Asia Semiconductor Insight

Takeaways from UBS Taiwan Summit 2026 – Days 2 and 3

Equities

Asia

Semiconductors

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UBS Taiwan Summit 2026 wrapped up on 16 Sept

Key semiconductor companies we met with on the second and third days of the flagship UBS Taiwan Summit included ASE, Aspeed, All Ring, Hon Precision, Silergy, Vanguard, Realtek, FOCI. Detailed takeaways for our covered companies start on page 2. See also our takeaways from Day 1.

Strong adv. packaging & testing capacity expansion in 2027 to support Cloud AI

CoWoS industry capacity expansion continues to accelerate into 2027-28. We recently raised CoWoS industry capacity to 260kwpm by end of 2027, up from 160kwpm end of 2026. We believe that TSMC could be introducing a new OSAT partner as a new "wafer on substrate" outsourcing partner on top of ASE to fulfill the substantial capacity requirement. We believe a new OSAT partner could move in tools from 2027 for volume production in 2028. Even if ASE has competition from a new OSAT partner, we believe **ASE** should grow LEAP sales steadily in 2027 to US$7.5bn+ and higher in 2028 with accelerating ramp of full process CoWoS, continued collaboration with TSMC for on substrate packaging and probing outsourcing. On testing, AI/HPC's trend toward chiplet in next generation products should create larger demand for probing test and related test interface. As we highlighted in SEMICON takeaways, probing's importance is also increasing to identify lower performance dies before the complicated packaging process.

Strengthening power semis cycle; PC/consumer slowing in H2 but manageable

Silergy is optimistic about H226 business and Q3 sales should sustain >30% YoY sales growth based on UBSe. Overall industry cycle is improving with healthy inventory across the board. Silergy's new SKUs for auto and server are on track to ramp in H226-2027. Silergy's earlier migration to 12" process should drive share expansion especially in 2027 when most of its fabless peers are tight with 8" foundry capacity. **Vanguard** also sees robust power-related outlook in coming quarters with strong server demand and rebounding auto/industrial. Vanguard's 8" fine pitch capacity is already at full utilisation and caps its upside for server power. For PC/consumer semis, demand is softening in H226 but remains healthy for **Realtek**. Sales could hold up better than feared with price hikes to pass through higher supply chain costs. Realtek has started to develop N3 process capability for its future products including smart NIC, retimer, optical controller and AOC cable.

Stock ratings

We have Buy ratings on ASE, All Ring, Aspeed, Hon Precision, PSMC, and Silergy. We have Neutral ratings on Vanguard and Realtek.



This report has been prepared by UBS Securities Pte. Ltd., Taipei Branch. **ANALYST CERTIFICATION AND REQU**
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Foundry

PSMC (6770.TW, Buy, NT$100 PT)

- **3D AI foundry roadmap.** PSMC targets 3D AI foundry to reach 20% of revenue in 3 years driven by four products, namely PWF for HBM backend, silicon capacitors, interposers, and Wafer on wafer (WoW) stacking. PSMC has been working with AP memory for a leading US foundry customer on its 12" silicon capacitor. As the first to be qualified, PSMC is producing 3k SiCaps per month and has reserved capacity of up to 8-10k per month for this customer. Interposer shipments should be at around 4K to 5K per month. On PWF, PSMC and Micron agreed through a long-term agreement with a cost-plus model, with technology transfer currently underway, ramp targeted for 2Q next year, and revenue contribution expected from 2H. Management also highlighted high margin potential for WoW.
- **P5 fab sale.** The sale of the P5 fab and relocation of its DRAM equipment to P1 fab temporarily reduced utilization and 3D AI revenue in H126, with interposer production also paused during the transition. Management expects 3D AI revenue to recover next year as equipment relocation is completed. Logic foundry utilization has already returned to around 90%.
- **Pricing outlook.** PSMC expects a favorable pricing environment, supported by industry-wide price increase efforts and a richer product mix, with ASP growth increasingly driven by higher-value offerings such as SiCap, interposers, and WoW along with industry DRAM price hikes. To reiterate our view, given PSMC's foundry-based DRAM business model, DRAM ASP changes are recognized with a lag versus spot and contract market pricing, positioning the company to benefit from recent DRAM price increases over the next two to three quarters. PSMC also noted a roughly 45% DRAM price hike in July, which should be reflected in November sales.

We have a Buy rating and a price target of NT$100, based on 10x 2027E P/E. See here for our recent upgrade report.

Vanguard (2330.TW, Neutral, NT$168 PT)

- **Q3/Q4 outlook and longer-term targets.** Management expects Q3 revenue to grow 3-7% QoQ, supported by low-single-digit increase in wafer shipments, a 2-4% QoQ blended ASP increase, and utilization rising to 90%+ from ~90% in Q2. We believe gross margin may be tracking toward the higher end of Q3 guidance of 32.5-34.5% with the improving industry dynamics. Q4 sales is expected to grow QoQ again, driven by an additional low-single-digit wafer shipment increase, further ASP gains, and gross margin may approach the mid-30% range. For 2026, management targets c20% YoY revenue growth, over 30% GM, and c85% utilization with mid-single-digit ASP growth. The company also sees healthy demand for 2027 and expects utilization to exceed 90%, along with a target of achieving 10% pricing increases supported by the ongoing negotiation. VIS expects 2029E revenue to roughly double versus 2025 with VSMC expansion. UBS estimates VIS revenue to grow 20% and 46% YoY in 2026E and 2027E and deliver a 17% 3-year CAGR from 2027E through 2030E.
- **12" progress update**. The 12" JV fab with NXP (60% VIS / 40% NXP) remains on track, with qualification and test runs beginning in 2H26 and commercial production starting in early 2027. Capacity expansion should progress faster than original expectations and is expected to reach 20kwpm by the end of 2027 (10kwpm full-year average) and reach 44kwpm by the end of 2028. Within the 44kwpm, VIS has committed half of the capacity to NXP, with the remaining balance committed by TSMC and other IDM customers, all under long-term agreements. Management expects 2027 margin dilution to be likely high-single-digit, and moderate to mid-single-digit / low-to-mid-single-digit in 2028/29.
- **Favorable pricing outlook.** Management highlighted that utilization is the key driver behind VIS' pricing power, noting that blended ASP is expected to increase MSD to HSD YoY in 2026, with ~3% QoQ growth in Q3. Looking ahead, management is targeting another ~10% ASP increase in 2027, potentially with semi-annual negotiations as utilization improves, versus annual negotiations in historically weaker market environments. Management also provided a framework where every 1ppt ASP increase would add ~0.4ppt to GM, while every

1ppt utilization improvement also contributes ~0.4-0.5ppt of GM improvement.

- **AI server and power remain major growth drivers**. Power-related products, including PMIC and power discretes, currently account for c80% of revenue, while driver IC represents ~15% and is expected to decline to low-teen percentages as power continues to outgrow. AI server power management revenue is expected to reach the low-to-mid teens as a percentage of revenue in 2026. In a world where there are no capacity constraints, customers would demand high-teen or even 20%+ capacity expansion for 2027; however, with limited capacity, AI server PMIC sales could be constrained in 10-20% sales in 2027. Management noted fine-pitch capacity supporting AI power ICs and power discretes is already running at full utilization, with customer requests for next year's AI-related capacity significantly exceeding current supply

We have a Neutral rating and a price target of NT$168, based on 20x 2027E PE.

OSAT

ASE (3711.TW, Buy, NT$835PT)

- **Resilient margin outlook with LEAP strength and mainstream tightness.** ASE's profitability continues to shine with fast growth in higher margin LEAP business and more favorable pricing negotiations for tight mainstream capacity. ASE should raise its structural gross margin target to >30% in early 2027. We believe ASE is increasingly selective in traditional business for mix improvement given the tight utilization, and the resource constraint with the significant LEAP investment. ASE guided LEAP sales to be US$3.5bn this year and will reach over US $7.5bn in 2027.
- **Record high capex in 2026 with multiple expansion projects.** ASE aims to spend record US$10.5bn capex in 2026, with US$6.5bn for machinery and US $4bn for buildings and facilities. 2027's capex should be flat to up YoY, supported by healthy cashflows and debt financing. The continued investments target more value-added business such as FOCoS, CoWoS outsourcing, CPO, panel level, and advanced testing with chip probing, final test, and burn-in. ASE has acquired 8 buildings with 13 green field projects currently ongoing, with the company continuing to look for suitable targets in Taiwan. For US expansions, ASE is still holding off from potential investments with the company evaluating labor and government regulations.
- **EMS segment with 40% QoQ sales growth in Q3.** A large portion of the 40% QoQ EMS sales increase in Q326 is due to ASE pass through the memory cost.

We have a Buy rating on ASE, with a price target of NT$835 based on 24x average 2027-28E P/E.

Fabless

Realtek (2379.TW, Neutral, NT$690 PT)

- **Revenue and GM outlook.** Realtek expects GM to grow QoQ in Q3 and Q4, with Q2 being the gross margin trough as June pricing actions take into effect along with customer spec upgrades, and better product mix partially offset by memory and OSAT inflation. Longer term, Realtek is confident that it can reach high 40s to 50% gross margin. We estimate H226 gross margin to be 48.3% and 2027 gross margin of 48.2%. For 2027 top line, the company indicated they target double-digit growth for every segment, driven by WiFi 7 and 8 adoption, enterprise switch gains, PON upgrade from 10G to 25G/50G, Auto Ethernet and ADAS content growth, gradual server contribution. Longer term, management targets 30% of revenue mix to come from servers, physical AI, automotive, robots, and its investment in 3nm platform. UBS estimate Realtek revenue to grow 26% and 18% YoY in 2026/2027.
- **End market performance and outlook.** Looking into H226, PC/consumer orders slow but Realtek is not seeing further slowdown vs customer forecast. In Wifi, Realtek estimates Wifi7 penetration at ~30% penetration for PC and ~25% in network and routers in 2026. WiFi 7 and Wifi 8 should become dual drivers for next year, with pricing upside up to 2x for WiFi 7 vs WiFI 6 and another double digit percentage price premium for WIFI 8. While auto saw substantial growth over the last few years, this year auto should still grow but at a more normalized pace. The growth is driven by ADAS upgrade, content increase, and longer-term opportunity in humanoid robots.
- **3nm investment.** Management views 3nm as a strategic platform rather than a one-off product node, enabling the development of next-generation high-speed connectivity solutions including SerDes, PAM4 optical, SmartNICs, retimers, optical controllers, and cable products, with investments driven by long-term application opportunities rather than process-node migration alone.

We have a Neutral rating and a price target of NT$690, based on 17x 2026E PE.

Silergy (6415.TW, Buy, NT$700 PT)

- **Strong auto/server demand leading to 30% YoY sales growth in Q326.** Silergy is observing growth from several product segments, with data center optical module and SSD being the biggest drivers. Silergy will introduce new SKUs for auto and server in H226 for faster segment growth. Server motherboard sales contribution is not high as of now, but will likely double in 2026 with content increase in 2027. Q2 GM should be the trough, with a July price hike to take effect for margin recovery in Q3-Q4. The ongoing cost inflation on OSATs and increasingly foundry could still weigh on near-term GM recovery. Management is optimistic about 2027 growth with robust orders on hand.
- **Automotive continues to be a major growth segment.** Silergy is doubling the addressable content per car in 2026, with a larger product portfolio and more high-margin products. Auto will be 15-20% of 2026's sales, and will likely be over 20% of 2027 sales. Low and mid-tier MCU products are ramping up soon with higher-end qualification in progress. More potential MCU design-wins in the future could open the door for further auto share gains in the peripheral PMICs.
- **Gen 4 and Gen 5 to transition the company with better structure.** Silergy is working on broadening its Gen 4 product portfolio with 12" foundry process to contribute over 20% of sales by year end 2026. Gen 5 should start ramping up in 2027, supporting more data center product wins with higher power density and lower die cost.

We have a Buy rating on Silergy, with a price target of NT$700 based on 36x 2027E P/E.

Semi Equipment

All Ring (6187.TWO, Buy, NT$1,700 PT)

- **Robust CoWoS expansions in 2027.** All Ring's lead time is lengthening from 3-6 months to 6-8 months, with orders on hand for 2027 already exceeding 2026's sales, tracking strongly for robust 2027 growth. Other than CoWoS, growth drivers next year includes its client with its Malaysia backend facilities, and CPO FAU coupling tools. Both are seeing resilient demand.

- **Well positioned for new advanced packaging solutions.** All Ring, as a R&D-focused company, is looking to continuously focus on advanced packaging related technologies such as within automation, underfill, attachment, optical inspection, and CPO, each with expanding opportunities. With more complex chip thermal designs rolling out alongside larger form factor package sizes, All Ring can benefit with these new equipment order demand.
- **CPO, panel level packaging, and other future growth drivers in focus.** We believe CPO and CoPoS will be in focus for 2027. All Ring's CPO tools for FAU coupling should start more meaningful tool shipment into H227 for larger-scale industry production in 2028. Looking ahead, we believe areas such as SoIC, new heatsink materials, panel interposers are potential new growth drivers for the next 2-3 years. This positions All Ring to be a key provider with customer expansions.

We have a Buy rating on All Ring, with a price target of NT$1,700 based on 27x average 2027-28E P/E.

Hon Precision (7769.TW, Buy, NT$10,000 PT)

- **Recap H126 results and outlook.** In H126, AI/HPC/ASIC remained the dominant order mix at 77% (vs. 72% in 2025), while auto and mobile AP contributed 9% and 8%, respectively, with both seeing higher volume YoY. Order visibility extends through end-2026 and into 1Q27. We are incrementally more positive that Hon Precision can reach our forecast of 93% and 80% YoY revenue growth for 2026/27E.
- **Capacity expansion progressing ahead of plan**. Capacity expanded over 45% in H126, ahead of the original 40% 2026 target, with management now targeting a similar growth rate in H226. Management reiterated its +50% 2027 capacity expansion plan versus 2026, which includes a +15% expansion at its DeShen plant, which will begin production in Q127, +20% expansion for China local production, and +15% expansion from optimization of its existing headquarters. The company aims to sustain a similar pace of expansion into 2028. Hon Precision's customers are also expanding across Thailand, Singapore, China and Arizona, a positive sign for the company's future demand.
- **Customer expansion across final test (FT) and system-level test (SLT).** Hon Precision provided an update regarding the progress and outlook of several key customers. For the U.S. EV customer, Hon Precision is supplying both FT and SLT solutions, with expected H226 shipments to the customer's Korea OSAT, engineering shipments to its U.S. site, while Taiwan qualification is still ongoing. For the U.S. Austin customer, demand is looking very strong and its order mix is gradually shifting toward more FT for next-generation CPUs, as historically the customer has been more SLT-weighted. Hon Precision expects the customer's CPU shipments to start in H226 and stronger FT opportunities into 2027. Across TPU, GPU and CSP customers, Hon Precision is supporting both FT and SLT ramps through H226-2027, including TPU FT volume shipments to its Taiwan and Singapore OSATs, ongoing next-gen GPU SLT qualification, and CPU/TPU engineering handler shipments through September to December 2026.
- **CPO, competition, and pricing**. Hon Precision is on track to ship new generation of handler (opto-electrical) for insertion 4 CPO test for customer qualification in Oct 2026. On competition, within FT, Hon Precision is confident in its ability to remain the leader given its better after-sales service, larger installed base and manufacturing support, and its greater experience in areas such as capacity relocation and customer co-development. In SLT, the company sees a roughly 50/50 market share split with its competitor and believes each serves a different customer base. On pricing, next-generation ATC platforms typically command a 10-15% ASP premium, while CPO, large-package and other breakthrough technologies may achieve 20-25%+ ASP uplift.

We have a Buy rating on Hon Precision, with a price target of NT$10,000 based on 33x 2027-28E average PE.

Valuation Method and Risk Statement

Tech investing involves risk. It is difficult for the investment community, UBS included, to project the financial results of tech companies, as their operating models are highly volatile and unpredictable, and they compete in a highly dynamic marketplace. In addition to their low predictability, valuing tech stocks can be challenging because neither traditional nor non-traditional valuation measures have provided much insight into how tech stocks trade.