NOMURA

Global Markets Research

5 October 2026

Genius Electronic Optical 3406.TW 3406 TT

EQUITY: TECHNOLOGY

Fiber connector and CPO an ideal leverage of its capabilities (Erratum)

Quantifying passive fiber connector and CPO opportunities; reiterate Buy

Action: Maintain Buy; raise TP to TWD1,415, implying ~34% upside

We expect AI optical interconnect and communication opportunities (e.g. co-packaged optics fiber array unit [CPO FAU], passive fiber connectors) to transform the traditional optical lens industry over the next 5 years, and believe Taiwanese handset camera lens makers (e.g. Largan [3008 TT, Buy] and Genius) possess inherent advantages to cater to these new markets, given their high-precision molding+plastic injection, optical design, active alignment, optical coating and inspection capabilities, as well as clean-room facilities and sufficient FCF from cash-cow handset lens businesses.

In addition to holding the position of Apple's (AAPL US, Not rated) No. 2 lens supplier, we believe Genius has obtained ferrule order for passive fiber connectors and will start shipping by end-2026F or early-2027F, as per our channel checks (Genius declines to comment, however). Genius appears well-positioned to supply various **CPO FAU components** (lens, prism, V groove, FA, etc.) and may potentially handle FAU assembly if requested by customers. **We estimate the passive fiber connector and CPO-related new businesses will contribute <3%/16-20% earnings for Genius in 2027F/2028F** (details in *Fig. 10*). Yet, given the high dollar content and long-term growth potential of CPO/FAU related products over the next five years, we believe optical lens makers with inherent advantages in this new field deserve stock re-rating; we thus raise our target P/E to 25x (near the high end of the historical range of 10-30x since 2020), from 17x. We reiterate Buy, and raise our TP to TWD1,415, based on 25x 2028F EPS of TWD56.61 (vs. prior TP of TWD568, based on 17x 2025F EPS of TWD33.4, set two years ago). Genius trades at 25x 2027F P/E.

Apple: Sunny's market share loss and continued camera upgrades in 2027-28F

Sunny (2382 HK, Neutral) earlier faced some yield issues with the new variable aperture (VA) main camera lens for the iPhone 18 Pro series, and this could benefit Largan (more directly) and Genius (indirectly) in the competitive landscape. It remains uncertain whether Genius will be introduced as a third lens supplier to iPhone Pro' main camera in the future, and this poses an upside risk to our forecasts. However, given the headwinds of rising memory costs and the potential cannibalization of the 18 Pro series by the iPhone Duo, we forecast slower iPhone lens shipments from end-2026F to 1H27F, before the 20th anniversary iPhone (Pro Max) and the second-gen iPhone Duo are introduced in 2H27F. We expect further upgrades to the iPhone Pro main camera in 2H27F, and introduction of a new periscope camera for the Pro Max in 2H28F.

(Erratum: This note replaces an earlier published note *which incorrectly focused on specific fiber connector. We apologise for any inconvenience this may have caused.)*

Year-end 31 Dec	FY25	FY26F		FY27F		FY28F	
Currency (TWD)	Actual	Old	New	Old	New	Old	New
Revenue (mn)	24,989	24,564	27,773	0	27,514	0	33,486
Reported net profit (mn)	3,702	3,781	4,329	0	4,677	0	6,382
Normalised net profit (mn)	3,702	3,781	4,329	0	4,677	0	6,382
FD normalised EPS	32.84	33.53	38.39		41.49		56.61
FD norm. EPS growth (%)	-14.4	0.3	16.9		8.1		36.4
FD normalised P/E (x)	32.1	–	27.5	–	25.4	–	18.6
EV/EBITDA (x)	12.7	–	10.9	–	9.8	–	7.4
Price/book (x)	4.5	–	4.2	–	3.8	–	3.4
Dividend yield (%)	1.6	–	1.8	–	1.9	–	2.7
ROE (%)	14.5	13.4	15.8		15.6		19.2
Net debt/equity (%)	net cash	net cash	net cash		net cash		net cash

Source: Company data, Nomura estimates

Rating Remains	**Buy**
Target price Increased from TWD 568.00	**TWD 1,415.00**
Closing price 5 October 2026	**TWD 1,055.00**
Implied upside	**+34.1%**
Market Cap (USD mn)	3,740.5
ADT (USD mn)	110.2

Relative performance chart



Source: LSEG, Nomura

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See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.

Key data on Genius Electronic Optical

Performance

(%)	1M	3M	12M		
Absolute (TWD)	0.0	65.9	145.1	M cap (USDmn)	3,740.5
Absolute (USD)	-0.6	66.5	134.2	Free float (%)	67.3
Rel to Taiwan TAIEX Index	-4.1	62.3	63.9	3-mth ADT (USDmn)	110.2

Income statement (TWDmn)

Year-end 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue	23,187	24,989	27,773	27,514	33,486
Cost of goods sold	-15,190	-16,864	-18,394	-17,834	-21,267
Gross profit	7,997	8,125	9,379	9,680	12,219
SG&A	-3,325	-3,352	-3,736	-3,863	-4,024
Employee share expense					
Operating profit	4,671	4,773	5,643	5,818	8,195
EBITDA	8,858	8,782	10,009	10,756	13,633
Depreciation	-4,187	-4,009	-4,367	-4,938	-5,438
Amortisation					
EBIT	4,671	4,773	5,643	5,818	8,195
Net interest expense	304	298	389	406	406
Associates & JCEs	4	2	0	0	0
Other income	945	-83	-140	300	290
Earnings before tax	5,925	4,990	5,893	6,524	8,892
Income tax	-1,587	-1,282	-1,546	-1,827	-2,490
Net profit after tax	4,338	3,708	4,347	4,697	6,402
Minority interests	-14	-6	-18	-20	-20
Other items					
Preferred dividends					
Normalised NPAT	4,323	3,702	4,329	4,677	6,382
Extraordinary items					
Reported NPAT	4,323	3,702	4,329	4,677	6,382
Dividends	-2,029	-1,917	-2,143	-2,315	-3,159
Transfer to reserves	2,294	1,786	2,186	2,362	3,223
Valuations and ratios					
Reported P/E (x)	27.5	32.1	27.5	25.4	18.6
Normalised P/E (x)	27.5	32.1	27.5	25.4	18.6
FD normalised P/E (x)	27.5	32.1	27.5	25.4	18.6
Dividend yield (%)	1.7	1.6	1.8	1.9	2.7
Price/cashflow (x)	11.2	16.3	18.3	12.3	11.6
Price/book (x)	4.8	4.5	4.2	3.8	3.4
EV/EBITDA (x)	12.8	12.7	10.9	9.8	7.4
EV/EBIT (x)	24.2	23.4	19.4	18.2	12.4
Gross margin (%)	34.5	32.5	33.8	35.2	36.5
EBITDA margin (%)	38.2	35.1	36.0	39.1	40.7
EBIT margin (%)	20.1	19.1	20.3	21.1	24.5
Net margin (%)	18.6	14.8	15.6	17.0	19.1
Effective tax rate (%)	26.8	25.7	26.2	28.0	28.0
Dividend payout (%)	46.9	51.8	49.5	49.5	49.5
ROE (%)	18.7	14.5	15.8	15.6	19.2
ROA (pretax %)	14.4	14.8	17.2	18.0	25.7
Growth (%)					
Revenue	7.0	7.8	11.1	-0.9	21.7
EBITDA	12.0	-0.9	14.0	7.5	26.8
Normalised EPS	40.7	-14.4	16.9	8.1	36.4
Normalised FDEPS	40.7	-14.4	16.9	8.1	36.4

Source: Company data, Nomura estimates

Cashflow statement (TWDmn)

Year-end 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
EBITDA	8,858	8,782	10,009	10,756	13,633
Change in working capital	1,417	-208	-2,187	76	-1,562
Other operating cashflow	373	-1,263	-1,314	-1,140	-1,813
Cashflow from operations	10,649	7,312	6,509	9,691	10,258
Capital expenditure	-1,390	-1,602	-2,500	-4,000	-3,500
Free cashflow	9,259	5,709	4,009	5,691	6,758
Reduction in investments	-510	-1,481	0	0	0
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	-1,130	91	0	0	0
CF after investing acts	7,619	4,320	4,009	5,691	6,758
Cash dividends	-1,353	-2,029	-1,917	-2,143	-2,315
Equity issue	0	0	0	0	0
Debt issue	-3,667	-2,574	0	0	0
Convertible debt issue					
Others	-140	-95	0	0	0
CF from financial acts	-5,160	-4,699	-1,917	-2,143	-2,315
Net cashflow	2,459	-379	2,092	3,548	4,443
Beginning cash	8,714	11,173	10,795	12,887	16,435
Ending cash	11,173	10,795	12,887	16,435	20,878
Ending net debt	-6,007	-7,653	-9,745	-13,293	-17,736

Balance sheet (TWDmn)

As at 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
Cash & equivalents	11,173	10,795	12,887	16,435	20,878
Marketable securities	672	2,246	2,246	2,246	2,246
Accounts receivable	3,981	5,640	6,943	6,878	8,372
Inventories	2,379	2,115	2,759	2,675	3,190
Other current assets	581	582	582	582	582
Total current assets	18,786	21,378	25,417	28,816	35,267
LT investments	500	378	378	378	378
Fixed assets	20,727	18,991	17,125	16,187	14,249
Goodwill	0	0	0	0	0
Other intangible assets					
Other LT assets	3,022	2,893	2,893	2,893	2,893
Total assets	43,035	43,641	45,813	48,275	52,788
Short-term debt	1,802	383	383	383	383
Accounts payable	1,367	2,631	2,391	2,318	2,765
Other current liabilities	5,707	5,632	5,632	5,632	5,632
Total current liabilities	8,876	8,646	8,406	8,333	8,780
Long-term debt	3,365	2,759	2,759	2,759	2,759
Convertible debt					
Other LT liabilities	6,030	5,752	5,752	5,752	5,752
Total liabilities	18,271	17,157	16,917	16,844	17,291
Minority interest	83	241	241	241	241
Preferred stock					
Common stock	1,127	1,127	1,127	1,127	1,127
Retained earnings	23,554	25,116	27,528	30,063	34,129
Proposed dividends					
Other equity and reserves					
Total shareholders' equity	24,681	26,243	28,655	31,190	35,257
Total equity & liabilities	43,035	43,641	45,813	48,275	52,788
Liquidity (x)					
Current ratio	2.12	2.47	3.02	3.46	4.02
Interest cover	–	–	–	–	–
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)	38.35	32.84	38.39	41.49	56.61
Norm EPS (TWD)	38.35	32.84	38.39	41.49	56.61
FD norm EPS (TWD)	38.35	32.84	38.39	41.49	56.61
BVPS (TWD)	218.92	232.77	254.17	276.65	312.72
DPS (TWD)	18.00	17.00	19.01	20.54	28.02
Activity (days)					
Days receivable	76.3	70.3	82.7	91.7	83.3
Days inventory	49.6	48.6	48.4	55.6	50.5
Days payable	29.4	43.3	49.8	48.2	43.7
Cash cycle	96.5	75.6	81.2	99.1	90.1

Source: Company data, Nomura estimates

Company profile

Genius is the second source in Apple's lenses, and is gaining share in recent years. VR is a new growth engine for the company, with Facebook and Apple being its key VR customers.

Valuation Methodology

Our TP of TWD1,415 is based on 25x 2028F EPS of TWD56.6. Our target P/E of 25x is near the high end of Genius' historical range of 10-30x since 2020. The benchmark index for this stock is TAIEX.

Risks that may impede the achievement of the target price

Downside risks are: 1) worse-than-expected iPhone demand, 2) rising ASP pressure due to competition, 3) worse-than-expected progress in market-share gain in iPhone rear cam lenses, and 4) slower-than-expected penetration into other Android customers.

ESG

The company does not disclose any ESG information. However, based on industry features, we believe Genius is not a labor-intensive corporation and it should not cause severe environmental issues.

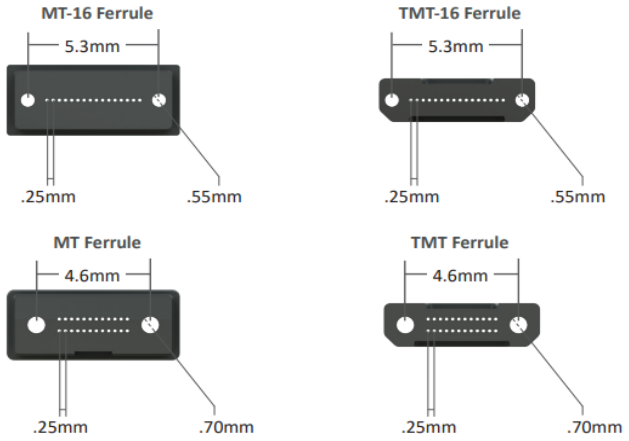
Optical communication – an ideal leverage of lens makers' capabilities

Optical interconnect – from MPO to MMC and contact-less fiber connector

Multi-fiber push-on (MPO) is the current standardized **physical-contact** optical interconnect architecture designed to aggregate high-density ribbon fibers (typically 8, 12, 16, 24 or 32 cores per ferrule) into a single compact interface. MPO connectors leverage precise physical contact enforced by a high mechanical spring force (around 10-20N) and steel guide pins for alignment to achieve ultra-low insertion loss (0.20-0.35dB) across clean fiber end-faces.

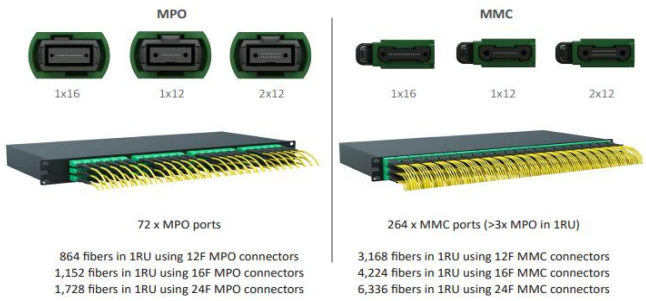
The **micro multi-fiber connector (MMC)** is another proprietary **physical-contact optical interconnect** standard beyond MPO developed by **US Conec** (unlisted) for high-density AI interconnects to directly address the server faceplate and panel space constraints. The MMC introduces a very small form-factor (VSFF) multi-fiber design that utilizes a miniaturized TMT ferrule (patented by US Conec; *Fig. 1*), and according to US Conec, the width of the TMT ferrule is similar to that of conventional MT ferrule yet with ~30% smaller in thickness and ~50% shorter in length to shrink the physical footprint to **roughly one-third the size of an MPO**. The spatial reduction consequently unlocks up to a 3x density advantage in patch panel ports and transceiver faceplates compared to standard MPO footprints (*Fig. 2*). Meanwhile, the MMC delivers a crucial density jump while preserving high optical performance, offering low insertion loss and supporting up to 250um pitch multi-fiber ribbon arrays (including 12-, 16-, 24-, and 32-fiber configurations) to ensure interoperability with MPO ecosystems. The MMC also improves operational serviceability through US Conec's DirectConec push-pull latching mechanism to allow technicians to plus and unplug individual cables even at a highly populated panel without external retraction tools.

Fig. 1: TMT ferrule vs. conventional MT ferrule



Source: US Conec, Nomura research

Fig. 2: MMC has a smaller footprint than MPO to enable a 3X optical interconnect density



Source: US Conec, Nomura research

Although MPO and MMC are the most popular standards of optical fiber connectors nowadays, they both rely on direct physical contact between ferrules and thus require higher spring pressure and precision alignments when connecting the cables. Also, physical contacts leave MPO and MMC's exposed optical interfaces inherently susceptible to wear and tear over repeating mating cycles as well as potential signal degradation from dust and debris contamination (and therefore needs frequent cleaning and inspection).

Expanded beam optical (EBO), for example, is an innovative passive fiber connector technology promoted by an industry group "EBO Multi-Source Agreement Group (EBO MSA)" that could reshape optical interconnect technologies by addressing pre-mentioned challenges of MPO or MMC, since this type of connector replaces traditional physical-contact end-face matings with **non-contact, lens-based beam expansion** (*Fig. 4*). The passive fiber connectorutilizes integrated **total internal reflection (TIR) mirrors** within precision polymer ferrules. As the light exits an optical fiber core and enters the ferrule, it

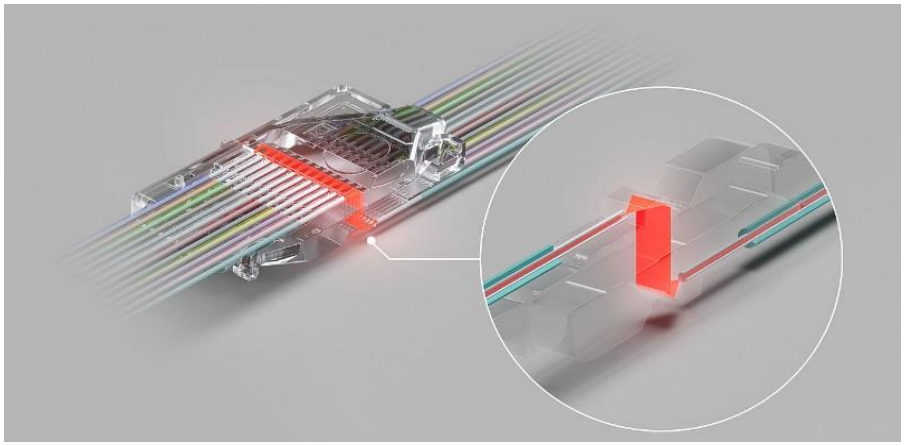
strikes the internal TIR mirror that collimates and expands light beams up to 10x their core diameter before travelling through an intentional, tiny air gap to the mating connector. An identical, paired TIR mirror is integrated within the receiving ferrule to capture the expanded beam and focuses it back into the receiving fiber core. According to the EBO MSA, the ferrule is vapor-coated with a special anti-reflection coating that efficiently reduces the reflection of light beams (*Fig. 5*).

Fig. 3: An EBO ferrule



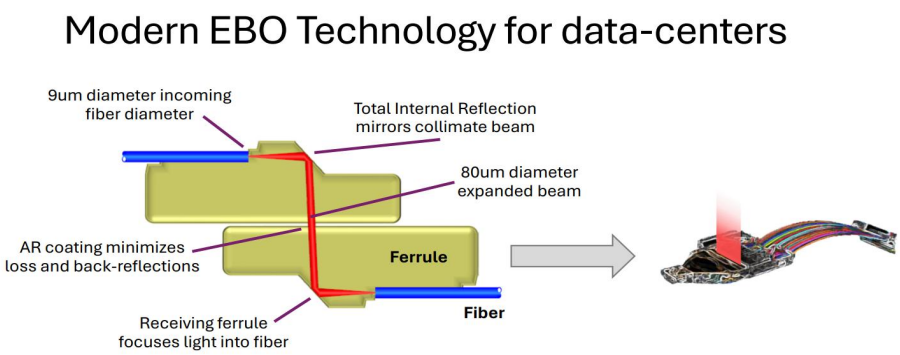
Source: EBO MSA, Nomura research

Fig. 4: Connection of two EBO ferrules



Source: Rosenberger, Nomura research

Fig. 5: A cross-section illustration of EBO



Source: EBO MSA, Nomura research

Although one of the underlying issues with contact-less passive fiber connector is a higher insertion loss (0.35-0.75dB), the contact-less passive fiber connector system still provides a few advantages compared to traditional physical-contact connectors:

- Physical-contact connectors require frequent inspection and cleaning cycle before mating, while the contact-less connectoris nearly immune to airborne particle contamination thanks to the embedded lens system and no direct surface contacts. An easier handling with reduced maintenance efforts therefore significantly **lowers the installation time** (as much as by 85%, according to industry statistics) **and labor cost**.
- Contact-less passive fiber connector can ensure **consistent signal integrity** across thousands of mating cycles due to contact-less designs to avoid face-wear and micro-scratching. By contrast, physical connectors grind against each other and ultimately lacks long-term durability.
- Traditional connectors require precise fiber-to-fiber alignments, whereas the contact-less passive fiber connector system can be used in a hermaphroditic condition (socket/connector agnostic) given identical connector at both ends. As such, **the risk of installation error is largely eliminated**, even without the need for fiber-optic

specialists.

- The contact-less fiber connector only demand **a fraction (e.g. one-tenth) of the high spring pressure** that compresses glass end-faces together in physical connectors, thereby minimizing mechanical strains on chassis frames.
- The **contact-less, high density, blind mating, and low spring pressure features** make the connector potentially an ideal optical connector for **optical back-plane interconnect applications** (similar to the function of orthogonal backplane or mid-plane in nVidia's [NVDA US, Not rated] Kyber architecture), in our view.

Fig. 6: EBO ferrule offerings (12F/16F)

Property	12 fiber Single mode	12 fiber Multimode	16 fiber Single mode	16 fiber Multimode
Operating wavelength	1310nm	850nm	1310nm	850nm
Random mated attentuation (≥97%)	≤0.7dB	≤0.3dB	≤0.75dB	≤0.3dB
Return loss	≥55dB	≥35dB	≥55dB	≥35dB
Operating temperature range	-10°C to +60°C	-10°C to +60°C	-10°C to +60°C	-10°C to +60°C

Source: EBO MSA, Nomura research

The **EBO MSA** was established in March 2026 to promote EBO as an open, industry-wide standard for AI cluster infrastructure. The primary objective is to standardize EBO connector mechanical form factors, latching mechanisms, and optical fiber interface dimensions to allow hyperscalers to source interchangeable EBO connectors from multiple vendors rather than relying on one single supplier. According to EBO MSA, there are 9 end-user companies (including Microsoft [MSFT US, Not rated], Meta [META US, Not rated], nVidia, AMD [AMD US, Not rated], etc.) and 48 vendors in the membership by the end of September 2026 (*Fig. 7*). Members vote on specific connectors to develop and contribute design specifications – there are 18 types under discussion, and four are on the roadmap:

- 128f (8x16f) design specification is underway.
- 16f MPO design is under discussion on specification.
- 16f VSFF and external laser small form factor pluggable (ELSFP) are planned, and we note that EBO development for ELSFP could be challenging since high-power laser could damage the AR coating and polymer ferrules.

Fig. 7: EBO MSA member companies

End-users		Vendors			
AMD	AMD US	3M	MMM US	Luxglo	Unlisted
Arista	ANET US	Accelight	Unlisted	Luxshare	002475 CH
Cisco	CSCO US	Accelink	002281 CH	Luxvisions	Unlisted
HPE	HPE US	ACES Electronics	3605 TT	Mixx Technologies	Unlisted
Meta	META US	AFL Global	Unlisted; subsidiary of Fujikura (5803 JP)	Molex	Unlisted
Microsoft	MSFT US	Aperion	Unlisted	O-Net	Unlisted
Nexthop.ai	Unlisted	Amphenol	APH US	Pan-International	2328 TT
nVidia	NVDA US	Bellwether	7861 TT	Rosenberger	Unlisted
Oracle	ORCL US	BKS Tech	Unlisted	Samba Photonics	Unlisted
		Chant Sincere	6205 TT	Senko	Unlisted
		Celestica	CLS US	Shijia Photons	688313 CH
		Credo	CRDO US	Source Photonics	Unlisted; subsidiary of DSBJ (002384 CH)
		Ezconn	6442 TT	Sterlite	STLTECH IN
		FIT	6088 HK	Sumitomo	5802 JP
		Foxconn	2317 TT	TE Connectivity	TEL US
		Gen Precision	Unlisted	Teradyne	TER US
		Genuine Optics	Unlisted	Terahop	Unlisted; subsidiary of InnoLight (300308 CH)
		Goeroptics	Unlisted; subsidiary of Goertek (002241 CH)	TIME Interconnect	1729 HK
		HFCL	HFCL IN	TFC Communication	300394 CH
		Huamai	603042 CH	viaPhoton	Unlisted
		JPC connectivity	6197 TT	VSO Electronics	6913 TT
		Jyh Eng	Unlisted	Xscape Photonics	Unlisted
		Lintes	6715 TT	Yokogawa	6841 JP
		Lotes	3533 TT	Zhaolong Interconnect	300913 CH

Source: EBO MSA, Nomura research

Of course, all the key members of EBO MSA are potential users of EBO connectors. But for more concrete industry developments, **Microsoft** was the first announced hyperscale cloud provider to deploy EBO technology in its Azure cloud (*link*). Microsoft's early use of EBO technology has shown the potential to reduce network deployment timelines in certain environments. The technology has also demonstrated strong signal performance in live data center conditions, where dust exposure and routine handling are typical during installation and maintenance. The technology will help Microsoft reduce the need for frequent cleaning and inspection while supporting reliable optical performance in dense, high-volume deployment environments.

Meta joined EBO MSA in May 2026, and from our industry checks, we think Meta is likely evaluating the technology for future ASIC mass-volume optical interconnect demand.

Why optical plastic lens companies have advantages in producing ferrules for passive optical connectors?

From MPO to MMC, the fiber density increases to 3x, and we notice that the precision level requirements for MMC TMT ferrules also increase substantially versus MPO MT ferrules. **The high precision levels (<5um, or even <3um) of MMC TMT ferrules usually exceed the traditional optical connector makers' plastic injection capability (usually >10um)** and traditional connector makers need to invest new, higher precision level tools to deal with those higher precision requirements. However, those precision levels are about the right levels (or even lower-end than) which plastic camera lens makers can do without much new investment in machine tools. This is why we think plastic lens makers have advantage in the advanced passive optical connectors. The reason why we do not see many lens makers enter MMC ferrule market at this moment is because it is a patented technology by US Conec, and US Conec only licenses to limited suppliers, such as Sumitomo (5802 JP, Buy), etc. **We estimate the production difficulty and price of passive fiber connector ferrule is around the levels of mid-range handset camera lenses.**

Our base assumption for Genius' fiber connector ferrule revenue contribution is about 2-3% for 2027F and 2028F, by assuming an ASP of USD0.5-1 with 20-35mn units annual volume. We assume the GM for this new product to be higher than corporate average.

The upside of fiber connector market will depend on the adoption and penetration of the technology into hyperscalers' AI optical interconnect roadmap. **By our estimate, every rack** (containing 60-80 units of GPUs or AI ASICs)**, if adopting fiber connector for optical scale-up for intra-rack or cross-rack interconnect technology, will potentially require 600-1,000 units of fiber connector ferrule components (300-500 pairs)**. **Our base volume assumption for Genius' fiber connector shipments require one major CSP to adopt fiber connector in one major AI platform, plus global sampling, yield loss, trial run demand and necessary inventory buffer.** If there are more than one major AI projects adopt fiber connector in 2028F, it will represent potential upside to our forecasts.

CPO opportunities could be bigger than fiber connector ferrule, but less clear at this moment

Compared to fiber connector ferrule, CPO opportunities to Genius remain more uncertain in details, such as what products to offer, what are the business models, and who are intermediate customers and/or end customers. Not to mention, the ramp-up of CPO market itself also has high uncertainties.

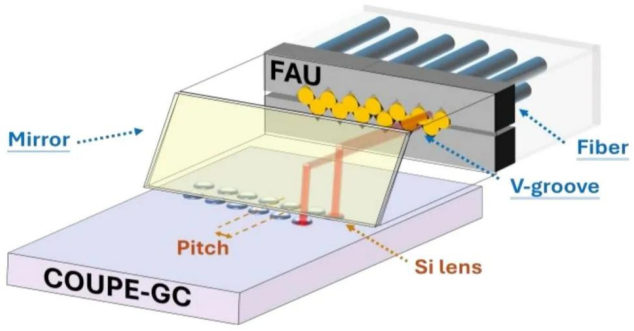
We believe Genius is working with FOCI (3363 TT, Not rated) in supplying key components for CPO FAU, such as V groove, prism, and/or fiber array (FA). It is also likely in talk with other FAU makers for various component supply (including lens, V groove, prism, FA, etc.). These FAU makers tend to do FAU final assembly in-house, and hence, may treat Genius as a component supplier to fill its internal capability or outsourcing partners' gap. Genius' flexibility in various component offering for CPO FAU could make it an easier partner for FAU customers, versus Largan (it tends to do more FA or FAU, rather than just components), and may see revenue contribution earlier than Largan. However, we assume USD25-35 ASP for Genius' CPO FAU component offering in our base assumptions, given that it may supply more components rather than doing finished FAU products (ASP USD>100).

In the other side, we also see opportunities for Genius to get FAU module business from

customers like Corning (GLW US, Not rated), but the progress of Genius to do such full assembly lines could be slower than Largan, as Genius still relies more on external equipment supply, unlike Largan having strong internal equipment design and manufacturing capability.

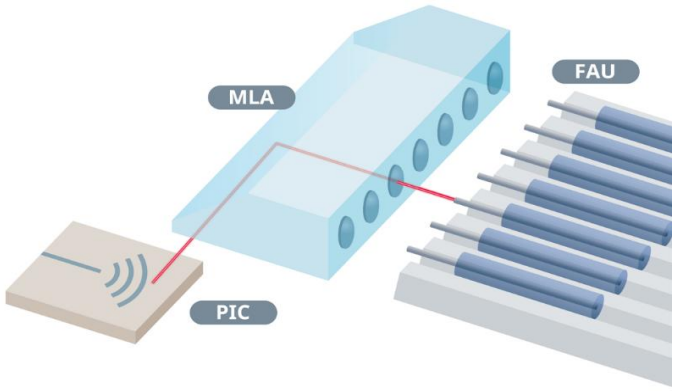
We assume CPO FAU to contribute Genius' EPS by <1% in 2027F and 17% in 2028F. For detailed assumptions, please refer to *Fig. 10* .

Fig. 8: The FAU typically includes optical components such as the V-groove, mirror and optical fibers



Source: TSMC, Nomura research

Fig. 9: Prism/MLA is the mirror directing the beam to PIC



Source: AGC, Nomura research

Fig. 10: Our estimates of CPO market and earnings contribution to Genius

nVidia	2027F	2028F
Rubin Ultra (mn units)	2.0	10.0
% of NVL576 in total	70%	70%
% of CPO	30%	50%
% of NPO	70%	50%
# of CPO/NPO OE per GPU	4.8	4.8
# of CPO OE (mn units)	2.0	16.8
# of NPO (mn units)	4.7	16.8
Feynman (mn units)		2.0
% of NVL576 in total		70%
% of CPO		60%
% of NPO		40%
# of CPO/NPO OE per GPU		6.8
# of CPO OE (mn units)		5.7
# of NPO (mn units)		3.8
Total CPO OE (mn units)	**2.0**	**22.5**
nVidia's market share in CPO	95%	90%
Yield loss, buffer, or inventory for CPO FAU	60%	40%
Total CPO OE FAU (mn units)	**3.4**	**35.0**
Genius' share	6%	10%
Genius' units (mn units)	0.2	3.5
Genius' ASP (USD)	25	35
Genius' revenue (TWD mn)	159	3,885
Genius' GM %	40%	48%
EPS contribution to Genius (TWD)	**0.3**	**9.2**
CPO contribution % in EPS	**0.7%**	**16.8%**

Source: Nomura estimates

Fig. 11: Genius: Earnings forecast revisions

	New forecasts			Previous forecasts			Change (%)		
TWDmn	2026F	2027F	2028F	2026F	2027F	2028F	2026F	2027F	2028F
Revenue	27,773	27,514	33,486	24,564	n.a.	n.a.	13.1	n.a.	n.a.
Gross profit	9,379	9,680	12,219	8,473	n.a.	n.a.	10.7	n.a.	n.a.
Operating profit	5,643	5,818	8,195	4,929	n.a.	n.a.	14.5	n.a.	n.a.
Pretax profit	5,893	6,524	8,892	5,429	n.a.	n.a.	8.5	n.a.	n.a.
Net profit	4,329	4,677	6,382	3,781	n.a.	n.a.	14.5	n.a.	n.a.
EPS (NT$)	38.4	41.5	56.6	33.5	n.a.	n.a.			
Margins (%)									
Gross margin	33.8	35.2	36.5	34.5	n.a.	n.a.	(0.7)	n.a.	n.a.
Operating margin	20.3	21.1	24.5	20.1	n.a.	n.a.	0.2	n.a.	n.a.
Pretax margin	21.2	23.7	26.6	22.1	n.a.	n.a.	(0.9)	n.a.	n.a.
Net margin	15.6	17.0	19.1	15.4	n.a.	n.a.	0.2	n.a.	n.a.

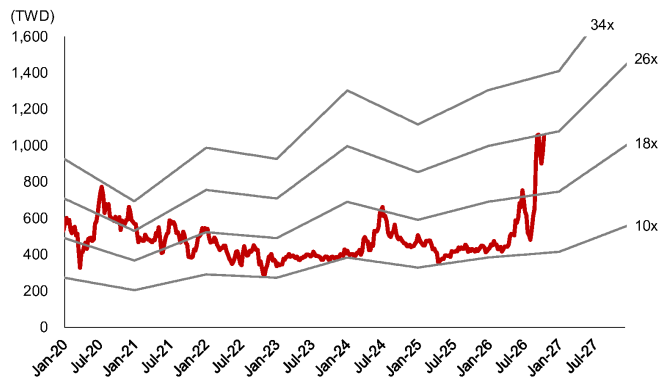
Source: Nomura estimates

Fig. 12: Genius: Quarterly financial forecasts

(TWD mn)	1Q25	2Q25	3Q25	4Q25	2025	1Q26	2Q26	3Q26F	4Q26F	2026F	1Q27F	2Q27F	3Q27F	4Q27F	2027F	2028F
Net revenue	**5,321**	**4,776**	**7,740**	**7,152**	**24,989**	**6,141**	**5,682**	**8,013**	**7,936**	**27,773**	**5,094**	**4,945**	**8,509**	**8,965**	**27,514**	**33,486**
COGS	3,709	3,354	5,099	4,702	16,864	4,080	3,798	5,272	5,244	18,394	3,317	3,233	5,487	5,796	17,834	21,267
Gross profit	**1,612**	**1,422**	**2,641**	**2,449**	**8,125**	**2,061**	**1,884**	**2,741**	**2,692**	**9,379**	**1,777**	**1,712**	**3,022**	**3,169**	**9,680**	**12,219**
Op expenses	749	792	827	983	3,352	860	925	919	1,032	3,736	880	952	947	1,084	3,863	4,024
Op profit	**863**	**630**	**1,814**	**1,466**	**4,773**	**1,201**	**960**	**1,822**	**1,660**	**5,643**	**897**	**760**	**2,075**	**2,085**	**5,818**	**8,195**
Non-op profit	301	(338)	119	135	217	39	(142)	202	152	250	152	202	202	152	706	696
Pretax profit	1,164	292	1,933	1,602	4,990	1,239	818	2,024	1,812	5,893	1,049	961	2,277	2,237	6,524	8,892
Net profit	**872**	**240**	**1,414**	**1,176**	**3,702**	**891**	**686**	**1,452**	**1,300**	**4,329**	**750**	**687**	**1,634**	**1,606**	**4,677**	**6,382**
EPS (NT$)	**7.74**	**2.13**	**12.54**	**10.43**	**32.84**	**7.90**	**6.09**	**12.88**	**11.53**	**38.39**	**6.66**	**6.09**	**14.50**	**14.24**	**41.49**	**56.61**
Operating ratios (%)																
Gross margin	30.3%	29.8%	34.1%	34.3%	32.5%	33.6%	33.2%	34.2%	33.9%	33.8%	34.9%	34.6%	35.5%	35.3%	35.2%	36.5%
Operating margin	16.2%	13.2%	23.4%	20.5%	19.1%	19.6%	16.9%	22.7%	20.9%	20.3%	17.6%	15.4%	24.4%	23.3%	21.1%	24.5%
Pretax profit margin	21.9%	6.1%	25.0%	22.4%	20.0%	20.2%	14.4%	25.3%	22.8%	21.2%	20.6%	19.4%	26.8%	25.0%	23.7%	26.6%
Net profit margin	16.4%	5.0%	18.3%	16.4%	14.8%	14.5%	12.1%	18.1%	16.4%	15.6%	14.7%	13.9%	19.2%	17.9%	17.0%	19.1%
Year-to-year (%)																
Net revenue	2%	-4%	3%	31%	8%	15%	19%	4%	11%	11%	-17%	-13%	6%	13%	-1%	22%
Gross profit	-14%	-23%	-6%	66%	2%	28%	33%	4%	10%	15%	-14%	-9%	10%	18%	3%	26%
Operating profit	-23%	-40%	-8%	187%	2%	39%	52%	0%	13%	18%	-25%	-21%	14%	26%	3%	41%
Pretax profit	-23%	-79%	2%	41%	-16%	7%	180%	5%	13%	18%	-15%	18%	13%	23%	11%	36%
Net profit	-20%	-76%	3%	37%	-14%	2%	186%	3%	11%	17%	-16%	0%	13%	24%	8%	36%
Qtr-to-Qtr (%)																
Net revenue	-3%	-10%	62%	-8%		-14%	-7%	41%	-1%		-36%	-3%	72%	5%		
Gross profit	9%	-12%	86%	-7%		-16%	-9%	45%	-2%		-34%	-4%	77%	5%		
Operating profit	69%	-27%	188%	-19%		-18%	-20%	90%	-9%		-46%	-15%	173%	0%		
Pretax profit	2%	-75%	561%	-17%		-23%	-34%	148%	-10%		-42%	-8%	137%	-2%		
Net profit	2%	-72%	489%	-17%		-24%	-23%	112%	-10%		-42%	-8%	138%	-2%		

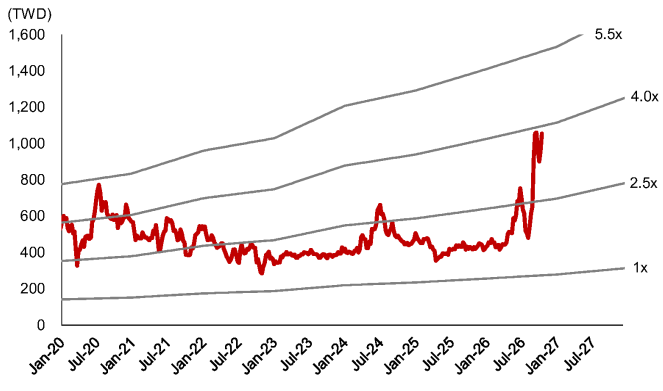
Source: Company data, Nomura estimates

Fig. 13: Genius: P/E bands



Source: TEJ, Nomura estimates

Fig. 14: Genius: P/B bands



Source: TEJ, Nomura estimates

Appendix A-1

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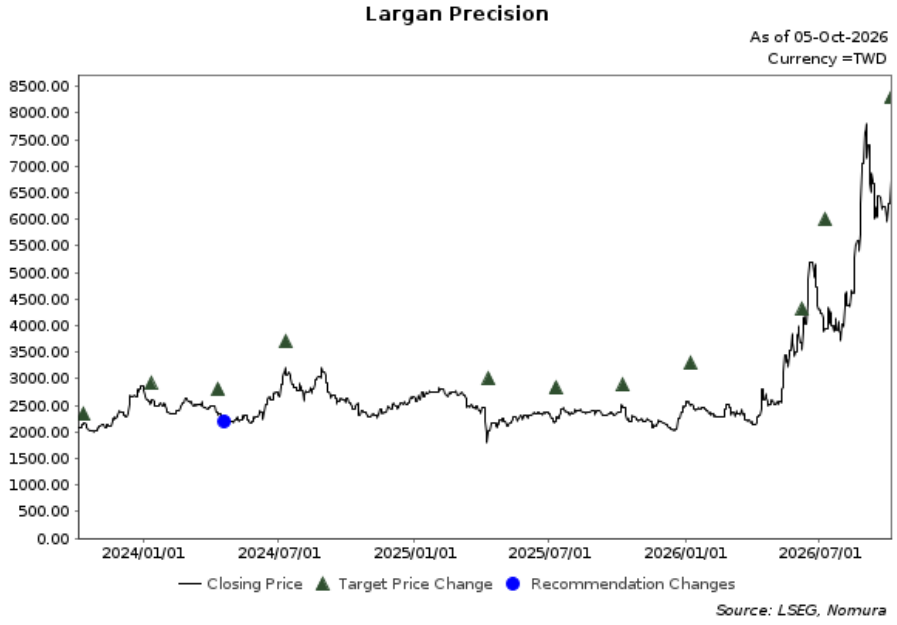
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Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Largan Precision	3008 TT	TWD 6,730.00	05-Oct-2026	Buy	N/A	
Genius Electronic Optical	3406 TT	TWD 1,055.00	05-Oct-2026	Buy	N/A	

Largan Precision (3008 TT) **TWD 6,730.00 (05-Oct-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



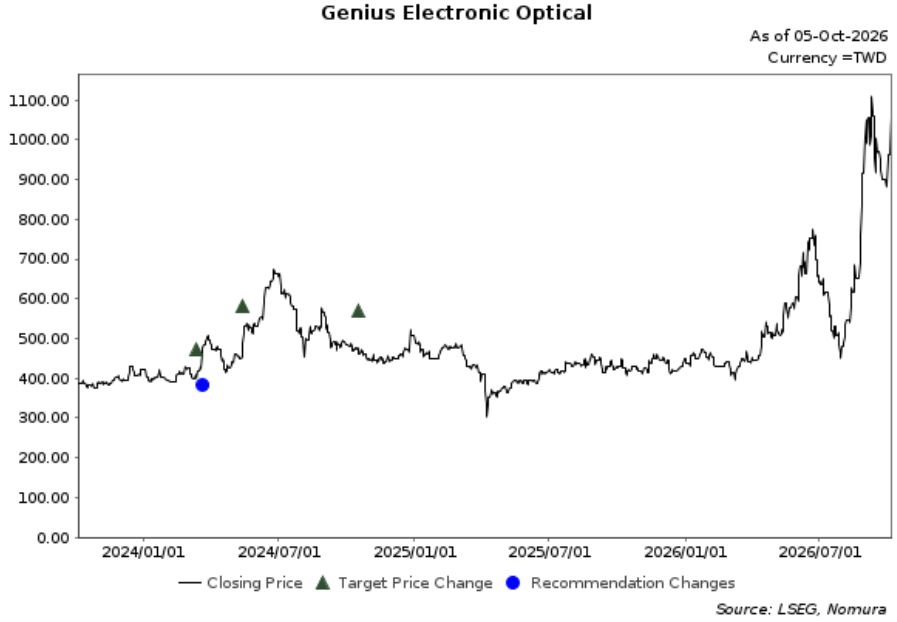
Date	Rating	Target price	Closing price
05-Oct-26		8,300.00	6,730.00
09-Jul-26		6,000.00	3,950.00
08-Jun-26		4,310.00	3,535.00
08-Jan-26		3,290.00	2,475.00
09-Oct-25		2,880.00	2,470.00
10-Jul-25		2,845.00	2,190.00
11-Apr-25		3,005.00	2,035.00
11-Jul-24		3,700.00	3,200.00
11-Apr-24	Buy		2,315.00
11-Apr-24		2,815.00	2,315.00
11-Jan-24		2,910.00	2,550.00
12-Oct-23		2,350.00	2,150.00

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

Valuation Methodology Our TP of TWD6,000 is based on 25x 2028F EPS of TWD240. Our target P/E of 25x is at the high end of the historical trading range of 10-25x since 2015. The benchmark index for the stock is TAIEX.
Risks that may impede the achievement of the target price Downside risks: 1) weaker-than-expected sales of iPhones and Android phones; 2) level of inventory correction by Chinese customers; 3) higher-than-expected ASP/margin erosion; 4) slower-than-expected spec upgrades; 5) increased competition, causing market share loss; and 6) worse-than-expected production yields.

Genius Electronic Optical (3406 TT) **TWD 1,055.00 (05-Oct-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
17-Oct-24		568.00	475.50
14-May-24		582.00	488.50
13-Mar-24	Buy		398.50
13-Mar-24		472.00	398.50

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

Valuation Methodology Our TP of TWD1,415 is based on 25x 2028F EPS of TWD56.6. Our target P/E of 25x is near the high end of Genius' historical range of 10-30x since 2020. The benchmark index for this stock is TAIEX.
Risks that may impede the achievement of the target price Downside risks are: 1) worse-than-expected iPhone demand, 2) rising ASP pressure due to competition, 3) worse-than-expected progress in market-share gain in iPhone rear cam lenses, and 4) slower-than-expected penetration into other Android customers.

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