NOMURA

Zhen Ding Technology Holding 4958.TW 4958 TT

Global Markets Research
30 June 2026

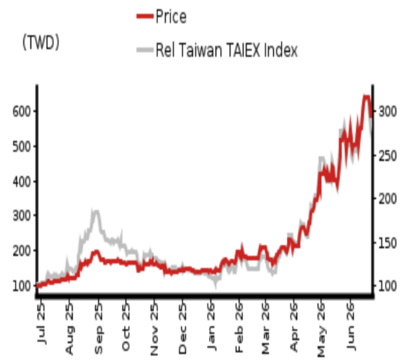
EQUITY: TECHNOLOGY

Stronger growth from AI PCB and substrates

Tighter supply of AI substrates, optical modules, and AI PCB/HDI; maintain Buy

Rating Remains	Buy
Target price Increased from TWD 510.00	TWD 720.00
Closing price 26 June 2026	TWD 580.00
Implied upside	+24.1%
Market Cap (USD mn)	19,632.6
ADT (USD mn)	555.3

Relative performance chart



Source: LSEG, Nomura

Action: Maintain Buy; TP raised to TWD720, implying ~24% upside

We raise 2026/27/28F earnings for Zhen Ding (ZDT) by 5.3%/10.2%/15.9% as we expect tight industry supply of AI substrates, PCB and HDI, and believe this should help boost ZDT's order outlook and profitability. The company targets to grow IC substrate sales by 70%+ in 2026E, and aims to double server/optical comm sales in 2026E/2027F. The targets appear achievable to us, as we observe severely tight supply in the industry. Management raised its capex guidance in May to TWD80bn+ for 2026E, from its previous estimate of TWD50bn+ in March, and plans to file an IPO of its substrate subsidiary, Leading (禮鼎), on the HKEX (*link*). We raise our 2027/28F sales forecasts by 4-5% on stronger AI-related substrate and HDI/PCB demand, and lift our 2027/28F GM by 0.4/1.2pp to 24.5%/26.6% to reflect ZDT's enhanced bargaining power and strategic shift toward high-margin projects. We maintain our Buy rating and raise our TP to TWD720, based on 28x 2028F EPS of TWD25.71 (previously TWD510 based on 23x 2028F EPS of TWD22.19). We raise our target P/E from 23x to 28x, to reflect the re-rating of PCB/CCL and substrate companies amid the current surge in AI demand. The stock currently trades at 30x 2027F P/E.

AI-related sales growing faster along with gross margin upside

ABF substrate: ZDT's penetration into MediaTek's (2454 TT, Buy) AI ASIC for Google (GOOGL US, Not rated) (see our *March report*) and nVidia (NVDA US, Not rated) (see our *May report*) are on track. We note that with a tight substrate industry, customers are signing more LTAs with substrate makers to cover demand beyond 2028F and even up to 2030F, and we believe these conditions will enable ZDT to strengthen both the visibility and profitability of its IC substrate business in the long run. **AI PCB/HDI:** we believe ZDT is working on Google, AWS (AMZN US, Not rated), and nVidia's AI server boards, with more contributions coming from 2H26F with new model launches. We note that ZDT has already started to produce VR200 Bianca HDI boards, and will increasingly ramp up Google's switch boards by late 3Q26F. We think the rising adoption of HDI in AI compute boards by 2028F will be a positive trend for ZDT to gain market share. For **optical module** boards, we believe it is not difficult for ZDT to achieve its earlier target of growing 10x in 2026E and 2x in 2027E. We believe ZDT enjoys good yield rates in mSAP given its long experience in iPhone mSAP production and investments in highly automated manufacturing lines. As such, we raise our GM assumptions for ZDT's substrate, mSAP, and HDI businesses. With all AI-related products having above-corporate average GMs, we forecast ZDT's GM to expand from 23.3% in 2026F to 24.5% in 2027F and 26.6% in 2028F.

Year-end 31 Dec	FY25	FY26F		FY27F		FY28F	
Currency (TWD)	Actual	Old	New	Old	New	Old	New
Revenue (mn)	182,522	220,204	224,018	255,610	267,273	286,797	300,409
Reported net profit (mn)	6,791	14,012	14,751	18,699	20,603	23,754	27,530
Normalised net profit (mn)	6,791	14,012	14,751	18,699	20,603	23,754	27,530
FD normalised EPS	6.91	13.09	13.78	17.47	19.24	22.19	25.71
FD norm. EPS growth (%)	-28.6	89.5	99.4	33.5	39.7	27.0	33.6
FD normalised P/E (x)	84.0	–	42.1	–	30.1	–	22.6
EV/EBITDA (x)	20.1	–	14.2	–	11.3	–	9.1
Price/book (x)	5.0	–	4.5	–	4.1	–	3.7
Dividend yield (%)	0.6	–	1.2	–	1.6	–	2.2
ROE (%)	5.8	10.7	11.3	13.1	14.3	15.2	17.2
Net debt/equity (%)	net cash	29.2	22.5	22.1	14.6	23.3	12.6

Source: Company data, Nomura estimates

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See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.

Key data on Zhen Ding Technology Holding

Performance

(%)	1M	3M	12M		
Absolute (TWD)	7.4	165.4	487.6	M cap (USDmn)	19,632.6
Absolute (USD)	6.0	165.7	434.7	Free float (%)	69.1
Rel to Taiwan TAIEX Index	1.1	126.7	382.0	3-mth ADT (USDmn)	555.3

Income statement (TWDmn)

Year-end 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue	171,664	182,522	224,018	267,273	300,409
Cost of goods sold	-139,203	-146,385	-171,822	-201,821	-220,621
Gross profit	32,461	36,136	52,196	65,451	79,787
SG&A	-20,875	-22,205	-28,083	-31,660	-34,259
Employee share expense					
Operating profit	11,586	13,932	24,113	33,792	45,528
EBITDA	29,334	32,484	49,582	65,928	81,831
Depreciation	-17,749	-18,552	-25,469	-32,136	-36,302
Amortisation					
EBIT	11,586	13,932	24,113	33,792	45,528
Net interest expense	565	337	256	256	256
Associates & JCEs	3	-17	3	0	0
Other income	2,891	-190	430	800	800
Earnings before tax	15,045	14,063	24,802	34,848	46,584
Income tax	-1,948	-3,458	-4,161	-5,924	-7,919
Net profit after tax	13,096	10,605	20,641	28,924	38,665
Minority interests	-3,917	-3,815	-5,890	-8,321	-11,135
Other items					
Preferred dividends					
Normalised NPAT	9,180	6,791	14,751	20,603	27,530
Extraordinary items	0	0	0	0	0
Reported NPAT	9,180	6,791	14,751	20,603	27,530
Dividends	-7,221	-3,693	-7,302	-10,198	-13,627
Transfer to reserves	1,958	3,097	7,449	10,404	13,902
Valuations and ratios					
Reported P/E (x)	60.0	84.0	42.1	30.1	22.6
Normalised P/E (x)	60.0	84.0	42.1	30.1	22.6
FD normalised P/E (x)	60.0	84.0	42.1	30.1	22.6
Dividend yield (%)	1.3	0.6	1.2	1.6	2.2
Price/cashflow (x)	18.1	20.6	17.8	13.4	10.2
Price/book (x)	5.1	5.0	4.5	4.1	3.7
EV/EBITDA (x)	22.0	20.1	14.2	11.3	9.1
EV/EBIT (x)	55.7	46.9	29.2	22.0	16.3
Gross margin (%)	18.9	19.8	23.3	24.5	26.6
EBITDA margin (%)	17.1	17.8	22.1	24.7	27.2
EBIT margin (%)	6.7	7.6	10.8	12.6	15.2
Net margin (%)	5.3	3.7	6.6	7.7	9.2
Effective tax rate (%)	13.0	24.6	16.8	17.0	17.0
Dividend payout (%)	78.7	54.4	49.5	49.5	49.5
ROE (%)	9.0	5.8	11.3	14.3	17.2
ROA (pretax %)	6.3	7.0	10.1	11.4	13.6
Growth (%)					
Revenue	13.4	6.3	22.7	19.3	12.4
EBITDA	15.1	10.7	52.6	33.0	24.1
Normalised EPS	47.6	-28.6	99.4	39.7	33.6
Normalised FDEPS	47.6	-28.6	99.4	39.7	33.6

Source: Company data, Nomura estimates

Cashflow statement (TWDmn)

Year-end 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
EBITDA	29,334	32,484	49,582	65,928	81,831
Change in working capital	386	-2,326	-5,401	-6,453	-2,863
Other operating cashflow	664	-2,542	-9,365	-13,189	-17,999
Cashflow from operations	30,385	27,617	34,816	46,285	60,969
Capital expenditure	-16,009	-32,673	-83,000	-80,000	-50,000
Free cashflow	14,376	-5,057	-48,184	-33,715	10,969
Reduction in investments	4,151	-559	0	0	0
Net acquisitions	0	0	0	0	0
Dec in other LT assets	0	0	0	0	0
Inc in other LT liabilities	0	0	0	0	0
Adjustments	3,711	1,273	0	0	0
CF after investing acts	22,238	-4,343	-48,184	-33,715	10,969
Cash dividends	-4,595	-7,221	-3,693	-7,302	-10,198
Equity issue	92	730	0	0	0
Debt issue	-9,979	-3,572	0	0	0
Convertible debt issue	0	0	0	0	0
Others	10,326	6,022	0	50,000	0
CF from financial acts	-4,157	-4,042	-3,693	42,698	-10,198
Net cashflow	18,081	-8,386	-51,877	8,984	771
Beginning cash	61,421	79,502	71,116	19,239	28,222
Ending cash	79,502	71,116	19,239	28,222	28,993
Ending net debt	-23,784	-20,848	31,030	22,046	21,275

Balance sheet (TWDmn)

As at 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
Cash & equivalents	79,502	71,116	19,239	28,222	28,993
Marketable securities	328	36	36	36	36
Accounts receivable	30,183	31,412	38,083	45,436	51,069
Inventories	17,990	19,616	20,619	24,219	24,268
Other current assets	4,506	5,460	5,460	5,460	5,460
Total current assets	132,509	127,641	83,437	103,373	109,827
LT investments	5,080	7,515	7,518	7,518	7,518
Fixed assets	110,173	123,737	181,268	229,132	242,829
Goodwill	2,097	2,710	2,710	2,710	2,710
Other intangible assets	0	0	0	0	0
Other LT assets	16,135	18,441	10,965	10,965	10,965
Total assets	265,993	280,043	285,897	353,697	373,849
Short-term debt	21,706	23,839	23,839	23,839	23,839
Accounts payable	21,716	23,501	25,773	30,273	33,093
Other current liabilities	25,781	25,481	25,481	25,481	25,481
Total current liabilities	69,204	72,821	75,093	79,593	82,413
Long-term debt	34,012	26,430	26,430	26,430	26,430
Convertible debt	0	0	0	0	0
Other LT liabilities	10,754	10,079	0	0	0
Total liabilities	113,970	109,330	101,523	106,023	108,843
Minority interest	43,205	46,731	46,731	96,731	96,731
Preferred stock					
Common stock	9,567	10,706	10,706	10,706	10,706
Retained earnings	100,094	115,879	126,937	140,238	157,569
Proposed dividends					
Other equity and reserves	-842	-2,603	0	0	0
Total shareholders' equity	108,818	123,982	137,642	150,943	168,275
Total equity & liabilities	265,993	280,043	285,897	353,697	373,849
Liquidity (x)					
Current ratio	1.91	1.75	1.11	1.30	1.33
Interest cover	–	–	–	–	–
Leverage					
Net debt/EBITDA (x)	net cash	net cash	0.63	0.33	0.26
Net debt/equity (%)	net cash	net cash	22.5	14.6	12.6
Per share					
Reported EPS (TWD)	9.67	6.91	13.78	19.24	25.71
Norm EPS (TWD)	9.67	6.91	13.78	19.24	25.71
FD norm EPS (TWD)	9.67	6.91	13.78	19.24	25.71
BVPS (TWD)	113.75	115.81	128.57	140.99	157.18
DPS (TWD)	7.55	3.45	6.82	9.53	12.73
Activity (days)					
Days receivable	63.2	61.6	56.6	57.0	58.8
Days inventory	43.9	46.9	42.7	40.5	40.2
Days payable	54.1	56.4	52.3	50.7	52.6
Cash cycle	53.0	52.1	47.0	46.9	46.4

Source: Company data, Nomura estimates

Company profile

ZDT is global No.1 FPCB maker, and is developing SLP, communication/auto PCB, and IC substrates in recent years.

Valuation Methodology

Our TP of TWD720 is based on 28x 2028F EPS of TWD25.71. Our 28x target P/E multiple is at the higher end of its historical trading range of 8-29x to reflect its improved visibility for AI-related project wins. The benchmark index for this stock is Taiwan TAIEX Index.

Risks that may impede the achievement of the target price

Key downside risks include: (1) worse-than-expected end-demand for Apple’s iPhones and iPads; (2) lower-than-expected contribution from content growth driven by 5G smartphone migration; 3) slower-than-expected improvement in manufacturing efficiency; 4) worse-than-expected ASP pressure.

ESG

ZDT was listed on the 2020 FTSE4GOOD TIP Taiwan ESG Index for the first time and on the TWSE Corporate Governance 100 Index for the second consecutive year. The company was also recognized as a supplier goes above and beyond for its green initiatives in Apple's Supplier Report.

Fig. 1: A summary of AI PCB/CCL specs and supply chain

nVidia

Generation	Content	Time	Structure	CCL Material	CCL Supplier(s)	PCB Supplier(s)
H100	OAM	2H23-1Q25	5+8+5 HDI (18L)	M7	EMC	Unimicron (major), VGT, others
	UBB		24L PCB	M7	EMC	WUS, ISU, TTM, others
B200	OAM	2H24~	5+10+5 HDI (20L)	M8+M4	Doosan	Unimicron, VGT, others
	UBB		18L PCB	M7+M4	Doosan	WUS, ISU, TTM, others
B300	OAM	2H25~	5+10+5 HDI (20L)	M8+M4	Doosan	Unimicron, VGT, others
	UBB		22L PCB	M8+M4	Doosan	WUS, ISU, TTM, others
GB200 (Bianca)	Bianca board	2H24~	5+12+5 HDI (22L)	M8 (HVLP3) +M4	Doosan	VGT (major), Unimicron, others
	Switch tray	2H24~	6+12+6 HDI (24L) 22L PCB	M7 (HVLP2)+M2 M8/8.5 (HVLP2) hybrid	EMC EMC, SYTECH	WUS (major), VGT, Unimicron, others
GB300 (Bianca)	Bianca board	2Q25~	5+12+5 HDI (22L)	M8 (HVLP3) +M4	Doosan	VGT (major), Unimicron, others
	Switch tray	2Q25~	22L PCB	M8/8.5 (HVLP2) hybrid	EMC, SYTECH, Doosan	WUS (major), VGT, Unimicron, others
VR200 (Bianca)	Bianca board	2Q26~	6+14+6 HDI (26L)	M8 (HVLP4) +M4	Doosan	VGT (major), Unimicron, others?
	Mid-plane boards in trays **(New)**	2Q26~	44L PCB	M9K2	EMC, others?	VGT, WUS, Kinwong, Unimicron?
	Switch tray	2Q26~	32L PCB	M8.5 (k2, HVLP4)	EMC, others?	WUS, VGT, others?
Rubin Ultra	Backplane? (New)	2027?	26Lx3=78L?, 104L?	M9Q? PTFE+M8?	EMC, SYTECH?	WUS. Unimicron, VGT, Kinwong. others?
	Compute board	2027?	?			
	Switch board	2027?	?			
?	CoWoP board?	TBD?	HDI/mSAP?	M8? M9Q?	EMC or new materials?	ZDT, Unimicron? Others?

AWS

Generation	Content	Time	Structure	CCL Material	CCL Supplier(s)	PCB Supplier(s)
Trainium 2	OAM	2H24~4Q25	HDI+3	M6? (HVLP2, RTF)	Panasonic	Shengyi
	UBB		26L PCB (2 ASICs per board, air cool)	M8 (HVLP2)	EMC, TUC (starting from June 2025)	GCE, Shengyi, FHE
Trainium 2.5 & 3	OAM		HDI+4 (22L)	M6?M7? (HVLP2, RTF)	Panasonic	Shengyi, ZDT
	UBB	Trn2.5: 1Q26~ Trn3: 2Q26~	26L PCB (2 ASICs - air-cooled, or 4 ASICs - liquid-cooled)	M8 (HVLP4)	EMC, TUC, others?	GCE, Shengyi, FHE
	PDS switch **(New)**	2Q26~	22L/26L HLC PCB	M8+M4	EMC	WUS, Shengyi, ZDT, GCE?

Google

Generation	Content	Time	Structure	CCL Material	CCL Supplier(s)	PCB Supplier(s)
TPU 7x	TPU UBB	2H25~	34L PCB (16+18, N+M)	M7, HVLP2	Panasonic, EMC	WUS, ISU, TTM, VGT
	CPU board (New) - x86 CPU	4Q25~	16-18L	M6	Panasonic	WUS, TTM, GCE?
TPU 8t, 8i	TPU UBB	mid-26~	36~40L+ PCB	M8+M6, HVLP3	Panasonic, EMC	WUS, ISU, TTM, LCS, VGT?
	CPU board **(New)** - Axion	2Q26~	22L PCB	M6	EMC, Panasonic	VGT, WUS, ISU, TTM, others?
	8i all-to-all switch **(New)**	mid-26~	22L PCB	M8?	EMC	GCE, VGT, ZDT, others?
TPU next?	TPU UBB? More other boards?	2028?	24~26L? **HDI?**	M8.5? M9Q?	Panasonic? EMC?	WUS, ISU, Unimicron, others?

Meta

Generation	Content	Time	Structure	CCL Material	CCL Supplier(s)	PCB Supplier(s)
Athena	OAM, UBB	2Q26?	36L+?	M8+M4	EMC	WUS, ISU, TTM
Iris	OAM, UBB	2H26~	40L+?	M8+M4	EMC	WUS, ISU, TTM

AMD

Generation	Content	Time	Structure	CCL Material	CCL Supplier(s)	PCB Supplier(s)
MI450	OAM, UBB	2H26~	? HDI	M8?	EMC?	Unimicron, others?
	UBB	2H26~	46-48L HDI+HLC PCB, wide size	M8 hybrid	EMC, Doosan	SCC, Others?

Source: Company data, Nomura estimates

Fig. 2: ZDT: earnings forecast revisions

TWD mn	New forecasts			Previous forecasts			Change (%)		
	2026F	2027F	2028F	2026F	2027F	2028F	2026F	2027F	2028F
Revenue	224,018	267,273	300,409	220,204	255,610	286,797	1.7	4.6	4.7
Gross profit	52,196	65,451	79,787	50,334	61,525	72,640	3.7	6.4	9.8
Operating profit	24,113	33,792	45,528	22,866	30,571	39,143	5.5	10.5	16.3
Pretax profit	24,802	34,848	46,584	23,554	31,627	40,199	5.3	10.2	15.9
Net profit	14,751	20,603	27,530	14,012	18,699	23,754	5.3	10.2	15.9
Fully diluted EPS (TWD)	13.78	19.24	25.71	13.09	17.47	22.19			
Margins (%)									
Gross margin	23.3	24.5	26.6	22.9	24.1	25.3	0.4	0.4	1.2
Operating margin	10.8	12.6	15.2	10.4	12.0	13.6	0.4	0.7	1.5
Pretax margin	11.1	13.0	15.5	10.7	12.4	14.0	0.4	0.7	1.5
Net margin	6.6	7.7	9.2	6.4	7.3	8.3	0.2	0.4	0.9

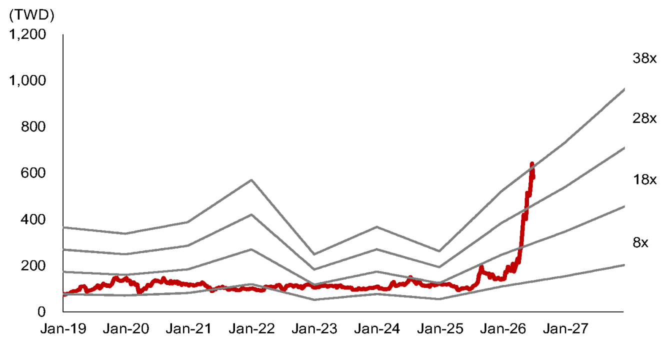
Source: Company data, Nomura estimates

Fig. 3: ZDT: quarterly financial forecasts

(TWD mn)	1Q25	2Q25	3Q25	4Q25	2025	1Q26	2Q26F	3Q26F	4Q26F	2026F	1Q27F	2Q27F	3Q27F	4Q27F	2027F	2028F
Net revenue	**40,082**	**38,203**	**47,366**	**56,870**	**182,522**	**40,728**	**46,380**	**56,710**	**80,199**	**224,018**	**57,302**	**61,144**	**66,841**	**81,986**	**267,273**	**300,409**
COGS	34,197	31,193	36,956	44,040	146,385	31,917	36,126	43,232	60,548	171,822	44,137	46,660	49,935	61,088	201,821	220,621
Gross profit	**5,885**	**7,011**	**10,410**	**12,830**	**36,136**	**8,812**	**10,254**	**13,478**	**19,652**	**52,196**	**13,164**	**14,483**	**16,906**	**20,897**	**65,451**	**79,787**
Op expenses	4,829	4,586	5,880	6,909	22,205	6,308	6,781	7,119	7,874	28,083	7,224	7,766	8,147	8,524	31,660	34,259
Op profit	**1,056**	**2,425**	**4,530**	**5,921**	**13,932**	**2,503**	**3,474**	**6,359**	**11,777**	**24,113**	**5,940**	**6,718**	**8,760**	**12,374**	**33,792**	**45,528**
Non-op income	401	(153)	131	(248)	131	(103)	264	264	264	689	164	564	164	164	1,056	1,056
Pretax profit	1,457	2,272	4,661	5,673	14,063	2,400	3,738	6,623	12,041	24,802	6,104	7,282	8,924	12,538	34,848	46,584
Net profit	**632**	**605**	**2,392**	**3,161**	**6,791**	**1,426**	**2,172**	**3,958**	**7,196**	**14,751**	**3,547**	**4,231**	**5,333**	**7,493**	**20,603**	**27,530**
EPS (TWD)	**0.66**	**0.63**	**2.46**	**3.22**	**6.91**	**1.33**	**2.03**	**3.70**	**6.72**	**13.78**	**3.31**	**3.95**	**4.98**	**7.00**	**19.24**	**25.71**
Operating ratios (%)																
Gross margin	14.7%	18.4%	22.0%	22.6%	19.8%	21.6%	22.1%	23.8%	24.5%	23.3%	23.0%	23.7%	25.3%	25.5%	24.5%	26.6%
Operating margin	2.6%	6.3%	9.6%	10.4%	7.6%	6.1%	7.5%	11.2%	14.7%	10.8%	10.4%	11.0%	13.1%	15.1%	12.6%	15.2%
Pretax profit margin	3.6%	5.9%	9.8%	10.0%	7.7%	5.9%	8.1%	11.7%	15.0%	11.1%	10.7%	11.9%	13.4%	15.3%	13.0%	15.5%
Net profit margin	1.6%	1.6%	5.0%	5.6%	3.7%	3.5%	4.7%	7.0%	9.0%	6.6%	6.2%	6.9%	8.0%	9.1%	7.7%	9.2%
Year-to-year (%)																
Net revenue	23%	18%	-6%	1%	6%	2%	21%	20%	41%	23%	41%	32%	18%	2%	19%	12%
Gross profit	10%	65%	-9%	12%	11%	50%	46%	29%	53%	44%	49%	41%	25%	6%	25%	22%
Operating profit	42%	N.M.	-24%	7%	20%	137%	43%	40%	99%	73%	137%	93%	38%	5%	40%	35%
Pretax profit	-3%	346%	-12%	-27%	-7%	65%	65%	42%	112%	76%	154%	95%	35%	4%	41%	34%
Net profit	-35%	25%	-29%	-28%	-26%	125%	259%	65%	128%	117%	149%	95%	35%	4%	40%	34%
Qtr-to-Qtr (%)																
Net revenue	-29%	-5%	24%	20%		-28%	14%	22%	41%		-29%	7%	9%	23%		
Gross profit	-49%	19%	48%	23%		-31%	16%	31%	46%		-33%	10%	17%	24%		
Operating profit	-81%	130%	87%	31%		-58%	39%	83%	85%		-50%	13%	30%	41%		
Pretax profit	-81%	56%	105%	22%		-58%	56%	77%	82%		-49%	19%	23%	40%		
Net profit	-86%	-4%	295%	32%		-55%	52%	82%	82%		-51%	19%	26%	40%		

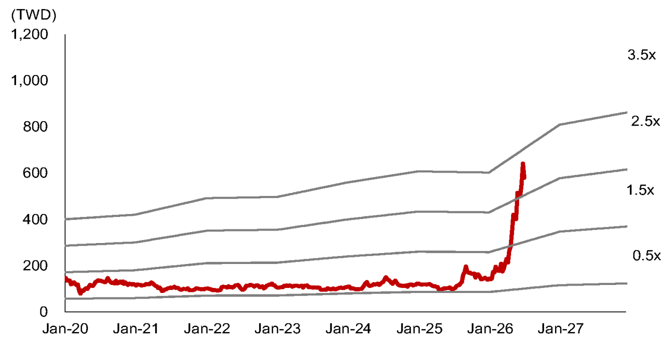
Source: Company data, Nomura estimates

Fig. 4: ZDT: forward P/E band



Source: TEJ, Nomura estimates

Fig. 5: ZDT: forward P/B band



Source: TEJ, Nomura estimates

Appendix A-1

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