

Asia Technology

ABF substrate: AI upcycle is just beginning

Equities Electronic Equipment & Instruments

Taiwan

- ◆ We expect price hikes to further extend into 1H27
- ◆ Accelerating AI demand to drive severe supply shortage of -8%/-27%/-35% in 2026/2027/2028
- ◆ Retain Buy ratings and raise target prices for Unimicron, Kinsus, and Nanya PCB

We expect the pricing upcycle to extend into 1H27: Unimicron, Kinsus and Nanya PCB recently reported 1Q26 preliminary revenues of TWD37.4bn (+8% QoQ, +24% YoY), TWD11.1bn (+3% QoQ, +29% YoY), and TWD11.2bn (0% QoQ, +32% YoY), respectively, different from our expectations by 1%/6%/-8% and consensus by 2%/2%/-3%. We attribute these better-than-seasonality results to ABF/BT substrate price hikes fuelled by accelerating AI demand and an upstream material shortage. Considering: 1) ongoing material cost burden, 2) slower yield ramp-up from second-tier low-CTE glass fibre suppliers, and 3) a stronger AI GPU/ASIC/CPU shipment outlook, we now expect the ABF substrate pricing upcycle to extend at least into 1H27 (from 2H26 previously), implying blended 31%/28% price hikes in 2026e/2027e (vs consensus of 18%/19%).

Severe shortage reshapes the industry: We have updated our ABF substrate supply-demand model (exhibit 2) – we now expect the supply shortage to have started from 2H25 and to further extend to -8%/-27%/-35% in 2026e/2027e/2028e (with a 36% demand CAGR in 2025-28e vs supply growth of 16%). With increasing volume and substrate dimension growth for AI chips and server CPU substrates, we believe the current expansion pace of substrate suppliers would be hard to keep up with overall demand. Furthermore, we expect a structural shift in ABF substrate consumption mix by application. We believe the weighting of PCs is likely to decrease from 61% in 2020 to 10% in 2028; whereas the mix of AI chips and server CPUs combined should increase from 23% in 2020 to 85% in 2028. We see this phenomenon as a result of not only stronger demand from AI and server CPU, but also of the shorter life cycle of AI products vs consumer products, which causes lower yield and leads to more capacity consumption. We also observe some potential business changes such as long-term agreements (LTA) negotiations and order overflows.

Retain Buy ratings on our three covered companies with higher target prices: Unimicron to TWD1,060 (from TWD605), Kinsus to TWD643 (from TWD300), and Nanya PCB to TWD1,050 (from TWD480). We expect all three companies to benefit from the substrate upcycle, and see Unimicron as the biggest AI beneficiary with multiple projects on hand and a leading market share.

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Exhibit 1: ABF substrate coverage summary

Company	Ticker	CMP	Target Price		Rating		Upside	Market Cap (USDm)	P/E		P/B	
			Old	New	Old	New			2027	2028	2027	2028
Unimicron	3037 TW	790.00	605.00	1060.00	Buy	Buy	34.2%	36,342	19.1x	13.8x	6.5x	4.5x
Kinsus	3189 TW	526.00	300.00	643.00	Buy	Buy	22.2%	7,997	24.4x	16.5x	4.6x	3.9x
Nanya PCB	8046 TW	874.00	480.00	1050.00	Buy	Buy	20.1%	16,276	27.6x	19.6x	9.1x	6.7x

Source: HSBC estimates, Bloomberg. Priced at close of 24 Apr 2026. Currency in TWD

Disclosures & Disclaimer

This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it.

Issuer of report: HSBC Securities (Taiwan) Corporation Limited

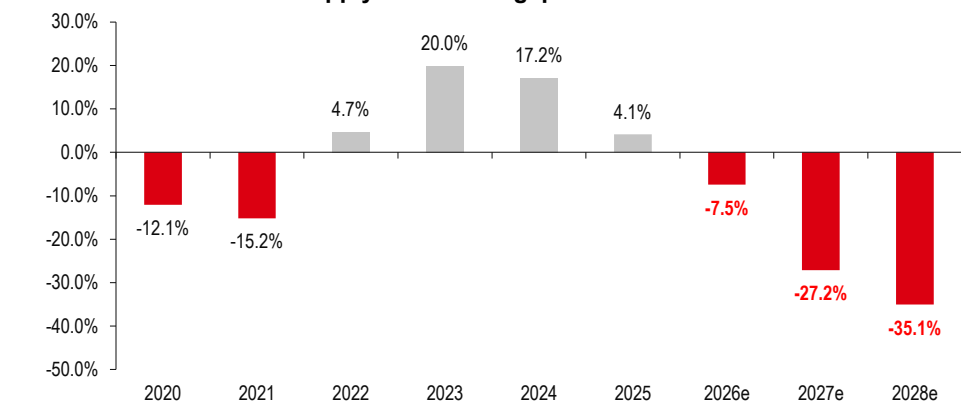
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ABF substrate upcycle driven by AI-related demand

We initially observed signs of an ABF substrate shortage starting in 2H25, mainly owing to the critical upstream material shortage of T-glass. However, with demand from AI GPU/ASIC and server CPU continuing to be strong, we now expect this shortage to further extend to -8%/-27%/-35% in 2026e/2027e/2028e. Compared with the previous pandemic upcycle which was driven by consumer electronics demand, we estimate this upcycle can be more solid and sustainable with AI GPU vendors/major CSPs' aggressive AI product roadmaps. The strength of AI demand is supported by ongoing advanced packaging expansion plans at TSMC, ASE/SPIL, Amkor, and Intel.

With this severe shortage, we have observed some business changes: 1) We notice the potential for AI GPU/ASIC suppliers to negotiate with substrate suppliers on LTAs to ensure stable high-end ABF substrate supply to meet their AI projects timeline. We believe the pricing and margin profile of LTAs this time should be better than the ones in the previous cycles (with pricing adjustment flexibility). Given that substrates represent a limited portion of total AI infrastructure costs, AI customers should be more concerned about substrate shortages than rising costs, and thus are much more tolerant of price hikes than consumer electronics customers; 2) the tightening supply could potentially force end-customers to approach tier-2 substrate suppliers (such as ZDT, SCC, etc.), creating opportunities for them to gain share in lower-end AI chip/CPU projects (for both ABF/BT substrate products).

Exhibit 2: ABF substrate supply vs demand gap



Source: Trendforce, Company data, HSBC estimates

On the demand side, we view AI GPU/ASIC and server CPU as the major demand drivers. To meet stricter data transmission requirements and heterogenous integration needs, the migration of ABF substrates to larger dimensions and higher layer count specs is an inevitable trend, in our view. The design complexity has directly increased production difficulty, leading to a lower yield rate and greater capacity consumption. With increasing shipments and larger form factors, we estimate AI GPU/ASIC and server CPU substrate demand to grow at 64% and 45% CAGR in 2025-28e, respectively. Overall, we expect ABF substrate demand to grow at 36% CAGR in 2025-28e.

Exhibit 3: ABF substrate demand growth

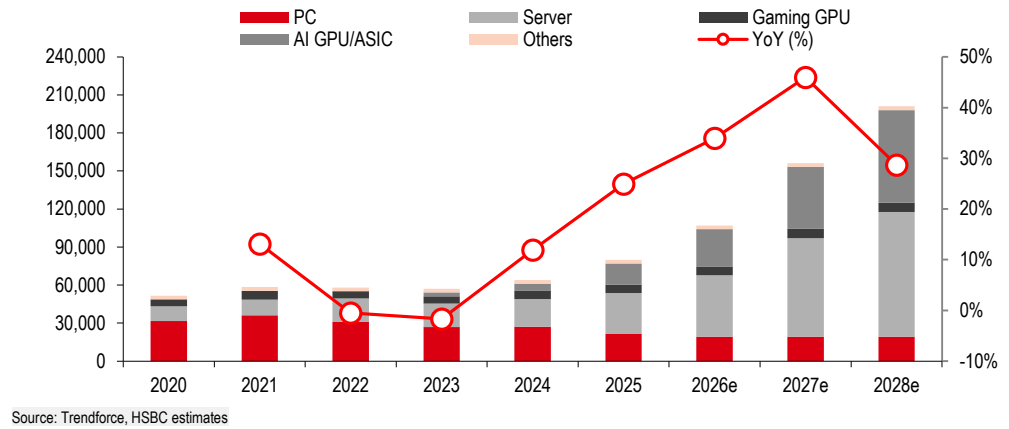
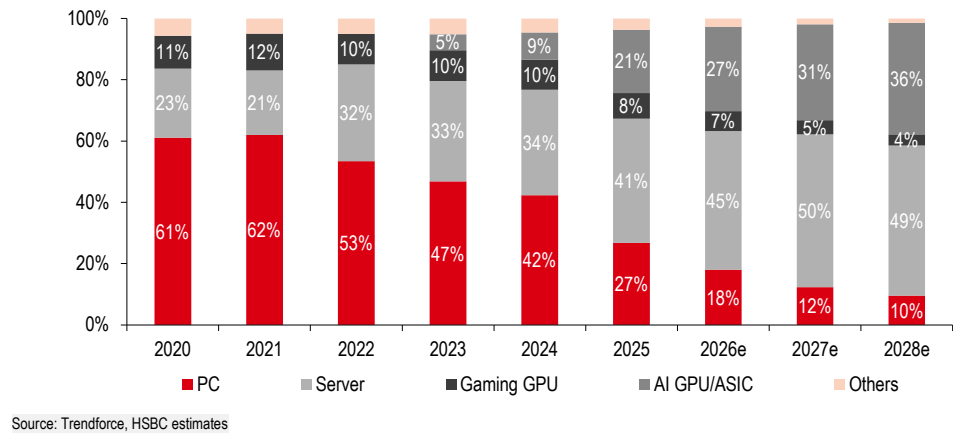
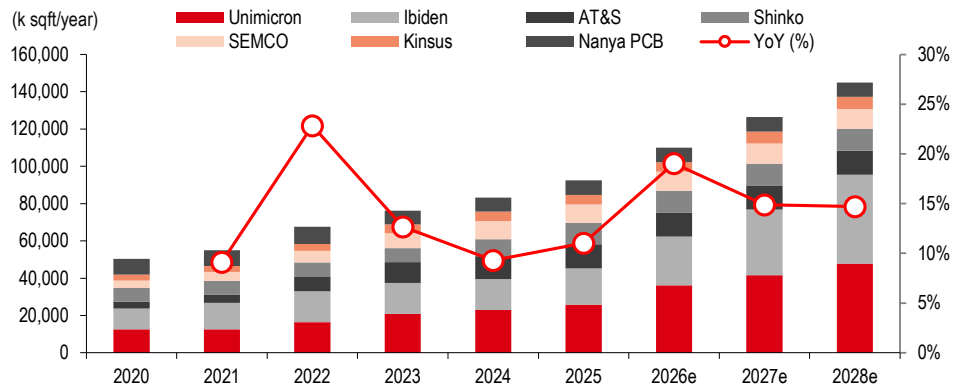


Exhibit 4: ABF substrate demand mix



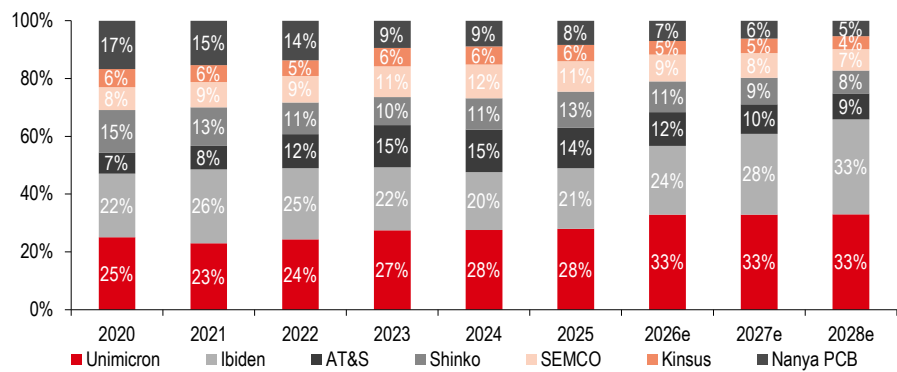
On the supply side, we observe a slower capacity expansion pace versus the pandemic upcycle. Among peers, industry leaders Ibiden and Unimicron have announced the most aggressive plans to expand at 35%/23% CAGR in 2025-2028e, respectively, echoing our view that this upcycle is driven by robust AI-related high-end substrate demand. Besides, Kinsus has also announced a 25% capacity expansion plan in 2027, with potential additional expansion in 2028/2029. We believe the current expansion pace of substrate suppliers would be hard to meet market demand, and thus expect more capacity expansion plans from suppliers going forward.

Exhibit 5: ABF substrate supply growth



Source: Company data, HSBC estimates

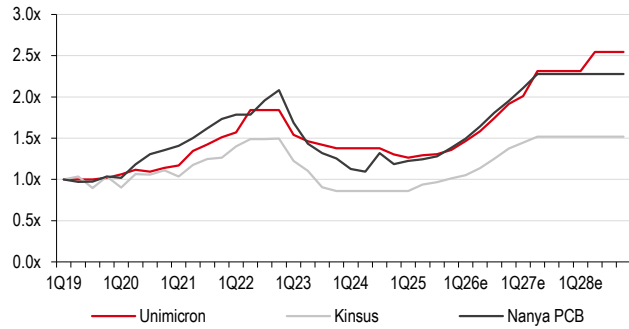
Exhibit 6: ABF substrate supply mix



Source: Company data, HSBC estimates

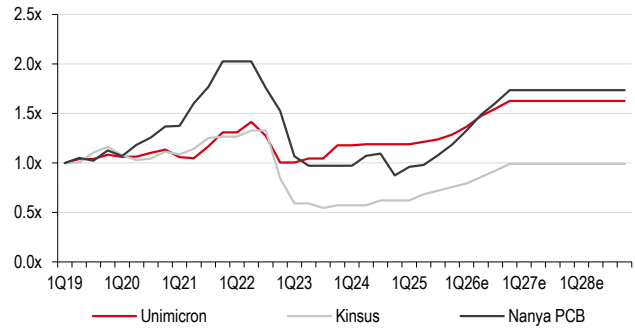
Key charts

Exhibit 7: ABF substrate ASP



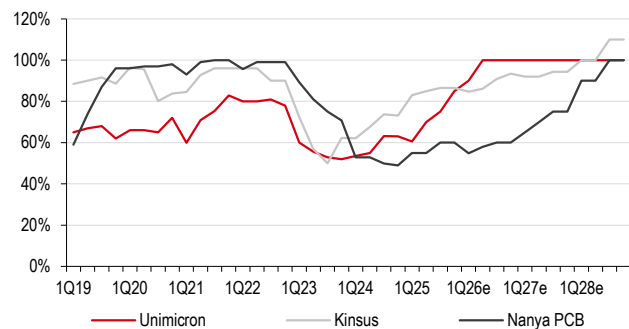
Source: Company data, HSBC estimates. Note: assume 1Q19 as the basis

Exhibit 8: BT substrate ASP



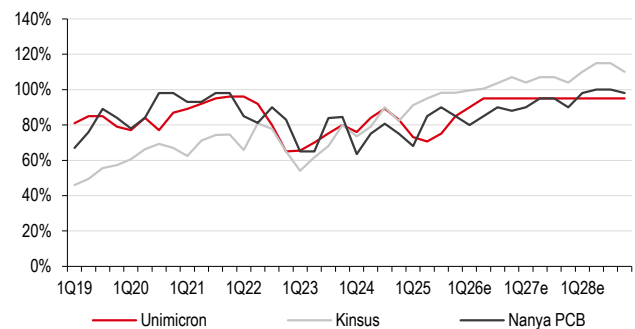
Source: Company data, HSBC estimates. Note: assume 1Q19 as the basis

Exhibit 9: ABF substrate UTR



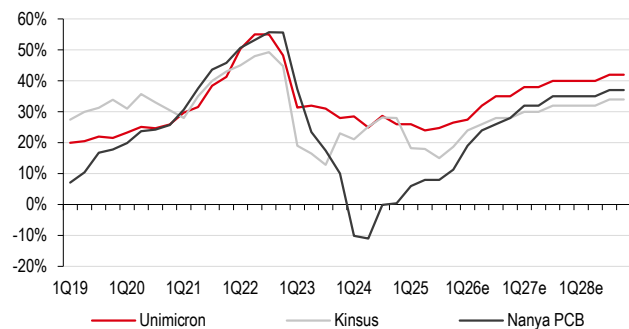
Source: Company data, HSBC estimates.

Exhibit 10: BT substrate UTR



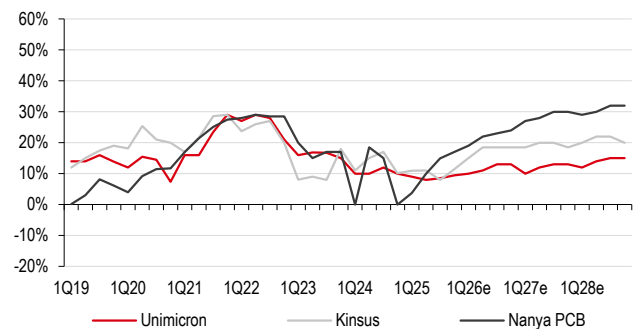
Source: Company data, HSBC estimates.

Exhibit 11: ABF substrate GM



Source: Company data, HSBC estimates.

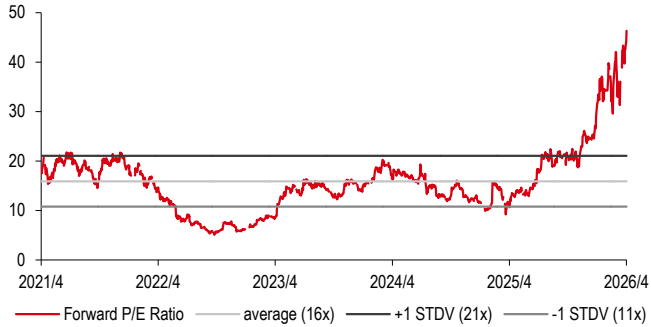
Exhibit 12: BT substrate GM



Source: Company data, HSBC estimates.

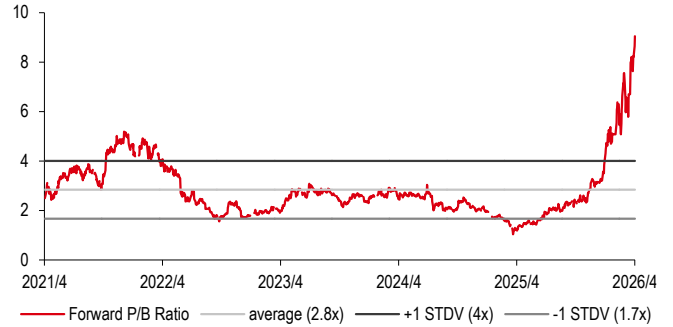
Valuation charts

Exhibit 13: Unimicron – PE chart



Source: Bloomberg

Exhibit 14: Unimicron – PB chart



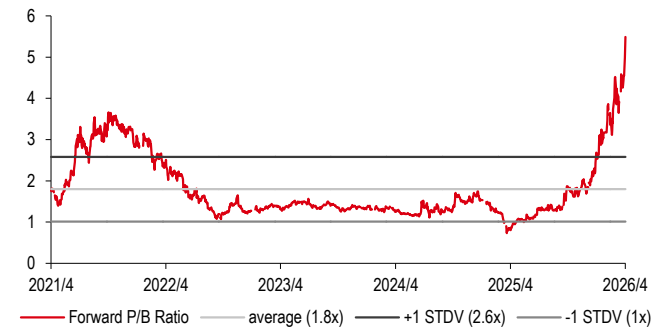
Source: Bloomberg

Exhibit 15: Kinsus – PE chart



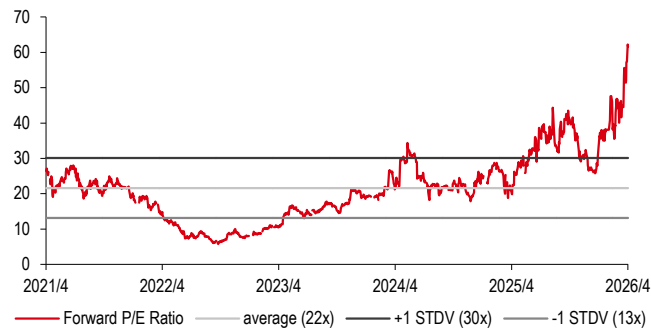
Source: Bloomberg

Exhibit 16: Kinsus – PB chart



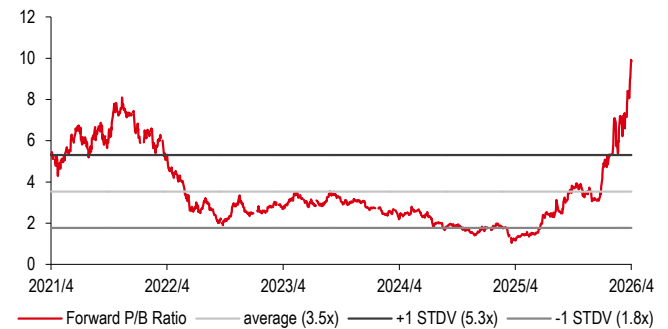
Source: Bloomberg

Exhibit 17: Nanya PCB – PE chart



Source: Bloomberg

Exhibit 18: Nanya PCB – PB chart



Source: Bloomberg

Unimicron (3037 TT): maintain Buy; raise TP to TWD1,060 from TWD605, implying c34% upside

We view Unimicron as the biggest AI beneficiary among Taiwanese substrate suppliers, with several AI GPU/ASIC orders on hand and high-end substrate production experience. To meet accelerating AI GPU/ASIC/server CPU demand, we expect the company to expand ABF substrate capacity by 40% yoy in 2026e (from 15%), especially in high-end substrate. Additionally, we expect the company's AI HDI gross margin to continue improving to 12%/17% in 2026e/2027e (vs consensus of 8%/12%) with capacity ramp-up and equipment upgrades. We raise our 2026e/2027e EPS by 48%/123% to reflect a higher and longer substrate pricing upcycle driven by AI and more aggressive capacity expansions. Our 2026/2027 EPS estimates are 50%/86% above consensus. We introduce 2028 estimates in this report.

Valuation: We raise our multiple to 8.7x PB (from 7.0x), which is +5 SD above the 5-year historical PB and above the company's peak valuation during the pandemic. We believe our PB multiple is justified given a stronger and longer price upcycle driven by robust AI demand. Our new TP of TWD1,060 (from TWD605) is based on our 2027e BVPS of TWD122.30 (from 2H26-1H27 BVPS of TWD86.64), implying 34% upside. We maintain our Buy rating. Our TP implies a 25.6x PE in 2027e.

Downside risks: 1) Longer-than-expected GM burden from PCB/HDI AI product ramp-up; 2) further delay in next-gen server and PC CPUs; and 3) smaller price hikes than expected.

Exhibit 19: HSBC estimate changes and comparison with consensus

(TWDm)	New			Old			Change			Consensus			HSBC vs Cons		
	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e
Sales	208,886	320,188	383,194	175,280	212,887		19%	50%		173,783	224,016	291,982	20%	43%	31%
- y-o-y	59.2%	53.3%	19.7%	33.6%	21.5%					32.4%	28.9%	30.3%			
Gross profit	50,400	99,310	131,834	38,994	52,572		29%	89%		36,510	59,346	89,527	38%	67%	47%
- GM	24.1%	31.0%	34.4%	22.2%	24.7%					21.0%	26.5%	30.7%			
Operating profit	32,435	76,199	105,010	23,569	36,605		38%	108%		22,088	42,733	69,757	47%	78%	51%
- OPM	15.5%	23.8%	27.4%	13.4%	17.2%					12.7%	19.1%	23.9%			
Net income	27,376	64,392	88,836	18,443	28,857		48%	123%		18,021	34,078	54,663	52%	89%	63%
EPS (TWD)	17.59	41.37	57.08	11.85	18.54		48%	123%		11.74	22.18	35.55	50%	86%	61%

Source: HSBC estimates, Visible Alpha consensus

Exhibit 20: Unimicron – quarterly and annual P&L

(TWDm)	2025	1Q26e	2Q26e	3Q26e	4Q26e	2026e	1Q27e	2Q27e	3Q27e	4Q27e	2027e	2028e
Sales	131,241	37,446	47,199	57,347	66,893	208,886	67,312	77,552	87,695	87,629	320,188	383,194
Gross profit	18,292	6,961	10,343	14,831	18,265	50,400	19,457	23,142	28,357	28,354	99,310	131,834
Op profit	6,674	3,740	6,284	9,899	12,512	32,435	14,543	17,481	21,955	22,220	76,199	105,010
Net income	6,673	3,014	5,176	8,461	10,725	27,376	12,182	14,679	18,653	18,878	64,392	88,836
EPS (TWD)	4.38	1.94	3.33	5.44	6.89	17.59	7.83	9.43	11.98	12.13	41.37	57.08
Ratios (%)												
GM	13.9%	18.6%	21.9%	25.9%	27.3%	24.1%	28.9%	29.8%	32.3%	32.4%	31.0%	34.4%
OPM	5.1%	10.0%	13.3%	17.3%	18.7%	15.5%	21.6%	22.5%	25.0%	25.4%	23.8%	27.4%
Net Margin	5.1%	8.0%	11.0%	14.8%	16.0%	13.1%	18.1%	18.9%	21.3%	21.5%	20.1%	23.2%
q-o-q												
Sales		7.9%	26.0%	21.5%	16.6%		0.6%	15.2%	13.1%	-0.1%		
Gross profit		27.2%	48.6%	43.4%	23.2%		6.5%	18.9%	22.5%	0.0%		
Op profit		64.3%	68.0%	57.5%	26.4%		16.2%	20.2%	25.6%	1.2%		
Net income		-12.5%	71.7%	63.5%	26.8%		13.6%	20.5%	27.1%	1.2%		
EPS		-14.5%	71.7%	63.5%	26.8%		13.6%	20.5%	27.1%	1.2%		
y-o-y												
Sales	13.8%	24.4%	45.4%	68.7%	92.8%	59.2%	79.8%	64.3%	52.9%	31.0%	53.3%	19.7%
Gross profit	12.1%	72.9%	143.6%	226.1%	233.8%	175.5%	179.5%	123.8%	91.2%	55.2%	97.0%	32.7%
Op profit	30.4%	195.2%	316.3%	545.9%	449.6%	386.0%	288.8%	178.2%	121.8%	77.6%	134.9%	37.8%
Net income	31.3%	229.5%	17380.7%	285.6%	211.3%	310.2%	304.2%	183.6%	120.4%	76.0%	135.2%	38.0%
EPS	31.2%	222.2%	16995.1%	277.1%	204.4%	301.2%	304.2%	183.6%	120.4%	76.0%	135.2%	38.0%

Source: Company data, HSBC estimates

Financials & valuation: Unimicron Technology Corp

Buy

Financial statements

Year to	12/2025a	12/2026e	12/2027e	12/2028e
Profit & loss summary (TWDm)				
Revenue	131,241	208,886	320,188	383,194
EBITDA	25,447	53,235	98,199	129,010
Depreciation & amortisation	-18,773	-20,800	-22,000	-24,000
Operating profit/EBIT	6,674	32,435	76,199	105,010
Net interest	350	280	215	150
PBT	8,827	33,265	76,814	105,560
HSBC PBT	8,827	33,265	76,814	105,560
Taxation	-1,277	-4,990	-11,522	-15,834
Net profit	6,673	27,376	64,392	88,836
HSBC net profit	6,673	27,376	64,392	88,836
Cash flow summary (TWDm)				
Cash flow from operations	12,814	37,119	74,894	115,914
Capex	-25,617	-34,000	-40,000	-40,000
Cash flow from investment	-23,018	-34,040	-40,040	-40,040
Dividends	0	0	0	0
Change in net debt	-5,352	-341	-28,415	-66,990
FCF equity	-12,803	3,119	34,894	75,914
Balance sheet summary (TWDm)				
Intangible fixed assets	24,628	24,668	24,708	24,748
Tangible fixed assets	125,866	139,066	157,066	173,066
Current assets	105,298	127,269	189,152	275,137
Cash & others	54,872	56,837	86,876	155,490
Total assets	255,792	291,003	370,926	472,951
Operating liabilities	113,921	122,600	142,462	162,371
Gross debt	34,864	36,487	38,111	39,735
Net debt	-20,008	-20,349	-48,765	-115,755
Shareholders' funds	100,569	125,477	183,915	264,408
Invested capital	86,999	111,566	141,588	155,090

Ratio, growth and per share analysis

Year to	12/2025a	12/2026e	12/2027e	12/2028e
Y-o-y % change				
Revenue	13.8	59.2	53.3	19.7
EBITDA	13.9	109.2	84.5	31.4
Operating profit	30.4	386.0	134.9	37.8
PBT	20.6	276.8	130.9	37.4
HSBC EPS	31.2	301.2	135.2	38.0
Ratios (%)				
Revenue/IC (x)	1.5	2.1	2.5	2.6
ROIC	6.6	27.8	51.2	60.2
ROE	6.9	24.2	41.6	39.6
ROA	3.4	10.7	20.0	21.5
EBITDA margin	19.4	25.5	30.7	33.7
Operating profit margin	5.1	15.5	23.8	27.4
EBITDA/net interest (x)				
Net debt/equity	-18.7	-15.4	-25.6	-42.7
Net debt/EBITDA (x)	-0.8	-0.4	-0.5	-0.9
CF from operations/net debt				
Per share data (TWD)				
EPS Rep (diluted)	4.38	17.59	41.37	57.08
HSBC EPS (diluted)	4.38	17.59	41.37	57.08
DPS	0.00	0.00	0.00	0.00
Book value	70.30	84.76	122.30	174.02

Valuation data

Year to	12/2025a	12/2026e	12/2027e	12/2028e
EV/sales	9.3	5.9	3.7	2.9
EV/EBITDA	48.1	23.0	12.2	8.8
EV/IC	14.1	11.0	8.4	7.3
PE*	180.2	44.9	19.1	13.8
PB	11.2	9.3	6.5	4.5
FCF yield (%)	-1.0	0.3	2.8	6.1
Dividend yield (%)	0.0	0.0	0.0	0.0

* Based on HSBC EPS (diluted)

ESG metrics

Environmental Indicators	12/2024a	Governance Indicators	12/2025a
GHG emission intensity*	270.0	No. of board members	9
Energy intensity*	491.0	Average board tenure (years)	n/a
CO ₂ reduction policy	Yes	Female board members (%)	11.1
Social Indicators		Board members independence (%)	33.3
Employee costs as % of revenues	n/a		
Employee turnover (%)	n/a		
Diversity policy	Yes		

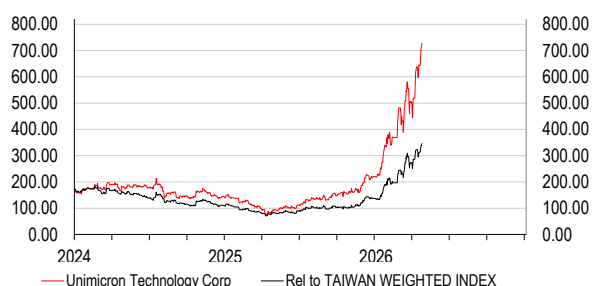
Source: Company data, HSBC; NA – not available

* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

Issuer information

Share price (TWD)	790.00	Free float	84%
Target price (TWD)	1060.00	Sector	Electronic Equipment
RIC (Equity)	3037.TW	Country/Region	Taiwan
Bloomberg (Equity)	3037.TT	Analyst	Ted Lin
Market cap (USDm)	39,437	Contact	+886 2 6631 2870

Price relative



Source: HSBC

Note: Priced at close of 24 Apr 2026

Kinsus (3189 TT): maintain Buy; raise TP to TWD643 from TWD300, implying c22% upside

We believe Kinsus will continue to enjoy a product mix improvement under the AI trend with its leading share in Nvidia gaming GPU and legacy AI GPU/CPU projects. Besides Nvidia, the company is also actively engaging in other ASIC projects with small market share. Kinsus recently guided TWD8bn/TWD10bn capex in 2026e/2027e, with 25% total capacity increase in its K6 plant by 2027e. Considering the recent supply tightness, we expect Kinsus to expand more capacity in 2028e/2029e to capture AI opportunities given its relatively smaller scale. We raise our 2026/2027e EPS by 24%/76% to reflect a higher and longer substrate pricing upcycle and capacity expansion. Our 2026/2027 EPS estimates are 11%/32% above consensus. We introduce 2028 estimates in this report.

Valuation: We raise our multiple to 5.7x PB (from 3.0x), which is +5 SD above the 5-year historical PB and above the company's peak valuation during the pandemic. We believe our PB multiple is justified given a stronger and longer price upcycle driven by robust AI demand. Our new TP of TWD643 (from TWD300) is based on our 2027e BVPS of TWD113.29 (from 2026e BVPS of TWD99.56), implying 22% upside. We maintain our Buy rating. Our TP implies a 29.8x PE in 2027e.

Downside risks: 1) Further decline in PC/server, and iPhone orders; 2) ramp-up issues with new ABF substrate capacity; and 3) smaller price hikes than expected.

Exhibit 21: HSBC estimate changes and comparison with consensus

(TWDm)	New			Old			Change			Consensus			HSBC vs Cons		
	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e
Sales	51,798	70,708	86,745	47,811	55,033		8%	28%		50,913	63,876	81,465	2%	11%	6%
- y-o-y	31.6%	36.5%	22.7%	21.5%	15.1%					29.4%	25.5%	27.5%			
Gross profit	14,227	21,514	28,477	12,588	15,384		13%	40%		13,288	18,255	25,760	7%	18%	11%
- GM	27.5%	30.4%	32.8%	26.3%	28.0%					26.1%	28.6%	31.6%			
Operating profit	7,327	12,816	18,501	5,990	7,899		22%	62%		6,487	10,050	15,856	13%	28%	17%
- OPM	14.1%	18.1%	21.3%	12.5%	14.4%					12.7%	15.7%	19.5%			
Net income	4,988	9,817	14,540	4,036	5,572		24%	76%		4,489	7,436	12,056	11%	32%	21%
EPS (TWD)	10.97	21.58	31.97	8.87	12.25		24%	76%		9.87	16.35	26.50	11%	32%	21%

Source: HSBC estimates, Visible Alpha consensus

Exhibit 22: Kinsus – quarterly and annual P&L

(TWDm)	2025	1Q26e	2Q26e	3Q26e	4Q26e	2026e	1Q27e	2Q27e	3Q27e	4Q27e	2027e	2028e
Sales	39,351	11,105	12,079	13,560	15,055	51,798	16,931	17,662	18,075	18,040	70,708	86,745
Gross profit	8,314	2,834	3,332	3,834	4,226	14,227	4,974	5,286	5,651	5,603	21,514	28,477
Op profit	2,670	1,224	1,762	2,072	2,269	7,327	2,891	3,113	3,427	3,384	12,816	18,501
Net income	1,596	565	1,249	1,504	1,669	4,988	2,195	2,379	2,639	2,604	9,817	14,540
EPS (TWD)	3.51	1.24	2.75	3.31	3.67	10.97	4.83	5.23	5.80	5.72	21.58	31.97
Ratios (%)												
GM	21.1%	25.5%	27.6%	28.3%	28.1%	27.5%	29.4%	29.9%	31.3%	31.1%	30.4%	32.8%
OPM	6.8%	11.0%	14.6%	15.3%	15.1%	14.1%	17.1%	17.6%	19.0%	18.8%	18.1%	21.3%
Net Margin	4.1%	5.1%	10.3%	11.1%	11.1%	9.6%	13.0%	13.5%	14.6%	14.4%	13.9%	16.8%
q-o-q												
Sales		2.7%	8.8%	12.3%	11.0%		12.5%	4.3%	2.3%	-0.2%		
Gross profit		18.4%	17.5%	15.1%	10.2%		17.7%	6.3%	6.9%	-0.8%		
Op profit		33.0%	43.9%	17.6%	9.5%		27.4%	7.7%	10.1%	-1.3%		
Net income		-12.0%	120.9%	20.5%	11.0%		31.5%	8.4%	11.0%	-1.3%		
EPS		-12.0%	120.9%	20.5%	11.0%		31.5%	8.4%	11.0%	-1.3%		
y-o-y												
Sales	28.9%	28.8%	26.3%	30.9%	39.2%	31.6%	52.5%	46.2%	33.3%	19.8%	36.5%	22.7%
Gross profit	-4.1%	46.0%	65.3%	95.3%	76.6%	71.1%	75.5%	58.6%	47.4%	32.6%	51.2%	32.4%
Op profit	143.7%	144.3%	184.1%	229.9%	146.5%	174.4%	136.2%	76.7%	65.4%	49.2%	74.9%	44.4%
Net income	3164.4%	104.8%	269.2%	343.3%	159.9%	212.5%	288.3%	90.5%	75.4%	56.0%	96.8%	48.1%
EPS	3156.4%	104.8%	269.2%	343.3%	159.9%	212.5%	288.3%	90.5%	75.4%	56.0%	96.8%	48.1%

Source: Company data, HSBC estimates

Financials & valuation: Kinsus Interconnect

Buy

Financial statements

Year to	12/2025a	12/2026e	12/2027e	12/2028e
Profit & loss summary (TWDm)				
Revenue	39,351	51,798	70,708	86,745
EBITDA	9,829	15,327	21,316	27,501
Depreciation & amortisation	-7,159	-8,000	-8,500	-9,000
Operating profit/EBIT	2,670	7,327	12,816	18,501
Net interest	-4	-3	36	41
PBT	3,087	7,434	13,253	18,943
HSBC PBT	3,087	7,434	13,253	18,943
Taxation	-370	-1,264	-2,253	-3,220
Net profit	1,596	4,988	9,817	14,540
HSBC net profit	1,596	4,988	9,817	14,540

Cash flow summary (TWDm)

Cash flow from operations	7,676	13,227	17,776	24,517
Capex	-6,117	-8,000	-10,000	-11,000
Cash flow from investment	-7,869	-8,040	-10,040	-11,040
Dividends	0	0	0	0
Change in net debt	1,320	-2,557	-3,899	-8,460
FCF equity	1,559	5,227	7,776	13,517

Balance sheet summary (TWDm)

Intangible fixed assets	9,099	9,139	9,179	9,219
Tangible fixed assets	41,937	41,937	43,437	45,437
Current assets	28,938	31,997	39,161	50,075
Cash & others	12,281	13,407	15,875	22,904
Total assets	79,973	83,073	91,777	104,731
Operating liabilities	20,152	21,249	24,657	28,779
Gross debt	18,448	17,017	15,586	14,155
Net debt	6,167	3,610	-289	-8,749
Shareholders' funds	32,732	36,165	42,892	53,155
Invested capital	47,540	48,416	51,244	53,048

Ratio, growth and per share analysis

Year to	12/2025a	12/2026e	12/2027e	12/2028e
Y-o-y % change				
Revenue	28.9	31.6	36.5	22.7
EBITDA	36.0	55.9	39.1	29.0
Operating profit	143.7	174.4	74.9	44.4
PBT	92.6	140.8	78.3	42.9
HSBC EPS	3156.4	212.5	96.8	48.1

Ratios (%)

Revenue/IC (x)	0.9	1.1	1.4	1.7
ROIC	5.1	12.7	21.3	29.4
ROE	5.0	14.5	24.8	30.3
ROA	3.4	7.6	12.5	16.0
EBITDA margin	25.0	29.6	30.1	31.7
Operating profit margin	6.8	14.1	18.1	21.3
EBITDA/net interest (x)	2428.1	5687.6		
Net debt/equity	14.9	8.1	-0.6	-14.2
Net debt/EBITDA (x)	0.6	0.2	-0.0	-0.3
CF from operations/net debt	124.5	366.4		

Per share data (TWD)

EPS Rep (diluted)	3.51	10.97	21.58	31.97
HSBC EPS (diluted)	3.51	10.97	21.58	31.97
DPS	0.00	0.00	0.00	0.00
Book value	90.95	98.50	113.29	135.85

Valuation data

Year to	12/2025a	12/2026e	12/2027e	12/2028e
EV/sales	7.2	5.4	3.9	3.1
EV/EBITDA	28.8	18.3	13.0	9.8
EV/IC	6.0	5.8	5.4	5.1
PE*	149.9	48.0	24.4	16.5
PB	5.8	5.3	4.6	3.9
FCF yield (%)	0.6	1.9	2.8	4.9
Dividend yield (%)	0.0	0.0	0.0	0.0

* Based on HSBC EPS (diluted)

ESG metrics

Environmental Indicators	12/2024a	Governance Indicators	12/2025a
GHG emission intensity*	250.1	No. of board members	9
Energy intensity*	478.0	Average board tenure (years)	n/a
CO ₂ reduction policy	n/a	Female board members (%)	0
Social Indicators	12/2024a	Board members independence (%)	33.3
Employee costs as % of revenues	n/a		
Employee turnover (%)	13.8		
Diversity policy	Yes		

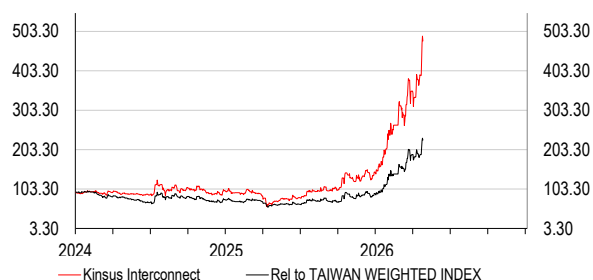
Source: Company data, HSBC

* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

Issuer information

Share price (TWD)	526.00	Free float	55%
Target price (TWD)	643.00	Sector	Electronic Equipment
RIC (Equity)	3189.TW	Country/Region	Taiwan
Bloomberg (Equity)	3189.TT	Analyst	Ted Lin
Market cap (USDm)	8,782	Contact	+886 2 6631 2870

Price relative



Source: HSBC

Note: Priced at close of 24 Apr 2026

Nanya PCB (8046 TT): maintain Buy; raise TP to TWD1,050 from TWD480, implying c20% upside

We expect Nanya PCB to benefit most from this pricing upcycle, with the highest magnitude among Taiwanese substrate suppliers given its customer portfolio is concentrated more on mid-to-low-end products, similar to the previous pandemic upcycle. We now forecast its ABF/BT substrate ASP to see 35%/46% yoy growth in 2026e (vs consensus of 11%/34%). In addition to the pricing hike narrative, we see Broadcom's networking switch as another growth driver. Given Nanya is the major supplier, we view the 2026 800G/1.6T networking switch demand outlook as positive with 20+ layers substrate, providing a better ASP and margin vs the company average. We raise our 2026/2027e EPS by 36%/107% to reflect a higher and longer substrate pricing upcycle. Our 2026/2027 EPS estimates are 24%/24% above consensus. We introduce 2028 estimates in this report.

Valuation: We raise our multiple to 10.9x PB (from 7.0x), which is +5 SD above the 5-year historical PB and above the company's peak valuation during the pandemic. We believe our PB multiple is justified given a stronger and longer price upcycle driven by robust AI demand. Our new TP of TWD1,050 (from TWD480) is based on our 2027e BVPS of TWD96.44 (from 2026e of TWD68.26), implying 20% upside. We maintain our Buy rating. Our TP implies a 33.2x PE in 2027e.

Downside risks: 1) New entrants; 2) lower-than-expected utilisation; and 3) smaller price hikes than expected.

Exhibit 23: HSBC estimate changes and comparison with consensus

(TWDm)	New			Old			Change		Consensus			HSBC vs Cons		
	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2026e	2027e	2028e	2026e	2027e	2028e
Sales	57,317	86,275	110,869	56,291	67,887		2%	27%	56,660	78,415	100,205	1%	10%	11%
- y-o-y	43%	51%	29%	40%	21%				41%	38%	28%			
Gross profit	12,599	26,097	36,657	10,493	13,582		20%	92%	11,762	21,811	29,618	7%	20%	24%
- GM	22.0%	30.2%	33.1%	18.6%	20.0%				20.8%	27.8%	29.6%			
Operating profit	10,328	22,991	32,998	7,999	11,138		29%	106%	9,813	19,495	27,007	5%	18%	22%
- OPM	18.0%	26.6%	29.8%	14.2%	16.4%				17.3%	24.9%	27.0%			
Net income	9,949	20,441	28,747	7,309	9,865		36%	107%	8,036	16,549	22,710	24%	24%	27%
EPS (TWD)	15.40	31.63	44.49	11.31	15.27		36%	107%	12.44	25.61	35.15	24%	24%	27%

Source: HSBC estimates, Visible Alpha consensus

Exhibit 24: Nanya PCB – quarterly and annual P&L

(TWDm)	2025	1Q26e	2Q26e	3Q26e	4Q26e	2026e	1Q27e	2Q27e	3Q27e	4Q27e	2027e	2028e
Sales	40,173	11,177	13,814	15,646	16,680	57,317	18,965	21,505	22,892	22,912	86,275	110,869
Gross profit	3,647	1,970	2,930	3,578	4,121	12,599	5,375	6,228	7,236	7,258	26,097	36,657
Op profit	1,982	1,527	2,383	2,958	3,460	10,328	4,692	5,454	6,412	6,433	22,991	32,998
Net income	1,947	1,612	2,322	2,799	3,216	9,949	4,234	4,866	5,662	5,679	20,441	28,747
EPS (TWD)	3.01	2.49	3.59	4.33	4.98	15.40	6.55	7.53	8.76	8.79	31.63	44.49
Ratios (%)												
GM	9.1%	17.6%	21.2%	22.9%	24.7%	22.0%	28.3%	29.0%	31.6%	31.7%	30.2%	33.1%
OPM	4.9%	13.7%	17.2%	18.9%	20.7%	18.0%	24.7%	25.4%	28.0%	28.1%	26.6%	29.8%
Net Margin	4.8%	14.4%	16.8%	17.9%	19.3%	17.4%	22.3%	22.6%	24.7%	24.8%	23.7%	25.9%
q-o-q												
Sales		0.1%	23.6%	13.3%	6.6%		13.7%	13.4%	6.5%	0.1%		
Gross profit		40.9%	48.7%	22.1%	15.2%		30.4%	15.9%	16.2%	0.3%		
Op profit		58.6%	56.0%	24.1%	17.0%		35.6%	16.2%	17.6%	0.3%		
Net income		34.1%	44.1%	20.5%	14.9%		31.6%	14.9%	16.4%	0.3%		
EPS		34.1%	44.1%	20.5%	14.9%		31.6%	14.9%	16.4%	0.3%		
y-o-y												
Sales	24.4%	32.1%	44.2%	42.7%	49.4%	42.7%	69.7%	55.7%	46.3%	37.4%	50.5%	28.5%
Gross profit	919.0%	357.8%	281.1%	240.8%	194.8%	245.5%	172.8%	112.5%	102.3%	76.1%	107.1%	40.5%
Op profit	-256.5%	4509.3%	550.9%	376.8%	259.3%	421.0%	207.2%	128.9%	116.8%	85.9%	122.6%	43.5%
Net income	855.5%	676.7%	-1338.9%	286.1%	167.6%	411.0%	162.7%	109.6%	102.3%	76.6%	105.5%	40.6%
EPS (TWD)	855.5%	676.7%	-1338.9%	286.1%	167.6%	411.0%	162.7%	109.6%	102.3%	76.6%	105.5%	40.6%

Source: Company data, HSBC estimates

Financials & valuation: Nan Ya PCB

Buy

Financial statements

Year to	12/2025a	12/2026e	12/2027e	12/2028e
Profit & loss summary (TWDm)				
Revenue	40,173	57,317	86,275	110,869
EBITDA	8,876	20,164	37,796	52,024
Depreciation & amortisation	-6,894	-9,836	-14,805	-19,026
Operating profit/EBIT	1,982	10,328	22,991	32,998
Net interest	110	22	0	0
PBT	2,346	11,987	24,628	34,635
HSBC PBT	2,346	11,987	24,628	34,635
Taxation	-399	-2,038	-4,187	-5,888
Net profit	1,947	9,949	20,441	28,747
HSBC net profit	1,947	9,949	20,441	28,747
Cash flow summary (TWDm)				
Cash flow from operations	2,664	13,263	27,171	42,555
Capex	-2,422	-4,500	-4,500	-4,500
Cash flow from investment	-1,723	-4,540	-4,540	-4,540
Dividends	0	0	0	0
Change in net debt	-109	-5,723	-19,631	-35,015
FCF equity	242	8,763	22,671	38,055
Balance sheet summary (TWDm)				
Intangible fixed assets	2,211	2,251	2,291	2,331
Tangible fixed assets	35,373	30,037	19,732	5,207
Current assets	23,623	33,995	62,462	105,095
Cash & others	8,590	14,312	33,943	68,958
Total assets	61,207	66,284	84,486	112,633
Operating liabilities	15,085	17,321	22,168	28,655
Gross debt	0	0	0	0
Net debt	-8,590	-14,312	-33,943	-68,958
Shareholders' funds	46,123	48,963	62,318	83,978
Invested capital	37,533	34,651	28,375	15,020

Ratio, growth and per share analysis

Year to	12/2025a	12/2026e	12/2027e	12/2028e
Y-o-y % change				
Revenue	24.4	42.7	50.5	28.5
EBITDA	70.9	127.2	87.4	37.6
Operating profit		421.0	122.6	43.5
PBT	1338.1	411.0	105.5	40.6
HSBC EPS	855.5	411.0	105.5	40.6
Ratios (%)				
Revenue/IC (x)	1.1	1.6	2.7	5.1
ROIC	4.4	23.8	60.6	126.2
ROE	4.3	20.9	36.7	39.3
ROA	3.1	15.6	27.1	29.2
EBITDA margin	22.1	35.2	43.8	46.9
Operating profit margin	4.9	18.0	26.6	29.8
EBITDA/net interest (x)				
Net debt/equity	-18.6	-29.2	-54.5	-82.1
Net debt/EBITDA (x)	-1.0	-0.7	-0.9	-1.3
CF from operations/net debt				
Per share data (TWD)				
EPS Rep (diluted)	3.01	15.40	31.63	44.49
HSBC EPS (diluted)	3.01	15.40	31.63	44.49
DPS	0.00	0.00	0.00	0.00
Book value	71.38	75.78	96.44	129.96

Valuation data

Year to	12/2025a	12/2026e	12/2027e	12/2028e
EV/sales	13.8	9.6	6.2	4.5
EV/EBITDA	62.7	27.3	14.0	9.5
EV/IC	14.8	15.9	18.7	33.0
PE*	290.1	56.8	27.6	19.6
PB	12.2	11.5	9.1	6.7
FCF yield (%)	0.0	1.6	4.0	6.7
Dividend yield (%)	0.0	0.0	0.0	0.0

* Based on HSBC EPS (diluted)

ESG metrics

Environmental Indicators	12/2024a	Governance Indicators	12/2025a
GHG emission intensity*	441.2	No. of board members	9
Energy intensity*	568.6	Average board tenure (years)	n/a
CO ₂ reduction policy	Yes	Female board members (%)	0
Social Indicators	12/2024a	Board members independence (%)	33.3
Employee costs as % of revenues	n/a		
Employee turnover (%)	n/a		
Diversity policy	Yes		

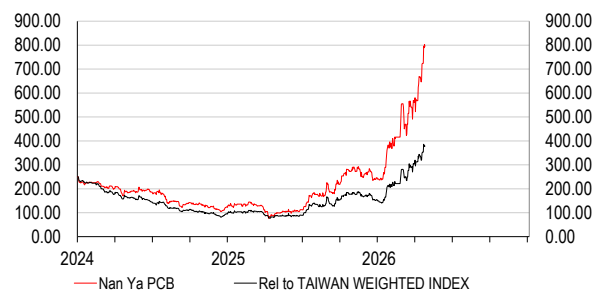
Source: Company data, HSBC

* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

Issuer information

Share price (TWD)	874.00	Free float	33%
Target price (TWD)	1050.00	Sector	Electronic Equipment
RIC (Equity)	8046.TW	Country/Region	Taiwan
Bloomberg (Equity)	8046.TT	Analyst	Ted Lin
Market cap (USDm)	17,894	Contact	+886 2 6631 2870

Price relative



Source: HSBC

Note: Priced at close of 24 Apr 2026

Disclosure appendix

Analyst Certification

The following analyst(s), economist(s), or strategist(s) who is(are) primarily responsible for this report, including any analyst(s) whose name(s) appear(s) as author of an individual section or sections of the report and any analyst(s) named as the covering analyst(s) of a subsidiary company in a sum-of-the-parts valuation certifies(y) that the opinion(s) on the subject security(ies) or issuer(s), any views or forecasts expressed in the section(s) of which such individual(s) is(are) named as author(s), and any other views or forecasts expressed herein, including any views expressed on the back page of the research report, accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Ted Lin and Jimmy Wu

Important disclosures

Equities: Stock ratings and basis for financial analysis

HSBC and its affiliates, including the issuer of this report ("HSBC") believes an investor's decision to buy or sell a stock should depend on individual circumstances such as the investor's existing holdings, risk tolerance and other considerations and that investors utilise various disciplines and investment horizons when making investment decisions. Ratings should not be used or relied on in isolation as investment advice. Different securities firms use a variety of ratings terms as well as different rating systems to describe their recommendations and therefore investors should carefully read the definitions of the ratings used in each research report. Further, investors should carefully read the entire research report and not infer its contents from the rating because research reports contain more complete information concerning the analysts' views and the basis for the rating.

From 23rd March 2015 HSBC has assigned ratings on the following basis:

The target price is based on the analyst's assessment of the stock's actual current value, although we expect it to take six to 12 months for the market price to reflect this. When the target price is more than 20% above the current share price, the stock will be classified as a Buy; when it is between 5% and 20% above the current share price, the stock may be classified as a Buy or a Hold; when it is between 5% below and 5% above the current share price, the stock will be classified as a Hold; when it is between 5% and 20% below the current share price, the stock may be classified as a Hold or a Reduce; and when it is more than 20% below the current share price, the stock will be classified as a Reduce.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation or resumption of coverage, change in target price or estimates).

Upside/Downside is the percentage difference between the target price and the share price.

Prior to this date, HSBC's rating structure was applied on the following basis:

For each stock we set a required rate of return calculated from the cost of equity for that stock's domestic or, as appropriate, regional market established by our strategy team. The target price for a stock represented the value the analyst expected the stock to reach over our performance horizon. The performance horizon was 12 months. For a stock to be classified as Overweight, the potential return, which equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated, had to exceed the required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). For a stock to be classified as Underweight, the stock was expected to underperform its required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). Stocks between these bands were classified as Neutral.

*A stock was classified as volatile if its historical volatility had exceeded 40%, if the stock had been listed for less than 12 months (unless it was in an industry or sector where volatility is low) or if the analyst expected significant volatility. However, stocks which we did not consider volatile may in fact also have behaved in such a way. Historical volatility was defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility had to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

Rating distribution for long-term investment opportunities

As of 31 March 2026, the distribution of all independent ratings published by HSBC is as follows:

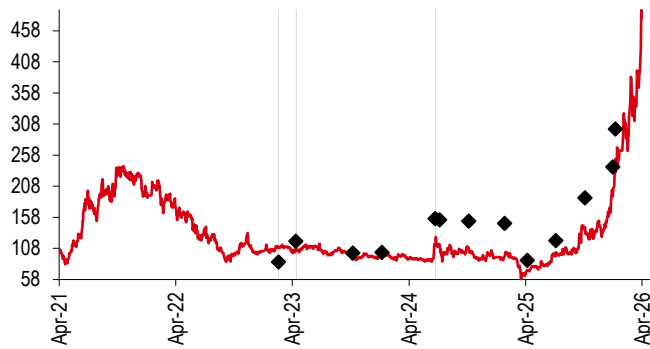
Buy	59%	(12% of these provided with Investment Banking Services in the past 12 months)
Hold	36%	(12% of these provided with Investment Banking Services in the past 12 months)
Sell	6%	(6% of these provided with Investment Banking Services in the past 12 months)

For the purposes of the distribution above the following mapping structure is used during the transition from the previous to current rating models: under our previous model, Overweight = Buy, Neutral = Hold and Underweight = Sell; under our current model Buy = Buy, Hold = Hold and Reduce = Sell. For rating definitions under both models, please see “Stock ratings and basis for financial analysis” above.

For the distribution of non-independent ratings published by HSBC, please see the disclosure page available at <http://www.hsbcnet.com/gbm/financial-regulation/investment-recommendations-disclosures>.

Share price and rating changes for long-term investment opportunities

Kinsus Interconnect (3189.TW) share price performance TWD Vs HSBC rating history



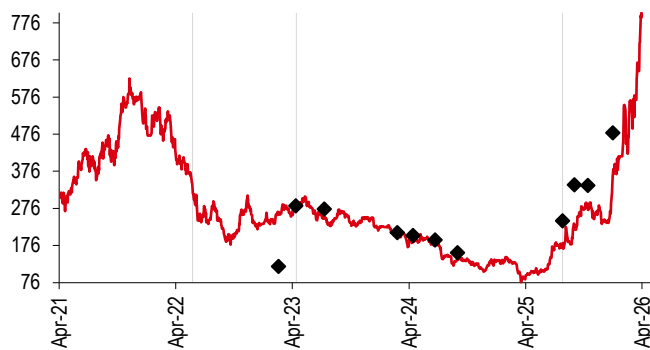
Source: HSBC

Rating & target price history

From	To	Date	Analyst
Hold	Reduce	12 Mar 2023	Ted Lin
Reduce	Hold	05 May 2023	Ted Lin
Hold	Buy	15 Jul 2024	Ted Lin
Target price	Value	Date	Analyst
Price 1	86.14	12 Mar 2023	Ted Lin
Price 2	119.65	05 May 2023	Ted Lin
Price 3	100.50	31 Oct 2023	Ted Lin
Price 4	101.46	30 Jan 2024	Ted Lin
Price 5	156.02	15 Jul 2024	Ted Lin
Price 6	154.10	29 Jul 2024	Ted Lin
Price 7	152.19	28 Oct 2024	Ted Lin
Price 8	148.36	17 Feb 2025	Ted Lin
Price 9	89.02	29 Apr 2025	Ted Lin
Price 10	120.60	28 Jul 2025	Ted Lin
Price 11	189.52	27 Oct 2025	Ted Lin
Price 12	239.29	22 Jan 2026	Ted Lin
Price 13	300.00	30 Jan 2026	Ted Lin

Source: HSBC

Nan Ya PCB (8046.TW) share price performance TWD Vs HSBC rating history



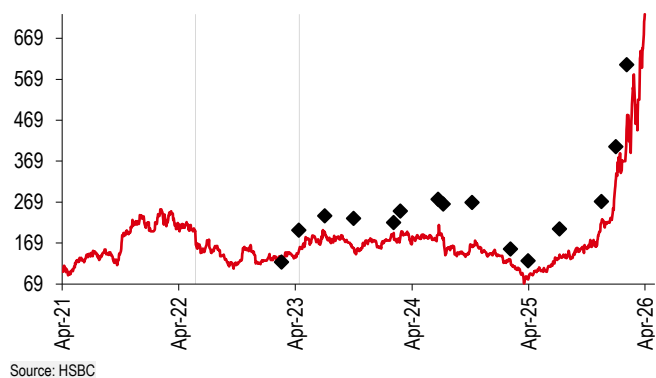
Source: HSBC

Rating & target price history

From	To	Date	Analyst
N/A	Reduce	14 Jun 2022	Ted Lin
Reduce	Hold	05 May 2023	Ted Lin
Hold	Buy	18 Aug 2025	Ted Lin
Target price	Value	Date	Analyst
Price 1	120.00	12 Mar 2023	Ted Lin
Price 2	283.00	05 May 2023	Ted Lin
Price 3	275.00	03 Aug 2023	Ted Lin
Price 4	211.00	18 Mar 2024	Ted Lin
Price 5	203.00	06 May 2024	Ted Lin
Price 6	191.00	15 Jul 2024	Ted Lin
Price 7	157.00	23 Sep 2024	Ted Lin
Price 8	243.00	18 Aug 2025	Ted Lin
Price 9	340.00	24 Sep 2025	Ted Lin
Price 10	338.00	05 Nov 2025	Ted Lin
Price 11	480.00	22 Jan 2026	Ted Lin

Source: HSBC

Unimicron Technology Corp (3037.TW) share price performance TWD Vs HSBC rating history



Source: HSBC

Rating & target price history

From	To	Date	Analyst
N/A	Hold	14 Jun 2022	Ted Lin
Hold	Buy	05 May 2023	Ted Lin
Target price	Value	Date	Analyst
Price 1	122.73	12 Mar 2023	Ted Lin
Price 2	200.92	05 May 2023	Ted Lin
Price 3	235.57	26 Jul 2023	Ted Lin
Price 4	229.63	24 Oct 2023	Ted Lin
Price 5	219.73	26 Feb 2024	Ted Lin
Price 6	247.44	18 Mar 2024	Ted Lin
Price 7	276.15	15 Jul 2024	Ted Lin
Price 8	264.27	31 Jul 2024	Ted Lin
Price 9	268.23	29 Oct 2024	Ted Lin
Price 10	154.41	26 Feb 2025	Ted Lin
Price 11	125.70	22 Apr 2025	Ted Lin
Price 12	203.89	30 Jul 2025	Ted Lin
Price 13	271.00	08 Dec 2025	Ted Lin
Price 14	405.00	22 Jan 2026	Ted Lin
Price 15	605.00	25 Feb 2026	Ted Lin

Source: HSBC

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Company	Ticker	Recent price	Price date	Disclosure
KINSUS INTERCONNECT	3189.TW	479.00	23 Apr 2026	6, 7
NAN YA PCB	8046.TW	795.00	23 Apr 2026	-
UNIMICRON TECHNOLOGY CORP	3037.TW	728.00	23 Apr 2026	7

Source: HSBC

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