Equity Research

Company Report | Technology | Apr 15, 2026

廣發証券(香港)經紀有限公司
GF SECURITIES (HONG KONG) BROKERAGE LIMITED

ASE Holdings (3711 TT)

Likely An Aggressive Capacity Expansion in 2027

Maintained **Buy**

Target price NT$ 506

CoWoS-like capacity up by >150% YoY in 2027E: According to CNYES news report on April 10, ASE's COO indicated that 2026 will be a busy year for six new factories globally and expects room for upward revision from current plan of $7bn capex in 2026, driven by AI demand. Together with our supply chain research, we now expect its CoWoS-like (FOCoS, FOCoS-B) capacity to be increased to 15KPM/45KPM/55KPM by end of 2026/2027/2028, or annual capacity of 136k/360k/567k implying +165%/+58% YoY in 2027/2028.

LEAP business to grow by >60% YoY in 2027E: On Feb 5, mgmt. raised its 2026 revenue guidance for LEAP business to $3.2bn, a doubling of the $1.6bn from 2025. We now estimate LEAP revenue to be $3.4bn/$5.5bn in 2026E/2027E, or 21%/27% of ATM revenue, driven by foundry partner's oS and CP outsourcing amid the increasing complexity of AI chip design, followed by the acceleration of CPU's migration to 2.5D packaging in 2H26. That said, Full Process appears to be the emerging driver fueled by: 1) AMD's Venice CPU, for which we estimate the capacity consumption to be ~170k, or ~4.3m units, in 2027 supported by robust server demand and AMD's enhanced position in agentic AI; 2) Nvidia's Vera CPU; 3) AWS Trainium. Overall, we expect CPU to be the key driver in 2027, and the next to watch will be Marvell (MRVL Hold)'s progress in Trainium 4, as we believe Marvell has edge in NPO solutions, and Marvell's AWS project usually at ASE. Structurally, we expect TSMC to focus on GPU/ASIC due to capacity tightness; hence, ASE will benefit. For industry design trends, we don't expect CoPoS to be adopted before 2028 but expect the adoption to emerge for CoWoP (Rubin Ultra's MCM) and 3DIC in 2028.

Raise TP to NT$506: ASE is expected to hold earnings call on April 29, and we expect it to provide inline print and guidance, while the focus of the call will be on its CAPEX, LEAP business and the pricing outlook of its traditional business. From the broad semi cycle, we expect the OSAT upcycle to persist, driven by leading-edge, traditional demand recovery, price hikes etc., leading to sustained UTR and margins. Furthermore, we contiune to expect upside for its LEAP business, with Full Process emerging as a key driver for 2027 and onward. By factoring in higher 2.5D capacity and LEAP business, we revise our EPS estimates by +3%/+5% in 2026E/2027E and lift our TP from NT$420 to NT$506, based on 25x 2027E P/E.

Risks: 1) AI slowdown; 2) consumer demand; 3) peer competition; 4) capacity delay.

Profit forecast

	2024	2025	2026E	2027E	2028E
Revenue (m)	595,410	645,388	760,967	891,308	987,674
Revenue YoY (%)	2.3	8.4	17.9	17.1	10.8
Net profit (m)	32,482	40,658	65,577	88,374	106,771
Net profit YoY (%)	2.4	25.2	61.3	34.8	20.8
EPS (NT$)	7.4	9.4	15.0	20.2	24.5
P/E	58.9	46.3	28.9	21.4	17.7
ROE (%)	9.4	10.9	15.9	19.3	20.9

Source: Company data, GF Securities (Hong Kong) Brokerage.

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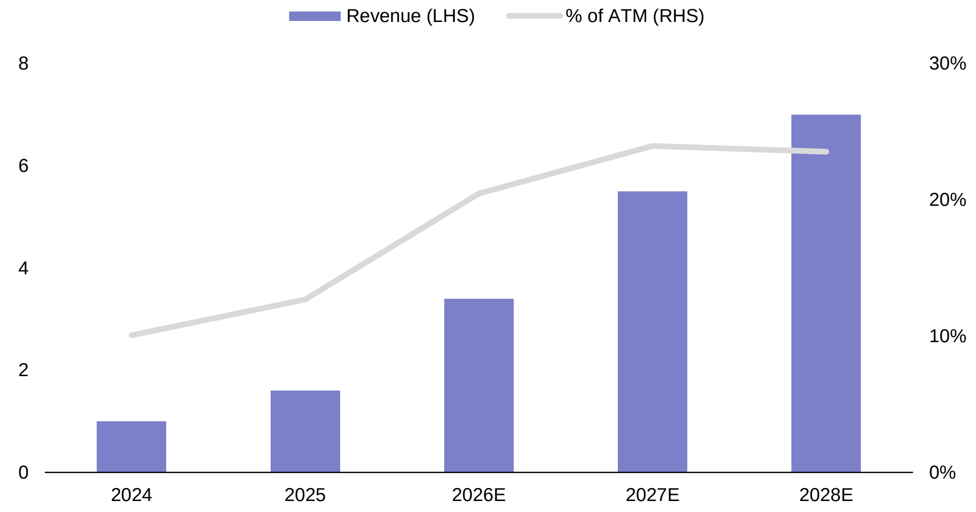
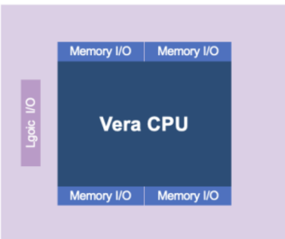
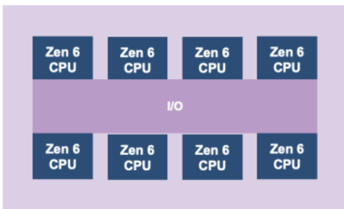
Earnings Forecast

Figure 1: ASE's LEAP revenue (USD bn)



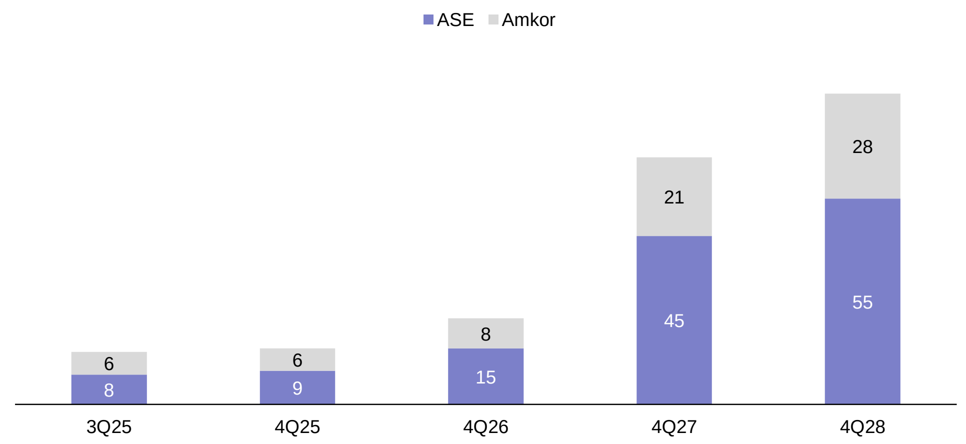
Sources: Company data, GF Securities (Hong Kong) Brokerage

Figure 2: CoWoS based Nvidia's Vera CPU and AMD's Venice CPU

	NVIDIA Vera CPU	AMD Venice CPU
Architecture	Arm v9.2	x86 (Zen 6 Cores)
Core Count	88 cores	Up to 256 cores
Threads	176	Up to 512
Process Node	TSMC N3/N4	TSMC N2/N3
Memory Bandwidth	1.2 TB/s	1.6 TB/s
Packaging Type	CoWoS-R	CoWoS-L
Key Features	1.8 TB/s NVLink-C2C 1.5 TB/s System Memory (3x Grace)	2x CPU to GPU bandwidth & 1.7x overall performance vs. Turin (Zen 5)
Layout		

Sources: Company data, GF Securities (Hong Kong) Brokerage

Figure 3: ASE/SPIL, Amkor CoWoS Capacity Forecast (kwpm)



Sources: Company data, GF Securities (Hong Kong) Brokerage

Earnings Revision

By factoring in higher 2.5D capacity and LEAP business, we revise our EPS estimates by +3%/+5% in 2026E/2027E.

Figure 4: Earnings revision

NTD m	2025	2026E		2027E		Change (%)	
		Old	New	Old	New	2026E	2027E
Net sales	645,388	745,568	760,967	869,133	891,308	2%	3%
Gross profit	114,193	151,479	153,523	188,565	194,784	1%	3%
EBIT	50,756	79,079	81,123	106,265	112,084	3%	5%
Pre-tax Income	51,301	81,180	83,224	107,229	112,712	3%	5%
Net profit	40,658	63,939	65,577	83,987	88,374	3%	5%
EPS (NT$)	9.35	14.64	15.02	19.24	20.24	3%	5%
Key ratios (%)							
Gross margin	17.7%	20.3%	20.2%	21.7%	21.9%		
Operating margin	7.9%	10.6%	10.7%	12.2%	12.6%		
Pre-tax margin	7.9%	10.9%	10.9%	12.3%	12.6%		
Net profit margin	6.3%	8.6%	8.6%	9.7%	9.9%		

Sources: Company data, GF Securities (Hong Kong) Brokerage

Figure 5: ASE's P&L forecast

(NTD m)	2025	1Q26E	2Q26E	3Q26E	4Q26E	2026E	1Q27E	2Q27E	3Q27E	4Q27E	2027E
Sales	**645,388**	173,663	179,476	197,713	210,116	**760,967**	203,288	214,377	233,101	240,541	**891,308**
COGS	**531,194**	140,630	143,409	157,424	165,981	**607,444**	161,087	167,486	181,624	186,328	**696,524**
Gross profit	**114,193**	33,033	36,067	40,289	44,134	**153,523**	42,202	46,891	51,478	54,213	**194,784**
Opex	**(63,437)**	(16,900)	(17,400)	(18,600)	(19,500)	**(72,400)**	(19,200)	(20,000)	(21,400)	(22,100)	**(82,700)**
Operating profit	**50,756**	16,133	18,667	21,689	24,634	**81,123**	23,002	26,891	30,078	32,113	**112,084**
Non-op profit	**545**	525	525	525	525	**2,101**	157	157	157	157	**628**
Pre-tax profit	**51,301**	16,658	19,192	22,214	25,160	**83,224**	23,159	27,048	30,235	32,271	**112,712**
Income tax	**(9,460)**	(3,332)	(3,838)	(4,221)	(4,780)	**(16,171)**	(4,632)	(5,410)	(6,047)	(6,454)	**(22,542)**
Minority interest	**(1,182)**	(279)	(319)	(499)	(379)	**(1,476)**	(359)	(399)	(579)	(459)	**(1,796)**
Net Income	**40,658**	13,047	15,035	17,494	20,000	**65,577**	18,168	21,240	23,609	25,357	**88,374**
EPS (NT$)	**9.4**	3.0	3.4	4.0	4.6	**15.0**	4.2	4.9	5.4	5.8	**20.2**
Outstanding shares	**4,347**	4,366	4,366	4,366	4,366	**4,366**	4,366	4,366	4,366	4,366	**4,366**
Margin analysis											
Gross margin	**17.7%**	19.0%	20.1%	20.4%	21.0%	**20.2%**	20.8%	21.9%	22.1%	22.5%	**21.9%**
Operating margin	**7.9%**	9.3%	10.4%	11.0%	11.7%	**10.7%**	11.3%	12.5%	12.9%	13.4%	**12.6%**
Pre-tax margin	**7.9%**	9.6%	10.7%	11.2%	12.0%	**10.9%**	11.4%	12.6%	13.0%	13.4%	**12.6%**
Effective tax rate	**18.4%**	20.0%	20.0%	19.0%	19.0%	**19.4%**	20.0%	20.0%	20.0%	20.0%	**20.0%**
Growth (YoY%)											
Sales	**8%**	17%	19%	17%	18%	**18%**	17%	19%	18%	14%	**17%**
Operating profit	**30%**	67%	83%	64%	39%	**60%**	43%	44%	39%	30%	**38%**
Net income	**25%**	73%	100%	61%	36%	**61%**	39%	41%	35%	27%	**35%**
EPS	**27%**	71%	98%	60%	36%	**61%**	39%	41%	35%	27%	**35%**
Product mix (%)											
Wafer	**60%**	64%	67%	66%	67%	**66%**	69%	72%	71%	72%	**71%**
Others	**40%**	36%	32%	34%	32%	**33%**	30%	27%	29%	28%	**29%**

Sources: Company data, GF Securities (Hong Kong) Brokerage

Valuation and Recommendation

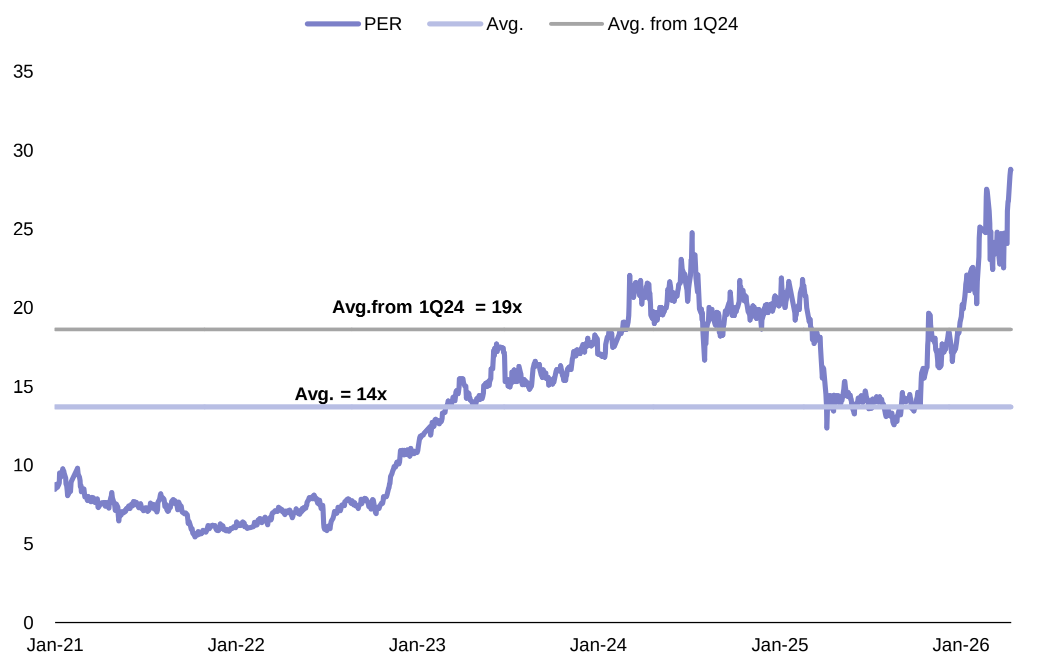
Maintain Buy with TP of $506

We rate ASE (3711 TT) Buy and set our TP at NT$506 which is based on 25x our 2027E EPS estimate, or 21x 2028E EPS. We adopt 2027 as valuation basis to capture its robust LEAP business potential which is the key market focus and is expected to see aggressive capacity expansion. We adopt P/E methodology as we believe the market now mainly focuses on the company's earnings outlook.

The ASE/SPIL is the highest-quality OSAT and NO.1 in market share worldwide, backed by superior operational management, M&As, economies of scale, and customer/product diversification. We like ASE as we view it as an AI beneficiary with increasing margin-accretive AI/LEAP business in 2026 and beyond. We believe the business will be driven by oS and CP in 2026, with emerging driver of full process business ramping in 2H26.

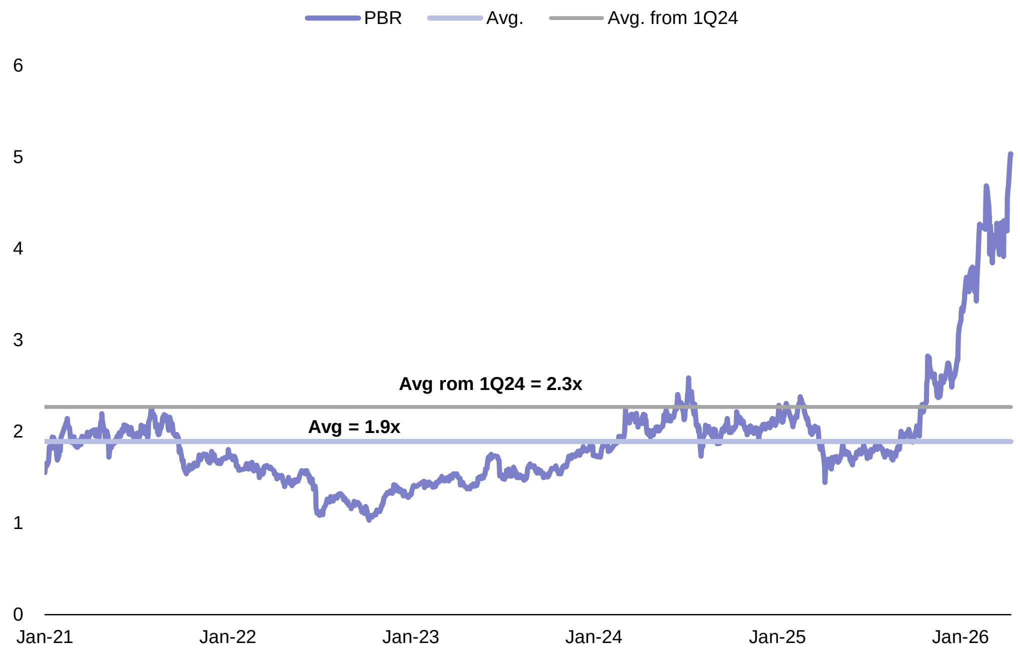
ASE's P/E traded at an average of 14x since 2021 but was up to an average of 19x since 1Q24 when the company meaningfully started AI business. We derive our target price based on 25x P/E, which is 25~30% higher than the mid-cycle level given its fast-growing AI momentum. From peers comparison, our target P/E of 25x is inline with ASE's peers.

Figure 6: ASE's 12-month forward P/E



Sources: Company data, GF Securities (Hong Kong) Brokerage

Figure 7: ASE's 12-month orward P/B



Sources: Company data, GF Securities (Hong Kong) Brokerage

Risks

1) AI slowdown; 2) consumer demand; 3) peer competition; 4) capacity delay.

Balance Sheet					NTD mn
	2024	2025	2026E	2027E	2028E
Current assets	**275,285**	**313,795**	**336,861**	**375,577**	**408,570**
Cash and cash equivalents	84,883	100,223	87,376	85,209	88,300
Inventory	57,314	65,673	75,100	86,113	93,931
Accounts Receivable	113,420	125,042	147,435	172,689	191,359
Other current assets	19,668	22,857	26,950	31,566	34,979
Non-current assets	**465,413**	**575,538**	**704,584**	**817,918**	**899,780**
Long-term equity investment	37,118	41,569	46,569	51,569	56,569
Fixed assets	312,531	421,115	545,160	653,495	730,357
Other long-term assets	115,763	112,854	112,854	112,854	112,854
Total assets	**740,698**	**889,333**	**1,041,445**	**1,193,495**	**1,308,350**
Current liabilities	**230,940**	**244,349**	**290,490**	**339,283**	**372,785**
Accounts Payable	78,221	88,754	101,494	116,378	126,944
Short-term borrowings	53,872	40,734	53,565	64,278	70,063
Other current liabilities	98,847	114,861	135,431	158,628	175,778
Non-current liabilities	**230,940**	**244,349**	**290,490**	**339,283**	**372,785**
Long-term Debt	139,728	214,081	281,516	337,819	368,223
Other non-current liabilities	24,243	57,536	57,536	57,536	57,536
Total liabilities	**394,911**	**515,966**	**629,542**	**734,639**	**798,544**
Total Equity	**345,787**	**373,368**	**411,903**	**458,855**	**509,806**
Share Capital	44,153	44,480	44,480	44,480	44,480
Additional Paid-in Capital	155,424	162,249	162,249	162,249	162,249
Retained earnings	123,947	140,171	178,706	225,659	276,610
Preferred Stocks	22,264	26,468	26,468	26,468	26,468
Total Liabilities & Equity	**740,698**	**889,333**	**1,041,445**	**1,193,495**	**1,308,350**

Income Statement					NTD mn
	2024	2025	2026E	2027E	2028E
Revenue	**595,410**	**645,388**	**760,967**	**891,308**	**987,674**
Cost of sales	498,478	531,195	607,444	696,524	759,761
Gross profit	**96,932**	**114,193**	**153,523**	**194,784**	**227,913**
Operating Expense	57,765	63,437	72,400	82,700	91,400
Operating profit	**39,166**	**50,756**	**81,123**	**112,084**	**136,513**
Interest Income	6,777	7,503	-5,899	-7,372	-8,404
Interest Expense	868	814	2,000	2,000	2,000
Net other Non-op. Income/(Loss)	-5,128	-7,772	6,000	6,000	6,000
Pre-tax profit	**41,683**	**51,301**	**83,224**	**112,712**	**136,109**
Income tax	7,758	9,460	16,171	22,542	27,222
Profit for the year	**33,926**	**41,841**	**67,053**	**90,170**	**108,887**
Minority interest	-1,443	-1,182	-1,476	-1,796	-2,116
Net profit to ord. equity	32,482	40,658	65,577	88,374	106,771
EPS (NT$)	**7.4**	**9.4**	**15.0**	**20.2**	**24.5**

Cash Flow Statement					NTD mn
	2024	2025	2026E	2027E	2028E
Operating cash flow	**114,867**	**110,661**	**139,528**	**177,838**	**208,163**
Profit for the year	32,482	40,658	65,577	88,374	106,771
Depreciation & amortization	59,815	67,440	78,555	94,266	105,578
Change in working capital	23,437	3,377	-2,604	-2,802	-2,185
Others	-868	-814	-2,000	-2,000	-2,000
Investing cash flow	**-119,132**	**-176,752**	**-205,600**	**-205,600**	**-185,440**
Capex	-103,715	-172,191	-202,600	-202,600	-182,440
Change in investment	-12,116	-3,637	-3,000	-3,000	-3,000
Others	-3,301	-924	-	-	-
Free cash flow	**11,152**	**-61,530**	**-63,072**	**-24,762**	**25,723**
Financing cash flow	**22,585**	**94,507**	**80,267**	**67,016**	**36,189**
Change in Capital	-	-	-	-	-
Net Change in Debt	22,605	61,214	80,267	67,016	36,189
Others	-20	33,293	-	-	-
Exchange influence	**9,600**	**-5,898**	**-**	**-**	**-**
Net increase in cash	**18,320**	**28,417**	**14,195**	**39,254**	**58,912**

Key Financial Ratios					
	2024	2025	2026E	2027E	2028E
Growth					
Revenue growth	2.3	8.4	17.9	17.1	10.8
Operating profit growth	-2.9	29.6	59.8	38.2	21.8
Net profit growth	2.4	25.2	61.3	34.8	20.8
Profitability					
Gross profit margin	16.3	17.7	20.2	21.9	23.1
Operating Profit Margin	6.6	7.9	10.7	12.6	13.8
Net profit margin	5.5	6.3	8.6	9.9	10.8
Key Ratio					
ROA	4.4	4.6	6.3	7.4	8.2
ROE	9.4	10.9	15.9	19.3	20.9
Stability					
Gross debt/equity	1.1	1.4	1.5	1.6	1.6
Interest Coverage	-17	-15	24	24	25
Current Ratio	1.2	1.3	1.2	1.1	1.1
Quick Ratio	0.9	1.0	0.9	0.9	0.8
Net debt/equity	0.6	0.7	0.8	0.9	0.9

Rating definitions Benchmark: Hang Seng Index (Hong Kong)

Company ratings	**Buy**	Stock expected to outperform benchmark by more than 10%
	Hold	Expected stock relative performance ranges between -10% and 10%
	Underperform	Stock expected to underperform benchmark by more than 10%

Sector ratings	**Positive**	Sector expected to outperform benchmark by more than 10%
	Neutral	Expected sector relative performance ranges between -10% and 10%
	Cautious	Sector expected to underperform benchmark by more than 10%

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