

Thermal sector

AI server demand fuels liquid cooling adoption

Key message

1. We expect growing AI server, with rising computing performance demand will continue to trigger liquid cooling adoption in 2026-27F. There is rising liquid cooling adoption in compute and switch trays for GB300, VR200, AMD (US) and ASIC AI server racks.
2. Recent development of chip-level cooling technology is mainly for AI servers with a TDP of more than 3,000 watts, and we expect microchannel lids (MCL) will be adopted in the Vera Rubin Ultra generation in 2027F. Jentech (3653 TT) will be the key beneficiary. However, MCL will be partially adopted in high-end AI GPUs, while traditional liquid cooling technology will be still the mainstream for inference AI servers, in particular, over the next several years.
3. We retain our bright view on liquid cooling TAM growth in 2026-27F, and our top picks include Asia Vital Components (AVC; 3017 TT), Auras (3324 TT), Fositek (6805 TT), Delta Electronics (2308 TT), and Vertiv (US).

Event

The 2025 Open Compute Project (OCP) Global Summit took place during October 13-16 in San Jose, USA, focusing on open standards and sustainable designs for AI infrastructure. As generative AI moves data centers into a new era of megawatt-level power and cooling, Taiwan's AI server supply chain showcased complete solutions in liquid cooling to cope with high-performance servers, with a key position in the global AI computing ecosystem.

Impact

Rising liquid cooling adoption in compute and switch trays for GB300, VR200, AMD (US) and ASIC AI server racks. We expect rising AI server computing performance demand will continue to trigger liquid cooling adoption in 2026-27F. Nvidia's (US) GB300, entering mass production in 4Q25-1Q26F, is designed for an NVL72 AI server rack with a fully liquid-cooled design for compute and switch trays. Liquid cooling content value in GB300 AI server racks will increase by 10-20% over GB200 designs, given increased cold plate and quick dis-connector (QD) counts in switch trays. There are 27 cold plates per switch tray in GB300 racks, up from 18 in GB200 racks, and 180 QD per switch tray in GB300 racks, versus zero in GB200 racks, other than the 180 QD in the compute tray. Vera Rubin (VR) cold plate designs may be similar, despite a thermal design power (TDP) of up to 2.3kW. The VR144 CPX design will also adopt a liquid cooling solution, which will require 3 additional cold plates and 6 pairs of additional QDs per compute tray. We thus expect liquid cooling content in Nvidia's AI GPU platform will continue to increase over the GB and VR series. We also learned that AMD's MI400-series in Helios racks (72 GPUs) will adopt liquid cooling solutions, and this trend will continue into its next generation MI500-series AI rack (144 GPUs). As for ASIC AI solutions, Amazon Web Services (AWS; US) will design some liquid cooling for Trainium 2.5 and 3 chips. The change from all air-cooling for Trainium 2 chips will create rising liquid cooling demand, with cold plate and QD content per rack even higher than in GB300 racks (99 cold plate modules & 360 QD), as it will have six cold plate modules per compute tray and four per switch tray, coupled with 456 QD, based on 11 pairs per compute tray and three pairs per switch tray (see Figure 2-6). We maintain our positive view on liquid cooling TAM growth in 2026-27F.

Chip-level cooling for AI servers with TDP over 3,000 watts coming in 2027F. Given Rubin's GPU TDP of 2.3kW, and Rubin Ultra's TDP being likely in excess of 3kW for growing computing performance, Nvidia is designing alternative cooling solutions at the chip level, including microchannel lids (MCL) and microchannel cold plates (MCCP). Microsoft (US) also showcased the idea of a microfluidics cooling system, which performs three times as well as cold plates at removing heat in lab testing. All these chip-level heat dissipation solutions are still under development, and we believe the VR Ultra generation (Kyber rack design) will need to adopt new solutions, given their limited size and very high TDP rack design. MCL is a cooling solution that integrates a heat spreader with a cold plate. It is not only protects chips (like previous stiffeners for Hopper GPUs and heat spreaders for Blackwell GPUs), but also packages thermal interface material 2 (TIM 2), heat spreaders, and cold plates with chips, with coolant closer to the heat source to directly dissipate heat at the chip level, at greater thermal efficiency in a smaller form factor. The MCL method involves etching micron-scale channels directly into the chip or package, allowing coolant to flow through and extract heat from the heat source. This method significantly improves heat transfer efficiency, but its effectiveness is limited by the heat capacity of the liquid. Controlling bubble dynamics and flow resistance are also key difficulties that need to be solved. In addition, the fluid reliability and manufacturing scalability are also key challenges that will require time to conquer (see Figure 11-15). We expect that chip-level cooling technology like MCL will be partially adopted in high-end AI GPUs, while traditional liquid cooling technology will remain the mainstream for AI servers, particularly inference servers, for the time being. For MCL technology for AI servers, we expect Jentech (3653 TT, NT\$2,135, NR) will be the first and main supplier, and will see more significant sales after 2H26F or 2027F.

2026F proliferation of AI servers to benefit liquid cooling TAM. We maintain our positive view on liquid cooling TAM growth over the next 2-3 years, with a cold plate TAM CAGR of 45-50% expected in 2024-30F, to over US\$20bn, according to industry sources (Figure 8). Key drivers of liquid cooling TAM include: (1) growing TDP of GPUs, CPUs, and upgrades to switches, networking, and memory for AI servers, prompting the adoption of liquid cooling, even though there is chip-level cooling technology designed for high-end GPUs; (2) GB300, VR200 and VR200 CPX racks will adopt cold plates as the mainstream cooling design in 2H25-2027F, with cold plate and QD count growth; (3) AMD's Helios AI server racks (mass production in 2H26F) and ASIC AI server racks (AWS' Trainium 2.5/3, Meta's (US) MITA2.5/3, Google's (US) TPU v6e and Microsoft's MAIA 100) in 2026-27F will all have liquid cooling cold plate designs, rather than their current generations' mostly-air-cooled designs (4) MCL adoption may be more significant in the VR Ultra generation after 2H27F, for the high-end AI GPU market, and there will be second- and third-source opportunities or other component offerings by the currently leading liquid cooling firms. Moreover, inference server demand may prompt additional cold plate demand for liquid cooling designs. Therefore, we expect key cold plate, QD, and manifold plays will enjoy robust sales and earnings growth in 2026-27F, including Asia Vital Components (AVC; 3017 TT, NT\$1,190, OP), Auras (3324 TT, NT\$981, OP), and Fositek (6805 TT, NT\$1,400, OP). We expect higher sidecar and CDU demand will benefit Delta Electronics (2308 TT, NT\$1,070, OP) and Vertiv (US). Jentech will definitely be the key beneficiary when MCL (chip-level cooling) enters mass production after 2027F.

Key beneficiaries: (1) AVC is the leading GB200/ 300 cold plate and manifold supplier, with subsidiary Fositek offering QD. We expect AVC to be the main source for liquid cooling components for GB- and VR-series servers. We expect the firm's 4Q25F sales to grow by 15-20% QoQ, with a better product mix pushing gross and operating margin to a peak. In 2026F, with several heat dissipation solutions under development, AVC has a bright order outlook from several CSPs, on a dominant supply position for cold plates, a good trade record, integrated product offerings like chassis, rack and cooling fan, and expanding capacity in Vietnam to support strong demand for GB300, VR200 and ASIC AI server solutions. To incorporate a better outlook for Fositek, we expect AVC's 2026F sales growth to be 45% YoY, and EPS to be NT\$70.82, up 45% YoY, and ahead of consensus; (2) Auras will see 4Q25 sales growth beat expectations, with 25-30% QoQ growth, on stronger GB300 shipments to existing and new clients. The firm's liquid cooling sales weighting will rise from 35% in 3Q25 to 45% in 4Q25F, and grow further in 2026F on GB300 cold plate and manifold shipments to AWS, Meta and Oracle (US), as well as B300 HGX shipments to Supermicro Computer (US), and ASIC liquid cooling sales to AWS and Meta. With the firm's capacity in Thailand showing yield rate and efficiency improvement, the 2026 sales and EPS outlook is brighter. We revise 2025-26F EPS to a respective NT\$29.11, up 37% YoY, and NT\$52.55, up 81% YoY; (3) Delta will benefit from growing liquid cooling demand, with an integrated liquid cooling system consisting of liquid-to-air sidecars, manifolds and cold plates, which will likely deliver strong revenue growth thanks to high allocation shares from multiple major US CSPs. We see substantial upside to our previous liquid cooling revenue forecasts of NT\$35.8bn, NT\$58.0bn and NT\$73.0bn in 2025-27F, respectively, and expect upward revisions to consensus EPSs. We currently forecast Delta's 2026F EPS to grow by 29% YoY to NT\$28.86, and 2027F EPS of NT\$38.31, up from 2025F EPS of NT\$22.33, up 65% YoY. We will update our forecasts after Delta's 3Q25 earnings results are announced on October 30; (4) Fositek will enjoy strong EPS growth in 2025-26F due to rising QD sales for GB300, VR and ASIC AI servers. QD counts per GB/ VR-series rack are rising, and ASIC AI servers are also migrating from air cooling to liquid cooling designs. We revise up our 2025 EPS forecast for Fositek to NT\$31.06, up 74% YoY, and 2026F EPS to NT\$58.49, up 88% YoY; and (5) Jentech will benefit from several catalysts after 2H26F, including a steady migration from AI server GPU heat spreaders to MCL. The firm will enjoy a dominant supply position in MCL, with ASP likely up by 9-10x for heat spreaders, CPU socket and carrier sales for Intel's (US) Oak Stream platform, and AI server cold plate sales growth to Supermicro, as well as new clients. The firm guides stable monthly sales (NT\$1.6-1.8bn) before 2Q26F, with a significant rebound after 2H26F. Near-term sales growth catalysts are limited, with 3Q25 gross margin due to drop QoQ. However, consensus expectations of strong 2026-2027F EPS growth may support the firm's PE valuation remaining above 30x.

Stocks for Action

We retain our view on strong liquid cooling TAM growth in 2026-27F, and our top picks include AVC, with a target price of NT\$1,695 (24x 2026F EPS); Auras, with a target price of NT\$1,205 (24x 2026F EPS); Fositek, with a target price of NT\$1,755 (30x 2026F EPS); Delta, with a target price of NT\$1,075 (30x 2026F EPS), and Vertiv, with a target price of US\$210 (30x 2027F EPS).

Risks

Material price increases; NT dollar appreciation; TDP increases cause heat dissipation supply chain shifts.

Figure 1: Advanced cooling solutions with cold plate design for high-TDP uses

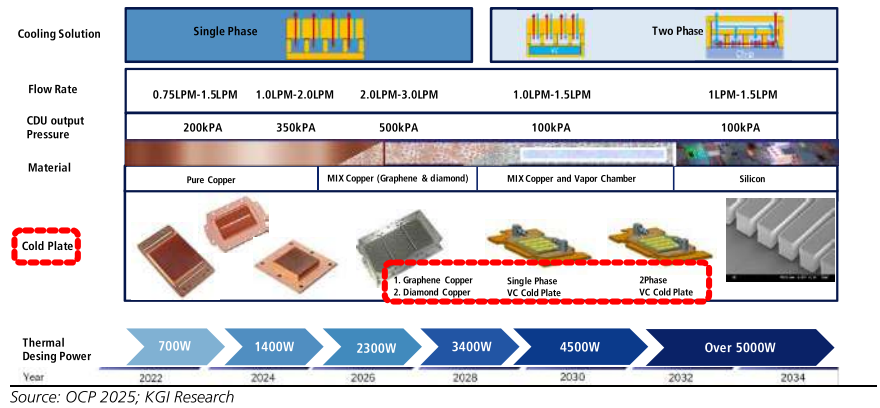
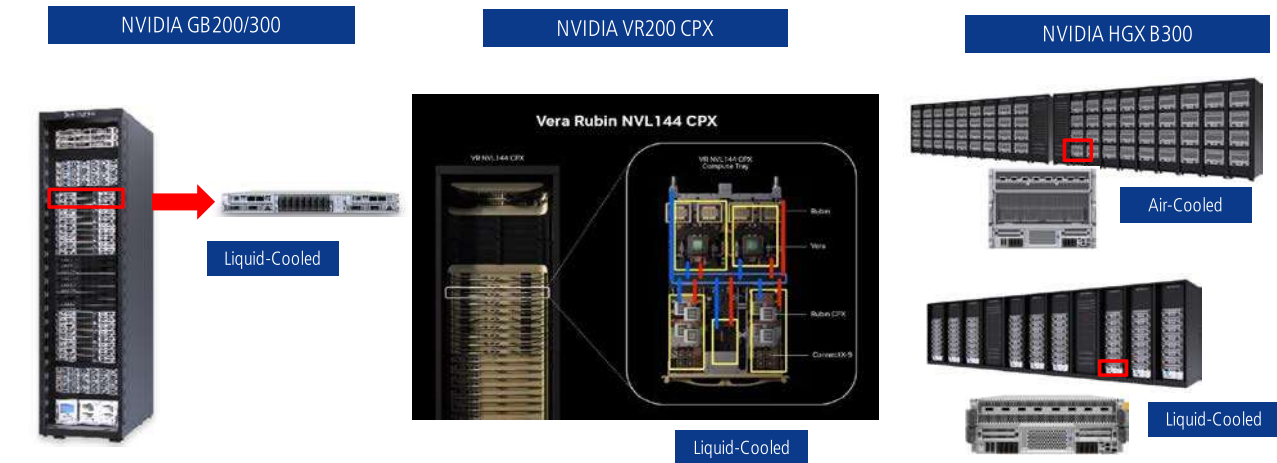
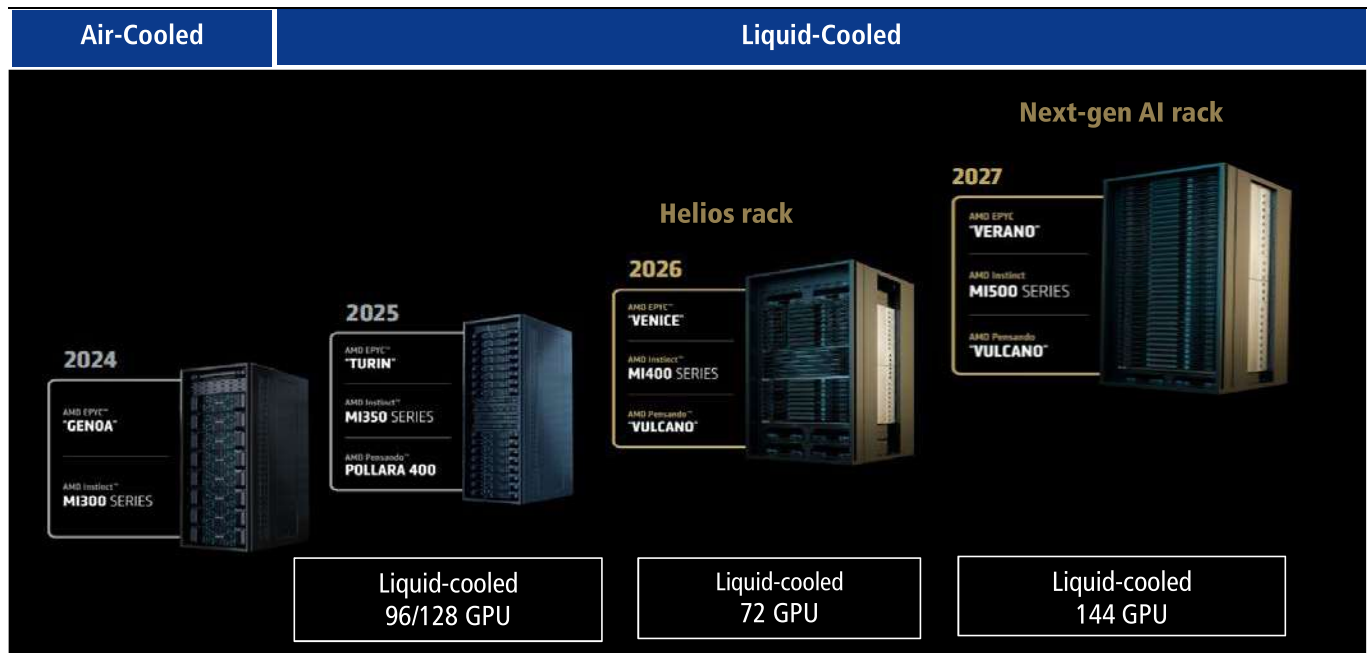


Figure 2: Nvidia's GB200/ 300, VR200 CPX and HGXB300 have adopted liquid cooling solutions



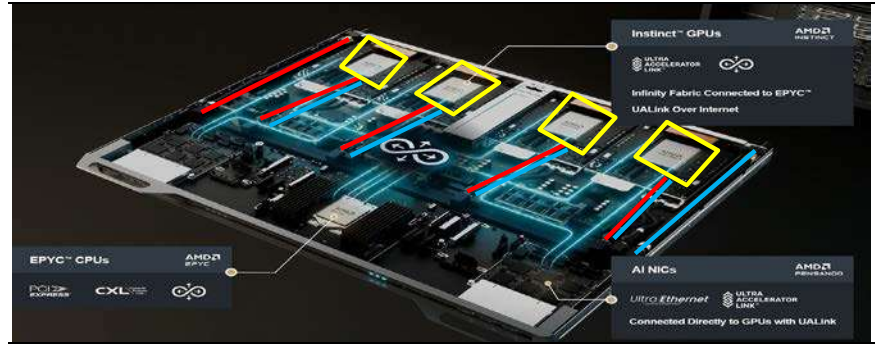
Source: Company data; KGI Research

Figure 3: AMD's liquid-cooled AI server racks will see rising shipments in 2026F



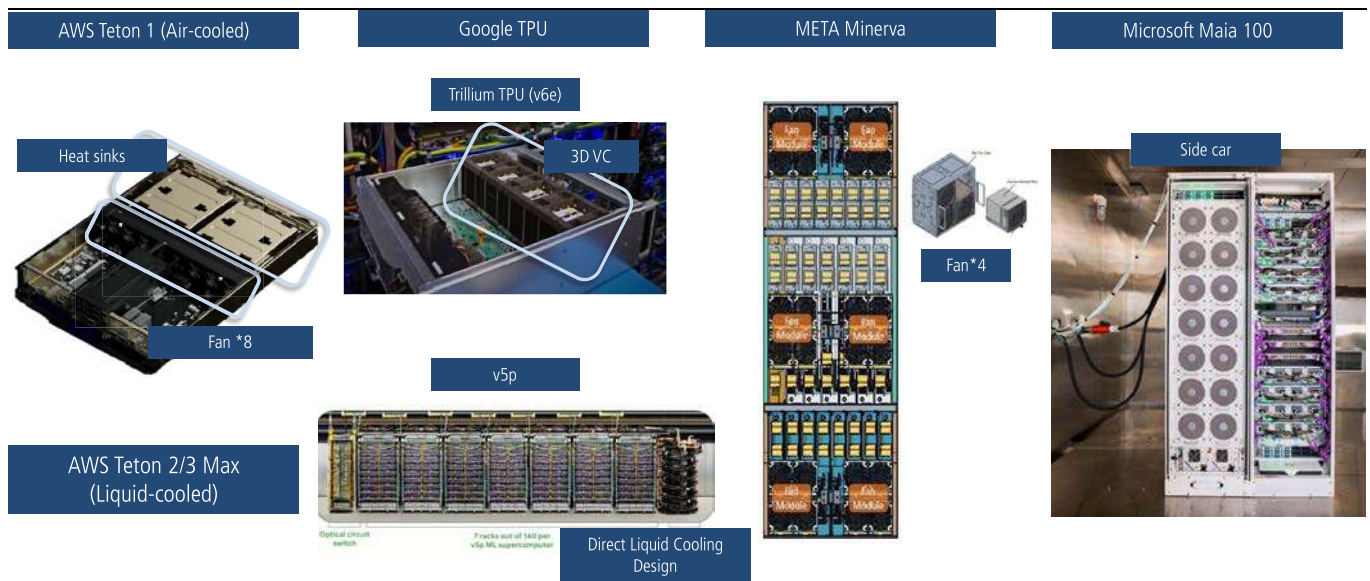
Source: Company data; KGI Research

Figure 4: AMD's Helios racks (MI450 GPU) also utilize liquid-cooling design



Source: Company data; KGI Research

Figure 5: All four major CSPs' ASIC racks use liquid-cooled designs; AWS' Teton 2/3 Max cabinets' liquid-cooled designs to see growing use in 2026-27F



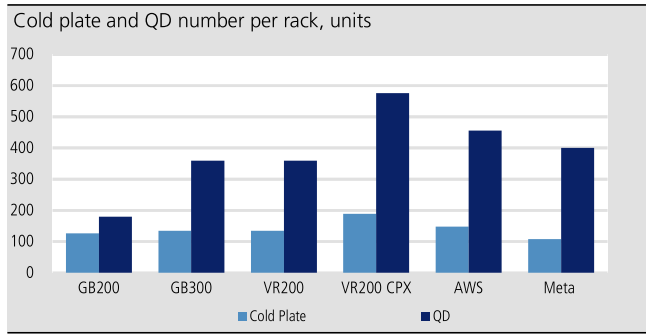
Source: Company data; KGI Research

Figure 6: QD sales growth from GB300 & ASIC liquid cooling racks to boost AVC's sales growth

Units	GPU						ASIC		
	GB200			GB300			AWS- liquid cooling (Teton 2 Max)		
	Compute tray	Switch tray	Total per rack	Compute tray	Switch tray	Total per rack	Compute tray	Switch tray	Total per rack
GPU/chip	72	18		72	18		18	10	
CPU	36			36					
Cold plate module	72	18	90	72	27	99	108	40	148
QD (units)	180	-	180	180	180	360	396	60	456
	(a tray: 4 pairs +2 units)	(no QD)		(a tray: 4 pairs +2 units)	(a tray: 9 pairs + 2 units)		(10 pairs/tray+2 units)	(3 pairs/tray)	
Content value (US\$)									
Cold plate	21,600	4,500	26,100	20,160	6,750	26,910	37,800	10,000	47,800
QD	3,600		3,600	3,600	3,600	7,200	7,920	1,200	9,120
Cold plate + QD			29,700			34,110			56,920
Units	VR200			VR CPX					
	Compute tray	Switch tray	Total per rack	Compute tray	Switch tray	Total per rack			
GPU/chip	72	18		72	18				
CPU	36	-		36					
CPX accelerator				144					
Cold plate module	72	27	99	90	27	117			
QD (units)	180	180	360	396	180	576			
	(a tray: 4 pairs +2 units)	(a tray: 9 pairs+ 2 units)		(a tray: 10 pairs +2 units)	(a tray: 9 pairs+ 2 units)				
Content value (US\$)									
Cold plate	12,240	4,050	16,290	15,300	4,050	19,350			
QD	3,600	3,600	7,200	7,920	3,600	11,520			
Cold plate + QD			23,490			30,870			

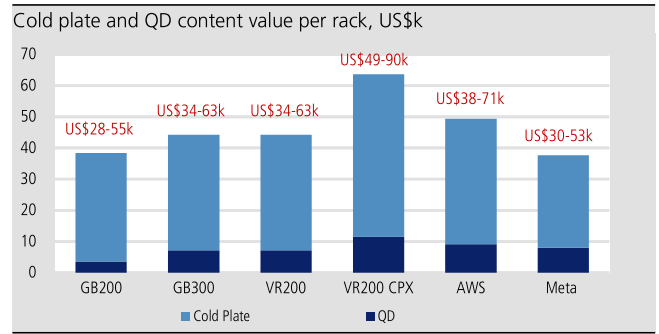
Source: Company data; KGI Research

Figure 7: Increasing QD adoption in both GPU & ASIC AI racks



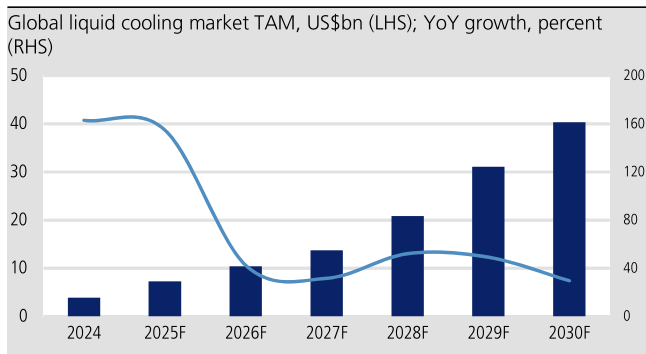
Note: The unit number excludes QD on rack manifold.
Source: Company data; KGI Research

Figure 8: Liquid cooling content value in GB300, VR200/200 CPX and ASIC racks will increase over GB200 designs.



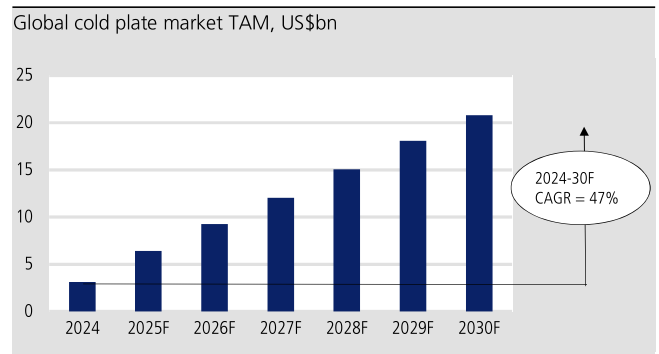
Source: Company data; KGI Research

Figure 9: Liquid cooling TAM growing with cold plates the mainstream design before 2028F



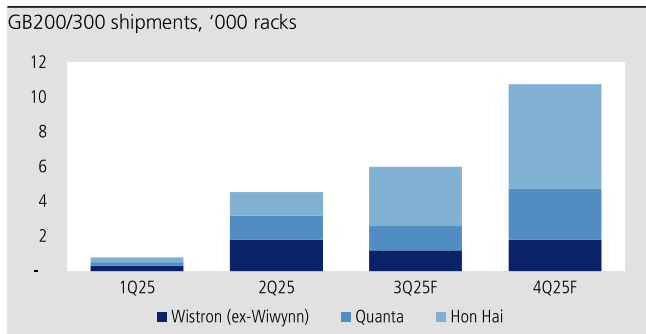
Source: Promersion; OCP 2025; KGI Research estimates

Figure 10: Cold plate TAM to reach a plateau in 2030F after a CAGR of 47% in 2024-30F



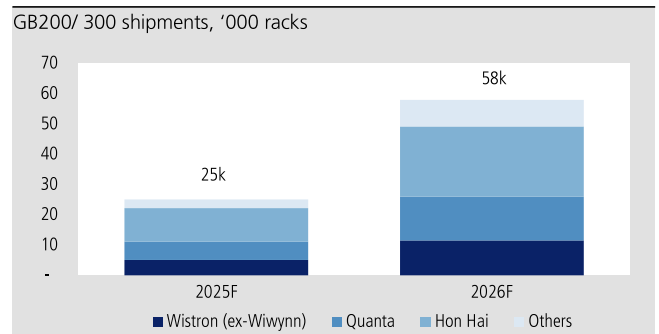
Source: Promersion; OCP 2025; KGI Research estimates

Figure 11: GB200 shipments to accelerate in 3Q25F, with the GB300 entering mass production in 4Q25F



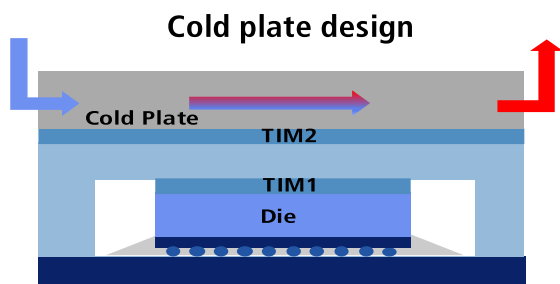
Source: Company data; KGI Research estimates

Figure 12: GB200/ 300 shipments to reach 27-28k racks in 2025F; 2026F shipments potentially rising to 50-60k racks



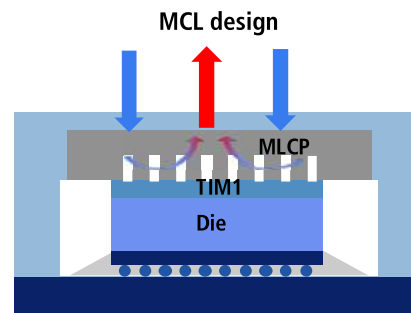
Source: Company data; KGI Research estimates

Figure 13: MLCP designs integrate TIM 2, heat spreaders, & cold plates into chip package lids for better heat dissipation



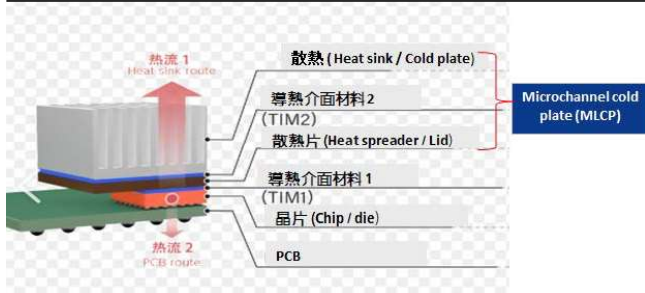
Source: Industry websites; KGI Research

Figure 14: High-precision microchannel design, with over 100 layers of diffusion bonding



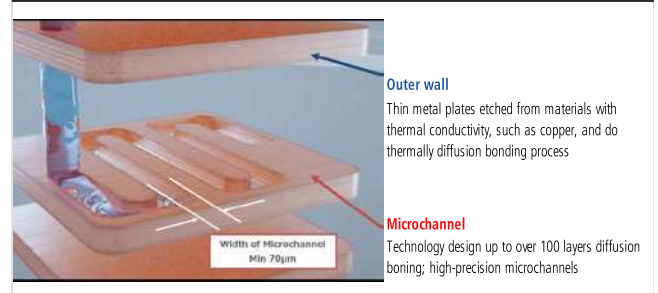
Source: Industry websites; KGI Research

Figure 15: MCL designs integrate TIM 2, heat spreaders, & cold plates into chip package lids for better heat dissipation



Source: Industry websites; KGI Research

Figure 16: High-precision microchannel design, with over 100 layers of diffusion bonding



Source: Industry websites; KGI Research

Figure 17: MCL has several advantages, but technical challenges remain

Key challenges

1. Manufacturing prec The microchannel structure is extremely fine, resulting in low etching and sealing yield.
2. CTE mismatch The mismatch in CTE between the metal lid and silicon-based packaging material causes interfacial stress.
3. Fluid reliability Microchannels are prone to leaks, air bubbles, and particle clogging.
4. Scalability & cost There are few manufacturers capable of mass production, and the costs of inspection and leak testing are high

Key advantages

1. Superior thermal eff The coolant flows through microchannels close to the heat source, virtually eliminating multiple layers of thermal resistance
2. Compact form fact Helps improve server rack density, reducing the size of the water cooling module and the length of the piping
3. Uniform heat distrib Microchannels can be customized according to the chip's power map, effectively designed to avoid the hot spot problems of traditional water cooling plates

Source: Company data; KGI Research

Figure 18: AVC - Breakdown of 2025-26 forecasts vs. consensus

NT\$m	2025F						2026F					
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	138,340	138,340	0.0	92.8	128,738	7.5	200,138	200,138	0.0	44.7	162,286	23.3
Gross profit	35,552	35,552	0.0	110.7	33,239	7.0	52,786	52,786	0.0	48.5	43,322	21.8
Operating income	26,512	26,512	0.0	145.0	24,055	10.2	40,398	40,331	0.2	52.4	32,180	25.5
Pretax Income	27,933	27,933	0.0	126.1	25,564	9.3	41,522	41,444	0.2	48.7	33,020	25.7
Net income	18,904	18,957	(0.3)	131.3	17,579	7.5	27,486	27,691	(0.7)	45.4	22,665	21.3
EPS (NT\$)	48.71	48.85	(0.3)	129.7	45.29	7.5	70.82	71.35	(0.7)	45.4	58.40	21.3
Gross margin (%)	25.7	25.7	0.0 ppts	2.2 ppts	25.8	(0.1)ppts	26.4	26.4	0.0 ppts	0.7 ppts	26.7	(0.3)ppts
OP margin (%)	19.2	19.2	0.0 ppts	4.1 ppts	18.7	0.5 ppts	20.2	20.2	0.0 ppts	1.0 ppts	19.8	0.4 ppts
Net margin (%)	13.7	13.7	(0.0)ppts	2.3 ppts	13.7	0.0 ppts	13.7	13.8	(0.1)ppts	0.1 ppts	14.0	(0.2)ppts

Source: KGI Research estimates; Bloomberg

Figure 19: Auras - Breakdown of 2025-26 forecasts vs. consensus

NT\$m	2025F						2026F					
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	23,184	21,979	5.5	46.9	22,242	4.2	32,885	29,424	11.8	41.8	29,024	13.3
Gross profit	6,499	6,082	6.9	61.4	6,155	5.6	9,428	8,290	13.7	45.1	8,336	13.1
Operating income	3,489	3,161	10.4	82.6	3,205	8.9	5,973	5,117	16.7	71.2	4,969	20.2
Pretax income	3,343	3,057	9.3	41.3	3,008	11.1	6,003	5,121	17.2	79.6	5,060	18.6
Net income	2,629	2,401	9.5	38.9	2,363	11.3	4,747	4,042	17.5	80.6	3,990	19.0
EPS (NT\$)	29.11	26.58	9.5	37.1	26.16	11.3	52.55	44.74	17.5	80.5	44.17	19.0
Gross margin (%)	28.0	27.7	0.4 ppts	2.5 ppts	27.7	0.4 ppts	28.7	28.2	0.5 ppts	0.6 ppts	28.7	(0.1)ppts
OP margin (%)	15.1	14.4	0.7 ppts	2.9 ppts	14.4	0.6 ppts	18.2	17.4	0.8 ppts	3.1 ppts	17.1	1.0 ppts
Net margin (%)	11.3	10.9	0.4 ppts	(0.7)ppts	10.6	0.7 ppts	14.4	13.7	0.7 ppts	3.1 ppts	13.7	0.7 ppts

Source: KGI Research estimates; Bloomberg

Figure 20: Fositek - Breakdown of 2025-26 forecasts vs. consensus

NT\$m	2025F						2026F					
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	12,325	12,195	1.1	50.5	12,273	0.4	18,456	17,387	6.2	49.8	17,448	5.8
Gross profit	3,144	3,068	2.5	72.1	3,109	1.1	5,437	5,030	8.1	72.9	4,918	10.5
Operating income	2,511	2,433	3.2	109.7	2,447	2.6	4,566	4,178	9.3	81.8	4,008	13.9
Pretax Income	2,538	2,460	3.2	69.8	2,462	3.1	4,773	4,384	8.9	88.1	4,156	14.9
Net income	2,130	2,064	3.2	73.5	2,050	3.9	4,010	3,683	8.9	88.3	3,420	17.2
EPS (NT\$)	31.06	30.10	3.2	73.5	29.91	3.9	58.49	53.72	8.9	88.3	49.89	17.2
Gross margin (%)	25.5	25.2	0.4 ppts	3.2 ppts	25.3	0.2 ppts	29.5	28.9	0.5 ppts	3.9 ppts	28.2	1.3 ppts
OP margin (%)	20.4	20.0	0.4 ppts	5.8 ppts	19.9	0.4 ppts	24.7	24.0	0.7 ppts	4.4 ppts	23.0	1.8 ppts
Net margin (%)	17.3	16.9	0.4 ppts	2.3 ppts	16.7	0.6 ppts	21.7	21.2	0.5 ppts	4.4 ppts	19.6	2.1 ppts

Source: KGI Research estimates; Bloomberg

Figure 21: Delta - Breakdown of 2025-27 forecasts vs. consensus

NT\$m	2025F						2026F						2027F					
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Revenue	524,654	510,138	2.8	24.6	515,497	1.8	622,699	577,345	7.9	18.7	601,645	3.5	754,363	658,915	14.5	21.1	715,858	5.4
Gross profit	182,939	174,952	4.6	33.9	177,470	3.1	225,152	200,858	12.1	23.1	212,164	6.1	280,070	230,200	21.7	24.4	254,402	10.1
Operating profit	79,443	73,593	7.9	66.7	73,487	8.1	104,797	88,797	18.0	31.9	95,840	9.3	139,355	104,614	33.2	33.0	124,420	12.0
Net income	58,005	53,072	9.3	64.7	54,941	5.6	74,973	63,665	17.8	29.3	71,977	4.2	99,521	74,942	32.8	32.7	93,389	6.6
EPS (NT\$)	22.33	20.43	9.3	64.7	21.20	5.3	28.86	24.51	17.8	29.3	28.08	2.8	38.31	28.85	32.8	32.7	36.01	6.4
Gross margin (%)	34.9	34.3	0.6 ppts	2.4 ppts	34.4	0.4 ppts	36.2	34.8	1.4 ppts	1.3 ppts	35.3	0.9 ppts	37.1	34.9	2.2 ppts	1.0 ppts	35.5	1.6 ppts
Op. margin (%)	15.1	14.4	0.7 ppts	3.8 ppts	14.3	0.9 ppts	16.8	15.4	1.4 ppts	1.7 ppts	15.9	0.9 ppts	18.5	15.9	2.6 ppts	1.6 ppts	17.4	1.1 ppts
Net margin (%)	11.1	10.4	0.7 ppts	2.7 ppts	10.7	0.4 ppts	12.0	11.0	1.0 ppts	1.0 ppts	12.0	0.1 ppts	13.2	11.4	1.8 ppts	1.2 ppts	13.0	0.1 ppts

Source: KGI Research estimates; Bloomberg

Figure 22: Jentech - Breakdown of 2025-27 consensus

NT\$m	2025F		2026F		2027F	
	Consensus	YoY (%)	Consensus	YoY (%)	Consensus	YoY (%)
Sales	20,200	41.5	26,353	30.5	44,658	69.5
Gross profit	8,666	61.5	11,910	37.4	21,412	79.8
Operating income	6,812	79.3	9,716	42.6	18,645	91.9
Pretax Income	6,611	55.7	9,785	48.0	18,717	91.3
Net income	5,291	54.3	7,718	45.9	14,726	90.8
EPS (NT\$)	37.10	53.6	55.99	50.9	113.79	103.2
Gross margin (%)	42.9	5.3 ppts	45.2	2.3 ppts	47.9	2.8 ppts
OP margin (%)	33.7	7.1 ppts	36.9	3.1 ppts	41.7	4.9 ppts
Net margin (%)	26.2	2.2 ppts	29.3	3.1 ppts	33.0	3.7 ppts

Source: Bloomberg; KGI

Figure 23: Vertiv - Breakdown of 2025-26 forecasts vs. consensus

Non-GAAP	2025F							2026F					
	Guidance (mid point)	Revision	Previous	Diff (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
US \$mn													
Sales	10,200	10,306	10,405	(1.0)	28.6	10,025	2.8	12,734	12,185	4.5	23.6	11,605	9.7
Gross profits		3,820	3,753	1.8	30.2	3,616	5.7	4,894	4,560	7.3	28.1	4,313	13.5
Operating Profit	2,060	2,162	2,045	5.7	39.3	1,986	8.9	2,905	2,656	9.4	34.4	2,495	16.4
Pretax Income		2,045	1,878	8.9	46.2	1,734	17.9	2,672	2,423	10.3	30.7	2,243	19.1
Net income		1,647	1,498	10.0	49.5	1,463	12.6	2,117	1,922	10.2	28.5	1,828	15.8
EPS (US\$)	4.10	4.23	3.86	9.7	48.4	3.76	12.6	5.48	4.97	10.2	29.4	4.73	15.8
Gross margin (%)		37.1	36.1	1.0 ppts	0.4 ppts	36.1	1.0 ppts	38.4	37.4	1.0 ppts	1.4 ppts	37.2	1.3 ppts
OP margin (%)	20.3	21.0	19.7	1.3 ppts	1.6 ppts	19.8	1.2 ppts	22.8	21.8	1.0 ppts	1.8 ppts	21.5	1.3 ppts
Net margin (%)		16.0	14.4	1.6 ppts	2.2 ppts	14.6	1.4 ppts	16.6	15.8	0.9 ppts	0.6 ppts	15.8	0.9 ppts

Source: KGI Research estimates; Bloomberg

Figure 24: Growing sales attributable to server sales growth

Company	Ticker	Thermal (NT\$bn)			YoY (%)			Total sales weighting by application in 2025F (%)							
		2024	2025F	2026F	2024	2025F	2026F	PC	Gaming/ VGA	Smartphone	Server	Networking	Auto	Others	Total
AVC	3017 TT	38.9	88.5	133.4	24.5	127.7	50.7	11		12	58	8	<1	11	100
Auras	3324 TT	15.8	23.2	32.9	13.9	46.9	41.8	28	14		56			2	100
Fositek	6805 TT	0.2	3.8	9.0	N.A.	1,463.8	139.9	6		57	36			1	100
Delta	2308 TT	39.7	77.0	101.2	9.0	94.0	31.3	<5		<5	43		7	>40	100
Sunonwealth	2421 TT	14.6	18.2	20.3	4.0	24.6	11.5	14			48	11	9	18	100
*Jentech	3653 TT	9.4	14.9	21.1	N.A.	58.6	41.0	30			44	7	9	10	100

Source: Company data; KGI Research estimates

Figure 25: Higher margins to boost EPS growth in 2025F

Company	Ticker	GM (%)			OPM (%)			EPS (NT\$)			EPS YoY(%)			2024-26F CAGR
		2024	2025F	2026F	2024	2025F	2026F	2024	2025F	2026F	2024	2025F	2026F	
AVC	3017 TT	23.5	25.7	26.4	15.1	19.2	20.2	21.21	48.71	70.82	50.4	129.7	45.4	82.7
Auras	3324 TT	25.5	28.0	28.7	12.1	15.1	18.2	21.23	29.11	52.55	48.7	37.1	80.5	57.3
Fositek	6805 TT	22.3	25.5	29.5	14.6	20.4	24.7	17.90	31.06	58.49	75.8	73.5	88.3	80.8
Delta	2308 TT	32.4	34.9	36.2	11.3	15.1	16.8	13.56	22.33	28.86	5.5	64.7	29.3	45.9
Sunonwealth	2421 TT	28.4	30.0	30.2	11.5	14.3	14.9	5.46	7.05	8.80	5.7	29.2	24.9	27.0
*Jentech	3653 TT	37.6	42.9	45.2	26.6	33.7	36.9	24.15	37.96	55.84	45.5	57.2	47.1	52.1

Source: Company data; KGI Research estimates

Figure 26: Peer comparison – Valuations (改)

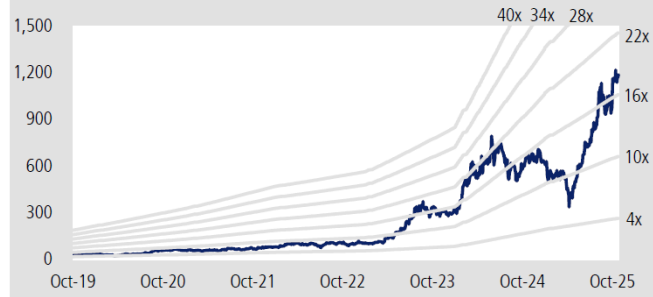
Sector	Company	Ticker	Market cap. (US\$mn)	Share price (LCY)	Rating	Target Price (LCY)	EPS (LCY)			EPS YoY (%)			PE (x)			PB (x)			ROE (%)			Cash yield (%)	
							2024	2025F	2026F	2024	2025F	2026F	2024	2025F	2026F	2024	2025F	2026F	2024	2025F	2026F	2024	2025F
Cooling fan	Sunonwealth	2421 TT	1,252	140.5	Outperform	150.0	5.46	7.05	8.80	5.7	29.2	24.9	25.7	19.9	16.0	4.9	4.5	4.2	19.7	23.5	27.3	2.6	3.6
	Nidec Corp*	6594 JP	20,222	2,570.5	Not rated	N.A.	145.95	158.28	175.03	354.2	8.4	10.6	17.6	16.2	14.7	1.7	1.7	1.6	9.8	10.8	10.9	1.5	1.6
	Sun Max Tech*	6591 TT	109	81.7	Not rated	N.A.	3.21	N.M.	N.M.	(5.6)	N.A.	N.A.	25.5	N.A.	N.A.	1.6	N.A.	N.A.	9.9	N.M.	N.M.	2.9	N.A.
	Minebea Mitsumi*	6479 JP	8,728	3,098.0	Not rated	N.A.	147.58	142.18	175.73	(17.2)	(3.7)	23.6	21.0	21.8	17.6	1.7	1.7	1.6	7.6	8.1	9.1	1.3	1.5
Thermal module /cooling fan	AVC	3017 TT	15,055	1190.0	Outperform	1695.0	21.21	48.71	70.82	50.4	129.7	45.4	56.1	24.4	16.8	16.0	12.0	8.9	32.1	56.4	61.2	0.8	2.1
	Delta Elec	2308 TT	90,583	1,070.0	Outperform	1075.0	13.56	22.33	28.86	5.5	64.7	29.3	78.9	47.9	37.1	12.1	11.3	9.5	16.4	24.4	27.9	0.7	1.1
	Vertiv	VRT US	71,138	186.1	Neutral	210.0	2.85	4.23	5.48	61.0	48.4	29.4	65.2	44.0	34.0	26.6	19.7	14.7	49.1	44.1	42.3	0.1	0.1
	Dover Corporation	DOV US	24,335	177.4	Not rated	N.A.	19.58	9.55	10.45	159.0	(51.3)	9.4	9.1	18.6	17.0	3.4	3.2	2.9	33.6	16.7	16.2	1.2	1.2
Thermal module	Nidec CCI*	6230 TT	391	139.0	Not rated	N.A.	1.48	N.M.	N.M.	(78.9)	N.A.	N.A.	93.9	N.A.	N.A.	2.0	N.A.	N.A.	2.2	N.M.	N.M.	0.2	N.A.
	Auras	3324 TT	2,934	981.0	Outperform	1205.0	21.23	29.11	52.55	48.7	37.1	80.5	46.2	33.7	18.7	10.0	8.7	7.0	24.3	27.2	41.0	1.0	1.4
	Foxconn Tech*	2354 TT	3,213	69.7	Not rated	N.A.	2.53	2.93	3.59	(15.9)	15.8	22.5	27.5	23.8	19.4	0.9	0.6	0.6	3.3	3.7	4.5	2.0	2.0
	Fujikura Ltd*	5803 JP	37,776	19,355.0	Not rated	N.A.	330.32	283.77	470.04	122.8	(14.1)	65.6	58.6	68.2	41.2	13.1	13.5	11.0	26.5	20.9	29.3	0.3	0.4
	Furukawa Elect*	5801 JP	4,585	9,836.0	Not rated	N.A.	473.49	407.39	541.15	86.1	(14.0)	32.8	20.8	24.1	18.2	2.0	2.0	1.9	10.5	8.8	10.8	0.6	1.2
Heat Spreader	Jentech*	3653 TT	9,945	2,135.0	Not rated	N.A.	24.15	37.10	55.99	45.6	53.6	50.9	88.4	57.6	38.1	22.1	17.4	13.8	31.2	33.0	38.9	0.7	0.9

*Bloomberg consensus

Source: Bloomberg; KGI Research estimates

Figure 27: AVC - 12M forward PE band

Share price, NT\$ (LHS); PE ratio, x (RHS)



Source: TEJ; KGI Research estimates

Figure 28: Auras - 12M forward PE band

Share price, NT\$ (LHS); PE ratio, x (RHS)



Source: TEJ; KGI Research estimates

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