UBS

Global Research
13 July 2026

First Read

Genius Electronic Optical

Supplementing core lens with CPO components

Equities	
Taiwan	
Electric Components & Equipment	
12-month rating	**Buy**
12m price target	**NT$700.00**
	Prior : NT$610.00
Price (13 Jul 2026)	**NT$609.00**

RIC: 3406.TW **BBG:** 3406 TT

Trading data and key metrics

52-wk range	NT$774.00-396.00
Market cap.	NT$68.7b/US$2.14b
Shares o/s	113m (ORD)
Free float	64%
Avg. daily volume ('000)	3,228
Avg. daily value (m)	NT$2,035.1
Common s/h equity (12/26E)	NT$28.8b
P/BV (12/26E)	2.4x
Net debt to EBITDA (12/26E)	NM

EPS (UBS, diluted) (NT$)

	From	To	% ch	Cons.
12/26E	39.57	38.97	-2	36.21
12/27E	42.00	41.80	-0	39.09
12/28E	44.69	44.63	-0	43.67

Randy Abrams
Analyst
randy.abrams@ubs.com
+886-2-8722 7338

Diana Chang
Analyst
diana.chang@ubs.com
+886-2-8722 7335

Annie Chen
Associate Analyst
annie.chen@ubs.com
+886-2-8722 7281

Q226 smartphone lens strength lifts sales above seasonal despite slower VR

Genius' Q226 sales was above seasonal at NT$5.7bn, -8% QoQ, between UBSe/Street -3%/-12% QoQ, with smartphone lens resilient from a strong iPhone 17 cycle, although light of UBSe due to sharper decline in VR lens. Sales in Q226 grew 19% YoY, outpacing the +16% YoY growth from Largan as Genius gained share for periscope lens for premium models. We expect Q2 GM/OpM to stay resilient at 33.1%/17.4% with some upside on improving product mix with less lower-margin VR declining from ~10% of revenue to <5% in 2026, and forecast Q2 EPS of NT$7.90.

H226 lens demand tracking broadly in line with last year

We expect H226 builds flattish YoY, with smartphone demand from its largest customer tracking in-line with last year despite concerns over handset price hikes. Initial pull-ins started in June and will begin ramping from July, while foldable shipments in H226 could provide incremental support. We model Q326 up 4% YoY and 41% QoQ to NT$8bn and full year 2026-27 at +8%/11% YoY growth, reflecting continued spec upgrades, partially offset by a slowdown in VR demand while AR projects could drive growth in 2027-28. We keep GM/OpM improving YoY to 34%/20% as yield improvements and solid UT help price down components on existing models. Management noted raw materials stocked up in advance and see better pricing on new products to support margins. We see 2027 boosted by full-year foldable ramps, potential new lens spec noted on Largan's recent result and new product introduction for AR lens products to offset weaker volumes from high component costs lifting smartphone prices.

CPO component samples delivered to address a potential US$1bn TAM

Genius is now sampling three components for CPO, including: 1) high-precision prism to collimate light from the PIC into the fibers, 2) V-groove/key slot to precisely hold the fibers in place, and 3) MT ferrules (high density plastic connector bundling and aligning fibers. The company sent samples to its FAU partner at the end of May for customer evaluation. Similar to Largan, we see a wide range of outcomes on this market, with TAM potentially reaching US$960mn on our base case by 2028 at 100k switches x 64 FAUs per switch x US$150 ASP with an side downside range of US$600mn to US$3.8bn. We estimate base case for Genius could scale to NT$2.1bn revenue by 2028 if it can secure 10% share of its components.

Introducing SOTP to Reflect CPO optionality; maintain Buy and lift PT to NT$700

We revise our PT from NT$610 to NT$700 based on NT$600 base business + and NT $100 option for the CPO earnings. For core Genius, we lower 2026-27E EPS from NT $38/NT$42 to NT$37.4/NT$41.8 reflecting lower VR sales and valuation from NT$610 to NT$600 at same 2.2x 2027E PB and ROE of 15% (and also implying 14x 2027 P/E). We add NT$100 for CPO reflecting Genius' CPO base case for 10% share at NT$2.1bn sales, NT$430mn Op Profit and NT$2.8 EPS and 36x P/E in-line with optical peers.

Highlights (NT$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenues	21,675	23,187	24,989	26,918	29,765	32,628	35,001	37,578
EBIT (UBS)	4,131	4,671	4,773	5,458	6,031	6,595	7,089	7,624
Net earnings (UBS)	3,003	3,732	4,090	4,393	4,713	5,031	5,405	5,810
EPS (UBS, diluted) (NT$)	26.64	33.10	36.28	38.97	41.80	44.63	47.94	51.53
DPS (net) (NT$)	7.99	12.00	18.00	17.00	18.70	20.90	22.31	23.97
Net (debt) / cash	575	6,007	7,653	11,436	15,249	19,302	23,812	28,653
Profitability/valuation	**12/23**	**12/24**	**12/25**	**12/26E**	**12/27E**	**12/28E**	**12/29E**	**12/30E**
EBIT (UBS) margin %	19.1	20.1	19.1	20.3	20.3	20.2	20.3	20.3
ROIC (EBIT) %	19.7	24.3	26.0	30.9	37.0	44.0	52.5	64.5
EV/EBITDA (UBS core) x	5.5	5.7	4.6	6.0	5.2	4.4	3.8	3.5
P/E (UBS, diluted) x	14.6	14.7	11.7	15.6	14.6	13.6	12.7	11.8
Equity FCF (UBS) yield %	11.5	17.1	12.0	8.3	8.6	9.3	10.2	11.0
Dividend yield (net) %	2.1	2.5	4.2	2.8	3.1	3.4	3.7	3.9

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$ 609.00 on 13-Jul-2026

COMMENTARY

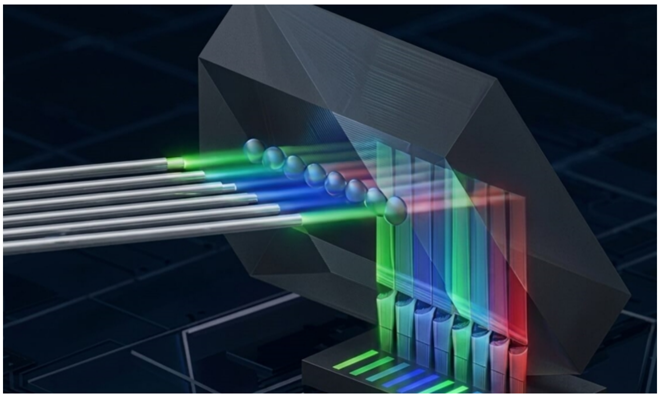
Optical signal path of the FAU (fiber array unit)

The optical receive path begins at the **MT ferrule**, a high-density plastic connector that bundles and precisely aligns multiple optical fibers carrying data signals from outside the module. The fibers extending from the MT ferrule are then secured with epoxy within the **V-groove**, a precision alignment structure designed to maintain accurate fiber positioning. As light exits the ends of the bare fibers in the V-groove, it naturally begins to diverge. To prevent signal degradation, the optical beams pass through a **micro-lens array**, a grid of miniature curved lenses that collimates the light, transforming the diverging beams into parallel rays. The resulting parallel optical beams then enter a 45-degree **prism**, which redirects the light by 90 degrees downward to transmit into the silicon photonic chip. The transmit path would follow through in reverse.

Sampling progress on-track with potential for broader CPO penetration

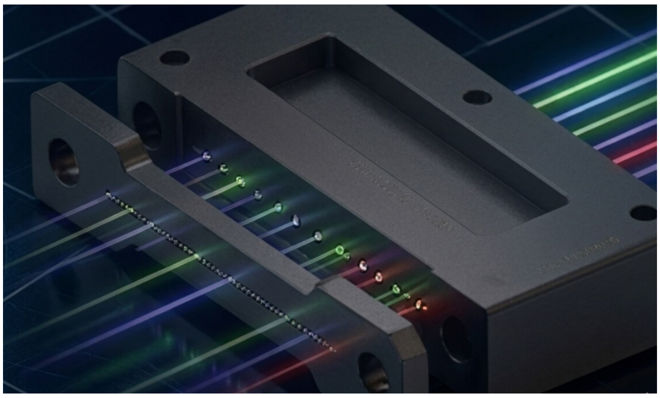
According to our checks, Genius delivered samples of the prism, V-groove, and MT ferrule to FOCI (3363.TWO) at the end of May, while its development of a meta-lens remains at an earlier stage. Initial feedback on the sampled components has been on-track with no major issues reported to date. However, meaningful progress is likely to take another one to two months, as the timeline depends on the FAU partner's assembly, integration, and validation process. In parallel, Genius is developing other glass-molded optical components and exploring opportunities to become a secondary supplier for an existing plastic optical component. The company also noted that it is currently engaged in discussions with three additional potential FAU customers while the timing and likelihood of qualification remain uncertain.

Figure 1: Genius doing high-precision prisms for the FAU with samples sent



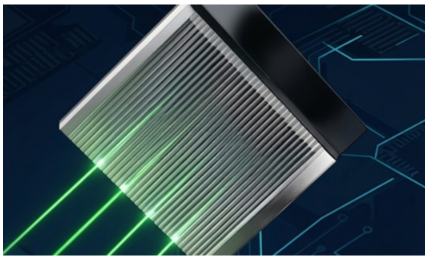
Source: Genius

Figure 2: Genius penetrating the MT ferrule with samples sent



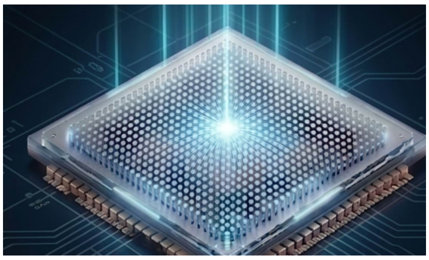
Source: Genius

Figure 3: V-groove samples sent for qualification



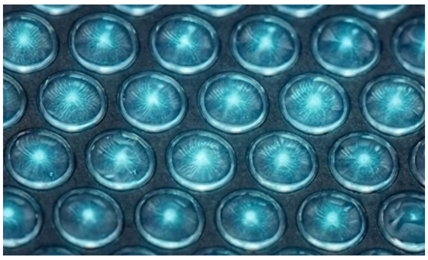
Source: Genius

Figure 4: Meta-lens in development



Source: Genius

Figure 5: Genius also working on the micro-lens array



Source: Genius

Sizing up the market opportunity and competitive landscape

Genius' opportunity would scale up based on # of FAUs per switch, # of CPO switches adopted, the range of components the company is able to provide, and its own market share relative to peers also looking to capture this market given the high premium investors are paying for emerging growth opportunity.

- **FAUs to scale up with switch bandwidth.** FAU count should rise as switch bandwidth increases as it requires more optical engines around the ASIC to transmit the required bandwidth out to other switches in the network. The initial switches on the market include Broadcom Tomahawk 5 Bailly 51.2T switch with 16 FAUs, NVIDIA Quantum X Q3450 115.2T switch with 72 FAUs, and NVIDIA Spectrum X 102.4T switch with 32-36 FAUs / 409.6T switch with 128-144 FAUs.
- **CPO switch adoption.** For adoption of switches, we view scenarios ranging from slow adoption in 2028-29 at 50k switches (vs. 90k NVL 72 racks already in 2027), base case at 100k switches and bull case at 200k switches. Switch adoption is sensitive to improvements in reliability and also alternatives that extend the length of copper within a data center (ALC cables), NPO (near packaged optics) or XPO options that expand capacity of switches without CPO.
- **Pricing based on component integration and leadership.** ASPs should scale based on integration toward a full FAU, precision, ability to offer a spec that can deliver higher density (multi-row) and accuracy for least loss, highest bandwidth and reliability. Based on market feedback, FAU ASPs can range from US$50-200.

Figure 6: FAUs scale up with switch bandwidth

CPO Platform Example	Public optical engine data	FAU per switch	Comment
Broadcom TH5 / Bailly 51.2T	8 × 6.4T OEs	16 FAUs	Each optical engine requires 2 FAUs
NVIDIA Quantum-X Q3450 115.2T	72 × 1.6T OEs	72 FAUs	4 ASICs, 6 detachable optical subassemblies per ASIC, 3 OEs per subassembly = 72 Oes and FAUs.
NVIDIA Spectrum-X SN6810 102.4T	32 active × 3.2T OEs; 36 incl. redundancy	32–36 FAUs	36 OEs per 102.4T package, 32 active.
NVIDIA Spectrum-X SN6800 409.6T	4 × 102.4T packages	128–144 FAUs	4 packages × 32 active and 36 total OEs.

Source: UBS estimates

We estimate Genius' TAM in the bear case to be US$48mn at low product penetration and ASP if the market continues to push out CPO due to reliability concerns relative to pluggables and NPO/XPO options, US$672mn in a base case with 100k switches and 64 FAUs per switch at a total US$105 ASP of Genius-provided components, and US$3bn in a bull case with 200k switches and 96 FAUs per switch at US$160 ASP for Genius per FAU. Using the base case market and a scenario of 10% share, we estimate a sales opportunity of NT$2.1bn, Op profit of NT$430mn and NT$2.8 EPS. The company could still have a wide range of outcomes from limited success in a slow growth scenario (NT $0.1 EPS) to high share of an upside scenario yielding NT$19.4bn sales and NT$25.8 EPS where it would be more meaningful against the NT$42 earnings from the core business.

Figure 7: Genius base/upside/downside case for its opportunity and share

Annual Scenario	CPO switch (k)	FAU/switch	FAU (mn)	Genius' components	ASP (US$)	TAM (US$mn)	Share	Sales (NT$mn)	Op Profit	EPS
Downside / Slow adoption	50	32	1.6	Micro-Lens Array	$20	$32	5%	$51	$10	$0.07
				V-groove	$7.5	$12		$19	$4	$0.03
				MT Ferrule	$2.5	$4		$6	$1	$0.01
				Meta-Lens / Others	$0	$0		$0	$0	$0.00
				Total	$30	$48		$76	$15	$0.10
Base	100	64	6.4	Micro-Lens Array	$60	$384	10%	$1,213	$246	$1.61
				V-groove	$20	$128		$404	$82	$0.54
				MT Ferrule	$10	$64		$202	$41	$0.27
				Meta-Lens / Others	$15	$96		$303	$61	$0.40
				Total	$105	$672		$2,124	$430	$2.82
Upside / Fast adoption	200	96	19.2	Micro-Lens Array	$100	$1,920	20%	$12,134	$2,459	$16.14
				V-groove	$25	$480		$3,034	$615	$4.03
				MT Ferrule	$15	$288		$1,820	$369	$2.42
				Meta-Lens / Others	$20	$384		$2,427	$492	$3.23
				Total	$160	$3,072		$19,415	$3,934	$25.82

Source: UBS estimates

While we remain optimistic about the long-term FAU market opportunity and Genius' progress in developing key CPO components, it should be noted that the company is entering a highly competitive landscape with several established optical and fiber-interconnect suppliers already possessing qualified manufacturing capabilities and customer relationships. Largan disclosed during its 2Q call (link) that it has secured a mass-production order for its fiber array (FA) while its subsidiary AOET manufactures the corresponding V-groove. Given Largan's involvement in the FA, AOET may benefit from an integrated solution offering and a stronger position within the optical assembly value chain. Meanwhile, players in the prism and micro-lens array segments include Himax, AGC, Focuslight, and other glass-moulding / micro-optics vendors with Largan's PMLA also in development. The MT ferrule market is similarly served by established players such as US Conec, SENKO, Sumitomo, Corning, and participants within the Foxconn/ Fabrinet ecosystem. While this backdrop may limit near-term visibility, we believe there are opportunities for Genius to gain share as a secondary source if demand scales faster than expected or if incumbent suppliers encounter capacity or yield constraints.

Regarding market discussions around Corning's glass bridge potentially replacing the FAU, we view the impact as limited as the glass bridge is likely to complement certain applications rather than serve as a full substitute. The glass bridge is designed for edge-coupling (EC) architectures and therefore would not directly replace grating-coupling (GC) solutions, which is expected to remain the dominant coupling approach over the next several years. In addition, the technology remains at an early stage of development with fiber arrays still likely to be required in EC-based designs, albeit with lower precision requirements than those used in current GC-based architectures.

Core lens business intact with margins upside

With CPO revenue contribution <5% in 2026 per management guidance, Genius' lens business should remain its primary earnings anchor in recent years. 1H saw strong iPhone 17s supporting topline beat vs street benefited by share gains in periscope lens, and while we view this cycle slightly fading as iPhone sell-through units YTD YoY slowed from +9.5% in April to 8% in May, the company still views handset lens demand healthy amidst concerns of surging component prices impacting consumer electronics. With foldables shipping in 2H, 3Q shipment orders are broadly in line with historical patterns but should be watchful on near-term demand trends as customers tend to adjust orders quickly in response to new product sell-through. VR contribution has declined from 5–10% in 2025 to <5% in 2026 on demand slowdown, partially offsetting strength in phone lens while the mix shift would enhance Genius' overall margin profile. On the other hand, AR is seeing traction supported by ongoing Ray-Ban shipments with next-gen products in development.

Figure 8: UBS vs. VA Consensus Q126A-Q326E and 2025A-27E

	Q126	Q226E			Q326E			2025	2026E			2027E		
(NT$m)	**Actual**	**UBSe**	**UBSe prior**	**VA**	**UBSe**	**UBSe prior**	**VA**	**Actual**	**UBSe**	**UBSe prior**	**VA**	**UBSe**	**UBSe prior**	**VA**
Revenue	**6,141**	**5,683**	**5,963**	**6,002**	**8,011**	**8,044**	**7,907**	**24,989**	**26,918**	**27,338**	**27,865**	**29,765**	**29,778**	**30,380**
- QoQ / YoY	-14.1%	-7.5%	-2.9%	-2.3%	41.0%	34.9%	31.7%	7.8%	7.7%	9.4%	11.5%	10.6%	8.9%	9.0%
Gross profit	**2,061**	**1,881**	**1,956**	**1,973**	**2,752**	**2,767**	**2,702**	**8,125**	**9,098**	**9,198**	**9,352**	**9,932**	**9,925**	**9,854**
- Gross margin	33.6%	33.1%	32.8%	32.9%	34.4%	34.4%	34.2%	32.5%	33.8%	33.6%	33.6%	33.4%	33.3%	32.4%
Operating profit	**1,201**	**989**	**1,020**	**1,088**	**1,791**	**1,842**	**1,703**	**4,773**	**5,458**	**5,549**	**5,562**	**6,031**	**6,064**	**5,894**
- OP margin	19.6%	17.4%	17.1%	18.1%	22.4%	22.9%	21.5%	19.1%	20.3%	20.3%	20.0%	20.3%	20.4%	19.4%
Non-op profit	**39**	**85**	**85**	**97**	**85**	**85**	**91**	**217**	**292**	**292**	**321**	**338**	**338**	**405**
Pre-tax profit	**1,239**	**1,073**	**1,104**	**1,185**	**1,875**	**1,926**	**1,794**	**4,990**	**5,751**	**5,841**	**5,883**	**6,369**	**6,403**	**6,299**
Tax	**-348**	**-268**	**-276**	**-284**	**-527**	**-539**	**-461**	**-1,282**	**-1,534**	**-1,556**	**-1,491**	**-1,656**	**-1,667**	**-1,546**
- Tax rate	28%	25%	25%	24%	28%	28%	26%	26%	27%	27%	25%	26%	26%	25%
Net profit	**891**	**805**	**828**	**284**	**1,348**	**1,387**	**461**	**3,702**	**4,216**	**4,285**	**1,491**	**4,713**	**4,735**	**1,546**
EPS (NT$)	**7.90**	**7.14**	**7.35**	**7.98**	**11.96**	**12.30**	**11.81**	**32.84**	**37.40**	**38.00**	**38.92**	**41.80**	**42.00**	**42.12**

Source: Company data, UBSe, Visible Alpha. Note: EPS shown in this table is basic EPS (reported EPS), which is different from the front-page recurring EPS due to a different calculation and methodology.

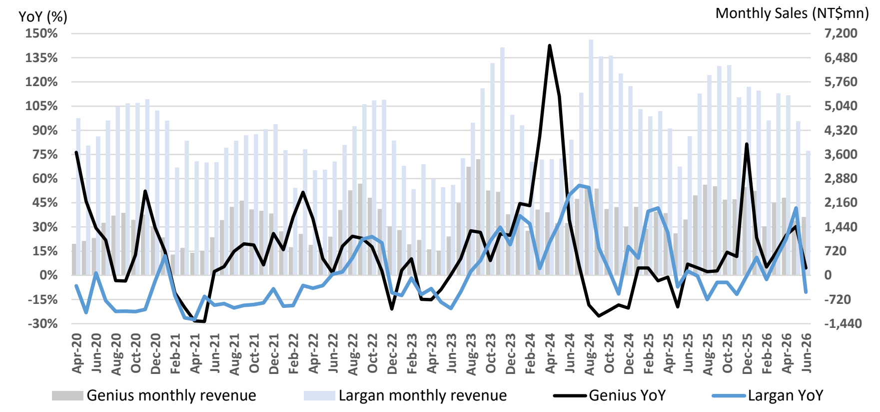
Figure 9: Genius core business and units trends

Segment Totals (NT$mn)	Q126	Q226E	Q326E	Q426E	Q127E	Q227E	Q327E	Q427E	2024	2025	2026E	2027E
8mp and below lens shipment (mn units)	43	43	55	47	47	44	65	60	162	156	187	215
8mp and below lens ASP (US$)	$0.5	$0.5	$0.5	$0.5	$0.6	$0.5	$0.5	$0.5	$0.6	$0.6	$0.5	$0.5
8mp and below lens revenue (NT$mn)	**$696**	**$707**	**$955**	**$763**	**$827**	**$722**	**$1,123**	**$971**	**$2,899**	**$2,658**	**$3,122**	**$3,643**
YoY (%)	*18%*	*66%*	*5%*	*4%*	*19%*	*2%*	*18%*	*27%*	2%	*-8%*	*17%*	*17%*
QoQ (%)	*-5%*	*1%*	*35%*	*-20%*	*8%*	*-13%*	*56%*	*-14%*				
10mp and above lens shipment (mn units)	82	74	106	91	80	78	120	111	216	323	353	389
10mp and above lens ASP (US$)	$1.3	$1.3	$1.4	$1.4	$1.3	$1.2	$1.4	$1.4	$1.3	$1.3	$1.4	$1.4
10mp and above lens revenue (NT$mn)	**$3,376**	**$2,919**	**$4,744**	**$4,023**	**$3,270**	**$3,045**	**$5,405**	**$4,903**	**$8,726**	**$12,665**	**$15,062**	**$16,623**
YoY (%)	*46%*	*62%*	*5%*	*0%*	*-3%*	*4%*	*14%*	*22%*	0%	*45%*	*19%*	*10%*
QoQ (%)	*-16%*	*-14%*	*63%*	*-15%*	*-19%*	*-7%*	*78%*	*-9%*				
VR/Glasses lens revenue (NT$mn)	**$592**	**$471**	**$487**	**$383**	**$424**	**$376**	**$427**	**$376**	**$3,519**	**$3,240**	**$1,933**	**$1,603**
YoY (%)	*-27%*	*-37%*	*-41%*	*-55%*	*-28%*	*-20%*	*-12%*	*-2%*	3%	*-8%*	*-40%*	*-17%*
QoQ (%)	*-30%*	*-20%*	*3%*	*-21%*	*11%*	*-11%*	*14%*	*-12%*				
Other lens revenue (NT$mn)	**$1,476**	**$1,586**	**$1,824**	**$1,916**	**$1,724**	**$1,724**	**$2,069**	**$2,379**	**$8,043**	**$6,425**	**$6,802**	**$7,896**
YoY (%)	*-8%*	*-12%*	*23%*	*23%*	*17%*	*9%*	*13%*	*24%*	20%	*-20%*	*6%*	*16%*
QoQ (%)	*-5%*	*7%*	*15%*	*5%*	*-10%*	*0%*	*20%*	*15%*				
Total Revenue (NT$mn)	**$6,141**	**$5,683**	**$8,011**	**$7,084**	**$6,246**	**$5,867**	**$9,024**	**$8,629**	**$23,187**	**$24,989**	**$26,918**	**$29,765**
YoY (%)	*15%*	*19%*	*4%*	*-1%*	*2%*	*3%*	*13%*	*22%*	7%	*8%*	*8%*	*11%*
QoQ (%)	*-14%*	*-7%*	*41%*	*-12%*	*-12%*	*-6%*	*54%*	*-4%*				

Sales % by Product	Q126	Q226E	Q326E	Q426E	Q127E	Q227E	Q327E	Q427E	2024	2025	2026E	2027E
8mp and below lens	11%	12%	12%	11%	13%	12%	12%	11%	13%	11%	12%	12%
10mp and above lens	55%	51%	59%	57%	52%	52%	60%	57%	38%	51%	56%	56%
VR/Glasses lens	10%	8%	6%	5%	7%	6%	5%	4%	15%	13%	7%	5%
Other lens	24%	28%	23%	27%	28%	29%	23%	28%	35%	26%	25%	27%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

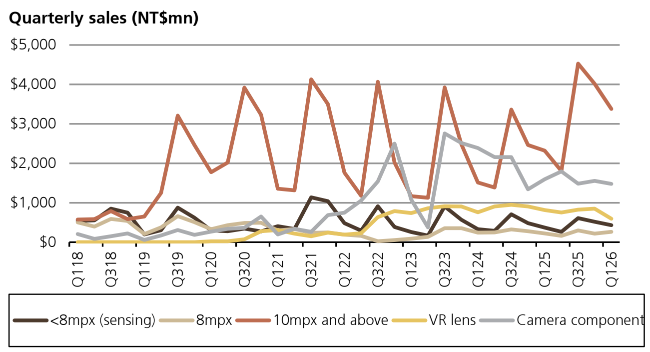
Source: Company data, UBSe

Figure 10: Genius and Largan monthly sales trending broadly in line YTD



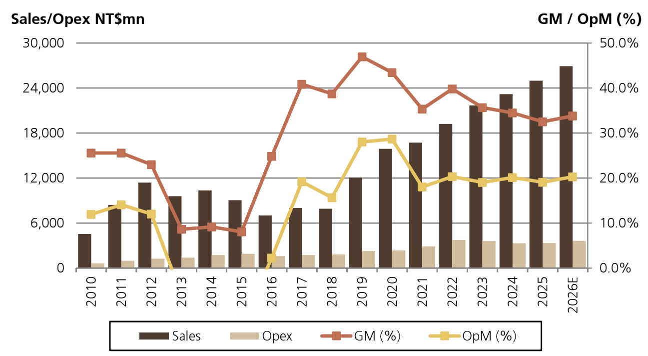
Source: Company data, UBSe

Figure 11: 10MP+ cameras driving the business



Source: Company data, UBSe

Figure 12: Genius margins stabilizing



Source: Company data, UBSe

Figure 13: UBS P&L summary table for Genius

Ticker	3406.TW	Current Price (NT$)				$609
Shares outstanding (mn)	112.7	Mkt cap (NT$ mn)				$68,660

Year	2025	2026E	2027E	2028E	2029E	2030E
Revenues (NT$ mn)	**$24,989**	**$26,918**	**$29,765**	**$32,628**	**$35,001**	**$37,578**
YoY Growth (%)		**7.7%**	**10.6%**	**9.6%**	**7.3%**	**7.4%**
Gross profit (NT$mn)	$8,125	$9,098	$9,932	$10,864	$11,669	$12,541
GM (%)	**32.5%**	**33.8%**	**33.4%**	**33.3%**	**33.3%**	**33.4%**
Operating profit (NT$mı	$4,773	$5,458	$6,031	$6,595	$7,089	$7,624
OPM (%)	**19.1%**	**20.3%**	**20.3%**	**20.2%**	**20.3%**	**20.3%**
Net profit (NT$ mn)	$3,702	$4,216	$4,713	$5,031	$5,405	$5,810
EPS (NT$)	**$32.84**	**$37.40**	**$41.80**	**$44.63**	**$47.94**	**$51.53**
EPS growth (%)		14%	12%	7%	7%	7%
P/E (x)	**18.5**	**16.3**	**14.6**	**13.6**	**12.7**	**11.8**
Dividend yield (%)	3.0%	2.8%	3.1%	3.4%	3.7%	3.9%
P/B (x)	**2.6**	**2.4**	**2.2**	**2.0**	**1.9**	**1.7**
ROE (%)	14%	15%	15%	15%	15%	15%

Quarters	Q325	Q425	Q126	Q226E	Q326E	Q426E
Revenues (NT$ mn)	**$7,740**	**$7,152**	**$6,141**	**$5,683**	**$8,011**	**$7,084**
QoQ Growth (%)		**-7.6%**	**-14.1%**	**-7.5%**	**41.0%**	**-11.6%**
Gross profit (NT$mn)	$2,641	$2,449	$2,061	$1,881	$2,752	$2,404
GM (%)	**34.1%**	**34.3%**	**33.6%**	**33.1%**	**34.4%**	**33.9%**
Operating profit (NT$mı	$1,814	$1,466	$1,201	$989	$1,791	$1,478
OPM (%)	**23.4%**	**20.5%**	**19.6%**	**17.4%**	**22.4%**	**20.9%**
Net profit (NT$ mn)	$1,414	$1,176	$891	$805	$1,348	$1,172
EPS (NT$)	**$12.54**	**$10.43**	**$7.90**	**$7.14**	**$11.96**	**$10.40**

Source: Company data, UBSe

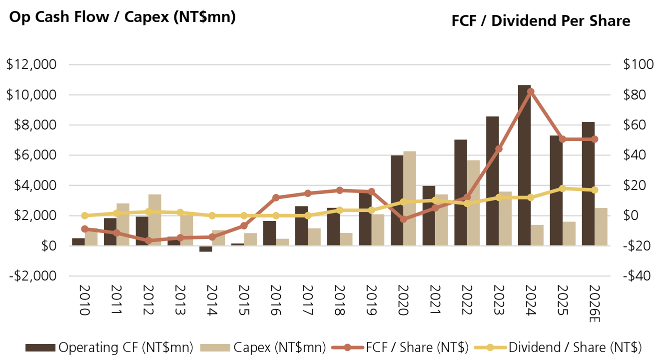
Figure 14: UBS cash flow summary

Annual (NT$mn)	2021	2022	2023	2024	2025	2026E	2027E	21-25 Avg
Revenue	$16,736	$19,215	$21,675	$23,187	$24,989	$26,918	$29,765	$21,160
Capital spending	$3,414	$5,674	$3,599	$1,390	$1,602	$2,503	$2,679	$3,136
Capex/revenue (%)	**20%**	**30%**	**17%**	**6%**	**6%**	**9%**	**9%**	**16%**
Dep and amort	$2,639	$3,252	$3,779	$4,187	$4,009	$4,307	$4,465	$3,573
Depr/revenue (%)	**16%**	**17%**	**17%**	**18%**	**16%**	**16%**	**15%**	**17%**
Operating cash flow	$3,973	$7,038	$8,575	$10,649	$7,312	$8,203	$8,600	$7,509
Free cash flow	**$559**	**$1,364**	**$4,976**	**$9,259**	**$5,709**	**$5,700**	**$5,921**	**$4,373**

FCF and Dividends	2021	2022	2023	2024	2025	2026E	2027E	21-25 Avg
FCF / share (NT$)	$5	$12	$44	$82	$51	$51	$53	$39
FCF / EV Yield (%)	**1%**	**2%**	**8%**	**16%**	**10%**	**10%**	**10%**	**7%**
FCF Yield (%)	**1%**	**2%**	**7%**	**13%**	**8%**	**8%**	**9%**	**6%**
Dividend/share (NT$)	$10.10	$8.06	$12.00	$12.00	$18.00	$17.00	$18.70	$12.03
Payout rate (%)	**43%**	**36%**	**49%**	**28%**	**44%**	**47%**	**52%**	**40%**
Dividend amount (NT$)	$1,131	$908	$1,353	$1,353	$2,029	$1,917	$2,108	$1,355
Pre-Dividend close (NT$)	$733	$550	$343	$396	$656	$612	$612	
Dividend Yield (%)	**1.4%**	**1.5%**	**3.5%**	**3.0%**	**2.7%**	**2.8%**	**3.1%**	**2.4%**

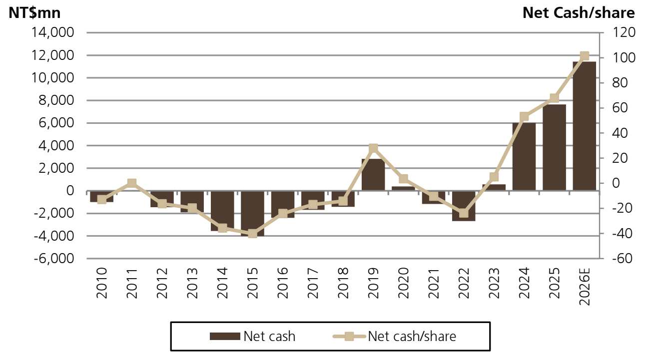
Source: Company data, UBSe

Figure 15: Genius generating positive FCF



Source: Company data, UBSe

Figure 16: Net cash built up the past two years



Source: Company data, UBSe

Reiterate Buy and raise PT to NT$700 valuing in CPO optionality

We revise our PT from NT$610 to NT$700 based on NT$600 base business + and NT $100 option for the CPO earnings. For core Genius, we lower 2026-27E EPS from NT $38/NT$42 to NT$37.4/NT$41.8 reflecting lower VR sales and valuation from NT$610 to NT$600 at same 2.2x 2027E PB and ROE of 15% (and also implying 14x 2027 P/E). We add NT$100 for CPO reflecting Genius' CPO base case for 10% share at NT$2.1bn sales, NT$430mn Op Profit and NT$2.8 EPS and 36x P/E in-line with optical peers.

Figure 17: UBS Base, Upside, and Downside Spectrum for Genius using SOTP valuation

		New UBS		Prior UBS		Upside Case		Downside Case	
	2025	2026	2027	2026	2027	2026	2027	2026	2027
Sales	$24,989	$26,918	$29,765	$27,338	$29,778	$27,457	$30,956	$26,111	$28,277
YoY Growth	7.8%	7.7%	10.6%	9.4%	8.9%	9.9%	12.7%	4.5%	8.3%
Gross Profit	**$8,125**	**$9,098**	**$9,932**	**$9,198**	**$9,925**	**$9,445**	**$10,700**	**$8,668**	**$9,152**
GM%	**32.5%**	**33.8%**	**33.4%**	**33.6%**	**33.3%**	**34.4%**	**34.6%**	**33.2%**	**32.4%**
Opex	$3,352	$3,640	$3,901	$3,649	$3,860	$3,676	$3,979	$3,580	$3,794
Op Profit	**$4,773**	**$5,458**	**$6,031**	**$5,549**	**$6,064**	**5,769**	**6,721**	**5,089**	**5,359**
OpM%	**19.1%**	**20.3%**	**20.3%**	**20.3%**	**20.4%**	**21.0%**	**21.7%**	**19.5%**	**19.0%**
Non-Op	$217	$292	$338	$292	$338	$292	$338	$292	$338
Pretax	$4,990	$5,751	$6,369	$5,841	$6,403	$6,061	$7,060	$5,381	$5,697
Tax Rate	26%	27%	26%	27%	26%	27%	26%	27%	26%
Tax	($1,282)	($1,534)	($1,656)	($1,556)	($1,667)	($1,617)	($1,836)	($1,435)	($1,482)
Net income	**$3,702**	**$4,216**	**$4,713**	**$4,285**	**$4,735**	**$4,444**	**$5,224**	**$3,945**	**$4,215**
EPS	**32.8**	**37.4**	**41.8**	**38.0**	**42.0**	**39.4**	**46.3**	**35.0**	**37.4**
Shares	113	113	113	113	113	113	113	113	113
EPS vs. base case						**5.4%**	**10.8%**	**-6.4%**	**-10.6%**
Current Price		$609							
P/E	0		14		14		14		12
P/B	2.2		2.2		2.2		2.3		1.6
BV/Share	235		278		279		283		274
Implied Share Price	**$506**		**$600**		**$610**		**$650**		**$430**
Upside/Downside	**-17%**		**-1%**				**7%**		**-29%**

CPO Expected Value									
EPS			**$2.8**				**$9.6**		**$1.9**
EPS vs. base case							**239.3%**		**-32.1%**
P/E			36				36		34
Implied Valuation			**$100**				**$340**		**$65**

Total Genius									
Implied Share Price			**$700**				**$990**		**$495**
Upside/Downside			**15%**				**63%**		**-19%**

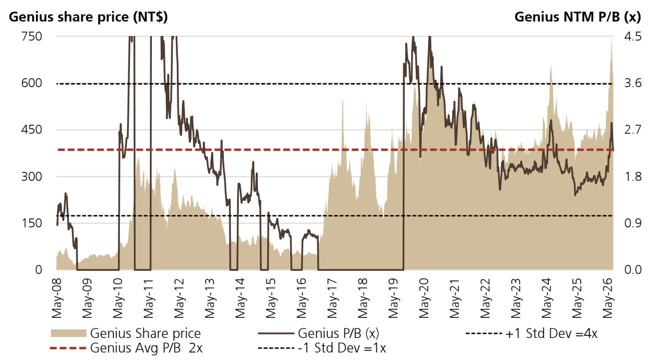
Source: UBS estimates

Figure 18: FAU / optical peers trading at an average 36x 2027E P/E

Company name	Ticker	Market Cap (US$m)	Share Price (LC$)	EPS (LC$) 2026E	EPS (LC$) 2027E	P/E (x) 2026E	P/E (x) 2027E	P/BV (x) 2026E	P/BV (x) 2027E	ROE (%) 2026E	ROE (%) 2027E
Lens											
Genius Electronic Optical	**3406.TW**	**2,604**	**728**	**38.00**	**42.00**	**16.0**	**14.5**	**2.4**	**2.2**	**16.1**	**15.7**
Largan Precision	3008.TW	18,413	4,420	195.00	220.00	22.7	20.1	2.9	2.7	12.6	13.8
Optical supply chain players											
FOCI Fiber Optic Communications Inc	3363.TWO	2,128	601	0.73	16.76	825.9	35.9	26.0	15.9	3.2	56.1
Ezconn Corp	6442.TW	3,386	1,375	51.42	130.00	26.7	10.6	13.8	6.8	45.2	63.9
Browave Corp	3163.TWO	1,882	750	7.57	18.27	99.1	41.1	18.0	12.7	19.1	35.4
VisEra Technologies Co Ltd	6789.TW	5,305	535	6.50	7.82	82.3	68.4	9.2	8.8	11.0	13.6
LandMark Optoelectronics Corp	3081.TWO	5,735	1,990	19.25	40.17	103.4	49.5	34.7	22.2	32.8	45.8
Visual Photonics Epitaxy Co Ltd	2455.TW	1,895	329	5.36	8.90	61.4	37.0	16.6	13.6	26.3	38.8
Corning Inc	GLW.N	164,287	191	3.19	4.22	59.9	45.2	12.3	11.0	21.3	25.4
Coherent Corp	COHR.N	63,485	325	5.46	8.31	59.4	39.1	6.1	5.5	10.8	13.7
Lumentum Holdings Inc	LITE.OQ	62,396	802	8.11	17.91	98.9	44.8	25.6	15.2	33.9	53.4
Marvell Technology Inc	MRVL.OQ	206,514	236	2.83	4.06	83.4	58.1	14.1	11.7	17.3	17.0
MACOM Technology Solutions Holdings Inc	MTSI.OQ	23,539	309	5.03	6.85	61.4	45.1	14.5	11.3	23.6	26.6
Fabrinet	FN.N	16,880	471	13.78	17.10	34.2	27.6	7.1	5.9	21.8	22.5
Senko Group Holdings Co Ltd	9069.T	2,286	2,104	118.42	140.51	17.8	15.0	1.6	1.5	9.2	10.1
Sumitomo Corp	8053.T	45,989	1,556	119.58	135.26	13.0	11.5	1.6	1.5	12.2	13.2
AGC Inc	5201.T	8,524	6,339	401.34	476.83	15.8	13.3	0.9	0.8	5.7	6.6
Suzhou TFC Optical Communication Co Ltd	300394.SZ	41,741	259	3.33	5.48	77.9	47.3	33.1	21.8	46.5	49.1
Average						**100.7**	**35.9**	**14.0**	**9.9**	**20.7**	**29.6**

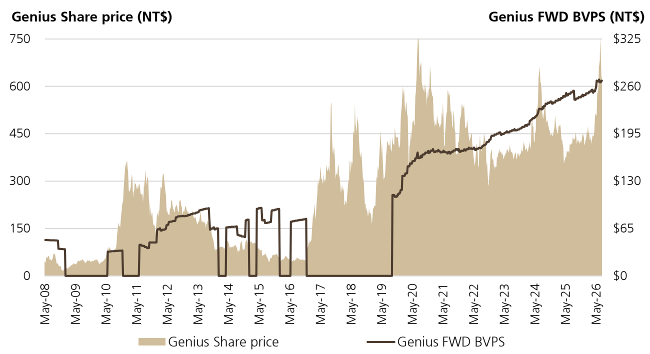
Source: UBS estimates, Eikon

Figure 19: Genius trading at 2.3x P/B, in-line with its historical average



Source: Eikon

Figure 20: Stock price running slightly ahead of its fwd BVPS



Source: Eikon

Forecast returns

Forecast price appreciation	14.9%
Forecast dividend yield	2.8%
Forecast stock return	17.7%
Market return assumption	6.3%
Forecast excess return	11.5%

Company Description

Founded in 1989, Genius Electronic Optical (GSEO) is a leading global manufacturer of camera lenses, providing full service optical solutions, including mobile lenses, automotive lenses and AR/VR optics. Its production sites are in Taichung (one plant) and Xiamen (two plants). The Taichung plant mainly manufactures VR lenses, while the Xiamen plants produce compact lenses for consumer electronics. Optical lens products accounted for 73% of 2023 total revenue, and others include TOF lenses, flash lenses, VR lenses and LED lighting products. Its major client is Apple and it supplies lenses for iPhones and iPads.

UBS EPS and Consensus EPS

The UBS EPS is an adjusted diluted EPS metric. It is calculated using the UBS analyst's interpretation of earnings suitable for valuation purposes divided by the diluted number of shares. This may differ to the way the consensus EPS metric has been calculated.

Valuation Method and Risk Statement

Our price target is based on PE multiple.
Genius' growth is highly leveraged to the overall handset industry and could be affected by volatility in handset demand, as well as whether handset OEMs will continue upgrading their camera design. Genius' margins could be affected by increasing competition and the rise of new technologies, ASP pressure from customers and fluctuating material and labour costs.
Downside risks include competitors catching up in technology, yield rate issues for new products and uncertain iPhone demand.

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.

Genius Electronic Optical

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)	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)	5
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	
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?	

Required Disclosures

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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.	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.

KEY DEFINITIONS:Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. In some cases, this yield may be based on accrued dividends. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Equity Price Targets** have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES:UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; **Neutral:** Neutral on factors such as structure, management, performance record, discount; **Sell:** Negative on factors such as structure, management, performance record, discount. **Core Banding Exceptions (CBE):** Exceptions to the standard +/-6% bands may be granted by the Investment Review Consultation (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

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UBS Securities Pte. Ltd., Taipei Branch: Annie Chen, Diana Chang, Randy Abrams.

Company Disclosures

Company Name	Reuters	12-month rating	Price	Price date
Genius Electronic Optical[28]	3406.TW	Buy	NT$609.00	13 Jul 2026
Largan Precision[28]	3008.TW	Buy	NT$4,345	13 Jul 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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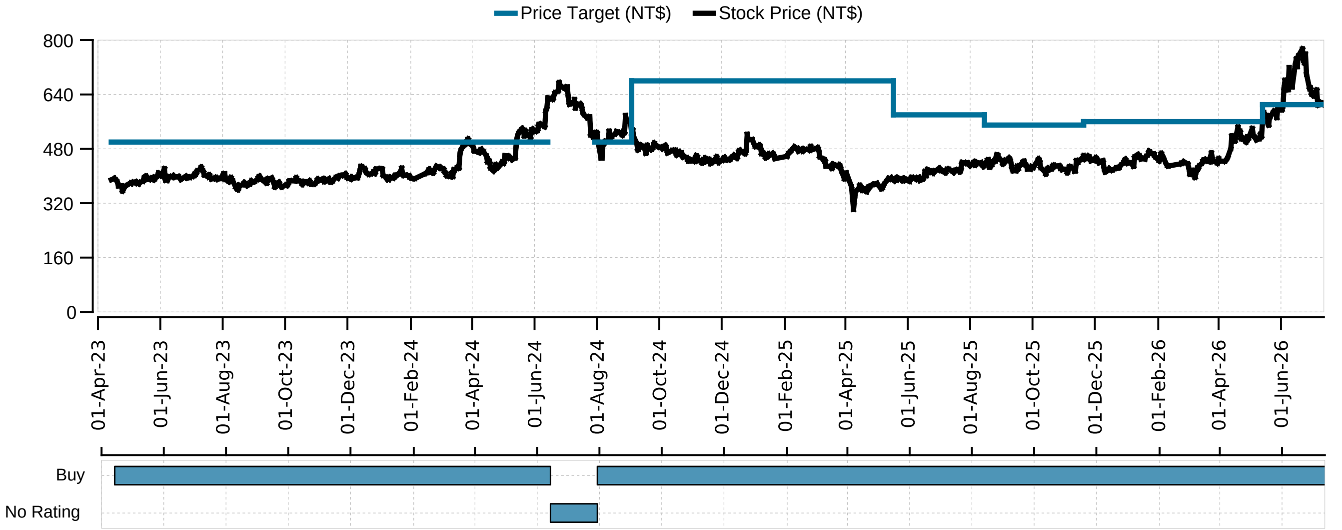
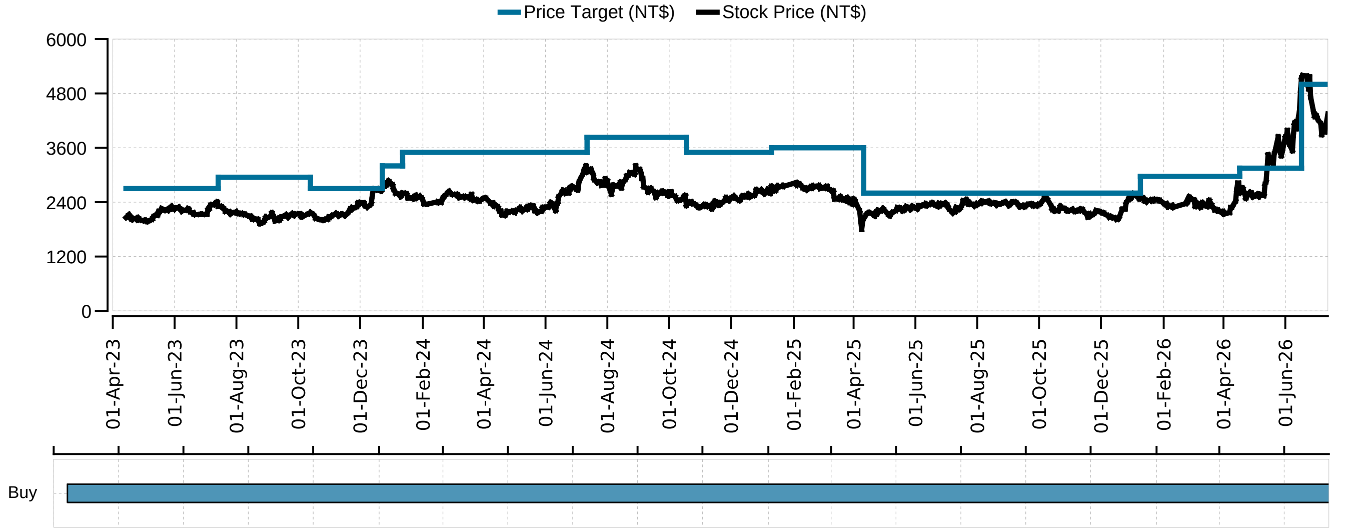
Genius Electronic Optical (NT$)



Date	Stock Price (NT$)	Price Target (NT$)	Rating
2023-04-13	390.00	500.00	Buy
2024-06-13	599.00	-	No Rating
2024-07-29	512.00	500.00	Buy
2024-09-03	554.00	680.00	Buy
2025-05-17	395.00	580.00	Buy
2025-08-14	428.00	550.00	Buy
2025-11-19	449.50	560.00	Buy
2026-05-13	516.00	610.00	Buy

Source: UBS Global Research; LSEG Eikon as of 13-Jul-2026. All prices as of local market close. Ratings as of date shown.

Largan Precision (NT$)



Date	Stock Price (NT$)	Price Target (NT$)	Rating
2023-04-13	2155.00	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

Source: UBS Global Research; LSEG Eikon as of 13-Jul-2026. All prices as of local market close. Ratings as of date shown.

Additional Prices: Broadcom Inc., US$399.97 (10 Jul 2026); Himax Technologies, US$15.23 (10 Jul 2026); Sumitomo Corporation, ¥1556 (13 Jul 2026); AGC, ¥6339 (13 Jul 2026); NVIDIA Corp, US$210.96 (10 Jul 2026); Foxconn Technology, NT$56.6 (13 Jul 2026); Corning Inc, US$190.89 (10 Jul 2026); Source: UBS. All prices as of local market close.

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