CCL

29 October 2026 | 7:28 AM China Standard Time

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Did you know the ultra-thin copper-clad layers inside next-gen AI servers can command prices up to four times higher than standard materials? As AI hardware race accelerates, the high-speed Copper Clad Laminates (CCL) are quietly achieving record profitability.

GIR Chao and our Taiwan tech team recently dissected the phenomenal Q3 results from sector leaders Elite Material (EMC) and Taiwan Union Technology (TUC). Both companies delivered exceptional earnings beats, driven by rapid product mix improvements, operational efficiency, and a booming AI server landscape.

Where GIR Stands Apart Here is where our view starkly contrasts with the Street. **While consensus models a conservative 2027 gross margin of 38% for EMC and 34% for TUC, GIR Chao envisions these margins surging past the 40-42%+ threshold in the coming quarters**. Q3 was just the appetizer. We anticipate a wave of 10-25% upward EPS revisions as the broader market wakes up to this sustained profitability trend. Currently trading at roughly 15x and 12x our 2027 EPS estimates—well below historical peak multiples of 20-30x—both stocks offer a highly compelling "buy the dip" opportunity.

Key Catalysts Ahead

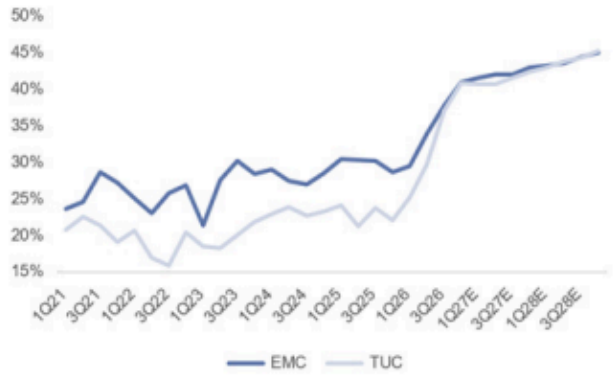
- **Aggressive Pricing Power:** The high-end CCL supply-demand gap is visibly widening. We are tracking a freshly announced 5-20% price hike for high-end materials heading into Q4, with further upside possible.
- **Next-Gen AI Adoption:** Accelerating shipments for top-tier M8.5 and M9 materials—essential for upcoming Vera Rubin architectures, TPU v8/v9, and 1.6T ethernet switches—are turbocharging average selling prices (ASPs).
- **Locked-in Expansion:** Both EMC and TUC are rapidly ramping up capacity in Kunshan and Thailand. Notably, EMC's aggressive capacity expansions planned through 2030 are already fully booked via solid long-term customer agreements.

Exhibit 2: TUC earnings comparison table

TUC (6274.TW)	3Q26			QoQ		YoY		Bloomberg consensus	
P&L (NT$mn)	Actual	GS est.	Diff (%)	2Q26	QoQ	3Q25	YoY	Consensus	%
Revenue	17,949	17,621	2%	14,301	26%	8,063	123%	17,173	5%
Gross profits	6,628	5,835	14%	4,250	56%	1,915	246%	5,460	21%
Operating profits	5,568	4,813	16%	3,358	66%	1,266	340%	4,441	25%
Pre-tax income	5,594	4,813	16%	3,427	63%	1,318	325%	4,483	25%
Net earnings	3,857	3,658	5%	2,342	65%	1,003	285%	3,342	15%
EPS, NT$	12.88	12.53	3%	8.02	61%	3.58	259%	11.67	10%
Gross margin (%)	36.9%	33.1%	3.8ppt	29.7%	7.2ppt	23.7%	13.2ppt	31.8%	5.1ppt
EBIT margin (%)	31.0%	27.3%	3.7ppt	23.5%	7.5ppt	15.7%	15.3ppt	25.9%	5.2ppt
Net margin (%)	21.5%	20.8%	0.7ppt	16.4%	5.1ppt	12.4%	9.1ppt	19.5%	2.0ppt

Source: Company data, Goldman Sachs Global Investment Research, Bloomberg

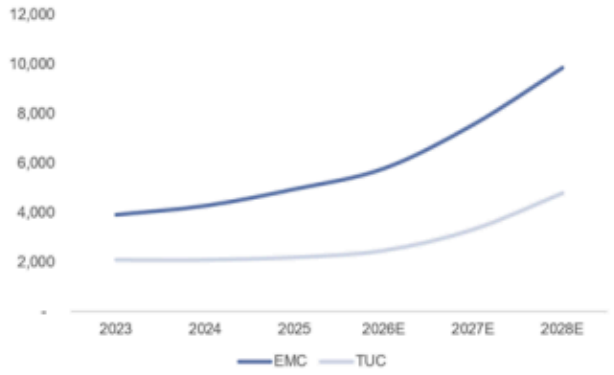
Exhibit 3: We expect both EMC and TUC GM to start the next round of expansion driven by solid AI demand and tightening S/D outlook



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 4: Both EMC and TUC will expand more than 100%+ capacity in coming 2 years, while both companies' future capacity has all been booked by high-end customers

Average monthly CCL capacity (k sheets/month)



Source: Company data, Goldman Sachs Global Investment Research