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Greater China Technology Hardware | Asia Pacific

CPO unlikely to disrupt high-end CCL demand in the near term

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GREATER CHINA TECHNOLOGY HARDWARE
Asia Pacific
Industry View **In-Line**

Key Takeaways

- Co-packaged optics (CPO) is a long-term risk, not an imminent demand disruption.
- While we agree that broader CPO adoption represents a credible longer-term risk to premium copper-clad laminate (CCL) content, we see limited risk to the demand outlook over 2026–28.
- We see limited near-term impact on CCL demand or our earnings estimates for EMC and TUC, leaving our premium-CCL supply-tightness thesis and constructive fundamental view intact.

What's new? EMC (2383.TW) shares fell 7.7% and TUC (6274.TWO) shares declined 6.7% on Sep 17, vs TAIEX +0.8%. Following the sell-off, investors have questioned whether CPO could disrupt demand for high-end CCL. The concern is that integrating optical engines alongside the ASIC on the package substrate shortens high-speed electrical signal paths that would otherwise traverse the printed circuit board (PCB), potentially reducing the need for ultra-low-Dk/Df, high-speed CCL.

Our thoughts: This is not a new debate. We previously discussed the potential implications of CPO for high-speed CCL demand here and here. We believe this is particularly relevant for scale-up architectures, where CPO adoption still faces meaningful challenges related to cost, manufacturing yield, reliability, serviceability, and thermal management. As such, we believe the risk of a broad-based reduction in CCL requirements across AI systems before 2028 remains limited. We would view CPO-driven pullbacks in CCL stocks as potential opportunities to accumulate.

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