MACQUARIE

Kinik

Outperform

2Q26 record GPM; capacity target raised

Capital Goods
Taiwan


Arthur Lai


Katherine Zheng

1560 TT	Outperform
Price (at 11 Aug 2026)	**TWD687.00**
12-month target	**TWD946.00**
12-month TSR (%)	**38.9**
Volatility Index	**High**
Market Cap (Local) (m)	102,312
Market Cap (USD) (m)	3,177
Free Float (%)	77
30-day avg turnover (USD) (m)	32.0

Key Points

- GPM reached its highest level since 2022, driving an EPS beat despite slightly softer revenue.
- Diamond disk (DBU) demand is compounding on rising 2/1.4nm adoption. Management has raised the year-end capacity target to 70k+ (from 60k).
- Reclaimed wafer (SBU) is fully loaded with mix shifting to high-grade wafers. Multi-year advanced-node story is intact. Reiterate OP. TP to NT $946.

- **2Q26 beat with record GPM.** 2Q26 rev increased +8.7% QoQ/+17.9% YoY to NT$2.49bn, 4.5% below MQe but largely in line with BBGe. GPM rose to 40.1%, the highest since 2022 and 360bps/270bps above MQe/BBGe. EPS of NT$3.49 (+19% QoQ/+92% YoY) beat MQe/BBGe by 5%/8%. Mgt indicated that July rev and GPM tracked above 2Q26 level, suggesting high GPM for 2026E.
- **DBU compounding in node migration.** DBU grew 9.1% QoQ/26.1% YoY (31% of rev). At its largest customer, advanced products (5nm and below + advanced packaging) reached 61.2% of DBU rev. 2/1.6nm rev rose 84% QoQ and 1.4nm disks began shipping. Mgt raised year-end target to 70k+ (from 60k), with its largest customer asking for 200k/mth capacity planning in 2034. US IDM's disk demand continues to rise as more qualifications are approved.
- **SBU full at 400kwpm, with special wafers ramping.** SBU rose 4.4% QoQ (43% of rev). 12'' capacity rose to a fully-loaded 400kwpm from end-June (additions for high-grade wafers). Expansion to 430kwpm is planned for 2027. Special wafer shipments jumped from <10k to >50kwpm, and mgt targets ~50% share at a US memory customer (from 20-30%).
- **ABU rebound and backside power delivery (BPD) adds content.** ABU grew 16.3% QoQ on machine-tool recovery with selective price hikes. Mgt noted BPD lifts CMP steps and adds silicon-thinning wheel demand, benefiting DBU and ABU.

Earnings changes: We raise 2026/27/28E net profit 12%/14%/11%, reflecting better customer demand and faster capacity expansion.

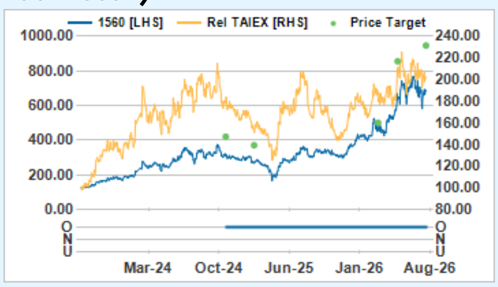
Valuation: We raise our TP 11% to NT$946 (from NT$855) on an unchanged 35x 2028E PER (1SD above the post-2022 avg).

Catalysts: Next-generation node ramps at key customers; a stronger semiconductor demand outlook; new DBU client wins.

Investment Fundamentals

Year end 31 Dec	2025A	2026E	2027E	2028E
Revenue (m)	8,149	10,594	13,478	15,602
Revenue growth (%)	16.1	30.0	27.2	15.8
EBIT (m)	1,303	2,564	3,777	4,700
EBIT growth (%)	12.8	96.8	47.3	24.4
Reported profit (m)	1,360	2,294	3,287	4,053
Adjusted profit (m)	1,360	2,294	3,287	4,053
EPS rep [TWD]	9.3	15.3	21.9	27.0
EPS rep growth (%)	30.5	65.2	42.8	23.3
EPS adj [TWD]	9.3	15.3	21.9	27.0
EPS adj growth (%)	30.4	65.1	42.9	23.3
Net debt/equity (%)	(2.6)	0.4	(10.7)	(31.0)
ROA (%)	10.7	18.0	23.0	23.9
ROE (%)	17.8	26.2	31.4	29.7
PER rep (x)	74.0	44.8	31.3	25.4
PER adj (x)	74.0	44.8	31.3	25.4
P/BV (x)	12.4	11.0	8.9	6.6
Total div yield (%)	0.7	1.0	1.3	0.0
Quant (rank vs. global sector)				1,608 / 2,744

1560 TT rel TAIEX performance, & rec history



Source: FactSet, Macquarie Research, Aug 2026 (all figures in TWD unless noted, TP in TWD)

Investment Thesis and Recommendation

In our view, Kinik should benefit from the transition in transistor structure, particularly in advanced nodes where it holds a higher market share. We also expect incremental testing wafer demand from the commissioning of TSMC's new fabs to support Kinik's growth. Prior Kinik research.

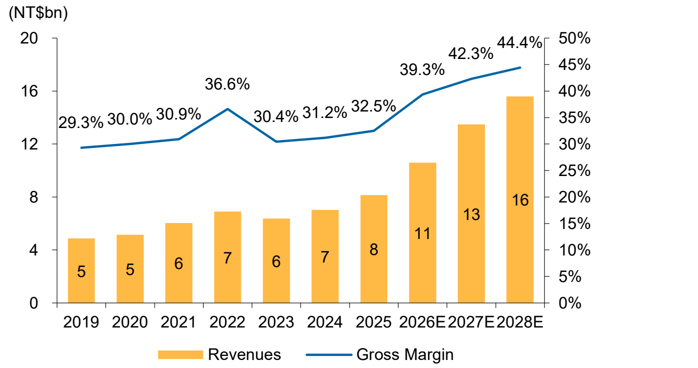
Key Risks to Investment Thesis

- Slower-than-expected ramp-up of TSMC's 2nm nodes.
- Lower-than-expected customer adoption of 2nm nodes at TSMC.
- Delays in the construction or commissioning of TSMC's new fabs.
- Loss of market share or weaker revenue and margins due to competition.

Company Description

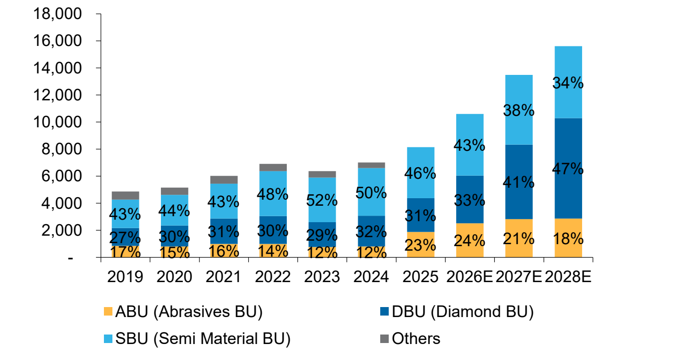
Kinik is a key supplier to TSMC regarding the CMP (chemical mechanical polish) process, holding a dominant share in the advanced nodes. Its products include grinding wheel, diamond disc, and reclaimed wafer. In 2000, Kinik entered TSMC supply chain with its diamond disc product, which is a key consumable to achieving higher yield in CMP process. Kinik gradually obtained more market share as TSMC migrated to more advanced nodes.

Figure 1 - Kinik: Revenue and margins



Source: Company data, Macquarie Research, August 2026

Figure 2 - Kinik: Revenue breakdown (NT$ m)



Source: Company data, Macquarie Research, August 2026

Kinik (1560 TT) TWD/(m) unless otherwise noted

Income Statement Dec FY	2025A	2026E	2027E	2028E	Q2/26A	Q3/26E
Revenue	**8,149**	**10,594**	**13,478**	**15,602**	**2,493**	**2,838**
Cost of Goods Sold	5,502	6,427	7,773	8,672	1,494	1,690
Gross Profit	**2,647**	**4,168**	**5,704**	**6,931**	**998.2**	**1,148**
EBITDA	**1,955**	**3,320**	**4,611**	**5,585**	**789.4**	**919.2**
Depreciation	641.8	743.9	823.0	873.5	182.9	188.6
Amortisation	10.3	11.7	11.7	11.7	2.9	2.9
EBIT	**1,303**	**2,564**	**3,777**	**4,700**	**603.7**	**727.6**
Net Interest Income	3.5	(12.3)	(12.3)	(12.3)	(3.1)	(3.1)
Associates	(4.1)	0.2	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0	0.0
Forex Gains / Losses	(20.2)	31.6	0.0	0.0	0.0	0.0
Other Pre-Tax Income	376.3	250.2	255.2	255.2	63.8	63.8
Pre-Tax Profit	**1,659**	**2,834**	**4,020**	**4,942**	**664.4**	**788.3**
Tax Expense	(262.1)	(496.8)	(683.3)	(840.2)	(128.6)	(134.0)
Net Profit	**1,397**	**2,337**	**3,336**	**4,102**	**535.8**	**654.3**
Minority Interests	(36.6)	(42.9)	(49.5)	(49.5)	(12.4)	(12.4)
Reported Earnings	**1,360**	**2,294**	**3,287**	**4,053**	**523.4**	**641.9**
Adjusted Earnings	**1,360**	**2,294**	**3,287**	**4,053**	**523.4**	**641.9**
Basic Shares Outstanding	146.6	150.0	150.0	150.0	150.0	150.0
Diluted Shares Outstanding	146.4	149.5	150.0	150.0	150.0	150.0
EPS (rep) [TWD]	9.3	15.3	21.9	27.0	3.5	4.3
EPS (adj) [TWD]	9.3	15.3	21.9	27.0	3.5	4.3
Total DPS [TWD]	5.0	7.0	9.0	0.0	0.0	7.0

Balance Sheet	2025A	2026E	2027E	2028E
Cash	1,573	1,539	2,858	6,546
Receivables	1,433	1,961	2,380	2,651
Inventories	2,431	2,979	3,494	3,779
Investments	366.2	414.0	414.0	414.0
Fixed Assets	5,417	6,058	6,210	6,137
Intangibles	0.0	0.0	0.0	0.0
Other Assets	2,037	2,319	2,258	2,196
Total Assets	**13,258**	**15,270**	**17,613**	**21,723**
Payables	490.4	600.9	704.8	762.2
Short Term Debt	343.7	642.3	642.3	642.3
Long Term Debt	1,010	940.4	940.4	940.4
Other Liabilities	2,926	3,383	3,383	3,383
Total Liabilities	4,769	5,566	5,670	5,728
Shareholders' Funds	8,178	9,426	11,666	15,719
Minority Interests	344.0	341.6	341.6	341.6
Other	(33.2)	(64.2)	(64.2)	(64.2)
Total S/H Equity	**8,489**	**9,704**	**11,943**	**15,996**
Total Liab & S/H Funds	13,258	15,270	17,613	21,723
Net Debt / Equity (%)	(2.6)	0.4	(10.7)	(31.0)
Interest Cover (x)	NM	207.7	305.9	380.6
ROE (%)	17.8	26.2	31.4	29.7
ROA (%)	10.7	18.0	23.0	23.9
ROIC (%)	16.7	25.6	32.2	36.6

Ratio	2025A	2026E	2027E	2028E		
Revenue Growth (%)	16.1	30.0	27.2	15.8	-	-
EBITDA Growth (%)	12.8	69.8	38.9	21.1	-	-
EBIT Growth (%)	12.8	96.8	47.3	24.4	-	-
EPS Growth (adj) (%)	30.4	65.1	42.9	23.3	-	-
Gross Profit Margin (%)	32.5	39.3	42.3	44.4	-	-
EBITDA Margin (%)	24.0	31.3	34.2	35.8	-	-
EBIT Margin (%)	16.0	24.2	28.0	30.1	-	-
Net Profit Margin (%)	16.7	21.7	24.4	26.0	-	-
Payout Ratio (%)	53.8	45.7	41.1	0.0	-	-
PE (rep) (x)	74.0	44.8	31.3	25.4	-	-
PE (adj) (x)	74.0	44.8	31.3	25.4	-	-
EV/EBITDA (x)	51.5	31.0	22.3	18.4	-	-
EV/EBIT (x)	77.3	40.1	27.2	21.9	-	-
Price/Book (x)	12.4	11.0	8.9	6.6	-	-
Total Div Yield (%)	0.7	1.0	1.3	0.0	-	-

Cash Flow Analysis	2025A	2026E	2027E	2028E
EBITDA	**1,955**	**3,320**	**4,611**	**5,585**
Tax Paid	(262.1)	(496.8)	(683.3)	(840.2)
Chgs in Working Cap	(580.1)	(966.2)	(830.5)	(498.8)
Net Interest Paid	3.5	(12.3)	(12.3)	(12.3)
Other	797.3	247.2	255.2	255.2
Operating Cashflow	**1,914**	**2,092**	**3,341**	**4,489**
Acquisitions	(124.2)	0.0	0.0	0.0
Capex	(1,050)	(1,707)	(975.0)	(800.0)
Other	(738.5)	(0.4)	0.0	0.0
Investing Cashflow	**(1,913)**	**(1,707)**	**(975.0)**	**(800.0)**
Dividend (Ordinary)	(584.2)	(732.4)	(1,047)	0.0
Equity Raised	0.0	0.0	0.0	0.0
Debt Movements	(8.7)	298.5	0.0	0.0
Other	130.5	20.4	0.0	0.0
Financing Cashflow	**(462.4)**	**(413.5)**	**(1,047)**	**0.0**
Net Chg in Cash/Debt	**(427.5)**	**(33.9)**	**1,318**	**3,689**
Free Cashflow	**864.0**	**384.8**	**2,366**	**3,689**

Source: Company data, Macquarie Research Aug 2026

Figure 3 - 2Q26 earnings summary

NT$m	2Q26	1Q26	2Q25	QoQ %	YoY %	MACQ	Diff %	BBG	Diff %
Revenue	2,493	2,293	2,115	8.7%	17.9%	2,609	-4.5%	2,500	-0.3%
Gross profit	998	803	680	24.4%	46.9%	949	5.2%	932	7.0%
GM %	*40.0%*	*35.0%*	*32.1%*			*36.4%*		*37.3%*	
Operating profit	604	444	352	35.8%	71.4%	550	9.8%	544	11.1%
OPM %	*24.2%*	*19.4%*	*16.7%*			*21.1%*		*21.7%*	
Pretax income	664	532	336	24.9%	97.6%	602	10.3%	580	14.5%
Net income	523	436	266	19.9%	96.5%	494	5.9%	483	8.3%
Net margin	*21.0%*	*19.0%*	*12.6%*			*18.9%*		*19.3%*	
EPS (NT$)	3.49	2.94	1.82	18.7%	91.8%	3.33	4.8%	3.23	8.1%

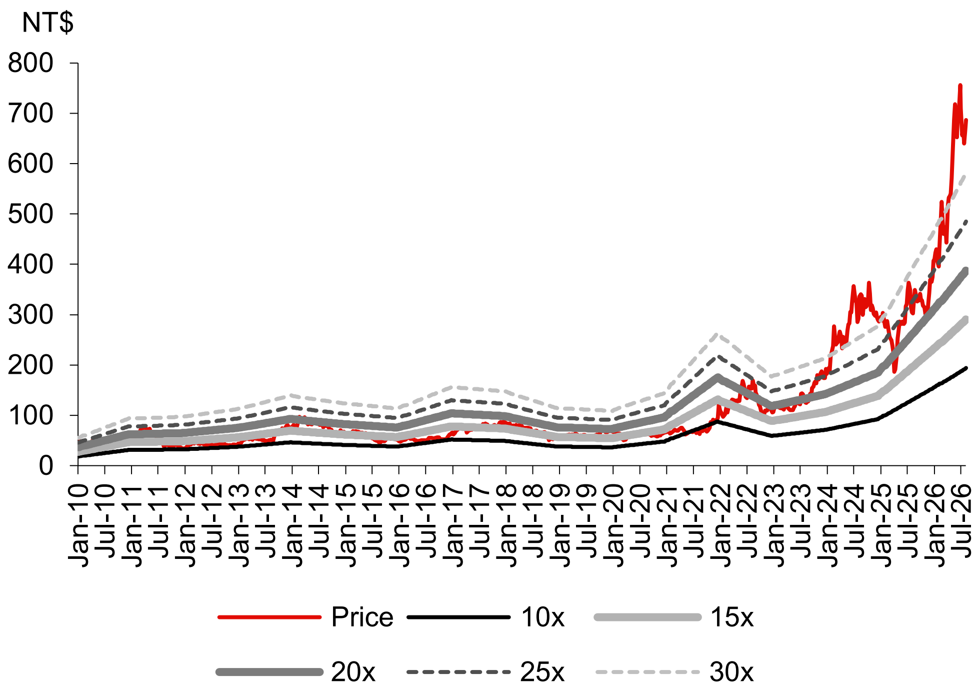
Source: Company data, Bloomberg, Macquarie Research, August 2026

Figure 4 - Kinik: revisions to estimates

NT$m	FY26			FY27E			FY28E		
	New	Old	Change	New	Old	Change	New	Old	Change
Revenue	10,594	10,591	0%	13,478	13,127	3%	15,602	15,192	3%
Gross profit	4,168	3,828	9%	5,704	5,140	11%	6,931	6,359	9%
Opex	-1,603	-1,591	1%	-1,927	-1,877	3%	-2,231	-2,172	3%
Op profit	2,564	2,238	15%	3,777	3,263	16%	4,700	4,187	12%
Non-op	-270	-244	10%	-243	-209	16%	-243	-209	16%
Pretax profit	2,834	2,482	14%	4,020	3,472	16%	4,942	4,396	12%
Net profit	2,294	2,061	11%	3,287	2,882	14%	4,053	3,649	11%
EPS	15.33	13.73	12%	21.92	19.26	14%	27.02	24.43	11%
Margins									
Gross profit	39.3%	36.1%	320 bps	42.3%	39.2%	317 bps	44.4%	41.9%	257 bps
Op margin	24.2%	21.1%	308 bps	28.0%	24.9%	317 bps	30.1%	27.6%	257 bps
Net margin	21.7%	19.5%	220 bps	24.4%	22.0%	244 bps	26.0%	24.0%	196 bps

Source: Macquarie Research, August 2026

Figure 5 - Kinik:12-month forward PE band (avg since 2022)



Source: Bloomberg, Macquarie Research, August 2026

Key Quant Findings

The quant model currently holds a neutral view on Kinik. The strongest style exposure is Price Momentum, indicating this stock has had strong medium to long term returns which often persist into the future. The weakest style exposure is Profitability, indicating this stock is not efficiently converting investments to earnings; proxied by ratios like ROE or ROA.

Macquarie Alpha Model: Key rankings

The Macquarie Quant's flagship Alpha model is a dynamic multi-factor model based on a staple of quant factors such as value, momentum, revisions, quality, and risk.

	Global	Market (Country)	Sector
	Whole Universe	Taiwan	Capital Goods
Macquarie Alpha Model	**10980/17978**	**594/978**	**1608/2744**
Fundamental (Consensus) *	**3297/17978**	**92/978**	**498/2744**

** based on Total Shareholder Return = Consensus Price target / Current Price*

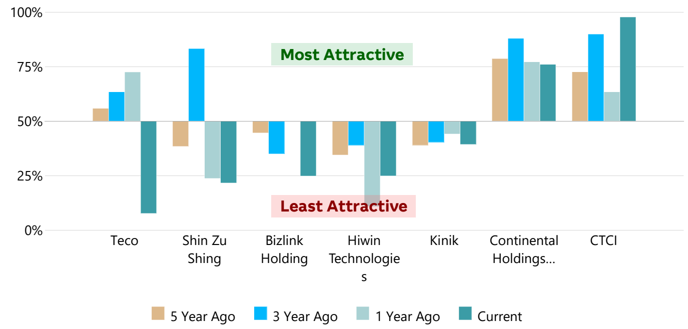
Alpha Model Decomposition

The Macquarie Alpha is decomposed into its sector and market relative factor & styles exposures (a higher/better percentile is coded in green, whilst lower in red).

Factors / Styles	Percentile relative to sectors (/2744)	Percentile relative to market (/978)	Core factors in definition
ALPHA	41%	39%	Built from the styles below
VALUE	44%	12%	Book, CF, Yield, Earnings Multiples
ANALYST	81%	95%	Revisions (Earnings, Recommendations)
MOMENTUM	82%	91%	Price Momentum
GROWTH	44%	65%	EPS, Sales (Forecast, Historic)
PROFITABILITY	42%	81%	ROE, Margin, Asset Turnover
QUALITY	28%	42%	Accruals, Earn Stability, Cash Conversion
CAPITAL	20%	10%	Investment/Capex, Net share issuance
LIQUIDITY	30%	22%	Size, Turnover, Analyst Coverage
LOW RISK	21%	24%	Beta, Volatility, Earn.Cert, Leverage
TECHNICAL	81%	73%	MACD, RSI, Bollinger, Williams R, etc

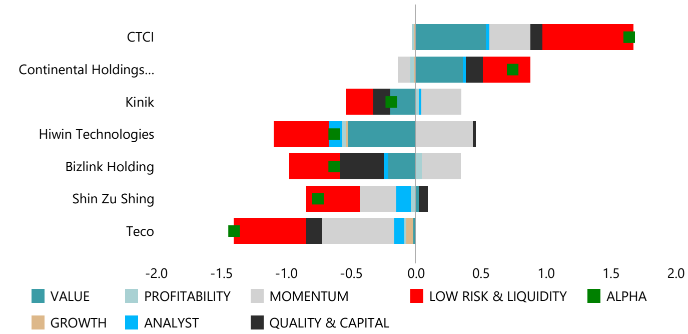
Current and Historical Alpha Model Rank

The chart shows the Macquarie Alpha model market ranking against the company's peers and over recent history.



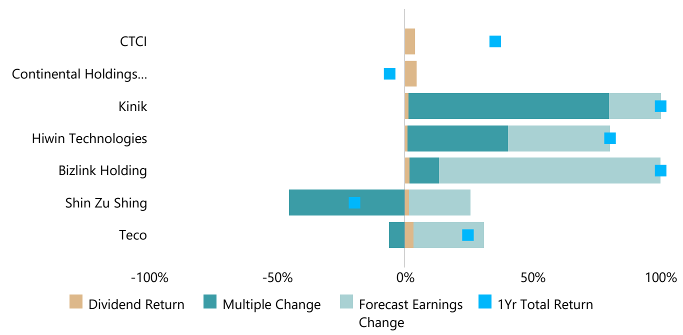
Factors driving the Alpha Model vs peers

For the comparable firms this chart shows the key underlying styles and their contribution to the current overall raw Alpha score.



Drivers of Stock Return

Breakdown of 1-year total return (local currency) into returns from dividends, changes in forward earnings estimates and the resulting change in earnings multiple.



Macquarie Style Returns over last year

Recent performance to Macquarie style factors

Asia Ex JP	Jul - 26	Jun - 26	May - 26	Apr - 26	Mar - 26	Feb - 26	Jan - 26	Dec - 25	Nov - 25	Oct - 25	Sep - 25	Aug - 25	Last 5 Years (ann)	Last 10 Years (ann)
	Monthly Factor Long-Short Returns for													
ALPHA	10%	1%	3%	3%	4%	0%	0%	3%	3%	2%	-3%	-6%	9%	6%
VALUE	19%	-5%	1%	-7%	6%	0%	-2%	3%	5%	4%	-4%	-4%	14%	5%
ANALYST	-12%	7%	4%	12%	-2%	0%	6%	5%	-2%	3%	4%	1%	12%	13%
MOMENTUM	-35%	15%	17%	19%	-4%	5%	8%	6%	-1%	-2%	0%	-6%	-4%	2%
GROWTH	-19%	9%	7%	7%	-4%	-1%	4%	2%	-2%	0%	5%	8%	2%	1%
PROFITABILITY	3%	6%	1%	-4%	3%	0%	-4%	1%	3%	0%	-4%	-2%	-3%	-2%
QUALITY	7%	-3%	-2%	-4%	2%	-1%	-4%	-1%	1%	-4%	-6%	1%	-5%	-2%
CAPITAL	14%	-7%	-1%	-12%	2%	-2%	2%	-1%	3%	-3%	-1%	-2%	3%	-4%
LIQUIDITY	-11%	8%	10%	7%	-1%	3%	1%	2%	-1%	-1%	3%	3%	-3%	3%
LOW RISK	29%	-6%	-8%	-13%	6%	-2%	-8%	-2%	5%	1%	-6%	-11%	-5%	-6%

Source (all charts): FactSet, Refinitiv, and Macquarie Quant. For more details on the Macquarie Alpha model or for more customised analysis and screens, please contact the Macquarie Global Quantitative Team: maccapequitiesresearchquantglobal@macquarie.com. Explanation for items on this page can be found at https://www.macquarieinsights.com/rp/d/r/p/OTUyMzg1

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Important Disclosures

Recommendation definitions

Macquarie – Asia and USA
Outperform – expected return >10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie – Australia/New Zealand
Outperform – expected return >10%
Neutral – expected return from 0% to 10%
Underperform – expected return <0%

During periods of share price volatility, recommendations and target prices may occasionally and temporarily be inconsistent with the above definitions.

Recommendations – 12 months
12-month target – Expected share price in 12 months
Valuation – The company's estimated fair value share price based on the disclosed valuation methodology
Note: Quant recommendations may differ from Fundamental Analyst recommendations

Volatility index definition

This is calculated from the volatility of historical price movements.

Very high – highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 25–40% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.
* Applicable to select stocks in Asia/Australia/NZ

Note: expected return is reflective of a Medium Volatility stock and should be assumed to adjust proportionately with volatility risk

Financial definitions

All "Adjusted" data items have had the following adjustments made:
Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / efpowa*
ROA = adjusted ebit / average total assets
ROA Banks/Insurance = adjusted net profit /average total assets
ROE = adjusted net profit / average shareholders funds
Gross cashflow = adjusted net profit + depreciation
*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions for quarter ending 30 Jun 2026

	AU/NZ	Asia	USA	
Outperform	65.38%	70.02%	64.29%	(for global coverage by Macquarie, 1.91% of stocks followed are investment banking clients)
Neutral	27.62%	16.78%	35.71%	(for global coverage by Macquarie, 0.40% of stocks followed are investment banking clients)
Underperform	6.99%	13.19%	0.00%	(for global coverage by Macquarie, 0.00% of stocks followed are investment banking clients)

Company-Specific Disclosures

Company Name	Disclosure
Kinik (1560 TT) **Outperform** 12-month target: TWD946.00 - PER Valuation: TWD 946.00 - PER Price: TWD687.00	None

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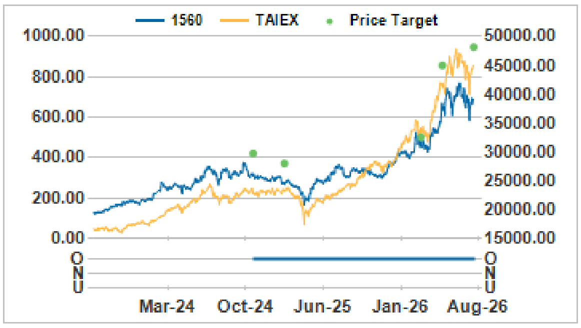
Recommendation history

Company name	Date	Recommendation	Target price
Kinik (1560 TT)	11-Aug-2026	Outperform	TWD 946.00
	13-May-2026	Outperform	TWD 855.00
	12-Mar-2026	Outperform	TWD 500.00
	11-Feb-2025	Outperform	TWD 370.00



13-Nov-2024	Outperform	TWD 420.00

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