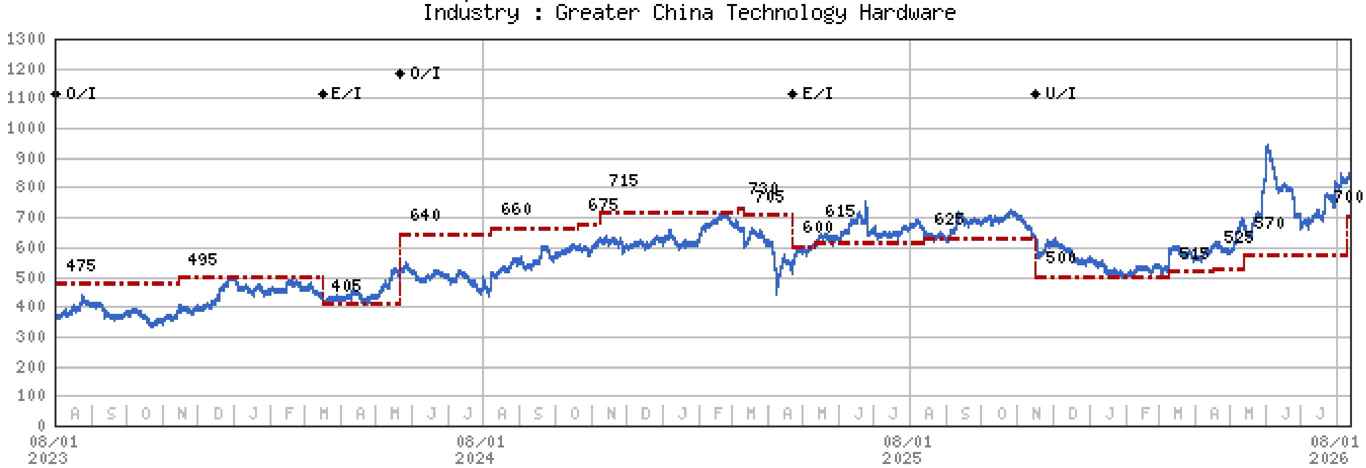
Asustek Computer Inc. (2357.TW) - As of 08/12/26 GMT in TWD
Industry : Greater China Technology Hardware



Stock Rating History: 8/1/21 : U/I; 5/1/23 : E/I; 8/1/23 : O/I; 3/16/24 : E/I; 5/22/24 : O/I; 4/23/25 : E/I; 11/16/25 : U/I

Price Target History: 7/23/21 : 305; 11/10/21 : 300; 3/7/22 : 315; 3/17/22 : 330; 5/12/22 : 296; 7/15/22 : 205; 8/12/22 : 185; 10/6/22 : 172; 1/30/23 : 168; 3/13/23 : 160; 5/1/23 : 260; 5/12/23 : 280; 8/1/23 : 475; 11/14/23 : 495; 3/16/24 : 405; 5/22/24 : 640; 8/7/24 : 660; 10/21/24 : 675; 11/8/24 : 715; 3/6/25 : 730; 3/12/25 : 705; 4/23/25 : 600; 5/12/25 : 615; 8/13/25 : 625; 11/16/25 : 500; 3/11/26 : 515; 4/17/26 : 525; 5/13/26 : 570; 8/10/26 : 700

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
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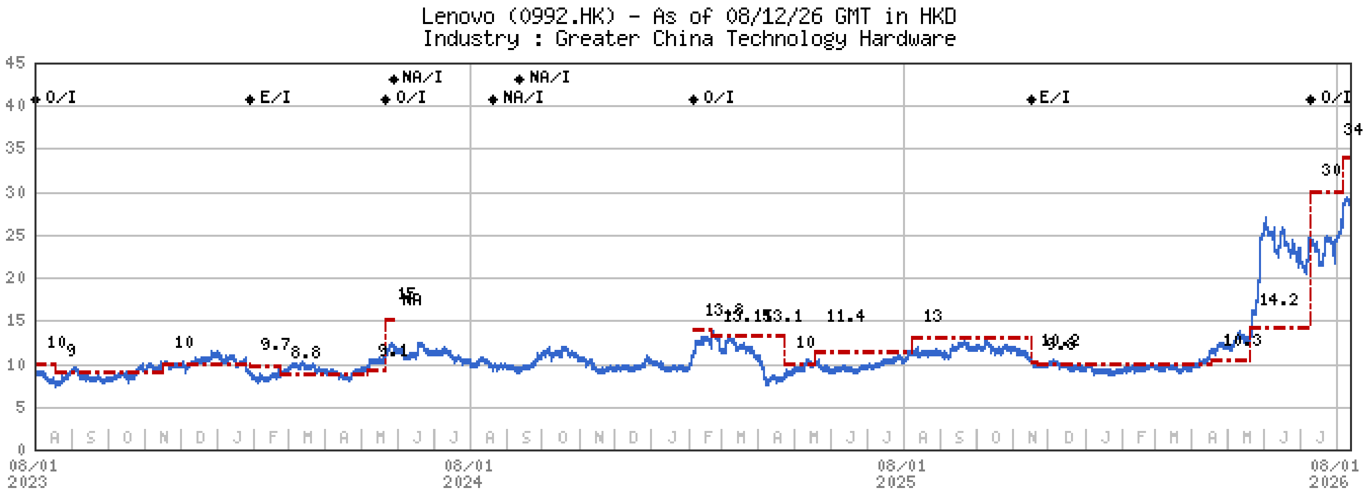

Stock Rating History: 8/1/21 : E/I; 5/1/23 : O/I; 1/29/24 : E/I; 5/22/24 : O/I; 5/28/24 : NA/I; 8/20/24 : NA/I; 9/12/24 : NA/I; 2/5/25 : O/I; 11/16/25 : E/I; 7/10/26 : O/I

Price Target History: 7/23/21 : 8.4; 8/12/21 : 9; 11/5/21 : 9.5; 2/21/22 : 9.8; 3/7/22 : 8.5; 5/24/22 : 7.5; 7/15/22 : 7.2; 8/10/22 : 7.6; 10/6/22 : 6.6; 11/3/22 : 6.7; 1/18/23 : 6.5; 2/20/23 : 6.4; 5/1/23 : 10.4; 5/25/23 : 10.3; 8/1/23 : 10; 8/18/23 : 9; 11/17/23 : 10; 1/29/24 : 9.7; 2/23/24 : 8.8; 5/6/24 : 9.1; 5/22/24 : 15; 5/28/24 : NA; 2/5/25 : 13.8; 2/20/25 : 13.15; 3/27/25 : 13.1; 4/23/25 : 10; 5/19/25 : 11.4; 8/8/25 : 13; 11/16/25 : 10.2; 11/21/25 : 9.8; 4/17/26 : 10.3; 5/19/26 : 14.2; 7/10/26 : 30; 8/7/26 : 34

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INDUSTRY COVERAGE: Greater China Technology Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (08/12/2026)
Andy Meng, CFA		
AAC Technologies Holdings (2018.HK)	O (01/29/2024)	HK$42.68
Accelink Technologies Co. Ltd. (002281.SZ)	U (05/12/2022)	Rmb185.03
BYD Electronics (0285.HK)	O (04/28/2023)	HK$23.82
China TransInfo Technology Co Ltd (002373.SZ)	E (07/18/2023)	Rmb7.94
Dahua Technology Co. Ltd. (002236.SZ)	E (12/12/2024)	Rmb16.62
Eoptolink Technology Inc Ltd (300502.SZ)	O (02/27/2026)	Rmb428.20
Genius Electronic Optical Co. Ltd. (3406.TW)	E (04/23/2025)	NT$578.00
GoerTek Inc (002241.SZ)	U (04/23/2025)	Rmb22.56
Gosuncn Technology Group Co Ltd (300098.SZ)	U (11/07/2022)	Rmb4.72
HIKVision Digital Technology (002415.SZ)	E (12/12/2024)	Rmb36.47
Largan Precision (3008.TW)	O (07/10/2026)	NT$4,585.00
LianChuang Electronic Technology Co Ltd (002036.SZ)	U (06/12/2024)	Rmb7.25
Lingyi Itech Guangdong Co (002600.SZ)	U (04/23/2025)	Rmb12.51
Luxshare Precision Industry Co., Ltd. (002475.SZ)	O (10/24/2016)	Rmb57.35
OFILM Group Co Ltd (002456.SZ)	U (06/12/2024)	Rmb7.41
Q Technology (Group) Company Ltd (1478.HK)	U (03/23/2026)	HK$6.85
Quectel Wireless Solutions Co Ltd (603236.SS)	E (10/09/2024)	Rmb54.03
Shanghai Conant Optical Co Ltd (2276.HK)	O (04/10/2026)	HK$37.40
Shenzhen Transsion Holdings Co Ltd (688036.SS)	E (03/23/2026)	Rmb56.29
Sunny Optical (2382.HK)	E (03/23/2026)	HK$58.85
Suzhou TFC Optical Communication Co Ltd. (300394.SZ)	E (11/06/2025)	Rmb240.05
Wingtech Technology Co Ltd (600745.SS)	U (05/18/2026)	Rmb17.15
Xiaomi Corp (1810.HK)	O (04/14/2021)	HK$26.36

Yangtze Optical Fibre and Cable JSC Ltd (601869.SS)	U (10/13/2021)	Rmb345.79
Yangtze Optical Fibre and Cable JSC Ltd (6869.HK)	O (07/15/2026)	HK$131.40
Yongxin Optics Co Ltd (603297.SS)	E (11/15/2022)	Rmb102.87
Zhejiang Crystal-Optech Co Ltd (002273.SZ)	O (11/15/2022)	Rmb27.55
Zhongji Innolight Co Ltd (300308.SZ)	++	Rmb921.00
ZTE Corporation (0763.HK)	O (06/04/2026)	HK$25.50
ZTE Corporation (000063.SZ)	E (06/04/2026)	Rmb35.59
Derrick Yang		
Accton Technology Corporation (2345.TW)	O (06/06/2024)	NT$2,215.00
Advantech (2395.TW)	O (01/20/2021)	NT$686.00
AirTAC International (1590.TW)	O (04/16/2025)	NT$1,595.00
Asia Vital Components Co. Ltd. (3017.TW)	O (07/30/2024)	NT$2,910.00
AU Optronics (2409.TW)	E (02/10/2026)	NT$26.25
Auras Technology Co Ltd (3324.TWO)	E (05/04/2023)	NT$1,050.00
Bizlink (3665.TW)	O (03/10/2025)	NT$2,155.00
BOE Technology (000725.SZ)	O (09/06/2019)	Rmb5.93
Chenbro (8210.TW)	O (07/23/2025)	NT$1,005.00
Chroma Ate Inc. (2360.TW)	O (10/05/2021)	NT$2,195.00
Delta Electronics Inc. (2308.TW)	O (07/13/2017)	NT$1,790.00
E Ink Holdings Inc. (8069.TWO)	E (08/10/2026)	NT$166.00
Ennostar Inc (3714.TW)	U (09/23/2022)	NT$58.30
Fositek Corp (6805.TW)	O (06/25/2025)	NT$1,835.00
Hiwin Technologies Corp. (2049.TW)	O (03/30/2026)	NT$369.00
Innolux (3481.TW)	E (04/07/2025)	NT$50.40
King Slide Works Co. Ltd. (2059.TW)	O (11/08/2023)	NT$12,045.00
Lens Technology (300433.SZ)	E (07/22/2020)	Rmb35.25
Lite-On Technology (2301.TW)	E (01/15/2025)	NT$259.50
TCL Corp. (000100.SZ)	E (04/07/2025)	Rmb5.09
Tianma Microelectronics (000050.SZ)	U (01/24/2018)	Rmb6.70
Wuhan Jingce Electronic Group Co Ltd (300567.SZ)	E (11/26/2021)	Rmb225.20
Howard Kao		
Acer Inc. (2353.TW)	U (04/23/2025)	NT$31.75
Asustek Computer Inc. (2357.TW)	U (11/16/2025)	NT$852.00
Catcher Technology (2474.TW)	U (11/17/2025)	NT$205.00
Compal Electronics (2324.TW)	U (04/23/2025)	NT$39.90
FIT Hon Teng Ltd (6088.HK)	O (11/03/2025)	HK$5.22
Foxconn Industrial Internet Co. Ltd. (601138.SS)	O (07/10/2019)	Rmb65.60
Giga-Byte Technology Co. Ltd. (2376.TW)	E (11/16/2025)	NT$375.50
Gold Circuit Electronics Ltd. (2368.TW)	O (10/06/2022)	NT$1,000.00
Hon Hai Precision (2317.TW)	O (03/15/2024)	NT$270.00
Inspur Electronic Information (000977.SZ)	E (08/28/2023)	Rmb75.02
LandMark Optoelectronics Corporation (3081.TWO)	E (03/26/2026)	NT$2,725.00
Lenovo (0992.HK)	O (07/10/2026)	HK$29.04
Lotes Co. Ltd. (3533.TW)	E (05/12/2025)	NT$2,010.00
Nan Ya PCB (8046.TW)	O (02/23/2026)	NT$1,265.00
Pegatron Corporation (4938.TW)	E (03/25/2026)	NT$91.40
Quanta Computer Inc. (2382.TW)	O (05/01/2023)	NT$325.50
Shengyi Technology Co Ltd. (600183.SS)	E (05/26/2022)	Rmb143.23
Shennan Circuits Co Ltd (002916.SZ)	E (08/24/2023)	Rmb385.80
Unimicron (3037.TW)	O (02/23/2026)	NT$1,000.00
Visual Photonics Epitaxy Co Ltd (2455.TW)	E (09/11/2023)	NT$384.50
Wistron Corporation (3231.TW)	O (07/12/2023)	NT$193.50
Wiwynn Corp (6669.TW)	O (11/10/2025)	NT$6,025.00
Yageo Corp. (2327.TW)	O (10/28/2025)	NT$602.00
Zhen Ding (4958.TW)	++	NT$471.50

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