

Hon Hai Precision (2317.TW/2317 TT)

1Q25 EPS beat; toned-down 2025F sales growth guidance

FTSE4Good TIP Taiwan ESG Index stock

Outperform · Maintained

Price as of May 14 (NT\$)	163.0
12M target price (NT\$)	205.0
Previous target price (NT\$)	190.0
Revised up (%)	7.9
Upside (%)	25.8

Key message

1. 1Q25 EPS was NT\$3.03, beating consensus and our forecast.
2. 2Q25F sales guidance positive, albeit with sales growth toned down to 4-14% YoY to reflect a strong NT dollar, with AI as the main focus intact.
3. Production diversification ensures order outlook and increase competitiveness.

Trading data

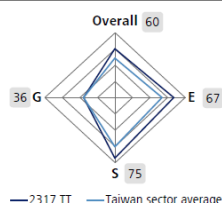
Mkt cap (NT\$/bn/US\$mn)	2,264 / 74,561
Outstanding shares (mn)	13,892
Foreign ownership (mn)	4,648
3M avg. daily trading (mn)	49.95
52-week trading range (NT\$)	112.5 – 226.5

Performance	3M	6M	12M
Absolute (%)	-8.4	-22.9	-5.2
Relative (%)	-2.5	-18.8	-9

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2023	0.93A	2.38A	3.11A	3.83A
2024	1.59A	2.53A	3.55A	3.34A
2025	3.03F	2.70F	3.34F	3.79F

ESG score card



Source: Refinitiv

Event

Hon Hai Precision reported 1Q25 EPS of NT\$3.03, beating consensus and our forecast. 2Q25F sales guidance is positive, albeit with sales growth toned down to 4-14% YoY to reflect a stronger NT dollar against the US dollar, with AI as the main focus intact.

Impact

1Q25 EPS beat. 1Q25 EPS grew 91% YoY but decreased 9% QoQ to NT\$3.03, beating our forecast and consensus on higher-than-expected gross margin and non-op income. Computing and smart consumer (iPhone) sales beat guidance given early pull-in. Gross margin was flat QoQ but down YoY to 6.1%, beating our estimate on a favorable product mix (cloud server sales weighting up to 34%, and smart consumer down to 40%), while operating margin grew YoY to 2.8%, also higher than expected on a lower operating expense ratio. Combined with net non-operating income of NT\$12.6bn, thanks to NT\$3.2bn investment income from Sharp (JP) and other gains on evaluation of financial assets, 1Q25 EPS beat, arriving at NT\$3.03.

Decent 2Q25F sales outlook; 2025F sales growth guidance toned down. Hon Hai guides 2Q25F sales to grow 4-14% QoQ, and we now expect 7-8% QoQ growth, lower than consensus and our previous projection. Cloud server will remain the key driver, with YoY and QoQ sales growth of over 15%, thanks to GB200 AI server ramp-up after several bottlenecks were resolved. It guides AI server sales will more than double QoQ and YoY in 2Q25F to comprise 50% of cloud server sales, after over 50% YoY growth in 1Q25, implying yield rate improvement. On a strong NT dollar, 2025F sales growth guidance is toned down to 4-14% YoY, while cloud server will maintain growth of over 15%. The firm estimates NT\$1 dollar appreciation will erode sales by 3% and gross margin by 0.1ppt. Demand remains robust, spanning general server, AI server in HGX, GB200/ 300 and even ASIC, and the firm will see more L10 sales contribution from ASIC projects in the future. With AI server sales to double in 2025F, we expect the cloud server sales weighting to rise to around 40% this year. For the tariff impact, Hon Hai's diversified plant strategy (24 countries, with 154 sites in the Asia main base, 54 in the Americas, 12 in the EU and 12 in India) furnishes its competitiveness with strong production flexibility. Currently, cloud servers produced in Mexico have zero tariff impact, while smart consumer (iPhone) and NB are under tariff exemption in India and Vietnam, though tariffs are 20% in China, some smartphone components produced in other countries have lower tariffs, offsetting the impact. With better 1Q25 earnings but a lower 2H25F earnings expectation, we slightly raise our 2025F EPS to NT\$12.85 (up 17%).

Valuation & Action

We maintain Outperform, but raise our target price to NT\$205, on 16x 2025F EPS.

Risks

Slow EV orders; weakening global demand; NT dollar appreciation; tariff impact.

Key financials and valuations

	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Revenue (NT\$mn)	6,626,997	6,162,221	6,859,615	7,896,456	9,116,598
Gross profit (NT\$mn)	400,085	387,947	428,946	449,568	461,227
Operating profit (NT\$mn)	173,788	166,528	200,607	222,128	254,673
Net profit (NT\$mn)	141,483	142,098	152,705	178,559	200,858
EPS (NT\$)	10.21	10.25	11.01	12.85	14.46
Cash DPS (NT\$)	5.30	5.40	5.80	6.78	7.63
EPS growth (%)	1.6	0.4	7.4	16.8	12.5
PE (x)	16.0	15.9	14.8	12.7	11.3
PB (x)	1.6	1.5	1.4	1.3	1.2
EV/EBITDA (x)	7.1	6.7	6.9	6.3	5.8
Net debt to equity (%)	Net cash	Net cash	Net cash	2.7	3.7
Dividend yield (%)	3.3	3.3	3.6	4.2	4.7
Return on average equity (%)	10.0	9.7	9.7	10.6	11.3

Source: Company data; KGI Research estimates

Figure 1: Breakdown of 1Q25 results & 2Q25 forecast revisions vs. consensus

NT\$m	1Q25								2Q25F							
	Actual	KGI forecast	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)		Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	
Sales	1,644,316	1,642,173	0.1	(22.8)	24.2	1,648,596	(0.3)		1,767,639	1,806,391	(2.1)	7.5	14.0	1,834,975	(3.7)	
Gross profits	100,548	96,888	3.8	(23.3)	20.2	100,680	(0.1)		104,291	106,577	(2.1)	3.7	4.8	111,677	(6.6)	
Operating income	46,500	44,339	4.9	(27.9)	26.5	46,306	0.4		51,262	52,385	(2.1)	10.2	14.9	52,223	(1.8)	
Pretax Income	59,120	49,217	20.1	(6.6)	81.9	50,756	16.5		53,458	57,263	(6.6)	(9.6)	10.5	59,008	(9.4)	
Net income	42,108	35,115	19.9	(9.1)	91.3	36,969	13.9		37,482	40,488	(7.4)	(11.0)	7.0	42,433	(11.7)	
EPS (NT\$)	3.03	2.53	19.9	(9.1)	91.3	2.66	13.9		2.70	2.91	(7.4)	(11.0)	6.7	3.05	(11.7)	
Gross margin (%)	6.1	5.9	0.2 ppts	(0.0)ppts	(0.2)ppts	6.1	0.0 ppts		5.9	5.9	0.0 ppts	(0.2)ppts	(0.5)ppts	6.1	(0.2)ppts	
OP margin (%)	2.8	2.7	0.1 ppts	(0.2)ppts	0.1 ppts	2.8	0.0 ppts		2.9	2.9	0.0 ppts	0.1 ppts	0.0 ppts	2.8	0.1 ppts	
Net margin (%)	2.6	2.1	0.4 ppts	0.4 ppts	0.9 ppts	2.2	0.4 ppts		2.1	2.2	(0.1)ppts	(0.4)ppts	(0.1)ppts	2.3	(0.2)ppts	

Source: Company data; Bloomberg; KGI Research

Figure 2: Breakdown of 2025-26 forecast revisions vs. consensus

NT\$m	2025F							2026F			
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)		KGI forecast	YoY (%)	Consensus	Diff. (%)
Sales	7,896,456	8,010,061	(1.4)	15.1	8,235,197	(4.1)		9,116,598	15.5	9,399,232	(3.0)
Gross profit	449,568	452,404	(0.6)	4.8	494,112	(9.0)		461,227	2.6	573,353	(19.6)
Operating income	222,128	223,231	(0.5)	10.7	241,443	(8.0)		254,673	14.7	279,051	(8.7)
Pretax Income	245,415	242,743	1.1	15.8	264,620	(7.3)		272,665	11.1	302,060	(9.7)
Net income	178,559	176,408	1.2	16.9	191,512	(6.8)		200,858	12.5	219,693	(8.6)
EPS (NT\$)	12.85	12.70	1.2	16.8	13.79	(6.8)		14.46	12.5	15.82	(8.6)
Gross margin (%)	5.7	5.6	0.0 ppts	(0.6)ppts	6.0	(0.3)ppts		5.1	(0.6)ppts	6.1	(1.0)ppts
OP margin (%)	2.8	2.8	0.0 ppts	(0.1)ppts	2.9	(0.1)ppts		2.8	(0.0)ppts	3.0	(0.2)ppts
Net margin (%)	2.3	2.2	0.1 ppts	0.0 ppts	2.3	(0.0)ppts		2.2	(0.1)ppts	2.3	(0.1)ppts

Source: Company data; Bloomberg; KGI Research estimates

Figure 3: Sales mix

Sales (NT\$bn)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2020	2021	2022	2023	2024	2025F
Smart consumer electronics	819	639	833	1,075	634	621	829	1,084	658	2,593	3,280	3,496	3,366	3,169	3,134
Cloud & networking	323	326	339	369	373	502	585	563	560	1,316	1,267	1,557	1,358	2,024	3,160
Computing	249	261	278	292	238	323	315	352	316	1,136	1,114	1,208	1,079	1,228	1,053
Components & others	72	78	93	116	79	104	125	131	111	313	334	365	359	439	549
Total	1,462	1,305	1,543	1,852	1,324	1,551	1,855	2,131	1,644	5,358	5,994	6,627	6,162	6,860	7,896
Weighting (%)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2020	2021	2022	2023	2024	2025F
Smart consumer electronics	56	49	54	58	48	40	45	51	40	48	55	53	54	46	40
Cloud & networking	22	25	22	20	28	32	32	26	34	25	21	24	22	30	40
Computing	17	20	18	16	18	21	17	17	19	21	19	18	18	18	13
Components & others	5	6	6	6	6	7	7	6	7	6	6	6	6	6	7
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
YoY (%)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2020	2021	2022	2023	2024	2025F
Smart consumer electronics	12	(16)	(8)	(2)	(23)	(3)	(0)	1	4	(2)	27	7	(4)	(6)	(1)
Cloud & networking	(0)	(14)	(19)	(16)	15	54	72	52	50	5	(4)	23	(13)	49	56
Computing	(7)	(10)	(16)	(8)	(4)	24	14	21	33	2	(2)	8	(11)	14	(14)
Components & others	(15)	(7)	6	7	10	33	35	13	41	(3)	7	9	(2)	22	25
Total	4	(14)	(12)	(6)	(9)	19	20	15	24	0	12	11	(7)	11	15
QoQ (%)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2020	2021	2022	2023	2024	2025F
Smart consumer electronics	(25)	(22)	30	29	(41)	(2)	33	31	(39)						
Cloud & networking	(26)	1	4	9	1	35	17	(4)	(1)						
Computing	(22)	5	6	5	(18)	36	(2)	12	(10)						
Components & others	(34)	9	18	25	(32)	32	19	5	(15)						
Total	(26)	(11)	18	20	(29)	17	20	15	(23)						

Source: Company data; KGI Research estimates

Figure 4: Hon Hai's diversified global footprint

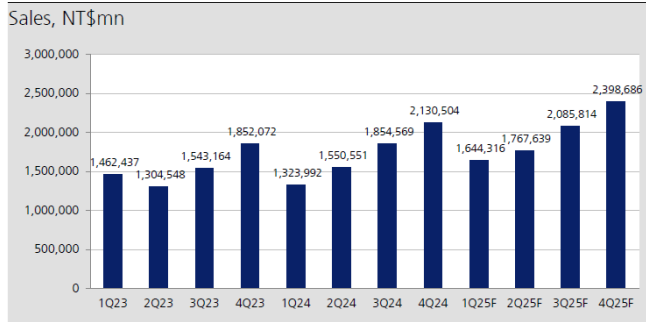


Source: Company data;; KGI Research

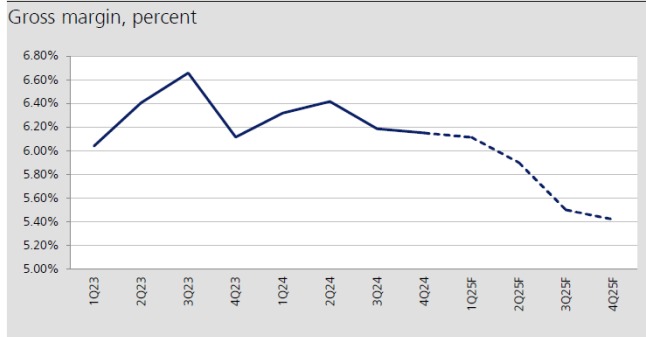
Figure 5: Company profile

Founded in 1974, Hon Hai Precision is the world's largest electronic manufacturing service (EMS) company, principally engaged in the assembly and production of computers, consumer electronics, servers, and networking equipment. It also has several investment arms spanning semiconductors, machinery modules, and industrial internet. The firm operates businesses domestically and overseas.

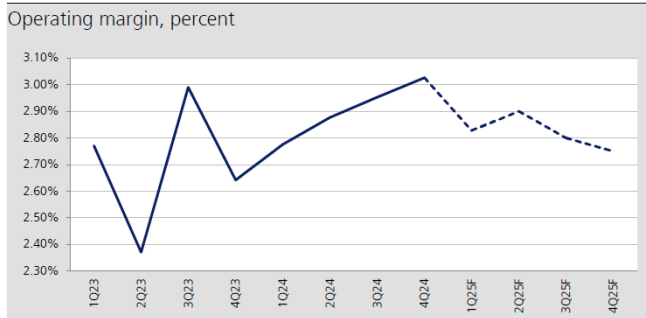
Source: Company data; KGI Research

Figure 7: Sales


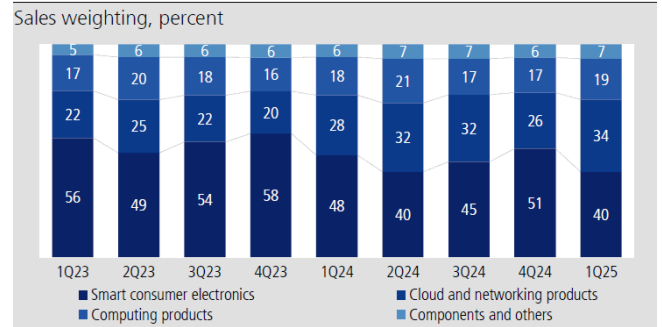
Source: KGI Research

Figure 9: Gross Margin


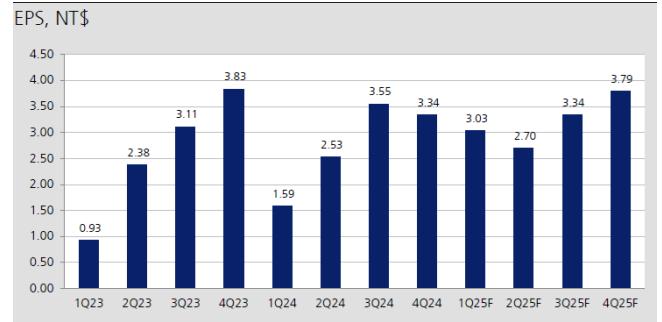
Source: KGI Research

Figure 11: Operating Margin


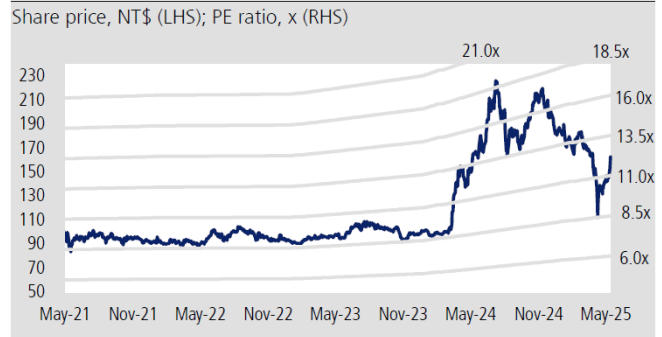
Source: KGI Research

Figure 6: Sales by segment


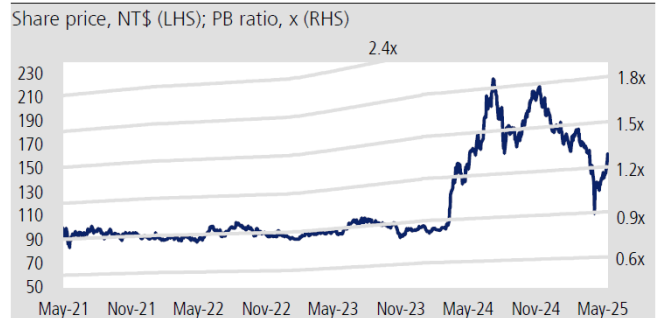
Source: Company data; KGI Research

Figure 8: EPS


Source: KGI Research

Figure 10: 12M forward PE band


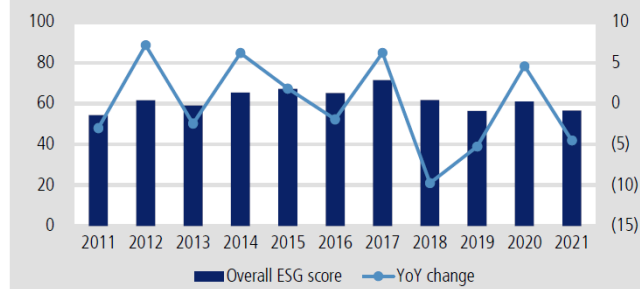
Source: TEJ; KGI Research estimates

Figure 12: 12M forward PB band


Source: TEJ; KGI Research estimates

Figure 13: Overall ESG score

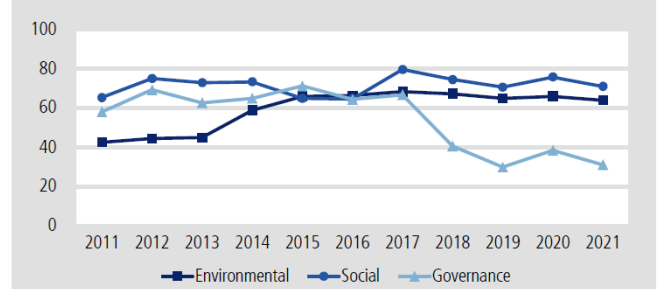
ESG score, points (LHS); YoY change, points (RHS)



Source: Refinitiv; Company data

Figure 14: ESG score

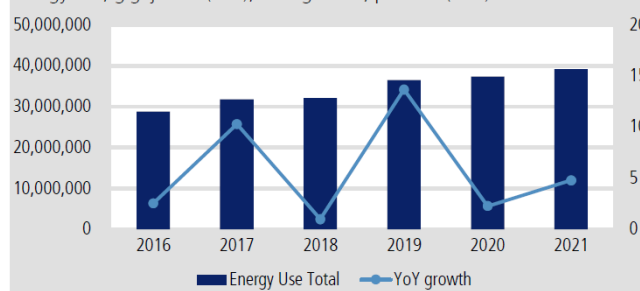
ESG score, points



Source: Refinitiv; Company data

Figure 15: Energy use

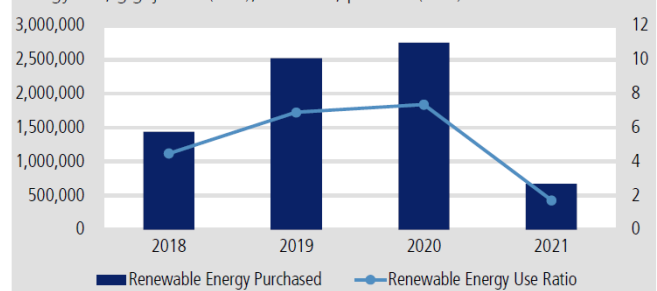
Energy use, gigajoules (LHS); YoY growth, percent (RHS)



Source: Refinitiv; Company data

Figure 16: Renewable energy

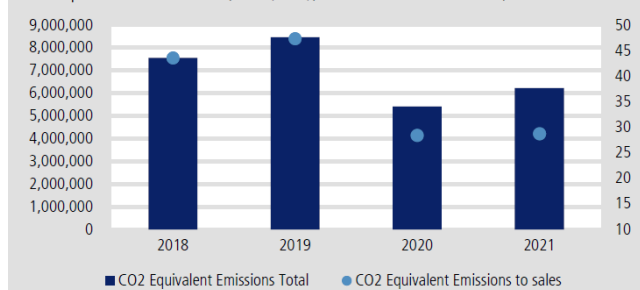
Energy use, gigajoules (LHS); use ratio, percent (RHS)



Source: Refinitiv; Company data

Figure 17: CO2 equivalent emissions

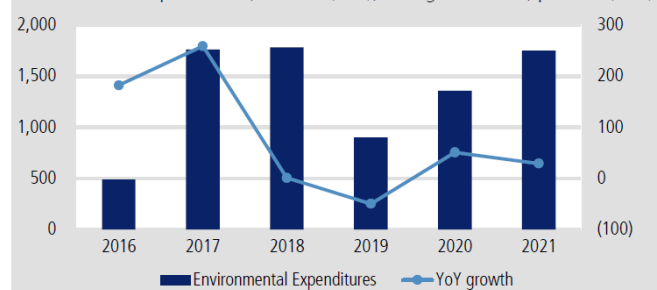
CO2 equivalent emissions, mt (LHS); emissions to revenue, mt/ US\$m (RHS)



Source: Refinitiv; Company data

Figure 18: Environmental expenditures

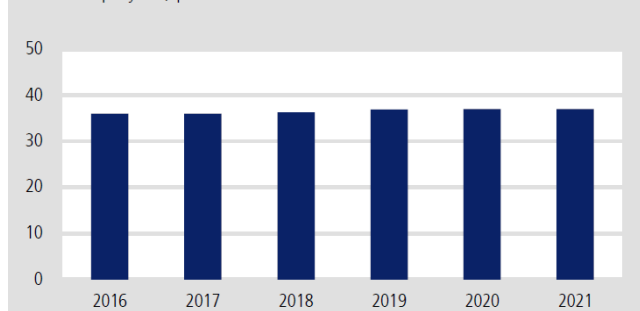
Environmental expenditures, NT\$m (LHS); YoY growth rate, percent (RHS)



Source: Refinitiv; Company data

Figure 19: Gender diversification

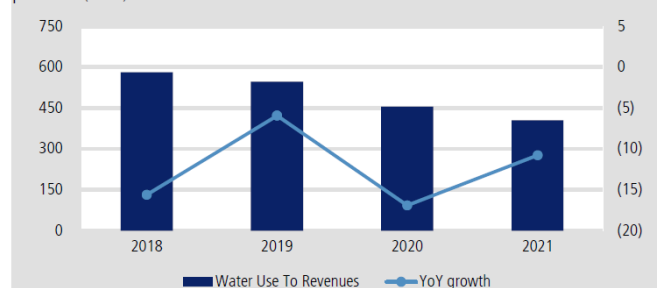
Female employees, percent



Source: Refinitiv; Company data

Figure 20: Water use to revenue

Water use to revenue, cubic meters/ US\$m (LHS); YoY growth rate, percent (RHS)



Source: Refinitiv; Company data

ESG chart definition

Item	Definition	Remarks
Energy use	<p>Total direct and indirect energy consumption in gigajoules.</p> <ul style="list-style-type: none"> - the total amount of energy that has been consumed within the boundaries of the company's operations - total energy use = total direct energy consumption + indirect energy consumption - purchased energy and produced energy are included in total energy use - for utilities, transmission/ grid loss as part of its business activities is considered as total energy consumed and data does not consider electricity produced to answer energy use (utility company produces to sell) - for utilities, raw materials such as coal, gas or nuclear used in the production of energy are not considered under 'total energy use' 	
Renewable energy purchased	<p>Total primary renewable energy purchased in gigajoules.</p> <ul style="list-style-type: none"> - energy consumed by the company from various sources and among the purchased energy, how much energy is renewable in nature (solar, wind, hydro, biomass, geothermal) are in scope - if there is no evidence that renewable energy is produced by the company, then we consider the reported energy figure as renewable energy purchased 	
Renewable energy use ratio	Renewable energy to total energy used	
CO2 equivalent emissions	<p>Direct CO2 and CO2 equivalent emissions in metric tons.</p> <ul style="list-style-type: none"> - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3) 	
CO2 equivalent emissions to sales	<p>Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT\$m)</p> <ul style="list-style-type: none"> - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3) 	
Waste total	<p>Total amount of waste produced in metric tons.</p> <ul style="list-style-type: none"> - total waste = non-hazardous waste + hazardous waste - only solid waste is taken into consideration, exceptionally if liquid waste is reported in metric tons, then we do the summation to derive total including liquid waste - for sectors like mining, oil & gas, waste generation like tailings, waste rock, coal and fly ash are also considered 	
Waste recycling ratio	<p>The waste recycling ratio as reported by the company.</p> <ul style="list-style-type: none"> - waste recycling ratio = waste recycled/total waste*100 - waste to energy or waste incinerated with energy recovery are considered as waste recycled - waste recovered via composting is considered as recycled waste 	
Water withdrawal total	<p>Total water withdrawal in cubic meters.</p> <ul style="list-style-type: none"> - the total volume of water withdrawn from any water source that was either withdrawn directly by the reporting organization or through intermediaries such as water utilities - different sources of water like wells, town/utility/municipal water, river water, and surface water are considered 	
Environmental expenditures	<p>Total amount of environmental expenditures.</p> <ul style="list-style-type: none"> - all environmental investment & expenditures for environmental protection or to prevent, reduce, control environmental aspects, impacts, and hazards. It also includes disposal, treatment, sanitation, and clean-up expenditures 	
Turnover of employees	<p>Percentage of employee turnover.</p> <ul style="list-style-type: none"> - includes employees who left the company for any reason (voluntary or involuntary), such as resignations, retirement, natural departure/death, medical incapacitation, redundancy, layoffs, restructuring, dismissal, retrenchment or end of a fixed-term contract - employees turnover rate = (employees leaving/average number of employees)*100 - where the average number of employees = (employees at the end of the current year + employees at the end of the previous year)/2 - employees at the end of the current fiscal year = employees at the end of the previous fiscal year + new employees - employees leaving 	
Women managers	<p>Percentage of women managers.</p> <ul style="list-style-type: none"> - percentage of women managers among total managers of the company - if there is a breakdown by category in percentage, such as top, senior, middle, and junior management, then we consider the percentage of middle women managers - percentage of women managers = number of women managers/total number of managers*100 	
Women employees	<p>Percentage of women employees.</p> <ul style="list-style-type: none"> - percentage of women employees to the total number of employees of the company - percentage of women employees = number of women/total number of employees*100 	
Training hours total	<p>Total training hours performed by all employees.</p> <ul style="list-style-type: none"> - consider only employee training hours - includes all types of training given to general employees (such as health & safety, environmental, emergency response, skills & career development training) - if the value is given in days, multiply by 8, assuming that 1 day = 8 hours worked 	
Training hours per employee	Training hours per employee per year	

Source: Refinitiv; KGI Research

Income statement

	Quarterly								Annually		
	Mar-24A	Jun-24A	Sep-24A	Dec-24A	Mar-25F	Jun-25F	Sep-25F	Dec-25F	Dec-24A	Dec-25F	Dec-26F
Income statement (NT\$mn)											
Revenue	1,323,992	1,550,551	1,854,569	2,130,504	1,644,316	1,767,639	2,085,814	2,398,686	6,859,615	7,896,456	9,116,598
Cost of goods sold	(1,240,329)	(1,451,044)	(1,739,836)	(1,999,460)	(1,543,767)	(1,663,349)	(1,971,095)	(2,268,678)	(6,430,670)	(7,446,888)	(8,655,371)
Gross profit	83,662	99,507	114,733	131,044	100,548	104,291	114,720	130,009	428,946	449,568	461,227
Operating expenses	(46,912)	(54,902)	(59,962)	(66,563)	(54,048)	(53,029)	(56,317)	(64,045)	(228,339)	(227,440)	(206,554)
Operating profit	36,751	44,604	54,771	64,481	46,500	51,262	58,403	65,964	200,607	222,128	254,673
Depreciation of fixed assets	(19,473)	(18,745)	(20,752)	(25,320)	(26,453)	(26,453)	(26,453)	(26,453)	(84,290)	(105,814)	(112,047)
Amortisation of intangible assets	(792)	(743)	(870)	(1,186)	(945)	(945)	(945)	(945)	(3,591)	(3,780)	(5,316)
EBITDA	57,016	64,092	76,393	90,988	73,898	78,660	85,801	93,362	288,489	331,722	372,037
Interest income	15,437	11,799	8,750	9,591	10,897	10,963	10,963	11,030	45,577	43,853	41,796
Investment income	310	1,371	4,171	653	1,750	1,750	1,750	1,750	6,506	7,000	7,000
Other non-op income	1,297	2,974	8,730	4,683	11,490	2,000	2,200	2,810	17,684	18,500	14,000
Non-operating income	17,044	16,144	21,652	14,927	24,137	14,713	14,913	15,590	69,767	69,353	62,796
Interest expense	(10,636)	(9,263)	(8,770)	(8,126)	(8,517)	(8,517)	(8,517)	(8,517)	(36,795)	(34,066)	(32,805)
Investment loss	(10,649)	-	-	(1,533)	(2,000)	(2,000)	(2,000)	(2,000)	(12,183)	(8,000)	(8,000)
Other non-op expenses	-	(3,085)	-	(6,435)	(1,000)	(2,000)	(500)	(500)	(9,521)	(4,000)	(4,000)
Non-operating expenses	(21,286)	(12,348)	(8,770)	(16,094)	(11,517)	(12,517)	(11,017)	(11,017)	(58,499)	(46,066)	(44,805)
Pre-tax profit	32,509	48,400	67,653	63,313	59,120	53,458	62,300	70,537	211,875	245,415	272,665
Current taxation	(7,636)	(9,455)	(12,308)	(10,797)	(13,287)	(11,226)	(11,214)	(12,129)	(40,196)	(47,856)	(51,806)
Minorities	(2,864)	(3,900)	(6,020)	(6,191)	(3,726)	(4,750)	(4,750)	(5,774)	(18,974)	(19,000)	(20,000)
Normalised net profit	22,009	35,045	49,325	46,326	42,108	37,482	46,336	52,634	152,705	178,559	200,858
Extraordinary items	0	0	0	0	-	-	-	-	-	-	-
Net profit	22,009	35,045	49,325	46,326	42,108	37,482	46,336	52,634	152,705	178,559	200,858
EPS (NT\$)	1.59	2.53	3.55	3.34	3.03	2.70	3.34	3.79	11.01	12.85	14.46
Margins (%)											
Gross profit margin	6.3	6.4	6.2	6.2	6.1	5.9	5.5	5.4	6.3	5.7	5.1
Operating margin	2.8	2.9	3.0	3.0	2.8	2.9	2.8	2.8	2.9	2.8	2.8
EBITDA margin	4.3	4.1	4.1	4.3	4.5	4.5	4.1	3.9	4.2	4.2	4.1
Pretax profit margin	2.5	3.1	3.6	3.0	3.6	3.0	3.0	2.9	3.1	3.1	3.0
Net profit margin	1.7	2.3	2.7	2.2	2.6	2.1	2.2	2.2	2.2	2.3	2.2
Margins (%)											
Gross profit margin	6.3	6.4	6.2	6.2	6.1	5.9	5.5	5.4	6.3	5.7	5.1
Operating margin	2.8	2.9	3.0	3.0	2.8	2.9	2.8	2.8	2.9	2.8	2.8
EBITDA margin	4.3	4.1	4.1	4.3	4.5	4.5	4.1	3.9	4.2	4.2	4.1
Pretax profit margin	2.5	3.1	3.6	3.0	3.6	3.0	3.0	2.9	3.1	3.1	3.0
Net profit margin	1.7	2.3	2.7	2.2	2.6	2.1	2.2	2.2	2.2	2.3	2.2
Sequential growth (%)											
Revenue growth	(28.5)	17.1	19.6	14.9	(22.8)	7.5	18.0	15.0			
Gross profit growth	(26.1)	18.9	15.3	14.2	(23.3)	3.7	10.0	13.3			
Operating profit growth	(24.9)	21.4	22.8	17.7	(27.9)	10.2	13.9	12.9			
EBITDA growth	(18.8)	12.4	19.2	19.1	(18.8)	6.4	9.1	8.8			
Pretax profit growth	(51.4)	48.9	39.8	(6.4)	(6.6)	(9.6)	16.5	13.2			
Net profit growth	(58.6)	59.2	40.7	(6.1)	(9.1)	(11.0)	23.6	13.6			
YoY growth (%)											
Revenue growth	(9.5)	18.9	20.2	15.0	24.2	14.0	12.5	12.6	11.3	15.1	15.5
Gross profit growth	(5.3)	19.1	11.7	15.7	20.2	4.8	(0.0)	(0.8)	10.6	4.8	2.6
Operating profit growth	(9.3)	44.2	18.7	31.8	26.5	14.9	6.6	2.3	20.5	10.7	14.7
EBITDA growth	(5.1)	23.0	11.4	29.6	29.6	22.7	12.3	2.6	15.0	15.0	12.2
Pretax profit growth	59.3	1.5	18.2	(5.4)	81.9	10.5	(7.9)	11.4	10.2	15.8	11.1
Net profit growth	71.6	6.2	14.4	(12.8)	91.3	7.0	(6.1)	13.6	7.5	16.9	12.5

Source: Company data; KGI Research estimates

Balance sheet

NT\$mn	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Total assets	4,133,974	3,939,789	4,394,500	4,663,575	4,964,212
Current assets	3,200,506	3,035,966	3,375,765	3,596,720	3,893,581
Cash & ST securities	1,084,732	1,350,230	1,315,992	1,226,216	1,162,143
Inventory	939,022	730,765	835,016	969,620	1,126,971
Accounts receivable	1,098,690	872,270	1,141,418	1,317,545	1,521,129
Other current assets	78,062	82,700	83,338	83,338	83,338
Non-current assets	933,469	903,823	1,018,734	1,066,855	1,070,631
LT investments	435,825	393,134	406,269	395,203	391,026
Net fixed assets	362,405	393,967	468,838	528,024	535,977
Other assets	135,239	116,722	143,628	143,628	143,628
Total liabilities	2,483,443	2,253,545	2,542,911	2,708,641	2,894,398
Current liabilities	2,113,814	1,909,335	2,174,818	2,363,718	2,541,272
Accounts payable	1,068,941	893,119	1,133,052	1,315,700	1,529,212
Interest bearing ST liabilities	647,194	648,993	642,783	635,394	587,670
Other current liabilities	397,678	367,222	398,982	412,624	424,390
Non-current liabilities	369,630	344,211	368,094	344,923	353,126
Long-term debt	301,017	271,625	287,793	264,622	272,825
Other L-T liabilities	51,151	55,874	56,380	56,380	56,380
Total equity	1,650,531	1,686,244	1,851,588	1,954,934	2,069,813
Share capital	138,630	138,630	138,907	138,907	138,907
Retained earnings reserve	925,890	987,704	1,024,330	1,108,676	1,203,556
Minority interests	199,986	193,135	206,386	225,386	245,386
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Growth					
Revenue growth	10.6%	(7.0)%	11.3%	15.1%	15.5%
Operating profit growth	16.7%	(4.2)%	20.5%	10.7%	14.7%
EBITDA growth	11.5%	0.3%	15.0%	15.0%	12.2%
Net profit growth	1.6%	0.4%	7.5%	16.9%	12.5%
EPS growth	1.6%	0.4%	7.4%	16.8%	12.5%
Profitability					
Gross profit margin	6.0%	6.3%	6.3%	5.7%	5.1%
Operating margin	2.6%	2.7%	2.9%	2.8%	2.8%
EBITDA margin	3.8%	4.1%	4.2%	4.2%	4.1%
Net profit margin	2.1%	2.3%	2.2%	2.3%	2.2%
Return on average assets	3.5%	3.5%	3.7%	3.9%	4.2%
Return on average equity	10.0%	9.7%	9.7%	10.6%	11.3%
Stability					
Gross debt to equity	57.4%	54.6%	50.3%	46.0%	41.6%
Net debt to equity	Net cash	Net cash	Net cash	2.7%	3.7%
Interest coverage (x)	6.4	3.9	6.8	8.2	9.3
Interest & ST debt coverage (x)	0.2	0.2	0.2	0.2	0.3
Cash flow interest coverage(x)	3.2	6.8	4.5	4.7	5.2
Cash flow/int. & ST debt (x)	0.2	0.6	0.2	0.2	0.3
Current ratio (x)	1.5	1.6	1.6	1.5	1.5
Quick ratio (x)	1.1	1.2	1.2	1.1	1.1
Net debt (NT\$mn)	(114,115)	(277,044)	(6,533)	52,684	77,237
Per share data					
EPS (NT\$)	10.21	10.25	11.01	12.85	14.46
CFPS (NT\$)	7.91	32.14	11.97	11.60	12.37
BVPS (NT\$)	104.63	107.70	118.44	124.51	131.34
Adj BVPS (NT\$)	104.65	107.72	118.58	124.51	131.34
SPS (NT\$)	478.09	444.56	494.43	568.47	656.31
EBITDA/share (NT\$)	18.05	18.10	20.79	23.88	26.78
Cash DPS (NT\$)	5.30	5.40	5.80	6.78	7.63
Activity					
Sales / avg assets	1.65	1.53	1.65	1.74	1.89
Days receivable	60.5	51.7	60.9	60.9	60.9
Days inventory	55.0	46.2	47.5	47.5	47.5
Days payable	62.7	56.5	64.5	64.5	64.5
Cash cycle	52.9	41.4	43.9	43.9	43.9

Source: Company data; KGI Research estimates

Profit & loss

NT\$mn	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Revenue	6,626,997	6,162,221	6,859,615	7,896,456	9,116,598
Cost of goods sold	(6,226,912)	(5,774,274)	(6,430,670)	(7,446,888)	(8,655,371)
Gross profit	400,085	387,947	428,946	449,568	461,227
Operating expenses	(226,297)	(221,419)	(228,339)	(227,440)	(206,554)
Operating profit	173,788	166,528	200,607	222,128	254,673
Non-operating income	64,268	114,525	69,767	69,353	62,796
Interest income	43,303	81,700	45,577	43,853	41,796
Investment income	11,063	5,222	6,506	7,000	7,000
Other non-op income	9,902	27,603	17,684	18,500	14,000
Non-operating expenses	(50,544)	(88,829)	(58,499)	(46,066)	(44,805)
Interest expense	(34,736)	(65,543)	(36,795)	(34,066)	(32,805)
Investment loss	-	(18,952)	(12,183)	(8,000)	(8,000)
Other non-op expenses	(15,808)	(4,334)	(9,521)	(4,000)	(4,000)
Pre-tax profit	187,511	192,224	211,875	245,415	272,665
Current taxation	(36,440)	(37,435)	(40,196)	(47,856)	(51,806)
Minorities	(9,589)	(12,691)	(18,974)	(19,000)	(20,000)
Extraordinary items	-	(0)	0	-	-
Net profit	141,483	142,098	152,705	178,559	200,858
EBITDA	250,248	250,934	288,489	331,722	372,037
EPS (NT\$)	10.21	10.25	11.01	12.85	14.46

Cash flow

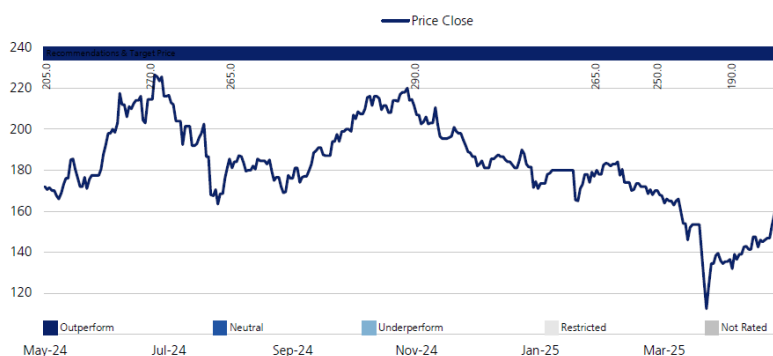
NT\$mn	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
Operations cash flow	109,708	445,553	166,029	161,070	171,800
Net profit	141,483	142,098	152,705	178,559	200,858
Depreciation & amortisation	76,460	84,406	87,882	109,594	117,364
Decrease in working capital	(197,434)	247,995	(105,479)	(128,083)	(147,422)
Other operating cash flow	89,199	(28,946)	30,921	1,000	1,000
Investing cash flow	(45,440)	(137,874)	(300,046)	(158,714)	(122,140)
Sale of ST investment	29,944	(132,622)	(215,737)	-	-
New investments	(45,351)	23,845	(3,713)	10,066	3,177
Capital expenditure	(97,935)	(111,745)	(136,339)	(165,000)	(120,000)
Others investing cashflow	67,902	82,647	55,743	(3,780)	(5,316)
Free cash flow	(84,746)	349,020	5,021	(8,457)	50,911
Financing cash flow	(87,872)	(160,638)	(164,072)	(92,132)	(113,733)
Increase in short term debt	23,682	(74,237)	(25,783)	(40,000)	(40,000)
Increase in long term loans	7,242	27,361	(8,480)	9,440	480
New ordinary shares issued	(7,763)	4,805	-	-	-
Ordinary dividends paid	(79,026)	(80,722)	(83,134)	(80,572)	(94,213)
Other financing cashflow	(32,006)	(37,845)	(46,675)	19,000	20,000
Forex effects	26,512	(11,704)	37,534	-	-
Total cash generated	2,909	135,336	(260,555)	(89,776)	(64,073)

ROIC

	Dec-22A	Dec-23A	Dec-24A	Dec-25F	Dec-26F
1 - COGS/revenue					
- Operating exp./revenue	3.4%	3.6%	3.3%	2.9%	2.3%
= Operating margin	2.6%	2.7%	2.9%	2.8%	2.8%
1 / (Working capital/revenue	0.1	0.1	0.1	0.1	0.1
+ Net PPE/revenue	0.1	0.1	0.1	0.1	0.1
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
= Capital turnover	6.4	7.4	6.7	6.6	6.8
Operating margin	2.6%	2.7%	2.9%	2.8%	2.8%
x Capital turnover	6.4	7.4	6.7	6.6	6.8
x (1 - tax rate)	80.6%	80.5%	81.0%	80.5%	81.0%
= After-tax ROIC	13.5%	16.1%	16.0%	15.0%	15.4%

Source: Company data; KGI Research estimates

Hon Hai Precision – Recommendation & target price history



Date	Rating	Target	Price
2025-04-21	Outperform	190.0	136.5
2025-03-15	Outperform	250.0	170.0
2025-02-12	Outperform	265.0	177.0
2024-11-14	Outperform	290.0	211.5
2024-11-04	Outperform	265.0	214.0
2024-09-19	Outperform	265.0	176.5
2024-08-14	Outperform	265.0	185.5
2024-07-05	Outperform	270.0	214.5
2024-05-15	Outperform	205.0	170.5
2024-05-06	Outperform	205.0	167.5

Source: TEJ; KGI Research

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