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# Yageo (2327.TW)

## Citi Taiwan Semicon Tour: Broader Price Hike, Broader AI Basket

### CITI'S TAKE

Yageo attended our Taiwan Semicon Tour on Sep 4. Key topics included the broader Jul price hike, AI opportunity extending well beyond high-cap MLCC into tantalum and NP0, and capacity added inside existing sites as lead time extends and interest of LTA increases. We read these comments as positive. The hike now reaches spot and direct customers across half of total revenue, implying pass-through could land in the coming quarters rather than at renewal, and the 2Q margins shortfall looks like material-cost timing. Multiple entry points per AI rack support mix improvement and margin expansion opportunities, while tight lead times convert into more interests in LTA. Capacity expansion can be conducted in existing facilities at a faster pace without a greenfield capex cycle. Reiterate Buy.

| Buy | |
|---|---|
| Price (04 Sep 26 13:30) | NT$562.00 |
| Target price | NT$1,450.00 |
| Expected share price return | 158.0% |
| Expected dividend yield | 1.8% |
| Expected total return | 159.9% |
| Market Cap | NT$1,157,007M<br>US$36,464M |

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- **Broad-base 2Q, cost-capped margin.** Mgmt. reiterated that 2Q26 growth was broad-based across every product line, end market and region, not a single AI pocket. GPM was slightly below Street, as raw material cost inflation offset part of the pricing and mix improvement. Internal manufacturing efficiency projects are underway to absorb it in the future.
- **Jul price hike hits spot and direct.** The Jul price adjustment covers spot prices and direct customers, vs. earlier rounds limited to contract customers, and spans c.50% of revenue including MLCC, tantalum and other capacitors. Spot pricing flows through immediately rather than at renewal, so mgmt. expects ASP and revenue effects shortly, with margin impact far more visible in 2H. Mgmt. also sees no sign of demand slowing down in the near-term.
- **Tantalum now the largest line.** AI is not an MLCC-only story for passive components. Tantalum grew fastest of any line in 2Q, suits AI power management, and has over taken magnetics to become Yageo's largest product line. MLCC also grew well and should keep growing in coming quarters. AI revenue is now 16% of total revenue, spread across tantalums, MLCCs, resistors and inductors rather than single product.
- **65 sites, dual-region by product.** Every product is manufactured in at least two regions, giving customers flexibility against tariff and geopolitical risks. Mgmt. believe the existing 65 facilities are flexible in adding new lines at a fast pace whenever shortages appear, saving customers 1-2 years vs. building from greenfield. The company also planned the capacity expansion ahead of demand.

- **YFIII and overseas MLCC bases.** YFIII in Kaohsiung, commissioned in 2024, is Yageo's largest MLCC fab and still has space for additional MLCC lines, with AI-specific equipment arriving monthly since last year. Outside Taiwan, Yageo has been opening new lines within existing facilities in Mexico and China, leaving it able to absorb incremental AI orders without a new building cycle.
- **Lead times extend, LTA interest rises.** Lead time of most of the products has lengthened vs. 1H26. Tantalum is the tightest, followed by MLCC and resistors. Mgmt. indicated all AI-related lines are extremely tight, and more customers are now approaching Yageo to sign LTAs.
- **NP0 leadership on the power side.** Yageo estimates a meaningful share (at least 30-40%) of NP0 high-voltage MLCC, based on the internal assessment. Built on EV and industrial experience, NP0 fits AI's high-voltage, high-temp duty and sits on the DC power side, while high-cap MLCC serves the near-chip stage. Yageo ships direct to leading power supply players and is invited as first batch of design partners.
- **Low-to-high conversion only partial.** Converting low-end MLCC capacity to high-end is only partially possible. High-spec MLCC stores more capacitance through higher layer counts, requiring advanced stackers rather than conventional equipment. Yageo can optimize and redeploy some existing tooling, but not fully substitute, which is why it is committing capex to new AI production line instead of relying on conversion.

# Yageo

## Valuation

We set our target price at NT$1,450, based on 35x average 2027E-28E earnings. We value Yageo based on PE as we believe the company's earnings performance and industry dynamics would be the key focuses of the market. Our target multiple of 35x is at the higher end of the trading range since 2022. During this period the company has gone through the cycles, successfully integrated the acquired business to enhance its product offerings, and started to deliver stable margins and earnings.

## Risks

Key downside risks to our target price and rating include: 1) slower-than-expected demand recovery; 2) intensified peer and pricing competition; 3) execution risks associated with M&A integration and synergies; and 4) FX and interest rate fluctuations.

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# Appendix A-1

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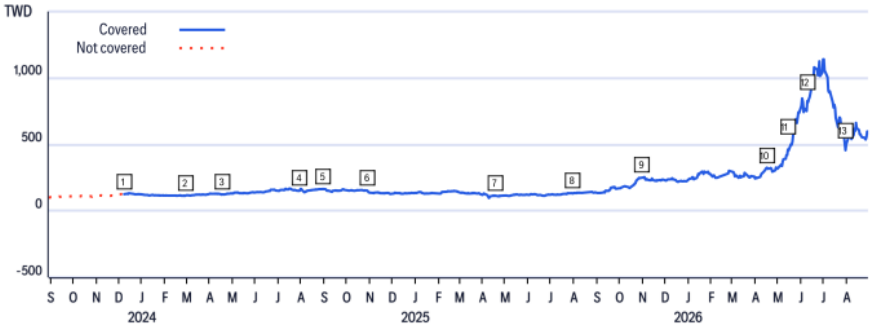
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Yageo (2327.TW)

Ratings and Target Price History
Fundamental Research

Analyst: Michael Hung




| | Date | Rating | Target Price | Closing Price |
|---|---|---|---|---|
| 1 | 08-Dec-23 06:05:24 | *1 | *170.53 | 125.75 |
| 2 | 29-Feb-24 11:30:38 | 1 | *155.88 | 116.75 |
| 3 | 18-Apr-24 10:39:34 | 1 | *166.34 | 124.08 |
| 4 | 30-Jul-24 09:42:26 | 1 | *189.36 | 152.74 |
| 5 | 29-Aug-24 07:49:40 | 1 | *190.00 | 164.25 |
| 6 | 29-Oct-24 14:57:08 | 1 | *175.00 | 147.75 |
| 7 | 17-Apr-25 08:52:57 | 1 | *172.50 | 114.25 |
| 8 | 29-Jul-25 08:39:27 | 1 | *161.25 | 133.75 |
| 9 | 30-Oct-25 15:11:47 | 1 | *290.00 | 249.00 |
| 10 | 15-Apr-26 09:52:44 | 1 | *400.00 | 322.00 |
| 11 | 13-May-26 07:29:40 | 1 | *495.00 | 420.00 |
| 12 | 08-Jun-26 11:56:35 | 1 | *1,500.00 | 751.00 |
| 13 | 29-Jul-26 12:38:28 | 1 | *1,450.00 | 507.00 |

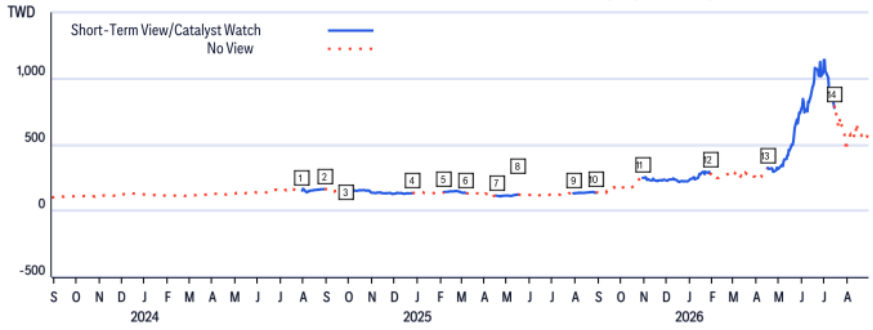
*Indicates Change

Rating/target price changes above reflect Eastern Time

Yageo (2327.TW)

Short-Term View/Catalyst Watch Research

Analyst: Michael Hung




| | Date | Action | Expected Direction | Duration | Closing Price |
|---|---|---|---|---|---|
| 1 | 30-Jul-24 05:42:26 | Add STV | Upside | 30 Days | 152.74 |
| 2 | 29-Aug-24 21:41:46 | Remove STV | Upside | 30 Days | 164.25 |
| 3 | 26-Sep-24 07:17:25 | Add STV | Upside | 90 Days | 163.00 |
| 4 | 25-Dec-24 19:58:15 | Remove STV | Upside | 90 Days | 133.25 |
| 5 | 05-Feb-25 03:13:59 | Add STV | Upside | 30 Days | 142.25 |
| 6 | 07-Mar-25 12:14:51 | Remove STV | Upside | 30 Days | 133.75 |
| 7 | 17-Apr-25 04:52:57 | Add STV | Upside | 30 Days | 114.25 |
| 8 | 16-May-25 14:27:03 | Remove STV | Upside | 30 Days | 124.50 |
| 9 | 29-Jul-25 04:39:27 | Add STV | Downside | 30 Days | 133.75 |
| 10 | 28-Aug-25 21:46:17 | Remove STV | Downside | 30 Days | 137.00 |
| 11 | 30-Oct-25 11:11:47 | Add STV | Upside | 90 Days | 249.00 |
| 12 | 28-Jan-26 19:41:59 | Remove STV | Upside | 90 Days | 285.50 |
| 13 | 15-Apr-26 05:52:44 | Add STV | Upside | 90 Days | 322.00 |
| 14 | 14-Jul-26 21:42:32 | Remove STV | Upside | 90 Days | 778.00 |

CW - Catalyst Watch , STV - Short-Term View

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|---|---|---|---|---|---|---|
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