Morgan Stanley | RESEARCH

IDEA

August 11, 2026 02:54 PM GMT

Gold Circuit Electronics Ltd. | Asia Pacific

2Q26 OP Slight Miss; Stay OW

WHAT'S CHANGED

Gold Circuit Electronics Ltd. (2368.TW)	From	To
Price Target	NT$1,660.00	**NT$1,450.00**

AlphaSignals Earnings Reaction

Unchanged	**In-line**	**Modest revision lower**
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

Operating profit came in 5% below MSe/3% below the Street, but we think it is better than buyside expectations. With 2Q behind us and the company sounding confident on climbing the HDI learning curve, we view risk-reward as attractive at 13x 2027e/10x 2028e P/E.

See our 2Q26 results recap: 2Q26 Results Recap

We expect strong top-line growth in 3Q, with increased output values (+25% vs. mid-May) from its production sites in Taiwan, Suzhou, Thailand and Changshu 1. The higher output value is a function of more favorable mix, additional capacity and continued pricing adjustments (reflecting higher CCL prices). Thus, we forecast 3Q revenue to grow ~27% q/q to NT$30.7bn, with gross margin expanding ~220bp q/q to 36.9%, resulting in EPS of NT$12.36.

New plants will start contributing from 2H27: GCE's new plants in Suzhou (Suzhou 2) and Thailand (Thailand 2) are both slated for mass production from 2H27 onward. While details have yet to be finalized, we think the monthly output values should reach at least NT$1bn each. In 2H26-1H27, revenue can continue to grow contributed by the new platforms of existing customers and new customer(s) alike. Notably, our checks suggest GCE will start small-volume production for a new CSP customer's new ASIC platform in 4Q26, with mass production slated for 2027.

HDI concerns are overdone: Over the past few weeks, concerns have grown around GCE's advanced HDI capability, with its two main CSP customers shifting from HLC to advanced HDI for next-gen ASIC server PCBs. We believe this is the main reason behind GCE's share price pullback, with the stock down 23% since July 1 (vs. TAIEX -2%). However, the company reaffirmed its confidence in working through the learning curve on HDI, drawing a parallel to its successful development of 800G switch PCBs. With this concern already priced in, risk-reward looks attractive now with the stock trading at just ~13x 2027e P/E and ~10x 2028e P/E. We also see HDI as more likely to coexist with HLC PCB than to displace it for any extended period.

Reiterate OW with lower PT of NT$1,450.00, driven by our lowered EPS assumptions for 2026-28. Our new PT implies ~21x 2027e P/E or ~15x 2028e P/E, which we view as fair driven by its raised capacity expansion plans and strong

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Gold Circuit Electronics Ltd. (2368.TW, 2368 TT)

Greater China Technology Hardware | Taiwan

Stock Rating	**Overweight**
Industry View	**In-Line**
Price target	NT$1,450.00
Up/downside to price target (%)	50
Shr price, close (Aug 11, 2026)	NT$964.00
52-Week Range	NT$1,580.00-388.50
Sh out, dil, curr (mn)	517
Mkt cap, curr (mn)	NT$498,015
EV, curr (mn)	NT$488,914
Avg daily trading value (mn)	NT$7,480

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	19.47	43.23	70.43	95.07
Prior EPS (NT$)**	-	47.19	82.32	109.07
EPS (NT$)§	19.10	39.32	64.36	91.75
Revenue, net (NT$ mn)	60,004	106,743	152,946	195,464
EBITDA (NT$ mn)	15,359	31,215	50,502	67,860
P/E	35.3	22.3	13.7	10.1
P/BV	10.1	9.6	6.5	4.6
RNOA (%)	74.6	98.1	108.9	117.2
ROE (%)	45.1	63.7	69.8	63.8
EV/EBITDA	21.5	15.5	9.3	6.6
Div yld (%)	0.9	1.0	2.3	3.8
FCF yld ratio (%)**	(1.4)	2.1	5.4	8.1
Leverage (EOP) (%)	(27.2)	(28.1)	(38.9)	(48.2)

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

demand for AI servers and networking, with room for margin expansion.

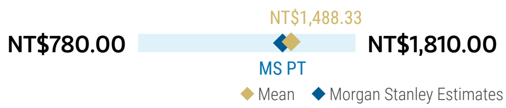
Risk Reward – Gold Circuit Electronics Ltd. (2368.TW)

Beneficiary of rising AI server penetration and server/switch PCB upgrade; OW

PRICE TARGET NT$1,450.00

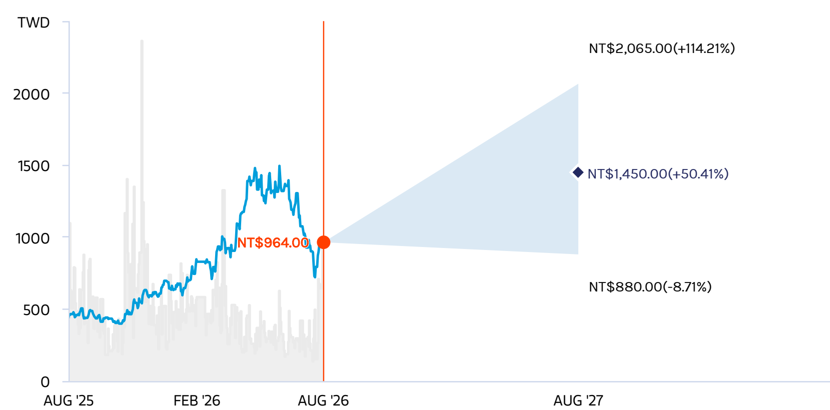
Base case, residual income model. Key assumptions include a cost of equity of 9.2% (beta of 1.0, equity risk premium of 8.7% and risk-free rate of 1.0%), a medium-term growth rate of 12% and a terminal growth rate of 3%.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART



Key: Historical Stock Performance, Current Stock Price, Price Target

Source: Refinitiv, Morgan Stanley Research

OVERWEIGHT THESIS

- We stay OW because we think GCE is well positioned to benefit from rising demand for AI server PCBs and high-speed networking PCBs.
- We see 800G networking PCB demand increasing in the coming years, which should be a tailwind for gross margin in the longer term.
- Our price target implies ~21x 2027e P/E vs. GCE's three-year historical 6-26x range, which we still find attractive. GCE is benefiting from a favorable mix and should show margin expansion in the coming years.

Consensus Rating Distribution

100%	Overweight
0%	Equal-weight
0%	Underweight

● MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

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

View descriptions of Risk Rewards Themes here

BULL CASE NT$2,065.00

29.5x 2027e EPS

Much stronger server and switch growth in 2026; NB demand continues to grow y/y; gains more traction for IC testing boards: Server and switch demand continues to grow y/y in 2026, driven by new data center construction and replacements along with AI infrastructure build-outs. NB demand also shows y/y growth in 2026. In addition, GCE gains more traction for IC testing boards, even penetrating into probe card PCBs faster than expected.

BASE CASE NT$1,450.00

21x 2027e P/E

Server demand remains on growth track in 2026; NB demand shows flat to mild growth: We forecast a total sales CAGR of ~50%, 2025-28, with server business CAGR reaching 50% and networking business CAGR reaching 64%. We project that operating profit margin will reach ~34% by 2028 vs. ~23% in 2025.

BEAR CASE NT$880.00

12.5x 2027e EPS

Much weaker server and switch demand in 2026; NB demand deteriorates, and shipments fall y/y in 2026; IC testing board business takes longer than expected to develop: Server and switch demand falls in 2026, hampered by a weakening macro backdrop and hyperscalers cutting capex to preserve cash. NB business faces even weaker demand, at down ~15% y/y in 2026. GCE takes longer to ramp up its IC testing board business.

Risk Reward – Gold Circuit Electronics Ltd. (2368.TW)

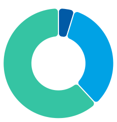
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Server Revenue Contribution (%)	74.3	75.3	75.6	76.4

INVESTMENT DRIVERS

- Server/switch volume growth driven by US hyperscalers and enterprise customers
- Server/switch PCB content growth driven by CCL spec and PCB layer count
- IC testing board project wins
- NB demand

GLOBAL REVENUE EXPOSURE



- 0-10% North America
- 30-40% Mainland China
- 60-70% APAC, ex Japan, Mainland China and India

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

- Faster-than-expected server and switch demand
- Stronger-than-expected NB demand
- Higher-than-expected pricing supported by strong product capability and market competitiveness
- Faster-than-expected AI server penetration

RISKS TO DOWNSIDE

- Slower-than-expected server demand
- Weaker-than-expected NB demand
- More severe pricing erosion driven by competition
- Slower-than-expected AI server penetration

OWNERSHIP POSITIONING

Inst. Owners, % Active 56.9%

Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2027e

	Low	Morgan Stanley Estimates	Mean	High
Sales / Revenue (NT$, mn)	132,136	152,946	148,171	184,735
Net income (NT$, mn)	26,632	34,751	32,587	40,824
EPS (NT$)	52.24	70.43	64.36	82.32

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

2Q26 Results Recap

- GCE reported 2Q26 gross margin of 34.7% (-20bp q/q, +510bp y/y), 150bp below both our and the Street forecasts. Management attributed the flattish gross margin, despite more favorable product mix, to rising material costs (mainly CCLs) and higher depreciation costs from expansion.
- Although GCE is able to fully pass through the additional material costs to its customers, there will always be a timing difference (GCE seeing higher input costs vs. reflecting the higher costs in new prices), which might result in margin fluctuation.

- Operating expenses were also higher than expected, primarily due to higher employee bonuses and R&D expenses. Thus, operating profit came in at NT$6.4bn (+24% q/q, +124% y/y), 5% and 3% below our and consensus forecasts, respectively, for operating margin of 26.4%.
- Non-operating losses of NT$118mn were slightly below our and Street estimates of non-operating gains.
- Net profit was NT$4.8bn (+37% q/q, +182% y/y), 5% above our estimate and 6% higher than the Street, for EPS of NT$9.43.
- The differences between net profit variances and EPS variances reflect share count changes.

Exhibit 1: GCE 2Q26 results summary

	2Q26 Results						
NT$mn	**Actual**	**QoQ**	**YoY**	**MS Est.**	**Variance**	**Cons**	**Variance**
Net sales	**24,279**	**26%**	**75%**	**23,181**	**5%**	**23,532**	**3%**
COGS	-15,866	26%	63%	-14,799	7%	-15,018	6%
Gross profit	**8,413**	**25%**	**105%**	**8,382**	**0%**	**8,513**	**-1%**
Operating expenses	-1,996	30%	63%	-1,642	22%	-1,887	6%
Operating income	**6,418**	**24%**	**124%**	**6,740**	**-5%**	**6,627**	**-3%**
Non-operating income	-118	NM	NM	45	NM	30	NM
Pre-tax income	**6,299**	**24%**	**151%**	**6,785**	**-7%**	**6,657**	**-5%**
Income tax	-1,516	-5%	86%	-2,239	-32%	-2,145	-29%
Net income	**4,783**	**37%**	**182%**	**4,546**	**5%**	**4,512**	**6%**
EPS (NT$)	**9.43**	**37%**	**171%**	**9.22**	**2%**	**9.15**	**3%**
Margins (%)		***ppt***	***ppt***		***ppt***		***ppt***
Gross margin	34.7%	-0.2	5.1	36.2%	-1.5	36.2%	-1.5
Operating margin	26.4%	-0.4	5.7	29.1%	-2.6	28.2%	-1.7
Pre-tax margin	25.9%	-0.4	7.8	29.3%	-3.3	28.3%	-2.3
Net margin	19.7%	1.7	7.5	19.6%	0.1	19.2%	0.5

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

Estimate Changes

We lower our 2026-28 EPS estimates 8%, 14% and 13%, respectively, driven by our reduced margin assumptions post the 2Q26 margin miss.

Exhibit 2: Estimate changes

	2026e			2027e			2028e		
NT$ mn	New	Old	Variance	New	Old	Variance	New	Old	Variance
Net sales	**106,743**	**107,946**	**-1%**	**152,946**	**161,969**	**-6%**	**195,464**	**204,164**	**-4%**
COGS	-68,007	-67,045	1%	-92,737	-94,679	-2%	-116,337	-116,822	0%
Gross profit	**38,736**	**40,901**	**-5%**	**60,209**	**67,290**	**-11%**	**79,128**	**87,342**	**-9%**
Operating expenses	-8,837	-6,957	27%	-11,475	-7,945	44%	-13,269	-8,625	54%
Operating income	29,899	33,944	-12%	48,733	59,345	-18%	65,859	78,717	-16%
Non-operating income	-109	38	-391%	211	179	18%	211	179	18%
Pre-tax income	29,789	33,982	-12%	48,945	59,525	-18%	66,070	78,896	-16%
Income tax	-8,457	-10,697	-21%	-14,194	-18,907	-25%	-19,160	-25,077	-24%
Net income	**21,333**	**23,285**	**-8%**	**34,751**	**40,618**	**-14%**	**46,910**	**53,819**	**-13%**
EPS (NT$)	**43.23**	**47.19**	**-8%**	**70.43**	**82.32**	**-14%**	**95.07**	**109.07**	**-13%**
Margins (%)			***ppt***			***ppt***			***ppt***
Gross margin	36.3%	37.9%	-1.6	39.4%	41.5%	-2.2	40.5%	42.8%	-2.3
Operating margin	28.0%	31.4%	-3.4	31.9%	36.6%	-4.8	33.7%	38.6%	-4.9
Pre-tax margin	27.9%	31.5%	-3.6	32.0%	36.8%	-4.7	33.8%	38.6%	-4.8
Net margin	20.0%	21.6%	-1.6	22.7%	25.1%	-2.4	24.0%	26.4%	-2.4

Source: Morgan Stanley Research (E) estimates.

Price Target Discussion and Valuation Methodology

We lower our price target to NT$1,450.00 from NT$1,660.00: We derive our price target, which is also our base-case scenario value, from a residual income (RI) model, similar to the rest of our tech hardware coverage. The decrease in our price target is driven by our lowered earnings estimates for 2026-28.

Our key assumptions are all unchanged, including a cost of equity of 9.2% (beta of 1.0, equity risk premium of 8.7% and risk-free rate of 1.0%), a medium-term growth rate of 12% and a terminal growth rate of 3%.

Our price target implies ~21x 2027e P/E (0.33x PEG) vs. GCE's three-year historical average +1SD of 18.6x. We view the higher multiple as justified because GCE is showing longer-term margin expansion, driven by a favorable mix shift toward more AI server PCBs and high-speed networking PCBs (400G/800G) alike. Some of its AI component peers are trading at 25x+ 2027e multiple, which leads us to view GCE's valuation as fair.

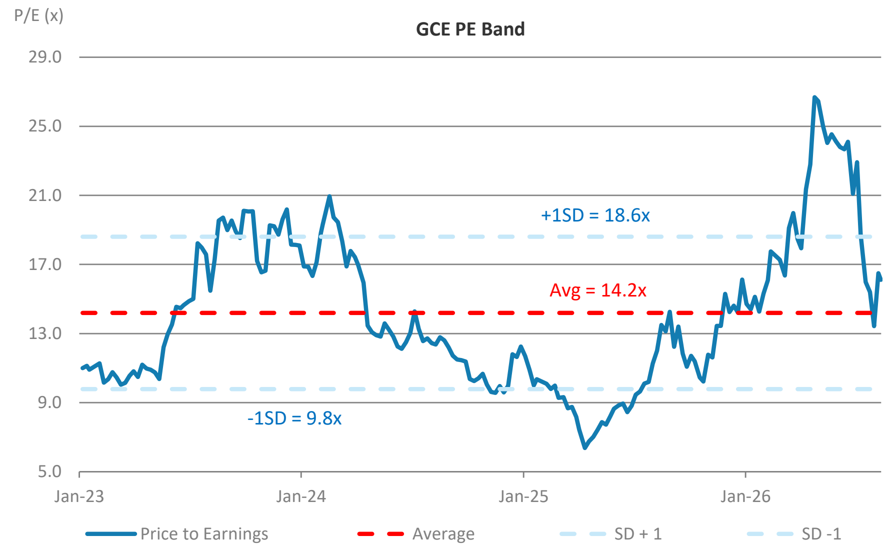
Our bull- and bear-case scenario values decrease at magnitudes similar to the decline in our base-case value, to NT$2,065.00 and NT$880.00, respectively.

Exhibit 3: Residual income (RI) model

		2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2035E
Total Equity		**49,776**	**73,570**	**102,630**	**136,536**	**174,511**	**217,044**	**264,680**	**318,032**	**377,786**	**444,712**	**510,335**
Net Profit		**21,333**	**34,751**	**46,910**	**52,539**	**58,844**	**65,905**	**73,813**	**82,671**	**92,592**	**103,703**	**106,814**
Return on Equity		**51.2%**	**56.3%**	**53.2%**	**43.9%**	**37.8%**	**33.7%**	**30.6%**	**28.4%**	**26.6%**	**25.2%**	**22.4%**
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Equity Risk Premium (Rm-Rf)	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%	8.7%
Risk Free Rate (Rf)	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Cost of Equity	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%
Residual Income		**14,071**	**23,459**	**32,392**	**35,631**	**39,074**	**42,660**	**46,508**	**50,705**	**55,325**	**60,442**	**58,483**
Spread		**42.0%**	**47.1%**	**44.0%**	**34.7%**	**28.6%**	**24.4%**	**21.4%**	**19.2%**	**17.4%**	**16.0%**	**13.2%**
Beginning Equity Capital		49,776										
PV of Forecast Period		264,528										
PV of Continuing Value		401,170										
Equity Value		**715,475**										
No. of Shares		493										
Projected Price		**1,450.0**										
Implied 2027 PE		20.6x										

Source: Morgan Stanley Research (E) estimates.

Exhibit 4: GCE three-year P/E band



Source: TEJ, Morgan Stanley Research.

Financials

Exhibit 5: Quarterly Earnings Estimates

	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2025	2026E	2027E	2028E
Net sales	**12,063**	**13,853**	**17,680**	**16,408**	**19,313**	**24,279**	**30,736**	**32,415**	**60,004**	**106,743**	**152,946**	**195,464**
COGS	(8,287)	(9,757)	(11,392)	(10,884)	(12,590)	(15,866)	(19,397)	(20,153)	(40,321)	(68,007)	(92,737)	(116,337)
Gross profit	**3,776**	**4,095**	**6,288**	**5,524**	**6,722**	**8,413**	**11,339**	**12,261**	**19,683**	**38,736**	**60,209**	**79,128**
Operating expenses	(1,233)	(1,228)	(1,642)	(1,537)	(1,538)	(1,996)	(2,561)	(2,743)	(5,640)	(8,837)	(11,475)	(13,269)
SG&A	(958)	(932)	(1,309)	(1,184)	(1,195)	(1,583)	(2,107)	(2,252)	(4,383)	(7,137)	(9,489)	(11,005)
R&D	(274)	(296)	(333)	(353)	(343)	(413)	(454)	(490)	(1,256)	(1,700)	(1,986)	(2,264)
Operating income	**2,543**	**2,868**	**4,646**	**3,987**	**5,185**	**6,418**	**8,778**	**9,519**	**14,043**	**29,899**	**48,733**	**65,859**
Non-operating income	**110**	**(359)**	**84**	**295**	**(97)**	**(118)**	**53**	**53**	**130**	**(109)**	**211**	**211**
Interest income	17	28	6	5	13	13	13	13	55	51	51	51
Investment income	0	0	0	0	0	0	0	0	0	0	0	0
Disposal of investment	0	0	0	0	0	0	0	0	0	0	0	0
Exchange gain	112	(797)	309	243	(14)	0	0	0	(133)	(14)	0	0
Other	(19)	411	(232)	48	(96)	(131)	40	40	208	(147)	160	160
Pre-tax income	**2,653**	**2,509**	**4,729**	**4,282**	**5,088**	**6,299**	**8,831**	**9,571**	**14,173**	**29,789**	**48,945**	**66,070**
Income tax	(900)	(815)	(1,501)	(1,351)	(1,604)	(1,516)	(2,561)	(2,776)	(4,567)	(8,457)	(14,194)	(19,160)
Minority interest	0	0	0	0	0	0	0	0	0	0	0	0
Net income	**1,753**	**1,694**	**3,229**	**2,931**	**3,484**	**4,783**	**6,270**	**6,796**	**9,607**	**21,333**	**34,751**	**46,910**
Adj.wtd.avg.shrs (mn)	487	487	497	493	507	507	507	507	493	493	493	493
EPS	**3.60**	**3.48**	**6.49**	**5.94**	**6.87**	**9.43**	**12.36**	**13.40**	**19.47**	**43.23**	**70.43**	**95.07**
Fully Diluted shares (mn)	507	505	506	506	506	506	506	506	493	493	493	493
Diluted EPS (NT$)	**3.46**	**3.35**	**6.38**	**5.79**	**6.88**	**9.45**	**12.39**	**13.43**	**19.47**	**43.23**	**70.43**	**95.07**
Margins (%)												
Gross Margin	31.3	29.6	35.6	33.7	34.8	34.7	36.9	37.8	32.8	36.3	39.4	40.5
Operating Margin	21.1	20.7	26.3	24.3	26.8	26.4	28.6	29.4	23.4	28.0	31.9	33.7
Pretax Margin	22.0	18.1	26.8	26.1	26.3	25.9	28.7	29.5	23.6	27.9	32.0	33.8
Net Margin	14.5	12.2	18.3	17.9	18.0	19.7	20.4	21.0	16.0	20.0	22.7	24.0
QoQ Growth (%)												
Sales	22	15	28	-7	18	26	27	5				
Gross Profit	48	8	54	-12	22	25	35	8				
Operating Profit	55	13	62	-14	30	24	37	8				
Pretax Profit	33	-5	89	-9	19	24	40	8				
Net Profit	37	-3	91	-9	19	37	31	8				
YoY Growth (%)												
Sales	33	45	69	66	60	75	74	98	54	78	43	28
Gross Profit	55	35	86	116	78	105	80	122	73	97	55	31
Operating Profit	47	30	85	144	104	124	89	139	74	113	63	35
Pretax Profit	44	9	101	114	92	151	87	124	67	110	64	35
Net Profit	44	11	102	129	99	182	94	132	71	122	63	35

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

Exhibit 6: Consolidated Financial Summary

Consolidated Income Statement

NT$mn (Year End Dec 31)	2025	2026E	2027E	2028E
Net sales	**60,004**	**106,743**	**152,946**	**195,464**
COGS	(40,321)	(68,007)	(92,737)	(116,337)
Gross profit	**19,683**	**38,736**	**60,209**	**79,128**
Operating expenses	(5,640)	(8,837)	(11,475)	(13,269)
Operating income	**14,043**	**29,899**	**48,733**	**65,859**
Non-operating income	**130**	**(109)**	**211**	**211**
Interest income	55	51	51	51
Investment income	-	-	-	-
Disposal of investment	-	-	-	-
Exchange gain	(133)	(14)	-	-
Other	208	(147)	160	160
Pre-tax income	**14,173**	**29,789**	**48,945**	**66,070**
Income tax	(4,567)	(8,457)	(14,194)	(19,160)
Minority interests	-	-	-	-
Net income	**9,607**	**21,333**	**34,751**	**46,910**
Adj. wtd. Avg. shrs (m)	493	493	493	493
Reported EPS (NT$)	**19.47**	**43.23**	**70.43**	**95.07**
Diluted shrs (m)	493	493	493	493
Diluted EPS (NT$)	**19.47**	**43.23**	**70.43**	**95.07**

Consolidated Cash Flow Statement

NT$mn (Year End Dec 31)	2025	2026E	2027E	2028E
Operating Cashflow	**2,259**	**8,809**	**22,073**	**35,861**
Net Profits	9,607	21,333	34,751	46,910
Depreciation & Amort.	1,316	1,316	1,768	2,001
Investment losses/(income)	0	0	0	0
Working capital change	29,570	(13,005)	(13,620)	(12,290)
Other adjustments	(38,149)	(835)	(826)	(760)
Investing Cashflow	**(7,033)**	**(7,446)**	**(4,923)**	**(4,901)**
Capex	(6,733)	(7,500)	(5,000)	(5,000)
Change of L/T investment	0	0	0	0
Change of S/T investment	0	0	0	0
Other adjustments	(330)	0	0	0
Financing Cashflow	**13,241**	**2,988**	**(3,016)**	**(10,582)**
Increase in L/T debt	11,559	(500)	(500)	(500)
Increase in S/T debt	4,683	0	0	0
Issuance of stock	0	(117)	0	0
Cash dividends	(2,920)	(4,934)	(10,957)	(17,850)
Other adjustments	(81)	8,539	8,441	7,768
FX adjustment	463	14	0	0
Net change in cash	**8,930**	**4,365**	**14,134**	**20,378**

Consolidated Balance Sheet

NT$mn (Year End Dec 31)	2025	2026E	2027E	2028E
Cash	**18,114**	**22,479**	**36,614**	**56,992**
Mkt securities	403	403	403	403
AR/NR	27,001	48,033	68,824	87,956
Inventory	9,747	16,440	22,418	28,123
Others	1,072	1,907	2,733	3,493
Current Assets	**56,337**	**89,262**	**130,991**	**176,967**
Long-term investments	851	851	851	851
Fixed assets	17,840	23,970	27,125	30,025
Other assets	717	717	717	717
Total Assets	**75,746**	**114,801**	**159,684**	**208,560**
S/T borrowings	6,116	6,116	6,116	6,116
AP/NP	11,029	18,601	25,365	31,820
Other ST liabilities	10,409	17,557	23,941	30,034
Total Current Liabilities	**27,554**	**42,274**	**55,423**	**67,970**
L/T debt	3,749	3,249	2,749	2,249
Other LT libilities	10,963	19,502	27,943	35,711
Total Liabilities	**42,265**	**65,024**	**86,115**	**105,930**
Common shares	5,051	4,934	4,934	4,934
Retained Earnings	18,895	35,307	59,100	88,160
Other SH' Equity	9,535	9,535	9,535	9,535
Total Shareholders' Equity	**33,481**	**49,776**	**73,570**	**102,630**
Total Liab./SH's Equity	**75,746**	**114,801**	**159,684**	**208,560**

Consolidated Financial Ratios

	2025	2026E	2027E	2028E
Margins (%)				
Gross margin	32.8	36.3	39.4	40.5
Operating margin	23.4	28.0	31.9	33.7
Pretax margin	23.6	27.9	32.0	33.8
Net margin	16.0	20.0	22.7	24.0
YoY growth (%)				
Sales	54.0	77.9	43.3	27.8
Operating profits	74.1	112.9	63.0	35.1
Pretax profits	66.9	110.2	64.3	35.0
Net profits	71.1	122.1	62.9	35.0
Others				
Cash dividend payout (%)	51%	51%	51%	51%
Cash div (NT$)	10.00	22.21	36.17	48.83
Yield (%)	1%	2%	4%	5%
Net Debt/Equity (%)	-26%	-27%	-38%	-48%
Liabilities/Equity (%)	126%	131%	117%	103%
Liabilities/Assets (%)	56%	57%	54%	51%
ROAE (%)	35%	51%	56%	53%
ROAA (%)	16%	22%	25%	25%
AR/NR Turnover (days)	123	128	139	146
Inventory Turnover (days)	80	70	76	79
AP/NP Turnover (days)	87	80	87	90
Cash conversion cycle	115	119	129	136

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

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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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	

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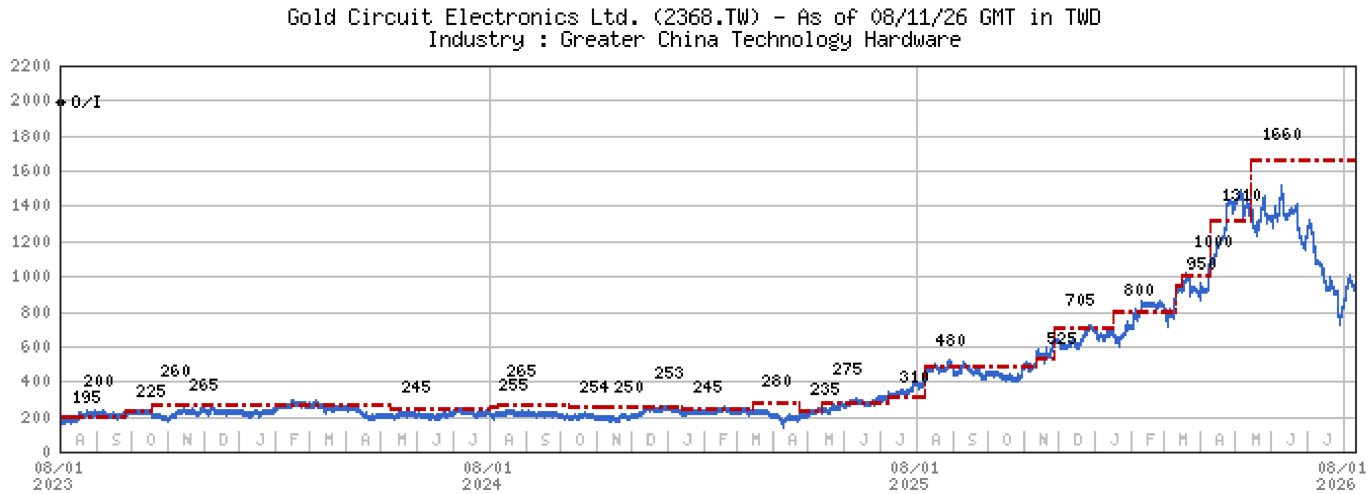
Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 10/6/22 : O/I

Price Target History: 10/6/22 : 115; 10/21/22 : 110; 1/2/23 : 108; 2/7/23 : 102; 5/12/23 : 114; 7/12/23 : 195; 8/11/23 : 200; 9/25/23 : 225; 10/17/23 : 260; 11/9/23 : 265; 5/9/24 : 245; 8/1/24 : 255; 8/8/24 : 265; 10/9/24 : 254; 11/7/24 : 250; 12/12/24 : 253; 1/13/25 : 245; 3/14/25 : 280; 4/23/25 : 235; 5/12/25 : 275; 7/9/25 : 310; 8/9/25 : 480; 11/12/25 : 525; 11/27/25 : 705; 1/16/26 : 800; 3/11/26 : 950; 3/16/26 : 1000; 4/10/26 : 1310; 5/14/26 : 1660

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INDUSTRY COVERAGE: Greater China Technology Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (08/11/2026)
Andy Meng, CFA		
AAC Technologies Holdings (2018.HK)	O (01/29/2024)	HK$42.72
Accelink Technologies Co. Ltd. (002281.SZ)	U (05/12/2022)	Rmb184.07
BYD Electronics (0285.HK)	O (04/28/2023)	HK$23.34
China TransInfo Technology Co Ltd (002373.SZ)	E (07/18/2023)	Rmb7.88
Dahua Technology Co. Ltd. (002236.SZ)	E (12/12/2024)	Rmb16.66
Eoptolink Technology Inc Ltd (300502.SZ)	O (02/27/2026)	Rmb415.30
Genius Electronic Optical Co. Ltd. (3406.TW)	E (04/23/2025)	NT$538.00
GoerTek Inc (002241.SZ)	U (04/23/2025)	Rmb22.70
Gosuncn Technology Group Co Ltd (300098.SZ)	U (11/07/2022)	Rmb4.66
HIKVision Digital Technology (002415.SZ)	E (12/12/2024)	Rmb36.37
Largan Precision (3008.TW)	O (07/10/2026)	NT$4,355.00
LianChuang Electronic Technology Co Ltd (002036.SZ)	U (06/12/2024)	Rmb7.21
Lingyi Itech Guangdong Co (002600.SZ)	U (04/23/2025)	Rmb12.68
Luxshare Precision Industry Co., Ltd. (002475.SZ)	O (10/24/2016)	Rmb55.63
OFILM Group Co Ltd (002456.SZ)	U (06/12/2024)	Rmb7.26
Q Technology (Group) Company Ltd (1478.HK)	U (03/23/2026)	HK$6.69
Quectel Wireless Solutions Co Ltd (603236.SS)	E (10/09/2024)	Rmb52.20
Shanghai Conant Optical Co Ltd (2276.HK)	O (04/10/2026)	HK$36.14
Shenzhen Transsion Holdings Co Ltd (688036.SS)	E (03/23/2026)	Rmb57.27
Sunny Optical (2382.HK)	E (03/23/2026)	HK$57.70
Suzhou TFC Optical Communication Co Ltd. (300394.SZ)	E (11/06/2025)	Rmb222.49
Wingtech Technology Co Ltd (600745.SS)	U (05/18/2026)	Rmb17.48
Xiaomi Corp (1810.HK)	O (04/14/2021)	HK$26.66
Yangtze Optical Fibre and Cable JSC Ltd (601869.SS)	U (10/13/2021)	Rmb335.92

Yangtze Optical Fibre and Cable JSC Ltd (6869.HK)	O (07/15/2026)	HK$122.20
Yongxin Optics Co Ltd (603297.SS)	E (11/15/2022)	Rmb101.69
Zhejiang Crystal-Optech Co Ltd (002273.SZ)	O (11/15/2022)	Rmb27.10
Zhongji Innolight Co Ltd (300308.SZ)	++	Rmb886.96
ZTE Corporation (0763.HK)	O (06/04/2026)	HK$24.30
ZTE Corporation (000063.SZ)	E (06/04/2026)	Rmb34.19
Derrick Yang		
Accton Technology Corporation (2345.TW)	O (06/06/2024)	NT$2,135.00
Advantech (2395.TW)	O (01/20/2021)	NT$661.00
AirTAC International (1590.TW)	O (04/16/2025)	NT$1,560.00
Asia Vital Components Co. Ltd. (3017.TW)	O (07/30/2024)	NT$2,760.00
AU Optronics (2409.TW)	E (02/10/2026)	NT$26.10
Auras Technology Co Ltd (3324.TWO)	E (05/04/2023)	NT$1,045.00
Bizlink (3665.TW)	O (03/10/2025)	NT$2,200.00
BOE Technology (000725.SZ)	O (09/06/2019)	Rmb5.91
Chenbro (8210.TW)	O (07/23/2025)	NT$1,015.00
Chroma Ate Inc. (2360.TW)	O (10/05/2021)	NT$2,080.00
Delta Electronics Inc. (2308.TW)	O (07/13/2017)	NT$1,805.00
E Ink Holdings Inc. (8069.TWO)	E (08/10/2026)	NT$165.00
Ennostar Inc (3714.TW)	U (09/23/2022)	NT$56.00
Fositek Corp (6805.TW)	O (06/25/2025)	NT$1,790.00
Hiwin Technologies Corp. (2049.TW)	O (03/30/2026)	NT$368.00
Innolux (3481.TW)	E (04/07/2025)	NT$50.10
King Slide Works Co. Ltd. (2059.TW)	O (11/08/2023)	NT$12,315.00
Lens Technology (300433.SZ)	E (07/22/2020)	Rmb34.60
Lite-On Technology (2301.TW)	E (01/15/2025)	NT$268.50
TCL Corp. (000100.SZ)	E (04/07/2025)	Rmb5.00
Tianma Microelectronics (000050.SZ)	U (01/24/2018)	Rmb6.67
Wuhan Jingce Electronic Group Co Ltd (300567.SZ)	E (11/26/2021)	Rmb222.50
Howard Kao		
Acer Inc. (2353.TW)	U (04/23/2025)	NT$31.05
Asustek Computer Inc. (2357.TW)	U (11/16/2025)	NT$839.00
Catcher Technology (2474.TW)	U (11/17/2025)	NT$206.00
Compal Electronics (2324.TW)	U (04/23/2025)	NT$36.30
FIT Hon Teng Ltd (6088.HK)	O (11/03/2025)	HK$5.13
Foxconn Industrial Internet Co. Ltd. (601138.SS)	O (07/10/2019)	Rmb66.01
Giga-Byte Technology Co. Ltd. (2376.TW)	E (11/16/2025)	NT$350.50
Gold Circuit Electronics Ltd. (2368.TW)	O (10/06/2022)	NT$964.00
Hon Hai Precision (2317.TW)	O (03/15/2024)	NT$263.00
Inspur Electronic Information (000977.SZ)	E (08/28/2023)	Rmb75.11
LandMark Optoelectronics Corporation (3081.TWO)	E (03/26/2026)	NT$2,480.00
Lenovo (0992.HK)	O (07/10/2026)	HK$28.54
Lotes Co. Ltd. (3533.TW)	E (05/12/2025)	NT$1,990.00
Nan Ya PCB (8046.TW)	O (02/23/2026)	NT$1,150.00
Pegatron Corporation (4938.TW)	E (03/25/2026)	NT$89.00
Quanta Computer Inc. (2382.TW)	O (05/01/2023)	NT$315.50
Shengyi Technology Co Ltd. (600183.SS)	E (05/26/2022)	Rmb135.30
Shennan Circuits Co Ltd (002916.SZ)	E (08/24/2023)	Rmb380.70
Unimicron (3037.TW)	O (02/23/2026)	NT$992.00
Visual Photonics Epitaxy Co Ltd (2455.TW)	E (09/11/2023)	NT$367.50
Wistron Corporation (3231.TW)	O (07/12/2023)	NT$191.00
Wiwynn Corp (6669.TW)	O (11/10/2025)	NT$5,930.00
Yageo Corp. (2327.TW)	O (10/28/2025)	NT$617.00
Zhen Ding (4958.TW)	++	NT$490.00

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

* Historical prices are not split adjusted.