

# Passives: AI to Boost High and Low

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## What's new

Following our recent Computex Tour (our *Computex reports on June 2 and June 5*) and industry developments, we provide our view on Passives and expect MLCC, aluminum capacitor and resistor to deliver meaningful price hikes.

## Comments

**AI-driven cycle in the early stage:** We believe that the sector is in the early stage of strong up-cycles, and the current phase likely represents the early stage. From YoY perspective, major companies' OP YoY just picked up, and driven by AI and the recovery of automotive/industrial, we expect YoY momentum to be potentially stronger than the peak levels seen in 2018 and 2021 (figure 1), amid continued lead-time extensions. We believe the AI-fueled cycle would be different from prior volume-driven cycles, due to high requirements. That said, the high-spec will lengthen the production lead-time and lower the yields, leading to >3x capacity consumption (i.e., low/high-cap MLCCs ~6/~25 days with yields of 99.5%/95-98%, vs. AI's MLCC >50 days with yields of ~50%).

**AI to boost content significantly:** We expect the number of capacitors to increase from ~300k in GB200 NVL72 to ~550k in VR200 NVL72, and of course, AMD and/or ASIC's content will increase by ~50% for the next generation, driven by higher power. For MLCC, the spec of AI focuses on higher cap and/or smaller form factors, with ultra-high-cap MLCC accounting for ~60% of AI-related demand (including extreme high-cap). We believe converting regular MLCC lines to high/ultra-high cap products to encounter bottlenecks in stacking (more layers) and thinner ceramic films, etc. We also expect the number of resistors to increase significantly to ~50k in VR200.

**Observations on spot price surge:** According to EDN news on May 18<sup>th</sup>, Taiyo Yuden was the first to raise prices for consumer low-cap and automotive MLCCs by 6%–13%. The move triggered distributor market and prompted other suppliers to actively raise prices. For consumer MLCCs, it is widely known of multi-fold price increases reflecting distributor expectations of a potential supply tightness, and we've also seen 104 price increases by >3x in past 3 weeks. For high-cap, we observed that the price of 106 rose by >2x in the past 3 weeks. As a comparison, the spot-market for certain products surged by as much as 20x at peak levels during the 2018 MLCC cycle.

**Price raise for ODMs started for consumers and servers:** Driven by the above-mentioned catalysts, we expect low-cap prices (i.e., 102-104) for ODMs to be up by 5-100% in 3Q26, followed by 15-30% for higher-cap 105/106 Industrials/servers in 4Q26. On the other hand, the pricing for tier-1 OEMs (i.e., Nvidia, Apple, etc) will likely be flat to up slightly. In addition to MLCC, we expect high-voltage aluminum capacitors to be tight in supply, driven by 3x-4x content in VR200 compared to GB200's, with very concentrated suppliers.

**Resistors to kick off price hikes in 3Q26:** Driven by AI and leading suppliers' inventory management, we expect suppliers' UTR to recover to ~90% level in 2H26; therefore, with likely supply tightness, we expect resistors (thin film and thick film) to see meaningful price hikes of ~50% in 3Q26 for ODMs, likely followed by another round in late-4Q26. Given the extremely low percentage of BOM cost, it is likely to see several rounds of price hike in coming quarters, considering the ~20x price increase in 2018's cycle.

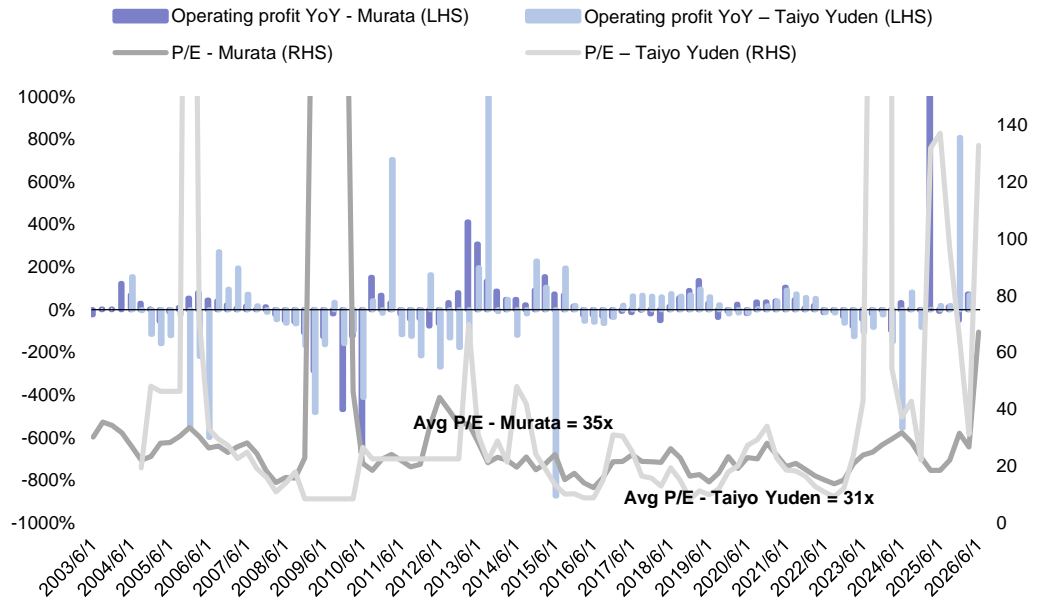
## Stock Implications

We expect the price hikes for low-cap MLCCs/resistor will continue and high-cap to soon follow suit, benefiting MLCC leaders such as Murata (6981 JP), Taiyo Yuden (6963 JP), Yageo (2327 TT). For resistors, we expect Yageo (2327 TT) and TA-I (2478 TT) to benefit.

**Risks** 1) AI demand slowdown; 2) Consumer demand slowdown; 3) Capacity expansion.

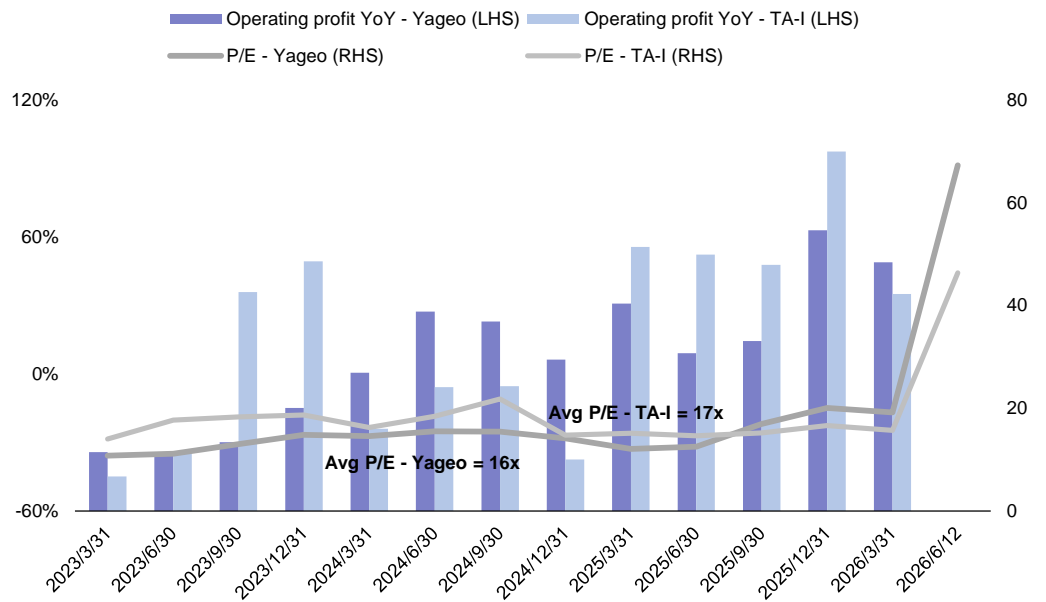
Focus Charts

Figure 1: Operating profit YoY, P/E - Murata Mfg. and Taiyo Yuden



Sources: Company data, GF Securities (Hong Kong) Brokerage

Figure 2: Operating profit YoY, P/E - Yageo and TA-I (2478 TT)



Sources: Company data, GF Securities (Hong Kong) Brokerage

Risks

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**Rating definitions** Benchmark: Hang Seng Index (Hong Kong)

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