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Taiwan Technology

Taiwan Thermals: Key Takeaways from Citi Taiwan Semicon Tour

CITI'S TAKE

Our Taiwan Semicon Tour meeting with AVC and Auras left us more constructive on Taiwan thermal. Both managements framed the Vera Rubin transition as a content value step-up rather than a pricing risk. Nvidia's move to full liquid cooling and higher system complexity lifts content per rack/tray, while custom ASIC projects preserve pricing power as Nvidia standardizes its reference design. AVC is scaling aggressively into ASIC after a 5x cold plate capacity expansion and record 2Q margin; Auras is smaller but higher beta, with liquid cooling now 55% of revenue and an ASIC liquid ramp starting in 3Q26 at the earliest. We see the 3Q/4Q26 ramp as the key near-term catalyst for both.

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AVC (3017.TW)

- **ASIC pivot offsets Nvidia standardization:** With Vera Rubin, AVC now sells cold plates directly to Nvidia rather than co-designing for CSPs, lowering ASP on individual module, but the total content per tray continues to rise. Management stressed the 5x cold plate capacity expansion is not primarily for Nvidia; capacity is being redirected toward ASIC programs carrying higher ASP.
- **No.1 or No.2 across every ASIC project:** AVC ranks first at three out of the top four CSPs and one AI lab projects, and second at the rest of the CSP customer, where it supplies only the training chip. The No.2 position reflects the customer's preference in the past without collaboration with TW suppliers. Management doesn't rule out the possibility of share gains as volumes ramp.
- **Record 2Q margin, ramp starts late 3Q:** 2Q26 GPM set a record, driven by automation, further yield gains, and the mix shift toward server and ASIC projects. Three projects, Nvidia and the other two ASICs, ramp from late 3Q26 into early 4Q, which management expects to sustain margin and revenue expansion through year-end.

Auras (3324.TWO)

- **Back on VR; manifold stays custom:** Auras rejoined the Vera Rubin manifold product in June at Nvidia's request and has passed the validation, with cold plate on the way. Cold plates volumes are not yet visible pending qualification. Critically, we noted that the cold plate is now a standardized design, while manifolds are still open to partial customization, where Auras is already on the list.

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations

- **ASIC liquid ramp drives content step-up:** ASIC revenue is still almost entirely air-cooled. Liquid ASIC volume production begins in Sep or Oct, from a near-zero base, and management targets a more meaningful contribution next year. The content step up could also be significant from air cooling to liquid cooling.
- **Capacity built ahead, funded internally:** Thailand runs 25k sets per month at ~50% UTR currently, a transition point ahead of 3Q26 shipments. Phase 2 shell is ready for 2027 demand, and Phase 3 construction has begun for 2028. Capex is NT$3.0-3.5bn, funded by the NT$5.0-5.5bn raised earlier this year, with no further funding plans in the near-term. A new liquid line costs roughly NT$100mn and pays back within one generation.

Asia Vital Components

(3017.TW; NT$3570.0; 1; 04 Sep 26; 13:30)

Valuation

We value AVC using a PE-based approach that factors in earnings momentum and the expansion of its addressable market. Our TP of NT$3,800 is derived from applying a 25x PE multiple on 2027E EPS, which we believe is justified given the company's entrenched positioned in the server thermal segment, rising contribution from liquid cooling, and the increasing value of thermal content per server as power density continues to climb. With these structural drivers still in place, we expect the multiple to hold at a premium relative to its historical averages.

Risks

This stock is High Risk based upon our quantitative model but assigning a High Risk rating is not supported by other qualitative factors such as cold-plate leadership and deep CSP penetration, and so a High Risk rating has not been applied. Key downside risks to our investment thesis and target price include: 1) slower adoption pace for liquid cooling adoption; 2) heightened price competition; 3) lower-than-expected share in liquid cooling components; and 4) emerging alternative cooling technologies.

Auras Technology

(3324.TWO; NT$1485.0; 1; 04 Sep 26; 15:00)

Valuation

We value Auras using a PE-based approach, reflecting its accelerating earnings trajectory and rising share in liquid cooling market of AI servers. Our TP of NT$1,550 is based on 20x 2027E EPS, which we believe is justified give the company's expanding server revenue base, deeper engagement with CSP customers, and broader product portfolio across cold plates, CDMs, and CDUs.

Risks

This stock is High Risk based upon our quantitative model, but assigning a High Risk rating is not supported in our view by other qualitative factors such as rapid RVL progress and Thailand expansion, and so a High Risk rating has not been applied. Key downside risks to our investment thesis and target price include: 1) slower adoption of liquid cooling; 2) heightened price competition; 3) lower-than-expected share in liquid cooling components; and 4) emerging alternative cooling technologies.

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Appendix A-1

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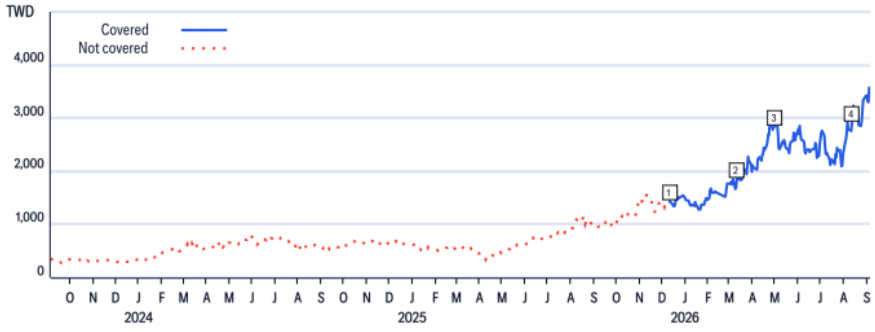
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Ratings and Target Price History
Fundamental Research

Analyst: Michael Hung



	Date	Rating	Target Price	Closing Price
1	11-Dec-25 07:34:19	*1	*2,055.00	1,430.00
2	11-Mar-26 12:50:47	1	*2,400.00	1,860.00
3	30-Apr-26 11:37:17	1	*3,450.00	2,835.00
4	12-Aug-26 08:14:33	1	*3,800.00	2,910.00

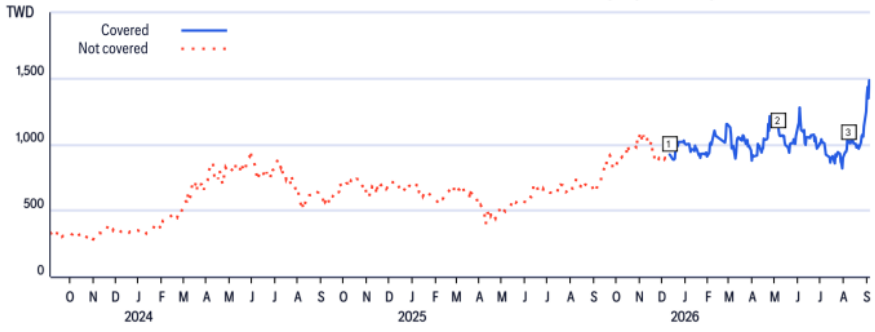
*Indicates Change

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Auras Technology (3324.TWO)

Ratings and Target Price History
Fundamental Research

Analyst: Michael Hung



	Date	Rating	Target Price	Closing Price
1	11-Dec-25 07:34:19	*1	*1,525.00	925.00
2	06-May-26 11:45:54	1	*1,480.00	1,105.00
3	07-Aug-26 12:26:55	1	*1,550.00	1,015.00

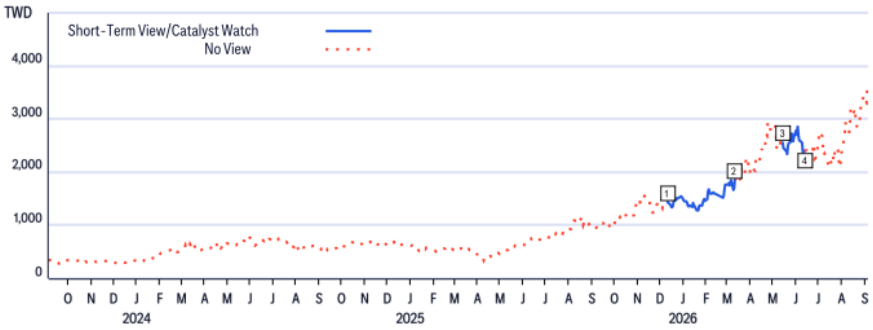
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Short-Term View/Catalyst Watch Research

Analyst: Michael Hung



	Date	Action	Expected Direction	Duration	Closing Price
1	11-Dec-25 02:34:19	Add STV	Upside	90 Days	1,430.00
2	11-Mar-26 21:46:27	Remove STV	Upside	90 Days	1,860.00

	Date	Action	Expected Direction	Duration	Closing Price
3	14-May-26 07:40:28	Add STV	Upside	30 Days	2,555.00
4	12-Jun-26 14:22:58	Remove STV	Upside	30 Days	2,405.00

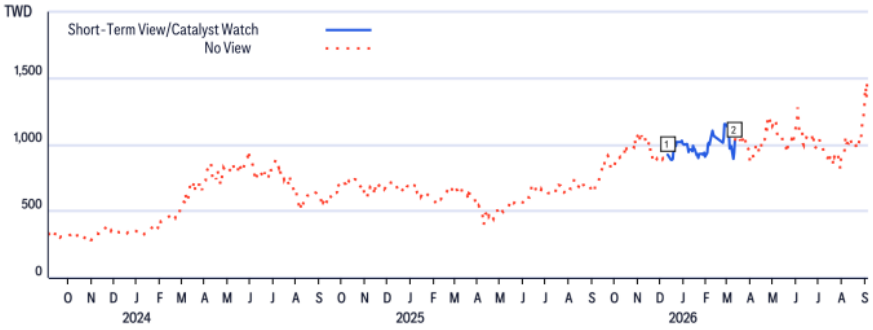
CW - Catalyst Watch , STV - Short-Term View

Rating/target price changes above reflect Eastern Time

Auras Technology (3324.TWO)

Short-Term View/Catalyst Watch Research

Analyst: Michael Hung



	Date	Action	Expected Direction	Duration	Closing Price
1	11-Dec-25 02:34:19	Add STV	Upside	90 Days	925.00

	Date	Action	Expected Direction	Duration	Closing Price
2	11-Mar-26 22:16:27	Remove STV	Upside	90 Days	1,030.00

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