

Taiwan CCL: Fulltech mgmt. visit: Ongoing product mix shift toward high end, suggesting accelerating market share from Taiwan CCL players

We held a meeting with Fulltech's (1815.TWO, Not Covered) management. Key takeaways include:

(1) The company plans to expand its glass fiber capacity by 60%+ by 2029E, and also plans to add glass yarn capacity for Low DK, Low DK2 and even Low CTE (T-glass), as the company is shifting away from E-glass to higher end/higher GM products (Low DK/Low DK2/Low CTE with GM 45-65%+, which is much higher than the company average GM (was at ~38% in 1H26) per GSe). The company expects 50%+ of new glass fiber capacity to come from its new Thailand plant by 2028E, and the company plans to allocate 50% of the total new glass fiber capacity in Thailand to LEO applications, with the remaining 50% for Low DK/Low DK2 products for AI-related applications, with the company expecting further upside to the allocation of low DK and Low DK2 capacity if demand is stronger than expected.

(2) Product mix improvement is also the key driver for both top and bottom lines due to the very different ASP/margin profile for E-glass/Low DK/Low DK2 glass fiber (more details in bullet point 3). In 1H26, E-glass and Low DK/Low DK2/Low CTE contributes to ~25% and ~55% of total revenue. The company is seeing stronger orders for Low DK2 glass fiber and continues to shift capacity from Low DK toward Low DK2, with Low DK2 glass fiber potentially accounting for 50%+ of total high-end glass fiber (including Low DK & Low DK2) shipments in 2H26.

(3) In terms of pricing, Low DK pricing is ~5x of E-glass, despite E-glass prices having more than doubled since 2025 (Low DK pricing was ~10x of E-glass previously), while Low DK2 pricing is higher than Low DK (we expect Low DK2 pricing to be 2x+ of Low DK). In terms of GM, Low DK2 has the highest margin, followed by Low DK, while E-glass has the lowest margin even after the significant price hike. If 100% of capacity were transitioned to Low DK & Low DK2, we calculate revenue could more than double while GM could reach 45-50%, compared with 1H26 levels of ~38% - assuming no further pricing hike - despite CCL companies being all willing to accept additional costs to secure sufficient glass fiber supply.

(4) For the glass fiber plant 1 in Taiwan, ~90% of revenue is generated from Low DK/Low DK2, with the remaining ~10% from E-glass in 1H26, the company will continue to shift capacity from Low DK toward Low DK2 in 2H26 to meet with the strong demand. For the glass fiber plant 2 in China, all revenue is generated from E-glass in 1H26, and the company plans to shift capacity toward Low DK & Low DK2 in 2027, with Low DK & Low DK2 revenue contribution potentially reach up to 50% of

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the plant's total revenue, and the company further plans to add 15%+ of glass fiber capacity by 2029E, focusing on Low DK/Low DK2/Low CTE products.

(5) The company continues to make progress with Low CTE products (for substrates), and is currently shipping Low CTE glass yarn and continue to see increase in shipments. Furthermore, the company is currently working on the verification of Low CTE glass fiber. The business is beneficial to both top and bottom line with its better ASP/margins profile, and we expect Low CTE margins to be the highest among all products once production ramp up.

(6) In terms of capacity transition, the company mentioned that shifting from E-glass to Low DK would result in a ~50% reduction in glass fiber output, while a transition from Low DK to Low DK2 would reduce glass fiber output by 10-20%. Despite the lower output, the company believes the better ASP/margin profile from Low DK/Low DK2 is more than enough to offset the impact from volume loss and will continue to drive revenue growth and margin expansion.

CCL sector read-across

We continue to see strong demand for high-end CCL, mainly driven by AI servers, with new AI projects ramping up in 2H26. The ongoing CCL spec upgrade is driving demand for high-end glass fiber, as M7+ grade CCL adopts Low DK and Low DK2 glass fiber, suggesting better product mix for glass fiber suppliers with Low DK capabilities. We continue to see potential higher cost for key CCL raw materials, including HVLP copper foil and Low DK2 glass fiber (see [here](#) / [here](#)). As high-end CCL supply remains constrained (we expect high-end CCL demand to see 96% 2025-28E CAGR vs. high-end CCL supply to only go up by 22% 2025-28E CAGR, see [here](#)), high-end CCL suppliers are able to pass through additional cost and are willing to pay a premium to secure raw material supply, which provides a more favorable pricing environment for high-end raw materials.

In terms of low-end CCL, the sector-wide pricing increase was faster than high-end CCL in 1H26, mainly driven by higher raw material costs and tightening low-end CCL supply, rather than strong demand (we expect mid-to-low end CCL demand to see 1% 2025-28E CAGR, see [here](#)). Specifically, E-glass price increased by 80%+ YTD as suppliers were reallocating capacity toward Low DK, creating a significant shortage of E-glass. We expect low-end CCL pricing to continue to increase in 3Q26, but expect the pace of price hikes to decelerate in 4Q26, mainly due to (1) E-glass supply shortage potentially easing with suppliers shifting capacity back to E-glass, and (2) as consumer electronics demand might exhibit weak seasonality going into 4Q and 1Q, where it accounts for 50%+ of total low-end CCL demand. We expect the demand outlook for low-end CCL to remain weak going forward, which may lead to slower E-glass demand and a less favorable pricing environment.

We note that Fulltech is also seeing new growth drivers, including (1) a higher contribution from Low CTE products with better margin/ASP, as customers are requesting Fulltech to double its capacity in 2H26 (EMC is expanding substrate CCL capacity amid a tight substrate material supply environment, see [here](#)), and (2) solid demand from LEO customers, as Fulltech's Thailand expansion is planned to meet their requests for out of China capacity and is fully booked (EMC and TUC are also benefiting from this, see [here](#) / [here](#)).

We maintain our Buy ratings on EMC and TUC with unchanged 12m TP of NT\$10,200/NT\$3,010.

Investment Thesis & PT methodology and risks

Investment Thesis - Elite Material

EMC, a key supplier of high-end HDI material (70%+ market share) and SLP material (90%+ market share), has been focusing on the high-speed switch/server CCL market for 3-5+ years. We are positive on its market share trajectory in the server industry and expect EMC to increase its share from <10% in the Purley generation to 15-20%/20+% in the Whitley/Eagle Stream platforms. EMC is also proactively expanding its share in the switch market (40%/30%+ in 2024/23 vs. <5% before 2019), with an expanding AI customer base (only one 400G customer in 3Q20, to being one of the largest suppliers in 2023), which should continue to benefit the company's top/bottom line growth over time. We believe EMC's leading position in the AI server CCL market should drive strong revenue growth and GM/OPM expansion in the long term, given that it is the major supplier for all Nvidia/Google/AWS AI server projects, and we expect it to maintain its leadership position. Considering its leading position in the high-end CCL industry, solid production skills and earnings growth outlook, we are Buy rated on the stock. With the shares trading at a 2026E P/E below AI server component suppliers and supported by a solid growth outlook, we view valuation as attractive.

Key downside risks include: (1) RCC to replace all high-end smartphone HDI design; (2) rising trade tensions, which could lead to weaker smartphone and server shipments; and (3) rising competition from mainland China peers.

Price Target Risks and Methodology - Elite Material

Valuation methodology: Our 12m TP of NT\$10,200 is based on 27x 2H27-1H28E P/E (in line with the peak P/E multiple for AI component suppliers in the past 3 years).

Key downside risks: (1) RCC to replace all high-end smartphone HDI design; (2) rising trade tensions, which could lead to weaker smartphone and server shipments; and (3) rising competition from mainland China peers.

Investment Thesis - Taiwan Union Technology Corp.

TUC is a key high-end global CCL supplier that focuses on M7+ grade high-speed CCL (key applications include high-end switches (100G+) and AI server materials), with 20%+ market share in the past two years. The company continues to expect its unit market share in the server industry to increase from 15% in Whitley and Purley processors to higher in the Eagle Stream generation, and plans to launch two types of products for low-end and high-end customers (T2A and T2C) to gain market share. Also, strong growth in 400G/800G switch shipments and new 800G switch shipments, scheduled for launch in 2025-27, should continue to be a key demand driver for TUC, in our view. Additionally, the company is working on high-end AI projects with CSP and enterprise players, which we believe should drive revenue momentum in the long term. We view the stock as undervalued vs. Taiwan CCL peers on a P/E basis and rate it Buy.

Key downside risks include: (1) slower-than-expected share gains in the low-loss CCL segment; (2) rising trade tensions, which could lead to weaker server and switch shipments globally; and (3) rising competition from mainland China peers.

Price Target Risks and Methodology - Taiwan Union Technology Corp.

Valuation methodology: Our 12m TP of NT\$3,010 is based on a 22x 2027E P/E (+2x STDV higher than the past 3-year industry average P/E multiple).

Key downside risks: (1) slower-than-expected share gains in the low-loss CCL segment; (2) rising trade tensions, which could lead to weaker server and switch shipments globally; and (3) rising competition from mainland China peers.

