

## Alchip Technologies 3661.TW 3661 TT

EQUITY: FABLESS

### Ready to take off

Trainium 3 to start ramping from June; next-gen 2nm project tape out by end-2026 on schedule

#### Maintain Buy; TP raised to TWD6,000, implying 22.7% upside

Alchip reported 1Q26 results on 8 May. Revenue was in line with Bloomberg consensus, while GM of 50% was a significant beat compared with Bloomberg consensus's 42%. Management attributed the healthy profitability to strong NRE demand as well as a higher GM within production revenue. This drove a 30% EPS beat vs. Bloomberg consensus (Fig. 1). Management believes Alchip has passed its trough, as: 1) the key N3 project (Trainium 3, in our view) should ramp with shipments commencing from around June, and Alchip has secured the required capacity including CoWoS, substrates, etc., 2) for its next-gen 2nm project (Trainium 4, in our view) design progress is on track to tape out by end-2026E, 3) for the auto project (Li Auto, in our view) mass production started from 4Q25, and volume will ramp from 2Q. Li Auto would be the largest revenue contributor in 1H and become second-largest after Trainium 3 ramps. The next-generation design will tape out in 3Q. Apart from these, networking projects are on track, with one project approaching production phase, and for others production revenue is likely in 2027-28E.

#### Trainium 3 ramp to support share price momentum

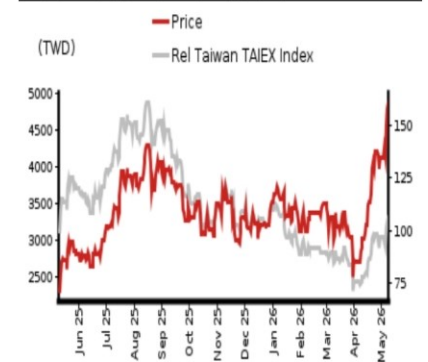
While many investors question about potential upside for Trainium 3 revenue contribution this year, given recent announcements from the key customer and its customers, Alchip does not expect significant upside considering the long turnaround time for the manufacturing and packaging process. Two critical factors are additional wafer capacity and yield improvement. In all, we think the call provided limited incremental insights, and we also do not make significant adjustments to our earnings forecasts. We cut 2026-27F EPS by 1%. We roll over our valuation base from 2026-27F EPS to 2027F, and raise our target P/E multiple from 30x to 35x to derive our new TP of TWD6,000 (up from TWD4,700). 35x is at the mid-to-high end of its historical range. The stock now trades at 28.4x FY27F P/E. As highlighted in our *note*, Alchip can trade at 50-60x P/E when momentum is strong. Our long-standing view is Alchip share price could perform with Trainium 3 ramps; thus, we stay positive and await Trainium 3 revenue to be delivered. We consider the 35x multiple justifiable. Alchip also stated that it is the only physical design vendor for both N3 and N2 projects, which could potentially mitigate some concerns over competition.

Year-end 31 Dec	FY24	FY25F		FY26F		FY27F	
Currency (TWD)	Actual	Old	New	Old	New	Old	New
Revenue (mn)	51,969	30,926	30,926	80,601	77,118	110,388	123,283
Reported net profit (mn)	6,446	5,598	5,598	11,330	11,241	14,075	14,006
Normalised net profit (mn)	6,446	5,598	5,598	11,330	11,241	14,075	14,006
FD normalised EPS	81.34	69.18	69.18	139.70	138.16	173.54	172.14
FD norm. EPS growth (%)	78.9	-15.0	-14.9	101.9	99.7	24.2	24.6
FD normalised P/E (x)	60.1	-	70.7	-	35.4	-	28.4
EV/EBITDA (x)	40.7	-	45.3	-	25.8	-	19.0
Price/book (x)	7.5	-	7.3	-	6.0	-	5.1
Dividend yield (%)	0.7	-	0.7	-	1.3	-	1.6
ROE (%)	22.4	14.2	14.0	25.9	25.0	26.7	26.1
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash	net cash	net cash

Source: Company data, Nomura estimates

Rating Remains	<b>Buy</b>
Target price Increased from TWD 4,700.00	<b>TWD 6,000.00</b>
Closing price 8 May 2026	<b>TWD 4,890.00</b>
Implied upside	<b>+22.7%</b>
Market Cap (USD mn)	12,704.4
ADT (USD mn)	258.8

#### Relative performance chart



Source: LSEG, Nomura

#### Research Analysts

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# Key data on Alchip Technologies

## Performance

(%)	1M	3M	12M		
Absolute (TWD)	71.0	57.0	108.5	M cap (USDmn)	12,704.4
Absolute (USD)	72.9	57.9	101.3	Free float (%)	88.0
Rel to Taiwan	50.3	25.0	4.4	3-mth ADT (USDmn)	258.8
TAIEX Index					

## Income statement (TWDmn)

Year-end 31 Dec	FY23	FY24	FY25F	FY26F	FY27F
Revenue	30,482	51,969	30,926	77,118	123,283
Cost of goods sold	-23,687	-41,768	-22,772	-60,002	-99,805
Gross profit	6,794	10,201	8,154	17,116	23,479
SG&A	-1,486	-1,563	-1,306	-1,851	-2,959
Employee share expense	-1,547	-2,142	-1,831	-3,404	-4,685
Operating profit	3,761	6,496	5,017	11,861	15,835
EBITDA	5,783	9,140	8,077	14,948	18,919
Depreciation	-1,356	-2,129	-2,744	-2,676	-2,672
Amortisation	-666	-514	-317	-411	-411
EBIT	3,761	6,496	5,017	11,861	15,835
Net interest expense	347	1,194	1,583	1,762	1,133
Associates & JCEs					
Other income	89	118	120	-4	0
Earnings before tax	4,198	7,808	6,720	13,618	16,968
Income tax	-877	-1,362	-1,124	-2,374	-2,959
Net profit after tax	3,321	6,447	5,596	11,244	14,009
Minority interests	5	-1	2	-3	-3
Other items	0	0	0	0	0
Preferred dividends					
Normalised NPAT	3,325	6,446	5,598	11,241	14,006
Extraordinary items					
Reported NPAT	3,325	6,446	5,598	11,241	14,006
Dividends	-1,818	-2,946	-2,797	-5,137	-6,401
Transfer to reserves	1,507	3,500	2,801	6,104	7,605

## Valuations and ratios

Reported P/E (x)	107.5	60.1	70.7	35.4	28.4
Normalised P/E (x)	107.5	60.1	70.7	35.4	28.4
FD normalised P/E (x)	107.5	60.1	70.7	35.4	28.4
Dividend yield (%)	0.5	0.7	0.7	1.3	1.6
Price/cashflow (x)	38.4	115.4	25.9	-	10.4
Price/book (x)	16.7	7.5	7.3	6.0	5.1
EV/EBITDA (x)	67.2	40.7	45.3	25.8	19.0
EV/EBIT (x)	103.3	57.2	73.0	32.5	22.7
Gross margin (%)	22.3	19.6	26.4	22.2	19.0
EBITDA margin (%)	19.0	17.6	26.1	19.4	15.3
EBIT margin (%)	12.3	12.5	16.2	15.4	12.8
Net margin (%)	10.9	12.4	18.1	14.6	11.4
Effective tax rate (%)	20.9	17.4	16.7	17.4	17.4
Dividend payout (%)	54.7	45.7	50.0	45.7	45.7
ROE (%)	21.4	22.4	14.0	25.0	26.1
ROA (pretax %)	20.2	28.5	20.6	23.5	26.6

## Growth (%)

Revenue	122.1	70.5	-40.5	149.4	59.9
EBITDA	32.3	58.1	-11.6	85.1	26.6
Normalised EPS	77.0	78.9	-14.9	99.7	24.6
Normalised FDEPS	77.0	78.9	-14.9	99.7	24.6

Source: Company data, Nomura estimates

## Cashflow statement (TWDmn)

Year-end 31 Dec	FY23	FY24	FY25F	FY26F	FY27F
EBITDA	5,783	9,140	8,077	14,948	18,919
Change in working capital	3,792	-5,050	8,884	-26,740	21,284
Other operating cashflow	-269	-732	-1,689	-617	-1,826
Cashflow from operations	9,306	3,358	15,272	-12,409	38,377
Capital expenditure	-2,321	-1,998	-2,287	-4,523	-7,279
Free cashflow	6,985	1,360	12,985	-16,933	31,098
Reduction in investments	-2,171	728	-4,630	0	0
Net acquisitions					
Dec in other LT assets					
Inc in other LT liabilities					
Adjustments	-626	594	1,089	0	0
CF after investing acts	4,187	2,681	9,444	-16,933	31,098
Cash dividends	-931	-1,818	-2,946	-2,797	-5,137
Equity issue	2,308	14,771	333	0	0
Debt issue					
Convertible debt issue					
Others	-180	1,251	-1,248	0	0
CF from financial acts	1,197	14,203	-3,861	-2,797	-5,137
Net cashflow	5,384	16,885	5,583	-19,730	25,961
Beginning cash	4,775	10,160	27,044	32,627	12,897
Ending cash	10,160	27,044	32,627	12,897	38,858
Ending net debt	-10,160	-27,044	-32,627	-12,897	-38,858

## Balance sheet (TWDmn)

As at 31 Dec	FY23	FY24	FY25F	FY26F	FY27F
Cash & equivalents	10,160	27,044	32,627	12,897	38,858
Marketable securities	3,977	2,384	6,254	6,254	6,254
Accounts receivable	2,437	5,730	3,011	25,736	10,009
Inventories	11,614	8,661	6,945	32,955	12,546
Other current assets	1,229	2,366	4,219	4,219	4,219
Total current assets	29,416	46,184	53,057	82,061	71,888
LT investments	580	1,600	2,204	2,204	2,204
Fixed assets	1,160	1,775	1,680	3,527	8,133
Goodwill					
Other intangible assets	414	248	257	-154	-565
Other LT assets	888	502	841	841	841
Total assets	32,458	50,309	58,039	88,479	82,501
Short-term debt	0	0	0	0	0
Accounts payable	1,925	1,826	1,986	23,981	9,130
Other current liabilities	12,320	8,845	14,988	14,988	14,988
Total current liabilities	14,246	10,672	16,975	38,969	24,118
Long-term debt	0	0	0	0	0
Convertible debt					
Other LT liabilities	178	161	240	240	240
Total liabilities	14,424	10,833	17,214	39,209	24,358
Minority interest	20	21	19	22	25
Preferred stock	0	0	0	0	0
Common stock	743	806	813	813	813
Retained earnings	6,125	10,752	13,405	21,849	30,717
Proposed dividends					
Other equity and reserves	11,146	27,897	26,587	26,587	26,587
Total shareholders' equity	18,014	39,456	40,805	49,249	58,118
Total equity & liabilities	32,458	50,309	58,039	88,479	82,501

## Liquidity (x)

Current ratio	2.06	4.33	3.13	2.11	2.98
Interest cover	-	-	-	-	-

## Leverage

Net debt/EBITDA (x)	net cash	net cash	net cash	net cash	net cash
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash

## Per share

Reported EPS (TWD)	45.47	81.34	69.18	138.16	172.14
Norm EPS (TWD)	45.47	81.34	69.18	138.16	172.14
FD norm EPS (TWD)	45.47	81.34	69.18	138.16	172.14
BVPS (TWD)	292.59	649.98	672.21	811.31	957.41
DPS (TWD)	22.95	36.40	34.38	63.14	78.67

## Activity (days)

Days receivable	23.1	28.8	51.6	68.0	52.9
Days inventory	160.2	88.8	125.1	121.4	83.2
Days payable	29.8	16.4	30.6	79.0	60.5
Cash cycle	153.5	101.2	146.1	110.4	75.6

Source: Company data, Nomura estimates

## Company profile

Alchip, established in 2003, is a design service provider focusing on back-end design. Major revenue sources are HPC/AI applications (90%+ revenue). Advanced nodes (7nm and below) contributed 95%+ of total revenue.

## Valuation Methodology

Our TP of TWD6,000 is based on 35x 2027F EPS. Our valuation multiple of 35x is at the mid end of its trading range. Benchmark is TAIEX.

## Risks that may impede the achievement of the target price

Major downside risks: 1) more in-sourcing trend from customers,. 2) insufficient manufacturing and packaging capacity, and. 3) intense competition in the ASIC business.

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## ESG

Alchip strives to develop environmentally friendly chip designs, enhance social responsibility, and establish excellent corporate governance standards. Alchip is committed to providing and developing low-power and small-chip design solutions that minimize energy conservation and carbon emission.

# Financial analysis and forecasts

Fig. 1: Alchip's 1Q26 results vs Nomura forecasts and Bloomberg consensus

(TWD mn)	1Q26							
	Actual	q-q (%)	NMR	q-q (%)	Diff (%)	BBG	q-q (%)	Diff (%)
Net sales	4,187	(11.4)	4,834	2.3	(13.4)	4,192	(11.3)	(0.1)
Gross profit	2,101	5.2	1,933	(3.2)	8.7	1,775	(11.1)	18.4
- OPEX	(733)	(6.3)	(300)	(61.7)	144.7	(730)	(6.7)	0.5
Operating profit	1,368	12.6	1,634	34.5	(16.3)	1,045	(14.0)	30.9
Net profit	1,428	(3.7)	1,744	17.6	(18.1)	1,086	(26.8)	31.5
EPS (TWD)	17.55	(4.3)	21.50	17.3	(18.4)	13.47	(26.5)	30.3
Margin	Actual	q-q (pp)	NMR		Diff (pp)	BBG		Diff (pp)
Gross margin (%)	50.2	7.9	40.0		10.2	42.3		7.8
- OPEX ratio	(17.5)	(1.0)	(6.2)		(11.3)	(17.4)		(0.1)
Operating margin (%)	32.7	7.0	33.8		(1.1)	24.9		7.7
Net margin (%)	34.1	2.7	36.1		(2.0)	25.9		8.2

Source: Company data, Bloomberg Finance L.P. consensus, Nomura estimates

Fig. 2: Alchip's 2026-27F forecast revisions

(TWD mn)	2026F			2027F		
	Revised	Previous	Change	Revised	Previous	Change
Net sales	77,118	80,601	(4.3%)	123,283	110,388	11.7%
Gross profit	17,116	16,726	2.3%	23,479	22,217	5.7%
Operating profit	11,861	11,729	1.1%	15,835	15,373	3.0%
Net profit	11,241	11,330	(0.8%)	14,006	14,075	(0.5%)
EPS (TWD)	138.16	139.70	(1.1%)	172.14	173.54	(0.8%)
Margin	Revised	Previous	Change	Revised	Previous	Change
Gross margin (%)	22.2	20.8	1.4 ppts	19.0	20.1	-1.1 ppts
Operating margin (%)	15.4	14.6	0.8 ppts	12.8	13.9	-1.1 ppts
Net margin (%)	14.6	14.1	0.5 ppts	11.4	12.8	-1.4 ppts

Source: Company data, Nomura estimates

Fig. 3: Alchip P&L

(TWD mn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26F	3Q26F	4Q26F	2024	2025	2026F	2027F
Net sales	10,490	13,582	14,826	13,071	10,485	9,144	6,570	4,727	4,187	8,047	24,474	40,410	51,969	30,926	77,118	123,283
Gross profit	1,971	2,576	2,885	2,769	2,429	1,887	1,841	1,997	2,101	2,728	4,831	7,456	10,201	8,154	17,116	23,479
- OPEX	(759)	(926)	(1,004)	(1,015)	(934)	(737)	(684)	(782)	(733)	(499)	(1,517)	(2,505)	(3,705)	(3,138)	(5,255)	(7,644)
Operating profit	1,212	1,650	1,881	1,754	1,494	1,150	1,157	1,215	1,368	2,229	3,314	4,950	6,496	5,017	11,861	15,835
Net profit	1,230	1,587	1,793	1,836	1,464	1,324	1,328	1,483	1,428	2,255	3,161	4,397	6,446	5,598	11,241	14,006
EPS (TWD)	15.83	20.05	22.46	23.17	18.13	16.37	16.40	18.33	17.55	27.71	38.85	54.05	81.34	69.18	138.16	172.14
Profitability	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26F	3Q26F	4Q26F	2024	2025	2026F	2027F
Gross margin	18.8%	19.0%	19.5%	21.2%	23.2%	20.6%	28.0%	42.3%	50.2%	33.9%	19.7%	18.5%	19.6%	26.4%	22.2%	19.0%
- OPEX ratio	(7.2%)	(6.8%)	(6.8%)	(7.8%)	(8.9%)	(8.1%)	(10.4%)	(16.6%)	(17.5%)	(6.2%)	(6.2%)	(6.2%)	(7.1%)	(10.1%)	(6.8%)	(6.2%)
Operating margin	11.6%	12.1%	12.7%	13.4%	14.3%	12.6%	17.6%	25.7%	32.7%	27.7%	13.5%	12.3%	12.5%	16.2%	15.4%	12.8%
Net margin	11.7%	11.7%	12.1%	14.0%	14.0%	14.5%	20.2%	31.4%	34.1%	28.0%	12.9%	10.9%	12.4%	18.1%	14.6%	11.4%
Q-Q	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26F	3Q26F	4Q26F	2024	2025	2026F	2027F
Net sales	13.7%	29.5%	9.2%	(11.8%)	(19.8%)	(12.8%)	(28.2%)	(28.0%)	(11.4%)	92.2%	204.1%	65.1%				
Gross profit	(6.1%)	30.7%	12.0%	(4.0%)	(12.3%)	(22.3%)	(2.5%)	8.5%	5.2%	29.9%	77.1%	54.3%				
Operating profit	(2.8%)	36.1%	14.1%	(6.8%)	(14.8%)	(23.0%)	0.6%	5.0%	12.6%	63.0%	48.7%	49.4%				
Net profit	9.9%	29.0%	13.0%	2.4%	(20.3%)	(9.6%)	0.3%	11.7%	(3.7%)	57.9%	40.2%	39.1%				
Y-Y	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26F	3Q26F	4Q26F	2024	2025	2026F	2027F
Net sales	83.5%	71.3%	94.8%	41.7%	(0.0%)	(32.7%)	(55.7%)	(63.8%)	(60.1%)	(12.0%)	272.5%	754.8%	70.5%	(40.5%)	149.4%	59.9%
Gross profit	64.5%	52.2%	60.0%	31.9%	23.2%	(26.7%)	(36.2%)	(27.9%)	(13.5%)	44.6%	162.4%	273.3%	50.1%	(20.1%)	109.9%	37.2%
- OPEX	35.0%	12.8%	26.1%	19.0%	23.1%	(20.4%)	(31.9%)	(22.9%)	(21.5%)	(32.3%)	121.9%	220.2%	22.1%	(15.3%)	67.5%	45.5%
Operating profit	90.4%	89.4%	86.7%	40.7%	23.3%	(30.3%)	(38.5%)	(30.7%)	(8.5%)	93.8%	186.3%	307.4%	72.7%	(22.8%)	136.4%	33.5%
Net profit	111.2%	115.9%	101.8%	64.0%	19.0%	(16.6%)	(25.9%)	(19.2%)	(2.4%)	70.3%	138.1%	196.4%	93.8%	(13.1%)	100.8%	24.6%

Source: Company data, Nomura estimates

**Fig. 4: Nomura forecasts vs Bloomberg consensus estimates for 2026-27F**

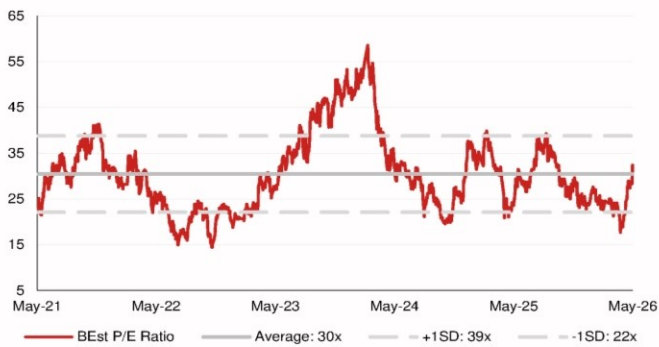
(TWD mn)	2026F			2027F		
	NMR	BBG	Diff (%)	NMR	BBG	Diff (%)
Net sales	77,118	80,163	(3.8)	123,283	113,505	8.6
Gross profit	17,116	16,959	0.9	23,479	21,611	8.6
Operating profit	11,861	12,342	(3.9)	15,835	16,746	(5.4)
Net profit	11,241	11,107	1.2	14,006	14,485	(3.3)
EPS (TWD)	138.16	137.30	0.6	172.14	176.27	(2.3)
Margin	NMR	BBG	Diff (%)	NMR	BBG	Diff (%)
Gross margin (%)	22.2	21.2	1.0	19.0	19.0	0.0
Operating margin (%)	15.4	15.4	(0.0)	12.8	14.8	(1.9)
Net margin (%)	14.6	13.9	0.7	11.4	12.8	(1.4)

Source: Company data, Bloomberg Finance L.P., Nomura estimates

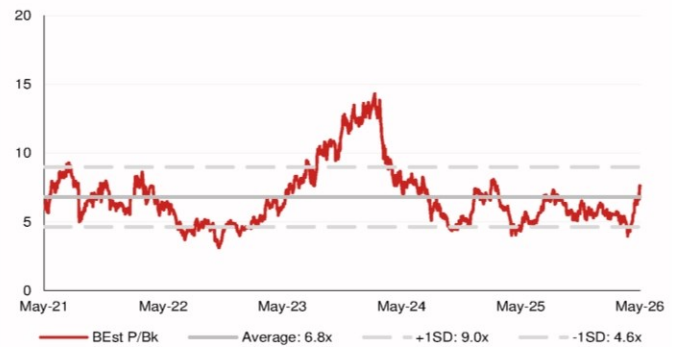
## Valuation methodology and risks

Our TP of TWD6,000 is based on 35x 2027F EPS. Our valuation multiple of 35x is at the mid-end of its trading range.

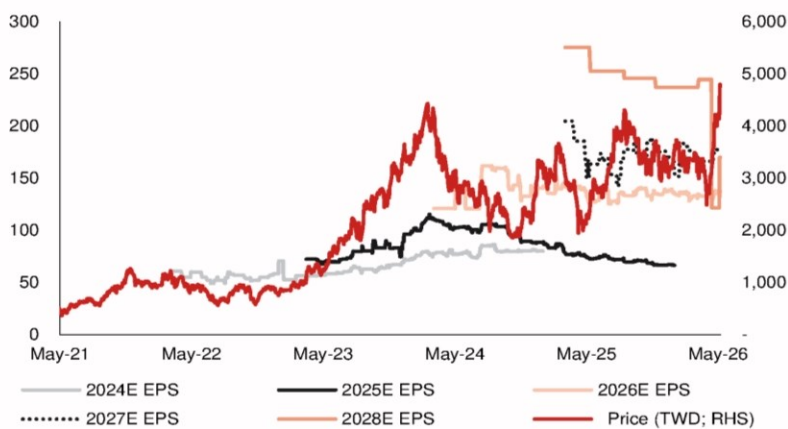
Major downside risks: 1) more in-sourcing trend from customers, 2) insufficient manufacturing and packaging capacity, and 3) intense competition in the ASIC business.

**Fig. 5: Alchip's consensus 1BF P/E**

Source: Bloomberg Finance L.P., Nomura research

**Fig. 6: Alchip's consensus 1BF P/B**

Source: Bloomberg Finance L.P., Nomura research

**Fig. 7: Alchip's share price vs Bloomberg consensus EPS estimate revisions**

Source: Bloomberg Finance L.P., Nomura research

## Alchip: 1Q26 analyst briefing summary

*Below comments are from Alchip's management, unless stated otherwise:*

### Results

- Revenue: USD132mn, -13% q-q and -59% y-y.
- GM: 50%, driven by strong NRE demand and higher production GM.
  - During production transition, the company is still profitable.
- Net income: USD45mn, -5.7% q-q and +1.6% y-y.
- EPS: TWD17.55.

### CEO remarks

- 1Q summary
  - Revenue came in slightly below. Lower q-q due to limited production revenue. While NRE remains strong.
- N3 design is ready for production. Shipments from June timeframe, already secured all capacity, including CoWoS, substrate, etc. To support on-time delivery.
- Next-gen design progress smoothly, tape out by end-2026.
- Auto project entered mass production in 4Q. Volume to ramp from 2Q and remain stable throughout the year. The project to be No.1 revenue contributor in 1H, and second-largest in whole year.
  - Next-gen is under design, to tape out in 3Q.
- Continue to diversify geopolitical risks.
  - China: auto, robotics and consumer products, using N3 and above
  - Aggressive hiring plan
    - Japan: up to 250 employees.
    - ASEAN: more than 120 engineers.
- Future business outlook
  - To regain momentum in production revenue business.
  - 2Q > 1Q, followed by a strong 3Q and 4Q. Significant higher than 2Q.
  - Will continue throughout 2026, and extend to late 2027. Followed by mass production of next gen.
  - Will be stronger, even compared with peak of 2024.
- 2026-2029: growth in line with leaders. Outperform market CAGR in AI/HPC market.

### CFO remarks

- Business review
  - NRE mix will slightly go down in 2Q. Keep going down in 2H.
  - GM will trend down due to significant revenue increase in the following quarters.
  - Design demand from North America is very strong, especially AI-related. Accelerators, networking, and CPUs. The node is shrinking. Majority of AI projects will be mainly in N3 in this year for Alchip. Do see multiple ASIC opportunities from North America hyperscalers.
- Outlook
  - Momentum from early June. Strong q-q growth from 3Q.
  - 2026 would be very back-end loaded for revenue, due to N3 AI chip shipment.
  - NRE will grow strongly.

### Q&A

#### N3 project contribution and size

- Customer demand is quite strong.
- Real revenue contribution depends on two factors: wafer capacity and execution of production.
  - How many extra wafers can get?
  - Yield is quite critical.
- Only one physical vendor for N3 and N2 — Alchip.
- It is already May, wafer and CoWoS need six months of cycle time, so upside is unlikely in 2026. Putting in significant efforts to secure 2027 supply.
  - Challenging to get additional N3 wafers.
  - Upside from extra orders from customers are limited due to long turnaround time.
- Ramp-up speed will be very fast. Revenue will jump in June, and another jump in 3Q.

- Monthly revenue to reach the peak starting from mid-3Q.
- When volume ramps, will dilute GM?
  - Charge customers very reasonable price. Can maintain GM.

#### N2 value captured by Alchip vs. N3

- NRE value: definitely much higher than N3. Similar to chip price. Chiplets architecture.
- Alchip will provide physical design for compute and integration of the whole chip.
  - I/O die will be involved in part of physical design as well.
  - More partners will get involved.
- HBM is consigned.
- GM will be similar to what Alchip has currently.

#### CPU opportunities

- Alchip will be cautious on taking production-only projects. Consider these projects, the value-add is quite limited, and GM is relatively low vs. PD1 / PD2 with design value.
- If there are CPU opportunities, Alchip will compete.
- Alchip has long history doing ARM CPU.
- CPU design is relatively easier comparing to GPU design.
  - Hyperscale doing COT — they may do CPU first.

#### TAM

- Semi market: USD1.5tn in 2030, upward revision from USD1bn.
- Google and Amazon contribute a big part of ASIC.
- Alchip has confidence to outgrow market CAGR.

#### Competition

- Competition is getting more intense.
- Design opportunities are increasing.
- Do not think there will be newcomers.
- Maybe competitors less than 5.
  - Pure ASIC provider, Alchip thinks they are No.1.
  - Product companies will have conflict of interests.

#### Major new orders for next year?

- Do have opportunities to compete for multiple projects from US CSPs.
- Focus on major customer and next-gen first.
- Has many wins from emerging accounts. Tape out and project wins - Alchip probably No.1.
- Hyperscalers have significant motivation to do COT (customer-owned-tooling). Normal business is to do physical design and packaging. Some customers can do physical design. Alchip also has some flexibility. Do different blocks of design.
- If someone asks Alchip to do I/O chiplet designs, Alchip will also work with them to find suitable IPs and support implementation.

#### Non-TSMC back-end partner?

- For now, wafers are bottleneck, not packaging.
- N3 projects, TSMC support capacity quite well. TSMC has high commitment for this project.
- Everyone has significant dependency on TSMC.
  - Alchip will not propose non-TSMC solutions to customers if TSMC can support enough capacity.
  - If customers choose non-TSMC suppliers due to capacity shortage, then Alchip can work with other vendors.
- No limitation for Alchip.

#### Networking project and revenue contribution from networking ASIC

- Everything goes smoothly.

- Alchip is doing multiple projects with multiple customers in North America.
  - One is approaching production phase.
  - Others are doing multiple projects with Alchip.
    - N3 is in design phase. Going to tape out shortly. Production revenue to kick in 1H27.
    - Will kick off N2 project very soon. Production revenue would be in 2028.
  - Data center related.
- Alchip expects they can contribute meaningful revenue in coming years.
  - Revenue exceeds USD100mn annually is the definition of meaningful.

#### Auto

- Li Auto for first and second projects.
- Targeting 1-2 other China carmakers.
- They are trying to build own ASICs, not only for cars, but also for robotics in the future.
- The car market is predictable, but due to competition and functionality. The car industry is trying to put multiple chips in one vehicle. High-end, maybe 4 chips in one car.

# Appendix A-1

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Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Alchip Technologies	3661 TT	TWD 4,890.00	08-May-2026	Buy	N/A	

### Alchip Technologies (3661 TT)

TWD 4,890.00 (08-May-2026) Buy (Sector rating: N/A)

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

**Valuation Methodology** Our TP of TWD6,000 is based on 35x 2027F EPS. Our valuation multiple of 35x is at the mid end of its trading range. Benchmark is TAIEX.

**Risks that may impede the achievement of the target price** Major downside risks: 1) more in-sourcing trend from customers,. 2) insufficient manufacturing and packaging capacity, and. 3) intense competition in the ASIC business.

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