04 Sep 2026 07:00:50 ET | 11 pages

Elite Material (2383.TW)

Citi Taiwan Semicon Tour: Tight supply for the next 2 years

CITI'S TAKE

The company remains positive and believes CCL S/D imbalance could continue in the next 2 years, given PCB customers' expansion magnitude is higher than CCL suppliers. For 3Q26 guidance, the company now expects its 3Q26 sales to grow 15-20% QoQ with GM range of 35-36.5%. In term of the potential competition from PTFE, the company remains conservative about the adoption of PTFE, given its low yield rate, the presence of hazardous substance and lack of supply chain readiness. The company emphasized that it will be M10 with Q-glass solution that competes with PTFE next year rather than M9 with Q-glass, as M9 has entered mass production from 2H26. The company thinks even if PTFE is adopted, the scale wouldn't be large and could likely be a hybrid version solution of PTFE CCL + hydrocarbon prepreg, which implies limited impact on its hydrocarbon business.

The company expects continued market share gain given its aggressive capacity expansion and strong technology capabilities. For some capacity bound by long-term agreements, the company said this capacity is basically all sold out for the next 2 years. The company now targets to maintain 40-50% YoY sales growth in the coming years, based on its current capacity expansion pipeline, spec migration and potential price hikes. M9 sales mix is guided to reach double-digit % in 2027. In terms of raw material shortage, the company currently sees tight supply from high-end copper foil and glass fibers but the tightness should gradually ease in the next 12 months. For low earth orbit (LEO), the company see spec migration from M6 to M7 for user terminals in 2026 and from M7 to M8 for the satellites in 2027. Currently, the company guides 20% YoY growth in its LEO sales in 2027. For ABF CCL, the company sees good progress in the qualification and supposedly could know the results in 4Q26.

Buy	
Price (04 Sep 26 13:30)	NT$5,415.00
Target price	NT$6,000.00
Expected share price return	10.8%
Expected dividend yield	0.5%
Expected total return	11.3%
Market Cap	NT$1,940,309M US$61,151M

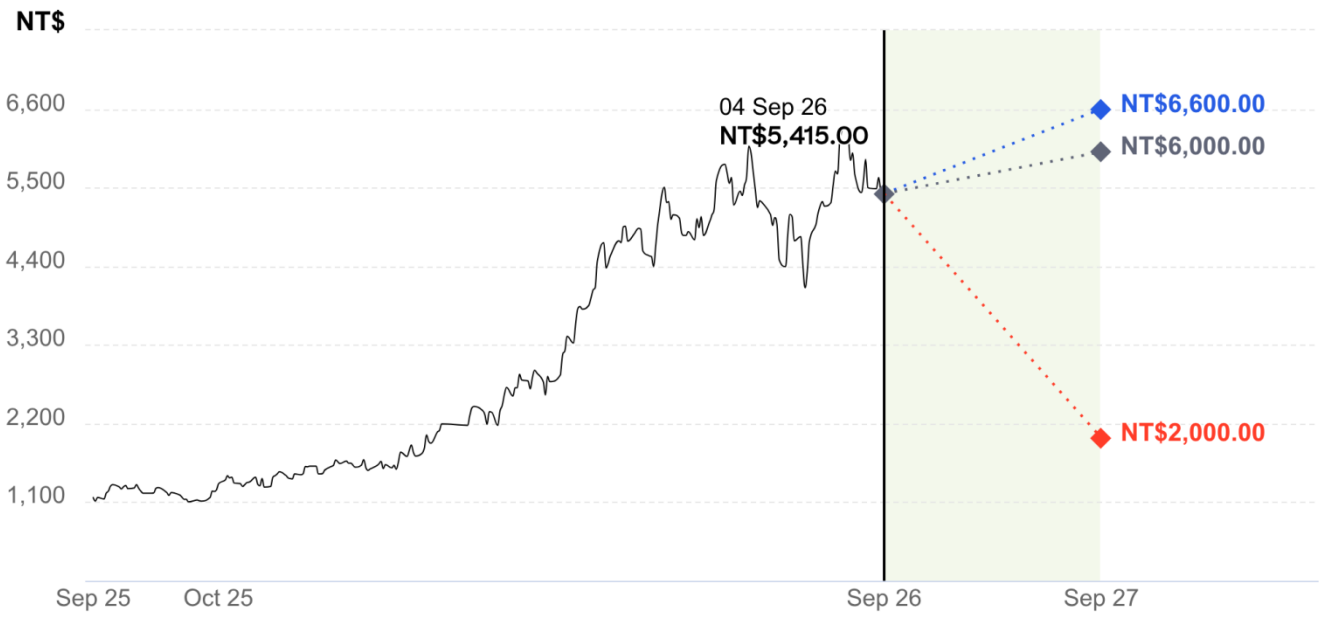
Jack Chen[AC]
+886-2-8726-9091
jack1.chen@citi.com

Laura (Chia Yi) Chen
+886-2-8726-9090
laura.cy.chen@citi.com

Nicholas Lai
+886-2-8726-9093
nicholas.lai@citi.com

Bull/Bear: Elite Material

NT$ 6,600.00 ▲22% Upside | NT$ 6,000.00 ▲11% Upside | NT$ 2,000.00 ▼63% Downside



Spread 85pp
Current Price and expected returns (upside/downside) as of 04 Sep 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

Elite Material

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.

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Appendix A-1

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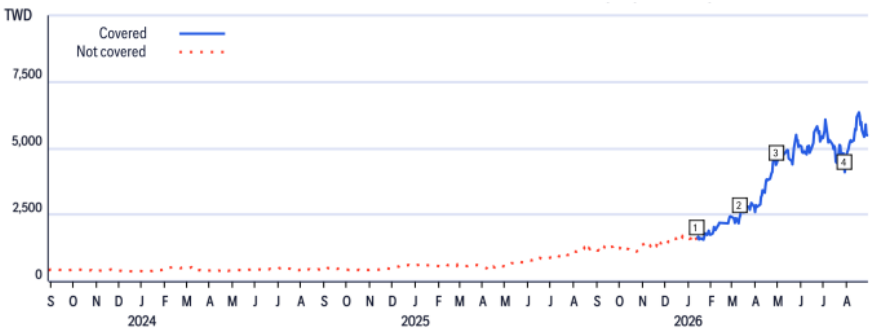
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Elite Material (2383.TW)

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
4	29-Jul-26 20:17:20	1	*6,000.00	4,100.00

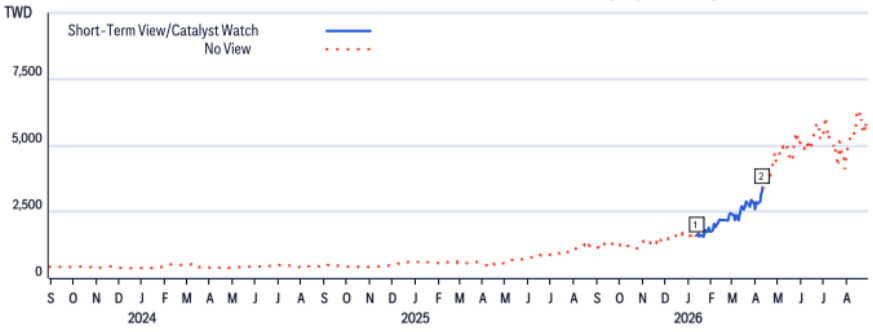
*Indicates Change

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 re

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	12 Month Rating			Catalyst Watch		
Data current as of 01 Jul 2026	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
Citi Research Global Fundamental Coverage (Neutral=Hold)	61%	32%	7%	36%	48%	16%
% of companies in each rating category that are investment banking clients	38%	42%	27%	42%	37%	36%

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