Initiation of Coverage

Lite-On Technology

A stronger contender in AI power

Lite-On better positioned to capture AI growth; Initiate at Buy, PT NT$400

Lite-On is a Taiwan-based power electronics supplier spanning cloud power, optoelectronics and auto, increasingly focused on AI server power. We expect Lite-On to capture more of the expanding AI power electronics opportunity as execution improves, its customer base broadens and margins rise. Cloud power (48% of our 2026 sales forecast) should benefit from higher content per watt alongside growth in GW of AI hardware deployed. We forecast the AI power TAM to grow at a 69% CAGR to US $91.2bn in 2030 (link), supported by transitions to 400/800V DC architectures. These drivers underpin our above-consensus sales and earnings forecasts. We initiate coverage with a Buy rating and NT$400 target, implying 20x 2028E EPS versus peers at 22x.

Late entrant gaining momentum; ASICs open up its power-rack opportunity

Lite-On has improved execution, securing NVIDIA approved-vendor qualification and supplying three of the top five CSPs, with a leading position in power supplies for one of the ASIC servers. Our checks point to a first dedicated 48V ASIC power rack ramp from late 2026, followed by a substantially higher-content 800V/MW-class architecture with the next generation from late 2027. We expect penetration into the remaining two hyperscalers within 12-18 months. Cloud & AIoT revenue growth accelerated from -2% in 2024 to +48% in 2025 and +60% in 2026 YTD as design wins scaled. Stronger focus, R&D investment and balance sheet support should help Lite-On sustain a top-three position in data-centre white-space power and capture AI-driven growth.

Portfolio repositioning sets up the next phase of margin expansion

Lite-On has restructured its portfolio toward higher-growth, higher-margin markets. Divestitures lifted group gross margin from the mid-teens to approximately 20% in 2021. We expect AI to drive the next phase of expansion, with Delta's AI ramp illustrating the potential benefits from a richer product mix and operating leverage. Lite-On's margin expansion should accelerate in 2026-27 as AI exposure increases, with gross margin potentially reaching 27-29%. Cloud & AIoT OpM of 20%, vs. 9% for Opto and 7.5% for IT/CE, highlight the opportunity for further mix improvement. Greater operating efficiency in the server business should also support operating margins, while R&D spending remains at 5-6% of sales.

Valuation: AI growth supports a higher trading multiple

Our NT$400 price target applies 20x to our 2028E EPS of NT$20, equivalent to 25x our 2027E EPS of NT$16 versus peers at 29x. Lite-On has historically traded at 8-14x P/E, but we believe its transition into a key AI power supplier warrants a higher multiple. Our EPS grows at a 43% CAGR to NT$20 from 2025-2028E (vs. 57% for Delta) from the combination of AI revenue growth and margin expansion, supporting the case for further re-rating. Growth is supported by higher capex at NT$18bn in 2026 (vs. NT $4.6bn past 3 yrs avg.) to more than double its capacity by the end of 2026.

Equities

Taiwan

Diversified Technology Services

12-month rating	**Buy**
	Prior : No Rating
12m price target	**NT$400.00**
	Prior :
Price (11 Sep 2026)	**NT$277.00**

RIC: 2301.TW **BBG:** 2301 TT

Trading data and key metrics

52-wk range	NT$317.50-140.50
Market cap.	NT$635b/US$20.1b
Shares o/s	2,292m (ORD)
Free float	86%
Avg. daily volume ('000)	29,082
Avg. daily value (m)	NT$7,278.5
Common s/h equity (12/26E)	NT$97.9b
P/BV (12/26E)	6.4x
Net debt to EBITDA (12/26E)	NM

EPS (UBS, diluted) (NT$)

	From	To	% ch	Cons.
12/26E	-	10.85	-	10.16
12/27E	-	16.00	-	13.80
12/28E	-	20.00	-	19.02

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Highlights (NT$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenues	148,333	137,134	166,085	218,062	299,836	373,639	436,358	479,874
EBIT (UBS)	14,516	12,934	16,738	29,458	45,875	57,742	70,845	78,212
Net earnings (UBS)	14,571	11,942	15,116	24,616	36,290	45,381	55,459	61,124
EPS (UBS, diluted) (NT$)	6.37	5.21	6.64	10.85	16.00	20.00	24.45	26.94
DPS (net) (NT$)	5.00	4.51	5.00	5.00	7.60	11.20	14.00	17.11
Net (debt) / cash	66,307	66,789	57,085	21,555	11,315	12,301	11,033	19,975

Profitability/valuation	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
EBIT (UBS) margin %	9.8	9.4	10.1	13.5	15.3	15.5	16.2	16.3
ROIC (EBIT) %	82.9	84.2	77.0	61.3	54.4	53.5	54.8	52.9
EV/EBITDA (UBS core) x	-	9.4	10.1	16.1	11.4	9.2	7.5	6.8
P/E (UBS, diluted) x	16.0	20.3	19.2	25.5	17.3	13.8	11.3	10.3
Equity FCF (UBS) yield %	9.2	4.6	4.8	(2.0)	1.2	4.2	4.9	7.7
Dividend yield (net) %	4.9	4.3	3.9	1.8	2.7	4.0	5.1	6.2

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of NT$ 277.00 on 11-Sep-2026 21:27:42 CST

UBS Research THESIS MAP a guide to our thinking and what´s where in this report

PIVOTAL QUESTIONS

Q: Can Lite-On better participate in the industry's strong AI power electronics growth?
After lagging early in the AI cycle, Lite-On has improved execution, securing NVIDIA qualification and supplying 3 of the top 5 CSPs, including leading on Trainium servers and targeting shipments to the other top 2 hyperscalers in the next 12-18 months. Cloud & AIoT growth accelerated from -2% YoY in 2024 to +48%/+60% in 2025/'26 YTD, supported by design wins, R&D, and capacity expansion. Lite-On can remain a top-three white-space supplier as AI TAM grows. However, Delta Electronics (2308.TW) should retain ~50% share given incumbency, R&D, technical support, and ecosystem ties.

Q: Is Lite-On able to further improve its margins?
Lite-On gross margin has improved from 17% in 2020 to 23% in 2025, with OpM rising from 6% to 10%. We view this as largely self-help, trimming the legacy low-margin business, with the payoff from AI product only beginning to show. We expect GM can further improve to above 25% while OpM stays at 15-18% as AI exposure rises and the company becomes more vertically integrated, moving from a component supplier toward a system integrator.

Q: Would the mature business drag on Lite-On's operations?
We see the mature business as less important to growth rather than becoming a material drag on group earnings as Opto-electronic BU and traditional power supply BU lowers from 55% of 2025 sales to 43%/35% of 2026-27 sales. We also view this business growing single digits YoY as it offsets mature growth in PC/game console with growth into LEO (3% of sales but doubling YoY), industrial IoT for its optocouplers and LED into more Auto/EV applications and tuck-in acquisitions. The business is also a cash cow so on mild growth can maintain high-single-digit OpM.

UBSVIEW

We expect Lite-On to benefit from AI power electronics TAM expansion and margin improvement as execution, market penetration, and customer diversification improve. Cloud power, representing 48% of 2026 sales, should drive strong growth through content/W expansion and healthy growth in GW hardware deployments. These factors should support earnings growth above Street expectations. We initiate with a Buy rating and NT$400 target, based on 20x 2028E EPS.

EVIDENCE

Our bottom-up analysis of AI capex and supply chain inputs across ODMs, foundry, back-end, memory, and fabless/design services, plus rack upgrades for higher TDP, supports a strong power industry TAM outlook. At OCP APAC 2026, Lite-On showcased a full 1MW TDP rack solution after Q3 shipments of a lower-spec power rack solution to an ASIC vender, underscoring its shift from component supplier to system integrator. We expect the AI power market to grow at a 69% CAGR in 2025-30, with Lite-On among the top-three suppliers and gaining share faster than the industry.

WHAT´S PRICED IN?

The stock has rallied +66% YTD with the market re-rating it as part of the AI supply chain on its solid results +21.4% QoQ in Q226 as evidence. The stock now trades at 22x next-12-month consensus PE, above its historical range of 8-14x. However, we believe further upside exists supported by our global TAM growth and Lite-On's traction improved to captured the industry growth.

UPSIDE/DOWNSIDE SPECTRUM



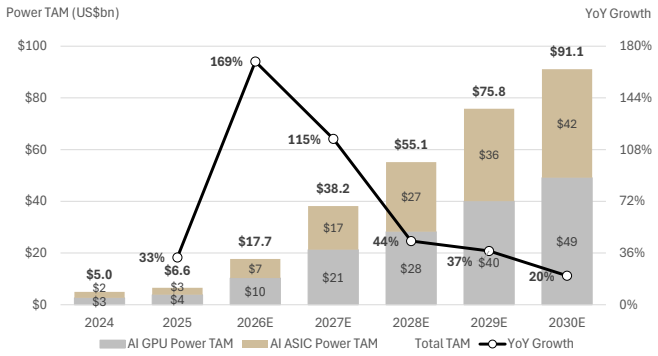
Value drivers (2027-28E)	Sales growth YoY	AI power sales growth YoY	GM (%)	OpM (%)
NT$540 upside	50.6%/25.3%	158%/56%	26.4%/26.6%	16.5%/16.7%
NT$400 base	37.5%/24.6%	123%/56%	26.4%/26.6%	15.3%/15.5%
NT$270 downside	29.5%/27.1%	119%/56%	26.1%/26.4%	13.7%/14.1%

Source: UBS

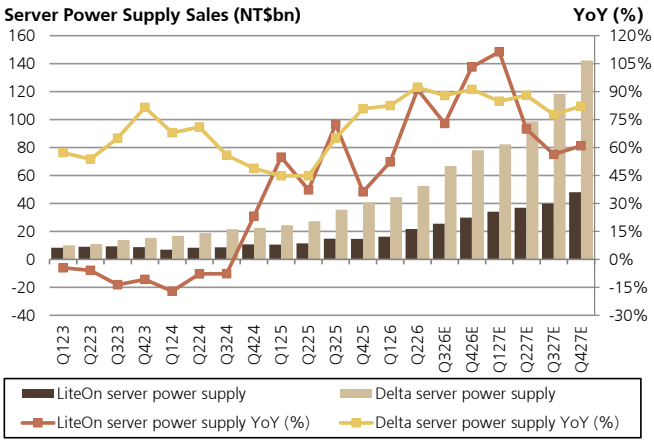
COMPANY DESCRIPTION

Founded in 1975, Lite-On Technology is Taiwan's first listed electronics company and a global leader in power management and optoelectronic solutions. Initially a pioneer in LED technologies, it is now a key supplier of AI infrastructure, cloud computing, automotive electronics, 5G, and AIoT solutions.

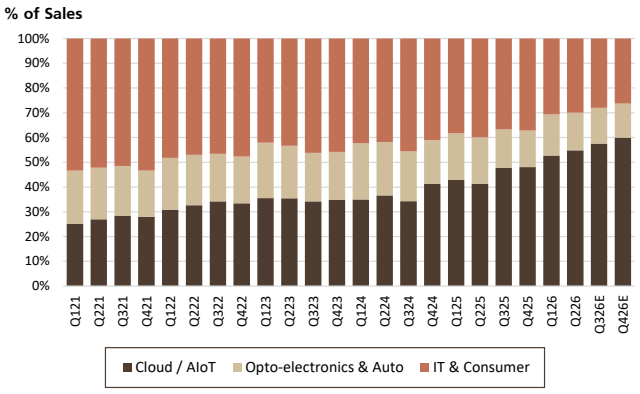
OUR THESIS IN PICTURES



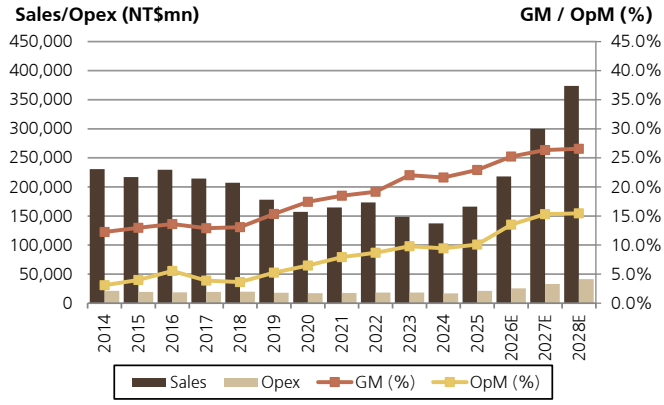
Rising power density and AI build-out compound the AI server power TAM from US$6.6bn in 2025 to US$91.1bn in 2030E, a 69% CAGR, offering substantial upside for Lite-On



We believe Lite-On has improved its traction so it can better participate in the AI power industry as a late entrant; its business has been accelerating since 2025.



Optimizing business portfolio with higher AI exposure to capture the further growth upside



Lite-On margins have improved on divestment and the server mix increase is driving the next expansion

Sources for exhibits above: Company data, UBS Research

EXECUTIVE SUMMARY

We initiate coverage of Lite-On Technology with a Buy rating and NT$400 price target, based on 20x our 2028E EPS of NT$20.0, or approximately 25x our 2027E EPS of NT $16.0. The stock has already re-rated materially as investors recognize its improving participation in AI power, but we believe the change in the earnings base is structural. Lite-On has spent several years exiting lower-return businesses, improving its margin structure and redirecting investment toward Cloud & AIoT, where AI server power is now becoming a meaningful growth and earnings driver. Our target multiple remains below the roughly 22x level at which the broader power-supply peer group trades, reflecting Lite-On's later entry and still-developing customer breadth. We forecast revenue growth of 31%/38%/25% in 2026/27/28 and EPS growth of 63%/47%/25%, supported by a rising cloud mix and operating leverage.

Initiate with a Buy rating and NT$400 target based on 20x 2028E EPS, vs. peer group at 22x.

Lite-On is moving from proving participation to scaling in AI power

The core change in our thesis is that Lite-On no longer needs to prove that it can enter AI server power; it increasingly needs to demonstrate how far it can scale. AI server PSU shipments began ramping in late 2024/2025, customer qualifications have broadened, and the company is moving beyond individual power modules into larger power shelves, BBU/energy-management systems and eventually dedicated high-voltage power racks. Importantly, our checks suggest the power-rack opportunity is already becoming tangible on custom ASICs: we expect Lite-On to begin ramping a dedicated 48V power rack for its top ASIC client from late 2026, before stepping up to an ~800V/MW-class architecture with the following generation from late 2027. Lite-On remains well behind Delta in absolute AI power scale and breadth, but our forecasts do not require it to close that gap. The base case assumes only modest GPU-server share and stronger positions in selected custom-ASIC programs, leaving additional CSP wins as potential upside rather than a prerequisite.

The ramp of AI server shipments has begun. Lite-On does not need to prove its market presence; any new client wins could represent incremental upside.

AI power growth is a watts story, not an 800V adoption call

Our companion AI Power report (link) estimates industry AI server power-electronics TAM rising from approximately US$6.6bn in 2025 to US$91.1bn in 2030, a 69% CAGR. AI server rack shipments grow only around 12% CAGR in our model; the much larger drivers are a roughly 39% CAGR in average rack power and 55% CAGR in annual IT GW deployed, supplemented by higher power-system content per watt. This distinction matters for Lite-On. We expect strong 2026–27 AI power growth even if NVIDIA's initial transition to dedicated 800V power racks is slower than previously expected. Higher accelerator shipments, the transition at its top ASIC customer to a richer 48V followed by 800V power rack, AMD's move toward rack-scale systems and increasing custom-ASIC rack density should drive substantial growth before widespread native 800V adoption, which should start with its ASIC customer from late 2027. The 400/800V transition becomes a more meaningful incremental content opportunity from 2028 onward rather than the foundation of our near-term estimates.

AI server power-electronics TAM rising from approximately US$6.6bn in 2025 to US$91.1bn in 2030, a 69% CAGR.

ASIC exposure is a differentiator, while concentration is a risk

Lite-On is largely exposed to custom-ASIC power relative to the industry. We estimate ASIC programs contribute roughly two-thirds of its modeled AI power exposure over much of our forecast period, compared with custom ASICs representing roughly 40–50% of industry AI power TAM. This creates both opportunity and concentration risk. ASIC systems are moving toward more accelerators per rack, higher BBU attachment and increasingly rack-level power architectures, all favorable to Lite-On's content opportunity. However, project timing, customer qualifications and share shifts can have a greater effect on Lite-On than on a more diversified supplier such as Delta.

Lite-On has higher ASIC than GPU server power exposure, vs. the industry roughly 40/60 mix.

Mix and leverage should support a second leg of margin improvement

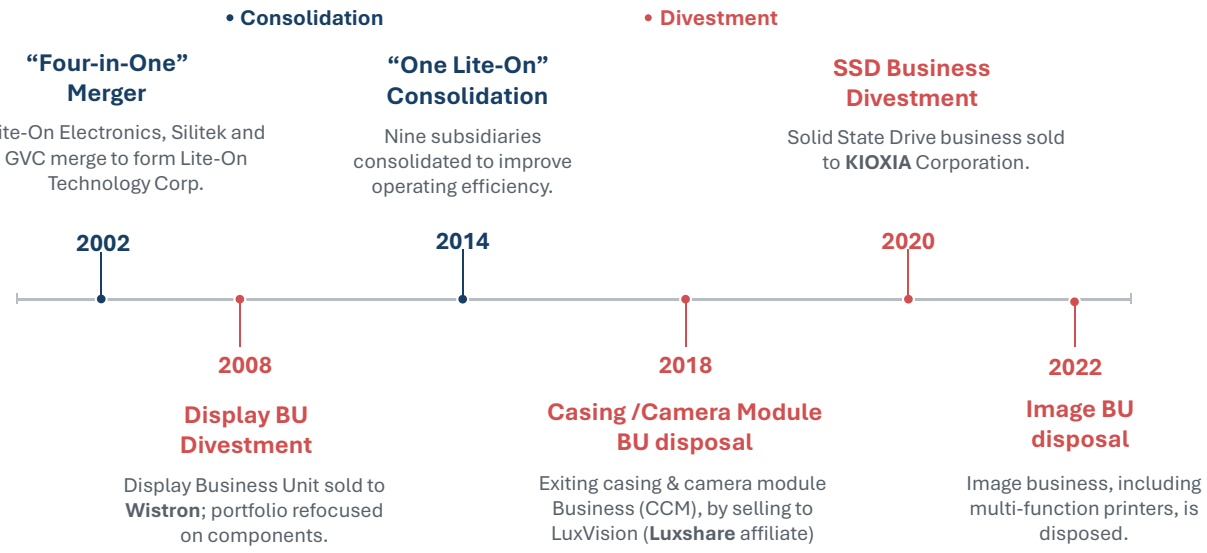
Lite-On's first margin expansion came from restructuring and exiting lower-return businesses. We believe the next phase can be driven increasingly by product mix and operating leverage. Cloud & AIoT already represented approximately 55% of 2Q26 sales and should continue to increase as AI server power ramps. We forecast revenue rising to c.NT$219bn in 2026, NT$300bn in 2027 and NT$360bn+ in 2028, while gross margin remains in the mid-to-high 20s and operating margin expands as higher-value AI power products scale. Our EPS forecasts rise to approximately NT$10.9/NT$16.0/NT$20.0 in 2026–28E. The key debate, in our view, is therefore moving from whether Lite-On can participate in AI power to whether it can sustain customer wins, execute a large capacity build and convert rapid sales growth into the margin profile implied by our forecasts.

The company's initial margin expansion was driven by the exit from lower-margin businesses and is now being supported by AI server opportunities.

Strengthening the core while pivoting to Cloud

Founded in 1975, Lite-On Technology is Taiwan's first listed electronics company and a global leader in power management and optoelectronic solutions. The company has spent more than a decade reshaping a broad electronics portfolio toward businesses where it has stronger technology content, customer stickiness and return potential. Following earlier consolidation of group entities, it exited or divested display, camera-module, SSD and imaging activities and has increasingly concentrated resources around power management, connectivity and optoelectronics. The result is a fundamentally different company from the legacy PC/peripheral power supplier that investors historically associated with Lite-On.

Figure 1: Lite-On has streamlined its business through divestment and consolidation



Source: Company data

Cloud & AIoT is becoming the earnings center of gravity

Lite-On operates through three main business groups: Cloud & AIoT focused on the data center power and energy storate business, Opto-electronics consisting of visible and invisible LEDs, IT and consumer electronics which includes PC power supply, game console and new applications such as LEO power supply.

Figure 2: Key Product line: Cloud/AIoT driving expansion, with mild growth from IT/Consumer and Opto

Department	Key Business Activities	Product	2021 Revenue Mix	Q226 Revenue Mix	Q226 OpM
Cloud and AIoT Department	Design, R&D, production, and sales of datacenter, server, networking, AI, AIoT, smart devices and smart image solutions products.	Server power systems solutions, Networking modules and components, Smart image and IoTdevices	27%	55%	24%
Opto-electronics Department	Design, R&D, production, and sales of opto-semiconductor, automotive products and components.	LED opto-semiconductor packaging & lighting applications, Auto camera modules, Auto electronic parts and components, EV chargers	20%	15%	9%
Information Technologies Department	Design, R&D, production, and sales of applications for workstations, gaming PCs, PCs, desktops, industrial, LEO (low earth orbit) satellite, and game consoles.	Power supply Smart input peripheral	53%	30%	9%

Source: Company data

We expect Cloud & AIoT mix to increase as AI-server revenue ramps, while the IT/ consumer and optoelectronic businesses grow at more moderate rates. This is important not only for revenue growth but also for group profitability: the higher-value Cloud mix should progressively dilute the impact of lower-margin legacy consumer products.

Cloud & AIoT (55% of Q226 revenue)

Cloud & AIoT represented approximately 55% of 2Q26 revenue. This segment splits into two complementary businesses: Cloud, which targets data-center infrastructure build-out, and AIoT, which targets edge-AI connectivity demand.

1. Cloud-related power supply:

- **Key Products**
  - **Power supply:** The company has a product portfolio spanning component (power supply units, DC-DC converters), module (power shelves, supercapacitors), and system (power racks).
  - **Energy management system**: Lite-On provides an integrated battery backup unit (BBU) solution.
  - **Components**: Cooling components, rack chassis.
- **Key Application and Use Cases:** The company is a key supplier of datacenter "white space" power systems, with a customer base spanning CSPs, NeoClouds, and enterprises. The company is migrating toward higher-end server power supply; within total cloud sales, >25% was coming from AI server product while the company is expecting the total AI mix to increase to 30% by the end of '26.

2. AIoT infrastructure

- **Key Products**
  - **Networking modules and solutions**: The acquisition of U-MEDIA in 2026 expands Lite-On's total connectivity solution with FWA (Fixed Wireless Access), building on its existing 5G O-RAN and AI-RAN solutions.
  - **Smart/IoT devices**: High-end video surveillance, access control, and alarm systems.
- **Key Application and Use Cases**: As AI compute and mobile network traffic scale, high-speed, low-latency connectivity for edge AI becomes essential. Lite-On offers enterprise, campus, and consumer solutions spanning hardware and software to capture this growth.

Opto-electronics (15% of Q226 revenue)

Opto-electronics is Lite-On's oldest business segment, the company started out as an LED supplier. Over time, it has actively reshaped this business group into three sub-segments.

1. Visible light solution

- **Key Products:** automotive LED, SMD LED, flash LED, UV LED, LED display.
- **Key Application and Use Cases:** the company is targeting higher-margin use cases by leveraging existing client relationships, such as data center UV LED and automotive LED displays.

2. Invisible light solution

- **Key Products:** Photocoupler, optical sensor, InP components.
- **Key Application and Use Cases:** in addition to its legacy photocoupler and optical sensor business, Lite-On announced a strategic investment in DenseLight in 2026. The two companies aim to jointly develop optical engines and modules for 1.6T/3.2T optical communications and CPO architectures; revenue contribution isn't expected before 2H2027, so frame this as a forward-looking optionality thesis, not a near-term revenue driver.

3. Auto electronics

- **Key Products:** EV charger, ADAS solution, advanced Auto display LED.
  - **EV charger:** the company offers both AC and DC EV charging solutions, with experience handling a wide power range (30kW-180kW modules) and multi-voltage input compatibility (240V-480V).

- **ADAS solution:** comprehensive camera modules including in-cabin monitoring (driver/passenger status) and road-environment sensing (front/rear surround-view modules).
- **Key Application and Use Cases:** the company supplies charging solutions and ADAS modules to automakers in the US, EU, and China, enabling their smart-mobility platforms.

Information Technology & Consumer Electronics (30% of Q226 revenue)

This segment is the company's cash cow, combining the legacy, cash-generating consumer-electronics power supply business with the high-growth LEO (Low Earth Orbit) power module business.

1. Consumer electronics

- **Key Products:** PC Power modules with a >40% market share, along with game console power modules and other consumer electronics products.
- **Key Application and Use Cases:** Lite-On partners with all major PC brands and game console suppliers.

2. LEO power module

- **Key Products:** ground-station/user-terminal power modules for LEO satellite networks, ruggedized outdoor design (IP67-level protection, surge resistance, extended hold-up time, Test-to-Fail validated against extreme conditions).
- **Key Application and Use Cases:** Lite-On is the primary ground-power supplier to the two leading LEO satellite constellation operators with >50% market share. Management guided 2026 LEO-related shipment volume to at least double YoY, with demand trending up quarter over quarter.

M&A to expand solution breadth in its business lines

The company's long-term strategy is centered on three key growth pillars: 1) Cloud and AI infrastructure, 2) Automotive 3) clean energy solutions. The company has been actively rounding out its product portfolio and expanding into high-growth markets through M&A.

Its M&A strategy focus on the key technology trends driving growth in the next decade: 1) AI/data-center power supply and energy management, 2) physical/edge-AI connectivity opportunities, and 3) industrial automation. Recent investments are intended to broaden the capabilities surrounding Lite-On's core power franchise. The DCX partnership adds liquid-cooling expertise that can complement power delivery in high-density systems, while DenseLight adds InP optical-component capabilities to Lite-On's existing packaging and integration strengths. We view these as opportunities to expand system participation and customer engagement, rather than assuming that investment announcements immediately translate into material revenue or earnings.

Figure 3: Selective M&A expands Lite-On's solution breadth around power, racks, cooling and connectivity

Company	Date	Stake Acquired	Dollar Amount	Introduction
DCX Liquid Cooling Systems	Sep, 2026	~25.00%	~$176.00M	Warsaw-based provider of advanced liquid cooling systems (CDUs, immersion cooling) for AI and HPC data centers.
DenseLight Photonics (Cayman)	Jul, 2026	~21.22%	$34.30M	Singapore-based optical communication component firm specializing in indium phosphide products (laser gain chips).
Nanjing EPIC Power Technology	Jun, 2026	100.00%	≤RMB 800.00M	Acquisition framework agreement to acquire this power technology firm to support long-term strategic growth.
LITE-ON RACK Corporation	Jun, 2026	20.00%	~$0.91M	Acquisition of remaining minority interest to increase ownership from 80% to 100% in this rack manufacturing unit.
U-MEDIA Communications, Inc.	Apr, 2026	~40.01%	NT$54 per share	Network communications firm specialized in Fixed Wireless Access (FWA) and AI-enabled network optimization.
Daizu Property Holding Pte. Ltd.	Aug, 2025	100.00%	N/A	Property holding entity acquired by Lite-On Singapore for operational facility expansion and infrastructure.
Cosel Co., Ltd.	Apr, 2024	19.99%	NT$2.53B	Japanese manufacturer of power supplies for industrial, medical, and renewable energy sectors.

Source: Company data

Lite-On is better participating in a fast-growing AI power market

Rising power density and AI buildout expand power TAM

The AI power opportunity is being driven by a fundamental increase in compute and power density at every level of the system. Accelerator package power rises as vendors integrate more compute dies and memory around each package; accelerator counts and scale-up bandwidth increase at the rack level; and the resulting rack moves from tens of kilowatts toward hundreds of kilowatts and ultimately megawatt-class designs.

Our companion AI Power analysis demonstrates why physical rack counts increasingly become the wrong denominator. From 2025 to 2030 we forecast AI server rack units increasing at only around a 12% CAGR, but average rack/system power at roughly 39%, producing a 55% CAGR in annual IT GW deployed. Power-system content per watt adds another approximately 9% CAGR.

Together these variables drive our AI server power TAM from approximately US$6.6bn in 2025 to US$91.1bn in 2030.

Figure 4: AI Power TAM growing at a 69% CAGR to US$91.1bn in 2030E

AI Power TAM build-up	2024	2025	2026E	2027E	2028E	2029E	2030E	CAGR (25-30)
AI server rack units	237,600	208,418	296,616	428,299	396,708	342,359	369,452	**12%**
TDP per rack (kW)	40.0	55.4	89.3	118.5	170.7	256.9	282.8	**39%**
AI IT capacity deployed (GW)	9.5	11.5	26.5	50.8	67.7	87.9	104.5	**55%**
Power content / IT Watt	$0.52	$0.57	$0.67	$0.75	$0.81	$0.86	$0.87	**9%**
AI Power TAM (US$mn)	**$4,951**	**$6,582**	**$17,726**	**$38,199**	**$55,144**	**$75,798**	**$91,115**	**69%**
YoY TAM Growth		**33%**	**169%**	**115%**	**44%**	**37%**	**20%**	

Source: UBS estimates, company data

Power conversion is becoming larger, shared and increasingly system-level

The linear relationship between compute density and power load has hit what we call the "Amperage Wall" as AI accelerators transition from the "server era" — discrete units consuming 500–1,000W — to the "AI Factory era," defined by rack-scale systems consuming 120–140kW. We see three structural challenges that make a fundamental redesign of power architecture increasingly unavoidable:

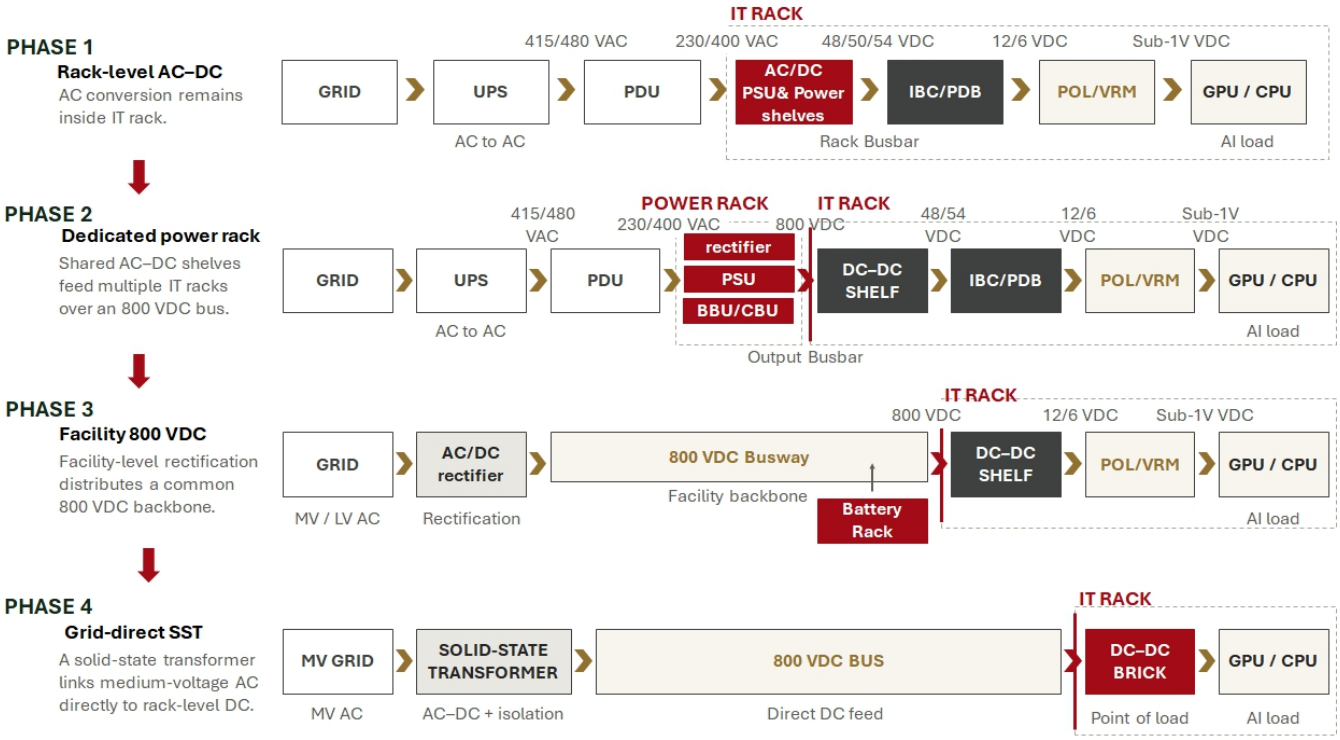
1. Current scales faster than power loss can be managed. As the current increases, resistive losses and heat generation rise exponentially.
2. Rising compute density leaves ever less physical space for power. The pursuit of higher compute density results in a massive thermal design power (TDP) load per rack, with the IT rack already packed with GPUs and cooling component, leaving little room for additional power-delivery system which encouraging the migration of power electronics into a dedicated sidecar power rack.
3. Synchronized GPU cluster create severe transient load spike. AI training workloads are highly synchronized. Thousands of GPUs/AI ASICs can shift simultaneously between utilization states, creating instantaneous spikes in power consumption within milliseconds.

$P_{loss} = I^2R$.
This shows the exponential relationship - if you double the current (flow rate), the loss is quadrupled (friction/heat)

We believe the industry is undergoing a structural changes with the 4 phases of data center architecture evolution (Figure 5), AI power delivery is moving through a multi-stage transition rather than changing from today's 54V racks to native 800V in one step.

Lite-On therefore has several avenues to participate before widespread native 800V adoption. Its addressable content includes PSUs, power shelves, controllers, BBU/energy storage, protection, rack hardware and DC/DC products. Over time, dedicated power racks add further system-integration opportunity.

Figure 5: AI power delivery evolves from server PSUs toward centralized shelves and dedicated power racks

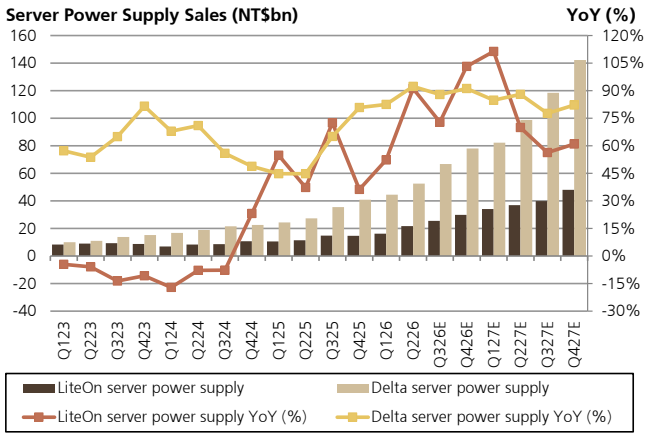


Source: UBS, Based on industry feedback at OCP Asia, Semicon Taiwan, Computex and GTC San Jose.

Lite-On is scaling quickly after entering AI server power later than Delta

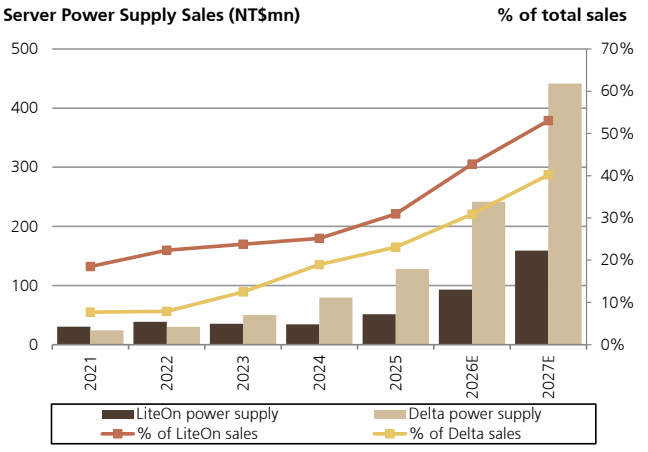
The AI trend accelerated after ChatGPT was introduced in 2023, with Delta moving first and rapidly capturing approximately 60% of the AI power supply market, supported by its early presence in NVIDIA GPU racks. We estimate the company is now one of the few suppliers with meaningful qualifications across the high-power PSU, rack-shelf and BBU opportunity, with additional power-rack products in qualification.

Figure 6: Delta entered AI server power earlier; Lite-On began scaling rapidly from late 2024



Source: Company data, UBSe

Figure 7: AI server power becomes an increasingly meaningful share of Lite-On sales



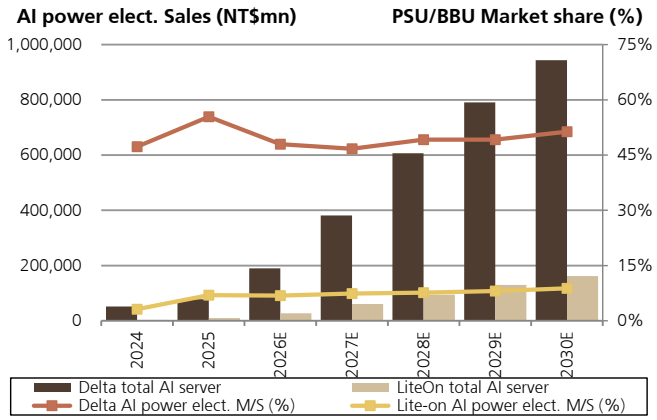
Source: Company data, UBSe

By comparison, Lite-On entered this cycle as a diversified conglomerate, with legacy exposure in optoelectronics and consumer power, while its AI server power business only

started to scale from end of 2024 as it started shipping PSUs into GPU servers followed by ASICs in 2205. Server power supply + 49% YoY in 2025 after two consecutive year of decline and the company now supplies 3 of the top 5 CSP's GPU demand. AI-related revenue exceeded 25% of total sales in 2Q26 and, with management targeting above 30% by the end of as new ASIC platforms ramp. We believe roughly 70% of cloud revenue comes from hyperscaler customers, with the rest from enterprise and neocloud deployments.

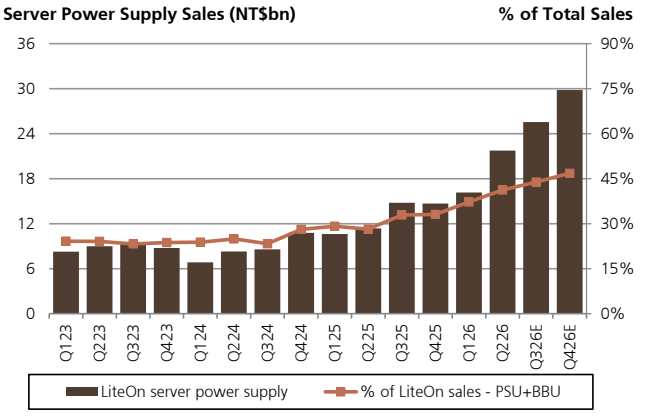
We model AI-related power revenue growing considerably faster than the broader company through 2026–28. As that happens, the contribution of legacy consumer power declines rapidly as a percentage of the total business even if those revenues remain broadly stable.

Figure 8: Delta retains greater scale, but Lite-On is gaining participation from a much lower base



Source: Company data, UBSe

Figure 9: Lite-On now ramping its server exposure through 2025-26

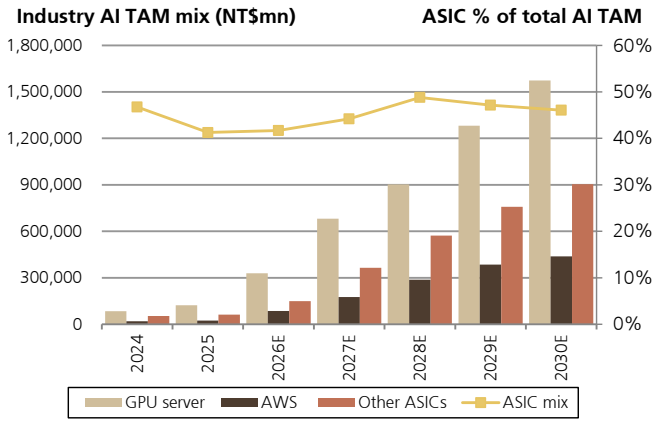


Source: Company data, UBSe

ASIC projects anchor Lite-On's AI growth

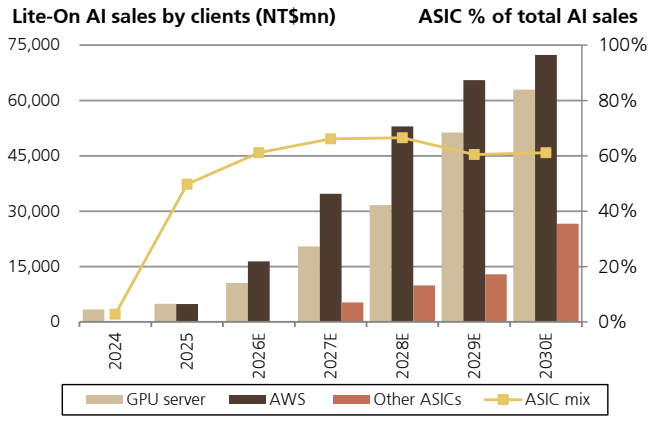
Custom ASICs are a particularly important part of the Lite-On thesis. We estimate ASIC platforms represent ~65% of Lite-On's modeled AI power exposure over our forecast period, versus ~45% for the industry, indicating material over-indexing to ASICs. Exposure is concentrated in AWS, which we believe accounts for 35% of Lite-On cloud revenue, including traditional server and AI server power supply across GPU and ASIC servers. This is supported by a high BBU attach rate, with deployments approaching 100% BBU penetration alongside PSUs.

Figure 10: Industry ASIC mix stable at ~45%



Source: UBSe

Figure 11: AWS anchors the current ramp; additional ASIC customers to drive further growth



Source: UBSe

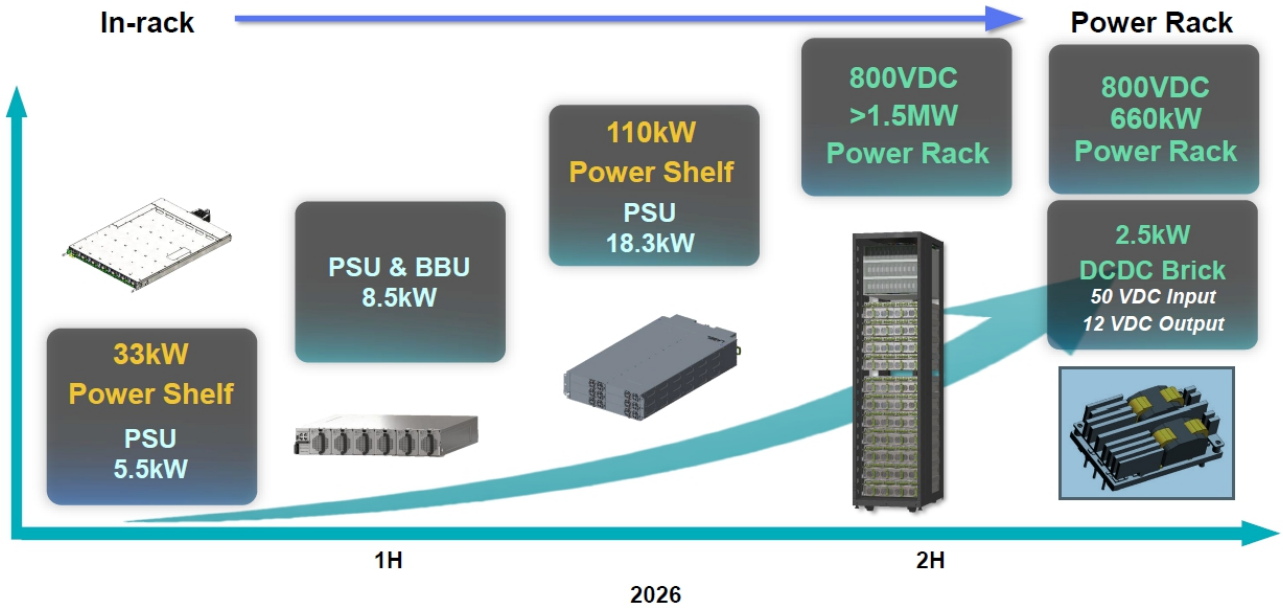
We expect H226 growth to remain robust despite the elevated H126 base, as a new ASIC project begins scaling in 3Q26. The ASIC 48V power rack is Lite-On's first complete rack-level solution and carries a higher margin profile than standalone PSUs. We view this as a meaningful step up the value chain, shifting Lite-On from component supplier to system-level solution provider by integrating power components, rack infrastructure and proprietary software.

The attraction of ASIC exposure is not merely unit growth. AWS, Google, Meta and other hyperscalers are all moving toward denser racks, more integrated scale-up systems and higher system power. These changes increase the need for larger power shelves, distribution, storage and eventually external power racks. The risk is concentration. Delays in a single major ASIC program or a share shift at an important customer can materially affect Lite-On's annual growth. This is why we treat additional CSP wins as upside rather than embedding aggressive diversification in our base case.

Near-term growth comes from 48/54V power, but transitioning toward HVDC

Lite-On is positioned relatively early in the industry's move toward higher-voltage DC architectures, but we would separate this longer-term opportunity from the near-term earnings thesis. The company's roadmap progresses from 5.5kW-class PSU modules and 33kW rack shelves toward 8.5–18.3kW modules, approximately 110kW-class shelves and eventually 400/800V dedicated power racks. Its demonstrated architecture combines power conversion, rack distribution, protection, BBU/energy storage and downstream DC/DC.

Figure 12: Lite-On's roadmap moves from 33kW shelves toward 110kW conversion and MW-class power racks



Source: Company data

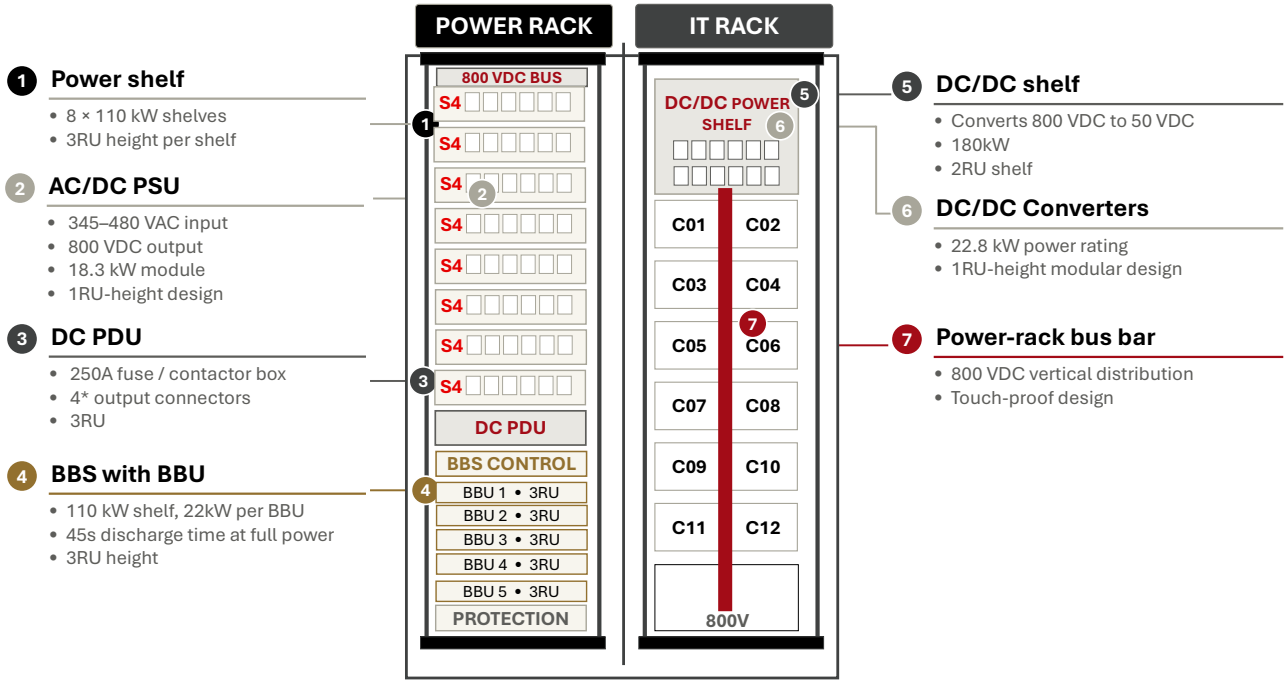
Lite-On's 800VDC power rack is in qualification, with sample shipments expected in 4Q26 and some revenue for the Rubin generation from 2027 and then ramping more in 2028 with its top ASIC customer. Lite-On demonstrated its rack solution, including:

1. **PSU module:** PSU capacity was 5.5kW for Blackwell and is expected to upgrade to 18.3kW for Rubin, while content per watt remains broadly stable at US$0.12-0.13. As installed capacity rises with higher IT rack TDP, overall power content per PSU could increase by ~80%.
2. **Power shelves:** The power shelf hosts the PSU module and PMU, taking facility AC input and outputting +/-400V or 800V DC. System integrators such as Lite-On typically supply the chassis, backplane, and cooling system, increasing captured content value.
3. **Battery Backup System:** BBUs are designed to bridge sudden power failures, providing up to 45 seconds of runtime during AC loss before generators start.

Supercapacitors offer an alternative, addressing millisecond-scale load transients via ramp-rate control and smoothing GPU power fluctuations.

4. **DC/DC convertor:** While the power rack delivers HVDC to the IT rack, additional Phase 2 IT rack shelves step down high voltage to the lower voltage required by compute nodes. Current versions convert 800V to 54V, with potential to move further to 6V before compute nodes can be HV native fed.

Figure 13: Lite-On demonstrated it HVDC power rack solution



Source: UBS

Energy storage adds content, but architecture determines where that value sits

For Lite-On, BBU and CBU is both an opportunity and an architectural swing factor. Today, high BBU attachment on some hyperscale platforms materially increases content per rack. Our industry work estimates the combined BBU/CBU market grows substantially faster than the broader server-power market as AI load density rises.Longer term, pooled LFP UPS/BESS architectures could shift some battery value away from individual IT or power racks, but power-electronics demand should remain, given requirements for battery management, bidirectional conversion, controls, protection, and DC distribution. Suppliers with broader system-level capabilities may capture more value than vendors limited to standalone rack-level battery modules.

Power Racks: ASIC provides the first tangible ramp, ahead of NVIDIA

Our Power TAM work suggests NVIDIA's initial shift to dedicated power racks may be slower than expected. Vera Rubin/Oberon systems at ~225–230kW can still be supported by several hundred kilowatts of installed 54V rack-level shelf capacity, reducing near-term urgency to externalize conversion and giving operators more time to qualify high-voltage infrastructure and safety standards.

This is not seen as particularly negative for the overall Lite-On thesis. The bulk of 2026–27 growth in our model comes from increasing AI accelerator deployment, larger rack power, higher-capacity PSUs and shelves, BBUs and richer ASIC systems—not from widespread native 800V adoption.

Our feedback suggests Lite-On should begin ramping dedicated power racks at its top ASIC customer from late 2026, We expect the initial architecture to remain 48V, with

~255kW of PSU capacity and ~170kW of BBU capacity supporting a 72-ASIC system. Despite remaining at 48V, moving power conversion and backup power into a dedicated rack materially increases Lite-On's content, which we estimate rises from ~US$54k for the comparable rack-level architecture to ~US$117k per power rack, with content/W increasing from ~US$0.75 to ~US$0.98.

The larger step is expected with Amazon's 4th Gen system, which we believe will launch in late 2027. Based on multiple industry supply-chain conversations, we understand Amazon is targeting an ~800V architecture and materially higher rack power. Our expectation is driven in part by feedback suggesting a transition from the current 2-die chipset configuration to a higher-power 4-die design. Lite-On has been developing an approximately 1.2MW power rack capable of supporting two IT racks, which could lift system content to ~US$306k at roughly US$0.93/W.

Importantly, this means slower near-term adoption of dedicated power racks on NVIDIA does not invalidate the opportunity. Trainium provides a tangible path to commercialization first, while NVIDIA, other ASIC platforms and ultimately 800V architectures broaden the addressable market thereafter.

Figure 14: Lite-On content per W and total content ramping with ASIC 48V/800V power racks

Power Electronics Content Rack + Sidecar (US$)	Trainium 1	Trainium 2	T3 32	T3 72	T3 72 Pwr Rack	T4 Pwr Rack
PSUs, Shelves & Controls	$8,520	$10,620	$19,760	$54,650	$54,150	$104,000
Back-up Power / Energy Storage (BBU/CBU)	$1,920	$1,920	$11,640	$33,600	$34,000	$70,400
HVDC Power distribution (800/400V)	$0	$0	$0	$0	$20,000	$63,000
DC-DC Power Electronics (PDB/POL/VRM)	$2,363	$3,376	$17,424	$17,424	$17,424	$27,878
Rack Power Infrastructure (Busbars, Whip, Chassis)	$1,700	$2,000	$5,000	$11,000	$26,000	$40,500
SST / Upstream Power Transformation	$0	$0	$0	$0	$0	$0
Total	**$14,503**	**$17,916**	**$53,824**	**$116,674**	**$151,574**	**$305,778**
Power System Content per W (US$)	**$0.54**	**$0.66**	**$0.83**	**$0.75**	**$0.98**	**$0.93**

Power Content % of Total	Trainium 1	Trainium 2	T3 32	T3 72	T3 72 Pwr Rack	Trainium 4
PSUs, Shelves & Controls	59%	59%	37%	47%	36%	34%
Back-up Power / Energy Storage (BBU/CBU)	13%	11%	22%	29%	22%	23%
HVDC Power distribution (800/400V)	0%	0%	0%	0%	13%	21%
DC-DC Power Electronics (PDB/POL/VRM)	16%	19%	32%	15%	11%	9%
Rack Power Infrastructure (Busbars, Whip, Chassis)	12%	11%	9%	9%	17%	13%
SST / Upstream Power Transformation	0%	0%	0%	0%	0%	0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: UBS

Beyond the Trainium ramp, two main platforms should drive power rack adoption:

1. **OCP's Mount Diablo platform** was the first widely adopted open-standard implementation, initially targeting approximately 72kW of power-rack capacity. Based on our industry feedback, the power rack is in the qualification stage right now with the sample rack shipping in Q4 and mass production in H127.
2. **NVIDIA's own reference architecture** is materially more aggressive, centered around a 660kW power-rack design incorporating six 110kW rectifier shelves and 480kW of battery backup capacity. While OCP introduced the architecture earlier to establish an open ecosystem and accelerate adoption, NVIDIA's higher-power implementation is designed for the next generation Rubin Ultra, given that the current power shelves design can still support the Vera Rubin generation.

We think industry concerns over NVIDIA's 2027 power rack implementation delays should have a limited impact on Lite-On, given its stronger relative position in ASIC. We expect robust growth, supported by strong GW of compute deployments and healthy ~60% power upgrades on the VR200 platform. Our sensitivity analysis indicates NVIDIA power-rack penetration has only a modest effect on 2027 power TAM, with our baseline assuming limited 10% penetration. A slower transition mainly shifts content mix and timing rather than reducing underlying watts.

Figure 15: 2027 NVIDIA sensitivity to power rack adoption in 2027

		Rubin Power Rack Penetration						
		0%	10%	20%	30%	40%	50%	60%
Rubin Ultra Power Rack Penetration	0%	$37,978	$38,175	$38,373	$38,571	$38,768	$38,966	$39,164
	10%	$37,986	$38,183	$38,381	$38,579	$38,776	$38,974	$39,172
	20%	**$37,993**	**$38,191**	**$38,389**	$38,587	$38,784	$38,982	$39,180
	30%	**$38,001**	**$38,199**	**$38,397**	$38,594	$38,792	$38,990	$39,187
	40%	**$38,009**	**$38,207**	**$38,405**	$38,602	$38,800	$38,998	$39,195
	50%	$38,017	$38,215	$38,412	$38,610	$38,808	$39,005	$39,203
	60%	$38,025	$38,223	$38,420	$38,618	$38,816	$39,013	$39,211

Source: UBS

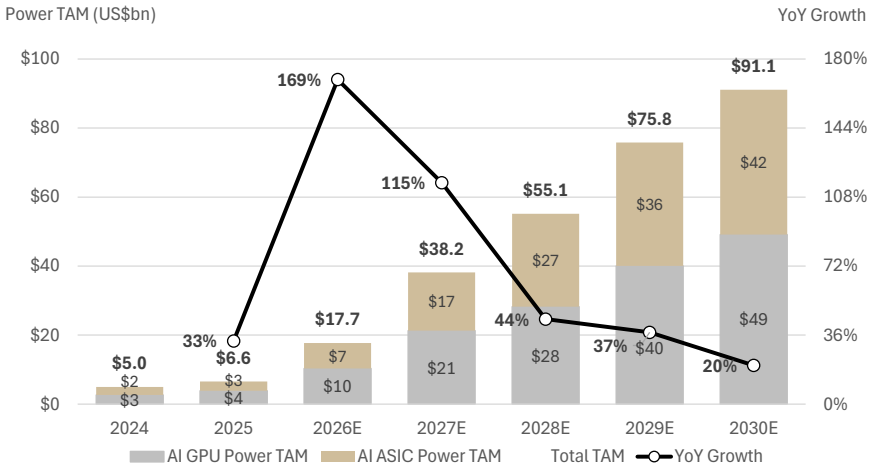
Figure 16: 1% impact on the power TAM for each 10ppt swing in power rack adoption in 2027

		Rubin Ultra Power Rack Penetration						
Base:		0%	10%	20%	30%	40%	50%	60%
Rubin Power Rack Penetration	0%	-1.2%	-0.1%	1.0%	2.1%	3.2%	4.3%	5.4%
	10%	-1.2%	-0.1%	1.0%	2.1%	3.3%	4.4%	5.5%
	20%	**-1.2%**	**0.0%**	**1.1%**	2.2%	3.3%	4.4%	5.5%
	30%	**-1.1%**	**0.0%**	**1.1%**	2.2%	3.3%	4.5%	5.6%
	40%	**-1.1%**	**0.0%**	**1.2%**	2.3%	3.4%	4.5%	5.6%
	50%	-1.0%	0.1%	1.2%	2.3%	3.4%	4.5%	5.7%
	60%	-1.0%	0.1%	1.2%	2.4%	3.5%	4.6%	5.7%

Source: UBS

By 2028 and beyond, the architecture becomes more important. Higher-density NVIDIA generations, denser ASIC racks and eventual movement toward 400/800V distribution increase the amount of external conversion, protection and distribution content. For Lite-On, qualification in these systems therefore represents a meaningful opportunity.

Figure 17: Our base case TAM assumption suggest a 10% power rack penetration will bring TAM to US$38.2bn in 2027



Source: UBS

Existing client engagement supports our base case; diversification creates upside

We believe Lite-On is rooting its presence within the AI power industry with 3 of the top 5 CSP engagement and also Neocloud and Enterprise order. We expect growth from GPU/ASIC to support Lite-On cloud revenue to grow +74% YoY in 2026 and remain robust at +67% in 2027, supported by next-generation ASIC platforms with higher power requirements, increasing adoption of NVIDIA's high-voltage rack architecture, and additional CSP customer wins.

Our base case assumes Lite-On captures 3–4% of total GPU server power supply market and 17-20% of AWS ASIC server power supply, taking AI power revenue to NT$27bn/ NT60bn in 2026/27E, +177%/123% YoY. We also factor in additional upside from other ASIC vendors, as we believe Lite-On could establish engagements with Google in 2027 and Meta in 2028, lifting company sales to another level.

Figure 18: Lite-On should see ASIC ramp faster than GPU power supply

Lite-On power sales by client (NT$mn)	2026E	2027E	2028E	2029E	2030E
GPU server	$10,521	$20,454	$31,621	$51,295	$62,929
AWS	$16,363	$34,737	$52,982	$65,514	$72,317
Other ASICs	$161	$5,234	$9,856	$12,886	$26,575
ASIC mix	61%	66%	67%	60%	61%
Base Case AI power sales	**$27,046**	**$60,425**	**$94,459**	**$129,695**	**$161,821**
YoY	**177%**	**123%**	**56%**	**37%**	**25%**
Market share - GPU server	3%	3%	4%	4%	4%
Market share - AWS ASIC	19%	20%	18%	17%	17%
Market share - other ASIC	0%	1%	2%	2%	3%
Blended Market share (%)	**4.8%**	**4.9%**	**5.4%**	**5.3%**	**5.6%**

Source: UBSe. * The market share includes all power content (PSU, power shelves, power management system, power distribution and energy storage and back up system)

Our upside case, which considers Lite-On winning further ASIC market share from new opportunities tied to new CSP clients' GPU server demand, brings 2026–27E AI server revenue to NT$28.5bn/NT$73.4bn,implying upside of 6%/22% to sales and +NT $0.15NT$1.03 to our 2026-2027E EPS.

Figure 19: Lite-On upside scenario: 2% higher AI share in ASIC and GPU projects drives 40-50% higher AI power sales

Power sales by Client - upside(NT$mn)	2026E	2027E	2028E	2029E	2030E
GPU server	$10,521	$27,273	$40,655	$64,119	$78,662
AWS	$16,363	$37,368	$55,862	$69,367	$76,699
Other ASICs	$1,649	$8,885	$18,455	$24,253	$40,138
Upside Case AI power sales	**$28,534**	**$73,526**	**$114,971**	**$157,739**	**$195,499**
vs. Base case	6%	22%	22%	22%	21%
Blended Market share (%)	**5.1%**	**6.0%**	**6.5%**	**6.5%**	**6.7%**
Implied EPS upside	**$0.15**	**$1.03**	**$1.58**	**$2.24**	**$2.67**
vs. Base case	1.36%	6.45%	7.88%	9.15%	9.89%

Source: UBSe

Our downside scenario assume Lite-On secure NVIDIA qualification later than expected and takes a smaller share during the initial HVDC power ramp, alongside weaker tracton on other ASIC projects. This brings 2026/27 sales to NT$22/NT$48.2bn in 2026/2027, implying downside of -19%/-20% to sales and -NT$0.41/NT$-1.01 to our 2026-2027E EPS.

Figure 20: Lite-On downside scenario: late qualification and 1-2% share loss is 20-30% downside to AI power sales

Power sales by Client - downside(NT$mn)	2026E	2027E	2028E	2029E	2030E
GPU server	$7,233	$13,636	$20,960	$32,059	$39,331
AWS	$14,641	$31,228	$49,253	$57,806	$63,551
Other ASICs	$161	$3,408	$6,990	$9,097	$22,054
Downside Case AI power sales	**$22,036**	**$48,273**	**$77,203**	**$98,963**	**$124,936**
vs. Base case	-19%	-20%	-18%	-24%	-23%
Blended Market share (%)	**3.9%**	**3.9%**	**4.4%**	**4.1%**	**4.3%**
Implied EPS downside	**-$0.41**	**-$1.01**	**-$1.42**	**-$2.49**	**-$2.98**
vs. Base case	-3.77%	-6.28%	-7.12%	-10.21%	-11.06%

Source: UBSe

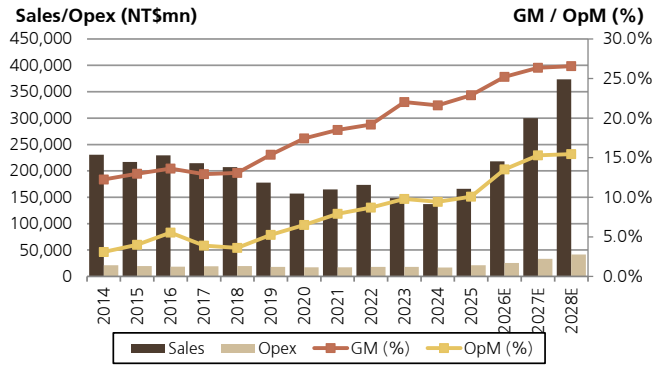
Financial outlook: Cloud power drives a larger, more profitable earnings base

Lite-On is entering the next phase of its business transformation: portfolio restructuring has improved the underlying margin base, while the expansion of cloud power now provides the catalyst for revenue and earnings growth. Earlier disposals reduced exposure to lower-return businesses; the next stage depends on scaling customer programs, increasing power content supplied per deployment and converting the growing cloud mix into operating leverage. Our forecasts are principally driven by cloud power, with more moderate growth in optoelectronics and IT/consumer applications.

We forecast revenue rising from NT$166.1bn in 2025 to NT$218.1bn in 2026, NT $299.8bn in 2027 and NT$373.6bn in 2028—growth of 31%, 38% and 25%, respectively. Gross margin expands from 22.9% in 2025 to 25.2%/26.4%/26.6% in 2026–28, while operating margin increases from 10.1% to 13.5%/15.3%/15.5%. This supports EPS of NT$10.85/NT$16.00/NT$20.00, representing approximately 44% compound annual growth over 2025–28 versus 31% revenue growth. We view the earnings opportunity therefore as not just a larger addressable market, but a greater proportion of revenue coming from higher-value power products.

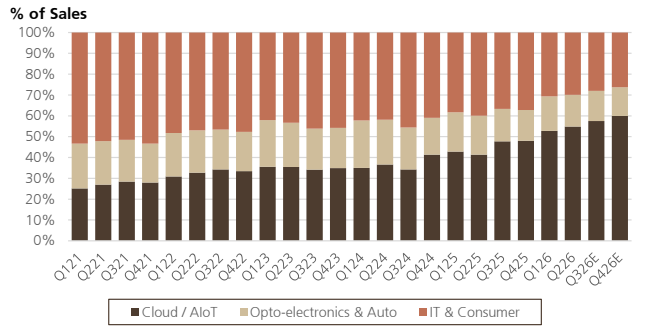
Importantly, the margin forecast does not extrapolate the exceptional 27.2% gross margin achieved in 2Q26. We model a more measured improvement as cloud products scale, allowing for continued engineering investment, capacity expansion and the costs of introducing new systems. The key execution test is whether Lite-On can translate qualifications and customer demand into repeatable volume production while maintaining pricing discipline and manufacturing efficiency.

Figure 21: Lite-On sales accelerating from 2025 at expanding margins



Source: Company data. UBSe

Figure 22: Lite-On mix shifting to higher growth cloud/ AIoT



Source: Company data. UBSe

Lite-On revenue model builds up the key drivers by product

Our revenue forecast is built by product and business line: Within cloud, we model power supplies and power shelves, BBUs, cooling, rack-related hardware and other products, alongside the AIoT/connectivity business. Power supplies and shelves remain the largest revenue contributor, while storage and the expansion into broader system content provide additional growth. Cooling and rack products broaden the opportunity without needing to become the principal earnings drivers in the near term. We forecast the cloud subtotal rising from approximately NT$60.5bn in 2025 to NT$105.5bn in 2026, NT$176.0bn in 2027 and NT$242.1bn in 2028. Including AIoT, segment revenue increases from NT$75.1bn to NT$123.5bn/NT$195.8bn/NT$262.7bn, lifting its share of total revenue from approximately 45% in 2025 to 57%/65%/70%.

This distinction matters for the investment case: legacy businesses do not need to shrink for the portfolio to improve. Faster cloud growth improves mix, while higher-value products and operating efficiency increase the earnings contribution from that mix.

Figure 23: Cloud & AIoT drives approximately 90% of incremental revenue in our 2025–28 forecast

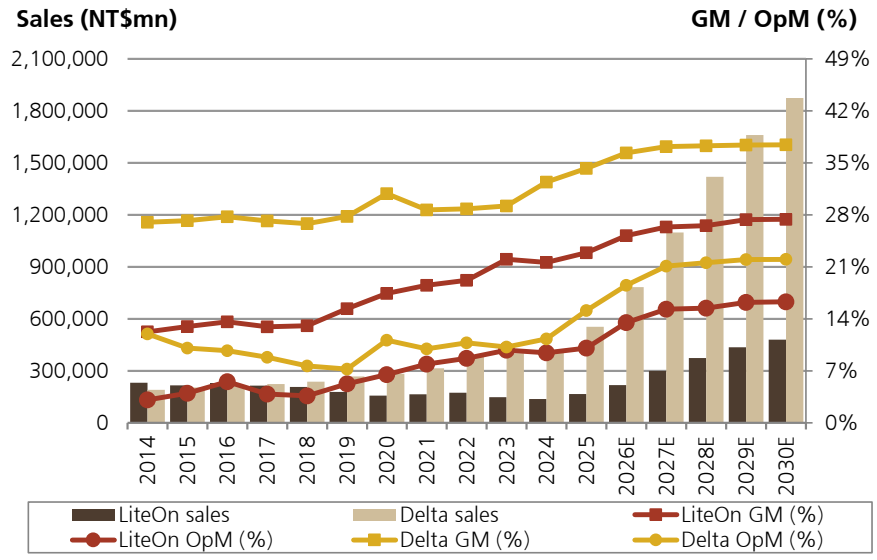
Sales % by Segment	Q125	Q225	Q325	Q425	Q126	Q226E	Q326E	Q426E	2024	2025	2026E	2027E	2028E
AIoT (Storage/switch/networking)	$3,119	$3,346	$4,077	$4,051	$4,122	$4,329	$4,761	$4,809	$10,141	$14,593	$18,022	$19,722	$20,523
PSU & power shelf/rack	$8,734	$9,368	$12,166	$12,090	$13,334	$18,534	$21,685	$25,588	$28,395	$42,358	$79,141	$137,067	$188,910
BBU	$1,872	$2,007	$2,607	$2,591	$2,817	$3,211	$3,854	$4,239	$6,085	$9,077	$14,121	$21,946	$30,763
Cooling	$142	$176	$434	$466	$376	$406	$462	$513	$127	$1,219	$1,757	$2,578	$3,476
Enclosure & rack	$1,248	$1,338	$1,738	$1,727	$1,878	$1,953	$2,227	$2,471	$4,056	$6,051	$8,529	$11,897	$15,802
Other	$482	$493	$434	$397	$376	$467	$514	$570	$1,901	$1,807	$1,927	$2,558	$3,179
Total Cloud	$12,478	$13,383	$17,380	$17,271	$18,780	$24,571	$28,741	$33,382	$40,564	$60,511	$105,475	$176,046	$242,129
QoQ (%)	*-2%*	*7%*	*30%*	*-1%*	*9%*	*31%*	*17%*	*16%*					
YoY (%)	*55%*	*37%*	*72%*	*36%*	*51%*	*84%*	*65%*	*93%*	*-2%*	*49%*	*74%*	*67%*	*38%*
Total Cloud & AIoT sales	**$15,597**	**$16,728**	**$21,456**	**$21,322**	**$22,903**	**$28,900**	**$33,503**	**$38,191**	**$50,706**	**$75,104**	**$123,497**	**$195,768**	**$262,652**
QoQ (%)	*-2%*	*7%*	*28%*	*-1%*	*7%*	*26%*	*16%*	*14%*					
YoY (%)	*55%*	*37%*	*70%*	*35%*	*47%*	*73%*	*56%*	*79%*	*-2%*	*48%*	*64%*	*59%*	*34%*
Opto Semi Total	4,127	4,536	4,186	3,920	4,325	5,043	5,296	5,560	16,736	16,769	20,225	22,471	24,408
QoQ (%)	*2%*	*10%*	*-8%*	*-6%*	*10%*	*17%*	*5%*	*5%*					
YoY (%)	*5%*	*5%*	*-6%*	*-3%*	*5%*	*11%*	*27%*	*42%*	*-9%*	*0%*	*21%*	*11%*	*9%*
Auto Electronics	$2,751	$3,024	$2,791	$2,613	$2,884	$3,006	$3,126	$3,251	$11,157	$11,179	$12,268	$12,586	$13,421
QoQ (%)	*2%*	*10%*	*-8%*	*-6%*	*10%*	*4%*	*4%*	*4%*					
YoY (%)	*5%*	*5%*	*-6%*	*-3%*	*5%*	*-1%*	*12%*	*24%*	*-9%*	*0%*	*10%*	*3%*	*7%*
Total Opto-electronics & Auto sal	**$6,879**	**$7,559**	**$6,977**	**$6,534**	**$7,209**	**$8,050**	**$8,422**	**$8,812**	**$27,893**	**$27,949**	**$32,493**	**$35,057**	**$37,829**
QoQ (%)	*2%*	*10%*	*-8%*	*-6%*	*10%*	*12%*	*5%*	*5%*					
YoY (%)	*5%*	*5%*	*-6%*	*-3%*	*5%*	*6%*	*21%*	*35%*	*-9%*	*0%*	*16%*	*8%*	*8%*
PC-related products (adaptors, keybo	$10,734	$12,100	$12,508	$11,881	$10,504	$12,284	$12,652	$12,906	$44,661	$47,223	$48,346	$51,596	$52,386
LEO Satellite PSUs	$139	$484	$658	$990	$1,197	$1,496	$1,720	$1,858	$447	$2,272	$6,270	$12,032	$17,698
Game Console	$3,067	$3,549	$3,291	$3,630	$1,595	$1,974	$1,934	$1,953	$13,428	$13,538	$7,457	$7,714	$7,880
Total IT & Consumer sales	**$13,941**	**$16,134**	**$16,457**	**$16,501**	**$13,296**	**$15,753**	**$16,307**	**$16,717**	**$58,536**	**$63,033**	**$62,073**	**$69,011**	**$73,159**
QoQ (%)	*-11%*	*16%*	*2%*	*0%*	*-19%*	*18%*	*4%*	*3%*					
YoY (%)	*15%*	*16%*	*-2%*	*5%*	*-5%*	*-2%*	*-1%*	*1%*	*-11%*	*8%*	*-2%*	*11%*	*6%*
Total Revenue (NT$mn)	**$36,417**	**$40,421**	**$44,891**	**$44,356**	**$43,407**	**$52,703**	**$58,232**	**$63,720**	**$137,134**	**$166,085**	**$218,062**	**$299,836**	**$373,639**
QoQ (%)	*-4.9%*	*11.0%*	*11.1%*	*-1.2%*	*-2.1%*	*21.4%*	*10.5%*	*9.4%*					
YoY (%)	*26.6%*	*21.4%*	*22.1%*	*15.8%*	*19.2%*	*30.4%*	*29.7%*	*43.7%*	*-7.6%*	*21.1%*	*31.3%*	*37.5%*	*24.6%*

Source: UBSe, Company data

Margins improved on divestment; Server mix drives the next upgrade

Lite-On's margin expansion began in 2018, following the divestiture of its casing and camera module businesses, and subsequently its image BU and SSD businesses in later years. These actions lifted the company's gross margin from the mid-teens to approximately 20% in 2021. We believe the next stage is different. Rather than relying primarily on further divestments, margin expansion should increasingly come from richer product mix, scale and operating leverage. Higher-power AI products are not simply larger versions of commodity PC PSUs. Moving from roughly 5.5kW modules toward 18kW+ modules requires higher power density, three-phase input, more demanding thermal management, dynamic response, redundancy, telemetry and system coordination. Power shelves, BBUs and rack-level systems add further control, protection and integration content.

Figure 24: AI mix and operating leverage support further margin expansion



Source: Company data, UBSe

This phase of margin is already best illustrated by Delta. Delta's GM/OPM had remained stable in the mid-twenties/teens; however, as AI shipments began to scale, GM

expanded to above 30% and is trending toward the 40% range, while OPM accelerated from approximately 10% to 20% in 2024–25 and is likely to remain in the low-twenties going forward. We expect a similar expansion trajectory for Lite-On which began in 2025, with further acceleration in 2026/27 as exposure to higher AI gross margins increases. We believe Lite-On could scale its gross margin toward 27–29% and expect the company's operating margin to expand as operating efficiency improves across its server businesses — Cloud/AIoT at 20% (vs. Opto at 9%, and IT/CE at 7.5%). Meanwhile, R&D expense should continue to increase in line with sales at 5–6%, reflecting the company's sustained investment in new products.

Q2 results inflected with stronger participation in the DC growth trend

Lite-On Q226 sales +21% QoQ, +30% YoY to NT$52.7bn with gross margin expanded 6.5ppts QoQ to 27.2% driven by the AI power system. The company current revenue mix was 55% of Cloud&AIoT, 15% of Opto-Electronics and 30% of IT/CE. Cloud & AIoT led the growth, up 73% YoY in Q2, and is also the company's most profitable segment at an 11% operating margin, contributing 50% of total company operating profit, while Opto and IT/CE operated at 10% and 9% operating margins, respectively. Q2'26 EPS came in at NT$3.14, up 90% QoQ and 126% YoY — underscoring the impact of the company's continued progress on business restructuring and its evolution into a solutions provider within the data-center power industry.

H226 growth momentum should continue with 2027 ramp.

We expect H2'26 growth to be driven by a strong ASIC server ramp, bringing Q3 sales to +10.5% QoQ and full-year sales to +31.3% YoY, to NT$218bn. The next-generation 8.5kW PSU should ship with BBUs at a 1:1 ratio, driven by Trainium 3, while the 800VDC rack supporting the GPU platform should complete qualification in Q4, with small-volume shipments in late 2026 — bringing Cloud & AIoT growth to 43% HoH / 79% YoY in H2'26. We expect the LEO business to grow from a low base, doubling YoY in H2'26 to reach approximately 3% of total company revenue. Importantly, the company has not seen material shortages or component pricing pressure affecting its core business, having entered long-term agreements (LTAs) with its GaN and MOSFET suppliers, backed by the long order visibility provided by its CSP client relationships.

Figure 25: Lite-On '26/'27/'28 sales +31%/38%/25%, EPS at NT$10.8/16.0/20.0

	Q126	Q226	Q326E		Q426E		2025	2026E		2027E		2028E	
(NT$m)	Actual	Actual	UBSe	VA	UBSe	VA	Actual	UBSe	VA	UBSe	VA	UBSe	VA
Revenue	**43,407**	**52,703**	**58,232**	**60,613**	**63,720**	**62,196**	**166,085**	**218,062**	**218,920**	**299,836**	**286,933**	**373,639**	**362,377**
- QoQ / YoY	-3.3%	21.4%	10.5%	15.0%	9.4%	6.8%	21.1%	31.3%	31.8%	37.5%	31.1%	24.6%	26.3%
Gross profit	**9,403**	**14,348**	**14,827**	**15,292**	**16,409**	**15,802**	**38,039**	**54,987**	**54,846**	**79,023**	**75,362**	**99,253**	**99,622**
- Gross margin	21.7%	27.2%	25.5%	25.2%	25.8%	25.4%	22.9%	25.2%	25.1%	26.4%	26.3%	26.6%	27.5%
Operating profit	**4,099**	**8,203**	**8,043**	**8,428**	**9,113**	**8,648**	**16,738**	**29,458**	**29,378**	**45,875**	**42,837**	**57,742**	**58,555**
- OP margin	9.4%	15.6%	13.8%	13.9%	14.3%	13.9%	10.1%	13.5%	13.4%	15.3%	14.9%	15.5%	16.2%
Non-op profit	**871**	**1,166**	**358**	**274**	**316**	**254**	**2,975**	**2,711**	**2,238**	**1,258**	**1,112**	**1,201**	**1,112**
Pre-tax profit	**4,970**	**9,368**	**8,401**	**8,922**	**9,429**	**9,086**	**19,713**	**32,169**	**32,366**	**47,133**	**44,853**	**58,944**	**60,336**
Tax	**-1,195**	**-2,248**	**-1,932**	**-2,024**	**-2,169**	**-2,065**	**-4,601**	**-7,545**	**-7,534**	**-10,841**	**-10,288**	**-13,557**	**-13,867**
- Tax rate	24.0%	24.0%	23.0%	22.7%	23.0%	22.7%	23.3%	23.5%	23.3%	23.0%	22.9%	23.0%	23.0%
Net profit	**3,775**	**7,116**	**6,465**	**6,897**	**7,260**	**7,021**	**15,116**	**24,616**	**24,830**	**36,290**	**34,565**	**45,381**	**13,867**
EPS (NT$)	**1.66**	**3.14**	**2.85**	**3.01**	**3.20**	**3.06**	**6.64**	**10.85**	**10.74**	**16.00**	**15.22**	**20.00**	**20.34**

Source: Company data, UBSe

After years of restructuring and shifting toward higher-margin businesses, Lite-On's Q2 GM improved 5.5ppts to a record 27.2%, though this partly reflected power pushed out from Q1. We see the company sustaining GM above 25% as the data-center power product mix continues to rise. The risk around component price hikes looks manageable as the company has locked in sufficient component supply at reasonable pricing through the end of 2026. For upcoming projects it is able to renegotiate pricing with clients based on higher input costs to support margins. We believe the company has now passed the transition period, with every product line profitable and starting to benefit from economies of scale alongside improving efficiency. We forecast the company to deliver EPS of NT$10.85 /NT$16.00NT$20.00 in 2026-28.

Lite-On balance sheet supports its capacity expansion

On its Q2 earnings call, Lite-On increased its 2026 capex guidance to NT$18.0bn from the prior NT$13bn, significantly above its 2021–25 average of approximately NT$4.3bn,

or 2.7% of revenue. e manufacturing flexibility outside China with additional capacity in US and Taiwan. We view the willingness to invest materially ahead of demand as evidence of customer visibility, while recognizing that under-utilization would become a risk if AI deployments slow materially.

Figure 26: financial summary — revenue, capex, free cash flow, and dividend trends

Annual (NT$mn)	2021	2022	2023	2024	2025	2026E	2027E	21-25 Avg
Revenue	$164,828	$173,456	$148,333	$137,134	$166,085	$218,062	$299,836	$157,967
Capital spending	$3,718	$4,208	$3,698	$3,283	$6,795	$18,000	$17,640	$4,340
Capex/revenue (%)	**2.3%**	**2.4%**	**2.5%**	**2.4%**	**4.1%**	**8.3%**	**5.9%**	**2.7%**
Dep and amort	$3,954	$4,360	$4,187	$3,842	$3,475	$4,746	$6,468	$3,964
Depr/revenue (%)	**2.4%**	**2.5%**	**2.8%**	**2.8%**	**2.1%**	**2.2%**	**2.2%**	**2.5%**
Operating cash flow	$12,160	$25,157	$27,266	$12,411	$14,533	$222	$24,994	$18,305
Free cash flow	**$8,442**	**$20,949**	**$23,568**	**$9,128**	**$7,738**	**-$17,778**	**$7,354**	**$13,965**

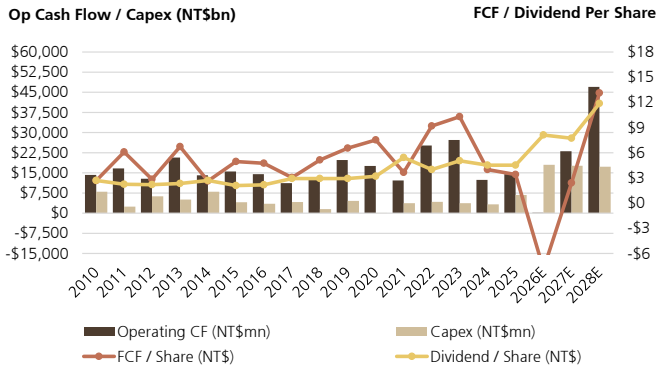
FCF and Dividends	2021	2022	2023	2024	2025	2026E	2027E	21-25 Avg
FCF / share (NT$)	$4	$9	$10	$4	$3	-$8	$3	$6
FCF / EV Yield (%)	**1.3%**	**3.3%**	**3.7%**	**1.4%**	**1.2%**	**-2.8%**	**1.1%**	**2.2%**
FCF Yield (%)	**1.2%**	**3.0%**	**3.4%**	**1.3%**	**1.1%**	**-2.6%**	**1.1%**	**2.0%**
Adjusted Dividend/share(NT$)	$5.40	$4.00	$5.00	$4.51	$5.00	$5.00	$7.60	$4.78
Payout rate (%)	**125%**	**67%**	**81%**	**71%**	**96%**	**75%**	**70%**	**88%**
Dividend paid (NT$)	$12,561	$9,144	$11,520	$10,372	$10,297	$18,398	$17,594	$10,779
Pre-Dividend close (NT$)	$56.60	$57.00	$103.50	$110.50	$111.50	$219.50		
Dividend Yield (%)	**9.5%**	**7.0%**	**4.8%**	**4.1%**	**4.5%**	**2.3%**		**6.0%**

Source: Company data, UBSe

The company has historically maintained substantial net cash and a high dividend payout, providing room to fund the current expansion without compromising financial flexibility. Lite-On's net cash position, which moved within a NT$24bn–39bn range through the 2010s, equivalent to net cash per share of roughly NT$10–17, is expected to decline during the 2026–28E capex ramp, with net cash per share falling toward approximately NT$6–7.

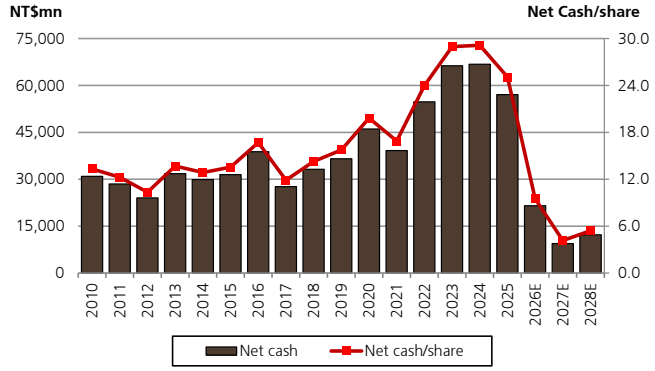
The company's historical payout ratio of around 70% is likely to be maintained, with dividend per share projected to increase to NT$8.11 in 2026E from NT$4.52 in 2025 and remain at NT$7.72 in 2027E, despite deeply negative free cash flow that year. We view this as a credible indication of management's confidence in the medium-term returns from this investment cycle, supported by a historically strong balance sheet.

Figure 27: Capex steps up sharply in 2026 to support AI power capacity



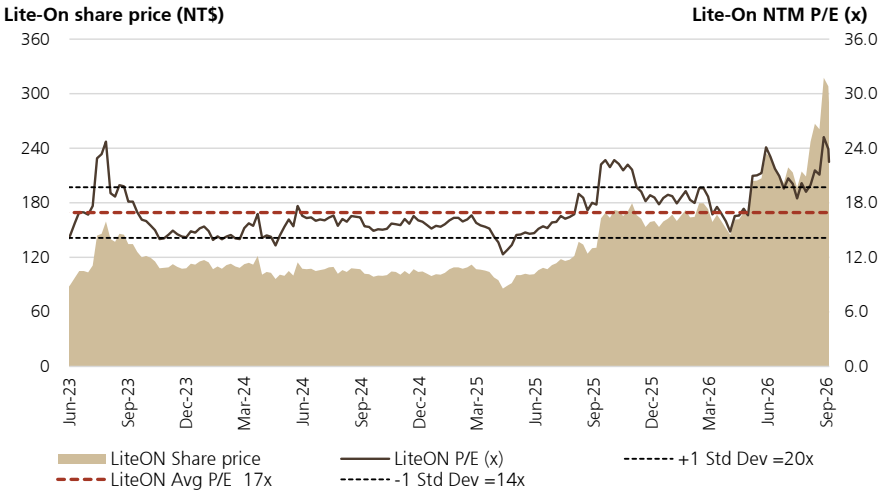
Source: Company data, UBSe

Figure 28: Lite-On drawing down net cash to accelerate capacity additions



Source: Company data, UBSe

WHAT'S PRICED IN?



Source: Refinitiv Workspace

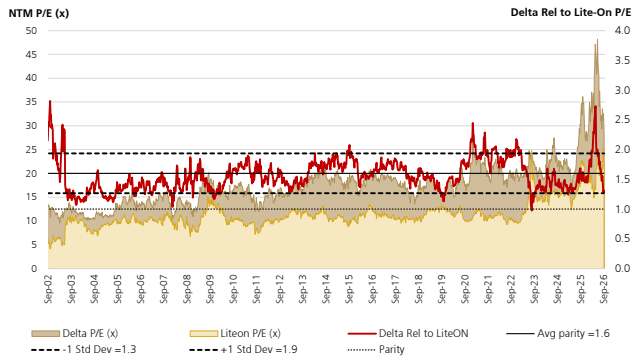
LIte-On is trading at NT$277, 22x NTM PE, above the upper end of its post-GPT PE range of 14-20x.

Current 22x NTM PE remains at a discount to the industry leader (Delta at 25x) and industry peers at 29x.

Valuation: The re-rating is partly done, but room for earnings to catch up

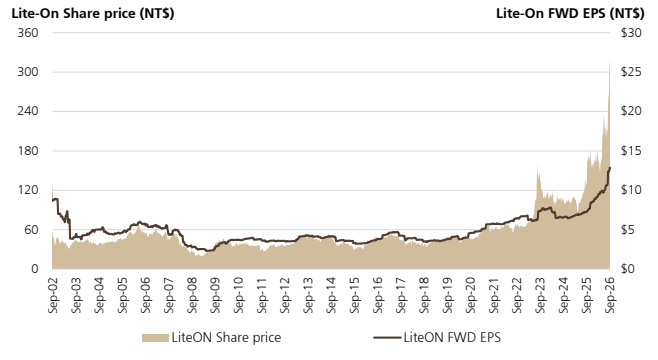
We initiate coverage of Lite-On with a Buy rating and a PT of NT$400, applying a 20x multiple to our 2028 EPS estimate of NT$20, or 25x our 2027 EPS forecast of NT$16, compared with peers trading at 29x. Historically, the stock has traded in an 14-20x P/E range. However, we believe Lite-On is evolving into a key AI supplier and is better positioned to benefit from the rapid expansion of the AI power TAM. This underpins our 2026/27/28 EPS forecasts of NT$10.85/NT$16.00/NT$20.00 and an EPS CAGR of 67.1% over 2025-29E.

Figure 30: Lite-On has re-rated toward Delta as investors recognize the AI power transition



Source: Refinitiv

Figure 31: Lite-On stock price vs. earnings



Source: Refinitiv

The stock has risen sharply as the market has begun to recognize Lite-On's role in AI power, and we believe the re-rating is supported by the earning expansion. At approximately 24x next-12-month consensus earnings at the time of writing, Lite-On trades above its own historical range of 14-20x but remains below the roughly 29x level of the power-supply peer group. Relative to Delta, Lite-On currently trades at a 28% P/E discount, vs an average of 60% since 2002 (Figure 30). We think a modest discount remains appropriate as Delta retains substantially greater AI power scale, customer diversification and grid-to-chip breadth. The valuation case therefore rests on Lite-On delivering the revenue and margin expansion in our model. If it does, earnings growth could support further upside even with only modest multiple expansion, on our estimates.

Figure 32: Lite-On still trades below the power-supply peer average on forward earnings

Company	Ticker	Mkt Cap (US mn$)	Price (LC$)	EPS (Local) 2026E	EPS (Local) 2027E	EPS (Local) 2028E	PE (x) 2026E	PE (x) 2027E	PE (x) 2028E	PB (x) 2026E	PB (x) 2027E	PB (x) 2028E	ROE (%) 2026E	ROE (%) 2027E	Sales (US$mn) 2026E	Sales (US$mn) 2027E	EBITDA margin (%) 5y avg.	EBITDA margin (%) 2026E	Net margin (%) 5y avg.	Net margin (%) 2026E
Taiwan																				
Delta	2308.TW	$133,140	$1,620	$40.54	$63.96	$98.92	40.0	25.3	16.4	11.7	8.9	6.7	31.6	37.5	$24,527	$34,412	17.1	20.1	10.2	13.6
LiteOn	2301.TW	$20,299	$277	$10.16	$13.80	$19.02	27.3	20.1	14.6	6.2	5.5	5.0	23.9	30.2	$6,755	$8,506	11.8	12.3	8.8	10.8
US/EU																				
Vertiv	VRT	$95,527	$248	$6.73	$9.16	$11.54	36.9	27.1	21.5	16.0	10.8	7.3	48.8	45.5	$14,027	$18,178	17.0	21.6	6.9	18.7
Eaton	ETN	$158,914	$409	$13.58	$16.06	$18.70	30.1	25.5	21.9	7.2	6.5	6.0	23.7	25.0	$32,741	$36,196	21.9	23.7	13.6	15.8
Schneider Electric	SCHN.PA	$194,810	$287	$10.17	$12.15	$14.10	28.3	23.7	20.4	6.2	5.4	4.8	22.4	23.9	$51,930	$57,075	21.2	21.7	11.2	12.9
Flex	FLEX.O	$39,899	$108	$4.67	$7.03	$9.41	23.1	15.4	11.5	6.2	4.5	3.6	29.2	36.4	$27,371	$34,597	6.2	7.3	3.1	5.0
China																				
Megmeet	002851.SZ	$10,982	$128	$1.24	$2.83	$4.03	102.8	45.1	31.7	9.6	8.1	6.8	10.0	17.8	$27,371	$34,597	8.3	5.3	6.4	5.5
Zhongheng Electronic	002364.SZ	$2,923	$36	$0.39	$0.61	$0.90	92.2	58.1	39.5	7.4	6.6	5.6	9.2	13.6	$1,975	$2,850	5.8	7.8	3.5	7.9
Kstar	002518.SZ	$3,014	$35	$1.33	$1.94	$2.54	26.6	18.2	13.9	3.8	3.2	2.7	15.0	19.7	$458	$635	16.6	14.8	13.4	11.8
Kehua	002335.SZ	$3,296	$29	$0.85	$1.14	$1.51	34.5	25.8	19.5	2.9	2.7	2.4	10.1	13.5	$707	$840	16.2	13.7	5.8	6.3
Honor Electronic	300870.SZ	$4,620	$206	$2.73	$4.01	$5.89	75.6	51.4	35.0	9.7	9.3	7.6	12.6	19.1	$1,435	$1,794	9.7	11.1	5.5	6.0
Japan																				
Panasonic	6752.T	$66,765	$4,200	$204	$249	$297	20.6	16.8	14.1	1.8	1.7	1.5	8.9	9.9	$791	$1,023	9.6	11.1	3.9	6.0
Sector avg.							**44.8**	**29.4**	**21.7**	**7.0**	**5.8**	**4.8**	**19.8**	**23.4**			**13.7**	**14.5**	**8.1**	**10.2**

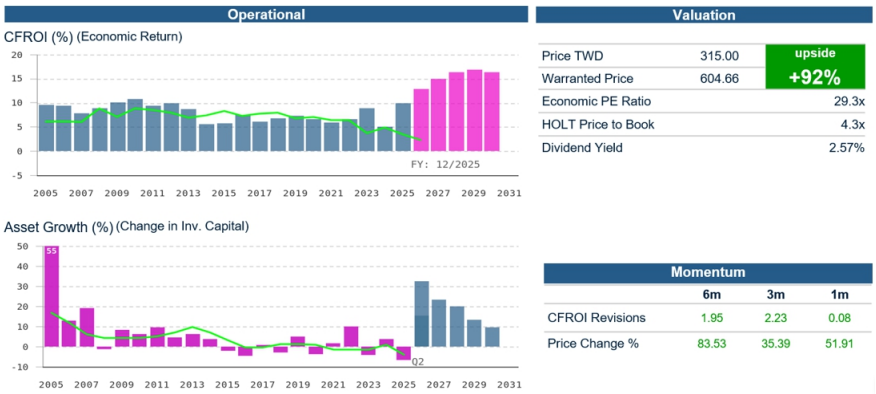
* EPS Average in US$, Share price as of 9/11

Source: Company data, UBSe, Rifinitiv Workspace

HOLT cross-check

Our HOLT analysis also indicates potential upside if Lite-On converts its current investment cycle into structurally higher returns and free cash flow. We view this as a cross-check on the fundamental earnings valuation rather than the principal basis for the price target.

Figure 33: HOLT upside depends on sustained AI return



Source: HOLT. Note: HOLT is a corporate performance and valuation service of UBS.

The key question is whether Lite-On should be valued on its historical mixed-electronics returns or the higher growth and returns of Cloud & AIoT. On a HOLT-based PE, Lite-On trades at 29x, above its 15.7x long-term median, reflecting its shift toward AI.

Figure 34: Holt PE of 29.3x is above its long-term median of 15.7x



Source: HOLT. Note: HOLT is a corporate performance and valuation service of UBS.

UPSIDE/DOWNSIDE SPECTRUM



Lite-On (2301.TW) is trading at NT$277as of Sep 11, 2026

Data: UBSe

UPSIDE (NT$540): Additional CSP programs across GPU and ASIC systems raise AI power share, while improved utilization and richer system content support stronger operating leverage. AI power sales exceed our base case, lifting EPS. In this scenario, total sales grows +50.6%/25.3% YoY to NT$339.9bn /NT$425.9bn, with the rising AI mix and operating leverage lifting GM/OpM from 25.2/13.5% in 2025 to 26.6/16.7% in 2028. EPS rises to NT$11.45/NT$19.43/NT$24.53 in 2026-28. Applying a 22x 2028 EPS gives our upside case valuation of NT$540 or 29x target multiple to our 2027 EPS, implying 95% upside.

BASE (NT$400): Lite-On maintains roughly 3–4% GPU-server power share and stronger positions in selected ASIC programs, grows Cloud & AIoT rapidly, and expands group margins as capacity utilization improves. In the base scenario, total sales grows +37.5%/24.6% YoY to NT$299.8bn /NT$373.6bn, with the rising AI mix lifting gross margin from 22.9% in 2025 to above 26% in 2027-28. Our modeled EPS is NT$10.85/NT $16.00/NT$20.00 in 2026-28. Applying a 20x 2028E EPS gives our PT of NT$400 or 25x target multiple to out 2027 EPS, implying 44% upside.

DOWNSIDE (NT$270): Customer qualification delays, smaller Lite-On shares in selected new programs, and a slower initial HVDC transition materially weigh on revenue and margin growth, despite positive AI power demand. In this scenario, sales growth slows to +29.5%/27.1% YoY to NT$255.1bn /NT$324.3bn, and a slower AI mix alongside reduced utilisation compresses GM/OpM to 26.4/14.1% in 2028. EPS falls to NT$9.13/NT $12.32/NT$15.90 in 2026-28. Applying a 17x 2028 EPS gives our downside case valuation of NT$270 or 22x target multiple to our 2027 EPS, implying 2% downside.

Figure 35: UBS upside, downside, base case scenario

		New UBS			Upside Case			Downside Case		
	2025	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Sales	**$166,085**	**$218,062**	**$299,836**	**$373,639**	**$225,689**	**$339,945**	**$425,961**	**$197,041**	**$255,182**	**$324,272**
YoY Growth	156.7%	31.3%	37.5%	24.6%	35.9%	50.6%	25.3%	18.6%	29.5%	27.1%
Gross Profit	**$38,039**	**$54,987**	**$79,023**	**$99,253**	**$56,955**	**$89,798**	**$113,343**	**$49,568**	**$66,703**	**$85,672**
GM%	**22.9%**	**25.2%**	**26.4%**	**26.6%**	**25.2%**	**26.4%**	**26.6%**	**25.2%**	**26.1%**	**26.4%**
Opex	$21,301	$25,529	$33,149	$41,510	$25,733	$33,812	$42,257	$25,222	$31,657	$40,016
Op Profit	**$16,738**	**$29,458**	**$45,875**	**$57,742**	**31,222**	**55,987**	**71,086**	**24,346**	**35,046**	**45,656**
OpM%	**10.1%**	**13.5%**	**15.3%**	**15.5%**	**13.8%**	**16.5%**	**16.7%**	**12.4%**	**13.7%**	**14.1%**
Non-Op	$2,975	$2,711	$1,258	$1,201	$2,711	$1,258	$1,201	$2,711	$1,258	$1,201
Pretax	$19,713	$32,169	$47,133	$58,944	$33,933	$57,245	$72,287	$27,056	$36,305	$46,857
Tax	($4,601)	($7,545)	($10,841)	($13,557)	($7,958)	($13,166)	($16,626)	($6,346)	($8,350)	($10,777)
Net income	**$15,116**	**$24,616**	**$36,290**	**$45,381**	**$25,966**	**$44,076**	**$55,656**	**$20,703**	**$27,952**	**$36,072**
EPS	**$6.64**	**$10.85**	**$16.00**	**$20.00**	**$11.45**	**$19.43**	**$24.53**	**$9.13**	**$12.32**	**$15.90**
Shares	2,278	2,268	2,269	2,269	2,268	2,269	2,269	2,268	2,269	2,269
EPS vs. base case					**5.5%**	**21.5%**	**22.6%**	**-15.9%**	**-23.0%**	**-20.5%**
Current Price		$277								
P/E			25	20		28	22		22	17
Implied Share Price			**$400**	**$400**		**$540**	**$540**		**$270**	**$270**
Upside/Downside			**44%**	**44%**		**95%**	**95%**		**-2%**	**-2%**

Source: Company data, UBSe

Key risks to our investment thesis

- **The principal risk is a slower AI infrastructure deployment cycle.** Our industry work shows deployed IT GW is the single largest determinant of the power TAM, so a meaningful reduction in hyperscaler accelerator deployment would affect all power suppliers.
- **Customer concentration is a second risk**, particularly Lite-On's large custom-ASIC exposure and reliance on a relatively small number of hyperscalers. Program delays or share changes can materially affect annual revenue.
- **Execution on capacity expansion also matters**. Lite-On is investing substantially ahead of forecast demand; if utilization ramps more slowly, depreciation and fixed operating costs could limit expected margin improvement.
- **Competitive pricing remains a risk as more suppliers qualify for high-power products**. We believe the move toward larger, more engineered modules and systems should moderate pure commodity pricing pressure, but it will not eliminate it.
- **Architecture is another source of uncertainty.** A slower transition to external power racks is not particularly damaging to our near-term thesis because 48/54V systems still require substantial power content. Longer term, however, the precise mix between rack-level BBUs, pooled UPS/BESS, ±400V, single-bus 800V and facility-level conversion will determine where value accrues within the supply chain.
- **Rising competition and slower spec upgrades would impact earnings.** Faster progress from Chinese power suppliers, FX movements and weaker legacy IT/consumer demand could create additional earnings variability.

Lite-On Technology (2301.TW)

Income Statement (NT$m)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Revenues	**148,333**	**137,134**	**166,085**	**218,062**	*31.3*	**299,836**	*37.5*	**373,639**	**436,358**	**479,874**
Gross profit	32,668	29,630	38,039	54,987	*44.6*	79,023	*43.7*	99,253	119,323	131,525
EBITDA (UBS)	**18,703**	**16,776**	**20,213**	**34,204**	*69.2*	**52,343**	*53.0*	**65,803**	**80,259**	**88,564**
Depreciation & amortisation	(4,187)	(3,842)	(3,475)	(4,746)	*-36.6*	(6,468)	*-36.3*	(8,060)	(9,413)	(10,352)
EBIT (UBS)	**14,516**	**12,934**	**16,738**	**29,458**	*76.0*	**45,875**	*55.7*	**57,742**	**70,845**	**78,212**
Associates & investment income	2,331	2,431	391	1,677	*328.5*	0	*-*	0	0	0
Other non-operating income	166	(1,183)	1,510	677	*-55.2*	1,400	*106.9*	1,400	1,400	1,400
Net interest	1,353	1,453	1,074	356	*-66.8*	(142)	*-*	(199)	(199)	(212)
Exceptionals (incl goodwill)	0	0	0	0	*-*	0	*-*	0	0	0
Pre-tax profit	**18,366**	**15,635**	**19,713**	**32,169**	*63.2*	**47,133**	*46.5*	**58,944**	**72,047**	**79,400**
Tax	(3,767)	(3,674)	(4,601)	(7,545)	*-64.0*	(10,841)	*-43.7*	(13,557)	(16,571)	(18,262)
Profit after tax	**14,599**	**11,960**	**15,112**	**24,624**	*62.9*	**36,293**	*47.4*	**45,387**	**55,476**	**61,138**
Preference dividends	0	0	0	0	*-*	0	*-*	0	0	0
Minorities	(28)	(19)	4	(8)	*-*	(3)	*64.0*	(5)	(17)	(14)
Extraordinary items	0	0	0	0	*-*	0	*-*	0	0	0
Net earnings (local GAAP)	**14,571**	**11,942**	**15,116**	**24,616**	*62.8*	**36,290**	*47.4*	**45,381**	**55,459**	**61,124**
Net earnings (UBS)	**14,571**	**11,942**	**15,116**	**24,616**	*62.8*	**36,290**	*47.4*	**45,381**	**55,459**	**61,124**
Tax rate (%)	20.5	23.5	23.3	23.5	*0.5*	23.0	*-1.9*	23.0	23.0	23.0

Per Share (NT$)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
EPS (UBS, diluted)	6.37	5.21	6.64	10.85	*63.5*	16.00	*47.4*	20.00	24.45	26.94
EPS (local GAAP, diluted)	6.37	5.21	6.64	10.85	*63.5*	16.00	*47.4*	20.00	24.45	26.94
EPS (UBS, basic)	6.37	5.21	6.64	10.85	*63.5*	16.00	*47.4*	20.00	24.45	26.94
DPS (net) (NT$)	5.00	4.51	5.00	5.00	*0.0*	7.60	*51.9*	11.20	14.00	17.11
Cash EPS (UBS, diluted) [1]	8.20	6.89	8.16	12.94	*58.6*	18.85	*45.6*	23.56	28.59	31.51
Book value per share	35.86	39.61	39.19	43.18	*10.2*	51.41	*19.1*	59.99	70.14	79.61
Average shares (diluted)	2,289	2,292	2,278	2,268	*-0.4*	2,269	*0.0*	2,269	2,269	2,269

Balance Sheet (NT$m)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Cash and equivalents	92,742	100,684	80,974	56,728	*-29.9*	46,488	*-18.1*	47,474	46,206	55,148
Other current assets	62,876	68,433	83,047	131,737	*58.6*	178,932	*35.8*	203,881	236,649	259,998
Total current assets	**155,618**	**169,117**	**164,021**	**188,465**	*14.9*	**225,420**	*19.6*	**251,355**	**282,855**	**315,146**
Net tangible fixed assets	18,392	18,776	24,752	39,727	*60.5*	50,898	*28.1*	60,125	67,135	72,384
Net intangible fixed assets	224	520	424	353	*-16.9*	353	*0.0*	353	353	353
Investments / other assets	14,738	16,270	16,490	19,898	*20.7*	24,477	*23.0*	26,868	26,868	26,868
Total assets	**188,972**	**204,683**	**205,687**	**248,442**	*20.8*	**301,148**	*21.2*	**338,700**	**377,210**	**414,751**
Trade payables & other ST liabilities	75,508	77,682	89,568	112,509	*25.6*	145,783	*29.6*	163,501	178,443	194,115
Short term debt	22,493	30,187	20,029	31,376	*56.7*	31,376	*0.0*	31,376	31,376	31,376
Total current liabilities	**98,001**	**107,869**	**109,597**	**143,885**	*31.3*	**177,160**	*23.1*	**194,877**	**209,819**	**225,491**
Long term debt	3,941	3,707	3,860	3,796	*-1.7*	3,796	*0.0*	3,796	3,796	3,796
Other long term liabilities	1,962	2,196	2,251	2,003	*-11.0*	2,735	*36.6*	3,118	3,642	4,005
Preferred shares	0	0	0	0	*-*	0	*-*	0	0	0
Total liabilities (incl pref shares)	**103,905**	**113,772**	**115,709**	**149,684**	*29.4*	**183,692**	*22.7*	**201,792**	**217,257**	**233,292**
Common s/h equity	**84,381**	**90,773**	**89,822**	**97,945**	*9.0*	**116,640**	*19.1*	**136,088**	**159,115**	**180,606**
Minority interests	687	138	157	813	*NM*	816	*0.4*	821	838	853
Total liabilities & equity	**188,972**	**204,683**	**205,687**	**248,442**	*20.8*	**301,148**	*21.2*	**338,700**	**377,210**	**414,751**

Cash Flow (NT$m)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Net income (before pref divs)	14,571	11,942	15,116	24,616	*62.8*	36,290	*47.4*	45,381	55,459	61,124
Depreciation & amortisation	4,187	3,842	3,475	4,746	*36.6*	6,468	*36.3*	8,060	9,413	10,352
Net change in working capital	6,873	(1,404)	1,594	(24,031)	*-*	(13,921)	*42.1*	(7,231)	(17,826)	(7,677)
Other operating	83	13	478	(138)	*-*	(3,843)	*NM*	(2,003)	541	377
Operating cash flow	**25,713**	**14,393**	**20,662**	**5,192**	*-74.9*	**24,994**	*381.4*	**44,207**	**47,586**	**64,177**
Tangible capital expenditure	(3,698)	(3,283)	(6,795)	(18,000)	*-164.9*	(17,640)	*2.0*	(17,287)	(16,423)	(15,602)
Intangible capital expenditure	0	0	0	0	*-*	0	*-*	0	0	0
Net (acquisitions) & disposals	0	0	0	0	*-*	0	*-*	0	0	0
Other investing	358	(1,560)	(600)	(1,272)	*-112.0*	0	*-*	0	0	0
Investing cash flow	**(3,340)**	**(4,843)**	**(7,395)**	**(19,272)**	*-160.6*	**(17,640)**	*8.5*	**(17,287)**	**(16,423)**	**(15,602)**
Equity dividends paid	(11,520)	(10,372)	(10,297)	(18,398)	*-78.7*	(17,594)	*4.4*	(25,934)	(32,431)	(39,633)
Share issues / (buybacks)	0	0	0	0	*-*	0	*-*	0	0	0
Other financing	(406)	(574)	(2,686)	(313)	*88.4*	0	*-*	0	0	0
Change in debt & pref shares	(10,120)	7,584	(10,116)	11,051	*-*	0	*-*	0	0	0
Financing cash flow	**(22,045)**	**(3,363)**	**(23,099)**	**(7,660)**	*66.8*	**(17,594)**	*-129.7*	**(25,934)**	**(32,431)**	**(39,633)**
Cash flow inc/(dec) in cash	**328**	**6,187**	**(9,831)**	**(21,740)**	*-121.1*	**(10,240)**	*52.9*	**986**	**(1,268)**	**8,942**
FX / non cash items	1,348	1,754	(9,878)	(2,507)	*74.6*	0	*100.0*	0	0	0
Balance sheet inc/(dec) in cash	**1,677**	**7,942**	**(19,709)**	**(24,247)**	*-23.0*	**(10,240)**	*57.8*	**986**	**(1,268)**	**8,942**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1] Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Lite-On Technology (2301.TW)

Valuation (x)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
P/E (local GAAP, diluted)	16.0	20.3	19.2	25.5	17.3	13.8	11.3	10.3
P/E (UBS, diluted)	16.0	20.3	19.2	25.5	17.3	13.8	11.3	10.3
P/CEPS	12.4	15.3	15.6	21.4	14.7	11.8	9.7	8.8
Equity FCF (UBS) yield %	9.2	4.6	4.8	(2.0)	1.2	4.2	4.9	7.7
Dividend yield (net) %	4.9	4.3	3.9	1.8	2.7	4.0	5.1	6.2
P/BV	2.8	2.7	3.2	6.4	5.4	4.6	3.9	3.5
EV/revenues (core)	-	1.2	1.3	2.7	2.0	1.6	1.4	1.3
EV/EBITDA (UBS core)	-	9.4	10.1	16.1	11.4	9.2	7.5	6.8
EV/EBIT (core)	-	11.9	12.0	18.5	12.9	10.4	8.5	7.7
EV/OpFCF (core)	-	9.4	10.1	16.1	11.4	9.2	7.6	6.8
EV/op. invested capital	-	11.0	10.3	12.2	7.2	5.7	4.8	4.1

Enterprise value (NT$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Market cap.	240,379	242,289	291,341	634,805	634,805	634,805	634,805	634,805
Net debt (cash)	(31,470)	(66,548)	(61,937)	(39,320)	(16,435)	(11,808)	(11,667)	(15,504)
Buy out of minorities	32	23	7	2	5	4	11	16
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	**-**	**175,764**	**229,411**	**595,487**	**618,375**	**623,001**	**623,149**	**619,316**
Non core assets	(5,195)	(6,970)	(6,576)	(7,387)	(7,387)	(7,387)	(7,387)	(7,387)
Core enterprise value	**-**	**168,794**	**222,836**	**588,100**	**610,988**	**615,614**	**615,762**	**611,929**

Growth (%)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenue	(14.5)	(7.6)	21.1	31.3	37.5	24.6	16.8	10.0
EBITDA (UBS)	(3.8)	(10.3)	20.5	69.2	53.0	25.7	22.0	10.3
EBIT (UBS)	(3.7)	(10.9)	29.4	76.0	55.7	25.9	22.7	10.4
EPS (UBS, diluted)	2.8	(18.2)	27.4	63.5	47.4	25.1	22.2	10.2
Net DPS	25.0	(9.9)	11.0	0.0	51.9	47.4	25.1	22.2

Margins & Profitability (%)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Gross profit margin	22.0	21.6	22.9	25.2	26.4	26.6	27.3	27.4
EBITDA margin	12.6	12.2	12.2	15.7	17.5	17.6	18.4	18.5
EBIT (UBS) margin	9.8	9.4	10.1	13.5	15.3	15.5	16.2	16.3
Net earnings (UBS) margin	9.8	8.7	9.1	11.3	12.1	12.1	12.7	12.7
ROIC (EBIT)	NM	NM	NM	61.3	54.4	53.5	54.8	52.9
ROIC post tax	63.5	60.8	58.7	46.1	41.9	41.2	42.2	40.7
ROE (UBS)	17.6	13.6	16.7	26.2	33.8	35.9	37.6	36.0

Capital structure & Coverage (x)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Net debt / EBITDA	(3.5)	(4.0)	(2.8)	(0.6)	(0.2)	(0.2)	(0.1)	(0.2)
Net debt / total equity %	(77.9)	(73.5)	(63.4)	(21.8)	(9.6)	(9.0)	(6.9)	(11.0)
Net debt / (net debt + total equity) %	NM	NM	NM	(27.9)	(10.7)	(9.9)	(7.4)	(12.4)
Net debt/EV %	-	(37.9)	(27.0)	(6.6)	(2.7)	(1.9)	(1.9)	(2.5)
Capex / depreciation %	88.3	85.5	195.5	NM	NM	NM	174.5	150.7
Capex / revenue %	2.5	2.4	4.1	8.3	5.9	4.6	3.8	3.3
EBIT / net interest	-	-	-	-	NM	NM	NM	NM
Dividend cover (UBS)	1.3	1.2	1.3	2.2	2.1	1.8	1.7	1.6
Div. payout ratio (UBS) %	78.5	86.5	75.3	46.1	47.5	56.0	57.3	63.5

Revenues by division (NT$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Others	148,333	137,134	166,085	218,062	299,836	373,639	436,358	479,874
Total	**148,333**	**137,134**	**166,085**	**218,062**	**299,836**	**373,639**	**436,358**	**479,874**

EBIT (UBS) by division (NT$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Others	14,516	12,934	16,738	29,458	45,875	57,742	70,845	78,212
Total	**14,516**	**12,934**	**16,738**	**29,458**	**45,875**	**57,742**	**70,845**	**78,212**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	44.4%
Forecast dividend yield	2.7%
Forecast stock return	47.1%
Market return assumption	6.3%
Forecast excess return	40.9%

Company Description

Founded in 1975, Lite-On Technology is Taiwan's first listed electronics company and a global leader in power management and optoelectronic solutions. Originally a pioneer in LED technologies, the company has evolved into a key supplier of AI infrastructure, cloud computing, automotive electronics, 5G and AIoT solutions.

Valuation Method and Risk Statement

We value Lite-On Technology using PE methodology. Key risks to our investment thesis:
The principal risk is a slower AI infrastructure deployment cycle. Our industry work shows deployed IT GW is the single-largest determinant of the power TAM, so a meaningful reduction in hyperscaler accelerator deployment would affect all power suppliers.
Customer concentration is a second risk, particularly Lite-On's large custom-ASIC exposure and reliance on a relatively small number of hyperscalers. Program delays or share changes can materially affect annual revenue.
Execution on capacity expansion also matters. Lite-On is investing substantially ahead of forecast demand; if utilization ramps more slowly, depreciation and fixed operating costs could limit expected margin improvement.
Competitive pricing remains a risk as more suppliers qualify for high-power products. We believe the move toward larger, more engineered modules and systems should moderate pure commodity pricing pressure, but it will not eliminate it.
Architecture is another source of uncertainty. A slower transition to external power racks is not particularly damaging to our near-term thesis because 48/54V systems still require substantial power content. Longer term, however, the precise mix between rack-level BBUs, pooled UPS/BESS, ±400V, single-bus 800V and facility-level conversion will determine where value accrues within the supply chain.
Rising competition and slower spec upgrades would impact earnings. Faster progress from Chinese power suppliers, FX movements and weaker legacy IT/consumer demand could create additional earnings variability.

HOLT methodology
The HOLT methodology does not assign ratings or a target price to a security. It is an analytical tool that involves use of a set of proprietary quantitative algorithms and warranted value calculations, collectively called the HOLT valuation model, that are consistently applied to all the companies included in its database. The HOLT valuation model is a discounted cash flow model. Third-party data (including consensus earnings estimates) are systematically translated into a number of default variables and incorporated into the algorithms available in the HOLT valuation model. The source financial statement, pricing, and earnings data provided by outside data vendors are subject to quality control and may also be adjusted to more closely measure the underlying economics of firm performance. These adjustments provide consistency when analyzing a single company across time, or analyzing multiple companies across industries or national borders. The default scenario that is produced by the HOLT valuation model establishes a warranted price that represents the expected mean value for a security based upon empirically derived fade algorithms that forecast a firm's future return on capital and growth rates over an extended period of time. As the third-party data are updated, the warranted price updates automatically. A company's future achieved return on capital or growth rate may differ from HOLT default forecast. Additional information about the HOLT methodology is available upon request.
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Lite-On Technology

Question	**Response**
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	4
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	4
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	5
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	4
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	3
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	Positive Catalyst
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	

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Neutral	FSR is between -6% and 6% of the MRA.	40%	21%
Sell	FSR is > 6% below the MRA.	6%	21%

Source: UBS. Rating allocations are as of 30 June 2026.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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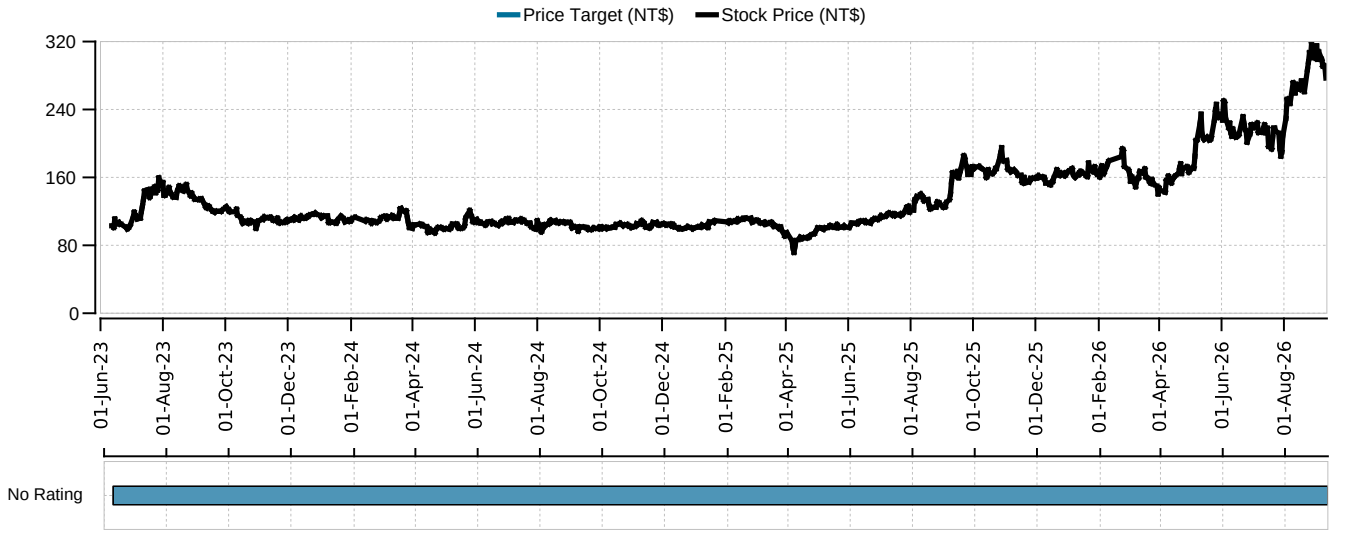
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Company Name	Reuters	12-month rating	Price	Price date
Lite-On Technology[28]	2301.TW	No Rating	NT$277.00	11 Sep 2026

Source: UBS Global Research; LSEG Eikon. All prices as of local market close. Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date.
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Lite-On Technology (NT$)



Date	Stock Price (NT$)	Price Target (NT$)	Rating
2023-06-09	97.60	-	No Rating

Source: UBS Global Research; LSEG Eikon as of 11-Sep-2026. All prices as of local market close. Ratings as of date shown.

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