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Greater China Technology Hardware | Asia Pacific

CCL – Doosan announces capacity expansion in Korea and China

What's new? According to Business Korea, Doosan (000150.KS, not covered) announced a KRW970B CCL capacity expansion on Sep 17:

- KRW420B in Korea to add optical module CCL lines, and
- KRW550B in China to build a new plant for AI accelerator and network switch CCL.

Spending is phased through 2028, with the new lines coming online sequentially from 2H28.

Our thoughts: Our checks suggest this investment could add ~2,000K sheets per month of CCL capacity at Doosan, equivalent to ~2% of global CCL capacity in 2028, on our estimates. We view the investment as further evidence of robust demand for high-end CCL and do not believe it undermines our thesis of continued high-end CCL scarcity (see our CCL initiation report). As such, we see a positive read-across for EMC, TUC, and Shengyi. We remain OW on EMC and TUC, while maintaining our EW rating on Shengyi given a less compelling valuation.

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Valuation Methodology and Risks

Elite Material Co. (2383.TW)

Base case, derived from a residual income (RI) model. Key assumptions include a cost of equity of 9.3% (beta of 1.0, equity premium of 8.7% and risk-free rate of 1%), medium-term growth rate of 12%, and terminal growth rate of 3%.

Risks to Upside

- Stronger AI demand
- Share gains
- Faster-than-expected material upgrades
- Slower-than-expected CPO adoption

Risks to Downside

- Weaker AI demand
- Share loss
- Slower-than-expected material upgrades
- Faster-than-expected CPO adoption

Shengyi Technology Co Ltd. (600183.SS)

Base case, derived from a residual income (RI) model. Key assumptions include a cost of equity of 7.3% (beta of 1.2, equity premium of 5% and risk-free rate of 1.3%), 10% medium-term growth rate and 3% terminal growth rate.

Risks to Upside

- Accelerated demand for 5G and data center CCL/PCB.
- Further share gains for 5G and data center CCL/PCB.
- Meaningful penetration into IC substrate CCL, benefiting from China's semiconductor localization.

Risks to Downside

- Rising competition for 5G and data center CCL/PCB.
- Delay in 5G network deployment.
- Escalating US-China trade tensions.

Taiwan Union Technology Corporation (6274.TWO)

Base case, derived from a residual income (RI) model. Key assumptions include a cost of equity of 9.3% (beta of 1.0, equity premium of 8.7% and risk-free rate of 1%), medium-term growth rate of 11%, and terminal growth rate of 3%.

Risks to Upside

- Stronger AI demand

- Share gains
- Faster-than-expected material upgrades
- Slower-than-expected CPO adoption

Risks to Downside

- Weaker AI demand
- Share loss
- Slower-than-expected material upgrades
- Faster-than-expected CPO adoption