Largan (3008.TW): CPO lens in progress; High-end handset lens to ramp up in 3Q26; Buy

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We are positive on Largan and expect sequential revenue growth ahead following the slow season in 2Q26, driven by the ramp up of new models at its major smartphone brand customers and launches of China smartphone flagship models. We expect premium smartphone brands to expand market share under high memory costs, and Largan's focus on high-end lens would continue to support peer outperformance with GM expansion. On CPO, despite its small contribution in the near term, we view it as a new market that could allow Largan to benefit from strong end demand and fast specification migration, supporting long term growth and valuation re-rating. Maintain Buy.

Exhibit 1: Largan revenues by products



Source: Goldman Sachs Global Investment Research

Key takeaways from 2Q26 earnings call

1. CPO opportunities: Management highlights its focus on FA and glass-molding PMLA for FAU in CPO switches. On FA, Largan aims to start sampling in coming 2-3 weeks, with customers usually taking 2-4 weeks for qualification. Largan will enter mass production once qualification is passed. The company aims to complete the pilot line for FA in late 3Q26. Overall, management commented the mass production timeline could be at mid 2027 the earliest. Management highlights it currently has one project aiming for mass production (one-row FA), while other projects (e.g. two-row FA, multi-row FA) are still at an POC (proof of concept) stage.
High-precision alignment is the company's key advantage, which Largan has developed active alignment and testing equipment in house, and aims to deliver high-precision FA even when the purchased V-grooves or fibers are not of perfect quality.

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2. GlassBridge impact: Management highlights that GlassBridge is designed for edge coupling CPO switches while the current mainstream is grating coupling. Also, GlassBridge is still at an early stage for commercialization (i.e. takes time for mass production, ecosystem development, and customer qualification). Largan's FA is mainly used for grating coupling, and does not directly compete with GlassBridge. The precision level of FA for edge computing is also lower compared to grating coupling.

3. Near-term outlook: Largan 2Q26 revenues were up 17% YoY, mainly driven by 10-19MPx handset lens. Management expects revenues to sequentially increase in both July and August, driven by new models from its major smartphone brand customer. Variable aperture lens are more difficult to produce compared to periscope lens given the more complicated design and higher requirements on particle control. GM in 2Q26 was 49.4% mainly on major customers' model transitions, while variable aperture lens were in initial ramp up with room to enhance yield rate. 3Q26 GM could improve if new lens yield rates continue to improve. Management highlights handset lens would continue to benefit from specification upgrade in 2027E, such as more pieces of lenses for periscope lens, periscope lens with inner zooming, higher resolution in variable aperture lens, etc.

Earnings revisions: We raise 2027-28E net income by 2% / 1% mainly on higher revenues, reflecting our positive view on Largan's handset lens product mix upgrade on the back of premium smartphone models gaining more market share and Largan's leading market position in high-end lens, along with continuous specification upgrade. We factor in 2Q26 results (in line) and keep our 2026 estimates largely unchanged.

Exhibit 2: Earnings revision

	2026E			2027E			2028E		
NT m	Old	New	Chg	Old	New	Chg	Old	New	Chg
Revenue	65,588	65,503	0%	75,755	76,562	1%	84,529	85,021	1%
GP	33,715	33,681	0%	41,290	42,012	2%	47,458	47,968	1%
OP	25,982	25,995	0%	32,268	32,893	2%	37,306	37,757	1%
Net income	25,006	24,904	0%	28,536	28,976	2%	31,642	31,937	1%
EPS (Diluted)	185.88	185.12	0%	211.22	214.48	2%	235.08	237.27	1%
Margins									
GM	51.4%	51.4%		54.5%	54.9%		56.1%	56.4%	
OPM	39.6%	39.7%		42.6%	43.0%		44.1%	44.4%	
NM	38.1%	38.0%		37.7%	37.8%		37.4%	37.6%	

Source: Goldman Sachs Global Investment Research

Exhibit 3: Largan 2Q26 results snapshot

NT m	2Q25	1Q26	2Q26	QoQ	YoY	GS	Act / GS	Cons.	Act/Cons.
Revenue	11,673	15,544	13,665	-12%	17%	13,750	-1%	13,343	2%
GP	6,260	7,680	6,752	-12%	8%	6,820	-1%	6,649	2%
OP	4,879	5,812	5,148	-11%	6%	5,168	0%	5,095	1%
Net income	1,032	6,123	4,670	-24%	352%	5,139	-9%	4,776	-2%
Margins									
GM	53.6%	49.4%	49.4%			49.6%		49.8%	
OPM	41.8%	37.4%	37.7%			37.6%		38.2%	
NM	8.8%	39.4%	34.2%			37.4%		35.8%	

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

Compared to Bloomberg consensus, we are 1% / 14% higher in operating income in 2026 / 27E, mainly on higher revenues and GM, reflecting our positive view on Largan's leading market position in high-end lens and the company's pixel mix upgrade, along with market share gains by premium models under high memory costs.

Exhibit 4: GS vs. Bloomberg consensus

	2026E			2027E		
NT m	GS	BB	Diff %	GS	BB	Diff %
Revenue	65,503	66,138	-1%	76,562	71,389	7%
GP	33,681	33,320	1%	42,012	36,980	14%
OP	25,995	25,709	1%	32,893	28,789	14%
Net income	24,904	24,795	0%	28,976	27,062	7%
Margins						
GM	51.4%	50.4%		54.9%	51.8%	
OPM	39.7%	38.9%		43.0%	40.3%	
NM	38.0%	37.5%		37.8%	37.9%	

Source: Goldman Sachs Global Investment Research, Bloomberg

We expect sequential revenue growth in coming three months, driven by the ramp up of new models from its major smartphone brand customers. The growing foldable phones would also bring specification upgrade (e.g. slim camera, under display camera), along with more flagship model launches in 2H26 with specification upgrade to support Largan's revenues and GM increase.

Exhibit 5: Largan monthly revenue preview

	Apr 2026	May 2026	Jun 2026	Jul 2026E	Aug 2026E	Sep 2026E	1Q26	2Q26	3Q26E
Rev (NT$m)	5,362	4,593	3,712	4,826	6,756	7,285	15,544	13,665	18,866
YoY	24%	43%	-10%	-11%	13%	17%	7%	17%	7%
MoM/QoQ	-1%	-14%	-19%	30%	40%	8%	-10%	-12%	38%
GS estimates (NT$m)	4,769	3,243	3,795				14,180	13,750	
Act. Vs. GS	12%	42%	-2%				10%	-1%	

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 6: Largan P&L

NT$m	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2023	2024	2025	2026E	2027E	2028E
Revenues	14,579	11,673	17,677	17,219	15,544	13,665	18,866	17,428	48,842	59,458	61,148	65,503	76,562	85,021
GP	7,965	6,260	8,352	8,260	7,680	6,752	9,339	9,910	23,808	31,209	30,837	33,681	42,012	47,968
OP income	6,086	4,879	6,265	6,329	5,812	5,148	7,094	7,940	17,821	24,033	23,558	25,995	32,893	37,757
Net income	6,443	1,032	7,080	6,720	6,123	4,670	6,699	7,411	17,902	25,915	21,275	24,904	28,976	31,937
EPS, diluted (NT$)	47.73	7.70	52.61	49.17	46.11	34.57	49.59	54.86	132.62	191.44	157.21	185.12	214.48	237.27
YoY														
Revenues	29%	6%	-7%	-5%	7%	17%	7%	1%	2%	22%	3%	7%	17%	11%
GP	43%	18%	-13%	-23%	-4%	8%	12%	20%	-9%	31%	-1%	9%	25%	14%
OP income	54%	25%	-20%	-24%	-5%	6%	13%	25%	-13%	35%	-2%	10%	27%	15%
Net income	5%	-77%	7%	-23%	-5%	352%	-5%	10%	-21%	45%	-18%	17%	16%	10%
EPS, diluted (NT$)	5%	-77%	7%	-22%	-3%	349%	-6%	12%	-21%	44%	-18%	18%	16%	11%
QoQ														
Revenues	-20%	-20%	51%	-3%	-10%	-12%	38%	-8%						
GP	-26%	-21%	33%	-1%	-7%	-12%	38%	6%						
OP income	-27%	-20%	28%	1%	-8%	-11%	38%	12%						
Net income	-26%	-84%	586%	-5%	-9%	-24%	43%	11%						
EPS, diluted (NT$)	-24%	-84%	583%	-7%	-6%	-25%	43%	11%						
Margins														
GM	54.6%	53.6%	47.2%	48.0%	49.4%	49.4%	49.5%	56.9%	48.7%	52.5%	50.4%	51.4%	54.9%	56.4%
OPM	41.7%	41.8%	35.4%	36.8%	37.4%	37.7%	37.6%	45.6%	36.5%	40.4%	38.5%	39.7%	43.0%	44.4%
NM	44.2%	8.8%	40.1%	39.0%	39.4%	34.2%	35.5%	42.5%	36.7%	43.6%	34.8%	38.0%	37.8%	37.6%
Ratios														
Opex ratio	13%	12%	12%	11%	12%	12%	12%	11%	12%	12%	12%	12%	12%	12%
Tax rate	15%	42%	12%	17%	15%	22%	16%	16%	19%	19%	17%	17%	22%	24%

Source: Company data, Goldman Sachs Global Investment Research

Valuation: We continue to derive our target price from 2027E PE, and update our target PE multiple from 29.5x to 29.2x. Our target PE multiple (29.2x) is derived from (1) peers' avg. ratio of trading PE to forward year fundamentals (NI YoY and OPM), which is at 0.5x (vs. 0.5x previously), and (2) Largan's forward year fundamentals: 2027-28E NI YoY at 13% on avg. (vs. 13% previously) and OPM at 44% on avg (vs. 43% previously). The new target PE multiple of 29.2x is within Largan's historical trading range of 8.0x to 31.2x, reflecting our positive view on Largan's expansion from handset lens to CPO lens. Our new target price is at NT$6,263 (vs. NT$6,231 previously). Maintain Buy.

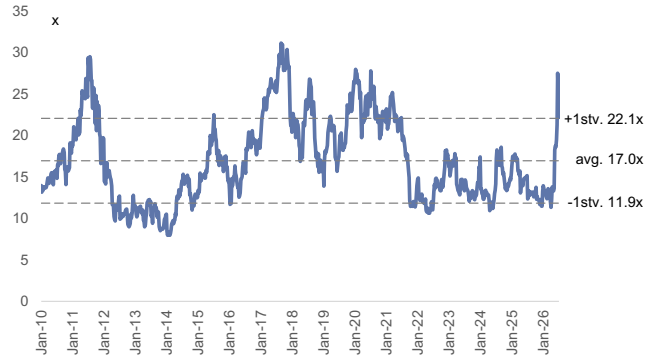
Exhibit 7: Largan peers comparison

Company	Ticker	Rating	PE	NI YoY		OPM		Ratio
			2027E	2027E	2028E	2027E	2028E	
Largan	3008.TW	Buy	18.4	16%	10%	43.0%	44.4%	0.3
Largan (TP implied)	3008.TW	Buy	29.2	16%	10%	43.0%	44.4%	0.5
Peers								
AAC	2018.HK	Buy	12.0	12%	12%	9.7%	10.0%	0.6
Genius	3406.TW	NC	14.5	11%	7%	20.4%	20.7%	0.5
T&S	300570.SZ	NC	55.2	90%	52%	24.7%	24.0%	0.6
VPEC	2455.TW	Buy	34.8	55%	40%	33.4%	35.3%	0.4
Average			**29.1**	**42%**	**28%**	**22.1%**	**22.5%**	**0.5**

NC: Not Covered; data from Bloomberg consensus

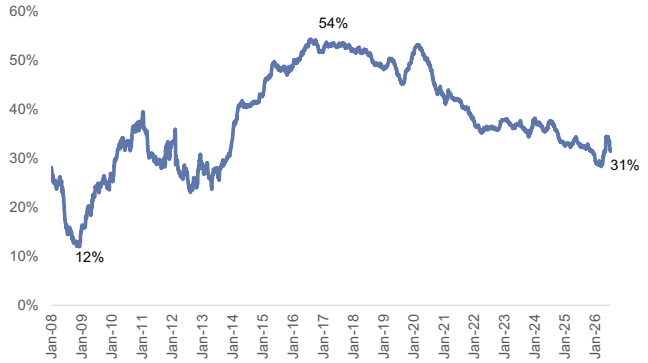
Source: Goldman Sachs Global Investment Research, Bloomberg

Exhibit 8: Largan 12M forward PE ratio



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

Exhibit 9: Largan QFII holdings



Source: TEJ

Price Target Risks and Methodology - Largan

Valuation: We are Buy rated on Largan and have a 12-month target price of NT$6,263, which is based on 2027E P/E. Our target P/E multiple of 29.2x is derived from (1) peers' avg. ratio of trading PE to forward year fundamentals (NI YoY and OPM), which is at 0.5x, and (2) Largan's forward year fundamentals: 2027-28E NI YoY at 13% on avg. and OPM at 44% on avg. The target PE multiple of 29.2x is within Largan's historical trading range of 8.0x to 31.2x, reflecting our positive view on Largan's expansion from handset lens to CPO lens.

Key risks: (1) slower-than-expected smartphone market growth, (2) fiercer competition in handset lenses, (3) slower-than-expected smartphone camera lens specification upgrades or Largan's handset lens pixel mix upgrade, (4) slower-than-expected CPO lens ramp up, and (5) fiercer competition in CPO lens.

3008.TW	12m Price Target: **NT$6,263.00**	Price: **NT$4,345.00**	Upside: **44.1%**

Buy

Market cap: NT$584.5bn / $18.1bn
Enterprise value: NT$457.3bn / $14.2bn
3m ADTV: NT$9.3bn / $292.5mn
Taiwan
Greater China Technology
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (NT$ mn) New	**61,147.9**	**65,503.4**	**76,561.8**	**85,020.5**
Revenue (NT$ mn) Old	61,147.9	65,588.5	75,755.3	84,529.2
EBITDA (NT$ mn)	31,290.3	34,560.3	41,440.9	46,364.1
EPS (NT$) New	**159.41**	**187.34**	**217.11**	**239.29**
EPS (NT$) Old	159.41	188.11	213.81	237.08
P/E (X)	14.8	23.2	20.0	18.2
P/B (X)	1.7	2.9	2.7	2.5
Dividend yield (%)	3.3	2.1	2.4	2.7
CROCI (%)	12.5	16.0	16.1	15.8

	6/26	9/26E	12/26E	3/27E
EPS (NT$)	34.99	50.20	55.53	50.33

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 13 Jul 2026 close.