Strategy

Taiwan Tech Field Trip 2026: AI Supply Is The Constraint; Memory Is The Tax On Devices

Investment Highlights

- We visited Quanta, MediaTek, TSMC, Hon Hai and ASUS in Taiwan. AI demand is still strong. The real problem is supply, not demand.
- Companies can already see AI orders two to three years ahead. TSMC expects AI revenue to grow 50-60% a year. Hon Hai is raising 2026 capex by 40%. Quanta is doubling its AI server shipments.
- Memory chips are the main bottleneck, and the shortage may get worse in 2027. Handset unit sales should fall 16.7% in 2026, but market value will still rise 6.3% because average prices are up 27.6%. This favours premium devices.
- Thailand plays a real role in AI supply chains. Top picks: DELTA, COM7, HANA, CCET and WHA.

Key Takeaways

- **TSMC: This is a long-term trend, not just a cycle.** TSMC still expects group revenue to grow near mid-20% a year from 2024 to 2029, and AI revenue to grow 50-60% a year. It sees 2026 growth just above 30%, and 2027 is shaping up well too. Its leading-edge factories are running above 100% utilisation. Nine new fabs are under construction, and management still expects supply to fall short. Capex over the next three years will be much higher than in the last three years. The new N2 node will hurt gross margin further in 2H26; this is normal for a new node ramp. Backend and advanced packaging will grow from just above 10% of 2025 revenue to the low teens in 2026. Importantly, TSMC is being conservative with customer demand, stating, "if we did [meet all demand], we would be building 20 fabs, not nine."
- **Hon Hai: AI is now half of the business. The profitability is in the 20% that isn't silicon chips.** Cloud and networking revenue rose from 30% in 2024, to 40% in 2025, to about 50% in 1H26, mostly servers, which are 85-90% of that. Capex grew 27% in 2025 and will rise another 40% in 2026, almost all for AI. Each server rack costs about US$5m-6m. Chips and memory make up over 80% of that cost. The rest, about 20%, is cables, connectors, busbar, power and liquid cooling, and this is where the profit is. Hon Hai makes roughly half of these parts itself, earning over 20% gross margin, versus low single-digit margin on parts it just buys and resells.
- **Quanta: Thailand is the starting point of the AI server supply chain.** This was the most Thailand-relevant meeting of the trip. Land and power in Taiwan are in short supply, so Quanta moved most of its server assembly lines to Thailand. The Thai plant is now 3-5 times the size it was in 2019. Thailand and the US together take about 85% of the group's investment. Boards are built in Thailand (the L6 stage) and shipped to the US for final assembly (L10). Thailand holds only 10-20% of the finished product's value, but a much bigger share of the early manufacturing. Quanta chose this site as it already holds a power licence. There is no AI server production in China.
- **Quanta: The numbers, and a dip in notebooks.** Servers make up 80-85% of Quanta's revenue. AI shipments are doubling this year. 2Q26 operating margin hit a record 4.0%, and 1H26 operating profit grew 27% yoy. The price of an AI rack has risen from US$2m-3m to US$7m-8m for the GB200 model. Since key parts make up 90-97% of the cost, margin rates fall even as profit dollars rise. On the client side, Quanta guided its own notebook shipments down over 20% in 3Q26, normally its busiest quarter, after two quarters of front-loaded orders. Its sharpest comment: The memory supply gap is only about 3%, but prices have risen far more than that. This means memory

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Top Picks

Company	Ticker	Key exposure from this trip
Delta Electronics	DELTA TB	Power and thermal content per AI rack
Com7	COM7 TB	Premium, Apple-weighted device value pool
Hana Microelectronics	HANA TB	Backend semiconductor pricing, AI products
Cal-Comp Electronics	CCET TB	Server and storage assembly in Thailand
WHA Corporation	WHA TB	Land, power and water for relocated capacity

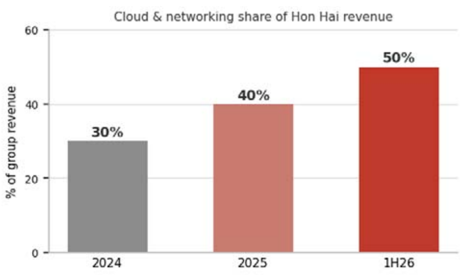
Source: UOB Kay Hian

Key Recommendations

Company	Ticker	Rec	Share Price (Bt)	Target Price (Bt)
Delta Electronics	DELTA TB	BUY	270.00	300.00
Com7	COM7 TB	BUY	29.25	32.50
Hana Microelectronics	HANA TB	BUY	46.75	54.00
Cal-Comp	CCET TB	N.R.	9.35	n.a.
Wha Corporation	WHA TB	BUY	4.80	6.10

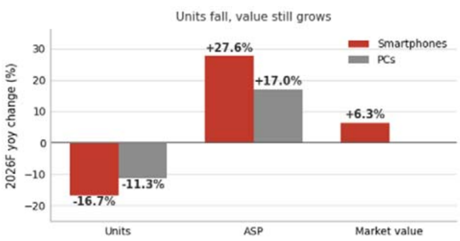
Source: Bloomberg

Hon Hai: AI Is Now Half Of Group Revenue



Source: Hon Hai (company visit), UOB Kay Hian

The Memory Tax: Device Units Fall, But The Value Pool Still Grows



Source: IDC, Counterpoint Research

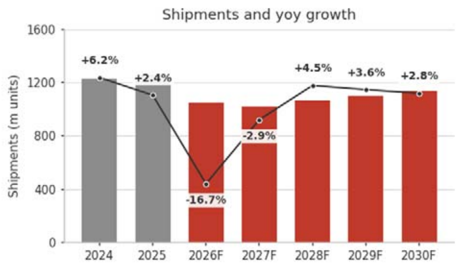
makers are rationing supply, not that supply has run out, and HBM chips are absorbing the wafers.

- **MediaTek: The clearest picture of the phone squeeze, and how AI chips offset it.** Global handset shipments should fall 15% in 2026, and Chinese Android brands should fall 20% or more. MediaTek's own smartphone revenue will fall over 20%, taking two hits: First by fewer units, then by customers pushing for lower chip prices to offset memory costs. Chinese memory is available, but priced the same as elsewhere, so brands won't build volumes they can't profit from. The offset is AI chips (ASICs): Google's TPU V8 is due to start contributing revenue in 4Q26, lifting MediaTek's ASIC revenue above US$2b for 2026. MediaTek has raised its 2027 ASIC revenue guidance twice, to US$12b-16b, out of a total ASIC market of about US$80b. The next chip (V9) is set to move from 3nm to 2nm, which should bring a big price step-up. Demand is strong; the real constraints are substrates and packaging yield.
- **ASUS: The retail view, and the most bearish memory call of the trip.** ASUS expects the memory shortage to worsen in 2027, as memory makers prioritise AI servers, so much so that some client devices may fall back to older DDR4 chips. ASUS buys US$21b of memory a year, which earns it priority supply from SK Hynix and Samsung. In Thailand, server revenue is up over 500% yoy, and AI servers are effectively sold out, allocated on a first-come-first-served basis, subject to KYC checks. The key line from the trip: After price hikes across servers, PCs and workstations, management had feared weaker demand, but instead, “the market actually got bigger.” ASUS' Thai commercial market share is now 18.1% in corporate notebooks and 25.2% in SMB notebooks.

Analysis And Implications For Thai Stocks

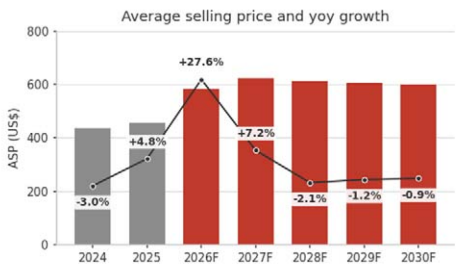
- **Two forces, one cause.** AI and consumer devices are competing for the same manufacturing capacity. That gives us one long-term idea: Power, thermal and packaging content in AI racks. It also gives us one more nuanced idea: Devices, where the value pool keeps growing even as the number of units shrinks. Avoid anything whose profits depend on device unit volume.
- **AI infrastructure: DELTA benefits most directly among SET stocks.** Hon Hai broke down the rack cost for us: Chips and memory are over 80% of the bill of materials (BOM), and the remaining approximately 20% is cables, connectors, busbars, power supplies and cooling, which is exactly Delta's business. Quanta gave the same breakdown. As rack prices rise from US$2m-3m to US$7m-8m, the dollar value of power and thermal parts per rack keeps rising, even as margin rates compress, and the move to full liquid cooling on the next platform (Vera Rubin) adds even more content. With Hon Hai's capex up 40%, Quanta doubling AI shipments, and TSMC's AI growth running to 2029, DELTA's earnings have multi-year visibility. 2Q26 revenue grew 50.7% yoy, and net profit grew 33.4%. The gap between those two growth rates points to input cost inflation, which is worth watching.
- **Backend chip makers and EMS firms are raising prices: HANA and CCET.** MediaTek confirmed that mature-node foundries and backend packaging and testing firms have already raised prices, and TSMC plans to use outside packaging vendors (OSATs) for some advanced packaging work. Both trends are good for Thai assembly and testing firms. HANA does chip assembly, PCBA and power semiconductors, with new AI-linked products expected to drive growth for the next two to three years. CCET is the closest listed match to the server and storage assembly work Quanta described. A weaker baht helps both, but neither is a pure AI play, so we treat them as second-line exposure.
- **Thailand's role in the supply chain is bigger than the market gives it credit for.** Quanta was clear: Most of its server assembly lines are in Thailand because land and power in Taiwan are in short supply, and it chose the site because it already held a power licence. This confirms what we flagged after Thailand Focus 2026: Applications for investment are turning

Smartphone Shipments: A Record 16.7% Drop In 2026



Source: IDC Quarterly Mobile Phone Tracker (Aug 2026)

Smartphone ASPs Do The Heavy Lifting: +27.6% In 2026



Source: IDC Quarterly Mobile Phone Tracker (Aug 2026) into real capacity. It also supports the wider infrastructure chain: WHA and AMATA for land, power and water, BGRIM, GPSC and GUNKUL for supply, TRUE and ADVANC for connectivity.

- **Devices: COM7 is the way to buy the value pool, not the unit pool.** IDC forecasts global smartphone units falling 16.7% in 2026, the steepest drop on record, while market value still rises 6.3% to US$613b, thanks to a 27.6% rise in average selling prices. Counterpoint reports that new launches are up 25% yoy and Asia Pacific prices are up 19%. The damage is worse at the bottom of the market: Phones under US$100 are disappearing, and low-end shipments fell close to 60% yoy in 2Q26. IDC expects that segment to fall faster in 2H26.

  For 2026 as a whole, IDC forecasts Android units to decline 24.3% while iOS units should decrease by just 1.3%, taking iOS to a record 23.6% share (from 19.7% in 2025), as Apple holds its prices. Hon Hai made the same point: High-end models carry a much smaller memory share of BOM. This favours retailers with a premium, Apple-weighted mix, where a shrinking unit market can still mean a growing value market and higher average sales. COM7 fits this better than any other listed peer, though the thesis depends on average prices holding up, and it breaks if trade-down overwhelms the mix benefit.

Top Picks

- **DELTA: Power and thermal content per rack keeps rising every generation.** Delta's market is the non-chip 20% of an AI rack's cost, and full liquid cooling raises this content even further. Watch for ODM in-sourcing and rising input costs.
- **HANA: Pricing power in backend chip assembly.** Packaging and testing firms are raising prices. New AI-linked products should drive growth for the next two to three years.
- **CCET: The closest listed play on Thai server and storage assembly.** CCET has added server and storage capacity, and can raise gross margin by shifting its mix toward higher-value work.
- **COM7: The value pool grows even as unit sales shrink.** A premium, Apple-weighted mix shields COM7 from the part of the handset market being hit hardest by memory inflation.
- **WHA: Landlord for the capacity moving out of Taiwan.** Land, ready-built facilities, power and water are exactly what electronics and technology firms look for; AMATA is the cheaper alternative.

Thailand Read-Through Matrix From The Taiwan Field Trip

Theme	Datapoint from the trip	Direction	Thai names	What to watch
AI racks	Hon Hai capex +40%; Quanta AI shipments 2x in 2026	Positive	DELTA, HANA, CCET	ODM in-sourcing
Rack content	Chips plus memory >80% of BOM; balance is power and cooling	Positive	DELTA	Content per rack
Thailand base	Majority of Quanta server SMT in Thailand; ASUS Thai servers +500%	Positive	WHA, AMATA, utilities	Power licence lead times
Backend/test	Mature-node and OSAT price rises; TSMC to lean on OSATs	Positive	HANA, CCET	Utilisation, pricing, THB
Handset value	Units -16.7% in 2026, ASP +27.6%, value +6.3%; low end -60% yoy	Favours premium	COM7	Premium mix; replacement cycle
PC/low end	IDC PC units -11.3%; no memory relief before end-2027	Negative	Volume-driven IT distribution	Units; inventory price risk
Systemic risk	US power availability is the gating item for data centre schedules	Risk	All AI hardware names	Hyperscaler schedules

Source: Company visits, IDC, Counterpoint Research, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 9 Sep 26 (Bt)	Target Price (Bt)	Upside To TP (%)	Last Year End	PE 2025 (x)	PE 2026F (x)	PE 2027F (x)	Yield 2026F (%)	ROE 2026F (%)	Market Cap. (S$m)	Price/ NAV ps (x)
Delta Electronics	DELTA TB	BUY	270.00	300.00	11.11	12/25	135.7	103.5	76.4	0.3	30.0	100,836	28.1
Com7	COM7 TB	BUY	29.25	32.50	11.11	12/25	17.3	14.4	13.6	4.5	40.2	2,091	5.4
Hana Microelectronics	HANA TB	BUY	46.75	54.00	15.51	12/25	77.1	37.7	31.3	2.1	4.2	1,239	1.6
Cal-Comp Electronics	CCET TB*	N.R.	9.35	n.a.	-	12/25	48.5	37.0	30.3	2.4	10.7	3,077	4.0
Wha Corporation	WHA TB	BUY	4.80	6.10	27.07	12/25	14.0	14.7	13.2	4.1	11.7	2,148	1.8

*Source: *Bloomberg consensus, UOB Kay Hian*