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Coming Right Up:

Upcoming QIC Events

Selected Small-Cap News & QIC Commentary

The Coming Automobile Industry Upheaval by Peter Kurz

Previous CEO Conversations Vol.



[QIC CEO Conversations Vol. 46: Jeff Kuo, CEO of Gogolook\(6902 TT\)](#)



[QIC CEO Conversations Vol. 45: Bobby Sheng, Chairman of Bora Pharmaceutical \(6472 TT\)](#)



[QIC CEO Conversations Vol. 44: Owen Lin, Author of 'Chip Island'](#)

More can be found at

www.qtumic.com/insight/conversations

QIC CEO Conversations Installment 47: Insights into Taiwan's Emerging Small Caps Market with David Oh

In 2023, Taiwan's stock market emerged as one of the top performers in Asia, boasting a remarkable 26% increase compared to India's 21% and South Korea's 19%. What many may not realize is that over 90% of Taiwan's listed companies are categorized as small-cap (with a market capitalization of less than US\$2 billion), presenting a treasure trove of lesser-known yet promising firms in this small-cap haven. In this edition, we are privileged to have this exclusive interview with David Oh, a seasoned portfolio manager at Times Square Capital Management, renowned for its Morningstar Five Star-rated fund specializing in small-cap stocks within emerging markets. Through this interview, David will unveil the strategies and secrets underpinning the success of Taiwan's emerging market small caps. From overlooked opportunities to distinctive cultural dynamics, Oh's astute insights provide a captivating narrative of growth and potential within Taiwan's market landscape. Don't miss the opportunity to delve into this exclusive interview and uncover the latent potential of Taiwan's burgeoning small-cap market today! Read all about it here: (<https://reurl.cc/54z2d6>)

Top Performers of the Month

Here are the top 10 small-cap (US\$100mn-10bn) performers of the month.

Megaforce (3294 TT) +169% **30D avg. volume increased by 215% vs 90D**

Megaforce is a professional provider of plastic components and opto-mechatronics services. Utilizing its expertise gained from the development of pico projectors, Megaforce has successfully entered the supply chain of AI Pin. According to the company, shipments of AI Pin-related products have commenced. Moving forward, Megaforce anticipates that while its component business may remain flat, growth will be driven by the biomedical and optoelectronic sectors.

Alar (6785 TT) +105% **30D avg. volume increased by 170% vs 90D**

Alar focuses on the development of new drugs for central nervous system disorders. The company's long-acting release platform "In-Relar" is currently applied to drugs for opioid addiction, treatment-resistant depression, and Parkinson's disease. These drugs feature excellent stability, high drug content, extremely fine needle injection, and low local irritation. Importantly, they can provide sustained drug release for three to six months. With this technology, Alar developed ALA-1000 for the indication of opioid addiction and licensed to its original developer, Indivior (INDV LN), for a total licensing fee of up to US\$862mn, reaching a record high for the licensing fee in Taiwan. Additionally, US\$15mn upfront was booked in December revenue of 2023 and Alar is entitled to 10% to 15% of the sales royalties. According to the licensing agreement, Indivior will be responsible for the Phase 3 clinical trial and is expected to apply for the Phase 2/3 trial to the FDA in 1Q24.

Ezconn (6442 TT) +96% **30D avg. volume increased by 182% vs 90D**

Ezconn specializes in the development and design of fiber optic passive components and RF coaxial connectors, serving as a professional supplier of BOSA (Bidirectional Optical Subassembly) modules and coaxial connectors. The company's January revenue

The No. 1 Taiwan Small-Cap Capital Market Advisory Firm

Upcoming Events

QIC Semiconductor Corporate Day

March 6-7, 2024
@ Virtual



Scan the QR Code for Registration!

15th QIC Taiwan CEO Week

April 15-17, 2024
@ Singapore

QIC Healthcare Corporate Day

June 12-13, 2024
@ Virtual

2nd QIC Renewable Energy Corporate Day

August 27-28, 2024
@ Virtual

16th QIC Taiwan CEO Week

October 22-23, 2024
@ Hong Kong

Top 10 Stock Gainers				Top 10 Stock Losers			
Company	Ticker	Price	Change	Company	Ticker	Price	Change
Megaforce	3294	51.5	169%	Soft-World	5478	136	-22%
Alar	6785	414.5	105%	World Gym	2762	98.7	-17%
Ezconn	6442	145.5	96%	Groundhog	6906	176.5	-16%
FCD	3313	20.35	86%	Brightek	5244	49.7	-14%
Leadtek	2465	123	78%	My Humble House	2739	49.2	-14%
C Sun	2467	136	70%	Aspeed	5274	2,660	-14%
Nan Juen	6584	168	68%	Richmond	2743	108	-14%
UB	4714	23	68%	GUC	3443	1,455	-12%
G.M.I	3312	38.65	64%	Chateau	2722	48.8	-12%
GMM	6640	266	64%	Star Travel	2719	52.8	-12%

Top 10 FINI Net Buyers				Top 10 FINI Net Sellers			
Company	Ticker	Holding(%)	Change	Company	Ticker	Holding(%)	Change
PEC	6446	15.8	15.8	CLTC	5604	2.8	-7.6
LD	3588	17.7	11.6	Jarilly	3548	4.5	-7.2
Loop	3025	18.3	9.5	Chenbro	8210	8.5	-6.7
AWSC	8086	22.7	7.8	Brave Screen	6538	9.1	-6.4
Ezconn	6442	28.4	7.7	Faraday	3035	28.5	-4.8
Shuttle	2405	16.0	7.0	Dynamic Holding	3715	11.7	-4.8
APAC	4908	10.2	6.7	Chin-Poon	2355	23.9	-4.0
AVC	3017	33.5	6.6	FocalTech	3545	26.2	-3.9
TYC	1522	15.8	6.5	UOC	4129	20.2	-3.6
Harvatek Corpor	6168	13.4	6.5	GUC	3443	24.7	-3.6

reached NT\$253mn, up 8.47% MoM and up 33.2% YoY. The strong performance is attributed to the steady demand from American data center customers for optical passive components.

FCD (3313 TT) +86% **30D avg. volume increased by 205% vs 90D**

FCD engages in the operation of livestock farms and trading of bulk raw materials business in Taiwan. Its recent success in gaining market recognition can be attributed to its proactive expansion into new markets and its intensified research and development efforts to introduce new product lines.

Leadtek (2465 TT) +78% **30D avg. volume increased by 27% vs 90D**

Leadtek offers virtual desktop systems, including zero and thin client series products, management consoles, and remote workstation cards. Given that its products primarily feature NVIDIA Quadro graphics cards, the market anticipates that the company will continue to benefit from the robust demand driven by AI advancements.

C Sun (2467 TT) +70% **30D avg. volume increased by 108% vs 90D**

C Sun provides PCB processing equipment, including exposure systems, preheaters, laminators/coaters, and Mylar peelers. Through strategic entry into the semiconductor sector, including integration into TSMC's (2330) supply chain, the market is bullish on the rise in revenue contribution from semiconductors, increasing from 15% last year to 20-30%.

Nan Juen (6584 TT) +68% **30D avg. volume increased by 173% vs 90D**

Nan Juen International engages in the manufacture and trading of steel ball guide rails in Taiwan. Benefiting from the ongoing production and shipment of AI server slides, the company holds a positive outlook for 2024.

UB (4714 TT) +68% **30D avg. volume increased by 196% vs 90D**

U-Best manufactures and sells PU synthetic resin products. In the sports business sector, orders for products like PU synthetic resin are increasing as the Paris Olympics draws near. This is providing a positive impetus to the company's operations.

G.M.I (3312 TT) +64% **30D avg. volume increased by 183% vs 90D**

GMI Technology is a premier electronics components distributor and application solutions provider. The semiconductor industry inventory adjustment is nearing its end, with expectations for healthy growth this year, driving up the stock prices of IC distributors, especially smaller and mid-cap stocks which are experiencing a rebound effect due to their lower prices.

GMM (6640 TT) +64% **30D avg. volume increased by 112% vs 90D**

GMM is a leading high-precision production equipment and tolling provider. Benefiting from the increased demand for CoWoS production capacity by Foundry, equipment manufacturer GMM's shipments have notably surged.

Zhen Ding (4958 TT): January 2024 revenue up 2.33% YoY, reaching a record high for the same period.

<https://reurl.cc/2zvJVa>

According to Zhen Ding, despite the higher base in January last year after the supply chain returned to normal, the company's January revenue this year achieved YoY and MoM growth across applications including Computers and Consumer Electronics, Automotive/Base Station/Server, and IC Substrates. Specifically, the combined revenue contribution from Automotive/Base Station/Server and IC Substrates has exceeded 10%. This demonstrated the effectiveness of the company's diversification effort under the One ZDT strategy, enabling it to maintain steady revenue growth in a traditionally slower season.

QIC Comment: We believe Zhen Ding will resume growth in revenue and profits in 2024 and gain more growth momentum into 2025. Key growth drivers this year would include IC substrates and server/automotive-related applications. Specifically, the utilization of its BT substrate fabs has started recovering since 4Q23 and the momentum has continued into 1Q24. The company will host its 4Q23 investor conference on March 12th ([click here](#) to register for the event).

PharmaEngine Receives FDA Approval for New Drug, Operation to Receive Significant Boost

<https://reurl.cc/krQxgn>

PharmaEngine (4162 TT) announced on February 14th that Onivyde, a 2nd line treatment for pancreatic cancer sold in over 40 countries worldwide, has obtained 1st line treatment approval in the United States. This approval allows NALIRIFOX (the combination of Onivyde, oxaliplatin, 5-fluorouracil, and leucovorin) as a 1st line therapy for metastatic pancreatic cancer.

This expansion of indications is based on the results of the multi-countries, multi-centers, pivotal NAPOLI-3 trial, unblinded in November 2022. The combination therapy of NALIRIFOX demonstrated statistically significant differences in both overall survival (OS) and progression-free survival (PFS) compared to the control group receiving Gemcitabine + Nab-paclitaxel as standard care. The objective response rate

(ORR) for the trial arm was 41.8%, compared to 36.2% for the control arm; safety profiles showed no significant differences.

QIC Comment: Real-world data indicates that 46% of metastatic pancreatic cancer patients undergo 2nd line treatment after initial therapy. With Onivyde's expansion into 1st line treatment, it's reasonable to anticipate a doubling of global revenue of the drug. However, an eventual increase in Onivyde's use as a 1st line therapy may cannibalize its 2nd line treatment market. Currently, Onivyde's global revenue from 2nd line use stands at \$300 million. According to licensing agreements, PharmaEngine cannot receive revenue sharing in the U.S. market, but can recognize sales royalties of 10% in the Europe/Asia market, with direct revenue recognition in Taiwan. With anticipated growth in global revenue and indications expansion in Taiwan and Europe/Asia, PharmaEngine remains optimistic about future growth prospects.

NVIDIA's strong 4Q23 financials and positive outlook have driven an increase in Taiwan's supply chain stock prices.

<https://shorturl.at/kzYZ7>

Driven by the AI boom, NVIDIA's 4Q23 revenue and net profit exceeded market expectations, with a staggering 265% increase in revenue and an astonishing 769% surge in net profit, outperforming projections and dispelling previous market concerns.

Investors generally express optimism about the Taiwan-based supply chain, anticipating significant business opportunities amid the rapid growth in the AI sector. Key players such as TSMC (2330), Asmedia (5274), Winway (6515), AVC (3017), Quanta (2382), ASUS (2357), EMC (2383) and GCE (2368) are particularly highlighted among the 'Taiwan's top eight,' poised for substantial growth.



QIC Comment: NVIDIA's promising outlook reconfirms surging demand for AI semiconductors for the coming years. We expect Taiwan semiconductor supply chain will continue its sustainable growth since 2024, echoing our view of Taiwan semiconductor supply chain's "ten-year, ten-fold" market cap increase. "QIC Semiconductor Corporate Day" held on March 6th to 7th is the best gateway for global investors to meet the rising Taiwan semiconductor corporates. For event details and registration, please reach out to Yvonne Huang (yvonnehuang@qtumic.com; +886-2-2325-3565 #218), and fill the online registration form (<https://forms.gle/EhCuHUnrzm82qdrm7>).

LINE Pay (7722 TT)'s share price surges past NT\$1,000! Why is it able to make profits in the challenging payment industry?

<https://shorturl.at/uxGNZ>

Mobile payment platform LINE Pay (7722 TT) officially debuted on the stock market on January 26th, opening at NT\$450 and surging to NT\$1,030 during early trading. Entering the market in Taiwan in 2015, LINE Pay has accumulated over 12 million users, equivalent to approximately one in every two individuals in Taiwan using LINE Pay. In 2021, LINE Pay achieved its first-ever profit, with continuous growth in revenue, net profit, and earnings per share (EPS) over the past two years. What sets LINE Pay apart in the competitive payment industry is its success in creating an ecosystem platform that spans payment services, content, and merchant marketing.



QIC Comment: QIC continues to expect more listed companies from the new economy industry. In addition, many people may compare ECPay (6763 TT) with LINE Pay as they are both in the payment industry. However, Gogolook (6902 TT), the developer of the caller ID APP Whoscall

should be a more relevant peer from the business model perspective as the network effect through the dominant market position and high number of users are key to their success. Gogolook has a relatively reasonable P/S ratio and better revenue and earnings growth prospects with overseas expansion opportunities.

JPP-KY (5284 TT) poised to capitalize on aerospace and AI opportunities, stock price surges by 20% to challenge new highs

<https://reurl.cc/xLAXxZ>

Thailand's largest custom sheet metal fabrication factory, JPP, has been actively transitioning into a specialized aerospace component supplier in recent years. After obtaining an Airbus vendor code in 2024, alongside sustained high demand for AI server cabinets, which complements its aerospace business, market optimism for future prospects is high. The stock surged by 20% over the first two trading days of the week, reaching a peak of NT\$173 dollars.

Meanwhile, JPP's outlook for its AI server cabinet business this year is optimistic. JPP will begin producing heat dissipation module components for AI servers this year and revealed that it is the sole supplier to Microsoft Thailand. Furthermore, with both ASUS (2356 TT) and Quanta (2382 TT) having factories in the same industrial zone, JPP anticipates receiving orders from them as well.

QIC Comment: JPP is a Taiwanese small-cap company headquartered in Thailand and is one of the largest precision metal parts fabrication companies in the region. The company is noteworthy because it is one of the very few tier-one suppliers to Airbus from Taiwan, and it boasts the capability to expand into other sectors. Its

robust metal fabrication capability also supports its AI server casing business, which could serve as another growth driver for the company in the coming years.

The Coming Automobile Industry Upheaval by Peter Kurz, CSO of QIC

Whenever China targets as a strategic industry, it inevitably destroys it. This has been the case for shipbuilding, solar panels, steel, petrochemicals, flat panel displays... and now automobiles, the EV in particular. As a hybrid socialist/capitalist system, the Chinese government hands out generous subsidies to a number of new entrants into strategic industries but then steps back to allow the start-up companies to thrash it out among themselves. The result is a rush by all entrants to use their access to subsidized and abundant capital, land and labor to gain scale – regardless of profitability – as quickly as possible, lest they fall behind the pack. The result: over-capacity, collapsing margins and the bankruptcy of competitors elsewhere in the world.

It is estimated that this year, EV's will account for 13% of auto sales in the US, 24% in Europe and 40% in China, all up from low single digit penetration just five years ago. And yet the latest developments in the industry suggest the industry is already suffering from excess supply, burgeoning inventories, and falling sale prices. The EV party appears to be over before it even started. In fact, however, the automobile industry was destined for a upheaval in any case.

Long, long ago, the PC industry began as a series of separate and fully integrated brands like IBM, Apple and DEC that manufactured their hardware and designed their own operating systems. But once the standard Intel CPU and Microsoft operating system emerged in the early 1990s, profitability of the integrated

PC companies collapsed and all brands were forced to outsource production en masse to Taiwanese companies. The same progression occurred in the smartphone sector as we transitioned from integrated brands such as Motorola, Nokia and Sony to Android or iOS-based units produced largely by Taiwanese manufacturers.

Now it appears that the world's roughly 60 key auto brands, albeit dominated primarily by about 15 companies, could face a similar fate. Manufacturing a traditional internal combustion engine is a highly complex process that requires in-house production while manufacturing an EV is far simpler. The brands can no longer afford not to outsource. This time, it appears that the Chinese may have stolen the march on the Taiwanese for batteries and full car manufacturing. However, opportunities remain. EVs will be far more electronics-intensive than traditional automobiles. These components must be energy efficient and failsafe offering edge computing capabilities to make critical, split-second decisions based on multiple data and video feeds. This is where the bulk of the value-add will be had and where Taiwanese suppliers will have the greatest opportunity.

So while EVs will be a great growth opportunity, it will result in an upheaval of the global automobile supply chain. A Lamborghini will no longer have a performance advantage over a BYD and price premiums will evaporate in the space of a decade along with great auto brands of the world. In the short term, falling EV prices and improving safety and convenience features will cause buyers to wait until next year – always next year – to make a purchase, forcing prices to fall even further. EVs will provide a great investment opportunity, but only if you avoid the bloodied automobile brands and focus on key component suppliers instead.

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