Mitac (3706.TW): New equipment procurement announced; AI liquid-cooled racks showcased in 2026 WAIC; Buy

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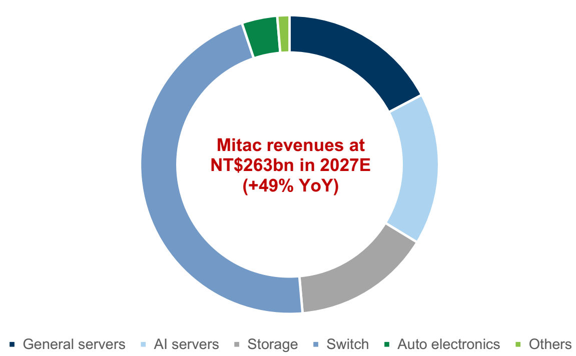
Mitac announced new equipment procurement on July 16 (link), worth US$106m, post the US$74m announced on June 29. These two procurements total US$180m, or NT$5.4bn, and along with the 1Q26 capex of NT$1.5bn, the spending is 257% higher than 2025 capex of NT$1.9bn, reflecting Mitac's strong commitment on capacity expansion and customers' strong demand on AI infrastructure. The company's three new factories in US and one new factory in Taiwan started mass production in 2Q26, driving May / June revenues back to double digit QoQ, leading 2Q26 revenues up by 29% QoQ. With these new capacities ramping up, we expect 3Q26 revenues to increase by 10% QoQ, and accelerate to +32% QoQ in 4Q26 on the back of new factories in Taiwan and US entering mass production. Entering 2H26, we expect the company to expand from networking racks to AI liquid cooled server racks, further driving its product portfolio diversification and riding on the AI infrastructure upcycle. Maintain Buy.

Exhibit 1: Mitac revenues by products

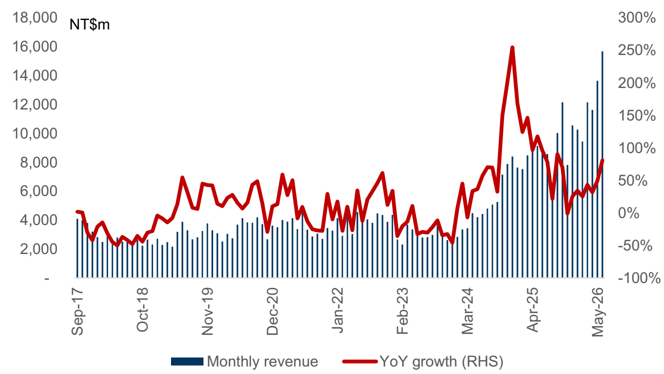


Source: Goldman Sachs Global Investment Research

During the 2026 WAIC (world artificial intelligence conference, July 17 - 20, Shanghai), Mitac showcased comprehensive AI infrastructure across CPU server, GPU server, storage, liquid-cooled rack, air-cooled rack, etc. reflecting its strong R&D to provide customized AI configuration for enterprises or tier-2 CSPs (link). As we highlighted in June, we raised global AI infrastructure spending (Global Server TAM): (1) AI servers implied AI chips were raised by 14% / 22% / 14% in 2026E-28E, (2) US CSPs' AI capex was raised by 8% / 27% / 25% in 2026-28E, and (3) China CSP's AI capex was raised by 37% / 44% / 55% in 2026E-28E, reflecting our positive view on the ongoing AI infrastructure upcycle. Key products Mitac showcased in 2026 WAIC:

(1) AI liquid-cooled rack, G4826Z5, powered by AMD MI355X GPU, aiming for massive AI model training with sustained high-throughput and minimal latency, (2) AI air-cooled rack, G8825Z5, powered by 8 AMD MI350X GPU per server, and one rack could contain four servers, aiming for training and inferencing, (3) AI liquid-cooled rack under OCP ORv3 standard, including 14 HPC servers (C2811Z5), powered by AMD EPYC 9005 series processors, offering high-performance servers with optimizing energy utilization and flexible rack configuration to secure a faster roll out, (4) high-density storage rack, TS70A-B8056, through the collaboration across hardware and software, the storage rack could facilitate computing efficiency and agentic AI workload operation.

Exhibit 2: Mitac monthly revenues and YoY trend



Source: Company data

Exhibit 3: Mitac monthly revenues preview

	Apr-26	May-26	Jun-26	Jul-26 (E)	Aug-26 (E)	Sep-26 (E)	1Q26	2Q26	3Q26E
Rev (NT$m)	11,633	13,639	15,683	14,114	14,820	15,922	31,864	40,954	44,857
YoY	32%	49%	81%	65%	140%	59%	35%	54%	81%
MoM / QoQ	-4%	17%	15%	-10%	5%	7%	4%	29%	10%
GS estimates (NT$m)							33,830	44,192	
Act. Vs. GS.							-6%	-7%	

Source: Company data, Goldman Sachs Global Investment Research

Earnings revision: We reduce 2026 / 27E net income by 12% / 5% and keep our 2028-30E estimates largely unchanged. The net income cut is mainly on lower revenues and GM, reflecting the gradual ramp up of new capacity in 2026, along with GM being affected by (1) AI server racks carrying lower GM compared to the existing networking racks, (2) new capacity ramping up carrying higher depreciation and lower yield rate, and (3) high raw material costs. The company's GM declined from 12.6% in 2023 to 9.2% in 1Q26, and we model a similar GM level in coming years. Upside catalysts to our GM estimates include: (1) faster-than-expected capacity and yield rate ramp up, (2) higher-than-expected customization level of AI servers, (3) higher-than-expected customers exposure to enterprises, and (4) faster-than-expected raw material costs decline.

Exhibit 4: Earnings revision

	2026E			2027E			2028E			2029E			2030E		
NT$m	Old	New	Diff %	Old	New	Diff %	Old	New	Diff %	Old	New	Diff %	Old	New	Diff %
Revenues	199,768	176,700	-12%	263,945	263,383	0%	304,260	303,904	0%	347,143	345,622	0%	387,717	388,862	0%
GP	21,498	16,158	-25%	24,922	23,486	-6%	27,594	27,627	0%	30,462	30,601	0%	33,388	33,308	0%
OP	11,397	8,970	-21%	13,592	12,816	-6%	15,119	15,076	0%	16,402	16,431	0%	18,073	18,142	0%
Net income	10,610	9,347	-12%	12,354	11,715	-5%	13,282	13,228	0%	14,074	14,065	0%	15,228	15,210	0%
EPS (diluted)	7.98	7.03	-12%	9.29	8.81	-5%	9.99	9.95	0%	10.59	10.58	0%	11.46	11.44	0%
Margins															
GM	10.7%	9.1%		9.4%	8.9%		9.1%	9.1%		8.8%	8.9%		8.6%	8.6%	
Opex ratio	5.0%	4.1%		4.3%	4.1%		4.2%	4.1%		4.1%	4.1%		4.0%	3.9%	
OPM	5.7%	5.1%		5.1%	4.9%		5.0%	5.0%		4.7%	4.8%		4.7%	4.7%	
NM	5.4%	5.3%		4.7%	4.4%		4.4%	4.4%		4.1%	4.1%		4.0%	3.9%	

Source: Goldman Sachs Global Investment Research

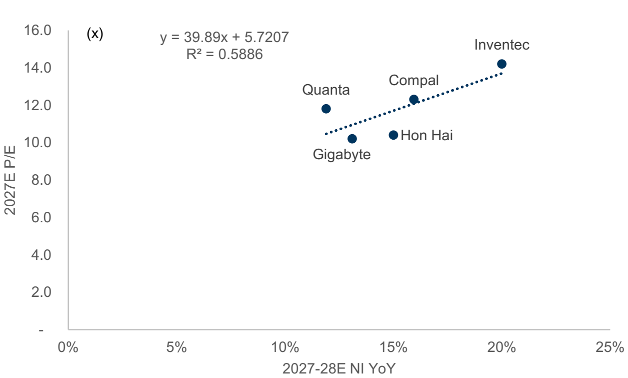
Exhibit 5: Mitac P&L

(NT$ m)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E	2028E	2029E	2030E
Revenue	23,665	26,624	24,762	30,526	31,864	40,954	44,857	59,024	61,360	105,577	176,700	263,383	303,904	345,622	388,862
Gross profit	2,779	2,854	3,285	3,061	2,934	3,738	4,149	5,337	7,368	11,980	16,158	23,486	27,627	30,601	33,308
Operating income	1,239	1,253	1,672	1,210	1,184	1,969	2,351	3,466	1,784	5,374	8,970	12,816	15,076	16,431	18,142
Net income	1,342	1,487	2,059	1,949	1,461	1,850	2,511	3,526	3,959	6,838	9,347	11,715	13,228	14,065	15,210
EPS, diluted (NT$)	1.11	1.23	1.55	1.25	1.10	1.39	1.89	2.65	3.28	5.15	7.03	8.81	9.95	10.58	11.44
Margins / ratio															
Gross margin	11.7%	10.7%	13.3%	10.0%	9.2%	9.1%	9.3%	9.0%	12.0%	11.3%	9.1%	8.9%	9.1%	8.9%	8.6%
Opex ratio	-6.5%	-6.0%	-6.5%	-6.1%	-5.5%	-4.3%	-4.0%	-3.2%	-9.1%	-6.3%	-4.1%	-4.1%	-4.1%	-4.1%	-3.9%
Operating margin	5.2%	4.7%	6.8%	4.0%	3.7%	4.8%	5.2%	5.9%	2.9%	5.1%	5.1%	4.9%	5.0%	4.8%	4.7%
Net margin	5.7%	5.6%	8.3%	6.4%	4.6%	4.5%	5.6%	6.0%	6.5%	6.5%	5.3%	4.4%	4.4%	4.1%	3.9%
QoQ															
Revenue	1%	13%	-7%	23%	4%	29%	10%	32%							
Gross profit	11%	3%	15%	-7%	-4%	27%	11%	29%							
Operating income	71%	1%	33%	-28%	-2%	66%	19%	47%							
Net income	32%	11%	38%	-5%	-25%	27%	36%	40%							
EPS, diluted	32%	11%	26%	-19%	-12%	27%	36%	40%							
YoY															
Revenue	145%	103%	63%	30%	35%	54%	81%	93%	73%	72%	67%	49%	15%	14%	13%
Gross profit	113%	68%	76%	23%	6%	31%	26%	74%	64%	63%	35%	45%	18%	11%	9%
Operating income	2151%	185%	197%	67%	-4%	57%	41%	186%	nm	201%	67%	43%	18%	9%	10%
Net income	94%	34%	80%	92%	9%	24%	22%	81%	122%	73%	37%	25%	13%	6%	8%

Source: Company data, Goldman Sachs Global Investment Research

Valuation: We continue to derive our target price via near-term PE and roll over from 2026E to 2027E. We continue to derive our target P/E multiple from peers' trading P/E vs. forward year EPS growth (methodology unchanged with updated numbers), which is at 13.3x (vs. 14.7x of our previous TP implied 2027E PE), reflecting the recent sector de-rating under AI server model transition. Our new target PE multiple continues to be above Mitac's historical avg. PE of 12.1x, reflecting our positive view on its AI products expansion. TP at NT$117 (13.3x 2027E PE vs. 19% NI YoY in 2027-28E on avg.), vs. NT$137 previously. Maintain Buy.

Exhibit 6: Mitac peers PE vs. forward year NI YoY



Source: Goldman Sachs Global Investment Research

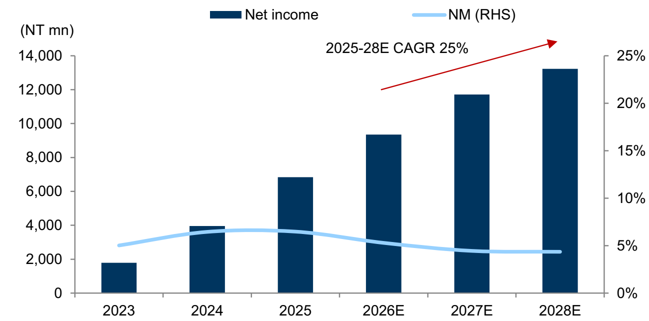
Exhibit 7: Mitac 12M forward PE ratio

Source: Company data, Goldman Sachs Global Investment Research, Bloomberg

Exhibit 8: Mitac QFII holdings

Source: TEJ

Exhibit 9: Mitac net income trend



Source: Company data, Goldman Sachs Global Investment Research

Valuation: We are Buy rated on Mitac. We derive our 12M TP of NT$117 on a target P/E multiple of 13.3x our 2027E EPS. Our target P/E of 13.3x is derived from the correlation between P/E and EPS growth of Mitac's peers, based on Mitac's 2027E-28E EPS YoY growth.

Key risks: Slower-than-expected AI server shipment ramp up pace; slower-than-expected networking equipment ramp up pace; fiercer-than-expected market competition.

3706.TW	12m Price Target: **NT$117.00**	Price: **NT$88.30**	Upside: **32.5%**

Buy

Market cap: NT$117.4bn / $3.6bn
Enterprise value: NT$122.0bn / $3.8bn
3m ADTV: NT$2.0bn / $63.6mn
Taiwan
Greater China Technology
M&A Rank: 3
Leases incl. in net debt & EV?: Yes

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (NT$ mn) New	**105,577.0**	**176,699.6**	**263,382.8**	**303,903.6**
Revenue (NT$ mn) Old	111,861.8	199,768.4	263,945.4	304,259.8
EBITDA (NT$ mn)	6,710.5	10,632.5	14,494.3	16,760.8
EPS (NT$) New	**5.15**	**7.03**	**8.81**	**9.95**
EPS (NT$) Old	5.56	7.98	9.29	9.99
P/E (X)	13.7	12.6	10.0	8.9
P/B (X)	1.3	1.6	1.5	1.4
Dividend yield (%)	4.2	4.6	5.8	6.6
CROCI (%)	28.3	22.7	22.1	23.7

	3/26	6/26E	9/26E	12/26E
EPS (NT$)	1.10	1.39	1.89	2.65

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 17 Jul 2026 close.

Disclosure Appendix

Reg AC

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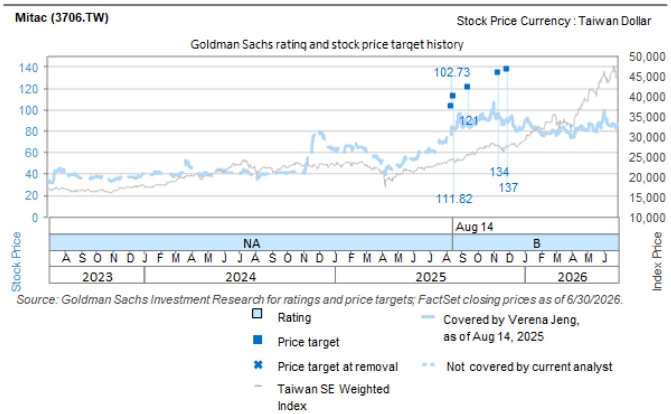

Source: Goldman Sachs Investment Research for ratings and price targets; FactSet closing prices as of 6/30/2026.

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Target price history table(s)

Mitac (3706.TW)

Date of report	Target price (NT$)	Closing price (NT$)
30-Nov-25	137.00	91.70
12-Nov-25	134.00	95.40
16-Sep-25	121.00	86.00
18-Aug-25	123.00	82.36
14-Aug-25	113.00	76.45

Price targets shown in table(s) are unadjusted for corporate actions.

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