Kinik Company 1560.TW 1560 TT

EQUITY: TECHNOLOGY

SBU is catching up to the rising trend of DBU

Kinik's reclaim/test wafer business likely benefiting from rising customer demand alongside the semi wafer industry

Maintain Buy and raise TP to TWD900, implying 33% upside

In our *initiation report* of May 2026, we highlighted two secular growth drivers for Kinik – its chemical mechanical polishing (CMP) pad conditioner (DBU) business, and the reclaim/test/carrier wafer business (SBU). We believe the market recognizes that Kinik is a major CMP pad conditioner supplier to a leading foundry company, but it is not yet fully aware of the potential upside driven by SBU. On the back of our positive outlook for a semi wafer industry recovery since May (*report 1*, *report 2*, *report 3*), we expect the reclaim/test/carrier wafer industry to also benefit from customer demand growth. We maintain our Buy rating and raise 2026-28F earnings forecasts by 5-11%, with a higher TP of TWD900 (vs TWD840 previously), based on 40x 2028F EPS of TWD22.5 (vs 40x 2028F EPS of TWD21 previously). The stock is trading at 30x 2028F EPS.

SBU: benefiting from rising demand from customers, including Micron

Our estimates build in further improvement in Kinik's SBU product mix for 2Q26F, mainly because Kinik supplies carrier wafers for Micron's HBM, which has recorded persistent increase in volumes. Given better specs, we estimate that Kinik's SBU GPM could rise meaningfully sequentially from 30% levels in 1Q26. Recently, Micron (MU US, Not rated) and GlobalWafers (GWC; 6488 TT, Buy) *announced* a 10-year semi wafer supply agreement (LTA), which we estimate will result in meaningful semi wafer price hikes (*report*) as memory companies have ample cash to secure upstream supply early to meet customer demand and to secure future capacity expansion. As a result, we see the possibility of an upward revision in Kinik's carrier wafer prices in the coming quarters.

DBU: benefiting from foundry's utilization rate improvement

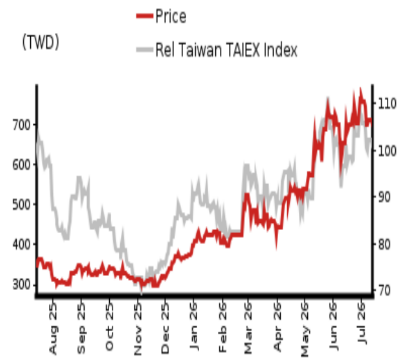
Kinik's DBU is likely benefiting from increased shipments to its leading foundry customer for the N2 node, where demand is poised to see continued expansion. Once the leading foundry customer's A16 node capacity starts to grow further from mid-2027F onwards, we believe there will be more content growth for Kinik's CMP pad conditioners. Beyond the strong momentum from the leading foundry customer, overall foundry industry utilization rates have been improving in recent months; thus, we expect Kinik's other foundry/IDM customers to increase orders for CMP pad conditioners in the near future.

Year-end 31 Dec	FY25	FY26F		FY27F		FY28F	
Currency (TWD)	Actual	Old	New	Old	New	Old	New
Revenue (mn)	8,149	9,702	10,039	11,353	11,735	14,200	14,718
Reported net profit (mn)	1,360	1,982	2,075	2,439	2,653	3,020	3,350
Normalised net profit (mn)	1,360	1,982	2,075	2,439	2,653	3,020	3,350
FD normalised EPS	9.26	13.60	13.93	16.73	17.81	20.72	22.50
FD norm. EPS growth (%)	30.4	45.7	50.5	23.1	27.9	23.8	26.3
FD normalised P/E (x)	72.9	–	48.4	–	37.9	–	30.0
EV/EBITDA (x)	50.9	–	33.4	–	26.0	–	20.1
Price/book (x)	12.1	–	10.6	–	8.8	–	7.1
Dividend yield (%)	0.6	–	0.8	–	0.8	–	0.8
ROE (%)	17.8	22.8	23.8	24.2	25.8	25.0	26.7
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash	net cash	net cash

Source: Company data, Nomura estimates

Rating Remains	**Buy**
Target price Increased from TWD 840.00	**TWD 900.00**
Closing price 14 July 2026	**TWD 675.00**
Implied upside	**+33.3%**
Market Cap (USD mn)	3,123.9
ADT (USD mn)	43.7

Relative performance chart



Source: LSEG, Nomura

Research Analysts

Semiconductor

Donnie Teng - NIHK
donnie.teng@nomura.com
+852 2252 1439

Aaron Jeng, CFA - NITB
aaron.jeng@nomura.com
+886(2) 21769962

Eric Chen, CFA - NITB
eric.chen@nomura.com
+886(2) 21769965

Vivian Yang - NITB
vivian.yang@nomura.com
+886(2) 21769970

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Key data on Kinik Company

Performance

(%)	1M	3M	12M		
Absolute (TWD)	3.5	34.2	95.1	M cap (USDmn)	3,123.9
Absolute (USD)	1.7	31.9	77.5	Free float (%)	74.7
Rel to Taiwan TAIEX Index	0.8	9.2	-5.6	3-mth ADT (USDmn)	43.7

Income statement (TWDmn)

Year-end 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue	7,019	8,149	10,039	11,735	14,718
Cost of goods sold	-4,831	-5,502	-6,122	-6,942	-8,797
Gross profit	2,188	2,647	3,917	4,793	5,921
SG&A	-1,033	-1,344	-1,705	-1,873	-2,128
Employee share expense					
Operating profit	1,155	1,303	2,213	2,920	3,793
EBITDA	1,164	1,955	2,939	3,707	4,679
Depreciation	-9	-642	-716	-777	-875
Amortisation	0	-10	-10	-10	-10
EBIT	1,155	1,303	2,213	2,920	3,793
Net interest expense	18	1	-1	-1	-1
Associates & JCEs					
Other income	115	354	378	400	400
Earnings before tax	1,289	1,658	2,590	3,320	4,192
Income tax	-227	-263	-461	-598	-755
Net profit after tax	1,062	1,395	2,129	2,722	3,438
Minority interests	-27	-35	-54	-69	-87
Other items					
Preferred dividends					
Normalised NPAT	1,035	1,360	2,075	2,653	3,350
Extraordinary items					
Reported NPAT	1,035	1,360	2,075	2,653	3,350
Dividends	-640	-584	-745	-745	-745
Transfer to reserves	395	776	1,330	1,908	2,606
Valuations and ratios					
Reported P/E (x)	95.1	72.9	48.4	37.9	30.0
Normalised P/E (x)	95.1	72.9	48.4	37.9	30.0
FD normalised P/E (x)	95.1	72.9	48.4	37.9	30.0
Dividend yield (%)	0.7	0.6	0.8	0.8	0.8
Price/cashflow (x)	60.8	51.8	30.0	25.5	22.6
Price/book (x)	13.8	12.1	10.6	8.8	7.1
EV/EBITDA (x)	84.9	50.9	33.4	26.0	20.1
EV/EBIT (x)	85.6	76.4	44.3	33.0	24.8
Gross margin (%)	31.2	32.5	39.0	40.8	40.2
EBITDA margin (%)	16.6	24.0	29.3	31.6	31.8
EBIT margin (%)	16.5	16.0	22.0	24.9	25.8
Net margin (%)	14.7	16.7	20.7	22.6	22.8
Effective tax rate (%)	17.6	15.9	17.8	18.0	18.0
Dividend payout (%)	61.8	42.9	35.9	28.1	22.2
ROE (%)	713.6	17.8	23.8	25.8	26.7
ROA (pretax %)	12.9	12.6	19.9	27.4	34.1
Growth (%)					
Revenue	10.0	16.1	23.2	16.9	25.4
EBITDA	16.5	68.0	50.3	26.1	26.2
Normalised EPS	20.2	30.4	50.5	27.9	26.3
Normalised FDEPS	20.2	30.4	50.5	27.9	26.3

Source: Company data, Nomura estimates

Cashflow statement (TWDmn)

Year-end 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
EBITDA	1,164	1,955	2,939	3,707	4,679
Change in working capital	-45	-244	-686	-555	-1,115
Other operating cashflow	498	202	1,098	790	885
Cashflow from operations	1,617	1,914	3,351	3,943	4,448
Capital expenditure	-349	-1,060	-498	-583	-731
Free cashflow	1,269	855	2,853	3,360	3,717
Reduction in investments	-114	-853	-3	-3	-3
Net acquisitions	0	0	0	0	0
Dec in other LT assets	0	0	0	0	0
Inc in other LT liabilities	0	0	0	0	0
Adjustments	0	0	0	0	0
CF after investing acts	1,155	1	2,850	3,358	3,715
Cash dividends	-640	-584	-745	-745	-745
Equity issue	0	0	0	0	0
Debt issue	0	0	0	0	0
Convertible debt issue	0	0	0	0	0
Others	467	155	-870	-870	-870
CF from financial acts	-173	-429	-1,615	-1,615	-1,615
Net cashflow	982	-427	1,236	1,743	2,100
Beginning cash	1,018	2,001	1,573	2,809	4,552
Ending cash	2,001	1,573	2,809	4,552	6,652
Ending net debt	-848	-220	-1,670	-3,414	-5,514

Balance sheet (TWDmn)

As at 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
Cash & equivalents	2,001	1,573	2,809	4,552	6,652
Marketable securities	0	5	0	0	0
Accounts receivable	1,149	1,420	1,643	1,921	2,409
Inventories	2,049	2,431	2,596	2,944	3,730
Other current assets	38	52	38	38	38
Total current assets	5,237	5,482	7,086	9,455	12,830
LT investments	1,125	1,071	1,125	1,125	1,125
Fixed assets	4,249	5,417	5,199	5,005	4,860
Goodwill	0	0	0	0	0
Other intangible assets	0	0	0	0	0
Other LT assets	440	1,289	-63	-259	-724
Total assets	11,051	13,258	13,347	15,326	18,092
Short-term debt	61	344	61	61	61
Accounts payable	417	490	528	599	759
Other current liabilities	998	1,348	998	998	998
Total current liabilities	1,475	2,182	1,586	1,657	1,817
Long-term debt	1,078	1,010	1,078	1,078	1,078
Convertible debt	0	0	0	0	0
Other LT liabilities	1,071	1,578	1,071	1,071	1,071
Total liabilities	3,625	4,769	3,736	3,807	3,967
Minority interest	292	344	292	292	292
Preferred stock					
Common stock	4,263	4,437	4,263	4,263	4,263
Retained earnings	2,886	3,741	5,071	6,980	9,585
Proposed dividends					
Other equity and reserves	-16	-33	-16	-16	-16
Total shareholders' equity	7,134	8,145	9,319	11,227	13,833
Total equity & liabilities	11,051	13,258	13,347	15,326	18,092
Liquidity (x)					
Current ratio	3.55	2.51	4.47	5.71	7.06
Interest cover	–	–	2,760.6	3,643.5	4,732.0
Leverage					
Net debt/EBITDA (x)	net cash	net cash	net cash	net cash	net cash
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash
Per share					
Reported EPS (TWD)	7.10	9.26	13.93	17.81	22.50
Norm EPS (TWD)	7.10	9.26	13.93	17.81	22.50
FD norm EPS (TWD)	7.10	9.26	13.93	17.81	22.50
BVPS (TWD)	48.94	55.87	63.92	77.01	94.89
DPS (TWD)	4.39	4.01	5.11	5.11	5.11
Activity (days)					
Days receivable	59.7	57.5	55.7	55.4	53.8
Days inventory	154.8	148.6	149.9	145.6	138.8
Days payable	31.5	30.1	30.4	29.6	28.2
Cash cycle	183.0	176.0	175.2	171.4	164.4

Source: Company data, Nomura estimates

Company profile

Founded in 1953, Kinik is Taiwan's first grinding wheel manufacturer dedicated to grinding technology. Since 2000, Kinik has extended its grinding wheel expertise into the semiconductor industry. Kinik now supplies grinding wheels, diamond disks, and reclaimed wafers to the leading semiconductor customers in the worldwide.

Valuation Methodology

Our TP of TWD900 is based on 40x 2028E EPS TWD22.5, in the upper half of its historical P/E of 10-45x, to address the stably growing business with the leading foundry customer as well as the rising total addressable market (TAM) across its different business units. The bench mark index is TAIEX.

Risks that may impede the achievement of the target price

Downside risks are: 1) the products are disqualified by the leading foundry customer; 2) losing market share to competitors; 3) fail to broaden the product portfolio; 4) the weakening Semi market demand.

ESG

For the purpose of promoting sustainable transformation and strengthening corporate governance performance, Kinik's Board of Directors approved the establishment of the Sustainable Development Committee in December 2021, as the core organization to promote sustainable development. Kinik publishes annual sustainable report every year since 2022.

Earnings estimate revisions

We raise our 2026F-28F earnings by 5-11% on the back of our expectation for stronger-than-expected top-line growth and potential GPM expansion driven by both the DBU and SBU businesses. The GPM upside should be primarily driven by SBU due to an improved product mix and potentially a more favorable pricing environment.

Fig. 1: Kinik: earnings estimate revisions

	2026F			2027F			2028F		
(TWD mn)	Previous	Revised	Change (%; pp)	Previous	Revised	Change (%; pp)	Previous	Revised	Change (%; pp)
Net Sales	9,702	10,039	3.5	11,353	11,735	3.4	14,200	14,718	3.6
Gross profit	3,568	3,917	9.8	4,298	4,793	11.5	5,294	5,921	11.9
Operating income	2,086	2,213	6.1	2,653	2,920	10.1	3,380	3,793	12.2
Pretax income	439	2,590	489.7	3,052	3,320	8.8	3,780	4,192	10.9
Net income	1,987	2,080	4.6	2,439	2,653	8.8	3,020	3,350	10.9
EPS	13.3	14.0	4.6	16.4	17.8	8.8	20.3	22.5	10.9
Gross Margin %	36.8	39.0	2.3	37.9	40.8	3.0	37.3	40.2	3.0
Operating Margin %	21.5	22.0	0.5	23.4	24.9	1.5	23.8	25.8	2.0
Net Margin %	20.5	20.7	0.2	21.5	22.6	1.1	21.3	22.8	1.5

Source: Nomura estimates

Fig. 2: Kinik: P&L

GAAP (TWD mn)	1Q26	2Q26F	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F	FY25	FY26F	FY27F	FY28F
Net sales	2,293	2,493	2,579	2,674	2,694	2,927	3,006	3,108	8,149	10,039	11,735	14,718
COGS	1,491	1,498	1,542	1,592	1,593	1,735	1,781	1,833	5,502	6,122	6,942	8,797
Gross profit	**803**	**995**	**1,037**	**1,082**	**1,101**	**1,192**	**1,225**	**1,275**	**2,647**	**3,917**	**4,793**	**5,921**
SG&A	344	374	382	383	385	410	415	423	1,157	1,482	1,632	1,860
R&D expenses	48	57	58	59	59	59	60	62	187	222	240	268
Op income	**410**	**564**	**598**	**641**	**656**	**724**	**750**	**790**	**1,303**	**2,213**	**2,920**	**3,793**
Net non-op income	88	60	110	120	100	100	100	100	355	377	399	399
Pretax income	498	624	708	761	756	824	850	890	1,658	2,590	3,320	4,192
Tax expenses	84	112	127	137	136	148	153	160	263	461	598	755
Net income	**408**	**498**	**566**	**608**	**604**	**658**	**679**	**711**	**1,360**	**2,080**	**2,653**	**3,350**
EPS (TWD)	**2.74**	**3.35**	**3.80**	**4.08**	**4.06**	**4.42**	**4.56**	**4.78**	**9.3**	**14.0**	**17.8**	**22.5**
Profitability (%)	1Q26	2Q26F	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F	FY25	FY26F	FY27F	FY28F
Gross margin	35.0	39.9	40.2	40.5	40.9	40.7	40.7	41.0	32.5	39.0	40.8	40.2
Op margin	17.9	22.6	23.2	24.0	24.4	24.7	24.9	25.4	16.0	22.0	24.9	25.8
PBT margin	21.7	25.0	27.4	28.4	28.1	28.1	28.3	28.6	20.3	25.8	28.3	28.5
Net margin	17.8	20.0	21.9	22.7	22.4	22.5	22.6	22.9	16.7	20.7	22.6	22.8
QoQ (%)	1Q26	2Q26F	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F	FY25	FY26F	FY27F	FY28F
Sales	6	9	3	4	1	9	3	3				
Gross profit	8	24	4	4	2	8	3	4				
Op income	22	37	6	7	2	10	4	5				
Net income	(15)	22	14	7	(1)	9	3	5				
YoY (%)	1Q26	2Q26F	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F	FY25	FY26F	FY27F	FY28F
Sales	29	18	23	23	17	17	17	16	16	23	17	25
Gross profit	47	46	53	46	37	20	18	18	21	48	22	24
Op profit	46	60	79	90	60	28	25	23	13	70	32	30
Net profit	43	87	72	27	48	32	20	17	31	53	28	26

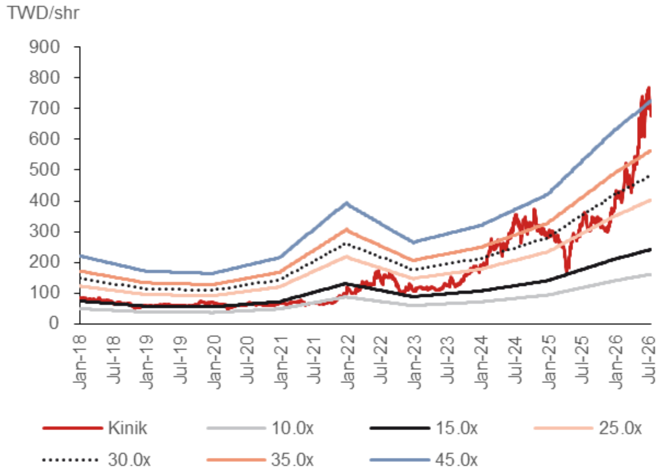
Source: Company data, Nomura estimates

Valuation and risks

Our new TP of TWD900 is based on 40x 2028E EPS TWD22.5, in the upper half of its historical P/E of 10-45x, reflecting the steady business growth with the leading foundry customer as well as an expanding total addressable market (TAM) across its different business units.

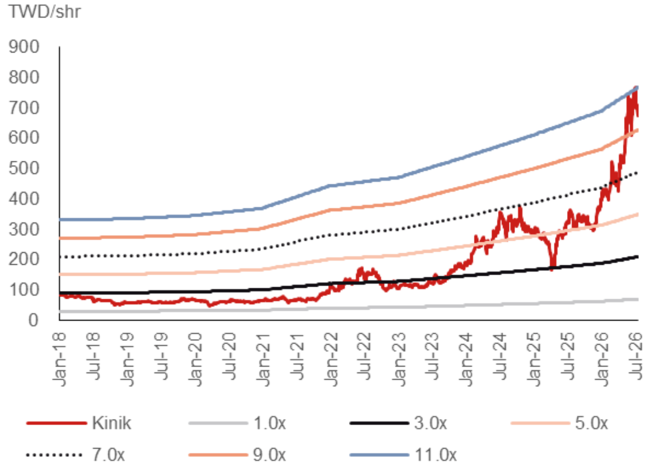
Downside risks are: 1) the products are disqualified by the leading foundry customer; 2) losing market share to competitors; 3) failure to broaden the product portfolio; 4) weakening semi market demand.

Fig. 3: Kinik: P/E



Source: Bloomberg Finance L.P., Nomura estimates

Fig. 4: Kinik: P/B



Source: Bloomberg Finance L.P., Nomura estimates

Appendix A-1

This report has been produced by Nomura International (Hong Kong) Ltd. (NIHK), Hong Kong.
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Analyst Certification

We, Donnie Teng, Aaron Jeng, Eric Chen and Vivian Yang, hereby certify (1) that the views expressed in this Research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this Research report, (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report and (3) no part of our compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

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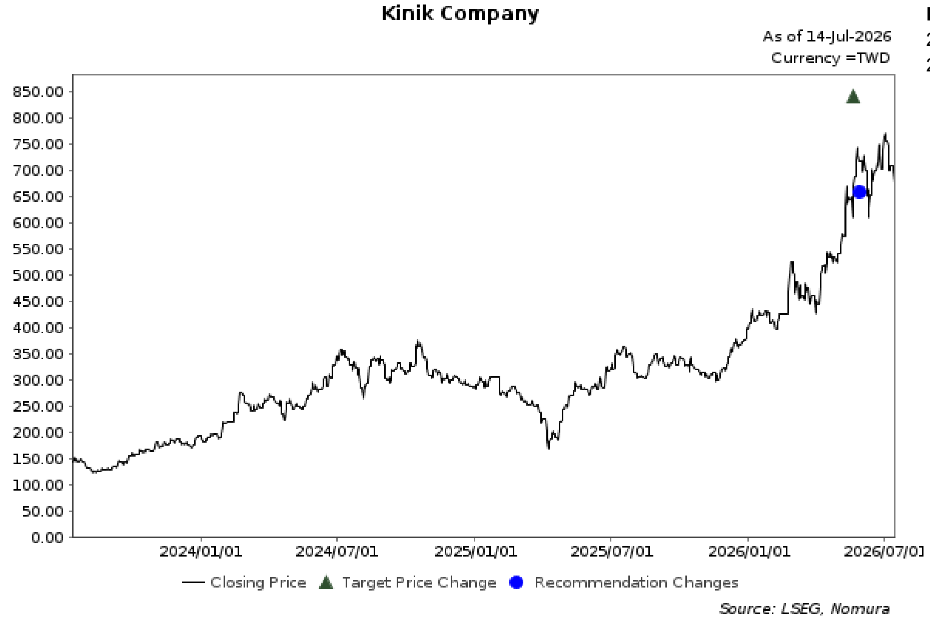
Materially mentioned issuers

Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Kinik Company	1560 TT	TWD 675.00	14-Jul-2026	Buy	N/A	

Kinik Company (1560 TT) **TWD 675.00 (14-Jul-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
21-May-26	Buy		669.00
21-May-26		840.00	669.00

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our TP of TWD900 is based on 40x 2028E EPS TWD22.5, in the upper half of its historical P/E of 10-45x, to address the stably growing business with the leading foundry customer as well as the rising total addressable market (TAM) across its different business units. The bench mark index is TAIEX.
Risks that may impede the achievement of the target price Downside risks are: 1) the products are disqualified by the leading foundry customer; 2) losing market share to competitors; 3) fail to broaden the product portfolio; 4) the weakening Semi market demand.

Important Disclosures

Online availability of research and conflict-of-interest disclosures

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58% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; 33% of companies with this rating are investment banking clients of the Nomura Group*. 0% of companies (which are admitted to trading on a regulated market in the EEA) with this rating were supplied material services** by the Nomura Group.
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3% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; 15% of companies with this rating are investment banking clients of the Nomura Group*. 0% of companies (which are admitted to trading on a regulated market in the EEA) with this rating were supplied material services by the Nomura Group.
As at 30 June 2026.
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*** As defined by the EU Market Abuse Regulation*

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The rating system is a relative system, indicating expected performance against a specific benchmark identified for each individual stock, subject to limited management discretion. An analyst’s target price is an assessment of the current intrinsic fair value of the stock based on an appropriate valuation methodology determined by the analyst. Valuation methodologies include, but are not limited to, discounted cash flow analysis, expected return on equity and multiple analysis. Analysts may also indicate expected absolute upside/downside relative to the stated target price, defined as (target price - current price)/current price.

STOCKS

A rating of **'Buy'**, indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of **'Neutral'**, indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of **'Reduce'**, indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of **'Suspended'**, indicates that the rating, target price and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies. Securities and/or companies that are labelled as **'Not rated'** or shown as **'No rating'** are not in regular research coverage. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies. Benchmarks are as follows: **United States/Europe/Asia ex-Japan:** please see valuation methodologies for explanations of relevant benchmarks for stocks, which can be accessed at: http://go.nomuranow.com/research/m/Disclosures; **Global Emerging Markets (ex-Asia):** MSCI Emerging Markets ex-Asia, unless otherwise stated in the valuation methodology; **Japan:** Russell/Nomura Large Cap.

SECTORS

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Target Price

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