

Greater China Tech Hardware

EQUITY: TECHNOLOGY

Takeaways from Asia Tech Tour

Takeaways from our meetings with Ta Liang, EMC, ITEQ, Kinsus, Compeq, AVC, Auras, Lotes, and Hon Hai

We hosted our Asia Tech Tour in Taipei during 18-19 August 2026. We had discussions with: AI PCB/CCL/substrate – Ta Liang (3167 TT, Not rated), EMC (2383 TT, Buy; [see our report](#)), ITEQ (6213 TT, Buy; [see our report](#)), Kinsus (3189 TT, Not rated) and Compeq (2313 TT, Buy); AI thermal and component – Asia Vital Components (AVC; 3017 TT, Buy), Auras (3324 TT, Buy), and Lotes (3533 TT, Buy); and AI ODM – Hon Hai (2317 TT, Buy) about recent industry dynamics. We summarize our key takeaways below:

AI PCB/CCL/substrate

Ta Liang (3167 TT, Not rated)

- According to Ta Liang, it is one of the world's top-three PCB mechanical drilling/back-drilling equipment makers with strong capabilities in precise CCD alignment systems. According to the company, it is also the world's largest PCB routing machine maker and enjoys a leading market position in optical module PCB routing.
- According to management, Ta Liang now manages 300-400 units of drilling/router monthly capacity and expects to add 50 units/month of commodity equipment capacity through outsourcing partners this year. The company kicked off the outsourcing program from the beginning of this year, and has plans to further increase commodity model outsourcing to 100 units/month in 2027E. Beyond the outsourcing scale, Ta Liang may have to find more partners, as per management.
- Premium tools made up >60% of Ta Liang's 1H26 revenue, in which drilling and router each made up half of the mix. Management attributed the strength in routers to high demand for optical modules, and expects to book more router revenue than drilling in 2H26E. Yet, management expects drilling momentum to pick up in 2H26E and more revenue share of drilling in 1H27E considering three months lead time from tool shipments to revenue recognition.
- Ta Liang spun off its semiconductor equipment business unit into a subsidiary TLSmart (unlisted) in August. TLSmart's equipment portfolio covers, metrology, inspection and automation for advanced packaging, and a leading foundry and OSATs each makes up half of the volume mix. Management expects TLSmart to benefit from the leading foundry and OSATs' advanced packaging capacity expansion. In addition, TLSmart also has tools intended for SoIC, CoPoS/FOPLP and CPO.

Kinsus (3189 TT, Not rated)

- Kinsus currently focuses only on the expansion of ABF substrate capacity, for which it estimates c.50% addition over the next few years by taking the scale from 40mn units/month in 2026, to 50mn units/month in 2027E, and to 80mn units/month in 2029E. Instead of signing long-term agreements (LTAs) with customers, Kinsus expects to get customers involved in the expansion via capital injection or tool consignments (e.g., customers have to pay for 2028-29E machinery capex, with a contract amount of TWD60-80bn). As far as BT substrates are concerned, while Kinsus is witnessing decent growth thanks to memory demand and exploring new fungible opportunities in optical modules, the company may start evaluating BT capacity expansion in mid-2027E as the current utilization is around 75%.
- Kinsus has qualified its hybrid core technology that uses T-glass and E-glass in the core layers to alleviate glass fabric supply burden for ABF substrates and reserved the T-glass resource for high-end AI chips. However, the company notes that for GPUs/ASICs

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with passive IPDs embedded in the substrates or multi-layer cores, it might not opt for hybrid core adoption.

- According to management, while Kinsus is not working with Intel (INTC US, Not rated) on the EMIB-T substrate technology, it is open to any collaborative discussion with the leading logic foundry in new package technologies such as ceramic cores and EMIB-like.

Compeq (2313 TT, Buy)

- Compeq is concentrating on transforming its business focus, from consumer electronics, to embracing low earth orbit (LEO) satellites, and now seeking more data center product exposures.
- According to management, PCBs in satellite user terminals will be the main growth driver in the aerospace business this year since Compeq's satellite end-customer is looking to grow the subscriber base aggressively, and Compeq is making those boards in Taiwan or Thailand as per the customer's request. That being said, Compeq expects space-grade PCB growth to accelerate from late-2026E given increases in both v3 board area and layer count to drive >2x dollar content vs v2.
- In addition to LEO satellites, Compeq is also investing in data center products. It estimates to spend TWD20bn on capex in 2026E vs TWD7bn in 2025, and the majority of spending will be directed toward mSAP capacity builds in Taiwan and China for optical modules given growing dependence on mSAP for 800G/1.6T optical module HDI. According to management, Apple's (AAPL US, Not rated) iPhone motherboard suppliers are particularly specialized in mSAP, including Compeq, and the GM of optical module mSAP HDI could end up being the highest amongst all of Compeq's lines if the scale ramps up. Meanwhile, Compeq acknowledges the growing importance of HDI in AI mainboards in 2H27-1H28E, and it is currently working on adjusting the capacity structure to better position for new opportunities.
- The company also sees changes in price negotiations with customers, particularly with the US premium smartphone brand, given persistent supply crowd-out and higher upstream material costs. Most customers agree to the price adjustments for passing on the cost pressure, according to management.
- We reiterate our Buy rating on Compeq and TP of TWD345 based on 30x 2027F EPS of TWD11.6. The stock is currently trading at 18x 2027F EPS ([see our coverage initiation report here](#)).

AI thermal and component

AVC (3017 TT, Buy)

- AVC notes that thermal solutions for merchant GPUs are more standardized, while those for ASIC projects are highly customized and therefore could carry better ASP and GM profile with less competition. AVC generates ~two-thirds of its revenue from servers, 70% of which is from AI servers; and within AI servers, the company estimates nVidia (NVDA US, Not rated) platforms to make up 70% of the revenue, followed by 25% from ASIC. AVC looks to pivot its business to ASIC in 2H26E to monetize the strong volume growth as well as transition to liquid cooling.
- AVC noted the GM drivers in 2Q26 were product mix, automation efforts and yield improvements. For 2H26E, while more contribution from ASIC projects could continue to support the GM uptrend, the company expects less benefit from automation as customers are shifting to new designs and tooling cost from production tuning might outweigh the benefits of automation.
- As all components on the Vera Rubin compute tray are fully liquid-cooled, AVC estimates a net of 50% per tray thermal content uplift vs half liquid-cooled Grace Blackwell, despite a decline in CPU/GPU cold plate value due to standardization. As far as whether tray height reduction could be a positive factor to liquid-cooling contents, AVC thinks it comes down to the trade-off between more chips in a rack and more engineering, yet fewer materials, from lower heights.
- As far as the removable lid design is concerned, AVC does not expect any impact on cold plate dollar contents.

- We reiterate our Buy rating on AVC and TP of TWD4,000 based on 27x 2027F EPS of TWD148. The stock currently trades at 21x 2027F EPS ([see our latest update here](#)).

Auras (3324 TT, Buy)

- For 2H26E, Auras expects revenue momentum to come from GB300 and ASIC, and an OPM improvement scale of more than GM driven by opex controls. Based on its current visibility, it expects stronger GB300 demand in 3Q26E than 4Q26E, and notes Blackwell demand mostly comes in the form of rush orders (likely for neoclouds) that could sustain into 1Q27E.
- Auras expects its initial revenue from Vera Rubin to kick off from 4Q26E. The company estimates the upcoming ASIC project's liquid-cooling dollar content per tray to be 3x of GB300, while the content per VR200 tray will be in the middle of the two platforms. Meanwhile, it sees liquid-cooling becoming the mainstream also for Rubin HGX (2x CPUs + 8x GPUs), and the memory inside could also adopt liquid cooling.
- Auras estimates that 30-35% of its liquid-cooling revenue in 1H26 came from rack manifold, while inner manifold and quick disconnect (QD) together accounted for 55-60%. CDU was c.5% of Auras' liquid-cooling revenue, and the company expects the contribution could step up to 10% in 2027E as it is working on some projects for AI server sidecars.
- Auras targets 2-3pp GM improvement each year and expects a similar pattern in 2026E. The company registered a GM of 29.0% in 1H26, vs 26.7% in 1H25 and 27.4% in 2025, which we think could imply an even higher GM in 2H26E.
- We reiterate our Buy rating on Auras and TP of TWD1,840, based on 23x 2027F EPS of TWD80.01. The stock currently trades at 12x 2027F EPS.

Lotes (3533 TT, Buy)

- Lotes reiterated that its new server platform ramp-up progress is critical to its GM improvements given new price schemes against the current raw material cost inflation. Yet, Lotes expects slower penetration of AMD's (AMD US, Not rated) new server CPU platform (Venice) toward the end of 2026E, and Intel Oak Stream ramp to only start in 1Q27E. When AMD's Venice and Intel's Oak Stream gain traction, Lotes could enjoy accelerated growth thanks to new socket adoption, as well as share gain within PCIe 6.0 cables/connectors, according to management.
- Meanwhile, despite a server CPU platform customer's more aggressive demand forecast in 2026, Lotes observes a slight decline in the server board production volume into 2H26E given a shortage in other server components (e.g., memory, PCB, etc.).
- Lotes is engaging with a cloud service provider (CSP) for sockets used for its ARM-based CPU, whose production timeline is scheduled in 2H27E, whereas the CSP customer still adopts board-to-board connectors for its AI xPUs where Lotes is not in the vendor pool. In the new business, Lotes remains positive on the revenue contribution from SOCAMM connectors and QD into 2H26E, which are both above management expectations laid out at the beginning of the year.
- Lotes currently has two potential customers for detachable CPO/NPO sockets, and one of them is supported by the subsidiary Lintes (6715 TT, Not rated). For Lotes' direct account, the company expects potential mass production in 2H27E and that it may need to lift capex to fund the expansion in China and Vietnam accordingly. Lotes believes recent financing activities (equity offerings and convertible bond issuance) could be directed toward the capacity investment. According to Lotes, despite a smaller NPO socket form factor than CPU sockets, the ASP could be 20-30% higher than that of the latest generation CPU sockets given higher complexity and 224G SerDes supports.
- We have a Buy rating on Lotes and TP of TWD2,720, based on 24x 2027F EPS of TWD113.3. The stock currently trades at 14x 2027F EPS ([see our latest update here](#)).

AI ODM

Hon Hai (2317 TT, Buy)

- According to management, on top of CSP client coverage, Hon Hai has also started working with larger neoclouds with contribution visible from late 2026E, and gradually

more significantly in 2027E. Hon Hai sees more standardized products in neocloud projects to enable easier production scale-up than CSP projects which require more rack-level customization and engineering efforts for a higher value-added. The neocloud margin profile would depend on the business model, and Hon Hai sees HGX products likely having consignment models vs rack-level solution reliance on Hon Hai's balance sheets.

- For AI ASIC L6/L10 opportunities, Hon Hai expects to prepare capacity ahead of customer engagement, in the US, Taiwan, Mexico or Europe. Hon Hai's ultimate target is to take a 40% share in AI ASIC projects by leveraging its strong vertical integration, as well as design capabilities.
- Hon Hai estimates >30% y-y capex growth in 2026E to fund AI server assembly capacity, particularly in the US, Mexico and Vietnam. The company flags that testing machinery is one of the constraints and thus, would like to build more system assembly and test capacity via the investments given at least one week of rack-level testing before shipments.
- We reiterate our Buy rating on Hon Hai and TP of TWD435, based on 17x 2027F EPS of TWD25.57. The stock currently trades at 10x 2027F EPS ([see our latest update here](#)).

Appendix A-1

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