Daiwa
Capital Markets
Hong Kong Limited

news

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MEMO

Taiwan Microloops (6831 TT)

Share price (16 Jul): **TWD680.00** 12-mth rating: **Buy (1)** **Industrials: Taiwan**

A brighter 2H26 outlook vs. 1H26; accumulate on weakness

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Summary: Microloops's share price has corrected by 22% MTD, which we attribute to profit taking and the concerns of falling into the category of a "disposition stock" (ie, a stock whose trading is closely monitored by the TAIEX). However, based on our market research, we believe the fundamentals remain strong.

We have a Buy (1) rating and 12-month TP of TWD1,150, based on a target PER of 40x applied to our one-year-forward EPS estimate. For more information on the company, please refer to our recent initiation report, *Initiation: ASIC thermal solutions share heating up*, published on 18 June 2026.

What's the impact

- **On track 2Q26 results and 3Q26 outlook.** We forecast its 2Q26E EPS to hit TWD1.08 and for 3Q26 revenue to reach TWD2.9bn, which would be up by 177.0% QoQ and 151.2% YoY. We expect its monthly revenue momentum to accelerate in the following months.

- **Rising liquid cooling penetration rate since 2026.** We expect Microloops to benefit from the transition of air cooling to liquid cooling trend from ASIC projects since 2026. We forecast Microloops' revenue to rise at a 100.0% CAGR over 2026-28E, with margin expansion driven by: 1) rising operating leverage – Microloops' opex ratio has been falling as revenue scales, a trend that we expect will continue given strong order visibility and growing demand for thermal efficiency AI servers; 2) improving product mix – a move to higher-margin segments; and 3) spec upgrades – rising thermal performance requirements in upcoming ASIC generations to lift Microloops' ASPs.

What we recommend

We have a Buy (1) rating and 12-month TP of TWD1,150, based on a target PER of 40x applied to our 1-year forward EPS forecast. Based on our 2026/27E EPS, the stock is currently trading at PERs of 43.2x/16.4x, vs. its past-3-year trading range of 7-39x. Key downside risks: weaker-than-expected global AI server demand; and slower-than expected progress in ASIC AI server development.

In the interests of timeliness, this document has not been edited.

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Rating	Percentage of total
Buy*	72.63%
Hold**	20.53%
Sell***	6.84%

Source: Daiwa

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