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

Overseas Technology

PCB: Entering a New Growth Cycle

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What's new

Based on recent developments across the PCB industry and continued upstream raw material inflation, we provide an updated view on the PCB sector below. We transferred PCB coverage to Michelle Jing and our preferred names include: 1) **Zhen Ding (4958 TT)** for its market share gains in NVIDIA and strong mSAP capabilities; 2) **EMC (2383 TT)** for its share gains at Google and product mix upgrade toward M7+ materials; 3) **Co-Tech (8358 TT)** for its rapid HVLP3/4 capacity expansion and margin upside from processing fee increases; and 4) **KB (1888 HK)** for its ongoing E-glass and FR-4 pricing cycle, alongside high-end fabric capacity expansion and customer qualification progress.

Comments

AI PCB entering a volume and ASP expansion cycle: 1) Vera Rubin is expected to begin shipments in September, with ~10k racks to be shipped by end-2026 and ~80k racks in 2027. PCB content value per GPU is expected to increase to ~$750 (up from $400 for GB200); 2) Google TPU v8t/v8i is expected to ramp from 4Q26, with 120k racks expected to ship in 2027 and PCB content value estimated at US$800–1,000, compared to US$700 for v7. Overall, we expect the AI server PCB TAM to expand from ~US$13bn in 2026 to US$29bn in 2027. Among PCB suppliers, we favor Zhen Ding due to its market share gains in NVIDIA's platforms and mSAP leadership in both optical modules and future projects including CPO. Additionally, we do not expect mSAP to become oversupplied in 2027 due to: 1) the migration of 800G optical modules from traditional tenting processes toward mSAP; 2) lower yield and capacity ramp schedule.

CCL benefiting from dual growth drivers -- FR-4 price inflation and high-end material migration: 1) FR-4 price has increased multiple times, doubling to ~RMB300 since mid-2025. We believe the current pricing cycle will continue through at least end-2027, supported by persistent E-glass supply constraints. For KB's traditional FR-4 and E-glass business, we believe the current cycle will significantly exceed the previous 2021 peak in both cycle duration (potentially into 2028) and profitability (with gross margin potentially reaching ~45%, above the previous cycle peak at 34%). **2)** As AI customers increasingly migrate toward M8+ CCL materials, EMC is expected to gradually phase out M6 and below products starting from 2H27. Beyond ASP and margin expansion driven by product mix improvement, EMC is also expected to continue gaining share in Google TPU (70% share in Sunfish and future projects).

Structural shortages in E-glass and copper foil to persist through 2027: 1) Currently, we estimate the E-glass supply shortage at ~15%. However, addressing this gap would require around 3,000 additional weaving machines, compared with Toyota's current annual capacity of only ~2,000 machines (already fully booked through 2028). Furthermore, increasing demand for high-end fabrics is absorbing additional weaving capacity, further tightening supply availability for standard E-glass products. **2)** Global HVLP4 capacity is expected to reach only around 1.2kt/month by end-2026, implying a supply deficit of at least 400t/month and capacity is constrained by Toyo-Mifune's surface treatment equipment, which is already fully booked through 2028.

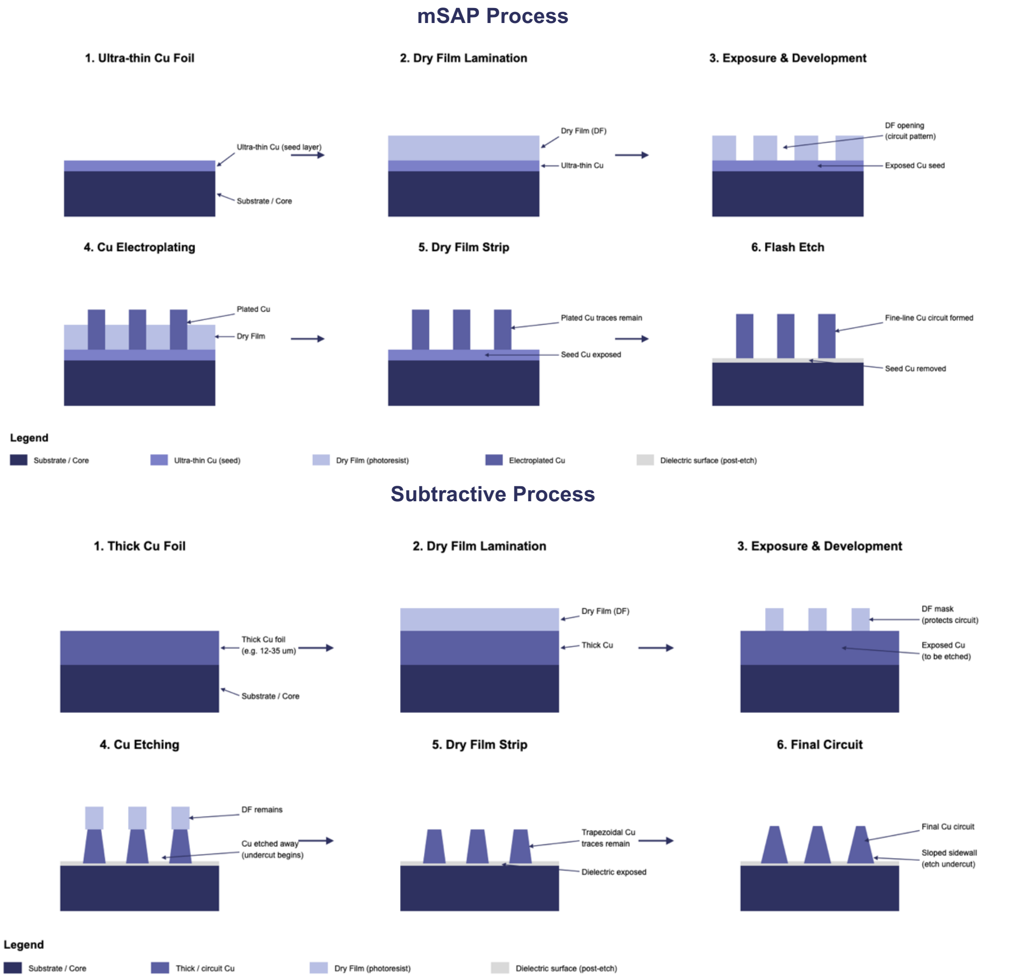
Risks

1) AI demand slowing down; 2) Geo-political risks; 3) Competition.

Orthogonal midplane solution qualification updates: Based on our checks, the final PTFE-based solution remains under qualification. Currently, the PTFE + hydrocarbon solution has passed the electrical performance qualification, with full PCB qualification pending. Meanwhile, the M10 + Q-glass solution is also under qualification (its electrical performance is ~10% below that of the PTFE + hydrocarbon solution, suggesting it is more likely to serve as a backup option).

mSAP and VPD, key technologies for next-gen PCBs: mSAP: As high-density interconnect requirements move beyond the current 40–45μm line/space (L/S) capability of conventional subtractive PCB processes, we expect broader adoption of Substrate-Like PCBs (SLPs), which require mSAP technology capable of achieving sub-30/30μm L/S (see Figure 1). We see 800G/1.6T optical modules are adopting mSAP. Furthermore, mSAP enables the formation of RDLs directly on PCBs, making it a key enabler of CoWoP architecture. According to our checks, CoWoP could be adopted in future **CPO** as well as future **Jetson** platforms. **VPD (Vertical Power Delivery):** Power delivery architecture is evolving from SCP toward backside VPD, which embeds inductors and capacitors on the backside of the PCB through embedded component processes. Per our checks, the Feynman architecture is likely to incorporate VPD technology.

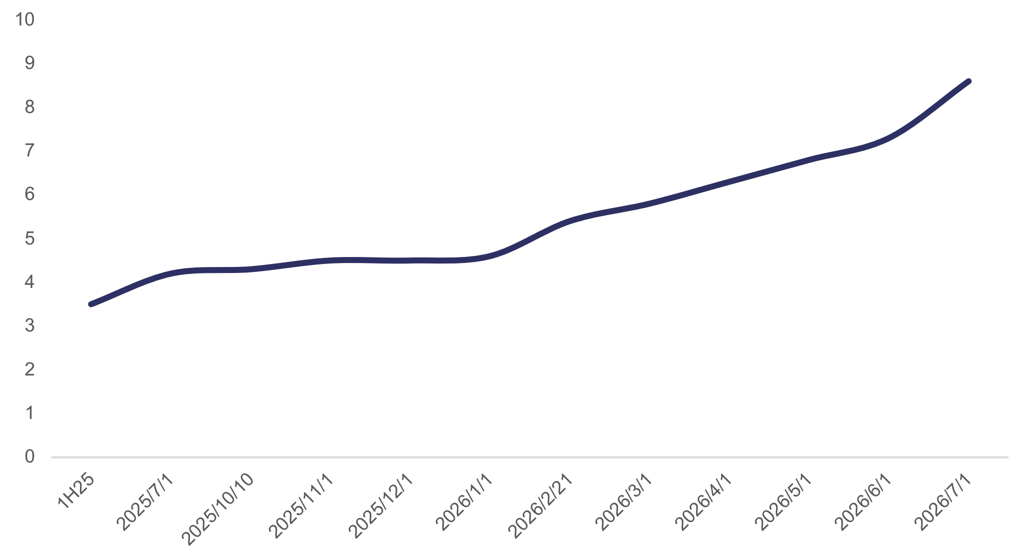
Figure 1: mSAP Process Enables Finer L/S



Sources: Company Data, GF Securities (Hong Kong) Brokerage.

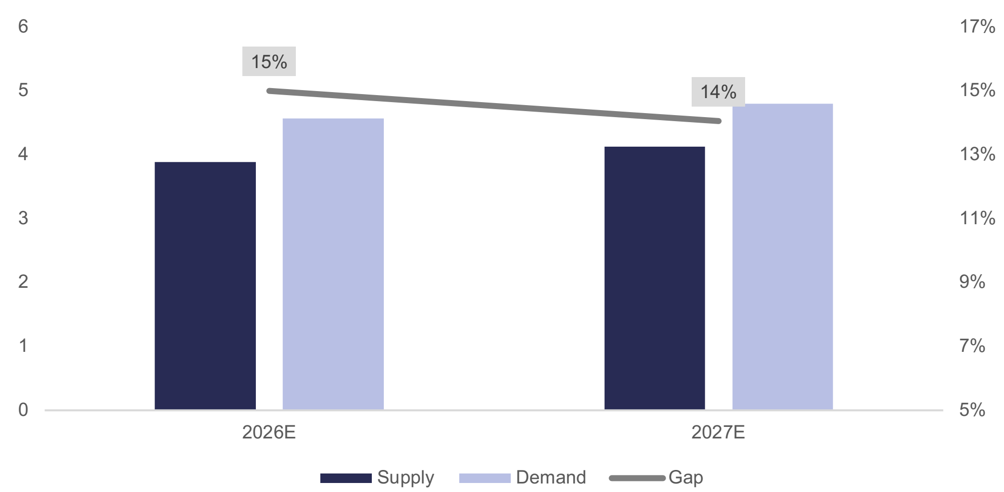
Upstream material inflation remains intact: E-Glass: Current pricing for 7628 cloth exceeds RMB8.5/m, while 1080 cloth is trading above RMB10.5/m. Several E-glass CCL production lines have already stopped production due to raw material shortages. We expect the tight supply and upward pricing trend to persist through end-2027, driven by 1) limited new kiln additions; 2) more than one-year lead time from kiln commissioning to yarn production; 3) Toyota weaving machine orders already fully booked through 2028. **Copper Foil:** Global HVLP4 capacity is expected to reach only around 1.2kt/month by end-2026, implying a supply deficit of at least 400t/month. We anticipate the shortages to continue through end-2027, as the transition toward high-end foil remains constrained by Toyo-Mifune surface treatment equipment capacity, whose production capacity is already fully booked through 2028.

Figure 2: 7628 Cloth Price Trend



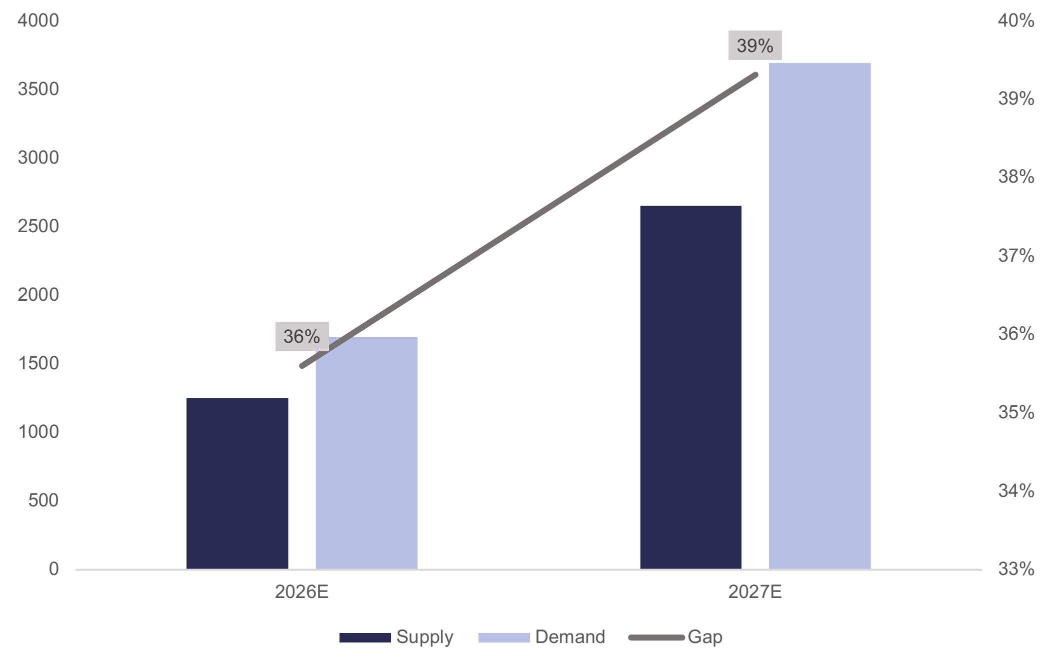
Sources: Company Data, GF Securities (Hong Kong) Brokerage.

Figure 3: E-Glass (7628 Equivalent) Demand & Supply (bn m/yr)



Sources: Company Data, GF Securities (Hong Kong) Brokerage.

Figure 4: HVLP4 Demand & Supply (ton/m)



Sources: Company Data, GF Securities (Hong Kong) Brokerage.

Risks

1) AI demand deceleration; 2) Geo-political uncertainties; 3) Competition.

Equity Research

Company Report | Technology | Aug 10, 2026

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

Co-Tech Development Corporation (8358 TT)

Riding the AI Materials Supercycle

Maintained **Buy**

Target price NT$480

Initiate with Buy, TP NT$480: Co-Tech share price was down by 54% from its June peak, due to concerns over a QoQ gross margin decline in 2Q26 and the pullback across the PCB supply chain. Nevertheless, we believe that AI server demand has created a structural shortage of HVLP4 copper foil, with global supply materially lagging demand. Alongside Mitsui, as one of the very few suppliers globally capable of mass-producing HVLP4 copper foil, Co-Tech is uniquely positioned to capitalize on the scarcity premium, supported by high technical barriers and well-established customer qualifications. Looking ahead, we expect the company's strategic shift toward RG-series and HVLP3/4 products to drive a significant profitability inflection, with gross margin expanding to 29.0%/39.3% in 2026/2027 (vs. 21.8% in 2025). We forecast revenue of NT$12bn/21bn and EPS of NT$9.98/24.02 in 2026/2027. We initiate coverage with a Buy rating and a TP of NT$480, based on 20x 2027E P/E.

Poised for a 4Q26 inflection: Co-Tech reported 2Q26 revenue of NT$2.8bn, +10.8% QoQ and +40.1% YoY; with GPM at 27.4%, -1.3ppt QoQ (mainly impacted by seasonally utility costs). EPS came in at NT$2.16, +5% QoQ and +226% YoY, below market expectations. We expect 3Q26 margin to be flattish QoQ, followed by a meaningful acceleration in 4Q26 to 31.4%, driven by higher processing fees and the ramp-up of HVLP4 products.

Product mix upgrade to lift profit margin: Co-Tech has officially announced the EOL for its low-margin RTF1 products and is reallocating capacity toward higher-value RG-series and HVLP3/4 copper foil. By 2027, we see Co-Tech to expand capacity for RG series to 1.2k tons/month and HVLP3/4 to 700 tons/month. Through its LTA with EMC, Co-Tech has entered Rubin, Google v8, and AWS T3 supply chain. Supported by improving yields and capacity expansion at Yunlin Fab, we expect HVLP3/4 products to account for 31%/47% of total revenue in 2026/2027, with HVLP3/4 GPM at 50%/52% in 2026/2027.

High-end copper foil a seller's market: We believe the structural shortage of HVLP4 copper foil is unlikely to ease before 2028, constrained by limited availability of surface treatment equipment, significant tech know-how required for new entrants, and lengthy customer qualification cycles. Against this backdrop, processing fees for high-end copper foil have already increased once earlier this year, with HVLP4 processing fees reaching US$30. We see HVLP4 to accelerate in late 2Q, as Google v8ax ramp up in August, and expect a second round of price increases in 2H26 as supply remains tight.

Risks: 1) AI demand deceleration; 2) Geo-political uncertainties; 3) Competition.

Profit forecast

(mn NTD)	FY2023	FY2024	FY2025	FY2026E	FY2027E
Revenue	6,170	6,822	7,880	12,146	20,766
Revenue YoY (%)	-	*11%*	*16%*	*54%*	*71%*
Net profit	582	910	1,063	2,520	6,065
Net profit YoY (%)	-	*56%*	*17%*	*137%*	*141%*
EPS ($)	2.30	3.60	4.20	9.98	24.02
P/E	153	98	84	35	15
ROE (%)	*10%*	*14%*	*14%*	*19%*	*25%*

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

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Copper Foil: High-End Capacity Constraints and Equipment Bottlenecks Restrict Supply Expansion

Demand: AI-Driven Surge in HVLP4 Demand

The stringent signal integrity requirements of high-performance computing are accelerating the upgrade of CCL toward HVLP copper foil solutions: 1) NVIDIA Rubin platform: HVLP4 copper foil is expected to be adopted across the Compute, Switch, and Midplane. By the end of 2026, demand for HVLP4 CCL is projected to reach ~1.4m sheets/month. 2) AWS Trainium3: Both Compute and Switch CCL applications are expected to utilize HVLP4 copper foil, with demand estimated at ~800k sheets/month by end-26. 3) Google TPU v8: HVLP4 demand is projected to reach ~900k sheets per month by end-26. As v8 shipments ramp up in 2027, monthly demand is expected to exceed 2.5m sheets.

Figure 1: HVLP4 Demand Analysis

	End 2026 demand	2027 average
Nvidia CCL demand (k sheets per month)	1400	2100
AWS CCL demand (k sheets per month)	800	1100
Google CCL demand (k sheets per month)	1900	3800
Nvidia HVLP4%	100%	100%
AWS HVLP4%	100%	100%
Google HVLP4%	50%	70%
HVLP4/CCL (kg)	0.63	0.63
HVLP4 demand (ton/m)	**1985**	**3692**

Sources: Company Data, GF Securities (Hong Kong) Brokerage.

Supply: Slow Capacity Ramp-Up Constrained by Equipment and Process Challenges

Currently, only a limited number of suppliers have achieved stable MP capability for HVLP4 copper foil. Key suppliers include Mitsui, Fukuda, Furukawa, Co-Tech, Tongguan, and Circuit Foil Luxembourg. These leading manufacturers are upgrading existing capacity this year, transitioning production from RTF or HVLP1/2 toward higher-end HVLP3/4 products. According to our estimates, global HVLP4 copper foil production capacity currently stands at around 1,250 ton/m. In 2027, we expect Defu to breakthrough, complemented by capacity expansions from Mitsui and Jinku, which together could drive global HVLP4 capacity to ~2,650 ton/m.

Tier-2 suppliers, including Defu, Nuode, Huachuang, and Jiayuan, are attempting to convert lithium battery copper foil capacity into electrolytic copper foil production. However, due to fundamental differences between lithium battery copper foil and electrolytic copper foil in terms of microstructure, tensile strength, and elongation properties, such conversion requires not only substantial capital expenditure for advanced surface treatment equipment but also extensive process optimization and accumulated manufacturing know-how. As a result, achieving HVLP3/4 production capability remains challenging in the near term.

Among China mainland suppliers, we see Tongguan and Defu as the front-runners: 1) Tongguan currently achieves monthly shipments of ~500 tons across HVLP1–4 products; 2) Defu has already reached MP for HVLP1&2, with monthly capacity of ~20 tons for each product. HVLP3 has successfully passed Panasonic's qualification and entered Google's supply chain, while HVLP4 samples are ready for qualification and are expected to pass in 2027.

Surface treatment equipment has become the key bottleneck limiting capacity expansion. Leading equipment suppliers such as Toyo-Mifune and New Long face lengthy delivery lead times, with global annual delivery capacity estimated at fewer than 20 production lines.

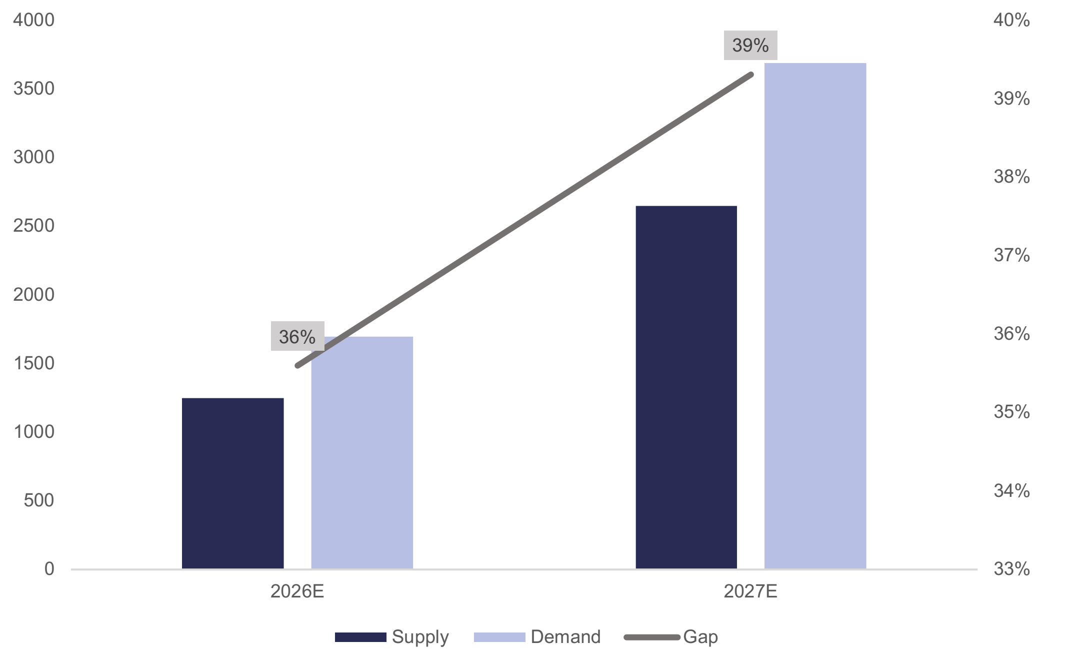
As leading suppliers continue to upgrade capacity toward HVLP3/4, supply shortages are expected to emerge in the RTF and HVLP1/2 segments. For Tier-2 suppliers that are unable to break through high-end technology barriers in the short term, capturing displaced mid-to-low-end orders represents the primary opportunity to increase market share.

Figure 2: Major Players High-end Copper Foil Capacity (ton/m)

	2026	2027	2028
Mitsui	550	1000	1200
Fukuda	150	200	200
Furukawa	150	200	200
Co-Tech	150	700	800
Tongguan	150	200	300
Circuit Foil Luxembourg	100	200	200
Defu Technology	-	150	200
Total Capacity	**1250**	**2650**	**2900**

Sources: Company Data, GF Securities (Hong Kong) Brokerage.

Figure 3: HVLP4 Demand & Supply (ton/m)



Sources: Company Data, GF Securities (Hong Kong) Brokerage.

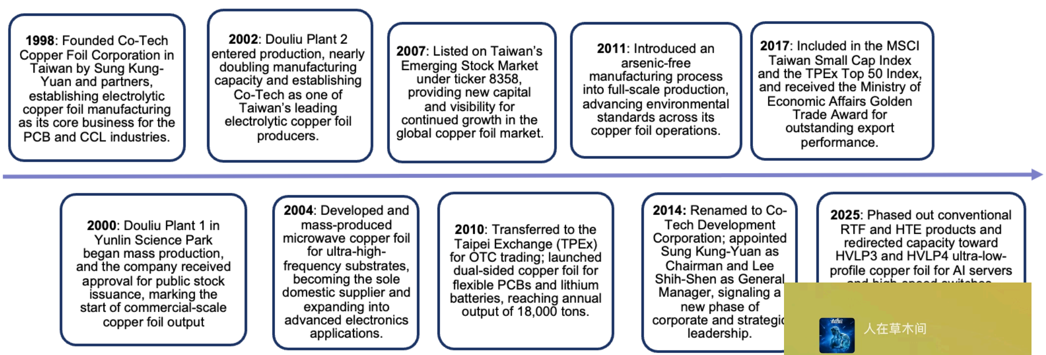
Company Overview

Co-Tech Development Corporation is a Taiwan-based manufacturer of electrolytic copper foil and a key supplier to the global electronics supply chain. Founded in 1998, the company focuses exclusively on electrolytic copper foil, the essential upstream material for CCL and PCB. Co-Tech's product portfolio spans standard copper foil grades through advanced high-frequency, high-speed formulations, including HTE, RTF, VLP, and HVLP series. The company has strategically shifted toward HVLP copper foil—HVLP3, HVLP4, and HVLP5—that meets the stringent signal-integrity requirements of AI servers, high-speed switches, data storage systems, 5G infrastructure, and automotive electronics.

Currently, only a handful of manufacturers—including Mitsui, Fukuda, Furukawa, Tongguan, Circuit Foil Luxembourg, and Co-Tech—can mass-produce HVLP4 copper foil at scale, placing the company in an oligopolistic, high-barrier segment of the materials industry. Co-Tech's products have been qualified by leading CCL manufacturers such as Taiwan Glass Fabric, Taiwan Union Technology, and ITEQ, as well as international players including Doosan and Panasonic. Approximately 90% of revenue comes from exports, with server-related applications accounting for an estimated 70–80% of sales, reflecting the company's deep integration into the global AI and cloud computing hardware production ecosystem.

Looking ahead, Co-Tech is executing a structural shift from conventional copper foil to high-margin HVLP products. The company has phased out lower-end RTF offerings and redirected capacity to HVLP3 and HVLP4 production, with HVLP5 under development for next-generation platforms supporting PCIe Gen7, NVLink, and CPO applications. As AI server and /800G/1.6T switch upgrades accelerate demand for high-frequency PCB materials, Co-Tech is positioned as a critical enabler in the semiconductor and electronics supply chain—transforming from a traditional copper foil producer into a specialized high-performance materials company at the center of the AI hardware revolution.

Figure 4: Company Development



Sources: Company IR material, GF Securities (Hong Kong) Brokerage.

Earnings Review

2Q26 results review

Co-Tech reported 2Q26 revenue of NT$2.8bn, +10.8% QoQ and +40.1% YoY. Gross profit margin lowered 1.3ppt QoQ to 27.4%, mainly impacted by seasonally higher utility costs, and operating profit margin of 24.4%, down 1.2ppt QoQ. Net profit reached NT$545mn, with basic EPS of NT$2.2, +5% QoQ and +226% YoY.

We forecast revenue of $12/21bn NTD in 2026/2027

Co-Tech's revenue for 2026 and 2027 is projected to reach NT$12.15bn and $20.77bn, reflecting YoY growth of +54% and +71%, respectively; EBIT is forecast at NT$3.16bn and $7.61bn; net profit is expected to reach NT$2.5bn and $6.1bn; and EPS is anticipated to be NT$9.98 and $24.02, indicating a continued improvement in overall profitability.

Figure 6: P&L

(NTD m)	FY25	1Q26	2Q26	3Q26E	4Q26E	FY26E	1Q27E	2Q27E	3Q27E	4Q27E	FY27E
Sales	**7,880**	2,532	2,805	3,055	3,754	**12,146**	4,283	5,232	5,707	5,544	**20,766**
COGS	**-6,165**	-1,805	-2,037	-2,212	-2,573	**-8,627**	-2,773	-3,220	-3,394	-3,217	**-12,604**
Gross profit	**1,715**	727	768	843	1,180	**3,519**	1,510	2,012	2,313	2,327	**8,162**
Opex	**-268**	-78	-83	-89	-105	**-356**	-116	-139	-152	-148	**-555**
Operating profit	**1,447**	649	685	754	1,075	**3,163**	1,394	1,873	2,161	2,179	**7,607**
Non-op profit	**-107**	0	4	4	5	**12**	8	11	15	18	**52**
Pre-tax profit	**1,341**	649	688	758	1,080	**3,175**	1,403	1,884	2,176	2,197	**7,659**
Income tax	**-278**	-129	-143	-158	-225	**-655**	-292	-392	-453	-457	**-1,594**
Non-GAAP Net Income	**1,063**	520	545	600	855	**2,520**	1,111	1,492	1,723	1,740	**6,065**
Diluted EPS (NT$)	**4.2**	2.1	2.2	2.4	3.4	**10.0**	4.4	5.9	6.8	6.9	**24.0**
Diluted shares	**252**	252	252	253	253	**253**	253	253	253	253	**253**
Margin analysis											
Gross margin	**21.8%**	28.7%	27.4%	27.6%	31.4%	**29.0%**	35.3%	38.5%	40.5%	42.0%	**39.3%**
Operating margin	**18.4%**	25.6%	24.4%	24.7%	28.6%	**26.0%**	32.6%	35.8%	37.9%	39.3%	**36.6%**
Pre-tax margin	**17.0%**	25.6%	24.5%	24.8%	28.8%	**26.1%**	32.7%	36.0%	38.1%	39.6%	**36.9%**
Effective tax rate	**20.7%**	19.9%	20.8%	20.8%	20.8%	**20.6%**	20.8%	20.8%	20.8%	20.8%	**20.8%**
Growth (YoY%)											
Sales	**15.5%**	**46.5%**	**40.1%**	**53.9%**	**73.4%**	**54.1%**	**-45.6%**	**106.6%**	**103.5%**	**81.5%**	**71.0%**
Operating profit	**26.6%**	**112.3%**	**115.8%**	**123.8%**	**120.6%**	**118.5%**	**-3.7%**	**188.6%**	**215.6%**	**188.8%**	**140.5%**
Net income	**16.7%**	**96.1%**	**226.4%**	**137.0%**	**126.6%**	**137.2%**	**4.5%**	**187.1%**	**216.1%**	**189.8%**	**140.7%**
EPS	**16.6%**	**96.2%**	**226.4%**	**136.7%**	**126.8%**	**137.4%**	**4.4%**	**186.5%**	**215.5%**	**189.6%**	**140.7%**

Valuation and Recommendation

We believe the structural shortage of HVLP4 copper foil is unlikely to ease before 2028, constrained by limited availability of surface treatment equipment, significant tech know-how required for new entrants, and lengthy customer qualification cycles. Co-Tech is uniquely positioned to capitalize on the scarcity premium, supported by high technical barriers and well-established customer qualifications through EMC.

Initiate with Buy with TP of $480

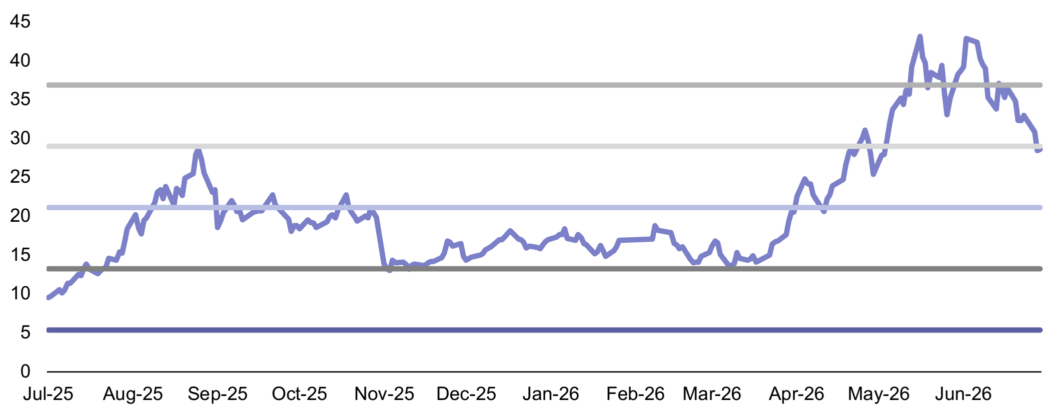
We expect the company's strategic shift toward RG-series and HVLP3/4 products to drive a significant profitability inflection, with gross margin expanding to 29.0%/39.3% in 2026/2027 (vs. 21.8% in 2025). We forecast revenue of NT$12bn/21bn and EPS of NT$9.98/24.02 in 2026/2027, respectively. We initiate coverage with a Buy rating and a TP of NT$480, based on 20x 2027E P/E, as we believe Co-Tech is positioned as a critical AI materials supplier.

Figure 7: Compare Table

Company	Currency	Market Cap (bn)	Net Profit (bn)				25-28 CAGR	P/E			
			2025	2026	2027	2028		2025	2026	2027	2028
Mitsui Kinzoku	JPY	1843	84.6	92.2	104.1	120.3	12%	12	20	18	15
Furukawa	JPY	2713	62.7	95.9	134.2	179.2	42%	11	28	20	15
Defu	CNY	57	0.1	0.8	2.1	3.5	227%	238	83	34	16
Tongguan	CNY	96	0.06	1.1	2.5	4.3	315%	580	89	38	22

Sources: Bloomberg, GF Securities (Hong Kong) Brokerage

Figure 8: Historical Forward P/E



Sources: Bloomberg, GF Securities (Hong Kong) Brokerage

Risks

1) AI demand deceleration; 2) Geo-political uncertainties; 3) Competition.

Balance Sheet

NTD mn

	FY24	FY25	FY26E	FY27E	FY28E
Current assets	**3880**	**4533**	**4153**	**9390**	**17100**
Cash and cash equivalents	1554	1990	745	3612	8999
Inventory	699	715	941	1672	2091
Accounts Receivable	1571	1762	2388	3995	5900
Other current assets	58	65	79	111	111
Non-current assets	**4026**	**4247**	**5293**	**7041**	**10157**
Long-term equity investment	0	0	0	0	0
Fixed assets	3892	4121	4598	5122	8237
Other long-term assets	134	127	696	1919	1919
Total assets	**7907**	**8780**	**9446**	**16431**	**27257**
Current liabilities	**1868**	**2221**	**1921**	**2997**	**3047**
Accounts Payable	300	279	281	633	791
Short-term borrowings	1057	1384	948	1075	967
Other current liabilities	511	559	692	1288	1288
Non-current liabilities	**55**	**28**	**14**	**10**	**10**
Long-term Debt	0	0	0	0	0
Other non-current liabilities	55	28	14	10	10
Total liabilities	**1923**	**2250**	**1935**	**3007**	**3057**
Total Equity	**5983**	**6531**	**7511**	**13424**	**24199**
Paid-in capital	2526	2526	2526	2526	2526
Treasury stock	1561	1561	1571	1571	1571
Retained earnings	1905	2452	3135	5184	11249
Minority interests	-8	-8	279	4143	8853
Total Liabilities & Equity	**7907**	**8780**	**9446**	**16431**	**27256**

Income Statement

NTD mn

	FY24	FY25	FY26E	FY27E	FY28E
Revenue	6170	6822	7880	12146	20766
Cost of sales	-5286	-5468	-6165	-8627	-12604
Gross profit	**884**	**1354**	**1715**	**3519**	**8162**
Operating Expense	-193	-211	-268	-356	-555
Operating profit	**691**	**1143**	**1447**	**3163**	**7607**
Interest Income	3	-10	-8	-14	25
Interest Expense	0	0	0	0	0
Net other Non-op. Income/(Loss)	-28	16	-99	26	27
Pre-tax profit	**715**	**1137**	**1341**	**3175**	**7659**
Income tax	133	227	278	655	1594
Profit for the year	**582**	**910**	**1063**	**2520**	**6065**
Minority interest	0	0	0	0	0
Net profit to ord. equity	**582**	**910**	**1063**	**2520**	**6065**
EPS (US$)	**2.30**	**3.60**	**4.20**	**9.98**	**24.02**

Cash Flow Statement

NTD mn

	FY24	FY25	FY26E	FY27E	FY28E
Operating cash flow	**681**	**912**	**362**	**3132**	**8367**
Profit for the year	582	910	1063	2520	6065
Depreciation & amortization	123	96	90	96	137
Change in working capital	-69	-139	-874	431	2166
Others	45	45	83	85	0
Investing cash flow	**-655**	**-403**	**-792**	**-526**	**-3115**
Capex	-656	-382	-7684	-524	-3115
Change in investment	0	0	0	0	0
Others	2	-20	6892	-2	0
Free cash flow	**25**	**530**	**-7322**	**2608**	**5252**
Financing cash flow	**-121**	**-73**	**-816**	**262**	**134**
Change in Capital	0	0	0	0	0
Net Change in Debt	568	307	-1134	331	0
Others	-689	-381	319	-69	134
Exchange influence	**0**	**0**	**0**	**0**	**0**
Net increase in cash	**-94**	**436**	**-1246**	**2867**	**5386**

Key Financial Ratios

	FY24	FY25	FY26E	FY27E	FY28E
Growth					
Revenue growth	-	11%	16%	54%	71%
Operating profit growth	-	66%	27%	119%	141%
Net profit growth	-	56%	17%	137%	141%
Profitability					
Gross profit margin	14%	20%	22%	29%	39%
Operating Profit Margin	11%	17%	18%	26%	37%
Net profit margin	9%	13%	13%	21%	29%
Key Ratio					
ROA	10%	14%	14%	19%	25%
ROE	7%	11%	12%	19%	28%
Stability					
Gross debt/equity	3214%	3445%	2577%	2240%	1263%
Interest Coverage	-	-	-	-	-
Current Ratio	208%	204%	216%	313%	561%
Quick Ratio	170%	172%	167%	258%	493%
Net debt/equity	Net Cash	Net Cash	3	Net Cash	Net Cash

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

Kingboard Laminates (1888 HK)

Vertical Integration Unlocks the AI Opportunity

Maintained **Buy**
Target price HK$60.8

Maintain Buy; Raise TP to HK$60.8: We view the recent share price pullback as a buying opportunity. Looking ahead, given that: 1) E-glass shortage persisting through end-2027; 2) continued price increases across CCL and upstream raw materials; and 3) capacity expansion in high-end glass fiber fabrics and HVLP3/4 copper foil. We raise our 2026/2027 EPS forecasts to HK$3.09/6.60, of which HK$0.15/0.67 is expected to be contributed by AI-related products. We derive our new HK$60.8 target price based on an SOTP valuation, applying 8x 2027E P/E to the non-AI business and 20x 2027E P/E to AI-related earnings.

E-glass shortage to continue: 7628/1080 fabric prices have risen above RMB8.6/11.3 per meter, up ~90%/120% since the beginning of the year. Checks indicate customers are increasingly willing to accept additional price increases in exchange for supply assurance. We estimate the current E-glass supply gap at ~15%; even with 1k additional weaving machines for e-glass production, the market would remain ~14% undersupplied in 2027. We therefore expect the E-glass shortage to remain largely unresolved through end-2027. We expect KB to remain the industry leader for e-glass and implement multiple rounds of price increases throughout 2H26. Thanks to its vertically integration, KB ensures its stable CCL production while minimizing the impact of upstream price inflation. Supported by sustained price increases in both E-glass and FR-4, together with ongoing capacity expansion, we forecast GPM to improve to 35.7%/46.5% in 2026/2027.

High-end glass fiber and HVLP copper foil to accelerate AI revenue growth: KB has begun shipping Low-Dk2 fabric to customers, while capacity for high-end glass fiber (Low-Dk1/2 + Low-CTE) is expected to reach ~2.5mn meters/month by end-26. We also expect copper foil to become an increasingly important earnings driver as KB plans to add 20kt of new copper foil capacity in 2027 (current 110kt), with the incremental capacity primarily dedicated to HVLP3+ products. Overall, we estimate AI glass fiber + HVLP3/4 to account for ~10% of 2027 EPS, providing a meaningful new growth engine beyond the company's traditional business.

Risks: 1) AI demand slowing down; 2) Geo-political risks; 3) Intensifying competition.

Profit forecast

	FY2023	FY2024	FY2025	FY2026E	FY2027E
Revenue (m)	16,750	18,541	20,400	36,145	58,513
Revenue YoY (%)	*-25.1%*	*10.7%*	*10.0%*	*77.2%*	*61.9%*
Net profit (m)	907	1,326	2,442	9,686	20,919
Net profit YoY (%)	-52.5%	46.1%	*84.2%*	*296.6%*	*116.0%*
EPS ($)	0.29	0.43	0.78	3.09	6.60
P/E	133.9	91.5	50.0	12.6	5.9
ROE (%)	*6.1%*	*8.6%*	*14.9%*	*24.9%*	*27.4%*

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

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Earnings Review

We forecast revenue of HK$36/59bn in 2026/2027

For 2026 and 2027, we estimate KB's revenue to be $36.15 and $58.51 HKD, +77.2%/+61.9% YoY, respectively. We forecast KB's CCL revenue to be $26.6/45.1bn HKD in 2026/2027, accounted for 73.6%/77.1% of total revenue respectively.

Figure 1: Earnings revision

HKD m	FY2025	FY2026E		FY2027E		Change (%)	
		Old	New	Old	New	FY2026E	FY2027E
Net sales	20,400	28,144	36,145	33,664	58,513	28.4%	73.8%
Gross profit	3,991	7,946	12,898	11,161	27,196	62.3%	143.7%
Op. profit	2,769	6,505	11,459	9,572	25,503	76.2%	166.4%
Pre-tax Income	3,060	7,170	12,124	10,253	26,185	69.1%	155.4%
Net profit	2,442	5,728	9,686	8,191	20,919	69.1%	155.4%
Key ratios (%)							
Gross margin	19.6%	28.2%	35.7%	33.2%	46.5%		
Operating margin	13.6%	23.1%	31.7%	28.4%	43.6%		
Net profit margin	12.0%	20.4%	26.8%	24.3%	35.8%		

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

Figure 2: KB's P&L forecast

(HKD m)	FY25	1H26E	2H26E	FY26E	1H27E	2H27E	FY27E
Sales	**20,400**	14,757	21,388	**36,145**	25,897	32,617	**58,513**
COGS	**-16,409**	-10,801	-12,447	**-23,248**	-14,293	-17,024	**-31,317**
Gross profit	**3,991**	3,956	8,942	**12,898**	11,603	15,593	**27,196**
Opex	**-1,289**	-782	-724	**-1,507**	-1,062	-699	**-1,761**
Operating profit	**2,769**	3,208	8,251	**11,459**	10,576	14,928	**25,503**
Non-op profit	**290**	326	339	**665**	341	340	**682**
Pre-tax profit	**3,060**	3,534	8,590	**12,124**	10,917	15,268	**26,185**
Income tax	**618**	711	1,728	**2,438**	2,196	3,071	**5,266**
Non-GAAP Net Income	**2,442**	2,824	6,863	**9,686**	8,722	12,198	**20,919**
Diluted EPS (HK$)	**0.8**	0.90	2.2	**3.1**	2.8	3.9	**6.6**
Diluted shares	**3,132**	3,141	3,151	**3,132**	3,160	3,169	**3,169**
Margin analysis							
Gross margin	**19.6%**	26.8%	41.8%	**35.7%**	44.8%	47.8%	**46.5%**
Operating margin	**13.6%**	21.7%	38.6%	**31.7%**	40.8%	45.8%	**43.6%**
Pre-tax margin	**15.0%**	23.9%	40.2%	**33.5%**	42.2%	46.8%	**44.8%**
Effective tax rate	**-20.2%**	-20.1%	-20.1%	**-20.1%**	-20.1%	-20.1%	**-20.1%**
Growth (YoY%)							
Sales	**10.0%**	**53.9%**	**97.8%**	**77.2%**	**75.5%**	**52.5%**	**61.9%**
Operating profit	**27.3%**	**170.7%**	**420.7%**	**313.8%**	**229.7%**	**80.9%**	**122.6%**
Net income	**84.2%**	**202.5%**	**354.8%**	**296.6%**	**208.9%**	**77.7%**	**116.0%**
EPS	**82.9%**	**200.5%**	**352.2%**	**296.6%**	**207.1%**	**76.7%**	**113.4%**

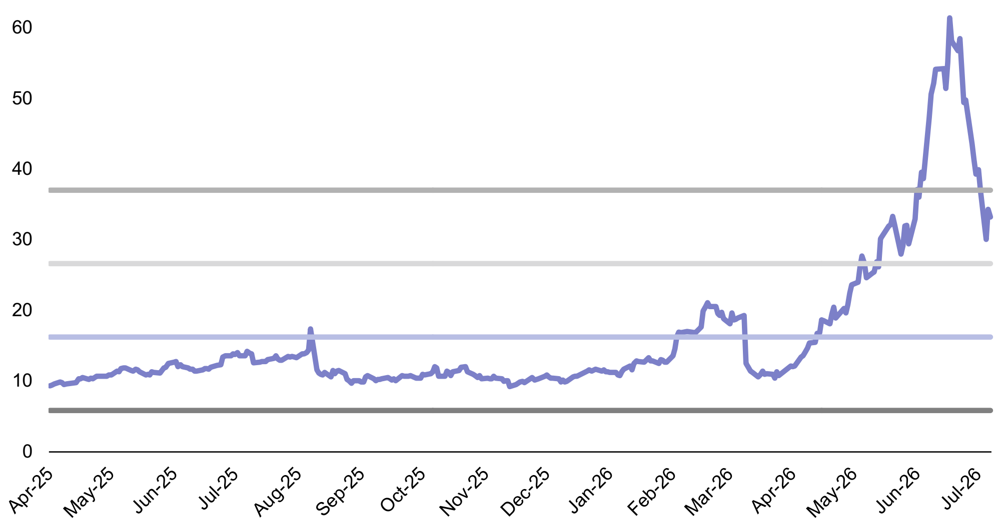
Sources: Company data, GF Securities (Hong Kong) Brokerage

Valuation and Recommendation

Maintain Buy with TP of HK$60.8

Looking ahead, we see: 1) E-glass shortage persisting through end-2027; 2) continued price increases across CCL and upstream raw materials; and 3) capacity expansion in high-end glass fiber fabrics and HVLP3/4 copper foil. We raise our 2026/2027 EPS forecasts to HK$3.09/6.60, of which HK$0.15/0.67 is expected to be contributed by AI-related products. We derive our new HK$60.8 target price based on an SOTP valuation, applying 8x 2027E P/E to the non-AI business and 20x 2027E P/E to AI-related earnings.

Figure 3: KB's Historical Forward P/E



Sources: Bloomberg, GF Securities (Hong Kong) Brokerage

Risks

1) AI demand slowing down; 2) Geo-political risks; 3) Intensifying competition.

Balance Sheet

HKD m

	FY23	FY24	FY25	FY26E	FY27E
Current assets	**13817**	**13800**	**15543**	**34880**	**70733**
Cash and cash equivalents	2027	1924	1628	16567	43771
Inventory	2845	2759	3065	2292	1800
Accounts Receivable	7263	7576	9599	14770	23910
Other current assets	1681	1540	1251	1251	1251
Non-current assets	**9746**	**9311**	**9932**	**12016**	**14381**
Long-term equity investment	-	-	-		
Fixed assets	7333	6921	7122	9206	11570
Other long-term assets	2413	2390	2811	2811	2811
Total assets	**23563**	**23110**	**25475**	**46896**	**85114**
Current liabilities	**5595**	**5763**	**8113**	**7003**	**7683**
Accounts Payable	1759	1663	3552	1798	1794
Short-term borrowings	1317	1292	1323	1968	2651
Other current liabilities	2519	2809	3237	3237	3237
Non-current liabilities	**2992**	**1977**	**995**	**995**	**995**
Long-term Debt	2692	1615	637	637	637
Other non-current liabilities	300	361	358	358	358
Total liabilities	**8588**	**7740**	**9108**	**7998**	**8678**
Total Equity	**14975**	**15370**	**16367**	**38898**	**76436**
Share Capital	312	312	314	314	314
Reserves	15193	15030	16028	38585	76122
Capital adjustment	-554	0	0	0	0
Minorities	24	27	25	0	0
Total Liabilities & Equity	**23563**	**23110**	**25475**	**46896**	**85114**

Income Statement

HKD m

	FY23	FY24	FY25	FY26E	FY27E
Revenue	**16750**	**18541**	**20400**	**36145**	**58513**
Cost of sales	14073	15263	16409	23248	31317
Gross profit	**2677**	**3278**	**3991**	**12898**	**27196**
Operating Expense	1218	1192	1289	1507	1761
Operating profit	**1560**	**2176**	**2769**	**11459**	**25503**
Interest Income	0	0	0	0	0
Interest Expense	-274	-255	-161	-196	-179
Net other Non-op. Income/(Loss)	-70	-79	504	861	861
Pre-tax profit	**1193**	**1735**	**3060**	**12124**	**26185**
Income tax	-284	-405	-618	-2438	-5266
Profit for the year	**909**	**1330**	**2442**	**9686**	**20919**
Minority interest	-1	-4	0	1	1
Net profit to ord. equity	**907**	**1326**	**2442**	**9686**	**20919**
EPS (HK$)	**0.29**	**0.43**	**0.78**	**3.09**	**6.60**

Cash Flow Statement

HKD m

	FY23	FY24	FY25	FY26E	FY27E
Operating cash flow	**824**	**2708**	**3635**	**17167**	**30835**
Profit for the year	907	1326	2442	9686	20919
Depreciation & amortization	900	949	1062	1263	1587
Change in working capital	-1005	69	-233	5855	7966
Others	21	364	364	364	364
Investing cash flow	**-739**	**-810**	**-824**	**-1461**	**-2364**
Capex	-565	-749	-824	-1461	-2364
Others	-174	-61	0	0	0
Free cash flow	259	1959	2810	15707	28471
Financing cash flow	**-1321**	**-1928**	**-767**	**-767**	**-1267**
Change in Capital	0	0	0	0	0
Net Change in Debt	56	-1160	0	0	0
Others	-1377	-767	-767	-767	-1267
Exchange influence	-26	-74	0	0	0
Total cash generated	**-1236**	**-29**	**2043**	**14939**	**27204**

Key Financial Ratios

	FY23	FY24	FY25	FY26E	FY27E
Growth					
Revenue growth	-25.1%	10.7%	10.0%	77.2%	61.9%
Operating profit growth	-58.4%	39.5%	27.3%	313.8%	122.6%
Net profit growth	-52.5%	46.1%	84.2%	296.6%	116.0%
Profitability					
Gross profit margin	16.0%	17.7%	19.6%	35.7%	46.5%
Operating Profit Margin	9.3%	11.7%	13.6%	31.7%	43.6%
Net profit margin	5.4%	7.2%	12.0%	26.8%	35.8%
Key Ratio					
ROA	3.9%	5.7%	9.6%	20.7%	24.6%
ROE	6.1%	8.6%	14.9%	24.9%	27.4%
Stability					
Gross debt/equity	57.3	50.4	55.6	20.6	11.4
Interest Coverage	3.0	10.6	22.5	87.7	172.1
Current Ratio	2.5	2.4	1.9	5.0	9.2
Quick Ratio	2.0	1.9	1.5	4.7	9.0
Net debt/equity	4.96	Net Cash	2.44	Net Cash	Net Cash

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

Elite Material Co. Ltd (2383 TT)

Extending AI CCL Dominance

Maintained	**Buy**
Target price	NT$6538

Maintain Buy; raise TP to NT$6538: On Jul 29, EMC reported strong 2Q26 revenue of NT$47.3bn, +43% QoQ, +110% YoY, and EPS of NT$27.55, ahead of earlier consensus. Looking ahead, we believe EMC is well positioned to further consolidate its leadership in the AI CCL market, driven by its dominant position in next-generation platforms including midplane, LPU, and TPU, and the ongoing migration of both GPU and ASIC platforms toward M8+ CCL materials. We expect these catalysts to bring solid earnings to EMC, even though M10 material remain under qualification. We raise our 2026/2027 EPS forecasts to NT$114.89/261.50, with a TP of NT$6,538, based on an unchanged 25x 2027E P/E.

Extending its leadership in AI CCL: 1) On Google's platform, EMC's share is expected to be up to 70% (previously ~30%), and we see Google's volume ramp up quicky this year (20k racks shipment) with migration to M7+ materials; 2) On Vera Rubin platform, although EMC is losing share in Compute and Switch tray, it still holds No.1 share for midplane and LPU; 3) EMC continues to maintain a dominant position at AWS**.** As AI-related products become the primary earnings driver, we forecast AI revenue will account for more than 60% of total revenue by 2027, driving gross margin further to 36.8%.

Continue price hikes with upstream under control: EMC implemented two rounds of price increases in March and April, raising prices by ~40% for lower-end materials and ~25% for M7+ products. We expect another 10–15% price increase in 3Q26, which should largely offset higher upstream raw material costs. We also believe EMC remains well positioned to manage upstream cost inflation, as: 1) it has secured LTAs with major coper foil supplier, allowing it to procure key materials at more favorable pricing than smaller CCL peers; 2) suppliers without LTAs also have strong incentives to preserve long-term relationships with EMC, resulting in relatively milder price increases than those imposed on smaller customers. Together with an accelerating mix shift toward higher-margin M7+ products, we expect these factors to support continued gross margin expansion.

Risks: 1) AI demand slowing down; 2) Geo-political risks; 3) Intensifying competition.

Profit forecast

	FY2023	FY2024	FY2025	FY2026E	FY2027E
Revenue (m)	41,296	64,377	94,261	196,352	368,899
Revenue YoY (%)	*6.8%*	*55.9%*	*46.4%*	*108.8%*	*87.9%*
Net profit (m)	5,488	9,578	14,649	41,173	93,709
Net profit YoY (%)	*8.2%*	*74.5%*	*52.9%*	*181.1%*	*127.6%*
EPS ($)	16.04	27.71	41.68	114.89	261.50
P/E	330.8	191.5	127.3	46.2	20.3
ROE (%)	*20.5%*	*27.3%*	*29.0%*	*26.3%*	*24.7%*

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

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Earnings Review

We forecast revenue of NT$196/369bn in FY2026/2027

EMC's revenue for 2026 and 2027 is projected to reach NT$196.4bn and $368.9bn, reflecting YoY growth of +108.3% and +87.9%, respectively; EBIT is forecast at NT$53.3bn and $121.2bn; net profit is expected to reach NT$41.2bn and $93.7bn; and EPS is anticipated to be NT$114.89 and $261.50, indicating a continued improvement in overall profitability.

Figure 2: Earnings Revision

NTD m	FY2025	FY2026E		FY2027E		Change (%)	
		Old	New	Old	New	FY2026E	FY2027E
Net sales	94,261	170,353	196,352	311,546	368,899	15.3%	18.4%
Gross profit	28,120	53,151	65,974	104,132	135,914	24.1%	30.5%
Op. profit	19,108	42,189	53,340	91,986	121,220	26.4%	31.8%
Pre-tax Income	18,876	42,396	53,597	91,960	121,358	26.4%	32.0%
Net profit	14,649	32,804	41,173	71,742	93,709	25.5%	30.6%
Key ratios (%)							
Gross margin	29.8%	31.2%	33.6%	33.4%	36.8%		
Operating margin	20.3%	24.8%	27.2%	29.5%	32.9%		
Net profit margin	15.5%	19.3%	21.0%	23.0%	25.4%		

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

Figure 2: EMC's P&L Forecast

(NTD m)	FY25	1Q26	2Q26	3Q26E	4Q26E	FY26E	1Q27E	2Q27E	3Q27E	4Q27E	FY27E
Sales	**94,261**	33,067	47,275	54,299	61,710	**196,352**	74,872	80,773	98,872	114,381	**368,899**
COGS	**-66,141**	-23,338	-31,272	-35,608	-40,160	**-130,378**	-48,351	-51,758	-61,872	-71,005	**-232,986**
Gross profit	**28,120**	9,729	16,003	18,691	21,551	**65,974**	26,522	29,016	37,000	43,376	**135,914**
Opex	**-9,012**	-2,601	-3,269	-3,368	-3,396	**-12,633**	-3,521	-3,556	-3,760	-3,858	**-14,694**
Operating profit	**19,108**	7,128	12,734	15,323	18,155	**53,340**	23,001	25,460	33,241	39,519	**121,220**
Non-operating profit	**-232**	66	52	70	70	**256**	65	61	19	-7	**139**
Pre-tax profit	**18,876**	7,194	12,785	15,393	18,225	**53,597**	23,066	25,520	33,260	39,512	**121,358**
Income tax	**-4,231**	-1,855	-2,914	-3,508	-4,153	**-12,430**	-5,256	-5,816	-7,580	-9,004	**-27,656**
Net income	**14,649**	5,340	9,873	11,887	14,073	**41,173**	17,811	19,706	25,682	30,509	**93,709**
EPS	**41.7**	14.9	27.6	33.1	39.2	**114.9**	49.6	54.8	71.3	84.6	**261.5**
Diluted shares	**358**	358	358	359	359	**359**	359	360	360	360	**360**
Margin analysis											
Gross margin	**29.8%**	29.4%	33.9%	34.4%	34.9%	**33.6%**	35.4%	35.9%	37.4%	37.9%	**36.8%**
Operating margin	**20.3%**	21.6%	26.9%	28.2%	29.4%	**27.2%**	30.7%	31.5%	33.6%	34.5%	**32.9%**
Pre-tax margin	**20.0%**	21.8%	27.0%	28.3%	29.5%	**27.3%**	30.8%	31.6%	33.6%	34.5%	**32.9%**
Effective tax rate	**22.4%**	25.8%	22.8%	22.8%	22.8%	**23.2%**	22.8%	22.8%	22.8%	22.8%	**22.8%**
Growth (% YoY)											
Sales	**46.4%**	**52.5%**	**110.0%**	**115.9%**	**147.6%**	**108.3%**	**-20.6%**	**144.3%**	**109.1%**	**110.7%**	**87.9%**
Operating profit	**57.2%**	**57.0%**	**174.2%**	**207.1%**	**267.9%**	**179.1%**	**20.4%**	**257.2%**	**161.0%**	**157.9%**	**127.3%**
Net income	**52.9%**	**53.9%**	**183.9%**	**199.8%**	**276.6%**	**181.1%**	**21.6%**	**269.0%**	**160.1%**	**156.7%**	**127.6%**
EPS	**50.4%**	**48.5%**	**175.0%**	**196.2%**	**275.5%**	**175.6%**	**18.9%**	**267.6%**	**158.8%**	**155.4%**	**127.6%**

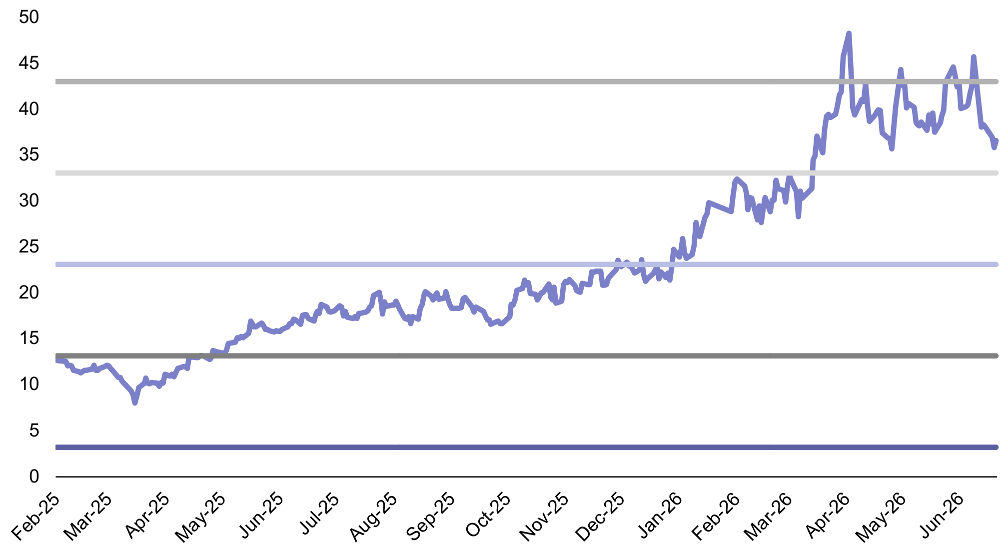
Sources: Company data, GF Securities (Hong Kong) Brokerage

Valuation and Recommendation

Maintain Buy with TP of NT$6538

We believe EMC is well positioned to further consolidate its leadership in the AI CCL market, driven by its dominant position in next-generation platforms including midplane, LPU, and TPU, and the ongoing migration of both GPU and ASIC platforms toward M8+ CCL materials. We expect these catalysts to bring solid earnings to EMC, even though M10 material remain under qualification. We raise our 2026/2027 EPS forecasts to NT$114.89/261.50, with a TP of NT$6,538, based on an unchanged 25x 2027E P/E.

Figure 3: EMC's Forward P/E



Sources: Bloomberg, GF Securities (Hong Kong) Brokerage

Risks

1) AI demand slowing down; 2) Geo-political risks; 3) Intensifying competition.

Balance Sheet

NTD m

	FY23	FY24	FY25	FY26E	FY27E
Current assets	33675	51494	73980	200311	415559
Cash and cash equivalents	9259	14988	20008	76540	191454
Inventory	6135	9437	16752	36091	63450
Accounts Receivable	17327	25897	36115	86569	159545
Other current assets	955	1171	1106	1110	1110
Non-current assets	19752	24586	33933	72856	179133
Long-term equity investment	-	-	-	-	-
Fixed assets	16655	21387	30864	69730	176007
Other long-term assets	3097	3199	3069	3125	3125
Total assets	53427	76080	107913	273166	594692
Current liabilities	23073	30182	46231	86845	127835
Accounts Payable	10489	15963	24518	53894	94748
Short-term borrowings	6557	6047	9279	8274	8410
Other current liabilities	6028	8172	12434	24677	24677
Non-current liabilities	3544	10804	11247	29891	87020
Long-term Debt	2109	8772	8219	26165	83294
Other non-current liabilities	1435	2032	3027	3726	3726
Total liabilities	26617	40986	57477	116737	214855
Total Equity	26809	35094	50456	156430	379836
Common stock	3432	3466	3583	3583	3583
Capital Reserves	4362	5691	11521	11521	11089
Retained earnings	19875	25997	34744	62259	157926
Other equities	-859	-44	607	79066	207239
Total Liabilities & Equity	53427	76080	107933	273166	594691

Income Statement

NTD m

	FY23	FY24	FY25	FY26E	FY27E
Revenue	41296	64377	94261	196167	366683
Cost of sales	-29964	-46407	-66141	-131169	-231592
Gross profit	11333	17970	28120	64998	135092
Operating Expense	-3987	-5818	-9012	-11728	-12610
Operating profit	7346	12152	19108	53270	122482
Interest Income	198	315	-216	-271	-377
Interest Expense	-	-	-	-	-
Net other Non-op. Income/(Loss)	-271	-297	-16	524	524
Pre-tax profit	7420	12133	18876	53523	122629
Income tax	1931	2564	4231	12043	26967
Profit for the year	5488	9569	14645	41478	95662
Minority interest	-	-9	-4	-4	-4
Net profit to ord. equity	5488	9578	14649	41484	95666
EPS (NT$)	16.04	27.71	41.68	155.76	266.71

Cash Flow Statement

NTD m

	FY23	FY24	FY25	FY26E	FY27E
Operating cash flow	2890	7263	11968	74228	163299
Profit for the year	5488	9578	14649	41484	95666
Depreciation & amortization	1302	1769	1880	3312	8151
Change in working capital	-4019	-5974	-4826	25662	59482
Others	118	1890	265	3770	0
Investing cash flow	-4057	-5901	-9888	-38291	-106277
Capex	-3281	-5867	-10306	-38284	-106277
Others	-776	-34	418	-8	0
Free cash flow	-391	1397	1662	35945	57022
Financing cash flow	109	4116	2776	20083	57891
Change in Capital	-	-	-	-	-
Net Change in Debt	1441	-820	4311	17949	57129
Others	-1333	4936	-1535	2134	762
Exchange influence	-126	251	163	513	0
Total cash generated	-1059	5479	4857	56019	114913

Key Financial Ratios

	FY23	FY24	FY25	FY26E	FY27E
Growth					
Revenue growth	7%	56%	46%	108%	87%
Operating profit growth	18%	65%	57%	179%	130%
Net profit growth	8%	75%	53%	183%	131%
Profitability					
Gross profit margin	27%	28%	30%	33%	37%
Operating Profit Margin	18%	19%	20%	27%	33%
Net profit margin	13%	15%	16%	21%	26%
Key Ratio					
ROA	20%	27%	29%	17%	22%
ROE	11%	15%	16%	22%	25%
Stability					
Gross debt/equity	9928%	11679%	11392%	7463%	5657%
Interest Coverage	-	-	-	-	-
Current Ratio	146%	171%	160%	231%	325%
Quick Ratio	119%	139%	124%	189%	275%
Net debt/equity	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Equity Research

Company Report | Technology | Aug 10, 2026

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

Zhen Ding Tech. Group (4958 TT)

AI PCB and Substrate Supercycle

Maintained **Buy**

Target price NT$729

Maintain Buy, TP raised to NT$729: We continue to favor Zhen Ding for 1) its market share gain in AI PCB; 2) ABF substrate supercycle; 3) its leadership position in next-generation PCB technologies including mSAP and VPD. The recent RMA was mainly related to a self-initiated product recall under an urgent delivery arrangement and does not impact Zhen Ding's long-term share. We raise our 2026/2027 EPS forecasts to NT$19.46/36.47, and our TP of NT$729 is based on 20x 2027E P/E unchanged.

AI PCB market share gain: Our checks indicate that Zhen Ding continues to gain share across major AI platforms: **1)** Zhen Ding's share in Nvidia's compute tray has increased to ~30%, with volume ramping up from late June.; **2)** Zhen Ding has entered Google's v8 platform, with further ramp expected in 2027; **3)** mSAP pricing for optical modules increased by ~30% in 1Q26, and we expect further price hikes in 2H26. As a result, we forecast Zhen Ding's AI revenue to reach RMB 9.3bn in 2026, further expanding to RMB24.3bn in 2027.

ABF substrate supercycle remains intact: According to our checks, ABF substrate spot prices increased by more than 40% in 2Q26, while industry lead times have extended to ~12 months, with some customers already securing capacity through 2029. The tight supply environment is primarily driven by: **1)** increasing layer counts and larger substrate sizes for CPUs, combined with rising CPU shipments; **2)** Rubin's ABF substrate size expected to double versus Blackwell; **3)** limited industry capacity expansion, with existing ABF utilization rates already fully loaded. We expect another round of ABF substrate price increases before the end of 2026. Supported by higher ASPs, capacity expansion, and improving utilization rates, we forecast Zhen Ding's IC substrate gross margin to improve to 36% by end-2027.

mSAP and VPD emerging as key technologies for next-gen AI PCBs: As highlighted in our PCB sector report, mSAP is expected to be increasingly adopted in 800G/1.6T optical modules and serves as a key enabling technology for Nvidia's CoWoP architecture. We have seen mSAP pricing increased by ~20% in June, and ZD has announced 10bn investment in mSAP and FPC capacity expansion starting from July-26. Leveraging its experience in embedded technology for consumer electronics, Zhen Ding has also established a leading position in VPD technology globally. We expect Feynman architecture could introduce VPD into CoWoP designs, potentially enabling true substrate-less packaging solutions.

Risks: 1) AI demand slowing down; 2) Geo-political risks; 3) Intensifying competition.

Profit forecast

	FY2023	FY2024	FY2025	FY2026E	FY2027E
Revenue (m)	151,398	171,663	182,522	254,458	356,756
Revenue YoY (%)	*-11.6%*	*13.4%*	*6.3%*	*39.4%*	*40.2%*
Net profit (m)	6,189	9,179	6,791	22,553	42,427
Net profit YoY (%)	*-56.4%*	*48.3%*	*-26.0%*	*232.1%*	*88.1%*
EPS ($)	6.55	9.62	6.91	19.46	36.47
P/E	72.2	49.2	68.5	24.3	13.0
ROE (%)	*7.0%*	*8.6%*	*6.2%*	*10.8%*	*18.2%*

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

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Earnings Review

We forecast revenue of NT$254/357bn in FY2026/2027

We expect Zhen Ding's revenue for 2026 and 2027 to reach NT$254.5bn and $356.8bn, representing YoY growth of 39.4% and 40.2%, respectively; Gross profit is forecasted at NT$66.1/111.3bn; GPM is forecasted to be 26.0%/31.2%; Net income is expected to reach NT$22.6/42.4bn, reflecting YoY changes of +232.1% and +88.1%. By segment, Mobile Communication contributes to 51%/40% of total revenue in 2026/2027; Computers & Consumer Electronics contributes to 20%/15% of total revenue in 2026/2027; Server, Optical Communication & Others contributes to 20%/34% of total revenue in 2026/2027.

Figure 3: Earnings revision

NTD m	FY2025	FY2026E		FY2027E		Change (%)	
		Old	New	Old	New	FY2026E	FY2027E
Net sales	182,522	240,095	254,458	240,095	356,756	6.0%	6.9%
Gross profit	36,136	58,918	66,111	58,918	111,268	12.2%	11.1%
Op. profit	13,932	32,269	38,136	32,269	75,348	18.2%	12.9%
Pre-tax Income	14,063	32,387	38,252	32,387	76,179	18.1%	13.3%
Net profit	6,791	19,017	22,553	19,017	42,427	17.8%	14.0%
Key ratios (%)							
Gross margin	19.8%	24.5%	26.0%	30.0%	31.2%		
Operating margin	7.6%	13.4%	15.0%	20.0%	21.1%		
Net profit margin	3.7%	8.0%	8.9%	11.2%	11.9%		

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

Figure 2: Zhen Ding's P&L forecast

(NTD m)	FY25	1Q26	2Q26E	3Q26E	4Q26E	FY26E	1Q27E	2Q27E	3Q27E	4Q27E	FY27E
Sales	**182,522**	40,728	44,414	70,458	98,858	**254,458**	88,294	91,291	109,421	67,751	**356,756**
COGS	**-146,385**	-31,917	-33,916	-53,805	-68,708	**-188,346**	-62,249	-61,624	-72,221	-49,394	**-245,488**
Gross profit	**36,136**	8,812	10,497	16,653	30,149	**66,111**	26,044	29,667	37,200	18,356	**111,268**
Opex	**-22,205**	-6,308	-5,335	-7,201	-9,130	**-27,975**	-10,032	-8,636	-10,669	-6,583	**-35,920**
Operating profit	**13,932**	2,503	5,162	9,452	21,019	**38,136**	16,013	21,031	26,531	11,774	**75,348**
Non-op profit	**-131**	-103	65	59	96	**117**	164	159	203	306	**831**
Pre-tax profit	**14,063**	2,400	5,227	9,510	21,115	**38,252**	16,177	21,190	26,733	12,079	**76,179**
Minority interest	**3,815**	511	1,249	2,021	4,396	**8,177**	3,440	4,705	6,151	2,696	**16,992**
Income tax	**-3,458**	-353	-1,045	-1,902	-4,223	**-7,523**	-3,559	-4,662	-5,881	-2,657	**-16,759**
Non-GAAP Net Income	**6,791**	1,537	2,933	5,587	12,496	**22,553**	9,178	11,823	14,701	6,726	**42,427**
Diluted EPS (NT$)	**6.9**	1.3	2.5	4.8	10.8	**19.5**	7.9	10.2	12.6	5.8	**36.5**
Diluted shares	**1,002**	1,155	1,156	1,158	1,159	**1,159**	1,160	1,161	1,162	1,163	**1,163**
Margin analysis											
Gross margin	**19.8%**	21.6%	23.6%	23.6%	30.5%	**26.0%**	29.5%	32.5%	34.0%	27.1%	**31.2%**
Operating margin	**7.6%**	6.1%	11.6%	13.4%	21.3%	**15.0%**	18.1%	23.0%	24.2%	17.4%	**21.1%**
Pre-tax margin	**7.7%**	5.9%	11.8%	13.5%	21.4%	**15.0%**	18.3%	23.2%	24.4%	17.8%	**21.4%**
Effective tax rate	**24.6%**	14.7%	20.0%	20.0%	20.0%	**19.7%**	22.0%	22.0%	22.0%	22.0%	**22.0%**
Growth (YoY%)											
Sales	**6.3%**	**1.6%**	**16.3%**	**48.8%**	**73.8%**	**39.4%**	**116.8%**	**105.5%**	**55.3%**	**-31.5%**	**40.2%**
Operating profit	**20.3%**	**137.1%**	**112.9%**	**108.7%**	**255.0%**	**173.7%**	**539.6%**	**307.4%**	**180.7%**	**-44.0%**	**97.6%**
Net income	**-26.0%**	**142.9%**	**385.0%**	**133.6%**	**295.2%**	**232.1%**	**497.3%**	**303.1%**	**163.1%**	**-46.2%**	**88.1%**
EPS	**-28.2%**	**100.7%**	**300.4%**	**96.4%**	**241.8%**	**181.9%**	**494.9%**	**301.5%**	**162.1%**	**-46.4%**	**87.5%**

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

Valuation and Recommendation

Maintain Buy with TP of NT$729

We continue to favor Zhen Ding for 1) its market share gain in AI PCB; 2) ABF substrate supercycle; 3) its leadership position in next-generation PCB technologies including mSAP and VPD. The recent RMA was mainly related to a self-initiated product recall under an urgent delivery arrangement and does not impact Zhen Ding’s long-term share. We raise our 2026/2027 EPS forecasts to NT$19.46/36.47, and our TP of NT$729 is based on 20x 2027E P/E unchanged.

Figure 3: Zhen Ding’s Forward P/E

Sources: Bloomberg, GF Securities (Hong Kong) Brokerage

Risks

1) AI demand slowing down; 2) Geo-political risks; 3) Intensifying competition.

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	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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