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Taiwan PCB & Laminates

CCL sector: quality beat; likely another price hike in 3Q26; Buy

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CITI'S TAKE

Both EMC and TUC reported quality 2Q26 results beat, thanks to rising AI demand and price hike. Given current capacity ramp-up plan in 2026/27, we expect CCL shortage would start from 3Q26 onward and sustain into 2027. Currently, EMC does not rule out the possibility of hiking the price again in 3Q26. If EMC does, we expect TUC would follow as well. Looking into 3Q26, we expect AWS Trainium 3 to ramp meaningfully, driving both names' momentum. Both companies are working hard to expand more capacity in China and Southeast Asia. We see more upside to its 2H26 fundamentals on shortage and price hike. Reiterate our Buy rating on EMC and TUC. We raise EMC's TP to NT$6,000 (30x 2027E EPS) from NT$5,100 (30x 2027E EPS). For TUC, we maintain our TP at NT$1,950 (25x 2027E EPS).

EMC: 2Q26 results beat — EMC finally posted a 2Q26 GM beat with GM reaching 33.9% (+4.4ppt QoQ), backed by price hike, high UTR and enhanced product mix. As per the mgmt., >M7-grade sales reached 60-65% in 2Q26 and the mgmt. expects high-end sales mix to continue growing in 2H26. OP levels also see good leverage. Overall, earnings came in 41%/18% higher than Citi/consensus forecasts.

EMC: strong 3Q guidance and potential price hike — The company guides 3Q26 sales QoQ growth of around 15% excluding the benefit from price hike. Given the CCL shortage, EMC does not rule out the possibility of hiking the price again in 3Q26. 2Q GM is guided at 35% +/-1.5ppts due to enhanced product mix. The company also expects M9 would start shipments in 2H26. EMC currently sees tight supply from high-end copper/low dk2. For ABF CCL, the company is under qualification and targets to pass the qualification in 3Q26 or at least in 4Q26. For long-term agreements, the company is passive in entering into agreements unless customers take a hardline stance.

						Rating		Short-Term	Target Price						Current Fiscal Year EPS		Next Fiscal Year EPS	
Company	Ticker	Ccy	Price	Mkt Cap (M)	Date & Time	Old	New	View	Old	New	ESPR (%)	Div Yld (%)	ETR (%)	Last Rpt Yr	Old	New	Old	New
Elite Material	2383.TW	NT$	4,100.00	1,469,117	29 Jul 13:30	1	nc	-	5,100.00	6,000.00	46.3	0.6	47.0	Dec-25	82.17	112.88	168.31	201.42
tuc	6274.TWO	NT$	1,020.00	294,550	29 Jul 15:00	1	nc	-	1,950.00	nc	91.2	0.7	91.9	Dec-25	35.78	36.96	78.71	79.28

1 = Buy, 2 = Neutral, 3 = Sell, H = High Risk
ESPR = Expected Share Price Return, ETR = Expected Total Return, nc = no change
Source: Citi Research
^Catalyst Watch

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

Earnings Estimates

				Last Reported Year					Current Fiscal Year					Next Fiscal Year				
Company Name	Ticker	Last Rpt Year	Currency	1Q	2Q	3Q	4Q	FY0	1Q	2Q	3Q	4Q	FY1	1Q	2Q	3Q	4Q	FY2
Elite Material	2383.TW	Dec-25	NT$	10.01	10.02	11.19	10.63	41.86	14.90	27.55	33.58	36.85	112.88	38.87	46.79	54.79	60.97	201.42
Old		Dec-25	NT$	10.01	10.02	11.19	10.63	41.86	14.90	19.54	22.37	25.37	82.17	30.43	38.70	46.90	52.29	168.31
tuc	6274.TWO	Dec-25	NT$	2.32	2.24	3.44	3.71	11.71	4.32	8.03	11.36	13.25	36.96	13.52	17.07	24.02	24.66	79.28
Old		Dec-25	NT$	2.32	2.24	3.44	3.71	11.71	4.32	8.77	10.51	12.18	35.78	13.38	16.95	23.87	24.51	78.71

Source: Citi Research

TUC: 2Q26 results beat despite some inventory write-off — 2Q26 GM posted 29.7% (+4.6ppts QoQ) vs Citi/consensus 30%/28%, majorly driven by price hike. The mgmt. indicated negative inventory write-off impact of 1.9ppt was recognized in 2Q26 given late ramp of AWS Trainium 3. OP levels also see good leverage, resulting in 2%/7% than Citi/consensus forecasts. Due to higher tax-rate, overall earnings came 8%/3% lower than Citi/consensus forecasts. M7+M8 sales mix reached 39% in 2Q26 vs 38% in 1Q26.

TUC: momentum picking up from 3Q26 — We expect TUC to benefit from AWS Trainium 3 from 3Q26 onwards and forecast 17% QoQ sales growth in 3Q26E. TUC would support AWS demand with its Thailand capacity which ramps up from July. The company would also hike the price if EMC plans to do so, given CCL industry remains in shortage. Overall, we see favorable CCL trend enjoyed by TUC as EMC does.

Upward earnings revisions; reiterate our Buys on both names — We raise EMC's 2026/27/28E earnings by 37%/20%/16% to factor in price hike and enhanced product mix. We thus raise EMC's TP to NT$6,000 (30x 2027E EPS) from NT$5,100. For TUC, we slightly raise TUC's 2026/27/28E earnings by 3%/1%/1% on top of our preview note. We maintain our TUC TP at NT$1,950 (25x 2027E EPS).

Figure 1. EMC – 2Q26 Results

(NT$mn)	2Q26 Actual	1Q26 Actual	Q/Q	2Q25 Actual	Y/Y	2Q26 Citi	Diff.	2Q26 Cons.	Diff.
Revenue	47,275	33,067	43%	22,508	110%	39,100	21%	43,045	10%
Gross profit	16,003	9,729	64%	6,829	134%	12,204	31%	13,983	14%
Gross margin	33.9%	29.4%	+4.4 ppt	30.3%	+3.5 ppt	31.2%	+2.6 ppt	32.5%	+1.4 ppt
Op. profit	12,734	7,128	79%	4,644	174%	8,966	42%	12,571	1%
OP margin	26.9%	21.6%	+5.4 ppt	20.6%	+6.3 ppt	22.9%	+4.0 ppt	29.2%	-2.3 ppt
Net income	9,873	5,340	85%	3,478	184%	7,002	41%	8,398	18%
EPS (NT$)	27.55	14.90	85%	10.02	175%	19.54	41%	23.85	16%

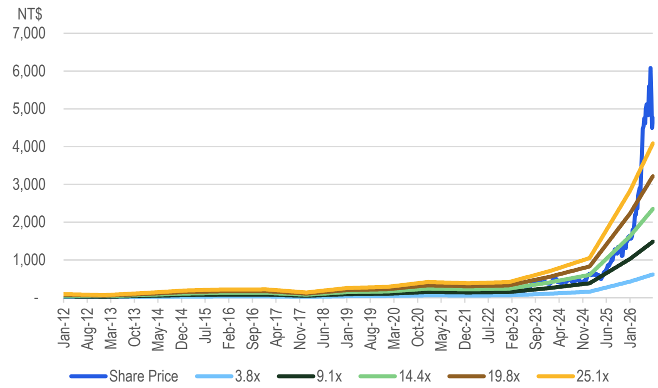
Source: Citi Research Estimates, Company Reports, Bloomberg

Figure 2. EMC – Earnings Revisions

	3Q26E			4Q26E			2026E			2027E			2028E		
(NT$mn)	New	Old	Chg.	New	Old	Chg.	New	Old	Chg.	New	Old	Chg.	New	Old	Chg.
Sales	55,427	40,861	36%	56,995	42,033	36%	192,764	155,061	24%	290,850	243,108	20%	402,336	344,212	17%
Sequential growth (%)	17%	5%		3%	3%		105%	65%		51%	57%		38%	42%	
Gross profit	20,104	13,698	47%	21,221	14,831	43%	67,057	50,462	33%	113,743	95,479	19%	161,202	139,099	16%
Opex	-4,759	-3,507	36%	-4,953	-3,651	36%	-15,582	-12,996	20%	-21,078	-18,102	16%	-29,959	-25,627	17%
Operating profit	15,344	10,191	51%	16,268	11,180	46%	51,475	37,466	37%	92,666	77,377	20%	131,243	113,472	16%
Pre-tax profit	15,427	10,274	50%	16,328	11,240	45%	51,735	37,701	37%	92,945	77,656	20%	131,522	113,751	16%
Net income	12,035	8,016	50%	13,205	9,091	45%	40,453	29,448	37%	72,185	60,320	20%	102,164	88,361	16%
EPS (NT$)	33.58	22.37	50%	36.85	25.37	45%	112.88	82.17	37%	201.42	168.31	20%	285.08	246.56	16%
Gross margin (%)	36.3%	33.5%	+2.7 ppt	37.2%	35.3%	+1.9 ppt	34.8%	32.5%	+2.2 ppt	39.1%	39.3%	-0.2 ppt	40.1%	40.4%	-0.3 ppt
Opex ratio (%)	-8.6%	-8.6%	-0.0 ppt	-8.7%	-8.7%	-0.0 ppt	-8.1%	-8.4%	+0.3 ppt	-7.2%	-7.4%	+0.2 ppt	-7.4%	-7.4%	-0.0 ppt
Operating margin (%)	27.7%	24.9%	+2.7 ppt	28.5%	26.6%	+1.9 ppt	26.7%	24.2%	+2.5 ppt	31.9%	31.8%	+0.0 ppt	32.6%	33.0%	-0.3 ppt
Net margin (%)	21.7%	19.6%	+2.1 ppt	23.2%	21.6%	+1.5 ppt	21.0%	19.0%	+2.0 ppt	24.8%	24.8%	+0.0 ppt	25.4%	25.7%	-0.3 ppt

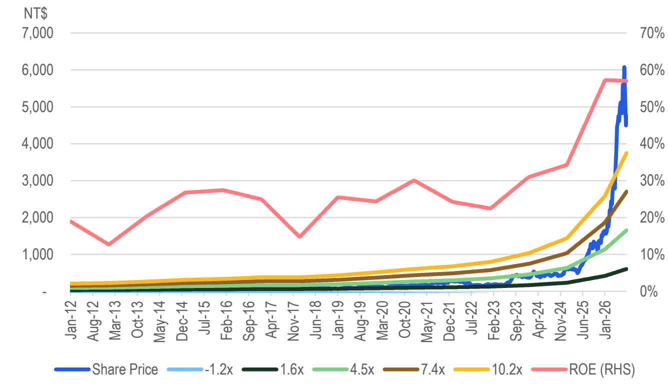
Source: Citi Research Estimates

Figure 3. EMC – 12M Forward P/E Band



Source: dataCentral, Citi Research

Figure 4. EMC – 12M Forward P/B Band



Source: dataCentral, Citi Research

Figure 5. EMC – Forecast Summary

EMC	2026				2027												
(NT$ in Mn, year-end Dec)	1Q	2QE	3QE	4QE	1QE	2QE	3QE	4QE	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Revenue	33,067	47,275	55,427	56,995	59,345	65,604	78,210	87,691	27,201	38,500	38,673	41,296	64,377	94,261	192,764	290,850	402,336
COGS	-23,338	-31,272	-35,323	-35,774	-36,807	-39,982	-47,431	-52,886	-20,161	-28,431	-28,962	-29,964	-46,407	-66,141	-125,707	-177,106	-241,134
Depreciation costs	-553	-615	-736	-927	-1,502	-1,699	-1,779	-1,864	-543	-615	-643	-1,104	-1,501	-1,522	-2,831	-6,844	-7,361
Gross Profit	9,729	16,003	20,104	21,221	22,538	25,622	30,779	34,805	7,040	10,069	9,710	11,333	17,970	28,120	67,057	113,743	161,202
Operating Expense	-2,601	-3,269	-4,759	-4,953	-4,266	-4,716	-5,702	-6,394	-2,357	-3,146	-3,485	-3,987	-5,818	-9,012	-15,582	-21,078	-29,959
SG&A expenses	-1,829	-2,520	-3,603	-3,705	-3,323	-3,674	-4,380	-4,911	-1,781	-2,379	-2,532	-2,717	-4,048	-6,865	-11,657	-16,288	-22,531
R&D expenses	-764	-756	-1,164	-1,255	-950	-1,050	-1,330	-1,491	-583	-771	-953	-1,267	-1,747	-2,142	-3,940	-4,819	-7,458
EBIT	7,128	12,734	15,344	16,268	18,272	20,905	25,077	28,411	4,683	6,923	6,225	7,346	12,152	19,108	51,475	92,666	131,243
Net Interest Income	-65	-44	-45	-45	-45	-45	-45	-46	14	-24	-122	-198	-315	-216	-199	-181	-181
Net Other Income	131	96	128	105	100	100	140	120	147	13	193	271	297	-16	460	460	460
Pre-Tax Profit	7,194	12,785	15,427	16,328	18,327	20,960	25,172	28,485	4,844	6,912	6,296	7,420	12,133	18,876	51,735	92,945	131,522
Tax	-1,855	-2,914	-3,394	-3,125	-4,399	-4,192	-5,538	-6,637	-1,149	-1,412	-1,220	-1,931	-2,564	-4,231	-11,288	-20,765	-29,364
Net Profit	5,340	9,873	12,035	13,205	13,930	16,769	19,636	21,850	3,689	5,493	5,073	5,488	9,578	14,649	40,453	72,185	102,164
EPS (NT$)	14.90	27.55	33.58	36.85	38.87	46.79	54.79	60.97	11.39	16.50	15.24	16.43	27.83	41.86	112.88	201.42	285.08
Key Drivers																	
Margins (%)																	
Gross Margin	29.4%	33.9%	36.3%	37.2%	38.0%	39.1%	39.4%	39.7%	25.9%	26.2%	25.1%	27.4%	27.9%	29.8%	34.8%	39.1%	40.1%
Operating Margin	21.6%	26.9%	27.7%	28.5%	30.8%	31.9%	32.1%	32.4%	17.2%	18.0%	16.1%	17.8%	18.9%	20.3%	26.7%	31.9%	32.6%
Net Margin	16.1%	20.9%	21.7%	23.2%	23.5%	25.6%	25.1%	24.9%	13.6%	14.3%	13.1%	13.3%	14.9%	15.5%	21.0%	24.8%	25.4%
Sequential Growth (%)																	
Revenue	33%	43%	17%	3%	4%	11%	19%	12%	9%	42%	0%	7%	56%	46%	105%	51%	38%
Gross Profit	37%	64%	26%	6%	6%	14%	20%	13%	15%	43%	-4%	17%	59%	56%	138%	70%	42%
EBIT	44%	79%	21%	6%	12%	14%	20%	13%	15%	48%	-10%	18%	65%	57%	169%	80%	42%
Net Profit	43%	85%	22%	10%	5%	20%	17%	11%	14%	49%	-8%	8%	75%	53%	176%	78%	42%
EPS	40%	85%	22%	10%	5%	20%	17%	11%	12%	45%	-8%	8%	69%	50%	170%	78%	42%

Source: Citi Research Estimates, Company Reports

Figure 6. TUC – 2Q26 Results

(NT$mn)	2Q26 Actual	1Q26 Actual	Q/Q	2Q25 Actual	Y/Y	2Q26 Citi	Diff.	2Q26 Cons.	Diff.
Revenue	14,301	10,054	42%	6,780	111%	14,297	0%	14,345	0%
Gross profit	4,250	2,529	68%	1,435	196%	4,285	-1%	4,033	5%
Gross margin	29.7%	25.1%	+4.6 ppt	21.2%	+8.5 ppt	30.0%	-0.3 ppt	28.1%	+1.6 ppt
Op. profit	3,358	1,828	84%	853	294%	3,298	2%	3,154	6%
OP margin	23.5%	18.2%	+5.3 ppt	12.6%	+10.9 ppt	23.1%	+0.4 ppt	22.0%	+1.5 ppt
Net income	2,342	1,260	86%	652	259%	2,557	-8%	2,432	-4%
EPS (NT$)	8.03	4.32	86%	2.24	259%	8.77	-8%	8.42	-5%

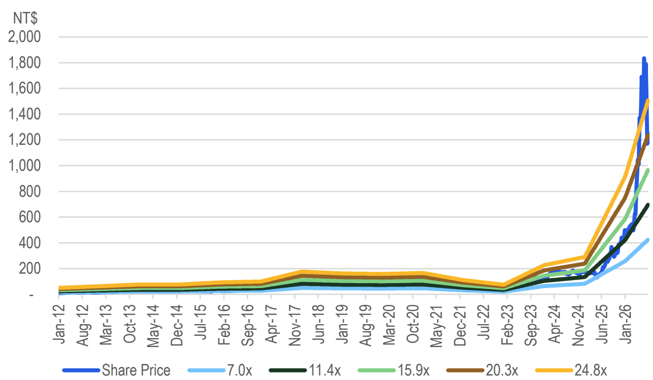
Source: Citi Research Estimates, Company Reports, Bloomberg

Figure 7. TUC – Earnings Revisions

(NT$mn)	3Q26E New	3Q26E Old	3Q26E Chg.	4Q26E New	4Q26E Old	4Q26E Chg.	2026E New	2026E Old	2026E Chg.	2027E New	2027E Old	2027E Chg.	2028E New	2028E Old	2028E Chg.
Sales	16,677	16,654	0%	17,989	17,965	0%	59,021	58,970	0%	100,038	99,923	0%	139,243	139,104	0%
Sequential growth (%)	17%	16%		8%	8%		95%	94%		69%	69%		39%	39%	
Gross profit	5,446	5,202	5%	5,967	5,700	5%	18,191	17,715	3%	36,910	36,902	0%	54,757	54,748	0%
Opex	-1,103	-1,184	-7%	-1,187	-1,311	-9%	-3,882	-4,183	-7%	-6,629	-6,840	-3%	-8,886	-9,185	-3%
Operating profit	4,343	4,018	8%	4,780	4,388	9%	14,309	13,532	6%	30,281	30,062	1%	45,871	45,563	1%
Pre-tax profit	4,358	4,032	8%	4,830	4,439	9%	14,489	13,665	6%	30,389	30,171	1%	45,980	45,671	1%
Net income	3,312	3,064	8%	3,864	3,551	9%	10,778	10,432	3%	23,117	22,951	1%	34,965	34,731	1%
EPS (NT$)	11.36	10.51	8%	13.25	12.18	9%	36.96	35.78	3%	79.28	78.71	1%	119.92	119.11	1%
Gross margin (%)	32.7%	31.2%	+1.4 ppt	33.2%	31.7%	+1.4 ppt	30.8%	30.0%	+0.8 ppt	36.9%	36.9%	-0.0 ppt	39.3%	39.4%	-0.0 ppt
Opex ratio (%)	-6.6%	-7.1%	+0.5 ppt	-6.6%	-7.3%	+0.7 ppt	-6.6%	-7.1%	+0.5 ppt	-6.6%	-6.8%	+0.2 ppt	-6.4%	-6.6%	+0.2 ppt
Operating margin (%)	26.0%	24.1%	+1.9 ppt	26.6%	24.4%	+2.1 ppt	24.2%	22.9%	+1.3 ppt	30.3%	30.1%	+0.2 ppt	32.9%	32.8%	+0.2 ppt
Net margin (%)	19.9%	18.4%	+1.5 ppt	21.5%	19.8%	+1.7 ppt	18.3%	17.7%	+0.6 ppt	23.1%	23.0%	+0.1 ppt	25.1%	25.0%	+0.1 ppt

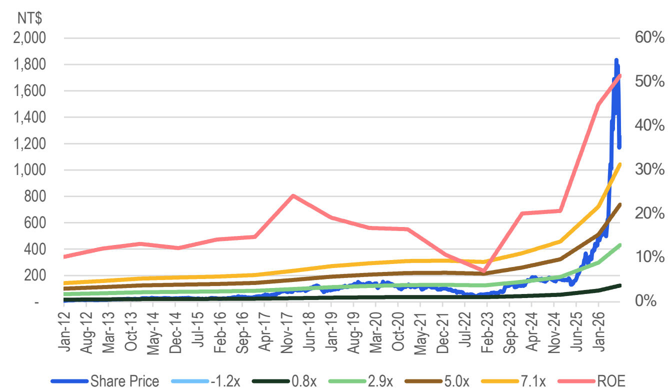
Source: Citi Research Estimates

Figure 8. TUC – 12M Forward P/E Band



Source: dataCentral, Citi Research

Figure 9. TUC – 12M Forward P/B Band



Source: dataCentral, Citi Research

Figure 10. TUC – Forecast Summary

TUC	2026				2027													
(NT$ in Mn, year-end Dec)	1Q	2QE	3QE	4QE	1QE	2QE	3QE	4QE	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Revenue	10,054	14,301	16,677	17,989	19,236	22,683	28,893	29,226	17,527	18,047	21,132	18,472	16,003	23,070	30,340	59,021	100,038	139,243
COGS	-7,525	-10,051	-11,231	-12,022	-12,621	-14,781	-17,783	-17,944	-13,389	-13,822	-16,702	-15,067	-12,844	-17,729	-23,442	-40,830	-63,129	-84,487
Depreciation costs	-113	-162	-238	-317	-455	-534	-597	-660	-317	-332	-360	-379	-375	-363	-359	-829	-2,245	-3,043
Gross Profit	2,529	4,250	5,446	5,967	6,615	7,902	11,111	11,282	4,138	4,225	4,430	3,405	3,159	5,342	6,898	18,191	36,910	54,757
Operating Expense	-701	-892	-1,103	-1,187	-1,308	-1,543	-1,909	-1,869	-1,981	-1,951	-2,050	-1,908	-1,735	-2,010	-2,554	-3,882	-6,629	-8,886
SG&A expenses	-600	-720	-884	-989	-1,039	-1,225	-1,560	-1,578	-1,748	-1,667	-1,786	-1,597	-1,422	-1,668	-2,039	-3,193	-5,402	-7,171
R&D expenses	-101	-172	-217	-199	-269	-318	-347	-292	-272	-269	-264	-311	-310	-359	-514	-688	-1,226	-1,714
EBIT	1,828	3,358	4,343	4,780	5,307	6,359	9,202	9,413	2,157	2,273	2,380	1,498	1,424	3,332	4,344	14,309	30,281	45,871
Net Interest Income	17	17	10	5	17	17	10	5	0	12	18	46	100	90	42	48	48	48
Net Other Income	29	52	5	45	5	5	5	45	79	-22	16	77	26	-45	133	131	60	60
Pre-Tax Profit	1,874	3,427	4,358	4,830	5,329	6,381	9,216	9,463	2,235	2,264	2,413	1,621	1,550	3,378	4,519	14,489	30,389	45,980
Tax	-614	-1,085	-1,046	-966	-1,386	-1,404	-2,212	-2,271	-483	-488	-532	-360	-726	-773	-1,109	-3,711	-7,272	-11,015
Net Profit	1,260	2,342	3,312	3,864	3,943	4,977	7,004	7,192	1,752	1,776	1,881	1,261	823	2,604	3,409	10,778	23,117	34,965
EPS -diluted (NT$)	4.32	8.03	11.36	13.25	14.04	17.72	24.93	25.60	6.55	6.38	6.70	4.46	3.01	9.15	11.71	36.96	79.28	119.92
Revenue breakdown																		
HSD	82%	83%	84%	85%	87%	86%	88%	88%		85%	84%	84%	84%	84%	84%	84%	87%	89%
HDI	6%	6%	6%	6%	6%	5%	5%	5%		8%	8%	8%	8%	6%	7%	6%	5%	5%
Others	12%	11%	9%	9%	8%	8%	7%	7%		7%	9%	8%	8%	11%	9%	10%	7%	7%
Margins (%)																		
Gross Margin	25.1%	29.7%	32.7%	33.2%	34.4%	34.8%	38.5%	38.6%	23.6%	23.4%	21.0%	18.4%	19.7%	23.2%	22.7%	30.8%	36.9%	39.3%
Operating Margin	18.2%	23.5%	26.0%	26.6%	27.6%	28.0%	31.8%	32.2%	12.3%	12.6%	11.3%	8.1%	8.9%	14.4%	14.3%	24.2%	30.3%	32.9%
Net Margin	12.5%	16.4%	19.9%	21.5%	20.5%	21.9%	24.2%	24.6%	10.0%	9.8%	8.9%	6.8%	5.1%	11.3%	11.2%	18.3%	23.1%	25.1%
Sequential Growth (%)																		
Revenue	10%	42%	17%	8%	7%	18%	27%	1%	-1%	3%	17%	-13%	-13%	44%	32%	95%	69%	39%
Gross Profit	26%	68%	28%	10%	11%	19%	41%	2%	3%	2%	5%	-23%	-7%	69%	29%	164%	103%	48%
EBIT	42%	84%	29%	10%	11%	20%	45%	2%	-10%	5%	5%	-37%	-5%	134%	30%	229%	112%	51%
Net Profit	16%	86%	41%	17%	2%	26%	41%	3%	-5%	1%	6%	-33%	-35%	216%	31%	216%	114%	51%
EPS	16%	86%	41%	17%	6%	26%	41%	3%	-8%	-3%	5%	-33%	-33%	204%	28%	216%	114%	51%

Source: Citi Research Estimates, Company Reports

2383.TW: Fiscal year end 31-Dec

Price: NT$4,100.00; TP: NT$6,000.00; Market Cap: NT$1,469,117m; Recomm: Buy

Profit & Loss (NT$m)	2024	2025	2026E	2027E	2028E
Sales revenue	64,377	94,261	192,764	290,850	402,336
Cost of sales	-46,407	-66,141	-125,707	-177,106	-241,134
Gross profit	17,970	28,120	67,057	113,743	161,202
Gross Margin (%)	27.9	29.8	34.8	39.1	40.1
EBITDA (Adj)	**13,866**	**20,903**	**54,812**	**100,733**	**139,919**
EBITDA Margin (Adj) (%)	21.5	22.2	28.4	34.6	34.8
Depreciation	-1,714	-1,795	-3,337	-8,067	-8,676
Amortisation	0	0	0	0	0
EBIT (Adj)	**12,152**	**19,108**	**51,475**	**92,666**	**131,243**
EBIT Margin (Adj) (%)	18.9	20.3	26.7	31.9	32.6
Net interest	-315	-216	-199	-181	-181
Associates	-159	-442	61	60	60
Non-Op/Except/Other Adj	456	426	399	400	400
Pre-tax profit	**12,133**	**18,876**	**51,735**	**92,945**	**131,522**
Tax	-2,564	-4,231	-11,288	-20,765	-29,364
Extraord./Min.Int./Pref.div.	9	4	6	6	6
Reported net profit	**9,578**	**14,649**	**40,453**	**72,185**	**102,164**
Net Margin (%)	14.9	15.5	21.0	24.8	25.4
Core NPAT	9,578	14,649	40,453	72,185	102,164

Per share data	2024	2025	2026E	2027E	2028E
Reported EPS ($)	27.83	41.86	112.88	201.42	285.08
Core EPS ($)	27.83	41.86	112.88	201.42	285.08
DPS ($)	9.92	16.45	24.94	67.74	120.87
CFPS ($)	15.42	34.52	39.07	177.12	282.42
FCFPS ($)	-1.62	7.40	-49.80	121.32	226.61
BVPS ($)	101.93	143.52	253.67	455.09	740.17
Wtd avg ord shares (m)	344	350	358	358	358
Wtd avg diluted shares (m)	344	350	358	358	358

Growth rates	2024	2025	2026E	2027E	2028E
Sales revenue (%)	55.9	46.4	104.5	50.9	38.3
EBIT (Adj) (%)	65.4	57.2	169.4	80.0	41.6
Core NPAT (%)	74.5	52.9	176.1	78.4	41.5
Core EPS (%)	69.4	50.4	169.7	78.4	41.5

Balance Sheet (NT$m)	2024	2025	2026E	2027E	2028E
Cash & cash equiv.	14,988	20,008	11,659	59,555	143,981
Accounts receivables	25,897	36,115	81,888	127,556	156,459
Inventory	9,437	16,752	31,224	46,118	56,025
Net fixed & other tangibles	23,983	33,830	61,769	73,702	85,026
Goodwill & intangibles	585	103	103	103	103
Financial & other assets	1,189	1,106	2,458	3,808	4,662
Total assets	**76,080**	**107,913**	**189,101**	**310,841**	**446,256**
Accounts payable	15,963	24,518	46,285	68,687	83,588
Short-term debt	7,781	11,264	11,264	11,264	11,264
Long-term debt	8,772	8,219	17,188	21,651	24,910
Provisions & other liab	8,470	13,477	23,482	46,179	61,276
Total liabilities	**40,986**	**57,477**	**98,219**	**147,780**	**181,037**
Shareholders' equity	35,111	50,456	90,908	163,093	265,257
Minority interests	-17	-20	-26	-32	-38
Total equity	**35,094**	**50,435**	**90,882**	**163,061**	**265,219**
Net debt (Adj)	**1,565**	**-525**	**16,793**	**-26,640**	**-107,808**
Net debt to equity (Adj) (%)	4.5	-1.0	18.5	-16.3	-40.6

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	na	97.9	36.3	20.4	14.4
PB (x)	40.2	28.6	16.2	9.0	5.5
EV/EBITDA (x)	na	70.3	27.0	14.5	10.0
FCF yield (%)	0.0	0.2	-1.2	3.0	5.5
Dividend yield (%)	0.2	0.4	0.6	1.7	2.9
Payout ratio (%)	36	39	22	34	42
ROE (%)	30.9	34.2	57.2	56.8	47.7

Cashflow (NT$m)	2024	2025	2026E	2027E	2028E
EBITDA	13,866	20,903	54,812	100,733	139,919
Working capital	-5,993	-4,367	-29,793	-16,782	-9,634
Other	-2,564	-4,455	-11,016	-20,474	-29,073
Operating cashflow	**5,310**	**12,081**	**14,002**	**63,476**	**101,212**
Capex	-5,867	-9,490	-31,850	-20,000	-20,000
Net acq/disposals	396	-95	574	0	0
Other	0	0	0	0	0
Investing cashflow	**-5,470**	**-9,585**	**-31,276**	**-20,000**	**-20,000**
Dividends paid	-3,439	-5,894	-8,936	-24,272	-43,311
Financing cashflow	**5,890**	**4,622**	**8,969**	**4,463**	**3,259**
Net change in cash	**5,729**	**7,117**	**-8,305**	**47,940**	**84,471**
Free cashflow to s/holders	**-557**	**2,591**	**-17,848**	**43,476**	**81,212**

For definitions of the items in this table, please click here.

6274.TWO: Fiscal year end 31-Dec

Price: NT$1,020.00; TP: NT$1,950.00; Market Cap: NT$294,550m; Recomm: Buy

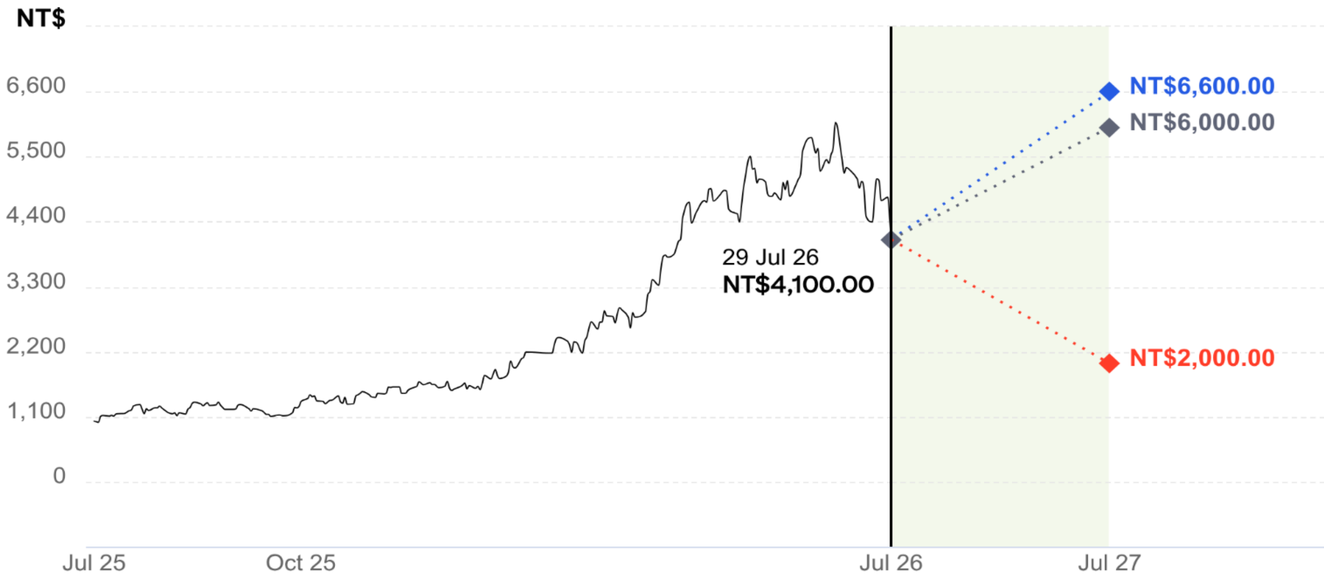
Profit & Loss (NT$m)	2024	2025	2026E	2027E	2028E
Sales revenue	23,070	30,340	59,021	100,038	139,243
Cost of sales	-17,729	-23,442	-40,830	-63,129	-84,487
Gross profit	5,342	6,898	18,191	36,910	54,757
Gross Margin (%)	23.2	22.7	30.8	36.9	39.3
EBITDA (Adj)	**3,784**	**4,803**	**15,362**	**33,131**	**49,734**
EBITDA Margin (Adj) (%)	16.4	15.8	26.0	33.1	35.7
Depreciation	-448	-447	-1,053	-2,850	-3,863
Amortisation	-5	-13	0	0	0
EBIT (Adj)	**3,332**	**4,344**	**14,309**	**30,281**	**45,871**
EBIT Margin (Adj) (%)	14.4	14.3	24.2	30.3	32.9
Net interest	90	42	48	48	48
Associates	-49	35	40	40	40
Non-Op/Except/Other Adj	5	98	91	20	20
Pre-tax profit	**3,378**	**4,519**	**14,489**	**30,389**	**45,980**
Tax	-773	-1,109	-3,711	-7,272	-11,015
Extraord./Min.Int./Pref.div.	0	0	0	0	0
Reported net profit	**2,604**	**3,409**	**10,778**	**23,117**	**34,965**
Net Margin (%)	11.3	11.2	18.3	23.1	25.1
Core NPAT	2,604	3,409	10,778	23,117	34,965
Per share data	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Reported EPS ($)	9.15	11.71	36.96	79.28	119.92
Core EPS ($)	9.15	11.71	36.96	79.28	119.92
DPS ($)	3.95	6.22	7.50	23.70	50.84
CFPS ($)	2.38	2.05	-6.32	59.01	104.12
FCFPS ($)	-1.82	-4.65	-42.33	31.58	90.40
BVPS ($)	49.64	63.84	100.80	180.09	300.00
Wtd avg ord shares (m)	272	278	281	281	281
Wtd avg diluted shares (m)	285	291	292	292	292
Growth rates	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Sales revenue (%)	44.2	31.5	94.5	69.5	39.2
EBIT (Adj) (%)	133.9	30.4	229.4	111.6	51.5
Core NPAT (%)	216.3	30.9	216.1	114.5	51.3
Core EPS (%)	204.0	28.1	215.5	114.5	51.3
Balance Sheet (NT$m)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Cash & cash equiv.	6,280	5,165	631	13,806	42,620
Accounts receivables	9,711	13,823	27,575	36,197	44,466
Inventory	3,189	7,405	13,314	17,451	21,301
Net fixed & other tangibles	5,604	7,349	15,100	20,251	20,388
Goodwill & intangibles	10	36	36	36	36
Financial & other assets	1,084	5,963	10,904	14,263	17,460
Total assets	**25,878**	**39,741**	**67,560**	**102,004**	**146,272**
Accounts payable	5,499	10,320	19,462	25,569	31,253
Short-term debt	962	2,141	2,141	2,141	2,141
Long-term debt	3,449	6,304	12,415	16,383	18,838
Provisions & other liab	1,631	2,363	4,150	5,402	6,566
Total liabilities	**11,541**	**21,127**	**38,168**	**49,495**	**58,799**
Shareholders' equity	14,337	18,614	29,392	52,509	87,474
Minority interests	0	0	0	0	0
Total equity	**14,337**	**18,614**	**29,392**	**52,509**	**87,474**
Net debt (Adj)	**-1,869**	**3,280**	**13,926**	**4,719**	**-21,641**
Net debt to equity (Adj) (%)	-13.0	17.6	47.4	9.0	-24.7

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	na	87.1	27.6	12.9	8.5
PB (x)	20.5	16.0	10.1	5.7	3.4
EV/EBITDA (x)	77.3	61.5	19.7	9.2	5.8
FCF yield (%)	-0.2	-0.5	-4.1	3.1	8.9
Dividend yield (%)	0.4	0.6	0.7	2.3	5.0
Payout ratio (%)	43	53	20	30	42
ROE (%)	20.1	20.7	44.9	56.5	50.0
Cashflow (NT$m)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
EBITDA	3,784	4,803	15,362	33,131	49,734
Working capital	-2,379	-3,272	-13,673	-8,760	-8,468
Other	-728	-935	-3,531	-7,164	-10,906
Operating cashflow	**677**	**596**	**-1,842**	**17,207**	**30,360**
Capex	-1,196	-1,949	-10,500	-8,000	-4,000
Net acq/disposals	-993	-528	1,696	0	0
Other	1,059	-4,025	0	0	1
Investing cashflow	**-1,130**	**-6,502**	**-8,804**	**-8,000**	**-3,999**
Dividends paid	-1,090	-1,797	-2,165	-6,844	-14,679
Financing cashflow	**1,376**	**4,888**	**6,112**	**3,968**	**2,455**
Net change in cash	**1,322**	**-1,018**	**-4,534**	**13,175**	**28,816**
Free cashflow to s/holders	**-519**	**-1,353**	**-12,342**	**9,207**	**26,360**

For definitions of the items in this table, please click here.

Bull/Bear: Elite Material (2383.TW)

NT$ 6,600.00 ▲61% Upside	NT$ 6,000.00 ▲46% Upside	NT$ 2,000.00 ▼51% Downside



Spread 112pp
Current Price and expected returns (upside/downside) as of 29 Jul 2026

BULL Assumptions

- Higher market share in AI ASIC customers' AI servers
- Higher market share in AI GPU customers' AI servers
- Wider adoption of M9 or Q-glass in AI servers
- Less strict practice of OOC policies by end customers

BASE Assumptions

- High market share in AI ASIC customers' AI servers
- Major supplier of AI GPU customers' AI switch boards
- Adoption of M9 in next-gen AI GPU customers' AI servers
- Spec migration to M8 in AI ASIC servers with higher layer count

BEAR Assumptions

- New CCL competitor joining; lower market share in AI ASIC customers' AI servers
- New CCL competitor joining; lower market share in AI GPU customers' AI servers
- Less adoption of M9 or Q-glass in the next AI servers

Bull/Bear: TUC (6274.TWO)

NT$ **2,200.00** ▲116% Upside	NT$ **1,950.00** ▲91% Upside	NT$ **900.00** ▼12% Downside

Spread 127pp
Current Price and expected returns (upside/downside) as of 29 Jul 2026

BULL Assumptions

- New project wins or share gains in AI customers
- Faster-than-expected CCL upgrade trend
- Stronger-than-expected AI server/800G demand

BASE Assumptions

- 2nd supplier in AI ASIC customers' AI servers
- 800G entering into mass production industrywide
- CCL spec migration to M8 for AI ASIC servers or 800G switches

BEAR Assumptions

- Slower-than-expected CCL upgrade trend
- Weaker-than-expected AI server/800G demand
- Production bottlenecks in AI supply chain

Elite Material

Company description

Established in 1992 in Taoyuan, Taiwan, EMC is a global leading copper clad laminate (CCL) and prepreg supplier for HDI and smartphone applications. EMC has developed several green materials products, from Mid Loss, Low Loss, Very Low Loss, Ultra Low Loss down to Extreme Low Loss categories. In the past few years, EMC has continued to gain presence in AI datacenter, networking and HPC sectors. In the AI server market, EMC is one of the key suppliers to global AI GPU customers and a major supplier to US CSPs for AI ASIC projects.

Investment strategy

We are positive over EMC's long-term growth outlook as we believe its technology leadership in high-end CCL should position it well to benefit from the structural spec migration in PCB materials amid the AI demand boom. We expect EMC to maintain its market share in AI GPU projects and to gradually gain share in next-gen ASIC projects in 2026. Given its leading position in high-end CCL, sufficient raw material support, expanding capacity and solid earnings outlook, we rate EMC a Buy.

Valuation

Our target price for EMC is set at NT$6,000, based on a target PE multiple of 30x on our 2027E EPS average. We believe our target PE multiple, at the peak of its forward PE average in the past 5 years, is justified by a strong earnings outlook supported by its leading position in CCL supply for AI GPU and ASIC (high m/s) from 2026E onwards. We also believe the continued spec upgrade for CCL and price hikes should help support its margin expansion going forward. At our target price, the shares would trade at 23.6x/13.2x 2026E/27E PB.

Risks

Citi's quant system rates EMC high-risk given high share price volatility, which we largely attribute to frequent debates over the spec upgrade for next-gen AI servers. In general, we believe some investors initially tend to have high hope for aggressive spec upgrade without sufficiently considering the scalability and cost structure of CCL products, which then leads to a shortfall in the end. However, from a longer-term perspective, we see a decent and clear spec upgrade trend with meaningful ASP growth potential among AI servers of different generations. As such, we do not assign a high-risk rating.

Key downside risks that could prevent the shares from reaching our target price include: 1) a slower-than-expected CCL upgrade trend; 2) weaker-than-expected AI server demand; 3) production bottlenecks in AI supply chain (eg, glass, copper foil, foundry or OSAT); 4) unexpected share loss in key AI server projects; and 5) stricter practice of OOC policy by end customers.

TUC

Company description

TUC was established in 1974 and mainly produced optical glass initially. Since 1997, it started to provide copper clad laminate (CCL) and prepreg. Headquartered in Hsinchu, Taiwan, TUC has an extensive global service network spanning mainland China, Japan, Korea, the US and Germany. It has been specializing in high-speed CCL for networking and now has a strong position in supplying 800G switch opportunities. The company also started to supply AI ASIC from 2025.

Investment strategy

We expect increasing AI ASIC exposure for TUC as it continues to see new project opportunities among US CSP customers, including the high-end CCL market for Trainium chip. We like TUC as it has production expertise in high-speed CCL products, especially in networking, such as 800G, and has long built solid relationships with upstream high-end materials suppliers to ensure raw material support. We rate TUC a Buy given meaningful 800G ramp from 2026E onwards and its increasing opportunities in AI projects within CSPs and enterprise players.

Valuation

Our target price for TUC is set at NT$1,950, based on a target PE multiple of 25x on our 2027E EPS. We believe our target PE multiple, at the peak of TUC's PE average in the last upcycle, is justified by its strong margin expansion potential on a higher sales mix from AI ASIC server/800G products and price hikes on supply tightness. We believe TUC's growth outlook is well supported by AI ASIC and 800G with its capacity ramp in Thailand from 3Q26 onward. At our target price, the shares would trade at 2026E/27E PB of 19.2x/10.7x.

Risks

Citi's quant system rates TUC High Risk given high share price volatility, which we largely attribute to frequent debates over the spec upgrade for next-gen AI servers. In general, we believe some investors initially tend to have high hope for aggressive spec upgrade without sufficiently considering the scalability and cost structure of CCL products, which then leads to a shortfall in the end. However, from a longer-term perspective, we see a decent and clear spec upgrade trend with meaningful ASP growth potential among AI servers of different generations. As such, we do not assign a High Risk rating.

Key downside risks that could prevent the shares from reaching our target price include: 1) a slower-than-expected CCL upgrade trend; 2) weaker-than-expected AI server/800G demand; 3) production bottlenecks in AI supply chain (e.g., glass, copper foil, foundry, or OSAT); 4) unexpected share loss in key AI server projects; 5) flexible practice of OOC policy by end customers; and 6) slow development of the PCB industry in Southeast Asia.

If you are visually impaired and would like to speak to a Citi representative regarding the details of the graphics in this document, please call USA 1-888-500-5008 (TTY: 711), from outside the US +1-210-677-3788

Appendix A-1

ANALYST CERTIFICATION

The research analysts primarily responsible for the preparation and content of this research report are either (i) designated by "AC" in the author block or (ii) listed in bold alongside content which is attributable to that analyst. If multiple AC analysts are designated in the author block, each analyst is certifying with respect to the entire research report other than (a) content attributable to another AC certifying analyst listed in bold alongside the content and (b) views expressed solely with respect to a specific issuer which are attributable to another AC certifying analyst identified in the price charts or rating history tables for that issuer shown below. Each of these analysts certify, with respect to the sections of the report for which they are responsible: (1) that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc. and its affiliates; and (2) no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in this report.

IMPORTANT DISCLOSURES

TUC (6274.TWO)

Ratings and Target Price History
Fundamental Research

Analyst: Jack Chen

	Date	Rating	Target Price	Closing Price
1	12-Jan-26 05:58:26	*1	*600.00	475.50
2	11-Mar-26 12:43:44	1	*660.00	488.50
3	06-May-26 10:57:02	1	*1,600.00	1,315.00
4	17-Jun-26 17:44:56	1	*1,950.00	1,670.00

*Indicates Change

Rating/target price changes above reflect Eastern Time

Elite Material (2383.TW)

Ratings and Target Price History
Fundamental Research

Analyst: Jack Chen

	Date	Rating	Target Price	Closing Price
1	12-Jan-26 05:58:26	*1	*2,100.00	1,610.00
2	11-Mar-26 12:43:44	1	*3,000.00	2,450.00
3	29-Apr-26 14:52:44	1	*5,100.00	4,440.00

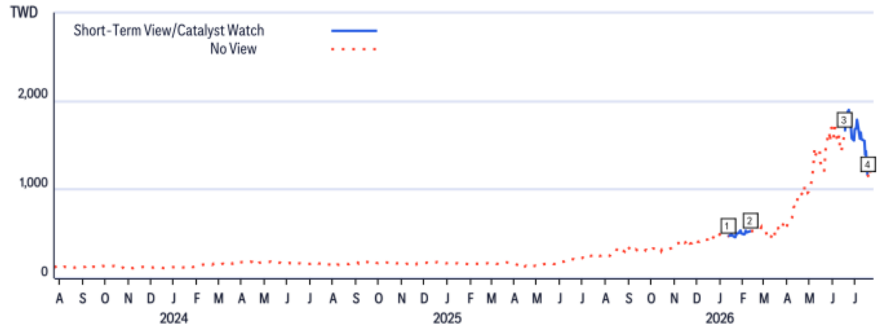
*Indicates Change

Rating/target price changes above reflect Eastern Time

TUC (6274.TWO)

Short-Term View/Catalyst Watch Research

Analyst: Jack Chen



	Date	Action	Expected Direction	Duration	Closing Price
1	12-Jan-26 00:58:26	Add CW	Upside	30 Days	475.50
2	11-Feb-26 20:14:42	Remove CW	Upside	30 Days	532.00
3	17-Jun-26 13:44:56	Add CW	Upside	30 Days	1,670.00
4	17-Jul-26 14:08:42	Remove CW	Upside	30 Days	1,170.00

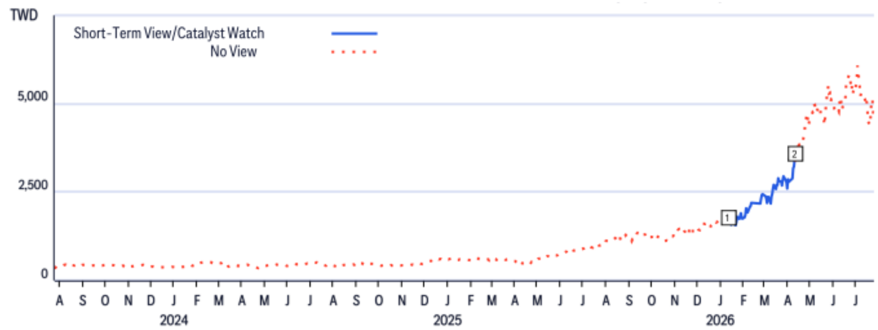
CW - Catalyst Watch , STV - Short-Term View

Rating/target price changes above reflect Eastern Time

Elite Material (2383.TW)

Short-Term View/Catalyst Watch Research

Analyst: Jack Chen



	Date	Action	Expected Direction	Duration	Closing Price
1	12-Jan-26 00:58:26	Add CW	Upside	90 Days	1,610.00
2	12-Apr-26 21:49:04	Remove CW	Upside	90 Days	3,420.00

CW - Catalyst Watch , STV - Short-Term View

Rating/target price changes above reflect Eastern Time

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