

Yageo (2327 TT)

Buy: Major beneficiary of share overflow; pricing upside from MLCC and tantalum

- ◆ Yageo should emerge as the top share overflow beneficiary; improving MLCC UTR and pricing as main growth drivers
- ◆ Leadership in tantalum capacitor to sustain and enjoy strong bargaining power
- ◆ Retain Buy rating; raise TP to TWD650 from TWD400

Tightening MLCC supply driven by AI provides more opportunities in 2H26e: We observed a tightening Multi-Layer Ceramic Capacitor (MLCC) supply/demand environment from leading Japan/Korea supplier's 1Q26 earnings calls, and see the tightness becoming more severe into 2H26e. The surging passive component usage in AI server rack is driving demand for small-sized, ultra-high capacitance MLCC, evidenced by major player's >1.2x book-to-bill (BB) ratio and >95% utilization rate (UTR). Yageo is currently running at 70% UTR in standard product and 80% in premium product; however, we believe that being one of the few large scale suppliers with capacity left, Yageo would emerge as the top beneficiary of share overflow from JP/KR leaders in 2H26e. We now assume 10-20% ASP upside for its MLCC products in 2H26e due to favourable supply environment. Lastly, in terms of AI, while Yageo currently only has 15% of revenue exposure related to AI and has limited market share in high capacity & high voltage MLCC in AI server, we do not rule out the potential of penetration given increasing tightness in 47uf/100uf MLCC from leading manufacturers such as Murata, Taiyo Yuden, and SEMCO.

King in tantalum capacitor; we expect better pricings ahead: As mentioned in our previous note ([Yageo 1Q26 result](#), 16 Apr, 2026), management saw a clearer AI order visibility extending into 2H26 with record-high backlogs, especially for tantalum capacitors. Considering Yageo's leading market share in tantalum capacitor of more than 50% and upstream vertical integration advantage, we believe the company can enjoy strong bargaining power to pass increasing material costs on customers. Accordingly, we now assume 20%/20% in price hikes in 3Q and 4Q26, respectively. Unlike the previous pandemic upcycle, we believe the major AI customers such as CSPs should be more aware of stable supply than component costs, thus creating a more sustainable and solid pricing trend going forward. Overall, we forecast a 35%/22% revenue YoY growth (vs consensus of 28%/17%) with 40%/42% GM (vs Visible Alpha consensus of 39%/40%).

Retain Buy rating, raise target price to TWD650.00 (from TWD400.00): We raise our 2026e/2027e EPS by c5%/20% as we factor in a clearer order visibility and better pricing outlook. Our estimates are 8%/21% above consensus. Our new TP of TWD650.00 (rounded) is based on higher PE multiple of 25x (from 20x) applied to 2027 EPS of TWD25.98. We believe the higher PE multiple is reasonable due to a more favourable supply demand environment, as well as the strong pricing power. We also believe the new PE multiple has a better correlation to multiples of its JP/KR peers. Our TP implies c43% upside. We maintain a Buy rating as we expect Yageo to emerge as one of the major beneficiary of share overflow, and expect higher pricing power going forward.

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.

Equities
Electronic Equipment & Instruments

Taiwan



MAINTAIN BUY

TARGET PRICE (TWD)

650.00

PREVIOUS TARGET (TWD)

400.00

SHARE PRICE (TWD)

455.50

(as of 15 May 2026)

UPSIDE/DOWNSIDE

+42.7%

MARKET DATA

Market cap (TWDm)	943,553	Free float	60%
Market cap (USDm)	29,908	BBG	2327 TT
3m ADTV (USDm)	375	RIC	2327.TW

FINANCIALS AND RATIOS (TWD)

Year to	12/2025a	12/2026e	12/2027e	12/2028e
HSBC EPS	11.51	18.86	25.98	31.68
HSBC EPS (prev)	11.51	17.96	21.73	26.05
Change (%)	0.0	5.0	19.5	21.6
Consensus EPS	11.32	16.94	21.21	25.46
PE (x)	39.6	24.2	17.5	14.4
Dividend yield (%)	4.3	1.0	1.7	2.3
EV/EBITDA (x)	23.6	15.5	11.1	8.6
ROE (%)	14.3	19.9	21.3	20.0

52-WEEK PRICE (TWD)



Source: LSEG IBES, HSBC estimates

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Financials & valuation:

Buy

Financial statements

Year to	12/2025a	12/2026e	12/2027e	12/2028e
Profit & loss summary (TWDm)				
Revenue	132,930	179,536	218,483	245,127
EBITDA	39,635	57,429	74,698	86,697
Depreciation & amortisation	-9,834	-9,714	-10,098	-10,310
Operating profit/EBIT	29,801	47,714	64,600	76,386
Net interest	1,832	1,828	4,230	7,562
PBT	31,120	49,966	68,830	83,948
HSBC PBT	31,120	49,966	68,830	83,948
Taxation	-7,343	-11,206	-15,487	-18,888
Net profit	23,634	38,796	53,344	65,060
HSBC net profit	23,634	38,723	53,344	65,060
Cash flow summary (TWDm)				
Cash flow from operations	19,302	22,000	21,220	27,782
Capex	-6,056	-6,000	-6,000	-6,000
Cash flow from investment	-4,193	-6,000	-6,000	-6,000
Dividends	-10,265	-2,386	-3,909	-5,385
Change in net debt	11,520	-42,800	-64,916	-84,016
FCF equity	13,246	16,000	15,220	21,782
Balance sheet summary (TWDm)				
Intangible fixed assets	106,700	106,700	106,700	106,700
Tangible fixed assets	65,305	61,590	57,492	53,182
Current assets	165,346	232,743	307,892	403,899
Cash & others	98,108	140,907	205,823	289,840
Total assets	390,789	457,785	530,275	623,596
Operating liabilities	82,794	102,173	109,742	119,114
Gross debt	133,999	133,999	133,999	133,999
Net debt	35,891	-6,908	-71,824	-155,840
Shareholders' funds	170,878	218,531	283,452	367,400
Invested capital	156,449	157,953	156,519	154,826

Ratio, growth and per share analysis

Year to	12/2025a	12/2026e	12/2027e	12/2028e
Y-o-y % change				
Revenue	9.3	35.1	21.7	12.2
EBITDA	20.1	44.9	30.1	16.1
Operating profit	27.4	60.1	35.4	18.2
PBT	15.8	60.6	37.8	22.0
HSBC EPS	9.0	63.8	37.8	22.0
Ratios (%)				
Revenue/IC (x)	0.9	1.1	1.4	1.6
ROIC	15.9	23.5	31.8	38.0
ROE	14.3	19.9	21.3	20.0
ROA	6.8	9.6	11.2	11.6
EBITDA margin	29.8	32.0	34.2	35.4
Operating profit margin	22.4	26.6	29.6	31.2
EBITDA/net interest (x)				
Net debt/equity	20.6	-3.1	-25.1	-42.1
Net debt/EBITDA (x)	0.9	-0.1	-1.0	-1.8
CF from operations/net debt	53.8			
Per share data (TWD)				
EPS Rep (diluted)	11.51	18.89	25.98	31.68
HSBC EPS (diluted)	11.51	18.86	25.98	31.68
DPS	19.81	4.60	7.54	10.39
Book value	83.22	106.43	138.04	178.93

Valuation data

Year to	12/2025a	12/2026e	12/2027e	12/2028e
EV/sales	7.0	5.0	3.8	3.0
EV/EBITDA	23.6	15.5	11.1	8.6
EV/IC	6.0	5.6	5.3	4.8
PE*	39.6	24.2	17.5	14.4
PB	5.5	4.3	3.3	2.5
FCF yield (%)	1.4	1.7	1.6	2.3
Dividend yield (%)	4.3	1.0	1.7	2.3

* Based on HSBC EPS (diluted)

ESG metrics

Environmental Indicators	12/2024a	Governance Indicators	12/2025a
GHG emission intensity*	89.9	No. of board members	9
Energy intensity*	168.1	Average board tenure (years)	na
CO ₂ reduction policy	Yes	Female board members (%)	0
Social Indicators	12/2024a	Board members independence (%)	33.3
Employee costs as % of revenues	23		
Employee turnover (%)	63.2		
Diversity policy	Yes		

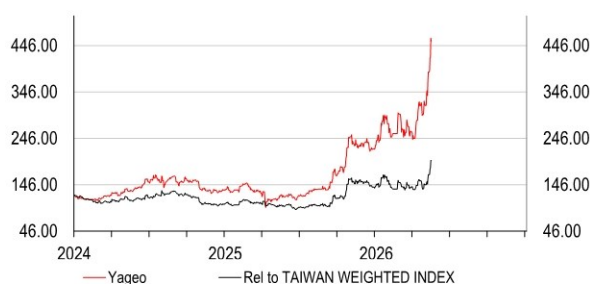
Source: Company data, HSBC

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

Issuer information

Share price (TWD)	455.50	Free float	60%
Target price (TWD)	650.00	Sector	Electronic Equipment
RIC (Equity)	2327.TW	Country/Region	Taiwan
Bloomberg (Equity)	2327 TT	Analyst	Ted Lin
Market cap (USDm)	29,908	Contact	+886 2 6631 2870

Price relative

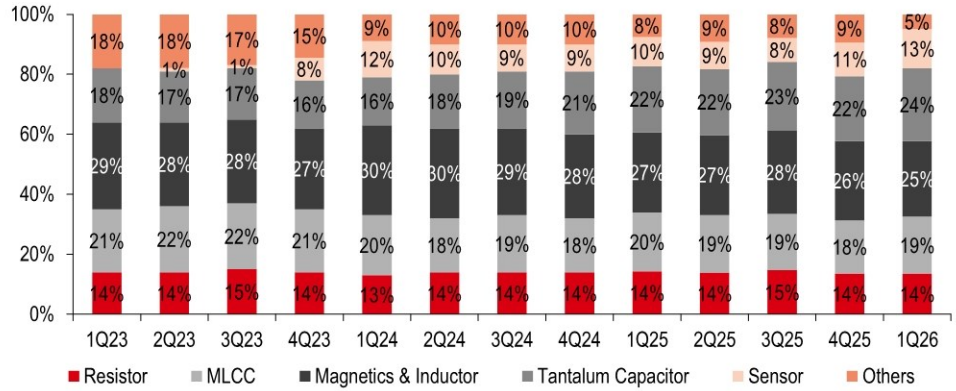


Source: HSBC

Note: Priced at close of 15 May 2026

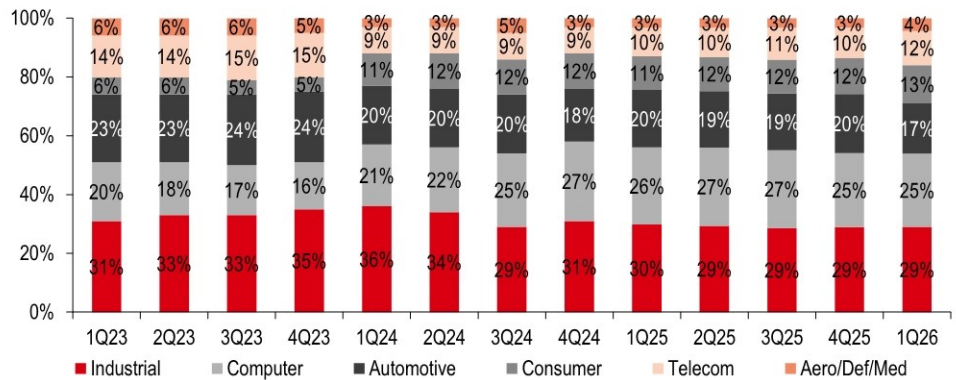
Key charts

Exhibit 1: Sales breakdown by product



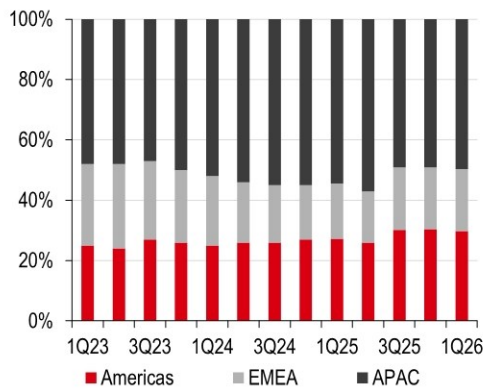
Source: Company data

Exhibit 2: Sales breakdown by application



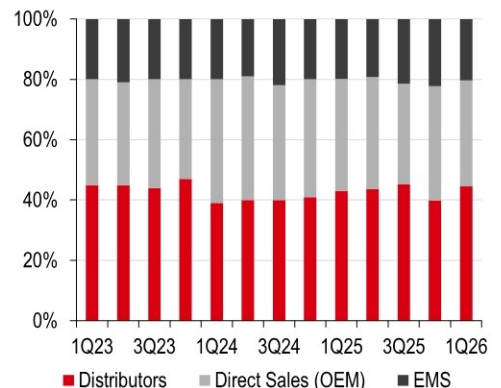
Source: Company data

Exhibit 3: Sales breakdown by region



Source: Company data

Exhibit 4: Sales breakdown by channel



Source: Company data

AI-driven MLCC upcycle provide more opportunities

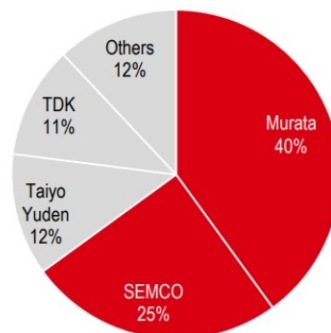
With the power consumption in AI data center increasing, we observe a robust trend of significantly more usage of passive components within single AI server racks (exhibit 7). The industry leader, Murata, estimated the total number of capacitors installed in AI servers to increase 3.3x in 2030 vs 2025 with average annual growth of 30%.

All the global MLCC suppliers implied a tightening high-end MLCC supply during recent 1Q26 earnings calls due to rapid AI development. To be specific, the small-size, ultra-high-capacity MLCCs required in AI server as well as high-voltage products applied in power supply side both consume highly on MLCC supplier's production load with more complicated manufacturing process and lower yield rate.

As a result, despite the small market share Yageo has in AI server MLCC market (exhibit 6), we believe the company can benefit from this industry structural trend from:

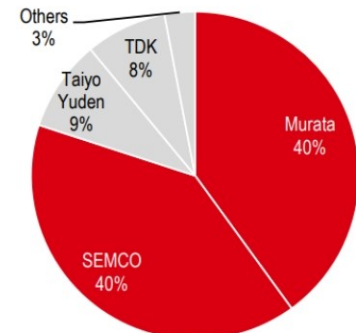
- ◆ **Order overflows for mainstream product:** With global major suppliers actively reallocating their production capacity and R&D resources into high-end AI server MLCCs product for higher product ASP and margin, we expect Yageo can favor from the order overflows in mainstream product. Compared with JP/KR supplier's UTR at 90-95% level, Yageo's UTR in standard product was only 70-72% in 1Q26 (and premium product at 80%), with expectation of 75% in 2Q26. We believe Yageo is in the suitable position to enjoy additional order given its relatively larger production scale and sufficient capacity compared to other tier-2 companies.
- ◆ **Potential opportunity to enter high-end MLCC supply chain if shortage continues to get worse:** In 2025, AI server MLCC was highly concentrated in two leading suppliers, Murata and SEMCO, followed by other JP peers, while Yageo has relatively limited exposure due to performance gap in MLCC spec such as 47/100 uF capacity. However, considering all leading suppliers are currently running at full UTR, we do not rule out the potential for Yageo to eventually capture the chance of entering AI server MLCC supply chain. We expect such opportunity to become a massive catalyst regardless of actual market share, if true.

Exhibit 5: Global MLCC market share (2025)



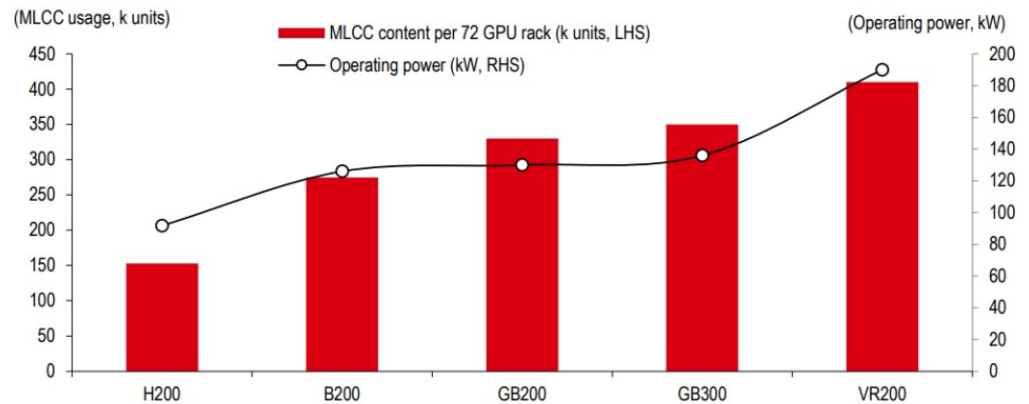
Source: Bloomberg, HSBC estimates, See: [Samsung Electro Mechanics \(009150 KP\) Buy: Re-rating into uncharted territory](#), 16 March, 2026.

Exhibit 6: AI server MLCC market share (2025): More concentrated on top-2 players



Source: Bloomberg, HSBC estimates, See: [Samsung Electro Mechanics \(009150 KP\) Buy: Re-rating into uncharted territory](#), 16 March, 2026.

Exhibit 7: MLCC unit content per 72 GPU rack



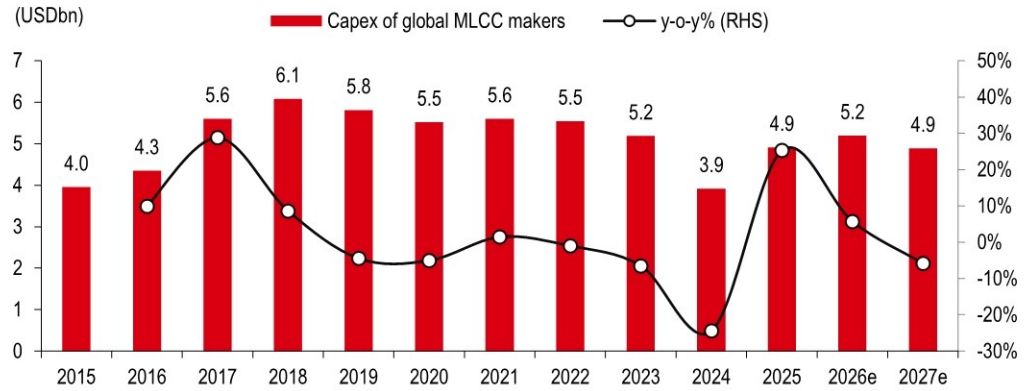
Source: Company data, HSBC. See: [Samsung Electro Mechanics \(009150 KP\) Buy: Re-rating into uncharted territory](#), 16 March, 2026.

Exhibit 8: global MLCC suppliers comment on AI demand during 1Q26 earnings calls

Company	Comments
Murata	<ul style="list-style-type: none"> ◆ Order increased substantially in FY4Q25, mainly driven by MLCCs for data centers and some extent power products. The BB ratio was 1.24x, and MLCC's was 1.36x. ◆ In server power supply, very high-voltage products are required, while small-size, high-capacity, lower-voltage products are required near accelerators. Both demand is currently increasing. ◆ AI-used MLCCs carry a very high production load, and the capacity gets absorbed might affects supply to the rest of the consumer market. ◆ The company is planning emergency additional capacity investment, mainly for server-use MLCCs, with an order budget of JPY80bn.
SEMCO	<ul style="list-style-type: none"> ◆ MLCC demand maintained an increasing trend in 1Q26, especially for premium MLCCs tied to AI servers driven by wider adoption of Agentic AI. ◆ In 2Q26, MLCC segment is expected to remain strong. The company will focus on cutting-edge products targeting AI applications such as small-sized, ultra-high capacitance MLCCs. ◆ MLCC supply is expected to get even tighter with increasing power consumption requiring more high-end, high-reliability MLCCs. The company launched a new 47µF MLCC products. ◆ Major AI customers are engaging with SEMCO about long-term supply contracts.
Taiyo Yuden	<ul style="list-style-type: none"> ◆ In FY4Q26, net sales of capacitors were up 9% yoy and the strong growth was mainly due to higher sales of capacitors for AI servers and automobiles. ◆ Orders received for capacitors in FY4Q26 were significantly higher than the previous quarter owing to AI servers demand. The BB ratio was 1.25x, and MLCC's was 1.31x. ◆ For FY2027, the company expect demand growth will continue for AI servers products because of the increasingly high capacity and greater number of MLCCs used. ◆ The company planned to expand capacity for large-sized and high-reliability capacitors used in AI servers and automobiles.
TDK	<ul style="list-style-type: none"> ◆ With data center power unit voltages increasing to 400-800V, the company sees the opportunity for high-voltage capable products such as aluminium capacitors, MLCCs and film capacitors ◆ The company targets a 25-30% CAGR for AI market from FY2026 to FY2031, with passive components sales for AI datacenter-related applications being expected to grow 10x. ◆ The company announced the establishment of a joint venture with Nippon Chemical Industrial in April 2026. This entity will accelerate the development for low-voltage, high-capacity MLCCs.
Yageo	<ul style="list-style-type: none"> ◆ In 1Q26, AI revenue accounted for c14-15% of company total revenue, and the mgmt. expect it to exceed 15% by the end of 2026. ◆ The mgmt. views positive on tantalum capacitor adoption in AI servers. Also, tantalum capacitor is the product with the strongest book-to-bill ratio and the most solid visibility for 2H26. ◆ The company highlighted a clearer AI order visibility extending into 2H26 with record-high backlogs, especially for tantalum and inductor products.

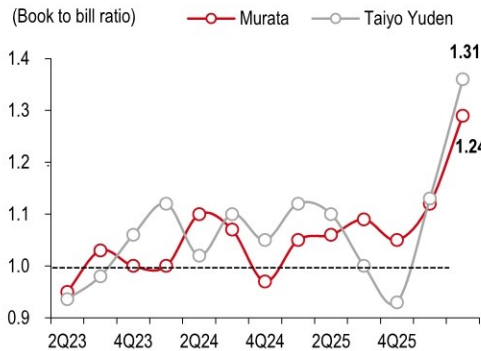
Source: Company data, HSBCe

Exhibit 9: Capex trend of MLCC producers



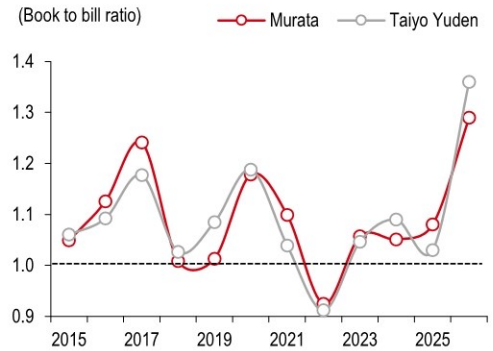
Source: HSBCe, BN, See: [Samsung Electro Mechanics \(009150 KP\) Buy: Re-rating into uncharted territory](#), 16 March, 2026.

Exhibit 10: Book-to-bill ratio of Japanese MLCC players (quarterly)



Note: Financial periods have been adjusted to calendar year basis. See: [Samsung Electro Mechanics \(009150 KP\) Buy: Re-rating into uncharted territory](#), 16 March, 2026. Source: Company data, HSBC

Exhibit 11: Book-to-bill ratio of Japanese MLCC players (annual)



Note: Financial periods have been adjusted to calendar year basis. See: [Samsung Electro Mechanics \(009150 KP\) Buy: Re-rating into uncharted territory](#), 16 March, 2026. Source: Company data, HSBC

Exhibit 12: HSBC estimate changes and comparison with consensus

(TWDm)	New			Old			Diff in estimates			Consensus			HSBC vs Cons		
	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e
Sales	179,536	218,483	245,127	173,909	194,410	216,892	3.2%	12.4%	13.0%	169,450	197,351	222,111	6.0%	10.7%	10.4%
- y-o-y	35.1%	21.7%	12.2%	30.8%	11.8%	11.6%				27.5%	16.5%	12.5%			
Gross profit	71,382	91,458	104,699	68,541	79,231	90,333	4.1%	15.4%	15.9%	66,058	79,278	90,062	8.1%	15.4%	16.3%
- GM	39.8%	41.9%	42.7%	39.4%	40.8%	41.6%				39.0%	40.2%	40.5%			
Operating profit	47,714	64,600	76,386	45,322	53,488	62,146	5.3%	20.8%	22.9%	44,400	55,030	62,902	7.5%	17.4%	21.4%
- OPM	26.6%	29.6%	31.2%	26.1%	27.5%	28.7%				26.2%	27.9%	28.3%			
Net income	38,723	53,344	65,060	36,870	44,621	53,497	5.0%	19.5%	21.6%	35,905	44,160	50,525	7.8%	20.8%	28.8%
EPS (TWD)	18.86	25.98	31.68	17.96	21.73	26.05	5.0%	19.6%	21.6%	17.49	21.51	24.61	7.8%	20.8%	28.8%
- y-o-y	63.8%	37.8%	22.0%	56.0%	21.0%	19.9%				51.9%	23.0%	14.4%			

Source: HSBC estimates, Visible Alpha consensus

Exhibit 13: Yageo – annual and quarterly P&L

(TWDm)	2025	1Q26	2Q26e	3Q26e	4Q26e	2026e	1Q27e	2Q27e	3Q27e	4Q27e	2027e	2028e
Sales	132,930	38,166	42,805	48,127	50,438	179,536	50,507	54,408	56,846	56,723	218,483	245,127
Gross profit	48,130	14,542	16,834	19,443	20,563	71,382	20,908	22,605	23,958	23,987	91,458	104,699
Operating profit	29,801	9,613	11,140	13,069	13,892	47,714	14,683	15,916	16,979	17,023	64,600	76,386
Net income	23,634	8,001	8,946	10,528	11,248	38,723	11,988	13,088	14,055	14,212	53,344	65,060
EPS (TWD)	11.51	3.90	4.36	5.13	5.48	18.86	5.84	6.37	6.85	6.92	25.98	31.68
Ratios (%)												
Gross margin	36.2%	38.1%	39.3%	40.4%	40.8%	39.8%	41.4%	41.5%	42.1%	42.3%	41.9%	42.7%
Operating margin	22.4%	25.2%	26.0%	27.2%	27.5%	26.6%	29.1%	29.3%	29.9%	30.0%	29.6%	31.2%
Net margin	17.8%	21.0%	20.9%	21.9%	22.3%	21.6%	23.7%	24.1%	24.7%	25.1%	24.4%	26.5%
q-o-q												
Sales		6.1%	12.2%	12.4%	4.8%		0.1%	7.7%	4.5%	-0.2%		
Gross profit		8.4%	15.8%	15.5%	5.8%		1.7%	8.1%	6.0%	0.1%		
Operating profit		10.1%	15.9%	17.3%	6.3%		5.7%	8.4%	6.7%	0.3%		
Net income		18.5%	11.8%	17.7%	6.8%		6.6%	9.2%	7.4%	1.1%		
EPS		18.5%	11.8%	17.7%	6.8%		6.6%	9.2%	7.4%	1.1%		
y-o-y												
Sales	9.3%	22.7%	30.6%	45.5%	40.2%	35.1%	32.3%	27.1%	18.1%	12.5%	21.7%	12.2%
Gross profit	15.1%	31.2%	44.5%	62.4%	53.3%	48.3%	43.8%	34.3%	23.2%	16.7%	28.1%	14.5%
Operating profit	27.4%	48.7%	58.2%	72.8%	59.1%	60.1%	52.7%	42.9%	29.9%	22.5%	35.4%	18.2%
Net income	22.1%	44.7%	79.0%	65.6%	66.6%	63.8%	49.8%	46.3%	33.5%	26.4%	37.8%	22.0%
EPS	9.0%	44.7%	79.0%	65.7%	66.6%	63.8%	49.8%	46.3%	33.5%	26.4%	37.8%	22.0%

Source: Company data, HSBC estimates

Exhibit 14: Yageo – forward PE multiple chart



Source: Bloomberg

	Valuation	Risks to our view
Yageo 2327 TT	Current price: TWD455.50	Downside risks: Slower-than-expected AI growth; slower-than-expected consumer demand pick-up; and weakening MLCC pricing.
	Target price: TWD650.00	
Buy	Up/downside: +42.7%	
	Our new TP of TWD650.00 (rounded) is based on higher PE multiple of 25x (from 20x) applied to 2027 EPS of TWD25.98. We believe the higher PE multiple is reasonable due to a much favourable supply demand environment, as well as the strong pricing power. We also believe the new PE multiple has a better correlation to multiples of its JP/KR peers. Our TP implies c43% upside. We maintain a Buy rating as we expect Yageo to emerge as one of the major beneficiary of share overflow, and expect higher pricing power going forward.	

Priced at 15 May 2026
Source: HSBC estimates

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

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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.

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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.

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Rating distribution for long-term investment opportunities

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

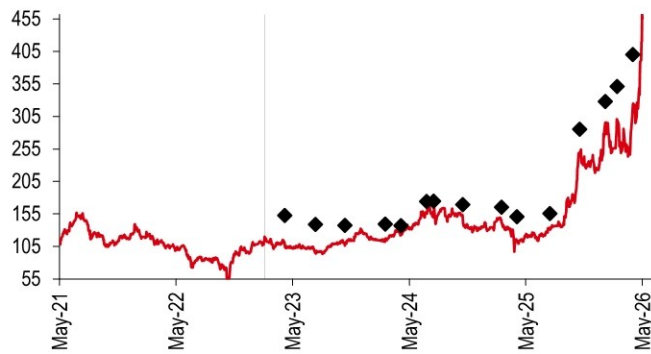
Buy	59%	(12% of these provided with Investment Banking Services in the past 12 months)
Hold	36%	(12% of these provided with Investment Banking Services in the past 12 months)
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For the purposes of the distribution above the following mapping structure 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.

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Share price and rating changes for long-term investment opportunities

Yageo (2327.TW) share price performance TWD Vs HSBC rating history



Source: HSBC

Rating & target price history

From	To	Date	Analyst
Hold	Buy	15 Feb 2023	Ted Lin
Target price	Value	Date	Analyst
Price 1	152.50	20 Apr 2023	Ted Lin
Price 2	138.54	25 Jul 2023	Ted Lin
Price 3	136.88	26 Oct 2023	Ted Lin
Price 4	139.17	29 Feb 2024	Ted Lin
Price 5	136.67	18 Apr 2024	Ted Lin
Price 6	173.96	08 Jul 2024	Ted Lin
Price 7	174.38	30 Jul 2024	Ted Lin
Price 8	169.00	29 Oct 2024	Ted Lin
Price 9	165.25	27 Feb 2025	Ted Lin
Price 10	150.25	17 Apr 2025	Ted Lin
Price 11	155.25	29 Jul 2025	Ted Lin
Price 12	285.00	30 Oct 2025	Ted Lin
Price 13	328.00	19 Jan 2026	Ted Lin
Price 14	351.00	25 Feb 2026	Ted Lin
Price 15	400.00	15 Apr 2026	Ted Lin

Source: HSBC

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Company	Ticker	Recent price	Price date	Disclosure
YAGEO	2327.TW	455.50	15 May 2026	6, 7

Source: HSBC

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