Largan Precision

Core weakness outweighs progress in AI optics

Equities

Taiwan

Electric Components & Equipment

12-month rating	**Sell**
12m price target	**NT$5,000.00**
Price (08 Oct 2026)	**NT$6,660**

RIC: 3008.TW **BBG:** 3008 TT

Trading data and key metrics

52-wk range	NT$7,810.00-2,025.00
Market cap.	NT$875b/US$27.4b
Shares o/s	131m (ORD)
Free float	70%
Avg. daily volume ('000)	2,379
Avg. daily value (m)	NT$13,134.2
Common s/h equity (12/26E)	NT$199b
P/BV (12/26E)	4.4x
Net debt to EBITDA (12/26E)	NM

EPS (UBS, diluted) (TWD)

	From	To	% ch	Cons.
12/26E	188.21	160.04	-15	184.91
12/27E	214.00	180.00	-16	204.02
12/28E	250.66	220.00	-12	238.78

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CPO progress is more tangible but substantial success is already priced in

We maintain Sell and our NT$5,000 target price as erosion in the core smartphone business outweighs CPO progress. The Q326 call confirmed that Largan's fiber array has passed customer qualification although its customer qualified another vendor's prism micro-lens assembly (PMLA) that Largan would now buy in. If Largan qualifies the full FAU plus carrier assembly for 2H27, content rises but with more pass-through cost and less margin upside. We roll our valuation to 2028E, the first full year of CPO production, though 25% below the NT$6,660 close on October 8.

Full FAU assembly would lift content, but with more pass-through

We believe Largan's FA customer is one of two module suppliers on NVIDIA's 2H27 program, which we estimate could reach 40% share. The program is still subject to successful yield ramp and could move to metalens in 2028, which would reopen supplier qualification. Assembling the full FAU could lift Largan's ASP to US$125-150 leveraging its precision alignment and automation but the PMLA, V-groove and carrier parts would be pass through that cuts into margin leverage. We expand our FAU TAM analysis (Figure 9) with FAU market in 2028/30 expanding to 12.3mn/35.6mn units, with Largan base case set at 25% of the TAM.

Core smartphone business stays soft into 2027

Q326 sales of NT$15.7bn, +15% QoQ/-11% YoY missedUBSe/Street +36%/+33% on weaker flagship smartphone demand. GMs fell 7.2ppts QoQ to 42.2%, lowest in 13 years on renewable energy costs and low variable-aperture yields, dropping OpM to 17 year lows at 30.3% and EPS to NT$39.6, below UBS/street NT$51.50/NT$49.69. We cut Q4 to NT$16.7bn +7% QoQ, 11% below consensus as its customer trimmed orders after a pricier iPhone 18 launch and possible lag to Genius which is picking up periscope share and outgrew in Q3 (+1% YoY vs. -11% YoY). We cut 2027 from NT$77bn to NT $67bn, before a recovery to NT$79bn in 2028 with the next periscope upgrade. We see GM recovering to 47.5%/48.9% in 2027-28 as yields improve and energy costs pass through in 2028 pricing.

Maintain Sell and our NT$5,000 target

We cut 2026E/27E EPS by 14%/16% to NT$160/NT$180 and introduce 2028E EPS of NT$220 for the core smartphone business. We value the lens business at NT$3,300 (15x 2028E ex-CPO EPS of NT$220, the middle of Largan's 13–18x historical range) and CPO option at NT$1,700 or US$7bn (49x our base-case 2028E CPO EPS of NT$35, near the top of optical peers' 14–54x). Our base case gives Largan 25% of a 12.3mn-unit, US $1.85bn FAU market at US$150 per unit and a 50% gross margin. That credits it with yields and margins it still needs to prove in a quarter when yields and energy costs cut 7.2ppts from its lens margin. At ~NT$6,660, the shares imply ~NT$69 of 2028E CPO EPS, about twice our base case.

Highlights (NT$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenues	48,842	59,458	61,148	61,550	67,438	79,464	78,546	81,569
EBIT (UBS)	17,807	24,033	23,558	21,139	24,150	30,110	29,487	30,648
Net earnings (UBS)	18,047	22,480	23,613	20,953	23,567	28,805	28,397	29,473
EPS (UBS, diluted) (NT$)	135.22	168.43	176.92	160.04	180.00	220.00	216.89	225.11
DPS (net) (NT$)	85.50	67.50	97.50	80.00	81.97	90.34	110.41	108.85
Net (debt) / cash	111,655	117,781	122,309	109,131	120,267	127,842	144,348	160,697

Profitability/valuation	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
EBIT (UBS) margin %	36.5	40.4	38.5	34.3	35.8	37.9	37.5	37.6
ROIC (EBIT) %	39.3	46.2	40.9	30.3	30.1	35.1	33.1	35.3
EV/EBITDA (UBS core) x	7.7	7.1	6.0	24.7	21.7	18.1	17.7	16.6
P/E (UBS, diluted) x	16.2	15.1	13.3	41.6	37.0	30.3	30.7	29.6
Equity FCF (UBS) yield %	2.0	4.3	3.0	2.1	2.5	2.2	3.6	3.5
Dividend yield (net) %	3.9	2.7	4.1	1.2	1.2	1.4	1.7	1.6

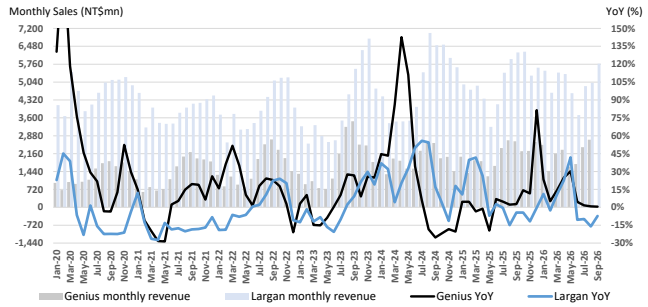
Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of NT$ 6,660.00 on 12-Oct-2026 06:29:19 CST

Core smartphone lens seeing weakness with declining margins

Q326 sales was reported light at NT$15.7bn, +15% QoQ missing UBSe/Street +36%/ +33% amid weaker flagship smartphone demand. GMs fell 720bp to 42.2%, lowest in 13 years on renewable energy costs and low variable-aperture yields, dropping OpM to 17 year lows at 30.3% and EPS to NT$39.6, below UBS/street NT$51.50/NT$49.69. Renewable-energy costs are structural under Largan's long-term power commitments and rise with Apple's share of the mix; with 2027 pricing set, pass-through is more likely in 2028.

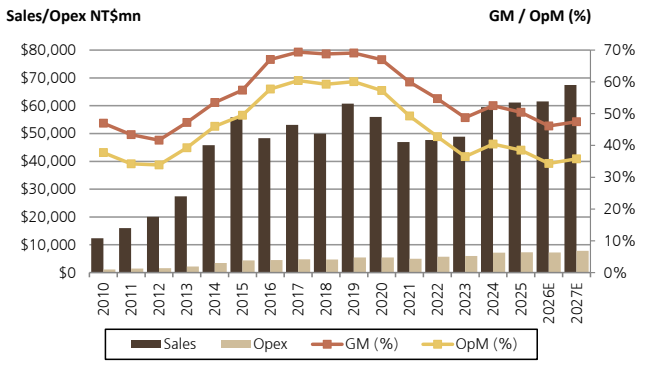
We cut Q4 to NT$16.7bn +7% QoQ, 11% below consensus as its customer trimmed orders after a pricier iPhone 18 launch and possible lag to Genius which is picking up periscope share and outgrew in Q3 (flat vs. -11% YoY). October revenue should be flat MoM and November lower as the key customer has shortened its forecast after cutting flagship orders in September. The spring-2027 model starts shipping in October but will not offset the flagship decline.

Figure 1: Genius outpacing Largan in recent months



Source: Company data

Figure 2: Largan margins dropping in recent years



Source: Company data, UBS estimates

We cut 2026E/27E revenue 9%/13% to NT$61.6bn/NT$67.4bn and EPS 14%/16% to NT$163/NT$180, and introduce 2028E revenue of NT$79.5bn, +18% YoY for the new smartphone lens upgrade, taking EPS to NT$220. Our estimates exclude CPO, which we value separately under base, bull and bear scenarios. Including our base case, 2008E EPS would be NT$255, 6% above the NT$240 consensus which likely includes some CPO. We see GM recovering to 47.5%/48.9% in 2027-28 as yields improve and energy costs pass-through in 2028 pricing. With a still a range of outcomes on 2028 CPO, we keep it in our valuation as a scenario for our upside/downside/base cases.

Figure 3: UBS vs. VA Consensus Q126A-Q426E and 2025A-28E

	Q126	Q226	Q326E			Q426E		
(NT$m)	Actual	Actual	UBSe	UBSe prior	VA	UBSe	UBSe prior	VA
Revenue	**15,544**	**13,665**	**15,651**	**18,566**	**18,147**	**16,690**	**20,094**	**16,173**
- QoQ / YoY	-9.7%	-12.1%	14.5%	35.9%	32.8%	6.6%	28.4%	3.3%
Gross profit	**7,680**	**6,753**	**6,607**	**9,242**	**8,968**	**7,346**	**10,044**	**6,980**
- Gross margin	49.4%	49.4%	42.2%	49.8%	49.4%	44.0%	50.0%	43.2%
Operating profit	**5,812**	**5,148**	**4,735**	**7,144**	**6,819**	**5,443**	**7,833**	**5,105**
- OP margin	37.4%	37.7%	30.3%	38.5%	37.6%	32.6%	39.0%	31.6%
Non-op profit	**1,476**	**951**	**1,357**	**1,027**	**1,071**	**1,064**	**1,064**	**1,477**
Pre-tax profit	**7,288**	**6,099**	**6,092**	**8,171**	**7,889**	**6,507**	**8,897**	**6,582**
Tax	**-1,112**	**-1,373**	**-853**	**-1,385**	**-1,250**	**-1,041**	**-1,499**	**-1,306**
- Tax rate	15.3%	22.5%	14.0%	17.0%	15.8%	16.0%	16.9%	19.8%
Net profit	**6,123**	**4,670**	**5,182**	**6,736**	**6,614**	**5,409**	**7,348**	**5,275**
EPS (NT$)	**46.63**	**35.70**	**39.62**	**51.50**	**49.69**	**41.36**	**56.18**	**40.04**

2025	2026E			2027E			2028E		
Actual	UBSe	UBSe prior	VA	UBSe	UBSe prior	VA	UBSe	UBSe prior	VA
61,148	**61,550**	**67,869**	**61,033**	**67,438**	**77,189**	**68,359**	**79,464**	**83,044**	**115,261**
2.8%	0.7%	11.0%	-0.2%	9.6%	13.7%	12.0%	17.8%	7.6%	68.6%
30,837	**28,386**	**33,718**	**28,019**	**32,008**	**38,405**	**30,319**	**38,823**	**42,004**	**53,520**
50.4%	46.1%	49.7%	45.9%	47.5%	49.8%	44.4%	48.9%	50.6%	46.4%
23,558	**21,139**	**25,937**	**20,800**	**24,150**	**29,796**	**21,482**	**30,110**	**34,945**	**39,917**
38.5%	34.3%	38.2%	34.1%	35.8%	38.6%	31.4%	37.9%	42.1%	34.6%
2,342	**4,847**	**4,518**	**5,261**	**4,467**	**4,467**	**4,734**	**4,595**	**4,595**	**4,937**
25,900	**25,986**	**30,455**	**26,061**	**28,618**	**34,263**	**26,543**	**34,705**	**39,540**	**44,854**
-4,340	**-4,379**	**-5,369**	**-4,763**	**-5,050**	**-6,244**	**-5,150**	**-5,900**	**-6,722**	**-8,572**
16.8%	16.9%	17.6%	18.3%	17.6%	18.2%	19.4%	17%	17%	19%
21,275	**21,385**	**24,877**	**21,298**	**23,567**	**28,019**	**21,414**	**28,805**	**32,818**	**36,282**
159.41	**163.33**	**190.00**	**161.25**	**180.00**	**214.00**	**161.64**	**220.00**	**250.66**	**275.28**

Source: Company data, Visible Alpha, UBS estimates. Note: EPS based on reported and may differ with cover page diluted EPS.

CPO fiber array qualified, but rising pass-through as it upgrades to FAU production

Largan's fiber array (FA) has passed qualification with a volume customer, and management expects mass-production capacity by mid-2027 in a newly completed fab dedicated to FA/FAU, using in-house equipment. The company's next step is to produce the full detachable FAU mounted on a carrier, a board with three alignment beams that sits on the optical engine's receptor. Largan can build FAUs now and says the customer

would prefer it to supply the full assembly, but qualification is pending with the customer preferring FAU and carrier sampled separately.

Even as its potential to supply the full FAU improve, Largan will buy in most of the content. The customer has qualified another PMLA vendor and prefers semiconductor-made optics; V-grooves and carrier beams and boards are outsourced and the customer does not want Largan to make MT ferrules. Management described its role as closer to a contractor and said margins hinge on yields, as the FA carries a high ASP but also a large bill of materials. Supplying the complete FAU could raise billed content, but a larger purchased bill of materials also dilutes the relationship between revenue and value added. Our full-FAU ASP assumption requires Largan to capture that invoice scope.

Next year's product is grating-coupled and works for both CPO and NPO while edge-coupled designs are being explored with the customer. The current product does not go directly to end customers, but management expects to work directly with end customers on next-generation designs (likely 2028) as it progresses toward multi-row FAs.

To ramp production, Largan has bought several land parcels and will build new fabs from scratch, with construction finishing around 2030. It may outsource some capacity in the interim and said it cannot yet be sure capacity will meet demand.

Annual FAU TAM reaches US$1.85bn in 2028 and US$4.5bn in 2030 in our base case

We update our FAU (fiber array unit) TAM factoring CPO/NPO penetration into AI networking switches, NVIDIA multi-rack systems, scale-up on compute and switch boards, and non-NVIDIA accelerators. We assume one passive FAU assembly connecting a fiber array to a photonic engine with one unit per optical engine.

We assume one FAU per optical engine and 32 per switch ASIC in our base case, matching NVIDIA's 32x3.2T engines on its 102.4T Spectrum-X package. Broadcom's 102.4Tb/s Davisson uses 16 engines at 6.4Tb/s, so our bear case assumes and even mix of these two designs (24 per ASIC). We note that higher switch bandwidth does not automatically increase FAU count if engine bandwidth rises at the same rate. Our 2030 assumption maintains the 32 FAUs per switch based on bandwidth rising to 204.8Tb/s ASICs using 6.4Tb/s optical engines.

Figure 4: UBS scenario based on 32 FAUs per switch although switches to date carry a range of specifications

	TH5 Bailly	TH6 Davisson	Quantum-X Q3450	Spectrum-X SN6810	Spectrum-X SN6800
Year of Introduction	**2023**	**H225**	**H225**	**H226**	**H226**
Switch ASIC	Tomahawk 5	Tomahawk 6	Quantum-3	Spectrum 6	Spectrum 6
Bandwidth per Switch box	51.2T	102.4T	115.2T	102.4T	409.6T
Switch ASICs per box	1	1	4	1	4
OE bandwidth (Tb/s each way)	6.4T	6.4T	1.6T	3.2T	3.2T
Optical engines per ASIC	8	16	18	32	32
FAU per Engine	1	1	1	1	1
FAU per Switch	**8**	**16**	**72**	**32**	**128**

Source: Company Data, UBS

Our base case for the FAU market sums up 4 opportunities for CPO/NPO attach:

1. Scale-out and scale-across switches

We estimate annual switch ASIC shipments x CPO + NPO penetration x optical engines per ASIC x FAUs per engine. In 2028, 25% CPO/NPO penetration or 1.0m 102.4T switch ASICs at 32 FAUs each produces 8.0m FAUs. In 2030, 55% of 1.1mn 204.8T switch ASICs at 32 FAUs drives a market size of 19.4mn FAUs.

Figure 5: Scale-out/scale-across could drive 8.0/19.4mn FAUs in 2028/2030

	2028			2030			Assumption
Scale out/Scale across	**Downside**	**Base**	**Upside**	**Downside**	**Base**	**Upside**	
Switch ASIC shipments (k units)	800	1,000	1,050	880	1,100	1,155	
NPO penetration	3%	5%	7%	8%	10%	12%	Optics on the board beside the ASIC
CPO penetration	10%	20%	25%	35%	45%	55%	Optics inside the switch package.
NPO/CPO switch ASICs (k units)	**104**	**250**	**336**	**378**	**605**	**774**	
Bandwidth per Switch (Tbps)	102.4	102.4	102.4	204.8	204.8	204.8	
Optical engine (Tb)	3.2	3.2	3.2	6.4	6.4	6.4	
FAUs per switch ASIC	24	32	32	24	32	32	NVIDIA: 32 OE per ASIC, Broadcom 16
Scale out/Scale across # of FAUs (mn)	**2.5**	**8.0**	**10.8**	**9.1**	**19.4**	**24.8**	

Source: UBS

2. NVIDIA's multi-rack connections for Rubin Ultra and Feynman

NVIDIA at its 2026 GTC San Jose proposed a multi-rack option to network together 8 Oberon NVL72 racks for the Rubin Ultra generation and 8 Kyber NVL144 racks. Feedback at the time showed possible transceiver or NPO connections for Rubin Ultra and CPO connections for Feynman. Our 2028 base case uses 110,000 racks, 15% multi-rack adoption and 75% CPO/NPO penetration, giving approximately 12,400 connected racks.

For 2030, our rack count falls to 35,000 racks as we assume Kyber would have 4x the number of GPUs, equivalent to 140k Oberon equivalents. We assume the 35,000 racks at 55% multi-rack adoption x 80% CPO/NPO attach gives 15,400 connected racks. We assume about 216 and 576 inter-rack FAUs per rack, respectively, driving a market opportunity of 2.7mn FAUs in 2028 and 8.9mn in 2030.

Figure 6: NVIDIA rack connected pods could drive 2.7mn/8.9mn FAUs in 2028/2030

	2028			2030			Assumption
NVIDIA Pod Connected GPUs	**Downside**	**Base**	**Upside**	**Downside**	**Base**	**Upside**	
NV platform	Oberon / Rubin Ultra			Kyber / Feynman			
NV racks shipments (k)	95	110	125	30	35.0	40	UBS rack assumptions
8-rack pods penetration (%)	10%	15%	20%	40%	55%	70%	
NPO/CPO penetration within pods (%)	50%	75%	80%	65%	80%	95%	Pluggable FAUs excluded from this model
NPO/CPO connected racks (k)	**4.8**	**12.4**	**20.0**	**7.8**	**15.4**	**26.6**	
GPUs per rack	72	72	72	144	144	144	
Switches per rack	72	72	72	144	144	144	72 ASICs in Oberon, 144 per Kyber
Optical engine (Tb) bandwidth	3.2	3.2	3.2	6.4	6.4	6.4	
FAUs attached per switch	2.5	3.0	4.0	2.5	4.0	4.5	3.2T OE in 2028; 6.4T in 2030 (each way)
NVLink bandwidth per NVIDIA GPU	14.4	14.4	14.4	28.8	28.8	28.8	
Optical build-out (% of full)	56%	67%	89%	56%	89%	100%	% of rack to rack bandwidth wired to optics
FAUs per connected racks	**180**	**216**	**288**	**360**	**576**	**648**	
NV scale up # of FAUs (mn)	**0.9**	**2.7**	**5.8**	**2.8**	**8.9**	**17.2**	

Source: UBS. Switch count increases to connect to other racks

3. Initial CPO/NPO optical connections on compute and switch boards by 2030

We include by 2030 CPO native optical connections on compute and switch boards in 5% of racks each adding 1,152 FAUs across the GPUs and switches or 2.0mn FAUs by 2030.

Figure 7: NVIDIA compute board optics could drive 2.0mn FAUs in 2030

	2028			2030			Assumption
NVIDIA Compute Board Optics	**Downside**	**Base**	**Upside**	**Downside**	**Base**	**Upside**	
NV racks shipments (k)	95	110	125	30	35.0	40	UBS rack assumptions
Optical GPU penetration	0%	0%	0%	3%	5%	15%	CPU-native GPUs
Compute tray FAUs #	0	0	0	144	144	144	36 trays x 16
GPUs per rack	72	72	72	144	144	144	
Optical engine (Tb)	3.2	3.2	3.2	6.4	6.4	6.4	
Optical build-out (% of full)	56%	67%	89%	56%	89%	100%	% of rack to rack bandwidth wired to optics
NVLink bandwidth per NVIDIA GPU	14.4	14.4	14.4	28.8	28.8	28.8	
FAUs per connected racks	0	0	0	720	1,152	1,296	
NV optical GPU # of FAUs (mn)	**0.0**	**0.0**	**0.0**	**0.6**	**2.0**	**7.8**	

Source: UBS.

4. Non NVIDIA scale-up opportunity

Non-NVIDIA scale-up uses accelerator rack shipments x optical attach rate x FAUs per rack, producing about 0.5m units in 2028 and 3.7m in 2030.

Figure 8: ASIC market could drive additional compute board optics could drive 3.7mn FAUs in 2030

	2028			2030			Assumption
Non-NV scale up	**Downside**	**Base**	**Upside**	**Downside**	**Base**	**Upside**	
ASIC rack shipments (k)	43.6	48.5	50.9	76.6	85.1	89.3	*Trainium 4/5/6, MI500, MI600, Jalapeno
Addressable NPO/CPO attach rate (%)	0%	5%	10%	5%	15%	25%	
NPO/CPO connected racks (k)	**0.0**	**2.4**	**5.1**	**3.8**	**12.8**	**22.3**	
Accelerators per rack	72	72	72	72	72	72	Average accelerators per rack
FAUs per accelerator	2.5	3.0	4.0	2.5	4.0	4.5	
Optical build-out (% of full)	56%	67%	89%	56%	89%	100%	% of rack to rack bandwidth wired to optics
Scale-up per non-NVIDIA accelerator (Tb)	14.4	14.4	14.4	28.8	28.8	28.8	
FAUs per connected racks	180	216	288	180	288	324	
Non-NV # of FAUs (mn)	**0.0**	**0.5**	**1.5**	**0.7**	**3.7**	**7.2**	

Source: UBS

Overall market opportunity: 12.3mn/35.6mn generates a US$1.85bn/US $4.5bn TAM in 2028/2030

We sum four pools: scale-out/scale-across switches, NVIDIA multi-rack pods, CPO native NVIDIA GPUs and non-NVIDIA scale-up. We add 10%/5% for FAUs lost at downstream attach and test and for field spares, driving a market size of in our base case of 12.3mn FAUs in 2028 and 35.6mn in 2030. At US$150/US$125 per FAU, that is a US$1.85bn market in 2028 and US$4.5bn in 2030 (bear/bull US$0.5bn/US$3.5bn in 2028; US $1.4bn/US$9.0bn in 2030). The expansion to 2030 comes from wider optical adoption and greater content in scale-up systems, despite an assumed FAU ASP decline from US $150 to US$125.

Figure 9: Summary of FAU drivers: 12.3mn/35.6mn base case in 2028-2030

	2028			2030		
Summary of FAU drivers	**Downside**	**Base**	**Upside**	**Downside**	**Base**	**Upside**
Scale out/Scale across # of FAUs (mn)	2.5	8.0	10.8	9.1	19.4	24.8
NV scale up # of FAUs (mn)	0.9	2.7	5.8	2.8	8.9	17.2
NV optical GPU # of FAUs (mn)	0.0	0.0	0.0	0.6	2.0	7.8
Non-NV # of FAUs (mn)	0.0	0.5	1.5	0.7	3.7	7.2
Downstream yield loss and spares	10%	10%	10%	5%	5%	5%
FAUs (mn units)	**3.7**	**12.3**	**19.8**	**13.9**	**35.6**	**59.9**
FAU ASP	$125	$150	$175	$100	$125	$150
Total FAU TAM (US$bn)	**$0.5**	**$1.8**	**$3.5**	**$1.4**	**$4.5**	**$9.0**

Source: UBS

Scenario analysis on Largan's CPO opportunity

Our base case gives Largan the benefit of the doubt for successfully ramping up a full FAU production and capturing 25% of the overall FAU TAM, yielding NT$35 of 2028E EPS, about 16% of our 2028E lens EPS. A 25% share means 3.1mn FAUs in its first full year of production: about 29% of NVIDIA-linked units and roughly three-quarters of the allocation our checks suggest its module partner holds. We book these at the full US $150 FAU price and 50% gross margin, allowing for an early-supply premium even though the optics, V-grooves and carrier parts are bought in. That gives 2028E CPO sales of US$462mn, rising to US$1.1bn and NT$84 of EPS in 2030 on a larger market.

Our bear case (15% share, 45% GM) gives NT$5 of CPO EPS in 2028E and NT$14 in 2030E; our bull case (35% share, 55% GM) gives NT$103 and NT$267. Each 5ppt of share moves 2028E CPO EPS by ~NT$6.9 (~NT$340/share at 49x), and each 5ppt of gross margin by ~NT$4.6 (~NT$225/share). If gross margin were 35% rather than 50%, holding operating expenses at 12% of sales, EPS would fall to approximately NT$21. A next-generation shift in lens or coupling design could also change content and alignment requirements including a potential metalens design which could invite in different suppliers.

Our 2030 base case implies ~8.9mn Largan FAUs a year (21mn in the upside case), though with risks around competition in a crowded field, yields and technology. A shift to semiconductor-made optics or metalens would loosen alignment tolerances and erode the precision premium behind Largan's pitch. The upside lies in direct work with cloud providers on multi-row FAs from 2028, where Largan's multi-layer alignment is most differentiated.

Figure 10: Largan downside/base/upside cases for 2028 and 2030

Largan CPO	2028			2030		
Scenario analysis	**Downside**	**Base**	**Upside**	**Downside**	**Base**	**Upside**
FAUs (mn units)	3.7	12.3	19.8	13.9	35.6	59.9
FAU ASP	125	150	175	100	125	150
Total FAU TAM (US$mn)	**$461**	**$1,847**	**$3,461**	**$1,389**	**$4,452**	**$8,980**
Largan Sales (US$mn)	**$69.1**	**$461.9**	**$1,211.3**	**$208.3**	**$1,113.1**	**$3,142.8**
Largan share of the TAM (%)	15%	25%	35%	15%	25%	35%
GM %	45%	50%	55%	45%	50%	55%
Pretax %	33%	38%	43%	33%	38%	43%
Pretax income (US$mn)	**$22.8**	**$175.5**	**$520.8**	**$68.7**	**$423.0**	**$1,351.4**
Tax	18%	18%	18%	18%	18%	18%
Net income (US$mn)	**$18.7**	**$143.9**	**$427.1**	**$56.4**	**$346.8**	**$1,108.2**
Net income (NT$mn)	**$589**	**$4,533**	**$13,453**	**$1,776**	**$10,925**	**$34,907**
EPS (NT$)	**$5**	**$35**	**$103**	**$14**	**$84**	**$267**
Shares	130.8	130.8	130.8	130.8	130.8	130.8

Source: UBS

Valuation and investment implications

We roll our valuation forward to 2028E and value Largan on a sum of the parts. We value the lens business at NT$3,300 (15x 2028E EPS, the middle of Largan's 13–18x historical range) and CPO at NT$1,700 (49x our base-case 2028E CPO EPS of NT$35, near the top of optical peers' 14–54x). Our base case gives Largan 25% of a 12.3mn-unit, US$1.85bn FAU market at US$150 per unit and a 50% gross margin. The 49x multiple also assigns a substantial value to a business whose complete assembly still requires qualification and whose margins still need to demonstrate can reach similar levels to its mature smartphone business. At ~NT$6,660 recent share price level, the shares imply ~NT$69 of 2028E CPO EPS, about twice our base case.

Upside risks include faster full-FAU qualification, firm volume commitments from additional customers, stronger lens demand and better yields. Near-term catalysts are the customer's capacity forecast and its visit to the new fab in the coming month. A large forecast or faster FAU plus carrier qualification would be upside risks to our sell.

Figure 11: UBS SOTP valuation for Largan

(NT$)		UBSe			Prior UBS		Upside Case			Downside Case		
	2025	**2026**	**2027**	**2028**	**2026**	**2027**	**2026**	**2027**	**2028**	**2026**	**2027**	**2028**
Lens Business ex-CPO												
Sales	$61,148	$61,550	$67,438	$79,464	$67,869	$77,189	$62,166	$70,135	$82,642	$59,704	$64,066	$75,491
YoY Growth	2.8%	0.7%	9.6%	17.8%	11.0%	13.7%	1.7%	12.8%	17.8%	-2.4%	7.3%	17.8%
Gross Profit	**$30,837**	**$28,386**	**$32,008**	**$38,823**	**$33,718**	**$38,405**	**$28,981**	**$34,410**	**$41,699**	**$26,997**	**$29,446**	**$35,750**
GM%	**50.4%**	**46.1%**	**47.5%**	**48.9%**	**49.7%**	**49.8%**	**46.6%**	**49.1%**	**50.5%**	**45.2%**	**46.0%**	**47.4%**
Opex	$7,279	$7,247	$7,857	$8,714	$7,781	$8,609	$7,283	$8,015	$8,888	$7,138	$7,661	$8,496
Op Profit	**$23,558**	**$21,139**	**$24,150**	**$30,110**	**25,937**	**29,796**	**21,697**	**$26,396**	**$32,811**	**19,858**	**$21,785**	**$27,254**
OpM%	**38.5%**	**34.3%**	**35.8%**	**37.9%**	**38.2%**	**38.6%**	**34.9%**	**37.6%**	**39.7%**	**33.3%**	**34.0%**	**36.1%**
Non-Op	$2,342	$4,847	$4,467	$4,595	$4,518	$4,467	$4,847	$4,467	$4,595	$4,847	$4,467	$4,595
Pretax	$25,900	$25,986	$28,618	$34,705	$30,455	$34,263	$26,545	$30,863	$37,405	$24,706	$26,253	$31,849
Tax	($4,340)	($4,379)	($5,050)	($5,900)	($5,369)	($6,244)	($4,473)	($5,447)	($6,601)	($4,163)	($4,633)	($5,621)
Net income	**$21,275**	**$21,385**	**$23,567**	**$28,805**	**$24,877**	**$28,019**	**$21,849**	**$25,416**	**$30,804**	**$20,321**	**$21,620**	**$26,228**
EPS	**$159.41**	**$163.33**	**$180.00**	**$220.00**	**$190.00**	**$214.00**	**$166.88**	**$194.12**	**$235.28**	**$155.20**	**$165.13**	**$200.32**
Shares	133	131	131	131	131	131	131	131	131	131	131	131
EPS vs. base case							**-94.1%**	**7.8%**	**6.9%**	**-5.0%**	**-8.3%**	**-8.9%**
Current Price		**$6,660**										
P/E				15		15			16			14
Implied Valuation				**$3,300**		**$3,270**			**$3,670**			**$2,810**
CPO Scenario												
EPS				**$35**		**$35**			**$103**			**$5**
P/E				49		50			52			47
Implied Valuation				**$1,700**		**$1,730**			**$5,300**			**$210**
Total Largan												
Implied Share Price				**$5,000**		**$5,000**			**$8,970**			**$3,020**
Upside/Downside				**-25%**					**35%**			**-55%**

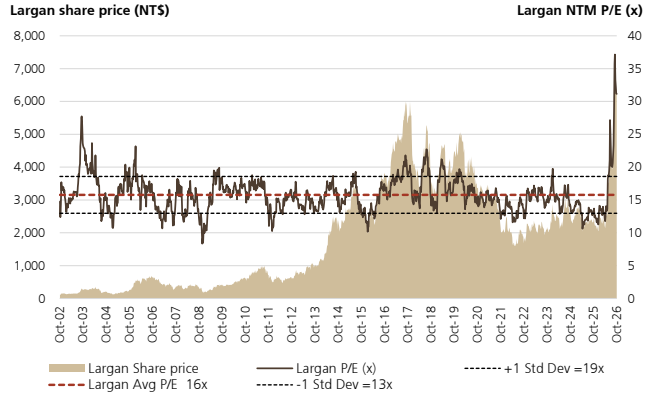
Source: Company data, UBS estimates

Figure 12: Optical component peers average 27x 2028 with a broad range of 12-75x 2028 P/E

Optical		Market	Price	Price	P/E		EPS (LC$)				Earnings growth (%)			PE (x)			ROE (%)			Historical P/E (x)		
Company	Ticker	cap (US$m)	11-Oct (LC$)	target (LC$)	target (x)	Rating	2025	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E	-1 Std Dev	Avg.	+1 Std Dev
Lens																						
Largan	3008.TW	27,378	6,660.0	5,000	23.4	Sell	176.92	188.21	214.00	250.66	4.4	13.7	17.1	35.4	31.1	26.6	12.7	13.7	14.8	13.1	15.9	18.8
Genius	3406.TW	3,741	1,060.0	1,250	16.9	Buy	36.28	38.72	41.47	47.75	6.7	7.1	15.1	27.4	25.6	22.2	15.8	15.6	16.4	1.1	2.3	3.5
Average											**5.5**	**5.5**	**5.5**	**5.5**	**5.5**	**5.5**	**5.5**	**5.5**	**5.5**	**5.5**	**5.5**	**5.5**
CPO Supply Chain																						
Lumentum	LITE.O	93,344	1,103.4	960	40.4	Neutral	2.12	10.52	23.78	35.81	434.4	160.4	51.7	52.0	56.0	37.9	27.1	36.1	37.9	8.5	19.4	30.3
Corning	GLW.N	137,095	156.7	201	42.1	Buy	2.57	3.34	4.78	7.12	30.6	43.5	47.3	47.7	33.4	22.4	22.9	31.8	41.1	-168.2	32.9	234.0
Coherent	COHR.N	123,129	312.6	-	-	-	4.49	7.42	11.74	16.82	86.0	64.0	42.0	42.1	26.6	18.6	13.5	19.7	23.8	14.1	19.6	25.1
Senko	9069.T	416,040	2,368.0	-	-	-	119.98	140.89	159.70	171.34	19.5	12.8	7.4	16.8	14.8	13.8	10.4	11.3	11.6	9.2	11.6	14.0
TFC	300394.SZ	256,388	235.0	-	-	-	2.02	3.32	5.36	6.88	65.5	60.7	28.5	70.8	43.9	34.2	47.0	47.4	42.1	21.2	33.9	46.5
FOCI	3363.TWO	75,798	667.0	-	-	-	0.85	0.22	13.89	43.01	(66.3)	6684.0	210.2	3,102.3	48.0	15.5	-1.6	39.2	74.6	51.6	115.2	178.8
EZconn	6442.TW	146,044	1,785.0	-	-	-	20.95	62.01	130.00	NULL	206.9	109.6	n.a.	28.8	13.7	n.a.	56.1	63.9	NULL	12.9	23.7	34.5
Himax	HIMX.N	2,320	13.3	-	-	-	0.32	0.52	1.01	1.96	62.3	88.2	93.5	25.5	13.2	6.8	10.5	14.5	26.1	0.6	21.5	42.3
Browave	3163.TWO	65,204	689.0	-	-	-	4.36	9.33	21.17	NULL	n.a.	n.a.	n.a.	73.8	32.5	n.a.	22.2	38.6	NULL	10.1	32.2	54.2
VisEra	6789.TW	153,102	481.0	-	-	-	3.60	6.13	7.45	8.95	70.9	21.5	20.2	78.4	64.6	53.7	10.7	13.3	12.2	31.3	50.4	69.6
Average											**101.1**	**805.0**	**62.6**	**353.8**	**34.7**	**25.4**	**21.9**	**31.6**	**33.7**	**-0.9**	**36.0**	**72.9**
Optical Average											**76.4**	**606.4**	**50.7**	**325.1**	**35.5**	**27.2**	**19.9**	**27.5**	**28.6**	**1.2**	**30.5**	**59.8**

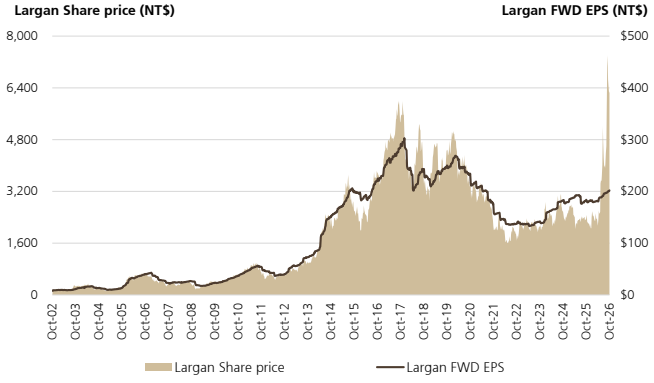
Source: UBSe, Eikon

Figure 13: Share price rally has re-rated Largan well above its historical range



Source: LSEG Workspace

Figure 14: Largan's share price has run well ahead of forward EPS as investors price in CPO



Source: LSEG Workspace

Figure 15: UBS P&L for Largan - mild growth at lower margins in recent years

Ticker		3008.TW	Current Price (NT$)			$6,660
Shares outstanding (mn)		130.8	Mkt cap (NT$ mn)			$871,115
Year	**2022**	**2023**	**2024**	**2025**	**2026E**	**2027E**
Revenues (NT$ mn)	**$47,675**	**$48,842**	**$59,458**	**$61,148**	**$61,550**	**$67,438**
YoY Growth (%)		**2.4%**	**21.7%**	**2.8%**	**0.7%**	**9.6%**
Gross profit (NT$mn)	$26,083	$23,794	$31,209	$30,837	$28,386	$32,008
GM (%)	**54.7%**	**48.7%**	**52.5%**	**50.4%**	**46.1%**	**47.5%**
Operating profit (NT$mn)	$20,384	$17,807	$24,033	$23,558	$21,139	$24,150
OPM (%)	**42.8%**	**36.5%**	**40.4%**	**38.5%**	**34.3%**	**35.8%**
Net profit (NT$ mn)	$22,625	$17,902	$25,915	$21,275	$21,385	$23,567
EPS (NT$)	**$169.52**	**$134.13**	**$194.17**	**$159.41**	**$163.33**	**$180.00**
EPS growth (%)		-21%	45%	-18%	2%	10%
P/E (x)	**39.3**	**49.7**	**34.3**	**41.8**	**40.8**	**37.0**
Dividend yield (%)	2%	1.1%	1.2%	1.3%	2.0%	1.2%
P/B (x)	**5.7**	**5.4**	**4.8**	**4.7**	**4.4**	**4.1**
ROE (%)	15%	11%	14%	11%	11%	12%

Quarters	Q325	Q425	Q126	Q226	Q326E	Q426E
Revenues (NT$ mn)	**$17,677**	**$17,219**	**$15,544**	**$13,665**	**$15,651**	**$16,690**
QoQ Growth (%)		**-2.6%**	**-9.7%**	**-12.1%**	**14.5%**	**6.6%**
Gross profit (NT$mn)	$8,352	$8,260	$7,680	$6,753	$6,607	$7,346
GM (%)	**47.2%**	**48.0%**	**49.4%**	**49.4%**	**42.2%**	**44.0%**
Operating profit (NT$mn)	$6,265	$6,329	$5,812	$5,148	$4,735	$5,443
OPM (%)	**35.4%**	**36.8%**	**37.4%**	**37.7%**	**30.3%**	**32.6%**
Net profit (NT$ mn)	$7,080	$6,720	$6,123	$4,670	$5,182	$5,409
EPS (NT$)	**$53.05**	**$50.35**	**$45.88**	**$34.99**	**$39.58**	**$41.32**

Source: Company data, UBS estimates. Note: 2026E EPS based on reported.

Figure 16: UBS Cash Flow Summary - staying positive to invest in CPO

Annual (NT$mn)	2021	2022	2023	2024	2025	2026E	2027E	21-25 Avg
Revenue	$46,962	$47,675	$48,842	$59,458	$61,148	$61,550	$67,438	$52,817
Capital spending	$5,850	$8,256	$8,080	$11,126	$12,338	$11,721	$11,135	$9,130
Capex/revenue (%)	**12%**	**17%**	**17%**	**19%**	**20%**	**19%**	**17%**	**17%**
Dep and amort	$4,650	$5,031	$5,299	$6,038	$7,511	$9,221	$10,460	$5,706
Depr/revenue (%)	**10%**	**11%**	**11%**	**10%**	**12%**	**15%**	**16%**	**11%**
Operating cash flow	$20,878	$44,207	$18,199	$31,579	$26,080	$20,614	$33,003	$28,188
Free cash flow	**$15,028**	**$35,951**	**$10,118**	**$20,453**	**$13,743**	**$8,893**	**$21,868**	**$19,058**

FCF and Dividends	2021	2022	2023	2024	2025	2026E	2027E	21-25 Avg
FCF / share (NT$)	$112	$269	$76	$153	$103	$68	$167	$143
FCF / EV Yield (%)	**2%**	**5%**	**1%**	**3%**	**2%**	**1%**	**3%**	**3%**
FCF Yield (%)	**2%**	**4%**	**1%**	**2%**	**2%**	**1%**	**3%**	**2%**
Dividend/share (NT$)	$91.51	$109.66	$72.50	$81.00	$85.50	$131.95	$81.89	$88.03
Payout rate (%)	**50%**	**79%**	**43%**	**60%**	**44%**	**83%**	**50%**	**55%**
Dividend amount (NT$)	$12,274	$14,636	$9,676	$10,811	$11,412	$17,276	$10,722	$11,762
Pre-Dividend close (NT$)	$3,040.00	$1,990.00	$2,310.00	$3,120.00	$2,260.00	$6,660.00	$6,660.00	
Dividend Yield (%)	**3.0%**	**5.5%**	**3.1%**	**2.6%**	**3.8%**	**2.0%**	**1.2%**	**3.6%**

Source: Company data, UBS estimates

Largan Precision (3008.TW)

Income Statement (NT$m)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Revenues	**48,842**	**59,458**	**61,148**	**61,550**	*0.7*	**67,438**	*9.6*	**79,464**	**78,546**	**81,569**
Gross profit	23,794	31,209	30,837	28,386	*-7.9*	32,008	*12.8*	38,823	38,398	39,903
EBITDA (UBS)	**23,106**	**30,070**	**31,069**	**30,360**	*-2.3*	**34,610**	*14.0*	**41,028**	**41,108**	**42,938**
Depreciation & amortisation	(5,299)	(6,038)	(7,511)	(9,221)	*-22.8*	(10,460)	*-13.4*	(10,918)	(11,621)	(12,290)
EBIT (UBS)	**17,807**	**24,033**	**23,558**	**21,139**	*-10.3*	**24,150**	*14.2*	**30,110**	**29,487**	**30,648**
Associates & investment income	212	0	3	12	*352.1*	11	*-7.1*	11	11	11
Other non-operating income	294	303	419	458	*9.5*	200	*-56.4*	200	200	200
Net interest	3,934	4,404	4,259	3,946	*-7.3*	4,256	*7.9*	4,384	4,516	4,651
Exceptionals (incl goodwill)	(145)	3,435	(2,338)	432	*-*	0	*-*	0	0	0
Pre-tax profit	**22,102**	**32,174**	**25,900**	**25,986**	*0.3*	**28,618**	*10.1*	**34,705**	**34,213**	**35,510**
Tax	(4,200)	(5,963)	(4,340)	(4,379)	*-0.9*	(5,050)	*-15.3*	(5,900)	(5,816)	(6,037)
Profit after tax	**17,902**	**26,211**	**21,560**	**21,607**	*0.2*	**23,567**	*9.1*	**28,805**	**28,397**	**29,473**
Preference dividends	0	0	0	0	*-*	0	*-*	0	0	0
Minorities	0	(296)	(285)	(222)	*22.1*	0	*-*	0	0	0
Extraordinary items	0	0	0	0	*-*	0	*-*	0	0	0
Net earnings (local GAAP)	**17,902**	**25,915**	**21,275**	**21,385**	*0.5*	**23,567**	*10.2*	**28,805**	**28,397**	**29,473**
Net earnings (UBS)	**18,047**	**22,480**	**23,613**	**20,953**	*-11.3*	**23,567**	*12.5*	**28,805**	**28,397**	**29,473**
Tax rate (%)	19.0	18.5	16.8	16.9	*0.6*	17.6	*4.7*	17.0	17.0	17.0

Per Share (NT$)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
EPS (UBS, diluted)	135.22	168.43	176.92	160.04	*-9.5*	180.00	*12.5*	220.00	216.89	225.11
EPS (local GAAP, diluted)	134.13	194.17	159.41	163.33	*2.5*	180.00	*10.2*	220.00	216.89	225.11
EPS (UBS, basic)	135.22	168.43	176.92	160.04	*-9.5*	180.00	*12.5*	220.00	216.89	225.11
DPS (net) (NT$)	85.50	67.50	97.50	80.00	*-17.9*	81.97	*2.5*	90.34	110.41	108.85
Cash EPS (UBS, diluted) [1]	174.92	213.67	233.20	230.47	*-1.2*	259.89	*12.8*	303.39	305.65	318.97
Book value per share	1,234.64	1,382.91	1,430.07	1,518.08	*6.2*	1,616.11	*6.5*	1,745.87	1,849.64	1,963.23
Average shares (diluted)	133	133	133	131	*-1.9*	131	*0.0*	131	131	131

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	111,655	117,985	122,309	109,131	*-10.8*	120,267	*10.2*	127,842	144,348	160,697
Other current assets	22,666	27,779	31,977	42,218	*32.0*	45,034	*6.7*	56,368	55,712	57,851
Total current assets	**134,321**	**145,764**	**154,285**	**151,350**	*-1.9*	**165,301**	*9.2*	**184,210**	**200,060**	**218,547**
Net tangible fixed assets	41,135	46,936	51,472	54,428	*5.7*	55,103	*1.2*	54,763	53,191	50,448
Net intangible fixed assets	0	0	0	0	*-*	0	*-*	0	0	0
Investments / other assets	19,682	23,827	15,029	23,254	*54.7*	24,367	*4.8*	24,215	24,225	24,236
Total assets	**195,138**	**216,527**	**220,787**	**229,032**	*3.7*	**244,770**	*6.9*	**263,188**	**277,476**	**293,232**
Trade payables & other ST liabilities	29,517	30,375	29,749	30,078	*1.1*	32,982	*9.7*	34,573	35,276	36,158
Short term debt	0	203	0	0	*-*	0	*-*	0	0	0
Total current liabilities	**29,517**	**30,578**	**29,749**	**30,078**	*1.1*	**32,982**	*9.7*	**34,573**	**35,276**	**36,158**
Long term debt	0	0	0	0	*-*	0	*-*	0	0	0
Other long term liabilities	110	561	171	194	*13.7*	194	*0.0*	31	31	31
Preferred shares	0	0	0	0	*-*	0	*-*	0	0	0
Total liabilities (incl pref shares)	**29,627**	**31,139**	**29,919**	**30,272**	*1.2*	**33,176**	*9.6*	**34,604**	**35,307**	**36,189**
Common s/h equity	**165,510**	**185,388**	**190,868**	**198,760**	*4.1*	**211,594**	*6.5*	**228,584**	**242,170**	**257,042**
Minority interests	0	0	0	0	*-*	0	*-*	0	0	0
Total liabilities & equity	**195,138**	**216,527**	**220,787**	**229,032**	*3.7*	**244,770**	*6.9*	**263,188**	**277,476**	**293,232**

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)	17,902	25,915	21,275	21,385	*0.5*	23,567	*10.2*	28,805	28,397	29,473
Depreciation & amortisation	5,299	6,038	7,511	9,221	*22.8*	10,460	*13.4*	10,918	11,621	12,290
Net change in working capital	(8,990)	(6,633)	(7,328)	(1,082)	*85.2*	(6,064)	*NM*	(9,743)	1,359	(1,256)
Other operating	(212)	295	282	210	*-25.5*	5,040	*NM*	(11)	(11)	(11)
Operating cash flow	**13,999**	**25,615**	**21,740**	**29,735**	*36.8*	**33,003**	*11.0*	**29,968**	**41,366**	**40,496**
Tangible capital expenditure	(8,080)	(11,126)	(12,338)	(11,721)	*5.0*	(11,135)	*5.0*	(10,578)	(10,049)	(9,547)
Intangible capital expenditure	0	0	0	0	*-*	0	*-*	0	0	0
Net (acquisitions) & disposals	(2,111)	(13)	(1,200)	962	*-*	0	*-*	0	0	0
Other investing	(959)	(4,927)	4,302	(965)	*-*	0	*-*	0	0	0
Investing cash flow	**(11,151)**	**(16,066)**	**(9,236)**	**(11,724)**	*-26.9*	**(11,135)**	*5.0*	**(10,578)**	**(10,049)**	**(9,547)**
Equity dividends paid	(9,676)	(10,811)	(11,412)	(17,276)	*-51.4*	(10,732)	*37.9*	(11,816)	(14,811)	(14,601)
Share issues / (buybacks)	0	0	0	0	*-*	0	*-*	0	0	0
Other financing	(34)	1,255	(2,937)	(4,133)	*-40.7*	0	*-*	0	0	0
Change in debt & pref shares	(19)	212	(212)	0	*-*	0	*-*	0	0	0
Financing cash flow	**(9,729)**	**(9,344)**	**(14,561)**	**(21,408)**	*-47.0*	**(10,732)**	*49.9*	**(11,816)**	**(14,811)**	**(14,601)**
Cash flow inc/(dec) in cash	**(6,881)**	**205**	**(2,057)**	**(3,398)**	*-65.2*	**11,136**	*-*	**7,575**	**16,506**	**16,349**
FX / non cash items	6,823	6,125	6,380	(9,780)	*-*	0	*-*	0	0	0
Balance sheet inc/(dec) in cash	**(59)**	**6,330**	**4,324**	**(13,177)**	*-*	**11,136**	*-*	**7,575**	**16,506**	**16,349**

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.

Largan Precision (3008.TW)

Valuation (x)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
P/E (local GAAP, diluted)	16.4	13.1	14.8	40.8	37.0	30.3	30.7	29.6
P/E (UBS, diluted)	16.2	15.1	13.3	41.6	37.0	30.3	30.7	29.6
P/CEPS	12.6	11.9	10.1	28.9	25.6	22.0	21.8	20.9
Equity FCF (UBS) yield %	2.0	4.3	3.0	2.1	2.5	2.2	3.6	3.5
Dividend yield (net) %	3.9	2.7	4.1	1.2	1.2	1.4	1.7	1.6
P/BV	1.8	1.8	1.6	4.4	4.1	3.8	3.6	3.4
EV/revenues (core)	3.6	3.6	3.1	NM	NM	9.3	9.3	8.7
EV/EBITDA (UBS core)	7.7	7.1	6.0	24.7	21.7	18.1	17.7	16.6
EV/EBIT (core)	10.0	8.9	8.0	35.4	31.1	24.6	24.7	23.2
EV/OpFCF (core)	8.1	7.4	6.3	25.1	22.0	18.0	17.7	16.5
EV/op. invested capital	3.9	4.1	3.3	10.7	9.3	8.6	8.2	8.2

Enterprise value (NT$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Market cap.	294,465	340,820	315,906	874,578	874,578	874,578	874,578	874,578
Net debt (cash)	(111,675)	(114,718)	(120,045)	(115,720)	(114,699)	(124,054)	(136,095)	(152,522)
Buy out of minorities	0	0	0	0	0	0	0	0
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	**182,790**	**226,102**	**195,861**	**758,858**	**759,879**	**750,524**	**738,483**	**722,055**
Non core assets	(4,916)	(12,460)	(8,517)	(9,934)	(9,945)	(9,955)	(9,966)	(9,976)
Core enterprise value	**177,874**	**213,642**	**187,344**	**748,924**	**749,934**	**740,568**	**728,517**	**712,079**

Growth (%)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenue	2.4	21.7	2.8	0.7	9.6	17.8	(1.2)	3.8
EBITDA (UBS)	(9.1)	30.1	3.3	(2.3)	14.0	18.5	0.2	4.5
EBIT (UBS)	(12.6)	35.0	(2.0)	(10.3)	14.2	24.7	(2.1)	3.9
EPS (UBS, diluted)	3.8	24.6	5.0	(9.5)	12.5	22.2	(1.4)	3.8
Net DPS	21.9	(21.1)	44.4	(17.9)	2.5	10.2	22.2	(1.4)

Margins & Profitability (%)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Gross profit margin	48.7	52.5	50.4	46.1	47.5	48.9	48.9	48.9
EBITDA margin	47.3	50.6	50.8	49.3	51.3	51.6	52.3	52.6
EBIT (UBS) margin	36.5	40.4	38.5	34.3	35.8	37.9	37.5	37.6
Net earnings (UBS) margin	37.0	37.8	38.6	34.0	34.9	36.2	36.2	36.1
ROIC (EBIT)	39.3	46.2	40.9	30.3	30.1	35.1	33.1	35.3
ROIC post tax	31.8	36.6	34.6	25.1	24.8	29.1	27.5	29.3
ROE (UBS)	11.3	12.8	12.6	10.8	11.5	13.1	12.1	11.8

Capital structure & Coverage (x)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Net debt / EBITDA	(4.8)	(3.9)	(3.9)	(3.6)	(3.5)	(3.1)	(3.5)	(3.7)
Net debt / total equity %	(67.5)	(63.5)	(64.1)	(54.9)	(56.8)	(55.9)	(59.6)	(62.5)
Net debt / (net debt + total equity) %	NM	NM	NM	NM	NM	NM	NM	NM
Net debt/EV %	(61.1)	(50.7)	(61.3)	(15.2)	(15.1)	(16.5)	(18.4)	(21.1)
Capex / depreciation %	152.5	184.3	164.3	127.1	106.5	96.9	86.5	77.7
Capex / revenue %	16.5	18.7	20.2	19.0	16.5	13.3	12.8	11.7
EBIT / net interest	-	-	-	-	-	-	-	-
Dividend cover (UBS)	1.6	2.5	1.8	2.0	2.2	2.4	2.0	2.1
Div. payout ratio (UBS) %	63.2	40.1	55.1	50.0	45.5	41.1	50.9	48.4

Revenues by division (NT$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Others	48,842	59,458	61,148	61,550	67,438	79,464	78,546	81,569
Total	**48,842**	**59,458**	**61,148**	**61,550**	**67,438**	**79,464**	**78,546**	**81,569**

EBIT (UBS) by division (NT$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Others	17,807	24,033	23,558	21,139	24,150	30,110	29,487	30,648
Total	**17,807**	**24,033**	**23,558**	**21,139**	**24,150**	**30,110**	**29,487**	**30,648**

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

Forecast returns

Forecast price appreciation	-24.9%
Forecast dividend yield	1.2%
Forecast stock return	-23.7%
Market return assumption	6.3%
Forecast excess return	-30.0%

Company Description

Founded in 1987, Largan Precision (Largan) is one of the world's leading manufacturers of lenses used in cameras and IT products. It specialises in plastic/hybrid lenses and, to a lesser extent, glass lenses and modules. In 2022, 20MP+ camera lenses were 10-20% of Largan's shipment mix, 10MP lenses were 50-60%, 8MP lenses were 0-10% and other lenses were 30-40%.

Valuation Method and Risk Statement

Our price target is based on SOTP valuation on the CPO opportunity and traditional lens business.
We think Largan's downside risks include: 1) ongoing pricing pressure from smartphone OEM clients and increasingly intense competition among lens suppliers; and 2) a slower-than-expected smartphone demand recovery in China, and 3) CPO commercial success below the market's elevated expectations.
We believe the key upside risk is a faster-than-expected CPO qualification process at Largan. In addition, if the company demonstrates exceptionally efficient and highly accurate automation capabilities, it could support greater market share gains within the industry than we currently anticipate.

Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at https://neo.ubs.com/quantitative, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

Largan Precision

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)	3
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)	3
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)	4
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)	2
5. What's driving the difference?	We expect downside to consensus in 2026 due to slower smartphone sales through August. We indicate things getting better for the stock in the past 3-6 months on the smartphone traction.
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)	2
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	Negative 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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12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	55%	24%
Neutral	FSR is between -6% and 6% of the MRA.	39%	20%
Sell	FSR is > 6% below the MRA.	6%	21%

Source: UBS. Rating allocations are as of 30 September 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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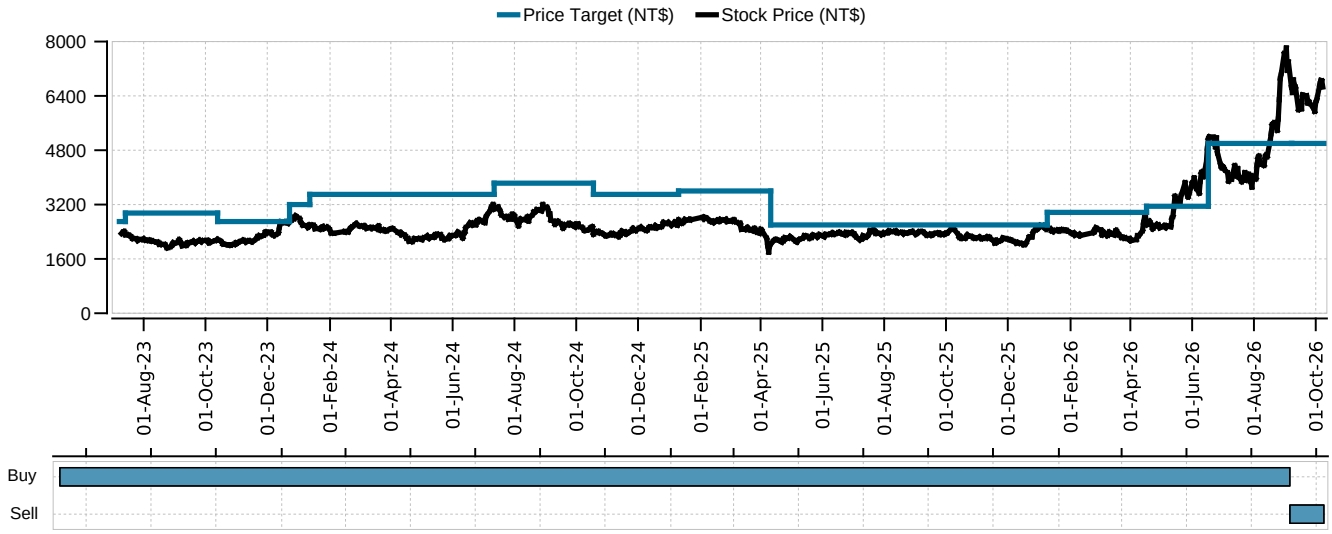
Company Disclosures

Company Name	Reuters	12-month rating	Price	Price date
Largan Precision[28]	3008.TW	Sell	NT$6,660	08 Oct 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.
28. UBS holds a long position of 0.5% or more of the listed shares of this company.

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Largan Precision (NT$)



Date	Stock Price (NT$)	Price Target (NT$)	Rating
2023-07-07	2340.00	2700.00	Buy
2023-07-13	2405.00	2950.00	Buy
2023-10-12	2150.00	2700.00	Buy
2023-12-22	2650.00	3200.00	Buy
2024-01-11	2550.00	3500.00	Buy
2024-07-11	3200.00	3830.00	Buy
2024-10-17	2545.00	3500.00	Buy
2025-01-09	2595.00	3600.00	Buy
2025-04-10	1980.00	2600.00	Buy
2026-01-08	2475.00	2970.00	Buy
2026-04-16	2820.00	3150.00	Buy
2026-06-16	4860.00	5000.00	Buy
2026-09-06	7400.00	5000.00	Sell

Source: UBS Global Research; LSEG Eikon as of 08-Oct-2026. All prices as of local market close. Ratings as of date shown.

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