Company update | PC components · Taiwan

Hon Hai Precision

(2317.TW/2317 TT)

FTSE4Good TIP Taiwan ESG Index stock

Outperform · Maintained

Price as of August 10 (NT$)	264.5
12M target price (NT$)	330.0
Previous target price (NT$)	315.0
Revised up (%)	4.8
Upside (%)	24.8

Key message

1. We expect Hon Hai Precision's 2Q26 EPS to beat consensus on better operating margin.
2. 3Q26 sales growth to come from growth in GB300 AI server rack shipments and new iPhone sales. We expect 12% QoQ sales growth in 3Q26F, and sales to reach a peak in 4Q26F.
3. The key 2026-27F sales and earnings growth driver will be cloud server sales. New AI server clients & projects, and additional CPO shipments growth, will raise the firm's cloud sales weighting to 55% in 2026F and 62% in 2027F.

Trading data

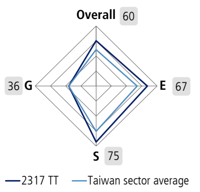
Mkt cap (NT$bn/US$mn)	3,723/115,419
Outstanding shares (mn)	14,076
Foreign ownership (mn)	5,278
3M avg. daily trading (mn)	49.51
52-week trading range (NT$)	187.5 –309.0

Performance	3M	6M	12M
Absolute (%)	5.8	19.7	36
Relative (%)	-2.2	-16.1	-51

Quarterly EPS

NT$	1Q	2Q	3Q	4Q
2024	1.59A	2.53A	3.55A	3.34A
2025	3.03A	3.19A	4.15A	3.23A
2026	3.56A	4.42F	4.77F	5.88F

ESG score card



Source: Refinitiv

2Q26 EPS to beat; 2H26F sales growth from cloud & iPhone's new clients & models

Event

Hon Hai Precision will report 2Q26 results and hold an investor meeting on August 12. We expect 2Q26 earnings to beat consensus and strong 2H26F guidance to be maintained.

Impact

Positive 2Q26 earnings results expected. Hon Hai's 2Q26 sales growth beat our forecast and consensus at 19% QoQ and 40% YoY, with cloud, computing and component sales all enjoying more than 15% YoY growth. With sales beating our forecast, we estimate 2Q26 gross and operating margin to see QoQ improvement. Based on subsidiary FII's (CN) recent announcements, FII's 2Q26 net profit will grow by 20-30% QoQ or 86-101% YoY, on higher cloud sales. FII reported 1H26 AI server sales growth at 230% YoY, and 800G switch shipments growth of 140% YoY. We thus expect cloud sales to reach a weighting of more than 50%, up from 48% in 1Q26, to drive Hon Hai's 2Q26 margins and EPS growth. Given brighter 2Q26 sales and margins forecasts, we lift our 2Q26 EPS forecast to NT$4.42, up 24% QoQ and 39% YoY.

2H26F guidance to be strong; CPO, LPU & switch sales to rise in 2H26-2027F. Hon Hai's July sales were NT$946.5bn, up 15% MoM and 54% YoY, beating our forecast. This solid sales performance was seen across all four business segments, with cloud and computing sales up over 15% MoM. We expect management to guide overall 3Q26 sales growth of 5-14% QoQ, in line with consensus of 8-12% QoQ. As we think September sales will be the quarterly peak, on a ramp up of new iPhone shipments and cloud sales rising on Vera Rubin compute tray sales growth, we forecast 12% QoQ sales growth in 3Q26 with component supply shortages, particularly for memory, as a swing factor. With higher consumer electronics (CE) sales in 2H26F, we think the firm will face some gross margin pressure, but expect 2026 operating margin guidance to be maintained ahead of the 3.2% in 2025. In 2H26-2027F, Hon Hai's non-Nvidia (US) sales growth drivers will be new clients and projects, Google's (US) TPU v.8 racks, co-packaged optics shipments from 3Q26F, and Spectrum shipments of nearly 10k units in 2H26F, which will grow by 3-4x YoY in 2027F. Coupled with some ASIC AI server shipments growth and double-digit general server sales growth YoY, we expect the firm's cloud sales weighting to increase from 40% in 2025 to 55% in 2026F, and to nearly 62% in 2027F, and be the key sales and EPS growth driver. Although high-ASP Vera Rubin racks will dilute margins, we expect operating margin to remain above 3% in 2H26-2027F. On better sales and margin forecasts, our 2026F EPS is revised up to NT$18.69, up 37% YoY, and 2027F EPS to NT$22.61, up 21% YoY.

Valuation & Action

We raise our target price from NT$315 to NT$330 (16x average 2026-27F EPS) and maintain our Outperform rating, on growing competitiveness in the AI server market.

Risks

New AI generation delay; component supply constraints; NT dollar appreciation.

Key financials and valuations

	Dec-23A	Dec-24A	Dec-25A	Dec-26F	Dec-27F
Revenue (NT$mn)	6,162,221	6,859,615	8,103,105	10,966,245	13,949,335
Gross profit (NT$mn)	387,947	428,946	498,161	652,183	789,440
Operating profit (NT$mn)	166,528	200,607	259,223	390,310	468,648
Net profit (NT$mn)	142,098	152,705	189,354	261,028	315,772
EPS (NT$)	10.25	11.01	13.61	18.69	22.61
Cash DPS (NT$)	5.40	5.80	7.20	9.96	12.05
EPS growth (%)	0.4	7.4	23.7	37.3	21.0
PE (x)	25.8	24.0	19.4	14.1	11.7
PB (x)	2.5	2.2	2.1	1.9	1.8
EV/EBITDA (x)	11.5	11.2	9.5	7.6	6.8
Net debt to equity (%)	Net cash	Net cash	11.7	23.2	30.4
Dividend yield (%)	2.0	2.2	2.7	3.8	4.6
Return on average equity (%)	9.7	9.7	11.1	14.2	16.0

Source: Company data; KGI Research estimates

Figure 1: Breakdown of 2Q26 & 3Q26 forecast revisions vs. consensus

	2Q26F							3Q26F						
NT$mn	Revision	Previous	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	2,513,270	2,352,682	6.8	18.6	40.1	2,403,855	4.6	2,814,863	2,776,165	1.4	12.0	36.7	2,701,489	4.2
Gross profits	154,566	144,690	6.8	18.0	36.1	145,313	6.4	166,077	163,794	1.4	7.4	27.0	164,061	1.2
Operating income	92,991	84,697	9.8	22.9	64.3	80,157	16.0	98,520	94,390	4.4	5.9	39.7	92,988	5.9
Pretax Income	93,056	86,244	7.9	25.7	42.8	85,031	9.4	99,735	95,937	4.0	7.2	14.8	97,543	2.2
Net income	61,882	57,352	7.9	24.0	39.5	56,855	8.8	66,823	64,278	4.0	8.0	15.9	65,870	1.4
EPS (NT$)	4.42	4.09	7.9	24.0	38.5	4.06	8.8	4.77	4.59	4.0	8.0	14.9	4.70	1.4
Gross margin (%)	6.1	6.1	0.0 ppts	(0.5)ppts	(2.8)ppts	6.0	0.1 ppts	5.9	5.9	0.0 ppts	(4.1)ppts	(7.1)ppts	6.1	(0.2)ppts
OP margin (%)	3.7	3.6	0.1 ppts	3.7 ppts	17.2 ppts	3.3	0.4 ppts	3.5	3.4	0.1 ppts	(5.4)ppts	2.2 ppts	3.4	0.1 ppts
Net margin (%)	2.5	2.4	0.0 ppts	4.5 ppts	(0.5)ppts	2.4	0.1 ppts	2.4	2.3	0.1 ppts	(3.6)ppts	(15.2)ppts	2.4	(0.1)ppts

Source: Company data; Bloomberg; KGI Research

Figure 2: Breakdown of 2026-27 forecast revisions vs. consensus

	2026F						2027F					
NT$mn	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	10,966,245	10,718,586	2.3	35.3	10,408,992	5.4	13,949,335	13,241,654	5.3	27.2	13,010,907	7.2
Gross profit	652,183	637,266	2.3	30.9	628,703	3.7	789,440	749,390	5.3	21.0	759,186	4.0
Operating income	390,310	369,252	5.7	50.6	356,687	9.4	468,648	437,242	7.2	20.1	434,570	7.8
Pretax Income	389,371	375,440	3.7	32.7	367,331	6.0	465,030	443,505	4.9	19.4	449,953	3.4
Net income	261,028	250,580	4.2	37.9	249,438	4.6	315,772	299,628	5.4	21.0	307,031	2.8
EPS (NT$)	18.69	17.94	4.2	37.3	17.86	4.6	22.61	21.46	5.4	21.0	21.99	2.8
Gross margin (%)	5.9	5.9	0.0 ppts	(0.2)ppts	6.0	(0.1)ppts	5.7	5.7	(0.0)ppts	(0.3)ppts	5.8	(0.2)ppts
OP margin (%)	3.6	3.4	0.2 ppts	0.4 ppts	3.4	0.1 ppts	3.4	3.3	0.1 ppts	(0.2)ppts	3.3	0.0 ppts
Net margin (%)	2.4	2.3	0.1 ppts	0.0 ppts	2.4	(0.0)ppts	2.3	2.3	(0.0)ppts	(0.1)ppts	2.4	(0.1)ppts

Source: Company data; Bloomberg; KGI Research estimates

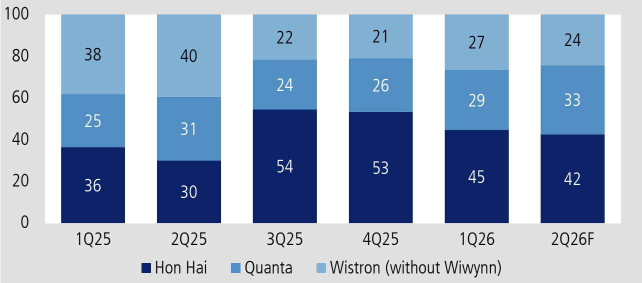
Figure 3: Sales mix

Sales (NT$bn)	**1Q24**	**2Q24**	**3Q24**	**4Q24**	**1Q25**	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26F**	**2023**	**2024**	**2025**	**2026F**	**2027F**
Consumer electronics	634	621	829	1,071	658	632	767	1,028	704	718	3,366	3,155	3,084	3,269	3,335
Cloud	373	502	585	563	560	729	859	1,098	1,015	1,279	1,358	2,024	3,246	6,055	8,598
Computing	238	333	315	369	316	317	304	294	293	381	1,079	1,255	1,230	1,107	1,052
Components/Others	79	94	125	128	111	116	129	186	108	136	359	425	542	535	965
Total	1,324	1,551	1,855	2,131	1,644	1,793	2,059	2,606	2,120	2,513	6,162	6,860	8,103	10,966	13,949
Weighting (%)	**1Q24**	**2Q24**	**3Q24**	**4Q24**	**1Q25**	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26F**	**2023**	**2024**	**2025**	**2026F**	**2027F**
Consumer electronics	48	40	45	50	40	35	37	39	33	29	54	46	38	30	24
Cloud	28	32	32	26	34	41	42	42	48	51	22	30	40	55	62
Computing	18	22	17	17	19	18	15	11	14	15	18	18	15	10	8
Components/Others	6	6	7	6	7	6	6	7	5	5	6	6	7	5	7
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
YoY (%)	**1Q24**	**2Q24**	**3Q24**	**4Q24**	**1Q25**	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26F**	**2023**	**2024**	**2025**	**2026F**	**2027F**
Consumer electronics	(23)	(3)	(0)	(0)	4	2	(8)	(4)	7	14	(4)	(6)	(2)	6	2
Cloud	15	54	72	52	50	45	47	95	81	75	(13)	49	60	87	42
Computing	(4)	28	14	26	33	(5)	(4)	(20)	(7)	20	(11)	16	(2)	(10)	(5)
Components/Others	10	19	35	11	41	24	4	45	(3)	17	(2)	19	27	(1)	80
Total	(9)	19	20	15	24	16	11	22	29	40	(7)	11	18	35	27
QoQ (%)	**1Q24**	**2Q24**	**3Q24**	**4Q24**	**1Q25**	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26F**	**2023**	**2024**	**2025**	**2026F**	**2027F**
Consumer electronics	(41)	(2)	33	29	(39)	(4)	21	34	(31)	2					
Cloud	1	35	17	(4)	(1)	30	18	28	(8)	26					
Computing	(18)	40	(5)	17	(14)	0	(4)	(3)	(1)	30					
Components/Others	(32)	19	33	3	(14)	4	12	44	(42)	26					
Total	(29)	17	20	15	(23)	9	15	27	(19)	19					

Source: Company data; KGI Research estimates

Figure 4: Hon Hai dominant in Blackwell AI shipments, with over 40% market share

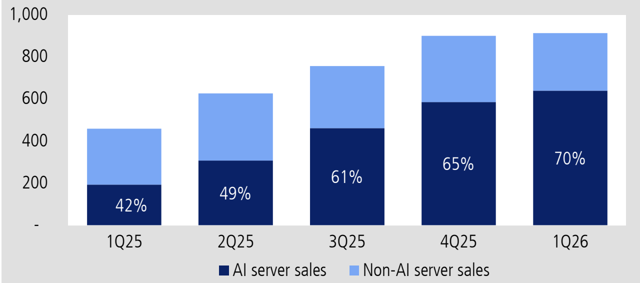
GB200/ 300 shipments weighting, percent



Source: Company data; KGI Research estimates

Figure 5: Hon Hai's AI server sales to grow QoQ

AI server/ non-AI server revenue, NT$bn; AI server sales/ total server sales weighting, percent



Source: Company data; KGI Research estimates

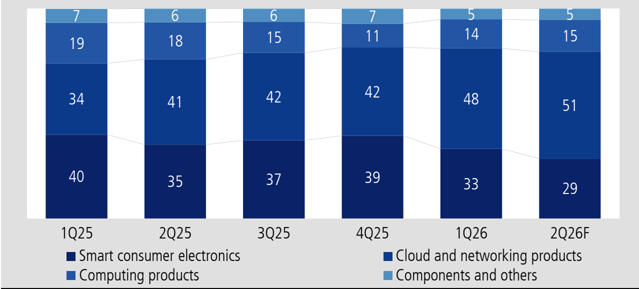
Figure 6: Company profile

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 by segment

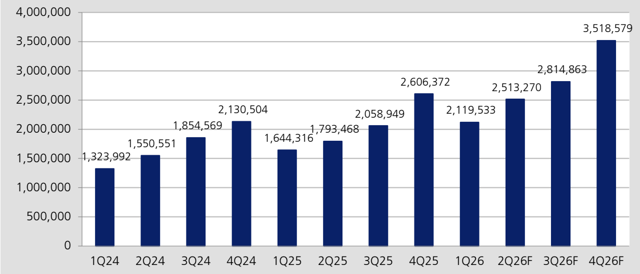
Sales weighting, percent



Source: Company data; KGI Research

Figure 8: Sales

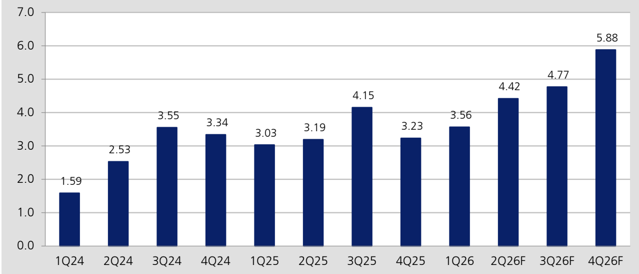
Sales, NT$mn



Source: KGI Research

Figure 9: EPS

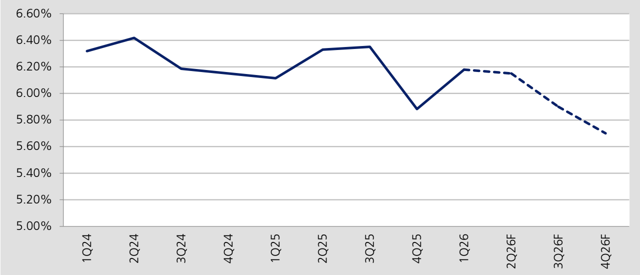
EPS, NT$



Source: KGI Research

Figure 10: Gross Margin

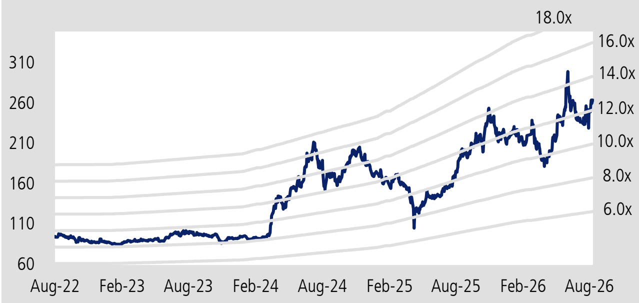
Gross margin, percent



Source: KGI Research

Figure 11: 12M forward PE band

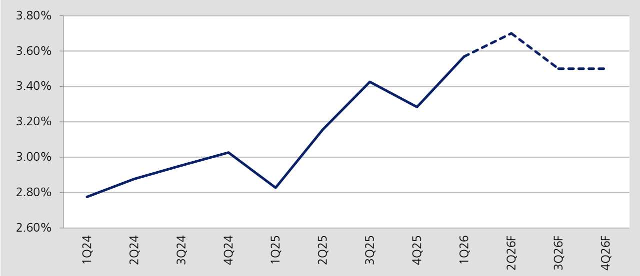
Share price, NT$ (LHS); PE ratio, x (RHS)



Source: KGI Research

Figure 12: Operating Margin

Operating margin, percent



Source: KGI Research

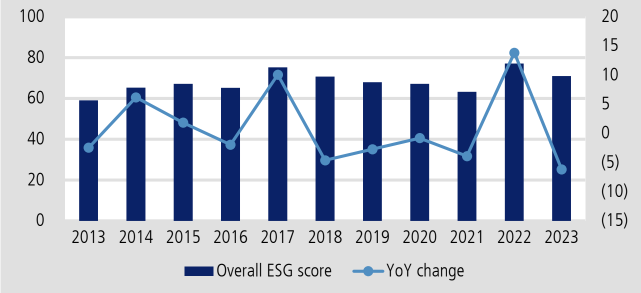
Figure 13: 12M forward PB band

Share price, NT$ (LHS); PB ratio, x (RHS)

Source: KGI Research

Figure 14: Overall ESG score

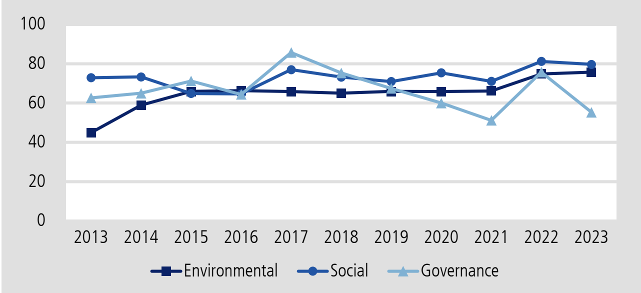
ESG score, points (LHS); YoY change, points (RHS)



Source: Refinitiv; Company data

Figure 15: ESG score

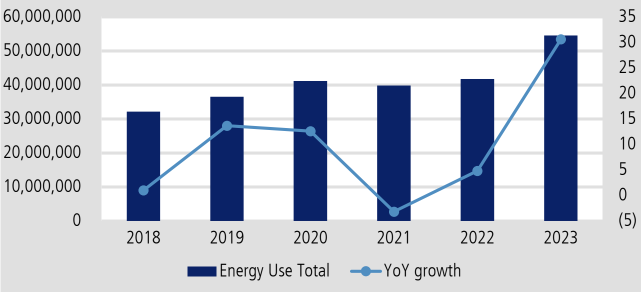
ESG score, points



Source: Refinitiv; Company data

Figure 16: Energy use

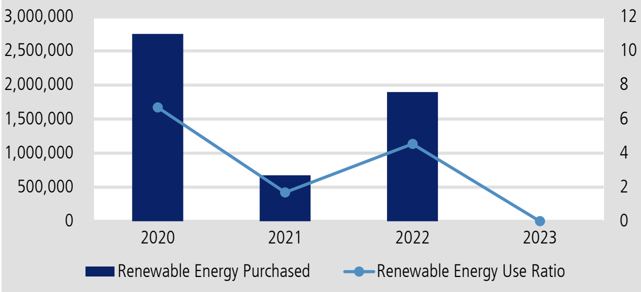
Energy use, gigajoules (LHS); YoY growth, percent (RHS)



Source: Refinitiv; Company data

Figure 17: Renewable energy

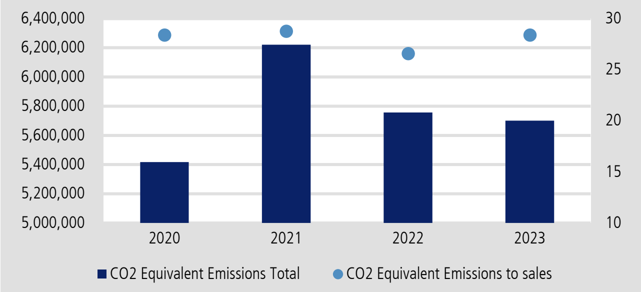
Energy use, gigajoules (LHS); use ratio, percent (RHS)



Source: Refinitiv; Company data

Figure 18: CO2 equivalent emissions

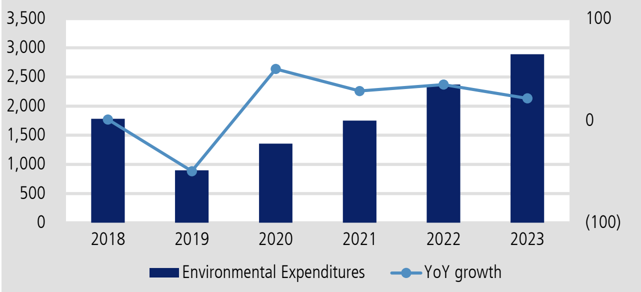
CO2 equivalent emissions, mt (LHS); emissions to revenue, mt/ US$mn



Source: Refinitiv; Company data

Figure 19: Environmental expenditures

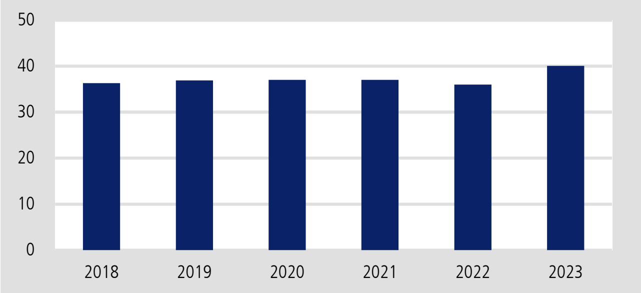
Environmental expenditures, NT$mn (LHS); YoY growth rate, percent (RHS)



Source: Refinitiv; Company data

Figure 20: Gender diversification

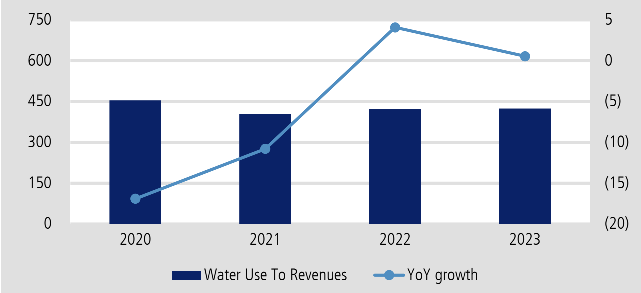
Female employees, percent



Source: Refinitiv; Company data

Figure 21: Water use to revenue

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



Source: Refinitiv; Company data

ESG chart definition

Item	Definition	Remarks
Energy use	Total direct and indirect energy consumption in gigajoules. - 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	Total primary renewable energy purchased in gigajoules. - 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	Direct CO2 and CO2 equivalent emissions in metric tons. - 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	Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT$mn) - 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	Total amount of waste produced in metric tons. - 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	The waste recycling ratio as reported by the company. - 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	Total water withdrawal in cubic meters. - 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	Total amount of environmental expenditures. - 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	Percentage of employee turnover. - 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	Percentage of women managers. - 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	Percentage of women employees. - 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	Total training hours performed by all employees. - 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-25A	**Jun-25A**	**Sep-25A**	**Dec-25A**	**Mar-26A**	**Jun-26F**	**Sep-26F**	**Dec-26F**	**Dec-25A**	**Dec-26F**	**Dec-27F**
Income statement (NT$mn)											
Revenue	**1,644,316**	**1,793,468**	**2,058,949**	**2,606,372**	**2,119,533**	**2,513,270**	**2,814,863**	**3,518,579**	**8,103,105**	**10,966,245**	**13,949,335**
Cost of goods sold	(1,543,767)	(1,679,939)	(1,928,192)	(2,453,045)	(1,988,553)	(2,358,704)	(2,648,786)	(3,318,020)	(7,604,944)	(10,314,063)	(13,159,895)
Gross profit	**100,548**	**113,529**	**130,757**	**153,327**	**130,981**	**154,566**	**166,077**	**200,559**	**498,161**	**652,183**	**789,440**
Operating expenses	(54,048)	(56,933)	(60,220)	(67,736)	(55,332)	(61,575)	(67,557)	(77,409)	(238,938)	(261,872)	(320,792)
Operating profit	**46,500**	**56,596**	**70,536**	**85,591**	**75,649**	**92,991**	**98,520**	**123,150**	**259,223**	**390,310**	**468,648**
Depreciation of fixed assets	(22,620)	(22,562)	(24,079)	(24,936)	(25,883)	(26,111)	(26,111)	(26,340)	(94,198)	(104,446)	(127,295)
Amortisation of intangible assets	(902)	(922)	(872)	(859)	(917)	(929)	(929)	(941)	(3,555)	(3,716)	(3,581)
EBITDA	**70,021**	**80,081**	**95,488**	**111,386**	**102,449**	**120,032**	**125,561**	**150,431**	**356,976**	**498,472**	**599,524**
Interest income	8,131	7,652	7,118	8,109	7,842	7,406	7,406	6,970	31,010	29,625	26,924
Investment income	6,498	1,983	5,665	3,530	844	500	650	1,006	17,676	3,000	5,000
Other non-op income	5,525	7,644	13,348	3,543	1,459	5,000	6,000	7,541	30,059	20,000	15,000
Non-operating income	**20,153**	**17,278**	**26,131**	**15,182**	**10,146**	**12,906**	**14,056**	**15,517**	**78,744**	**52,625**	**46,924**
Interest expense	(7,533)	(8,725)	(9,774)	(12,065)	(11,031)	(11,391)	(11,391)	(11,752)	(38,096)	(45,565)	(44,742)
Investment loss	-	-	-	-	(2,544)	(200)	(200)	(56)	-	(3,000)	(2,300)
Other non-op expenses	-	-	-	(6,426)	1,812	(1,250)	(1,250)	(4,312)	(6,426)	(5,000)	(3,500)
Non-operating expenses	**(7,533)**	**(8,725)**	**(9,774)**	**(18,491)**	**(11,763)**	**(12,841)**	**(12,841)**	**(16,119)**	**(44,523)**	**(53,565)**	**(50,542)**
Pre-tax profit	**59,120**	**65,149**	**86,893**	**82,282**	**74,031**	**93,056**	**99,735**	**122,548**	**293,445**	**389,371**	**465,030**
Current taxation	(13,287)	(15,613)	(20,863)	(28,648)	(17,075)	(23,264)	(24,934)	(32,070)	(78,410)	(97,343)	(116,257)
Minorities	(3,726)	(5,176)	(8,358)	(8,421)	(7,037)	(7,910)	(7,979)	(8,075)	(25,681)	(31,000)	(33,000)
Normalised net profit	**42,108**	**44,361**	**57,673**	**45,212**	**49,919**	**61,882**	**66,823**	**82,404**	**189,354**	**261,028**	**315,772**
Extraordinary items	(0)	(0)	0	(0)	0	-	-	(0)	-	-	-
Net profit	**42,108**	**44,361**	**57,673**	**45,212**	**49,919**	**61,882**	**66,823**	**82,404**	**189,354**	**261,028**	**315,772**
EPS (NT$)	3.03	3.19	4.15	3.23	3.56	4.42	4.77	5.88	13.61	18.69	22.61
Margins (%)											
Gross profit margin	6.1	6.3	6.4	5.9	6.2	6.1	5.9	5.7	6.1	5.9	5.7
Operating margin	2.8	3.2	3.4	3.3	3.6	3.7	3.5	3.5	3.2	3.6	3.4
EBITDA margin	4.3	4.5	4.6	4.3	4.8	4.8	4.5	4.3	4.4	4.5	4.3
Pretax profit margin	3.6	3.6	4.2	3.2	3.5	3.7	3.5	3.5	3.6	3.6	3.3
Net profit margin	2.6	2.5	2.8	1.7	2.4	2.5	2.4	2.3	2.3	2.4	2.3
Sequential growth (%)											
Revenue growth	(22.8)	9.1	14.8	26.6	(18.7)	18.6	12.0	25.0			
Gross profit growth	(23.3)	12.9	15.2	17.3	(14.6)	18.0	7.4	20.8			
Operating profit growth	(27.9)	21.7	24.6	21.3	(11.6)	22.9	5.9	25.0			
EBITDA growth	(23.0)	14.4	19.2	16.6	(8.0)	17.2	4.6	19.8			
Pretax profit growth	(6.6)	10.2	33.4	(5.3)	(10.0)	25.7	7.2	22.9			
Net profit growth	(9.1)	5.3	30.0	(21.6)	10.4	24.0	8.0	23.3			
YoY growth (%)											
Revenue growth	24.2	15.7	11.0	22.3	28.9	40.1	36.7	35.0	18.1	35.3	27.2
Gross profit growth	20.2	14.1	14.0	17.0	30.3	36.1	27.0	30.8	16.1	30.9	21.0
Operating profit growth	26.5	26.9	28.8	32.7	62.7	64.3	39.7	43.9	29.2	50.6	20.1
EBITDA growth	22.8	24.9	25.0	22.4	46.3	49.9	31.5	35.1	23.7	39.6	20.3
Pretax profit growth	81.9	34.6	28.4	30.0	25.2	42.8	14.8	48.9	38.5	32.7	19.4
Net profit growth	91.3	26.6	16.9	(2.4)	18.6	39.5	15.9	82.3	24.0	37.9	21.0

Source: Company data; KGI Research estimates

Balance sheet

NT$mn	Dec-23A	Dec-24A	Dec-25A	Dec-26F	Dec-27F
Total assets	**3,939,789**	**4,394,500**	**5,104,672**	**5,728,640**	**6,398,528**
Current assets	**3,035,966**	**3,375,765**	**3,961,827**	**4,466,189**	**5,065,290**
Cash & ST securities	1,350,230	1,315,992	1,596,804	1,293,486	1,047,726
Inventory	730,765	835,016	1,095,574	1,485,852	1,895,825
Accounts receivable	872,270	1,141,418	1,181,307	1,598,709	2,033,597
Other current assets	82,700	83,338	88,143	88,143	88,143
Non-current assets	**903,823**	**1,018,734**	**1,142,845**	**1,262,450**	**1,333,238**
LT investments	393,134	406,269	447,044	445,204	443,287
Net fixed assets	393,967	468,838	543,393	664,839	737,544
Other assets	116,722	143,628	152,407	152,407	152,407
Total liabilities	**2,253,545**	**2,542,911**	**3,133,909**	**3,604,985**	**4,094,418**
Current liabilities	**1,909,335**	**2,174,818**	**2,710,849**	**3,244,366**	**3,711,153**
Accounts payable	893,119	1,133,052	1,331,933	1,806,409	2,304,829
Interest bearing ST liabilities	648,993	642,783	940,441	961,278	900,464
Other current liabilities	367,222	398,982	438,475	476,679	505,860
Non-current liabilities	**344,211**	**368,094**	**423,060**	**360,618**	**383,265**
Long-term debt	271,625	287,793	306,086	243,644	266,290
Other L-T liabilities	55,874	56,380	86,234	86,234	86,234
Total equity	**1,686,244**	**1,851,588**	**1,970,763**	**2,123,655**	**2,304,111**
Share capital	138,630	138,907	139,642	139,642	139,642
Retained earnings reserve	987,704	1,024,330	1,187,661	1,309,553	1,457,008
Minority interests	193,135	206,386	197,992	228,992	261,992
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-23A	Dec-24A	Dec-25A	Dec-26F	Dec-27F
Growth					
Revenue growth	(7.0%)	11.3%	18.1%	35.3%	27.2%
Operating profit growth	(4.2%)	20.5%	29.2%	50.6%	20.1%
EBITDA growth	0.3%	15.0%	23.7%	39.6%	20.3%
Net profit growth	0.4%	7.5%	24.0%	37.9%	21.0%
EPS growth	0.4%	7.4%	23.7%	37.3%	21.0%
Profitability					
Gross profit margin	6.3%	6.3%	6.1%	5.9%	5.7%
Operating margin	2.7%	2.9%	3.2%	3.6%	3.4%
EBITDA margin	4.1%	4.2%	4.4%	4.5%	4.3%
Net profit margin	2.3%	2.2%	2.3%	2.4%	2.3%
Return on average assets	3.5%	3.7%	4.0%	4.8%	5.2%
Return on average equity	9.7%	9.7%	11.1%	14.2%	16.0%
Stability					
Gross debt to equity	54.6%	50.3%	63.3%	56.7%	50.6%
Net debt to equity	Net cash	Net cash	11.7%	23.2%	30.4%
Interest coverage (x)	3.9	6.8	8.7	9.5	11.4
Interest & ST debt coverage (x)	0.2	0.2	0.2	0.3	0.3
Cash flow interest coverage(x)	6.8	4.5	6.0	0.8	2.2
Cash flow/int. & ST debt (x)	0.6	0.2	0.2	0.0	0.1
Current ratio (x)	1.6	1.6	1.5	1.4	1.4
Quick ratio (x)	1.2	1.2	1.1	0.9	0.9
Net debt (NT$mn)	(277,044)	(6,533)	230,087	491,799	699,391
Per share data					
EPS (NT$)	10.25	11.01	13.61	18.69	22.61
CFPS (NT$)	32.14	11.97	16.31	2.58	6.98
BVPS (NT$)	107.70	118.44	126.95	135.68	146.24
Adj BVPS (NT$)	107.72	118.58	127.42	135.68	146.24
SPS (NT$)	444.56	494.43	582.42	785.31	998.93
EBITDA/share (NT$)	18.10	20.79	25.66	35.70	42.93
Cash DPS (NT$)	5.40	5.80	7.20	9.96	12.05
Activity					
Sales / avg assets	1.53	1.65	1.71	2.02	2.30
Days receivable	51.7	60.9	53.2	53.2	53.2
Days inventory	46.2	47.5	52.6	52.6	52.6
Days payable	56.5	64.5	63.9	63.9	63.9
Cash cycle	41.4	43.9	41.9	41.9	41.9

Source: Company data; KGI Research estimates

Profit & loss

NT$mn	Dec-23A	Dec-24A	Dec-25A	Dec-26F	Dec-27F
Revenue	**6,162,221**	**6,859,615**	**8,103,105**	**10,966,245**	**13,949,335**
Cost of goods sold	(5,774,274)	(6,430,670)	(7,604,944)	(10,314,063)	(13,159,895)
Gross profit	**387,947**	**428,946**	**498,161**	**652,183**	**789,440**
Operating expenses	(221,419)	(228,339)	(238,938)	(261,872)	(320,792)
Operating profit	**166,528**	**200,607**	**259,223**	**390,310**	**468,648**
Non-operating income	**114,525**	**69,767**	**78,744**	**52,625**	**46,924**
Interest income	81,700	45,577	31,010	29,625	26,924
Investment income	5,222	6,506	17,676	3,000	5,000
Other non-op income	27,603	17,684	30,059	20,000	15,000
Non-operating expenses	**(88,829)**	**(58,499)**	**(44,523)**	**(53,565)**	**(50,542)**
Interest expense	(65,543)	(36,795)	(38,096)	(45,565)	(44,742)
Investment loss	(18,952)	(12,183)	-	(3,000)	(2,300)
Other non-op expenses	(4,334)	(9,521)	(6,426)	(5,000)	(3,500)
Pre-tax profit	**192,224**	**211,875**	**293,445**	**389,371**	**465,030**
Current taxation	(37,435)	(40,196)	(78,410)	(97,343)	(116,257)
Minorities	(12,691)	(18,974)	(25,681)	(31,000)	(33,000)
Extraordinary items	-	0	(0)	-	-
Net profit	**142,098**	**152,705**	**189,354**	**261,028**	**315,772**
EBITDA	**250,934**	**288,489**	**356,976**	**498,472**	**599,524**
EPS (NT$)	10.25	11.01	13.61	18.69	22.61

Cash flow

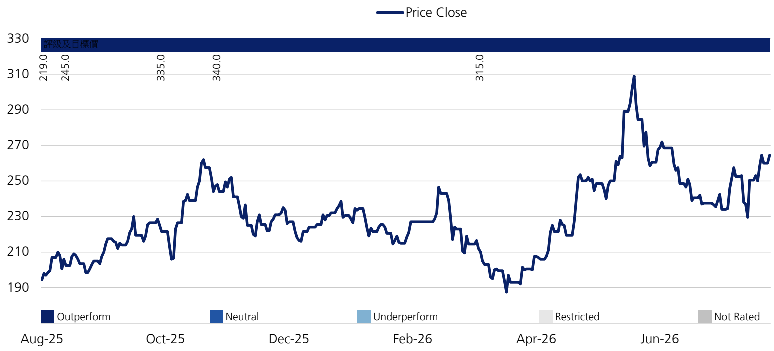
NT$mn	Dec-23A	Dec-24A	Dec-25A	Dec-26F	Dec-27F
Operations cash flow	**445,553**	**166,029**	**226,852**	**35,987**	**97,508**
Net profit	142,098	152,705	189,354	261,028	315,772
Depreciation & amortisation	84,406	87,882	97,753	108,162	130,876
Decrease in working capital	247,995	(105,479)	(105,743)	(333,203)	(346,441)
Other operating cash flow	(28,946)	30,921	45,489	-	(2,700)
Investing cash flow	**(137,874)**	**(300,046)**	**(304,689)**	**(227,768)**	**(198,964)**
Sale of ST investment	(132,622)	(215,737)	(196,423)	-	-
New investments	23,845	(3,713)	7,394	1,840	4,617
Capital expenditure	(111,745)	(136,339)	(173,763)	(225,892)	(200,000)
Others investing cashflow	82,647	55,743	58,103	(3,716)	(3,581)
Free cash flow	**349,020**	**5,021**	**4,648**	**(161,917)**	**(67,660)**
Financing cash flow	**(160,638)**	**(164,072)**	**169,947**	**(111,537)**	**(144,304)**
Increase in short term debt	(74,237)	(25,783)	295,646	(40,000)	(40,000)
Increase in long term loans	27,361	(8,480)	5,270	(1,605)	1,832
New ordinary shares issued	4,805	-	-		
Ordinary dividends paid	(80,722)	(83,134)	(106,731)	(100,932)	(139,136)
Other financing cashflow	(37,845)	(46,675)	(24,238)	31,000	33,000
Forex effects	**(11,704)**	**37,534**	**(12,778)**		
Total cash generated	**135,336**	**(260,555)**	**79,332**	**(303,318)**	**(245,760)**

ROIC

	Dec-23A	Dec-24A	Dec-25A	Dec-26F	Dec-27F
1 - COGS/revenue					
- Operating exp./revenue	3.6%	3.3%	2.9%	2.4%	2.3%
= Operating margin	**2.7%**	**2.9%**	**3.2%**	**3.6%**	**3.4%**
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	**7.4**	**6.7**	**7.0**	**6.9**	**7.1**
Operating margin	2.7%	2.9%	3.2%	3.6%	3.4%
x Capital turnover	7.4	6.7	7.0	6.9	7.1
x (1 - tax rate)	80.5%	81.0%	73.3%	75.0%	75.0%
= After-tax ROIC	**16.1%**	**16.0%**	**16.4%**	**18.6%**	**17.9%**

Source: Company data; KGI Research estimates

Hon Hai Precision – Recommendation & target price history



Date	Rating	Target	Price
2026-05-26	Outperform	315.0	259.0
2026-03-17	Outperform	315.0	212.0
2025-11-22	Outperform	340.0	225.0
2025-11-13	Outperform	340.0	252.0
2025-11-05	Outperform	340.0	247.0
2025-10-08	Outperform	335.0	225.0
2025-08-21	Outperform	245.0	206.0
2025-06-27	Outperform	219.0	165.0
2025-05-15	Outperform	205.0	159.5
2025-04-21	Outperform	190.0	136.5

Source: TEJ; KGI Research

KGI Locations

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